

School of Management

BLEKINGE INSTITUTE OF TECHNOLOGY

**MEASURING PERCEIVED ORGANIZATIONAL SUPPORT
IN A CULTURALLY AND CONTRACTUALLY DIVERSE
ORGANIZATION**

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Abstract

Subcontracting is an option available to modern organizations that aim to enhance their competitive position via the use of externally employed resources. While organizations try to become more productive and cost efficient in their outsourcing efforts the question of a possible impact of cultural and employment differences on organizational support, employee commitment and subsequently organizational performance remain suitable.

This thesis investigates the impact of cultural distance and subcontractor distance on perceived organizational support. Perceived organizational support is considered amongst the key factors in the social exchange between employees and their employer and directly impacts employee commitment, attitudes and organizational performance. This research investigates how organizational supports provided by an engineering company in Denmark and its vendor are perceived by the two groups of culturally and contractually diverse employees. Both sets of employees were surveyed and the results were compared against stated hypotheses.

Data for this research was collected through a questionnaire survey from a sample of subcontracted foreign employees and host employees. Several semi structured interviews were also conducted with the host organization employees and subcontracted foreign employees in order to ensure a quality verification of the data received from the survey.

The findings of the study suggest that there is no direct link between perceived organizational support and cultural distance as the results of the subcontracted foreign employees are equivalent to those received from their Danish counterparts. Surprisingly, perceived organizational support of subcontracted employees rated higher towards the host organization than towards the vendor organization, their immediate employer. The current research provides supporting evidence that subcontracted foreign employees have dual commitment to both organizations, with higher level of commitment to the host organization. The proposed hypotheses were not confirmed. The results suggest that cultural distance has no significant impact on perceived organizational support for both the host and vendor organization employees.

The study extends our understanding of organizational commitment that organizations can obtain from their contingent employees and the empirical findings provide us with a better understanding of the methods that can be used to achieve organizational goals.

In summary, although organizations have to be mindful of possible challenges that outsourcing arrangements may bring due to cultural and contractual differences, there is no direct evidence of cultural distance impacting on employee attitude and commitment in this scenario. Organizational support provided by organizations will be perceived and appreciated regardless of cultural differences and employment status of its permanent and contingent employees.

Keywords: Cultural Distance, Subcontracting, Perceived Organizational Support

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Chapter 1

Introduction

In the global business environment, the makeup of organizations is changing. Traditionally organizations provided organizational supports to a single cohort of comparable employees. However in a more globalized world, organizations must look beyond what has been reasonable in the past and apply their organizational supports to employees from different cultures with different forms of employment contracts.

Organizations use organizational supports such as HR policies, procedures and benefits (for example health insurance, bonuses) to engage their workforce and to develop employee commitment and a positive employee attitude. Given the potential impact of commitment and attitude on organizational performance, the team and the customer, getting these supports right is essential [35,36]. Where there is a divergence in employee attitude and commitment, once understood, management can work towards improving this through organizational supports. ‘Improvements in employee attitude led to improvements in job-relevant behavior; this, in turn, increased customer satisfaction and an improvement in revenue growth [35].’

This paper looks at the importance of these organizational supports and how dimensions of cultural distance and contract distance interplay with the employee’s perceived organizational support (POS). Organizations must consider the impact of having a mix of cultures and contracts and find ways to effectively manage these towards high performance. POS impacts greatly on the employment relationship and directly impacts on things such as employee commitment, performance, effectiveness and attitude. Organizations must determine how such supports should be made available to the different groups to achieve a positive employee attitude and employment relationship which supports the delivery of organizational goals.

This paper focuses on a Danish organization and the complexity it faces having two culturally diverse groups who have additional diversity in terms of how they

are employed by the organization. In an effort to become more cost competitive and flexible, the organization introduced subcontracted foreign employees to perform and complete routine peripheral work. These subcontracted employees are from India where their culture is very different to the Danish culture. They are employed through an Indian subcontracting engineering firm (the vendor organization) and are based on the Danish site. This paper intends to look at how the perceived organizational supports offered by the Danish organization and the vendor organization are perceived by the two groups of culturally and contractually diverse employees.

This study will consider the views of the employees impacted — both resident and culturally and contractually different vendor employees — and from here provide recommendations to allow for optimal business and employee performance. This study is based on organizational support that the subcontracted foreign employee (SFE) perceives, while working at this workplace. Our research question:

“Does ‘Cultural Distance’ matter in the perceived organizational support noted between the SFE and either the host and vendor company?”,

is intended to measure the effects of culture and contract status on perceived organizational support.

Introduction to the Case Organization

This chapter will provide the reader with the organizational context of this study. This information was sourced from internal organizational documents.

The Danish organization is a leader in green technology. The name of the host organization will remain confidential to protect the anonymity of the respondents. The organization has circa 350 highly skilled engineering employees at this location and consists of a majority of directly employed homogenous Danish employees and a minority of subcontracted Indian employees.

In 2007, during the global economic downturn, management decided to outsource some routine non-core activities to a specialized Indian subcontracting firm. By engaging this firm, the organization was able to leverage these resources and build a more flexible workforce to support a fluctuating demand. This move was predicated on current business sense and the organization expects to see the benefits on their balance sheet.

Non-core competency work was outsourced [3, 32]. This work is structured and repetitious with a variable demand throughout the year. Although, this subcontracted work could be outsourced abroad, the organization decided to retain the

work in Denmark as certain aspects of the work required close proximity to the organization's employees and specialized equipment.

The Indian subcontracting firm sourced approximately twenty Indian engineers and moved them to Denmark. These new employees remain employees of the Indian subcontracting firm however are directed towards their tasks and work by resident Danish employees. This new group of employees was absorbed into the Danish organization with minimal support from both the Danish and Indian organizations to aid their transition into this new environment.

1.1 Problem Discussion

POS noted by an employee can be affected by many factors, including the management style and organizational supports. Prior to outsourcing at the host company, these tools were used on a traditional body of employees. The organization now consists of its core 'traditional' permanent employees and temporary subcontracted foreign employees and these tools may not translate well to the new group of culturally and contractually diverse employees. Given these differences, managers need to be cognizant of how these differences may impact on the employee performance and behavior, how the groups respond to control and direction, how to manage different groups to achieve optimal performance, and how to engage and inspire the group to work hard towards the same organizational goals.

- The *dimensions of cultural distance* are defined as the background of the employees, and in large part, is defined by their country of origin [17]. For the resident employee, this distance is zero; as the employee is from the same country of origin as the host company. For the SFE, this can no longer be assumed, as the SFE can be extensively removed from his/her host country, culture and customs.
- The *contract of employment* underpins the relationship the organization has with its direct employees. Where subcontractors are engaged, managers can no longer rely of this direct contractual relationship. This is instead facilitated through a vendor organization's terms of engagement. In this study we refer to *contract status* to capture if the employee is a direct hire, or subcontracted.

By ensuring POS is maximized, positive employee attitude can be sought to optimize organizational performance indicators such as contract retention, and financial performance [35]. Where a unit's employees share positive attitudes, this

creates unit norms of cooperation and collaboration which results in enhanced productivity. In the case of this company, the unit group comprises of two distinct groups of employees and this suggests where a positive attitude can be shared within the group, the performance of the organization will be positively impacted.

Cultural backgrounds of employees underpin their work related attitudes and bring different expectations as to the behavior of their managers and employers. In 1991, Hofstede published that the employee's work related values and attitude varies greatly across cultures. He found that employees and managers; across cultures; values and attitudes vary on these primary cultural dimensions: individualism/collectivism, power distance, uncertainty avoidance, masculinity/femininity, long-term orientation [17]. This variance is derived from their national culture and the norms and behavior within that culture. 'People from different countries see, interpret, and evaluate events differently, and consequently act upon them differently [1, p.55].' Organizations need to give consideration to the differences between the employee's cultures and to identify ways to leverage these differences that will impact positively on the employee attitude and behavior. Organizations can take steps to socialize all employees, both permanent and temporary and provide cultural training to aid their transition into and integration within an organization.

It has been mentioned that temporary workers may feel alienated because of the temporary nature of their contract status [18,38,45]. However in situations where the temporary subcontracted employees are seen as a strategic resource, 'organizations must develop policies on staffing, orientation, socialization, training and development, career paths, and rewards if they want to attract, retain, and motivate temporary employees [42].' All of which can positively impact on employee attitude [38,41]. It was also found that new employee development practices such as new employee socialization help with the new employee adjustment. 'Temporary employees who are well adjusted to the organization's environment may have more positive work-related attitudes [38].' Such favorable treatment shows a level of respect and consideration for the temporary employees and shall be 'reciprocated in the form of positive attitudes and work-directed effort [6].'

In our research, we have found multiple studies on POS and the subcontracted worker and the impact of this on organizational performance. We have also sourced multiple studies on POS and cultural distance and its impact on organizational performance. We believe that the existence of both of these factors add an increased level of complexity and wish to understand if these factors are independent or whether when combined impact on performance. While the resident employees and SFE may share the same physical space, their relationship and culture differ greatly.

There are alternatives to subcontracting, including topics such as the method vendor selection, the economic costs associated with the dimensions of cultural distance and contract of employment. These topics are outside the scope of this study.

1.2 Research Objectives

The primary objective of this research is to provide an insight into the impact of the combination of culture distance and employee contract status on POS and to identify approaches to address these differences more effectively.

This insight can help the host organization to consider the implications of these differences and provide organizational supports to reduce these differences to help lead to happier, more committed and cohesive workforce. The commentary from the Indian workers may also guide the organization as to how to support them to lever their skills across a broader range of value add activities.

This insight will also be useful for the employees involved. This increased awareness of varying attitudes will help them to be more understanding of the differences, empathize more with the other person's situation and be more patient when dealing with cultural differences. As many of the differences aren't explicit, frustrations that exist around how the other thinks or behaves may be eroded by this awareness.

This study will provide a useful and meaningful insight into the differentiating factors that exist between the two groups of employees. Also, this study is an extreme single case study [46, p.47] which focuses on a relatively unexplored issue: can there be differences of POS towards the host company and vendor company. In this end, the two tested hypotheses defined in Section 3 could provide different outcomes on this matter. The results will contribute to a better understanding of the differences and provide further recommendations while taking in consideration existing benefits and challenges of organizational supports and outsourcing.

It is hoped that the research will be of use for both the organization and its permanent and contingency staff and will assist in deepening their knowledge of underlying differences between the two sets of employees in order to achieve a better understanding and cooperation. This may subsequently require the introduction of relevant changes to organizational policies such as the adoption of cross cultural training, knowledge management and knowledge transfer practices, etc.

Lastly, the work will provide suggestions for future research on the subject that could be further elaborated and studied.

1.3 Contribution

In our research of related material, we sourced a wide range of material on the two variables – sub contracting and cultural differences. However we failed to source research that had considered these variables combined and its impact on POS.

This study aims to layer these two variables and to determine if they are independent of each other when considered against POS. Through this research, we aim to go some-way to filling this gap, all be it specific to one organization in Denmark where there are only two culturally and contractually diverse groups of employees.

There are other domains that could have been examined in this study including but not limited to; the managers view of the organizational supports provided and the SFE organizational citizenship behaviors [26] in this environment. By limiting the study to POS, this study is focused on where there is the most likelihood to have a difference between the two sets of employees. This is an extreme “case” case-study, and represents a test case for this situation [46, p.47]. By studying this company’s situation, this reasearch will determine if there are differences in POS, that may not be determinable at another location where either variable; contract status, or cultural distance differences are lower.

In addition, the current study addresses an existing knowledge gap on barriers between the two groups of employees that arise due to differences in culture and employment status and aims to provide an important insight on underlying factors of these attitudes. The study contributes to an enhanced knowledge about cultural and employee-sub contractor relations by identifying existing challenges, considering their implications and providing recommendations to improve the level of perceived organizational support provided by the host company.

This study may also be used as a useful guide for other Northern European companies that wish to outsource some of their functions to foreign subcontracted employees. The research will provide an important insight on the nature of employee-sub contractor relations, cultural differences and POS to consider for future organizational improvement in this area.

1.4 Definitions

This section defines some concepts as relates to this research paper which might have multiple definitions in other contexts.

Contingent Worker: These are workers who are non-permanent full time workers and may be part time or fixed term employee and may or may not be a direct employee of the organization.

Host Organization: This is the subject organization for the research paper. The company is based in Denmark; and employs the resident or host employees, and has hired the vendor company to provide additional employees as required.

Vendor Organization: The vendor organization is the host organization for the SFE and is based in India. The company specializes in providing engineering talent from its home base in India. The SFE is an employee of this vendor company. This terminology is consistent with prior studies [23, 32, 44].

Perceived Organizational Support (POS): This is the measure of organizational support as found by the respondent employee. It will be further defined in Section 2.1.

Subcontracted Foreign Employee (SFE): This is the employee working in Denmark, who is an employee of the vendor company.

Resident or Host Employee: This is the direct employee of the host company.

1.5 Structure of Thesis

The study follows an eight-chapter structural framework.

Section 1 discusses the research area of interest introduced in the problem discussion, justifies the need to address the existing knowledge gap on the impact of cultural and subcontractor distance on POS, outlines research objectives and states the suggested contribution of the study. The chapter also presents definitions of the key terms adopted.

Section 2 reviews previous literature and theory in the area of POS and how it is linked to dimensions of cultural and subcontractor distance. Despite a wide range of material available on the two variables, there is minimal literature combining these variables and their impact on POS and employee attitude. The chapter also includes an outline of various outsourcing arrangements and provides a more detailed description of the outsourcing arrangements of the case-study.

Section 3 is where the research problem is outlined and the research question is formulated.

Section 4 introduces the research methodology used in the empirical part of the study. It provides detailed information on the literature review and the approach to data collection. It also as well as depicts the scope of the research process conducted by introducing the questionnaire and measurements used. Additionally, the validity, reliability and generalizability of the research method are discussed.

Section 5 presents the research findings of this thesis and provides an analysis of a survey of host company employees and SFE.

Chapter 6 discusses results of selected interviews to provide further insight on the research findings not measured by the survey.

Section 7 discusses the major findings of the research in relation to the research question and identifies the significance of the results in the dimensions of POS, cultural distance and subcontractor distance. The findings are compared with the reviewed literature and conclusions are made.

Section 8 provides a summary of the study, addresses the research problem and answers the developed research question. It also describes the contribution and practical implications of the obtained results. The paper closes with the limitations of current research and suggests areas for further research.

Chapter 2

Previous Work and Theory

This chapter will present the literature and theory of POS and how it interacts with the dimensions of culture distance and contract distance. It also considers how POS can impact on the commitment offered by subcontracted workers. Each of these topics is considered and underpinned with detailed research and summarized below with an overview of selected areas of relevance for this case study. This study is based on POS, as it relates to cultural distance and contract distance. Outsourcing will also be captured as it underpins the three areas captured within this research and presented in the case study. This is relevant in this study, as the cultural distance does not aid to minimize the differences between the host employees and SFE, and the cultural distance may itself be an additional stressor within the employment relationship.

2.1 Perceived Organizational Support

POS refers to the degree to which employees perceive that their employer values their contribution, compensates them equitably, makes their work interesting and is concerned with their well-being. One concept of POS is based on a social exchange theory that states that employees extend their contributions and loyalty in return for the material and social rewards provided to them by the organization. POS is influenced by various aspects of the organization's treatment of the employees [11].

Organizations take steps to demonstrate their support of and commitment to the resident employees through practices such as performance appraisal, career development, training and procedural justice. Shore and Shore [37, cited by [34]] identified that human resources practices that provide recognition of employee efforts have a positive impact to POS. It has been shown that the level of POS im-

pacts on employee commitment, work attitude and effort applied to the delivery of organizational goals [11]. Further research completed by Kraimer [22] confirmed that POS is positively related to employee adjustment to a new environment and performance in their role.

The points that describe many of the positive consequences that can be attributed to a high level of POS being perceived are:

Commitment: “POS enhances commitment by fulfilling socio-emotional needs such as affiliation and emotional support,”

Job Involvement: “POS can positively influence employee’s interest in their work,”

Performance: “POS should increase performance of work related activities and those beyond given responsibilities,”

Strains: “POS could decrease general level of stress among employees at both high and low exposure to stressors [34].”

Employers and managers can attempt to control this, and can improve POS by affecting the job conditions as outlined below:

Fairness: “Repeated instances of fairness in decision making have a strong effect on POS [37, cited by [34]],”

Rewards: “Rewards strengthen POS,”

Job Security: “Guarantees of future employment for its staff provided by the organization is a strong sign of POS,”

Autonomy: “Trust given to employees performing their daily activities expressed in high autonomy should increase POS,”

Stressors: “Stressors are demands to which an employee cannot cope. If the Employee associates the stressor with the organization, this can reduce POS,”

Training: “Training communicates that investment in the employee, which should increase POS [34].”

Organizational commitment refers to an employee’s attachment to an organization [29, cited by [13]]. It was found where organizations aim to minimize the differences between their direct and contingent agency workers in the application of their HR practices, there was minimal difference in terms of commitment between the two groups of employees [40]. This approach creates a stronger bond between all employees and the organization. Organizational support theory also suggests that

the development of POS can be attributed to an employees' tendency to assign the organization human-like characteristics, and the theory states that "employees in an organization form global beliefs concerning the extent to which the organization values their contribution and cares about their well being [11]." This is relevant in this study, as the cultural distance between the host employees and SFE may itself be an additional stressor within the employment relationship.

It is suggested that employees perceive a low level of autonomy as a lack of organizational support [2]. This can leave employees feeling neglected and results in the least desirable form of commitment, continuance commitment. In this instance, employees remain in their role as they perceive the costs of leaving as too high, rather than commitment based on a desire or moral obligation to be there. SFES, based in Denmark, may feel that they lack choice to move to another organization which their commitment is more affective or normative in nature for reasons such as visas, cultural discrimination. For the SFES, in completion of their routine work, they may perceive a lack of autonomy relative to the host employees. The organization may also suffer as these two latter forms of commitment are desirable as they 'constitute significant determinants of performance and quality of life at work [2].'

The studies conducted on the connections of POS, social exchange and employee obligations suggest the existence of a socio-emotional relationship between employees and their organization, regardless of their work status, if they perceive that that the organization invests in their personal and professional development. POS is positively related to the fulfillment of obligations both by the employee and the organization. Thus, POS can be one of the main factors in social exchange and may have an indirect connection to commitment through the psychological contract processes [10, cited by [13]].

Employees tend to develop their views about the organizational valuation of their efforts by how much their supervisor values their input and are concerned about their well-being [21, cited by [34]]. Since supervisors often have a role of directing, managing and evaluating their employees' performance they act as organization's agents and are viewed as indicators of the organization's support [25, cited by [11]]. Employees often view the supervisor's treatment as a sign of the organization's favorable or unfavorable attitude towards them. And favorable treatment received from supervisors contributes to POS. The fact that their evaluations will be delivered to higher management further contributes to a stronger level of connection between the supervisor's supports and POS. In addition, Kraimer [22] states that employees who have a high quality and positive relationship with their supervisor are also more effective in completing their role.

2.2 Cultural Distance

Cultural Distance is defined ‘as the degree to which cultural values in one country are different from those in another country.’ Hofstede found that the norms, behaviors, values and attitudes vary significantly across countries based on cultural dimensions: power distance, individualism/collectivism, uncertainty avoidance, masculinity/femininity, long term orientation/short term orientation [17]. In managing this distance, managers must be cognizant of the differences to communicate, manage and motivate a multicultural team.

The results from Hofstede are shown Table 2.1. Hofstede’s results provide a means to compare factors that are country specific differences due to culture. In this table, it is noted that for each of these factors, there is high difference between Denmark and India providing for a high cultural distance compared to similar European countries such as France and Germany [17]. The cultural distance between Danish employees and Indian employees is great, particularly in terms of power distance [17].

In high power distance countries, such as India, superiors and subordinates consider bypassing to insubordination; whereas in low power distance countries, such as Denmark, employees bypass their manager regularly to compete their work [1, p.55]. The dominant values in masculine societies, such as India, are success, money and things where the dominant values in femininity societies, such as Denmark, are relationships among people, concern for others, and the quality of life [24]. Gertsen and Zølner [14] state that although Indian employees ‘expect to be led in an affectionate, but strictly hierarchical relationship, Danish leadership is likely to be a more values based, impersonal and egalitarian in the sense of down-playing power and hierarchies’. For example, the study completed by Hallin and Kockum [16] focuses on the long term orientation/short term orientation [17] differences between the two cultures in terms of their response to deadlines and how time is perceived. These differences can create challenges for both the managers and employees from the very culturally diverse countries.

This cultural distance between India and Denmark means the manner in which work is organized, the importance of titles, how project deadlines are perceived and met, the structure and process applied to work, decision making and how conflict is dealt with vary across the two populations of workers [16]. Danish organizations are based on an egalitarian democratic system, have flat organization structures, the hierarchical differences between employees in minimal, management are participative, co-operative and pragmatic and look for win-win solutions to problems [39]. The management style and mechanisms that successfully drive

Danish employees to success may not translate well to the Indian subcontractors and the approach needs to be reconsidered with the cultural differences in mind.

Danish managers and employees may hold negative stereotypes of their India's colleague's ethnicity or nationality. These stereotypes may be a result of lack of information or misinformation [27]. And likewise may apply to the Indian workers arriving to Denmark, a country and culture very different to India. To aid better interaction and integration, training for all can increase cultural sensitivity and awareness and will aid the establishment of mutual trust, understanding and support. This training will also aid the Indian subcontractor in their integration into life in Denmark [43].

Country	Power Distance	Control of Uncertainty	Individualism	Masculinity	Distance with India
India	77	40	48	56	-
Denmark	18	23	74	16	142
Germany	35	65	67	66	96
France	68	86	71	43	91

Table 2.1: Culture Distance Between Selected European Cultures and India [17]

2.3 Contract Distance

Contract distance exists between an organization's core employees and the employees sub contracted into the organization as a result of their differing employment contract arrangements. The organization's core employees, employed directly by the organization, enjoy privileges and benefits associated with being a direct employee. The benefits offered to the SFE, employed by the vendor organization, can differ and may be the minimum allowed by local legislation. This may limit the organizational support being offered to SFES. The work completed by both groups of employees may be similar, however the sub contracted employee may perceive that their treatment, benefits and organizational supports as inequitable when considered against their core employee counterparts.

Since the SFE are formally employed by the vendor organization but assigned to work at the host organization, the relationship between them, the client and the agency is triangular and this makes the nature of their relationship complex. Results of recent studies showed that both permanent employees and subcontracted employees will respond to organizational support by showing positive behaviors and attitudes such as when the employer invests in them, or when they perceive high levels of investment in their permanent colleagues [8, 9, cited from [7]]. Subcontracted employees may also commit to exchange investment and support

from the employer in return for showing commitment and increased work performance [7].

Additionally, it is suggested that subcontracted employees who perceive a high level of support from their vendor organization and perceive that the host organization invests in them, respond by increased work effort towards the client organization. These results suggest that the SFEs respond to both organizations; the host organization for investing in them and the vendor for being chosen to act as a valuable representative of the vendor company.

Where organizational policies such as training, performance management are not offered to the sub contractor employees, the organization and SFE miss out on the opportunity to develop and expand their capability which will positively impact on the host company and SFE. Core employees may be inducted into the organization and culture to help aid their transition into their new role and company. Sub contractor workers may not be afforded this opportunity. And therefore may lack organizational knowledge, may not integrate with the organization and may remain on the fringes of the organization rather than being seen as a part of it.

According to Liden et al. [26, cited by [7]], sub contractors commitment to the client company reflects their commitment to the employment agency (vendor company). It is suggested the attitudes formed towards the vendor can influence attitudes towards the host organization. With this in mind, employers should attempt to hire from employment agencies that provide high degree of POS to their contract employees.

There may be divergence in terms of commitment. Core employees commit to their single employer however sub contractors have dual commitment spread across their employer and their host employer [4]. The sub contractors may be more or less commitment than the direct employees and this can have implications for the host organizations. Also a sense of alienation and mistrust between the host organization and the sub contractor can prevent teamwork and can impact productively [18, 45].

2.4 Outsourcing of Work

In our research, we have identified the manner in which work is outsourced to vendors and have categorized it as follows:

1. Work is completed abroad: In this instance, the work is outsourced and completed in a foreign country. For example, the work is outsourced to India and completed in India by Indian workers [5, 15, 30, 44],

2. Work is coordinated in the host company's country: To support the outsourcing of work to a foreign vendor, a small "bridgehead" of staff are employed in the host country to coordinate and manage the engagement with the foreign vendor [23],
3. While not specifically outsourcing, there are also cases where the foreign staff are employed to complete the work that is based in the host company's country. They are an employee of the host organization [12].

In this research case study, the work is outsourced to a foreign vendor who retains the foreign staff as their employees and bases the employees in the host company location in Denmark. This type of outsourcing in this case was not found to be prevalent. To support this arrangement, there is also a smaller number of bridgehead staff to support the engagement between the host organization and the body of subcontracted foreign employees.

In identifying the categories above, the research cited captures many of the challenges that have occurred since it became fashionable to outsource employment to India.

Chapter 3

Research Question

This chapter will outline the research problem and show how the research question is formulated.

The research question as stated in Section 1 is predicated on looking at cultural distance and based on contract status to measure the POS in each of these situations. A model is proposed that exploits both these groupings, in this instance. Table 3.1 illustrates what is believed to be the dynamics of the situation: the resident employee has a POS provided by the host company and no cultural distance to the host organization, and the SFE has a dual commitment to both the vendor company, and host company and has a POS noted from each of these. The SFE has no cultural distance to the vendor company but has a large culture distance between him/herself and the host company culture.

From this model, and literature review, the following two hypotheses are proposed:

H.1 The perceived organizational support noted by the SFE towards the host company will be in large part lower than for a resident employee.

H.2 The perceived organizational support noted by the SFE towards the vendor will be in large part higher than the perceived organizational support noted from the host company.

Leading to this research question:

Q.1 Does “Cultural Distance” matter in the perceived organizational support noted between the SFE and either the host and vendor company?

This study focuses on the POS as felt by the two sets of employees, resident employees and SFES, that arise due to differences in culture and contract. The aim

of the research is to identify potential challenges that occur within this employee-subcontractor perspective and whether the POS noted towards either of the host and vendor company is found to be significant as a result of culture.

	Host Employee	SFE
Culture Distance to Host Company	Nil	High
Culture Distance to Vendor Company	-	Nil
Contract Status to Host Company	Direct	Subcontracted
Contract Status to Vendor Company	-	Direct
POS (Host Company)	High	Low (<i>H.1</i>)
POS (Vendor Company)	-	High (<i>H.2</i>)

Table 3.1: Perceived Organizational Support Table for both Resident Employees and SFES

Chapter 4

Method

This chapter will provide an outline of the research methodology used in this research paper and includes details of our approach to the literature review and data collection.

4.1 Introduction to Methods

This paper is underpinned by a detailed literature review in the areas of POS, cultural distance and contract distance. Information specific to the case study was sourced internally within the host organization as to the reasoning behind the decision to outsource and supporting materials in terms of the relationship between it and the vendor organization.

Semi structured interviews were held with a sample population of host organization employees and SFES during February and March 2012. These interviews gave an insight into the perspectives of both categories of employees as to the host organization. The SFES were also surveyed in terms of their perception of the vendor organization which had placed them into their roles in Denmark.

4.2 Literature Review

In completing our detailed review of the literature, we used a funnel approach. This research began with quite broad ranging topics and over time we narrowed the research to the specifics we wanted to capture within the paper.

Relevant research literature was sourced from a number of online locations including Google Scholar, EBSCOhost Business Source Premier, Wiley Online Library and Emerald Insight. Broad search terms were used such as subcontract, culture,

Indian to ensure that all relevant research was identified, reviewed and included if appropriate. Where relevant literature was referenced within an article, where possible, the original source was reviewed and included.

A search of theses completed previously on this MBA programme were also reviewed to ensure that the requirements of the research paper were being met.

4.3 Collection of Data

This study used a survey questioner to capture comparable data from the two groups of employees (SFES and host employees) being considered in this paper. A standard POS survey [11] was used and this was provided to respondents on a paper based form. To extract further more in-depth information from respondents, ad-hoc interviews were carried out. This allowed us to gather descriptive and nuanced material that reflected the respondent's perception of the situation.

Survey respondents were selected based on a purposive criterion sampling strategy [31]. Respondents shared the same workplace and were all 'white collar' engineers regardless of their country of origin or contract status. These respondents were accessible to the data collector due to the sharing of the same workspace and from previous work related interaction which is unavoidable within this shared space.

From the limited number of SFES available to survey, seven participated in the survey. This represents thirty five percent of the group of twenty. A further eight host employees were surveyed from a population of three hundred. The number surveyed was limited as the statistical analysis, described in Section 4.5, can operate on the small sample size. The response rate was 100% with all those requested to respond providing a completed survey with all questions answered.

The survey was conducted using this protocol:

1. the surveys were conducted at the workplace in a slow part of the day,
2. the potential respondent was approached, and was requested if he/she had time to participate in a 'mba' project survey,
3. the respondents were provided with a quiet location to complete the survey,
4. the respondents were asked not to provide any identifying information on the survey as it was anonymous,
5. the surveys were collected from the respondents and it was ensured that a specific survey could not be linked to any of the respondents,
6. the respondents did not receive compensation for participating.

This protocol was followed to aid a high response rate and voluntary participation. It was noted by the first two sfe respondent the question regarding “Salary Equity” was not suitable. They did not have an opinion on the host company policies on this regard. As a result of this early feedback, the “Salary Equity” question was removed from the survey.

The ad-hoc interviews were conducted in a closed meeting room, a similar protocol as used in the survey was followed.

4.4 Questionnaire and Measurements

Questions were selected from the standardized POS questionnaire [11] and were conducted on both sets of employees. As the full survey has thirty questions, which would have been impractical to execute; questions were selected from the short version of the survey with highest correlation to POS, and is consistent with the use of the survey by other practitioners [34]. While this survey is specific to POS, the responses can also have a cultural dimension. The questionnaire, shown in Table A.1 in Appendix A was administered to the subject employees. This survey is standardized. [11] This survey utilizes a Likert scale, where the respondent is asked to reply by what measure s/he agrees or disagrees with a given statement. [19] The survey respondent selects from seven choices, ranging from “Strongly Disagree” to “Strongly Agree”, with a Neutral response in the centre as illustrated in Figure 4.1. These responses are coded into numerical data based on if the respondent disagrees (1) or agrees (7) with the statement, with appropriate reverse scoring for the reverse questions. The reverse questions are denoted with an (R) and are scored to match the respondent’s POS; for example should the respondent “Strongly Disagree” with a reverse survey question, this is scored a (7) to illustrate the high POS noted by the respondent. All the survey data and results reflect this inversion. The seven point Likert scale has been used since the creation of the survey [11] and provides for the ability to compare results with other studies using this survey.

The questions to the SFE, such as: “The [organization] values my contribution to its well being” were asked twice; once for the host company, and once for the vendor company.

The raw data for the SFE survey is found in Table B.1a and the Host Employee survey results is provided in Table B.1b in Appendix B.

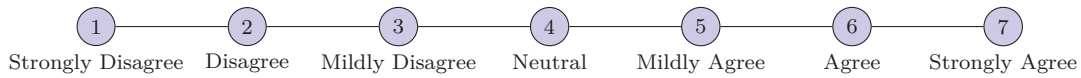


Figure 4.1: Likert Scale and scoring for survey

4.5 Unit and Level of Analysis

The data provided by the survey is on a Likert scale, shown in Figure 4.1. This scale is ordinal, and provided for the respondent’s attitude for the statement posed. Since the difference cannot be measured between if a respondent “Strongly Agrees” or “Agrees” with a statement, typical measures such as averages and standard deviations cannot be utilized. Instead, the measure of central tendency relevant to this situation is the median and range [19].

For the inferential analysis, to determine if the median of a set of responses is statistically different than each other, a Mann–Whitney–Wilcoxon test is conducted on the two data sets. This test does not assume the distribution type, and can work on small sample sizes [28]. It is related to the t-test which would be suitable if the data was provided on an interval scale [19, 20, 28].

4.6 Validity, Reliability and Generalizability

The small population represents the largest risk to the results are invalid. This is twofold; there is a limited number of SFE to sample, and there is only one company available to sample. It is unknown if there is another company that could be surveyed to contrast the results. In many ways, this situation provides an extreme case purposive sample at one company, and only provides a result for an extreme situation [46, p.47]. That said, the analysis method is suitable for the data collected and can reliably work with the small sample size; for which the SFE is representative of the population. While for the host employees this cannot be as easily justified as the sampling is much less than the population; all attempts were made to ensure random sampling within this population.

It was chosen to survey in English, as all the respondents have a high English language ability, and while the company is located in Denmark, the working language is English. It cannot be excluded that the survey questions could be misinterpreted by either set of respondents as their primary language is not English. The validity of the survey questions is less critical, as they have been extensively used in over seventy studies, and have been reviewed and tested for suitability [34].

The written survey does provide an advantage to some respondents versus an interview method where the respondent may not be comfortable in responding

negatively. The immediate feedback of the SFE respondents that “Salary Equity” question was not suitable question suggests a level of comfort with the process.

While the written survey provides an advantage, ad hoc interviews were conducted with the two groups of respondents to provide a quality verification of the survey data. While the interviews can be less reliable due to bias; it can also provide insight that the written survey cannot [46, p.102].

The result may be influenced by internal or external events outside the scope of this study. While there were no material events that are believed that could have occurred during the survey process in February 2012–March2012; this possibility cannot be excluded.

Chapter 5

Results of the Survey Study

The preceding subsections will explore the descriptive and inferential results as they relate to the SFE specific results and host employee results. This will be followed by the statistical testing of the two hypothesis, *H.1* and *H.2*.

SFE Specific Analysis

For the SFE, the responses to the survey questions utilized the full range of the Likert scale, from “Strongly Disagree” to “Strongly Agree”, and demonstrates the variety of attitudes presented. The histogram of the complete responses is provided for the host company in Figure 5.1a and for the vendor company in Figure 5.1b. Figure 5.1a illustrates the distribution of the responses of the SFE to host company to the survey questions — where most of the responses fell between “Mildly Agree,” having 13 responses, the median “Agree” with 23 responses, and “Strongly Agree” with 8 responses. For the SFE responses to the vendor company, illustrated in Figure 5.1b, the distribution of responses is reflective of the lower median POS noted by the SFE, where the bulk of the responses are centered around the median of “Mildly Agree,” with 16 responses, “Agree” with 18 responses, and “Neutral” with 6 responses. Also notable are the “Mildly Disagree” rank having 8 responses; being greater than the “Neutral” count.

The median of the results was utilized to deduce the group’s attitude. The median was calculated for each question and the complete survey, and it ranged between “Neutral” (4) to “Strongly Agreed (7).” The SFE respondents by way of the survey felt moderate to positive POS from both the host company and vendor company. Table 5.1 provides the median for each question and for the complete survey.

The number of negative responses, scoring less than 4 or “Neutral” is also indicative of the POS as noted by the respondents. In relation to the host company, only five responses from forty-nine (8.9%) were scored at a rank of less than 4 or “Neutral.”

	SFE to host company		SFE to vendor company		Host employee to host company	
	Median	Range	Median	Range	Median	Range
Values Contribution	7	2	5	2	6	3
Salary Equity	-	-	5	3	4	3
Not Exploitative	5	2	5	3	5	5
Values Opinions	6	2	5	4	5	3
Values Goals	6	3	6	3	5	3
Help Available	6	2	6	6	6	4
Shows Concern	5	5	6	4	6	4
Shows Forgiveness	5	3	4	4	6	4
Engaging Work	5	4	4	3	6	6
<i>Complete</i>	6	5	5	6	5	6

Table 5.1: Descriptive Statistical Results

For the vendor company, there were more negative responses (twelve out of fifty-six), this accounts for 19% of all responses. The low number of negative responses, coupled with the main distribution of scores within the “Neutral” to “Strongly Agreed” is indicative that the respondents overall POS is within this range.

Host Employee Specific Analysis

The survey responses also utilized the full range of the Likert scale, and this is a similar situation as the SFE respondents, where there is a variety of attitudes present. A histogram is provided by Figure 5.1c. The responses are again centred on the median of “Mildly Agree,” with 12 responses, although the “Agree” has a higher count of 26 and the “Neutral” response also has a higher count of 13. The “Strongly Agree” response rate was low at only 8 responses.

The median of the responses to the specific questions ranged from “Neutral” to “Agree”, the results are provided in Table 5.1. There was an equivalent range of answers provided. The host employees also felt a moderate to positive POS from the host company.

The number of negative responses, scoring less than 4 or “Neutral” was also reasonable. A total of 13 responses were negative, for a total of 19% of the complete responses.

H.1 Specific Analysis

This section will describe if the hypothesis *H.1* is found to be relevant and the null hypothesis can be rejected. For *H.1* to be relevant, the median score of the host employee responses should be at least two ranks higher than the responses

of the SFE to host company responses. This limit is arbitrary, and is indicative of the language of the hypothesis, “*large part higher.*” The data “Host Company” found in Table 5.1 are the median compared based on if the respondent is a host company employee or SFE.

By inspection, answers to specific questions indicate that the median of the responses are in fact higher for the SFE than to the host employee. To infer greater detail, a rank sum type test, the Mann–Whitney–Wilcoxon test was conducted for the SFE to host employee paired questions to determine if the medians vendor company response median was different, as required by the *H.1*. This analysis is shown on Table 5.2a. On individual questions the medians could not be found to be equal from the result of this test, $p < 0.05$, $n = 7$. The medians of the complete survey were also compared, comparing the SFE aggregate median score of “Agreed” of the POS related to the host employee to the aggregate median of “Mildly Agreed” to the vendor company. This comparison was not found to be significant to $p < 0.05$, $n = 48$, one-tail, using this ranksum method.

From these results, *H.1* is not found to be relevant, the null hypothesis cannot be rejected as the SFE responses could be found to be equal to the host employee responses.

***H.2* Specific Analysis**

This section will describe if the hypothesis *H.2* is found to be relevant and the null hypothesis can be rejected. For *H.2* to be relevant, the median score of the host responses should be at least two ranks lower than the responses of the vendor company questions. This limit is also indicative of the language of the hypothesis, “*large part higher.*” The data found in Table 5.1 are the median of the questions regarding POS, where the ranking of the questions provided by the respondent illustrates their POS from either the Host Company or Vendor Company.

By inspection, answers to specific questions indicate that the median of the responses are in fact higher for the host company than to the vendor company. To infer greater detail, a ranking type test, the Mann–Whitney–Wilcoxon test was conducted for the SFE paired questions to determine if the medians vendor company response median was different than host company response medians, as required by the *H.2*. This analysis is shown on Table 5.2b. On individual questions the medians could be found to be equal from the result of this test, $p > 0.05$, $n = 7$. The medians of the complete survey were also compared, comparing the SFE aggregate median score of “Agreed” of the pos related to the host company to the aggregate median of “Mildly Agreed” to the vendor company. This comparison

was found to be significant to $p < 0.05$, $n = 48$, one-tail, using a ranksum statistical method.

From these results, *H.2* is not found to be relevant, since the null hypothesis cannot be rejected, as the host company scored higher than the vendor company.

5.1 Validation of SFE data

A graphical analysis was performed to validate the data and to visualize if there were any correlations between the specific SFE respondents to the paired questions, and provide a quality check on the SFE respondent data. It was also a check to determine if the low POS respondent to the vendor company also ranked the host company lower. While this method lacks statistical certainty, it presents a picture of the broad trend in the data. The correlation graph is presented in Figure C.1 in Appendix C. In general, the POS score from the individual respondents to either the host company or vendor company is positive and related, where most of the responses are clustered near the paired POS score of “Agree, Agree”

The same analysis cannot be accomplished on the host employee survey results as there is no pairing to exploit.

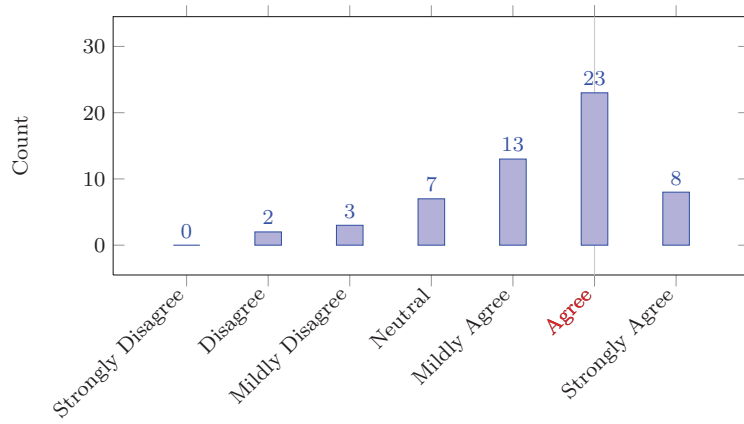
	Median of Host Employee Respondant greater than median of SFE respondant towards host company?	p (one tail) (Rank Sum)	Different Medians? (p < 0.05)
Values Contribution	No	0.1112	No
Salary Equity	-	-	-
Not Exploitative	No	0.4325	No
Values Opinions	No	0.0119	Yes
Values Goals	No	0.0594	No
Help Available	Yes	0.2090	No
Shows Concern	Yes	0.2266	No
Shows Forgiveness	Yes	0.0918	No
Engaging Work	No	0.4522	No
<i>Complete</i>	No	0.0869	No

(a) Inferential Statistics from survey, SFE to Host Employee

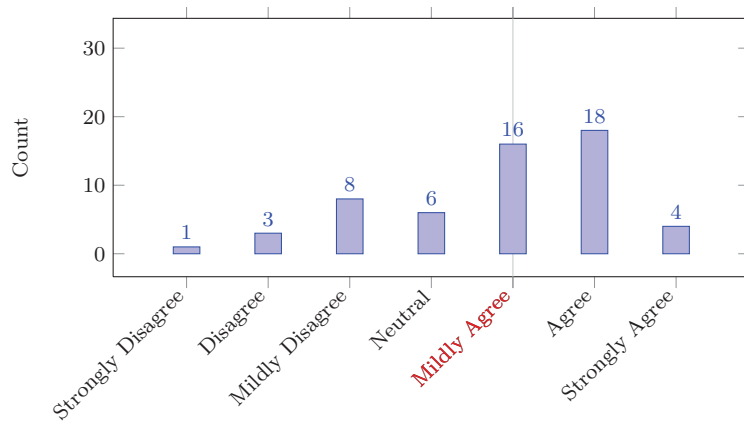
	SFE to host company median greater than SFE to vendor company median?	p (one tail) (Rank Sum)	Different Medians? (p < 0.05)
Values Contribution	Yes	0.1378	No
Salary Equity	-	-	-
Not Exploitative	No	0.3519	No
Values Opinions	Yes	0.0484	Yes
Values Goals	No	0.3745	No
Help Available	No	0.2032	No
Shows Concern	No	0.2611	No
Shows Forgiveness	Yes	0.1867	No
Engaging Work	Yes	0.2611	No
<i>Complete</i>	Yes	0.0294	Yes

(b) Inferential Statistics from survey, SFE

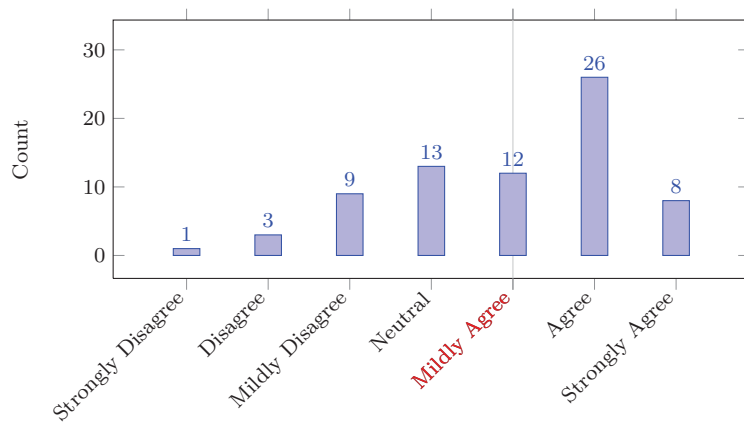
Table 5.2: Inferential Statistics from survey



(a) Histogram of SFE Survey Responses, Host Company



(b) Histogram of SFE Survey Responses, Vendor Company



(c) Histogram of Host Employee Survey Responses

Figure 5.1: Histogram of SFE Survey Responses

Chapter 6

Results of Interviews

This chapter will present the results from the unstructured interviews held with the sample respondents of both groups of employees captured within this paper. This provided us with more in-depth and descriptive information from respondents. This was used as both a reliability check on the survey results, and to gain further insight into the perceptions as to the situation and highlight any cultural distance issues present that could influence POS.

6.1 Host Company Respondents

Two host employees were interviewed for comments on the SFE work performance and competence. Both respondents described, as they felt, the challenges related to the SFE at the host company.

Most comments related to the SFE's uncertainty avoidance, and both described the SFE's fear of autonomous work. One respondent felt that this behavior was a direct result of what the organization asked for. Both respondents described that the SFE require exact instructions, and will not deviate beyond these instructions and do not appear to handle uncertainty well. One respondent stated that he was concerned with the SFE'S ability to translate their education and the theory learnt into practical application. This same respondent also mentioned that the SFE has a sub contractor mindset, while the other respondent felt they were colleagues. That said, both respondents were confident in the SFE abilities to perform as expected, and the quality of the work is well thought out and relevant.

One respondent described being unaware of general details of the vendor company, and that he felt that more critical business knowledge should be protected as it was felt that the SFE could easily transfer this knowledge to his home country at

the end of the contract. It was felt that this could lead to negative consequences for the host company.

One respondent mused that the SFE may not be typical of the general Indian population and culture, and have selected themselves for this type of assignment.

Both interviews lasted approximately ten minutes to allow the respondents to express the scope of their ideas on the subject.

6.2 SFE Respondents

Two SFE were interviewed to also provide comments on the conditions of working at the host company.

While both respondents commented that working at the host company is generally similar to working “at any other assignment,” comments were also provided relating to the type of work requested to be accomplished. One SFE mentioned that the type of work at the host company required more thinking, analysis and was more challenging than prior assignments. The other respondent mentioned that there is more emphasis on achieving and closing tasks within the expressed timelines. Both felt that the Danish employees put undue pressure on them with short notice to get work done. That said, one noted he felt like a colleague of the Danish employees.

It was noted that no special screening was undertaken in selecting the SFE to work this assignment. Both mentioned that they had just finished a project prior to being tasked to move to Denmark to work for the host company. Both also responded that they benefited from the excellent work conditions provided by the host organization; and there are advantages to working at the host company that are not present working in India - one commended the positives of the flexible hours in this regard.

Both interviews lasted approximately ten minutes to allow the respondents to express the scope of their ideas on the subject.

Chapter 7

Discussion

This chapter provides for a discussion of both the survey results (chapter 5) and semi-structured interviews (chapter 6) by examining these results against the body of theory relevant to the research question. This chapter has been structured into the themes that run throughout this paper: perceived organisational support, cultural distance, contract distance and outsourcing of work, and aims to analyze and discuss the data collected against the theory sourced for each of these themes. This is followed by an analysis and discussion on the two tested hypotheses and research question summarising the outcomes of our findings against each of these.

Perceived Organizational Support

The results in terms of POS are quite positive. The Eisenberger et al.'s [11] definition of POS captures the value placed on the employee's contribution, compensates them equitably, makes their work interesting and the organizational concern shown for their employee's well being. Our survey results show that both the core employees and SFE rate POS highly in the host organization with an insignificant difference between the two groups. The results are lower for the POS of the vendor company.

Values Their Contribution: The response to Q.1, “[Organization] values my contribution to its well-being,” by both the SFE and the host organization employees is indicative of the level of engagement by both groups to the host organization. Both groups of employees agree that the host organization values their contribution. The results are as expected for the host company employees but higher for the SFES. Although the SFE are only completing routine tasks, the Danish environment, the organization's and manager's responses, tell them that that their work is valued. And by being based within the host organization they easily see the impact of the work on others and the wider team. Had this work been outsourced

to India, the SFES would have missed this opportunity to see how their work was received and valued.

SFES mildly agree that their employer values their contribution. This may be reflective of the relationship they have with their employer, based on a contract rather than working directly for them. Their employer is the intermediary that allows them to work with the host organization and do not have a lot of involvement in their day to day work. They also might feel in control and reasonably secure about their jobs and that makes them less dependent on the support provided by their vendor organization.

Compensates the Equitably: The Danish labor market is characterized as loyal and is largely regulated by collective agreements [33]. This culture based on equity and fairness, ensures that all those employed, irrespective of the manner in which they are employed are treated equitably to a large extent in terms of equal work conditions and benefits. This national framework may be in part responsible for the mildly agree response to Q.2, “If [organization] could hire someone to replace me at a lower salary it would do so”. The legislation may stop the organization from making such moves offering a level of protection to the SFE. This treatment is also reflected in the SFE’s comment that the working conditions provided by the host organization are excellent and beyond what they are used to in India. Although the SFES are employed by an Indian organization, they benefit for the perks of working for a Danish organization.

It is suggested that the treatment of different groups equally helps create a stronger bond with the employer [40]. The host company culture, the fact that the SFE are seen as part of the team, and the legislative framework all support a strong bond between the SFE employees and the host organization and creates positive POS. However if this relationship continues overtime, the SFE may perceive a more extensive and direct employment relationship with the host organization and fight for the same contract status, rights and benefits afforded to the host organization employees. The host organization may wish to establish a greater distance between them and the SFE to ensure that this issue does not arise.

One interesting result was found, and it relates to the host employees’ response to Q.2, “If [organization] could hire someone to replace me at a lower salary it would do so.” The host organization is doing so, for non-core activities. Comparing this result to Q.1, “[Organization] values my contribution to its well-being.” which scored two ranks higher provides an indication the employees may not have readily accepted the change to the outsourcing model and this may have negatively impacted on the host organization employee’s POS. There also may be further strain felt by the host company employees on job security either by the continued

financial crisis, or outsourcing model. The distribution of the respondents is provided by Figure C.3a and Figure C.3b, and illustrates the centered response of the host employees to the situation.

Makes their work interesting: The core employees perceive that the organization provides them with more interesting work. This organizational decision to limit outsourcing of work to routine tasks could affect the results in Q.2: “If [organization] could hire someone to replace me at a lower salary it would do so.” This is a trade-off and there may be a smarter partnership possible with the outsourcing of core task to SFES.

The SFES are tasked with non-core routine tasks. In their response, they only mildly agree with Q9, “[Organization] tries to make my job as interesting as possible.” This is perhaps reflective of the type of work outsourced. The SFE are qualified engineers with strong educational background and experience and these results suggest that the SFE feels that s/he can do more and be tasked more through the provision of more interesting and challenging work. In this instance, the challenging and interesting work along with the sensitive and critical organization information is restricted to host organization employees.

These results suggest that the SFE commitment is in part more continuance in nature [2]. Although the work is not overly interesting, the SFE may feel they have no choice but to remain in their roles. Their ability to source better alternative work in Denmark may be limited without their vendor introduction.

The response to Q.9 shows that the SFE perceive that the host organization tries to make their role interesting more than their employer, the vendor organization. The vendor organization has minimal input into their employee’s role and the control of work lies with the host organization. It may also be a reflection of the types of assignments provided by the vendor company.

Concerned with their well-being: Both the SFE and host organization employees agree in their response to Q.7, “[Organization] shows very little concern for me”. This result raises a concern for the organization given that showing a concern for the employee well-being has been identified by Eisenberger [11] as one of the pillars of POS. These results contradict the positive results shown in the other questions which are considered ways in which the organization shows concern for employee well-being i.e. Q.4 “[Organization] cares about my opinion”, Q.5 “[Organization] strongly considers my goals and values, Q.6 “Help is available from [Organization] when I have a problem“ and Q.8 “[Resident Company] would forgive an honest mistake on my part”. The support provided by the supervisor is an essential driver of POS within organizations as shown by Kokkte *et al.* [21, cited by [34]], and

respondents may not recognize this one to one engagement, concern and support as 'organizational concern'.

It is interesting to note that the vendor organization is perceived better in this instance where respondents only mildly agree that they are concerned about their well-being. This may be a reflective of the support provided by the vendor organization in their transition to Denmark and being of the same culture and background may be more empathic to the SFE employee's situation and better equipped to help them.

Also, as suggested by Gakovic and Tetrick [13], high level of POS for subcontracted employees can be explained by the fact that the host company employees may perceive that they make a higher level of sacrifice due to their long-term employment relationship. This over time creates higher expectations of POS and organizational obligation and thus lowers their level of POS. SFEs may also have more favorable attitudes towards the host organization because of their lower work expectations.

There is a risk due to small sample size that the results are incorrect. While it is believed that the POS is high from the SFE, and the high sample percentage of SFE, there is still a risk that the results are non-reproducible. For example, an alternate sample of host company employees could provide a higher POS score, and an alternate result. That said, the breakdown of the results using ranksum statistical method, which is specialized for small sample sizes, provides a measure of confidence in the analysis. There is also a risk that positive responses are based on a cultural bias, of "always agreeing," a trait described in our literature review. The full range of responses, with the combination of negative responses does not point to this risk. The higher median POS of the SFE to the host company compared to either the SFE to vendor company and host employee to host company is surprising. In the reviewed literature the mean or median scores in contract status situations were generally lower.

Cultural Distance

As shown by Hofstede [17], there is a big cultural difference between the two groups of this research. These two hypotheses were formulated on cultural distance being significant. Clearly, since both proposed hypotheses having been found to be non-relevant, cultural distance does not seem to be relevant in this case. The results were surprising and show that the POS of the SFE is equivalent to the host employee. Given the positive POS results across each group, the cultural differences do not appear to impact on POS. The results show that the SFE have adapted well into the very culturally different organization and appear to appreciate the environment provided when working for a Danish organization. The two hypotheses for this

research were formed from both the literature review and expectations; and the depth of literature on cultural distance as a phenomenon to manage and control. However given the similarity of results across groups, cultural differences do not have a significant impact on POS.

When asked “are the SFE competent”, the comments provided by the Danish employees give insight into how the Indian cohort is perceived within this organization. Many of the comments relate to known cultural differences.

Power Distance: The host organization employees commented that the SFE require a high level of direction, do not work autonomously and complete tasks exactly as directed. This behavior is in line with the research presented by Hallin and Kockum [16] and is reflective of cultural norm for Indians. They respect their superiors, are used to taking direction, avoid risks and do not work well on their own initiative. This could lead to frustration of the Danish employees where they see the SFE not proactively taking steps to drive action unless specifically told to do something. The organization must be conscious of this cultural difference and ensure managers provide supports to guide SFES to tasks with clear direction and clear deliverables.

In a hierarchical society such as India, input from subordinates is not sought with decision and authority with a few at the top. Tixier [39] identifies that a participative leadership approach exists in Danish organization. Input and opinions are sought out from all irrespective of level in the organization. Interestingly, the Danish employees score this form of organizational support lower than the SFE on these questions and perhaps reflect that the Danish employees expect this level of input and consideration and therefore have a higher level of expectations from their employer. And perhaps do not value the participative leadership approach offered by their employer as this is what they are used to. Through interacting closely with their SFE colleagues, over time the Danish employees may gain a greater appreciation for the approach used by the organization versus what they could expect if their roles were shifted to India.

Danish organizations involve employees in decisions, work collaboratively towards solutions and appreciate the contribution of each individual to their overall success. The results of our research indicate that although culturally different, the SFES appreciate this approach taken by the host organization. Although perhaps, an alien approach for the SFES, they appear to have adapted well and enjoy contributing and feeding their ideas to the host organization. This is also reflected in the results about whether the host company cares about the SFE’s opinion.

Uncertainty Avoidance: Culturally, the SFES are not risk takers and their Indian employer would be of the same disposition. The situation is in-congruent; as the

host organization may expect employees to take some level of risks. Hallin and Kockum [16] also capture that although Danish employees also don't enjoy taking risks, they can take initiative. When required, they gain consensus of those around them and then take the necessary steps. The response to Q.4 “[Organization] cares about my opinion” show that both groups recognize that the host organization show organizational support, cares about their view and seeks their opinion when making decisions. This is in line with the Danish approach to gain consensus of the group before progressing. And for a manager in this situation, there would be no cost to help both the SFE and host employee by listening and acting on their concerns.

The Danish employees perceive that the SFES are unable to deal with uncertainty and this supports the organizational decision to only outsource routine tasks to SFES. In the dealings with the Indian SFES, the Danish employees commented that they believe the SFES are well educated and smart. However this does not translate into an ability to practically apply their learnings on the job where there is a level of uncertainty and this is seen as a failing on the part of the Indian SFES. This reflects the cultural differences between Indian and Danish cultures in the Hofstede [17] dimension of uncertainty avoidance. The organization needs to identify what supports can be created to help the SFES to work with uncertainty and to translate their knowledge in to positive work outcomes.

The response to Q.8 “[Organization] would forgive an honest mistake on my part” show that the SFES perceive that the host organization as more forgiving of mistakes than their vendor employer. This may be reflective of the Danish supportive approach and their avoidance of conflict. However, given the non-threatening and forgiving nature of the host organization, this may support the distribution of some core tasks to the SFE which could lead to a smarter partnership between the vendor and host organizations. Hallin and Kockum [16] state Indians fear doing the wrong thing and this approach will help ensure that the Indian's only deliver what is right. However such a move to outsource core tasks may negatively impact on the POS of host organization employees with SFE seen as 'taking their jobs'.

The perception that the Indian vendor company is not as forgiving may be based on their culture of complete risk avoidance or genuine business reasons. Where an SFE makes a mistake, the implications for the vendor organization may be large and this may result in the contract being lost. The vendor company will want to avoid the risks associated with those prone to mistakes and may have the option to easily replace such Indians and swap in an alternative SFE who is less mistake prone and that will better reflect on the vendor.

Masculinity/Femininity: The response to “[Organization] shows very little concern

for me” is not surprising. This was as expected as Kundu [24] identified the Danish culture as a feminine culture which shows concern for others. In our research, it was expected that there would be a significant difference when compared against the results against the Indian vendor organization. Both organizations were not seen as showing concern with the Indian vendor company being perceived as showing more concern.

Long term orientation: When interviewed, a SFE commented how a lot of emphasis is placed on the delivery of completed tasks on time. This comment reflects the different perspectives of time by Danish and Indian cultures as shown by Hallin and Kockum [16]. They state Scandinavians prioritize delivering on time while Indians are much more relaxed about time-frames and meeting deadlines. The Indians also commented that their Danish colleagues often apply pressure on them to deliver results at short notice. This may be the Danish response the Indian less timely response to deadlines to ensure that what is needed is delivered on time.

Individualism/Collectivism: Hofstede [17] shows that Denmark is much more of an individualistic culture than India. This research did not identify any challenges associated within this cultural dimension.

Contract Distance

This study of two groups with distinct and different employment contracts showed similar outcomes in terms of the POS with the host organization. One group is permanent employees with a long-term employment relationship and contract with the host organization and the other is a temporary sub contracted resource who can be eliminated quickly. However both groups perceive a high level of POS from the host organization.

Our results confirm that the SFE have a dual commitment to the two organization that they interact with for their employment. And interestingly, the SFE’s commitment and POS is higher for the host organization than their employer, the vendor organization. These results are in line with the results found within Benson [4] where vendor employees have a higher level of commitment to the host organization rather than their direct employer. As Benson [4] suggests, this may be reflective of the SFE trying to become socially accepted by the host company colleagues or reflect the circumstances that they are facing being away from home and being reliant on the host company to keep them on.

These results may also reflect that the SFE feels s/he is actually hired by the host company and the vendor organization is there as an intermediary facilitating their role. The SFE may be more aligned to the host organization as they set out their

plan of work and is available to them for questions and help them in doing their job.

As shown by Kraimer et al. [22], POS has a direct impact on expatriate adjustment and performance so this result is a positive result for the host organization. The host organization has the ability to gain high commitment from disposal employees without layering in the complexity and inflexibility associated with permanent employees. This offers an opportunity to gain greater workforce flexibility and could therefore be exploited more by the host organization.

All those surveyed “mildly disagree” that the host company would take advantage of them if provided with the opportunity. Overtime, as the SFE learn more about the benefits associated with being a direct employee and the benefits afforded to the Danish colleagues, this may lead SFEs to have a greater discontent with the host organization. And this score could shift from “mildly disagree” to “neutral” or lower as they perceive that they are being taken advantage of and the host organization isn’t as committed to them as they are to the host organization. If this were to happen and the SFE lose their commitment to the organization, such a shift could impact on productivity, quality and output.

One host organization employee believes that the host organization should not share critical business information with the SFE. And that there should be management control mechanisms in place that place a barrier to stop SFE learning about the host organization’s critical business information and secrets. Only those who have a direct employment contract with the host organization would be privy to this information. Such a move would create a greater distance between the two groups of employees and may limit the peripheral tasks that can be outsourced. However it may in the long run protect the organization from the vendor organization going into direct competition with them.

The host organization perceives that the SFE are of a sub contractor mindset. Our research contradicts this statement and has shown that the SFE group are actually very committed to the organization. The host organization needs to be cognizant of this in their dealings with SFEs to maintain this high level of commitment and to avoid the obvious differences in contract getting in the way of a committed and productive workforce.

Outsourcing of Work

With positive POS and high level of commitment offered by SFEs and direct employees, the outsourcing of work has proved successful for the host organization. Locating the SFE at the host site has supported the creation of a strong bond with

the host organization and their Danish colleagues. This outsourcing move offers the organization the flexibility needed in the current environment and supports the completion of non-core work efficiently while retaining high POS from their direct employees. The proximity of the employees appears to have displaced many of the concerns with outsourcing that dominate the reviewed literature.

Research Tested Hypotheses

Two hypotheses were formulated with regard to the two variables; cultural distance and contract status being relevant in this situation. The hypotheses led to our research question around the significance of cultural distance in POS against both the host and vendor organizations.

H.1 The perceived organizational support noted by the SFE towards the host company will be in large part lower than for a resident employee

It was expected that the effects of cultural distance and contract distance would result in a lower POS noted by the SFE towards the host organization. However as our results show and as discussed above, the null hypothesis that these factors are relevant could not be eliminated as in many cases the POS noted by the SFE was higher than the host company employee.

The manner in which the host organization behaves and treats this cohort of SFE is well received and appreciated by the SFE. Their actions are perceived as the provision of a high level of positive organizational supports to the SFE. This will support the SFE working towards the organization goals and support higher organizational performance. The organization will benefit from a highly committed team while having the flexibility to scale up and down their workforce to meet demands.

Surprisingly, the host organization employees who have a long term employment relationship and associated employment perks appreciate the host organization's behavior and actions less. This may result in a slightly lower organizational commitment from these employees. The host organization must ensure that this is managed to ensure their organizational supports are appropriate for the group to ensure commitment is retained and organizational performance is not negatively impacted by a unengaged workforce.

H.2 The perceived organizational support noted by the SFE towards the vendor will be in large part higher than the perceived organizational support noted from the host company

It was expected that the SFE would have a higher POS towards the vendor organization, the organization responsible for their employment, the position within the

organization and the provision of advice and support surrounding their employment relationship. However our results show that the SFE perceive the supports provided by the host organization higher than their direct employer. As discussed above, this may be reflective of the direction for work and the day to day interaction is with the host organization rather than their employer.

The vendor organization may welcome this result as this may aid their retention of the contract through their ability to source highly committed SFE that add real value and flexibility to the host organization. However they must monitor this situation to ensure that they maintain a high employee POS so that they don't lose their employees to other organizations which offer a similar working arrangement with higher POS.

Research Question

Q.1 Does "Cultural Distance" matter in the perceived organizational support noted between the SFE and either the host and vendor company?

In answering our research question, we tested POS using the three cultural combinations present in this situation: 1. host company employee and low culture distance against the host organization 2. SFE with high culture distance against the host organization 3. SFE with low culture distance against the vendor organization. By testing POS using the three combination of cultural and contract distance present in this situation the hypothesis were not determined to be sustainable.

If both hypothesis discussed above had been found to be true; and the SFE had felt better support from the vendor organization, these employees may be less aligned to the host organization's goals which may negatively impact on their performance and overall organizational performance.

This would have raised the question as to whether it was better to source a culturally similar vendor organization rather than one with such a significant culture difference. It could also require more active involvement to dissipate this clash of cultures. In this case, the situation is simpler; the host organization has to ensure any of the noted cultural distance problems are addressed to ensure optimal performance of the SFE is managed and achieved.

Chapter 8

Conclusions

This research paper has investigated the impact of cultural distance and contract distance on perceived organizational support. In completing this investigation, we completed a literature research based on the frameworks provided by Eisenberger [11] and Hofstede [17]. We completed a survey of host and sub contracted vendor organization employees following the introduction of culturally and contractually different employees to an organization to determine the impact of this organizational decision on POS. Semi structured interviews were conducted with both groups of employees to gain a deeper understanding of the perceptions and feelings behind the survey results. These results were then matched against the literature review and hypotheses.

The purpose of this study was to determine if cultural distance matters in the POS felt between the SFE and both the host and vendor company. Returning to the hypotheses and research question posed at the beginning of this study, it is now possible to state that both hypotheses have been found to be non-relevant and cultural distance is not significant in terms of impact on POS against both the host and vendor organization.

Answering the research question, this research has shown that POS is independent of cultural distance as the POS of the Indian SFE is equivalent to the Danish host employee. The POS results are similar irrespective of the cultural differences between the employee and the organization. It was also shown that the contract distance achieves greater POS against the host organization than the SFE's direct employer, the vendor organization. So although, the SFE has a written contract with the vendor organization, they perceive that they receive a higher level of organizational support from the company they are supporting, their non-employer. The relevance of Benson [4] is clearly supported by the current findings that sub contracted employees have dual commitment to both organizations, with higher commitment offered to the host organization.

While these findings are based on a small sample, it also suggests that in general, although cultural distance is seen as a complexity organizations must manage, organizations need not worry overly about cultural distances having an impact on employee attitude and commitment. These are achieved by the manner in which the organization treats and supports all their employees. Cultural differences between employees do not differ in how these supports are welcomed and appreciated. In addition the evidence from this study suggests that organization shouldn't underestimate the commitment they can obtain from temporary sub-contracted employees and this knowledge can be exploited to maximize the organizational use of such contingent workers.

The outcomes and results that we have identified assist in our understanding of the impact of cultural and contract distance on POS and employee commitment. As organizations become more global and culturally diverse, the connection between cultural distance, contract distance and POS had not previously been studied, thus making our research a worthwhile contribution to the understanding of this area. In addition, our research confirms previous findings in terms of commitment to two organizations and contributes additional evidence that suggests that commitment is offered to both organizations, and to the host organization to a greater extent. The empirical findings in this study provide a new understanding of this area with transferable methods that can be applied to other similar scenarios elsewhere in the world.

8.1 Limitations of Current Research

Finally, a number of important limitations need to be considered.

This research is based on a small sample size and therefore caution must be applied, as the findings may not be transferable to other organizations.

The results reflect a point in time rather than providing longitudinal results and the POS outcome may vary overtime. Had this survey been run at the implementation of SFE into the workforce, at three and six months and now it would perhaps show an interesting trend in terms of integration by the SFE, and acceptance by the host organization employees and their view of POS as the new employees transition into the organization. It would also expose the challenges faced at each stage by each group of employees and how both groups dealt the change and how they felt the organizations supported them through the challenges.

The timing of this study could be a factor in the result. Simply, the host company managers, SFE and host employee, working together, could have learned to smooth

out the cultural differences, and the high POS score could be a result of this. Again, the close proximity may be relevant in this result.

Although not part of the scope of this thesis, individuals who nominate themselves to participate in such contracts in environments substantially culturally different may be of a different disposition than the cultural values dictated by their native cultures. And may be more flexible, culturally savvy individuals and are happy with a giant move to a very different culture such as Denmark.

The current research was not specifically designed to evaluate factors related to the host organization's management's perspective on how the SFE have integrated and what steps they have taken to ensure a smooth transition.

Also, this research is limited to engineering employees completing routine tasks. These results may not translate into softer, less tangible roles such as customer service, human resources.

8.2 Further Research

It is recommended that further research be undertaken in the following areas:

- Further work needs to be done to establish whether the results in terms of cultural distance being insignificant in terms of POS are transferable to other organizations and roles,
- One unanswered question is if the high POS environment has mitigated against cultural distance. Without access to a low POS environment; it is not understood if the stressors that would occur due to cultural distance would be amplified in a moderate or low POS environment,
- While it is unanswered, it could be argued that it could be in the host company's management capacity to maximize POS for both the host and vendor employees, to minimize the stressors that could occur due to cultural distance of the two sets of employees working in close proximity,
- The methodology needs to also be tested against other culturally diverse scenarios with different countries being the host and source of SFE.

8.3 Practical Implications

This study provides some practical recommendations for managing employees commitment and perceived organizational support in both culturally and contractually diverse environments. Cross-cultural implications derived from this study

might improve an organization's ability to provide support, manage and nurture employees of diverse cultural backgrounds to improve further collaboration and productivity. Furthermore, the companies planning on outsourcing some of their competencies to foreign subcontracted employees may also benefit from the lessons learnt as a result of this research. The following points are of note:

When selecting an outsourcing vendor cultural distance should still be noted, but other factors, e.g. cost of the vendor or vendor competency, may have a greater influence on the success of the transaction. It also may be worthwhile to review any employee satisfaction surveys the vendor may have performed with their employees as part of this selection process. It is believed by having the vendor employees embedded into the organization provides for the familiarity for the cohesive atmosphere noted in this study. This level of familiarity cannot be replicated while working over a phone line, or email to India.

It is worthwhile to ensure a high POS environment; and this may spill-over to non-host company employees. It is worthwhile to source a vendor who offers a high POS to their employees as this combined with a high POS in the host organization leads to increased work effort.

It is believed several of the POS responses could be altered in a low cost manner. These should be explored to raise the "Neutral" or lower scoring respondents views.

There is a central message in much of the literature we reviewed, regardless if it was focused on the sub contracted relationship or cultural distance, support and respect these employees. It is best summarized by this quote from Linden et al. [26]: *"Thus, it behooves the organization to show respect and concern for contingent employees. Treating contingent employees as second-class citizens may result in lowered levels of commitment and willingness to help co-workers and supervisors."*

Organizations should consider running cultural training for managers and employees. The session for managers should guide managers as to how to manage and support a culturally diverse team towards organizational success. The cultural training for employees will raise awareness and allow for a more cohesive team as everyone will better understand the other culture's perspective and approach.

Organizations need to be conscious of the impact of outsourcing work on the POS held by their direct employees. Such a move can negatively impact on their direct employee's POS and organizational performance and erode the benefits offered by outsourcing.

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Appendix A

Survey Questions

Question	Respondent	Question
Q. 1	Both	[Resident Company] values my contribution to its well-being.
Q. 2 (R)	Host Company Employee	If [Resident Company] could hire someone to replace me at a lower salary it would do so.
Q. 3 (R)	Both	If given the opportunity, [Resident Company] would take advantage of me.
Q. 4	Both	[Resident Company] cares about my opinions.
Q. 5	Both	[Resident Company] strongly considers my goals and values.
Q. 6	Both	Help is available from [Resident Company] when I have a problem.
Q. 7 (R)	Both	[Resident Company] shows very little concern for me.
Q. 8	Both	[Resident Company] would forgive an honest mistake on my part.
Q. 9	Both	[Resident Company] tries to make my job as interesting as possible.
Q. 10	SFE	[Vendor Company] values my contribution to its well-being.
Q. 11 (R)	SFE	If [Vendor Company] could hire someone to replace me at a lower salary it would do so.
Q. 12 (R)	SFE	If given the opportunity, [Vendor Company] would take advantage of me.
Q. 13	SFE	[Vendor Company] cares about my opinions.
Q. 14	SFE	[Vendor Company] strongly considers my goals and values.
Q. 15	SFE	Help is available from [Vendor Company] when I have a problem.
Q. 16 (R)	SFE	[Vendor Company] shows very little concern for me.
Q. 17	SFE	[Vendor Company] would forgive an honest mistake on my part.
Q. 18	SFE	[Vendor Company] tries to make my job as interesting as possible.

Table A.1: Survey Questions

Appendix B

Survey Responses

Host Company Specific Questions								Vendor Company Specific Questions							
Q. 1	7	7	5	7	5	7	6	Q. 10	7	5	5	5	6	5	6
Q. 2 (R)	-	-	-	-	-	-	-	Q. 11 (R)	7	6	4	5	7	5	4
Q. 3 (R)	6	4	4	6	6	4	5	Q. 12 (R)	6	3	3	5	7	5	4
Q. 4	6	5	6	6	5	7	6	Q. 13	6	2	5	6	5	5	4
Q. 5	6	4	5	6	7	4	6	Q. 14	6	3	6	6	5	4	6
Q. 6	6	6	7	6	5	6	6	Q. 15	7	1	6	6	5	2	6
Q. 7 (R)	7	5	5	6	2	5	3	Q. 16 (R)	7	6	6	6	3	4	5
Q. 8	5	6	5	5	6	3	3	Q. 17	5	3	3	5	2	4	6
Q. 9	6	6	6	4	6	2	4	Q. 18	6	3	4	3	4	5	6

(a) Data from Survey, SFE

Host Company Specific Questions								
Q. 1	4	6	6	6	6	5	5	7
Q. 2 (R)	4	4	4	6	4	6	3	6
Q. 3 (R)	5	4	7	6	5	5	2	6
Q. 4	2	5	6	5	5	3	3	5
Q. 5	3	5	6	5	4	4	3	5
Q. 6	3	4	7	5	6	6	3	7
Q. 7 (R)	6	4	7	6	7	4	3	6
Q. 8	3	6	6	6	7	6	4	6
Q. 9	1	6	6	6	7	4	2	6

(b) Data from Survey, Host Company Respondent

Table B.1: Survey Data

Appendix C

Graphical Analysis of SFE paired responses and Question Response Histogram

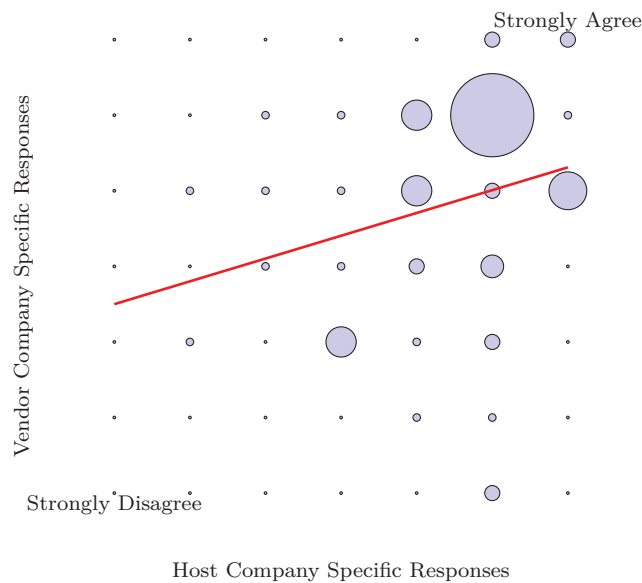


Figure C.1: Correlation graph, including best fit line, of the SFE responses to the “paired” question relating to either the vendor or host company.

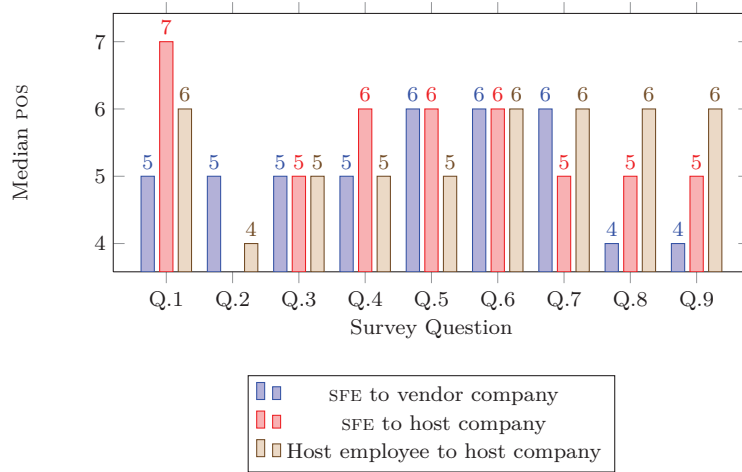
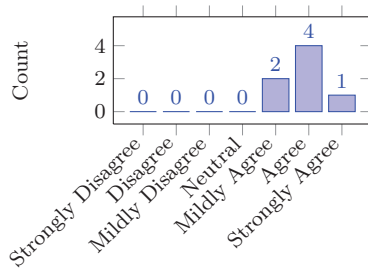
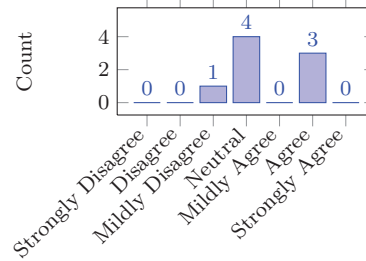


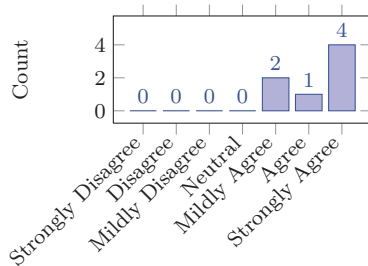
Figure C.2: Histogram of the median of each survey question.



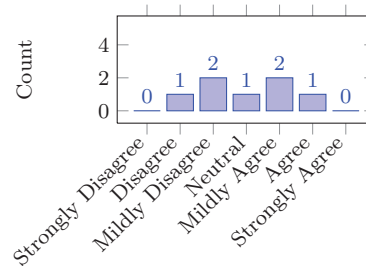
(a) Host Employee Respondent: Q.1 “[Organization] values my contribution to its well-being.”



(b) Host Employee Respondent: Q.2 “If [organization] could hire someone to replace me at a lower salary it would do so.” (Result reverse scored)



(c) SFE respondent: Q.1 “[Organization] values my contribution to its well-being.”



(d) SFE respondent: Q.17 “[Vendor Company] would forgive an honest mistake on my part.”

Figure C.3: Graph of host employee responses to selected questions