

Globalization of Services in Practice. (Analysis of Success on Polish Example in the Years 2003-2011)

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SUMMARY

The globalised world is looking for savings and actually finds it in Poland. Global economy is a system of connected vessels, functioning in close relations, with increasing role of Poland. The text demonstrates the developmental perspectives of outsourcing and offshoring in the largest Polish metropolies and the possibilities of the development of smaller cities.

Keywords: *outsourcing, offshoring, BPO*

INTRODUCTION

Globalization of services is relatively new phenomenon. In last two decades a lot of money was invested in modern communication and information technologies. Billions of dollars and euro got into firms which occupy with the Internet, communication and the whole infrastructure which serves the efficient information flow. There appeared possibilities which did not allow dreaming about so efficient information flow in real time before. This peculiar revolution allowed to export the services or chains of business processes outside the mother countries. There was achieved what we call globalization. Contractor can provide services in any place on earth with a similar result. And exactly this has a success in Poland to a large degree (Szymaniak, 2008).

In today economic development the services play a key part because of two reasons, firstly because of taking part in GDP, secondly because of taking part in employment. However, a big part in services does not concern only developed countries, but also emerging markets. In those countries OECD of 70% of employees work in services. (Kuźnar, 2004) In the international division of work the services are the focal element of business functioning, both in micro scale and in supranational corporations. One of the key elements in considerations concerning described questions are choice criterion- well educated workforce and relatively low payment. In configurations like this the countries of Central - East Europe and Southeast Asia, mainly India, are winning, and thanks to this the highly skilled workers from countries of low payment can be gathered by using modern information technology.

For smaller publication the short explanation of used terms is needed, because they are often used. It is permitted and correct, but only on condition that they are honestly explained and used in a consistent way. If outsourcing processes take place outside the mother country, then the term offshore outsourcing

should be used. Outsourcing, above all, is a sharing the organizational control with the other organization. However, if relocation of organization functions gets into other country, we rather deal with offshoring (Ibidem).

Outsourcing of business processes is above all the partnership and the cooperation. These are extremely important elements of each outsourcing activity, this is a transmission of a lot of very important business processes, often extremely essential for organization existence. However, outsourcing is above all very expensive and productivity measurement. Those actions let treat outsourcing as a motive force of development. Personnel which is managing all over the world, regard outsourcing as a weapon in management process which enables to function in a very effective way. Outsourcing of areas different from these regarded as a key areas is a chance for fast transformation and new definition of the most important business functions of enterprise (Frańczak, 2008).

Losing them from view ended spectacular fall more than once. Outsourcing let us focus on things really important in terms of organization. However, it is not only reduction of costs and productivity growth, it is transformation of costs in value, because thanks to using described model it becomes a catalyst of changes in organization. It ensures not only described reduction, but also provides with comprehensive information, allows the politics of long duration and far-reaching, allows to foresee the costs easier and makes easy the strategic planning. Companies which are using outsourcing, are more elastic, respond better to changes, crisis and recession, that is why they are more competitive in demanding, globalized market. Formerly outsourcing was used only for simple activities, so called back office. However, today modern managed organizations at most using effects of transmission out a lot of business processes in a way that the highest level in the key segments can be reached, on which their business existence is based.

METROPOLIS PARTICIPATION

Crisis did not stop the inflow of investment and development of service centers in Poland. Despite the world-wide recession, Poland is still one of the fastest developing service markets, it is estimated that in the year 2009 even ten thousand of new workplaces in this section came into being, and in two- three years this number can treble. Year 2009 is an investment of IBM which at present is employing

a few thousand of workers in Poland, mainly in head office in Warsaw, Software Laboratory and centre of finance and accounting in Cracow and in Gdańsk in Regional Center of Competence and Implementation. Moreover, the concern signed with Polish government a deal, by virtue of which it will get public help, and in exchange for it will create three thousand of work places in planned in Wrocław Integrated Service of Delivery Centre IT. The choice of Wrocław was not accidental, every year local academies are left by 20 thousand of highly skilled graduates (Kaszuba, 2010).

The other investment is, for instance, Cracow office of Lufthansa, where the documents from whole Europe are being processed through the ticket accounting department (Kliniewicz, 2008). In Poland the employment is being increased also by Hewlett Packard, in connection with what a number of workers employed in Wrocław is going to exceed 2000 thousand. Other big centers, like Indian Infosys BPO (Business Process Outsourcing) Poland in Łódź, are employing 900 people. In Zabierzów, near Cracow, Shell created another 800 work places, RBS in Warsaw 600, and Franklin Tempelton in Poznań 500 posts. It illustrates strongly enough how in year 2009, against global slowdown, described section developed in Poland.

PBO branch is not only the foreign companies, but also native Polish enterprises are developing very rapidly. Target Company from Łódź is employing 1200 people by providing human resources, accounting, outsourcing sales forces and newspaper distribution services. At present employment, not only in Cracow, Warsaw and Wrocław, is assessed at about 55 thousand. In general 70 thousand of people will be employed in 2011 by centers in Poland working on basis of BPO- results from PAIIZ prognosis.

Polish leaders of outsourcing are not afraid even of financial crisis, from which Poland come out on top and BPO section increased. According to the statement of Investment Report 2009, in the year 2008 inflow of foreign investments to countries of old Europe dropped of 48% in comparison to the year 2007, whereas investments in Central - Eastern Europe dropped only of 9%. It determines the increase of region's attractiveness and its role, what takes effect in increase of attractiveness of Poland. It is corroborated by the report of Ernest & Young - "European Attractiveness of capital expenditure" (Kaszuba, 2010) Foreign investors realize that moving the service centers to Poland can not only reduce costs, but also improve quality. Polish centers do not only aim at reducing costs, and high technologies, which were before reserved only for local institutions in West in Europe, started getting to Poland. In Poland service centers was located by a lot of international corporations, among other things by Carlsberg, Citigroup, Credit Suisse, Electrolux, Fiat, Ge Money, Philip Morris, IBM, Hewlett Packard and others. However, mainly the metropolies took advantage of it, because, unlike the production investments, service offshoring and outsourcing is

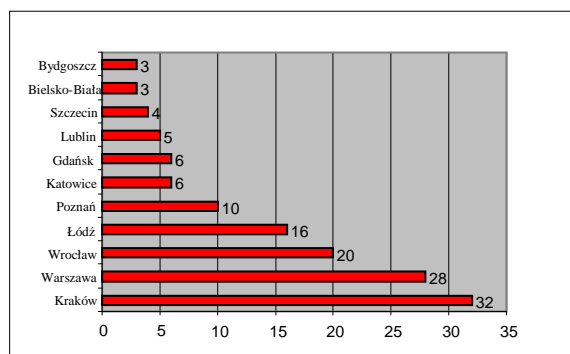
located in big cities, where qualified staff is not a problem.

The main factors which determine the location of investments are availability of modern office space, academic institutions and infrastructure, especially airports. The results in terms of leading cities, should not surprise: Cracow, Warsaw, Wrocław, Łódź and Poznań. These cities are the biggest academic centers in Poland, where every year thousands of well educated and prepared students leave their Universities. All these cities have decent airports with regular flights to the most important business centers of Europe, and Cracow and Warsaw offer intercontinental flights. The proper availability of modern office space is also important, and it is worse with it. There is appearing serious disparity between the capital and the rest of the country, because according to the report of Colliers International in 2007, Warsaw had 76% of modern space, whereas 20 % did fall on other cities (Cracow, Trójmiasto, Poznań, Wrocław, Katowice, Łódź) (Radło, Chilimoniuk, 2008). By localization of investment, attractiveness of the special economic zones is also of importance, what was one of motives to choose Cracow by Motorola, where in Financial Center and software centre 800 people is employed, and the city gave public help and exemptions in taxes. Cracow is winning with a lot of aspects, huge meaning had greatly prepared staff from technical academies which meet investor's demand.

Also good cooperation determines location of investment, like in example of investment General Electric in Warsaw. GE decision about engineering centre in capital is an effect of, among other things, cooperation with Aviation Institute and academies which have well educated engineers. At the beginning work was started by 20 people, at present there are almost thousand of employed people. Wrocław, mentioned before, attracted the investor of Hewlett Packard, above all by coherent vision for collaboration and also by trumps described before which are the condition of sine qua non BPO investment. Now Wrocław is the second centre when it comes to financial services, and the strong centre IT in Europe (Panczyj, 2008). In Wrocław also Credit Suisse, Google and Volvo also located their centers. Numerous and effective actions are took up also by Łódź, by enacting, among other things, the project named "Cluster of Lodz as a network of cooperation in innovation in the region" and winning investors over, who are from AGD and logistics branch which are regarded as the key branches (Sińska, 2008) (Figure 1).

Cracow unquestionably reigns In the ratings of attractiveness for BPO and service centers, in this city there are located centers of companies like: ASC, HSBC, AFS, IBM, Ahold, AZSoft, Indesit, Bayer, Intelnet European Services, CapGemini, International Paper, CBB Call Center, KPMG, Communication Factor, Lurgi, Electrolux, Hewitt, PricewaterhouseCoopers, Fortis, Hitachi, Philip Morris, Shell, Google, HCL Technologies, UBC, Eletic 80, Ericpol, State Street.

Figure 1: Offshoring projects location in Poland



Source: PAIIZ, <http://www.paiz.gov.pl/sektory/bpo>

Outsourcing and BPO in Poland are also more often in smaller cities which can attract investors by the lower rates than they are in the biggest Polish cities, good infrastructure and similar cadre backup. The project director's salary in Warsaw is 12 thousand zlotys gross on average, whereas in Białystok, Kielce or Olsztyn this is only 8 thousand (Krukowska, 2008). In smaller cities there is easier to get Union grant reaching 50% of costs of graded investment, what attracted company Atos Origin Polska to create IT centre in Bydgoszcz while employing 250 people, government of Białystok acted similarly by attracting vindicatory company Itrum Justitie. Szczecin also is doing better and better, there the investment was located, among other things, by Credit Suisse. Also Gdańsk does not fall behind, it is winning, among other things, Sony Pictures Entertainment, Willis, ZenStar or First Data over (Ibidem). It is harder for small Polish cities to attract the investors than to metropolies like Cracow or Warsaw, but they are not at a disadvantage.

The saturation of services of Polish metropolies' centers can also involve a risk, that is significant increase of competition and thus higher rotation of staff, rise of payment amounts and as a result the reduction of Polish cities' attractiveness for BPO investors. Even if for these Polish metropolies will be harder and harder to compete with costs, at the same time it can be a chance for smaller cities. Moreover, outsourcing in Polish version is more and more advanced and concerns processes too complicated for the service centers to leave the academic cities with their scientific and research base. Additional argument is the fact that estimates of the outsourcing market do not provide for the collapse of the current upward trend, and more probable are some reshuffles and rotations than the fundamental changes.

Supporting of the investments based on BPO and in service centers is also good deal for the country. The Council of Ministers adopted 35 long term programs which are being realized by the government and which provide for investment in Poland at 11 billion zlotys and creation of highly specialized work places of an amount of about 35 thousand. Until the year 2012 national budget should get about 15 billion zlotys on grounds of PIT, CIT

and VAT, and budgets of local governments should get about 2,5 billion zlotys. These are significant revenue, given that the total commitment and support paid to investors does not exceed 862 million zlotys.

THE CHANGE OF MODEL

Polish market and outsourcing model can be clearly divided into two separate parts. On the one side there are Polish enterprise which are slowly introducing the modern business models and Poland as an evolving service market. This second one we have to interpret in two ways, through giving the solutions and resources to outsourcing centers, through the location and the cadre and on the other side as a market of companies which are functioning as the independent providers of outsourcing services at a very high level for supranational corporations and objects of national market. The evolution and the first unsure steps of outsourcing in a modern meaning are naturally at the beginning of 90's. Like Mariusz-Jan Radło rightly notices in his performance during the debate *The outsourcing maturity of Polish enterprises*, in the initial stages of development outsourcing appeared in the stage of restructuring of big companies after the transformation period.

Most huge national objects stand for restructuring by moving the elements of enterprise outside. In this way there were incorporated companies "transport, repair, there were created all the profit centers, what allowed the company to control costs, exclude certain areas. Slimming the organization was therefore the first impulse to the development of outsourcing". After year 2000, and more from year 2004 in Poland there faster and fuller changes on outsourcing market could be observed. There appeared a new trend which results from supranational corporation actions. In Poland there were and there is seen very big inflow of investments from BPO section, and big Polish metropolies started to transform their selves into service centers. Development and evolution of model of ordering the services outside is a long and tough process. Especially essential is the skeptic attitude of managers, for some of them outsourcing is problematic, because it requires outsourcing of this business process which they occupy.

Evolution of described two models is also the development of two speeds and the two paths which are partly divergent. By a point of view of international centers we are in the world lead- especially Cracow if it is about the attractiveness to locate this kind of investments. Polish firms, which offer analogous services for foreign and national objects, are also doing better and better. However, there is also the dark side of Polish market- it is the level of outsourcing in local enterprises. It is hard to encourage decisive people to try to move some functions out. It can be also noticed that firms which deal with outsourcing start to appreciate its strategical meaning. Market is evolving very slow, but we are moving to outsourcing stage which results

from costs' cuttings to outsourcing motivated by access to new resources and improving the quality.

Changing business surrounding is the one that transform the face of today outsourcing, at present it is not confining to, mentioned many times before, reduction of costs, it is providing advanced services, managing all business processes and manage domains. Now firms which are creating service centers in Poland, are looking not only for simple improvement of activity, but more and more often also for partner in business which allow them build competitive predominance in business by giving specialistic knowledge and unique solution. Level of changes in technologically advanced institutions in Poland had to exact fast adjustment, what now allows build predominance in this domain (Kaszuba, 2010). Foreign investments within the framework of outsourcing and offshoring had huge influence on improvement of efficiency of Polish firms' work and introduced innovative solutions and modern managing methods.

It has to be remembered that outsourcing is not only the foreign investments, also Polish companies both create modern business service methods and use it. In Poland there most often are created service centers functioning in financial and banking, telecom and manufacturing sectors, mainly firms from these branches order the service of processes connected with IT operating. However, at present services associated with financial and accounting services is our speciality: bookkeeping, billing invoices, filling in tax returns, calculation of wage and managing personnel and payroll documentation. Services like this are more and more often used by Polish companies, for instance Target BPO is working for Polish Telecommunications, and a company which is taking up electronic document circulation ArchiDoc, is servicing Tauron which is coming to the exchange and finished project in President's Office (Ibidem).

CONCLUSIONS

In Europe there more and more often one try to entrust the state functions to the private sector, what is a step into right direction. It is obvious that the old continent have still long way to that outsourcing level which is functioning on the other side of Atlantic, but still it is a step into right direction. In European Union outsourcing of state functions to private entities tripled in 2008. In Poland this trend is still very poorly marked. Although, as in the U.S., Polish companies do not send their workers to the war, they are hired in the protection of military units. Similar situation is with home orphanages, where private institutions are functioning thanks to public money, fulfilling state functions. We could successfully use Irish patterns, , where since 13 years the Ministry of Agriculture employs the company South-Western Business Process Services which leads on behalf of it the registration and issuance of passports for the animals and register 40 thousand of them every day (Cydejko, 2010). Also in Ireland there 10 thousand of workers work in the private sector, providing services on behalf of the government and in Great

Britain 70 thousand. Companies are supporting the administration by, among other things, answering citizens' questions, offering low help, providing administrative service of budget units and for example recovery of taxes.

However, in Poland there is a problem with the responsibility for outsourcing of processes in public sector and a risk connected with it. At present the head office can not pass the responsibility for made mistakes on the outsourcer for not completed task, though contractual penalties can of course regulate it. The change of regulations in this regard seems to be necessary. In the document accepted by Donald Tusk, on 8 February 2010 with the name of Plan for Development and Consolidation of Finance 2010-2011 there were assigned, among other things, targets related to the optimization of business processes in public sector units. It is expected establishing of common service centers which would allow reduce administrative costs by 20-50% with relation to the present ones, what could bring savings in the budget scale of several billion dollars per year. It is hoped that the government's plans go further and extend beyond centre of common services, what is maybe small step, but towards right direction. Many tasks and functions fulfilled by the officials could successfully be in the hands of private companies, yet decisions are not made, or it happens very slowly. Foreign and Polish companies are very keen to improve offices work, because it would mean the gaining and the widening of the market for them.

Attracting foreign investors should go much more smoothly, Poland could have even better indicators of foreign investments inflow, but often clerks' sluggishness prevents and discourages potential investors. Poland does not have to be tax paradise, but should have more stable law, and interpretation of the rules should be coherent and binding. Ministry of Finance and Regional Development block the development of services in special economic zones by, among other things, long time of waiting for decisions and even few years of waiting of investors for fulfill promise given by government (Kaszuba, 2010). Business expects from the state the development of technical infrastructure, low Internet costs and reasonable action in the field of education through cooperation with universities and the education of students in a way that responds to market demand. Education in the agreement of all concerned sides would contribute to the introduction of staff more experienced and better prepared not only to work on the Polish market, but also the participation of young Polish people in the biggest business projects in the world, and also extension of the functioning model BPO towards KPO, that is Knowledge Process Outsourcing.

It is creation of knowledge, its protection, preservation and dissemination, and as a result of course earning thanks to knowledge. KPO allows companies, which are using it, to achieve maximum growth by ordering to do outsourcing key tasks in certain areas to firms which are employing highly

skilled and cost-effective workers who are experts in their field.

Resolute optimism can be delighted in by BPO investment structure and its qualitative characteristics. At present virtually all processes, including those identified as key processes, are being transferred to Poland. Everything seems to indicate that Poland will remain as leader in the region, we are perceived as a very attractive place to locate the outsourcing centers. Moreover, foreign investors highly value Polish well-trained and skilled workers, not without significance is the central location in Europe and the proximity of large lymph markets.

Heads of foreign corporations also see chances to development for Polish outsourcing centers, what is evidenced by the plans and the announcement of further investments. There is also important, and should not be forgotten, the cultural proximity and the presence of Poland in EU - by which business risk is much lower than it is in Russia. Poland wins the competition in the region, finding its place in the globalized world, and the Polish cities become the true European service centres.

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