INVESTMENT IN COMPETENCES: GROW OR BUY? A RESEARCH ON POTENTIAL PARTNERSHIPS OF A FINANCIAL SOFTWARE COMPANY

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Abstract
A corporate entity cannot exist in isolation just like human beings cannot evolve separated from the society. Corporates have their own environments in which they grow and which influence their activity. For a long time organizations all over the world have developed networks in order to resist on the market, but the extent to which alliances and partnerships contribute to the success of an organization has never been so wide as it is right now with the height of globalization, the spread of the Internet and the commoditization of knowledge.
On the other hand the concept of organizational competences has been widely discussed in the international literature but their development remains mostly in the dark. One research area which has gained momentum lately is the development of competences through the company's external relationships. In networks, knowledge becomes dynamic and socially important (thus escaping commoditization).
In this context, are networks helpful in tapping into the competences available on the market? Do partnerships help both parties involved? Can consultancy firms create multimillion dollar businesses by getting involved in partnerships with software companies or should they try to resist in the long term only by acquiring competences from external actors? The current paper is written around an interview-based study on a consultancy firm which offers services for the products of one of the largest financial software organizations in the world; the research shows that paying skilled professionals more than the target company has to be complemented by other strategies for long term success.

Keywords
Acquisition of Competences, Partnerships, Networks, Consultancy Firms

JEL Classification
J24, L84, L86

Introduction
The process of globalization has increased the speed at which economies move in tandem and also the speed at which costs can be reduced by accessing markets with lower labor costs. Internet has gained immense popularity in countries in development and the example of Romania is obvious: according to a local financial newspaper, the growth rate of online commerce has been of 30% in 2016 with respect to the previous year and up to 40% of the

sales were registered from smartphone devices (Ziarul Financiar, 2017). With Internet comes flexibility, easiness of doing business, of establishing relationships (partnerships and alliances) and of reaching the consumer. Employee mobility is also much more intense: employees change jobs with ease and even change countries in shorter time intervals, showing adaptability and flexibility. They get to know different companies of different sizes, operating in different industries and countries. All these changes have led to more knowledge about economic actors, knowledge available not only for leaders and managers, but also for regular employees who become better equipped to deal with abrupt changes that might occur in the market.

Some authors (de la Mothe, J. & Link, A.N., 2002) advance the idea of "alliance capitalism", which, combined with a high pace of changes in all areas of activity, drives innovation and challenges the sovereignty of nations to deliver new products to the market. Starting from this idea, other researchers (Kaats, E. & Opheij, W, 2014) extend the necessity of collaboration from innovation to other areas: sustainability and durability issues, economic development, good care and safety, and so on. The same authors also point out the problem of partnerships: ambiguity generated by differences in language, expectation, and perception.

The competences of a firm can be described as mechanisms or processes which enable employees to develop their knowledge, skills and individual competences for the benefit of the company in relation with its competitors. This development is built around advances in technology and around innovation in business processes with the perspective of facilitating strategy implementation and the accomplishment of the organizational objectives.

However, internal elements cannot explain on their own the development of a firm's competences: organizations have the chance to perform better when involved in exchanges with other entities in the marketplace. Partnerships and alliances form a network of relationships which are essential for the long-term performance and ultimate survival of the organization.

One definition of competences focuses on customer needs and wants, as highlighted in the concept of distinctive competence (Webster, 1991): this opens the door to customer centricity and the fact that satisfying customer needs better than competitors is a success factor. Employees need not only consider the successful completion of their tasks, but they should also act as the organization's extensions in relation with its customers. It is therefore important to take into consideration the external factors when discussing about competence: satisfying customer needs means creating an environment (together with other actors) in which the customers are welcomed, served and followed in their choices… In this environment relationships are formed, lessons are learned and competences develop.

Structurally, competence can be defined by its elements and relations: technology, people, structure of an organization and culture of that organization (Drejer and Riis, 1999); the more components, the more complex competences are. The relation between competence and technology is undeniable in the Information Technology (IT) industry. Technology can give birth to new competences while destroying others. So, can competences be developed and keep up the pace with innovation or are they something static that cannot be imitated nor developed? There are sometimes radical changes in the market and it is not always easy to keep up the pace with them, but this does not mean that the task is impossible. Development of competences should occur in IT organizations and should represent the main focus of well-established companies because they have the financial power, the culture and the time to cultivate such competences and build a long-term strategy which makes reference to sustainability and adaptability to the environment.

Smaller consultancy firms can start growing by offering "lighter business models" and by acquiring competences from well-established firms: their competitive salary offerings can attract highly skilled professionals in search for new challenges. In time, such companies can grow and form partnerships with the software producers, as it is the case of the financial software industry.

Research Study

1. Research Methodology

The survey is the research method used for this paper, and the technique that we adopted was the interview. Questions were addressed to the chief executive officer (CEO) of a consultancy firm that offers services to the clients of one of the biggest financial software companies in the world. Questions were asked about the advantage of smaller consultancy firms over well-established software companies in attracting highly-skilled personnel and competences, about the way these companies help their employees develop, about the business model of consultancy firms in making their customers the ultimate evaluator of employees, and about the ways in which such companies can acquire knowledge, skills and competences.

Another research method used in this paper was the analysis of documents: internal documents of one of the leading financial software providers were analyzed in order to depict some important data about the human resources of this well-established company. The use of contractors was the main focus, as well as the age distribution of the employees, since people bring competences into the organization but can also take out competences and transfer them to consultancy firms, as in the example chosen here.

2. Facts and Figures

The organization from which the idea of this research appeared is a leading financial software company (among the first five companies in the world in its sector of activity).

This company, which we will call Competenţe S.A., has a wide pool of human resources (over 10,000 employees) which represent a highly-skilled personnel. It is a very good image of how globalization and IT can help create size and development, since the company has offices in all major financial centers around the world and uses developing countries to tap into high level competences at low costs. However, globalization has helped all companies, regardless of their size, which means that consultancy firms have also created offices in such low-income countries and are able to attract talent from the software producer by offering, among other things, better salaries to the employees. So the focus of this research is not to explain the mechanism of competences in well-established software companies, but to see how much reliance on the competences of the software producer manifest the 'little people' (meaning the consultancy firms that start their business without having the resources to implement a competence-based approach). What room do these newer companies leave for competence development? Is competence development important to them? Are they better off acquiring competences or do they have the means to develop them internally? The example chosen for such a consultancy firm is Atracţia S.A., a relatively new name on the international market.

There are basically three ways in which organizations can acquire competences in order to succeed on the market (as shown in Figure 1 below): buy those competences by hiring the best students on the market, help employees grow (from both a personal and professional point of view) through internal development and career-enhancing programmes or attract competent employees already present in the market (from competitors or through alliances and partnerships).

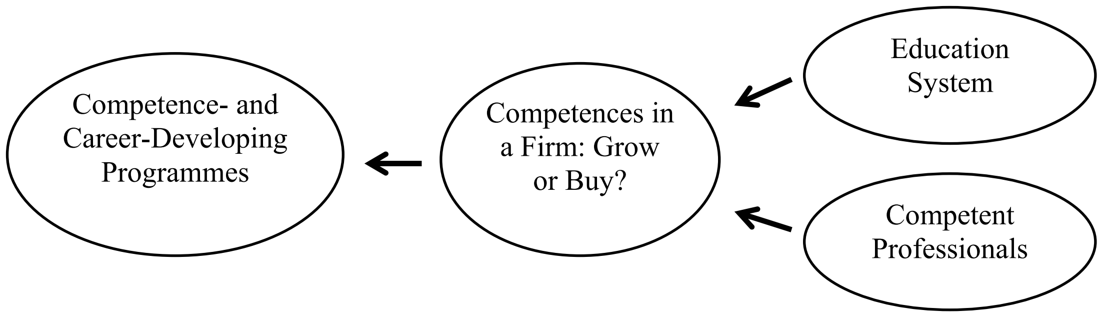

Fig. no. 1 Acquisition of Competences in a Firm

No company can adopt only one strategy in its quest for competences: organizations usually create a mix of strategies for attracting and retaining the best people and the most appropriate competences available on the market.

3. Results of the Research

3.1. The Software Producer

The analysis of Competenţe S.A.'s internal documents regarding the evidence of their personnel showed an increase of 16.5% of the number of employees between 2013 and 2017. The same documents also highlighted an increased reliance of the firm on contractors: their number grew with 122% between the same interval (2013 – 2017) (Competenţe S.A., 2017). This comes to strengthen the idea that networks have become increasingly important after the IT sector recovered from the global economic and financial crisis.
Competenţe S.A. developed new partnerships and also used directly the competences these partners had by hiring their people. What is even more interesting is that some of the employees that once left Competenţe S.A. to join consultancy firms now returned to work (as a contractor or as a full time employee again) in the initial company.
The tenure in the company has continued to decrease from one generation to the other, figures which come to confirm the fears of managers and human resources professionals: people change jobs faster than ever. So there is increased pressure on companies to find solutions to keep their staff: without valuable employees no corporation can attain consistent success in the long term and the development of competences and the focus on people become crucial. The diversity of the staff of Competenţe S.A. is also demonstrated by the amplitude of age values: the youngest employee is just 20 years old, while the oldest has 69 years (as of 2017). More than 70% of the employees are aged below 40 and the peak of the distribution is at around 25-28 years (Competenţe S.A., 2017).
The above statistics come to confirm that hiring students is a cheap way of tapping into the technical and functional competences developed by educational programmes. The company combines this acquisition of competences with internal training programs, with on-the-job learning, with online courses and with mentoring.

3.2. The Consultancy Firm

Consultancy firms like Atracţia S.A. normally offer potential employees a much higher salary to convince them to leave the well-established firms and join a new name in the industry. But the interview with the CEO of Atracţia S.A revealed other advantages that these companies have to offer:

- The opportunity to join a small business (with a more flattened hierarchy) and take part in its growth
- The possibility to work on a variety of projects without changing the employer

- The prestige of working directly with the biggest banks around the world
- Be part of the change that the new company embraces
- Attractive bonus schemes which additionally motivate employees

The motto of the company is “always learning, always improving”, and this speaks for the vision of the firm in what the development of competences is concerned: Atracţia S.A. looks to attract the best personnel from the software producer (leading software developers and business analysts) and make them work on a large variety of projects with a wide range of high caliber individuals within the industry.

For Atracţia S.A., buying competences means instant high-level service for its clients and this represents the main advantage. However, for long term success, the company needs to find the right balance of leaders who can effectively grow in-house talent and new joiners (fresh graduates from the university programmes).

The interview conducted with the CEO of Atracţia S.A. highlighted that, although it is definitely easier to ‘buy in competences,’ the true value and difference comes when the company finds the right people to work and grow together. As the CEO put it: “Our product/service is the people and people need to be valued, nurtured and respected.” This means handling people who have different expectations and needs and putting them together in the right team, offering them opportunities to learn and explore, and spending time listening to them in order to gain their trust. Trust is the element that defines both human interactions and corporate exchanges.

Relationships need a long time to consolidate, so the success of a business has to be planned early and nourished in time. Many researchers consider the long-term aspect of these relationships and the fact that, once established between big-size actors, it is quite difficult to break them and they constitute barriers in front of the dynamics of networks (Jackson, 1985; Webster, 1991; Forsgren et al., 1995). But, of course, it all depends on the specificities of each relationship and the way the two actors manage to cooperate together in the long run.

To make sure knowledge is shared inside the company, Atracţia S.A. is working on a ‘knowledge library’ where the more experienced employees upload some of their insight and can offer advice to juniors. The company also offers the opportunity for employees to ‘internally blog’ about problems they are tackling or have resolved - which can be left open for discussion. Atracţia S.A. has not yet set up internal training programs, but at this time employees enroll on external training programs and the firm supports any additional (relevant) training programs employees wish to embark on. This ensures that the employees’ skills and knowledge does not become obsolete in time, even though there is a lot of room for improvement with regards to this aspect since training and development requires financial resources.

The business model of consultancy firms is based on more flattened hierarchies and lighter, more dynamic processes. Clients often like to spread their risk, so this can be an advantage because it makes room for other firms. Size can pose problems, but project-based work makes sure smaller companies have the possibility to win contracts.

Another advantage in favor of consultancy firms is the nature of the relationships bigger companies develop. The client often has more of a free reign with a small consultancy firm, rates are competitive, and there is much more flexibility and adaptability to the specificities of the client.

Consultancies can also offer a range of services that go beyond just what the software producer provides by mixing resources, exposing experienced professionals to new software products and developing the range of skills amongst employees to bridge different software solutions.

Asked about the employee profile in the company, the CEO talked about dynamic people, professionals open to opportunity and change and excited by the prospect of new projects and working with new clients. They are also vocal (in the right environment for each individual) and ambitious. They enjoy working within their teams and want to make a difference in the company.
Many times the client is probably the best evaluator of the company's skills and competences. This makes the recruitment job a lot easier for the company, but Atracţia S.A. still has experts who can seek through profiles, narrowing them down, making sure their competences are what the client is looking for and ensure that they can provide the level of service everyone in the industry expects. The client will select from a shortlist or often go with the profiles the consultancy firm suggests and will complete the final interview.
Most of the time, the client is a global bank and people from the bank want to interview individuals and be part of the selection process. This leads to an evaluation of competences on a case by case basis.
Atracţia S.A. is currently not an official partner of Competenţe S.A. but, despite the fact that it takes employees from the software producer, acts as a partner. With the services offered by the consultancy firms in various projects the producer's software is often challenged by consultants who have had experience in environments where the software is used differently. More collaboration in these areas could potentially improve the software, and it is will not be a surprise if the two companies form a partnership in the near future. Competenţe S.A. is known to have entered into such partnerships in the past, even though their opportunity remains questionable.
"Collaboration is most likely to succeed when people and organizations connect with one another in a sense-making process that does justice to the relevant interests and is targeted at a significant ambition. The major challenge is to create enabling conditions for this." (Kaats, E & Opheij, W, 2014).
Working in collaboration with other actors can help companies handle more complex situations and tap into the resources and competences which are already developed in the marketplace. Close collaboration also allows room for customization of services by getting to know better the other's needs and business requirements. But just like companies should not transform weaknesses into values for the sake of marketing, they should not make partnerships only to cover for the loss of personnel and the internal inability of retaining people. Usually, when a partnership is confirmed officially, both parties engage in a fair agreement not to compete with each other using non-loyal rules. If for example Atracţia S.A. enters into an alliance with Competenţe S.A. then the current brain drain from the software producer to the consultancy firm will have to stop and the consultancy firm will have to grow competences internally and deal with the same issues as well-established firms do regarding the rotation of the personnel.

Conclusions

Consultancy firms manage to create important businesses by bringing competent people to their side with highly competitive salaries, with small structures that benefit from fewer management layers. Such firms offer their employees the ability to take part in success stories, to change projects and countries without changing the employer, to learn various systems in various environments and to team up with the best people in the target industry.
Even though consultancy firms hire also young people, they mostly look out for experienced professionals who can quickly adapt to changing situations and to various projects. Large companies are a great place for young talent to start out and learn how a company functions, the role of each department, the market and its clients; after this, when they are better equipped to be autonomous, they can select to develop in smaller firms (with more flexible structures). As the CEO of Atracţia S.A. put it: "Acquiring competencies/human resources

from the target producer may not always be our main ‘provider’ but they will definitely continue to be a great source of talent now and in the future.”

We could summarize the businesses of small consultancy firms as easy money, but for this short-term success to last the top management of such companies needs to be very careful. Only buying competences from the well-established companies does not guarantee a solid business model, a well-defined corporate culture, loyalty or resilience. It is indeed easier to buy competences, but money is not the only motivation of employees and companies suffer from personnel mobility more than ever before, regardless of their size or business model.

In the financial software industry there are some success stories in which smaller consultancy firms have grown and have formed partnerships or alliances with the software producers, but without sharing common goals and without facilitating exchanges between the two parties and between the parties and the clients, such partnerships or alliances cannot resist in time.

We can make a parallel between the universal principles of good governance and the principles governing a fully operational network (Graham et al., 2003; Assens, Ch. and Courie Lemeur, A., 2016): legitimacy, orientation, efficiency, accountability, and equity (equality and impartiality). Partnerships between software producers and consultancy firms should in theory respect these principles, but in reality the business model of consultancy firms is not always rational, it is not always oriented towards the benefit of the network, and accountability is not necessarily the main focus; just like the difference in size does not guarantee the equity of the relationship. However, the good aspect about the IT industry is that geographic boundaries are no longer obstacles for the creation of relationships between organizations and cultural differences, although present between regions, tend to be subdued by capitalism, be it ‘predatory capitalism’, ‘alliance capitalism’ or any other type of capitalism (depending on the researchers to which we refer).

Further research could be done to confirm or not the ideas presented in this paper. Firstly, the development of competences remains interesting for most companies, but few of them allocate the resources and time to properly implement it. Secondly, competences can be linked to the external environment and the widespread of technology and the extent of globalization give plenty of examples of partnerships and alliances to researchers. Such partnerships can be followed in time and their stories can be analyzed thoroughly before concluding if they are beneficial to both parties and to the environment in which the two companies operate. The example given in this paper is not a partnership, per se, but pretty much operates like a partnership. Reality has shown that in order to avoid the drain of resources, software producers enter into agreements with other companies and form official partnerships. The effects of such a ‘marriage of convenience’ have yet to be analyzed in detail by researchers.

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