
EXPLORATIVE STUDY ON STUDENTS' PERCEPTION OF THE ROMANIAN OUTSOURCING INDUSTRY

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Abstract

The Outsourcing Industry in Romania continues to grow, but a talent gap has developed within the last years. The “war for talents” has reached the industry which competes with alternative industries such as the manufacturing sector.

The industry has recognized that in order to have a sustainable development it is essential to understand the perception of the industry amongst the talents and to be able to derive strategies for talent growth and attraction. All over the world employer branding studies have addressed this topic. However, they derive the awareness of the industry based on individual company perception based on human resources practices (Benitez et al., 2015). The contribution of this paper based on explorative research which studies the perception of the outsourcing industry in Romania amongst the talent pipeline and not by deriving it from the clustering of individual companies' attractiveness.

Therefore, this paper will first introduce the concept of industry reputation followed by the presentation of initial results of the explorative study. In this study bachelor students of the Bucharest University of Economic Studies were asked about the industry perception, future work plans and employability skills needed within the Romanian outsourcing sector. The results show that indeed there is a lack of awareness about the industry amongst the students. However, it is perceived as attractive as well as full of opportunities for long-term career perspectives. It is therefore suggested to close the awareness gap with the support of a collaborative three-level action plan amongst companies, industry and government.

Keywords

Outsourcing, Industry Reputation, Talent Gap

JEL Classification

L8, L18, M3, M31, M51

Introduction

The Outsourcing Sector in Romania has grown enormously, and until now there are no signs that this development will stop in the near future. According to the Outsourcing Industry Report 2017 (ABSL and KPMG, 2017), the industry currently employs 120,000 headcounts. The sector is expected to grow its workforce to 200,000 employees by 2020 (Outsourcing Today, 2017).

There is tight competition for talents within the sector as well as outside of it. In the first years of the industry's rise, the talent pool was big enough to support the growth. However, in the last years, the situation has changed. The sector claims that there is a tight competition

to attract and retain qualified talent (Outsourcing Today, 2016). This is also reflected in higher attrition rates which on average are 20% for the specific industry in Romania (ABSL and KPMG, 2017).

According to the latest Most Desired Employers Report of Catalyst (2017) big international companies such as Microsoft or Oracle count with high resources to invest in employer branding and will attract the most talented because they have a strong brand and can offer attractive compensation and benefits packages. However, the Outsourcing Sector in Romania does not only consist of significant foreign direct investments; it has also generated many local small- and medium-sized companies that need to be supported in the talent search as these do not count with the number of resources of multinationals. The outsourcing industry also claims that it is not perceived as an industry of choice in Romania. If recognized it has to deal with “old fashion” stigmata of call centres despite new digital technologies changing the work environment requiring more sophisticated skills (Outsourcing Today, 2017; Förster-Metz and Marquardt, 2017).

To understand if the potential talent pool has the same awareness of the Outsourcing Industry as the insiders regarding attractiveness, future work plans and employability skills needed in the sector, the authors developed an explorative survey on this respect. Subsequently, further research and actions can be derived that will positively benefit the industries’ reputation. Therefore, after an introduction of the concept of industry reputation, this paper will present the initial results of the study having asked bachelor students of the Bucharest University of Economic Studies about attractiveness, future work plans and employability skills needed within the Romanian Outsourcing Sector.

The importance of this paper lies on the research of specific industry acknowledgement of the Outsourcing Industry in Romania by deducting a targeted explorative study on the industry amongst the talent pipeline, not by clustering individual companies’ attractiveness.

Industry Reputation

A highly competitive and global market forces companies to differentiate and position themselves against their competitors increasingly. Current economic scandals like Volkswagen emissions scandal or the Cum-Ex-scandal in the banking sector have an effect on all companies of the respective industry regardless being involved in the scandals or not. Hence, a tarnished reputation not only has an impact on the customers’ demands or a company’s share performance but also can complicate the acquisition of new employees, especially in sectors with shortages of skilled labour. Thus, surveys about the reputation of companies like for example the “Great Place to Work”-initiative* in Germany can regularly be found in media all over the world. Employer reputation results of “the stakeholder perceptions about a range of human resource management practices such as talent management, payment and compensation, work environment and workplace conditions, and social policies” (Benitez et al., 2015). There is a multitude of more or less scientifically founded studies asking for the perceived criteria of an employer’s attractiveness. The following table no. 1 shows current examples of top 5 criteria, surveyed in Germany and Romania within the last two years.

* Since 2002 conducted by the business journal “Handelsblatt”, the journal “Personalmagazin”, the demographic network “ddn” and the Ludwig-Erhard-Award “ILEP” (Presseportal, 2018).

Table no 1: Top 5 criteria for an attractive employer (examples)

Study	Top Criteria
Attractive employer (Berufsstart, 2018)	<ul style="list-style-type: none"> • further training (69,5 %) • promotion prospects (62,1 %) • salary (58,6 %) • industry (57,5 %) • image (57 %)
Attractiveness of an employer (Targobank, 2017)	<ul style="list-style-type: none"> • salary (61 %) • open-ended employment contract (60 %) • reconciliation of family and working life (37 %) • attractiveness of business location (37 %) • [only top 4 mentioned in source]
The most desired employers 2017 in Romania (Catalyst Solutions, 2017)	<ul style="list-style-type: none"> • pleasant work environment • attractive salary & benefits package • safe job • new professional challenges • training programs

Source: authors' own compilation based on Targobank, 2017. Studie der TARGOBANK: Frauen wünschen sich flexible Arbeitszeitmodelle, für Männer ist Führungskultur entscheidend. [online] Available at: <<https://so-geht-bank-heute.targobank.de/newsroom/pressemittelungen/studie-der-targobank-frauen-wuenschen-sich-flexible-arbeitszeitmodelle-fuer-maenner-ist-fuehrungskultur-entscheidend/>> [Accessed 12 April 2018]; Catalyst, 2017. The most desired employers 2017 [eBook] eBook-Most-Desired-Employers-Survey-2017.pdf; Berufsstart, 2018. Studie Attraktive Arbeitgeber. [online] Available at: <<http://www.berufsstart.de/karriere/attraktive-arbeitgeber/Studie-Attraktive-Arbeitgeber.pdf>> [Accessed 12 April 2018]

These criteria only refer to specific companies. Though these studies differ considerably concerning the studies' approaches and the persons surveyed, obviously the salary is of high importance for the attractiveness of an employer in all studies.

To derive a significant statement about the attractiveness or reputation of a sector on this basis is hardly possible, as the companies in a sector differ concerning the criteria mentioned above. On the contrary, the sector's identity has a cause-effect relationship with corporate reputation, because the characteristics and action surrounding a company also shape its reputation. In this context branch identity is a mix of properties common to all companies inside a sector, and equally expected and demanded by the stakeholders (Craig, 2016).

Nevertheless, some surveys deduct a sector's attractiveness by regarding the individual companies in the respective industry. For example, studies about attractive employers often take the identified top 10 or top 20 companies and thus conclude on the sectors. This deduction refers to Spender's "industry recipe"-approach, which states, that people have distinctive basic knowledge about industries (Spender, 1989). In 2016, the online rating platform kununu ranked the industries in Germany, in which the employees declared themselves to be most satisfied (kununu, 2016); within the survey "The most desired employers 2017 in Romania" conducted by Catalyst (2017) for instance, the top 10 companies represent the following industries (see table no. 2).

Table no. 2: Top industries

Survey	Top industries
Most satisfying industries concerning working conditions and work-life-balance (kununu, 2016)	Industries with top 10 employers: <ul style="list-style-type: none"> • IT • Automotive • Oil&Gas • Telecom • Fast Moving Consumer Goods (FMCG) Industries with top 20 employers: <ul style="list-style-type: none"> • Banking • Consulting • Business Process Outsourcing (BPO)
Industries of the most desired employers 2017 in Romania (Catalyst, 2017)	Ranking of industries with most desired industries: <ol style="list-style-type: none"> 1. Consulting Internet/multimedia (both 3,89/5 points) 2. IT (3,73/5 points) 3. Insurance Marketing/advertisement/public relations (both 3,66/5 points)

Source: authors' own compilation based on kununu, 2016. *Die besten Branchen Deutschlands*. [online] Available at: <<https://news.kununu.com/die-besten-branchen-deutschlands/>> [Accessed 10 April 2018]; Catalyst, 2017. *The most desired employers 2017* [eBook] eBook-Most-Desired-Employers-Survey-2017.pdf

Hautzinger (2009) formulated hypotheses concerning measuring an industry's reputation and the relation between the reputation and the attraction for potential employees. He thus defined an industry's reputation as the performance and motivation perceived by the stakeholders and hence being publicly accepted. On the basis of his study he could verify, that the better the reputation of an industry is, the higher is the attraction for potential employees to make an application in this industry and the better the attractiveness as an employer in this branch is – assessed by the applicant. This led to the formulation of 10 indicators for the reputation of an industry. Market-leading companies in the respective sector thus have a good reputation, integrity, credibility, no scandals, portrayal in the media, quality of products/services, only rare harmful side-effects of products/services, social engagement and awareness, high voluntary self-commitments and are environmentally friendly (Hautzinger, 2009).

Furthermore, findings are highly country-specific. It also should be distinguished between the company's size, the gender of the persons surveyed (Targobank, 2018) or their study courses (for example engineering or economic science), as a study by Berufsstart (2018) showed. Also, social trends like ethical or environmental aspects must be considered, too. In a survey conducted by Reputation Institute, energy companies are viewed as the least ethical industry, whereas the industrial, automotive and healthcare industries performed strongest (Harrington, 2018). Another aspect can be found in the information economy. The search, experience and credence qualities of goods determine the extent of uncertainty within a transactional relationship, which always depends on the demander's subjective perception (Weiber and Adler, 1995). This concept could be transferred to the industry, whether it is producing goods or services. If the services of a service-providing industry have credence

qualities, this could lead to “spill-over”-effects[†] to the future employee’s personal appraisal concerning the processes, standards and requirements for work. Consequently, these industries could have more difficulties attaining talents as others.

Methodology

The explorative survey was developed with the support of a questionnaire to assess students’ acknowledgement and perception referring to the Outsourcing Industry.

The paper-based questionnaire consisted of an introduction and 11 questions (closed and multiple choice) which were divided into three sections. The introduction included the purpose of the survey as well as a brief explanation of the Outsourcing Industry in Romania to avoid misconception of the industry. The authors refrained from going into details regarding the subsectors of the industry to avoid confusion amongst the sample population. The first section of the surveyed data corresponded to demographics to understand the composition of the sample (age, gender, numbers of semesters studied, affiliation to faculty). The second section comprised eight questions which surveyed a combination of work history in and outside the surveyed industry, acknowledgement of the industry as well as future career plans in the Outsourcing Industry. The third section (questions 9 to 11) focused on the perception of the students about employability skills needed by the industry as well as their exposure to specific activities to develop the required skills and knowledge to be employable in the industry.

The questions have been designed to gather categorical and numerical data. The duration of the survey was set to be approximatively 10 to 15 min.

Data Analysed

The simple random sample consisted of anonymized data of third-grade bachelor students of the Business and Tourism Faculty of the Bucharest University of Economic Studies. The sample size was 198 students. Students of this faculty were chosen as their curricula make them eligible to work in the professional service industry. Furthermore, they represent the next generation of talents that would be available in the market for the referred industry.

Participation in the study was voluntary and informed. The survey was deducted with the consent of the Faculty of Business and Tourism. Survey administration was accomplished with relative ease given the use of time prior semester final exams in February 2018. The response rate was high at 98% as the students were kindly asked to take the questionnaire before their exams.

A total of 198 students participated in the survey out of which 178 questionnaires have been considered valid due to the elimination of non-response items. The next section of this paper analyses the results of the first two sections of the applied survey referring to demographics and questions 1 to 8. The third section will be presented in a further step after the analysis of the survey is finalized.

Results

The demographics of the survey are summarized as follows. The average age of the participants was 21. The entering sample population was mostly female (60%), the ages range between 20 to 23. The ages in the responding male population were the same as in the female population. The average number of semesters studied by the population was 5. More than half of the surveyed population (52%) works next to their studies out of which 70% are women and 30 % men.

[†] These “spill-over”-effects are for example shown in consumer goods industry. A loss of trust because of a scandal results in the loss of trust in all the goods of the respective company (Hanf, 2000).

The binary data of the surveyed sample population states that 61% have not acknowledged the industry as an employer. This goes in line with the statements of the industry that considers the industry not to be acknowledged by the talent pool, though it does not indicate the reason why. 67% of students have not considered working in this industry. The high percentage suggests that there might be a need for clarification on the industry. However, further research needs to be realized to understand why this is the case. It is an unexpected result that despite not having acknowledged the industry and not considering the industry as a potential future employer still 63% of the students consider the sector as an attractive employer. Furthermore, 58% of the surveyed population also considers that the industry can offer long-term career perspectives. The survey results suggest that there is an informational gap in the industry which shows potential to attract as well as to retain talent (see figure no.1).

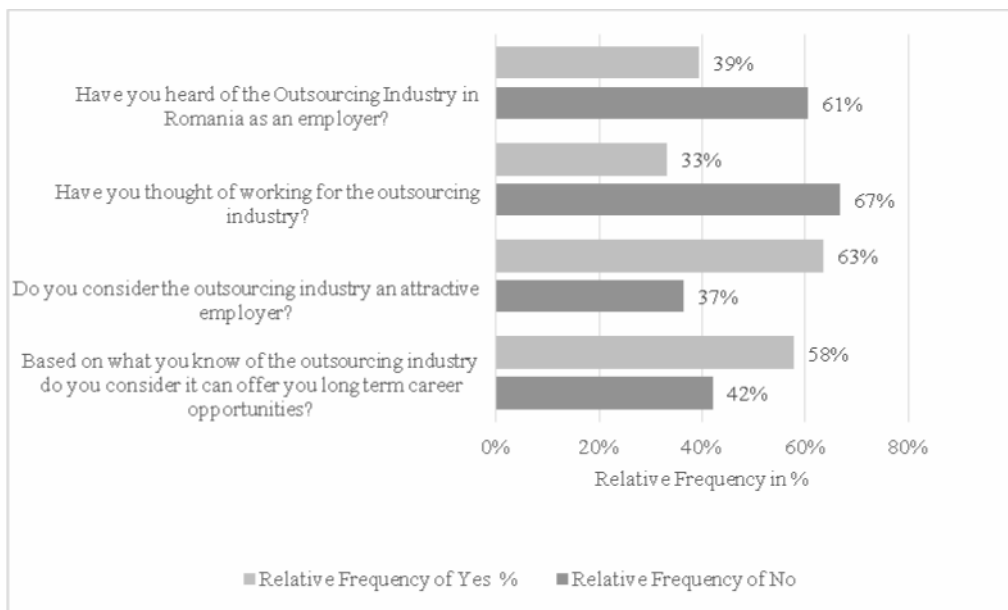


Figure no. 1: Survey results on industry perception (n=178)
Source: Authors' own research results/contribution

Within the sample population, 17% of participants have worked in the Outsourcing Sector. Table no. 3 shows the distribution of the number of months worked in the sector as well as under which type of contract. Within this group, 83% consider the industry an attractive employer. However, 23% of this group do not consider the industry to offer long-term career perspectives. This could explain the higher attrition rates of the industry but will need further analysis.

Table no. 3: Work history of participants in the outsourcing industry (n=30)

Number of months worked in the Outsourcing Industry	Absolute Frequency (n)	Relative Frequency (%)
1-3 months	5	17%
3-6 months	8	27%
6-12 months	6	20%
More than 12 months	8	27%
Unknown	3	10%
Type of employment contract received in the Outsourcing	Absolute Frequency (n)	Relative Frequency (%)
Contractor	1	3%
Internship	4	13%
Permanent Contract	11	37%
Temporary Contract	11	37%
Unknown	3	10%

Source: Authors' own research results/contribution

Conclusions

The results of the survey show that the Romanian Outsourcing Industry – despite a clarifying introduction of the industry amongst the sample population – is not very present as an employer in the students' mindset. The population has heard little about the industry and is not able to associate it with a future employer. Also, it suggests that students are not very informed about the job opportunities the industry can provide. There is a suggested causality in this. However, the current analysis does not clarify causality. The survey could be enhanced by adding causality analysis. Despite little knowledge about the industry it is perceived by students as an attractive industry that can offer long-term career opportunities. This assessment opens opportunities for the industry to generate awareness campaigns on the industry based on a collaborative effort of major stakeholders.

The survey suggests that to increase the students' awareness of the industry, the industry actors need to collaborate to improve public perception of the sector for future employment opportunities. For this purpose, the industry could make use of the students already working in the industry as most of these students consider the industry to be attractive. However, regarding long-term career perspective, an observed drain of talent seems foreseeable as 23% of students already working in the Outsourcing Industry do not consider having long-term career opportunities in this sector. In further research, a Null hypothesis could be tested against the attrition rate of the industry. If this hypothesis can be confirmed it is suggested that early intervention on career development plans within the industry is needed.

Despite the study being of explorative nature the authors suggest starting with an early action plan in order to increase the perception of the industry amongst students and close the talent gap. This action plan could be analogical to the one developed by the World Economic Forum in collaboration with the Boston Consulting Group for the construction sector (World Economic Forum, 2018). It suggests a collaborative three-level approach namely on company, industry and government level proposing measures that will foster industry perception, upskill of skill sets, attract and retain old and new talents as well as source new talent pools next to promoting the use of innovative technologies.

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