Master's thesis
IT Service Providers in Romania

Ioana Dobre
Thesis presented in fulfillment of the requirements for the degree of Master of Management

universiteit hasselt
►►
KNOWLEDGE IN ACTION

universiteit hasselt
►►
KNOWLEDGE IN ACTION

2013•2014
FACULTY OF BUSINESS ECONOMICS
Master of Management

Master's thesis
IT Service Providers in Romania

Promotor :
Prof. dr. Benoit DEPAIRE

Ioana Dobre
Thesis presented in fulfillment of the requirements for the degree of Master of Management

universiteit
►►hasselt

Summary

The purpose of the current thesis is to analyze why Romania is an attractive IT provider within the European outsourcing environment. The reason consists of the need of finding evidence for Romania as being a preferred market where western European companies choose to externalize their IT activities and projects. Firstly, the thesis focuses on Romania because of the lack of relevant studies for this market within the European IT environment. This thesis aims to highlight the status of Romanian IT providers and the challenges they might face. The initial hypothesis consists of the idea that Romania represents a strong IT provider for the western European companies which consider this market an opportunity to keep the business in Europe, close to the territory where the core activities run, position straightened by the low cost of human resources and high level of expertise.

The importance of conducting such analyzes for Romania is backed up by the Brainbench report. Brainbench, one of "the global leaders in online testing published the result of its extensive database of more than 3.5 million registered users to identify the countries and geographic regions with the highest concentrations of certified professionals in 30 of the most critical information technology skill areas" (Brainbench, 2002). This study brings into discussion the fact that Romania is a good outsourcing destination for its IT certified professionals, not just the cost saving reason.

The thesis is composed of five chapters, each of them dealing with different aspects of the IT outsourcing topic. The main focus of the topic is Romanian market, backed up by the international literature on the outsourcing phenomenon and figures taken from the national and European institutes of statistics for more accurate statements.

Chapter One is introductory and defines the academic and business relevance of the thesis, as well as the background considered at the point the research question was chosen. The main research question: "Why is Romania an attractive IT provider within the European context" is supported by the two sub questions that aim to straighten the evidences: "Which are the possible reasons to outsource IT" and the second one "Which of these possible reasons do apply to Romania". Chapter One incorporates the explanation of the methodology used for finding

evidences in the literature and as well the way the interviews were conducted. For describing a clear picture of the Romanian IT outsourcing phenomenon as a provider for Western European companies, in-depth interviews with Romanian IT Service Providers were held. The interviews were held both electronically and by telephone. The questions and the relevance of the interviews were to understand the reasons why Romania represents an atractive outsourcing market for the European IT environment. The master thesis is structured from general to specific ideas. The need of finding evidence why western European companies choose Romania for providing IT solutions represents the main target of the current thesis. The literature review findings explain the general IT outsourcing practice and how the decision to externalize some activities is taken. Furthermore, Romania is presented within the European market as being a potential desired outsourcing destination.

Chapter Two examines relevant literature findings, as well as a short overview of the Romanian market in terms of figures and numbers backed up mainly by the National Institute of Statistics and the National Association of Information and Technology. Another important source represented the Eurostat insights. The chapter consists of three parts. Part One focuses on the general terminology of IT outsourcing phenomenon. Part Two investigates the literature evidences for Romania as being a possible country where an IT client may be interested in for externalizing activities. Part Three addresses the common outsourcing decision process frameworks in the literature that might apply to the situation of Romanian IT providers and their clients.

Chapter Three acts as an empirical part for the current thesis, and provides an outline of relevant findings of the interviewed parties. Part One illustrates the approach of the brief overview of the Romanian IT industry coming from the relevant statistics institutes in Romania. Part Two looks at the evidences stated by the interviewed parties, with some highlights on the interviewed companies' specific : scale of business, external partners, primary industry, core activities and employees' expertize. In this particular chapter an important evidence of a limitation of the thesis is stated, represented by the fact that not all the interviewed companies are fully IT providers. In the sense that HP or Misys undertake outsourcing solutions for their clients but part of it represents more consultancy on project basis activities and not fully covering what IT

outsourcing might represent though – possibility of a client to externalize even fully the internal IT department to a supplier.

Chapter Four concentrates on problems and findings resulting from both literature and practice. This particular chapter acts like an analytical study for the thesis, in terms of comparing the findings from the literature with the statements of the interviewed parties in order to highlight the actual status of the phenomenon of IT outsourcing in Romania for the providers that activate there and their clients from western European countries.

Conclusions are drawn in Chapter Five, together with the limitations of the study and possible future research on the topic. The main aim of the thesis is to prove that the initial hypothesis has been reached and what are the variations with the reality. Some highlights of the conclusion are meant to summarize the fact that based on the literature and interviews, there were identified around 6 possible reasons for a western European company to decide to outsource in Romania: market proximity, similar organizational culture, high expertise of human capital, large pool of language skills, low services costs and governmental facilities. The initial hypothesis is proved with some variations, since for the moment Romania do represent an interesting destination for European companies but with some limitations in terms of future perspectives, since the long term sustained advantages are not properly considered. This situation might put at risk the future if the industry in Romania since the short term advantages of the market are not being straighten with long term improvements like research and development focus.

Table of Contents

Table of tables

Table of figures

1 CHAPTER ONE

1.1 Introduction

1.1.1 IT Outsourcing

More clever people working together end up having a better result than each individual separately. This best practice was understood and extensively applied by every single company that aimed to stand up in the crowd in this evolving international environment. Nowadays, companies learned how to deal with the globalization phenomena and make the best out of it. This means that working in an intercultural environment became normal and everyone understood the value and advantages of worldwide interconnectivity.

 "The European Union represents the second largest market in the world for software and IT services, after the United States. There are many differences, however, from country to country, and the European Union cannot be viewed as a unified, homogeneous market" (Aspray, et al., 2006 p. 27). Still, the western European companies decide to cut costs by outsourcing somewhere cheaper than their own countries. This aspect is stated by the ACM's report, explaining that "Nordic and Germanic firms will use Eastern Europe and Russia in addition to India. Latin Europe has been slower to begin offshoring, but now its major firms are sending work to Romania, Francophone Africa, and Latin America in addition to India." (Aspray, et al., 2006 p. 27).

Proving that there is demand on the Romanian market for potential and current IT outsourcing providers, the idea is to understand what makes Romania an attractive country for IT outsourcing within the European context. The Romanian attractiveness will be discussed in terms of Romanian perspective and characteristics of companies involved in the industry as IT providers for other European companies.

A discussion with the head of Digital Marketing for Europe Middle East and Africa within Goodyear Dunlop Company, Luisella Giani, concluded that the Indian market was more attractive 10 years ago, but nowadays, the Eastern European countries are preferred in terms of IT Outsourcing. The main reason is that Western European companies prefer to send the work somewhere close in terms of geographic purposes, being cheaper to sustain a partnership within

the same continent. Also the culture is another strong reason to outsource in Romania, because there are no big differences in the way the employees conduct a project or their educational prospects. The reasons and drivers for choosing Romania as an IT Outsourcing environment is being discussed further more in the literature review chapter and largely explained in the third chapter by the empirical and analytical review.

1.1.2 Academic and business relevance

Peter Drucker (1999 p. 48) said that "the Information Revolution is now at the point at which the Industrial Revolution was in the early 1820s, about forty years after James Watt's improved steam engine (first installed in 1776) was first applied, in 1785, to an industrial operation —the spinning of cotton. And the steam engine was to the first Industrial Revolution what the computer has been to the Information Revolution—its trigger, but above all its symbol. Almost everybody today believes that nothing in economic history has ever moved as fast as, or had a greater impact than, the Information Revolution". Opening the borders, the latest information revolution played a life changing role for everyone, starting with individuals and ending with the bigger companies in the market. The way everyone collaborates in the last 20 years developed faster than ever before. Collaboration is just one of the many fast changing factors that were influenced by the information technology boom. The outsourcing concept came as a consequence in the process of cutting costs and around the clock work needs, meaning that companies realized the benefits of externalizing the work while paying less. The capability of information to be transferred easily was the main trigger of the outsourcing occurrence.

The main focus of the current research is the IT outsourcing phenomenon, because the overall concept of outsourcing is too broad and wide for a single study. More specifically, the last part of the literature review will focus on the core capabilities and strategies an IT provider need in order to develop a competitive advantage.

Since the focus is on the IT outsourcing providers, this master thesis attempts to better understand the position of Romania in the European market. The relevance and the need of this study are stated further in the thesis, after the topic review, followed by the conclusion. In the literature, there are not enough relevant studies that talk about Romanian IT environment, and

this research aims to analyze the IT segment within the outsourcing phenomena. The importance of conducting such analyzes for Romania is backed up by the Brainbench report. Brainbench, one of "the global leaders in online testing published the result of its extensive database of more than 3.5 million registered users to identify the countries and geographic regions with the highest concentrations of certified professionals in 30 of the most critical information technology skill areas" (Brainbench, 2002). This study brings into discussion the fact that Romania is a good outsourcing destination for its IT certified professionals, not just the cost saving reason.

Romania is situated on the 6th place worldwide within countries with the most certified IT professionals; the number of IT certified professionals in 2001- 16,122 people (Brainbench, 2002). The first 10 countries according to Brainbench report are:

1) United States 194,211	**6) Romania 16,122**
2) India 145,517	7) United Kingdom 14,642
3) Russian Federation 68,050	8) Bulgaria 8,844
4) Ukraine 23,349	9) Pakistan 8,084
5) Canada 19,181	10) Australia 6,800

 Table 1 Top 10 countries with the most certified IT professionals (Brainbench, 2002 p. 4)

"In Europe, Romania takes a surprising lead over its continental neighbors, earning more than 16,000 certifications in 2001, which outpaces the United Kingdom in the number-two spot. Bulgaria places a strong third with over 6,800 certifications, while Germany and Latvia are in a virtual dead heat for fourth" (Brainbench, 2002 p. 13)

In order to move further with this research, it is necessary to explain what outsourcing means. A short definition may be "the purchase of a good or service that was previously provided internally or that could be provided internally" (Pearlson, et al., 2009 p. 193). The online business dictionary defines outsourcing as being "the contracting or subcontracting of noncore activities to free up cash, personnel, time, and facilities for activities in which a company holds

competitive advantage"[1] Companies with strengths in other areas may contract out data processing, legal, manufacturing, marketing, payroll accounting, or other aspects of their businesses to concentrate on what they do best and thus reduce average unit cost. Outsourcing is often an integral part of downsizing or reengineering (Luthra, 2007). These definitions describe just the general concept, while the process itself is more complex. Summarizing all the definitions stated above, outsourcing is when a company decides to externalize a part of their activities to another company, In-shoring or Offshoring.

Linking these concepts with the Sourcing Decision Cycle Framework explained in the literature review chapter, In-shoring refers to the situation when a company chooses a provider partner inside the country in which the activity is held, while Offshoring is when the firm "uses contractor services, or even builds its own data center in a distant land" (Pearlson, et al., 2009).

IT outsourcing happens when all the definitions above rely on the IT environment. Carol S. Sauders et.al. (2009) stated that IT outsourcing is happening when "an outside vendor provides IT services traditionally provided by the internal MIS department". In the second chapter, the literature review will support the practical research by underlying the most important elements of the outsourcing phenomenon, linked to the Romanian IT environment.

The business relevance of contracting a Romanian IT outsourcing provider is supported by the Microsoft CEO - Steve Ballmer, who is arguing that "The Romanian education system distinguishes through its quality"[2].

Also, Mr. Silviu Hotaran , General Manager Microsoft Romania until 2008, describes the opinion of Bill Gates about Romanian employees at Microsoft: "At our first meeting he told me he was very pleased by the quality of Romanian programmers and that he was already used to

---

[1] http://www.businessdictionary.com/definition/outsourcing.html

[2] http://www.knighthamilton.com/Knight-Hamilton/Romanias_Advantages-132.html

hearing English with a Romanian accent on campus. Moreover, the opinion you can get discussing with people from Microsoft about the Romanian community is excellent"[3].

1.1.3 Background

Having a look into the history, the visionary attitude of Adam Smith in his book *The Wealth of Nations* can be considered a good definition of what is called outsourcing nowadays. The text was written in 1776 and is still applicable for today's world: "It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy... If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it from them". This quote express the idea applicable to any specific company which can decide buying from other party cheaper, instead of spending a bigger budget for the same activity held in house.

Clearly, the cost reason is maybe the most prominent when a company decides to outsource one of its activities, but there are more variables that should be considered excepting the cost. This aspect will be discussed in depth in Chapter 2. Brian D. Jaffe (1998 p. 99) argues that the cost reduction reason is the most frequent reason for a company in its outsourcing decision, but there should be other important characteristics too. Brian D. Jaffe (1998 p. 99), IT director at CompuServe in New York, describes the manner his company decided to outsource their IT even though the costs increased, "but the improved service to users was worth it". CompuServe company externalized their software support for desktop productivity tool, being able to offer to their clients' services faster and more documented than it was possible before. The management considered the increased cost less important than the customer satisfaction after taking the outsourcing decision. This is just one example when the cost was not the most important variable, but it depends from company to company when deciding to externalize or not a part of their activities.

---

[3] http://www.youtube.com/watch?v=OrPZ3px_R20

1.2   Research problem

1.2.1   The scope of the current paper

The current study has mainly a descriptive and exploratory content and relevance. The main research question is:

- Why is Romania an attractive IT provider within the European context?

This question is supported by the two sub questions stated below:

- Which are possible reasons to outsource IT?
- Which of these possible reasons do apply to Romania?

This master thesis intends to open future discussions and analyses about Romanian IT environment, bringing into the light the reasons why companies from abroad outsource their IT capabilities in this country. The research will contain open-ended approaches.

1.2.2   Methodology

The master thesis is structured from general to specific ideas. The need of finding evidence why western European companies choose Romania for providing IT solutions represents the main target of the current research. The literature review findings explain the general IT outsourcing practice and how the decision to externalize some activities is taken. Furthermore, Romania is presented within the European market as being a potential desired outsourcing destination.

The first chapter acts like an introduction for the rest of the thesis, the main topic is stated, as well as the research problem and questions. The thesis is sustained by the literature review in the second chapter, which represents the synthesis of the theoretical part.

The justification of the research problem, backed up by the literature, comes as an evidence for what is missing and what needs to be studied. The first reason why the problem focuses on Romania represents the lack of relevant studies for this specific country within the European IT environment. The literature background used for drawing up the research was composed by books found at Hasselt Library, ULB Library (Universite Libre de Bruxelles), search engines for finding the relevant papers on the subject (hotbot.co.uk, Google Scholar, ebsco.com,

lycos.com), economic dictionaries (Luthra, 2007), methodology books (Creswell, 2012; Saunders, et al., 2007), YouTube interviews, as well as related studies prepared by national and international institutes.

For describing a clear picture of the Romanian IT outsourcing phenomenon as a provider for Western European companies, in-depth interviews with Romanian IT Service Providers were held. The interviews were held both electronically and by telephone. The questions and the relevance of the interviews were to understand the reasons why Romania represents an atractive outsourcing market for the European IT environment.

The participants of the current study were selected acording to their IT Outsourcing activity. This master thesis tries to identify the industry's opinion about the IT Outsourcing movements between Romanian IT industry and Western European market. The initial contact with the participants was made by email, in which the problem analyzed was presented. The people interviewed were mostly involved in the decision procedures within their companies, co-funders of IT startups or managers involved in the strategy shaping. The interviews were held mostly on Skype or email, the research being realized between October 2013 and March 2014.

Related to what intructions were given to participants, the first email sent to the companies consisted on sumarizing the problem analyzed and research being explained in depth, in order to bring into attention the motives of interview development. After receiving the acceptance for holding the interview, for each situation were given different directions and instructions, depending on the channel used. For the interviews held by Skype, the discusions started with the general presentation of the topic and such interviews were characterized by an open question discussion. On the other hand, the interviews held by email were represented by several indications expressed at the beginnig and the body of the interview was sent in a Word format (see Appendix A). For each individual interview held by email, some extra clarifications were needed and provided, depending on the situation.

The selection of interviewed parties is representative while it is based on a range of companies with a rich experience on the market (HP, Maysis, EBS), but also on startups (Renovatio IT Solutions) and organizations that already passed their 3 years of experience (Arvato). Analyzing

companies in different maturity stages within the Romanian market is offering a broad picture over the IT industry in the country and how the market is perceived by western European companies. Furthermore, this selection emphasizes the main capabilities that a Romanian IT company should have in order to be competitive. The different level of expertise and experience in the IT industry of the interviewees led to reliable data to be analyzed.

The end result concluded in 7 interviews from 5 different companies. All the interviews can be found in Appendix B-H. The data was split in subchapters in order to be easily analyzed for the purposes of current research. The flow of the interviews is similar with how the thesis is structured. First, the information within the interviews are being presented in the empirical study. Moreover, the information received from each person is in depth analyzed and compared with the findings from literature review. At the end of the analysis the gap between literature and interviews is stated.

Information related to the Romanian market was collected through qualitative interviews. These interviews have the advantage of being targeted directly on the problematic and offering valuable insights. The interview is fully composed out of open questions, this leading to a deep understanding of the phenomenon. The collected data is utilized in the second and third part of the thesis.

The final conclusions are stated according to what the literature and the interviews' finding were and some specific recommendations are presented. At the end of the thesis the ideas for some future research are being presented.

2 CHAPTER TWO

2.1 The IT Outsourcing phenomenon

IT Outsourcing concept comes as a result of globalization phenomenon. Nowadays the work configuration is not restricted by place or time anymore. This means that "software development can be largely superseded by action at a distance" (Sahay, et al., 2003 p. 27). Standardized methodologies and processes combined with the use of ICT can sustain efficiently the process of switching cost and quality by externalization of some parts of the company's activities (Sahay, et al. p. 27).

The IS (information systems) outsourcing is defined by externalizing the IT related activities to other entities (Antràs, 2004) which can provide the work cheaper, faster and better since the core activities of those providers are IT dedicated. So a short explanation of IT outsourcing practice may be the use of a third party vendor to provide information products and services that were previously provided internally (Lacity, et al., 1995). The same author describes the difference between early forms and today's outsourcing phenomenon, stating that nowadays there is registered "a significant transfer of assets, leases and staff to a vendor that assumes profit and loss responsibility" (Lacity, et al., 1995). The definition given is simplified taking into consideration the fact that the term outsourcing is broad and in some cases is used as a synonym for subcontracting; as well, each outsourcing decision comes either after doing the job in-house or after previous outsourcing contract reconsideration.

One company may consider outsourcing processes or activities when the essential question is raised: make-or-buy? At this stage the company has to consider all the alternatives presented by Stephanie Morgan in the figure below (2009 p. 5), in order to identify the right needs and capabilities of the particular situation taken into discussion.
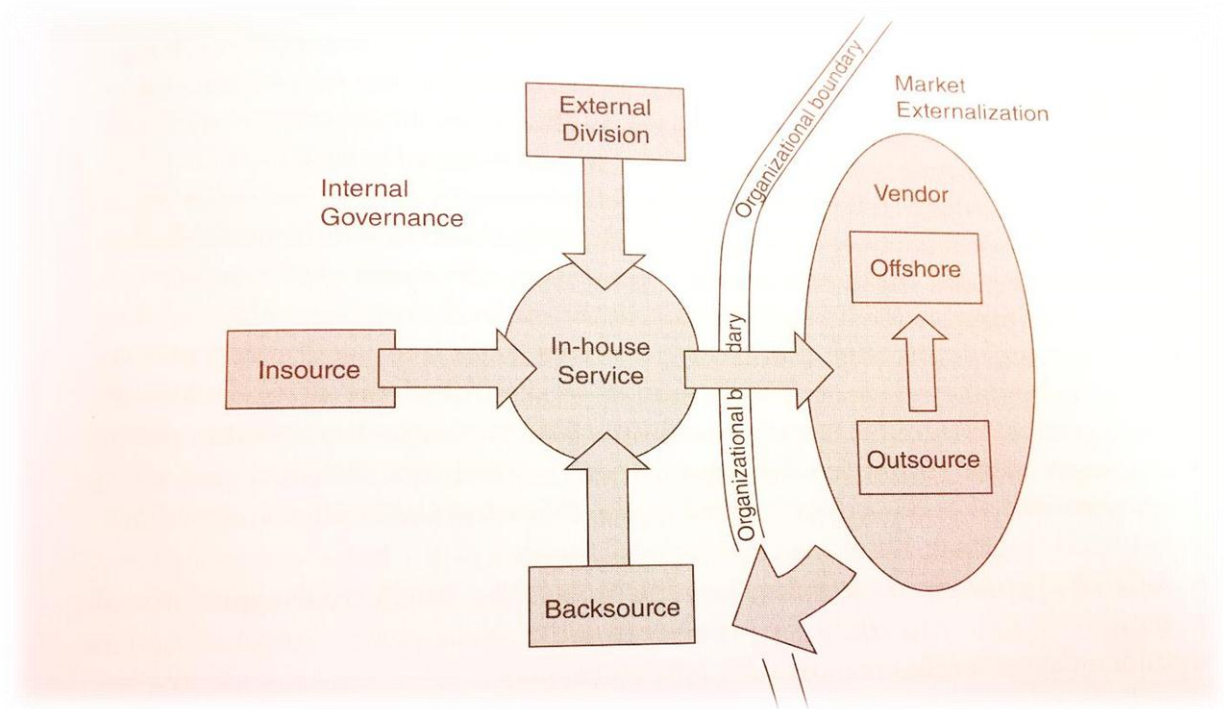
Figure 1 Outsourcing Types (Stephanie, 2009 p. 5)

The people involved in the above process face implications and issues related to the culture (Bartlett, 1987), language (Beulen, et al., 2006) and legal differences, as well as the ethical problems that may occur (Morgen, 2009). Another problem may be the type of capabilities that are being outsourced, in terms of core or non-core capabilities for the company who decides to externalize the IT activities. For this context, Claudio and Rafael (1998) argued that the resource- based view of the firm is the framework that best answers the essential questions related to the resources and capabilities a company focus on. In this way, one can analyze if the outsourced activities are core or non-core for the business strategy of the company.

```
┌──────────────┐    ┌──────────────────────┐    ┌──────────────┐
│ Firm Resource│    │ Value                │    │              │
│ Heterogeneity│    │ Rareness             │    │ Sustained    │
│              │ →  │ Imperfect Imitability│ →  │ Competitive  │
│ Firm Resource│    │  —History            │    │ Advantage    │
│ Immobility   │    │    Dependent         │    │              │
│              │    │  —Causal Ambiguity   │    │              │
│              │    │  —Social             │    │              │
│              │    │    Complexity        │    │              │
│              │    │ Substitutability     │    │              │
└──────────────┘    └──────────────────────┘    └──────────────┘
```
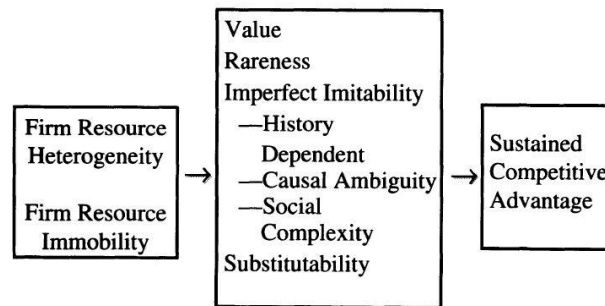
Figure 2. The relationship between resources heterogeneity and immobility, value, rareness, inimitability, and substitutability, and sustained competitive advantage (Barney, 1991)

The resource-based theory starts from two assumptions (Coff, 1997; Barney, 1991):

1."firms within an industry may be heterogeneous with respect to the strategic resources they control", and

2. "The resources may not be perfectly mobile across firms, and thus heterogeneity can be long lasting".

Hence, a firm cannot develop a sustained competitive advantage if all its strategic resources are also in possess of its competitors and are highly mobile (Salehi, et al., 2010). Firm resources are including all the assets, capabilities, skills, information, knowledge, etc. that a firm controls and enable it to adopt strategies that improve its efficiency and effectiveness (Coff, 1997). Regarding their resources, companies have at their disposal three types of strategic ones (Barney, 1991): physical capital, organizational capital, and human capital.

Outsourcing practices give to companies the opportunity to fill the gaps inside the company by externalizing the processes or activities that can be covered in a more sustainable way, the end goal being the assurance of competitive advantage.

Any companies, regardless of the sector in which they operate, are trying to implement strategies that may differentiate their products or services in order to outperform and get higher revenues comparing with the market. If they are successful in their attempt, we can say that a company has a competitive advantage. Barney (1991) argues that a competitive advantage is developed when a company implements a strategy that is not simultaneously implemented by

its competitors. Thus the conclusion that outsourcing to a provider with strong competitive advantage has a strong impact on the client competitive advantage.

The information technology "can participate in the fundamental process that transforms resources into capabilities and eventually into core capabilities" (Claudio, et al., 1998 p. 87).

2.2   Romania, a country where to outsource to

The Eastern European alternative for India is becoming more and more the place to be considered for outsourcing drivers' activities, and especially IT activities. The most considered countries for IT outsourcing in Eastern Europe are: Poland, Czech Republic, Slovenia, Hungary, Romania and Bulgaria (Iver, 2007). The Eastern Europe alternative developed on behalf of proximity and technical expertise (Anderson, 2003) for the western European companies that prefer keeping the work close to them on the continent than externalizing to India as most international companies do (Blinder, 2005). When coming to IT outsourcing in particular, the results presented by Brainbench.(2002) are clear when 3 out of top 10 countries in terms of IT most certified people are Eastern European countries (Ukraine, Romania and Bulgaria).

The New York Times presents in one of their articles some of the reasons why Eastern Europe developed as a center for outsourced activities earlier in 2007, a situation that improved over the last years. "Andrew Grech of Accenture says Central Europe has an advantage over other outsourcing regions because of its variety of languages and its political and economic stability"[4] (Tagliabue, 2007). While United States rely on India for its outsourced activities, Western Europe may consider a more convenient alternative to outsource to the former communist countries. Furthermore, an important aspect to be considered is the minimum wage difference between eastern and western European countries. The reason why Eastern European countries are a desired destination for outsourcing are clearly the low salaries, while western European

---

[4] http://www.nytimes.com/

countries earn at least twice as much per month. The graph below express very clearly the minimum wage's difference in eastern European markets compared to western countries.

Minimum wages
EUR/month
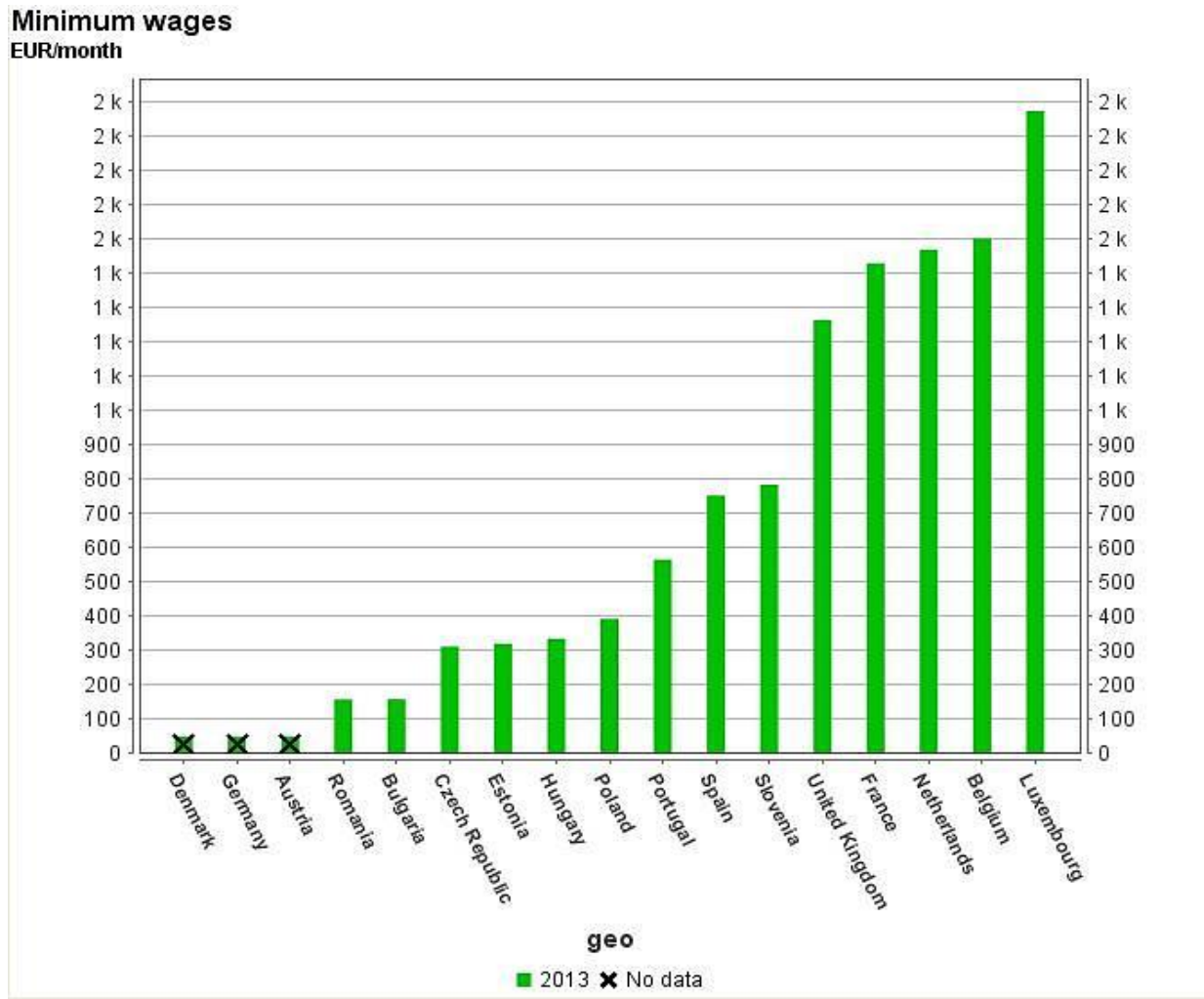
Figure 3 Monthly national minimum wage (Eurostat, 2014)[5]

Romania, Bulgaria, Czech Republic, Hungary, Poland had the minimum monthly wage in 2013, not higher than 400 euros/month. In the same year, 2013, the western European countries like United Kingdom, France, Netherlands, Belgium and Luxembourg earned a minimum monthly wage between 900 and 1600 euros/month. This data is relevant for considering the Eastern

---

[5]http://epp.eurostat.ec.europa.eu/tgm/graph.do?tab=graph&plugin=1&pcode=tps00155&language=en&toolbox=sort

European markets an alternative of externalizing work cheaper since a company from Belgium for example can pay at least 3 people outsourced instead of paying just one in house. The situation is proportional when talking about medium wage, as well for IT industry.

Considering that an IT professional is earning more than a minimum wage and some countries in Europe as Germany introduced the concept of minimum wage just recently, a view on the medium wage gives a better understanding of the reality when considering the cost of employment in Romania. For this, the Romanian Institute of Statistics gives an overview of the monthly average net normal earnings by activity of national economy. A person that works in the information and communication sector earns on average 3029 lei/ employee (about 800 euros/employee) in 2013, being the second best paid sector after the one of financial and insurance sector with 3786 lei/employee (2014 p. 28).

In order to give a better understanding of the Romanian market, and to analyze the impact of the revenue on the IT industry development, below the National Institute of Statistics is giving some insights on the micro-economics figures (Ghergut, et al., 2014).
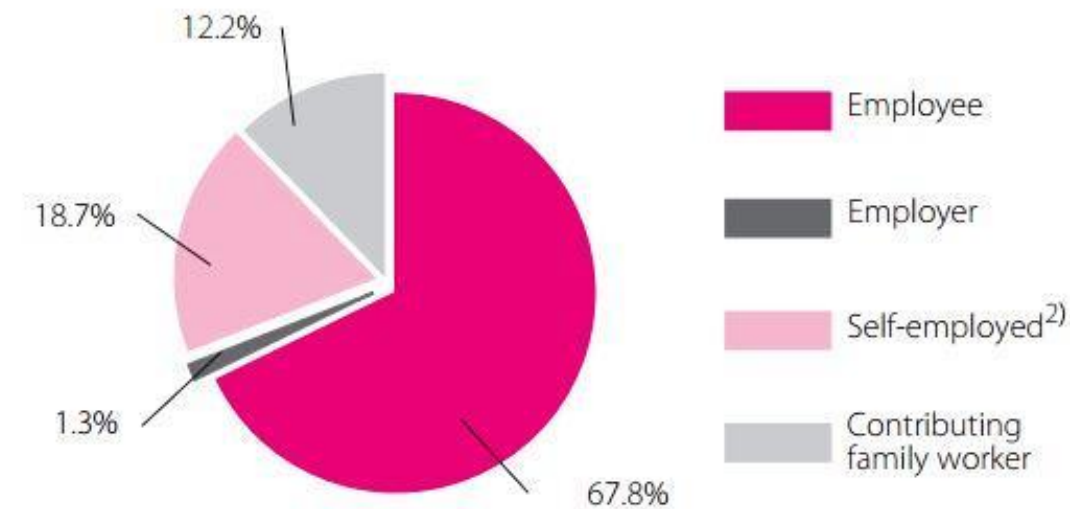
Figure 4 Employment structure, by employment status, in 2013 (Ghergut, et al., 2014 p. 19)

"The weight of employment in private sector is kept around 80% in the last 5 years of the analyzed period (2009-2013). Both in 2013 and in 2012, out of total employed population in private sector, 66.1% developed activities in industry, construction and services." (Ghergut, et al., 2014 p. 21). From a total of 9.247.000 employee, 152.000 represent the people working on the ICT industry in 2013 in Romania.

Another important aspect that can be seen in the Romanian national statistics is the path of education preferences and enrolment depending on the industry where these students will perform on the market in the next years. The figure below gives a good overview of the fact that technical sectors as IT is represent a big interest for the future specialists.
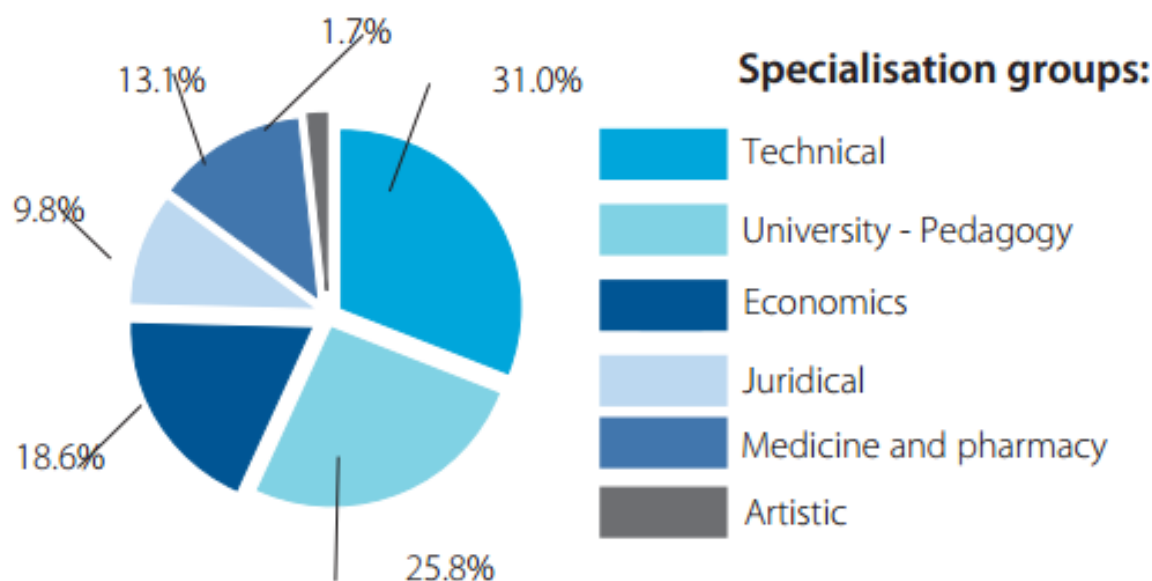
Figure 5 Students in tertiary education institutes, by specialization groups, in 2013/2014 academic year (p. 41)

To shortly conclude on the discussion of western European companies outsourcing in eastern European markets, the geographical proximity, cost cutting reasons and high level of expertise, may be considered strong motives in taking the outsourcing decision in these conditions.

The Romanian IT industry significantly improved between 2009 and 2014. "The positive IT export's evolution was caused by the activity of the multinationals' R&D and service centers, local or foreign companies which were providing outsourcing solutions for companies outside Romania, and other projects contracted by Romanian firms with foreign clients" (Vuici, 2012).

A recent study conducted by Market Watch Romania (2012) revealed that the companies which are highly involved in the academic IT development throughout the Romanian academic environment and which take advantage from recruiting already trained fresh graduates, are normally the multinationals which realized that Romania has a big potential of specialized and highly skilled IT professionals. In the study companies like Hewlett-Packard, Orange Romania, APT Group, Siveco, Microsoft and IBM are analyzed in the way they contribute to the Romanian IT Educational Trajectory. All those companies actually took the decision to

outsource in Romania by establishing capabilities there and by taking advantage of the cheap Romanian IT work force. The cost advantage is not the only reason why those companies established centers there, but the educational level of employees is as well considered. This aspect is highlighted by all the collaborations between business environment and universities related to the IT&C industry.

The IT and Communications Industry is summarized as following:

- The total turnover for the entire IT industry reached 9.4 MIO euros in 2011, with total sales up to 8.5 MIO euros (Vuici, 2012).
- The table below presents the evolution of IT industry in Romania, half of IT sales represents the exports of services, software and telecommunication .The interpretation of the table needs to underline the fact that in Romania, between 2009-2011 the IT export represented more than a half of the total IT sales (Kate M.K., 2011), which means that the IT outsourcing phenomenon has a strong impact on the overall IT industry. Even though the number of companies dipped over the analyzed period, the total sales grew. There should be taken into consideration the international factors related to the global financial crisis, but still the IT industry kept strong and grew in the Romanian and as well European environment (Ghergut, et al., 2014).

	2009	2010	2011	2010/09 %	2011/10 %
Total sales MIO euro	7,661	8,357	8,489	9,0%	+1.6%
Export MIO euro	3,378	4,322	4,720	+27.9%	+9.2%
Company number	19,752	19,223	18,700	-2.7%	-2.7%

Table 2 IT Industry 2010-2011 (Vuici, 2012 p. 5)

The outsourcing providers of IT solutions represent approximately half of the total sales. The following graph represents the export situation between 2008 -2011.
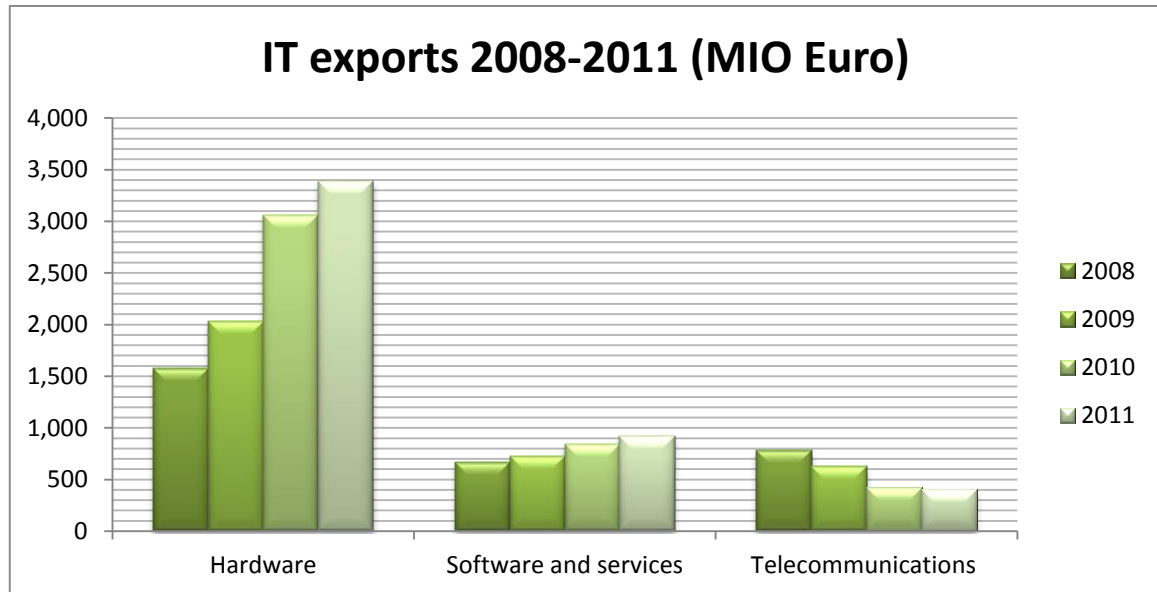
Figure 6 IT exports for Romania 2008-2011 (Vuici, 2012 p. 6)

Having a look at the above figure in terms of outsourced IT from Romania to abroad, the most developed sector of the industry was the hardware one in all the 4 years analyzed in the ITC Institute research, while telecommunication sector faced a decrease over the same period of time.

The increase of exports for the overall industry in those two years was the consequence of software sales and the relationship between local companies as outsourcing providers and, foreign companies (Intel Romania, Gecad Group, IXIA, Microsoft Romania, Stefanini, 2013). Also an important role was played by the multinational companies, which exported and developed software solutions (Vuici, 2012).

The following companies had the biggest impact on the IT market between 2010 and 2011:

- ✓ Local companies: Romsys, Total Soft, Novensys, Arbos, Bitdefender
- ✓ Multinational's subsidiaries in Romania: Oracle, IBM, SAP, HP GeBOC, Adobe Syatems, Endava, Misys Intl., Pentalog.

2.3 Outsourcing decision process

The moment one company may take into consideration the idea of externalizing some activities is when the first important question is raised by the management: Make-or-buy? In order to decide whether or not to outsource, S. Saunders and E. Pearlson propose the sourcing decision cycle framework.
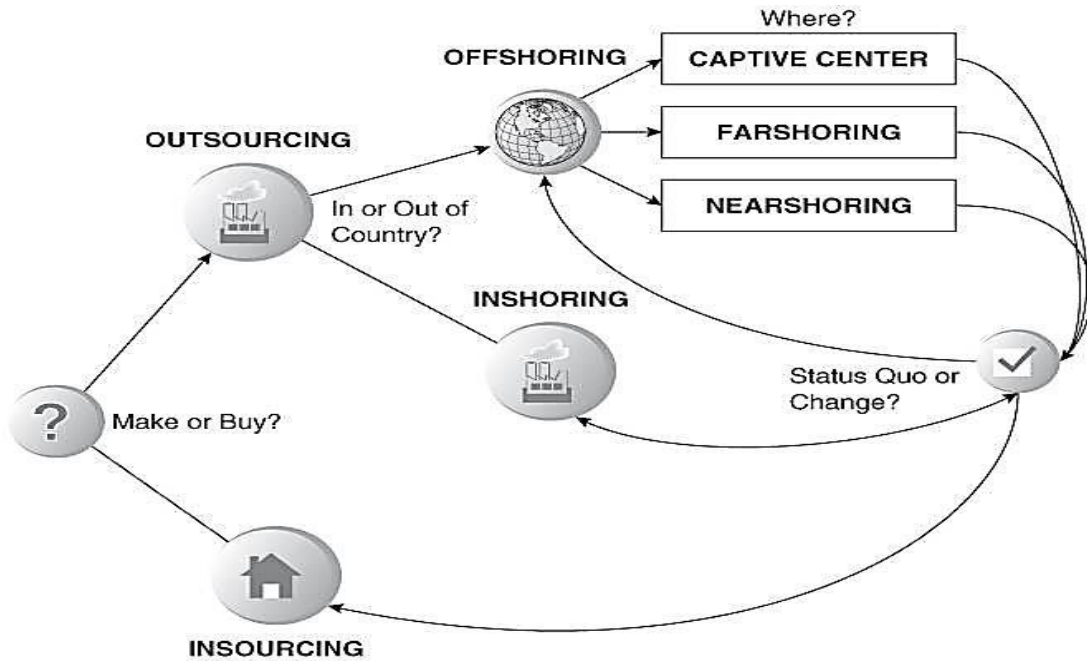
Figure 7 Sourcing Decision Cycle Framework (Pearlson, et al., 2009 p. 192)

"Sourcing doesn't really just involve one decision" (Pearlson, et al., 2009 p. 192), and a company has four possibilities for its decisions: whether or not to keep the activities inside the country, and here there are two alternatives, to keep the activities in house or to find an outsourcing provider located inside the country. The alternative of these two decisions is to outsource outside the country (Aspray, et al., 2006), finding an outsourcing provider (Barney, 1991) or enabling a captive center abroad (Bajpaj, 2004). Those four alternatives describe shortly the sourcing decision cycle framework. The reasons why a company decides whether or not to outsource are presented in the following subchapter. In order to narrow the market where the study was held, the research focuses on the Romanian market as an outsourcing provider and its relationship with the west European countries which choose Romania for IT sourcing solutions.

In order to define the general arguments for a company to outsource their IT services, the alignment of their IT and business strategy is essential (Beulen, et al., 2006 p. 13). The need of alignment between company's strategies is sustained by Pearlson and Saunders with the IS triangle concept. Each company has specific reasons why they outsource, and also there are different opinions among people from the same company, even though the final decision is common. Depending on who is asked about the company's reasons to outsource, the answer will be different from one employee to another, according to their direct implications on the outsourcing decision (Greaver, 1999 p. 3).

At the point one company took the decision to externalize and not keep the activity in house, there are some specific steps to be followed before finding the provider and after signing the contract. The outsourcing process highlights the roadmap from outsourcing opportunity to contract signing. Momme and Hvolby (2002) sustain that the outsourcing process is composed from six main steps presented in the summarized table below.

| Competence analysis | Assesment and approval | Contract negociation | Project execution and transfer | Relationship management | Contract teermination |

Figure 8 Roadmap of outsourcing opportunity

Management has to follow these six steps in order to outsource successfully. First, the company must analyze its competencies, and after that decide what should be outsourced and what must remain in-house. After the outsourced activities are defined and approved, firms must look for the best providers and start to negotiate the contract (Antràs, 2004). Once a deal is reached, the contracted company should start to develop the activities for which it is paid. Very important for the outsource process is the partnership stage (Coff, 1997). At this point, the two companies must work together in order to provide and receive products or services at the expected quality, but also to reduce their costs. The last step would be the moment at which the contract ends.

2.3.1 Outsourcing Drivers

At the point one company considers the outsourcing possibility, the drivers to this decision may be understood. To narrow down the outsourcing capacity, here are considered mainly the IT outsourcing ones. The alignment between IT and business strategy comes to strengthen the overall objectives of a company. Daniel Q. Chen et al. (2010) differentiate three perspectives of the IS Strategy:

1. IS Strategy as the use of IS to support Business Strategy

2. IS Strategy as the master plan of the IS function

3. IS Strategy as the shared view of the IS role within the organization.

This differentiation proves that each company has a different view related to IT importance within its strategy (Aron, 2005). For choosing one perspective or another, a company has to identify the reasons why they need that perspective (Chaudhury, et al., 1995). In this master thesis, the focus is kept on the IT outsourcing drivers, identified by a company after deciding which is the precise role of IT within its overall strategy.
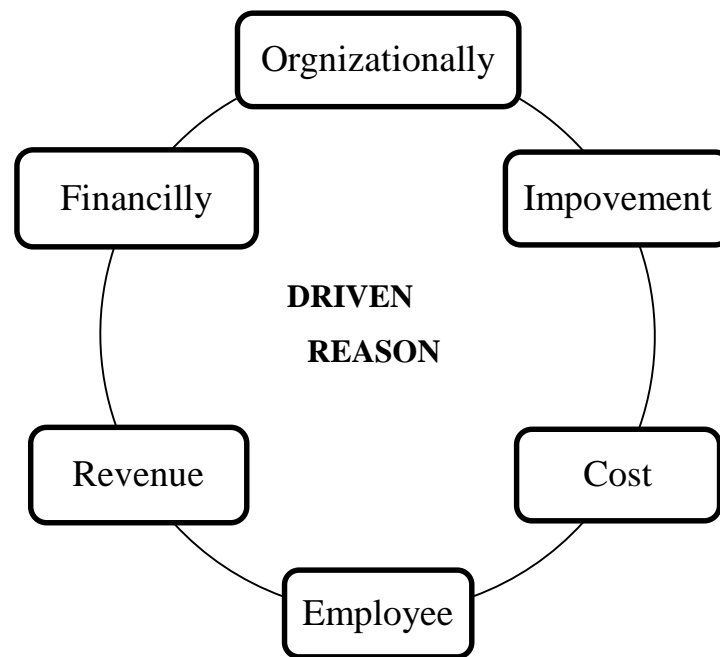
Figure 9 Outsourcing drivers Greaver (1999)

The arguments in favor of IT outsourcing are various. Another list can be made, which of course can be incorporated in the above one very easily. For example the argument of decreasing the total cost of ownership of the IT services would be part of the Cost Driven Reasons and Organizationally Driven Reasons in the same time. The Employee Driven Reason can be sustained by the need of solving the problem of not being able to recruit qualified IT staff and the need of focusing on the company's core activities. Increasing flexibility for the overall activities of the firm and shortcutting time-to-market for new IT services can be analyzed together with the Improvement Driven Reasons why a company consider important to outsource their IT (Beulen, et al., 2006 p. 13).

Considering the most common reasons stated by the literature, the next section will summarize the prime reasons why companies are outsourcing their IT. Those drivers are interconnected and have a snowball effect, if the contract is signed with the right outsourcing provider. Frequently cited outsourcing drivers are: cost reduction, easy transition to new technologies, risk sharing, shortening time-to-market, access to qualified IT staff (Beulen, et al.; Chaudhury, et al, Pearlson, et al; Chen, et al.,)

Cost reduction is the primary outsourcing driver, idea supported by Marie Alner (2001) assuming that the reason of cost cutting is more reliable when considering a long term outsourcing contract. By externalizing the IS operations, a company has direct access to "large pools of technical expertise" (Pearlson, et al., 2009), available from its provider, in this way being able to downsize the IS department within the company. However, the net result is only a reduction of cost if the additional cost of the outsourcing contract is less than the cost of keeping the IS department fully in house (T.Abraham, 2006). The reason why this cost saving by downsizing the internal IS department may be the case when a company agrees that their core competences are not focused on the IT ones and keeping the activities externalized are bringing a more sustained competitive advantage then keeping the IS department fully in house, or event partially.

Erik Beulen et.al (2006) argues that companies externalize the IT operations for decreasing the overall cost of ownership of the IT service, while Marie Alner (2001) agrees with this idea by additional explaining that cash flow improvements from the transfer of software licenses and personnel to the outsourcer represent a side advantage for the outsourcing company (Gay, et al., 2000), as well as the release of obligation from a facility lease and the associated physical plant maintenance costs of a data center (Alner, 2001). Other researchers demonstrated that hardware, software, IS personnel and business operations costs are the strongest motivations for a company in its decision to outsource (McLellan, et al., 1995). Still, there are other important cost reduction drivers as well, scholars arguing that most companies prefer to fully outsource instead of establishing IS departments. This situation is due to more expensive internal department than the equivalent linkages to the vendor's structure (McLellan, et al., 1995).

The second reason commonly cited in the literature is the *easy transition to new technologies*, which means that the companies with other core activities than IT operations have the opportunity to access from their suppliers the newest technologies, as long as the outsourcer has all the capabilities to reach the market needs on the IT segment (Salehi, et al., 2010). The pool of technologies developed by the IT providers are larger than an in house IT department established in a company in which IT is not considered a core competence. The reason of transition to new technologies is sustained also by the big multinationals by establishing work

capabilities in cheap countries (Drogendijk, 2006). This advantage links to another, because there are a lot of academic programs within such companies which have the main goal to teach and leverage the newest technologies among the students, helping the industry to grow through education and collaboration. Such an example is the IBM Academic Initiative, which involves both the academic environment and the core business. The scope of the program is to help the students connect to the working environment and the software used in order to straighten the skills of future graduates. Such a program is a win-win situation because the company has access to the academic environment and basically to the best future employees. On the other hand, the Universities are lucky to have such strong collaboration with a multinational company in order to attract future generations of students interested in learning such opportunities, and also to develop top educational programs. In this way, the IT industry itself grows.

Looking for *strong IT skills* and *highly educated people* is another reason why a company should outsource. Even more, those people are paid less than someone working in the industry in the home country, still considering that outsourcing doesn't mean externalizing the activities abroad by default but is a more common practice due to the cheaper work capital. The CEO of Epam, Arkady Dobkin, explains that the perspective of finding cheap workforce in the Eastern European market or Asia have changed recently, because those markets reached the development of delivering highly complex and mission critical projects, development that has its roots in highly trained and experienced workers (Schwartz, 2005). So, in this manner, the cost driver is sustained by the importance of finding strongly skilled workforce elsewhere than the home country, thus a win-win situation both for provider and the outsourcing company.

2.3.2   Evaluation on criteria in choosing outsourcing partners

At the point one company takes already the decision to externalize some activities, the next step is identifying the right provider that would have all the required capabilities in order to be chosen a reliable partner. The drivers were defined and clarified by the client company at the point the skills and capabilities of the possible providers are analyzed. Regarding to the IT skills reason for IT outsourcing, T. Abraham (2006) et al. made a classification of the IT workforce skills by distinguishing where those skills are needed, as following:

a) Critical skills to retain in house

The most important skills needed in house by each company are related to the business domain knowledge, which are essential for the overall practice of that company (Agrawal, 2003). The study summarizes the skills needed in house, these being related to project management, business domain and some basic technical capabilities. These critical skills are important to run the strategic part of the business, while the rest of the needed skills can be found in the external environment of the company.

b) Most needed entry-level skills

For the entry level segment, technical and programming skills are the most wanted by the employers, but also communication and industry knowledge (Bartlett, 1987). These skills are important for the companies which take into consideration the IT outsourcing procedure, as well by the IT providers, because both categories need fresh minds and new professionals once in a while. During an interview with Head of Marketing Dunlop Goodyear for Europe, Middle East and Africa Department, related to the main topic of the master thesis, Luisella Giani stated that while the skills of a person are important when entering a company, more important is the way that person develops himself during the practice in the company over time. A new entrant has to adapt to the company's dynamics and grow within the company, adding value after a short period of time.

c) Most desired mid-level skills

The mid-level skills according to T. Abraham' s study indicates project leadership, project risk management, user relationship management, system analysis, system design and industry knowledge, being the most important needs of a company related to employees that already have some background experience.

d) Newly important skills

When discussing about what are the new skills needed for each company, sourcing related skills are the most attractive, as well as the IT governance (T.Abraham, 2006 p. 9).

a) Skills delivered mostly by the outsourcing providers

The study of T. Abraham et al reveals the next common skills needed by the IT Outsourcing providers: programming, system testing, support and helpdesk, system design, system analysis, operations and server hosting. Those skills come as a result of outsourcing phenomenon, because nowadays the companies which are looking over such skills are IT outsourcing providers (Chen, et al., 2010), and less interested are the companies which outsource their IT capabilities.

The reason of *shortening time-to-market* is strongly sustained by Erik Beulen (2006), saying that the IT providers, having many clients and therefore substantial resources available, are in a better position to handle fluctuations of cost efficiently in order to keep the technologies updated. The statement comes as an outsourcing promoter, since an internal IT department cannot bring such value for a company as an IT provider would bring. Thus the company itself is unable to keep the renewal dynamics up to date because high costs of doing this in house and the lack of capabilities. Moreover, as the next section can demonstrate, the companies outsourcing their IT are normally big IT companies looking for low wage work force and companies with other core activities than IT. The aspect of shortening time-to-market (Cornelissen, 2005) is more applicable to the second type of companies, which by externalizing the IT activities add some extra value to its overall processes.

After defining the need of outsourcing certain IT activities, a company has to define which vendors may be a smart choice for achieving the objectives. Cronk, et al (1995) came up with a simple and useful framework that summarizes the idea that IT outsourcing decision is taken just after finding a particular vendor. For finding the vandor that's fiting the exact needs, a company should follow a strategic framework similar with the one presented in the figure below. The framework states the idea of finding a large variety of vendors, ask for proposals and after that analyze which activities proposed can be kept in house or not. After the analysis some variations may occur, for example a company may understand that a part of the activities proposed by the potential vendor can be kept in house with outsourced assistance. Another version of the analysis' outcome may be that the proposal presented by the potential vendor is still achievable in house.

In order to conclude the idea stated by the figure below, a company decides first the need of outsourcing some activities, but the final decion of outsourcing comes after reviewing several potential vendors' proposal and a deep analysis if part of the proposed ideas are still achievable in house.
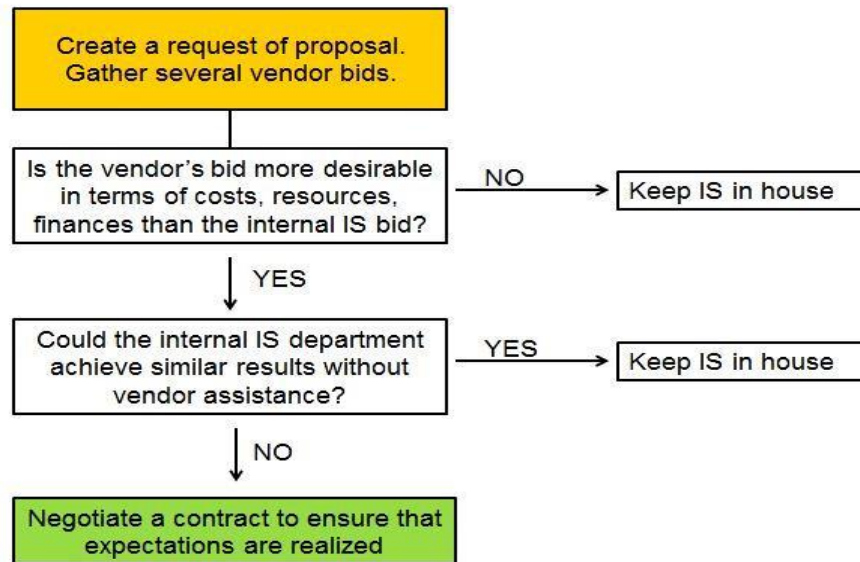
Figure 10 Proposed outsourcing evaluation process (Cronk, et al., 1995)

In order to identify what a provider should do to be desired within the market, the list with some risks faced by clients may be a good start in understanding what must be carefully followed by each provider in the light of IT outsourcing activities. Gonzalez (2009) presents all the following situations as risks but each provider can be aware of these factors and turn the balance into its favor when negociating an outsourcing contract or even further during the project. The risks presented by Gonzalez et. al (2009) are supported by Tan (2009), and may be observed in the summarized table below:

-	Access to qualified technical staff	-	Compliance with the contract
-	Unclear cost-benefit relationship	-	Mobility to adopt to the new technologies
-	Hidden costs	-	Security problems
	- Objective alignment		

Table 3 Risks for outsourcing parties

Access to quailifyed technical staff (Martinsons, 1993)is a risk that can be mitigate from the beginning, before the contract is signed, because the client can easily identify if the profider is not fully complient with the requirements in terms of qualified resources. In case this is happening after the contract is signed, the client can renegociate the contract ore even change the provider, fact that may have negative impact on the project and in the end on the business. The same situation can be met when talking about a mobility of the provider to adopt the new technologies (Schwartz, 2005). Depending on the length of the project, a particular project can be impacted by the low competitiveness on the market since on there are already other players that can take advantage over the latest technologies and best practices.

Complience with the contract and hidden costs are two very related topics. At the point the the contract is signts, both parties have to make sure that all the costs are clearly expressed, while the compliance with the contract has to happen during all the length of the project (Maskell, 2007).

In the case of secutity problems, the contract and both parties should have clear confidentiality claims in order to mitigate the risk. When it comes to objective alignment, above all the other risks that may occure, is the most dangerous one since it can harm the most the deliverables.

These aspects presented above may be a useful aspect to be taken into consideration by a provider. That means the provider should be honest with all the potential down sides while trying to mitigate as much as possible the potential risks coming from its side. In this way the

relationship between the provider and its client has bigger chances to become a long term and powerful one. As well, the success chances of the project are higher.

The IT outsourcing decision is based on the ability of one activity to be not dependent on proximity requirements while the task complexity is low or high. Yet this perspective is summarized in the Proximity-Complexity Matrix (Hirschheim, et al., 2005).

Figure 11 Proximity-Complexity Matrix (Hirschheim, et al., 2005 p. 1011)

The link between the matrix proposed by Hirschheim and the outsourcing evaluation process stated by Croak is manly the fact that at the moment a company considers one provider or another during the evaluation process, they might decide based on some variables like task complexity and proximity requirements. Thus the proximity-complexity matrix is a just one of the tools of taking the decision for choosing the provider based on defined requirements.

2.3.3   Who is outsourcing their IT?

According to the Report of the ACM Job Migration Task Force, there are 5 categories of firms which are outsourcing their IT all over the world (Aspray, et al., 2006 pp. 27-30). The table below summarizes the types of companies distinguished by the study.

Company Type	Placed Where?	Outsource Where?	Examples
Large package software companies	Established in developed countries	Low-wage countries	Adobe, Microsoft, Oracle, SAP
Large software service firms	Developed nations	Low-wage countries	IBM, Accenture
Companies not part of the software industry sector	Developed countries	Low-wage or/and developing countries	Citibank, General Motors
Software-intensive small firms	Developed countries	Low-wage countries	Startups
Firms in developing countries providing software services to companies in developed nations	Those companies are the providers of IT outsourcing for the four upper categories.		

Table 4 Who is outsourcing? (Aspray, et al., 2006)

Most companies interested to outsource are represented by the large firms established in developed countries. This segment can be split according to their core activities and their niche on the market. As summarized in the above table, companies like Adobe, Microsoft, Oracle, SAP, IBM, and Accenture share the market on the software industry, but there are also big companies belonging to other industries which are interested in outsourcing the capabilities which are not core for their business. Here is not just one segment because companies from all industries can externalize their IT needs and examples can vary from banking to automotive industries and so forth. On the other part of the barrier are the providers of IT solutions, which are doing the work for the above discussed companies.

It is important to understand the reasons why each type of company decides to outsource. For the large package software companies, in addition to the cost advantage, they outsource in order to "speed up production by facilitating round-the-clock production" (Aspray, et al., 2006 p. 27).

Another important reason for the companies not part of the software industry sector is the value creation by outsourcing the activities which are not core, mostly IT related.

3 CHAPTER THREE

3.1 Brief overview of the Romanian IT industry

Before presenting the profile of the interviewed parties, the environment where these companies are developing their activities has to be framed. For this brief overview of the Romanian IT industry, the next national report sources were analyzed: National Institute of Statistics Report for 2013 (Ghergut, et al., 2014) and ANIS report – Employers' Association of the Software and Services Industry (Intel Romania, Gecad Group, IXIA, Microsoft Romania, Stefanini, 2013).

Romania has joined European Union in 2007 and since then several changes and development happened especially in a such dynamic environment as IT is. ANIS' report (2013) presents Romania as being a solid near-shore/offshore services center with clients in the U.S. and Western European countries (France, Italy, Germany, Benelux, United Kingdom), while nationally the Government is still among the biggest buyers in the industry. The National Institute of Statistics (Ghergut, et al., 2014) estimates that from a total of 9.247.000 employee, 152.000 represent the people working on the ICT industry in 2013 in Romania. The total turnover for the entire IT industry reached 9.4 MIO euros in 2011, with total sales up to 8.5 MIO euros (Vuici, 2012).

In an attempt to support private IT&C endeavors, the Romanian Government is playing an active part in attracting foreign investment to the country. "100% income tax exemption for IT employees has been maintained straightforward even after joining the European Union. State aid schemes are likely to be granted in the years to come, as well."[6]

[6] http://ceeoa.org/news/ceeoa-news/romaniaoutsourcing-locations/
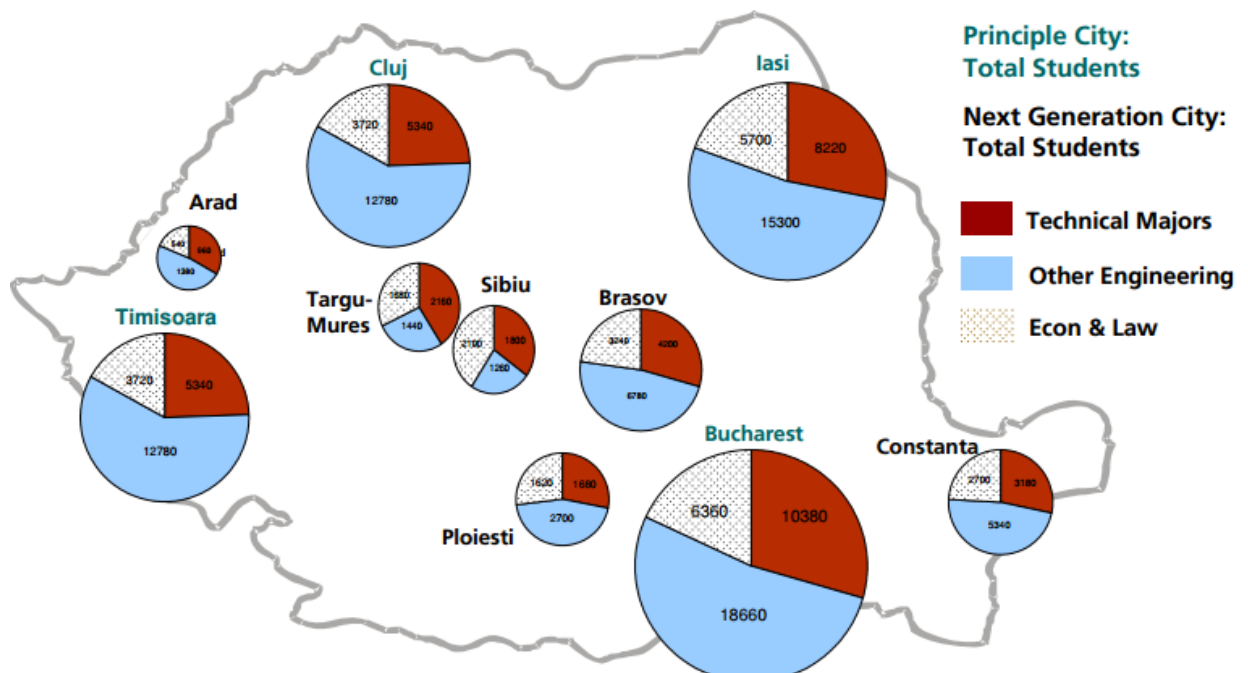
Figure 12 Undergraduate enrollment in public institutions in 2014[7]

The figure above is highlighting the number of students enrolled in 2004 and the split in the industry those people will be active on. The map was created based on the numbers of National Institute of Statistics for 2004 and the numbers haven't changed much in the last 10 year. According to the map, the big four cities in Romania by number of students are: Bucharest, Iasi, Cluj Napoca and Timisoara. Those four cities are the big hubs for IT industry as well, after Bucharest which is the capital of Romania, Cluj Napoca and Timisoara take advantage also for their geographic proximity with the country borders and so easier connection with Western European countries. All over the country, more than a quarter of majors are technical.

The main technology centers in Romania are the same ones presented as being the university centers as well. So "27 of the 30 biggest companies in software and services and 190 of the 290 companies with revenues over 1 M EUR are based in Bucharest; these are big local companies, integrators and solution providers, as well as support and R&D centers of IT multinational

---

companies."[8] The second city on the number of software and services companies based here is Cluj Napoca with companies like: Arobs Transilvania Software, Softvision, Endava, Tora Trading Services, Yonder, ISDC, Uniqa Raiffeisen Software, Work Solutions and Neusoft Mobile Solutions. After Cluj Napoca in the ranking of the main technology centers are the following cities: Iasi, Timisoara, Brasov, Sibiu.

3.2 Interviewed Companies' Specific

As the theoretical part of this thesis confirms, Western European companies decide to outsource their IT activities elsewhere while Eastern Europe represents an attractive destination for their needs. This represented the main trigger when the scope of the current thesis was framed, by analyzing one of the markets in Eastern Europe that has an important contribution in providing high level services within the overall European IT environment.

In order to get deeper in the reality of the Romanian market, interviews were taken from individuals that have a high level of expertise in the IT sector and moreover in the outsourcing activities. There were people working in 5 IT oriented companies in Romania – Hewlett Packard, EBS Romania, Maysis, Renovatio IT Solutions and Arvato.

---

[8] http://www.anis.ro/geo-distribution-of-the-romanian-itc-industry/#.U-er-fmSyoM

COMPANY	Interviewed Employee
Hewlet Packard	Ms. Cristian – Team Leader of the configuration and quotation teams
	Ms. Magdalena – Customer and Sales Support Manager Romania
	Ms. Nejla – Customer and sales support manager
	Ms. Mariana – IT Research and Development support manager
EBS Romania	Ms. Adriana - Senior Manager Business Development Support
Mysis Romania	Mr. Daniel Strachinariu – Software Engineer
Renovatio IT Solutions	Co-founder
Arvato	Ms. Maria Andreea Savu – Operation Coordinator

Table 5 Overview of the interviewed parties

3.2.1 Scale of business

Company	Scale of business worldwide
Hewlet Packard	270.000 employees
EBS Romania	1000 employees
Misys Romania	4500 employees
Renovatio IT Solutions	11 employees
Arvato	60.000 employees

Table 6 Scale of businsess of the interviewed companies

All the interviewed companies are having a different scale of business, some being multinational companies that opened offices in the Eastern European markets in order to be present and serve to some of their customer depending on the business needs. The big advantage of having offices in the Eastern European markets as Romania is, is the low wage level and high technical skills of the employees. The smallest scale businesses as Renovatio IT Solution, are using these facilities as well in their core activities, keep being preferred as providers by the western European companies.

3.2.2 External Partners

For each company the partners are strategically chosen and presented, in order to strengthen the position and the image on the market. HP Romania has two big Romanian partners: Quantrio Consulting and S&T Romania, both companies being players in the same IT industry as HP is.

EBS Romania describes their partners as being their clients and then there are the standard technology partners. Within their technology partners, there are SAP, Microsoft, Oracle, IBM and Software AG. The interesting aspect here is the importance given to the client, which is considered by default a partner. Their main clients are companies mainly from Germany, Austria, Switzerland, Finland, Nederland and even USA.

Some of the biggest IT multinationals are partners with Misys as well, companies as: Intel, IBM, Microsoft, HP, ITC Infotech, HCL, Everis, Numerix and Oracle.

Both Arvato and Renovatio It Solutions consider their clients their partners too, using their lineup of activities as being part of their strengths.

3.3 Hewlet Packard

Primary Industry

HP Romania is presented by its employee Mr. Cristian as being a company "mainly working in IT industry by developing and delivering hardware, software and technical solutions. In the last years HP is focusing on innovative segments as cloud, security, and big data", while the other 3 employees that were interviewed support Cristian's opinion. Hewlett Packard is a multinational company that has a strong history and background in IT industry. "HP provides hardware, software and services to consumers, small- and medium-sized businesses (SMBs) and large enterprises, including customers in the government, health and education sectors."[9] Hewlett Packard was founded on 1st of January 1939 and the Romanian branch started its

---

[9] http://en.wikipedia.org/wiki/Hewlett-Packard

activity in Bucharest on 2005, the Romanian employees serving now as providers for divers European partners and clients.

Core activities

HP core proposition is identified by its Mr. Cristian as "providing full range of equipment and services for the enterprise customer" (Appendix B) while his colleague Ms. Magdalena stated that "HP provides products, solutions and services to consumers, small medium businesses, large enterprises and to governmental institutions."

Employees' expertize

Mr. Cristian and Ms. Magdalena from HP are more oriented to the customer needs and so analytical expertise as well, since they are busy on defining within other tasks the configuration and quotation aspects, as well as the support functions. So the HP employees have strong technical IT expertise in order to meet the client needs and solve their problems. One of the interviewed individuals from HP, more precisely Ms. Mariana is defining her expertise in research and development on IT functions, as she can easily reinforce the teams' knowledge transfer within the company in order to make sure all the new challenges are being solved.

3.4 EBS Romania

Primary Industry

When it comes to EBS Romania, the company stands for being a "partner for services throughout the entire software life cycle, from development to support"[10] in the broad IT industry, as Ms. Adriana, the Senior Manager Business Development Support confirms.

---

[10] http://www.ebs.ro/en/

Core activities

EBS Romania is a "well-established nearshore IT services provider which takes over software services and tasks for international IT companies, mainly from German speaking countries" (Appendix F). Ms. Adriana confirms what the company states online, that they are covering the entire software life cycle for their partners, starting with engineering services in various technologies up till SAP implementation and embedded services in the field of software development and testing.

Employees' expertise

When it comes to the EBS Romania, Ms. Adraina is explaining that in their company most of the employees are software engineering experts, as well consultancy and support functions.

3.5 Misys Romania

Primary Industry

Misys is a company that is active in "financial software industry, providing the broadest portfolio of banking, treasury, trading and risk solutions available on the market" (Appendix G). Their goal and mission is to "link the dots"[11] and give a sense of today's IT dynamic to its clients throughout a large customized IT solutions. Ms. Daniel explains that Misys has a strong partnership lineup with Microsoft, HITECH and HCL in order to make sure their clients around the world receive the strongest expertize when it comes to the solutions provided by Misys.

Core activities

A well-known company in the financial IT industry is Misys, which stands for developing, extending and marinating the large portfolio of financial software, as Mr. Daniel explains in the

---

[11] http://www.misys.com/discover-misys/

interview (Appendix G). Their value proposition is represented by IT activities with the particularity of financial oriented solutions.

3.6   Renovatio IT Solutions

Primary Industry

Mr. Bogdan Predusca, the co-founder of Renovatio IT Solutions frames their company's activity within the IT industry. The company is active in two main domains: mobile applications and smart living (home automation). For mobiles applications, Renovato IT Solutions focus more on B2C segment, while for smart leaving we reach directly the end customer.

Core activities

When it comes to Renovatio IT Solutions, their core activities are more tailored since the company is a startup in the IT industry. Mr. Bogdan Presusca describes the company's core proposition as being split between B2B and B2C activities – smart leaving, lifestyle and entertainment IT solutions for their B2C activities, while for B2B activation their aim is to provide mostly IT business utilities.

Employees' expertise

In the case of a startup there are similarities in terms of expertise- strong technical background - but the employees are focusing on their soft skills while exercising their technical expertise. For Renovatio IT Solutions is very important to be considered by their clients as strong partners while leveraging the best practices in the field. Their case is more particular since the name of the company is not a well-known one as HP or Arvato are, so they have to build their position by making most out of their expertise.

3.7 Arvato

Primary industry

Arvato Company "provides to their customers customized solutions comprising digital marketing, financial, CRM, SCM, print and IT solutions as well as replication services – all connected by way of integrated IT platforms."[12]Ms. Maria Andreea Savu explains that her team focus activities are BPO solutions and managed services.

Core activities

Arvato Company has a range of IT core activities while its Romanian offices are focusing more on providing back-office and call-center solutions for world renowned clients, as Ms. Maria Savu explains in Appendix J.

3.8 Outsourcer or outsourcing provider

In order to understand the difference in terminology, outsourcer is called the company which is externalizing the activities, so the one that is outsourcing, while outsourcing provider is the company that's providing the solutions, so the supplier of outsourced activities.

Once the terminology is defined, within the companies that were interviewed for the purposes of these thesis, the majority are meeting both qualities in the market. Here is the case of HP, Misys, EBS Romania, Arvato. These companies are focusing on providing the solutions for their clients but at the same time they are outsourcing part of the activities which are not core for their business. Typically outsourcing is structural transfer of work and another company is going to do part of the client's activities on a structural basis, while implementing an IT solution at a client is often IT consultancy which is not structural job, but a project-based job because once the solution is implemented, the collaboration stops. All of the interviewed companies are providing both IT solutions with a limited contract basis, and typical outsourced projects. A

---

[12] http://www.arvato.com/en/about-us/strategy.html

relevant example is when one of these companies are providing outsourced IT solutions while for their HR or financial activities they are externalizing the work.

While in the multinational companies both sides of the outsourcing ways are happening, depending on the activities taken into discussion, for small startups as Renovatio IT Solutions the outsourcing phenomenon is happening just one way – them being the providers of IT solutions for their clients while the rest of the functions which are not core are done still internally.

An important aspect to be mentioned here is the scale of the business which has also an impact on the outsourcing activities one company can manage. While a multinational company needs to externalize the non-core activities to be able to focus on the core ones, a small size company can handle the non-core activities in house because of the low complexity and low number of employees.

3.8.1 Companies' drivers for outsourcing processes

A difference is done when discussing the drivers of a company to outsource some activities to a provider, because the state of the interviews are presenting the other side of the reality, the one coming from the IT provider and not from the client. The purpose of asking the providers what are the common drivers of their clients to outsource is the need of confirming what literature states when it comes to outsourcing drivers, and in this case the theory may be confirmed or denied by practice, but for a deeper analysis more details are discussed in the analysis part of the thesis, where the literature and interviewed statements are analyzed in terms of correlation of realities.

The people interviewed at HP Romania considered the main drivers to outsource considered by their clients were mainly cost related, language excellence and really important the favorable legislation that Romanian market offers for these kind of contracts. Scholars explained the favorable context of Romanian legislation when for particular cases the tax exceptions are up to 100% (Ghergut, et al., 2014) in order to encourage the foreign investors and companies to develop IT related activities with Romania.

Ms. Adriana from EBS Romania is explaining more in details the drivers of their clients to choose them as providers, stating that the technical and language skills are based on the same level of importance with the good cost structure. While EBS Romania has most of their clients in Germany, for them is very important that the cultural fit exists and is straightened by their flexible business approach, with focusses on customer needs. Another aspect that ensures a reliable relationship with their clients is the existence of Account managers based at the client site in order to support the projects in the best manner possible.

The case of Arvato Company is a good example of how the good relationships between provider and client led to industry development. Ms. Maria explains during the interview that their client "decided to choose Arvato based on its' location and of course to reduce costs. Initially the client wanted to open just one activity focused center but Arvato's excellent results led to hiring another 200 employees and signing a contract for 2 other languages." (Appendix J)

The cost savings aspect is raised by Mr. Bogdan Predusca as well, when explaining that "the startup being based in Romania has a cost advantage within European market, because the products are at least 50% cheaper than the western European ones while the quality, innovation and new technologies met the western expectations." (Appendix H)

3.8.2 Competitive advantages for being chosen as IT providers

Companies' drivers for outsourcing processes are strongly related to the potential of possible suppliers in the market. At the moment a supplier has a competitive advantage, the opportunities to develop its business in the market are higher. This is the reason why in the applied interviews, the question related to the reasons why a company will choose them as suppliers of IT outsourcing opened a long discussion.

Within big advantages a Romanian IT company have, clearly stated are: low cost of services and resources, convenient location in Europe, big pool of foreign language speakers, high level of technical skills, similar organizational culture with west European companies, ability to keep up with innovation which led to high level of expertise and quality of new technologies,

The list above is just a short recap of what stands for being the advantages of Romanian IT providers in the European market. To be more precise, more details were given by the people interviewed in order to shape a better understanding on the phenomenon.

Mr. Bogdan Presuca, the co-founder of Renovatio IT Solutions considers that his company's biggest advantages on the market were brought by an extensive period of more than 7 year experience within the IT industry, and moreover that both co-founders studied abroad before creating the startup (in Germany and UK) while creating previous connections with potential business partners. Mr. Bogdan said that after making sure the company has all the technical assets and people with expertise, another essential aspect of a small company is the way they are building the network for future partnerships.

It is known that Romania is a good market in terms of foreign language speakers, but one of the most spoken foreign languages is German which brings a lot of potential of new clients coming from Germany and find in Romania the proper place to outsource since the market is cheaper while the services are qualitatively the same with what they can find in western Europe. In the interviews this is the case of Arvato and EBS Romania. Both companies are focusing on employing people with proficiency in speaking German while their biggest clients are German companies. Cities as Brasov, Cluj Napoca, Sibiu and Timisoara have a big pool of German speakers and as well companies with German clients, because it is known that those cities have schools and universities thought in German language and so in the case of an IT graduate, he/she has a strong IT background learned in German language which fits perfectly with the employment's market needs.

The core advantages EBS Romania are based on cost savings for the companies that choose them, access to extra resources if needed in order to sustain the proven delivery capacity, good references from previous projects, transparency and more than that, high commitment of employees.

Most of the interviewed companies stated that one of the biggest competitive advantages is the location and the proximity to the more developed European countries which prefer to choose one Romanian Company instead of externalizing their activities outside Europe as of India for

example. Proximity reasons bring into discussion clear common organizational culture. Both of these advantages are not measurable but help in facilitating the business relationships between the company that outsource and the Romanian providers. For such a relationship, probably at the moment the contract starts these aspects are not such relevant but in order to make sure the project becomes true and the other expectations are met, most companies that outsource keep in mind the need of good vibes during the life span of the project.

3.9   Who is outsourcing in Romania?

Answering to the question of which are the countries their companies collaborate intensively, the interviewed parties listed the most common destinations of their project. Mr. Daniel from Misys stated that Poland, France and UK represent most of contractual destinations. On the other hand, Ms. Adriana from EBS explained that for a German focused organization like EBS, the majority of their clients are based mostly in Germany, Austria and Switzerland. Partially, EBS Romania have as well contracts with Finland, Netherlands and the USA.

Similar situation with EBS Romania are the contracts Arvato and Renovatio IT Solution have. All the 3 companies are based in cities with big pool of German language speakers (Cluj Napoca for EBS and Brasov for Arvato and Renovatio IT Solution). Thus, their most common project destinations are German speaking countries and some of the projects cross the borders of Europe in the USA.

The case of HP is a bit more organizational driven since they are a large multinational and the projects Romanian branch is dealing with are more strategic driven at European level. So what the interviewed parties explained is that they have big projects all over Europe and sometimes is the case of intercompany collaboration for some of their deliveries in order to fit better the client expectations.

3.10 Romanian IT market through the eyes of interviewed companies

Taking the pulse of the market through the eyes of interviewed companies was an interesting exercise in order to understand better the direction of Romanian IT industry in the next years. The current status is more or less clear, basically being one of the steady growing sectors of the

Romanian market and many people put a lot of hope in the IT industry development in the next years.

The feedback received from Mr. Bogdan Predusca was not an optimistic one in terms of future development of the market because he considers the IT industry as being targeted too cheap while not much investment in innovation is happening. This is the reason why Mr. Bogdan considers that on the long run the industry will not bring back as much its potential is on the Romanian market specifically. He explained that since the R&D has not enough power and is not treated as an opportunity of development, the Romanian IT industry will just survive but not set the trend in the European market. "The Romanian IT industry position is treated as a finite resource while it should be considered a potential of development and sustainability. The IT segment is unfortunately considered as being a short term value" (Appendix H). This is the opinion of a startup co-founder, who is struggling to make the most out of the IT industry. His opinion is not shared by the people that are working in big multinational companies. The view of this status of Romanian IT industry differs depending on the individual experiences and development.

An example of the opposite opinion is the one coming from Ms. Maria Savu who is working at Arvato. She considers that the Romanian IT environment had the development opportunity some years ago, more than 5 years which brought the companies to the point today, of outsourcing a large variety of IT services. Ms. Maria explains that one success measurement for the Romanian companies that provide outsourcing solutions might be not just the growth in revenue, but even the fact they are taking on new work fields of development and delivery.

In the case of EBS Romania, they are describing the position of Romanian IT outsourcing environment as being a very good technical pool of specialists and at the same time good foreign language speakers. Ms, Adriana considers the environment as being beneficial on increasing the competition on the labor market while the salaries are going up as well, which is a good consequence for the overall Romanian labor market. The downside of the industry is seen as being the insufficient support coming from authorities in order to give the companies the opportunity to be stronger promoted abroad. Moreover, Ms. Adriana has a strong faith in the Romanian IT Industry in the future while the sector has a high development potential.

Mr. Cristian from HP is raising a problem of the IT industry in Romania stating that even Romanian companies are starting outsourcing in cheaper places as India, the Romanian providers having the only opportunity of leveraging the good practices. Since there is not much investment in innovation and R&D the future looks uncertain for most of the IT specialists who are already looking abroad for better work opportunities. Summing up Mr.'s Cristian opinion, the industry looked better few years ago but the security feeling is replaced with uncertainty. His opinion is not sustained by his HP colleagues who are explaining that in the last yeast the labor market in Romania in the IT sector has known an important growth when big multinationals started to open hubs in Bucharest, Cluj Napoca, Iasi and Brasov in order to facilitate the delivery of some projects at lower costs. Taking into consideration the opinion differences between the same company employees, the learning out of it must be explained by the different views depending on the personal experience and perception of the market.

4 CHAPTER FOUR – Analytical study

4.1 Romanian IT Providers

Scholars make a differentiation between the typology of companies that are involved in the outsourcing phenomenon and moreover within the IT industry – there are the large package software companies, large software service firms, software-intensive small firms, companies not part of the software industry sector and firms in developing countries providing software services to companies in developed nations. These differentiation is reflected in the market very clearly when analyzing the business profile of interviewed companies. Thus, there are the large package software companies defined by Aspray (2006) as being established normally in developed countries as it is the case of western European countries. This typology of companies outsource and even establish captive centers in low-wage countries – here is the case of HP and Misys between the interviewed companies. These two companies for example, opened branches in a low-wedge country as Romania – Eurostat statistics in 2013 showed that Romania had the lowest minimum wage between the European Union countries with less than 200 euros/month – this situation being clearly one of the main reasons why Romanian market is attractive for externalizing the work there. In the end the large package software companies open captive centers in low-wage countries in order to act as outsourcing providers for their clients which are based in western Europe for example and offer them the best balance price- quality in the market.

The case of Misys is a bit different in terms of business typology since they are focusing on clients with core business proposition related to financial sector. Even though the software maintenance is not done in house by the financial entities, the systems developed by Misys end up by having a big impact on the core activities of their clients. It may be observed that the reason why Misys seams different in terms of typology is because the human capital must have high expertise in two core industries – both IT and financial – to make sure the competitive advantage is reliable on the market.

EBS Romania, one of the interviewed companies, has big similarities with companies as HP or Misys, but their business model is slightly different taking into consideration the scale and

moreover the fact they are a purely Romanian company, not a Romanian branch of a multinational corporation. EBS Romania represents the typology of purely outsourcing driven business model in the sense that their core competences are structured around providing integrated software solution to their abroad based clients. In practice, the typology of outsourcing EBS Romania follows is maybe the most common one – a competitive and expertized company founded in a low wage country which delivers IT business solutions to clients established in developed countries. Scholars are not presenting any differences between the large package software companies as HP is and the smaller providers which have a big impact on the market they are based in like the case of EBS Romania (see table 3 Aspray, et al., 2006).

Trying to understand how the interviewed companies fit the model Aspray proposed within the layers in Table 3, one of the interviewed parties act clearly as a successful startup in the Romanian IT environment – defined as being a software- intensive small firm – Renovatio IT Solutions. Their case is the typology of small scale business founded in a low wage country which tries to leverage the advantage of delivering cost efficient IT solutions to western European companies. Clearly the small size of the business have an impact on the scale of deliverables – 10 people can be involve in a limited number and size of projects while a multinational corporation as Misys is can take advantage of the cross-functionality and size by undertaking bigger scale and complex projects.

The learnings that can be framed after comparing the model of Aspray in terms of what are the business typologies that get involved in the IT outsourcing environment, and the interviewed companies are the following:

 Romania is clearly a low wage country – see the Eurostat chart with the level of minimum wage within European Union markets and the medium wage of an IT specialist estimated by the National Institute of Statistics– and since part of European Union it shared the values and the common governmental beliefs, the IT industry has known a growth even during the last years of financial crisis. This situation has been powered by the mixt and competitive IT environment computed by local branches of large package software companies, large software

service firms, companies that deliver integrated IT packages to noncore IT clients and never the less software intensive startups.

4.2 Which of possible reasons to outsource apply to Romania?

Furthermore the assumption of considering the Romanian IT environment a desired place to outsource must be understood in more details by stating the possible reasons a company has when choosing Romania.

There are six reasons which emerged from both literature and practice as being maybe the main triggers of IT outsourcing decision of a western European company to undertake in Romania. These six main reasons are the European market proximity, the similarities in terms of organizational culture, high expertise of human capital, large pool of language skills, low services costs and governmental facilities. All these reasons are interconnected somehow and for each client the reasons mix differs depending on the decision factors, the scale of the activity being externalized and the typology of core business of both client and provider. Scholars propose several models of outsourcing typologies – see figure 1 Outsourcing Types (Stephanie, 2009) and figure 2 Sourcing Decision Cycle Framework (Pearlson, et al., 2009). These typologies are straighten by the literature when categorizing the reason to outsource as Greaver (1999) did stating that there are organizationally driven reasons, improvement and financially driven reasons, revenue, cost and employee driven reasons to outsource. Greaver differentiation of reasons is more the expression of what are the decisions drivers to look for externalizing some activities but what the practice thought are the reasons to decide within a pool of providers and pick the right one depending on the particular needs of each client. This is the path the six reasons framed the picture of the practice and what stands behind signing the contract between one client and its provider of IT solutions.

4.2.1 European market proximity

Geographical proximity is a desired criteria for companies when they make the outsourcing decision. The proximity between the outsourcer and the provider offers to the first one the chance to easily control and guide the second's one activity (Weele, 2010). As well, the

relationship can be stronger built, encouraged by the possibility of much often visits to one each other's offices.

Many advantages emerge for a client to have its provider in a geographically proximity when also the other aspects of cost and good quality deliverables are met. For EBS Romania and Renovatio IT Solutions this market proximity represents clearly provides an advantage which was considered by their clients based mostly in German speaking countries (Austria and Germany). The same situation for Arvato Company which has strong connection with Germany. For all these cases the deliverables are closely reviewed with the clients during all the steps of the project and the efficiency of having the opportunity to visit and state the requirements on site on a regular bases gives a proactive and healthful transparency to both parties involved. So the client business requirements are having a better chance to be understood by the provider since it can take part from time to time to the daily basis routine of the business. In the end, besides the latest communication capabilities in the market – video conferences, phone calls, dynamic virtual meetings – human interactions and networking facilitate the chances of a project to be delivered meeting the expectations.

Another way of looking to the geographically proximity advantage is raised by Weele (2010) who explains the possibility of the client to better control and guide the activity of its provider's activities when related to their common projects.

4.2.2   Similar organizational culture with western European companies

Historically, Romania faced and assimilated influences from several cultures due to its geographical positioning in Europe and up till now there is a mix of elements from Italian, French, German and more eastern countries like Russia and Turkey. All these influences had an impact on the way companies are organized in Romania, making out of it a competitive advantage on the IT European market. Going back to the idea that this reason is considered relevant when other requirements as cost and quality are met, Romania represents clearly a market with similar cultural approach with the rest of European companies.

Romania is part of European Union since 2007 and meantime has been aligned to all the needed segments with all the other member countries. Romanian integration may be considered a proof

that the country is aligned as well in terms of organizational culture. Furthermore, the Romanian culture is a mixture between western European cultures like Spanish, Italian, French and German, and eastern European cultures like Turkish, Polish or Hungarian[13]. As a result, the organizational culture of western European companies is much more similar with the one of Romanian organizations than the ones from other continents.

Within the interviewed companies, there is an unanimously opinion that in terms of organizational culture the Romanian market is aligned with the western European way of working and it might represent one of the factors that straighten a possible outsourcing contract/project.

4.2.3 Human capital expertise

Scholars consider the newly important skills of human capital as being mostly related to sourcing and IT governance (T.Abraham, 2006). Within the interviews the expertise of human capital for each company is being seen as the stronger asset to manage the high competitiveness on the market.

The human capital expertise is sustained by Brainbench (2002), Romania being ranked the 6th country worldwide according to the number of IT certified individuals in 2001. What the actually do is investing in the young human capital in the early stage of university studies and prepare them for becoming future employees of their companies. This is just an example of how big companies take advantage of a young and prepared human capital pool before even employing them.

An interesting practice was identified when discussing with Mr. Bogdan Predusca, explaining that their company core expertise is IT related but all the people employed have studied abroad several years in order to be capable to think outside the box when it comes to projects with foreign companies as they have. Once the human capital have the needed skills and expertise

---

[13] http://www.outsourcing.ro/analysis-of-romania-as-an-offshore-services-location/

in order to meet the client requirements, the provider company will invest in a long term career development of its employees in order to make sure their competitive advantage is sustainable.

Scholars make a difference between entry-level skills and desired mid-level skills of the human capital. Thus, in practice, for the entry-level skills a company is looking for a person able to adapt shortly to the environment and activities while adding value to the processes by bringing the latest knowledge in the field and leveraging it. This is the case of all the interviewed companies when discussing about the expertise of their employees and when related to the entry-level positions all agreed the value is brought firstly by the knowledge transfer and the fresh mindset of the newcomers. The interviewed individuals are not having entry-level positions, but already some years of experience in the IT industry while working in companies that deliver integrated IT solutions to their clients.

The core expertise of any provider of IT solutions are clearly technical oriented skills, but in order to be competitive on such a dynamic market as the IT outsourcing is, the consultancy and support functions expertise is equal important for a provider. IT outsourcing is not limited in delivering technical projects, but a provider company need good people with strong sales oriented profiles in order to make the delivery possible. Also IT provider companies have to understand the sector in which their clients work and customize the projects depending on the particular expectations and needs.

4.2.4 Large pool of language skills

Globalization made possible the existence of such contracts between companies based in different countries. Thus the language gap needs to be covered properly when a Romanian IT company delivers projects to its clients based elsewhere in Europe. Both scholars and practice showed that a client is choosing its provider depending on a particular set of needs. Finding a company which undertake the activities in the particular language the client speaks represents a big advantage for both parties. Moreover the relationship is improved between the two companies and the project deliverables are most likely to be created properly.

The core skills of Romanian human capital in terms of IT are not limited to technical implications and certifications, but almost "60% of Romanians employed in the IT industry

sector speak English" and a big number are proficient in German, French, Italian or Spanish[14]. Depending on the outsourcing partner, the providers of IT services are demanding the specific language skills needed for each specific contract and there is a large pool of people with expertise that fit with the requirements, statement based on the interviewed findings. These skill reasons may be strong enough for a western European company to choose Romania as an IT outsourcing destination.

Companies as EBS Romania, Arvato and Renovatio IT solutions confirmed their good relationship with the German speaking companies while all their employees are proficiently working in German language. This is a good historical consequence of Romania being part of Habsburg Empire and up till now the north-western and central parts of Romania are keeping the tradition of studying German in school and even before school. Having a good pool of foreign languages speakers is not related just to tradition but this may be one of the triggers.

In the case of HP and Misys, the respondents explained that depending on the country the client is located, the first thing that happens when the team is distributed on the project is the definition of the language skills of the people in order to be fully aligned with the language requirements of the client. Moreover, for all the interviewed companies English is the default working language, it being seen as a requirement and not as an asset.

4.2.5 Services costs

Everyone states that cost reduction opportunity for clients is the most important reason that drives them to choose an outsourcing provider. Both literature and practice shows that Western European countries choose providers from low wage countries in order to secure a certain service cost spent. Eurostat statistics proved the fact Romania is a good choice a western company can make due to the fact there are the lowest minimum wage within Union European countries. It is true that the IT sector has higher earnings due to the complexity of the delivered services and solutions, but the proportion remain similar between the IT sector in other

---

14 http://www.outsourcing.ro/analysis-of-romania-as-an-offshore-services-location/

European countries. All the interviewed companies admitted that the cost of services are low in Romania compared to the level of the same services in western European markets. This means that the IT industry in Romania has a steady growth in terms of external contracts and has a positive impact on the overall financial status of the country.

As could be previously observed, Romania is one of the European countries with the lowest salary level[15]. This aspect makes the Romanian companies a very interesting opportunity for the foreign investors. As an example, the IT services are cheaper in Romania compared to the ones from much developed countries like Belgium or United Kingdom where the minimum wage is over 1000 euros/month. Considering that minimum wage may be a bad indicator when relating it to IT industry, the medium wage is in 2013 approximatively 1000 Euros in the IT industry considering the numbers given by the National Institute of Statistics (Ghergut, et al., 2014). Keeping the proportion, can be assumed that IT experts have higher salaries in western European countries than in Romania. As a result out of this, the It services costs are lower in Romania. Hence, companies from western Europe can decrease their costs by outsourcing in a country that offers high quality services for a better price.

Mr. Bogdan Predusca explains that over several years spent abroad, working for German IT companies, the quotes a Romanian provider asks for are sometimes more than 50% cheaper than how much a similar German provider will do for the same project. This is clearly just one of the practice examples of why Romania do represent an attractive market for Western European clients.

4.2.6   Governmental facilities

Romanian market has also the advantage of being cheaper in terms of taxes, situation which gives the possibility to Romanian IT providers to keep the cost even lower than other markets would. That's an advantage more for the local branches of large multinational corporations as

---

[15]http://epp.eurostat.ec.europa.eu/tgm/graph.do?tab=graph&plugin=1&pcode=tps00155&language=en&toolb
ox=sort

HP and Misys are, because they can take advantage of opening captive centers in countries where the governmental facilities are higher and so bigger cost advantages.

Taking as an example a minimum wage level of less than 200 euros in Romania, a company has to pay taxes for one individual of less than 100 euros. The proportion is maintained when talking about a higher salary of one IT specialist, the difference being made by the fact that the same employment status in any other European market cost at least twice more. From this example, the practice of any western European company is clearly understood to choose a country as Romania instead of outsourcing in other more expensive country. The cheapest alternative to Romania or other Eastern European market is stated by the literature as being India. But for India the client is aware of the disadvantage of externalizing the work not in the geographical proximity with its business. In the case of any outsourcing project, the client side has to make a choice between the advantages and the disadvantages that may occur depending on the place, cost and expertise of the possible provider.

4.3   Characteristics of Romanian IT market – opportunities

Above the advantages of the Romanian market were stated in terms of IT outsourcing providers, but equally important are the downsides of the industry status in this market in order to be understood which are the aspects to be improved for maintaining the current competitive advantage. So the place of improvement is generically called opportunity.

The interviews raised the issue of poor innovation focus on the Romanian IT industry, Mr. Bogdan Predusca explaining that this is the worst aspect on the long term since there is no big interest for research and development on a key sector as IT is. Up till now the Romanian IT industry took advantage of a status of cheap, efficient and qualitative solution provider, but what will happen when the work will get more expensive and the same quality and efficiency will be easily found in some other countries as well? Until touching this gap in the evolution of the industry, there should be massively invested in innovation. Research and development represents a certain way to go in order to keep the foreign client interested in the Romanian market. What Romania represents nowadays within the IT European environment is a position

that has to be improved in the coming years with smart strategies in place in order to stay competitive after the costs will grow.

4.4 Possible threats for the Romanian IT industry

Ones the strengths, weaknesses and the opportunities were stated, a possible SWAT analysis may be framed, after presenting as well the threats of the market.

Thus, the literature presents some aspects that a successful supplier make different (Gonzalez, et al., 2009) and not doing them on such a competitive and dynamic market as IT industry is, may be a threat for the overall country image. The access to high qualified technical staff is not anymore a special requirement from a client, so on the long term the Romanian IT companies have to make sure the employees have a high development path in their careers.

As well, unclear cost-benefit relationship and hidden costs are clearly a threat for any client-supplier relation and in the end for the industry.

4.5 The future of Romanian IT environment and the competitive advantage

Considering the above analysis on the strengths, weaknesses, opportunities and threats on the Romanian IT market, it looks like the future is unclear for the Romanian IT providers taking into consideration the lack of interest in research and development. In terms of current relationship with the western European clients, the Romanian IT providers have a good image and position delivering projects at competitive prices and high quality of IT solutions.

The future of the IT segment in Romania depends on the way companies take advantage of the opportunities that exists and how they make a difference within the European market by transforming the possible threats in opportunities and furthermore in strengths.

5 CHAPTER FIVE

5.1 Conclusions

The thesis was set out to explore the concept of IT Outsourcing phenomenon and has identified the way Romanian IT providers are being considered attractive partners by the Western European companies when some IT activities need to be externalized. The analyze has also sought to know whether the Romanian IT providers met the requirements of a client when it decides to outsource.

The general theoretical literature on this subject and specifically in the context of Romania is inconclusive on several questions within the topic, since there are not enough studies held in order to highlight the status of Romanian IT industry within the European market. The study sought to answer one main research questions:

- ▪ Why is Romania an attractive IT provider within the European context?

In order to answer his particular question, other two sub questions were asked:
- ▪ Which are possible reasons to outsource IT?
- ▪ Which of these possible reasons do apply to Romania?

The main empirical findings are chapter specific and were summarized within the respective empirical chapters: (Chapter 3). The initial hypothesis of the thesis was that Romania represents a strong IT provider for the western European companies which consider this market an opportunity to keep the business in Europe, close to the territory where the core activities run, position straightened by the low cost of human resources and high level of expertise.

The initial hypothesis is partially proved by the literature and moreover by the interviewed companies, a table summing up the findings can be explored below. The table compares the reasons to outsource for a company in the eyes of the literature with the opinion of the interviewed parties when it comes to the reasons to choose particularly the Romanian IT providers.

Reason to outsource stated by literature	Reasons to choose Romanian IT providers stated by interviewed parties
- **Cost reduction** - **Easy transition of new technologies** - **Strong IT skills of the providers** - **Highly educated human resources** - **Shorten time to market** - **Proximity**	- **Low cost of services and resources** - **Convenient location** - **Foreign language pool** - **High level of technical skills** - **Innovation** - **Common Organizational culture**

Table 7 Literature versus interviewed parties statements

There can be identified some similarities which are being considered the points that prove the hypothesis of the thesis: the need of cost reduction when deciding to outsource is mirrored by the low cost of services and resources of Romanian IT providers. The proximity aspect considered by a client when choosing the outsourcing destination is met by the convenient location within the European market for western European clients. Strong IT skills is one of the obvious need of a client when choosing an IT provider and this particular need is covered by Romanian companies with high level of technical human resources.

The points that might weaken the hypothesis is the idea of innovative IT industry in Romania stated by the interviewed companies which is not proven by neither by literature nor by the reality. Some of the companies that were interviewed consider themselves innovative but within the European market they are not bringing so much value in terms of new technologies discovered since Romania is not focusing enough on the research and development activities. In this case the actual advantage of Romania as a desired market for IT outsourcing activities will no longer be sustained since the future is not showing too much value of the Romanian IT providers due to the continuous need of innovation in a such dynamic industry as IT is.

The researched question and the two sub questions were answered throughout the body of the thesis. In order to sum up the findings for each of them, the table explained above is covering the two sub questions. When it comes to the main research question, considering the literature and as well the findings from the interviews, Romania does represent an attractive market for the western European companies that decide to externalize partially or totally their IT activities.

5.2 Limitations

The methodology used in the current thesis gives some space of limitations when it comes to the companies that have been interviewed. The ideal scenario would be to have interviews of companies client of Romanian IT providers in order to best oversee if what literature states reflects or not in the opinion of the companies that decided to externalize IT activities in Romania. The reason these limitations exists is because the ability of reaching the specific availability of the foreign companies that outsource with Romania. Considering the availability of the Romanian IT providers to highlight their activity for a master thesis research represented an incentive when being asked for interviews participation. Thus the literature and the interviews are not fully correlated.

Another considered limitation is represented by the fact that not all the interviewed companies are fully IT providers. In the sense that HP or Misys undertake outsourcing solutions for their clients but part of it represents more consultancy on project basis activities and not fully covering what IT outsourcing might represent though – possibility of a client to externalize even fully the internal IT department to a supplier.

The initial hypothesis is proved with some variations, since for the moment Romania do represent an interesting destination for European companies but with some limitations in terms of future perspectives, since the long term sustained advantages are not properly considered. This situation might put at risk the future if the industry in Romania since the short term advantages of the market are not being straighten with long term improvements like research and development focus.

5.3 Further research

Considering the current thesis, as well as the main research question, the further studies that might continue the path of the analyze on the Romanian IT industry and its European implications should focus on the research and development area in Romania. This subject was confirmed by the current thesis as being not such considered nowadays in Romania on the IT industry and it might be useful to highlight academically the need of improvement in order to

create and secure the long term competitive advantage of Romanian IT providers within the European market. The reason why this subject might me further analyzed is because Romania does present on the short run some powerful competitive advantage on the European market, but there is no certain vision on what will happen on the long term since the variables of creating competitive advantages are not properly considered at the moment.

Bibliography

A. Gabriela Developing outsourcing relationships: a Romanian service [Conference] = Romanian SMEs in Outsourcing Relationships // First Information Systems Workshop on Global Sourcing: Services, Knowledge and Innovation. - Val d'Isère, France : [s.n.], 2007. - JIT 06-196.

Abramowsky L. and Griffith, R. Outsourcing and Offshoring of Business Services: How Important is ICT? [Journal] // Journal of the European Economic Association. - 2006. - pp. 594-601.

Agrawal V., Farrell, D. and Remes, J. K. Offshoring and Beyond [Book]. - [s.l.] : McKinsey Quarterly, 2003.

Allen S. and Chandrashekar A. Outsourcing services: the contract is just the beginning [Article] // Business Horizon. - 2000. - 2 : Vol. 43. - pp. 25-33.

Alner Marie The Effects of Outsourcing on Information Security [Journal] // Information Systems Security. - 2001. - No 2 : Vol. 10. - p. 9.

Anderson J. E., and Wincoop, E. Gravity with Gravitas: A Solution to the Border Puzzle [Journal] // American Economic Review. - 2003. - pp. 170-192.

Antràs P and Helpman, E. Global Sourcing [Journal] // Journal of Political Economy. - 2004. - pp. 525-580.

Aron R., and Singh, J. V. Getting Offshoring Right [Journal] // Harvard Business Review. - 2005. - pp. 135-143..

Aspray W. , Mayadas F. and Vardi Moshe Y. Globalization and Offshoring of Software [Report]. - [s.l.] : Association for Computing Machinery, 2006.

Bajpaj N., Arora, R., and Khurana, H. Global Services Sourcing: Issues of Cost and Quality [Case] : Working Paper No. 16: CGSG. - 2004.

Barney Jay Firm Resources and Sustained Competitive Advantage [Article] // Journal of Management. - 1991. - 1, pp. 99-120 : Vol. 17.

Bartlett C. A., and Ghoshal, S. Managing Across Borders: New Organizational Responses [Journal] // Sloan Management Review. - 1987. - pp. 43-53.

Beulen B., Ribbers P. and Ross J. Managing IT Outsourcing. Governance in global partnership [Book] = Managing IT Outsourcing. - New York : Routledge, 2006.

Bhagwati J. Free Trade: Old and New Challenges [Journal] // The Economic Journal. - 1994. - pp. 231-246.

Blinder A. S. Fear of Offshoring [Case] : Working Paper No. 119. - Princeton University : [s.n.], 2005.

Blinder A. S. Offshoring: The Next Industrial Revolution? [Journal] // Foreign Affairs. - 2006. - pp. 113-128.

Brainbench Global IT IQ Report [Report]. - 2002. - p. 24.

Chaudhury A., Nam Kichan and Rao Raghav H. Management of Information Ststems Outsourcing: A Bidding Perspective [Journal] // Journal of Management Information Systems. - [s.l.] : M.E. Sharpe. Inc., 1995. - Vols. 12, No.2. - pp. 131-159.

Chen Daniel Q. [et al.] Information Systems Strategy: Reconceptualization, Measurement, and Implications [Journal] // MIS Quarterly. - June 2010. - 2 : Vol. 34. - pp. 233-259.

Claudio Ciborra and Rafael Andreu Organizational Learning and Core Capabilities Development: The Role of IT [Book Section] // Information Technology and Organizational Transformation / book auth. Robert Galliers and Walter Baets. - [s.l.] : John Willey & Sons Ltd, 1998. - 0-471-97073-5.

Coff Russel W. Human assets and management dilemmas: coping with hazards on the road to resource-based theory [Article] // Academy of Management Review. - 1997. - 2 : Vol. 22. - pp. 374-402.

Cornelissen J., Floyd, S. W., and Wright, M. Offshore Outsourcing [Journal] // Journal of Management Studies. - 2005. - pp. 673-674.

Cronk Jonathan and Sharp John A framework for deciding what to outsource in information technology [Journal]. - [s.l.] : Journal of Information Technology, 1995. - Vol. 10. - pp. 259-267.

Demirbag M., and Glaister, K. W. Factors Determining Offshore Location Choice for R&D Projects: A Comparative Study of Triad Regions [Journal] // Journal of Management Studies. - December 2010. - pp. 1535- 1560.

Drogendijk R., and Slangen, A. Hofstede, Schwartz, or Managerial Perceptions? The Effects of Different Cultural Distance Measures on Establishment Mode Choices by Multinational Enterprises [Journal] // International Business Review. - 2006. - pp. 361-380.

Drucker Peter F. Beyond the Information Revolution [Journal] // The Atlantic Monthly - THEATLANTIC . - [s.l.] : ATLANTIC BOSTON, October 1999.

Ellram L. and Billington C. Purchasing leverage considerations in the outsourcing decision [Article] // European Journal of Purchasing & Supply Management. - 2001. - 7.

Erber G. and Sayed-Ahmed, A. Offshore Outsourcing: A Global Shift in the Present IT Industry [Journal] // Intereconomics. - 2005. - pp. 100-112.

Gay Charles L. and Eassinger James Inside Outsourcing: an inside's guide to managing strategic sourcing [Book]. - London : Nicholas Brealey Publishing, 2000. - p. 245.

Ghergut Dan Ion [et al.] Romania in figures [Report]. - Bucharest : National Institute of Statistics, 2014. - ISSN 1224-2896.

Gonzalez Reyes, Jose Gaso and Juan Llopis Information Systems Outsourcing Reasons and Risks: An Empirical Study [Journal] // International Journal of Human and Social Sciences. - 2009. - pp. 181-192.

Greaver Maurice F. Strategic Outsourcing [Book]. - New York : AMACOM, 1999.

Hirschheim Rudy [et al.] Offshoring and its implications for the information systems discipline [Journal]. - [s.l.] : Twenty-Sixth International Conference on Information Systems, 2005. - pp. 1003 - 1018.

Hofstede G. Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations [Book]. - Thousand Oaks, CA : Sage, 2001.

Ilan Oshri, Julia Kotlarsky and Leshie Willcocks The Handbook of Global Outsourcing and Offshoring [Book]. - [s.l.] : Palgrave Macmillan, 2009. - pp. 15-93. - 13:978-0-230-23550-2.

Intel Romania, Gecad Group, IXIA, Microsoft Romania, Stefanini Software & IT Services in Romania - A Study on the Development of the Industry of Software and IT [Report]. - Bucharest : ANIS – Employers' Association of the Software and Services Industry, 2013.

ITC Institutul pentru Tehnică de Calcul (Computing Technology Institute) Industria TI&C 2010-2011 – Sfârșitul crizei? (IT Industry 2010-2011 - The end of the crisis?) [Report]. - Bucharest : [s.n.], 2012.

Jaffe Brian D. Another reason to outsource: good service [Journal] // PC Week. - 02 11, 1998. - 44 : Vol. 15. - p. 99.

Kate M.K. Tim G., Stephen H., Judith C.H., Keith H. Information Systems Skills Differences Between High-Wage and Low-Wage Regions: Implications for Global Sourcing [Article] // Communications of the Assosiation for Information Systems CAIS. - December 2011. - Vol. 29. - pp. 605-626. - Article 32.

Lacity Mary Cecelia and Rudy Hirschheim Beyond The Information Systems Outsourcing Boundwagon [Book]. - [s.l.] : John Willey & Sons Ltd, 1995. - pp. 1-18, 181-216. - 0-471-95822-0.

Lowell B. L., & Salzman, H. Into the Eye of the Storm: Assessing the Evidence on Science and Engineering Education, Quality, and Workforce Demand [Journal] // Urban Institute Working Paper. - 2007.

Martinsons M. G. Outsourcing Information Systems: A Strategic Partnership with Risks [Journal] // Long Range Planning. - 1993. - pp. 18-25.

Maskell P., Pedersen, T., Petersen, B., & Dick-Nielsen, J. Learning Paths to Offshore Outsourcing: From Cost Reduction to Knowledge Seeking. [Journal] // Industry & Innovation. - 2007. - pp. 239-257.

McLellan K., Marcolini Barbara L and Beamish P Financial and strategic motivations behind IS outsourcing [Journal] // Journal of Information Technology. - 1995. - No. 4 : Vol. 10. - pp. 299-321.

Mclvor Ronan The Outsourcing Process [Book]. - Cambridge : Cambridge University Press, 2005.

Melidi Kohosrowpour Managing Informtion Techology Investments with Outsourcing [Book]. - [s.l.] : Idea Group Publishing. - pp. 96-182. - 1-878289-20-9.

Momme J. and Hvolby H. An outsourcing framework: action research in the heavy industry sector [Article] // European Journal of Purchasing and Supply Management. - 2002. - 8. - pp. 185-196.

Morgen Stephanie The Human Side of Outsourcing [Book]. - [s.l.] : John Willey & Sons Ltd, 2009. - pp. 11-140. - 978-0-470-71870-4.

Pearlson Keri E. and Saunders Carol S. Strategic Management of information systems [Book]. - [s.l.] : John Wiley& Sons, INC., 2009.

Robinson M., Kalakota, R., & Sharma, S. Global Outsourcing. Executing an Onshore, Nearshore or Offshore Strategy [Book]. - Alpharetta, GA : Mivar Press, 2005.

Sahay S., Nicholson B. and Krishna S. Global IT Outsourcing [Book]. - Cambridge : Cambridge University Press, 2003.

Salehi M., Hemmatfar M. and Bayat M. Competitive Advantage and Strategic Information Systems [Journal] // International Journal of Business and Management. - [s.l.] : Canadian Center of Science and Education, 2010. - Vol. 5. - 1833- 8119.

Saunders M., Lewis Ph. and Thornhill A. Research Methods for Business Students- Fourth Edition [Book] / ed. Mateu Cremo Artes Graficas, Spain. - [s.l.] : Prenice Hall- Financial Times, 2007. - 978-0-273-70148-4.

Schwartz E. The New Outsourcing [Article] // Infoworld. - [s.l.] : Infoworld Publishing Group, July 02, 2005. - p. 1.

Stephanie Morgen The Human Side of Outsourcing [Book]. - [s.l.] : John Willey & Sons Ltd, 2009. - pp. 11-140. - 978-0-470-71870-4.

T.Abraham C. Beath, C. Bullen, K. Gallagher, T. Goles, K. Kaiser, J, Simon IT Workforce Trends: Implications For IS Programs [Journal]. - Atlanta,GA : Association for Information Systems, 2006. - Article 50 : Vol. 17. - p. 43.

Tagliabue J. Eastern Europe Becomes a Center for Outsourcing [Online] // The New York Times. - April 19, 2007. - http://www.nytimes.com/.

Tan Danial C .M. The Relationship between the Perceived Threat from Information Technology Outsourcing and Job Satisfaction of Information Technology Professionals [Journal] // Journal of Outsourcing and Organizational Information Management. - [s.l.] : IBIMA Publishing, 2009. - ID 102111 : Vol. 2009. - p. 11.

Tan Daniel C. M. Factors related to IT outsourcing result [Journal] // Journal of Outsourcing and Organizational Information Management. - [s.l.] : IBIMA Publishing, 2009. - ID 102113 : Vol. 2009.

Vuici M. IT industry 2010-2011 - The end of crisis? [Report]. - [s.l.] : ITC, 2012.

Weele Arjan J. van Purchasing and Supply Chain Management [Book]. - [s.l.] : Cengage Learning , 2010. - Vol. Fifth Edition.

APPENDIX

APPENDIX A

Applied Interview

IT Outsourcing Drivers

Name:

SECTION 1: Company Specifics

   1. **What is your company's primary industry?**

   2. **How many employees does your company have?**

   3. **Please describe shortly your company's core activity.**

   4. **What is your position within the company?**

   5. **Which are the most important skills for employees in order to add value to your company?**

SECTION 2: Outsourcer or outsourcing provider

6. Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)

- ☐ Outsourcing provider of business processes
- ☐ Outsourcer of business processes

7. What kinds of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)

8. What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)

9. What are the reasons why a company chooses your firm as an outsourcing provider? Please type the reasons by importance.

1.
2..
3.
4.
5.
6.
7.

10. Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.

11. What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?

SECTION 3: Outsourcing Process Management

12. Describe shortly your company's external partners.

13. Which are the countries your company collaborates intensively with?

14. Which are the factors that your company improves in order to keep the Romanian IT environment attractive?

15. How would you describe the Romanian It environment? Attractive or not for the external market? And why?

SECTION 4: Feedback
16. Please provide a feedback related to the current study or other recommendation/ comments related to the interview.

APPENDIX B

Applied Interview

IT Outsourcing Drivers

Name: Cristian from HP Romania

SECTION 1: Company Specifics

1. **What is your company's primary industry?**

HP is manly working in IT industry by developing and delivering hardware, software and technical solutions. In the last years HP is focusing on innovative segments as cloud, security, and big data.

2. **How many employees does your company have?**

270.000

3. **Please describe shortly your company's core activity.**

Provide full range of equipment and services for the enterprise customer

4. **What is your position within the company?**

Team Leader for one of the configuration and quotation teams.

5. **Which are the most important skills for employees in order to add value to your company?**

Diligence, patience, good communication, lateral thinking.

SECTION 2: Outsourcer or outsourcing provider

6. **Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)**

☐ **Outsourcing provider of business processes**
☐ **Outsourcer of business processes**

7. **What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)**

IT support, Customer service

8. **What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)**

Cost savings.

9. **What are the reasons why a company choose your firm as an outsourcing provider? Please type the reasons by importance.**

1.Cost
2.Cost
3.Technical knowledge
4.Language
5.Great pool of candidates
6. Did I mention cost?
7.

10. **Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.**

Was good, jobs are getting outsourced now, future is uncertain.

11. **What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?**

Greater quality/price ratio

SECTION 3: Outsourcing Process Management

12. **Describe shortly your company's external partners.**

Most are based in India. Rather poor technical knowledge. In-the-box thinking.

SECTION 4: Feedback

13. Please provide a feedback related to the current study or other recommendation/ comments related to the interview.

APPENDIX C

Applied Interview

IT Outsourcing Drivers

Name: Magdalena – HP Romania

SECTION 1: Company Specifics

1. What is your company's primary industry?

IT products

2. How many employees does your company have?

Around 300 000 employees

3. Please describe shortly your company's core activity.

HP provides products, solutions and services to consumers, small medium businesses, large enterprises and to governmental institutions.

4. What is your position within the company?

Customer and Sales Support Manager

5. Which are the most important skills for employees in order to add value to your company?

Communication skills, technical knowledge, forecasting capabilities

SECTION 2: Outsourcer or outsourcing provider

6. Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)
- ☐ <u>Outsourcing provider of business processes</u>
- ☐ Outsourcer of business processes

7. What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)

IT support, Customer Service, Sales Support, Order management

8. What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)

Cost savings, language skills

9. What are the reasons why a company choose your firm as an outsourcing provider? Please type the reasons by importance.

1. Cost
2..Language skills
3. Geographical proximity in Europe
4. Similar organizational culture

10. Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.

More and more activities are being externalized from other companies to Romania; most of the large multinational companies have outsourcing hubs in Bucharest and other cities

11. What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?

We bring good knowledge – both technical and financial- and also language skills at low prices.

SECTION 3: Outsourcing Process Management

12. Describe shortly your company's external partners.

HP has local external partners in all countries in which it is selling products and services. They help the company in the relation with the customers for selling and delivery of products and services.
For the human resources side, HP has several contractors – external companies that hire and provide human resources for the company.

APPENDIX D

Applied Interview

IT Outsourcing Drivers

Name: Nejla Memet from HP Romania

SECTION 1: Company Specifics

1. **What is your company's primary industry?**

IT services

2. **How many employees does your company have?**

Around 300.000 worldwide

3. **Please describe shortly your company's core activity.**

Company provide products, solutions and services to consumers, small medium businesses, large enterprises and to public sector.

4. **What is your position within the company?**

Customer and sales support manager

5. **Which are the most important skills for employees in order to add value to your company?**

Commitment , technical knowledge and team player.

SECTION 2: Outsourcer or outsourcing provider

6. **Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)**
   - ☐ <u>Outsourcing provider of business processes</u>
   - ☐ Outsourcer of business processes

7. **What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)**

IT support, Customer Service, Sales Support

8. **What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)**

Cost savings, language skills

9. **What are the reasons why a company choose your firm as an outsourcing provider? Please type the reasons by importance.**

1. cost
2. language skills
3. number of candidates
4. maybe name of other customers (clients of outsourcing firm)
5.
6.
7.

10. **Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.**

Most of the multinational companies have outsourcing hubs in Bucharest and Cluj.

11. **What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?**

Language skills and technical knowledge at low prices.

SECTION 3: Outsourcing Process Management
12. **Describe shortly your company's external partners.**

HP offers flexible financing options that enable partners to increase cash flow and working capital, enhancing their purchasing power as well as aligning their cash cycles to client demands.

SECTION 4: Feedback

13. **Please provide a feedback related to the current study or other recommendation/ comments related to the interview.**

APPENDIX E

Applied Interview

IT Outsourcing Drivers

Name: Mariana form HP Romania

SECTION 1: Company Specifics

1. What is your company's primary industry?

IT

2. How many employees does your company have?

270.000-300.000

3. Please describe shortly your company's core activity.

Providing & developing IT services/ products

4. What is your position within the company?

IT R&D support manager

5. Which are the most important skills for employees in order to add value to your company?

Dedication, innovation, Customer orientation, team spirit

SECTION 2: Outsourcer or outsourcing provider

6. Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)
- ☐ X Outsourcing provider of business processes
- ☐ X   Outsourcer of business processes

7. What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)

IT development / IT support / Customer service

8. What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)

language skills/ cost savings/ favorable legislation

9. What are the reasons why a company choose your firm as an outsourcing provider? Please type the reasons by importance.

1. Excellent services provided
2. Reasonable costs
3. Excellent expertise
4. Ability to keep up with innovation

10. Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.

It became more and more present in all sectors of the economy

11. What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?

SECTION 3: Outsourcing Process Management

12. Describe shortly your company's external partners.

APPENDIX F

<div align="center">

Applied Interview

IT Outsourcing Drivers

</div>

Name: EBS Romania

SECTION 1: Company Specifics

1. **What is your company's primary industry?** IT Services

2. **How many employees does your company have?** 550 employees

3. **Please describe shortly your company's core activity.**

   As a well-established nearshore IT services provider, our company takes over software services and tasks for international IT companies, mainly from German speaking countries.

   We offer nearshore IT services covering the entire software life cycle:

   - Software engineering services in various technologies
   - ITIL compliant support and application management services
   - SAP services, from SAP development to SAP application and Basis support
   - SAP implementations and SAP rollouts in Romania
   - Embedded services in the field of software development and testing.

4. **What is your position within the company?**

   Senior Manager Business Development Support

5. **Which are the most important skills for employees in order to add value to your company?**

   - Technical skills and experience in international IT services projects (software engineering, consultancy or support)
   - Good communication skills
   - Good teamwork abilities
   - German and/or English skills
   - Commitment
   - Goal driven approach

- Good business process understanding capacity

SECTION 2: Outsourcer or outsourcing provider

6. **Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)**

   Outsourcing provider of business processes
   Outsourcer of business processes
   ✓ Outsourcing provider of IT software services

7. **What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)**

   IT development and support

8. **What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)**

   - Technical skills of our employees
   - Very good language skills
   - Good cost structure
   - Good cultural fit with our customers
   - Flexible business approach, with focus on customer requests / needs
   - Good communication with customers
   - Account managers / contact persons in Germany (where the majority of our customers are)
   - Experienced management team
   - Good infrastructure
   - Goal driven approach

9. **What are the reasons why a company should choose your firm as an outsourcing provider? Please type the reasons by importance.**

   1. Cost savings
   2. Access to resources as needed
   3. Proven deliver capability
   4. Previous experience in similar projects / good references
   5. Open communication
   6. Transparency within projects
   7. Motivation and commitment of our employees
   8.

10. Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.

- Very good technical specialists
- Very good language skills
- Increasing competition on the labor market
- Increasing salaries and costs in Romania
- Low and insufficient support from the Romanian authorities for the successful promotion of the Romanian IT industry abroad

11. What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?

- Very good technical skills
- Open and creative approach / innovation capacity

SECTION 3: Outsourcing Process Management

12. Describe shortly your company's external partners.

Our clients: IT companies (software product or project companies) mainly from Germania, Austria, Switzerland, but also from Finland, Nederland, USA.

Our technology partners: Our company has built up stable partnerships with global technology and solution providers as SAP, Microsoft, Oracle, IBM and Software AG.

SECTION 4: Feedback

13. Please provide a feedback related to the current study or other recommendation/ comments related to the interview.
- The topic of the study is a good choice as Romania has an important IT and outsourcing industry with high potential
- Some questions might be expressed more clear / precise

APPENDIX G

Applied Interview

IT Outsourcing Drivers

Name: Strachinariu Daniel Alexandru – Misys Romania

SECTION 1: Company Specifics

1. **What is your company's primary industry?**

Financial software industry, providing the broadest portfolio of banking, treasury, trading and risk solutions available on the market.

2. **How many employees does your company have?**

4500 employees (Globally)

3. **Please describe shortly your company's core activity.**

The company's core activity is to develop, extend and maintain the large portfolio of financial software (Summit FT, K+). Along with this the company provides financial consultancy to its customers.

4. **What is your position within the company?**

Software engineer

5. **Which are the most important skills for employees in order to add value to your company?**

In order to be a developer that adds value to the company you have to constantly improve you programming knowledge as well as the financial knowledge. In order to deliver top financial software, even as a developer you have to understand the financial workflow and then implementing it. You have to be a team player, to focus on innovation, to pursue excellence and focus on creating client value.

SECTION 2: Outsourcer or outsourcing provider

6. **Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)**
   - ☐ Outsourcing provider of business processes
   - ☐ <mark>Outsourcer of business processes</mark>

7. **What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)**

Professional services, payroll services

8. **What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)**
   - Cost savings

9. **What are the reasons why a company choose your firm as an outsourcing provider? Please type the reasons by importance.**

1. Very good financial software
2. Quality and efficiency
3. We are focused on the customer's needs
4. Excellent maintenance and support
5.
6.
7.

10. **Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.**
   -

11. **What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?**
   - Skilled personal
   - Quality
   - Efficiency

SECTION 3: Outsourcing Process Management

12. Describe shortly your company's external partners.

- EVERIS, HCL, HP, IBM, INTEL, ITC INFOTECH, MICROSOFT, NUMERIX, ORACLE

13. Which are the countries your company collaborates intensively?

Due to our global presence we have extended operations in every region and also a few centers of excellence (egg. For Europe Romania, Poland, France, UK).

14. Which are the factors that your company improve in order to keep the Romanian IT environment attractive?

State of the art technology, developing software for a niche sector (bank and financial institutions)

15. How would you describe the Romanian It environment? Attractive or not for the external market? And why?

Extremely attractive due to the low cost of the resources and their high technical capabilities.

SECTION 4: Feedback

16. Please provide a feedback related to the current study or other recommendation/ comments related to the interview.

APPENDIX H

Applied Interview

IT Outsourcing Drivers

Name: Bogdan Predusca – Renovatio IT

SECTION 1: Company Specifics

1. What is your company's primary industry?

Our company activates in two main domains: mobiles applications and smart leaving (home automation). For mobiles applications we focus more on B2C segment, while for smart leaving we reach directly the end customer.

2. How many employees does your company have?

Our company is a start-up with approximately 10 employees.

3. Please describe shortly your company's core activity.

As we split our activities in B2B and B2C, the core activity differs for each of them. For smart leaving our core activities are lifestyle and entertainment. When taking about the core activity for B2B, our main focus are IT business utilities.

4. What is your position within the company?

I am one of the co-funders. We started the business 3 years ago after studying IT in Germany and after several years of experience in the industry abroad. Meantime, we developed the networking needed for starting such a business, meaning that a part of our clients are based in Germany and we developed a strong business relationship befor and after becoming partners.

5. Which are the most important skills for employees in order to add value to your company?

There are two types of skills that may make the difference in our industry: technical skills and soft skills.
Technical skills
1. In our company, each employee is encouraged to spend 25% of his working time to search and develop technologies nonstandard on the market. We consider innovation a strong advantage and we try to leverage it.
2. Studies in IT or engineering – it's a must
3. Language proficiency in English and German – it's a must
4. Out of the box thinking in order to understand the newest changes and trends in the market
5. All the documents are written and stored into English
Soft skills

1. Market conciest
2. Passionate and enthusiastic profiles
3. Proactive

SECTION 2: Outsourcer or outsourcing provider

6. **Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)**
   - ☐ **Outsourcing provider of business processes**
   - ☐ Outsourcer of business processes

7. **What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)**

IT support
IT Consulting
IT development and innovation

8. **What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)**

Extend experience in markets like Germany and United Kingdom. Another important asset are the language skills. The relationship with potential business partners and the concept and vision on products. Another important aspect is project management skills inside the business. The startup, being based in Romania, has a cost advantage within European market, because the products are at least 50% cheaper than the western European products while the quality, innovation and new technologies met the western expectations.

9. **What are the reasons why a company choose your firm as an outsourcing provider? Please type the reasons by importance.**

1.Over 7 years of experience within the IT industry
2. Both cofounders studied abroad before creating the startup (Germany and United Kingdom) and created previous connections with potential business partner (some of them became strong real partnerships)

10. **Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.**

From my point of view, I consider Romanian poorly placed because the It segment is targeted too cheap. The innovation in IT industry is not properly treated in the sense that there is not enough investment in R&D. The Romanian IT industry position is treated as a finite resource while it should be considered a potential of development and sustainability. The IT segment is unfortunately considered as being a short term value. This situation must be changed since Romania has a similar organizational culture as all western European countries and this is one of the major reasons we are considered an interesting market for IT outsourcing.

11. What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?

Evan though most of the people consider Romania as a very strong educational system, I might say that most of small companies created in the last years in Romania were founded by people with studies in western Europe. That means people with same values as western European companies adopt the work style and found companies in eastern European environment, where the main difference rely on lower prices. All the other variables are almost identical with what a western European company is used to.

SECTION 3: Outsourcing Process Management
12. Describe shortly your company's external partners.

Big external projects – full IT service

1. Mobile classic- video and demand – SUA, Germania- German branch is in direct collaboration with us – they were the first big client
2. Smart living – Germania

National based projects

3. Complex web application similar with Google translate –technical translations – this project is based in Brasov with one big automotive client - VW

4. Smart TV- home entertainment – for end customers interested in such applications

SECTION 4: Feedback
13. Please provide a feedback related to the current study or other recommendation/ comments related to the interview.

We are happy for the fact IT outsourcing in Romania is being considered a topic for research because it represents a problem of the IT industry. Maybe in this way we rise the problem, we become aware of it and try to encourage the access on R&D practices.
Recommended studies: Capital and Ziarul Financiar
Pictures with IT industry status in Romania

APPENDIX J

Applied Interview

IT Outsourcing Drivers

Name: Savu Maria Andreea – Arvato

SECTION 1: Company Specifics

1. **What is your company's primary industry?**

BPO solutions and managed services

2. **How many employees does your company have?**

Arvato has over 60.000 employees worldwide. Arvato Romania has 854 employees.

3. **Please describe shortly your company's core activity.**

Arvato is an international outsourcing service provider.
Services include everything from the preparation and distribution of printed materials and digital storage media to data management, customer care, CRM services, supply chain management, digital distribution, financial services and professional and individualized IT services.
Arvato Romania has as a core activity providing back-office and call-center solutions for world renowned clients.

4. **What is your position within the company?**

Operations Coordinator

5. **Which are the most important skills for employees in order to add value to your company?**

Customer orientations
Excellent communication skills
PC skills
Patience

SECTION 2: Outsourcer or outsourcing provider

6. **Which is the position of your company within outsourcing environment? (Please choose one or both of the responses if applicable)**
   - ☐ X Outsourcing provider of business processes
   - ☐ Outsourcer of business processes

7. **What kind of activities within your company are related to the outsourcing processes? (e.g. HR / IT development / IT support / Customer service)**

Customer service via E-Mail (back office), Telephone and Chat

8. **What are your company's drivers for outsourcing processes? (e.g. access to better technology and systems/ language skills/ cost savings)**

Our client decided to choose arvato based on its' location and of course to reduce costs.
Initially the client wanted to open an E-Mail only site but our excellent results led to hiring another 200 employees and signing a contract for 2 other languages.

9. **What are the reasons why a company choose your firm as an outsourcing provider? Please type the reasons by importance.**

1. Pool of German speakers
2. Location
3. Costs
4. Company Image and previous collaborations

10. **Describe shortly the position of Romanian IT outsourcing environment during the last 5 years.**

Romanian entrepreneurs and multinational companies have seen the opportunity to develop early on. Which translates into a variety of IT services offered by Romanian Outsourcing companies. Theirs success can be measured not only in their revenue in the past years, but also in the growth they had in the last two years and the new fields that are being taken on.

11. **What is the value that a Romanian IT company can bring into the European environment in order to develop the industry?**

Expertise, high qualitative standards, young, enthusiastic and visionary people.

SECTION 3: Outsourcing Process Management

12. **Describe shortly your company's external partners.**

Arvato Romania has clients from various fields: e-commerce, travel and booking, games and software

13. **Which are the countries your company collaborates intensively?**

Germany, Estonia

14. Which are the factors that your company improve in order to keep the Romanian IT environment attractive?

Constant cost reduction, broad pallet of clients which boost the portfolio, constantly raising the bar on the contracts accepted in order to sustain its reputation.

15. How would you describe the Romanian It environment? Attractive or not for the external market? And why?

When we discuss outsourcing, Romania has been developing at a very fact pace in the last years. The costs of the services is considerably lower than in Western Europe and the quality exceeds theirs in most cases. Our labor market moves and grows constantly and creates opportunities for young and creative people to join exciting teams. Their drive is what puts us over the top!

SECTION 4: Feedback
16. Please provide a feedback related to the current study or other recommendation/ comments related to the interview.

Auteursrechtelijke overeenkomst

Ik/wij verlenen het wereldwijde auteursrecht voor de ingediende eindverhandeling:
IT Service Providers in Romania

Richting: **Master of Management-Management Information Systems**
Jaar: **2014**

in alle mogelijke mediaformaten, - bestaande en in de toekomst te ontwikkelen - , aan de Universiteit Hasselt.

Niet tegenstaand deze toekenning van het auteursrecht aan de Universiteit Hasselt
behoud ik als auteur het recht om de eindverhandeling, - in zijn geheel of gedeeltelijk -,
vrij te reproduceren, (her)publiceren of distribueren zonder de toelating te moeten
verkrijgen van de Universiteit Hasselt.

Ik bevestig dat de eindverhandeling mijn origineel werk is, en dat ik het recht heb om de rechten te verlenen die in deze overeenkomst worden beschreven. Ik verklaar tevens dat de eindverhandeling, naar mijn weten, het auteursrecht van anderen niet overtreedt.

Ik verklaar tevens dat ik voor het materiaal in de eindverhandeling dat beschermd wordt door het auteursrecht, de nodige toelatingen heb verkregen zodat ik deze ook aan de Universiteit Hasselt kan overdragen en dat dit duidelijk in de tekst en inhoud van de eindverhandeling werd genotificeerd.

Universiteit Hasselt zal mij als auteur(s) van de eindverhandeling identificeren en zal geen wijzigingen aanbrengen aan de eindverhandeling, uitgezonderd deze toegelaten door deze overeenkomst.

Voor akkoord,

Dobre, Ioana

Datum: **20/08/2014**