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**DEVELOPING OUTSOURCING RELATIONSHIPS: A ROMANIAN SERVICE
PROVIDER PERSPECTIVE**

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ABSTRACT

Among the other Central and Eastern European countries, Romania is one of the emerging outsourcing destinations. The current paper presents the findings of an exploratory study on the development of outsourcing relationships from the perspective of Romanian vendors. In our perspective, the development of an outsourcing relationship is a learning process occurring in time, going through different phases and influenced by various factors. Based on the existing literature on outsourcing relationships, we introduce a phase model of outsourcing relationships seen from the vendors' perspective. The study is focused mainly on the cultural compatibility of Romanian vendors with customers coming from Western cultures and it is exploratory and descriptive in its nature. A small-scale survey and a multiple case study involving a number of SMEs and freelancers were used for data collection.

The findings include, beside a good cultural compatibility between Romanian vendors and Western customers, insights on the ability of Romanian software developers to work with vague specifications and on their remarkable creativity and capacity to innovate.

Keywords: software development, outsourcing relationships, relationship factors, cross-cultural match

1. INTRODUCTION

The effort of making software development an engineering discipline has drawn the focus to its technical aspects, giving less importance to its human, social and organisational facets.

Global distribution of software development activities has added new types of problems to the already existing ones: in the first place, strategic, cultural, and technical issues; in the second knowledge, project, and process management; and intertwined with these, inadequate communication (Herbsleb and Moitra 2001).

The 2006 ACM Job Migration Task Force report on globalization and software offshoring (Aspray, Mayadas et al. 2006) shows that globalization of the software industry is a trend supposed to continue in the coming years, fuelled by both information technology itself, by government actions and by economic factors. The reasons for offshoring stay the same: cost reduction, access to a larger labour pool, access to special expertise, good quality of work, closeness to or presence on particular markets. But on the same time, Global Software Development poses specific challenges related to communication, coordination and collaboration that can hinder the results of distributed work (Carmel & Agarwal). Among the variety of Global Software Development arrangements, probably the most complex situations can be observed in the case of offshore outsourcing relationships, where the partners not only belong to different organizational (and possibly professional) cultures, but also operate in different business environments and adhere to different cultural norms. When looking for best ways to manage the outsourcing process, cross-cultural issues are one of the factors that need to be taken into account (Krishna, Sahay et al. 2004).

The research on software development outsourcing seems to be concentrated around the traditional outsourcing destinations, with little attention given to emerging software exporting nations in Central and Eastern Europe, with very few exceptions (Imsland and Sahay 2005) .

However, in the last 3-4 years, business analysts have begun to describe Eastern Europe as a viable alternative to India for outsourcing, Eastern European countries offering the advantage of being nearshore to Western Europe, having a pretty similar culture and producing well educated specialists. Among these, Romania made the headlines as “India’s new outsourcing rival”(McCue 2003), was presented as “the only source of IT specialists in Europe by 2008” (WEF-Report 2000) or, by contrast, the only mention of it in a paper dedicated to outsourcing in Central and Eastern was about rude managers smoking during meetings (TheEconomist 2005). The current paper is an attempt to go beyond the media hype, by studying a sample of actual outsourcing relationships from the perspective of Romanian vendors.

Together with the factors that should be taken into account when deciding on an outsourcing destination, the importance of building effective outsourcing relationships has been emphasized by several authors (Lacity, Willcocks et al. 1996; Kern and Willcocks 2000; Krishna, Sahay et al. 2004). The need to reflect on the social aspects of distributed software development such as knowledge sharing and collaboration has also been advocated (Kotlarski and Oshri 2005).

Our study is looking at outsourcing relationships, focusing mainly on their cultural dimension (considering culture in a broad sense, including national, organisational and professional perspectives). In our perspective, the development of an outsourcing

relationship is a learning process, involving both the outsourcer and the outsourcee, at the organizational level as well as at the individual one. By learning about each other's domain, technologies, cultural norms, values and expectations, the partners negotiate what has been named a "working culture" (Krishna, Sahay et al. 2004).

The next two subsections are dedicated to stating our research objectives and describing the current situation of the software industry and IT service providers in Romania. The following section explores the existing literature on outsourcing relationships and introduces a phase model of outsourcing relationships seen from the vendors' perspective. Our research approach and empirical data are then introduced, followed by a discussion and conclusions.

1.1 The scope of the current paper

The objective of the paper is to describe both difficulties and achievements of small Romanian software development vendors in developing outsourcing relationships, in order to draw a more realistic picture of Romania as an outsourcing destination, going beyond the media hype.

In our study, we considered the following aspects:

- Are Romanian SMEs a good cultural match for IS outsourcing customers coming from Western cultures?
- What are the most important problems of these outsourcing arrangements at different stages of the relationship, as perceived at the vendors' end?
- How do these problems relate to the commonly reported problems of global software development? Are they the same? Are they any different?

Our study is mainly exploratory and descriptive in its nature. We are aware of its limitations; first, it included a relatively small number of subjects, all small and medium enterprises and freelancers; secondly, it is based mainly on perceptual data, which was corroborated with available factual data, a very limited amount of direct observation and the researcher's own experience in software development and project management.

1.2 The current situation of software development and IT services industry in Romania

In the last few years, Romania has become the location of choice for large multinational outsourcing and technology firms looking for a European base of operations (such as Oracle, Siemens, Alcatel). In outsourced product development and R&D, especially in the demanding niches of chip design, embedded software and information security, Romania is also holding a strong position. Multilingual contact centers are also developing very fast, run by domestic firms such as Interglobe, Connectys, EasyCall, Softwin and Cvantage, and providing services including CRM, financial services, customer support and survey administration. (Lianu and Vrejoiu 2005)

The volume of IT services reached nearly \$200 million in 2005 and the expansion forecasted for 2006 was of 18.8%. According to an IDC study (IDC 2006), a combination of economic growth, large privatization deals, and rapid development of the banking, retail, and telecommunications sector fueled investment in IT services.

IBM, Siveco Romania, S&T Romania, HP and Forte were the first five in the top of IT services vendors in 2005 and together they accounted for a little less than half of the IT services market revenue in Romania last year. The number of companies active in IT

exceeded 8500 in 2006, but this figure includes both software, hardware and IT services vendors.

The corporate tax on profits is pretty low (16%), and there are significant incentives for technology companies (e.g. exemption of software development headcount from all payroll and personal income taxes, duty free imports of much hardware and software).

The export of software products and services for 2006 is estimated at 520 million euro in a recent report issued by ITC Romania, one of the main research institutes in IT.

From this, IT services represent approximately 50%. Export represents approximately 90% of the revenues of the software industry and IT services, the internal market having still a slow growth rate compared to exports.

When it comes to application software, a good cultural match is regarded as a pre-requisite of outsourcing relationships, not only concerning linguistic compatibility but also matching ways of working and understanding user attitudes (Krishna, Sahay et al. 2004). We believe that in spite of the communist heritage, Romanian suppliers are a good cultural match for clients from Western cultures, because of their openness to learn and adopt the business culture of the West, generally considered - after 45 years of communism, as being the only reliable model to follow.

The existence of strong professional software associations is one of the industry characteristics influencing the evolution of a country as an outsourcing destination (Carmel 2003b).

Romania has currently a coalition of four important associations in the field named "Coalition Tech 21", including also representatives from the public sector. The four associations are ARIES (Romanian Association for Electronic and Software Industry), ANIS (Employers' Association of the Software and Services Industry), ATIC (the

Information Technology and Communication Association of Romania.), and ANISP (the Association of Romanian Internet service providers).

Together with the Romanian Ministry of Economy, the coalition has put a lot of effort in marketing and branding of the IT&C sector. In January 2007, an industry brand was launched (“Romania IT”) and a promotional strategy for the industry over the next few years was published.

2. OUTSOURCING RELATIONSHIPS AND STAGES IN THEIR DEVELOPMENT

The literature on global IT outsourcing reveals the existence of a large variety of outsourcing arrangements, ranging from close adding value partnerships to one-off acquisitions of specific services or products.

Our focus was set at the lower end, where small organizations decide to outsource offshore, usually attracted by the low cost/high skills advantage, and usually dealing with small-size vendor organizations. This kind of arrangements is mentioned in the literature as “fee-for-service” (Lacity and Willcocks 1998) or “market-type relationship”(Sargent 2006).

One of the possible frameworks for studying these arrangements is based on the relationship theories. Building on previous research in the field, Goles and Chin have developed a model of outsourcing relationship factors that includes both relationship attributes and relationship processes (Goles and Chin 2005). The relationship attributes included in this model are: commitment, consensus, cultural compatibility, flexibility,

interdependence and trust. On the processes side, communication, conflict resolution, coordination, cooperation and integration are presented as having a strong influence on relationships.

From our perspective, different phases of an outsourcing relationship come with different challenges, and a relationship needs to be studied as a dynamic phenomenon. The outsourcing literature includes several models of outsourcing relationships in their development. In their extensive literature survey and analysis of the outsourcing literature, Dibbern et al use a two-phases model(decision, implementation) comprising five stages(rationale for outsourcing, alternatives analysis, making the decision, initiating and managing an outsourcing relationship, assessment of outcomes)(Dibbern 2004). The Lacity and Willcocks model includes six outsourcing phases: scoping, evaluation, negotiation, transition, middle and mature phase (Lacity and Willcocks 2001).

We found these models difficult to apply to the vendor's perspective, especially because we are mainly considering the social and cultural side of an outsourcing relationship and focus less the legal and business aspects of it. Observing the temporal development of outsourcing arrangements from the vendor side, we noticed four main phases and a fifth additional one. These phases are:

1. **Initiation.** This phase mainly include general marketing activities, active search for customers, answering RFPs (requests for proposals), customer acquisition.
2. **Establishment.** This phase is the real start of an outsourcing relationship; the outsourcer and outsourcee aim to reach a shared understanding of the product or service to be delivered, negotiate and sign the contract.

3. **Delivery.** This is the most important phase, when the actual product or service is developed and delivered. It involves the highest level of interaction between the outsourcer and the outsourcee.
4. **Closing.** The product/service is signed-off and the relationship ends.
5. **Re-establishment.** Under some circumstances, especially if the customers were happy with the quality of the product/service, they might come back either for maintaining/altering the previously developed product, or for developing a different one.

In the current paper, we have focused on stages 1 and 3 (initiation and delivery), customer acquisition and software development being potentially the most interesting phases for observing cross-cultural differences.

As already mentioned, in our view the development of an outsourcing relationship is a learning process – both customer and vendor are learning about each other's domain and processes, they need to define norms and boundaries and to negotiate a shared understanding of both the product/service to be delivered, and of the context of their relationship.

3. RESEARCH APPROACH AND METHOD

Our exploratory research targeted mainly cultural and social aspects of existing outsourcing arrangements in which Romanian vendors are involved. Our motivation was to see if there are any particularities of the Romanian software development environment that could differentiate Romania as a potential outsourcing destination. Are Romanian

vendors a good cultural match for IS outsourcing customers coming from Western cultures, beside their technical skills?

We focused on small vendors such as SMEs and freelancers, because in their case the umbrella of organisational structure and culture that facilitates learning in multinational companies is missing. In most of the cases, they have to learn how to cope with cross-cultural differences through a trial-and-error process. Examining a number of distinct cases, we attempted to build a sketchy picture of actual outsourcing relationships with Romanian vendors, attempting to identify what favours and what hinders these arrangements. We expected that at least part of the most common problems and benefits would become visible at this level of granularity.

We adopted a descriptivist approach, aiming to present some factual accounts that illustrate the cross-cultural aspects of outsourcing relationships.

In a first phase, we launched a small-scale exploratory survey of self-selected vendors. In a second phase, we have done a short-term multiple case study (Oates 2005), including on-site in-depth interviews, document analysis and observation. In designing the survey and analyzing the data, we built on our previous observations of collaborative work practices in distributed software development.

We focused on the development of outsourcing relationships occurring in this particular type of settings, studying the perceptions of people at the vendor's site on cross-cultural issues and social relationships. In most of the cases, we were able to visit the sites and talk to the informants in their work environment. Our informants came from different backgrounds and were occupying various positions (business owners, project managers, software developers, freelancers). In a first stage in June 2006, the survey included a

group of small companies and freelancers. Part of our informants were self-selected – they volunteered to participate in the survey following to a message sent to an mailing list of Romanian IT professionals; some others were approached following peer recommendation or their public web presence. A second small group of companies and freelancers was interviewed in January 2007, when a new field trip allowed us to observe some of the changes incurred by to the new status of EU member state recently acquired by Romania. In total, our survey included three freelancers and six small companies (with 3-35 employees). The subjects were located in Bucharest (5), Timisoara (1), Craiova (1), Targu-Mures(1) and Iasi(1).



Fig.1 Distribution of subjects

The interviews were prepared through a preliminary e-mail exchange, phone call or instant messenger session, and website research on the companies/freelancers themselves and on their customers. Each interview took between 1 and 2 hours and was audio recorded. We visited two of the freelancers and four of the companies in person (in Bucharest and Timisoara); the other three interviews were conducted over the phone.

We also got the opportunity to talk to a local branch representative of a big multinational company, who confirmed some of the trends revealed by our survey. In both June 2006 and January 2007, we interviewed the vice-president of ARIES, the Romanian Association for Electronic and Software Industry, the largest and most active Romanian

IT association with member companies from all areas (software, hardware, communications, academia, research, consultancies). During these interviews, we were given a thorough picture of the ongoing efforts of ARIES, Coalition Tech 21 and Romanian government to promote Romanian IT in general and software exports in particular.

Website research was used both for preparing the survey and the interviews and for complementing the data collected in the field. We reviewed directories of IT companies, reports and white papers dedicated to outsourcing issues, looking for specific data on Romania. We located and studied documents from different sources (weblog posts, statistics and market reports) containing information, analyses and criticisms about outsourcing to Romania, written by both Romanian and foreign nationals.

The data collected was corroborated and grouped according to the illustrated phase (initiation or delivery), and to the outsourcing relationship factors proposed by Goles and Chin (Goles and Chin 2005).

We will proceed now with a brief introduction of our subjects:

Freelancer 1 is a Master student enrolled in a business informatics program. Together with other 8 young people, he was recruited in 2004 to develop a portal for a small, but extremely successful US company based on the West Coast. Initially lead by an US expatriate married to a Romanian and living in Romania, the Romanian team was restructured in January 2006. Only three of the developers were kept on board (including our informant), and they were subordinated to a Romanian expatriate working in the US for the client company.

Freelancer 2 is an experienced developer, who previously worked for two other foreign companies in Romania. In 2003, he started as a freelancer on RentACoder – an international marketplace where people who need custom software developed can find coders in a safe and business-friendly environment. He had built a reputation there when he was approached by a Norwegian entrepreneur living in the US. The client was running a company with 8 employees in the US, distributing and providing support for a CRM system. The freelancer was hired to redesign parts of the CRM system in 2005. He helped recruiting other 5 Romanian freelancers, and in June 2006, after one year of collaboration, they were planning to register as a limited company.

Freelancer 3 is enrolled as a student in the third year of a Computer Science program. In 2006, he started to bid on Rent-A-Coder for small jobs. Recently, he was contacted by a Belgian entrepreneur who would like to start a company in Romania.

Freelancers	Level of expertise	Customer	Type of service provided
Freelancer 1	Student 4 th year	Small US services company (10 employees)	Building a portal
Freelancer 2 (<i>phone interview</i>)	20+ years in software dev.	Small US IT company (8 employees)	Redesign of a CRM system

Freelancer 3 year	Student 3 rd year	Belgian IT company specialized in games	Games programming
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Company A was created in 2005 by three software developers who used to work together for a big and extremely competitive Romanian software company and wanted to start on their own. Currently, they have nine employees. They work both with Romanian and foreign clients and in June 2006 they had ongoing contracts with five foreign clients (one from US, one from Canada, two from the UK and one from Germany). The company is specialised in the design of web-based applications, but they also have expertise in business intelligence, software security and usability.

Company B was created by a young entrepreneur who studied abroad and built quite a reputation by maintaining an excellent weblog on the Romanian business environment. The company is a joint venture with a UK entrepreneur. They currently redesign a retail software product, rewriting the whole code in a different language and enabling it for the web. The company has a Marketing & Sales department in the Netherlands, five developers in Bucharest (they started with 4, grew to 15 and shrank back to 5 during the last 18 months), and works with a graphic designer based in another Romanian city.

Company C is specialised in Business Process Modelling. It currently works with 12 business analysts and software developers, but they plan to grow up to 20 people. They have no foreign clients yet, but their target clients are Romanian public institutions involved in international projects.

Company D was formed in February 2006 by two postgraduate students with complementary skills. Intended initially as a web design and 24/7 support organisation for non-technical foreign clients, the company currently employs 12 software developers and works on several contracts for US clients.

Company E was started in 2001 by two software developers. The company is specialised in web design and e-commerce applications, and they target mainly the US and the Swiss market. They started with four people and currently employ 32, specialised in different technologies and types of applications. They meant to develop a sort of one-stop-shop for designing and maintaining web-based applications.

Company F is a joint venture started in 2005 by an experienced software developer together with a Belgian software development group. Specialised in web-based applications, the company currently employs three people and is planning to reach 10 employees by the end of 2008. The mother company in Belgium is sending them projects to work on.

Company	Year of foundation	Number of employees		Type of IS services provided	Major customers	Interviewee (s)
		At start	Now			
A	2005	3	9	web-based applications, business intelligence, software security and usability	US(1), CA(1), UK(2), DE(1)	Business manager (1)
B	2004	4	5 (was 15)	Redesign of a retail system (web-enabled, ported to a different platform)	UK(1)	Business manager (1)
C	2000	1	12	Business Process Management	RO(9)	Business manager, business analyst (2)
D	2006	2	12	Web application development and maintenance, web design, server administration	US(9), UK(1), DE(2)	Business manager(1)(<i>phone interview</i>)
E	2001	2	32	Web development & programming, Web servers, graphic design, databases	US(7), CH(3), AT(1)	Business manager(1) (<i>phone interview</i>)
F	2005	1	3	Web-based applications	BE(1)	Business manager, developer (2)

4. DEVELOPING OUTSOURCING RELATIONSHIPS

As mentioned previously, our empirical work focused on two distinct phases of an outsourcing relationship: initiation and delivery.

A. The initiation of an outsourcing relationship.

Our informants had various attitudes regarding the acquisition of new customers, ranging from complete lack of interest to advertising and passively waiting for the clients to find them, to actively seeking to build personal relationships with their clients:

- some of the companies we spoke to were committed to one single complex project with a permanent partner; in these situations, the foreign partner was the one who had a software product idea and was trying to get the product redesigned using a different technology or for a different platform (Freelancer 2, Company B).
- the first outsourcing relationships were intermediated by expatriates on one side or another: Americans living in Romania , Romanians living in the US served as liaison persons (Freelancer 1, Company A). Company F started based on the Belgian connections of the Romanian shareholder. These people were able to interpret the actions of both sides and to negotiate solutions. Personal recommendations and relationships were considered more important than skills.

“In 2004, a family friend sent me to talk to an American who was married to a Romanian and was employed as project manager by a US company on the West Coast. I knew absolutely nothing about the technologies required by the offered position and stated this frankly. In spite these circumstances, I was offered a

*laptop and two months pay to get up to speed – of course I accepted!”
(Freelancer 1)*

The Romanian shareholder of Company F was in danger of losing her job due to the imminent restructuring of the public company she worked for. One day, when she was travelling abroad, she was recommended by a friend to the shareholders of a Belgian software development company who intended to expand their activity to Romania.

- Another group of informants favoured advertising and passively waiting for the clients to find them. Among the methods used for attracting customers were the own company website, presence in national and international directories of software development companies and Yellow Pages, announcements on different websites, membership of an IT professional association, participation in dedicated fairs organised both in Romania and abroad, personal or company weblogs reflecting past successes and demonstrating expertise and business skills. (This was the case in Companies A, B, D).
- Active marketing – some of our informants said they were looking for contracts on different marketplaces, answering to RFPs, bidding for projects, calling potential clients on the phone, and building personal relationships with existing clients; they considered happy customers or intermediaries as being the best form of advertising (Freelancer 3, Company E).

“I spend whole days browsing websites and calling potential customers. We are mainly targeting US and Swiss clients, because our services are not cheap. We offer quality, and we know that these clients really appreciate it. One of our best

clients is an American web-designer in her 50s; after working with us on a project for an NGO she couldn't handle on her own because of the time pressure, she continued to use our services for various other projects.”

There seems to be a preference of vendors for clients coming from specific countries: from what our informants said, English speaking countries seem to come first in the top of these preferences (US, UK, Canada). The business culture - and not necessarily language- is mentioned to be the determining factor. Most of the subjects preferred foreign clients to the Romanian ones, even if the price was the same. French, Austrian and German clients were pointed at as “more difficult to work with” by some of our informants.

B. The delivery phase.

The processes that influence outsourcing relationships (as identified by Goles and Chin) (coordination, communication, conflict resolution, cooperation and integration) were well reflected in the collected data.

a. Coordination. The coordination and control mechanisms mentioned by respondents in the survey and in the interviews were manifold. We were interested mainly in the influence of organisational and professional culture on the different coordination mechanisms and artefacts.

Contracts usually stipulated the specific tasks required by the client, the quality standards, the amount of time to be spent on them, delivery dates and pay. None of our informants complained about misunderstandings regarding contracts, even if some mentioned situations when deadlines slipped for various reasons.

Specifications were sent over in different formats, but most of them were actually vague:

- Old code that had to be thoroughly studied for extracting the architecture and functionalities of the new product;

- Other web sites mentioned as inspiration;
- Word documents with bullet points;
- Powerpoint slides;
- Verbal specifications on the phone.

The lack of formal specifications wasn't considered a major problem; most of our informants said they were using prototypes and frequent communication in order to be able to understand what their clients had in mind. The lack of very strict and detailed specifications actually seemed to suit the preference of Romanian vendors for innovation and creativity. In some situations, the clients sent over their own graphic design, but in most of the cases the vendors were given this task.

The technologies to be used in developing the software are also involved in coordination. Sometimes, the clients required the use of a specific technology and the vendor companies needed to hire people with the proper expertise (or train them internally). Where a single product was developed during an extended period of time (Freelancer 1, 2, Company B), things were pretty clear. Companies targeting multiple clients usually had a whole range of expertise in various technologies (Companies A, D, E). Less technical clients had no preference regarding technologies; in this kind of situations, the selection of the most appropriate technology was left at the latitude of the vendor.

The specific **tools used for maintaining the code repository and tracking bugs** were extremely diverse.

Freelancer 1 was sending his code via email to a Romanian colleague who was in charge with the weekly builds. The builds were packaged as ZIP files and uploaded on a server in the US.

Freelancer 2 and his team were using CVS for uploading their code and Bugzilla for bug tracking.

Companies A, D, E and F – specialised in web-based applications – usually worked on a live version of the future web site and send their clients the links to them.

Company B used Subversion for storing and maintaining the code. Both Company B and Freelancer 2 gave their clients full access to the code repository.

All our subjects maintained a **project archive** making use of a whole variety of tools. This archive was considered very important for creating a shared understanding of the software being developed, tasks coordination, solutions negotiation.

Freelancer 1 and 3 were simply maintaining an archive of the emails exchanged with the client.

Freelancer 2 was using Groove.

Company A created portals and forums for each of their customers and each project.

Company B had an internal blog, used as a project diary. All the design issues were discussed on the blog by the client, the project manager and developers.

Company E mentioned using Microsoft SharePoint.

Not a single interviewee considered **time zone difference** to be a problem. Most of the developers and project managers adjusted their work schedule in order to meet the needs of their clients. Romania is only 2 hours in advance of GMT, and the time difference from Central Europe is one hour only. In some of the situations, time difference from the American continent was considered an advantage.

“When we’re getting to work in the morning, we first check the emails reporting problems. Until the afternoon, when our clients start work, most of these are fixed.” (Company A)

Working long hours and week-ends only happened in exceptional situations, when a deadline approached or there was a special request from a specific client. Taking phone calls, participating in meetings or checking email in the evenings from home – to cope with the time zone difference- was not perceived as work.

b. Communication. The main **communication channels** used by the survey participants were: e-mail, phone and Instant Messaging. Several subjects mentioned Skype being used for both voice and text communication. Weekly status meetings over the phone were usual for long run projects. Company A also used NetMeeting for organising web conferences.

While some of the companies encourage each and every developer to talk directly to the client in the case of design decisions or other problems (Companies A, B, F, Freelancer 1), some other impose centralised communication (Companies C, D): only the project manager on the vendor side is allowed to talk to the person in charge on the client side.

The official **communication language** used in all these outsourcing relationships was English. Without any exception, all the companies hired only software developers with good English skills.

“We only used Romanian when we spoke on the phone among us or met face-to-face in town for a beer. All e-mail exchanges were in English, because we were copying our client on most of the e-mails. After the departure of our American project manager who decided to start his own company, our contact in US was a

Romanian working for them. We very seldom used Romanian when speaking to her.” (Freelancer 1)

“English is the language of the project, but our Belgian partners feel more at ease when we speak French on the phone. However, all the correspondence is kept in English.”(Company F)

Some of the participants in the survey found **informal networking and face to face meetings** extremely important, especially when involved in long-term outsourcing relationships. This confirmed the findings of Behrend and Kastrup on the role of informal networks in solving immediate problems (Behrend and Kastrup 2006).

“In the beginning of our contract, there were some hesitations and misunderstandings. However, after 2 months, our client came over and we went on a team building trip together. Everything worked much better after that; we had a better picture of what the client wanted from us, and he now knew the faces of the people he was talking to on the phone.” (Freelancer 2)

“I’m spending time on the phone with some of our regular clients talking about the events in our personal lives, kids and families, and even politics. Even if we never met face to face, I believe this is, together with the quality of our services, a way to build shared understanding and trust” (Company E)

c. Conflict situations. The discussions revealed that in most of the cases, these were attributed to miscommunication and false assumptions. Situations when projects couldn’t be completed on time were usually attributed by the vendors to the vagueness of specifications sent over; unfortunately, we were not able to obtain the client’s point of

view on this matter. No situation when the relationship was terminated as a result of a conflict situation was brought to our attention.

One of the complaints we heard from several informants about their clients was the lack of prompt feedback. Romanians have respect and admiration for the Western business culture, which they see as a culture of quality and efficiency. When asking the client simple questions related either to domain knowledge or specific decisions that had to be made regarding design, some of our informants said it took days, and sometimes even weeks to get an answer.

“Sometimes I wondered if they really needed our code, or they were developing it in parallel in several developing countries. I am paid a monthly salary, so I shouldn't care. But I can't understand why it takes them such a long time to make simple decisions, when they know they're paying me/us to just sit here and wait. They're a relatively small company, it can't be so difficult to meet and decide!”(Freelancer 1)

“We need to run several projects in parallel. Sometimes it takes weeks for our partners to get back to us with an answer, so in the mean time, we're working on other projects. We were extremely frustrated in the beginning, but now we got used to this kind of situations and learned how to cope with them.” (Company A)

Because of the existing interdependencies, the lack of commitment on the customer side results in delays and frustration on the vendor side. But this kind of situations, although annoying, is not considered as conflict, and the vendor tries to adjust.

Trust is a vital attribute of an outsourcing relationship. Trust gets severely damaged when promises are not kept and expectations prove to be wrong.

“They asked me to learn and use Cold Fusion for a specific part of the project. It was a huge effort, I didn’t sleep for a whole week, my family said I was killing myself. But in the end, I did it. It wasn’t only for the promised prize, my pride was at stake too. When I was done, I sent them an email and asked them to have a look at my solution. This was two months ago, and I still didn’t get any reaction. What a waste!”(Freelancer 1)

*“ The reason I got hired without having the necessary skills was that a previous employee disappeared with the laptop, after proving excellent programming skills; obviously my employer valued now references more than skills.”
(Freelancer 1)*

Business ethics is sometimes perceived differently on the vendor’s and on the client side.

“At the time, we had a unique Austrian client, who was working with us and another Romanian company in the same town. The second company had a different set of competencies, so we didn’t regard them as competitors. One day, our client engineered the move of one of our best developers to the second company, promising him a minor salary raise. Actually, what he was interested in was getting him cheaper. When we confronted him and spoke about ethics, he accused us of old-fashioned communist mentality. He got away with it, but we don’t trust him anymore!”

This misalignment of values results in a decrease of commitment and trust, two important attributes of the relationship.

D. Cooperation. Most of our subjects described their relationships with their customers as “good cooperation”. The work schedules were adjusted to the needs of their customers,

to maximise overlap (Freelancer B, Companies A, D, E). Project managers were available to work from home late at night whenever a difficult situation occurred.

For solving deadlocks, the teams on both sides had come together in ad-hoc call conferences on several occasions, looking for solutions together (Company A).

E. Integration. With the exception of freelancers, who were at some degree integrated in their customers' organisations, and of Company B, who was actually a joint-venture involved in the redesign of specific software product, integration was not the case.

5. THE CULTURAL MATCH BETWEEN THE ROMANIAN VENDORS AND THEIR CUSTOMERS

5.1. Direct findings from our study

During **the initiation phase**, good communication and marketing skills are paramount. Ensuring a portfolio of contracts in order to be able to retain skilled developers and pay competitive salaries appears as vital. The business managers we spoke to were aware of this, and did not seem to encounter problems in finding customers and negotiating contracts. There were no mentions of difficult periods. Some of our informants admitted they went through adjustment periods, when they had to give up specific business models (like for example being a 24/7 support centre) and adjust to the needs of their customers.

There were cases when a former customer returned but his offer was turned down, because the relationship didn't work well in the previous collaboration (lack of trust was mentioned as a major cause). The business managers we spoke to were aware of the need to build social networks and actively search new contracts. The preference for customers from abroad (in the majority of cases) was attributed to the more developed Western

business culture (“they know how to make business!”), while Romanian customers were seen as more difficult, lacking the financial resources for quality work and pretending extra-features without paying more. In all the presented cases, Romanian vendors had entered the outsourcing relationships with high commitment, trust in their partners and good cultural compatibility. There was no need for offering cross-cultural training to employees neither on the vendor nor on the customer side, as it was the case in most relationships with Asian countries(Krishna, Sahay et al. 2004).

During the **delivery phase**, the vendors demonstrated flexibility and adaptability. An interesting finding was the creative way they have chosen to deal with some of the **coordination aspects**. Some of the customers have imposed their option regarding the file sharing or version control system to be used in the project, and the Romanian vendors complied with that. In other situations, they were given the freedom to chose themselves what to use for ensuring good communication, transparency and tracking the project progress. Company A put in place portals and forums for each customer and project, while company B started an internal, password protected blog where every development and decision were documented. The joint use of tools favours the emergence of a working culture and creates a basis for shared understanding of events, concepts and strategic goals.

The literature emphasizes that one of the main problems of the distributed software development is the lack of informal **communication** and social networking between sites(Krishna, Sahay et al. 2004). In the cases we studied, informal communication and socializing were reported to be present, in spite of the geographical distance, via phone, instant messaging, e-mail and even on the official forums/blog. The small size of the

teams/companies on both sides allowed for a more relaxed work atmosphere. In some of the long-term relationships, face-to-face meetings were scheduled once/twice a year, either at the vendor's or at the customer's location (or in third locations, depending on the time constraints). The language was reported not to be a problem. All the written communication was restricted to English, to allow for complete transparency and sharing of all the critical and proprietary information.

Effective **communication** between partners is considered to be leading to better informed parties, which is an antecedent of trust (Lee and Kim 1999). Our informants showed a preference for frequent and prompt communication as a way to avoid future problems. Developers said they would rather ask for clarifications sooner than later when specifications are too vague or a decision needs to be taken. It is not infrequent that developers come up with innovative solutions and persuade the customer to buy in. The adopted technology provides a good ground for a common language in discussing technical matters. Things are far from being perfect and misunderstandings occur – but our informants stated that it never took more than a day or two to clarify any problem.

While **cooperation** with the customer was considered a prerequisite for achieving their objectives by the majority of the people we spoke to, **integration** was not an issue, with one or two exceptions.

As for the **conflict situations**, none of our informants mentioned situations when they were wrong and their customer was right – however, such situations probably occurred. In the conflict situations signalled (“hijacking” of a developer, a prize that was never received), the attitude of choice was resignation, but this wouldn't be always the case. In one of the cases, the conflict followed to an unethical conduct and did not appear to be

related to cross-cultural mismatch (even if the customer tried to make this attribution). In the second case, the perceived broken promise was probably due to a lack of communication.

The duration of an outsourcing relationship is believed to impact its quality (Lee and Kim 1999). In long term collaborations, it is more likely for people to get to know each other and build a shared understanding of what has to be achieved. However, most outsourcing relationships do not have this privilege. Previous experience in working with clients from the same country, region or industry is definitely an advantage, but generalization and stereotyping people can be extremely dangerous for both sides. In a long term, single project outsourcing relationship with dedicated developers, learning and the development of a “working culture” is definitely facilitated.

5.2 General implications

The current business environment in Romania is challenging, especially for small companies. Because of the big multinational companies setting up subsidiaries in Romania and hiring massively, small companies have difficulties with recruiting the right people. Small companies can't pay the salaries big ones offer, and they have difficulties in keeping their people when they fall short of projects. Again, foreign companies expect to find in Romania a large pool of well-educated specialists; but as the competition increases, this pool becomes more and more limited. The 5000-7000 annually university graduates in Computer Science, Business Informatics and Applied Mathematics don't all opt for a career in software development, and part of them decide to go and get some work experience abroad or even to emigrate.

Some of the hypes regarding software development in Romania, both positive and negative, definitely need a closer look. Romanians tend to praise themselves as winners of several high level international student competitions – illustrating the ability of the education system to produce excellence at a theoretical level, but not saying anything about the level of practical skills of Romanian entry-level IT professionals. Another highly praised feature is multilinguality; while English skills are very common, the number of good software developers who are fluent in 2-3 foreign languages is actually very limited. And as mentioned before, the existing pool of talents available is actually stretched to its limits. Skilled professionals accept non-creative jobs in support centres mainly for financial reasons and job safety. In January 2007, Romania became part of the European Union, fact that will enhance young graduates mobility and career development perspectives inside the European Union.

Romanians (as most of the other Central and Eastern European people who went through a communist period) are criticised for lacking management skills and for not being good team players. Things changed a lot in the last 5-7 years; while young people with a business administration education seize the opportunity of starting a business in software development, experienced developers and business analysts with a lot of domain experience have acquired managerial skills. In some situations, they moved to other domains, using their background and knowledge in software development as a competitive advantage.

While diminishing the gravity of problems and making unrealistic offers at the lower end (regarding budget and time) were common in the beginning of the post-communist era, the nowadays Romanian vendors definitely prefer openness and clarity when dealing

with their customers. Most of them learned how to work together with their customers to face all the challenges in the shortest possible time and efficiently.

Romania can be far behind other outsourcing destinations regarding CMM/I certification, but vendors are now aware of the importance of such certifications and with both national and international support, they are now moving toward this goal.

Innovation is one of the strongest features of Romanian software developers, and software export is a good opportunity to tap into these “excellent R&D and creative skills”(Behrend and Kastrup 2006). Romanian developers proved they can work with sketchy specifications and combine a wide range of technologies to meet their clients’ most sophisticated needs.

However, general statements are extremely risky, and while the comments above refer to current trends, it would be a mistake to proclaim them valid for all small software development companies in Romania.

6. CONCLUSION

Our overall conclusion is that most of these Romanian vendors targeting the external market were able to engage in outsourcing relationships without encountering any major cross-cultural challenges, adjusting to the customer needs and completing their projects successfully. They appeared to be comfortable working in a foreign language, working with tight budgets and deadlines, and coping in a flexible manner with their clients’ requirements.

As a general conclusion, Romania offers to potential customers a unique mix: a workforce with good third-level technical education and good English skills, an emerging

business culture following the Western model, and (still) relatively low costs. But what is probably the major factor differentiating Romanian software developers from others is their creativity, passion for innovation and permanent improvement. This characteristic enables them to work with vague specifications, work in successive iterations and ask for frequent feedback, approach that proved to work well when working with customers who do not have any technical expertise.

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Fig.1 Distribution of subjects