

**SSC
& BPO
Human
Resources
trends in
2012/2013**

**CENTRAL &
EASTERN
EUROPE**



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Shared Service & BPO Survey

INTRODUCTION

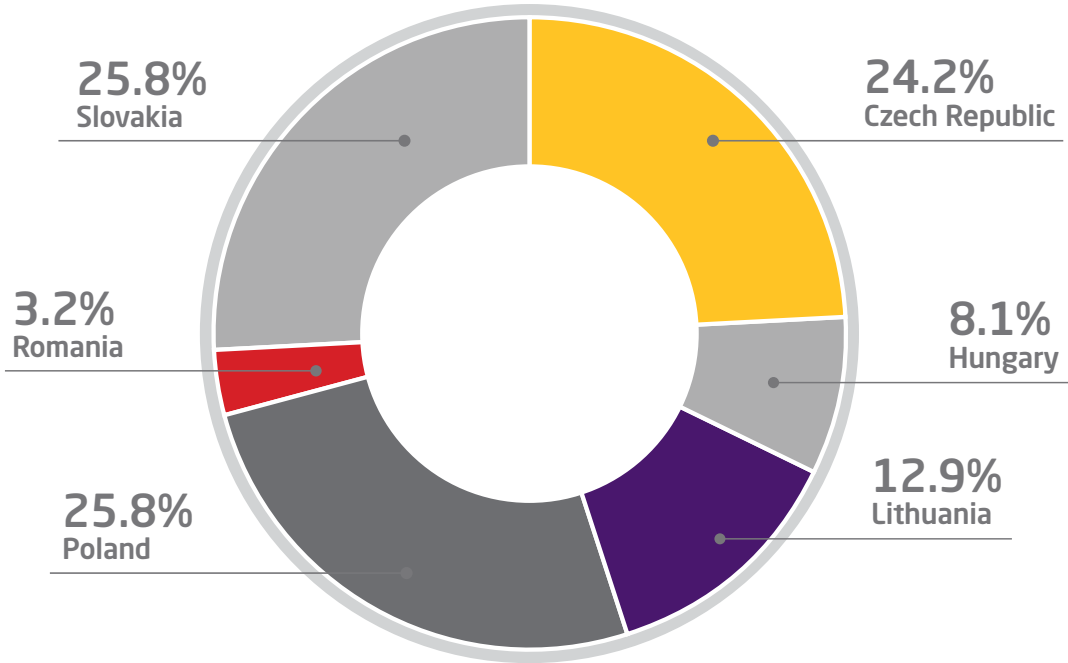
The Shared Service and BPO Centre sector has grown at a rapid rate over the last 10 years becoming an increasingly important sector in Central Eastern European economies and indeed an industry in itself. Over the last 5 years Grafton has been monitoring key HR issues in this sector in order to provide you with bigger picture trends and insights into the development of the the development of BPO and SSC organisations. This year we surveyed 209 professionals across 6 countries in CEE including: Czech Republic-Poland-Slovakia-Hungary-Romania-Lithuania. Our professionals came from Finance, IT, Customer Service, Procurement and HR SSCs.

The Grafton Recruitment survey looks at key HR issues including:

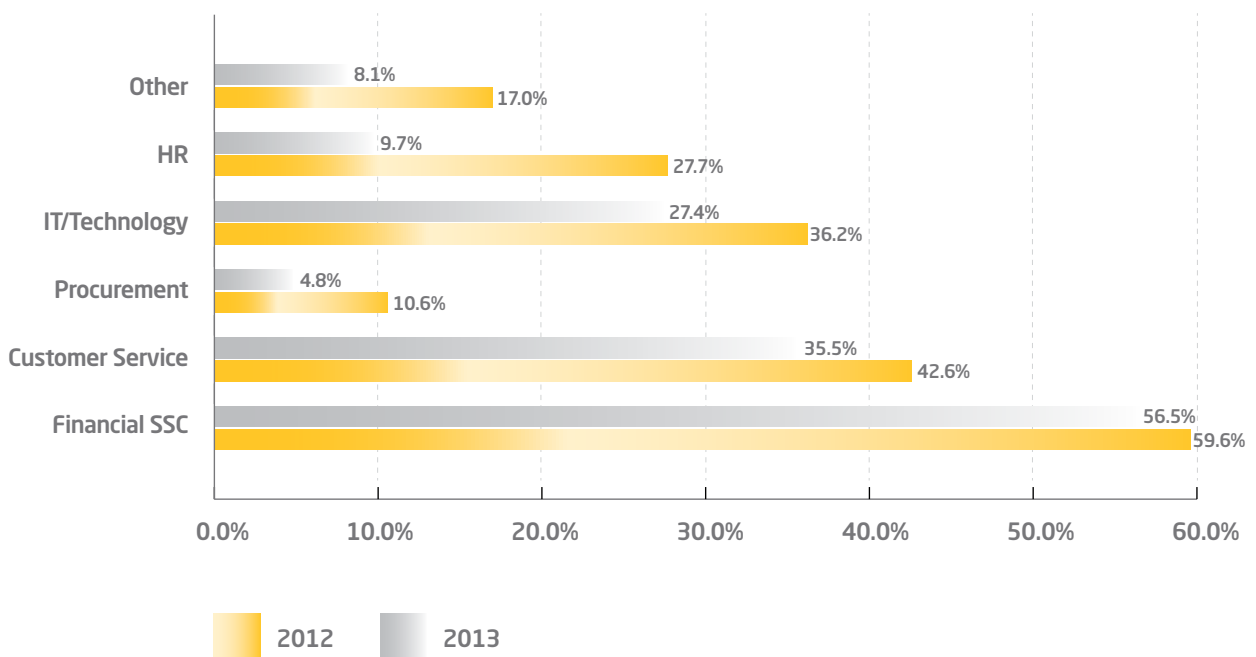
- Major HR challenges
- Staff turnover
- Reasons for leaving
- Employee engagement
- RPO experience
- Skills shortages
- Hiring plans
- Sourcing candidates
- Time to hire
- Cost per hire

INSIGHTS

What country is your centre based in?



What is your centre focused on?



OUTLOOK: INDUSTRY DEVELOPMENT AND KEY TRENDS

This section describes trends as witnessed first hand by our experience within the SSC and BPO sector.

Growth and specialisation

Amongst our respondents the percentage of SSCs and BPOs with over 500 staff has nearly doubled from 17.3% in 2011 to 30.6% in 2012.

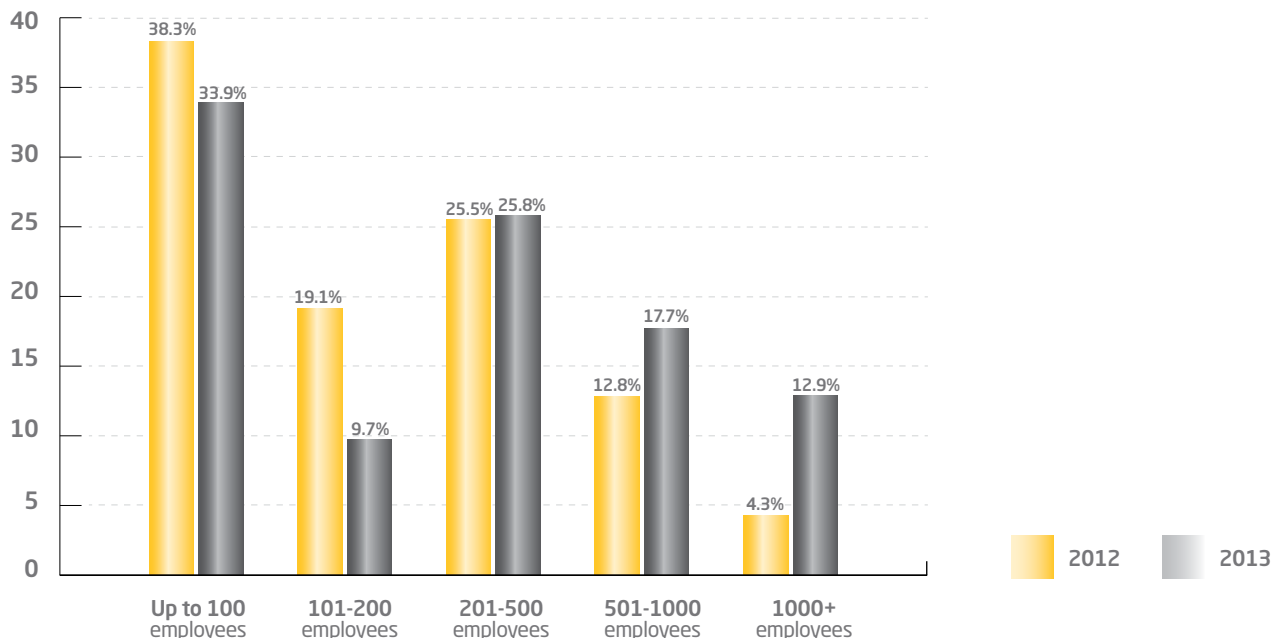
We are witnessing that as BPOs and shared service centres mature they are developing more and more complex functions (such as R&D) and are rising to prominence within global organisations. This is backed up by PWC's research: "SSCs and BPOs are moving up the value curve, the concentration of expertise and experience, enabling the realisation of economies of scale

and desired synergies - towards 2nd generation SSC models." (SOURCE PWC Shared Service Centre Maturity model).

As such we have noted that small and medium sized centres are growing at a rapid rate with their functions becoming more and more specialized. This provides it's own challenges as talent management becomes a key factor. HR professionals must maintain and build employee engagement within an expanding workforce and locate and recruit more specialised and more senior talent.

This increasingly competitive environment for the best talent undoubtedly leads to key skills shortages.

What is the size of your centre?



SSCs - What's next?

Given the growth and specialization of this sector and the consequent creation of the SSC career path we predict that as companies plan more complex Shared Service Centres and BPOs the next big investment in the sector will be

the increase of R & D centres and the growth of HR SSCs due to the wide availability of HR talent within the region. In addition we believe that these complexities will lead to more and more diverse talent pools and consequently HR performance metrics will increasingly include employee engagement metrics.

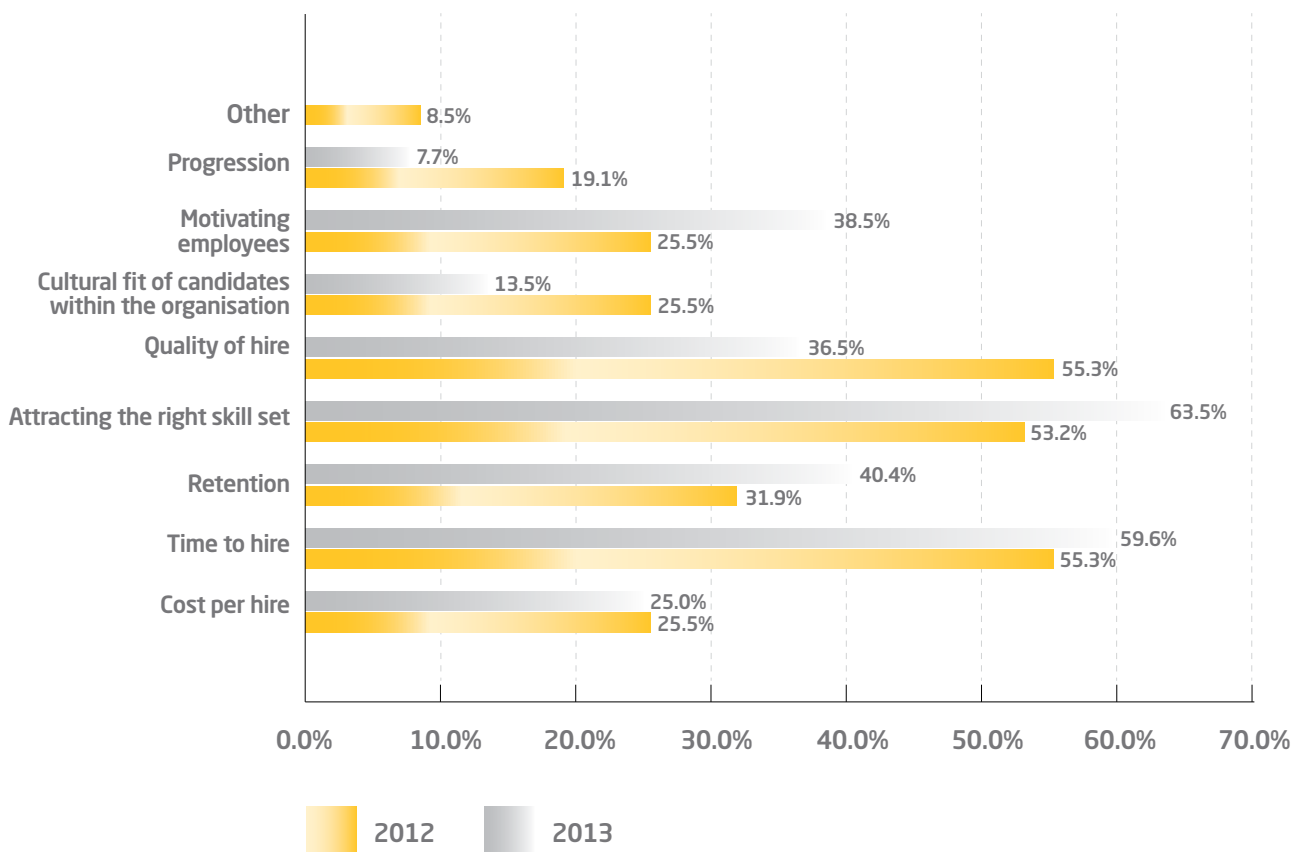
KEY HR CHALLENGES

What has changed since last year?

There has been a notable change in the priorities of challenges experienced by HR managers in SSCs and BPOs. This is clear as 2011's top issues of; quality of hire; cultural fit; and progression

have been replaced with the key challenges of: attracting the right skills set; time to hire; employee retention; and employee motivation in 2012.

What are your current HR/Recruitment challenges?



GRAFTON'S OBSERVATIONS

Cultural fit and quality of hire - A region adapts

Throughout the Grafton network it is clear that the predominance of Shared SSC and BPOs has created a recognised career path for Millennials and highly skilled specialists. As such education systems across CEE have evolved to accommodate this career path, producing tailored courses and a well educated and suitable workforce. This is clear from the survey's results that show how quality of hire and cultural fit are much less significant HR challenges than last year. Last year 55% of respondents saw quality of hire as a key HR challenge compared with 38.5% this year.

The BIG contradiction

Good news for HR as SSC focus on learning and development pays off HOWEVER the key reason employees are leaving is still lack of opportunity for progression.

Over the past 5 years we have witnessed a continued focus on employee learning and development across the SSC and BPO sector. This year's survey may provide evidence for the success of these programmes through an increase in retention across all of our respondents'

businesses. In addition, the increasing size and specialization of Centres supports the provision of further opportunities for advancement within the sector and increase chances for progression, reducing staff turnover.

This years survey shows that 23.5 % of respondents now have staff turnover rates of less than 5% compared with 10% of last year's respondents showing a marked reduction in staff turnover*.

However as we will see later 'lack of progression' is still the predominant reason for staff leaving. This provides an interesting challenge for Centres as we note that increased opportunities for progression and learning and development may only be part of the solution to the challenge of employee retention. Given the demographic breakdown of the workforce of the majority of SSCs and BPOs, retention may require a more 'integrated employee engagement' lead approach.

We intend to focus more on this dilemma in our next survey.

WHAT WERE THE KEY CHALLENGES IN 2012/2013

This year our respondents showed that their key challenges were:



*This may also be due to economic conditions.

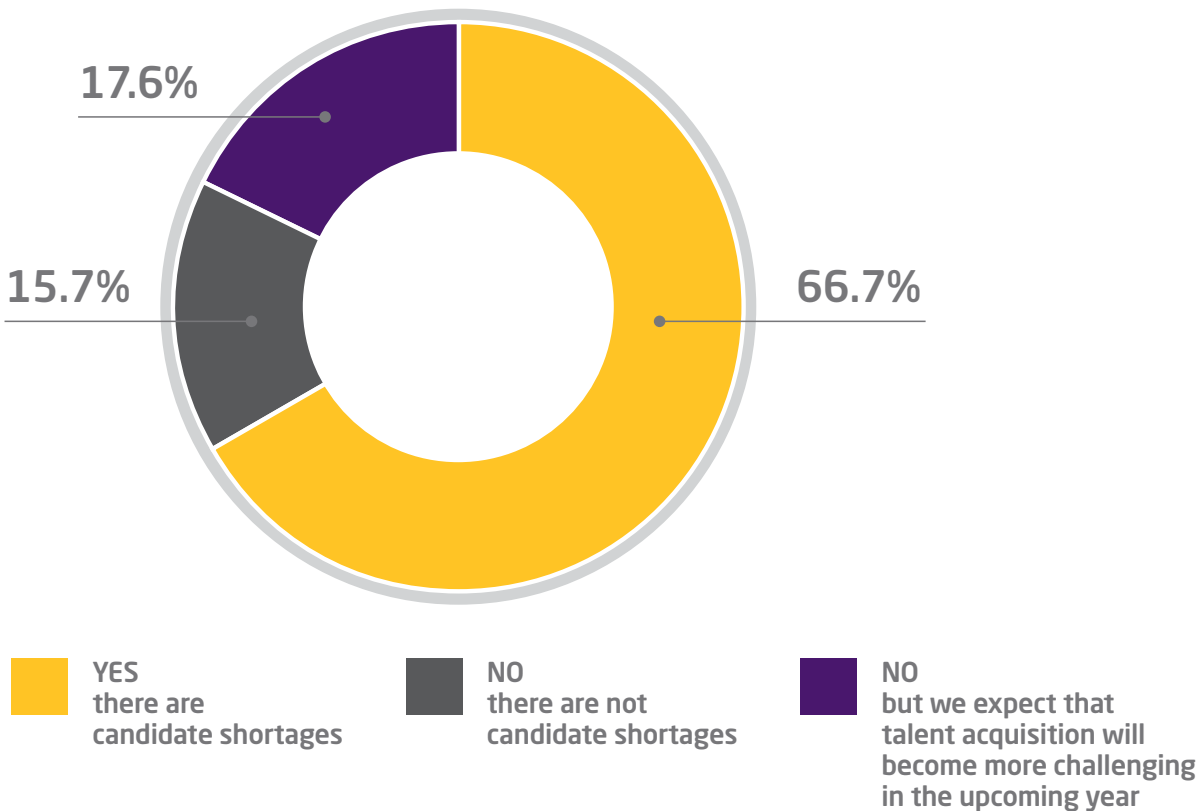
KEY CHALLENGE 1: ATTRACTING THE RIGHT SKILL SET

Skills shortages are a topic for everyone, now and in the future.

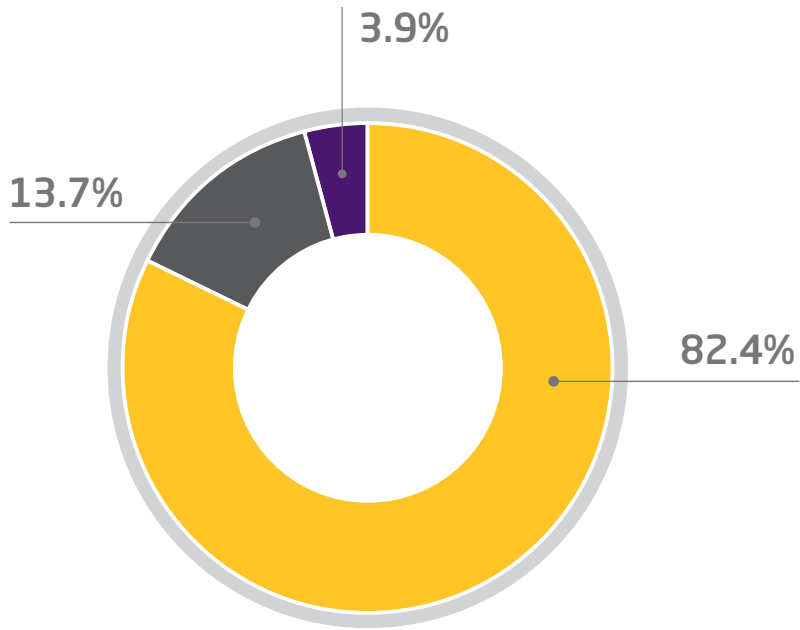
There is a dramatic 12% increase in the number of respondents experiencing candidate shortages compared to time last year. We suspect that this

is due to the increased competitiveness of the market and increased specialization of BPOs and SSCs. The employee proposition is now becoming more and more important in differentiating Centres as employers of choice.

Are there candidate shortages?

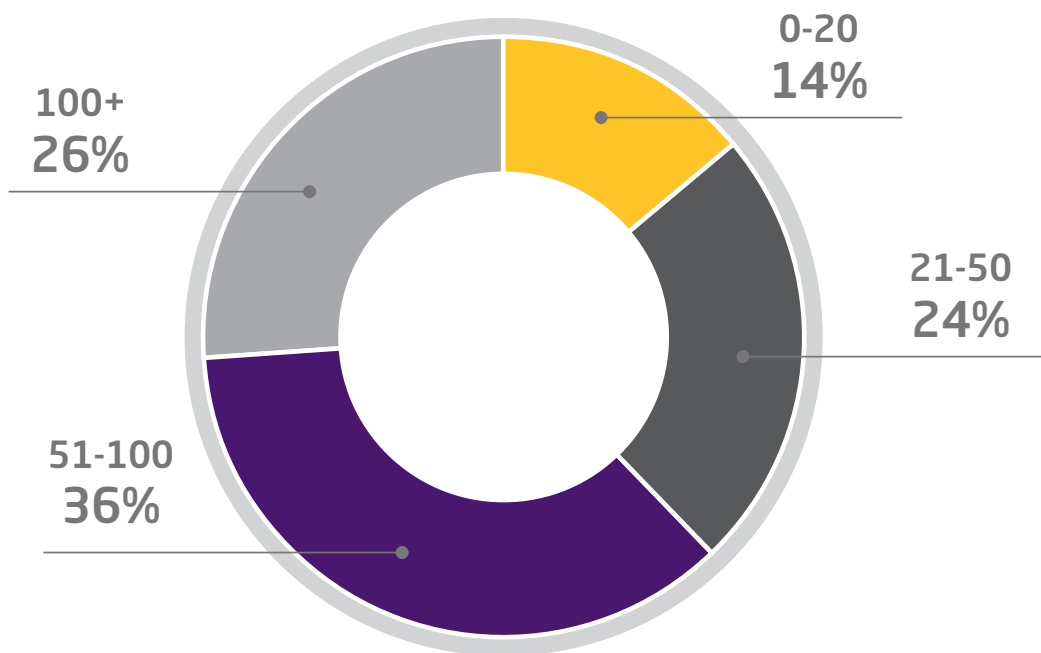


Are you planning to hire staff?




- YES we plan to hire replacements and new hires
- YES we plan to hire replacements
- NO there is a plan to decrease the numbers of our employees because of moving the department to another country or due to other reasons

How many new hires do you plan to hire this year?

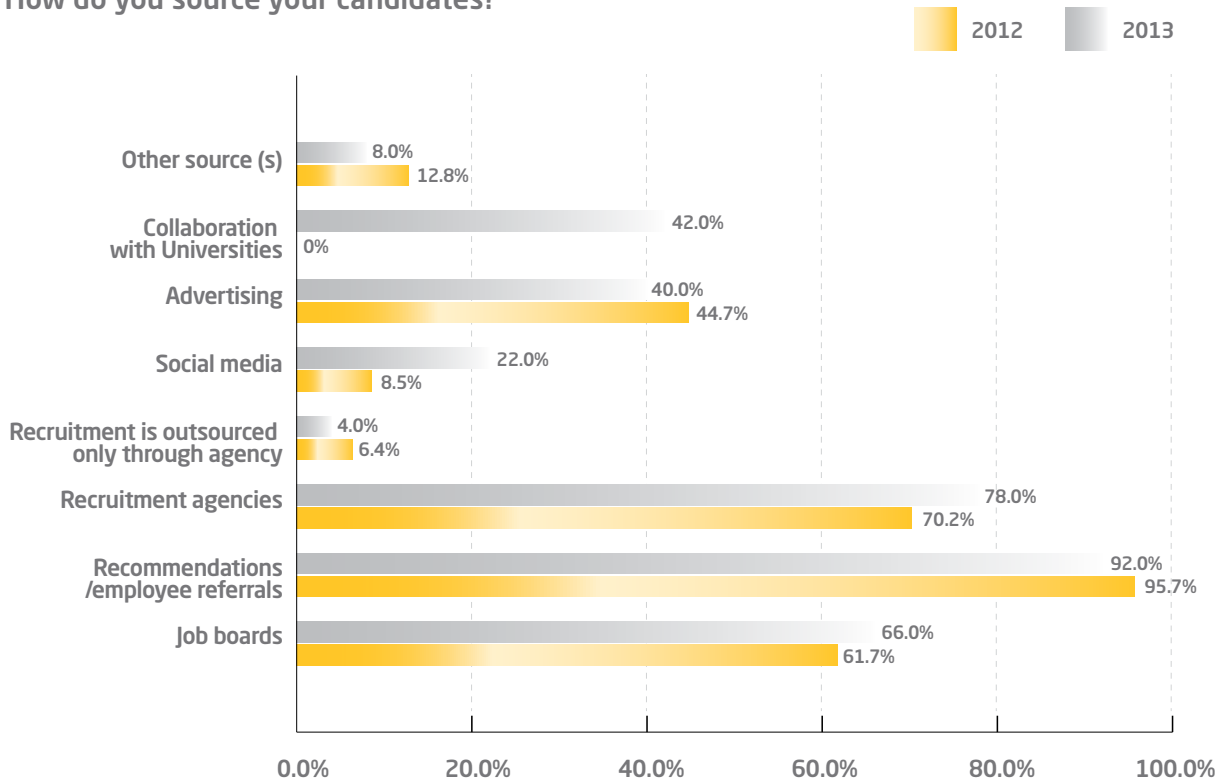




A black and white photograph of a person wearing a striped shirt, looking out a window. The person's face is not visible, but their shoulder and arm are in the foreground. The background is a bright, out-of-focus view of a window.

Despite economic conditions 84% of our respondents will continue to hire this year. This can only lead to more competition for the best talent.

How do you source your candidates?



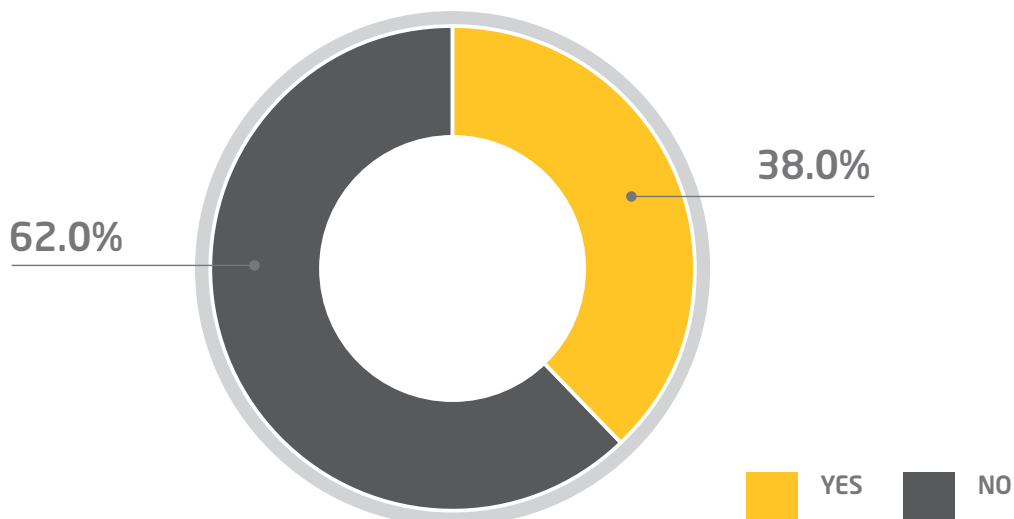
Candidate Sourcing

This section focuses on candidate sourcing in Centres. (Universities were not previously included in this survey). There is not much change in candidate sourcing techniques. This is surprising given the rise of professional and social networks.

Q - What impact on online networks and search have on in house recruitment functions?

Q - What does a successful employee referral programme look like?

Have your company ever had an experience with RPO?



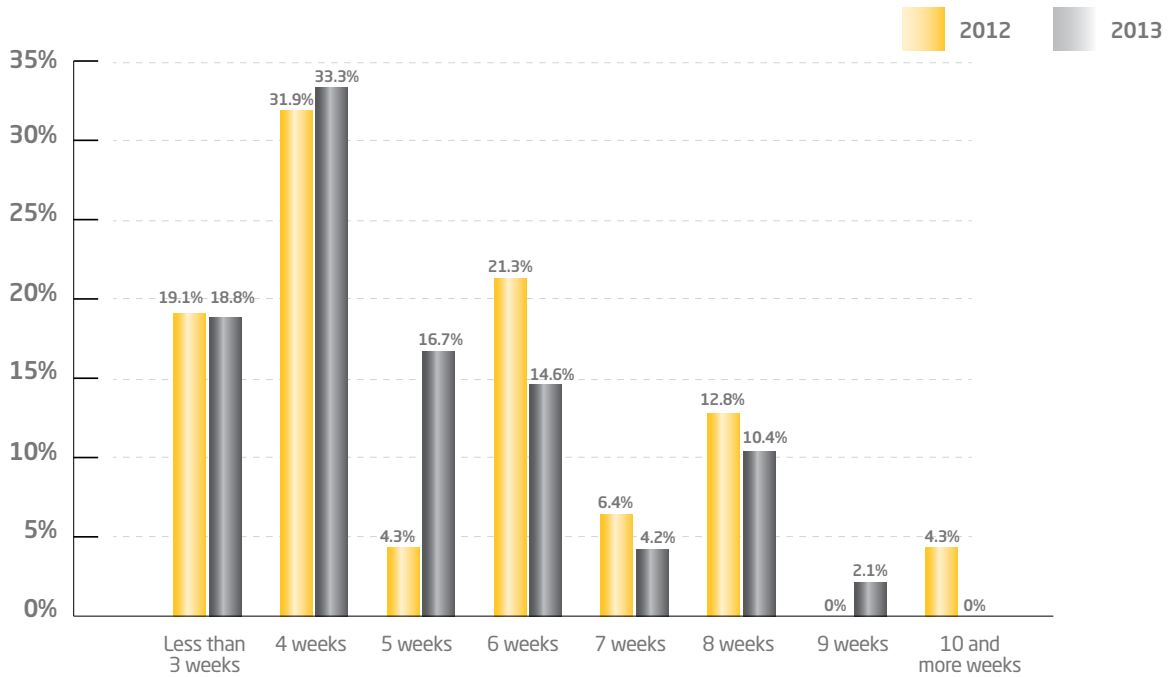
KEY CHALLENGE 2: TIME TO HIRE

Reducing Time to Hire and Cost per Hire

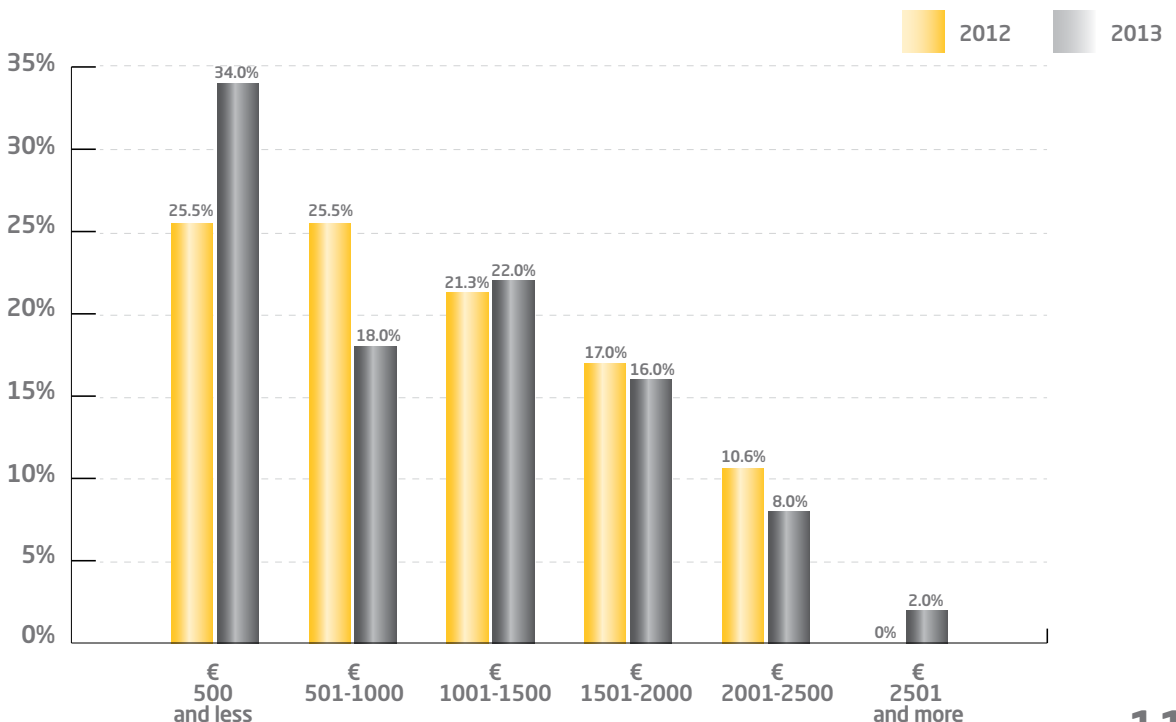
Cost reduction and value added are still the most important strategic objectives for SSCs and BPOs.

Advances in recruitment process improvement and the use of recruitment process outsourcing have led to considerable improvements in quality of hire and time to hire as well as reductions in cost.

What is your current average time to hire?



What is your average cost per hire?

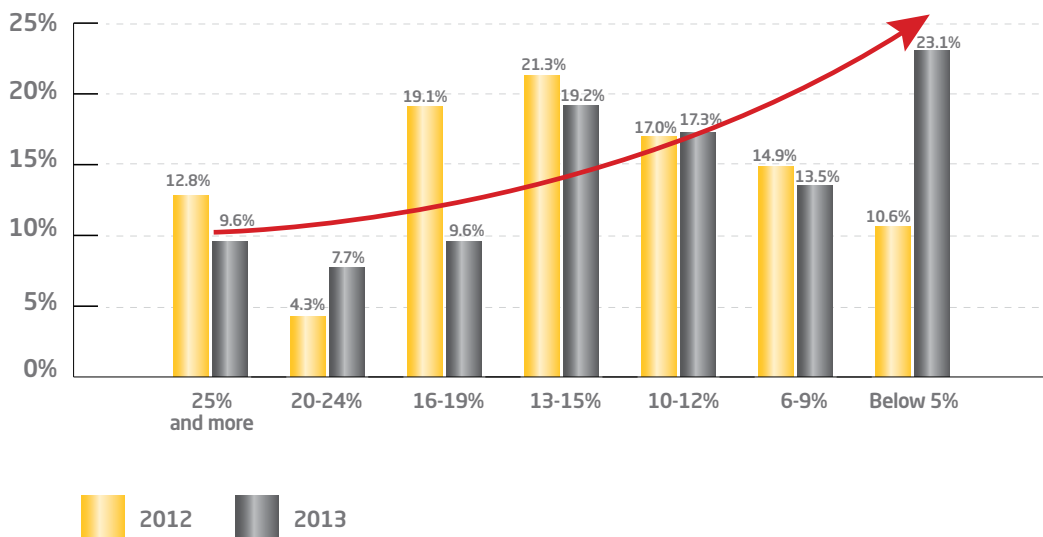


KEY CHALLENGE 3 & 4 RETENTION & EMPLOYEE MOTIVATION

This goes back to our earlier observations. In this section we combine retention and motivation in order to address employee engagement.

Simply put, retention is up and therefore attrition is down.

What was your staff turnover in 2012?



'We believe that the next key opportunity for SSCs is to focus not just on employee development but also on the implementation of fully integrated employee engagement programmes.'

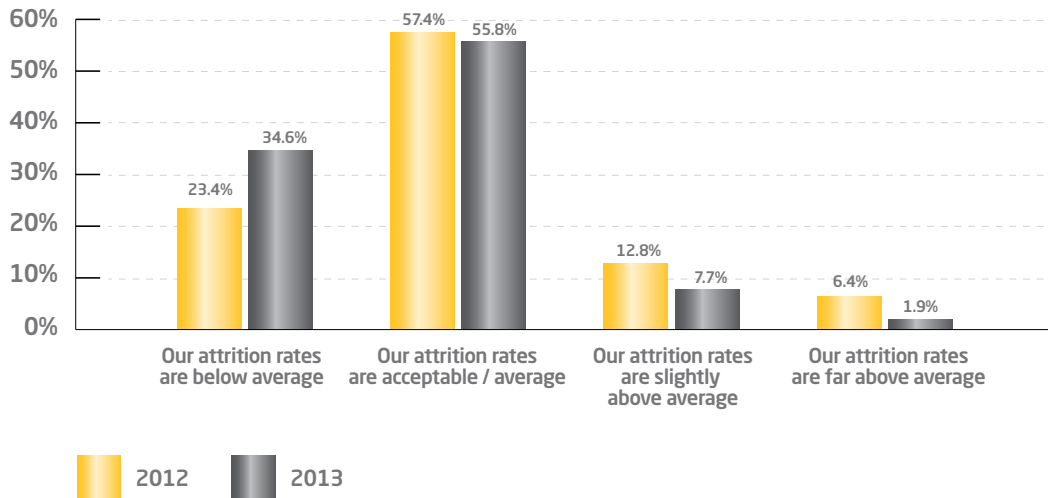


Employee Engagement the big opportunity

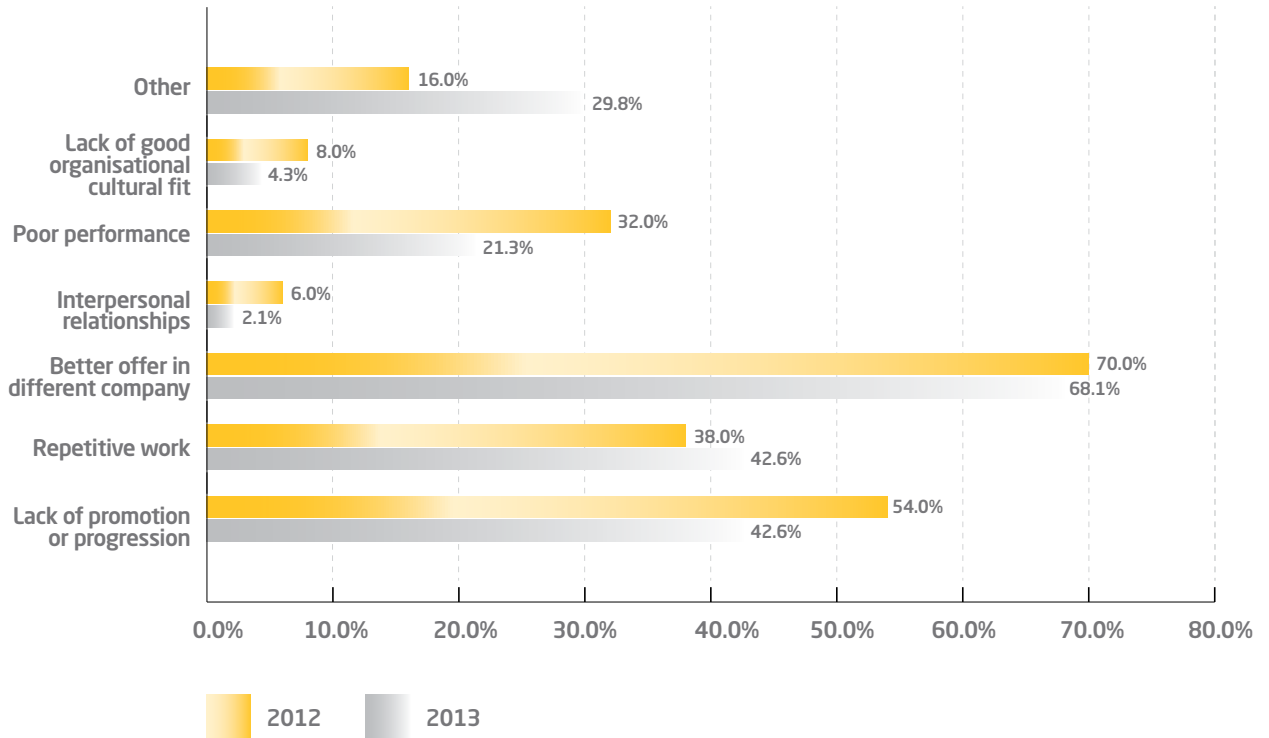
Whilst staff turnover has shown a marked improvement (potentially due to a focus in learning development and progression) our respondents showed that their key issues are no longer quality of hire but more significantly; retention and employee motivation. The last 5 years of SSC and BPO development have seen the implementation of rigorous automation including the performance management process which has the positive effect of measuring and improving performance but potentially the converse effect of reducing human interaction.

Whilst our survey results suggest that most respondents believe that the majority of their employees are fully engaged this, combined with increasing centre size and strains on management capacity have reduced the amount of time that employees spend with their supervisors. We believe that the next key opportunity for SSCs is to focus not just on employee development but also on the implementation of fully integrated employee engagement programmes

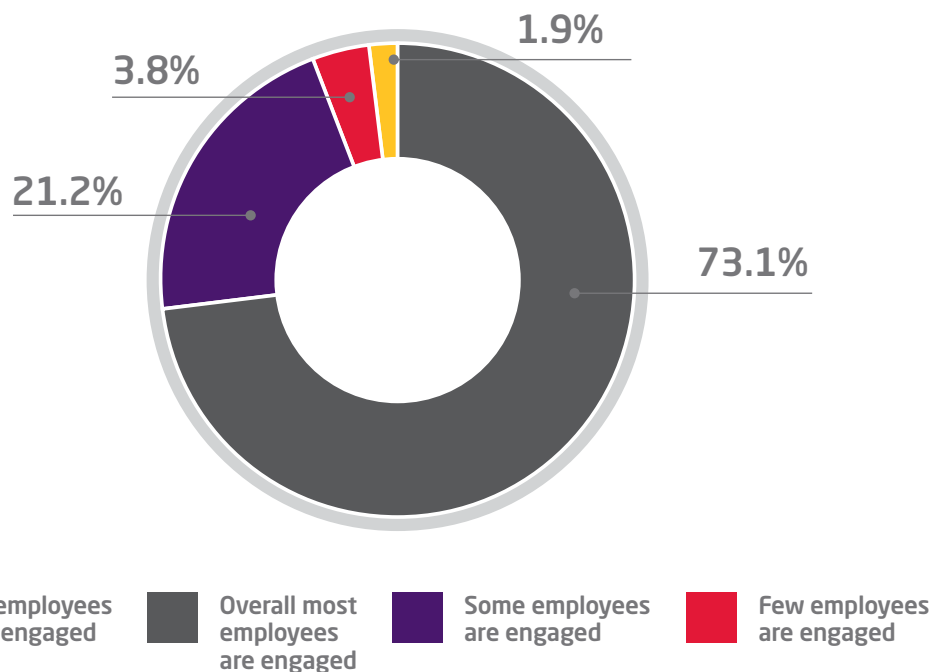
How do you view your attrition rates in comparison to your industry?



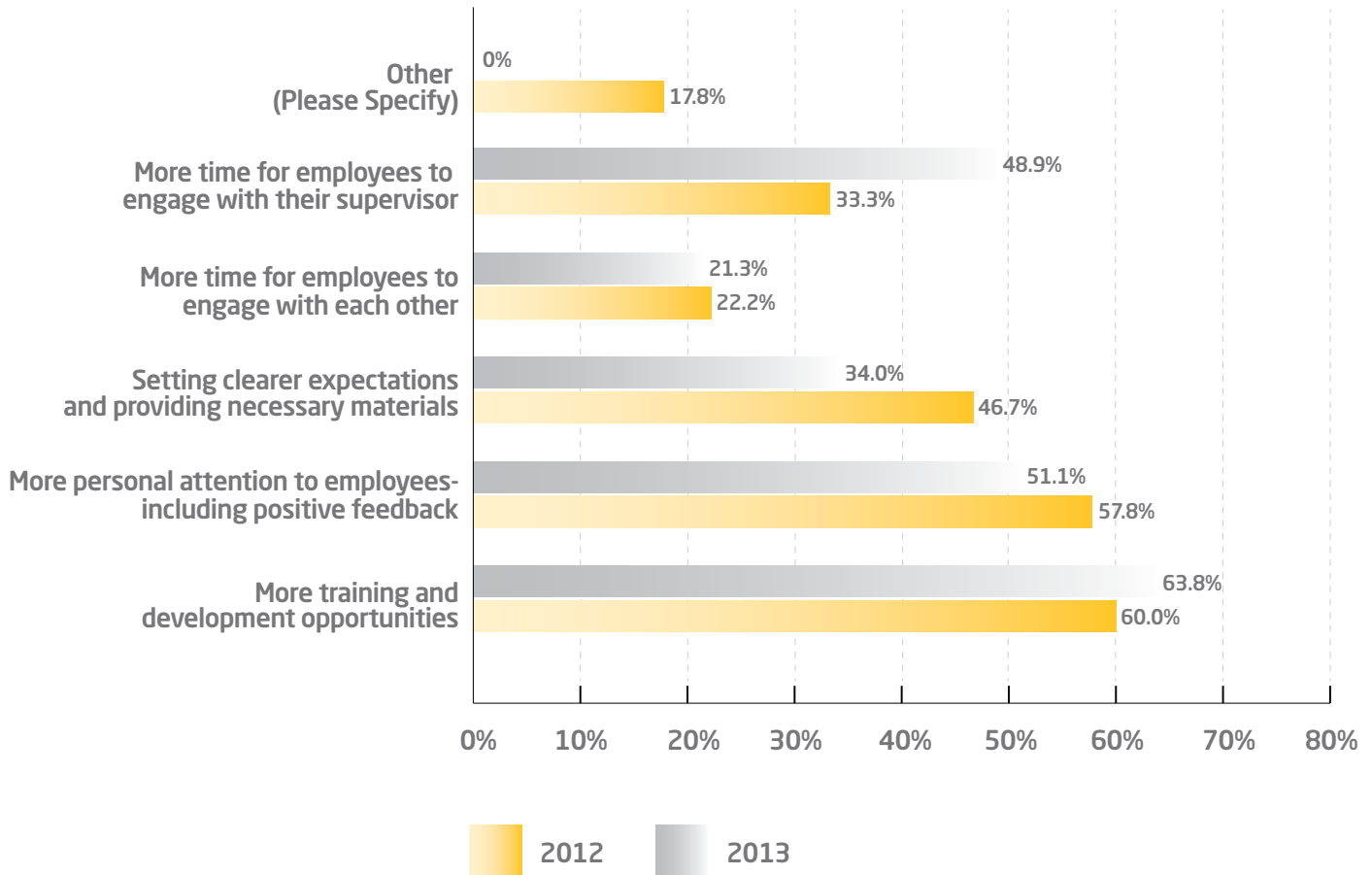
What are the principal reasons for staff leaving your organisation?



How do you feel about your company's employee engagement?



How do you feel you could increase your employee engagement?



We are a company that is driven by insight and inspired by innovation

As a leading provider of Recruitment, Talent Management and HR solutions and with more than 30 years of experience, we are one of Europe's largest independent companies, with 33 offices in 7 countries.

Now, more than ever it is paramount that you employ the best people to sustain your business whether it's permanent employees with specialised skills sets or temporary employees who allow you manage unpredictable levels of supply and demand in an uncertain market.

We are here to respond quickly to your needs, to give you the best insight into the skills available in the market place and the value and cost of those skills. We manage the interface between you and the candidate and make your recruitment process as cost effective as possible.

As CEE's leading recruiter we specialize in shared service centres and BPOs.

We hope that you have found this survey interesting. Our market intelligence and insight department has found that there are many questions still to explore as result of this survey. They are:

- Q Is there evidence to suggest that increased employee engagement reduces attrition in SSCs?**
- Q If so, what is the best practice in implementing relevant employee engagement programmes within the SSC and BPO sector?
We intend to focus more on this dilemma in our next survey.**
- Q What impact do online networks and search technologies have on in-house recruitment?**
- Q What does a successful employee referral programme look like?**
- Q What is the new demographic breakdown of SSCs and BPOs and how does this affect attraction and retention?**
- Q What is the salary structure within SSCs and BPOs?**

If you are interested in finding out more we will be holding a series of knowledge exchange seminars to discuss these topics.

Grafton Europe

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