

KNOWLEDGE OF NATIONAL LANGUAGE IN PUBLIC ADMINISTRATION OUTSOURCING: NECESSARY CONDITION OR DOMESTIC COMPANIES PROTECTION?

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Abstract

Successful cooperation between counterparts is based on mutual understanding that can be affected by cultural differences, language barriers, and perception of life, values, beliefs and behaviour. Very often public administration requires outsourcing service providers to know national language and set up formal requirements to avoid cross-border cooperation.

On the one hand, such requirements can be interpreted as the effort of public administration to get clear, understandable and high-quality outsourcing. On the other hand, discrimination policy, barriers to trade and promotion of domestic companies can be hiding behind these requirements.

This paper discusses public and private sector cooperation in aspect of culture and language, and provides answers to the following questions: is it necessary for outsourcing provider to know national language or knowledge of English is sufficient in cooperation with public administration; and can cultural and time zone differences create significant and systematic misunderstandings in process of cooperation?

The paper is based on case of Latvia (the sample set of empirical research is public administration experts, n=68).

Key words: Cross-border procurement, domestic company, culture and language impact, outsourcing, public administration

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Introduction

The culture and linguistic factors play an important role in outsourcing; however, conflicting assessments can be found. On the one hand, there is a belief that knowledge of the English language can fully replace the knowledge of official state language (Herbsleb & Moitra,

2001). On the other hand, the number of people who speak several languages are more than people who speak only one language (Graddol, 1998). However, the majority part of English speaking people uses English only as the second, third or fourth language. There are differences in level of knowledge and used dialects (Fishman, 1998); therefore the knowledge of national state language is one of the core factors in outsourcing.

Cultural differences can create significant and systematic misunderstandings in process of cooperation (Herbsleb & Moitra, 2001); for example, the differences in perception of life, values, beliefs and behaviour, working habits, as well as incompatible working hours; therefore the cultural differences between parties must be taken into account (St. Amant, 2002). Due to the time zone differences, communication can be distorted and service response time can increase (Qureshi, Liu & Vogel, 2006). In order to reduce risks, outsourcing is mainly used in nearshore (in the regions with the same or similar culture and language).

According to survey made in 2011, cross-border procurement in Europe takes place to a higher extent between Member States with common or similar languages, but language barriers are mentioned as one of the most relevant obstacles for bidding cross-border (50% regarded language barriers as high relevance, but 24% - medium, n=274 companies). This supports the assumption that language barriers exist (European Commission & DG Internal Market and Services, 2011, 78-80).

In the light of these arguments, the author proposes the following hypothesis in this paper: in public administration outsourcing is mainly used in nearshore whose employees are fluent in national language.

1 Evidence from Europe

Geography, history and a common or similar language have an influence on direct cross-border procurement (European Commission & DG Internal Market and Services, 2011, 46):

1. 75% of contracts awarded cross-border in Ireland (987 awards between 2007 and 2009) and 37% in Malta are awarded to companies in the United Kingdom;
2. 84% of all contracts awarded cross-border by contracting authorities in Austria (524 awards) are awarded to companies in Germany;
3. 47% of all contracts awarded cross-border by contracting authorities in Sweden (542 awards) are awarded to companies in Norway and 25% in Denmark;
4. 35% of all contracts awarded cross-border by contracting authorities in Estonia (182 awards) are awarded to companies in Finland.

In order to get high-value contracts, private companies recommend to draw up tender specifications in a second language, accept tenders in foreign languages and use automatic translation – at least for preliminary information (European Commission 2011).

IT Sourcing Europe conducted survey in Denmark on information technology outsourcing and the findings showed that the highest rated factors that influenced companies' choice of the outsourcing destination in 2010 were low costs, available IT talent pool, positive peer references and cultural proximity, but in 2011 a “low cost” factor moved down and was replaced by “appropriate foreign language (English) skills”; the sample set of survey was 674 Danish companies (IT Sourcing Europe, 2011a, 24). Similar trend was observed in Germany, where one of the top three most important factors was language skills (up by 41% from 2010); n=304 German companies (IT Sourcing Europe, 2011b, 24). However, in 2011 in Norway 100% of survey respondents expressed their belief that foreign language skills availability is the most important factor when making a decision on their outsourcing geography; n=491 Norwegian companies (IT Sourcing Europe, 2011c, 24).

In 2009 Vanage partners examined the impact of perceived cultural differences across 13 key dimensions (442 people took the survey: 265 suppliers and 177 customers from a cross-section of companies, industries, and geographies) and made the following key findings (Ertel, Enlow, & Bubman, 2010):

1. For most of these dimensions, at least two-thirds of customers see some cultural differences between their organization and their key outsourcing provider;
2. Cultural differences, geographic distance, time zone challenges, and language barriers contribute to user dissatisfaction and make it difficult to establish a strong working relationship with the service provider;
3. Culture creates problems because customers and their outsourcing provider bring to the relationship different approaches for communicating (directly vs. indirectly) and making commitments (agreeing only when sure about being able to deliver vs. agreeing even when unsure);
4. The challenge may be compounded by provider personnel's insufficient English proficiency or strong accents. Customers that outsource to India reported minimal challenges with language barriers: only 28% noted that language barriers were a challenge. However, nearly half of customers outsourcing elsewhere identified language barriers as a challenge. Language barriers can quickly frustrate already-skeptical users and make them unhappy with the interaction.

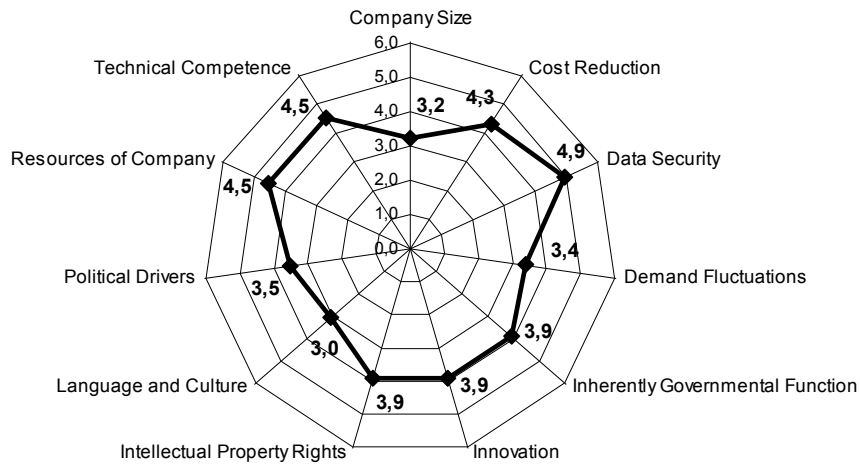
2 Evidence from Latvia

The sample set of empirical research is Latvian public administration experts (high, medium, and low-level managers and experts who have experience in planning, control or usage of information and communication technology outsourcing, n=68). The questionnaire was distributed to the respondents by web form in January, 2013.

The survey is limited by Latvian higher administration institutions (ministries) and their supervisory authorities, i.e., the survey does not cover subordinated institutions (schools, libraries, museums, social care centers, etc.), derived public entities (municipalities, public universities), public foundations, indirect administrative bodies (local authorities and agencies), as well as corporate bodies. The survey does not cover foreign affairs, interior and defense sector-specific factors and influences.

Public administration decision making process about outsourcing is affected by different factors such as company size, cost reduction, data security, demand fluctuations, inherently governmental function, innovation, intellectual property rights, language and culture, political drivers, resources of company and technical competence (Naumova, 2013); but importance of each factor is different (see Figure 1).

Fig. 1: Assessment of the Significance of Factors, Average Assessment



Source: Author's research results, January, 2013 (n=68).

According to the research results, language and culture are the least important factors in decision making about IT outsourcing in public administration. 64.7% of all respondents gave an evaluation of 3 or less points, while 58.8% did not have a strong opinion and gave an evaluation of 3 or 4 points (see Table 1) (Naumova, 2013):

Tab. 1: Distribution of responses about importance of language and culture factors

1		2		3		4		5		6		Average
n	%	n	%	n	%	n	%	n	%	n	%	
11	16.2	11	16.2	22	32.3	18	26.5	3	4.4	3	4.4	3.0

Source: Naumova 2013, January, 2013 (n=68). Scale: 1 - very unimportant; 2 - unimportant; 3 - more unimportant than important; 4 - more important than unimportant; 5 - important and 6 - very important

Knowledge of national state language is an important factor in public administration IT outsourcing, because 75% of respondents gave an evaluation of 4 or more points, but 53% of respondents gave an evaluation of 5 and 6 points (see Table 2). This view is supported by 87% of respondents who have experience working in the private sector (these respondents gave an evaluation of 4 or more points).

Tab. 2: Distribution of responses about IT outsourcing in Latvian public administration

	Question No 1.: Outsourcing provider must have knowledge of the national language		Question No 2.: Knowledge of English is sufficient in cooperation with public administration		Question No 3.: Cultural differences can create significant and systematic misunderstandings in process of cooperation		Question No 4.: Time zone differences can create significant and systematic misunderstandings in process of cooperation	
	n	%	n	%	n	%	n	%
1	7	10.3	3	4.4	3	4.4	3	4.4
2	7	10.3	32	47.1	7	10.3	15	22.1
3	3	4.4	11	16.2	10	14.7	7	10.3
4	15	22.1	3	4.4	23	33.8	15	22.1
5	11	16.2	16	23.5	14	20.6	25	36.8
6	25	36.8	3	4.4	11	16.2	3	4.4
Total:	68	100.0	68	100.0	68	100.0	68	100.0

Source: Author's research results, January, 2013 (n=68). Scale: 1 - strongly disagree; 2 - disagree; 3 - slightly disagree; 4 - slightly agree; 5 - agree and 6 - strongly agree

Results obtained in question about "national language" were generally consistent with question about "English language sufficiency" in public administration outsourcing.

Knowledge of English is not sufficient in cooperation with public administration in IT outsourcing, because 68% of respondents gave an evaluation of 3 or less points, but 51% of respondents gave an evaluation of 1 and 2 points.

However, younger experts are not so categorical in expressing their position which means the improvement of general English level can help change the public administration attitude.

Cultural differences and time zone differences can create significant and systematic misunderstandings in process of cooperation during IT outsourcing. 71% of respondents on the issue of the cultural differences gave an evaluation of 4 or more points, while 49% of respondents not expressed a strong point of view (they gave an evaluation of 3 and 4 points).

63% of respondents on the issue of the time zone differences gave an evaluation of 4 or more points, however respondents' views on the importance of time zone factor were not homogeneous – 26% (gave an evaluation of 1 and 2 points), 32% (gave an evaluation of 3 and 4 points), but (41% (gave an evaluation of 5 and 6 points).

Based on the results above, the hypothesis "in public administration outsourcing is mainly used in nearshore whose employees are fluent in national language" can be accepted.

Conclusion

1. The culture and linguistic factors play an important role in outsourcing, however conflicting assessments can be found. English is used all around the world, but there are differences in the level of knowledge and used dialects.
2. Problems in outsourcing process can arise due to cultural differences, language barriers, and perception of life, values, beliefs and behaviour.
3. Public administration requirements to know national language in public procurement can be classified as barriers to trade and policy to promote domestic companies.
4. Geography, history and a common or similar language have an influence on outsourcing and public cross-border procurement.
5. Latvian public administration decision making process about outsourcing is affected by different factors, but language and culture factors are the least important ones.
6. Evidence from Latvia shows that knowledge of national language is an important condition in public and private sector cooperation during outsourcing, and knowledge of English is not sufficient to provide high-quality outsourcing.
7. According to Latvian public administration, cultural and time zone differences can create significant and systematic misunderstandings in process of cooperation during IT outsourcing.

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