

# What draws the BPO community to Krakow?

Roundtable discussion notes



Thank you for joining us at our roundtable event held at The Sheraton Hotel in Kraków. Thanks also to Andrew Hallam for bringing together this high profile panel to discuss a topic that many of us are so keen to explore.

This event highlighted what initially attracted many multinationals to Kraków and what continues to attract them now that other countries are competing on a cost basis. It also showed how vibrant Kraków is and how important it remains for the future of many BPOs and service centres.

The subject matter proved to be a topic on which we all have strong opinions and I'd like to thank you for your candid thoughts and opinions.

The feedback from this event has been extremely positive and everyone appeared to get a great deal of value and food for thought. I look forward to welcoming you to future Modis International and ASPIRE roundtables.

A handwritten signature in black ink, appearing to read 'Jim Albert'.

**Jim Albert**  
Managing Director, Modis International

## About our roundtables

We see it as a big part of our role to share our know-how and expertise and to facilitate networking and sharing of best practice with other decision makers. Roundtables like this are a reflection of our promise to our customers, to add value by really getting to understand the issues you face.

## When and where

This exclusive roundtable took place at The Sheraton Hotel in Kraków on Tuesday 27 October 2009.

## Hosted by

Jim Albert, Managing Director,  
Modis International

Andrew Hallam, Chief Executive,  
ASPIRE

# Executive summary

## Topics discussed

- Can Kraków become a magnet for international talent?
- What benefits, other than cost, will continue to attract companies to the city?
- What drives India's BPOs to set up operations in Kraków?
- How can universities help support local talent?

## Key points

- To remain a top destination for BPO, SSC and technology offshoring the city must continue to develop its international profile. Although Kraków competes with other Polish cities it is also competing with cities such as Barcelona, Munich and Dublin, as well as emerging cities in Bulgaria, Romania, North Africa and even India.
- In an environment where many BPO and SSC operations are commonly headed up by a flourishing ex-pat community, Kraków needs to look at how it can attract international talent to ensure the city continues to evolve.
- The various languages prevalent in Kraków are a key driver for the success of the city. These need to be retained in the locale and developed further.
- Poland is generally an attractive proposition since it has several areas with a high concentration of talent, as opposed to one central hub.
- Employers and universities need to work together more effectively to ensure a constant supply of top talent. Courses need to be geared towards curricular which not only meet student's educational aspirations but also the demands of the employment market, in the form of BPO and SSC, which accounts for 1 in 10 private sector jobs.
- There is a consensus that local government could do more to attract and retain employers to the region by way of better engagement and even incentives, as is becoming more evident in cities such as Wrocław and Łódź.
- The availability of talent is not an immediate issue for the city, but over the next 10 years that is likely to change and companies need to be prepared for the inevitable.

# The discussion

2009 was a good year for Kraków. The city moved to number 4 in the table for Global outsourcing and offshoring; 10 places ahead of Prague and 24 places ahead of Warsaw.

It was also a year where ASPIRE and BPOs worked together to capture the imagination of the Kraków market and the group started to realise its strength in numbers. The city now has over sixteen thousand people working in the BPO, shared service and technology sectors, which is the equivalent to one in ten of those working in the private sector.

With this in mind, the panel was invited to predict what Kraków will look like in 10 years, lay out its vision for Kraków and explore the risks and opportunities to achieving the vision.

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## Introduction

Jim Albert, Managing Director of Modis International, and Andrew Hallam, Chief Executive of ASPIRE see Kraków as a city at a crossroads. Although the city has been a shining star in the provision of BPO and shared service centres, and has even been the impetus by which companies have moved from Western Europe in search of lower costs, places such as Sophia, Bucharest and Kiev are emerging to challenge Kraków and put those cost benefits under pressure.

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## Can Kraków become a magnet for talent outside the immediate area and truly earn the title ‘the Silicon Valley of Poland’?

One delegate recognised that, having been in Silicon Valley during the boom and having seen the evolution of the region, there was a magnetic effect associated with the development of “the valley” as a talent hub and creative centre of the world, which was seeded very early in its history.

They also recognised some similarities between “the valley” and Kraków’s development; Kraków has the same entrepreneurial culture and the fact that large multinationals are continuing to establish a presence in the region is developing a global focus to the city.

From an organisational perspective, Kraków may well be on the right stage with Silicon Valley. Irrespective of minimal government incentives and a cost base that is losing its attraction, Kraków continues to draw global brands.

Although there were some similarities between the two, others also recognised there were a number of differences that could impinge on the development of Kraków as Poland’s Silicon Valley, namely:

One key factor that Kraków has yet to conquer is the attraction of highly skilled people from outside the area.

Kraków has a high student population, and a growing market for young professionals, however this is not currently supported by the same degree of readily attracted talent at a senior level that Silicon Valley has become famous for.

With the growth of employment in the BPO and SSC marketplace, Kraków lacks the commitment and buy-in from the education sector that is prevalent in Silicon Valley. The links between the universities of Silicon Valley, and indeed the US in general, and employers are strong and provide many mutually satisfactory benefits. In Kraków however, these links do not really exist and there is a definite need to look at developing relationships to help produce the raw talent required to drive the city forward.

The entrepreneurial spirit that is prevalent within “the Valley” is generated within the area, whereas in Kraków that spirit is tied to multinationals, which bring in talent from outside the region to drive development. Kraków is working towards rectifying this issue and some local talent is beginning to make inroads but there is still much work to be done to make this the norm rather than the exception.

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**If India is considered as the centre of international BPO and service centres, why does Krakow still attract Indian BPO operations wanting to have European footprints?**

The panel recognised a number of reasons as to why Indian BPOs are looking outside their own region to help fill their skills gap and why Kraków is a particularly attractive proposition:

India is unable to provide the same broad range of European languages as many customers now demand. In an increasingly global economy, English as a second language for any given centre is coming up short. Availability of English speaking employees in India is high; however this tends to be the only additional language (and therefore market) India can successfully serve.

With a huge cost benefit weighted towards India, this language draw alone has proven to be the key driver for expansion into Europe, with some organisations having to move into this market to serve commitments to existing clients. However, there needs to be some recognition that candidates with strong, varied language skills are starting to realise their worth in the market, and to that end, the cost differential between India and Kraków for language speakers may continue to grow. The careful tracking and control of this candidate population for organisations will become increasingly important over time.

The BPO marketplace is increasingly a “one-stop-shop” environment, with customers wanting one provider to meet all demands. This was a key issue for some Indian BPOs: some clients insisted that since 20-25% of their direct customer base spoke languages other than English the ability to be this “one-stop-shop” with all European languages catered for was key to client retention.

India’s inability to meet strict requirements of European regulations, especially in financial services, was increasingly becoming a sticking point. This was mainly driven by the regulators who did not want work to be going out of the European Union.

The proximity of Kraków to the rest of Europe proved to be a real advantage, being only 1-2 hours away, rather than the 9 hours required to get to India.

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**Is this language gap something that will be taken away by the increasing use of language software?**

It was felt that languages were a significant contributing factor towards the development of Kraków, and one that brought many companies to the city in the first place. However, it was felt that this is unlikely to remain a key feature in the development of the city unless costs remained 40% cheaper than Spain.

Language software is becoming more reliable and intelligent; however its limitation is

that it predominantly lends itself to written language. Verbal communication is still not commercially viable using any software solution.

Although there are lots of companies using translation software to bridge the gap between their haves and needs in terms of document management, this solution is an imperfect fix and one that does not satisfy both the B2B and B2C markets.

Across the B2B market the problem is manageable, with domain rather than language being the important factor for customers. On the whole, as long as an organisation is able to communicate with its clients, then that customer base will tolerate some inadequacy of language, providing the cost differential is maintained.

There is, however, far less tolerance in this regard where the B2C market is concerned. B2C customers expect the person they are talking with to have a high standard of language and be able to converse and communicate fluently. If for any reason this does not happen then this is likely to impact negatively on the perception of the service, irrespective of the cost of delivery.

On the whole, it was agreed that with these two audiences in mind, it would be impossible to fully replace fluency in a language.

### **Does the fact that Poland has many areas in which a company can set up and maintain operations have a positive impact?**

Delegates referred to the fact that some countries have a high population density in their capitals but lack the same talent elsewhere in the country. Poland on the other hand boasts several key areas across the country where centres can be set up and talent can be sourced locally, which offers the potential to significantly increase the scale of operations within the region.

On the other hand, although there are many talent hubs across Poland, there is a strong feeling that whilst cities such as Poznań or Katowice have suitably available and talented pools of candidates, one significant constraint preventing companies moving to these areas is lack of structured, purpose built space, ready to house corporate operations.

### **How can universities help develop Kraków into a centre of excellence?**

The BPO and SSC community in Kraków faces a very polarised set of views. Those working in the industry see it as a worthy career, leading to progression, well-paid employment and international exposure. Those outside this community see an industry exploiting the workforce, and this, on the whole is the perception of the education establishment in the area.

On the whole, delegates wanted to help universities develop people to enable them to enter the marketplace and progress in good jobs, where they have the potential to grow and develop careers.

Universities on the other hand have been reluctant to participate as they feel they are being asked to train people to enter a career of data-entry, when in reality the panel was asking that they be allowed to help develop their students' skills, such as accounting and languages.

This difference of views needs to be reconciled in order to get the education establishment to help develop the talent that will continue to allow the BPO and SSC community to flourish. Until this point, the availability of talent is an issue Kraków's private sector will need to address, potentially in the very near future.

Anecdotally, one of the delegate organisations demonstrated the scarcity of supply of

some languages, and felt that if universities were to graduate 100 Dutch speakers a year then each year the delegate's centre would employ the full compliment of 100 Dutch speakers.

Looking forward 10 years the delegates were concerned that the success of Kraków will no longer be one linked to cost but the quality of the graduate population available to them.

They recognised the need to bridge the gap between what skills they required and what skills were being developed in education.

They also recognised that the lack of partnership between the BPO and SSC community and educational establishments needs to be resolved so that both parties can work together to offer post education opportunities and career development potential.

### How critical is it for local government in helping attract or retain businesses in Kraków?

There are increasing examples of new operations being deployed in areas outside of Kraków. Two notable and significant examples being Dell in Łódź, and IBM in Wrocław. The local government in these areas is aggressively seeking FDI, and providing incentives in terms of grants, subsidies and tax breaks to encourage this.

Many felt that government's role should be to remove barriers to growth and success, and again there needed to be cooperation to make this viable.

As far as governmental benefits are concerned, many panellists felt that the development of Kraków as a major centre was down to the availability of talent, the convenient geographic location, the attractiveness of the city, and the emerging network of businesses building upon each other, and indeed the cooperation of local government, (or lack of cooperation) had actually had little bearing on this to date.

### How will Kraków develop in 10 years time?

Many recognised that the talent pool in Kraków is still very good, which is why organisations continue to establish a presence in the area. The panel also recognised that the city will need to implement a series of changes to ensure this continues at the same pace:

Companies will need to downgrade from university graduates and start looking further down the education system in order to retain a degree of cost benefit for more junior positions within BPO and SSC.

The talent pool will need to expand to areas beyond Kraków to ensure their businesses can develop and flourish.

The panel suggested that companies will need to offer higher skilled work as much of the transactional work will no longer exist in the city, having been rendered not commercially viable in the area by either technology or lower cost locations elsewhere.

Government will have to consider zoning applications if the city is to facilitate growth in infrastructure.

The academic environment and capability of the people will need to develop and become more mature if Kraków is to move up the value chain.

Although the availability of talent in general is perhaps not an immediate issue for Kraków, the table recognised that high quality talent with varied language skills is becoming scarcer. This is a theme that will only continue over the next decade, especially if the region continues to draw top tier brands that have a continued hunger to employ.

#### Future roundtables:

We are planning to run similar events on a regular basis and at various locations around the UK and Europe. If you would like to suggest a topic for a future event please contact either Andrew Hallam at ASPIRE or Alf Davis at Modis International.

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