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SHARED SERVICES CENTRES IN CENTRAL AND EASTERN EUROPE: THE EXAMPLES OF POLAND AND SLOVAKIA

ABSTRACT. Increasing complexity of companies’ activities and benefits for the entities that have decided to implement the SSC concept caused that the popularity of this strategy in the recent years to increase considerably. At present the shared services centres constitute the basic form of organisation in many transnational corporations. Their dynamic growth can be observed especially in the countries of Central and Eastern Europe (CEE). The article overviews the activity of such shared service centres in Poland and Slovakia and analyses the factors influencing the development of these units. The paper determines which of the surveyed countries is more conducive to the SSC functioning.

JEL Classification: G2, F66, L84

Keywords: shared services centres, Poland, Slovakia.

Introduction

Dynamic globalisation processes have their impact on what the system of companies functioning is like. The changing environment, the “mutual rapprochement” of markets and the dynamic growth of information technologies make companies face new challenges but also new opportunities for development. One of the effects of globalisation is the appearance of new strategies for companies’ functioning, among which the key role is played by the concept of shares services centres – SSC. The popularity of this solution was initially vague, as its implementation causes considerable expenses, further complicates organisational restructuring and bears huge risks (Kot, Dragon, 2015, p. 106). Transmitting processes to SSC is essentially the decision of strategic character, with rather long-term consequences in different fields of company’s activity (Janssen, Joha, 2006, p. 104). Gradually increasing complexity of companies’ activities and obvious benefits for the entities that have opted to implement the SSC concept caused its popularity in the recent years. Today the shared services centres constitute the basic form of organisation in many transnational corporations. Their dynamic growth can be observed especially in Central and Eastern Europe (CEE) that makes perfect places to locate investments (Ślusarczyk, Golnik, 2015, p. 94).

The aim of the article is to present the functioning of shared services centres in two countries of the CEE region: Poland and Slovakia. The comparison will be performed with respect to the most important data concerning these units: the number of centres, their significance in the structure of employment in both countries, and their main locations. The assessment will also concern such aspects of the centres’ functioning as: linguistic
competences of employees, the origin of parent units, the realised processes and incomes at the selected locations (Grabara et al., 2016, p. 218). The analysis will allow for the identification of key similarities and differences in the functioning of the shared services centres in the countries in question. To some degree, it will also allow answering the question which of these two countries is a better alternative for SSC introduction.

1. Literature review

Shared services centres are organisationally separated units that consolidate, standardise and restructure the functions, systems and processes realised in the organisations. Their role is to support the activities of at least a few business units. Creating the shared services centres is possible due to the standardization of the internal processes realised in organisations and allows to consolidate different activities, so far performed separately by particular business units in one location (Strikwerda, 2006, p. 2).

Knoll, Jansen and Sol approach the problem from a similar perspective. They define shared services centres to be “half-autonomic organisational units that provide, previously dispersed services of support for the external clients within the organisation, first of all, in order to lower the costs” (Knol et al., 2014, p. 92). This definition indicates the basic purpose of SSC creation that is costs minimization. The application of the concept of sharing services allows an organisation to reduce the costs through standardisation of the processes and benefits of the economies of scale, obtained due to the connection of the processes that so far have been realised independently (McIvor et al., 2011, p. 449).

Lowering the costs of activity makes the main but not only motif of SSC concept implementation. This strategy implementation also brings benefits within the following (Paagman et al., 2015, p. 115):

- access to the external resources;
- increase in efficiency;
- increase in the quality of services;
- possibilities of concentrating on the basic activity;
- increase in control;
- possibilities of increasing innovativeness;
- increase in customer orientation;
- risk limitation.

Shared services centres do not make a uniform category of units. They can be divided into many different types e.g. due to the type of their activity. We can distinguish the centres of BPO type (business process outsourcing) that use the process approach and concentrate on the outsourcing of processes, units, as well as qualified employees, and ITO centres (information technology outsourcing) that deal with the field of informative technologies (Duening, Click, 2005, p. 8; Hintaya, Faudziah, 2012, p. 155; Mierau, 2007, p. 7, 1; Borodako et al., 2015, p. 93).

2. Services centres in Poland and Slovakia

Below presented research methodology consists of quantitative analysis comparing the activity of shared service centres in Poland and Slovakia for 2014-2016, based on branch studies and reports.

In the initial period of the shared services centres development, these units were located mainly in India. However, a rapid growth of the cost of work, considerable rotation of employees, cultural diversity and the risk of conflict with Pakistan prevented this country from being attractive for such a type of units (Grycuk, 2014, p. 2). The investors also started...
appreciating the advantages resulting from locating the centres closer to their parent units and the possibilities of a closer control of their activity and easier flow of human resources and, as a result of knowledge (Rajnoha et al., 2016, p. 183). The countries of Central and Eastern Europe have become more attractive (Ślusarczyk, Golnik, 2014, p. 193).

The first shared services centres were located in CEE countries in the nineties of the past century, short after the communism fall. However, a real investment boom took place after the year 2004, when some countries of the region entered the European Union (Zorska, 2007, p. 17). Currently, these countries are competing intensely to attract the largest number of this type of investment, thereby confirming that the competitive struggle is not only the domain of companies, but also regions or entire countries as well (Ivanowa, Masarova, 2016, p. 207; Soltes, Pinka, 2015, p. 169). The two of them, Poland and Slovakia, are discussed in the present paper. In table 1 the basic information concerning the services centres located in these countries is presented. Table 2 provides information concerning the cities placed in the prestigious rating of Tholons company, that is about the locations that are best for the units of the modern business services sector.

Table 1. Basic data about the services centres in Poland and Slovakia (first quarter 2016)

<table>
<thead>
<tr>
<th></th>
<th>Poland</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of centres</td>
<td>936</td>
<td>47</td>
</tr>
<tr>
<td>Number of employees</td>
<td>212 000</td>
<td>30 000</td>
</tr>
<tr>
<td>Share of services centres employees in the general structure of the people employed in the country</td>
<td>1,32%</td>
<td>1,21%</td>
</tr>
<tr>
<td>Main locations of services centres</td>
<td>Cracow, Warsaw Wroclaw</td>
<td>Bratislava, Kosice</td>
</tr>
<tr>
<td>Developing locations</td>
<td>Katowice, Lodz, Tri-City, Poznan, Lublin, Bydgoszcz, Rzeszow, Szczecin</td>
<td>Banska Bystrzyca, Nitra, Presov, Trencin, Trnava</td>
</tr>
<tr>
<td>Share of foreigners in the employment in services centres</td>
<td>9%</td>
<td>13%</td>
</tr>
</tbody>
</table>


Analysing the data concerning the number of services centres and people employed by them, we can observe a huge disproportion between Poland and Slovakia. In Slovakia there are almost 50 units of that type, while in Poland there are almost 900 centres more. A similar situation can be observed when we consider the number of employees. However, comparing these parameters we must remember about a considerable difference of the size of both countries and the number of citizens. If we analyse the share of employees of services centres in the general structure of the employed in both countries, we will obtain similar values. Thus, we can conclude that the services centres are of a similar importance for the job markets in Poland and Slovakia.

Both, in Poland and Slovakia, the main locations of the services centres are the biggest cities. It is understandable as large centres, especially with universities, are able to provide the centres with the access to a proper number of properly educated employees. These are usually best-connected and offer a considerably big office space for rent. These two factors are very important from the point of view of the services centres location.
Table 2. Polish and Slovakian cities in the rating of 100 best place for outsourcing investments’ locating (according to Tholons)

<table>
<thead>
<tr>
<th>Country</th>
<th>City</th>
<th>Ranking 2014</th>
<th>Ranking 2015</th>
<th>Ranking 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>Cracow</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Poland</td>
<td>Warsaw</td>
<td>32</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Bratislava</td>
<td>47</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Poland</td>
<td>Wroclaw</td>
<td>65</td>
<td>62</td>
<td>58</td>
</tr>
</tbody>
</table>


In the rating of Tholons company that includes 100 cities that are best for locating the services centres, there are three Polish cities and one Slovakian city. It must be added that Cracow is the highest classified European city that can be considered as a huge success. The presence of three cities from Poland in this prestigious rating reveals that this country really makes an excellent location for the centres.

A very positive for Poland information is also the fact that the position of the Polish cities in the rating is gradually improving. Cracow, that currently is in the first ten, maintains its position, but also Warsaw and Wroclaw are on the make.

A different situation takes place in Slovakia. Bratislava, being the only Slovakian city in the Tholons rating, is in the half-way and there is no prognosis that it will improve its position soon. Other cities where the services centres are located in this country are of a very little significance in the global scale and are not included in the rating.

3. SSC location conditionings in Poland and Slovakia

One of the premises that encourages investors to locate their shared services centres in a particular country is the level of language competences of its citizens, that make potential SSC employees. Due to the fact that the majority of the people employed in the services centres have higher education, the Table 3 presents information concerning the command of selected foreign languages among students from Poland and Slovakia. The Charts 1-2 present the actual use of foreign languages in the centres located in the analysed countries.

Table 3. Foreign languages command among Polish and Slovakian students (2015)

<table>
<thead>
<tr>
<th></th>
<th>Percentage of students that speak a particular language [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poland</td>
</tr>
<tr>
<td>English</td>
<td>91</td>
</tr>
<tr>
<td>Deutch</td>
<td>33</td>
</tr>
<tr>
<td>French</td>
<td>19</td>
</tr>
<tr>
<td>Spanish</td>
<td>16</td>
</tr>
<tr>
<td>Russian</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Own study based on: Business Services in Central & Eastern Europe 2015, ABSL, 2015, p. 20.

In both countries a leading foreign language is English – it is spoken by 90% of students. In the case of other languages we come across a lower command and large disproportions between the countries. It is especially visible in the case of a German language.
that in Slovakia is spoken by 60% of students, while in Poland-less than 35%. A German language is the only language known better by the Slovakian than Polish students. In the case of other languages – they are spoken at a higher level in Poland.

Analysing the above data, we can conclude that in both countries there is a large group of students that speak more than one foreign language. In the case of Slovakia, English and German are spoken, in the case of Poland it is harder to specify which language, besides English, is most commonly used in SSC.

Chart 1. Poland’s BPO and SSC workers language skills
Source: Own study based on: 10 years of modern business services sector in Poland, PAiZ, 2015, p. 31 (in Polish).

In SSC and BPO centres located in Poland the most common foreign language is English – it is used in over 85% of units. Half of the centres provides services in a German language. Other languages such as: French, Italian and Spanish are also of a great importance. At least 10% of centres uses: Russian, Dutch, Czech, Swiss, Norwegian, Hungarian, Danish and Portuguese. A considerable group is composed of the units that use other languages (25%) such as: Slovakian, Finnish, Ukrainian, Lithuanian, Turkish and many others. Generally, the centres of services in Poland provide services in 36 languages, also less commonly known (Thai, Catalanian or Hebrew).

It must be mentioned that in the majority of the centres more than one foreign language is spoken, often there are a few or several languages. In Poland, the unit that is best developed in this respect provides services in 30 different languages.
The data presented by the Slovakian Agency of Investment and Trade Development SARIO reveal that in all of the services centres an English language is used. But it is the only language used in 15% of units. In other centres it is accompanied by other languages, in majority (58%) from the so-called core group e.g. German, French, Italian, Czech, Polish, Russian, and Spanish. A considerably large group is composed of the centres, the employees of which speak other languages that belong to the non-core group. The percentage of the units where exotic languages are spoken is marginal. Due to the lack of precise data concerning the use of particular languages, it is hard to specify the significance of each of them for the functioning of the centres of services located in Slovakia. Knowing the data concerning language competences of the students in this country, we can assume that, besides an English language, the leading role is played by other languages: German, French, Spanish and Russian.

Comparing the use of foreign languages in the services centres in Poland and Slovakia, we can see a slightly different approach to the use of an English language. In Slovakia it is used in all of the units and is the basis of their functioning. In Poland it is very important, however, there is a certain group of the centres where it is not used and it is not necessary to be spoken there.

For the analysis of the shared services centres functioning in Poland and Slovakia a key issue seems to be the origin of these centres i.e. geographical location of the parent units that create SSC in these countries. The data concerning this issue is presented in Chart 3.
Chart 3. The origin of the parent units of foreign services centres located in Poland (I quarter 2016) and Slovakia (2015)


In the case of Slovakian data we come across a significantly lower diversity of the services centres with respect to the country of origin of their establishers, than in the case of Poland. In Slovakia a key role is played by the units with the parent seats in Western Europe and USA-58 and 39% respectively. The entities that are created by the Asian companies make 3% i.e. not much.

In Poland the biggest percentage is made of the services centres the parent seats of which are located in the USA. If we sum up the share of the centres created by the entities from Great Britain, France, Germany and Switzerland, it will come out that the countries of the Western Europe have the same share in the general structure of these units in Poland. What is more, if we add the centres the owners of which come from Nordic countries (also the ones from the category of “others”, where other countries from Europe are located), it will turn out that SSC created by the European companies are most numerous in Poland. Then we will come across the situation similar to the one in Slovakia, where the units, the parent seats of which are located in Europe, make a half of all the centres.

Comparing the data concerning both countries we can see a similar share of the centres where the parent units are placed in the USA and Asian countries, while the units belonging to the companies in the United States have a slightly bigger meaning in Slovakia (39% of the units in Slovakia and 34% in Poland), and the ones from Asia- in Poland -7% in comparison with 3% in Slovakia. Generally, we can say that the structure of the origin of investors creating the services centres in Poland and Slovakia is comparable.

The next field that characterises the services centres activity is the number and type of the realised processes. The data concerning this issue are presented in Charts 4 and 5.
Chart 4. The percentage of SSC and BPO centres located in Poland that provide services within specified processes
Source: Own study based on: *10 years of modern business services sector in Poland*, PAiZ, 2015, p. 24 (in Polish).

Chart 5. The percentage of SSC and BPO centres located in Slovakia that provide services within specified processes

In both countries the processes that are connected with provided services are within finances and accounting, however, it is worth noticing that in Slovakia the percentage of units offering these types of services in considerably higher than in the case of processes connected with IT, i.e. another key field of the units activity – in Slovakia they are realised by 30 percentage points more centres than in Poland. In both countries similar values are obtained only in the case of the processes connected with client service- these fields are realised by less than 50% of the units.

Analysing the above data, the attention must be drawn to the fact that the groups of processes realised in both countries are not the same in all cases – the services connected with IT and HR exist in both countries, however e.g. the management of the chains of supplies was
only listed in Poland, while sales and marketing – only in the data from Slovakia. Additionally, in the case of the centres located in Poland, the processes are divided in a more detailed way e.g. finances and accounting, as well as financing services, while in the case of the centres in Slovakia, there are only finances and accounting. Considerable difficulties in comparing the processes in both countries are also caused by the category of “others”, as we do not have any detailed information about how many and what fields are included in it. What is more, it is very probable that the processes listed in one country as a separate category, in the other are placed in the group “others”.

Generally, we can state that in the services centres in Poland and in Slovakia similar categories of processes are realised, among which the most considerable importance is attributed to the fields connected with finances and accounting, IT services and, the widely understood, client service.

The issue that is significant for the shared services centres functioning in particular countries is also the level of employees’ payments. We must remember that the rates may differ not only between the countries, but also among different cities within one country. Table 4 presents the minimum incomes at selected positions in the cities that are among SSC investors’ biggest interest: Warsaw and Cracow in Poland and Bratislava and Kosice in Slovakia.

Table 4. Minimum earnings at selected posts in the services centres in Warsaw, Cracow, Bratislava and Kosice (in EUR)

<table>
<thead>
<tr>
<th>Field</th>
<th>Position</th>
<th>Poland</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Warsaw</td>
<td>Cracow</td>
</tr>
<tr>
<td>Finance (GL)</td>
<td>Accountant</td>
<td>1 350</td>
<td>1 000</td>
</tr>
<tr>
<td></td>
<td>Team leader</td>
<td>2 050</td>
<td>1 950</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>3 200</td>
<td>2 750</td>
</tr>
<tr>
<td>Customer service</td>
<td>Specialist</td>
<td>900</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td>Team leader</td>
<td>1 250</td>
<td>1 150</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>1 600</td>
<td>1 600</td>
</tr>
<tr>
<td>HR</td>
<td>Team leader</td>
<td>2 150</td>
<td>2 050</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>3 200</td>
<td>3 200</td>
</tr>
<tr>
<td>Orders</td>
<td>Specialist</td>
<td>1 250</td>
<td>1 000</td>
</tr>
<tr>
<td></td>
<td>Team leader</td>
<td>2 750</td>
<td>2 250</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>3 400</td>
<td>3 200</td>
</tr>
<tr>
<td>IT</td>
<td>Business analyst</td>
<td>1 600</td>
<td>1 450</td>
</tr>
<tr>
<td></td>
<td>Developer</td>
<td>1 350</td>
<td>1 350</td>
</tr>
</tbody>
</table>


The analysed data indicate that the highest minimum earnings are obtained by the persons employed in the services centres located in Warsaw, the lowest values have been observed in Kosice. Additionally, we can see that the units acting in Poland offer their employees higher earnings than the entities in Slovakia. Only in the case of the positions connected with the client service and IT services development in Slovakia there are higher rates offered than in Poland.

Analysing the data concerning earnings in the services centres in selected cities, it is worth stressing that in the case of both countries they are higher than the national average. Despite of, the salary are lower than the level of wages in Western Europe. This is, however,
justified by the generally lower wages earned by workers in the countries of Central and Eastern Europe, which is related to the lower productivity of labor and capital (Habánik et al., 2016, p. 145). Remembering that the data included in the table concern the minimum earnings in these units, we may assume that working in the services centres is profitable from the economical point of view.

To sum up, we can say that Poland and Slovakia make very comfortable locations for the shared services centres that is revealed in the number of these type of units acting at the area of these countries. Taking into account the differences in the area and the number of citizens of both countries, it seems justifiable to say that SSC in both countries do not only characterise of similar features, but also have a similar meaning for Poland and Slovakia and its importance will be growing in the next years. The rapid development of the shared services centres in Poland is also indicated by M. Ulbrych (2013, pp. 76-88) i E. Marcinkowska (2015, pp. 130-140). I. Biernat (2016, pp. 245-261) additionally draws attention to the fact that a significant role in the support of SSC development is played by the involvement of central and self-governed authorities that reveals in the priority approach towards these type of investments. This involvement will be more and more significant because, as E. Marcinkowska (2015, p. 138) notices, the level of earnings that makes one of the premises of SSC location in Poland and Slovakia will be increasing in the close future and it will cause these countries lose one of the key competitive advantages.

Conclusions

The concept of sharing services within specialised units has already been implemented effectively in the system of the companies organisation that causes us to deal with the growth of these type of units. They are most frequently placed in the locations that are politically and economically stable, culturally close parent units that create SSC and dispose of the human resources of high qualifications within the command of foreign languages and low costs of labour. This is why the region of Central and Eastern Europe that is created by, among others, Poland and Slovakia, constitutes one of the most eagerly chosen areas. Both countries attract many investments within SSC, while, due to apparent reasons (the area of the country and the number of citizens) a bigger number of the centres in located in Poland. If we take into consideration the share of the employees in the services centres in the general structure of the employed in the economies of both countries, it will come out that we will obtain a similar value. In connection to the above, we can say that SSC sector has a similar meaning for both countries.

The analysis of the key aspects of shared services centres functioning in Poland and Slovakia allows to conclude that the functioning of these units (considering it generally) is similar in both countries. Both, in Poland and in Slovakia, the biggest number of SSC is located by the subjects that have their seats in Europe, especially in Western Europe (though in Poland a lot of centres created by the companies from Nordic countries are being established). Also within the issue of languages that are used in these units there are a lot of similarities – the dominating language is English, but others are also important: German, French, Spanish, and Italian. Moreover, only a minor percentage of centres uses only English language now- in a vast majority SCC processes are realised in a few languages.

Another common aspect of the centres located in Poland and Slovakia is the type of the realised processes. In both countries the units dealing with finances and accounting, client service and IT area are most frequently created. The multitasking is also the characteristic feature of these centres- in the majority of entities the processes connected with more than one area are realised. It causes that the units that are located in these countries are able to provide services for their clients in a more complex manner.
Many similarities can also be found if we consider the earnings of the employees employed in the services centres. In both countries the rates differ, depending on the city, while higher earnings are in the capitals of both countries. In the majority of cases, the employees employed in the centres located in Poland receive higher payments than their counterparts in the centres located in Slovakia. An exception can be the area of client service, where being employed is more profitable in Slovakia. It may result from the fact that in Poland people who deal with the processes connected with this field earn considerably lower salaries in the comparison with other areas, while in Slovakia such a big disproportion does not exist. What connects both countries is also the fact that the earnings in the shared services centres are higher than average earnings in these countries. It allows the SSC units to attract educated people who want to earn adequately to their qualifications.

Despite numerous similarities, it seems justifiable to state that better perspectives of the development of the shared services centres are in Poland and this country will be chosen by investors more frequently. This country has a considerably larger area and number of citizens, what causes considerably bigger chances of finding proper locations for SSC units. Also the reports concerning the optimal locations of outsourcing in investments (such as Tholons rating) show that Polish cities make a growingly more interesting option for the sector of business services. Cracow, that is the leader among European cities, has been able to maintain its position for some time. Warsaw and Wroclaw have been gaining significance year by year. Such optimistic conclusions cannot be drawn with respect to Slovakia. Bratislava, that makes the only city representing this country in Tholons rating, is placed in the half rate and no growth tendencies have been observed. It all causes that, despite the fact that both countries make a convenient location for SSC – type investments, Poland constitutes the leader in the region of Central and Eastern Europe.

This article has analysed only some of the issues characterising the shared services centres activity. The research included herein has faced many limitations, among which the most important is the lack of analogical data from Poland and Slovakia. As a result, it is impossible to compare certain research areas precisely. Analysing the activity of SCC units in Poland and Slovakia, we must also consider the fact that the situation in this sector is in both countries very dynamic, as new centres are being established and that is why in a short time some issues such as the range of realised processes or the command in foreign languages may considerably change. An important limitation is also the narrowing of the comparative analysis to two countries that represent the region of Central and Eastern Europe. Widening the scope of the research to include other countries of this region may constitute an interesting suggestion for further research. Also it may appear interesting to compare the CEE region with other regions of the world that are considered to be favourable locations for the shared services centres. An important research problem seems to be the assessment of the power of the impact of some factors that decide on locating the SSC units in particular places on the decision making process concerning the choice of the optimal location of the centre.

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