

BUSINESS SERVICES IN CEE – TRENDS ON THE WAY TO THE NEW NORMAL

PwC
September 2020



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CEE Market Overview



Business Services in Central and Eastern Europe – market overview

850k

people
employed



~3000

number of
business
services centres



22%

CAGR in
employment
(2016-2020)



>950k

Forecasted
employment in
2022



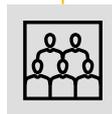
280

average
employment
in a centre



~650

number of
large centres
(300+
employees)



53%

of business
service centres
provide services
globally
(outside
Europe)



2

COVID Implications



COVID-19 implications for the Business Services Sector

COVID-19 has brought short term challenges but also opened long term opportunities for our sector

Challenges



- Lower volume in the core business = lower volume in the Centers, cost pressure from the business
- People implications – working time reductions, salary reductions, job cuts, especially in the most impacted sectors like airlines, hospitality, consumer goods
- Lower people engagement and productivity
- Talent market slow down – candidates hesitant to change jobs
- Return to the office raising questions and concerns of employees

Opportunities



- BCP and new ways of working implemented very quickly and successfully – working from home, using online tools, virtual sessions, remote transitions
- New ways of thinking – more focus on innovation, automation and digital transformation, e.g. eliminating paper and basic processes
- More work will be shifted to the Centers as the HQs realized this model has proven its flexibility and adaptability
- Hiring impacted people – some Centers continue recruiting, especially in Financial Services, FMCG, Pharma
- Better use of office space at lower cost

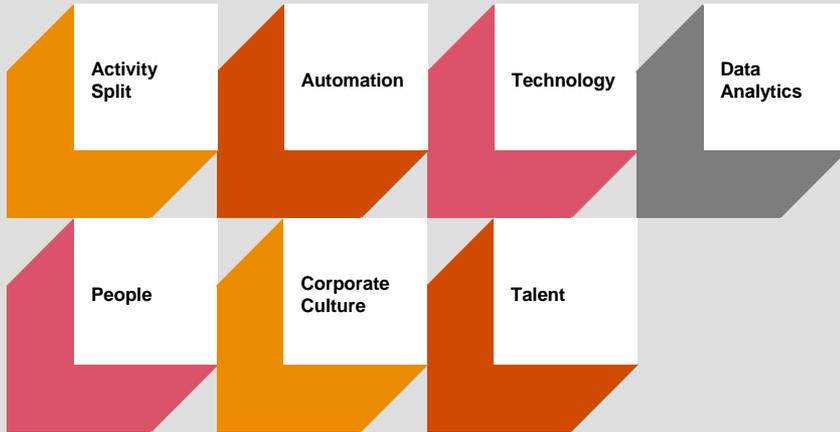
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Business Services of the Future



How will the future Business Services look like...

Future Business Services will be much more technology driven so will be less dependent on location and physical office space and will need to adapt in many areas like Activity Split, Talent and Culture



- **Speed of change** – the world is changing so fast we cannot predict how the Shared Services world will look like beyond 5 years from now
- **Technology** affects Scope, People and Location, much broader and efficient usage of technology will affect not only how we do things but also what we do e.g. Cyber Security and Data Analytics
- **People** – new skills and different corporate culture will be needed to address the fast changing world

How are you getting ready for it?

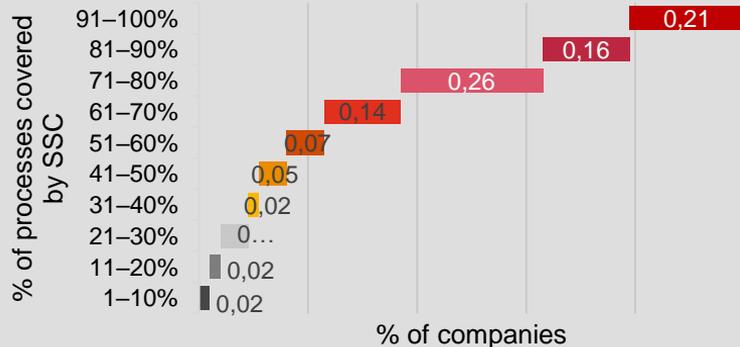
Activity split

Over 95% of the survey respondents answered that they believe the future trend would be for the Business Services to shift from transactional to value-added services, with much less admin work and focusing on bringing value to it's customers. As a matter of fact, this is already a tendency in some of the Business Services today.

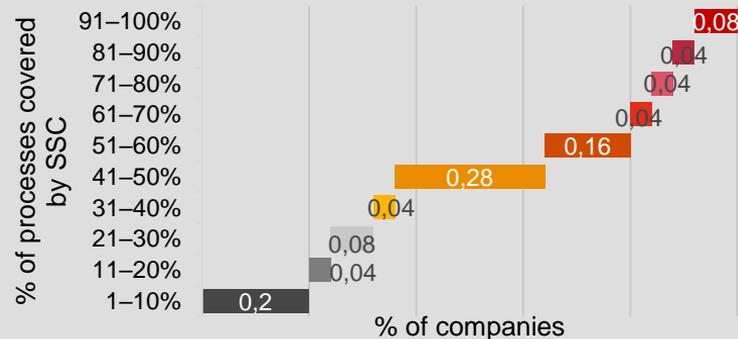
> **Accounting:** advanced stage in terms of bundling, since most services have already been transferred to SSCs. 21% of companies cover close to 100% of Finance scope from the BSCs.

> **Human Resources:** more than 40% of the HR tasks moved into Business Services on average with less than 1% performing full scope of HR function.

Charts show how many companies perform what % of scope out of the SSC.



Source: 'Shared Services – Digitalise Your Services' (PwC Report)



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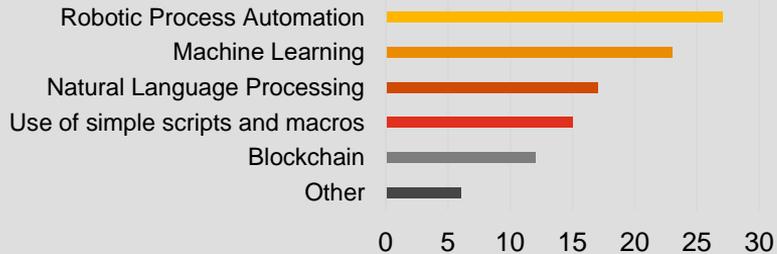
The presented trend is still expected to rise in the future due to **increasing digitisation of services** that do not require proximity to customers. Together with the shift from purely transactional tasks, organisations are **exploring new ways to create more value to customers** and **adopting the GBS model**

Automation

Over 95% of the survey respondents believe that automation solutions will be widely used by Business Services having a major impact on the way operations are organised and managed. Currently, the actual degree of automation is at 35% while the potential is expected to reach 64%.

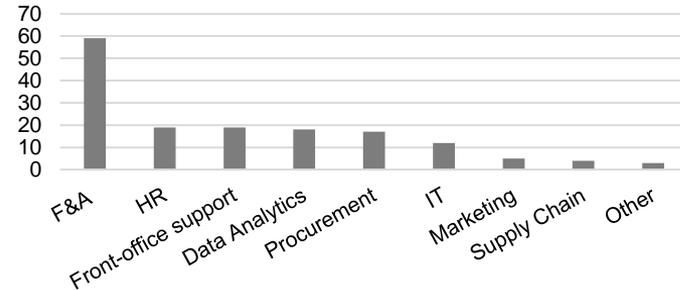
The survey results confirm that the most commonly used methods of automation will be **RPA at 27%** and **Machine Learning at 23%**

Most commonly used forms of automation [Total = 100%]



Source: 'Business Services Trends for 2025' (PwC Report)

Top Business Services functions with the biggest potential for automation



Source: 'Business Services Trends for 2025' (PwC Report)

The key to success would be for the Human Resources to consider the **revision of current job descriptions in SSC**. The purpose of this would be to understand **what are the gaps in the competencies framework nowadays** and undertake **relevant training or recruitment initiatives**, which would help your organisation to **develop automation skillset**.

The **return on investment** from building this competency would be the **reduction of costs related to process inefficiencies** as well as **decrease in attrition costs** (since job positions would evolve to more attractive – less routine based and more challenging from personal development point of view).

Technology

Different forms of technology will be used on a daily basis by Business Services, not only to improve accuracy and efficiency of the operations, but also to enhance collaboration and communication between the Teams. Advanced chat- and voice-bots will be widely used in the Customer Contact Centres, as well as during the hiring process.

Will automation solutions replace Business Services?

60%

of respondents believe that automation will impact the size of Business Services **only to limited extent...**

...the most transactional processes will be automated **while the judgemental and more creative ones** will still be done by Business Services' staff.

73%

How to leverage customer's experience?

of Customer Contact Centre functions will use advanced bots

All of the respondents agree that any Customer Contact Centres and help-lines will be to a large extent supported by advanced bots and self-services. In spite of this optimistic view, some of the survey participants commented that It will eventually **negatively impact customer satisfaction**, leading to a **new standard of service**.

Robot as a recruiter?

50%

of the hiring process will be automated

Almost 90% of the polled agree that the recruitment process will be supported by bots performing the **candidate profile analysis** and **pre-selection** as well as doing the **dynamic validation** of the answers provided by candidates during online interviews. Nevertheless, this may still vary from region to region due to legal regulations.

Technologies like VR and advanced online collaboration platforms **will be widely used** in Business Services to **enhance cooperation and work flexibility**.

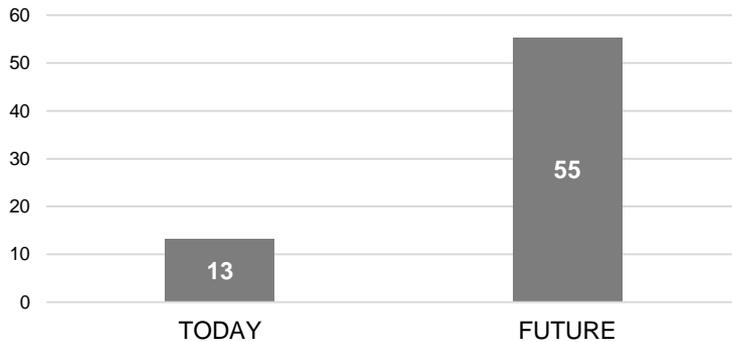
70%

Perceives **Virtual Reality** and **online collaboration tools** as the future enablers for Business Services...

Data Analytics

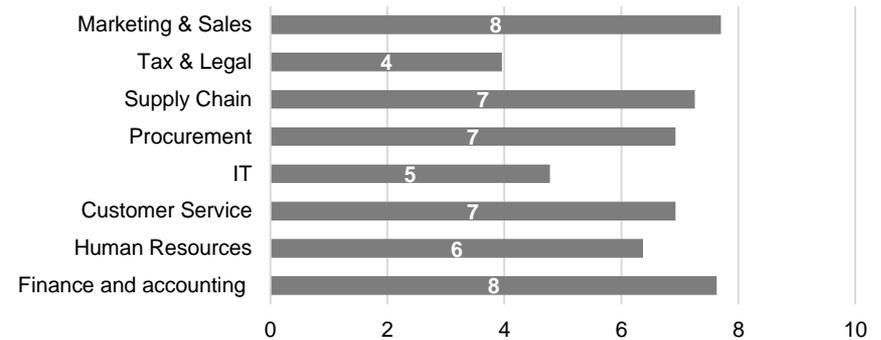
Survey respondents are almost unanimous to agree that data mining and analytics will become one of the fastest growing function in the majority of the Business Services.

The estimated current and expected future % of work done with support of Data Analytics [%]



Source: 'Business Services Trends for 2025' (PwC Report)

Functions which data analytics will have the biggest impact on [1-no impact, 10-massive impact]



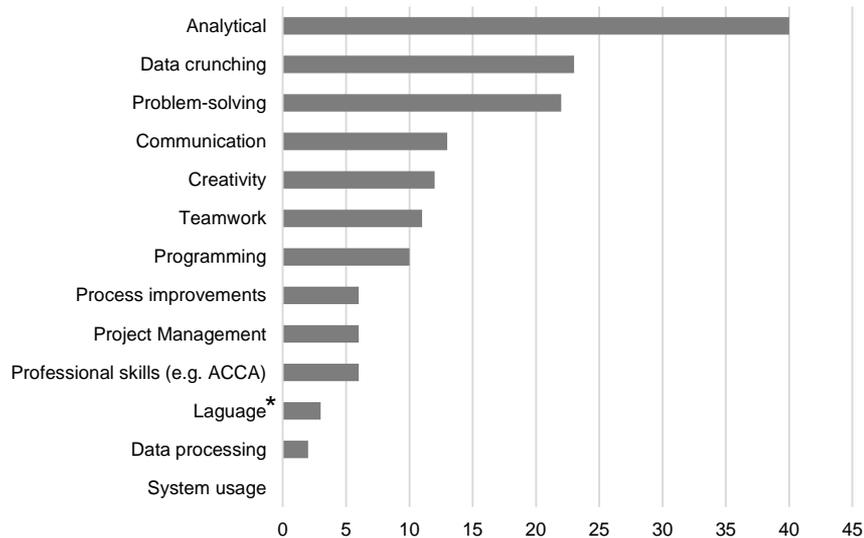
Source: 'Business Services Trends for 2025' (PwC Report)

It is predicted that tasks that use data analytics will be to a **large extent** done in the Business Services. The survey respondents admit that by 2025 there will be a **significant growth** in the use of Data Analytics, mostly in **F&A** and **Marketing and Sales** area.

People

Vast majority of respondents agreed that there will be a drastic change in the required skill-set as well as the work arrangements in the Business Services labour market, moving more towards analytical and problem solving skills with fully flexible working hours.

Most demanded skills in Business Services [% of respondents]



Source: 'Business Services Trends for 2025' (PwC Report)

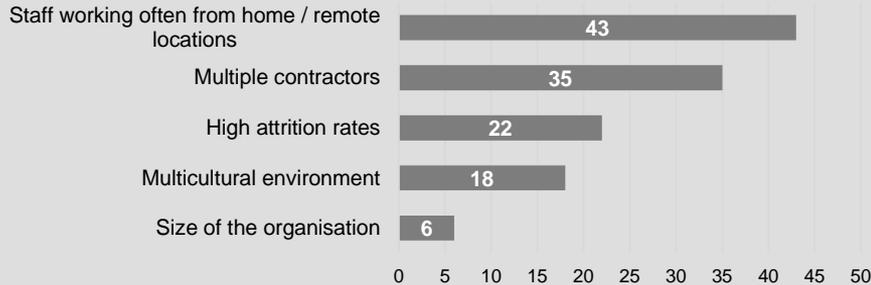
- > **Majority (>80%)** of participants indicated that since the technology is so rapidly evolving, Business Services will **need to invest more in developing soft skills** among the next generation, so that they can collaborate better.
- > **Over 90 %** of respondents **agreed** that Business Services will **hire more contractors** and **offer more flexible work arrangements** (e.g. home office, fully flexible working hours, crowdsourcing) as a common standard.

* Languages are currently still demanded but to lower extent. This is due to implementing BOTs and translators. Moreover, English language becomes a basic communication skill and is treated as a given rather than any outstanding competence.

Corporate Culture

More than 80% of respondents agrees that maintaining a consistent Business Services corporate culture and sharing the same values across an organisation will be a serious challenge - do bots do culture?

Main challenges of keeping the consistent corporate culture and values [% of respondents]

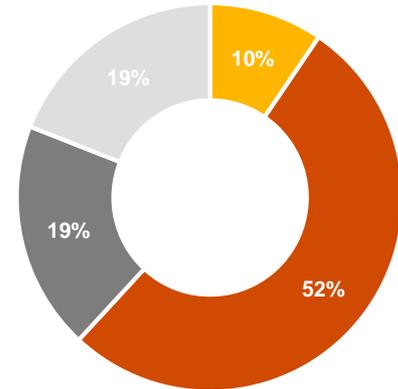


Source: 'Business Services Trends for 2025' (PwC Report)

> **Performance management** in operational departments **will be based on constant competition** within and between the teams (e.g. using "gamification") - **ca. 70%** of respondents **agree** with this statement.

Impact that inconsistent corporate culture might bring [% of respondents]

- Integrity issues
- Inefficient team work and performance
- Lack of motivation
- High attrition rates



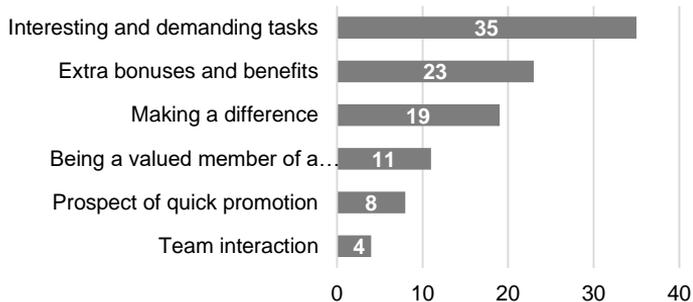
Source: 'Business Services Trends for 2025' (PwC Report)

Talent

Over 70% of participants agreed that significant pools of talent will be contracted through online labour market platforms, where employers ask and talents bid dynamically (e.g. where charges for weekend hours will be higher but all based on demand and supply drivers, using platforms like Top Coder)

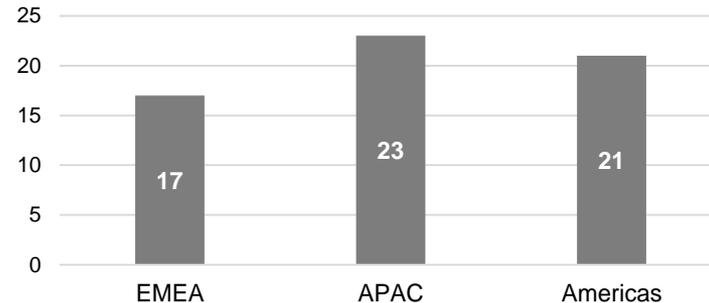
What will motivate people most?

[% of respondents]



Source: 'Business Services Trends for 2025' (PwC Report)

The average attrition in the key regions and their tier 1 locations [%]



Source: 'Business Services Trends for 2025' (PwC Report)

➤ More than 45% of respondents indicated that **most common channel** for attracting talents to Business Services will be **online headhunting** (e.g. LinkedIn), followed by **social networks (>30%)**, **university events (19%)** and **referrals (<4%)**.

➤ According to respondents, the average attrition rates **will not reach more than 30%**. This will be possible mostly due to the **reduction of tedious repetitive work** and **more interesting roles upcoming**, which will **create new career opportunities**.

➤ The above actions might also be important due to **demographic trends** which indicate that the **average age** of employees in Kraków has increased from **26 to 30**. This might mean that more and more **mature resources** would be looking for **stabilisation in one place for longer rather than new job pursuits**.

Key highlights for Human Resources of the future

When it's in, how to go from good to great?

Facing new technologies

- › As a result of digitalisation/ automation, processes in SSCs are changing, which create demand for new skillset and mind-set.

Tailoring job profiles

- › Due to process changes, HR need to find the answer and explain to business how employee profile should be tailored to the new reality.

Managing talents

- › To attract and retain talents, HR should use opportunities enabled by new technologies
- › They would help to maintain internal talents as well as to attract new ones from the market.

Investing in maturity

- › There need to be a value proposition created for more mature employees in order to motivate them and leverage their experience first, and then balance resource gaps with recruitment of new joiners.

Thank you



Adam Jamiol

Partner

PwC Poland

mobile.: +48 502 184 720

adam.jamiol@pwc.com

pwc.com

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