

# Outsourcing & More

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## LET'S TALK ABOUT FINANCE AND ACCOUNTING SERVICES

Interview with  
Andrew Hallam and Paul Jasniach



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**MAŁOPOLSKA**

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# VII Outsourcing Forum

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## Outsourcing&More

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## Dear Readers,

In our outsourcing journey in Poland we have arrived to Kraków and Region of Małopolska. Kraków is one of the leading locations for outsourcing centers in Central and Eastern Europe. Since many years Kraków is the city chosen by international investors to locate their Shared Service Centers, BPO Centers, ITO Centers as well as KPO Centers and in here there is registered the most dynamic growth of offshoring and outsourcing investments. Among many other companies and corporations, in Kraków can be found offices of HEINEKEN, Shell, AON Hewitt, CAPITA, Luxoft.



On our pages you are able to find many publications dedicated to the Capital of Małopolska, Region of Małopolska and investments in this region including information concerning Małopolska Special Economy Zone and Academic Incubators of Entrepreneurship.

Kraków has become a home for ASPIRE – the first in Poland organization which is associating outsourcing organizations. We have run an interview with Andrew Hallam, General Secretary of ASPIRE and Paul Jasniach representing PwC. Both gentlemen have shared their opinions concerning SSC/BPO sector in Poland. The premiere of May edition of the Outsourcing&More Magazine has been arranged on annual conference – Acting Local, Winning Global 2012, which this year has been organized by ASPIRE, Business in Małopolska and PwC. This conference is exquisite place to meet outsourcing leaders, as well as to get familiar with practical knowledge used by outsourcing industry.

One of the largest outsourcing centers groups globally are the finance and accounting centers – this is also one of the leading topics of current issue of Outsourcing&More. We have asked F&A companies about processes they are running in their centers and provided answers you can find on our pages. We have also included the F&A processes article written exclusively for us by PricewaterhouseCoopers.

Hope you will find a lot of useful information on our pages. Next edition of Outsourcing&More will be released in July – we will focus on Łódź and outsourcing in motorization sector.

Best Regards,

Dymitr Doktór  
Chief Editor

# Index



## 21 **Financial Shared Service Center – a modern business partner**

## 36 **Kraków European Capital of outsourcing?**

### Outsourcing & More

- 6 News
- 12 Important Dates

### Main Topic

Finance and Accounting services provided by Kraków's BPO and SSC Organizations

- 13 PMI SCE Treasury
- 15 Accounting Reporting
- 18 Added value through O2C optimisation
- 20 Interview with John Lyons – Director HEINEKEN Finance Shared Services
- 21 Financial Shared Service Center – a modern business partner
- 24 Over the phone financial services – what a Call Center can do for the banking and finance sector
- 26 Outsourcing in practice - a lesson in humility

### Poland vs Outsourcing

- 29 Kraków's office market
- 34 Office spaces

- 36 Kraków European Capital of outsourcing?
- 42 Małopolska and Kraków - let's get to know each other
- 45 Promoting the modern Małopolska
- 46 Business in Małopolska – stable growth, valuable investments...

### Education vs Outsourcing

- 49 What do Academic Enterprise Incubator (AIP) offer to the incubation program beneficiaries?
- 50 The International School of Kraków: a truly international experience

### Who is who in outsourcing?

- 52 Outsourcing in Kraków - from an investor perspective: Interview with Przemysław Berendt
- 54 Interview with Marek Sowa – the Marshal of Małopolska Region
- 55 Interview with Elaine Barnes
- 56 Let's talk about Finance and Accounting Services – interview with Andrew Hallam and Paul Jasniach



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Turning advice into action, we created our own PwC SSC in audit, in Katowice, Poland.

\* Book of Lists 2012

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# News

## HR Club in Łódź

HR Club, an event periodically organized by IDES Consultants Polska and Alliance Française, is a meeting platform for HR professionals, representatives of companies, local government and educational institutions, as well as employers from the Łódź area, who can share their knowledge and opinions on the latest trends and developments in human resources management. The Club is organized under the patronage of the Governor of the Province of Łódź, the President of the City of Łódź, the Łódź Special Economic Zone, the "Klub 500" association and the Łódź Chamber of Commerce and Industry.

The X edition of HR Club, organized on April 17th, featured a facilitated roundtable discussion. The event was attended by Agnieszka Jackowska-Durkacz, managing director, INFOSYS; Ewa Latkowska, HR director, PHILIPS; Dariusz Zawisza, HR director, DALKIA; Tomasz Sadzyński, president, Łódź Special Economic Zone; Jacek Sroczyński, director, IDES Consultants; and representing the City Council: Marek Cieślak, the first Vice-President of the City of Łódź, and Aleksandra Suszczewicz, Director of the Investor Services Office.

The roundtable discussion was devoted mainly to the problems related to the **search for and employment of competent and qualified employees** as well as **employment costs**.

The decreasing numbers of prospective employees, resulting from the progressive aging of the population and emigration of young talent abroad, may force businesses to face the problem of **employee shortage**, which is already becoming an issue. Over 90% of young people do not have sufficient knowledge or understanding of the nature of working for business service centers, whereas over 90% of suitable candidates are never approached by their potential employers.

Participants in the discussion agreed that **language skills** are one of the most significant employment factors. Companies from the BPO sector, which is predicted to offer over 100 thousand new jobs in the Polish market in the coming years, are failing to find candidates fluent in foreign languages in Poland and are thus forced to outsource employees from countries outside Europe.

Another problem for employers is the absence of **soft skills** and practical knowledge among university and college



graduates who are just entering the job market. Insufficient numbers of **technically skilled** employees was also identified as a challenge.

**Decreased employment costs** can be achieved by teaching current employees new skills to be used in their work for their current employer, which is also an alternative to job reductions. Employees who are soon to retire can act as trainers and mentors for younger employees, which results in the recycling of knowledge within the company and unbroken and continuous quality of jobs. According to the participants of the meeting, long-term educational programs are also a useful tool for increasing employees' knowledge, competencies, effectiveness, flexibility and employment security. Financing from the ESF has given company owners the chance to develop their businesses by making investments in their employees. These training programs which have visibly increased company effectiveness are intended to be continued even after the EU financing is over.

This meeting of the Club will result in increased attempts to find system solutions for the problems discussed and introduce changes to administrative, university and business structures in the region of Łódź.



Source: IDES Consultants Polska



## Poland makes it to the Top 20 Countries most targeted by global retailers

**Six new brands entered Poland in 2011**  
**The business of retail becoming increasingly global**

Poland has made it to the Top 20 countries most targeted by global retailers for the first time, according to the 2012 edition of the How Global is the Business of Retail? report by leading global property adviser CBRE.

CBRE's annual survey - now in its fifth year - mapped the global footprint of 326 of the world's top retailers across more than 200 cities to identify trends in global retail expansion at national and local levels. The report found that retailers expanded into a wide range of markets in 2011, with 74% of the countries in the survey seeing at least one new retailer enter the market last year. The overall global footprint of retailers grew by 2.1%, similar to the previous year, demonstrating that retailers continue to grow their cross-border businesses in spite of a challenging consumer environment.

### Poland in the Top 20, UK holds onto the first position

With 34% of all international retail brands surveyed already present in the Polish market, Poland moved up to 19th place in 2012 from 22nd position in 2011 among the countries most targeted by global retailers, benefiting from its robust economy with GDP growth of 4.3% in 2011 and expected growth at c.a. 3% in 2012. At the end of 2011, shopping

centre stock in Poland amounted to 8.8 million sq m located in 381 schemes, which puts Poland on a par with the region's most rapidly developing markets of Russia and Turkey.

Magdalena Frątczak, Retail Director with CBRE Poland commented: „Poland is constantly progressing on the global ranking list of desired retail locations, and a visible effect of that is the growing presence of leading international retailers in Polish shopping centres and high streets. With increasing purchasing power, strong domestic economy and growing retail sales level reaching \$3,000 per capita/per annum, Poland is now seen as one of the few remaining markets with unsatisfied demand that should generate growth in terms of retail product offer, as well as investment in new retail properties”.

When looking at countries most targeted by global retailers, the UK (56.7%) holds onto the first position in the rankings before the United Arab Emirates (53.1%) and the United States (50.3%). Spain is in fourth position (47.5%) closely followed by China (47.2%), with France and Germany (46.9%) joint sixth in the rankings. Russia (44.5%), Italy (43%) and Saudi Arabia (41.1%) make up the remainder of the top 10.

### London reclaims number one position, Warsaw jumps from 46th to 36th among world cities

Among the world's cities most targeted by retailers, London (55.5%) reclaimed the outright number one position after sharing the top spot with Dubai last year. London remains





a key hub for retailers looking to expand into Europe. While Dubai (53.8%) still holds considerable global pulling power, it drops into second position due to a handful of retailers exiting the market. New York (43.9%) remains in third position, while Moscow (43.7%) moves up the rankings following a number of new market entrants in 2011 to join Paris (43.7%) in fourth position ahead of Hong Kong (40.5%). Warsaw (30.2%) is one of the big movers in the ranking, coming 36th among the world's cities, an impressive jump from 46th a year ago, ahead of European capitals such as Amsterdam, Lisbon, Brussels or Budapest.

### **Poland attracts six new retail entrants in 2011, only Almaty, Moscow and Kiev getting more**

Almaty (Kazakhstan) was by far the most sought after new location last year with 18 new retailer entries. This was largely down to major infrastructure improvements, the delivery of new shopping centre space and the arrival in 2010 of the Inditex Group, which operates brands such as Zara, Pull & Bear, Massimo Dutti and Bershka, and has encouraged other new entrants to the market.

The cities of Moscow (11 new entrants), Kiev (9) and Warsaw (6) were also key targets in 2011, as retailers focused their expansion plans on markets with the most robust economies and best growth prospects.

Six new entrants into the Polish retail market in 2011 included the British women's fashion retailer Dorothy Perkins (Złote Tarasy in Warsaw), another British value fashion retailer F&F (Blue City in Warsaw), the US GAP clothing and accessories brand (Arkadia in Warsaw), the American Eagle clothing retailer (the first store to open soon), Foot Locker - offering sports shoes and clothing of several renowned brands (Arkadia in Warsaw), and the American toys retailer Toys"R"Us (Blue City in Warsaw). We can still expect some newcomers in 2012, as Poland was also highlighted as a key expansion target for retailers in 2011 in CBRE's retailer expansion survey with 33% of respondents stating they were targeting the market.

Magdalena Frątczak, Retail Director with CBRE Poland added: „We are observing continued interest from top global brands to enter the Polish market, however, the prime shopping centres in the city of Warsaw which they want to target first are nearly fully leased. As a result, some renowned international retailers may decide to debut in other large cities in Poland where space is still available, or wait for new retail schemes to be completed in Warsaw.”

### **Warsaw exceptionally popular with international supermarket brands**

Interestingly, Warsaw came up in the CBRE survey as a location enjoying strong popularity with international supermarket chains, with as many as 33.3% having at least one store in Poland's capital. The only city in the world with a wider choice of international supermarket brands was Tokyo, where 38.9% of global supermarket retailers have a presence. This means that Warsaw, with a population of just over 2 million, has a wider selection of global supermarket brands than some of the world's largest cities such as New York (22.2% of global supermarket brands present), London (27.8%), Moscow (27.8%), or Beijing (22.2%). This also shows that the supermarket retail segment in Warsaw and Poland is highly competitive – which creates a challenge for supermarket networks present in Poland, but benefits Polish consumers who can take advantage of attractive product and price offering.



Source: CBRE



### **Panalpina takes up space in Prologis Park Wrocław III**

**Cushman & Wakefield, a leading global real estate services firm, has represented Panalpina Polska in the negotiations of a lease for 7,455 m<sup>2</sup> of warehouse space and 390 m<sup>2</sup> of office space in Prologis Park Wrocław III.**

Panalpina is one of the world's leading providers of supply chain solutions, including air and sea freight services. It operates in more than 80 countries and employs some 15,000 people worldwide.



Prologis Park Wrocław III, owned by Prologis, is a modern warehouse park located in Graniczna Street in Wrocław, in the immediate vicinity of the airport and the city's ring road. It comprises four buildings totalling nearly 129,660 m<sup>2</sup>. With the fifth building completed, Prologis Park Wrocław III will provide up to 150,000 m<sup>2</sup> of leasable space.

Marek Kiwak, BTS Manager, Industrial Department of Cushman & Wakefield, said: "Location and distance from the place of order processing are the key criteria for freight companies when it comes to selecting a warehouse. Prologis Park Wrocław III boasts the proximity to the A4 motorway and the city's ring road. The scheme is located within the administrative borders of Wrocław, which makes for easy and cheap access by public transport."



Source: Cushman & Wakefield

## Co-operation, development, integration – the objectives of the new initiative, Call Centre Forum

New initiative of call/ contact center environment in Poland - Call Centre Forum has just began. Its aim is joint development and promotion of good practices in both operational and organizational issues by customer contact center industry. According to FCC developers, cooperation of companies in call/contact center sector will help the professionalisation of this industry in Poland.

*„Our mission is written in three words: cooperation, development, integration. These three elements are very much needed in order to create policies that allow whole customer contact center industry to become one hundred percent professional. A big number of companies on the Polish market has caused the situation where we are dealing with huge differences in their functioning. Call Centre Forum, through the cooperation of companies in this industry, has a chance to develop standards, good practices and implement them in life” – said Maciej Buś, CEO of Call Centre Forum.*

Call Centre Forum is a meeting place of Customer Contact Centre professionals. Forum was established as a response to the needs of both the industry – companies that provide a remote communication services and solution providers, as well as the recipients or beneficiaries of the services that is

projects mandators and consumers. The aim of this initiative is to develop and spread good practices of organisational and operational activities of call/contact centre as a basis for the professionalisation of the industry. Forum is a **place of cooperation** that builds specific solutions for Customer Contact Centre industry, a **place of development** of industry promoting and building necessary managers competencies and solutions increasing the efficiency of the processes, eventually a **place of integration** of Customer Contact Centre industry and dialogue building.

The organisation has planned its activities for the year. Among them, there is a series of meetings where the most important industry topics such as data protection, call centre standardisation, social media in contact centre, the practice of relationship management through CRM systems will be discussed.

Among the major initiatives it is worth to mention the vertical portal of knowledge and experience exchange [www.forumcallcenter.pl](http://www.forumcallcenter.pl). Experts articles, industry reports, calendars of events, comments and interviews with people from customer contact center industry, companies catalogue and job offers can be found there.

At the start, three companies joined Call Centre Forum: Altar, South Western BPS Poland and Interactive Intelligence. After the first month Forum is composed of seven professional organisations. Altar company is also the first sponsor of this initiative.

From the beginning Call Centre Forum concentrated on active building and representing the industry. FCC, among others, participated in CallCentre World – one of the two largest trade shows held annually in Berlin, was clearly visible at the biggest industry conferences, as well as took patronage over the conference Customer Relations Centre 2012 and issued the first substantive industry report Customer Service Standards 2012.

Call Centre Forum is open. Everyone can work together, everyone can benefit from the effects of its work. Forum supports all initiatives aimed at the development and professionalisation of the industry.



Author: Maciej Buś CEO of Call Centre Forum





## Polish cities together support Polish firms investing abroad

The „Polish Champion” programme was officially launched on 7 May 2012. On that day, the mayors of the participating cities (Katowice, Poznań, Szczecin, Olsztyn, Gdańsk), the representative of the mayor of Rzeszów, the heads of the respective provinces (Mazowieckie, Małopolskie, Zachodniopomorskie and Łódzkie) and the representatives of the Wrocław Agglomeration Development Agency (Agencja Rozwoju Aglomeracji Wrocławskiej, ARAW), PwC (formerly PricewaterhouseCoopers) and the Polish Information and Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych, PAIiZ) officially signed a declaration of readiness to support Polish enterprises with global aspirations.

The „Polish Champion” programme was initiated by the City of Wrocław and ARAW and is being developed and coordinated throughout Poland by PwC. PAIiZ is the strategic partner for the project. „Having analysed the situation of firms that are based in Wrocław and operate on foreign markets, we came to the conclusion that it is time to make a revolutionary change in our approach to investments and investing. We should no longer be focusing exclusively on attracting foreign investors. We must now support the international business expansion of Polish firms. This is the key to the country’s further development. This is how the „Polish Champion” programme started”, says the mayor of Wrocław, Rafał Dutkiewicz.

As part of the project, firms will receive support from the local authorities mainly in the form of promotion of their international activities and assistance in relations with local educational and research and development institutions. The „Polish Champion” project will also facilitate the transfer of knowledge among Polish companies that are trying to win global markets. Identifying the problems faced by such enterprises will enable them to take a common stand in their relations with the central authorities. This will make it possible to coordinate the support offered to such enterprises.

„In Poland there are 60 to 100 firms which operate on a global scale. Although Polish products and services are very well received on the Eastern markets, they do not have an equally good reputation in Western Europe. There is still a quite strong opinion that Polish products are of an inferior quality and the management skills of those that manage Polish enterprises is poor. On the other hand, on the Eastern markets, where the market situation is easier, the problems associated with the work of local public institutions and law enforcement are far more serious. Furthermore, Polish firms face numerous legal and tax challenges on both Western and Eastern markets”, says PwC partner Ryszard Petru.

The programme is addressed to firms that have already commenced their international expansion and to those which are still at the planning stage, as well as to business organizations, scientific circles and educational institutions that are interested in making Poland a part of the global economy.



As part of the „Polish Champion” pilot programme carried out by the City of Wrocław and ARAW, PwC conducted a nationwide qualitative study of the international activities of Polish firms. Based on this study, a report was prepared entitled „Experiences of Polish firms investing on foreign markets”.

Polish firms are still investing abroad despite the uncertain economic situation. Most of them invest in Germany, the Ukraine, the USA, the Czech Republic, Russia and Romania (although this does not mean that the value of investments in these countries is the highest). Quite a few investment projects are also located in Asian countries, mainly in China. A single investment project carried out by a Polish company does not usually exceed EUR 10 million.

The value of Direct Foreign Investment (DFI) of Polish companies is growing. The highest amount to date (USD 9.2 billion) was recorded in 2006. Currently, after a drop caused by the economic crisis of 2008, the Polish DFI growth is



regaining its pace. In 2010, DFI amounted to USD 5.5 billion (according to the National Bank of Poland, NBP), and in 2011 it exceeded USD 7 billion (according to PwC estimates).

*„Polish foreign investments seem quite immune to the crisis. They returned to the pre-crisis level in 2010 to exceed it by ca. 20% in 2011 (according to our estimations). In the same period, the global investment value dropped to ca. 60% of the level recorded in 2007”, emphasizes Mateusz Walewski, PwC Senior Economist.*

The chief motivation behind investment decisions is the desire to develop. It is frequently associated with the limited opportunities offered by the Polish market. Sometimes, although less frequently, such decisions are based on factors such as cost or efficiency. Since most Polish firms' foreign investments are made with the intention of developing on the local market of the target country, the size and potential of that market are the most important factors affecting the choice of country. Other significant factors are the level of competition, geographical proximity, local resources as well as the risk level and political stability.

Polish entrepreneurs, like investors from other countries, must overcome the numerous problems associated with international expansion. The main barriers to the development of international operations include cultural differences and administrative and organizational issues. Another category of problems includes the challenges associated with the availability of human resources and their management, both in Poland and in target countries. Often the strategies and procedures which have worked very well on the Polish market are not always appropriate on a foreign market.

#### Information about the report

The report “Experiences of Polish firms investing on foreign markets” has been developed based on studies of the experiences of Polish firms investing abroad conducted in October and November 2011, which consisted of a quantitative part (36 questionnaires) and a qualitative part (17 interviews with entrepreneurs).

#### Information about PwC

PwC firms help organizations and individuals create the value they're looking for. We're a network of firms in 158 countries with close to 169,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.pl](http://www.pwc.pl).

#### Information about PAIiZ

PAIiZ helps investors to enter the Polish market and make the best use of the opportunities it offers. The Agency guides investors through all the necessary administrative and legal procedures that are required when carrying out the project. It also supports companies that are already present in Poland. PAIiZ offers fast access to comprehensive information about the business and legal environment of the investment, as well as assistance in finding appropriate partners, suppliers and locations.

PAIiZ's mission is also to create a positive image of Poland worldwide and to promote Polish products and services.



Źródło: PwC



<b>14.05.2012</b> Amsterdam	<b>12th Annual European Shared Services &amp; Outsourcing Week</b>	Organizer: <b>SSON</b> Location: Amsterdam (Holandia)	
<b>21.05.2012</b> Warszawa	<b>Bezpłatna konferencja CRM GIGACON</b>	Organizer: <b>GigaCon</b> Location: Warszawa (Polska)	
<b>24.05.2012</b> Warszawa	<b>Acting Local Winning Global</b>	Organizer: <b>ASPIRE, Business in Małopolska, PwC</b> Location: Kraków (Polska)	
<b>28.05.2012</b> Sopot	<b>Forum Rynku Nieruchomości</b>	Organizer: <b>Nowy Adres S.A.</b> Location: Sopot (Polska)	
<b>28.05.2012</b> Warszawa	<b>IT w Bankowości</b>	Organizer: <b>GigaCon</b> Location: Warszawa (Polska)	
<b>1.06.2012</b> Warszawa	<b>Targi IT Business Solutions</b>	Organizer: <b>CareerCon</b> Location: Warszawa (Polska)	
<b>15.06.2012</b> Lublin	<b>Management liability in the context of employment – risks, traps, dangers</b>	Organizer: <b>Randstad Payroll Solutions Sp. z o.o.</b> Location: Lublin (Polska)	
<b>26.06.2012</b> Warszawa	<b>Efektywne Zarządzanie Contact Profit Center</b>	Organizer: <b>Business Media Solutions Sp. z o.o.</b> Location: Warszawa (Polska)	



# Finance and Accounting services provided by Kraków's BPO and SSC Organizations

We have asked international investors what range of F&A services are provided in SSC/BPO Centers located in Kraków. Below you can find the answers we received from HSBC Bank, Accounting Plaza, Heineken and PMI, Europe Calling.

## PMI SCE Treasury

PMI SCE Treasury department is responsible to support all treasury processes for Philip Morris International Inc. („PMI”) affiliates serviced by PMI Service Center Europe Spółka z o. o. („PMI SCE”). Our activities include centralized management of collections, processing of high value payments, monitoring and review of customer credit terms, bank accounting, preparation of short-term and mid-term operational cash forecasts, administration of bank accounts and various reporting activities in the treasury area.

**The department consists of four different sub-departments:**

- Treasury Management
- Credit Management
- Accounts Receivable and Bank Accounting
- PM Finance Back Office, being a part of PMI's in-house bank.

Treasury Management takes care of short-term and mid-term cash flow forecasting, processing manual payments, prepares various treasury reports, like hedge effectiveness, bank guarantees and central bank reporting. This team is responsible for bank accounts and signatories' maintenance and control, opens/closes bank accounts on behalf of PMI affiliates, contacts the banks, and ensures timely completion of the process. Treasury Management monitors intercompany payables and receivables positions, and validates them with the short-term cash forecasts.

In line with PMI requirements bank guarantees given to third parties are monitored for fee payments, renewals and withdrawals. It is also PMI SCE team who implements e-banking systems needed to process payments and retrieve bank statements and makes sure appropriate controls over access rights are applied.





Credit Management is responsible for sales order processing, monitoring third party customers' credit exposure, risk assessment and credit limits calculations, customer and pricing master data maintenance and reporting in the customer credit area. The team performs sanction screening check and credit worthiness analysis for new customers as well as performs credit worthiness study for the existing customers, proposing revised payment terms and credit limits, when necessary.

Credit Management team controls overdue and credit limit override situations. PMI SCE specialists validate the content of the bank guarantee received from customers and perform rating checks for the bank providing the guarantee, as well as monitor guarantees' renewal dates. Aging reports, past due reports as well as month-end trade receivables reports are also produced specifically by Credit Management analysts.

Accounts Receivable and Bank Accounting is responsible for processing customer collections and payments allocations and for performing bank accounting activities. Responsible accountants allocate payments to customers' accounts in a timely manner and match them with outstanding invoices. The group performs all required compliance checks for customer payments and initiates direct debit instructions for customers' collections, using electronic banking systems respectively.

One of the most important tasks of this team is to ensure that all affiliate bank account balances in bank statements are matched to SAP bank balances on a daily basis. Bank accounts reconciliation is also performed monthly as part of

month-end closing process, followed with various reports prepared by PMI SCE team.

PM Finance Back Office role is to support all back office functions of PMI's in-house bank that centrally manages cash and foreign exchange on behalf of PM entities globally. The team of highly specialized analysts validates all money market, capital market and foreign exchange transactions, ensures accurate and timely issuance and receipt of trade confirmations. The group monitors maturity dates of trades against cut-off times and ensures timely funds transfers and settlement of trades with no misrouted payments. Conducting preparatory accounting tasks, such as affiliate interests' capitalization and validation of bank charges, remains in hands of Back Office group. The team prepares periodical reports of foreign exchange and money market statistics.

All PMI SCE Treasury teams support and promote continuous improvements and positive changes in the treasury area, actively participating in various local and global projects conducted in PMI. Being one of the three main departments in PMI SCE Finance, staffed with enthusiastic team members with a lot of potential to grow and having access to the most advanced knowledge and technologies.



PMI SERVICE CENTER  
EUROPE

Source PMI SCE



# Accounting Reporting

PMI SCE Accounting & Reporting department is one of the three main finance functions within PMI Service Center Europe Sp. z o. o. („PMI SCE”). Its core role is to provide general ledger accounting and reporting services to Philip Morris International Inc. (‘PMI’) affiliates, as well as maintain general ledger master data for all entities operating on SAP P1 platform. The overall team is divided into the following groups: General Ledger country teams, Fixed Assets teams, Costing team and Accounting Support.

## General Ledger teams are responsible for:

- processing journal entries in transactional system (SAP), initiated by either clients or by PMI SCE analysts, as per split defined in SLA-OLA,
- reconciliation of accounts in a frequency and responsibility split agreed in Accounts Reconciliation Matrix,
- period-end closing activities including preparation and transmission of the Income Statement and Balance Sheet into the reporting system (Global Management Reporting & Budgeting, „GMRB”),



- preparation of PMI reporting (mainly SEC schedules), as well as other types of reports (Intrastat, statistical reports, inventory reporting, International Tax Questionnaires, governance reporting) as agreed with client affiliates.

Additionally, General Ledger team continuously improves and automates closing and reporting processes by implementation of tools and functionalities designed in co-operation with IS and Finance Applications Support team (such as electronic forms to provide journal entry requests, accrual programs, enhanced functionalities of certain SAP transactions and usage of Business Warehouse for reporting).

Scope of responsibilities of Fixed Assets team’s covers capitalizations, disposals and transfers of fixed assets. Period-end closing activities are limited to closing accounts, running depreciation and making sure that all items have been correctly recorded in the system. There is also a set of reports required by PMI group and prepared by Fixed Assets teams.

PMI SCE Fixed Assets teams are considered system experts in their area of responsibility and provide assistance, guidance and trainings to client affiliates related to various technical aspects of the process – such as implementation of new global guidelines for reporting intercompany transfers of assets, or specific country statutory requirements.

Costing team performs calculation of SVC for finished goods and non tobacco materials, as well as calculation of inter-company prices. This small team services only Swiss affiliates, however it is planned that in co-operation with the Polish Operations Finance team it will evolve into the costing training center for future costing experts in PMI.





Accounting Support team is the owner of Chart of Accounts in P1 system and maintains other controlling master data in SAP P1. Additionally, the team maintains Authorized Signatory Matrix where the authorities to approve costs on certain objects are defined for all PMI entities using this functionality in SAP. The team is as well the first contact point

Accounting, Employment Costs, Intrastat, Accruals and Fixed Assets. Accounting processes teams liaise with all parties involved in these processes to agree upon the best practices, which are at the end implemented in all client affiliates. The teams also provide advisory and trainings within their scope.



Main systems used by Accounting & Reporting team are: SAP (including Business Warehouse, which is used for generating various types of reports as well as for accounts reconciliations) and GMRB and other functionalities designed especially for PMI needs.



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to client affiliates to explain P1 system logic and certain technical aspects in the general ledger accounting including system requirements for proper setup of statutory ledgers.

Additionally as of 2010 the Accounting & Reporting team is organized in a matrix structure with combined focus on client affiliates and certain accounting processes. Currently, general ledger supervisors assume responsibilities not only for the country teams, but as well for the standardization and improvements across all client affiliates in the following areas: Treasury Accounting, Trade Accounting, Manufacturing

#### PMI Service Center Europe Sp. z o.o. (PMI SCE)

PMI Service Center Europe Sp. z o.o., based in Kraków, is the European Service Center, providing centralized financial, information services (IS) and human resources (HR) services to PMI affiliates in more than 50 countries across Europe, Middle East and Africa. Many of the employees at the PMI SCE in Kraków come from different corners of the world, representing approximately 25 nationalities and speaking more than 20 languages. PMI SCE is an integral part of the company's presence in Kraków and its goal is to provide excellent services with high quality standards, ensuring continuous improvement in terms of productivity and efficiency.



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# Added value through O2C optimisation

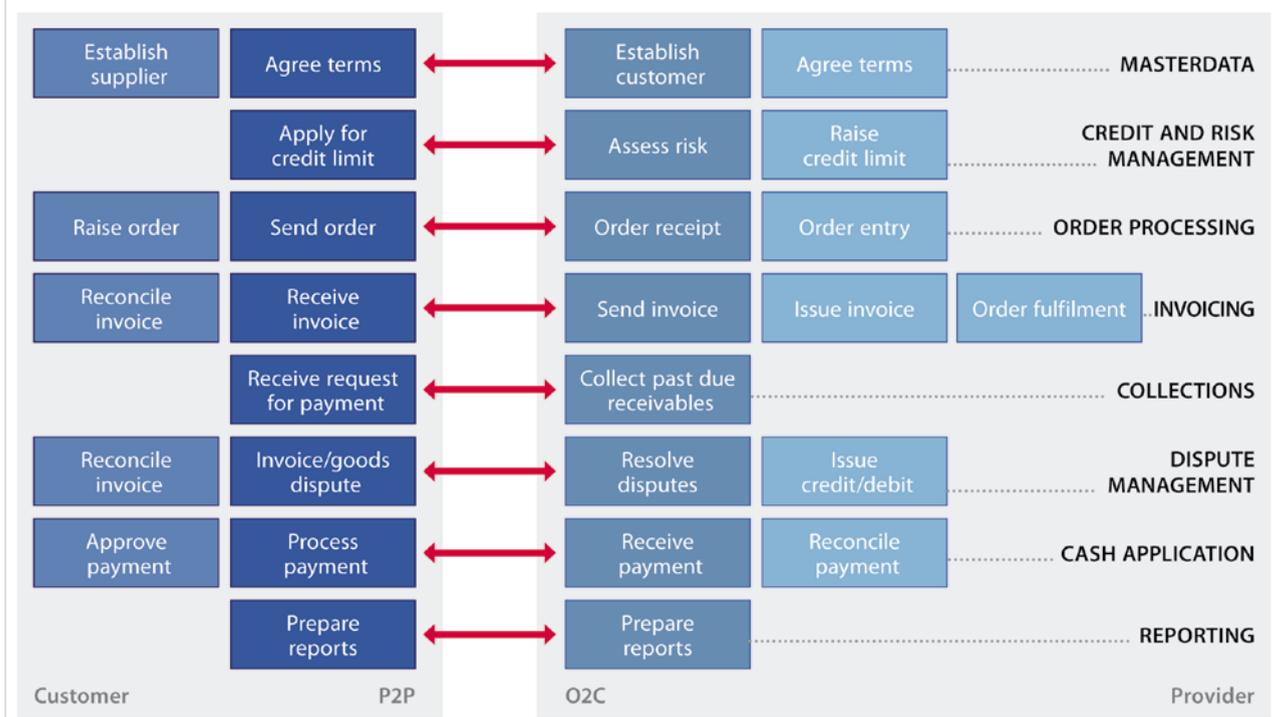
Business impact and ROI from O2C optimisation can be much higher than just operational cost savings

Accounts Receivable is one of the biggest assets in the company's balance sheet which influences both working capital and financial liquidity. Therefore, a lot of companies are searching for methods which will allow them to optimise Order to Cash (O2C) process. An efficient O2C process has gained even more significance in light of the world economic crisis which has negatively impacted the financial liquidity and solvency of businesses. Next to P2P, O2C is one of the most frequently centralised and optimised processes in Shared Services Centres or BPO companies. The following diagram presents the basic sub-processes in O2C and their counterparts in client's procurement and payment processes.

End-to-end process optimisation which goes beyond accounting department enables companies not only to optimise process operating costs but also profit from other improvements significantly affecting their working capital and financial liquidity, from which the most important are:

- improvement in relations with clients as well as access to information about clients' solvency and market trends thanks to the optimisation of the process of financial risk assessment and credit management,
- shortened Days Sales Outstanding (DSO) through optimisation of time-to-invoice (implementation of electronic documentation flow) and implementation of best practices into debt collection,
- decreased financial losses resulting from wrongly applied promotions and vendor allowances, bad debt write-offs of uncollectible receivables, cost of sales revenue loss caused by holding accounts and engagement of sales personnel in dealing with disputes,
- decreased logistics costs due to smaller number of returns and cancelled orders,

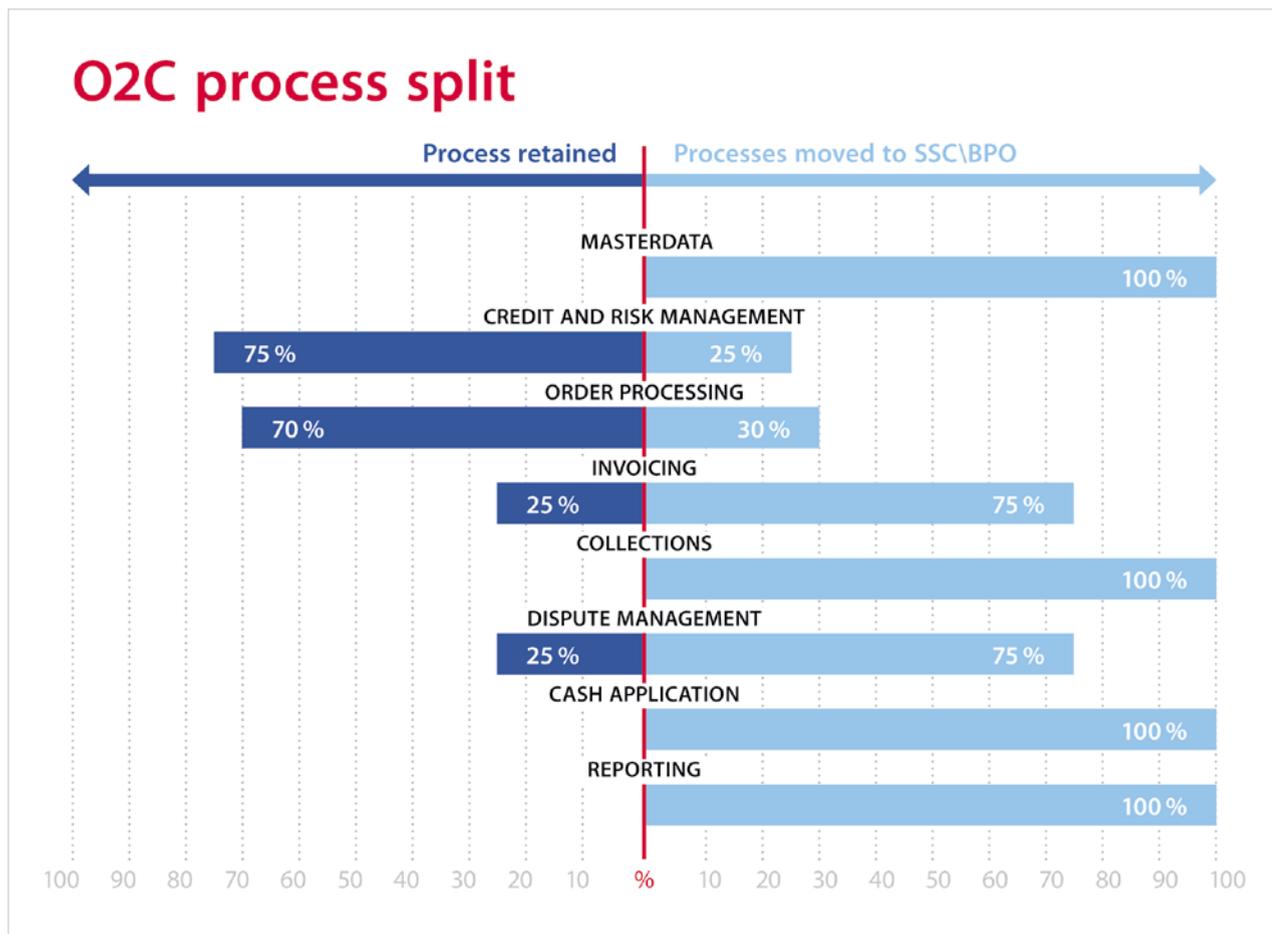
## High level process flow and relation between O2C and P2P





- improvement of operational efficiency in sales, accounting and controlling departments,
- improvement of management information regarding working capital through implementation of Business Intelligence systems.

In order to maximise benefits as well as taking under consideration the complexity of activities, the O2C process is often split between a client and an SSC/BPO provider in the following proportions.



Accounting Plaza is an expert in F&A outsourcing and business process optimisation, specialising in providing services to the clients in retail and wholesale sectors. Accounting Plaza provides services to the biggest Dutch retailer – Royal Ahold Group – including retail chains such as Albert Heijn, Gall & Gall and Etos, as well as the Czech and Slovak stores - Hypernova and Albert. Other clients include Starbucks, Prenatal, Meltwater Group, MEDIQ and many others. Accounting Plaza serves over 2000 stores with a turnover of 9,6 billion euro a year. Accounting Plaza operates from locations in Poland (Kraków), The Netherlands (Wormer), The Czech Republic (Brno) and Ukraine (Lviv).

Genpact Limited (NYSE: G), a global leader in business process and technology management, has signed a definitive agreement to acquire Accounting Plaza, a provider of finance and accounting (F&A), human resources (HR) services and PeopleSoft ERP services to Ahold, a major international retailer, and other clients in the retail, wholesale, banking and healthcare industries.



# Interview with John Lyons – Director HEINEKEN Finance Shared Services

**Outsourcing&More:** Why did you consider Kraków as the location for your operation center?

**John Lyons:** The choice for Kraków followed an extensive location study across a number of European countries. We were very impressed by the overall business environment and more specifically the maturity of the service industry in the region. Kraków was the best choice considering the criteria we had set. We were looking at the quality of education and availability of talent, their skills and language knowledge. Naturally, market conditions and labour costs were also a consideration with flight connections, availability of office space, and IT infrastructure helping us to make our final decision.

We have chosen a prestigious location of the world-class Vinci building in Opolska street and we have fitted it out to the highest of standards to create an exceptional working environment. Of course being HEINEKEN we also included a branded bar to ensure we can celebrate our successes from time to time as a team.

**O&M:** What kind of processes are you going to run in your centre?

**JL:** The Finance Shared Services Centre initiative is an integral part of HEINEKEN's Global Business Services organisation. It was established in order for the company to better benefit from its scale and optimise its efficiency. The initial scope of Kraków FSSC is transactional finance for Europe within Record to Report (RtR), Order to Cash (OtC) and Purchase to Pay (PtP) processes.

**O&M:** What positions are you recruiting for at the moment?

**JL:** The Centre is of strategic importance to HEINEKEN. It offers a dynamic and international work environment with access to world class learning and significant career development opportunities. We are currently looking for candidates in the following areas: RtR (Fixed Assets, Tax Accounting, General Ledger Accounting), OtC (Banking/Cash Application, Billing, Credit Risk, Collections and Disputes), PtP (Invoice Processing, Query Resolution, Payments). I strongly encourage experienced professionals and fresh graduates to apply to us. It's best done by sending us your CV in English to RecruitmentHGSS@HEINEKEN.com. Over time, we are expecting to employ several hundred people.



**O&M:** When the operation activity has started?

**JL:** In October 2011 HEINEKEN announced that it has selected the city of Kraków as the location for its in-house Finance Shared Services Centre. The first wave of employees joined at the start of February 2012 and the first invoices were processed on 2nd April 2012.

HEINEKEN's energy combined with the excellent resources available in Kraków are the ingredients for a successful start to operations and a promise of further success.

**O&M:** Thank you very much.

HEINEKEN is Europe's largest brewer and the world's third largest by volume. The brand is available in almost every country on the globe and is the world's most valuable international premium beer brand. The Company's aim is to be a leading brewer in each of the markets in which it operates and to have the world's most valuable brand portfolio. The Company operates 140 breweries in more than 70 countries. HEINEKEN is committed to the responsible marketing and consumption of its more than 200 international premium, regional, local and specialty beers and ciders. These include HEINEKEN, Amstel, Birra Moretti, Cruzcampo, Dos Equis, Foster's, Kingfisher, Newcastle Brown Ale, Ochota, Primus, Sagres, Sol, Star, Strongbow, Tecate, Tiger and Zywiec. The number of people employed is more than 70,000. Most recent information is available on HEINEKEN's website: [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com).



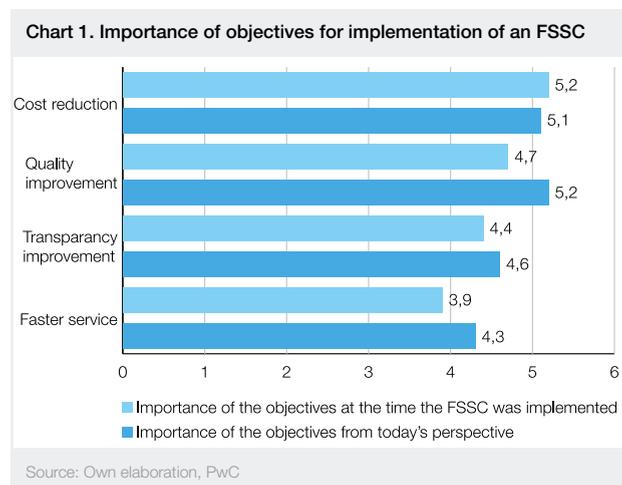
# Financial Shared Service Center – a modern business partner

Status quo of the global Financial Shared Service Center market in general, with regard to the Financial Service (FS) sector and Kraków as a FSSC location in specific

The shared services sector has experienced enormous growth in the last decade and is facing new challenges such as consolidations, establishing new Financial Shared Service Centers (FSSCs) or integrating new kinds of processes. Handled well, those challenges can result in a wide range of new opportunities. PwC conducts FSSC surveys on a regular basis in order to evaluate the performance of existing FSSCs, to reveal optimization potentials and analyze trends in the shared service environment. The following paragraphs will outline some major aspects of the current status quo of existing FSSCs also with regard to FSSCs within the financial service sector and will give some insights into the Kraków FSSC market.

Analyzing the latest survey results, cost reduction still seems to be the major **objective for setting up FSSCs**, closely followed by quality improvements. While cost cutting was the priority target when the existing FSSCs were established, the importance of quality increases significantly and is the most important factor from a today's perspective.

The importance of cost reduction was higher for FSSCs implemented in APAC and CEE (the data also indicates that those FSSCs realized more savings on average). A higher

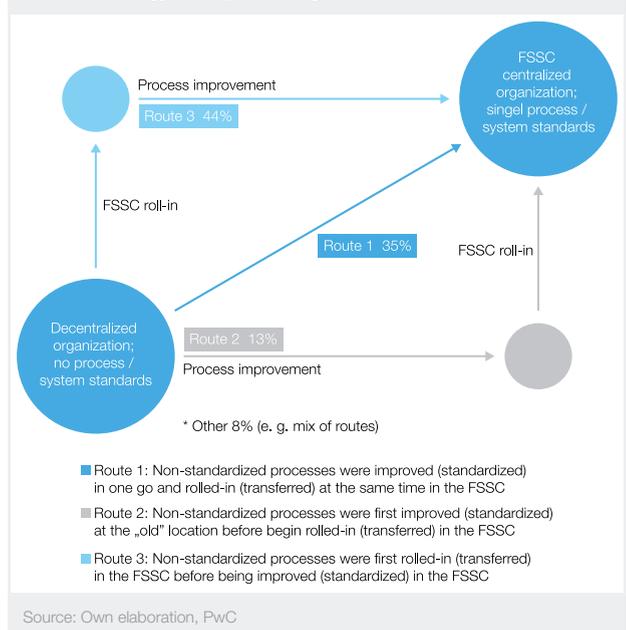


quality was expected from FSSCs in Western Europe and Northern America.

An often discussed issue is the selection of the **implementation approach**. Starting from an organization with several located administrative departments and unstandardized processes and systems, companies have different options regarding the FSSC implementation routes. There are generally three potential ways to integrate processes into a FSSC:

- Route 1: Improvement and transfer of the selected processes within one step ('Big Bang')
- Route 2: Improve processes in the first step and roll-in the processes into FSSC afterwards
- Route 3: Roll-in the process into the FSSC first and improve them afterwards.

**Chart 2. Strategy for implementing an FSSC**

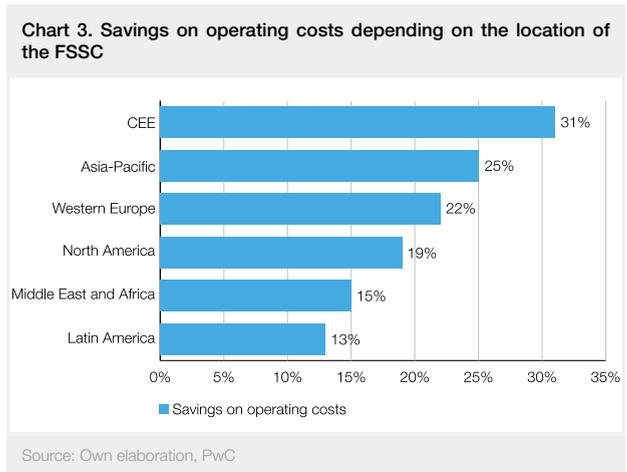




The most preferred approach among the asked companies is route 3 followed by route 1.

Giving priority to a quick roll-in of the processes into the FSSC (route 3) can avoid resistance from key management, which is the main challenge for most of the survey participants. Another reason to prefer route 3 is that it appears to be manageable with less financial, organizational and technical effort. The standardization can be done centrally within the FSSC, instead of a local standardization at every single location. Disadvantageous is the fact that once the processes are lifted to the FSSC, the momentum for shifting them might get lost. Due to this risk, clear defined objectives, roles and responsibilities as well as a clear implementation plan are crucial factors for success.

A discussion on sourcing projects always involves a debate on the best **sourcing location**. While a lot of cons and pros can be found for most locations, one of the best measurable arguments is the achieved reduction of operating costs. Among the analyzed FSSCs CEE shows the best results for realized savings on operating costs, because of a sufficient trade-off between low labour costs and efficient processes.



A survey analyzing only FSSC of the Financial Services (FS) sector reveals some differences to the cross-industry results. Especially transactional activities (e.g. accounts payable, fixed assets or travel expense calculation) are **predestinated FSSC processes** for integration. However, they are more frequently implemented in FSSCs of non-FS companies. On average FS companies transfer less processes into their FSSCs in total and also give more priority to skill intensive ones (e.g. the most provided processes by FS FSSCs is internal reporting). With regard to the service center location

transactional processes are also more often transferred to global hubs in CEE and APAC.

One of the main arguments for choosing the right **FSSC location** is the access to qualified staff. Almost all companies gave high priority to this criterion when deciding on the location. The companies from the FS sector seem to have underestimated this factor in the past and rate it a lot higher from a today's perspective, as they struggled especially with recruiting their FSSC key management team.

### Kraków highlights

Having a closer look at the FSSC situation in Kraków also brings up some interesting facts. Compared to an „average location”, FSSCs operated in Kraków need less time to reach a higher performance level. This could result of learning curve effects as the analyzed FSSCs in Kraków all belong to companies that have established several FSSCs worldwide. Also investments in continuous improvement management and/or the use of consultant expertise are supportive factors to reach high performance standards in short time. Furthermore it is also notable that all FSSCs in Kraków are dealing with internal reporting services and the total number of transferred processes is on average higher than in other FSSCs in both CEE (ex. Kraków) and the rest of the world. Additionally, companies that implemented their FSSC in Kraków stated cheaper – but qualified – labor force to be the most important reason influencing their choice. Surprisingly, the staff turnover rate in Kraków compared to CEE (ex. Kraków) or APAC seems to be quite low. FSSCs in Kraków have a fluctuation rate of between 5%-10% whereas the weighted average for CEE (ex Kraków) is 11% and for APAC even 13% over the last three years.





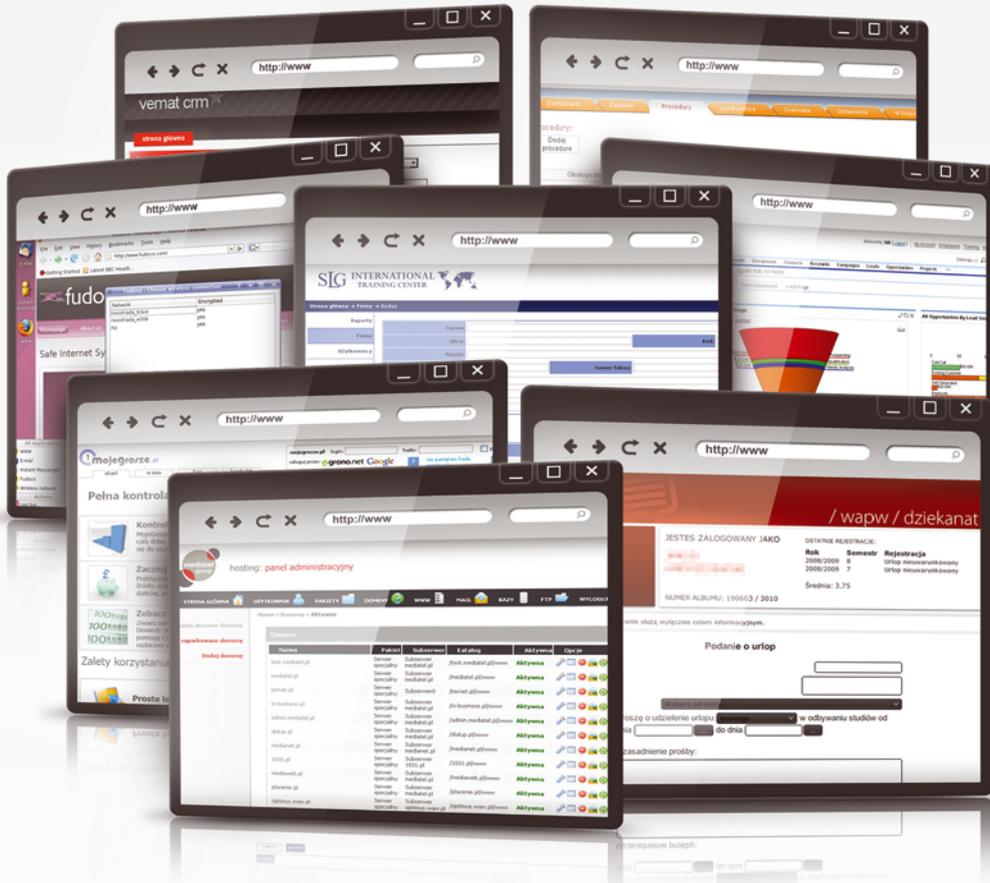
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# Over the phone financial services – what a Call Center can do for the banking and finance sector

Outsourcing has become a standard in the banking and finance sector. Companies from the banking, finance or insurance industry eagerly use the services of third-party service providers and nothing seems to indicate a change in this trend. Experts say that over 75% of companies from the banking sector in Poland have used the services of an outsourcing company. This cooperation has led to significant advantages, which is why we no longer ask whether „to outsource services or not...?”, but „how to outsource and to what extent?”. The range of services for the finance industry has grown thanks to last year’s amendment of regulations, and one can be certain that the extent of services provided by BPO will expand to cover the entire banking and finance sector. Among the many services that can be subcontracted to third party providers, it is worthwhile to take a closer look at the services of call/contact centers. Outsourcing such services will, in the near future, become a permanent element of the activities of financial institutions and more than just „medicine” for the crisis.



Along with the present development of the finance industry, we can observe the increase of activities of companies which – by providing new offers in a more and more elaborate manner – are striving to gain and maintain customers. Greater consumer awareness, bigger expectations regarding service providers and substantial competition on the market are forcing managers to employ all possible customer contact means in order to gain buyers. This is where the role of call/contact services begins. Thanks to many years of experience

and gained know-how, third party service providers are able to offer services tailored to needs of their clients.

The offer of companies providing telemarketing services for the bank and finance industry contains a wide variety of tools, such as: **customer services, direct sales, debt recovery, arranging advisory meetings and marketing research**. Allowing these services to be provided by professional and well-prepared companies will allow financial entities to gain a lot while maintaining a high level of service quality and full control over assigned activities. As we can see this cooperation can take place on various levels. The most popular forms include:

- **Helpline services** – a skillfully conducted over-the-phone conversation with a client who has called to solve a problem or to receive information leads to customer satisfaction. It also leads to positive emotions which offer confirmation that the client has made the right decision by choosing this particular financial institution. In order to take care of incoming calls consultants must not only have knowledge of the products and services provided by a company but must also be proficient in conversation etiquette and have general knowledge of the finance market. The high quality of services provided by helplines requires not only well-conducted training, but also monitoring conversations; both are also provided by professional call/contact centers. Help desk services also deserve mentioning; these services can encompass not only the clients of a given company (e.g. a bank), but also the company’s employees who, by gaining access to consultant’s on-the-spot assistance, can increase the quality of services provided in a given location.
- **Direct sales** – in order to be able to provide customer services, these customers must first be obtained. The banking and finance market provides many services which can be sold over the phone. Bank accounts, insurance policies, credit cards, investment and savings offers are only a few of the many services that are currently being sold mainly thanks to telemarketing. The outsourcer’s experience in this field and possession of a well-trained team of telemarketers, with in-depth knowledge of the client’s



project and sales techniques, guarantee efficiency and profits for the client. Sales offers can also encompass sending agreements and verification of received documentation. Sales support may include arranging sales meetings in a given institution. This model of cooperation, which is becoming increasingly popular, allows the institution's employees to maintain their competences. The call center's role is limited to obtaining potential customers and arranging a meeting with an advisor.

- **Debt collection** – phone calls with reminders of outstanding payments, sending payment reminders and monitoring incoming payments are the main tasks of a call center's debt collection consultants.

In the era of the internet, which has become a main contact channel for companies comprising the finance sector, we must also mention the verification of agreements and documents. These tasks are also outsourced to third-party service providers. This service has donned increased significance following the amendment of the motor vehicle act, due to which an insurance provider is obligated to contact a client a month before his policy expires. This contact is also used to present a new insurance renewal offer which is why it is worth using the services of experienced consultants, who will also verify the accuracy of data for a given policy.

All models of services provided by call centers for financial institutions include not only over-the-phone contact but also email, fax, internet and instant messaging applications. This comprehensive range of activities also encompasses traditional logistics, i.e. posting documents.

The range of services offered by call/contact centers to banking and finance institutions is substantial. All that is left is explaining why a bank or insurance company should use the services of a third-party provider and not develop its own call center. Cooperating with BPO companies leads to many advantages. Such a solution leads to savings. Assigning services to a call/contact center limits expenses linked with developing a company's own infrastructure, both in the case of human resources and technical resources. Recruiting employees and implementing IT systems, training, purchasing equipment, fixed costs... all this generates huge financial expenditures which can be avoided by outsourcing projects. Call/contact centers quickly prepare systems, elaborate scripts and train telemarketers for the needs of a specific project. A company saves time and money, not only by limiting its investment but also due to the manner in which accounts are settled with the service provider. Most customer services companies receive payment for effects, which means that the entire responsibility and motivation to work efficiently rests on the call center. On the other hand the



company outsourcing a project can be sure of the high quality of services as it is entrusting these services to a professional provider and oversees the provider's work. Such companies deliver periodical reports and monitor calls. Thanks to this the finance institution's employees can focus on their company's core activity. Another significant advantage stemming from such cooperation is the fact that call/contact centers often offer their own data bases, suitable for a given project.

Taking under consideration all the above aspects we can confidently state that outsourcing selected processes is profitable – no matter how you calculate it. As companies from the banking and finance sector know how to calculate, they have quickly calculated that outsourcing leads to advantages. Significant competition in this sector means that institutions fighting for every client will grasp every new possibility to obtain a new agreement while simultaneously striving to limit costs. We could observe this in recent years, during which the outsourcing market in Poland has greatly developed. This year the trend will most likely be maintained and we should witness further increase in the participation of outsourcing companies in the finance market.



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# Outsourcing in practice - a lesson in humility

An analysis of the global outsourcing market indicates that many projects cannot be viewed as successful when taking under consideration the incurred benefits. This is due to greater operating costs as well as a far-reaching distrust between the service provider and the client. It also turns out that cost optimization is not the only justifiable reason to delegate accounting tasks to a third party service provider. Often the organization's disappointment with services is caused by the fact that quality is placed in one corner of the ring while operating costs – in the opposite corner.



At the same time, global research conducted by PwC throughout the recent years clearly indicates a strong conviction that outsourcing leads to competitive advantage. Yet to gain this advantage true partnership with the service provider is necessary. Such a relationship helps effectively conduct complex processes, decreases transaction costs and boosts the quality of services.

So how does one effectively manage relations with the supplier in order to obtain full cost-related benefits while at the same time gaining access to the innovations and specializations offered by the supplier? Firstly, by correctly understanding the changes that await an organization which has made the decision to delegate processes to a third-party service provider.

## What does not apply to outsourcing?

Outsourcing surely is not a magical cure for the predicaments of an organization focused exclusively on cost and employment optimization. As it turns out, the main advantages stemming from outsourcing are greater structural flexibility and access to a qualified team of employees. This is possible only if we discard the traditional supplier – buyer approach and focus on building an operational model based on cooperation, achieving common goals and sharing both the benefits of success and the responsibility for failures. It is then possible to avoid a situation where the client blames the service provider for poor quality of services, while the provider points out lack of stability and poor management of the relationship on the part of the client.

## The experiences of others

Based on the experiences of organizations that have already made the decision to outsource, we can distinguish a few basic elements that must be particularly considered when planning an endeavor of this type. As it turns out, the wording of the contract is especially important; it must reflect the actual needs of an organization, be flexible enough and motivate both parties.

The second most important element is thought to be managing the migration and on-going management of services as well as monitoring their level of quality; these elements must be treated as equally important phases of the project's cycle, yet most often the migration absorbs the most attention and effort. The aforementioned aspects require the establishment of relevant structures within the organization assigning the processes, which is often forgotten in the attempt to create savings and profit/loss balances. A managerial structure based on partnership encourages parties to focus on the optimization and streamlining of processes, as it does not disregard the input and opinions of the service provider, encourages transparency



and responsibility, which in turn facilitates integration between parties.

### How to plan an outsourcing project?

Companies standing before the decision to assign financial and accounting functions to a third-party service provider must consider a few potential operational models. These range from the most conservative – maintaining and optimizing the current model of services, frequently with the aid of new systems and new solutions, such as electronic document flow; the creation of Shared Service Centers, which is becoming increasingly popular, meaning the integration of business support and optimization via the scale effect; to the most cost efficient – but leading to the greatest changes in the organization's image – outsourcing. In order to avoid traps linked with planning an outsourcing project based solely on a general concept, the pressure of competition or the necessity to reduce costs, the decision to outsource should be made in the same way as other strategic decisions are reached. This is due to the fact that outsourcing is linked with a series of consequences affecting the entire organization and requires adaptation of activities and approaches in order to ensure a project's success. Elaborating an outsourcing strategy with is congruent with the company's objectives and does not overlook legal, reputation and operation-related risks can help accomplish planned benefits.



First of all, it is necessary to assess an organization's readiness to delegate specific processes to a third-party provider, on the organizational, operational and financial levels. To do this, it is necessary to collect not only data concerning potential obstacles, but also the experience and competences of those present in the organization; employees who can help support project realization.

The analysis should also encompass the scope of processes, staff competences and present resources necessary to handle the process, comprising a critical mass for outsourcing, below which signing a contracts will be unviable for both the service provider and the ordering party. Simultaneously the processes' level of specialization must be analyzed, as this directly affects the price of delegated services: the more routine and transactional the process, the greater

the potential savings, while support for complex and non-standard processes can be more cost-consuming.

Such preparation will allow a more concise elaboration of a request for proposal, and will later be helpful when comparing offers and analyzing the organization's most important criteria. A comparative analysis may lead to the conclusion that the present operational model is the most effective and cost efficient when compared to what the market has to offer, and the decision to maintain the current model will be a conscious one and based on verified aspects.

On the other hand, the organization's appetite for the risks involved in migrating processes should also be taken under consideration; this depends on the perception of the client as well as other factors, including the market, competition, the company itself and the nature of the process. Financial and strategic consequences should also be taken under

consideration, including the impact on the company's image, employees' morals and customer satisfaction. In some cases the risk of losing control over the process makes it impossible to delegate it elsewhere.

### Factors of success

The foundations of successful cooperation are an understanding of the client's culture, needs and strategic directions, as well as operational requirements. Clearly establishing the direction in which the project is heading will facilitate effective management of operations. For synergy to be possible it is important to choose a service provider who will meet an organization's expectations and offer support for vital business aspects.





The team created to choose a service provider must meet the requirements of potential customers to the broadest extent possible, in order to take under consideration their specific expectations and requirements, and so ensure the effectiveness of the migration and later use of delegated services. The request for proposal prepared by this team should include the scope of processes, the project's objectives and expectations. It should be sent to companies considered to be potential, serious candidates that meet expectations regarding experience, understanding of the operations involved, geographical location and other focal factors, from the organization's point of view.

When comparing offers and making a decision, as well as during the negotiation of a contract that will be in force for the next few years, it is beneficial to use the services of a company that specializes in choosing outsourcing services providers, and which offers comprehensive services both on the legal and business levels. We must also keep in mind that the sales process involves the presence of a group of specialized sellers who have little in common with the service that will be ultimately provided. This is why it is extremely important to visit the service center in order to evaluate the technical, operational and management-related abilities of the candidate, as well as to observe other focal factors, such as data safety, work culture, approach to quality management as well as control or plans to ensure uninterrupted support.

Undoubtedly, the decision to change the service supply model is a huge challenge faced by an organization, and managing changes within the organization affects the success of the entire project. Does the board's decision to implement outsourcing mean unanimous acceptance? No. Each company must independently assess the amplitude and significance of changes. Only a structured approach to accepting changes can prepare adequate groundwork

for them, both on the organizational and individual levels. The elaborated plan must include securing a sponsor and support for the project on the top executive level, appropriate education, information and management of stakeholders. It must also take under consideration the tempo of migration and the tempo of changes taking place within an organization, and provide time necessary to understand the new operational model. Managing the changes should commence during the planning stage and should be carried out in a cohesive and consequent manner throughout all implementation stages, as well as the stage of maintaining a relationship with the service provider.

### Conclusion

We have accentuated the areas which require special attention on the road to success during the implementation of an outsourcing strategy. It must however be emphasized that 90% of entities who have made the decision to outsource claim that they would make the same decision again. An outsourcing strategy must be based on realistic financial objectives, and the savings cannot enshroud the quality of provided services. Real business benefits lie elsewhere: resources no longer absorbed by transactional processes may be focused on core activities.



**pwc**



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Quattro Business Park, Grupa Buma



# Kraków's office market

## General outline

Kraków, the capital of Malopolska Voivodeship, is one of the most important business, academic and cultural centers in Poland. The city is situated in the southern part of the country, 300 km from Warsaw.

Kraków is the main center of modern business services in Central and Eastern Europe. The city is considered to be one of the most attractive locations for the BPO/SSC sector, an opinion confirmed by various international rankings. According to the latest list prepared by Tholons, „2012 Top 100 Outsourcing Destinations”, Kraków achieved, for the second time in the row, the eleventh position in terms of the best outsourcing locations in the world. The city has a great potential as a center for outsourcing services due to its relatively low cost of conducting business activity, access to qualified human resources and a friendly business environment. In addition, the city offers a well-developed transport system, ensuring comfortable road, railway and air connections with all crucial business centers in the country and abroad. Kraków can also boast a growing office property market which provides prospective tenants with a vast selection of modern business space at competitive rents.

Currently there are over 60 BPO/SSC centers in Kraków, servicing a huge range of business processes. The city hosts international outsourcing companies and global concerns that decided to locate their shared services centers in Kraków. According to profile surveys analyzing Kraków's centers, the biggest share is taken up by accounting and financial services. IT operations rank second.<sup>1</sup>

In 2011, Kraków noted a significant activity among BPO/SSC tenants, and the modern business services sector registered a further development. On the one hand, the investors who were already present in the city for several years decided to continue their business in the same place, extending their lease agreements; on the other hand new companies entered the market, announcing their intent to open their first service centers in Kraków.

**Table 1. Key office figures Q1 2012**

Supply	443,320
Vacancy rate (%)	9.7%
Under construction	65,000
Planned supply Q2 – Q4 2012	44,130

Source: Colliers International, April 2012

<sup>1</sup> Association of IT & Business Process Services Companies ASPIRE





### Supply

Kraków is the biggest regional office property market in Poland. As at the end of March 2012, the total supply of modern office space in the city equaled 443,320 m<sup>2</sup>.

In comparison to other regional markets, Kraków has enjoyed a constant interest of investors, which translates into the relatively stable level of developers' activity. This trend is best illustrated by the events that took place last year. Although the financial crisis took its toll on the Kraków market – approximately 15% less space was commissioned in comparison to 2010 – its effects were not as visible as in the case of most regional centers, where new supply fell by an average of 60%.

In 2011, the total amount of modern office space in Kraków increased by 46 tys. m<sup>2</sup>, with the city registering the biggest supply growth among all regional markets. Local developers proved to be the most active, finishing projects of a total space of almost 31 tys. m<sup>2</sup>.

by the end of 2012. The highest surge in supply is anticipated for the second half of the year. Just like in 2011, developers concentrate on the southern part of the city, which is where most of the new projects planned for 2012 are being constructed. Podgórze is the fastest developing region, in which Enterprise Park (15,160 m<sup>2</sup>) and two other buildings of the Bonarka 4 Business complex (16,900 m<sup>2</sup>) are currently under construction. We should also mention the area near

Table 2. Selected office buildings under construction

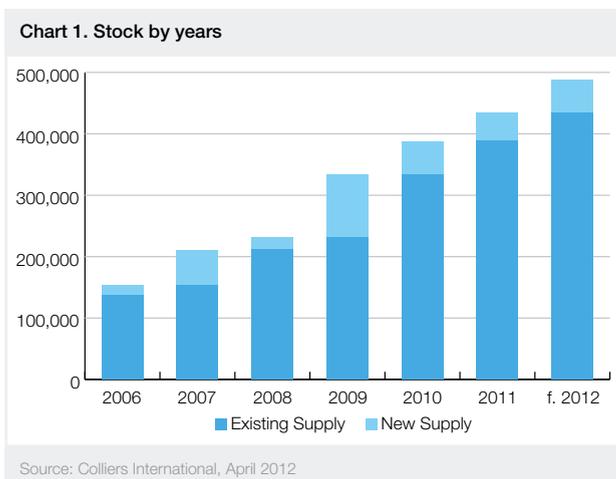
Building	Location	Total office space (m <sup>2</sup> )
Enterprise Park A	ul. Na Dołach	6,980
Enterprise Park B	ul. Na Dołach	8,180
Bonarka 4 Business C	ul. Puzzkarska	8,200
Bonarka 4 Business D	ul. Puzzkarska	8,700
Green Office C	ul. Czerwone Maki	10,000
Quattro Business Park C	ul. Bora-Komorowskiego	12,200

Source: Colliers International, April 2012

Czerwone Maki and Bobrzyńskiego Streets were the second phase (10 tys. m<sup>2</sup>) of the Green Office project is being developed. However, this district can also boast other interesting qualities aside from Buma Group's project: the Małopolska Information Technologies Park and a Jagiellonian University campus are being constructed next to the office complex.

Among office schemes planned for 2013, only two are currently under construction: the above-mentioned Bonarka 4 Business D (8,700 m<sup>2</sup>) and the phase C (12,200 m<sup>2</sup>) of the Quattro Business Park. Developers are working on other office property projects, some of which have already received legally binding building permits. It should be noticed that many of these projects will only be implemented after a sufficient number of pre-lease agreements have been signed. However, the favorable market conditions, including a stable demand for office space, may encourage developers to pursue speculative construction projects.

Investments planned for 2013-2014 include an office building named Pascal (5,250 m<sup>2</sup>), the first phase of the Orange Office Park complex (11,200 m<sup>2</sup>), and Enterprise Park C (14 tys. m<sup>2</sup>). Another schemes planned for delivery during the discussed period are phase I of Echo Investment project with a total space of 15 tys. m<sup>2</sup> at Opolska Street and



Source: Colliers International, April 2012

In total, Kraków saw an addition of seven office buildings in 2011. The Buma Group finished the second phase of Quattro Business Park (11,700 m<sup>2</sup>) and two buildings in the Green Office complex with a space of 8,000 m<sup>2</sup> and 3,300 m<sup>2</sup>. At the same time, Trigranit delivered two office buildings as a part of the Bonarka 4 Business complex (15,700 m<sup>2</sup>). Biprostal, a renovated office building offering 7,600 m<sup>2</sup> of office space to tenants, was also commissioned.

In the first quarter of 2012, Kraków's office space supply increased by 9,000 m<sup>2</sup> delivered in two projects: Jasnogórska 11 (phase I, 7,600 m<sup>2</sup>) and Salony Krakowskie (1,400 m<sup>2</sup>). Developers are planning to finish another 44 tys. m<sup>2</sup> of offices



Bonarka 4 Business, TriGranit

two buildings of 28 tys. m<sup>2</sup> within office complex prepared by Skanska at Kapelanka Street.

**Demand**

If we look at the amount of office space leased, Kraków has invariably ranked first among regional cities. In the whole of 2011, tenant activity exceeded 82,tys. m<sup>2</sup>, whereas 2012 Q1 results seem to portend an equally good year.

**Table 3. Selected lease transactions 2011**

Tenant	Size (m <sup>2</sup> )	Building
Shell	16,000	KBP
State Street	6,700	Bonarka 4 Business
HEINEKEN	4,400	Vinci Office Center
International Paper	4,000	CB Lubicz I
Capita	3,560	CB Lubicz I
UBS	2,600	KBP

Source: Colliers International, April 2012

In 2011, tenants were signing mostly new lease agreements, which represented 52% of the total transaction volume. Negotiations and lease renewals came second, with an

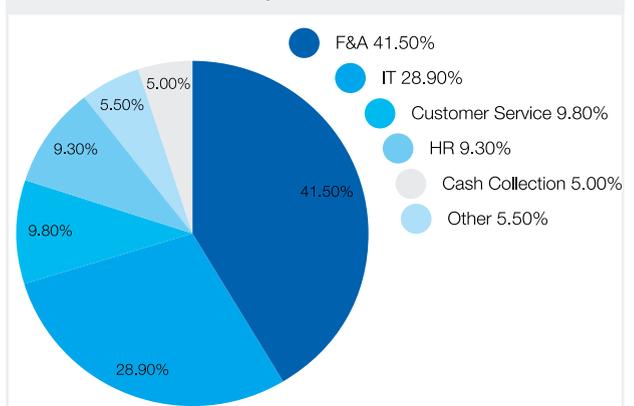
increased share of 34%. Pre-lease agreements accounted only for 6% of the total market activity, marking a huge drop in comparison to the corresponding period of 2010 (37%).

In 2011, companies specializing in modern business services proved to be the main driving force for the demand for office space in Kraków. Their activity grew over 65 tys. m<sup>2</sup>, accounting for almost 80% of the registered transaction volume. BPO/SSC created a demand for the biggest office properties. After analyzing the agreements, it may be concluded that the average size of transactions concluded by companies from this sector equaled 2,990 m<sup>2</sup>, while tenants from other categories rented approximately 430 m<sup>2</sup> per company.

The biggest lease transaction registered in 2011 was the renegotiation/renewal of lease by Shell, a company with a shared services center in Kraków. The company decided to stay in its current location, Kraków Business Park, where it holds 16,tys. m<sup>2</sup>. The second transaction in terms of size was a renegotiation and expansion of SABRE company in the Buma Square building with a total space of 8,900 m<sup>2</sup>.

The BPO/SSC sector in Kraków is growing at a stable pace,

**Chart 2. BPO/SSC tenants by sector:**



Source: Colliers International based on data from Aspire, March 2012

which is proven by new international investments. In 2011, new companies opened their service centers in the city, of which the biggest were HEINEKEN, Capita, Cisco, Akamai Technologies and Amer Sports Poland.

The first quarter of 2012 continued the same positive trends registered in the previous year, with a total market activity nearing 30,tys. m<sup>2</sup>. For the most part, tenants decided to lease space in existing projects. The biggest lease agreements concluded in this period include, among others: a 8,400 m<sup>2</sup> pre-lease concluded by Delphi Poland





in Enterprise Park, a 5,000 m<sup>2</sup> renegotiation of IBM in the GTC building, and a new agreement of 1,640 m<sup>2</sup> signed by Element 14 in Quattro Business Park.

### Vacant space

The stable and relatively high demand for office space in 2011 translated into a gradual decrease in vacant space, which accelerated remarkably in the second half of the year. As a result, at the end of the fourth quarter of 2011, the vacancy rate decreased to 8.5%.

In the first quarter of 2012, the vacancy rate for Kraków's office projects was measured at 9.7%. The main reason for this increase was the delivery of two new buildings, which until the end of the first quarter remained vacant. As at the end of March 2012, over 43% of vacant space, i.e. over 18 tys. m<sup>2</sup>, belonged to office buildings finished in the last six months.

In the next quarter, the vacancy rate will most probably remain at a stable level, nearing 9%. Temporary increases may only be measured in the second half of the year, mostly due to the significant rise in supply that will be added to the market. However, considering that buildings planned for the third and fourth quarter of 2012 have already been leased in 50%, the number of vacant offices should not rise too high.



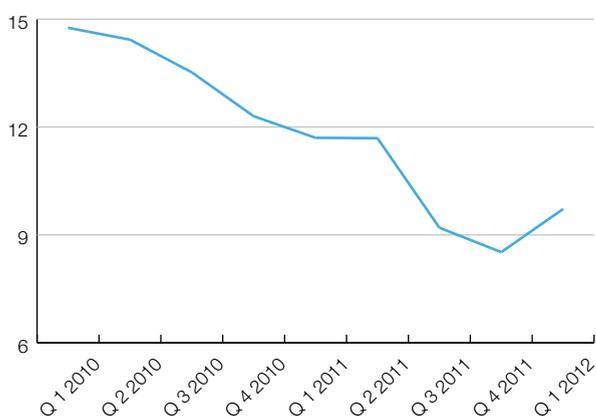
Enterprise Park, Avestus Real Estate

### Rents

In the first quarter of 2012, rents for modern office space in Kraków's office buildings remained stable. Like in the previous year, average starting prices oscillated between € 12 per m<sup>2</sup>/month and € 14.5 per m<sup>2</sup>/month. Office space rents in the best locations ranked slightly higher with a rate of approximately € 15 per m<sup>2</sup>/month. In the case of underway facilities, rents varied between € 13 per m<sup>2</sup>/month and € 14.5 per m<sup>2</sup>/month. Utility bills averaged PLN 13-16 per m<sup>2</sup>/month.

According to our forecasts, existing office buildings' rates will not change in the following months. Companies that decide to conclude pre-lease agreements will still have the opportunity to negotiate more advantageous terms. It applies in particular to key tenants who need to be acquired if the project is to be executed.

Chart 3. Vacancy rate (%)



Source: Colliers International, April 2012

A decrease in vacancy rate is expected in the first half of 2013, when the majority of schemes completed in 2012 will be already leased and the supply of office space will remain unchanged.



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# Unique spots and space which changes



**people** 99% of secondary-school pupils speak English, 90% speak German. IT, civil engineering, maritime engineering, F&A, customer services, medical industry, heavy production are developing in Szczecin.

**place** Szczecin will have at disposal 100 000 sq m of office space in class A and 73 ha of areas in the Special Economic Zone, which are located 120 km away from Berlin, 280 km from Copenhagen, 500 km from Prague, and 520 km from Warsaw in 2013.

**events** feel the rhythm of everyday life in Szczecin and live in the City of spectacular and unearthly events: European Swimming Championships, Sea Days Sail Szczecin, International Fireworks Festival PYROMAGIC & MUSIC Wave – Szczecin Live, Small Theatre Forms Festival KONTRAPUNKT, Festival -Bonds of Culture, Szczecin Music Fest, International Festival of Visual Arts Inspirations, the Tall Ships Races 2013.

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Contact:

Tomasz Stachurski, +48 797 019 151,  
Tomasz.Stachurski@skanska.pl



### ATRIUM 1

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[www.skanska.pl/offices](http://www.skanska.pl/offices)

**SKANSKA**

**Skanska Property Poland**

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Contact:

Justyna Płonka, +48 797 229 079,  
Justyna.Plonka@skanska.pl



### MALTA HOUSE

ul. Abp. Baraniaka, Poznań  
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**SKANSKA**

**Skanska Property Poland**

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00-854 Warszawa  
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**Offices**

**GREEN HORIZON**  
Skanska Property Poland



**Space:** 33 000 m<sup>2</sup>  
**Location:** ul. Pomorska 106, Łódź  
**Contact:** www.skanska.pl/offices

**Offices**

**GREEN TOWERS**  
Skanska Property Poland



**Space:** 23 300 m<sup>2</sup>  
**Location:** ul. Śrubowa 1/ ul. Strzegomska 36, Wrocław  
**Contact:** www.skanska.pl/offices

**Offices**

**GREEN CORNER**  
Skanska Property Poland



**Space:** 27 000 m<sup>2</sup>  
**Location:** ul. Chłodna 52/54, Warszawa  
**Contact:** www.skanska.pl/offices

**Arkońska Business Park**  
Torus Sp. z o.o. sp. k.



**Space:** 16 620 m<sup>2</sup>  
**Location:** Gdańsk, ul. Arkońska 6  
**Contact:** www.arkonska.pl

**Olivia Gate - Olivia Business Centre**  
TPS Sp. z o.o.



**Space:** 18 000 m<sup>2</sup>  
**Location:** Gdańsk Oliwa, Al. Grunwaldzka 472  
**Contact:** www.oliviacentre.pl

**Garnizon - Twin Wave**  
Grupa Inwestycyjna Hossa SA



**Space:** 11 800 m<sup>2</sup>  
**Location:** Gdańsk, Al. Grunwaldzka  
**Contact:** www.hossa.gda.pl

**Name**  
Investor

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# Kraków European Capital of outsourcing?

Why is Kraków such a special place on the map of service centres in the Polish, European and world perspective?

The edge of Kraków constitutes a series of favourable circumstances which resulted in establishing many SSC/BPO centres here. This in turn gave a leader's position to the city and made it one of the most attractive, developing cities in the world.

## Leader in surveys

The most recently published surveys indicate a leading position of Kraków in Poland and it being one of the most attractive, developing locations in the world.

The newest 2012 survey Tholons Top 100 Outsourcing Cities, similarly like the one from the previous year, assigns Kraków against the 11th ranking place in the World in terms of attractiveness for the business in this trade. On the other hand, more importantly it is at the same time 1st among the most dynamically developing cities in the area of outsourcing (emerging cities). This is the best position among other European cities (except for Dublin, which was assigned to established cities). It is not a coincident but consistent development. Kraków has been systematic in climbing numbers in this ranking, obtaining gradually, among the developing cities, 16th, 5th and 4th place in previous years. The criteria chosen for the survey included access to qualified candidates, quality of life, infrastructure, business environment and many other factors.

In general competition, the city copes very well. Not only it distinguishes itself in Polish and European perspective, but

**Table 1. Top 20 Outsourcing Cities of 2012**

Established city		
no.	City	Country
1	Bangalore	India
2	Mumbai	India
3	Delhi	India
4	Manila	Philippines
5	Chennai	India
6	Hyderabad	India
7	Dublin	Ireland
8	Pune	India
9	Cebu City	Philippines
10	Shanghai	China
Emerging city		
11	Kraków	Poland
12	Beijing	China
13	Buenos Aires	Argentina
14	Cairo	Egypt
15	Sao Paulo	Brazil
16	Ho Chi Minh City	Vietnam
17	Dalian	China
18	Shenzhen	China
19	Curitiba	Brazil
20	Colombo	Sri Lanka

Source: www.tholons.com

**Table 2. Examples of Common Services Centres in Kraków (ASPIRE)**

Accounting Plaza	Hitachi
Akamai	HSBC
Alexander Mann	IBM
Amer Sports	International Paper
Amway	lastminute.com
Aon Hewitt	Lumesse
ArcelorMittal	Luxoft
Brown Brothers Harriman	PMI Service Center Europe
Capita	PwC
EDF	RR Donnelley
Electrolux	Sabre Holdings
Element14	Shell
Euroscript	SouthWestern
Google	State Street
HCL	Tesco
HEINEKEN	UPM

Source: aspire.org.pl



also competes for new investments with the centres in China, India, Brasil and Philippines. It was Kraków where ASPIRE has been founded – the first Polish association gathering the service centres. And it is the same city where a cluster of companies and organisations has been created, establishing an entire ecosystem. ASPIRE cooperates with the universities to adjust teaching needs for the centres' needs, specialised companies supply the centres with premium services in terms of HR, property, IT solutions. Investing in the city is effective.

According to ABSL Kraków is characterized by the biggest number of people employed in the sector of modern business services, which in December 2010 exceeded 15.6 thousand of people. According to the same source, it is almost 23% of all persons employed in the centres in Poland. From this perspective, the city is way ahead of other Polish centres, out of which Warszawa and Wrocław exceeded 10 thousand people. At that time, the seven subsequent cities exceeded 1 thousand of people employed in the centres. Kraków is also one of the leaders in terms of employment in R&D centres, where over 3 thousand people worked at that time. This tendency is also confirmed by the Business in Małopolska report. According to the document, the number of people employed in the centres in Kraków exceeded 16.5 thousand in 2011, and the TEST experts estimate that even those numbers are underestimated and that 18-20 thousands would be a better approximation.

#### **Quantity becomes quality**

The fact that almost every fourth employee from the trade works and lives in Kraków results in the city possessing considerably larger potential than the remaining city centres in terms of access to experienced candidates, both in

SSC/BPO as well as ITO and R&D. As little as several percent, average level of natural rotation in the centres results in new investors being able to access the largest in Poland number of experienced candidates, at every management level, occurring on the market annually, whose number amounts to 1-2 thousand people. Deployment of new investments requires experienced people. Also important is their diversity, since the centres in Kraków are presenting almost all business functions.

Statistically speaking, the centres functioning in Kraków are also much larger than in the remaining cities and employ 363 people on average, whereas this value amounts to 180-280 people in other centres. Bigger scale of the centres is connected, among other things, with the fact that the centres in Kraków employ the employees in a larger number of positions than anywhere else. Hence it is not only about the number of potential candidates achievable on the market, but also about their diversified experiences and professional aspirations. This enables the current and new centres to recruit experienced candidates who are better suited for the role.

#### **Dynamic growth**

Development of the sector of modern business services in Kraków, similarly as in case of the remaining Polish locations, took place in the last 7-9 years. Only it did not have a uniform character. As early as in 2003 the total number of people working in the centres in Kraków, or the companies which are functioning on similar basis, did not exceed 2 thousand people and the level of employment in the largest organizations was maintained below a few hundred employees. The number of new workplaces grew gradually, at a moderate pace.





Dynamic growth started with Poland entering the European Union. In the period of 2005-2008 it resulted in couple thousand of new workplaces emerging annually. In the high spot period it meant 50-80 percent increment of the sector in Kraków. On one hand this growth was hailed, but on the other it brought perturbations resulting in increase of salaries per annum of a dozen or so percent. The average value of rotations in the centres also grew. It was a result of the pace and scale of emergence of new investors that offered the employees of the companies, already present on the market, new possibilities and challenges, which would be out of reach in their previous organizations. The office space, whose supply was not catching up with the market, was also scarce. The market itself was overheated and the city described as a „hot spot”, recommending other locations to investors.

After 2008 the situation changed. The World financial crisis withheld the decisions of prospective investors regarding foundation of new centres. Despite that, new workplaces were created continuously and the sector grew. This above all was a result of the centres already present on the market. The migrations of subsequent processes were fairly cheap for them, bringing fast profit, as these companies were already settled on the regional market, possessing infrastructure and specialists experienced in migrations.

**Stable market**

The last 2 years brought gradual unfreezing of the withheld investment projects, which overlapped with completely new projects, as a result of what the sector is growing again in a fairly fast pace of ca. 2-3 thousand workplaces annually. The current situation is however completely different as compared to couple previous years. The market of centres in Kraków is mature and the largest in Poland. The sector growth, impressive in absolute numbers, translates only to its 10-15% increment. Because of the fact that Małopolska region gains ca. 30 thousand university graduates every year, the situation is stable and as a result the centres present on the market do not observe the pressure on increase of salaries, which according to the Payroll Report from TEST for SSC/BPO does not exceed 5% annually. Similarly, the average rotation coefficient in the centres is maintained at the acceptable, low level from the last years.

Kraków is no longer an overheated market. Just the opposite, the city is way behind the „hot spot” period and the „childhood-years condition”, which are affecting other large Polish cities that experience dynamic percentage increments of employment, next to the still small markets of Wrocław, Poznań or Łódź. What is important here, at the moment, the present and new investors in Kraków may

count for experienced persons in almost all back office functions, such as F&A, IT, R&D, HR, CS, purchase, banking. Also diverse is the level of advancement regarding the processes which range from simple transactional to advanced knowledge processes. The market contains both very experienced candidates, even on the highest level of positions, specialists and experts in migration, optimization and ensuring process quality as well as the persons with scarce experience. Therefore, almost every centre is able to find the person with adequate competences, within the assumed budget.

**Demography is the key**

What made Kraków such a unique place? This is a complex problem but some of the reasons seem undisputable.

**Table 3. Number of students and graduates in 2008-2010**

Number of students			
	2008	2009	2010
in the country	2 109 346	2 106 934	2 038 278
in Kraków	210 046	212 015	206 549
Cracow's participation (in %)	9,96	10,06	10,13
Number of graduates			
	2008	2009	2010
in the country	420 900	436 549	474 552
in Kraków	45 214	49 765	53 989
Cracow's participation (in %)	10,74	11,40	12,06

The data contains the postgraduate and doctoral graduates  
Source: City condition report, the Cracow Town Hall

**Table 4. Students of public higher education institutions in Kraków in academic year 2010/2011**

Jagiellonian University in Krakow	44 813
AGH University of Science and Technology	33 148
Cracow University of Economics	20 747
Pedagogical University of Cracow	17 152
Tadeusz Kościuszko Cracow University of Technology	16 374
University of Agriculture in Krakow	12 907
University School of Physical Education in Cracow	4 311
Jan Matejko Academy of Fine Arts in Krakow	1 241
Academy of Music in Kraków	670
The Ludwik Solski State Drama School in Cracow	170

Source: City condition report, the Cracow Town Hall



Demography is the key one. Kraków is the second largest city in Poland, with the Małopolska Province being over 3 million people (despite its little area) is the fourth in terms of population. Adding the direct adjacency of over 5 million in the Silesian Province we receive the population (in both provinces) compared to the population of Czech Republic, Hungary or Slovakia, but in a considerably smaller area.

Naturally this correlates with the quantity of university students, which elevates the Małopolska region to the second place in the country, with the result exceeding 200 thousand. It doubles Silesia with this number, with its large urban agglomeration in the distance of only 80 km. Both cities confidently



compete with Warszawa, but are still remaining cheaper locations by 15-25 %. Considering the strong brand of Kraków as an academic centre and cultural capital of Poland as well as Silesia – with heavy industry and mining, the balance of migrations between those two cities in favour of Kraków does not come as a surprise. Additionally, young people from generation Y and the majority of centres' population are attracted by the work/life balance, the notion important to the majority of those companies. The people who are after development will have bigger changes for it here.

### What about the competition?

Thus, unique supply of candidates is certain. Let us take a closer look at potential competition among the employers. The number of large Western companies in Kraków, constituting a serious competition for the centres, e.g. in capital cities, is not considerable. The city hardly deals with manufacturing or commerce, there are few large production plants. The development is in services. The public sector in the city does not constitute a challenge due to its centralization in Warsaw. The graduates do not have much choice. Therefore, if they want to develop without emigrating, in most cases will have to decide to work in the services centres.

In the early years, many people were wary towards the sector, perceiving work in the centres as not very attractive. Most of them have changed their mind following improvement in the advancement level of the processes handled by the centres and their colleagues making fast careers, becoming specialists and managers.

The centres, although naturally competing between each other, are not threatened from outside of the sector. The high supply, appropriate image of the city, number of graduates with the knowledge of foreign languages as well as experienced staff of specialists and managers result in developing appropriate climate for developing this trade in Kraków.

### Remuneration in SSC/BPO sector in Kraków as compared to the rest of the country

Much is being said about the chances of our country for further investments, owing to high availability of highly-qualified staff and reasonable maintenance costs. Therefore, what is the level of employees' salaries in such centres?

In general, remuneration is discussed in the context of a particular role. On the other hand, along with inflow of the Western capital, more and more often the employees' remuneration is based on their competences, experience as well as scope of responsibilities. This developing remuneration model, according to experts, is worth noting, as more and more analyses of the payroll market also employs such criteria.

Such approach is used in the process of mapping roles in the Payroll Report issued periodically. Next to the role name, there is the so-called Grade added, which is defined on the basis of elements such as required education and experience, knowledge of foreign languages, availability or interpersonal skills.





In case of the managerial staff, it involves the factors related to the size of a subordinate team or budget responsibility. It allows, for example, to differentiate an accounting company with long experiences from a newly employed graduate, whose competences (and often also salaries) differ considerably, although they are employed on the exact „accountant” role.

The accountants and finance specialists from various areas constitute one of the most numerous group of employees at the BPO/SSC centres in Kraków. Their remuneration is lower than in Warsaw, although comparable with other centres in the country. Below you will find the estimated size of salaries in financial departments of SSC at the selected roles, along with a short description of competences and requirements, constituting elaboration of the assigned grade.

The mentioned roles require usually the knowledge of the English language. A characteristic feature of SSC centres is administrative management of the company branches around the world, therefore it is often required to speak additional foreign languages, which if not rare, may considerably influence the height of remuneration. Owing to heterogeneity of the group in this aspect, the below-mentioned analysis focuses on the roles connected with the knowledge of most popular European languages.

#### **Accounting Process Manager**

Estimated salary: 12 000 PLN

Directly manages a team of ca. 10 people. Should be ready to make decisions independently, which are often related to specific budget responsibility. Higher education as well as readiness to work outside regular working hours is necessary.

#### **Accounting Team Leader**

Estimated salary: 8 300 PLN

Manages a subordinate team, normally not larger than of 10 people. Makes certain decisions, but compared to the Process Manager, is not responsible for the budget. Occasional overtime meetings are involved. Secondary school education is sufficient, as experience and charisma is the most important here.

#### **Senior accountant**

Estimated salary: 5 800 PLN

Higher education or minimum 2-year experience (preferably longer) is usually required. Such a person, apart from expertise in his/her area of operations, is well acquainted with adjacent areas. It is suggested that he/she possesses basic managerial competences due to occurrence of situations

where it is necessary to coordinate teams' work. Overtime or additional meetings happen quite often.

#### **Accountant**

Estimated salary: 4 300 PLN

Higher education and 1-year experience is recommended, although it is acceptable to have only secondary school education, provided it was compensated with adequately large experience. It is recommended for this person to have extensive knowledge in the area of his/her area, so as to be independent in operation from frequent supervision of the superior officers.

#### **Junior accountant**

Estimated salary: 3 200 PLN

A typical entry level job, in standard working hours. Usually secondary school education is sufficient. Experience is not required. Most often the company provides necessary knowledge and tools to the employee.



#### **Financial analyst**

Estimated salary: 5 450 PLN

It is recommended to have higher education or 3.5-year experience in the trade. Such a person, apart from expertise in his/her area, also possesses basic knowledge of adjacent areas. The superior officer is keen on entrusting his/her with some degree of bigger responsibility. Is required to work overtime or go on a business trip on occasion.

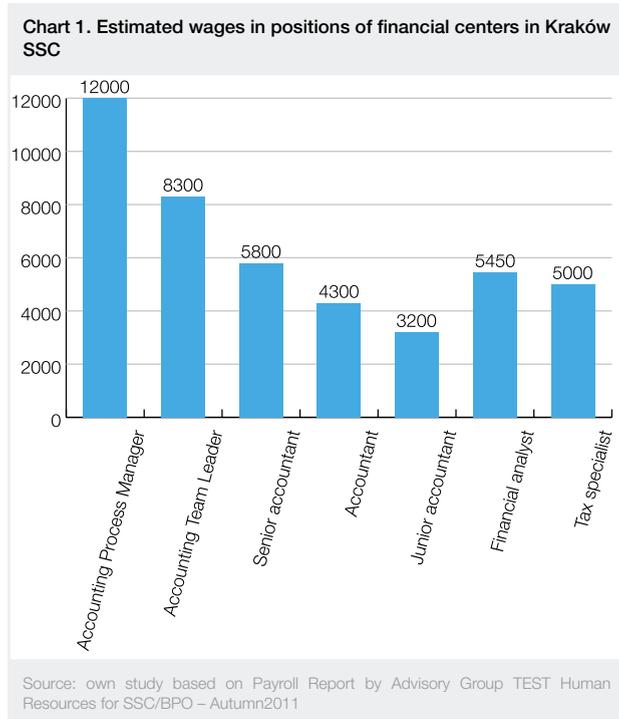


**Tax specialist**

Estimated salary: 5 000 PLN

Role-specific education as well as updated specialist knowledge is required owing to specialization. Also 2-year experience minimum on a similar role is needed. Completion of supplementary courses in financial law are an additional asset.

processes. We can see in Poland today how the financial centres shift from simple transactions and processes to complex financial management and advisory support processes. The experts envisage the progressive specialization. Not only of particular centres, but of the entire regions around the world. In the Middle-Eastern Europe, the centres servicing development and maintenance of applications, finance-accounting as well as IT and Research&Development become strategically more and more important.



It is, above all, because of the aforementioned tendencies, that Kraków gains stronger and stronger importance on the service-related map of Europe and the world. Considered as a capital of business-related services in the Middle-Western Europe, it is valued by the investors not only by the geographical vicinity and not too high labour costs, but also for access to specialists from different areas, who speak foreign languages.

A forecast can be made, in the global perspective, that in the next few years, the simple transactions, easy to handle and relocate will still be located in low-cost localizations. The cities of the Middle-Western Europe will on the other hand become attractive for advanced processes, owing to the quality of the provided services as well as access to specialist staff.

The aforementioned descriptions of roles as well as approximate gross salaries have been prepared based on the data obtained in the SSC/BPO Payroll Report (Autumn 2011), prepared cyclically by the Advisory Group TEST Human Resources, knowledge of the market resulting from the recruitment campaigns carried out, among other things, as requested by the outsourcing companies in Kraków as well as the unique specialist knowledge of our consultants.

**Perspectives for the SSC/BPO market – forecasts for further development**

In the period of unstable financial situation in Europe, the SSC/BPO sector is considered as one of the trades with the highest developmental potential.

The studies show increase in importance of suppliers managing the more and more advanced and complex



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# Małopolska and Kraków - let's get to know each other

## Małopolska – invest and live

The region, located in the south of Poland, is one of the most well-recognized regions in Central Europe. This is due to its history – Kraków, a historic capital of Poland, attracts around 8 mln tourists annually; its unique environmental features – Zakopane, located in the Tatra mountains, attracts lovers of winter sports and mountain adventures; and also its specific socio-economic structure, which differentiates Małopolska from other regions.

Małopolska, which has around 3.3 mln residents, emphasizes education, development of professional skills, and creating jobs in sectors where those attributes can be used the most effectively. The region ranks second in Poland (after Masovia) in spending on the research and development sector, the number of university instructors (12.4% in Poland) and students – 33 institutions of higher education instruct 212,000 people each year (11% of all students in Poland).

In addition, Małopolska is home to the largest number of sites listed in the World Heritage List (8), as well as of six national parks, two of which have been declared UNESCO Biosphere Reserves. Also, over half of the Voivodeship's area is under legal protection, which means that we seek investments that respect the natural environment, apply new

technologies, and concentrate on using renewable energy resources.

The conditions for activity in Małopolska have been appreciated and exploited by companies from every area of the global economy. In the last 20 years over 12 billion USD has been invested in the Voivodeship. The largest investors include the metallurgical giant Arcelor Mittal; companies from the automotive industry such as MAN (Germany), Delphi (USA), Valeo (France), Nidec (Japan), Cooper Standard (USA) and Clifford Thames (United Kingdom); companies from the food and beverage industry such as Philip Morris (USA), Balhssen (Germany), Carlsberg (Denmark), Coca Cola (USA); energy industry companies such as EDF (France) and ČEZ (Czech Republic), retail chains such as Carrefour, Auchan, Tesco, Real, IKEA, Makro Cash, etc.

Partners of foreign investors are Małopolska companies with outstanding growth and global reach - Comarch (new technologies), Maspex (food products), Fakro (roof windows), The Kęty Group (aluminum products), the chemical combines in Tarnów and Oświęcim, the Armatura Group (interior furnishings), FoodCare (food products).



Investors can count on comprehensive assistance from regional institutions – primarily the Business in Małopolska Centre (the Małopolska Regional Development Agency, Kraków Technological Park, the Special Economic Zone, the Małopolska Voivodeship), and also the Industrial, Polish-British, American, Scandinavian, Polish-French and Belgian Chambers of Commerce, which bring together the majority of the region's foreign investors.

Support for investment in Małopolska was recognized in a report from fDI Intelligence titled „European Cities & Regions of the Future 2012/13”, in which the authors declared that Małopolska held the best BIZ strategy among regions in Central Europe (17th place in BIZ strategy among 110 regions in Europe) and 10th place on the TOP 10 list of best strategies for large regions in Europe. Most of all, the promotion of the region's economic potential was recognized, alongside active cooperation with investors and projects with a decisive influence on the region's infrastructure. This last element – communication, transport, accessibility of new investment areas – has always constituted the cornerstone of the growth strategy for Małopolska and its cities and communes, which have consistently met the challenges of creating a competitive offer for both foreign and domestic entrepreneurs.

The Special Economic Zone occupies over 550 hectares of territory, with 22 subzones in 20 communes. The SEZ, operated by the Kraków Technological Park, is home to over 100 companies providing nearly 9,500 workplaces.

The Kraków-Balice international airport serves nearly 3 mln passengers annually on almost 60 international routes.

In the near future the Małopolska section of the A4 Motorway will connect the eastern part of the region with



the Podkarpackie Voivodeship and Ukraine. Future road investments include reconstruction of the southern route (Kraków-Zakopane), the northern (Kraków-Kielce), and what is known as the Beskid Integration Road, leading to Bielsko-Biała, Cieszyn and the Czech Republic.

The document „Małopolska Voivodeship Growth Strategy 2011-2020” indicates that the focus of the region's activity should be on „management of knowledge and activity”, „infrastructure for transport access”, and increasing the significance of the „Kraków Metropolitan Area.” All of these concepts are intended to increase residents' quality of life, as well as to foster the best possible atmosphere for economic initiative – maintaining the positive image of Małopolska as the best place for activity.

And seeing as how Kraków is the gateway to Małopolska – we invite you to Kraków...

## Kraków - royal, exceptional, magical...

The capital of Małopolska, with its nearly 800,000 residents, is its own sort of brand. A business card with a Kraków address is recognized as a sign that the holder is careful about image, can recognize the location's significant benefits beyond the business sphere, and also pays attention to the conditions for conducting commercial activity.

The city's streets pulsate with life through the entire year. This is primarily due to the Kraków educational environment – nearly 200,000 students, coming from the Jagellonian University (Poland's oldest), the AGH University of Science and Technology, the Cracow University of Technology, the Andrzej Frycz Modrzewski Kraków University, and the Tischner European University, alongside many artistic and professional academies.

The city attracts nearly 8 mln tourists annually from around the world. They are drawn to the city's exceptional monuments – the Wawel Royal Palace, the Old Town, the artistic and gastronomic Jewish Quarter of Kazimierz – but also the rich offer of cultural events, including musical festivals (Sacrum Profanum, Zaduszki Jazzowe, Coke Live Music...), theatre festivals (Boska komedia, Street Art), film festivals (Kraków Film Festival, animated film festival), artistic exhibitions, museum collections (the National Museum, the Czartoryski Museum). All this is complimented by several dozen hotels, bed and breakfasts, and hostels, making Kraków one of





the most significant attractions on the map of Poland and Central Europe.

The city owes its multinational character to both its centuries – old traditions and the presence today of representatives from various cultures. Here you can find the Cervantes Institute, the Goethe Institute, the French and Italian Institutes and the British Council. On the other bank of the Vistula, across from Wawel, you can visit the Museum of Japanese Technology and Culture, the Jagellonian University hosts the Confucius Institute; along the way you can sample Chinese, Thai, Indian, and – of course – Galician and Highlander cuisine.

Kraków's economic structure rests on nearly 120,000 companies, including 2,700 companies with foreign capital (71,4% of such companies in Małopolska). They operate primarily in the retail, automotive, scientific and technical branches, as well as in transport and logistics.

Kraków's investment landscape has been dominated in recent years by companies from the shared services and outsourcing sectors (Shell, Philip Morris, Lufthansa, Capgemini, Capita, State Street, HSBC...), the new technologies and R&D sectors (ABB, Motorola, Google, IBM, Delphi) creating a distinctive offer on the labour market and influencing the office real estate market – modern facilities from local developers (Buma, SuperKraak, GDK, Kraków Business Park) and international consortiums have made fundamental changes to the city's image.

It would be wrong to forget about the energy sector (EdF), metallurgical industry (Arcelor Mittal), retail chains, construction and engineering firms, and the extensive financial legal, recruitment, architectural and transport services available.

A modern growth policy has produced the Kraków Metropolitan Area. The KMA's structure includes Kraków and the neighboring communes, some of which (Wieliczka, Zabierzów, Niepołomice) are almost informal Kraków neighborhoods.

The Kraków Metropolitan Area – extending north-south from Miechów to Myślenice and east-west from Bochnia to Wadowice – contains over 56% of those employed in the region, and considering that a population of around 8 mln lives within a 100 km radius of Kraków this space constitutes a region with massive influence on the economy, social situation and interregional relations in the heart of Central Europe. Its creation, and most importantly joint investments in the infrastructure of Kraków and the neighboring communities should lead to rapid improvements for businesses in the entire sub-region.

Kraków is coming to grips with the same problems faced by all of Europe's agglomerations – balancing the budget, continuing transport investments (bypass, quick public transport connections), sustainable growth of metropolitan functions, territorial expansion and rational land use policies. Much remains to be done, but the potential to make direct use of what is offered by one of the most interesting and colorful cities in Europe attracts guests, tourists and people determined to come to the capital of Małopolska to live, work and... have fun.



Business in Małopolska

Source: Centrum Business in Małopolska  
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# Promoting the modern Małopolska

Diffuse promotional budgets, no joint strategy for institutions responsible in Małopolska, numerous diverse visions of how Małopolska should be viewed in the eyes of foreign investors – that was how economic promotion of the region looked just a few years ago. That is, until 2009 when a decision was swiftly taken to make a change and create a new view of Małopolska.

The Małopolska Regional Development Agency, Małopolska Voivodeship and the Kraków Technological Park – the three largest institutions in the region responsible for its economic brand undertook the unprecedented (in Poland) initiative of forming the Business in Małopolska Centre – an idea that brings together all of the elements vital for effective economic promotion.

At the Business in Małopolska Centre we promote a modern region. We want the traditional symbols like goat's milk cheese, the Lajkonik and the Wawel dragon to be associated with the tourism aspect of Małopolska, but for the economy to be associated with knowledge and modernity. We are constructing a positive climate for business, and conducting an integrated investor servicing system (one – stop – shop) that contains the region's largest database of investment lands along with a database of local export firms and foreign partners.

**We encourage investors interested in conducting business in our region to cooperate with us, and we offer the following:**

- preparation of specialist reports concerning the local economy,
- access to a database of investment real estate listings in Małopolska,
- assistance in contacts with local authorities,
- information on the Voivodeship's investment offer,
- information on public aid for investors, investment zones, EU funds and grants,
- advising in the areas of employee recruitment, contact with institutions of higher education, legal and administrative procedures,
- promotion of investment undertakings.

We also promote the offers of Małopolska companies in foreign markets. The Business in Małopolska Centre supports the growth of entrepreneurship in the region; we know how to effectively create the image of Polish companies abroad; we can promote Małopolska's businesses; we have the knowledge and experience to assist Małopolska entrepreneurs in succeeding on foreign markets.



**We offer:**

- a presentation of your company in the Małopolska Export Offer catalogue, available to prospective business partners on our website and in multimedia materials,
- placement of information about your company's offer in catalogues distributed at exhibitions, fairs and business events abroad,
- assistance in making contact with overseas customers,
- participation in economic missions and business meetings.

The activity of the Business in Małopolska Centre and the measurable successes that bring visible effects are primarily the result of the work of professionals who are constantly raising their qualifications, learning and adapting to investors' increasing demands.



Business in Malopolska

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## Business in Małopolska – stable growth, valuable investments...

We at the Business in Małopolska Centre are building a positive business climate

The tasks assigned to the Business in Małopolska Centre go far beyond the normal scope of services for companies considering doing business in the Małopolska Voivodeship, and in addition they make use of the years of experience gained by MARR SA, the Kraków Technological Park and local government authorities.

### Be where the decisions are made

Modern territorial marketing demands mobility. This primarily concerns the European regions and cities competing for Foreign Direct Investment (FDI). The economic blueprints from the early 1990s have ceased to be relevant in the 21st century. The view of Central and Eastern Europe as a source of cheap real estate and labor with modest internal market demands was made history by the economic boom of 2003-2006, accession to the European Union of the „new ten” in 2004 and the dynamic growth of economies in such countries as the Czech Republic, Hungary, Poland, Slovakia and the Baltic states. Our countries have begun to receive inquiries from investors in sectors rich in new technologies (the automotive, chemical, energy and electronics industries, to name a few), providing global services (BPO/SSC), and also those demanding highly-skilled workers (research and

development facilities, laboratories, etc.). These types of investments – the best calling card for any city or region – require proactivity in the area of “direct marketing”.

From the beginning of the Business in Małopolska Centre project (BiMC), it was clear that the offer of Kraków and Małopolska must be presented directly to those making investment decisions (*decision makers*). The BiMC offer began to appear at such events as *BioConvention in USA* (Atlanta, Chicago, Washington), *NASSCOM Leadership Forum in India*, *World BPO/ITO Summit in New York*, *Shared Services and Outsourcing Week 2010 in Edinburgh*, *Gartner Symposium/ITxpo in Florida*, *Expo 2010 in Shanghai*, *Business Forum in Saint Petersburg*, *Business Opportunities in Central Southern Europe in South Korea and Japan*, *International Trade Expo in Iraq* and conferences promoting PPP projects in **London, Madrid, Rome, Milan and the Hague**.

As if that weren't enough, BiMC has also undertaken extensive promotional activities in Kraków and Małopolska as part of *after care* campaigns, as well as to raise awareness of Małopolska's economic brand. *The Annual Business in Małopolska Meeting* gathers the elite of regional enterprises,



opinion makers and the chief actors responsible for regional growth. *ABIMM*'s past stars have included Lech Wałęsa, prof. Edward C. Prescott (Nobel Prize in Economics laureate of 2004) and representatives of the Polish government. The Business in Małopolska Centre has also made appearances at the *Economic Forum* in Krynica, becoming the main animator of the Investment Forum held as part of the most important economic conference in Central Europe. If we add the annual organization of the Małopolska Investment Forum, industry conferences, investments in PPP undertakings, cooperation with Iraqi Kurdistan and the Chinese province of Jiangsu, an analysis of the regional labor market, the BPO/SSC sector, export growth... it's easy to see that in just a few short years BiMC has become the „institution” responsible for reaching the world's primary decision-making centers. This has finally begun to bear fruit...

### The rankings trap

Rating the investment attractiveness of cities and regions has become a favorite subject of local and international comparisons. The trap in this is, undoubtedly, the criteria and evaluation methods applied in these rankings. It is practically impossible to fulfill all the requirements for achieving a high position in a ranking of the best cities for industrial, high-tech or trade investments while simultaneously demonstrating low operating costs for business and high quality of life.

Małopolska and Kraków are jointly realizing their ambition to enjoy the best opinions possible as part of studies confirming the „market” position of the region and its capital in relation to the most important competitors, in the industries we are most concerned with.

Kraków has pleasantly surprised observers with its excellent showing on the list of the world's most attractive cities for companies in the BPO sector. Kraków has been recognized as the world's number 1 location in the „*emerging cities for global services outsourcing*” category according to the rankings of **Global Services and Tholons** in 2010 and 2011. It is worth adding that Kraków was previously ranked 4th (2009), 5th (2008) and 10th (2007) in previous years. At almost the very same time Małopolska was recognized for the best strategy in attracting FDI 2011 among Eastern European regions according to **fDi Intelligence (Financial Times)**, which gave it a place in the TOP 10 of large European regions (10th place as the sole Polish region in that category). The Polish ranking of regions' investment attractiveness performed by the **Institute of Market and Economic Research** has for years ranked Małopolska in 4th/5th place among the 16 Polish provinces. We still need to catch up to the very best in the areas of investment offer quantity, safety and transport.

These good results have not allowed us to let our guard down, but rather force us to think long and hard about what results from the often-cited weak sides of the city and region; primarily in the areas of improving communication and transportation infrastructure, improving standards of service for businesses by local administration, creation of long-lasting instruments for investment support – independently of assistance from such sources as EU funds, central government grants and the support systems present in Special Economic Zones.

The other side of our high rankings – what to do in order to be even better?



### The investment offer – the foundation of BiMC's work

The daily work of BiMC consists in developing and verifying investment offers. It is based primarily on a **database of investment real estate in Małopolska**. Nearly 75% is real estate belonging to public partners – communes, cities and counties. In the last two years we have developed **Economic Activity Zones**, which are areas encompassed by a special program of management and construction of infrastructure to meet the needs of investors. At present there are already around 30 EAZs in Małopolska prepared to join in talks about potential investments.

Since 2009, BiMC has cooperated directly with the owners of commercial office space in Kraków, as well as brokers and agents. This is the result of massive interest in Kraków, specifically the Kraków Metropolitan Area, on the part of the





outsourcing (BPO) and shared services (SSC) sectors. As the strongest trend in investment of the past few years, this has forced the experts at BiMC to expand their investment offer with new elements. This includes information about human capital, costs of employee acquisition, the offer of Małopolska's academic institutions, and even a study of local „quality of life” that has seen investors being given information on Kraków's golf courses, areas for underwater diving, or even the costs of child care. The creation of workplaces in this branch has forced us to make every effort to ensure Kraków and the surrounding areas are excellent places for both work and play.

At present, the real estate database contains around 150 offers that can be accessed at [www.businessinmalopolska.pl/.com](http://www.businessinmalopolska.pl/.com). Their form is primarily the result of standardization of investor service carried out in cooperation with the Polish Agency for Information and Foreign Investments (since 2003), and has recently been enhanced as part of the network of Investor and Exporter Service Centers operating in the framework of a project led by the Minister of Economy and 16 Polish regions. This database also includes ongoing monitoring of phenomena on the Małopolska investment market, which has aided in producing regional reports concerning human resources, real estate and individual sectors of the economy (in 2012 the report concerns the BPO/SSC, IT and R&D sectors).

In the space of a few years, in accordance with market requirements, information about available properties, production facilities and historical monuments has become a true *dossier* encompassing practically the full range of information on investment conditions in Kraków and Małopolska. Participation in the Business in Małopolska project by the Kraków Technological Park (Special Economic Zone) and the Małopolska Voivodeship Government has expanded the –offer” with new property locations and investment incentives along with a guarantee of full cooperation from representatives of local and regional administration.

Preparing annually around 100-150 investment offers for clients from around the world is now the norm. In spite of uncertainty in the European and global economies, we are striving to maintain our current status and to increasingly ensure that quantity is always matched by quality...

### What will the European Union do?

Like the majority of regional institutions responsible for economic growth, BiMC makes use of European Union funds in its activities. The Centre is involved in such projects as „**Business in Małopolska – an investment in the future**” (2011-2012), „**Business in Małopolska – Grow with us**” (2012-2014), and cooperates with the Voivodeship Labor Office in the project „**Partnership for offering services to investors seeking workers and outplacement services**” (2010-13). Accordingly, we are all the more interested in the shape of the EU budget for 2014-2020 and possibilities to use funds for supporting investment.

Equally significant will also be European decisions affecting the macroeconomic situation of the euro zone and protection of the domestic economy against international economic instability. From a regional perspective, the goals for the coming years seem to be clear. Most of all, this means support for local initiatives (Małopolska Voivodeship Growth Strategy for 2011-2020) to develop a high-quality investment offer, technology transfer and improvement of human capital, and on the other hand expansion of the services provided by the Business in Małopolska Centre coupled with reinforcement of the Małopolska economic brand in Europe and around the world.

BiMC and the institutions that comprise it are verified and trusted partners for investors – local and foreign firms with global reach, as well as the SME sector. If we succeed in tailoring the services we offer to the expectations of investors, we can be sure of at least one thing – you will be welcomed with open arms as guests in one of the most beautiful and interesting regions of Europe. Come join us – it's great to be here...



Business in Małopolska

Source: Business in Małopolska Centre  
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EUROPEAN UNION  
EUROPEAN REGIONAL  
DEVELOPMENT FUND



Projects financed by the European Union within the Małopolska Regional Operational Programme for the years 2007-2013



# What do Academic Enterprise Incubator (AIP)

offer to the incubation program beneficiaries?

Every young person shall, at least once, try to set up, own business. Thus, we created the Europe's largest network, comprising more than 40 Academic Enterprise Incubators.

Throughout 7 years of active existence AIP has let out over 4000 start-ups. At present, AIP provides assistance to more than 1350 companies in whole Poland. Everyone who joins AIP may set up company within an hour and run it in risk controlled environment.

Due to innovative legal solutions young people can take advantage of AIP's legal personality to run their own separate independent business but legally acting as part of the Foundation. This enables entrepreneurs to save both time and money, which are usually needed in large amounts when starting a new business. What is more, an entrepreneur running their business within AIP structure is not officially registered as a business owner, which means being released from duty of monthly payment of national insurance which is otherwise compulsory, as well as enjoying the opportunity to participate in assistance programs accessible only to individuals not running their business before.

The state of being incorporated in AIP's legal personality ensures young enterprise's legal security, in case of dispute or litigation an entrepreneur is not left to their own devices but can count on the Foundations' support.

**Besides legal personality, AIP is giving to beneficiaries also:**

- full accounting support,
- legal support (advices, preparation and verification of contracts),
- own bank account for company,
- advice on business management and access to know-how,
- some possibilities of media coverage,
- temporary access to office space and the use of incubator's address as official business premises,

- free access to lecture rooms and classrooms equipped with multi-media presentation projectors,
- business meetings and assistance with obtaining new contacts,
- possibility of financial support after leaving AIP.

AIP Kraków in now there is more than 140 companies run by young and creative entrepreneurs.



An interesting example of a company which is a part of AIP structure is Tarendo, the activity of which, is focused on outsourcing services. The main goal of this company is introducing IT solutions in the Cloud Computing technology. Accordingly, these function as a part of System as a Service model which not only enables significant cuts in the costs of IT services, but most importantly, provides a wide range of flexible and optimal supporting systems (CRM, ERP, Project Management). To facilitate clients' specific expectations Tarendo also create dedicated systems based on Google Apps. Their indisputable success may be reflected in the status of an official Google Apps Authorized Reseller that they hold.



Author  
**Kamila Golec**  
 Coordinator  
 AIP Kraków



# The International School of Kraków: a truly international experience

The International School of Kraków (ISK) is a dynamic, growing school dedicated to its mission statement of „excellence in the intellectual and personal development of tomorrow's world citizens”. At present, approximately thirty different nationalities make up the student body, making the school truly international. The highly-qualified staff is similarly international, comprised of teachers from all over Europe and North America, including many native English speakers.

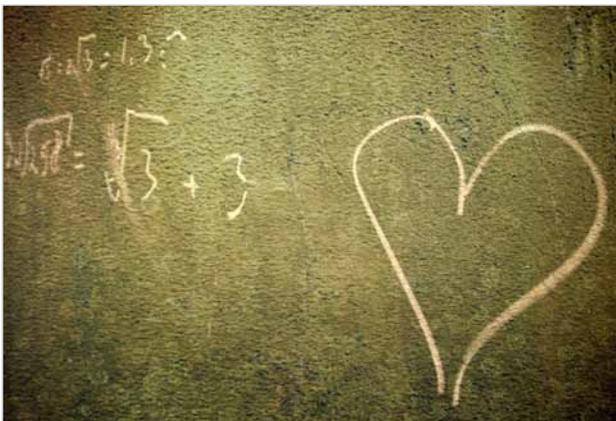
Though ISK is located a mere 20 minute drive south of Kraków's city center, it is a world apart, flanked on both sides by protected forested areas in rural Lusina. The perimeter gates enclose an impressive campus with ample outdoor play space and a new sport field house („The Bubble”) where students can play sports year-round. Embracing all of southern Poland's seasons, the soccer field and surrounding area is used for cross-country skiing and sledding during the winter months.

ISK's educational facilities are newly remodeled and designed with the needs of 21st century students in mind. Students perform exciting experiments in the new chemistry lab, and they hone their research skills in one of two computer labs or in the 10,000+ volume library, the largest English-language library in southern Poland. The Language Department is one of the great academic strengths of the school, allowing students to take English, Polish, French, and German as native or foreign languages and also Spanish as a foreign language. Class sizes are relatively small, allowing for more personalized



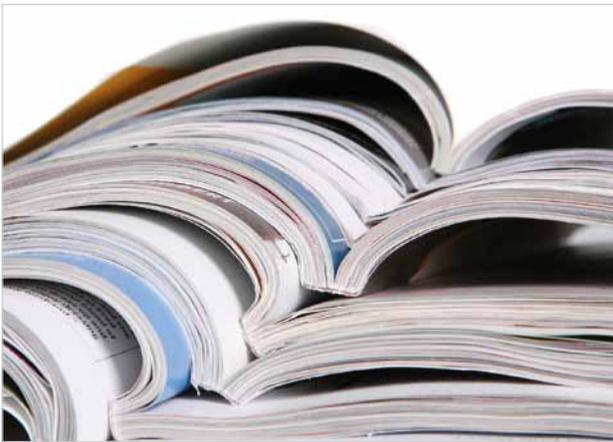
teacher attention and a tight-knit community feeling in the school. ISK teachers are energized and highly-qualified (75% of staff and faculty have graduate degrees or are currently in graduate programs), offering many hands-on opportunities for their students to practice the skills they will need to succeed in the modern workplace: clear communication, collaboration, and critical thinking.

Since we feel it is important for the students to develop holistically, we offer many diverse opportunities for personal growth including a strong fine arts program with a „WinterNational” play, music concerts and student art shows; a speech and debate team in middle school and high school; various sports competitions; an „After-School of Rock” for budding musicians; interactive conferences with students from other international schools; and a week-long ski camp, as a sample.





In addition to the opportunities offered to students on campus, there are many chances for them to broaden their horizons and become global citizens. This year, students involved in the speech and debate teams and the Knowledge Bowl



team traveled to Moscow, Budapest, and Kiev for Central and Eastern European School Association (CEESA) events. Our middle school (grades 6-8) students participated in a Math Counts competition in Vilnius with individuals placing 1st, 4th, and 5th. ISK middle school teams also placed 2nd and 5th in this year's Knowledge Bowl competition in Kiev. For those who are interested in sports, the annual ski camp was held in Cortina D'ampezzo, Italy, where students skied and snowboarded on four different mountains. Towards the end of the year a cultural immersion high school and middle school trip is planned for Madrid, where students can soak up the art scene and test their Spanish skills out in the streets and markets. Students keen on traveling will not be disappointed by the options they have while attending ISK.

Lastly, ISK students reap the many benefits of international education in general. The school is currently an IB Diploma Programme Candidate School, and the early years and elementary schools run the International Primary Curriculum (IPC). The school is the only school in southern Poland fully accredited and globally authorized by the New England Association of Schools and Colleges (NEASC) for the United States and Council of International Schools (CIS) for Europe, and it is also a United States Department of State Overseas School. As a sample of past successes, our graduates have been accepted into the following universities in Europe and North America: Jagiellonian University (Poland), Berlin School of Economics (Germany), University of Aberdeen (UK), University of Kent (UK), University of Glasgow (UK), Academy of Contemporary Music (Guildford, UK), Michigan State University (USA), Penn State (USA), and St. Olaf (USA). ISK graduates leave the school with skills desired in the workplace, ready to truly take on the responsibility of being world citizens, and they are happy to return to campus to share their success stories with the staff and the friends that they left behind when they graduated.



Author  
**Dan Kozak**  
 English Teacher  
 ISK High School and Middle School



# Outsourcing in Kraków - from an investor perspective

Interview with Przemysław Berendt - Vice President of Marketing in Luxoft

**Outsourcing&More:** In your opinion, what are the advantages of Kraków in the struggle for new investments in the SSC/BPO/IT sector?

**Przemysław Berendt:** Kraków has been attracting investors setting up service centres here for years and is now permanently inscribed on the list of the most popular locations in our part of Europe. The strong position of the city has repeatedly been reported in international ranking lists and reports such as e.g. Tholons Top Outsourcing Cities.

Initially, investors were attracted by competitive labour costs, as well as a large population of well-educated young people. With time, the city began to develop infrastructure to support new investments. Today, after over a decade of growth, the service centres are one of the largest groups of employers, and the quantity of investments is still growing. The market companies are currently declaring their further development. So, the magic of Kraków is still working.

In my opinion, what prompts investors today to locate their investments in the city is the unique combination of the following several factors.

One of them is existing ecosystem for BPO/ITO sector. The local labour market of this sector provides over 20 thousand skilled workers. A new investor opting for Kraków can draw from their rich experience. This reduces the time required to launch the centre and enables the rapid transfer of advanced processes.

The city also has several organizations that can assist in the launch of the investment and in gaining public support.



Luxoft has worked with the Kraków Technology Park and the Special Economic Zone that it supports.

Business organizations, such as the branch of the ABSL (the Association of Business Services Leaders in Poland) organization or the Kraków ASPIRE, gathering companies from the sector, are another element of this ecosystem, allowing for the exchange of experience and solving common problems.

An important factor is academic community. Kraków is one of the largest academic centres in the country. For a potential investor, the criterion of the level of education and number of graduates entering the market is very important. The Jagiellonian University, AGH University of Science and Technology, Krakow University of Technology, as well as universities from other towns in Lesser Poland, such as WSB-NLU in Nowy Sącz, provide graduates for whom work in service centres makes it possible to build an interesting career.

Can't miss an attractiveness of the city and its surroundings. Kraków is a city comfortable for living. The existing infrastructure, the beauty of the old town, its cultural life and the attractive labour market make people want to migrate to the city. The fact that in winter the nearest ski slope can be reached in 30 minutes, and during the summer one can get to the Morskie Oko lake in a couple of hours are additional advantages for those who like active rest.

For business, it is equally important that you can fly from major cities in Europe direct to the airport in Balice. The emerging new destination such as Kiev, Moscow or even Gdańsk increase the attractiveness of the location.



**O&M:** What factors determined the opening of your development centre in Kraków?

**PB:** One of the customers of Luxoft, who had worked with the company in the branches in Ukraine and Russia and who had already had its service centre in Kraków, helped us to make the decision. After starting operations, soon we saw the advantages that I have already mentioned, which led to the start of cooperation with new customers.

Today, after nearly one and a half years in Kraków, we employ over 150 well skilled software engineers and we offer services to three large international customers. The main factor which will support further dynamic development of our business is the fact that the labour market in Kraków offers a large group of professionals who, beyond technical skills, also have business knowledge in our key sectors such as finance, energy, telecom, and travel. We also hope that we will be able to fully exploit the local potential creating a research and development department within our centre in the future.

**O&M:** In what area do you see the biggest gaps/risks for further development? What should be changed?

**PB:** Although Kraków has been the leader in attracting investors from the industry for many years, it should not rest on its laurels. Other cities in Poland are catching up quickly and win over Kraków more and more often. Today, the game is not played only between Kraków, Warsaw, Tricity and Wrocław. Some smaller towns, such as Rzeszów, Bydgoszcz and Opole, have joined the competition.

I notice three areas on which Kraków should focus in order to retain strong position.

The priority is the collaboration between universities and business. I hope that universities will address the expectations of service centres and will adjust their curricula so that graduates leaving their walls will be ready to take a job in the BPO/ITO sector. And this is not only about knowledge of foreign languages. I hope that the curricula will contain subjects allowing to get acquainted with the basic terminology and processes operating in the industry. I would expect IT graduates to have some knowledge of the technologies that are already changing the world, such as mobile, software defined networks or big data.

Much can be done to improve of infrastructure. With this regard, attention should be paid to the issue of improving the employees' transportation access to the company. The city should talk to employers about optimization of routes and timetables of buses and trains. Additional air routes would also be welcome.

The biggest challenge facing the further development of the industry is to manage growth – balancing labor demand and supply of graduates. The city and institutions that support SSC/BPO/ITO investors should monitor the growth plans of the incumbent players and of those planning to invest, by comparing these plans with the data from the universities on the number of graduates entering the market. Only a good balance of both of these variables will ensure long-term growth.

**O&M:** What are the forecasts of growth of the industry in the times of prolonged crisis, and what will be the position of Kraków in this situation?



**PB:** Contrary to appearances, the crisis has had a positive influence on the development of the sector. All global analyses suggest dynamic growth of the entire industry. This is because of the fact that „on-shore” companies, looking for savings, decide to shift more and more of processes „off-shore”. Kraków, in order to maintain its strong position while remaining competitive with the more exotic locations, should help investors to transfer more advanced knowledge-based processes.

**O&M:** Thank you for the conversation.



# Interview with Marek Sowa – the Marshal of Małopolska Region

**Outsourcing&More:** What is the significance of the Shared Services Sector for Małopolska, commonly known as BPO or SSC?

**Marek Sowa:** At present we are observing with great interest steady growth in investment by companies in the provision of modern business services. It's impossible to ignore the creation of nearly 20,000 workplaces, primarily for young, well-educated people looking for their place on the local job market. Kraków, the capital of Małopolska, is taking full advantage of these investments, including with regard to the consistent demand for modern office space offered by our developers and construction firms. The list of companies – modern enterprises known around the world – is impressive. This is an excellent opportunity for promoting our region.

**O&M:** Can this trend in investments also include other urban areas in Małopolska?

**MS:** We are counting on this type of initiative encompassing other cities in our region – Nowy Sącz and Tarnów. We are, however, aware that the requirements of investors in the shared services branch lead them mainly to the Kraków metropolitan area. We hope, that this will be the starting point for evolution into new locations – for example, to some of the communes in the Kraków Metropolitan Area. Zabierzów has already taken advantage of this opportunity in creating their local Business Park, and it may be worth taking a longer look at the offers from Skawina and Wieliczka. The improving quality of public transport, integration of neighboring communes from Kraków and investor-friendly environment should encourage expansion beyond the centre of Kraków.

**O&M:** What support can investors looking into Małopolska count on from local authorities?



Mostly we operate with the assistance of the Business in Małopolska Centre, an entity offering various services to investors. The BMC, co-founded by the Kraków Technology Park, provides information about operating in the Special Economic Zone. The Centre prepares information about the local real estate market, human resources available in the region, costs of conducting business, and the structure of the region's economic potential. This is only a general description of the services on offer. Every investor has a 'caretaker' responsible for answering all the questions a given company may pose. We provide all investors with the support tools available to local authorities.

We regularly meet with investors who are already operating on the local market. This happens during important regional events – the Krynica Economic Forum, the Małopolska Investment Forum, or the BMC's Annual Business in Małopolska Meeting. We try to let companies know how important we take the task of improving Małopolska's and Kraków's image in the international economic community, of improving the standards of services they receive, and of maintaining the good reputation of the quality of life in Małopolska.

**We invite all those interested in doing business in Małopolska!**

**O&M:** Thank you for the conversation.



# Interview with Elaine Barnes

**Outsourcing&More:** Why did you consider Kraków as the location for your operation center?

**Elaine Barnes:** We investigated over 30 cities in Europe and chose Kraków for our commercial centre for 3 reasons: The quality of people we met during our investigation, the strong language skills as we will cover 17 languages from our centre and also a strong service culture. So much of our culture fits with the aspirations of the population, it is also a city that attracts many nationalities to want to live and work here.

**O&M:** What were the key decision making points?

**EB:** As mentioned above the key decision points were about quality, culture and language availability. As a High Service distributor it is our people that add the value therefore these needs had to be met for us to be happy centralising our business into one European location for our outbound sales activities.

**O&M:** What were the other locations you were considering for your investment?

**EB:** We considered over 30 different locations, but narrowed down our search to just 5. Kraków came out on top.

**O&M:** What kind of processes are you going to run in your center?

**EB:** We will be running a best in class commercial centre that will run telesales and telemarketing activities. Our customers will expect product knowledge and assistance with technical queries along with help and advice that we can offer as part of our services beyond products.

**O&M:** What positions are you recruiting for at the moment?

**EB:** We're currently looking for Business Development Specialists and Marketing Development Specialists. Both these roles will involve working with new and existing customers on the telephone.

**O&M:** How many jobs are you going to create?

**EB:** Our centre will have approximately 130 people covering all of our European outbound sales activities



**O&M:** When the operation activity has started or will start?

**EB:** Our first group of new employees started on the 2 April, we will launch in phases being fully operational for Europe by the end of September 2012.

**O&M:** Thank you very much.



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# Let's talk about Finance and Accounting Services

– interview with Andrew Hallam, General Secretary of ASPIRE and Paul Jasniach, SSC leader PwC

**Outsourcing&More:** Gentlemen thank you very much for your time. For quite some long time Poland has been visible on the world's F&A outsourcing map. Both of you have had a significant impact on getting and supporting new BPO/SSC investors. Can you tell us how did it start in Poland?



Andrew Hallam, General Secretary of ASPIRE

**Andrew Hallam:** Well, it is much more than F&A - as far as Kraków goes we are now talking about HR, contracts and procurement, marketing, sales, customer services, financial services, IT support, applications development and so on. As to how it started, this is probably more a question for Paul, in the sense that PwC were the first outsourcer, supporting BP, who had (still have) their Polish head office in Kraków. Later PwC sold their BPO business to IBM and to Capgemini and both those companies established centres in Kraków, and so it went on.

**Paul Jasniach:** That's right, many, many years ago PwC actually started the BPO business in Poland, and in those days the world not to mention Poland was very different. I remember in my beginnings in the BPO space, you had to sell the merits of Kraków and Poland to companies. Companies were nervous about setting up operations in a place like Poland. These days like Andrew says it's not just F&A companies that are looking to establish operations in Poland, to benefit from the talent and experience that the people bring and I can happily say, PwC are again heavily involved in supporting companies and cities to make this happen.

**O&M:** Andrew – you are running ASPIRE, the largest in size and also the longest operating SSC/BPO association in Poland. Tell us, when and why ASPIRE was created and what are the next steps to be taken?

**AH:** The largest and also the fastest growing. PwC was also much involved in ASPIRE's beginnings. Back in 2007, PwC had already established its SSC advisory centre in Kraków and they were organising occasional meetings of the SSC/BPO centre heads. I was running various platforms to network the international business community and bridge with local stakeholders. At the time, it was clear that there was a real opportunity for SSC, BPO and technology to really take off in Poland, but from experience I understood that if we wanted to move forward we needed to establish a representative organisation. So that's what we did, bringing together the growing number of companies operating in the sector, who at that point rather saw themselves as competitors for talent.

Next steps. That's the key, of course. The industry to this point has developed on the back of labour arbitrage, but also the talent and aptitude of the young people working in the centres has meant that companies have been able to move up the value chain, extend service lines, and expand into other geographies. ASPIRE exists to strengthen the business model for the industry based on two key concepts – local environment and evolution of the ecosystem to support the development of the sector. We focus on building the industry brand, presenting the opportunity that exists



for people – whether graduates, young people working in the industry, service providers, educational institutions or government. The key is stakeholder engagement.

**O&M:** Paul – and what is the role of PwC in the ASPIRE project, why is PwC involved?



Paul Jasniach, SSC leader PwC

**PJ:** PwC is involved in ASPIRE as it is a big believer in the organization and what it is doing. It is really looking to enhance all aspects of the business environment in Poland. It is working with the cities and local government to create good conditions for investment. It is working with SSCs to make sure they have a voice and their key challenges are addressed, and working with universities to make sure that the skills and knowledge that graduates have will enable them to make careers in the industry. For these reasons PwC is involved, and believe this makes the environment very attractive for companies looking to establish SSCs in Poland.

**O&M:** Kraków is seen as the main city in Poland where F&A services are being provided from. Poland and also CEE Region has many other locations for this type of services – why does Kraków keep its leader position?

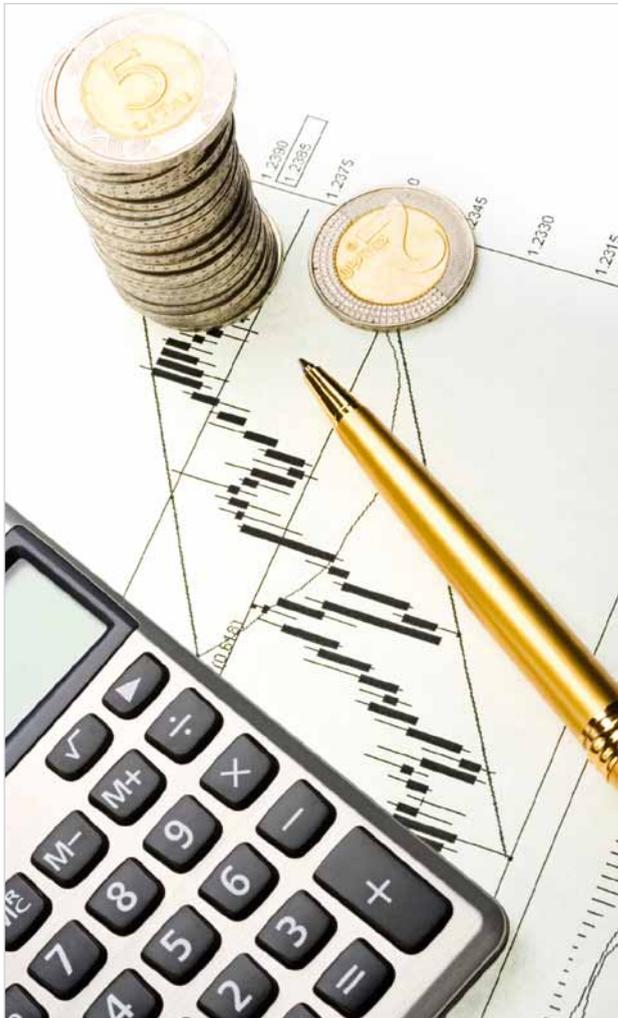
**AH:** There are reasons why Kraków has this leader position and these are all important, but the key now is critical mass. There is a maturity in the market, a know-how, an openness and a trust between companies which means we can share knowledge, collectively define the market, benchmark and so on. But the really interesting thing is this: we have become a magnet for talent; people are attuned to the needs of the market, which gives rise to innovation but also job-readiness. Moreover, developers are confident in the market's continuing growth so we have a pipeline of office projects and therefore availability of office space. Taken all together, this means costs in Kraków are equal to or lower than other cities across the region and at the same time Kraków has the least risk. For me, this creates a new paradigm.

**PJ:** Organizations like ASPIRE have worked very hard to make sure that the environment is right for SSCs. Andrew mentions there is maturity in the market, and that is very true. Just having SSCs work together rather than against each other, creates an environment that supports new players in the market. I can tell you I have lived in Kraków long enough to know that was not always the case, however through experience and education SSCs have come to realize there is room for everyone in Kraków and by working together there is a lot to gain. You combine that SSC environment with the things that have always made Kraków attractive such as the labour pool, skilled graduates, language capabilities and the quality of life, and it becomes very difficult to look past Kraków. Although I think we are very lucky in Poland, as we have many cities which are very good locations for SSCs, and this choice keeps all cities on their toes.

**O&M:** Within F&A services there are less and more complicated processes to be run. In some cases the technology is important, in other cases, people skills. What kinds of skills are required by F&A outsourcing Operations Centers? Do the SSC/BPO providers co-operate with local schools and universities to educate and afterwards to recruit future employees?

**PJ:** Within any SSC or BPO there is a range of skills that are required, from very technical skills to very customer relationship focused skills. Roles can be project based involving long and strange hours, or there can be very stable 9-5 jobs. That is what continues to make the industry exciting, the range of skills requires. It is essential that SSCs put the right people in the right roles to be successful. It is not always possible to find the ideal candidate that has every trait or skills that you require, this is where a company needs to make sure they are targeting the right candidates and have a solid training program in place to upskill their staff. There has been some work with universities and schools, however we





do a lot of work with SSCs to enable programmes to teach staff the skills they need to be successful in the industry.

**AH:** Most of our members have relationships with local schools and universities. ASPIRE rather focuses on a direct relationship with the students themselves. We see them as a key stakeholder group, the future of the industry – 70% of those working in the centres in Kraków are graduates of Kraków universities. There are 200,00 students in the city and we address our message to them. We run a programme called Say YES! which includes an internet portal for students; a programme of soft skills weekends; as well as a special event which has been put together for our annual conference which will promote the real world impacts of our companies, as well as the job opportunities we offer. We also conduct a bi-annual survey which captures the current and future language needs of the industry and we have developed the ASPIRE Competencies Matrix, which outlines the ten most sought after soft skills required across the industry at entry level.

**O&M:** Outsourcing of F&A services is developing each year, new technology, new workflow models are being implemented. How do the services providers keep their offer attractive to their customers? Is it by investment in technology or rather skills or any other methods?

**PJ:** I think all have a role to play. Providers need to make sure that they remain best in class and are constantly improving. This will involve standardization and in many cases automation. Technology has a role to play in this. However skills in process improvement methodology and techniques become critical. Without this it is difficult to understand what process and technology changes should be made. This is where higher value skills and a strong labour pool that has the skills in this area becomes critical.

**AH:** I agree with Paul and Poland has a particular strength in this area, because young people have an affinity with process. Culturally, there is a reluctance to start something unless you can show how it ends and can map the steps along the way. Moreover, there is a real desire to improve the process. I would say the challenge is less around process than it is the broader vision, e.g. you can speak a language but that doesn't mean you can communicate effectively in that language. As the market develops, so we add the quality of maturity to technical aptitude.

**O&M:** When we take a look at the range of customers of F&A Centers we can easily notice most if not all their customers are foreign companies. Most probably the main reason for this is lower labour costs in Poland, but the decision to go for outsourcing is not limited to costs only – very often it is connected with improvement of processes, optimization of workflow, shortening the time it takes to process data, implementation of quality controls, etc. When do you think Polish companies will start looking for outsourcing of F&A functions or perhaps they are already doing so?

**PJ:** I think the answer is that Polish companies have already been looking at shared services (CUWs). While the labour arbitrage savings may not be as big as for the foreign investors, the other benefits that you mentioned are all there, and that is very much what they are seeking. Often Polish companies also have the advantage of understanding the environment much better than foreign investors, and they can utilize sites and cities where they already have a strong footprint, which may provide cheaper labour costs compared to a Warsaw or Kraków. We certainly have worked with many local companies and have seen quite a lot of activity in the local market both with local companies, and the establishment of local BPOs.



**AH:** I agree with Paul that the market for domestic BPO is starting to take off. Already in 2nd and 3rd tier cities you see a lot of call centre activity for the Polish market. Interestingly, for some foreign companies, the first phase when establishing an SSC is to consolidate the Polish business within the centre – so the model is there.

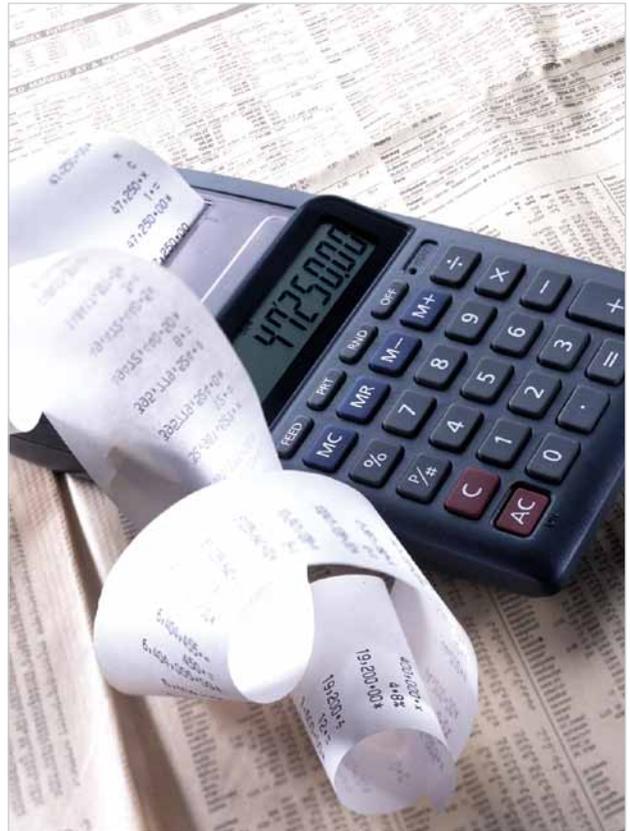
**O&M:** And how about Public Sector – do you think public institutions could get benefits from F&A outsourcing? If yes, what kind of benefits would that be?

**AH:** Of course, but this requires a mind shift where the public sector is measured primarily for the value it provides in terms of public services. Some things take time. Poland is still working through the transition from a state controlled economy to a market economy and some parts of society inevitably move at a slower pace. There are signs of a growing appetite by the public sector to look at outsourcing and we are looking to support this. Later in the year we plan a conference for the public sector precisely on this subject.

**PJ:** I think there are opportunities for Public sector in Poland and I think we are starting to see some movement towards SSCs. This has already happened in many public sector institutions in countries like the UK, Sweden, Australia etc. Ultimately the benefits are the same and given the public debt crisis that many countries are experiencing, and austerity measures, it is certainly the time where government will look to gain the financial benefits from undertaking shared services.

**O&M:** Gentlemen, each year ASPIRE is organizing the annual conference, where C level managers and Heads of outsourcing centre are sharing their best practices, run a number of discussions and participate in networking events. Each year there are more participants of those events – who is this event dedicated to and what exactly are the main goals of this event?

**AH:** As you already said, the important question is always, what next? Back in 2007 we estimated that 6,000 people were working in shared services, technology and outsourcing in Kraków and some people said the market was saturated; today the figure is 26,000 and we are growing at 25% per annum. The question is, „How big can we grow?“ The key questions for the conference are about scale and sustainability: What are the benefits of scale? How can we continue to grow? How can we best manage growth? How can we sustain growth? We have some really world class speakers to speak to these issues, who we have pulled together with industry leaders and key stakeholders. The aim of the conference is intelligent debate between those that have a stake in the future.



**O&M:** Andrew, Paul, it was great to meet and talk to both of you. We'll be looking closely to the development of F&A outsourcing sector in Poland over the coming months. Do you have any final comments or advices for companies who would be interested in moving their F&A processes into an outsourcing model?

**PJ:** My advice to companies would be to understand what you need from your finance or HR, procurement, etc. organization. Once you know what you need, then look at how you can best achieve this. For many companies the answer has been SSC or BPO and we believe this will continue.

**AH:** Two things. First, the sky is the limit. Second, wherever you are on the journey, ASPIRE is here to help.

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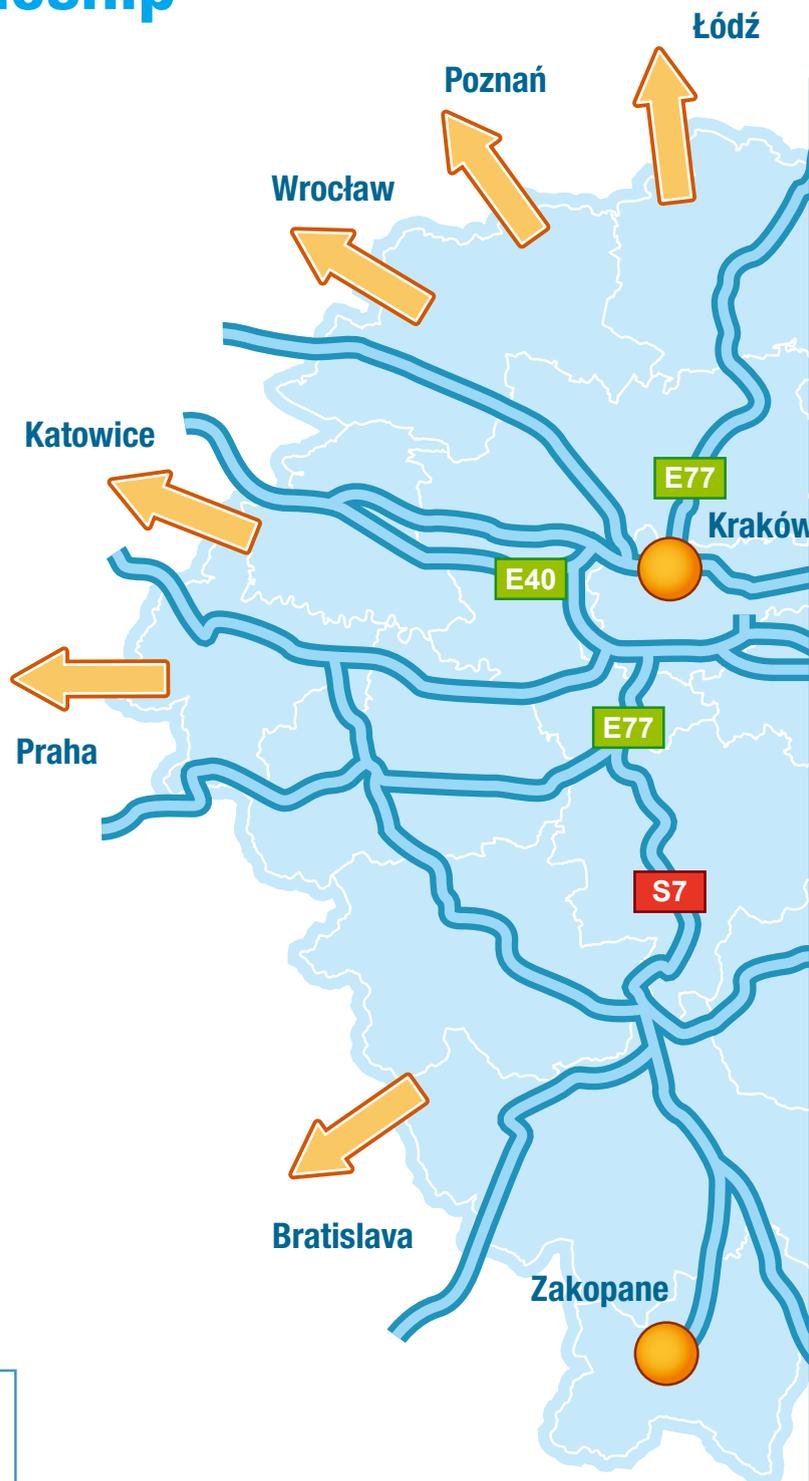
What is Outsourcing?



Who is who in Outsourcing?

# Województwo Małopolskie

## Małopolska Voivodeship



### Parki przemysłowe / Technoparks

Krakowski Park Technologiczny

Park Lifescience Kraków

Zielony Park Przemysłowy „Kryształowy” w Tarnowie

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