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## Introduction

Changes are important in a company because sometimes they support expansion and development. In this context, planning is vital.

Due to increased competition, advances in technology and access to human resources efficiency is becoming more and more important for managers.

During our interviews with CSI Romania and BDO Romania, we found out about changes implemented by the two companies and their impact in daily activity and in company's strategy.

## Theoretical approach

### Outsourcing

Outsourcing means transferring activities from a company to experts in another company. To understand why companies outsource we have selected three theories.

The classic economic theory explains that a company can outsource functions which can be affordable performed in the market.

The core competencies theory explains that companies don't need to care of all their divisions. Company should focus on the main activity and leave less important activities to be handled by others.

Resource based theory explains that a company can outsource functions that are not covered by current resources.

(*Solli-Sæther, Gottschalk, 2018*)

### Offshoring

Offshoring is based approximately on the same theory as outsourcing. Thus, a lot of similarities are visible. Probably the main difference is related to the ownership and location where the activity is performed.

Among advantages for offshoring are cost differentials, by relocating factories from costly countries to the cheaper economies and possibility to optimize taxation.

Disadvantages for offshoring are among others the quality problems and loss of control. (*Glenn, 2013*).

## About CSI and BDO

The Dutch company CSI has a 50-year experiences in production of conveyor systems and handling equipment. In 2005 they started a production facility in Cluj-Napoca, which in 2014 was split in two – production in Reghin and assembly in Cluj

BDO is a global service provider, founded in 1963, when several audit firms merged. Currently, BDO is present in 162 countries, employing around 7400 people. In September

2019, BDO Romania decided to add a new business unit – recruitment of human resources to their traditional activities: audit, taxation, advisory, business services and outsourcing.

### CSI discussion

CSI is a global company. Looking to reduce their costs, in 2005 the Dutch decided for offshoring in Romania, a country with lower cost and good availability of skilled workforce.

CSI had a good expansion in Cluj-Napoca. Rapid development of Cluj area became a burden for companies. Extremely low unemployment rate in Cluj-Napoca (0.9%) turned into a struggle for finding new employees and into a salary pressure. Availability of proper industrial real estate, and renting cost are another treat in Cluj area.

When Cluj became too costly, CSI management decided for a new offshoring, performed in Reghin, a remote area of Romania situated 140 km away from Cluj. Higher unemployment rate, lower wages, and availability of proper industrial real estate at a lower price, cut the operational cost of CSI with 20%.

Offshoring didn't generate only advantages for CSI. Among disadvantages are complexity of logistics, delay in solving production incidents, complexity of communication, integration, and training of new employees from Reghin, loss of experienced employees from Cluj. Further, let's briefly explain the disadvantages. Production activity is in Reghin while assembly and testing in Cluj. Thus, all components produced in Reghin must be transported in Cluj, requiring a complex and expensive transportation system. Production mistakes discovered only in Cluj, during assembly, might block the entire process. Speed of repairing the mistake is low, knowing that faulty product should be returned to Reghin or outsourced. In a production activity, on-line technical communication is complex and risky. Reghin was an area famous for wood industry, thus there are people experienced in wood processing and not in metal processing. Integrating and training them was a complex task. Offshoring to Reghin generated inconveniences to experienced employees from production area of Cluj factory, several deciding to resign and not to follow the company in the new location.

### BDO discussions

BDO's business model brings them in contact with several companies, looking for consultancy or for outsourcing activities towards BDO.

Highly competitive economic environment from Cluj area is impacting HR component of each company, either by difficult access to staff (due to low extremely unemployment rate from Cluj), or by high wages. This context is generating premises for human resource recruitment as a service provided in the market.

BDO has contacts with potential customers and there is demand for recruitment services. Thus, BDO's decision to extend with a new business unit – recruitment of human resources - is a natural step. Success is influenced by staff active in the new business unit and position towards competitors.

BDO recruited one of the oldest and most experienced HR experts from Cluj area to manage HR unit. Excellent knowledge, helicopter view for employment market of Cluj, extended network, and good relations with almost all recruitment companies from Cluj area are assets of Darius transformed in strengths of BDO HR unit.

As expansion strategy, BDO chose a sort of offshoring when the new business unit was created.

Benefits for BDO are extension of services portfolio offered to the market and a better valorization of brand awareness, while risks are integration of new staff in the BDO team and potential negative impact on overall business profitability during start up period of the HR business unit.

### **Conclusion:**

As company it's important to know your strengths and your core business. By offshoring, both companies valorized advantages and assumed risks and disadvantages.

CSI offshores for reducing operational cost while preserving their core value, knowledge, and good market reputation for reliable and high-quality products.

BDO, a service provider of outsourcing facilities, offshores for increasing profitability by extending portfolio of services and by a better valorization of their brand and position on the market.

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