

What are the true needs and hot topics of GBS/SSC/BPO industry?



Maciej Piwowarczyk

Industry Partner for Outsourcing Magazine | Discovery Communications GBS Director

A group of 15 senior leaders from GBS/SSC/BPO industry including managing directors, HR leaders and IT directors, as well as representatives of recruitment companies, the real estate industry, the Polish Investment and Trade Agency, and a Warsaw School of Economics professor, came together on 9 February in Warsaw's Restauracja Polska Różana to discuss the key industry trends, challenges and controversies.

The concept of the debate was designed by Maciej Piwowarczyk and led by himself and Marek Grodziński. Our primary purpose was to discuss difficult topics, call the reality as it is without upsell stories, and to assure that everybody's voice is heard. This approach is very much in sync with our magazine mission statement which is based on the following rules:

- We write about **simple** and **pragmatic topics**
- We engage **true practitioners** as our authors, where the only two criteria we follow are: knowledge and **unique point of view**
- We are an independent platform which is open to partnering with all key industry players including associations such as SSON, ABSL, Aspire, etc.

We grouped our discussion in an "old school" way into: **technology, processes, people and customer satisfaction.**

To set the scene with facts and figures, Maciej Piwowarczyk started with a presentation of the Annual State of Shared Services & Outsourcing Survey 2018 results for the Central Europe region. We would like to highlight two

most controversial areas from this study. The first one is about **transactional work still being very much our reality.** For 4-6 years, we've been speaking, as an industry, about complexity and removal of transactional work. It is great and it should be our aspiration and ambition. However, the reality is that **72% of our operations are in 75%+ still dominated by transactional work.** The conclusion is that we should continue along the aspiration path, but at the same time we need to be careful with the messaging that today GBS / SSC / BPO is primarily about Knowledge / Value Add / Complexity. We are on our way, but it is surely not happening yet. Otherwise, we are damaging our industry in many areas, e.g. the People agenda, where our new recruits and talents are in a mismatch mode, because the actual role, including the expected career path, turns to be different from what they heard from the market.

The second one is about my favourite topic, i.e. Robotics Process Automation. It was in 2014 that, for the first time, I came across the term RPA. It was at a Deloitte conference

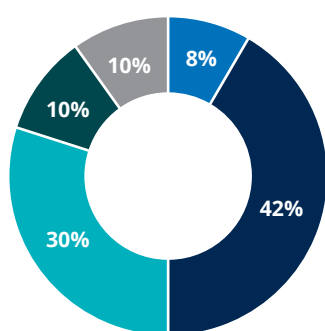
in Scotland. Right after that event I wrote an article for Gazeta Finansowa, where my conclusions were:

- first, RPA is a very unfortunate term, quite distracting and not at all positive. You could very easily call it "macro on steroids" too. RPA is nothing but a highest degree of automation, with functions in Excel being the 1st stage, Visual Basic based macro being the 2nd stage, and workflow tools being the 3rd one.
- second, RPA is, and should be, only an alternative to the limitations of your existing technology landscape.
- finally, RPA without the intro of Operational Excellence as a first step, can result in more mess than expected value.

Today, some 4 years later, I still see those conclusions as being very valid. Additionally, the SSON Analytics study reconfirms that **we still have a long way to go with RPA, where only 7% of us implemented it successfully.** Attending various conferences and webinars, one could conclude that it is quite the opposite, meaning that only 7% did not implement..., which is not true.

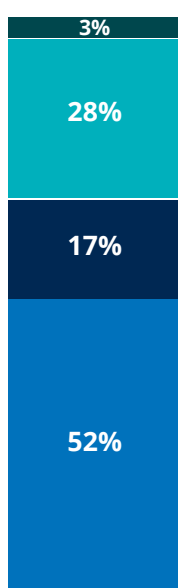


How would you estimate the Transactional/Knowledge work ratio in your SSC?



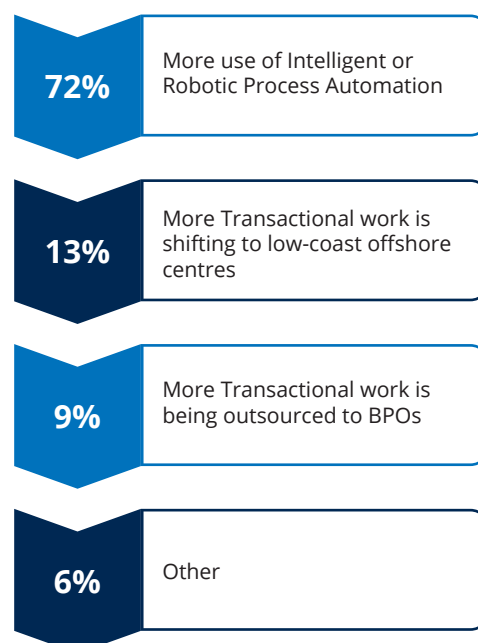
- 100:0 (Transaction:Knowledge)
- Closer to 75:25 (Transaction:Knowledge)
- Roughly 50:50 (Transaction:Knowledge)
- Closer to 25:75 (Transaction:Knowledge)
- I don't know

Is your strategy shifting from Transactional towards Knowledge work?

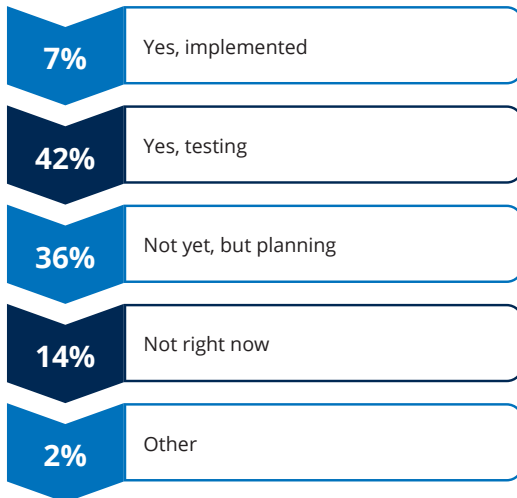


- Yes
- No
- Not sure
- Other

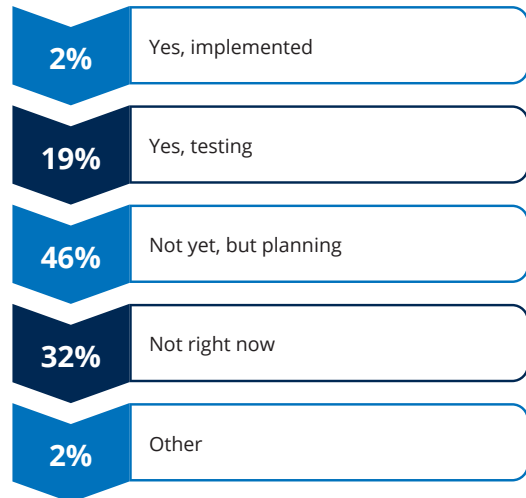
If you are shifting away from Transactional work, what is driving this?



Is Intelligent Automation (an umbrella term that includes RPA) part of your operations?



Is Artificial Intelligence on your agenda?



The debate started with technology topics. It was put in such order on purpose to disrupt the audience, which worked really well as we got an immediate response, i.e. "why are People not first?" It was great to hear it, as no doubt **People are first, People are key, and in the end it is all about People.** The technology discussion obviously became dominated by RPA, where the SSON Analytics study findings were commented on person by person. Actually, there were only 3 people out of 15 who could give an example of RPA being successfully implemented in their companies. One of the leaders made a very valid point that based on his experience, we should all follow two key steps as a pre-requisite to RPA: 1. Review your existing technology to find out whether you can fix the topic with what you already have in place, and 2. Assure operational excellence. Implementation of RPA on a non-standard organism will result in a messy outcome, surely different from what was expected.

Then we moved to the core, i.e. the People agenda. We touched on many aspects, i.e. people's expectations vs. what we say and offer during the hiring process, diversity in our workplace → is it really the reality for our industry, e.g. is a 50+ program or hiring directly from high school a realistic alternative, why is it so difficult to hire a foreigner and what must be done to simplify it, who is more important to take care of: your pe-

ople or your customers / clients? A Warsaw School of Economics professor, Jan Mariusz Radło, presented a view of his students. Today, the vast majority of students do aspire to work in a start-up environment company vs. a regulated and controlled corporate. It stimulated a discussion in two aspects, firstly as regards what must be done as to enable our organizations to evolve to this model, and secondly as to how we can influence and convince our future employees that a first job in a corporation might be often a very good option for them. On the first topic, we challenged ourselves in the sense of what **we can do to have our GBS/SSC organizations transformed from an over-controlled workplace to an organism operating based on Turquoise Organization principles.** In other words, an organization that truly operates based on Trust Based Model, where the individual is key and operations are not managed by numbers only. And with regard to the second dimension, we talked about the need to make students aware that there is a long list of advantages stemming from starting your career in a corporation, even if it is very much regulated. Assuming you join a company where leaders recognize fundamental values such as integrity and respect, it is a good place to learn about high standards of work, to acquire knowledge and develop, and to work in a multicultural envi-

ronment. On the other hand, it is important to highlight that 80-90% of start-ups fail, so surely it is a place for some but not for all. As a heads-up, we plan to write about it more in the Q2 edition of our magazine. And finally, the subject of the planned increases in employee costs emerged as the hottest topic within this section. This irresponsible plan drawn up by our government is surely a risk to industry growth over the coming years. This matter has led to a full consensus round the table like no other subject debated. There are still organizations, e.g. ABSL, trying to change it, and we'll see if we're successful in the end. No doubt, we're all keeping our fingers crossed.

The final two sections were focused on Customer Satisfaction and Process. To begin with, we asked a controversial question: "We've been growing as an industry by 20% per annum for years, we are seen as a mature location, we are shown as an example to others, but are we really that mature, is our value proposition truly based on value add work or it is still a cost play only? What do we need to do to truly transform to be still competitive in 8-12 years from now, when labour arbitrage will not exist anymore for Central Europe?" It resulted in a very dynamic discussion. One of the conclusions was about us, leaders. We should aspire to play more important roles in our organizations, so



Od lewej: Iwona Chojnowska - Haponik - PAIH, Piotr Andryszak - Philips, Iwona Dudzińska - Citi, Kamil Tyszkiewicz - CBRE, Jan Mariusz Radło - SGH, Bartłomiej Jęchorek - „Outsourcing Magazine”, Aleksandra Stalega - Bruker, Tom Barnhardt - Biznes Polska, Angelika Majkut - „Outsourcing Magazine”, Piotr Pawłowski - Siemens, Agnieszka Kulikowska - Page Executive, Marek Grodziński - EY, Michał Kossowski - SIX Group, Izabela Kazimierska - Devire, Maciej Piwowarczyk - Discovery

that we can influence and shape the future more. If we as business leaders allow to be positioned as low-cost location, then nothing will change. We should act with more courage and less conformism and we should dare to disrupt more. **As a little advise to all: let's act with more courage, less conformism, which I have personally seen in my past life in some of the CE senior leaders..., let's dare to disrupt more with the intention to shape the future.** We plan to write about it more later in the year, as this topic is very important to us all.

The final area of controversy was about us, industry leaders “spoiling” the market, i.e. talking about things which are not real, e.g. saying that we all successfully implemented RPA, or by talking about salaries which are far below the market, or by inflating market salaries with start-ups, or by talking about us doing only complex work with no transactional scope whatsoever. The common conclusion was that as an industry we will have to continue to strengthen relations through debates such as the one organized by “Outsourcing Magazine” and using the platform of the already established associations such as ABSL, Aspire and SSON. “Take responsibility for what you say” should be the motto for all our industry leaders. Iwona Dudzińska, Head of CSC Poland and one of the key participants in the debate, summarized it by saying: “The debate was a great starting point for a complex discussion on the challenges and opportunities to be presented to the shared service industry over the coming

months. Looking from Citi's perspective, which was one of the first finance institutions to have opened a shared service centre in Poland and is now one of the leading entities in the industry, it is always with ple-

asure that we share our experiences for the common growth of the sector.”

We plan to expand on some of the above topics in our magazine over the course of the year, so stay tuned.

Professor's opinion

Mariusz-Jan Radło

professor of economics, Warsaw School of Economics & managing partner, SEEN-DICO

Looking at the development of the outsourcing industry in Poland, we need to pay attention to several overlapping trends. The first one is the macrostructural trend associated with systematic growth of the economy and improvement of the competitive position of enterprises. It causes Poland to cease to be a location for investments motivated by low labor costs and leads to increased importance of location factors related to quality, innovation or very attractive human capital. This factor means that, on the one hand, we must be prepared, open even, to relocate abroad low value added processes, i.e.: from Poland to other countries where labor costs are lower. On the other hand, and this is the consequence of our economic success, it means that we should care about attracting to Poland those processes that are associated with high added value, innovation and creation of unique resources. This trend is part of the broad discussion about the so-called “middle-income trap” and the fact that the market does not pay companies for every process, but rewards them in those processes in which they have competitive advantage, core competences or, using the language of economics, a monopolistic advantage. From this perspective, looking at the outsourcing in-

dustry as an economist, I ask myself how close the processes performed by the outsourcing industry are to the key competences of parent companies. And, as for now, my answer is “still too far”. In addition to this macro view, you can look at the outsourcing industry in Poland from a micro- or regional perspective. And here I can see at least two trends. The first one concerns the workforce. Our labor market is close to balance, which means that there is pressure on wages, especially in large urban centers. In these centers, competition for employees is high, while employees are looking not only for well-paid but also interesting work in a good location. The second one concerns the fact that at the same time, there are quite high interregional wage differences in Poland, and some locations are still lacking new employers. It means that smaller urban centers may be a fairly attractive location for some service centers due to both costs and potentially lower employee turnover ratios. In such centers, one can often count on more support from municipal authorities for possible new investors. Summing up, the outsourcing industry is growing just as the entire Polish economy is. We are growing and learning, and new activities are replacing old ones. We need more and more advanced processes with higher added value located in Polish outsourcing industry. However, we also need more balance in the growth between large urban centers and peripheral centers, while the latter also have a lot to offer the outsourcing industry.