

POLAND AS THE PREFERRED LOCATION FOR FOREIGN SHARED SERVICE CENTERS

Beata Ślusarczyk
Robert Golnik

<https://doi.org/10.33141/po.2013.10.10>

Organization Review, No.10, 2013, Vol. 885, pp. 55-60
www.przeładorganizacji.pl/en
©Scientific Society for Organization and Management (TNOiK)

Introduction

Globalization is a phenomenon that interferes in almost all areas of modern life. However, undoubtedly the greatest changes occur at the level of the broader understood economy. Globalization shapes not only local or regional markets, but also global demand and supply depends on it. As a result of global competition and constant efforts to reduce costs not directly related to the companies' targets, as well at the same time maintaining the quality of products and services at a higher and higher level, there were established entities such as shared services centers [Ślusarczyk, Kot, 2012, p. 130]. Until recently, these entities were treated as another creature of globalization, which will pass away with changing the direction of global expansion. In the 80s of the last century to create such a center were able only corporations that could afford experiments related to changes in global strategy. With the passage of time, a thorough analysis of internal and external business environment has shown that the proper functioning of the unit in the global market requires constant changes in the formulated strategy [Yip, 2004, pp. 27-28]. One of the components is to outsource some of the processes, but in the context of cooperating entities [Zorska, 2007, p. 20]. It is thanks to those processes that are characterized by a lack of physical attachment to one place, it is possible to optimize the enterprise in a the era of globalization. The aim of the article is to analyze the determinants of Poland as the optimal location for foreign SSC (eng. shared service center) and to indicate competitive advantages of the area to other countries in Central and Eastern Europe. The article aim is review of indicators taken into consideration for localization of shared service center based on the reports comparing selected countries of central and Eastern Europe. This analysis shows factors those Poland should completely fulfill as a place for future SSC investments. Those factors are presented on example of main cities in the country to underline the attractiveness better. Moreover, article provides practical operating principles and recommended approaches for established shared service center

Characteristics of a shared service center

Shared Services Center in a world of global competition is the first step to standardize the processes, both

in units from the private sector and the public [Górecki, 2012, p. 7].

SSC is a separate organizational unit, which consolidates, standardizes and restructures functions, systems and processes, whose task is to support transactions for at least several business units [Strikwerda, 2006, p. 2]. In common understanding, shared services center is a unit of support organizations and functions that relate to processes within the organization. These processes are separated and implemented independently, allowing the use the of maximum efficiency and quality of services, while creating value-added in the organization [Implementing Shared ..., 2000, p. 6].

The development of communication and the liberalization of international services trade, promote the emergence of new forms of provision. Shared services centers are a concept which in recent years has gained in importance. The main purpose of their business is to reduce the costs associated with the activities of the company. It is the cost advantage what made the number of such centers around the world began to grow rapidly. Shared service centers are those individuals who through specialization of their particular businesses providing both, internal and external customers, with high quality services at an affordable cost [Szymaniak, 2008, p. 314]. Usually centers employ a large number of employees who specialize in relatively narrow fields, which is why they are working much faster, cheaper and more efficiently. Such an effect is possible thanks to the synergy of appropriate tools, knowledge and specialized staff with the right qualifications and skills [Szymaniak, 2008, p. 102].

Shared service centers can be divided due to the nature of their business. According to this criteria there are distinguished: outsourcing centers, off-shoring and near-shoring – the variety of off-shoring, which thanks to the development of services has become a separate category described in the economic literature. Another criteria about type of shared services centers refers to the type of their activities [Duening, Click, 2005, p. 8]:

1. BPO (business process outsourcing) – thanks to this concept, each of the smallest units in the company comes as a set of multiple processes that determine its success [Gajewski, 2005, p. 56];

2. KPO (knowledge process outsourcing) – by this approach there can be distinguished advanced expertise, analysis, evaluation, research etc., which require technical abilities, analytical and decision-making skills, in addition its aim is to provide for companies access to qualified employees at the lowest possible cost [Mierau, 2007, p. 7];
3. ITO (information technology outsourcing) – an approach that focuses primarily on the delivery and maintenance of information technology in the enterprise [Hintaya, Faudziah, 2012, p. 155].

Figure 1 shows the increase in value of the BPO service in EMEA region (Europa, Middle East and Africa) in 2010 and 2011. This example illustrated how fast the shared service center of BPO process are growing. It should be underline that this is only part of service which shared service center could delivered.

From the analysis of figure 1 can be seen that the growth of the BPO market in the EMEA region in one year (2011 vs. 2010) has increased about 132% (from 3.1 to 7.2 billion). The dynamic development of business processes is mainly because of the popularization of shared service centers and it reflects their situation during the studied years.

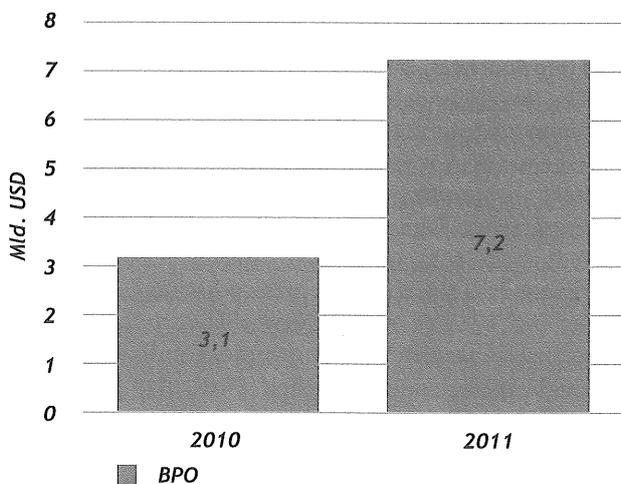


Figure 1. The value of BPO services market in EMEA (2010-2011)
Source: [Przeгляд Outsourcingowy, 2011, p. 4]

Analysis of shared service center locations

During the economic downturn and the ongoing reduction of costs, there have been observed the development of centralized units in Central and Eastern Europe [Winnicka-Wejs, Klich, 2011, p. 42]. This is due to the outflow of investment from Asian areas and transfer of selected processes to countries which are closer culturally to the native units. Figure 2 shows the change in the number of BPO SSC in India over the years.

Analysis of the data in Figure 2 shows that the number of shared service centers in India from year to year decreases. It is the result of cultural factors, as well as the desire to have greater control over their subsidiaries parent units. By investing SSC relatively close to their branches, customers feel safer, which comes up mainly because of the possibility of frequent visits and inspections of foreign troops. This is also an easier flow of human capital, sharing knowledge and accurate privileges posting. For this reason, Central and Eastern Europe, especially Poland, becomes a place to locate back-office by foreign investors. Studies have shown that in this region, at the end of 2011, there were 847 shared services centers with foreign capital. Employment in these centers was 225,000 people and compared to 2010 increased by 11% [Górecki, 2012, p. 11]. Figure 3 shows the modern service sector business in Central and Eastern Europe.

Picture showed that from Central – Eastern Europe, Poland is a clear leader in terms of number of centers created and people employed by them. Average annual employment in the SSC increased by 20% and is characterized by stability in the indicated region [Górecki, 2012, p. 22].

Figure 4 shows the number of foreign shared service centers in the years 2003-2011. It may be noted that their number increased steadily in Poland. From 2003 to 2011 there were created approximately 268 new service units. The largest simultaneous increase took place between 2006 and 2008 (in those years came after 44

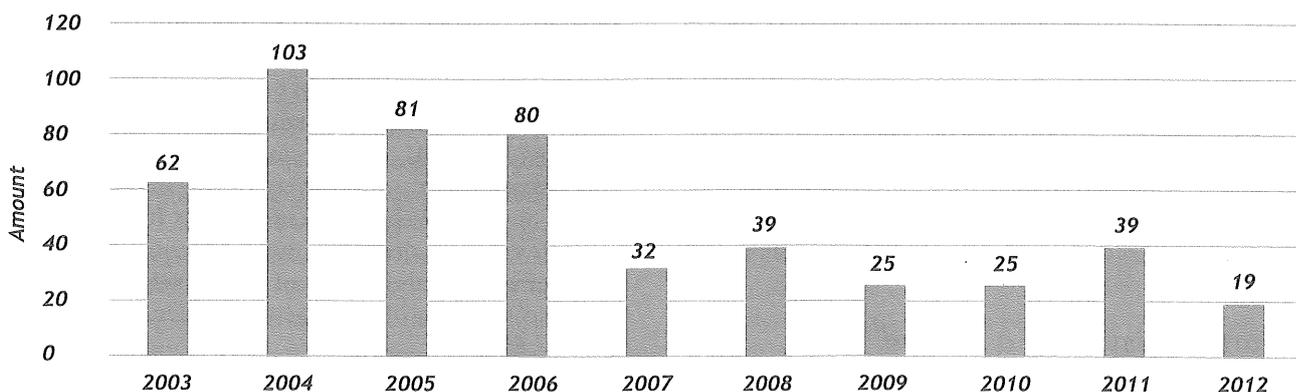


Figure 2. Number of shared services BPO in India
Source: [BPOland investors' guide, 2013, p. 5]

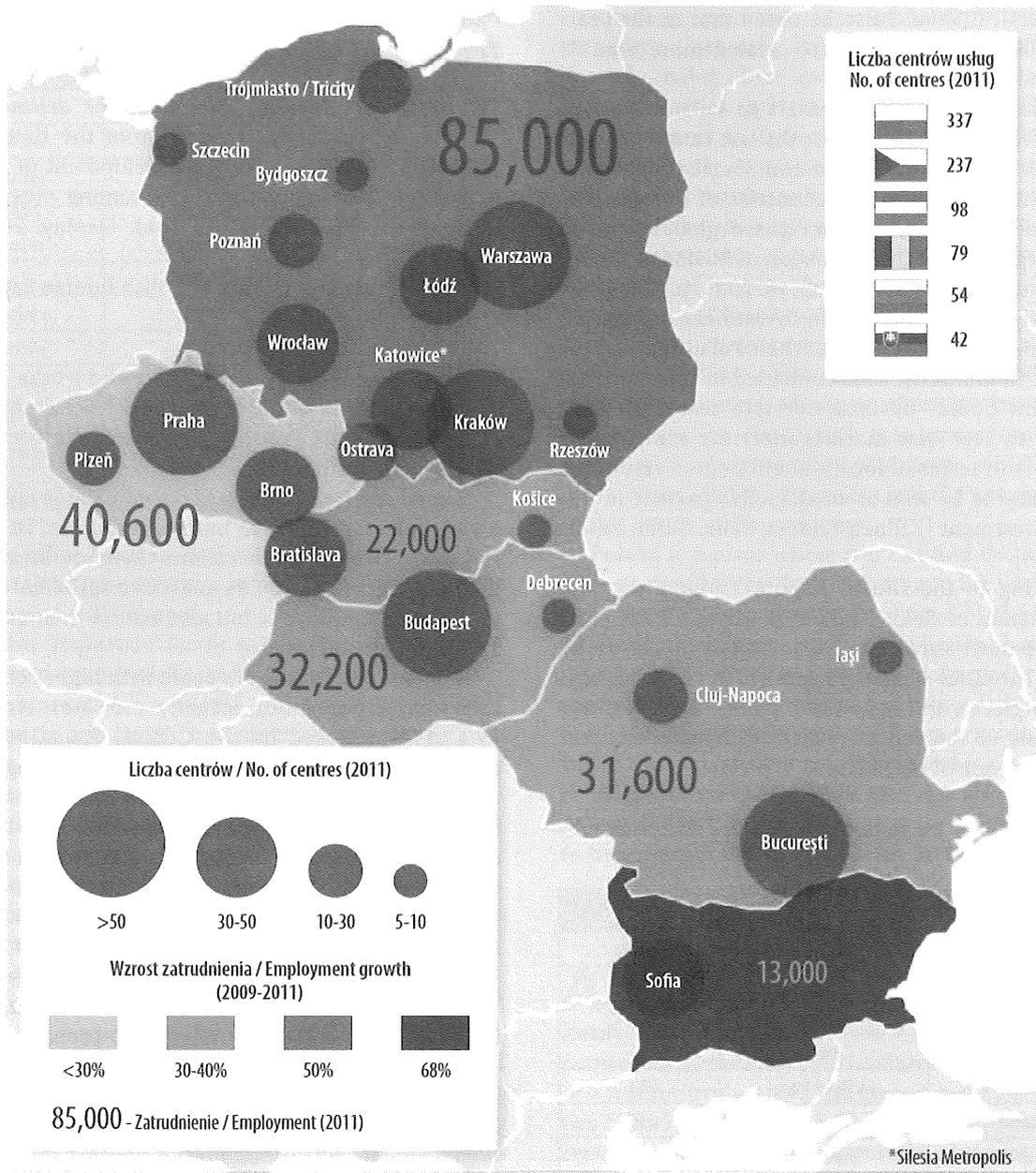


Figure 3. Business services sector in Central and Eastern Europe
Source: [Górecki, 2012, p. 12]

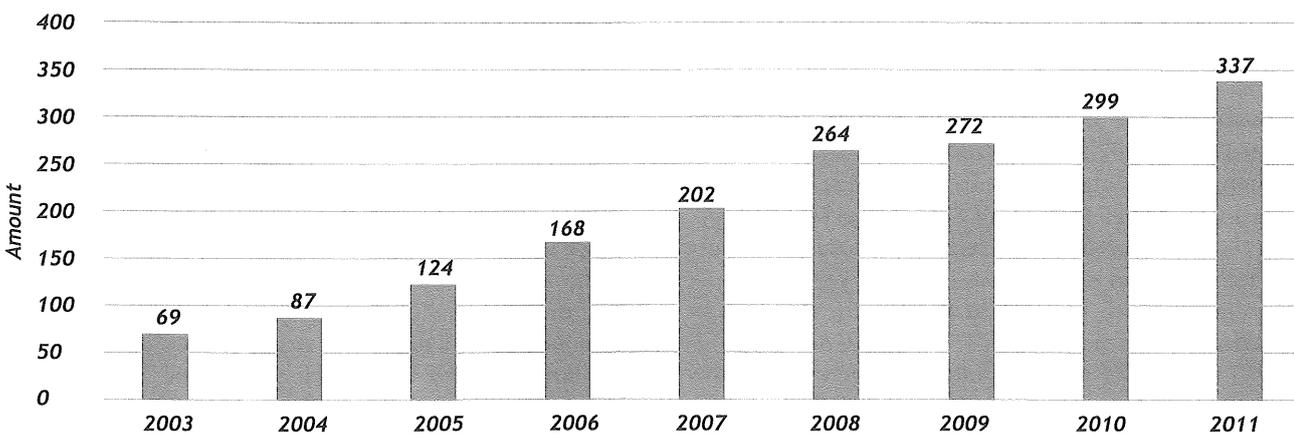


Figure 4. The number of foreign service centers in Poland in the years 2003-2011
Source: [Górecki, 2012, p. 14]

new centers). It should also be noted that in the years 2005, 2007, 2011, there were created more than 30 new shared service centers.

The first shared service centers in Poland have already appeared in the early 90s the last century. It was possible due to the economic and social transformations in the former socialist countries of Europe. The opening of the market has increased global demand and the beginning of the expansion of businesses in areas previously inaccessible [Gabryś, 2009, p. 27]. However, the significant increase in investment in business services took place after 2004, when Poland joined the European Community. This coincided in time with the "investment boom" business services sector globally. The need to seek new markets meet the expectations of investors in terms of location and human resources, made Poland to be seen as an attractive partner in this type of investment [Zillner, Enders, Seitz, Suffa, Lesch, 2012, p. 66].

According to the Global Report Tholons of 2013, studied trends of SSC, Krakow is on the 10th place among the most attractive SSC locations in the world. Ahead of the cities such as Prague (17th place), Budapest (28th place), and Brno (30th place). Table 1 shows the analysis of the report, which also includes other Polish cities, one of them is also Wroclaw.

Table 1. Ranking of the fastest growing cities (CEE) under the terms of the SSC in 2012

Country	City	Ranking 2012
Poland	Krakow	10
Czech Republik	Prag	17
Hangary	Budapest	28
Czech Republik	Brno	30
Russia	St. Petersburg	32
Poland	Warsaw	36
Slovakia	Bratislava	47
Bulgaria	Sofia	50
Ukraine	Kiev	55
Poland	Wroclaw	75

Source: [2012 Tholons top 100 outsourcing destinations, 2011, p. 5]

In Poland the most developed service centers are located in large cities (Warsaw, Krakow, Wroclaw, Poznan, Lodz, Gdansk, Katowice), where there have been located over 80% of all SSC [Górecki, 2012, pp. 10-11]. Most shared service centers are located in Warsaw (57 SSC), but despite that, in recent years the most commonly chosen location in Poland, for this type of investment, became Krakow (55 SSC) [Górecki, 2012, p. 16]. Number of people working in such institutions from year to year increases through rapid growth and high demand of foreign investors. Shared service centers in 2012 employed about 30 thousand. people throughout the country.

Poland as an optimal location for shared service centers

The KPMG Report "Poland as the destination of the Shared Service Center" from the first half of 2013 lists the reasons for the development of the SSC in Poland. This report indicates, among other things [Kalinowski, Pawlicki, Kolczyński, Strojny, 2007, pp. 77-79]:

1. The number and quality of Polish human capital;
2. Lower labor costs;
3. Transport infrastructure;
4. Poland as a friendly place to live and work;
5. Polish security in the context of terrorist attacks;
6. Attitude of the Polish government and the law for foreign investors.

Shared service centers are created in large cities, with a view for easy access to human resources. In Poland, in large urban conglomerations there are located academic centers that provide not only a sufficient number of potential employees, but also ensure their education and skills development.

In Poland, indicator of people with higher education in terms of population steadily increases. According to a study released by the Central Statistical Office (GUS) for the period of 2008-2011, the average annual number of graduates was around 479 thousands. In addition, the declared knowledge of foreign languages among students completing higher education remains on a high level. Over 90% of them have knowledge of English, 43% German, over 13% speaks Russian, and almost 10% speak French language [Górecki, 2012, p. 48].

Another factor in favor of the choosing Poland as a location for SSC is lower labor cost. In Poland, the pay is still lower than in other Western European countries or the USA at the same or higher qualifications for staff working. Figure 5 compares the average hourly net rate in selected cities around the world.

Hourly rate illustrated on the figure 5 show the average of the 15 most popular professions (e.g. banking and finance, marketing, IT, etc.). The figure indicates that the average hourly rate of Polish worker stands at \$5, when workers from Western Europe/USA earn an average around \$25 per hour.

Labor costs are also associated with the construction and maintenance of infrastructure business. In recent years, business dedicated building has very strongly developed. There has been created offices and technology parks, which offer long-term lease agreement for investors. Table 2 shows the number of square meters of office space that are currently on the market and those under construction.

From Table 2 it can be concluded that there is strong demand for available office space. It occurs not only in the largest Polish cities such as Warsaw, Krakow and Wroclaw, but as well it is also evident in the Tri-City or in Lodz, which has so far been known mainly for industry. Undoubtedly, the biggest real estate market is in Warsaw. Its size exceeds more than four times the

Table 2. The real estate market of offices in Poland

City	m ² in sale	m ² in construction
Warsaw	2 912 000	433 900
Krakow	627 600	74 600
Wroclaw	551 600	92 600
Tri-city	437 000	84 000
Poznan	332 600	35 500
Lodz	308 700	75 400
Katowice	321 400	28 400
Szczecin	164 800	47 400
Lublin	118 700	38 500
Bydgoszcz	48 100	0
Rzeszow	103 000	0

Source: [BPoland investors' guide, 2013, p. 19]

available office space in Krakow and there is no indication that the high tendency of real estate development in the capital will change.

Another important factor influencing the choice of Poland as a country of target investment is transport infrastructure. It is associated primarily with the need for adequate and timely communication between subsidiaries. Thanks to the Polish accession to the European Union and its grants for various modes of transportation, this infrastructure developed a lot. It is also one of the main points in the government program, that is why there can be seen constant changes and developments on this field. Until the end of 2012 government managed to open about 620 km of new expressways, and another 470 km is still under construction. Every year under repair there is about 3 thousand kms of regional and local roads. Furthermore, the development and construction of roads has an impact on the local construction markets, quality of life and the environment in many cities. The scale of infrastructure improvements will give results in an overall increase in productivity, which also will help to allocate Poland among economically developed countries of Europe.

Another important type of transportation is air transport. Currently, Poland has 13 international airports in major cities and plans to build new airports in smaller cities such as: Radom, Kielce or Opole. The largest airport in Poland is Warsaw Chopin Airport, which annually supports 9 million passengers. In 2011, was enlarged by the new terminal, which enabled support for more passengers. Thanks to the modernization and construction of an entirely new infrastructure, equipment of Polish airports can compete with airports in the cities of Western Europe. Unfortunately, the access infrastructure is very poor. Currently, only Warsaw and Krakow have railway lines connecting the airport with urban centers. However, there are planned large investments associated with this type of transport, as well as with modernization of airports, which decisively affect the quality of services and the competitiveness of this sector of the economy.

Poland is a place where you can find the appropriate environment for the development and life whose quality from year to year increases. Facilitated by the number of monuments, shopping malls, art galleries, theaters, festivals, sports facilities and recreational activities. What is more, there can be observed a growing fashion to open foreign-language schools for children who do not speak Polish. Poland is a country where there is no persecution on religious, ethnic grounds, etc., it is also not involved in armed conflict, which could cause a spike in security in the context of terrorist attacks.

Conclusion

At present, globalization has become the biggest motivator for international expansion of companies. To satisfy global demands, economic entities transform into corporations operating across countries. Each conquest of a new market involves risks and excessive costs. To limit these two factors business entities began to create shared service centers, which aim was to support the processes carried out globally. Places of their placement are not random. There are various of factors that the investor takes into account

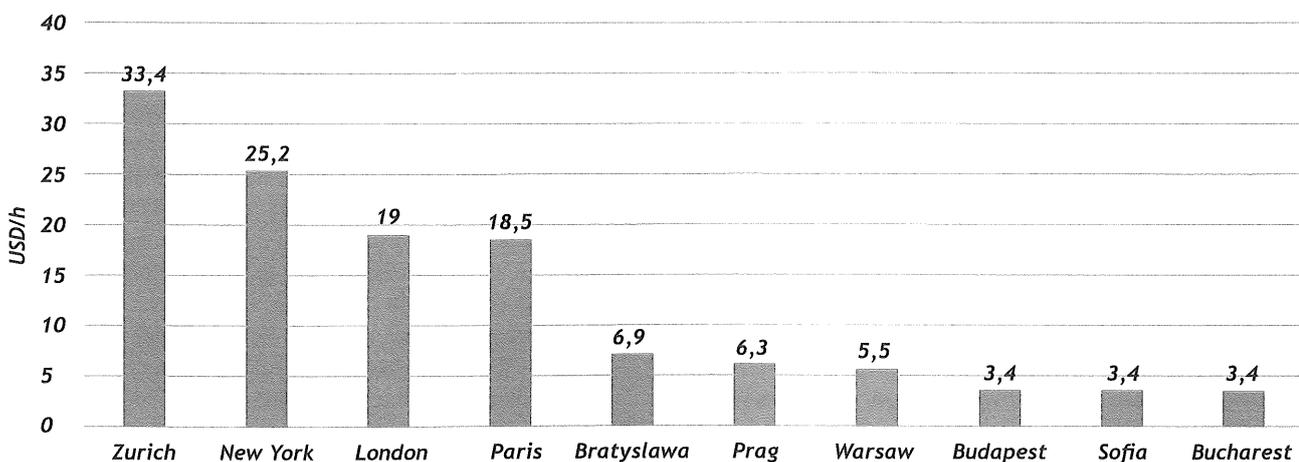


Figure 5. Hourly net rates in selected cities around the world (USD/h)

Source: [Prices and earnings, 2012, p. 27]

selecting a region for a shared service center. The most important include:

1. Education of human capital.
2. The costs of human capital.
3. Knowledge of languages.
4. The distance to the headquarters of the company.
5. Transport infrastructure.

No doubt, there can be observed shared service centers growth in Poland based on statistic comparison with other CEE region countries and decrease of service centers number in such a country as India. The ability to get highly educated, multilingual staff at competitive prices are key success factors for Poland as a location for SSC investments.

prof. PCz. dr hab. inż. Beata Ślusarczyk
Politechnika Częstochowska
Wydział Zarządzania
e-mail: jagoda@zim.pcz.pl

mgr Robert Golnik
Politechnika Częstochowska
Wydział Zarządzania
e-mail: robert.golnik@gmail.com

References

- [1] ASPRAY W., MAYADAS F., VARDI Y.M., *Globalization and Offshoring of Software*, ACM, New York 2006.
- [2] *BPO Land Investors' Guide*, Polska 2013.
- [3] DUENING N.T., CLICK L.R., *Essentials of Business Process Outsourcing*, John Wiley & Sons, New Jersey 2005.
- [4] GAJEWSKI P., *Organizacja procesowa*, PWE, Warszawa 2007.
- [5] GABRYŚ L., *Instytucjonalizacja procesu globalizacji*, Wydawnictwo Akademii Ekonomicznej im. Karola Adamieckiego w Katowicach, Katowice 2009.
- [6] GÓRECKI J., *Sektor nowoczesnych usług biznesowych w Polsce*, Invest in Poland, Warszawa 2012.
- [7] HINTAYA S., FAUDZIAH A., *Information Technology Outsourcing Reasons and Risk: Case Studies of Two Saudi Arabian*, International Conference on Management, Penang 2012.
- [8] *Implementing Shared Services Centers*, Institute of Management Accountants, New Jersey 2000.
- [9] KALINOWSKI J., PAWLICKI G., KOLCZYŃSKI Ł., STROJNY M., ŻAGUN K., MAŃKOWSKI M., MISZKIN M., KLIMCZAK D., KUSKOWSKI P., *Poland as a Destination for Shared Services Centers*, KPMG, 2009.
- [10] *Marketingowa strategia Polski w sektorze turystyki na lata 2012-2020*, Polska Organizacja Turystyczna, Warszawa 2012.
- [11] *Nearshoring w Polsce*, na: www.absl.pl (visited 05.10.2013).
- [12] *Offshoring and Nearshoring in Hungary*, Investment and Trade Development Agency, Budapest 2010.
- [13] *Perspektywa rozwoju transport do 2020 roku (z perspektywą do 2030 roku)*, Ministerstwo Transportu, Budownictwa i Gospodarki Morskiej, Warszawa 2013.
- [14] *Polskie Drogi – dlaczego Polska nie radzi sobie z inwestycjami infrastrukturalnymi?*, Centrum im. Adama Smitha 1989, Warszawa 2013.
- [15] *Polski rynek BPO jest wart prawie 4 miliardy złotych*, „Przeegląd Outsourcingowy” 2011, nr 2.
- [16] PORTER M., *Strategia konkurencji*, PWE, Warszawa 1998.
- [17] *Prices and Earnings*, CIO Wealth Management Research, Zurich 2012.
- [18] *Raport o stanie technicznym sieci dróg krajowych na koniec 2012 roku*, Generalna Dyrekcja Dróg Krajowych i Autostrad, Warszawa 2013.
- [19] STRIKWERDA J., *The shared service centre: Change, governance and strategy*, Nolan Norton Institute, Amsterdam 2006.
- [20] *Szkoły wyższe i ich finanse 2011 roku*, Główny Urząd Statystyczny, Warszawa 2012.
- [21] SZULC M., KAŁOŻYŃSKA U., *Centrum Usług Wspólnych*, „Outsourcing and More” 2011, nr 1.
- [22] SZYMANIAK A., *Globalizacja usług. Outsourcing, offshoring i shared services centers*, Wydawnictwo Akademickie i Profesjonalne, Warszawa 2008.
- [23] SZYMAŃSKI W., *Kryzys globalny*, Wyd. Difin, Warszawa 2009.
- [24] ŚLUSARCZYK B., KOT S., *State Aid for Foreign Direct Investment in Poland*, „The Business Review Cambridge” 2012, Vol. 20, No. 1.
- [25] *Trendy w sektorze BPO/SSC*, Wyd. ManpowerGroup, Warszawa 2012.

Polska jako preferowana lokalizacja zagranicznych centrów usług wspólnych

Streszczenie

Artykuł został poświęcony analizie pozycji Polski jako lokalizacji dla zagranicznych centrów usług wspólnych, których wykorzystanie jest wynikiem szukania alternatywnych źródeł oszczędności oraz poprawy jakości w dobie globalnej konkurencji. Polska znacząco wyróżnia się pod względem atrakcyjności lokalizacji na tle innych krajów Europy Środkowo-Wschodniej. Rozważaniom poddano zatem: wykształcenie polskich pracowników, koszty pracy, infrastrukturę transportową czy środowisko i warunki życia w Polsce.

Analizowane czynniki wskazują na konkurencyjną przewagę Polski: polscy pracownicy są dobrze wykształceni, z odpowiednim doświadczeniem zawodowym, władają biegle językami obcymi. Pomimo atrakcyjności zawodowej polskich pracowników, koszty pracy są wciąż porównywalnie niższe niż w innych krajach. Również infrastruktura transportowa w ostatnich latach uległa znacznej poprawie – dotyczy to w szczególności dróg i lotnisk, z których najczęściej korzystają zagraniczni inwestorzy. Podejmowaniu zatrudnienia w Polsce sprzyja także rozwój gospodarczy kraju i wzrost stopy życiowej.

Słowa kluczowe

globalizacja, centrum usług wspólnych, proces, standaryzacja procesów