



## Romania Proving Popular As Software Outsourcing Destination

In the past 18 months, a spate of acquisitions has highlighted Romania's appeal as an Eastern European "near-shoring" hub.

By Drew Wilson, [InformationWeek](#)

February 04, 2008

URL: <http://www.informationweek.com/news/206103523>

Berlin -- Romania's entry into the European Union in January 2007 has catalyzed interest in the country's [software](#) industry. In the past 18 months, a spate of acquisitions has highlighted Romania's appeal as an Eastern European "near-shoring" hub.

Romania is attractive for a variety of reasons, including an ample supply of graduates from a university system strong in math and physics; relatively low costs; low turnover rates; a time zone and distance favorable to European companies; and an eager, multilingual work force.

Wirtek A/S, a software [outsourcing](#) firm based in Aalborg, Denmark, needed an offshore operation and first looked at India. But management instead decided to acquire a software company working in telecommunications: CodeWizards, based in Cluj-Napoca, a city about 400 kilometers northwest of the Romanian capital, Bucharest.

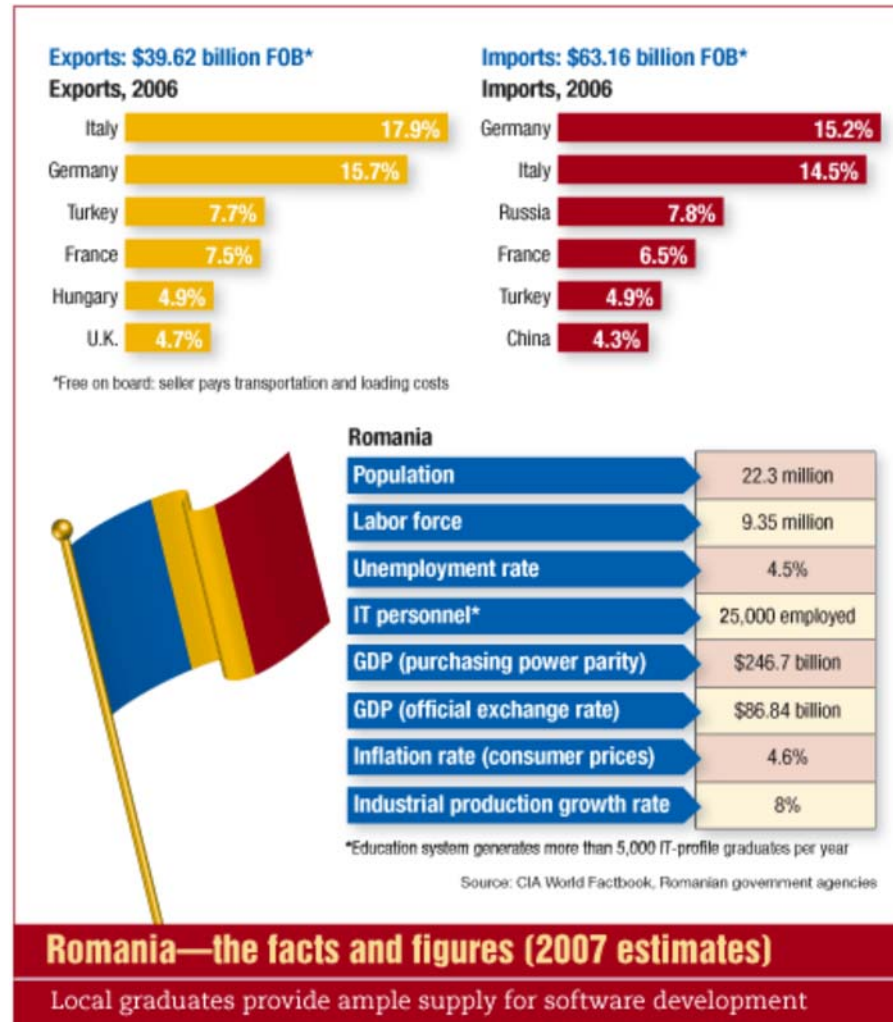
"The most important issue was that many Asian countries have very high turnover of employees--23 to 25 percent annually," said Michael Aaen, Wirtek's managing director. "We found that in Romania, the employees are more loyal."

Wirtek plans to increase its Romanian staff to 200 from 40 in the next three years, Aaen added.

Just before Romania entered the EU, London-based Misys Banking Systems Ltd., a developer of financial risk-management and trading software, acquired SC Fino Capital, a Bucharest-based financial-software developer that had been working with Mysis for several years.

"EU entry removes an element of doubt," said Tim Goodhind, Mysis' business development director. "You believe the risks associated with business processes and regulations, and with currency, are mitigated."

The strength of Romania's university-level mathematics programs was a key [driver](#) for Mysis, Goodhind said. The Romanian unit now has 80 employees, and management plans to grow that number 25 percent annually. The team is already doing some core product development.



Among other companies making recent acquisitions in Romania, Adobe Systems Inc. (Mountain View, Calif.) purchased InterAKT, a developer of extensions for Adobe's core products; Adecco Group (Glattbrugg, Switzerland) bought [IP Devel](#), a software outsourcing firm; and Wind River Systems Inc. (Alameda, Calif.) acquired SC Comsys SRL, an embedded-software professional-services organization based in Romania.

"All of those businesses are attracted by the skilled people coming out of the universities," Goodhind said.

Every year, Romania produces 5,000 graduates in software and related disciplines. Currently, 25,000 are employed in the software industry, according to figures from the state's Foreign Trade Department.

Much of the software activity is taking place in Cluj-Napoca, which is quickly becoming Romania's technopolis. One-third of Cluj's 300,000 inhabitants are students.

Hot targets	
Romanian software companies	
May 2006	Wirtek (Denmark) buys CodeWizards
July 2006	Adecco Group (Switzerland) buys IP Devel
September 2006	Adobe Systems (U.S.) buys InterAKT
December 2006	Mysis (U.K.) buys SC Fino Capital SRL
August 2007	Wind River buys SC Comsys SRL
September 2007	Vodafone (U.K.) buys Petrocom D&V units

Source: EE Times

"You can find local talent with a higher work ethic than in Bucharest," said Roman Foeckl, managing director of CoSoSys, a Cluj-based developer of software for portable [storage](#) devices and endpoint security.

Foeckl, a German citizen, launched CoSoSys after a visit to Romania in 2004. He set up an office and ran a "help wanted" advertisement; a line of software engineers showed up.

Six months later, the company launched its first product, data- synchronization software for [flash memory](#) drives. Today, CoSoSys has 25 employees, sales offices in Greater China and the United States. It works with companies, such as Philips, that bundle CoSoSys software with [flash](#) drives.

"The timing for us was good," said Foeckl. "The city [Cluj] wasn't developed. Now it's rising up."

Cluj is also the location for a Nokia mobile-phone factory that's due to open on Feb 11. Nokia has hired 500 people to operate a single shift but intends eventually to employ 3,500 operating a three-shift system. At the same time, Nokia is closing a plant in Bochum, Germany.

Nokia's investment in the Cluj factory will be about \$90 million. The cell phone giant also plans to build an industrial village to host suppliers and support facilities, increasing total investment to roughly \$300 million-- the largest technology investment in the country to date.

While Bucharest hosts the software operations of heavyweights such as Oracle, Hewlett-Packard, Microsoft and SAP, congestion and increasing competition in the capital has sparked a [migration](#) to Cluj. "People are moving [there] from Bucharest because of the better quality of life," Wirtek's Aaen said.

Wages have increased since Romania entered the EU, putting the cost proposition for software talent close to that of Central Europe. Nevertheless, average pay is still far lower than in Western Europe, sources agreed. Depending on experience, starting net salaries for [computer](#) science university graduates are 400 to 600 euros (about \$600 to \$900) per month, Foeckl estimated. Someone with three years of experience could get about double that.

Goodhind of Mysis added that Romania's competitive dynamics are not as strong as in Poland, Hungary and Czech Republic, where multinationals and large local players compete more fiercely for staff.

"There's an ideal balance to be struck between having enough people [and having a] glut of companies to compete for those resources," he said.

Soft factors also tilt decisions in Romania's favor, sources said. Wirtek found Romania's cultural similarities to Denmark, proximity to that country and shared time zone were additional pluses, Aaen said.

The Romanian language shares similarities with Italian, Spanish and French, and most Romanians speak English. Mysis found that useful because the company develops many core products in France.

"Romania seemed a natural place for us to augment our growth," Goodhind said.

A challenge for Romania is that it's more an outsource destination than an original-product developer. Besides CoSoSys, only a handful software companies make their own products that are successful in Western markets, Foeckl said.

But he believes that could change.

"The people are very driven, educated and creative," he said. "Traditionally, that hasn't been explored, because during communism there was no room for creativity."



&PS UWKW IIIIIB QWCI%XVGHM0 H3DV / & IIS@UWKWUHM-HYHG