



## Today, if you're not digital, you're dead!

**- Thom Barnhardt Poland is very well known for being one of Europe's leading countries in the business shared services sector. According to the ABSL report 2019, the total number of BPO, SSC/GBS, IT and R&D business services centres in Poland is 1400, of which 66% are owned by foreign investors. Business services centres have created jobs in nearly 50 cities and in 19 of them, the headcount in the sector exceeds 1,000.**

Here, we spoke to Thom Barnhardt, CEO, European Business Services Association (EBSA), to understand how the BSC sector coped with the COVID situation and what the businesses in the CIS region can learn from Poland.

EBSA has been doing awards events (CEE Business Services Awards) for over 8 years in Warsaw and helps connect investors with the key sector players.

**-You are based out in Poland and have witnessed Poland's progress in developing the BSC landscape. Poland is one of the leaders in the world, in terms of quantities of service centres. What is the reason for such success?**

-Poland has done very well because the country has many factors going in its favor. Apart from the capital city of Warsaw, 5-7 secondary cities have great appeal for this sector. These are cities of about 700,000 to 1 million population. A new Investor can go to a secondary city and hire 100 to 500 people without disruption of the labor market. In contrast, for Hungary, Budapest has largely been the only choice. India is also a leader, but it is more into BPO and outsourcing. If you compare them, Poland has the advantage of a very strong proximity to European languages. India although less expensive, has very few people speaking French, German or Swedish. So, if you want to service your European clients, then, CEE is the place to go. Then you add in the historically strong Engineering and Tech background, and it is a recipe for success.

Poland also has the EU umbrella, which makes it acceptable for big US financials - Goldman Sachs, Standard Chartered, Citibank, JP Morgan, Hedge Funds. These companies can easily come into an EU country like Poland, Lithuania, Romania, or Hungary with an easy approval from their HQ.

## **-How difficult was/ is it for the BSC's to operate in Central Europe during the COVID-19 pandemic?**

-I think that there are divisions of very large global corporates in Poland. And they are riskaverse and looking for back-up options all the time. Most of them have procedures in place to prevent business interruptions. And almost everyone has done extraordinarily well with the switch to remote work. But we have to keep in mind that it is white collar work, digital work. The industry as a whole works remotely for US companies or Western Europe.

But some select BPOs that are concentrated on servicing specific sectors like travel, have been hit very hard. But that's rare. One has never heard of any BPO closing in this market, but one did close in Krakow because their client was EasyJet. But let's say, you're in another business, hotel or travel, and your topline revenues are being hit, then you don't 'try' to save cost. You double and triple your efforts to do so. And Shared Service Centers are part of the cost-saving solution to the topline problems of some of the parent companies. So, if you are a global hotel chain and you've just lost 60% of your revenues, you're scrambling to look at how you can digitalize, and save costs further. So, the Shared service centers are at least a partial solution to those problems. Consequently, most of the share services centers are doing damn well.

## **-You speak with big centers (SSC) almost every day. Do they speak about how business will change in the upcoming days?**

-If you look at the scenario of digitizing 9 months ago, companies were still 'in process' and yes 'it was important'. But now it's like a gun to your head and it has to be done immediately, so they pull forward all those projects immediately. Today, if you're not digital, you're dead! So, anything that was in the works, has become urgent and immediate.

The other thing is, big office developers don't really want to say how much trouble they're in. But big SSCs are finding ways to reduce office space from a modest 30% - or even 100 %. Someone recently told me that they have closed their physical offices entirely. It was a small company, though not typical. But a 40 to 60% reduction in office space is becoming typical. And for many of them when they go back to office work it is looking at a shortened work week, Fridays for sure. You might do 2 days a week in the office to maintain relationships, conversation is easier in person. And because of lack of office space, recruitment is simple - You don't need someone to relocate. You can work from anywhere.

## **-In CIS countries the business services market is very heterogeneous. We have highly developed technology centers that serve industry giants and there are companies taking their first steps and learning from scratch. What would you recommend to Russian and CIS professionals? What can they learn and what should they watch out for?**

-The big disadvantage for Russia is that it is not EU. They have all this GDPR, legal issues, financial restrictions that makes it hard for the EU to do business with them. Generally speaking, it will be hard for Russia to get a US or EU company especially in the financial sector. But other countries like Japan may not have many restrictions. So that could be an angle for the CIS markets. They could also focus on the tech angle.

CIS is very strong and where there is a possibility of pure outsourcing, or software development that doesn't run into regulatory issues, Russia has an advantage. The weakness of the Ruble in the last few years makes the market more attractive for SSCs.

**-So, if you're looking for something non-financial with the US or EU, does Russia still stand a chance in this kind of a market?**

-Yes, I think so. I think the best way is to focus on the foreign investors who are already there, just like what we did in Poland. So, tobacco, manufacturing, car manufacturing, white goods, all stand a chance. Take a look at those foreign companies, e.g. JTI (Japanese Tobacco) is there in Russia. They are an easy first choice to go after for SSCs. If a manufacturer of washing machines is already set up in some secondary city in Russia, but they are not doing an SSC there yet, that's an obvious first choice.

And then the question would be the language perspective. You need to have strong English language ability, so if the Russian markets don't have that, they lose out. I would go after the foreign investors who have something in their markets already. And then, IT, tech startups, they are globally in US, London, they don't have regulatory issues but require simply really good technology support. -

**-So what should CIS's centers do, to attract multinational companies to locate operations in the CIS region?**

-Primarily, they should look a bit at marketing themselves. Coca-Cola, everyone knows the brand, yet they still have the largest marketing budget in the world. You've got to keep selling, talking to people. For instance, I have been to more than 50 events in SSCs and I have never seen a Russian city being represented - ever. I see Polish cities, Lithuanian cities, Hungarian cities, but never Moscow or St Petersburg or the next 10 cities of Russia. So, who should a Foreign Investor talk to?

**-What areas of business in a multinational company are conducive and practical to locate in the CIS region? What would be challenging to operate?** -The standard ones are Accounting, HR, Operations is a great one for Russia given that they are big in size, so logistics is a strong area. And then IT. They are the core 4 SSC outsourcing world. Then you get into more boutique or niche areas, like legal process outsourcing, say why have a team of lawyers in London if you can have the same team in Krakow, who are educated in English law? Then graphic design. The Medical profession is another interesting one.

Say a doctor in a mid-size town in Russia, if the local government and the SSCs in that city would have opportunities for that doctor to review X-Rays for insurance claims for insurance companies in London, then that doctor would actually stay there. Because if you can't give them jobs in the local cities, they are going to go somewhere else and, you will see a brain drain.

*As told to Kavita Krishnamurthy*