



BUSINESS SERVICES SECTOR IN POLAND 2023





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Report prepared by the Association of Business Service Leaders (ABSL)
in cooperation with Colliers, Mercer, Randstad and Randstad Sourceright



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Our substantive partner in the publication "Business Services Sector in Poland 2023" within the scope of preparing data on the academic and higher education sector is the National Information Processing Institute – National Research Institute.

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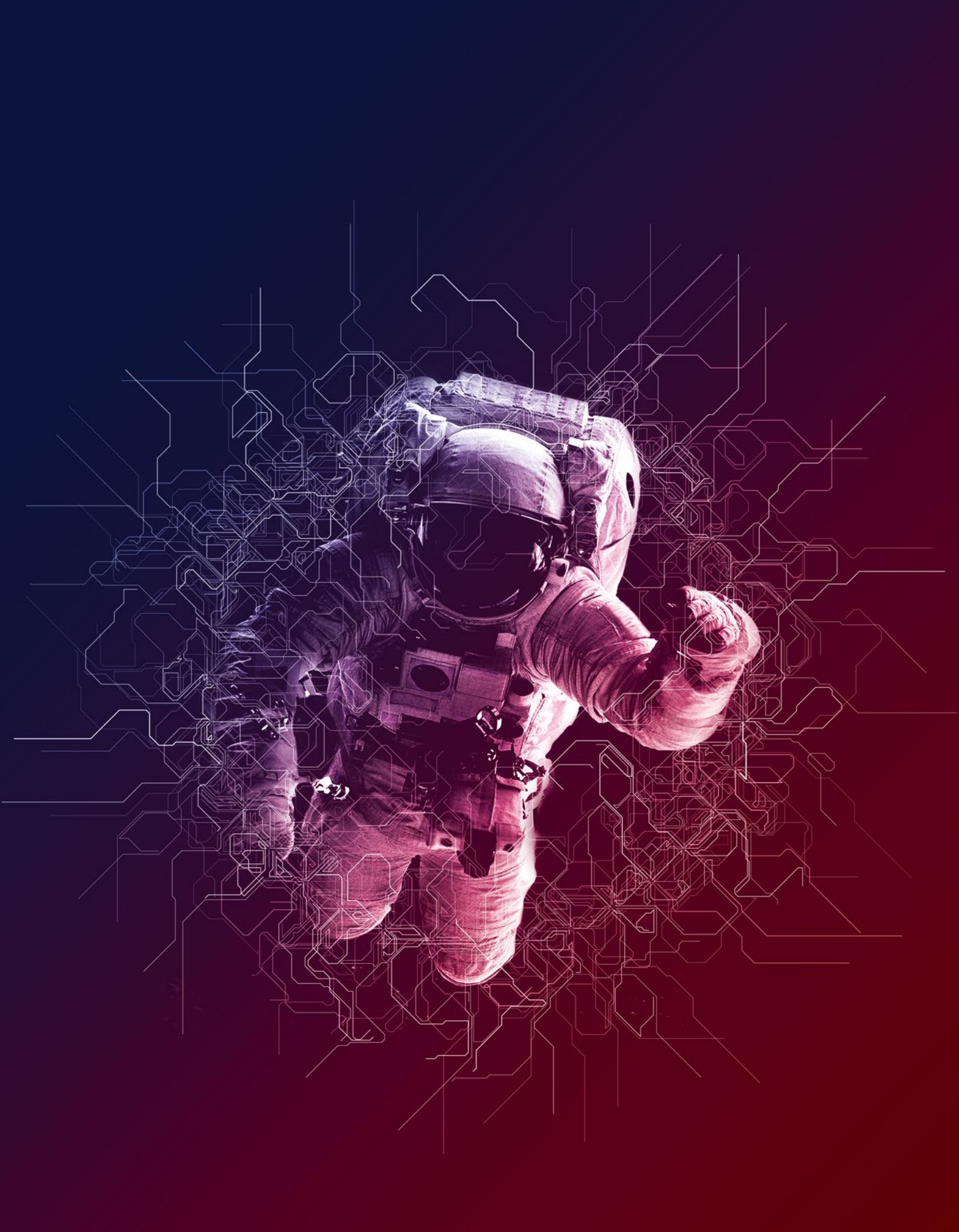
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FOREWORD



Dariusz Kubacki

ABSL Vice President

– Business Intelligence and Thought Leadership

Dear Readers,

Welcome to the ABSL Annual Report 2023. In this report, we explore the key developments and trends that have shaped the dynamic landscape of the business services sector in Poland over the past year (2022Q1-2023Q1). A year which saw global economic instability, the war in Ukraine, an energy crisis and post-pandemic challenges.

The business services sector continues to be a vital contributor to the companies' growth and transformation. As we examine the developments of 2023, several key points emerge that demand our attention and understanding. The report delves into these areas, shedding light on the transformative forces at play.

Technology remains a driving force in shaping the future of business services. The rapid adoption of automation and artificial intelligence continues to revolutionize industry practices, enhancing operational efficiency and creating new opportunities for growth. Our report highlights the ways in which organizations are leveraging these technologies to optimize processes, improve decision-making, and deliver exceptional client experiences. Another important issue is the necessity for a deeper analysis of Talent which remains the most important driver and enabler of change.

Sustainability and social responsibility have also gained significant traction within the business services sector. Organizations are recognizing the importance of integrating Environmental, Social, and Governance (ESG) principles into their operations. Our report examines the adoption of ESG by companies to promote sustainable practices, foster social impact, and contribute positively to the communities they serve.

In conclusion, the ABSL Annual Report 2023 provides a condensed yet illuminating overview of the sector's key developments and trends. By offering these insights, we invite you to explore the complete report, which this year is complimented by the ABSL Strategic Foresight Report, which explores possible future scenarios for the sector's development.

I encourage you to immerse in the report's pages and leverage its findings to gain a deeper understanding of the evolving business services industry in Poland. Whether you are a business leader, an investor, or a professional in the field, this report offers valuable insights that can inform your decision-making and consequently drive success.

Kind regards,
Dariusz Kubacki

EXECUTIVE SUMMARY

The ABSL 2023 report is based on a unique, comprehensive, and systematically updated database of business services centers in Poland, run by the Association of Business Service Leaders (ABSL), and the results of a CAVI survey conducted among the sector's leaders in January-February 2023.

We received 205 responses from managers, representing 49.0% of total employment in the sector in Poland at the end of Q1 2023.

The report is supplemented by materials from ABSL's strategic partners, focusing on the office market in Poland (Colliers), and the labor market and talent pool dimensions (Randstad, Mercer and OPI.)

This year's edition of the report focuses on what impact technological change has had and is having on the industry. To cover the longer-term perspective and more qualitative aspects, ABSL conducted an industry foresight exercise with a panel of experts. **The executive summary of the ABSL Strategic Foresight Report 2023** provides additional long-term perspective and outlook.

THE GLOBAL INDUSTRY

Grand View Research (April 2023) estimates that the global BPO market size was USD 261.9 billion in 2022 and is projected to expand at a compound annual growth rate (CAGR) of 9.4%, reaching approx. USD 525.2 billion by 2030.

The outlook for the global industry in 2023 is generally favorable but some uncertainties exist due to the dependence on the global macroeconomic cycle.

The global industry has proved its resilience during the pandemic crisis. Its robustness is greater than that of most manufacturing and services sectors, with the industry being one of the critical drivers of recovery and growth in the post-pandemic era both in Poland and around the world. It has operated efficiently in the WFH/remote mode. Furthermore, it is set to work effectively in the hybrid mode (with a partial return to offices) as it reaps the benefits of accelerated digital transformation.

Competition from emerging outsourcing destinations (e.g., Romania, Malaysia, South Africa, Egypt) and an emphasis on cost optimization will be the driving forces behind accelerating growth. The industry is expanding and transforming. The pace of transformation has quickened due to the pandemic, and the complexity of processes on offer is on the increase. The trend towards higher-value-added operations and the upgrading of processes requires accelerated upskilling and reskilling. The competition for talent is on the increase both nationally and internationally. IPA/AI could provide a partial solution to the problem of increasing labor costs and potential shortages in the labor market with regard to low skill, as well as high labor-intensive, routine, and scaled processes. The introduction of IPA will further increase the demand for a skilled workforce, amplifying the competition for data and analytics as well as IT competencies. With more complex tasks and processes, the generative AI/human interface is becoming increasingly relevant.

The rising demand for a skilled workforce has led to the emergence of a hybrid workforce – partially in the WFH mode and partly working from offices. As a consequence, offices must be adjusted to this new working environment. The next step – the virtualization of work (e.g., shift towards Metaverse), will be even more demanding.

Over the years, the global industry has provided businesses with cost-effective solutions. As cost efficiency is very much valued by clients, it will still be the essential driving force in the sector. However, clients expect the industry to help them with more complex processes. Rising labor costs and growing talent scarcity will induce the wide-scale use of emerging technologies, such as cloud computing, moving beyond RPA towards IPA and AI in order to maintain or further reduce costs and increase growth.

Factors driving the growth and transformation of the industry include:

- » the globalization of economic activity and the rising internationalization of firms,

- » the increasing popularity of outsourcing, due to associated benefits provided by the industry,
- » a shift from offshoring towards back-shoring, nearshoring, and to a larger extent, friend-shoring (regionalization of VCs),
- » accelerated digital transformation,
- » tectonic shifts in work patterns post-Covid (hybrid work, WFH, WFA),
- » growing demand for different types of technological knowledge, especially related to new technologies (IPA/RPA/ML/DL/AI),
- » a growing demand for specialized knowledge of social, administrative, and regulatory issues,
- » an increasing emphasis on service and intangible elements of production and products in the knowledge-based economy.

THE INDUSTRY IN POLAND — OVERALL PERFORMANCE

Despite global challenges, uncertainty, and economic headwinds, 2022 proved to be another good year for the sector in Poland. Employment at the end of Q1 2023 exceeded 435,300 jobs, and more than 32,000 jobs have been created YoY (a growth rate of 8.0%). In terms of employment, the industry has grown slower than in the previous year (12.4%). Nevertheless, its share in Poland's overall employment in the enterprise sector increased to 6.7%. There are more than 1,800 business services centers operated by 1,106 companies. The YoY employment growth rate exceeded ABSL's previous expectations.

2022 proved to be a record year for exports with the value of the industry's exports estimated to be USD 30 billion for the year. Exports per worker, an indirect measure of the industry's productivity, exceeded USD 53,000 per annum and have grown by more than 21% since 2016. Exports increased by 13.7% YoY (imports by 16.3% YoY). The surplus in KIBS trade surpassed USD 12.5 billion (USD 11.3 billion in 2021). A surplus has been generated regularly since 2008 and has constantly grown over the last 14 years.

The condition of the sector in Poland is related more to the state of the global economy than the condition of the local economy. Poland is one of the leading markets for KIBS in both the EMEA region and globally, quickly closing in on the global technological leaders through straightforward upgrading and upskilling.

The prospects for further growth are positive. We believe the forthcoming years will see employment peak, while in the long-term an unprecedented development in technology and AI will probably slow this expansion of the workforce as technology replaces people's roles in some processes. However, predicting the future of the KIBS industry is particularly challenging. There are a lot of questions related to how AI will change business models as well as the demand for employee skills. Several scenarios are possible they are presented in the ABSL Strategic Foresight Report 2023.

The estimated number of foreigners employed by centers in Poland now stands at 76,700 people, representing 17.6% of the industry's total employment. It reflects a YoY increase in both absolute and relative terms.

Employment in centers operated by foreign investors in Poland exceeded 363,900 people (83.6% of total employees working in the sector). Investors originate from forty-seven countries, with US firms employing more than any other country (in excess of 120,900 jobs created).

Most centers support global reach or specific countries or regions; only 2.2% of respondents declared that they solely focused on Poland. The scope of processes serviced from Poland is gradually increasing, with mid-office processes slowly pushing out back-office operations. This aligns with the upgrading

and upskilling development paradigm that we have stressed for several years. In Q1 2023, knowledge-intensive work represented 56.9% of the processes serviced by the centers located in Poland (50.8% in 2022 for comparison purposes, thus increasing by 6.1 p.p.), with transactional services gradually being reduced. **These qualitative aspects of changes should attract more attention in the discussion about the industry's performance and its future, with the focus not merely on head-count dynamics per se.**

The growth of the sector in Poland has been driven by access to a talent pool with considerable linguistic skills. The most popular foreign language is English (used by 93.6% of centers). However, the industry's needs have gradually shifted to a mixture of linguistic and programming/IT technology skills.

Women are playing an even more prominent role in the sector. Their share in total employment at business service centers in Poland now stands, as it did last year, at 53.0%. However, women are under-represented in management with the situation even more acute in senior management. The sector takes diversity and inclusion very seriously and, as a consequence of the COVID-19 pandemic, takes belonging as a new and important dimension.

Highly skilled workers are the most critical asset. The industry offers competitive salaries with a range of non-payroll benefits, which go beyond the Polish labor law standard and is perceived as a trendsetter in this respect.

TECH TRENDS IN POLAND

Technology is the major driver of change in the sector. The most popular programming languages in the industry's centers in Poland include SQL, Python, VBA, Java & Javascript followed by the C#/.net/C/C++ language family. Despite the complex nature of large-scale cloud transformation initiatives, cloud transformation is gathering pace. As for cloud technologies, centers in Poland utilize the whole spectrum of available technologies led by Microsoft Azure (used by 70.8% of firms) and followed by Google Cloud and AWS. The significance of data in different forms and types, structured and unstructured, and the amount of data collected are all increasing. The most popular technologies, platforms, and tools related to data currently include Microsoft's SQL Server followed

by SAP/Hana and MySQL. Data visualization is becoming increasingly popular; it enables managers and clients to inform strategic decision-making and allows data to tell a story, including creating manager dashboards. As was the case last year, PowerBI maintains a dominant position over Tableau and other available solutions. The trend toward implementing IPA that includes both RPA and AI solutions is also on the increase (with generative AI likely leading to disruptive change.) The most popular solutions in this domain include Service Now, SAP, and Microsoft Power Platform with UI Path and Chatbots completing the top five. Furthermore, cybersecurity threats are continuing to increase and fueling firms' investments in this area.

EMPLOYMENT FORECAST

As has already been mentioned, the dynamics of the sector's growth depend more on the global economic situation than the economy in Poland. Taking the global slowdown into consideration, we predict that employment in Poland's KIBS sector, until Q1 2024, will increase to 465,000 people (6.9%). 74.0% of respondents envisaged employment increases, 10 p.p. lower than in the previous year. However, we must consider the more complex, VUCA (volatile, uncertain, complex, and ambiguous) economic environment in which the sector operates globally.

Adaptability is a natural part of doing business. The sector in Poland is performing well. It passed the pandemic stress test with business continuity plans working effectively. The sector has proved its resilience; its employment growth significantly surpassed the headcount dynamics in Poland's economy.

However, the character and scale of the challenges the sector is confronted with are considerable. The new reality is still influenced by the consequences of the COVID-19 pandemic, the WFH challenge, Russia's invasion of Ukraine, macroeconomic instability as well as global tensions. The most significant knock-on effects that the sector is faced with include deteriorating access to the talent pool (see Poland's worsening position in the global talent pool ranking – World Talent Ranking), as well as the uncertainty and investment risk caused by Russia's invasion of Ukraine. We therefore believe that jobs will continue to be created primarily in centers already operating in Poland, possibly reducing the inflow of new investments.

According to the respondent's declarations, destabilization of macro fundamentals (inflationary pressure and global stagflation) was seen as the factor that could have the most adverse effect on centers'

activity in the forthcoming year. The escalation of the military conflict beyond Ukraine and the global talent shortage rounded off the top three concerns.

We also put forward two possible scenarios for employment growth. In an optimistic scenario, 9.5% employment growth is envisaged, while in a pessimistic version, would be no lower than 4.2%.

THE LABOR MARKET & THE TALENT POOL

After the last few years, when the world of work has been transformed by the COVID-19 pandemic, firms face new challenges in building effective teams. At the same time, there are new opportunities to evolve their talent strategies, adapt to the current landscape and be better prepared for what lies ahead.

Despite the recent disruption, business services companies are primed for strong and continued growth, as the industry has proven its resilience and ability to transform. According to the ABSL survey, employers were optimistic about the future, with nearly three-quarters planning to increase employment. However, one must bear in mind talent pool availability, with the talent shortage still a serious challenge for the business services sector and across industries worldwide. According to the **IMD World Competitiveness Center's World Talent Report**, Poland was ranked 50th out of 63 countries in its 2022 World Talent Ranking – a measure of how different markets develop, attract, and retain talent. This is down from 45th in 2021 and 35th in 2020, emphasizing the challenges of Poland's long-term ability to provide high-quality talent for the business services sector. However, this year's respondents to the ABSL survey perceived the talent pool shortage as a less significant barrier to operation and growth than the participants in the previous year's survey. To some extent, they acknowledged the fact of the talent pool shortage employing more foreigners and seeing the 35+ age personnel share increase. Additionally, in the longer term, WFH and work-from-anywhere, accompanied by the development of technology and AI, is expected to reduce the severity of the talent pool shortage. Still, 40.0% of the employers surveyed see the availability

of talent in Poland as a fundamental challenge to their center's growth and future prospects. Meanwhile, the majority (55.7%) expect talent shortages will be significant in the next five years, driving the need to adapt how they find and develop talent.

The pandemic has changed recruitment patterns, with hiring from anywhere on the rise. Only 28.5% of respondents stated that it is still important that employees live in or near the city where their center is situated. On the one hand, locations are still perceived by many investors as offering idiosyncratic talent pool competencies, which stem from local business culture and tacit knowledge of organizations (and their interactions). On the other hand, the sector's growth, demand for talent, and talent pool scarcity are forcing organizations to source personnel from anywhere.

According to Randstad, the growing challenge is to retain people with the right skills. This is why more companies are providing enhanced benefits and focusing on employee well-being to better attract, retain and engage talent, such as offering remote work as an incentive. Randstad points to a particular shortage of specialized talent, with IT and digital skills becoming very costly to obtain. Given the economic uncertainty in Poland as well as ongoing skills shortages, it is more important than ever for companies to leverage talent intelligence and unlock workforce potential with internal mobility.

As shown by Mercer, salaries in Poland are still competitive in comparison to Western European countries. The pay gap is significant, especially at lower job levels. It is worth pointing out, however, that relatively

high salaries are offered in the sector compared to other industries in Poland, and value for money is perceived as competitive. IT is the best-rewarded job grouping, while jobs in Finance & Accounting, Contact Center, and Content Development are the lowest. Regional pay differentials within the industry in Poland persist, and compensation levels vary, with the highest in Warsaw (8.6% above the Polish average).

The current economic climate is marked by a high Consumer Price Index (CPI), which presents challenges for both employers and employees. According to Mercer, just over half of companies have decided to implement extra measures, and partially reimburse their employees due to increasing inflation.

EDUCATIONAL POTENTIAL

The largest cities in Poland, including agglomerations, represent the most important academic centers, and account for most of the best public and private universities. Tier 1 locations account for 42.0% of students overall and 39.0% of available graduates.

The availability of universities and the quality of education are the most crucial determinants of the development of the sector offering modern services for business. The number of universities is constant (225 in 2022), with the number of students

and graduates having stabilized after falling in previous years (data provided by National Information Processing Institute at the National Research Institute). It is mainly related to the demographic decline, but also to the larger availability of education abroad which is chosen by an increasing number of Polish high school graduates.

9.0% of the overall student pool are foreigners, while the share of foreigners in the graduate pool is 6.0%. Ukrainians represent 47.0% of the overall number of foreign students, with 12.0% from Belarus.

THE ATTRACTIVENESS OF LOCATIONS

Part of the ABSL annual survey is the assessment of factors by the survey's participants that affect doing business in particular locations in Poland. In this year's edition, we have not adjusted the list of factors. However, the list does include factors that were added last year: the availability of flex/coworking office space, quality of the local natural environment, and the area of office premises relative to the city center (an attractive place in the city center.)

The overall position of a city in the ranking reflects the opinions of the managers. The top three cities in this year's assessment were Wrocław (1st), Warsaw (2nd), and Tricity (3rd).

The overall score based only on the assessment of objective factors, and excluding the managers' overall assessment, was similar to the top three positions at the end of Q1 2022: Warsaw (1st), Wrocław (2nd), and Tricity (3rd).

With hybrid work patterns (and a partial return to office) as well as work from anywhere increasingly more important, processes services becoming more standardized, and "footloose" AI taking prominent functions in the industry, the role of locations and their specific advantages is expected to diminish.

THE OFFICE MARKET

The Polish office real estate market is one of the most dynamic and innovative in the Central and Eastern Europe (CEE) region. Despite many challenges (e.g., the post-pandemic reality, the emergence of the “new normal”, and indirect consequences of the Russian invasion of Ukraine on the region’s economy), the market in Poland remains in good condition.

Nine mature regional markets in agglomerations of Poland (Warsaw, Kraków, Wrocław, Łódź, Poznań, Tricity, and Katowice) continue to attract the attention of developers, investors, and tenants alike.

At the end of Q1 2023, these nine major markets’ total modern office stock increased to 12.7 million square meters. Over 480,000 m² of new office space was delivered in 2022, in comparison to 550,000 m² in the previous year. With the return to the office, space under construction in 2023 stands at 712,000 m². However, this is lower than the over 1.2 million m² of modern office space under construction at the end of 2021.

Warsaw, as the largest business hub, attracts both domestic and international companies. The share of demand generated by BPO & SSC centers in Warsaw is 11.0%, and in Warsaw and other metropolitan regions – 19.0%.

In recent years, however, other metropolitan areas and emerging markets in smaller cities have also seen development, becoming attractive locations for companies seeking office space, which to some extent reflects the increasing role of work from anywhere.

In terms of demand, 2022 brought a significant increase in annual office take-up. The total volume of lease transactions signed in 2021 totaled 1.24 million m². This figure rose to 1.483 million m² in 2022, and when Q1 2023 is included, increased to 1.810 million m².

The vacancy rate in Poland’s nine key markets increased to 13.8% from 13.4% last year. For comparison purposes, this number was 11.3% at the end of 2020.

TOP DIRECT COMPETITORS OF POLAND

Respondents were asked to identify locations that may become direct competition in placing roles that could be located in Poland, taking into account the country’s aspiration to grow knowledge-intensive, high-value-added business services against a backdrop

of significant inflation and talent pool availability issues. The main competitors were seen as India (27.0%), followed by Romania (15.0%), and the Czech Republic, Bulgaria, the Philippines, and Spain (each around 6.0%).

ESG IMPERATIVE

For the first time, this year's survey featured questions related to ESG, as sustainability/ESG has become an increasingly important element in doing business. 71.0% of respondents declared that they had introduced a global ESG strategy, while 15.0% had not but were preparing a strategy.

The sector in Poland is mainly driven by centers which are owned by foreign firms and are part of global/transnational organizations. 48.0% of respondents declared that they had rolled out a local ESG-related action plan as part of their organizations' global strategy, confirming the global character of the sector's operations in Poland. 34.0% of respondents said that they did not have a local ESG-related action plan.

The main risks, challenges, and costs associated with introducing an ESG strategy included a lack of tools, methods, and appropriate knowledge about setting ESG targets and measures (50%), the perceived negative impact on financial results (35.0%), and a lack of relevant regulatory requirements/industry standards in the sector (33.0%).

The main opportunity associated with ESG is an improvement in the company's position as an attractive employer (83.0%), which can help in improving the firm's standing in the competition for talent. Some participants in the survey also saw a better embodiment in the local community and limiting negative impacts on the environment as positive consequences of adopting an ESG strategy.

EXECUTIVE SUMMARY OF THE ABSL STRATEGIC FORESIGHT REPORT

The ABSL 2023 Industry Foresight Report is based on qualitative research and identifies trends, main drivers of change, and potential black swan events for the business services industry in Poland and the

CEE region, vis-à-vis global trends. The strategic perspective of the foresight report is 2033+ (10 years+) and goes beyond the perspective of the ABSL survey as well as the ABSL annual report (Q1 2024).

GLOBAL AND INDUSTRY TRENDS

The size of the global business process outsourcing market is anticipated to reach USD 525.2 billion by 2030 and expand at a CAGR of 9.4% from 2023 to 2030, according to a new study by Grand View Research.

The outlook for the global industry in 2023 is generally favorable but some uncertainties exist due to a dependence on the global macroeconomic cycle.

2020 was one of the most difficult years for the global economy. COVID-19 proved to be the largest black swan event in a century, halting parts of the global economy due to regional or nationwide lockdowns, forced production stoppages, and restrictions on travel – leading to global supply chain disruptions. COVID-19 represented a global health crisis and a supply and demand shock. Its effect on global production chains and consumer confidence led to one of the worst downturns in economic history. However, the crisis has also been a catalyst for change – including

accelerated digitalization and new work patterns. Although 2021 saw a recovery in Q1 with moderate growth around the world, there was a significant rise in global inflation well into 2022. This inflationary pressure led central banks to hike interest rates with the transition to quantitative tightening further stifling economic growth with some countries' economies close to or in a state of stagflation. The Russian invasion of Ukraine and the continuing war, as well as geostrategic tensions between the US and China has led to significant adjustments in trade patterns with long-term consequences (geostrategic fragmentation and a move towards regionalized value chains characterized by back-shoring, near-shoring and increasingly friend-shoring). **This period has been dubbed by some as the era of poly crisis.**

The global KIBS industry proved to be more resilient and less susceptible to crises than most manufacturing and services sectors. The industry is currently

at the forefront of digitalization, and it seems that disruptive change is coming due to progress made in numerous dimensions – digitalization, automation, virtualization as well as a personalization of services on offer. The industry in Poland is an integral and important part of the global KIBS industry.

The industry is growing and expanding. At the same time, the **complexity of processes on offer is increasing with the trend towards higher-value-added aspects for client and client experience proving to be important as well – with more personalized, tailored-made services provided. Both upgrading and upskilling are evident. Cost efficiency will still be a prominent feature of the industry that is valued by its clients.** With rising labor costs, this will require the wide-scale use of emerging technologies: cloud, cloud computing, IPA, and generative and adaptive AI. **Generative AI could be the single most important source of disruption.** The industry is becoming data-centric with the ability to obtain, transfer and use data (advanced analytics, predictive analytics) on the rise. At the same time, clients demand to have access to services on multiple platforms and through different channels.

IT infrastructure is becoming critical. The trend towards more data and more data types from various sources, including social media, is becoming more marked.

Predictive analytics including forecasting, nowcasting, and near casting is on the rise. The incoming data is of greater variety, arrives in ever-increasing volumes, and with more velocity (variety, volume & velocity – 3Vs). Data is becoming an even more important commodity and access will be key to gaining a competitive advantage. The changing nature and volumes of data require new handling strategies and IT solutions. As rapid computing is a necessity, the advances in quantum computing could facilitate the next big jump into the future. **At the same time, the use of AI will be key in sustaining a cost advantage. Cloud-based services will become essential and will genuinely democratize access to global markets. Due to security concerns, industry cloud platforms are likely to emerge with edge computing gaining in importance. Cyber-security concerns are rising with more attacks being seen on a daily basis. Quantum cryptography could become indispensable. At the same time, virtualization is ongoing. VDIs are becoming standard and a partial shift to the virtual or Metaverse is likely.**

THE INDUSTRY IN POLAND

The industry in Poland is an integral and important part of the current global KIBS industry. It has proven its resilience to numerous crises and is growing both in quantitative terms (headcount, number of centers, exports, turnover) and more qualitative terms (an increase in the share of knowledge-intensive processes, upgrading and upskilling towards mid-office roles, rising automation levels, and innovative potential).

Looking from global perspective, Poland is no longer a cheap-labor location but it still offers good value for money. The country's current competitive edge is based on time-zone considerations,

location, the size of its talent pool relative to the CEE/EMEA region, polycentricity – several key agglomerations, an ability to think creatively and to perform more complex tasks and roles.

New competitors continue to emerge globally and regionally with Romania being an example in the IT sector. Therefore, we still stress that the value-added aspect of Poland as a key destination of knowledge-intensive business services should be better documented and communicated. **From the perspective of 2033, the increasing scale of Poland's industry operations (and thus its talent**

pool) will become its main competitive advantage.

However, there are significant challenges that lie ahead for the industry in Poland: demographics, quality of education system, leadership dimension, and innovative potential – the ability to shift to and drive global technology in key technology domains: hyper-automation, hyper-personalization, generative and adaptive AI, virtualization.

Greater innovation is a must. There are huge expectations in the industry to innovate; otherwise, Poland could lose its position as one of the top locations more quickly than one might think.

New business models are likely to emerge and push out the current dominant form – disruptive change could be just around the corner. Poland should build a competitive advantage not only on the already available talents and assets. **The talent needs fresh, strategic, and innovative leadership. Poland should be better positioned to benefit from green-oriented investments. Sustainable technologies will thrive in the future due to the rising role of ESG because of escalating climatic and social concerns.**

The inertia represented by some centers in Poland will adversely affect the sector's future. Poles in the industry must endeavor to be at the table when global decisions are taken – the number of Poles as heads and global decision-makers is residual at this stage. **An insufficient talent pool could be a significant bottleneck,** and the challenge to sustain the long-term competitive position of Poland when upgrading and upskilling would be imperative, even if positions are replaced by robots or AI. The growth of AI will endanger certain jobs and tasks within the sector, effectively replacing people, but many new jobs around AI will have to be created at the same time. Creative disruption could once again be expected. The industry in Poland will keep on changing and continue its journey toward a middle office role, and for some leading centers, toward that of a front office. It is an excellent prognostic of upskilling into higher positions in the value chains of global structures.

Nonetheless, some threats or challenges are likely to occur with the growth of technology (disruptive change) being to a large extent scenario-agnostic.

We explored three alternative visions of the industry from the strategic perspective of 2033+.

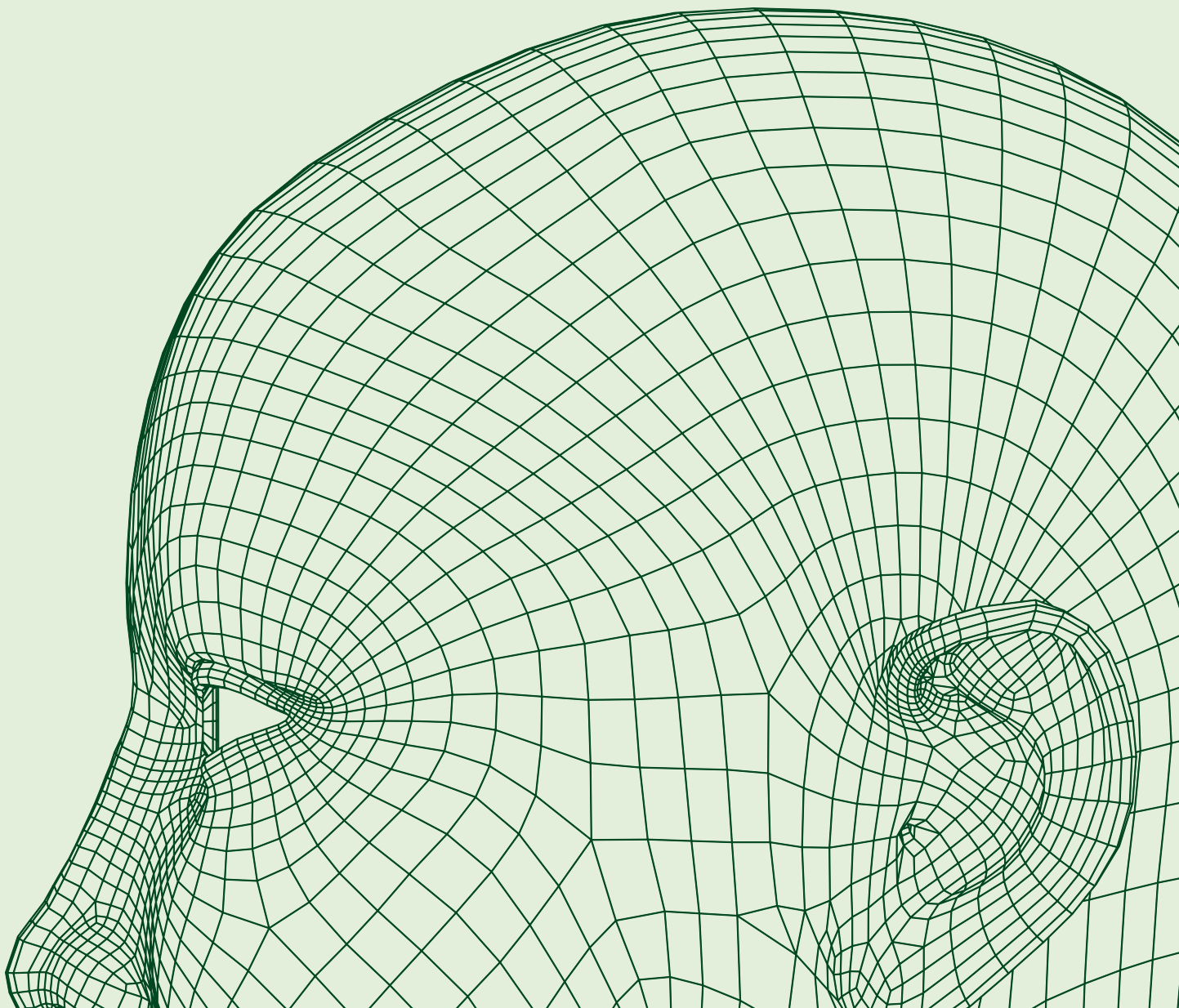
In the first, Poland is at the forefront of global technology by 2033 with a competitive advantage based on the talent pool's size, scale of operations, adaptability, and creativity. Poland has become one of the leading innovation locations both from a regional and global perspective with high-intensity innovation, and hosting large R&D labs/IT infrastructure hubs of leading players. Holistic digitalization and automation are standard. A substantial number of firms are utilizing the most advanced business models from the ABSL Industry Transformation Cube. Centers are able to provide more complex, higher value-added, and tailored services for even the most demanding clients with CX-focus thanks to hyper-personalization & the use of AI in predictive analysis. The share of permanently innovating centers is significantly higher, with centers being able to introduce incremental and radical innovation both at the firm and global market level. In 2033, the industry in Poland has 600,000 employees although there is the relative dampening effect of AI on FTE growth.

In the second vision, **Poland is closer to being a leader of global technology but is still behind the frontrunners.** Upskilling has partially transformed the sector, with low-end jobs being moved to low-cost countries and fully automated. More complex middle-office processes are the main focus. However, Poland is attempting to keep its advantage based on labor arbitrage, losing several positions in the global attractiveness rankings. Centers are more focused on innovation, but introduce them rather sporadically and reactively. Most innovations are relatively incremental at firm and regional market levels. Some firms utilize the most advanced business models from the ABSL Industry Transformation

Cube. The majority are somewhere between the current (base) models and the advanced models of the future – partial automation, partial virtualization, and partial personalization of services on offer. Insufficient reform of the education system is a major factor dampening growth possibilities. The industry in Poland grows to 550,000 by 2033.

In the third vision, **Poland falls further behind the leaders of global technology** which leads to a partial collapse of the sector with the sector headcount decreasing to 340,000 jobs in 2033. The threats are more numerous

than the opportunities. Only a few firms are utilizing the most advanced business models from the ABSL Industry Transformation Cube. Most are somewhere in between the current (base) models and the advanced models of the future – partial automation, partial virtualization, partial personalization of services on offer, or use of legacy business models (the base). Insufficient reform of the education system as well as a demographic crisis are major factors that are dampening growth possibilities. Some key global players have left Poland for their respective HQs or other rising global locations.



MACROECONOMIC TRENDS AND OUTLOOK

GLOBAL PERSPECTIVE

2022 proved to be a difficult year for the global economy, with growth decelerating after the peak of the recovery from the COVID-19 pandemic in Q2 2021, as well as inflationary pressures leading to a “cost of living crisis”.

The sharp increase in inflation has resulted in a major shift in monetary policies with hawkish attitudes, sharp interest rate hikes, and quantitative tightening.

Uncertainty is still high as systemic risks prevail. Q1 2023 proved to be a bumpy period for the global economy with increased volatility and even greater uncertainty. Systemic risks had been rising for some time and led to financial turmoil first in the US regional banks sector (the collapse of Silicon Valley Bank SVB, Signature and then First Republic) and then on the other side of the Atlantic with adverse effects being felt in the Swiss banking sector. This saw the sudden takeover of Credit Suisse by UBS, with the support of FINMA, SNB, and the Swiss government (finalized on 12th June 2023).

Systemic financial sector crises and a potential contagion spreading to emerging markets have been avoided for now, mainly thanks to very decisive actions by regulators, central banks, and governments. However, there are still risks. As volatility in the banking sector gradually eases, the fight against still-elevated inflation levels continues.

Headline inflation indices started to subside in Q1 2023, but labor markets remain tight, and core inflationary pressures have proven to be more persistent, with inflation widespread and embedded in expectations. The secondary effects of previous supply shocks are still putting upward pressure on inflation. Monetary policies remain hawkish with some central banks still raising interest rates at the end of Q2 2023 (e.g., ECB, BoE, SNB) with the FED “skipping” one hike, as it and other central banks wait to see forthcoming data before possibly increasing rates in Q3. We are unlikely to see a major policy shift (decrease in interest rates) before the late fall, unless the financial situation worsens, or data points to a recession. Monetary Policy Councils in their statements show their commitment to pushing inflation to their policy targets.

Credit conditions, in particular in emerging markets, will likely remain under pressure through 2023, undermining the payment capacities of both households and corporate clients. This could further undermine aggregated demand.

Global headline inflation in the baseline is predicted by the IMF to fall from 8.7% in 2022 to 7.0% in 2023 on the back of lower commodity prices. Underlying (core) inflation is likely to be more persistent, with a return to policy targets unlikely before 2025 in most cases. In the US, CPI inflation dropped to 4.0% in May with PPI at 1.1% while in the Eurozone CPI stood at 6.1%.

According to some analysts, after an era of low inflation and low interest rates, we have now entered an era of globally elevated inflation (and thus high-interest rates).

OPEC's decisions have had a temporary impact on the global oil market & disinflationary scenarios with crude oil (Brent) now trading at levels close to USD 80 per barrel. A Russia-induced energy crisis has not materialized, despite Europe effectively decoupling from Russian natural gas supplies. At the end of Q2 2023, natural gas traded at levels observed prior to the COVID-19 pandemic in mid-2019.

Global value chains (GVC)'s disruptions have subsided with transport costs easing significantly – the China Shanghai Containerized Freight Index (SCFI) in June 2023 stood at USD 930 per container, 70.0% lower YoY and down from a peak of above 5000.00 in January 2022. At the same time, some studies (IMF) point to an already ongoing geostrategic fragmentation of FDI flows which could lead to the development of regionalized value chains over the long term. It will significantly impact the sector and Poland, which are part of the European VC and the EU's internal market. The process will be characterized by some back-shoring, more near-shoring, and friend-shoring (Intel's announcement of investing in a chip factory, located in the Wrocław area, can be perceived in this way).

IMF's and World Bank's Economic Outlooks for 2023 & 2024 point to a slowdown. According to the IMF's Global Economic Outlook (April 2023), the overall outlook for the global economy is uncertain amid financial

sector turmoil, high inflation, the ongoing impact of Russia's invasion of Ukraine, and the mid-term effects of the pandemic. The baseline forecast for growth is to fall from 3.4% in 2022 to 2.8% in 2023, before settling at 3.0% in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7% in 2022 to 1.3% in 2023.

In an alternative IMF scenario of further financial distress, global growth declines to about 2.5% in 2023 with advanced economy growth falling even further – to below one percent.

Global headline inflation is forecast to fall from 8.7% in 2022 to 7.0% in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation's return to respective target levels is most cases unlikely before 2025.

In turn, according to the World Bank's most recent Economic Outlook (June 2023), global growth is projected to slow significantly amidst high inflation, tight monetary policy, and restrictive credit conditions. The likelihood of more widespread bank turmoil and tighter monetary policy could result in even weaker global growth and lead to financial dislocations in the most vulnerable emerging market and developing economies (EMDE). The World Bank's latest baseline scenario suggests that global growth will slow from 3.1% in 2022 to 2.1% in 2023, before edging back up to 2.4% in 2024. This is based on the assumption that stress in advanced countries' banking sectors does not spill over to EMDEs.

THE ECONOMIC SITUATION IN POLAND

According to a flash estimate, provided by Statistics Poland, the seasonally unadjusted GDP in the fourth quarter of 2022 increased by 2.0% year-on-year in real terms, compared to an increase of 8.5% in the corresponding period of 2021. Seasonally adjusted GDP (with fixed prices compared to those of 2015) decreased in real terms by 2.4% compared to the previous quarter and was 0.3% higher than the previous year. The Polish economy is slowing and the likelihood of a recession in at least one quarter of 2023 is increasing.

Headline inflation in Poland peaked at 18.4% in February 2023 before falling to 13.2% in May 2023. Core inflation (excluding the most volatile prices of foodstuff and energy) stands at 12.2%. It is worth stressing that PPI has been lower than CPI readouts since March.

The situation on the labor market remains tight, with a low unemployment rate (5.0% in May), stable employment levels, and increasing mean nominal wages (with YoY changes below CPI from May 2022 onwards with wages falling in real terms.) With unemployment close to natural levels and high inflation levels, we still seem to be on the vertical section of a Phillips curve.

NBP is keeping the reference rate (minimum money market intervention rate) at 675 points with the interest rates channel shaped by the deposit rate of 625 bp (floor) and a Lombard rate of 725 bp. WIBOR 3m is currently at 6.90 (WIBOR 6M at 6.95) – significantly below the peak in November 2022. The policy is rather restrictive and is likely to remain so in 2023 taking into account internal and external circumstances. Under these conditions, the credit crunch remains ongoing.

Leading consumer confidence indices (Statistics Poland) are still negative but are gradually improving. Nonetheless, the risk of stagflation for Poland is increasing.

Overall growth prospects for Poland are worsening. The IMF in its most recent forecasts predicts growth in Poland in real terms to reach only 0.3%, thus increasing the likelihood of a recession. According to the World Bank's most recent projection, economic growth in Poland is projected to decelerate to 0.7% in 2023, as a result of high inflation, monetary policy tightening, negative confidence sentiment related to the war in Ukraine, a lower number of foreign workers compared with the previous year and an easing of demand from key trading partners.

The report of the National Bank of Poland (March 2023) is more optimistic than the projections of the IMF and the World Bank. The bank predicts a steady increase in economic growth from Q1 2023 onwards, and CPI levels in the baseline scenario dropping below 10.0% by the end of 2023. Still, according to NBP, risks to the forecasts are significant and uncertainty remains elevated.

Factors driving the growth and transformation of the industry include:

- » A prolonged conflict or potential escalation of the war in Ukraine,
- » Escalating geopolitical tensions, leading to the further fragmentation of trade/GVC and a proliferation of shocks e.g., a potential crisis in the Taiwan Strait,

- » A re-escalation of systemic tensions in the global financial sector, with possible regional (global) contagion,
- » Higher-than-expected inflation trajectories, which could lead to yet another round of tightening monetary policies further weighing down growth prospects,
- » Potential stagflation in some key economies of the global economic system in 2023/2024,
- » The restricted inflow of structural funds to Poland due to tensions with the European Union – worsening the fiscal position of Poland,
- » Uncertainty about the results of the parliamentary election in the fall of 2023,
- » The re-emergence of the pandemic (having become more endemic in recent months),
- » The transformative impact of AI-revolution on labor markets around the world (five-year perspective).



CONCEPT AND METHODOLOGY OF THE REPORT



205

The number of companies that took part in the ABSL nationwide survey in Q1 2023.



49.0%

The share of companies in total employment of KIBS centers operating in Poland that participated in this year's ABSL survey.



212,574

The number of people employed by companies in Poland that took part in the 2023 ABSL survey.

"The Business Services Sector in Poland in 2023" report aims to provide comprehensive insights into the activities of the BPO/SSC, GBS, and IT/ITO R&D service centers in Poland and outlines growth directions for the sector.

The report adopts a broad definition of the sector and includes the activities of business processes outsourcing (BPO), shared services (SSC), global business services (GBS), IT, and research & development (R&D) centers.

Its preparation was based on ABSL's internal database of business services centers in Poland (at present, the database contains information on over 1,800 centers located in Poland and is updated regularly by the ABSL BI team), and the results of the annual ABSL 2023 survey of managers.

The survey was conducted by the ABSL BI team using the CAWI (computer-assisted web interview) approach in January-March 2023 (we assume that the results reflect the state of the sector at the end of Q1 2023).

This year's survey was completed by managers of 205 companies employing 212,574 people in business services centers located in Poland, and represents 49.0% of the sector's employment.

The results of the ABSL 2023 report concern business services centers whose parent companies have their headquarters in Poland or abroad.

Each entity was assigned to one of the primary types (BPO, SSC, GBS, IT, R&D), taking the dominant profile of its operations into account.

Contact centers providing services to external customers were classified as BPOs. IT centers were defined as entities that outsource IT solutions (e.g., system, application or infrastructure maintenance, technical support) and develop and sell (implement) software for external customers (software development).

Rather than running many shared services centers and independent management of suppliers, GBS centers ensure full integration of global governance and provide services for locations using all shared services and outsourcing throughout the enterprise.

Even when located in the same city, particular business services centers were treated as separate units for analysis purposes. Accepting the geographic criterion, the requirement of being in two different places would have eliminated information about centers of various types, e.g., IT and BPO, which were in the same location.

Similar to last year's edition, this year's report also takes into account all of the BPO and SSC/GBS centers in which employment does not exceed 25 people.

While this concerns 167 entities, employing a total of 2318 employees, these companies do constitute part of the sector's ecosystem.

It is worth emphasizing that direct comparisons with previously published ABSL reports should be avoided; relying on the information presented in this report is recommended. The ABSL database is continually updated and includes data revisions for previous years.

Because some values are rounded off, in particular tables and other figures in the report, they may not add up to exactly 100.0%.

The unit of analysis in the report is a metropolis/conurbation. GZM means Katowice together with other cities of the Górnośląsko-Zagłębiowska Metropolis (Katowice & GZM) unless otherwise indicated. Tricity means Gdańsk, Gdynia and Sopot.

The report can be downloaded free of charge in PDF format from the ABSL Shop (shop-absl.pl), both in Polish and English.

This report could not have been prepared without the information obtained from respondents to the nationwide ABSL survey. We extend our sincere thanks to all of the companies' representatives who took time out of their busy schedules to complete it.

We are also grateful to the representatives of local governments and investor support institutions who assisted with this project.

We would like to thank the co-authors of this report, particularly our strategic partners, who shared their expert knowledge as well as data and significantly enriched the report's content. Experts from Colliers wrote the section that analyzes the real estate market, and representatives of Mercer and Randstad contributed to the labor market section.

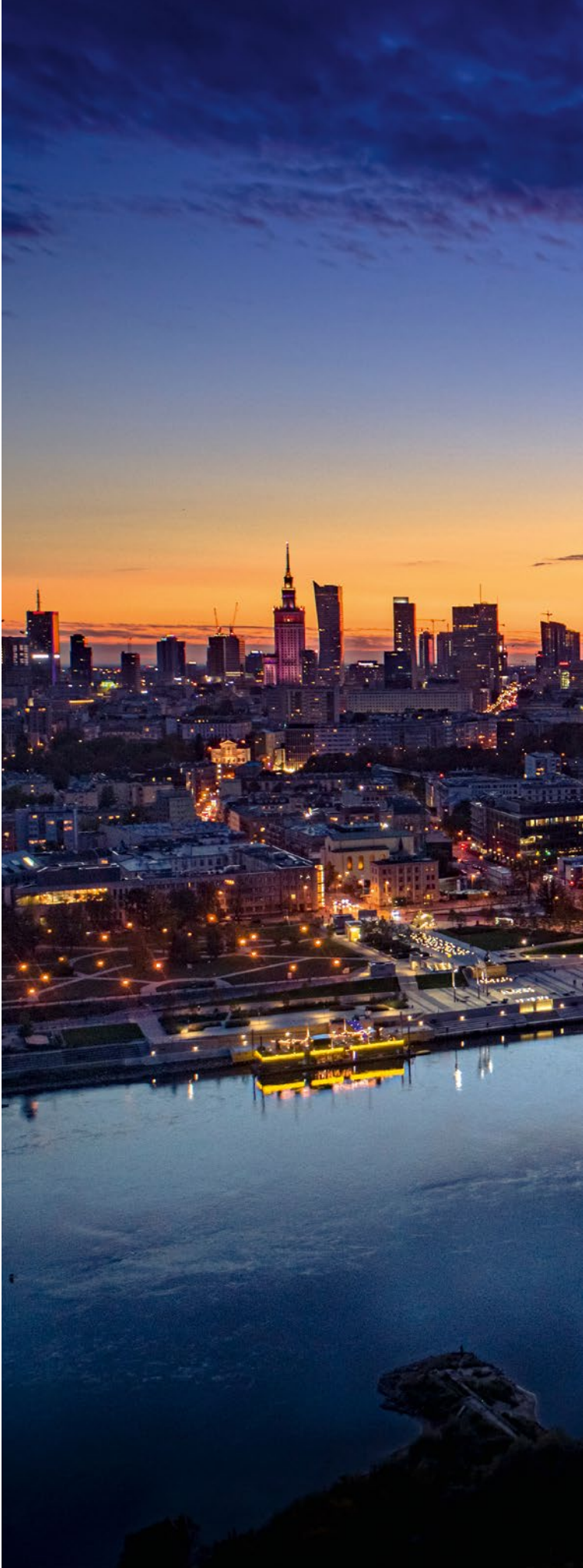
We also extend our thanks to the National Information Processing Institute – National Research Institute, an important partner of ABSL annual reports – for providing data on the academic and higher education sectors.

Last but not least, we would be grateful for any opinions and comments on the contents of this year's report that can help enhance the quality of future editions and adapt them to the needs and expectations of the center's managers as well as new investors.

ABSL BI team

ABBREVIATIONS

AI	Artificial Intelligence
AMER	North, Central, and South America
APAC	Asia-Pacific
BI	Business Intelligence
BCP	Business Continuity Plan
BPO	Business Process Outsourcing
CAGR	Compound Annual Growth Rate
CEE	Central and Eastern Europe
CoE	Center of Excellence
DEI	Diversity, Equity, and Inclusion
DIB	Diversity, Inclusion, and Belonging
EMEA	Europe, Middle East, and Africa
EMDEs	Emerging market and developing economies
ESG	Environmental, Social, and Governance
F&A	Finance and Accounting
FTE	Full Time Equivalent
GBS	Global Business Services
GVCs	Global Value Chains
IPA	Intelligent Process Automation
KIBS	Knowledge-Intensive Business Services
LAC	Latin America and the Caribbean
NLP	Natural Language Programming
R&D	Research & Development
RPA	Robotic Process Automation
SSC	Shared Services Center
VDI	Virtual Desktop Infrastructure
WFA	Work from Anywhere
WFH	Work from Home
YoY	Year on Year
QoQ	Quarter on Quarter



POLAND — KEY FACTS



Poland is the sixth-largest economy in the European Union and has been one of Europe's leaders in economic growth over the past decade. It has the largest economy in Central Europe and has been a leader in growth and development since the outset of its economic transformation in 1989. One of the essential branches of the contemporary Polish economy is the knowledge-intensive business services sector with its growing significance illustrated by its rapidly growing share in the country's employment and GDP.

In recent years, the industry's impressive growth has enabled Poland to strengthen its position as one of the prime destinations in the business services sector not only in the EMEA region but globally. Poland is one of the prime locations for new investments in BPO/SSC, GBS, IT, and R&D centers.

Language: **Polish**

Currency: **Zloty (PLN)**

Number of cities with more than 100,000 inhabitants: **37**

Poland in international organizations: **EU (2004), NATO (1999), OECD (1996), WTO (1995), UN (1945).**

€ **656.9** billion

GDP in nominal prices in 2022 (6th largest EU economy, EUROSTAT)

+2.0%

GDP real growth in Q4 2022 YoY, seasonally unadjusted (+8.5% YoY in Q4 2021, Statistics Poland)

37.766 million

Population of Poland in 2022 (Statistics Poland), – 141.000 YoY

+16.1%

Consumer price index (CPI) inflation – March 2023 (Statistics Poland)

€ **17,370**

Nominal GDP per capita in 2022 (EUROSTAT)

79.0%

GDP per capita in PPS in 2022, in terms of the EU-27 average

5.4%

Unemployment rate (March 2023, Statistics Poland)

50th

Position in World Talent Ranking 2022 (IMD World Competitiveness Center), 45th in 2021

39th

Position in Global Talent Competitiveness Index 2022 rankings (INSEAD)

47th

Position in World Competitiveness Ranking (IMD World Competitiveness Center), 47th in 2021

\$ **269.8** billion

Value of the inward FDI stock in Poland at the end of 2022 (UNCTAD, World Investment Report 2023)

\$ **29.5** billion

FDI inflows at the end of 2022 (UNCTAD, World Investment report 2023)

PLN **4.6899**

EUR exchange rate at the end of 2022 (NBP)

PLN **4.4018**

USD exchange rate at the end of 2022 (NBP)

1 STATE OF THE BUSINESS SERVICES SECTOR IN POLAND AT THE END OF Q1 2023

OVERALL CHARACTERISTICS OF THE SECTOR

At the end of Q1 2023, more than 1,800 business services centers, representing 1,106 companies, were operating in the KIBS sector in Poland, comprising BPO, SSC/GBS, IT, and R&D entities. They employed 435,300 people (8.0% more than in the previous year). Thirty-one centers were established in 2022, and one was founded in Q1 2023.

As in previous years, foreign-owned centers dominated new investments in 2022 and 2023 (90.1%). New centers, established in 2022 and Q1 2023, created 2,866 jobs. Foreign-owned centers created 96.9% of the total employment in these new centers with 41.6% of these new jobs created in Tier 1 cities, 52.0% in Tier 2 cities

and 6.4% in tier 3 locations. At the unit level, the top three destinations were Tricity (33.1% share in work generated by new centers), Kraków (21.1%), and Wrocław (13.2%).

The most significant number of new centers was established in Wrocław, Tricity, and Poznań, followed by Kraków, while most jobs were created in Warsaw.

Compared with previous reports, we noticed a decrease in the share of Tier 1 cities regarding the number of new investments. In fact, Tier 1 cities were surpassed by Tier 2 cities which claimed the majority of jobs created in new centers.

FIGURE 1.1

THE BUSINESS SERVICES SECTOR IN POLAND – THE KEY NUMBERS

**435,300**

The total number of jobs in business services centers; 363,900 (83.6%) of which are foreign-owned.

**6.7%**

The share of the sector for total employment in Poland's enterprise sector (6.2% in 2022).

**32**

The number of business services centers that began operations in Poland from the beginning of 2022 till the end of Q1 2023 (46 in the previous year). The new investments (in 2022 and Q1 2023) have already generated 2,866 new jobs.

**86**

The number of business services centers with at least 1,000 employees (79 in the previous year).

**\$ 53,000**

Estimated mean export per worker in the sector as for Q1 2023.

**24**

The most significant number of business services centers owned by a single investor in Poland.

**465,000**

The number of jobs in the sector at the end of Q1 2024 (forecast by ABSL – baseline scenario). A projected increase of 6.9% YoY.

**\$ 30.0 billion**

The estimated overall value of knowledge intensive business services exports in Poland in 2022.

**1,803**

The number of BPO, SSC/GBS, IT, and R&D business services centers in Poland (72.0% of which are foreign-owned investors).

**1,106**

The number of investor companies with business services centers in Poland (69.4% of which are foreign-owned investors) (1,068 in the previous year).

**103**

The number of "Fortune 500" investors operating in the business services sector in Poland (102 in the previous year).

**8.0%**

Growth in the number of jobs at business services centers in Poland in the last year (Q1 2022 – Q1 2023). Since 2018, the overall number of jobs has increased by 56.0%.

**8**

The number of locations where business services centers employ more than 10,000 people.

**4.5%**

The sector's estimated share of Poland's GDP in 2023 (4.2% last year).

State of the business services sector in Poland
at the end of Q1 2023

CLASSIFICATION OF CITIES AND AGGLOMERATIONS ACCORDING TO ABSL

Tier 1	Kraków, Warsaw and Wrocław
Tier 2	Tricity, Katowice & GZM, Łódź, Poznań
Tier 3	Bydgoszcz, Lublin, Rzeszów, Szczecin
Tier 4	Białystok, Opole, Olsztyn, Radom, Kielce, Tarnów, Elbląg, Płock and others

FIGURE 1.2
NUMBER OF ACTIVE CENTERS OPENED BY DATE OF ESTABLISHMENT – AT THE END OF Q1 2023



* The data for 2023 only reflects Q1 2023 information that was available when the report was being written.

Source: ABSL's study based on the ABSL business services centers database

Although the number of centers in Poland is still increasing, the rate of growth has been steadily decreasing since 2018 (figure 1.2.). One must bear in mind, however, that despite this slow-down in the number of new investments, total employment in the industry has maintained its long-term growth trend.

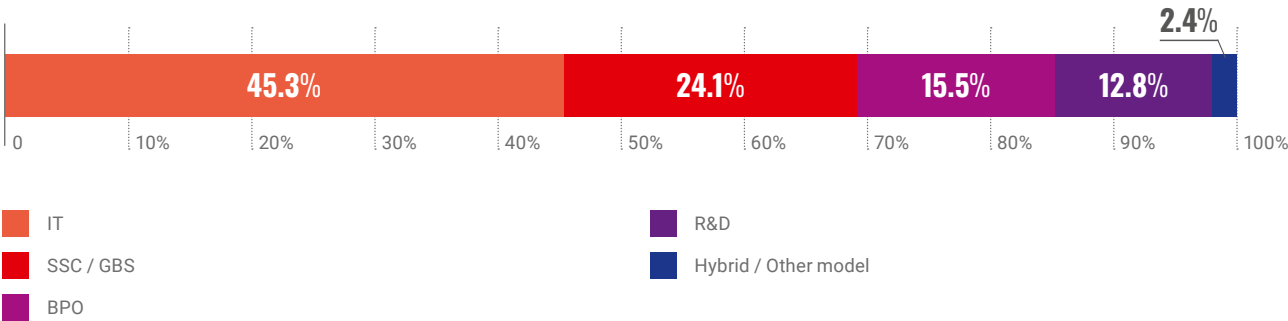
Expansion in the number of centers occurred in two waves – the first after Poland acceded to the European Union with the second following the global financial crisis of 2008 – when international corporations wanted to optimize their costs by outsourcing certain aspects of their activities on a larger scale. The peak year for growth was 2015.

At the same time, according to the ABSL database, 60 centers ceased their operations in Poland or were taken over by other companies as a result of regional or global M&As.

Most firms at the end of Q1 2023 operated just one center in Poland (73.2%). 13.9% had two centers, with 9.9% of firms operating three to five centers in the country. Only 0.5% of respondents ran more than ten centers, often of different types. The leader in these statistics operates 24 centers in Poland.

IT is the most frequent type of center in the ABSL database (45.3%), followed by SSC/GBS centers (24.1%) and BPO centers (15.5%). R&D centers are responsible for a further 12.8%. The smallest share, as before, is claimed by hybrid/other model centers (2.4%).

FIGURE 1.3
DISTRIBUTION OF THE NUMBER OF CENTERS BY TYPE (%)



Source: ABSL's study based on the ABSL business services centers database

State of the business services sector in Poland
at the end of Q1 2023

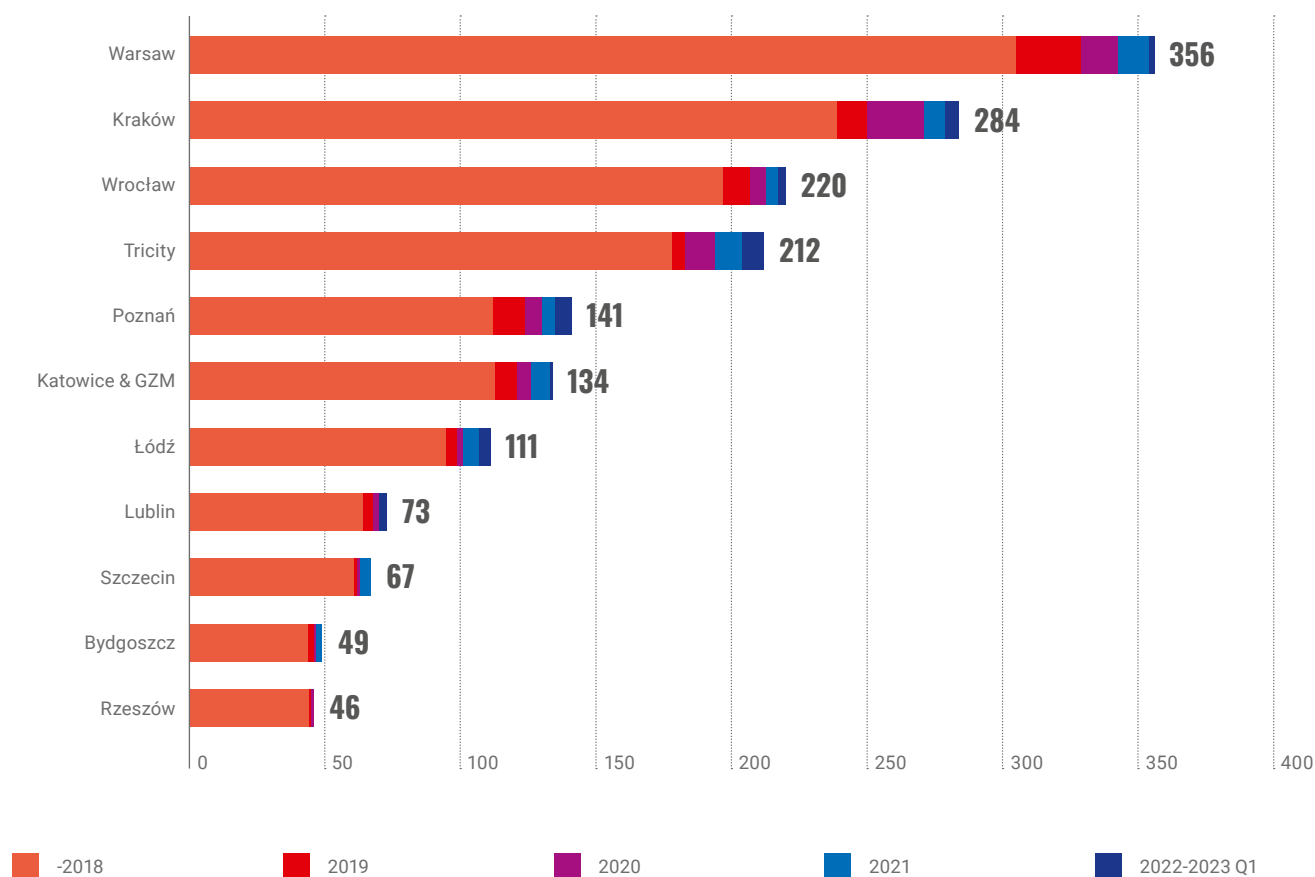
THE NUMBER OF CENTERS AND STRUCTURE OF NEW INVESTMENTS

Warsaw still leads in terms of the number of active business services centers at the end of Q1 2023 (356 centers). Locations with at least 100 centers include Kraków (284), Wrocław (220), Tricity (212), Poznań (141),

Katowice & GZM (134), and Łódź (111). The number of active centers is significantly lower in Tier 3 (with Lublin – 73 and Szczecin – 67) and Tier 4 cities.

FIGURE 1.4

NUMBER OF CENTERS IN THE MOST IMPORTANT LOCATIONS IN POLAND AT THE END OF Q1 2023
BY THE YEAR OF ESTABLISHMENT



Source: ABSL's study based on the ABSL business services centers database

From the beginning of 2022 to the end of Q1 2023, the majority of new centers were opened in Poznań Tricity, and Kraków, followed by Łódź, Warsaw, Wrocław, and Lublin. One new center was opened in Katowice & GZM. The number of locations where new centers were opened decreased year-on-year with all new investments concentrated in Tier 1 and Tier 2 cities. Lublin was the only Tier 3 city in the ranking. Investors continue to prefer existing Tier 1 (Warsaw, Kraków, Wrocław) and Tier 2 locations (the Tricity, Katowice & GZM, Łódź, and Poznań) as places for new investments, and in particular for first-time investments in Poland.

The changes in the number of centers do not fully reflect the changes in total employment due to differences in the size of centers and company strategies.

Compared to the last edition of the report, the number of new centers has decreased. In contrast to the previous year, the role of Warsaw significantly diminished with the number of new investments in Tier 2 cities exceeding those in Tier 1.

New investments in 2018 were made in 21 locations with 20 locations attracting new centers in 2019. 2020 saw new centers opened in 17 locations, with 13 in 2021, and eight in 2022.

New investors created 3,440 new jobs (in the previous year it was 6,381), nearly halving YoY. The new centers were responsible for approx. 10.5% of the increase in the sector's total employment.

During 2020-2022, most new investments were made in IT (50.0%), SSC/GBS (28.1%), R&D (20.4%), and BPO (15.2%) followed by R&D centers (6.25%). Employment-wise, IT centers were responsible for most jobs created (45.5%), followed by BPO (32.8%) and SSC/GBS (19.5%).

The average headcount declared by newly established centers was 201 (median=100.0).

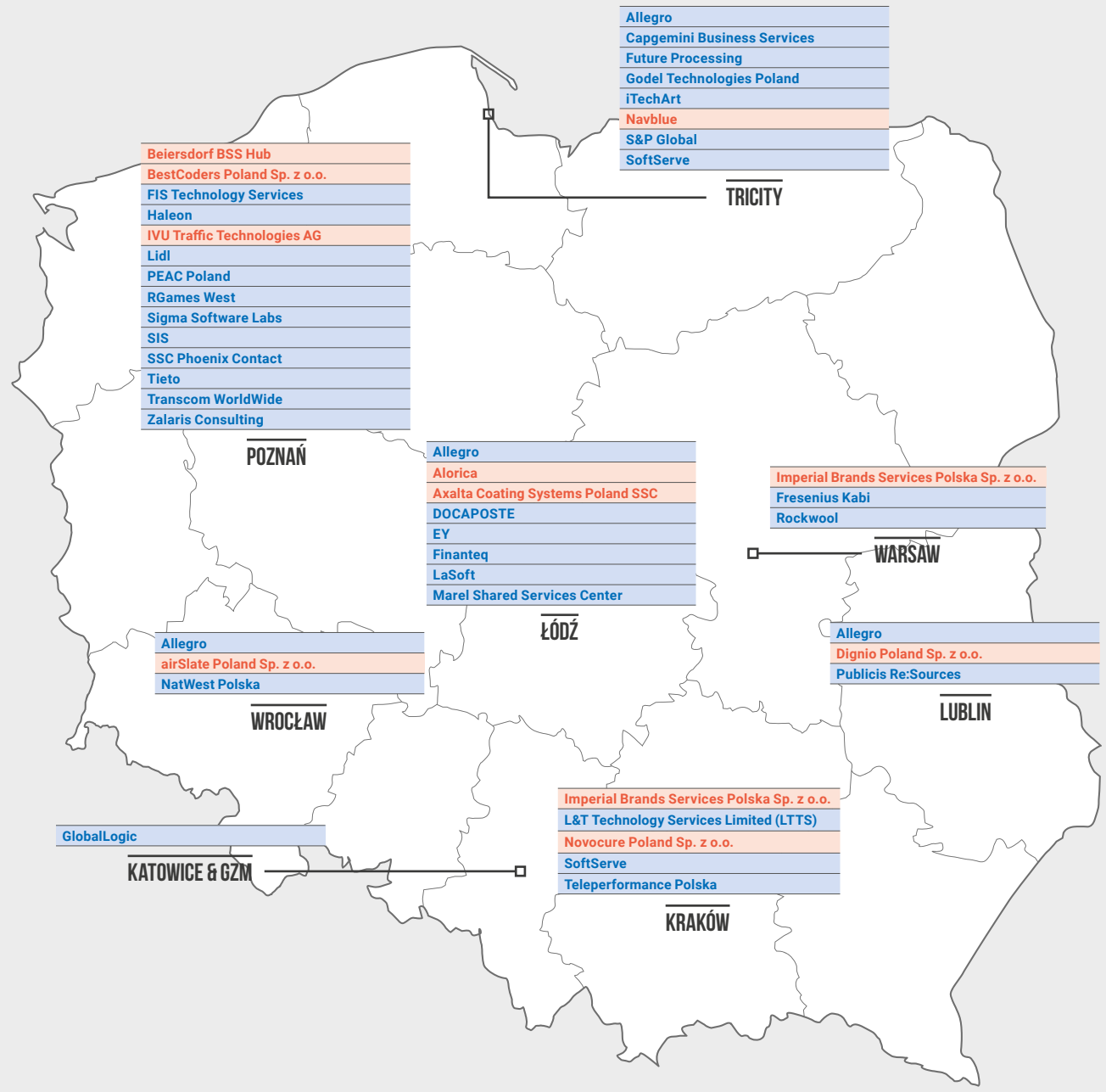
New investors in the sector in Poland came from 13 different nations (18 nations in the previous edition of the report).

New centers, established from the beginning of 2022 till the end of Q1 2023 were established by mainly UK investors (25.0%) ahead of French and American (16.0% each). Polish investors came fourth, with a share of 9.0%.

Regarding employment numbers, new French investors created 1,189 jobs – more than one-third of the sector's total (34.6%), followed by British (20.4%) and American (8.9%) firms. New Polish investors created only 130 jobs (3.8%).

State of the business services sector in Poland
at the end of Q1 2023

FIGURE 1.5
EXAMPLES OF SELECTED NEW INVESTMENTS IN PARTICULAR LOCATIONS IN POLAND (2022 TO Q1 2023)



■ New investors = first business services center in Poland
■ Recent investments by existing investors = another business services center opened in Poland

Source: ABSL business services centers database

FOREIGN TRADE IN KNOWLEDGE-INTENSIVE BUSINESS SERVICES



\$ 30.0 billion

The estimated overall value of knowledge intensive business services exports in Poland in 2022 (USD 26.4 billion in 2021).



19.8%

CAGR for overall exports of business services in 2005-2022 (CAGR for imports 13.8%).



13.7%

The estimated increase in the value of exports of business services in 2022 YoY (15.1% in 2021).



\$ 53,000

Estimated mean export per worker in the sector as for Q1 2023.



\$ 12.5 billion

The estimated surplus in the trade of Poland's knowledge intensive business services in 2022 (11.3 billion in 2021).



Germany, United Kingdom, Switzerland & the USA

Export destinations with a value exceeding USD 2 billion.

The sector is one of the principal drivers of the contemporary export potential of Poland. The sector is a highly internationalized, clearly export-oriented integral part of the global economy. The key driver of the export of firms in the industry is their superior productivity. Also, foreign ownership matters, as it provides experience in servicing clients from foreign markets. Overall, most firms (centers) are so-called "superstar" firms.

The ability to export and thus compete in international markets is mainly a function of firms' productivity (Melitz, 2003)¹. Numerous empirical studies show that exporters are found to be more productive than non-exporters, and the more productive firms choose

for themselves which export markets to target. Exporting per se does not necessarily improve productivity (no learning is derived by exporting).

Mayer & Ottaviano (2008) analyzing a panel of European firms showed that internationalized firms are superstars (they are rare – "happy few" with their distribution being highly skewed – few firms are responsible for most of their export potential – exports are concentrated), exporters differ from non-exporters – on average they are bigger, generate higher added value, pay higher wages, spend more capital per worker, employ more skilled workers and have higher productivity².

¹ Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. *Econometrica*, 71(6), 1695-1725.

² Mayer, T., & Ottaviano, G. I. (2008). The happy few: the internationalization of European firms: new facts based on firm-level evidence. *Intereconomics*, 43(3), 135-148.

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The sector's centers differ from the overall profile of Polish firms in this respect, their activity is strongly export-oriented as their clients, both internal and external, are predominantly foreign.

The estimates as of the end of 2022 show that the overall value of KIBS' imports equaled USD 17.5 billion, with the value of exports being USD 30.3 billion. Year-on-year exports increased by 13.7% and imports by 16.3% (15.1% & 13.7% in 2021, respectively). The surplus in KIBS trade surpassed USD 12.5 billion (11.3 billion in 2021). A clear surplus has been regularly generated by the sector since 2008 and has been constantly growing during this period.

Despite the enormous black swan event in the shape of the pandemic and the severe downturn in the global economy that ensued, particularly in manufacturing goods and services in H1 2020, the business services industry proved to be resilient. It continued its foreign expansion and positive contribution to the surplus in foreign trade. 2021 proved to be particularly good for both the global economy and the sector, with the peak of the recovery happening in Q2 2021 before growth levelled off and returned to lower levels. Despite the slowdown in the global economy in 2022, the Russian invasion of Ukraine, and financial turmoil in Q1 2023, the export potential of the sector is still growing and continues to prove its competitive edge, productivity, and resilience.

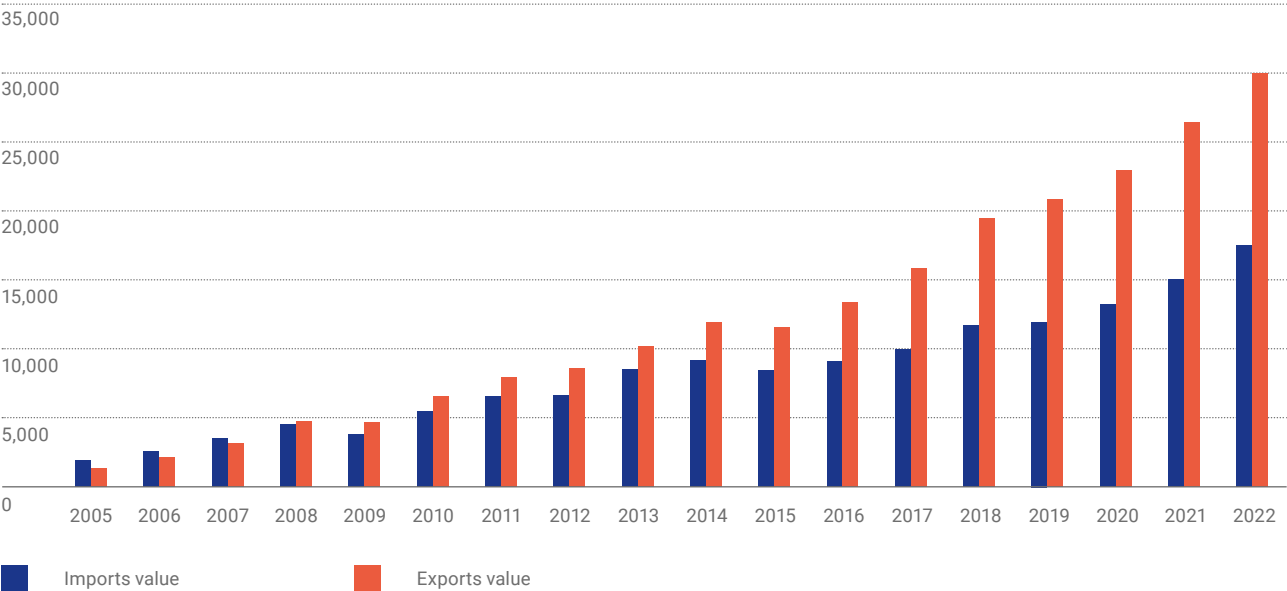
We estimate the share of business services centers analyzed in the report, represents no less than 70.0% of Poland's overall KIBS industry's export value.

In 2005, the year after Poland's EU accession, the KIBS sector provided 7.7% of the value of exports of commercial services from Poland (26.9% in 2017, 27.5% in 2019). In 2022, according to ABSL estimates, the share of the KIBS sector rose to 31.3%.

The CAGR for overall exports of commercial services from Poland, from 2005 to 2022, was 10.3%. The CAGR for exports of KIBS over the same period was 19.8% – nearly double the overall amount for commercial services.

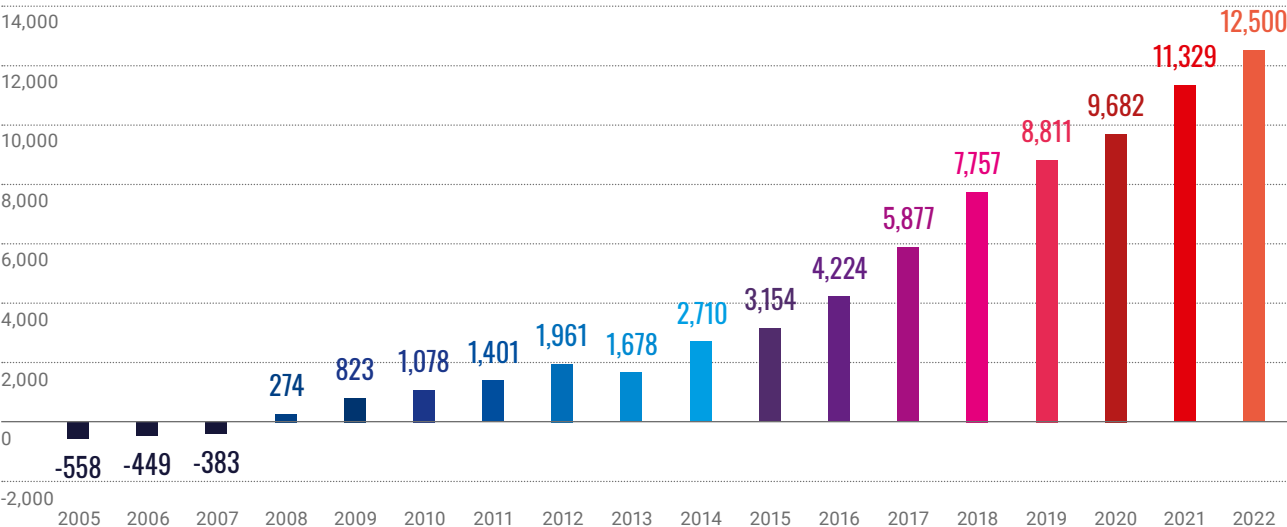
In terms of the significance of Polish exports of KIBS, four countries play a crucial role – Germany, the United Kingdom, Switzerland, and the USA, according to WTO-OECD Balanced Trade in Services (BaTIS) dataset.

FIGURE 1.6
THE VALUE OF POLAND'S EXPORTS AND IMPORTS OF KNOWLEDGE-INTENSIVE BUSINESS SERVICES
(USD MILLIONS)



Source: ABSL estimates based on WTO TiSMoS database & NBP Balance of payments data

FIGURE 1.7
POLAND'S FOREIGN TRADE BALANCE IN KNOWLEDGE-INTENSIVE BUSINESS SERVICES (USD MILLIONS)



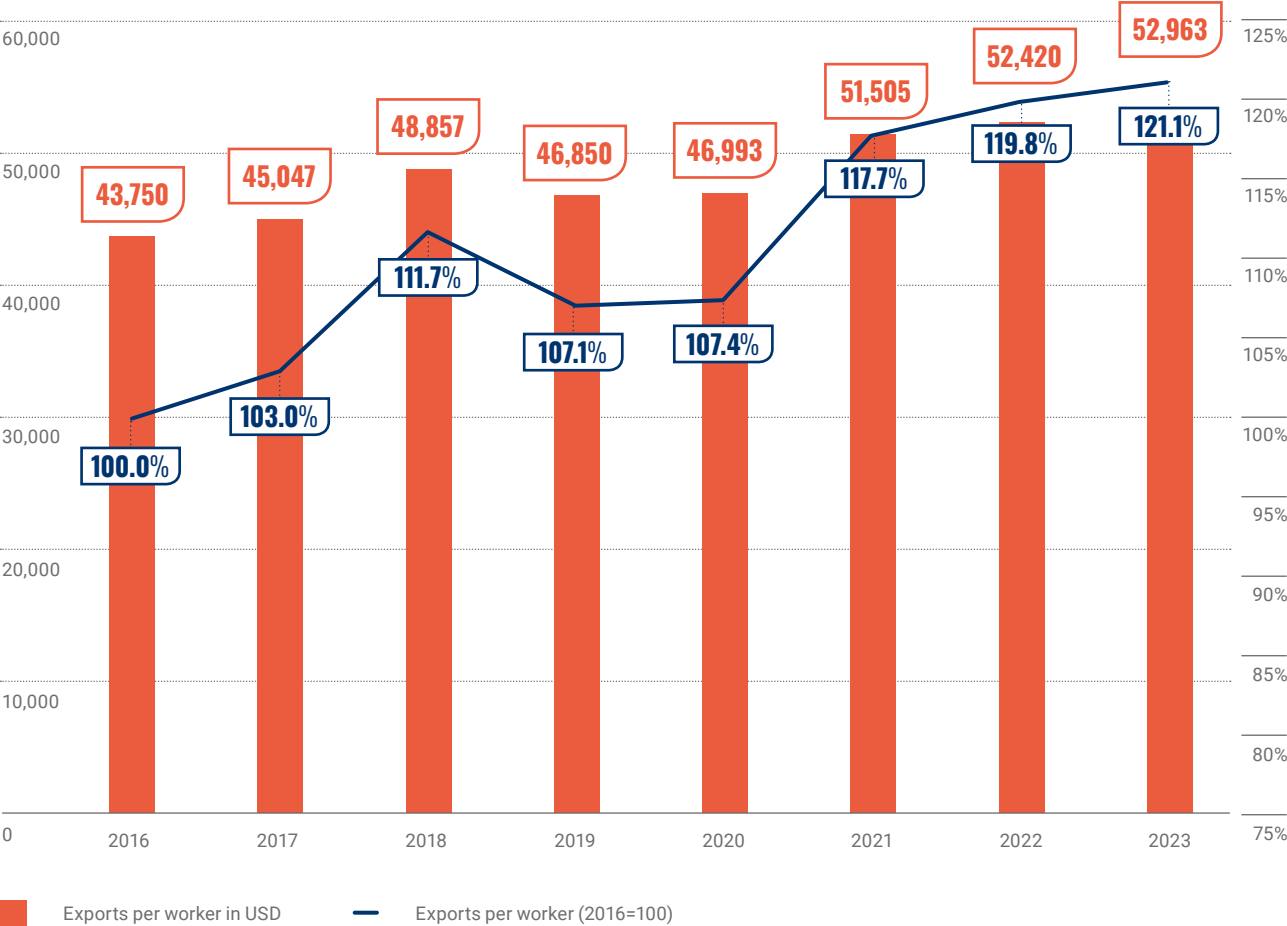
Source: ABSL estimates based on WTO TiSMoS database & NBP balance of payments data

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Taking into account the role of productivity as a driver of export potential, the report presents for the first time statistics on the proxy of productivity within the sector – estimated mean export per worker in sector

centers. ABSL’s estimate for Q1 2023 shows that mean exports per worker exceeded USD 53,000 and has grown by an impressive 21.1% since 2016.

FIGURE 1.8
EXPORTS PER WORKER IN THE INDUSTRY (2016-2023)



Source: ABSL estimates based on NBP balance of payments data & ABSL dataset on centers

FOREIGN-OWNED INVESTMENTS, COUNTRIES OF ORIGIN



9.1%

The employment growth in foreign-owned centers located in Poland (Q1 2022/ Q1 2023).



363,900

Employment in foreign-owned centers in Poland at the end of Q1 2023.



83.6%

The share of foreign-owned centers in the sector's total employment.



120,000+

Employment in the centers owned by American investors (share of American companies in new investments generated in 2022 and Q1 2023 is 26.6%).



47

The number of countries from which centers operating in Poland originate.

The 1,251 foreign-owned centers in Poland employ 363,900 people (Q1 2023). Foreign-owned centers are defined as those centers controlled by a foreign investor. At the end of Q1 2023, foreign-owned investors accounted for 83.6% of the jobs in the sector (a 1 p.p. increase YoY) and managed 69.4% of the total number of business services centers in Poland. From Q1 2022 to Q1 2023, foreign-owned companies created 30,471 new jobs (compared to 37,089 in the previous year). Employment growth was 9.1% in the foreign-owned centers between Q1 2022 and Q1 2023 (compared to 2.4% in Polish-owned centers). From the beginning of 2014 till the end of Q1 2023, the CAGR for employment in centers owned by foreign investors and located in Poland was 13.2%.

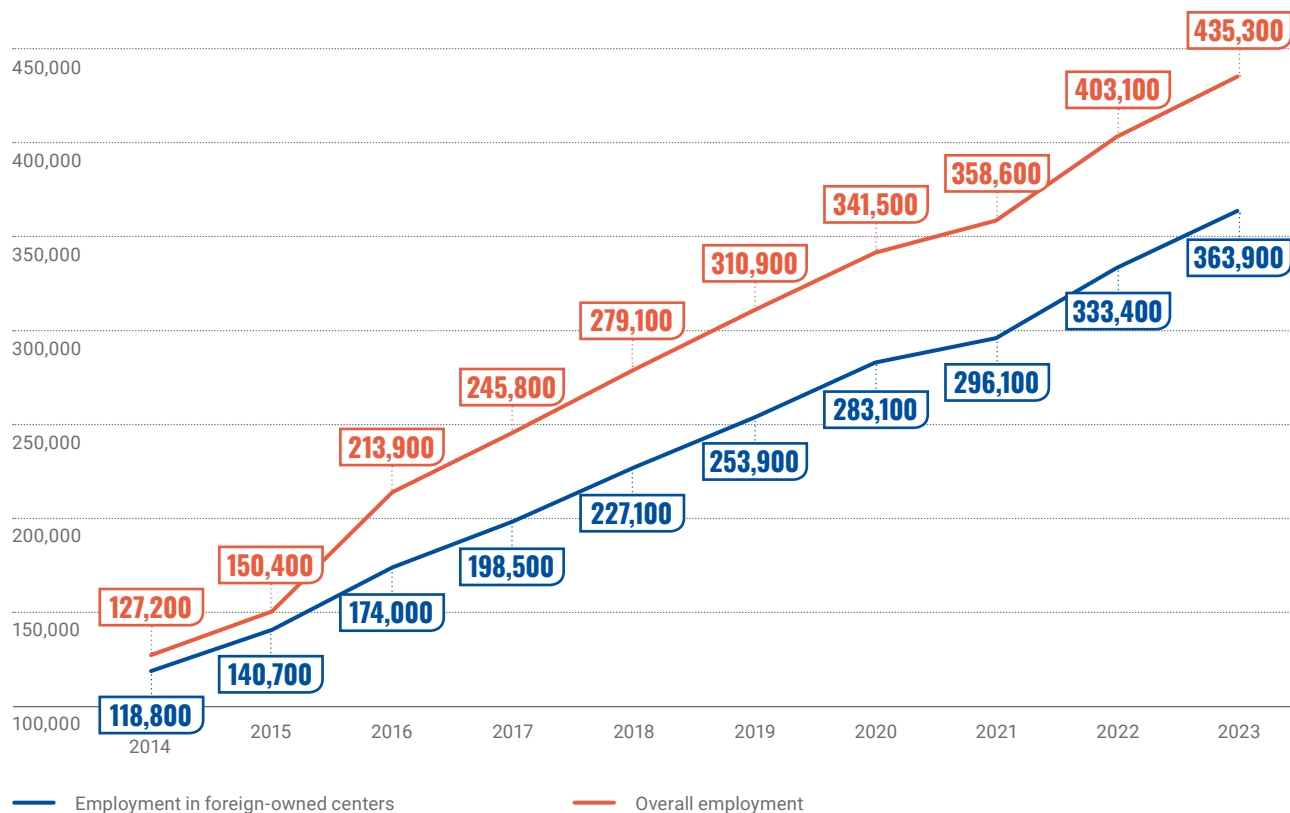
In the total number of 32,141 new jobs created, the highest contribution was made by centers with their headquarters in the USA (26.6%), UK (21.0%), France (12.1%), Switzerland (7.4%) and Poland (5.2%). It is worth emphasizing that employment went down YoY in Austrian and Irish companies which are present in the Polish market.

Please note: the previous years' figures concerning the headcount and the number of centers were verified in accordance with ABSL's current best knowledge. As part of updating the data, we also took into account differences resulting from changes in ownership and several investors terminating their operations in Poland.

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FIGURE 1.9

EMPLOYMENT IN FOREIGN-OWNED CENTERS IN POLAND (2014-2023)



Source: ABSL's study based on the business services center database. Headcount information has been rounded to the nearest hundred

TABLE 1.1

EMPLOYMENT AND THE NUMBER OF CENTERS ESTABLISHED IN 2022 AND 2023 (BY COUNTRIES WHERE HEADQUARTERS ARE LOCATED)

Country of origin	Employment	No. of centers
France	775	5
United Kingdom	702	8
United States	655	5
Ukraine	240	2
Germany	140	2
Others	354	10
Overall	2,866	32

Source: ABSL's study based on the business services center database

TABLE 1.2

EMPLOYMENT IN THE INDUSTRY AND THE NUMBER OF CENTERS BY COUNTRY OF ORIGIN (2023)

Country (or region) of origin	Employment	Share in overall employment (%)	No. of centers	Share in the number of centers (%)
United States	120,904	27.8	356	19.7
Poland	71,370	16.4	552	30.6
United Kingdom	45,464	10.4	148	8.2
France	42,269	9.7	111	6.2
Nordic countries*	38,034	8.7	169	9.4
Germany	32,783	7.5	153	8.5
Asian countries**	21,582	5.0	91	5.0
Switzerland	20,972	4.8	52	2.9
Netherlands	18,765	4.3	52	2.9
Ireland	10,101	2.3	27	1.5
Other European***	5,743	1.3	41	2.3
Belgium	1,719	0.4	14	0.8
Canada	1,402	0.3	9	0.5
Luxembourg	1,220	0.3	7	0.4
Austria	1,062	0.2	5	0.3
Italy	1,050	0.2	6	0.3
Other non-European****	839	0.2	10	0.6
Total	435,279	100.0	1803	100.0

* Nordic countries: Denmark, Finland, Norway, Sweden

** Asian countries: China, Hong Kong, India, Israel, Japan, Qatar, Singapore, South Korea, Thailand, Turkey, United Arab Emirates

*** Other European: Belarus, Bulgaria, the Czechia, Estonia, Greece, Hungary, Iceland, Malta, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Ukraine

**** Other non-European: Australia, Brazil, Mexico, South Africa

Source: ABSL's study based on the ABSL business services centers database

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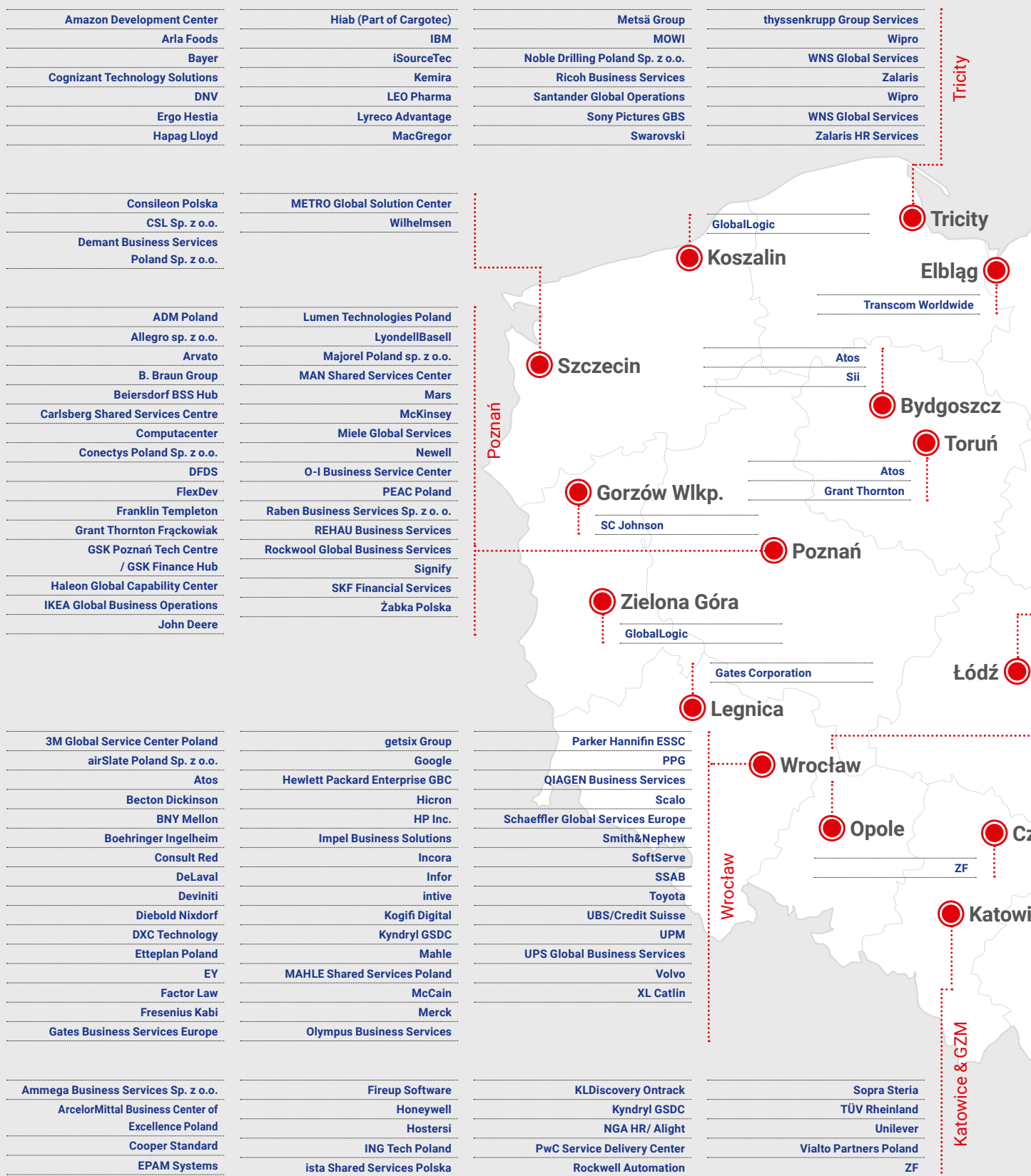
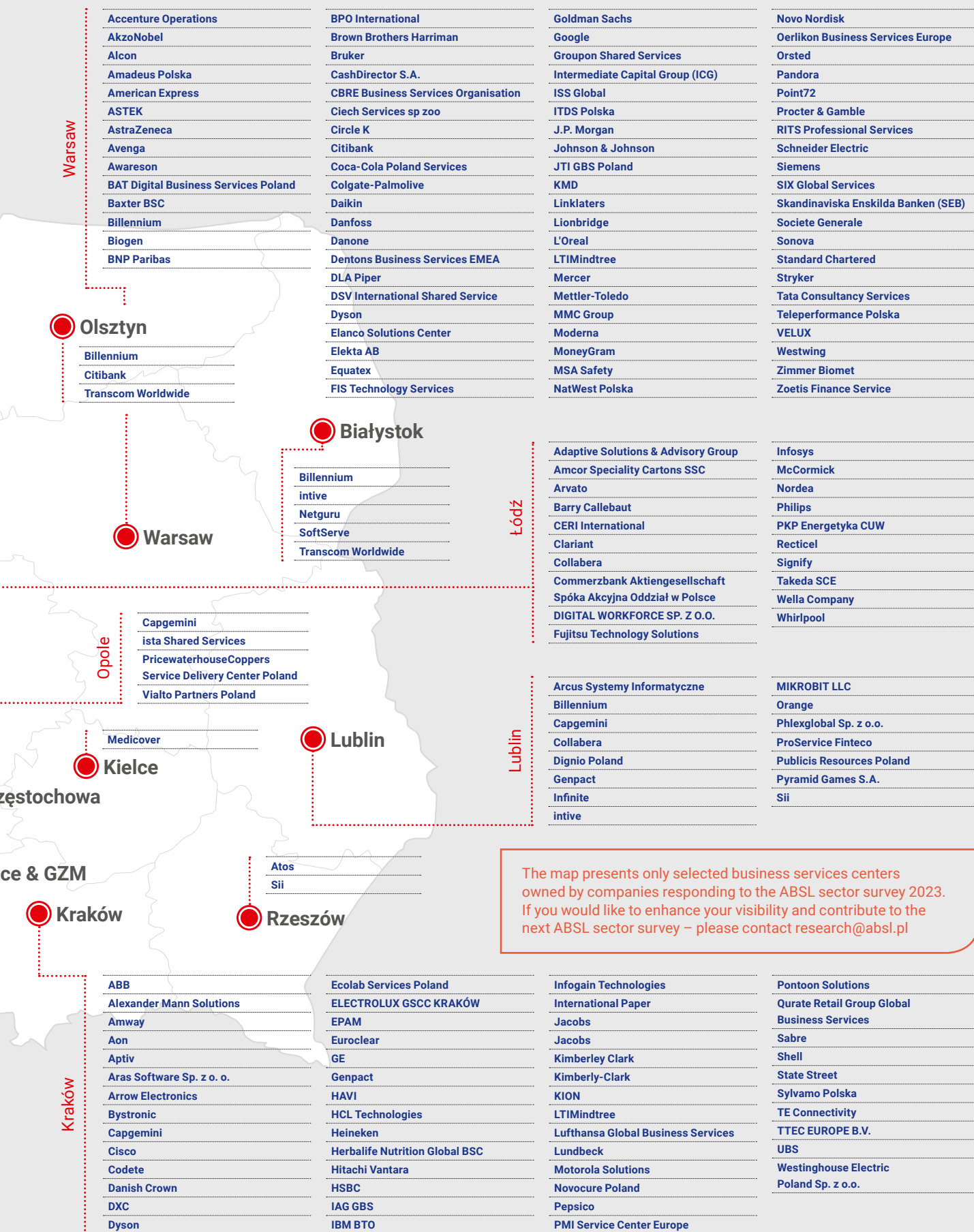


FIGURE 1.10

SELECTED BPO, SSC / GBS, IT, AND R&D BUSINESS SERVICES CENTERS IN POLAND

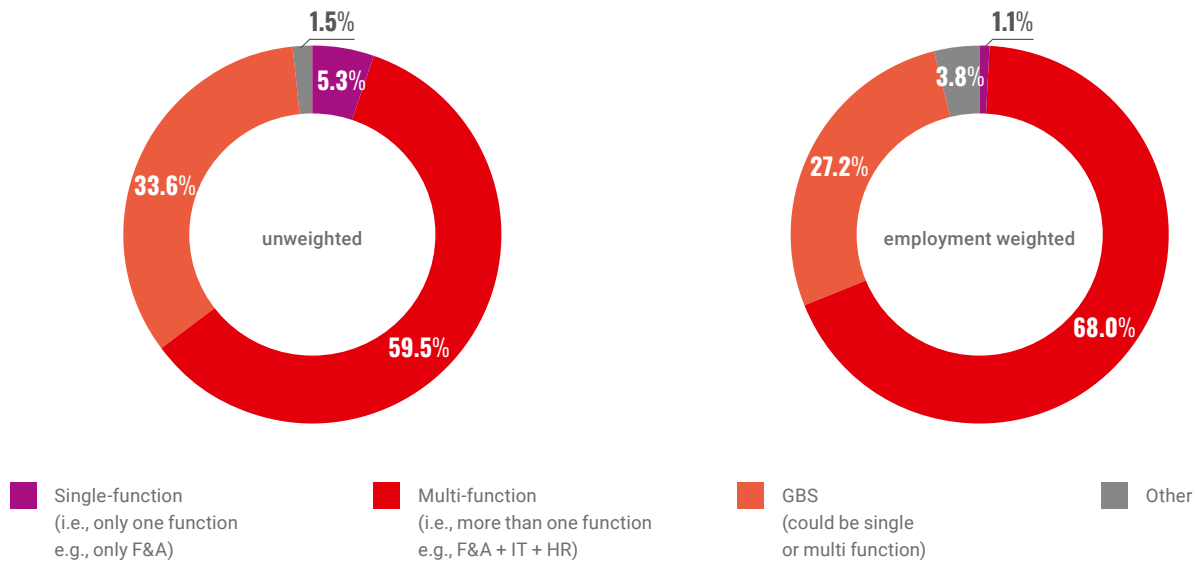
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State of the business services sector in Poland
at the end of Q1 2023

SERVICES PROVIDED AND OPERATING MODELS

FIGURE 1.11

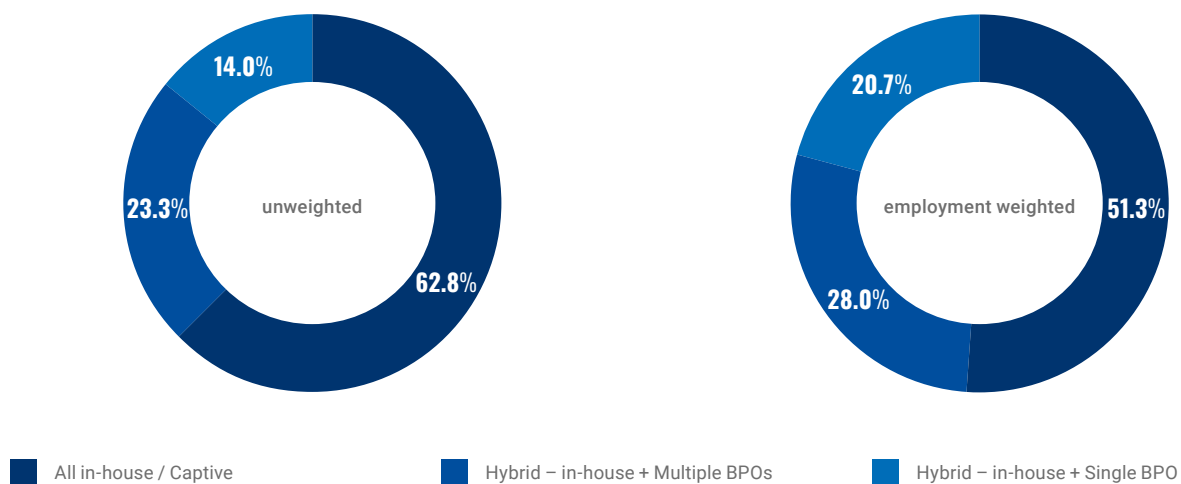
SSC / GBS CENTERS' OPERATING MODELS (% OF RESPONDENTS AND RESPONSES WEIGHTED BY HEADCOUNT)



Source: ABSL's study based on the results of the survey (N=131 companies)

FIGURE 1.12

SSC / GBS OPERATING MODEL (RESPONSES AND RESPONSES WEIGHTED BY HEADCOUNT, IN %)

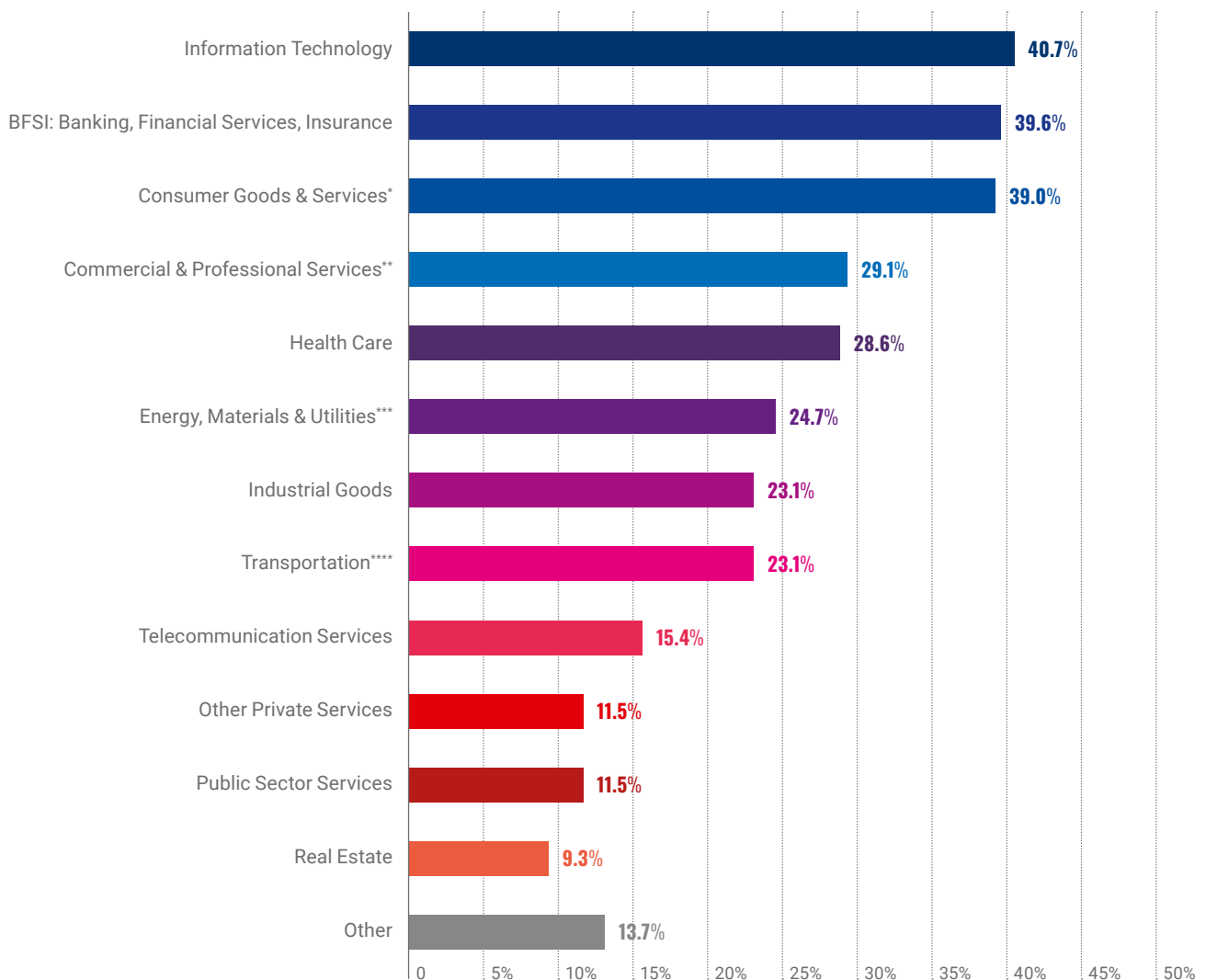


Source: ABSL's study based on the results of the survey (N=129 companies)

STRUCTURE OF CLIENTS SUPPORTED BY INDUSTRY

FIGURE 1.13

WHICH SECTORS DO YOUR CENTERS IN POLAND SERVICE (INTERNAL AND EXTERNAL CLIENTS)?
(% OF RESPONSES)



* i.e., Automobiles & Auto Parts, Food & Beverages, Media, Retailing, Leisure

** i.e., Business Support Services, HR Services, Legal Services, Research & Consulting Service

*** i.e., Oil & Gas, Chemicals, Paper & Forest Products, Metals & Mining

**** i.e., Airlines, Logistics

Source: ABSL's study based on the results of the survey (N=182 companies)

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GEOGRAPHIC SCOPE OF SERVICES DELIVERED

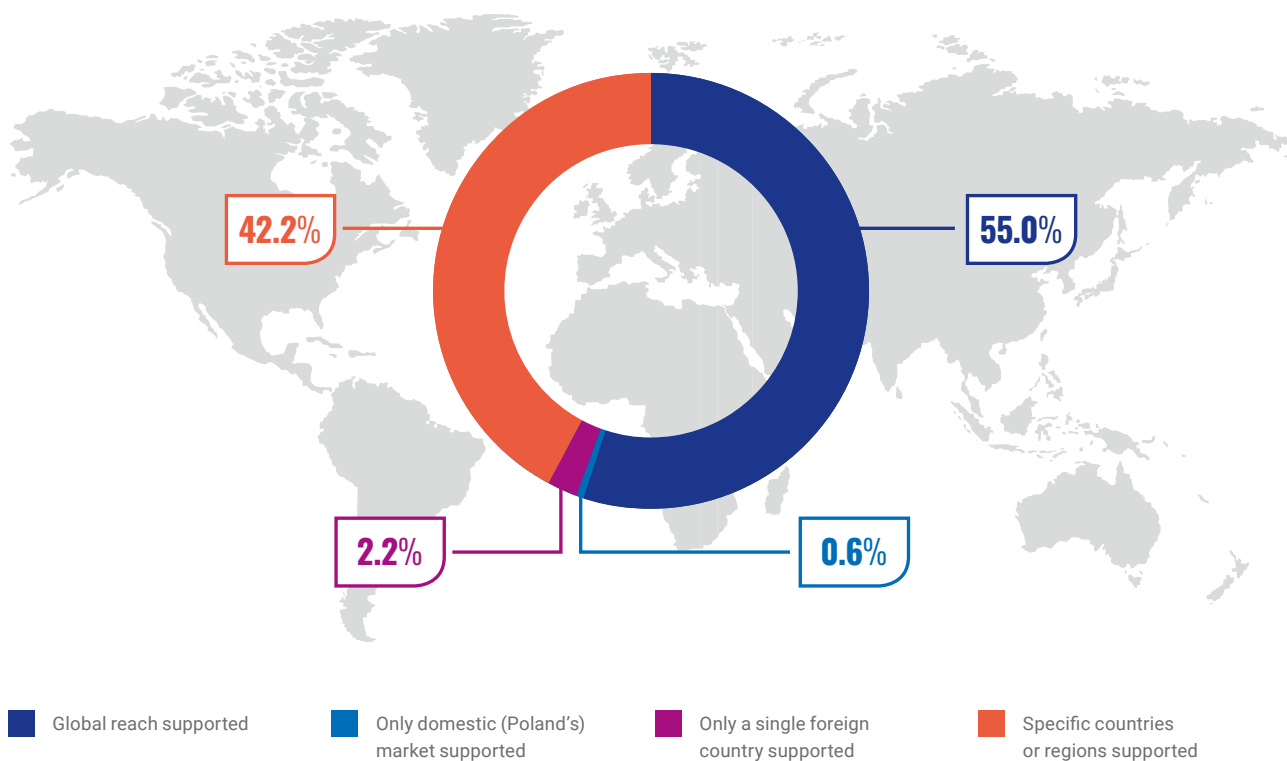
More than half of the analyzed centers, 55.0%, operate globally for internal and external customers while 42.2% provide services for clients from specific countries and regions. The number of centers serving only clients from Poland is low – at 2.2%, while only 0.6% concentrate exclusively on clients from one foreign country. This structure is stable in comparison to previous editions of the survey.

Similarly, in recent years, the most significant number of centers have focused on serving customers in Western Europe (91.1%), Poland (83.3%), Central

and Eastern Europe (79.7%), Nordic countries (76.7%), and Southern Europe (72.2%). Most of the clients served are therefore from Europe and located in the same or close to the same time zone. On the other hand, the share of centers servicing the United States & Canada increased to 64.4%, and the Middle East and Africa to 48.9%. Currently, the share of centers servicing clients from APAC (32.2%) and LAC (27.8%) is lower. Nonetheless, the global profile of services provided in Poland is clear. Poland and CEE have an obvious time zone advantage allowing centers located here to provide services worldwide.

FIGURE 1.14

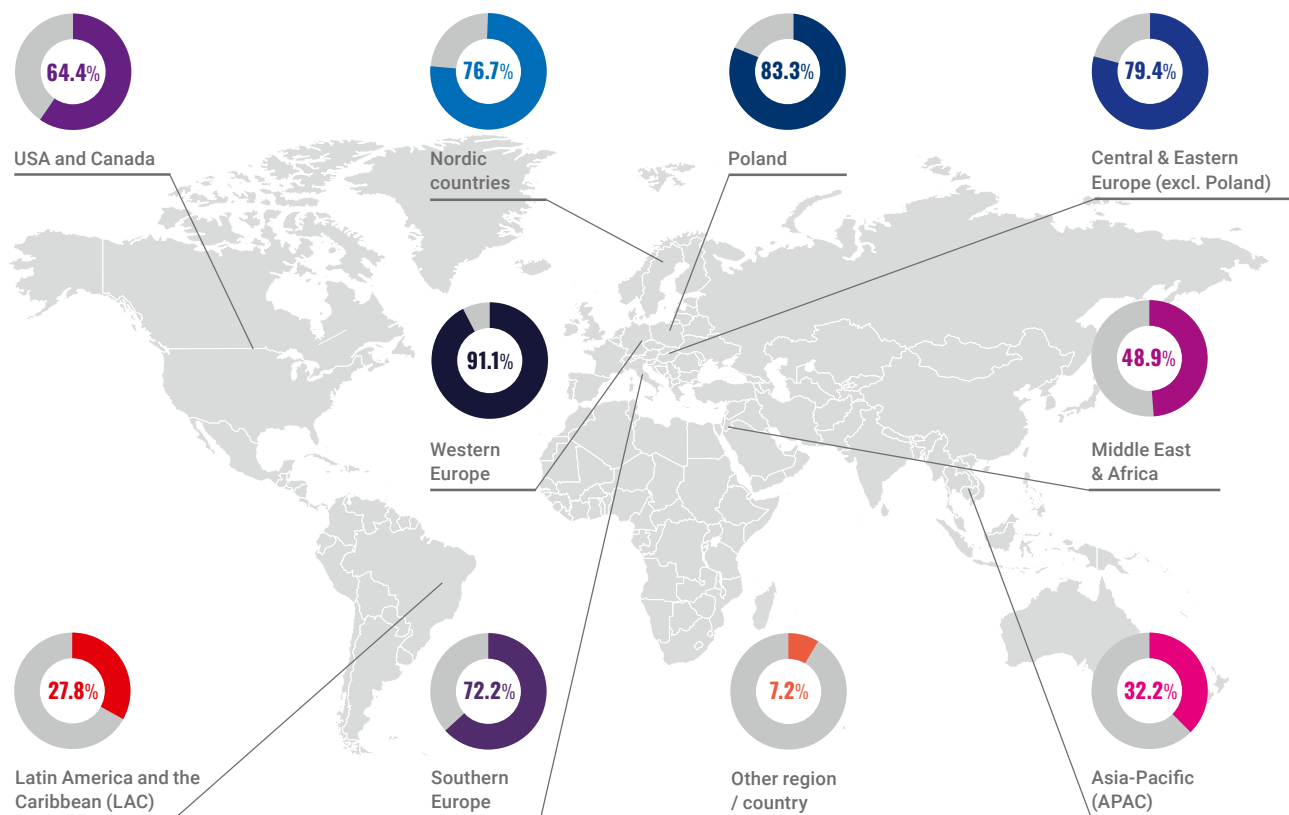
GEOGRAPHIC PROFILE OF SERVICES DELIVERED (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=180 companies)

FIGURE 1.15

GEOGRAPHIC SCOPE OF SERVICES DELIVERED BY REGIONS OF THE WORLD (% OF RESPONDENTS)



Source: ABSL's study based on the results of the survey (N=180 companies)

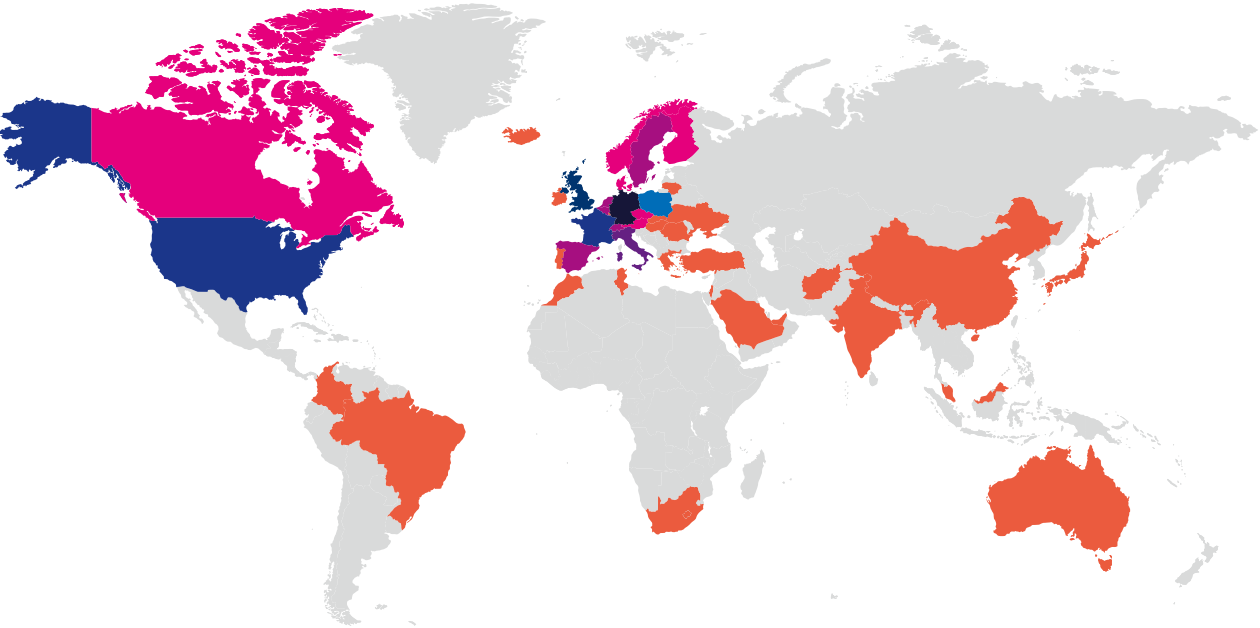
Based on the locations of the five most essential clients indicated in the survey, we have determined the ranking of locations from which clients are most frequently supported. The country stated most often was Germany (73.8% of responses), followed by the United Kingdom (57.0%), and France (44.2%) which overtook the USA (40.7%) for third position. Poland (37.2%) rounded off the top five whose composition remained unchanged. As we stressed in the previous edition of the report, these responses point to the significance of nearshoring.

The list of countries with shares exceeding 5.0% consists of 11 from Western & Northern Europe and Canada. As we expected in the latest edition, Russia and Belarus disappeared from the ranking as a direct result of the Russian invasion of Ukraine that started in Q1 2022. The role of the Ukrainian market at the same time decreased.

The list now covers 44 countries, which are served by centers located in Poland in Q1 2023.

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FIGURE 1.16
LOCATION OF TOP CLIENTS SERVED BY CENTERS (% OF RESPONSES)



73.8% Germany	57.0% United Kingdom	44.2% France	40.7% United States	37.2% Poland	20.9% Italy
18.6% Netherlands	18.0% Switzerland	16.9% Spain	13.4% Sweden	11.6% Belgium	9.3% Denmark
8.7% Austria	5.8% Czechia	5.8% Norway	5.2% Canada	5.2% Finland	

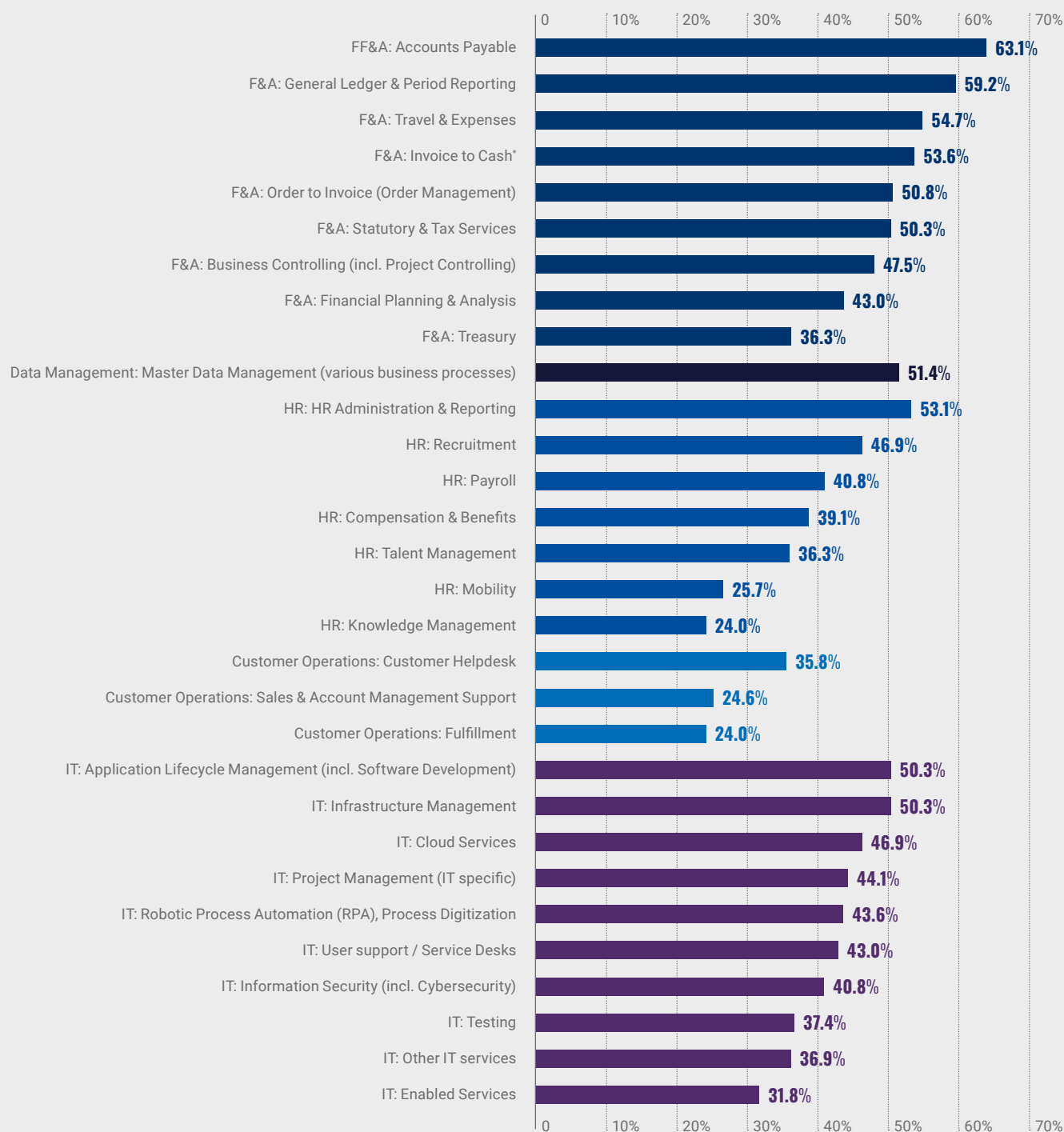
The remaining countries indicated by less than 5.0% of respondents, in decreasing order of significance: Brazil, Ireland, Luxembourg, Turkey, Hungary, Romania, Swaziland, United Arab Emirates, China, Japan, Portugal, Singapore, South Africa, Ukraine, Greece, India, Afghanistan, Andorra, Australia, Colombia, Iceland, Israel, Lithuania, Malaysia, Morocco, Saudi Arabia, and Slovakia.

Source: ABSL's study based on the results of the survey (N=172 companies)

CATEGORIES OF PROCESSES SUPPORTED

FIGURE 1.17

PROCESS CATEGORIES SUPPORTED BY BUSINESS SERVICES CENTERS IN POLAND (PART 1)
(% OF RESPONDENTS)



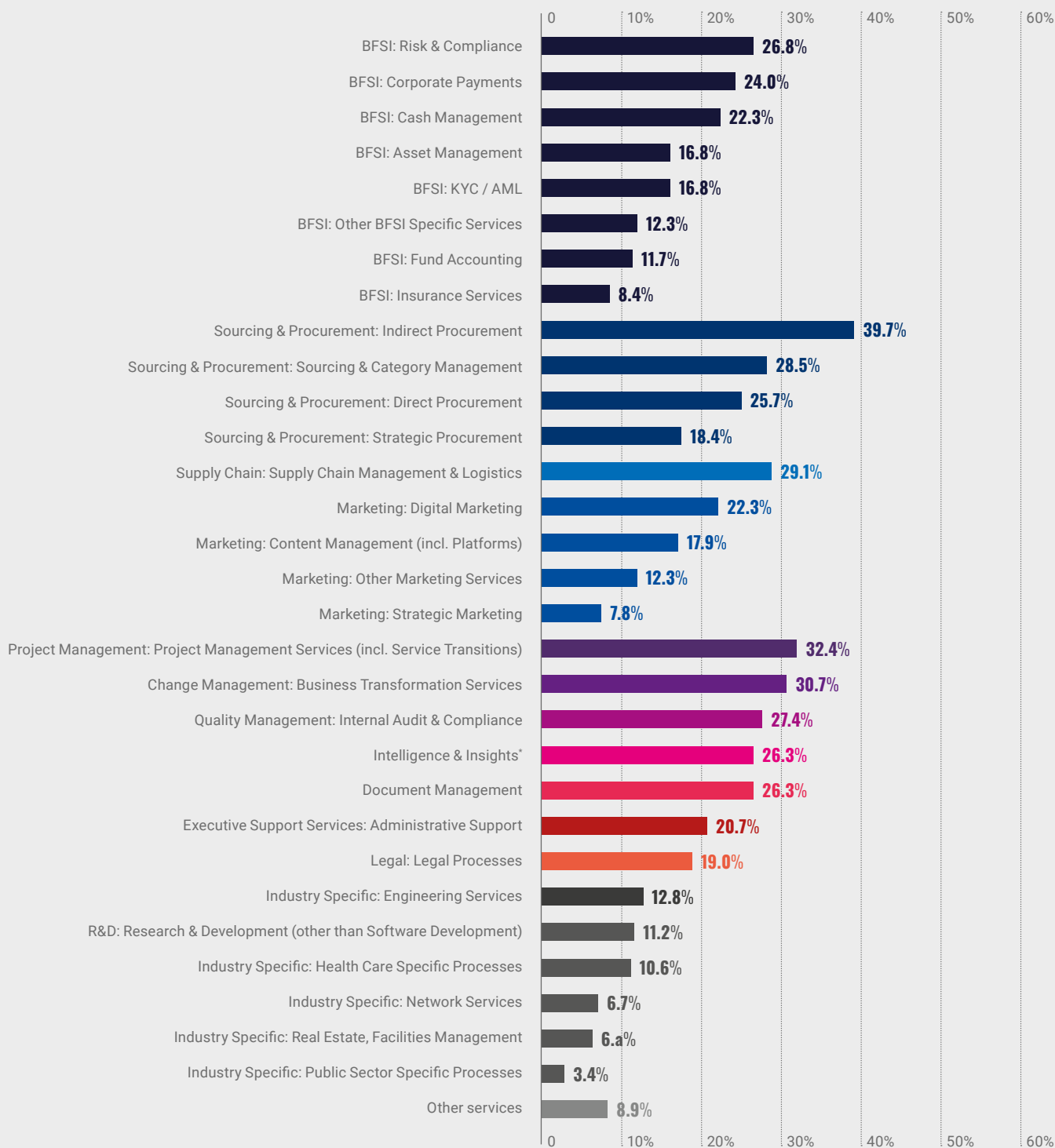
* incl. Cash Allocation, Cash Collection, Disputes Management

Source: ABSL's study based on the results of the survey (N=179 companies)

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FIGURE 1.18

PROCESS CATEGORIES SUPPORTED BY BUSINESS SERVICES CENTERS IN POLAND (PART 2)
(% OF RESPONDENTS)



* Business Intelligence, Data Analytics, Complex Performance Reporting

Source: ABSL's study based on the results of the survey (N=179 companies)

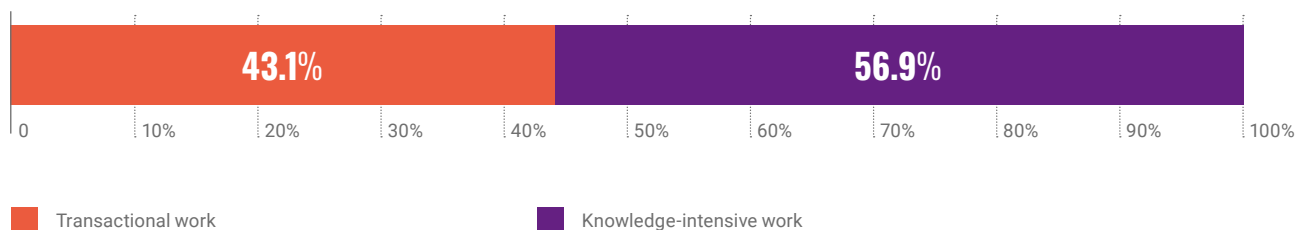
SOPHISTICATION OF BUSINESS PROCESSES

The business services sector in Poland is changing. A gradual increase has been observed in the sophistication of the services provided by the centers. Respondents were asked to estimate the transactional vs. knowledge-intensive work ratio. We define transactional work as tasks that require less than six months to train a worker to reach the required efficiency level; it is six months or more for knowledge-intensive work.

For the first time, the percentage of knowledge-intensive processes exceeded 50.0% in 2022. At the end of Q1 2022, 50.8% of all processes (weighted by employment) performed in the centers were considered knowledge intensive. At the end of Q1 2023 it reached 56.9% (a year-on-year increase of 6.4 pp. and an impressive 12.9 p.p. since 2019). Trends toward upskilling and upgrading are more than evident. The conclusion was arrived at by using a unified methodology applied in previous years. This implies that most new positions in the sector have been generated in knowledge-intensive tasks.

FIGURE 1.19

PROPORTION OF TRANSACTIONAL VS. KNOWLEDGE-INTENSIVE PROCESSES IN Q1 2023
(EMPLOYMENT-WEIGHTED RESPONSES)



Source: ABSL's study based on the survey results (N=167). The results are weighted by the overall employment of a firm in Poland.

BACK-OFFICE / MID-OFFICE / FRONT-OFFICE

To be able to compare responses to previous ABSL surveys, process categories supported in centers were assigned according to their location in the functional structure of organizations (back-office, middle-office, and front-office). Front-office positions are the most client-facing and related to HQ functions. Front-office workers consistently work directly with customers. The middle office

supports the front office in dealing with more complex tasks, such as advanced analytics. The back office provides administrative & general support.

As in last year's report, we have identified a downward trend in the importance of back-office processes and an increase in the importance of mid-office functions with no change in the role of front-office

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functionality. The industry in Poland has been gradually shifting towards functions with higher added value and greater complexity over the last year. On average, 51.4% of processes supported by our centers in Q1 2023 are back-office (a decrease of –

0.3% YoY), while the share of the mid-office process is 47.6% (an increase of 0.4% YoY). The percentage of mid-office processes has nevertheless significantly increased over time (2016-2021).

TABLE 1.3
PROCESS CATEGORIES SUPPORTED BY BUSINESS SERVICES CENTERS IN POLAND (INDUSTRY AVERAGES)

	2023	2022	2021	2023-2021
Back-office	51.4	51.7	52.9	-1.5 ↘
Mid-office	47.6	47.2	46.1	1.5 ↗
Front-office	1.0	1.1	1.0	0.0 ⇄

Source: ABSL's study based on the results of the surveys in 2021, 2022 & 2023

LANGUAGES USED AT BUSINESS SERVICES CENTERS



32

The largest number of languages used at a single business services center.



41.5%

The share of centers in which processes are carried out in English only.



7

The average number of languages used at business services centers. Median=6.



English

The most popular language in which services are provided in Poland (in 93.6% of centers).



26.2%

The share of business services centers using at least ten languages.



Five other languages are used to provide services in more than half of the centers.

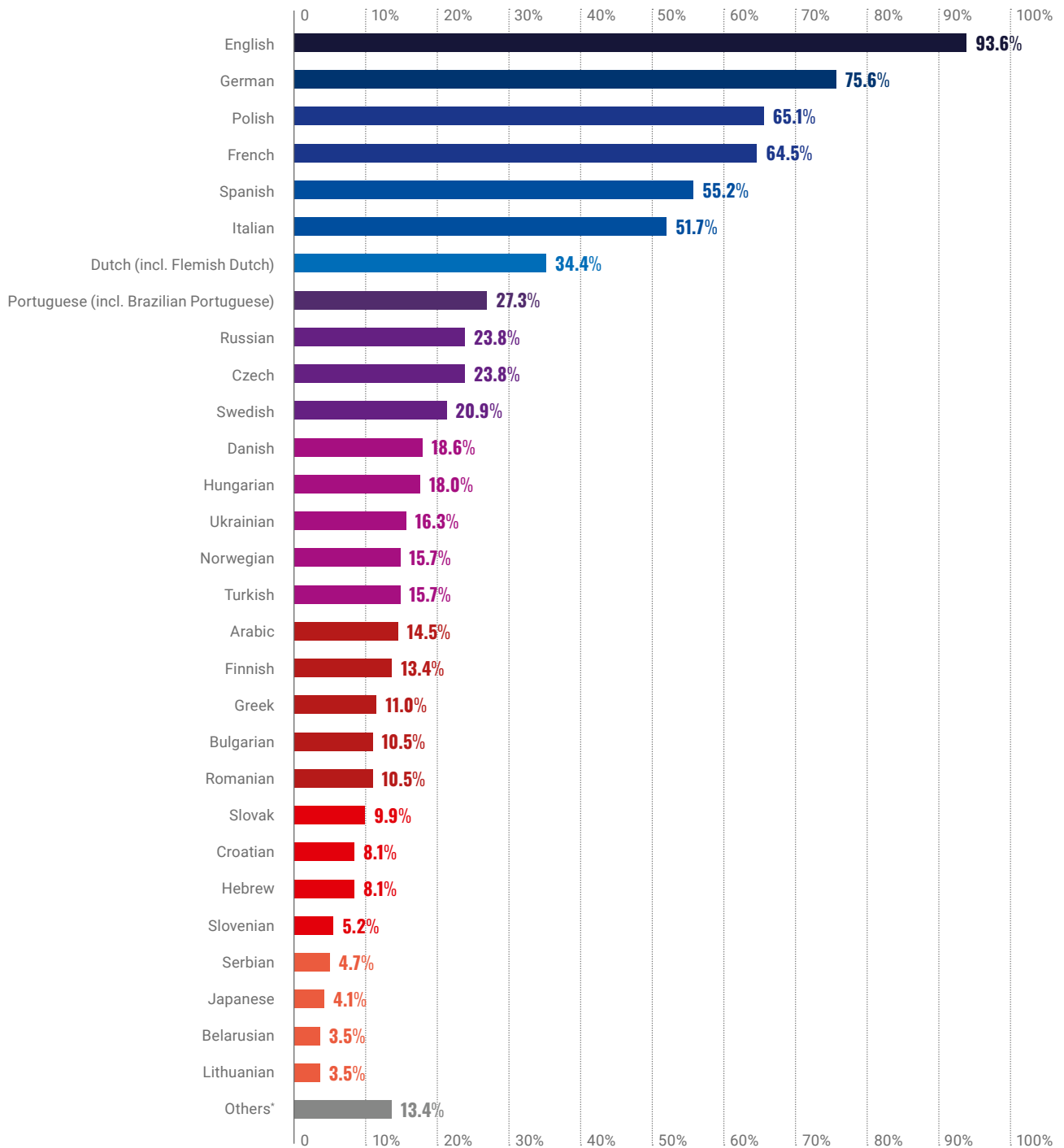


3.5%

The percentage of business services centers using at least 20 languages.

FIGURE 1.20

LANGUAGES USED AT CENTERS IN SERVICING CLIENTS BY POPULARITY (% OF RESPONSES)



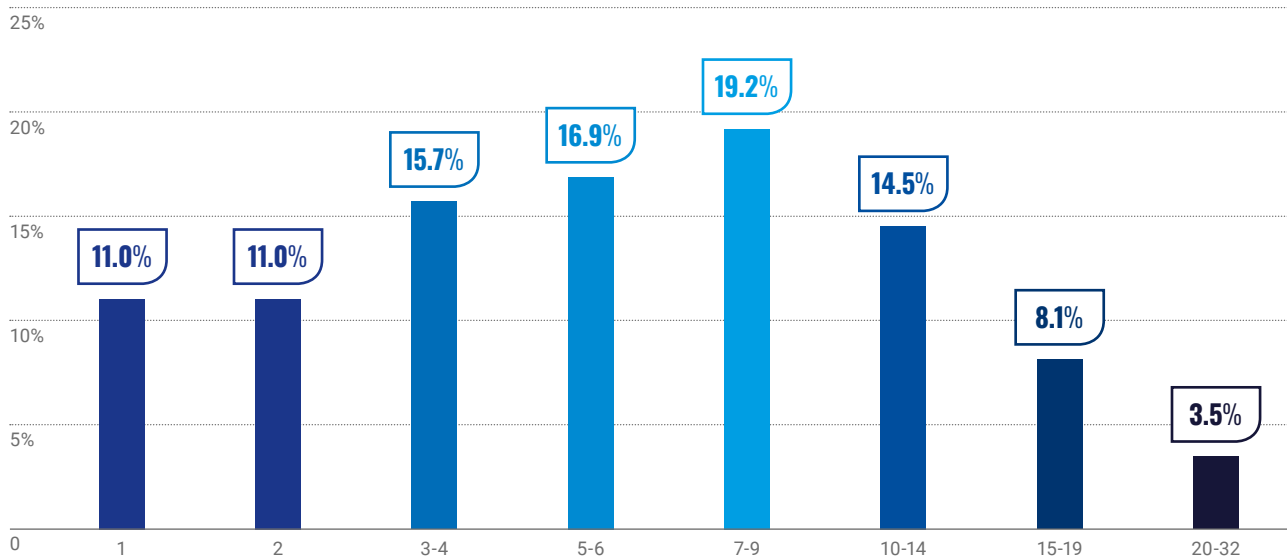
* In the category "other" were: Chinese (Mandarin), Estonian, Hindi, Latvian, Korean, Chinese (other dialects), Vietnamese, Persian, Urdu, Flemish.

Source: ABSL's study based on a survey addressed to business services centers (N=172 companies). The results do not add up to 100.

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FIGURE 1.21

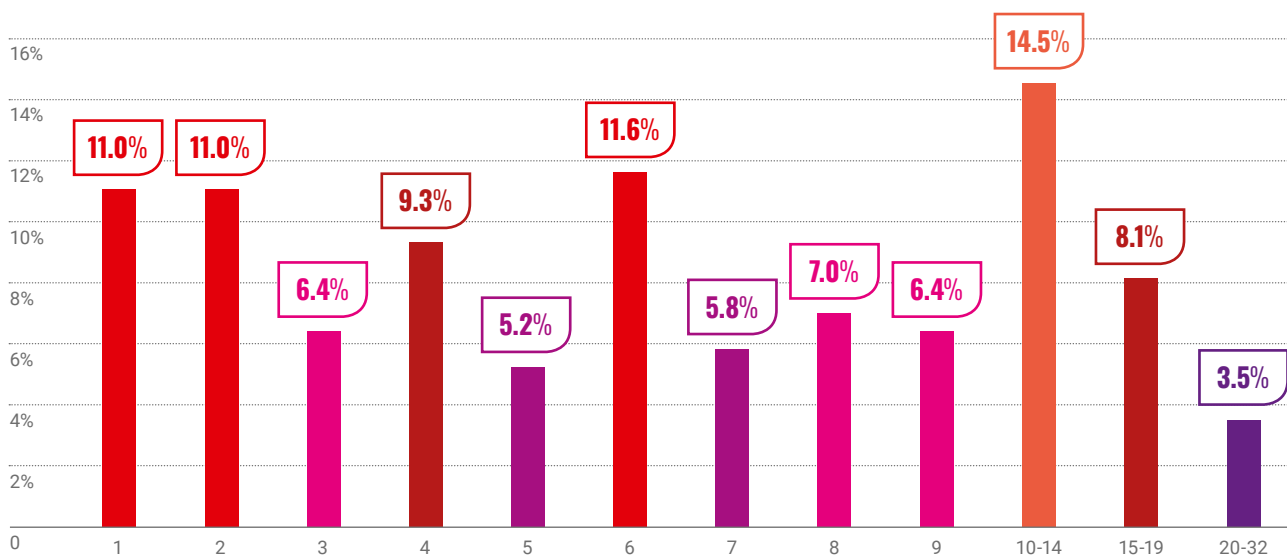
NUMBER OF LANGUAGES USED AT A CENTER (%)



Source: ABSL's study based on a survey addressed to business services centers (N=162 companies). The results do not add up to 100.

FIGURE 1.22

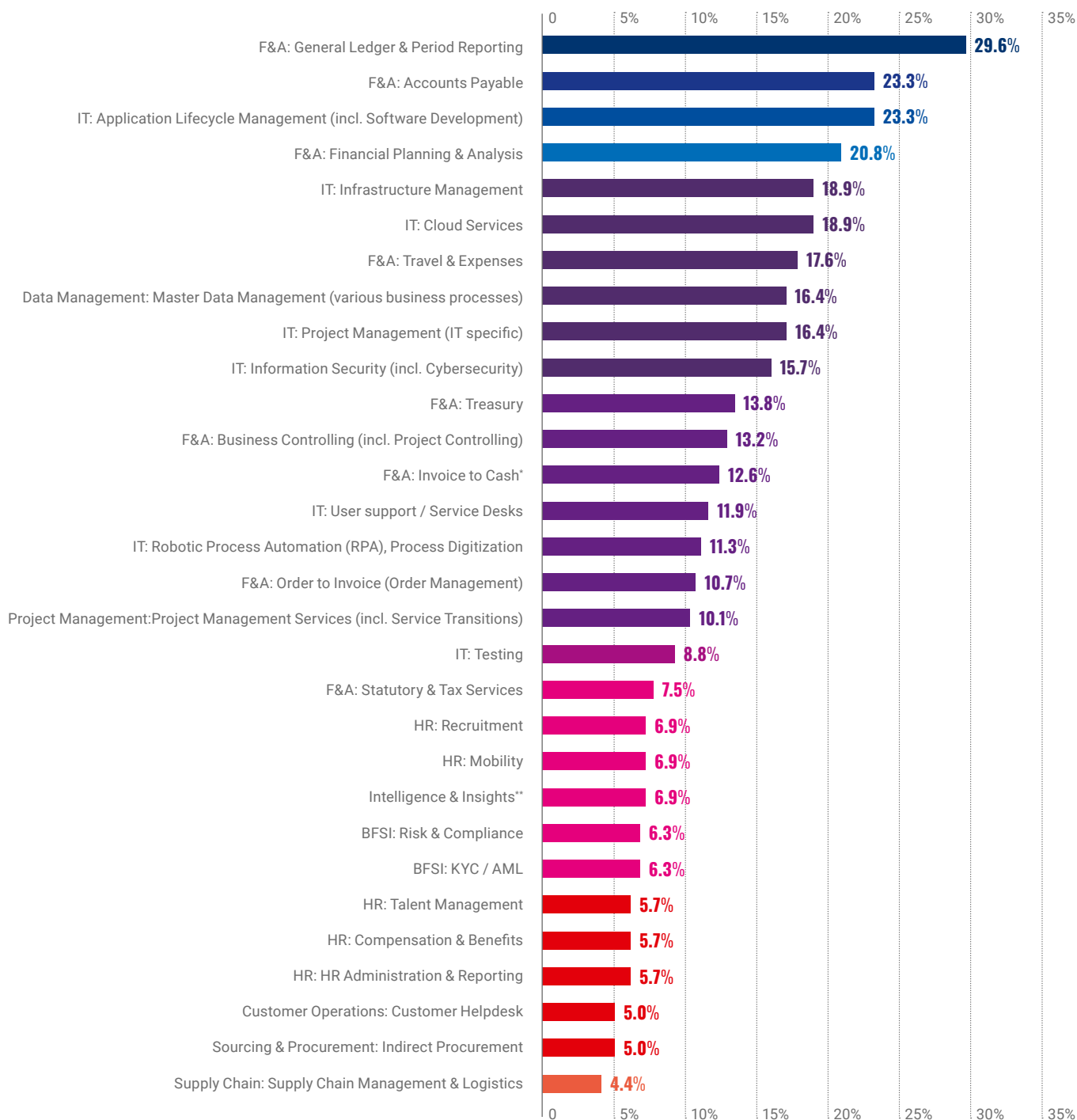
SHARE OF PROCESSES PERFORMED IN THE CENTER REQUIRING ENGLISH ONLY (% RESPONSES)



Source: ABSL's study based on a survey addressed to business services centers (N=159 companies)

FIGURE 1.23

TOP PROCESSES PERFORMED IN ENGLISH ONLY (% RESPONSES)



* Cash Allocation, Cash Collection, Disputes Management

** Business Intelligence, Data Analytics, Complex Performance Reporting

Source: ABSL's study based on a survey addressed to business services centers (N=159 companies). The results do not add up to 100.

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EMPLOYMENT IN THE SECTOR



435,300

The number of employees in the sector
at the end of Q1 2023.



83

The number of jobs created per day
in the sector in 2022.



32,140

The number of jobs created in the sector since Q1 2022.



83.6%

The share of entities with foreign-owned capital
in overall employment in the sector.



8.0%

YoY growth in employment.

The number of employees at centers in Poland stood at 435,300 in Q1 2023. This is a YoY increase of 32,140 (8.0% growth), of which 63.4% was in three main locations (Kraków, Warsaw, Wrocław). The CAGR for the period 2018-2023 was 9.3%. The YoY employment growth rate was 13.5% in 2018, 11.4% in 2019, 9.8% in 2020, 5.0% in 2021, and 12.4% in 2022. In Q1 2022 – Q1 2023, the number of new jobs created per day in the business services sector was approximately 83, lower than in previous years.

The CAGR of employment in 2018-2023 was the highest in Warsaw (13.6%), Poznań (12.0%), and Tricity (10.6%).

In the previous year's ABSL report, the optimistic scenario's employment forecast for Q1 2023 was 432,000 jobs. The sector grew faster than expected.

Total employment in Poland's economy in 2022 increased by 1.1%, while in the KIBS sector, it rose by 8.0%. As a result, the share of KIBS in total employment increased in the business sector to 6.7% (compared to 6.2% in 2022).

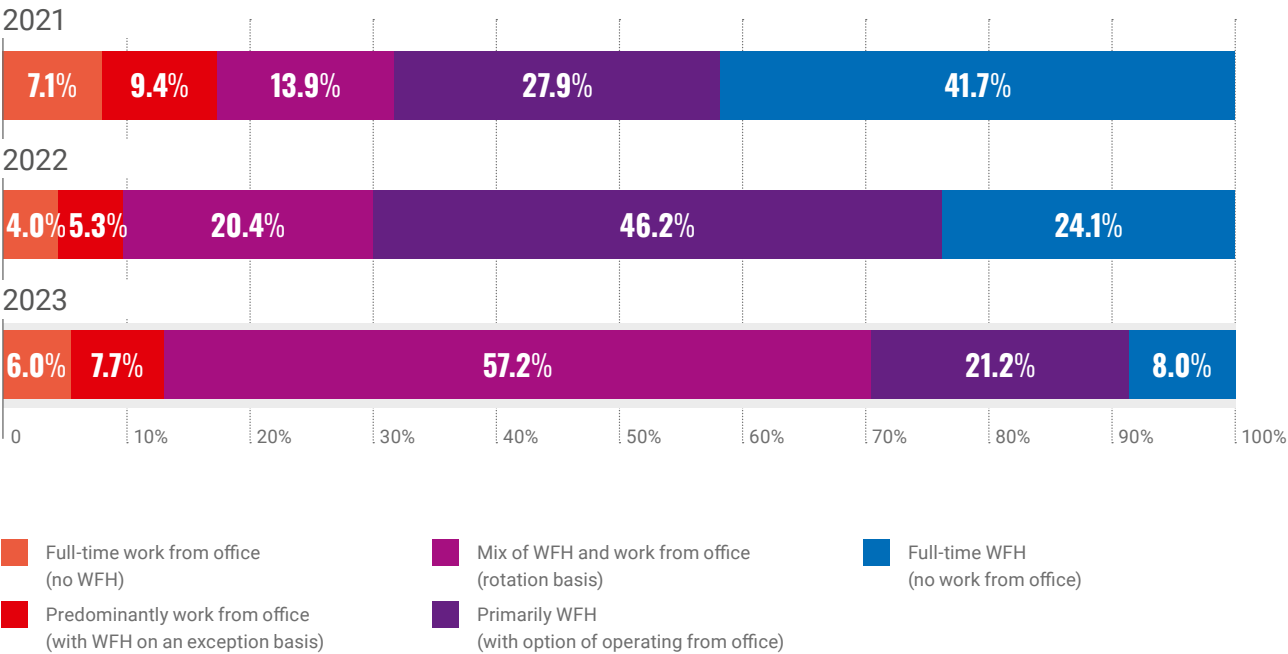
Out of 32,140 jobs created, 2,866 were accounted for by 32 new centers established in 2022 and Q1 2023. The remainder represents the organic growth of the sector in centers that started operations in previous years.

WORK FROM HOME

The COVID-19 pandemic has moved the labor market toward a WFH model. A comparison of the survey results for 2021-2023 reveals changes in work modes. They reflect learning to manage pandemic-related risks, the consequences of the vaccination program, the end of the pandemic, and centers' being accustomed to a new post-COVID-19 reality. In 2021, full-time WFH (no working from the office) was the dominant mode. In 2022, it was primarily WFH (with the option of working in the office). In 2023, it is a mix of WFH and working in the office (rotational

basis). Detailed information on the significance of WFH by the type of center is provided in Figure 1.24. In attempting to adjust to the new reality, many companies wonder what work model to use; should the average number of days working in the office, compared to the entire population or the working population, be an average X days a week (1, 2, or 3 days). Decisions are taken with reference to office costs, investment in equipment for WFH, and employees' willingness to come back to the office.

FIGURE 1.24
WORK FROM HOME (%) IN 2023



The results are weighted by overall employment.

Source: ABSL's study based on the business services center database (N for 2023 = 196)

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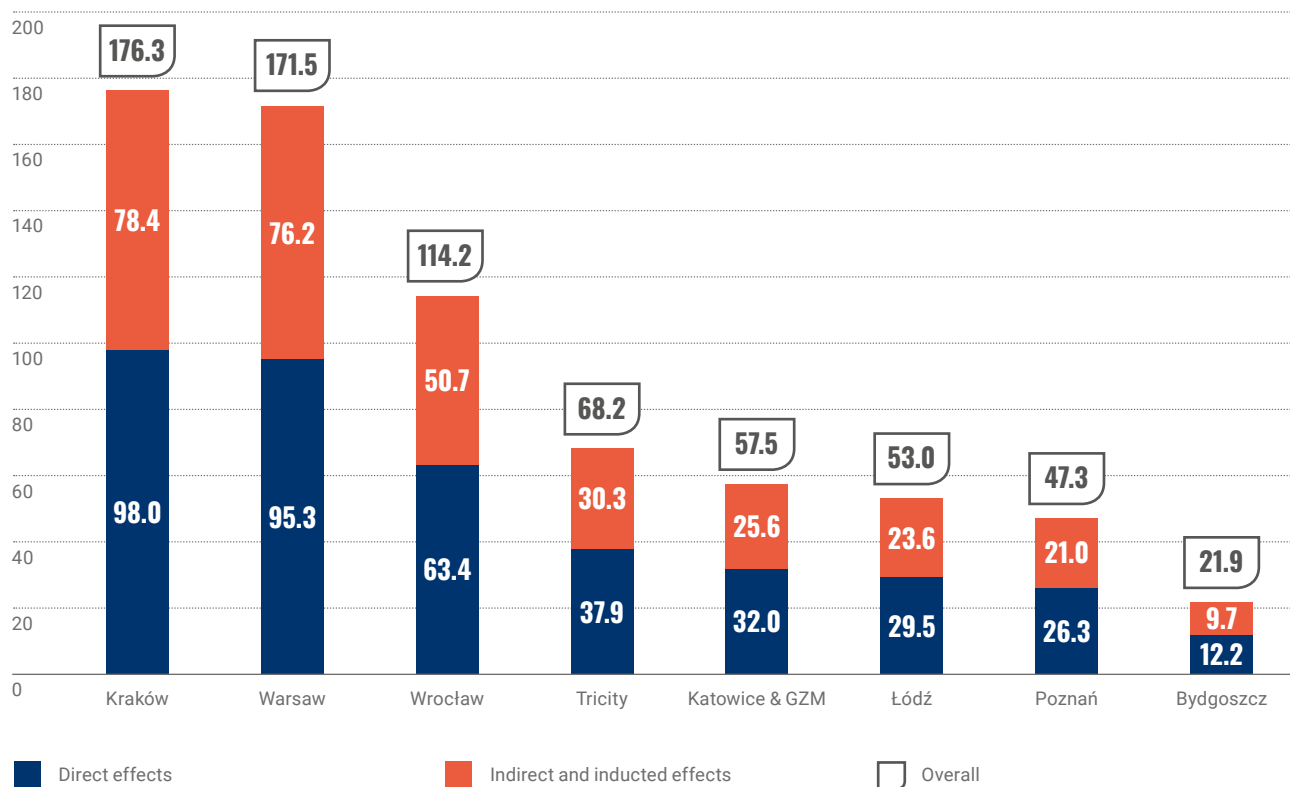
CONTRIBUTION TO THE LABOR MARKET IN POLAND AND REGIONALLY

The contribution of the business services sector to the labor market in Poland is more significant than what could be shown by a simple analysis of employment in these centers. Indirect and induced multiplier effects should be considered as well. Using the multiplier developed by EY³ (equal to 1.8), the number of jobs generated by centers in Poland

should be estimated at 783,500. The graph depicts the influence of business services centers on the labor market in Poland's central locations in 2023 and is divided into direct, indirect, and induced effects⁴. The main locations have been defined as those with employment above 10,000 people.

FIGURE 1.25

THE INFLUENCE OF THE FUNCTIONING OF BUSINESS SERVICES CENTERS ON THE LABOR MARKET
IN THE MAIN LOCATIONS IN 2023 (1,000 EMPLOYEES)



Source: ABSL's study based on the business services center database and information from EY's Spectrum model

³ EY (2019) "Global Business Services last decade and outlook for the next years", based on the EY SPECTRUM model, based on data from Statistics Poland, ABSL, Randstad Sourceright, and JLL.

⁴ Indirect effects represent B2B expenditures in the city/region stemming from initial industry input purchases. Induced effects stem from increased personal income caused by direct and indirect effects.

EMPLOYMENT FORECAST

As in previous editions of the report, in the section on employment forecast, we assume that the dynamics of the sector's growth depend more on the global economic situation than the economic situation in Poland per se. The above premise reflects the specific nature of the business processes provided, and the customer base of the centers operating in Poland.

According to the International Monetary Fund, 2023 will see a slowdown in GDP dynamics, from 3.4% in 2022 YoY to 2.8%. An even more severe GDP slowdown is predicted for Poland, from 4.9% to 1.5%, and for the eurozone from 3.5% to 0.8%. Taking these numbers into consideration, we predict that employment in Poland's KIBS sector till Q1 2024 will increase to 465,000 people, which means a growth rate of 6.9%.

The sector in Poland in 2022/2023 registered 8.0% employment growth, which was down on 2021/2022's peak of 12.4%. The global economy itself has now entered a period of moderate global economic growth. A rebound is expected in 2024. Furthermore, developments in Q1 2023 point to a significant slowdown or even close to zero GDP dynamics in 2023 for some of the sector's key countries.

The employment plans declared for Q1 2024 are optimistic. 74.0% of respondents envisage employment increases. This is 10 p.p. lower than in the previous year, however, we must consider the more sophisticated, VUCA (volatile, uncertain, complex, and ambiguous) economic environment in which the sector operates globally. Adaptability

is a natural part of doing business. The character and scale of the challenges the sector faces are still significant. The new reality is still influenced by the consequences of the COVID-19 pandemic, the WFH challenge, Russia's invasion of Ukraine, macroeconomic instability as well as global tensions. The KIBS sector in Poland, which passed the pandemic stress test, and whose business continuity plans worked effectively, continues to perform well. The sector has proved its resilience; its employment growth significantly surpassed the headcount dynamics in Poland's business sector.

Other important factors which the sector is confronted with are the deteriorating access to the talent pool (see Poland's worsening position in the global talent pool ranking – World Talent Ranking), as well as the uncertainty and investment risk caused by Russia's invasion of Ukraine. We therefore believe that jobs will continue to be created primarily in centers already operating in Poland. This reflects the trends observed in FDI inflow to Poland, primarily driven by reinvested earnings. On the other hand, respondents, when compared to the previous year's survey results, perceive a talent pool shortage as a less significant barrier to operations and growth. They acknowledged the fact of this talent pool shortage by looking to employ more foreigners. Another illustration of the industry responding to this shortage is the fact that the share of employees in the 35+ age group has increased. Additionally, in the longer term, WFH and work-from-anywhere, accompanied by the development of technology and AI, will probably reduce the severity of the talent pool shortage.

State of the business services sector in Poland
at the end of Q1 2023

A factor that may negatively contribute to employment plans in Poland over the next year is the parliamentary election. The election campaign could contain promises from political parties that may have a negative impact on the investment climate, both in political and economic terms.

Considering the variety of factors consulted and thoroughly discussed with participants in the ABSL Strategic Foresight Report, we also propose two alternative versions of employment development scenarios in the sector in relation to the baseline (a continuation scenario).

In an optimistic scenario, 9.5% employment growth is envisaged. This positive growth can stem from the regionalization of the global economy that favors a location like Poland, offering a diversified, experienced talent pool, as well as geographical and cultural proximity to major customers. This scenario includes the entrance of a significant, influential player, which reallocates activities

to Poland. Its reputation, additionally, through cumulative causation, attracts others and creates headcount growth in already established centers.

In a pessimistic scenario, employment dynamics is 4.2%. Among the factors negatively affecting employment levels are the change in the regulatory environment in Poland/EU, the worsening position of Poland in EU structures, a less favorable view of Poland, a global talent shortage, destabilization of macro fundamentals, and an escalation of the military conflict beyond Ukraine.

The employment forecast focuses on quantitative aspects. Qualitative changes are taking place and will occur with changing demand for skills and talents, the co-existence of various forms of employment, and the need for greater flexibility – driving the sector in Poland toward higher functions in global value-added operations and the provision of more knowledge-intensive services.

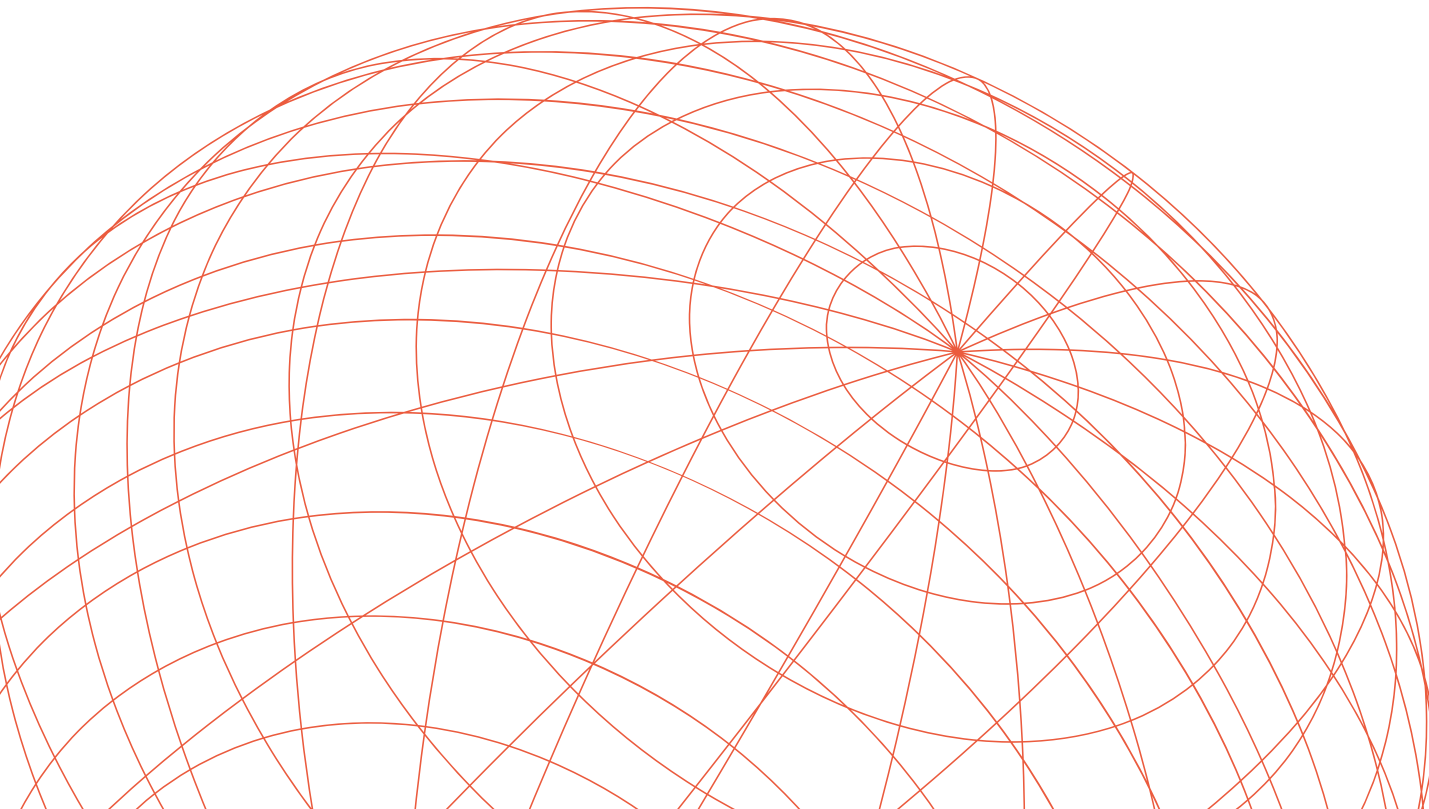
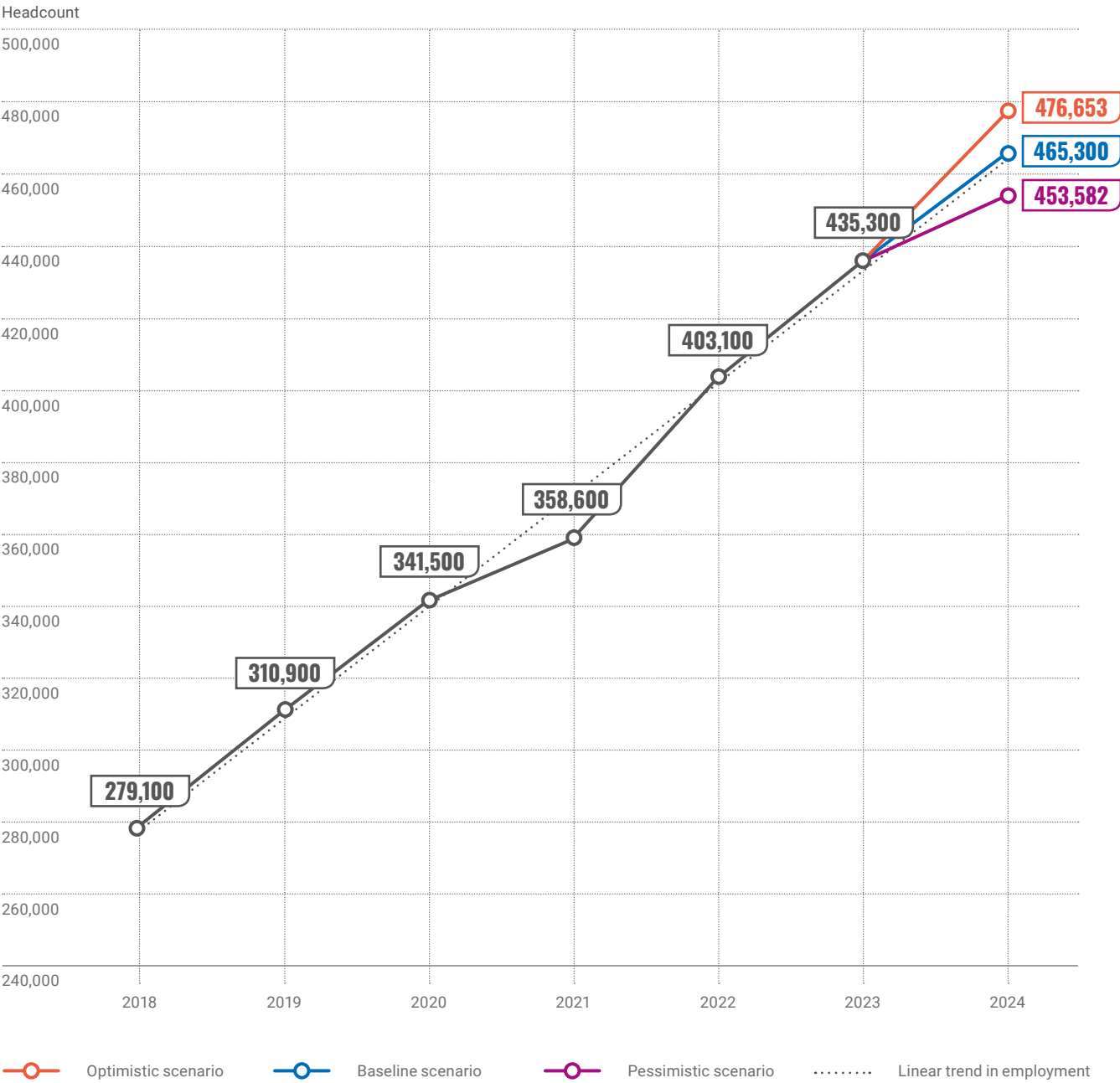


FIGURE 1.26
CHANGES IN EMPLOYMENT AT BUSINESS SERVICES CENTERS SINCE 2018 (AND FORECAST FOR 2024)



Source: ABSL's study based on the business services centers' database

State of the business services sector in Poland
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EMPLOYMENT IN THE LARGEST CENTERS











Over the years we have observed an increasing number of centers that employ at least 1,000 people in Poland, with the total being 86 in 2023. Compared to the previous report, the number of such centers has risen by seven. 166,100 people work in these centers (a YoY increase of 11,140), while their share in the sector's overall employment is 38.2%. Entities with foreign-owned capital dominate among the largest centers operating in Poland. Four of the centers that employ at least 1,000 people are domestic entities. In the centers employing at least 1,000 people, 72.4% (120,360 people) are Tier 1 centers, 21.2% (35,300 people) are Tier 2 centers; 39.8% (66,100 people) work in SSC/GBS centers, while 26.7% (44,400 people) work in IT

centers. Compared to the previous report, we have observed an increased share of Tier 1 centers (by 1.7 p.p.) and IT centers (by 4.1 p.p.).

The fourteen largest investors each employ at least 5,000 people in Poland. Altogether they employ 93,200 people or 21.4% of the overall number of jobs. Among the most prominent investors, there is one Polish company, Comarch. Domestic investors that employ more than 1,500 people include CC Inter Galactica, Asseco, Arteria, KRUK, PZU, and Avenga IT Professionals. Companies that employ 900 to 1,500 people include EUVIC, Tauron, OEX, CD PROJEKT RED, Billennium, Transition Technologies, Future Processing, and Telmon.

TABLE 1.4

THE 10 LARGEST INVESTORS IN POLAND IN TERMS OF HEADCOUNT IN BUSINESS SERVICES CENTERS AT THE END OF Q1 2023

Investor	Parent company's headquarters' location	Number of employees at centers
Capgemini		11,000-13,000
Sii		6,000-8,000
UBS		6,000-8,000
EPAM Systems		6,000-8,000
Atos		6,000-8,000
Nokia		6,000-8,000
Comarch		6,000-8,000
State Street		6,000-8,000
Citigroup		6,000-8,000
Credit Suisse		5,000-6,000

Source: ABSL's study based on ABSL's business services centers' database

AVERAGE HEADCOUNT

There are eleven significant business services locations in Poland, with employment in each exceeding 5,000 people.

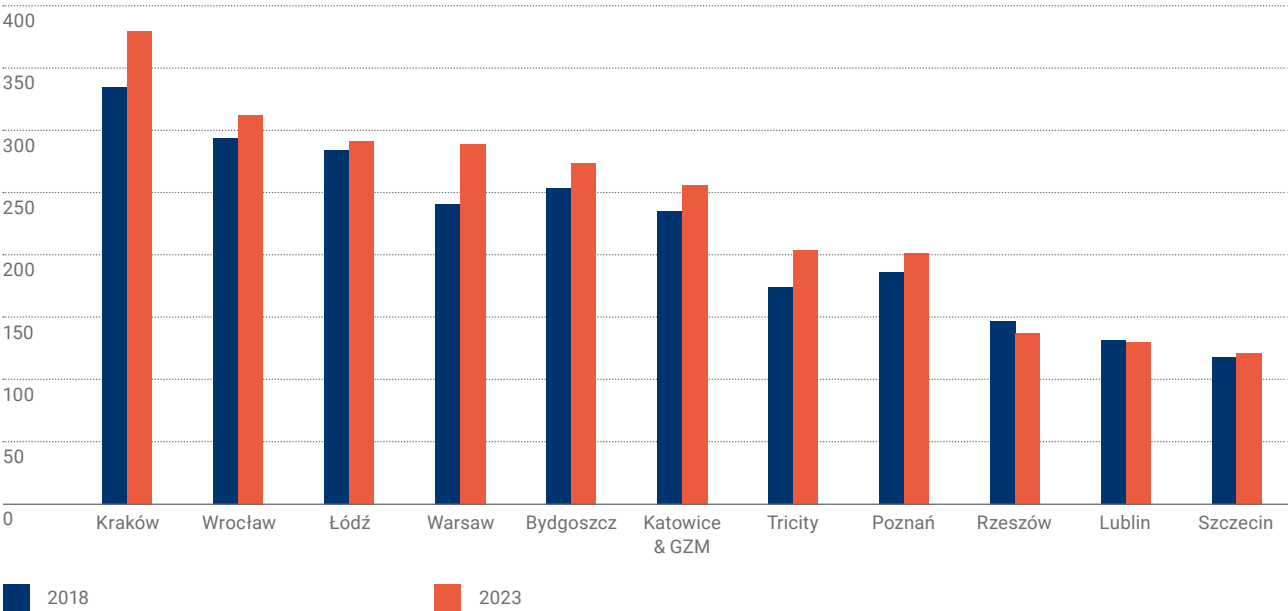
The location with the highest average headcount is in Kraków (359). Twenty-five centers in Kraków employ 1,000 people or more (36.0% of all such centers in Poland). Wrocław takes second place (an average headcount of 295 employees, with twelve centers employing 1,000 people or more), and in third place is Łódź (an average headcount of 275 employees and five such centers).

The average headcount in business services centers in Poland, increased in the previous year and now stands at 241. Since 2018, the most meaningful average headcount growth among the eleven

most significant locations has been registered in Warsaw (+46), Kraków (+42), Poznań (+28), Bydgoszcz and Katowice & GZM (+19 each).

There is a difference in the average headcount between entities with foreign-owned capital and domestic capital (in which the main shareholder is a Polish entity). In foreign-owned companies, this figure is 291, while in domestic companies it is 129. Such differences are also observed in the international business services sector and the global economy. Entities with foreign-owned capital are larger, more productive as a rule, and more internationally oriented. The highest average headcount are in centers whose headquarters are in Switzerland (403), France (381), and Ireland (374).

FIGURE 1.27
THE AVERAGE HEADCOUNT AT BUSINESS SERVICES CENTERS IN POLAND'S MAIN LOCATIONS
(NUMBER OF PEOPLE, 2018 AND 2023)

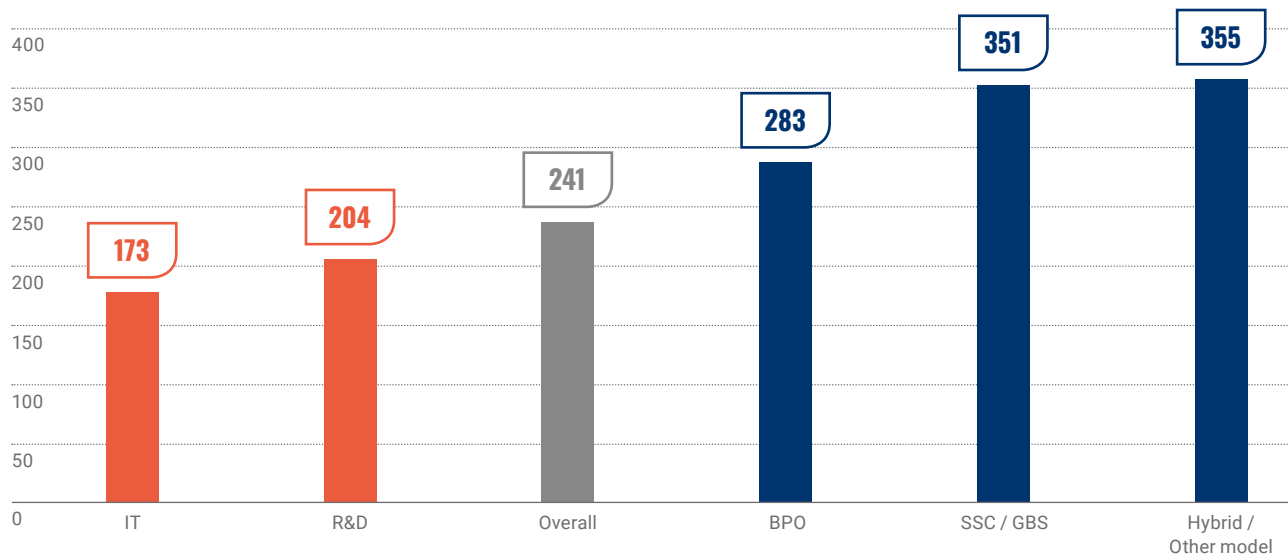


Source: ABSL's study based on ABSL's business services centers' database

State of the business services sector in Poland
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FIGURE 1.28

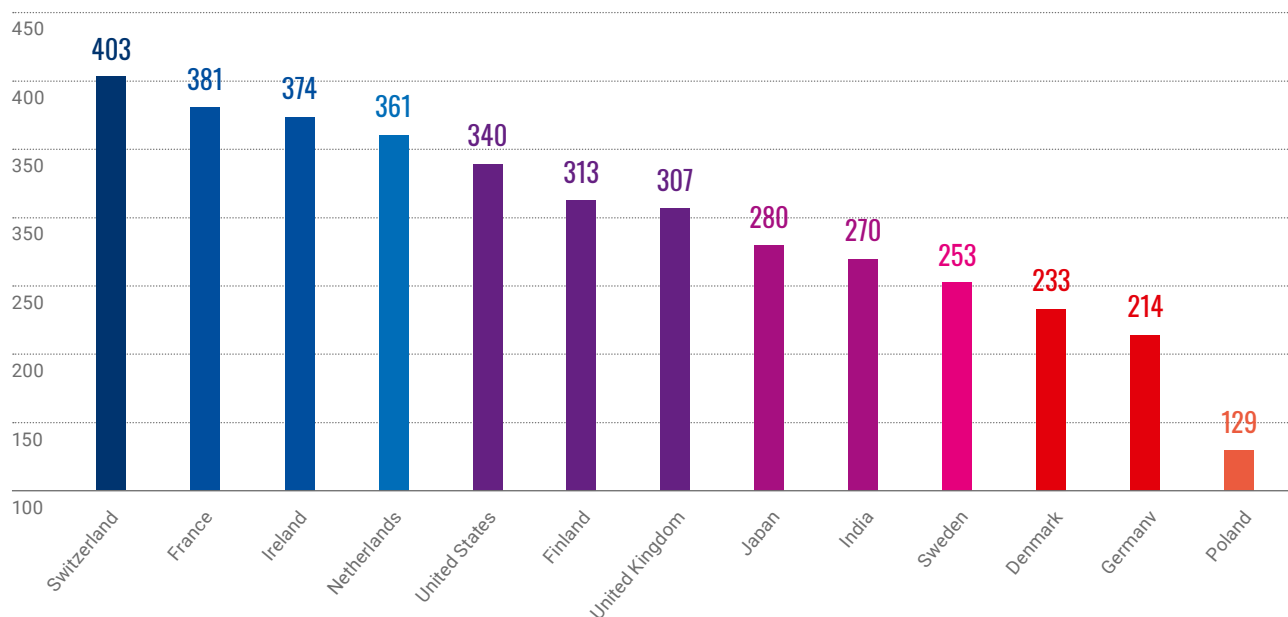
THE AVERAGE HEADCOUNT BY TYPE OF CENTER (NUMBER OF PEOPLE, 2023)



Source: ABSL's study based on ABSL's business services centers' database

FIGURE 1.29

THE AVERAGE HEADCOUNT BY COUNTRY OF INVESTOR'S HEADQUARTERS (NUMBER OF PEOPLE, 2023)



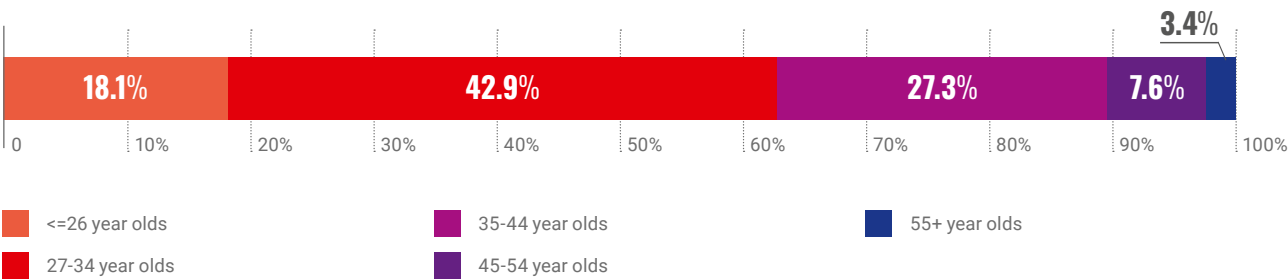
Source: ABSL's study based on ABSL's business services centers' database

EMPLOYMENT BY AGE GROUP, JOB POSITION, AND BUSINESS PROCESS

Over the years, there has been an increase in the share of the 35+ years-old group in overall employment (+9.3 p. since 2019). These changes have been accompanied by a rise in the share of specialized

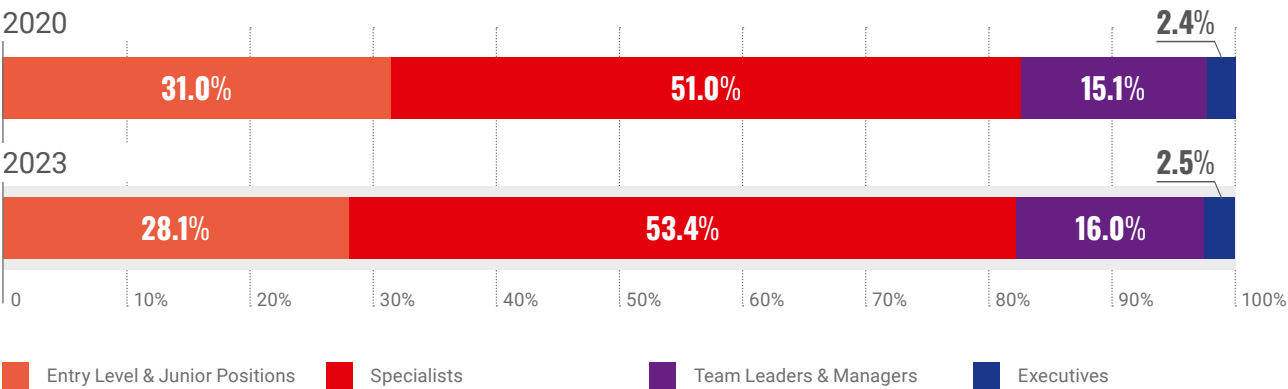
positions in the employment structure of centers, as well as team leaders and managers. However, the percentage of junior classes is decreasing. This trend points to the sector entering a phase of maturity.

FIGURE 1.30
THE EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS ACCORDING TO THE AGE OF EMPLOYEES (%)



Source: ABSL's study based on a survey addressed to business services centers (N=175). The results are weighted by overall employment.

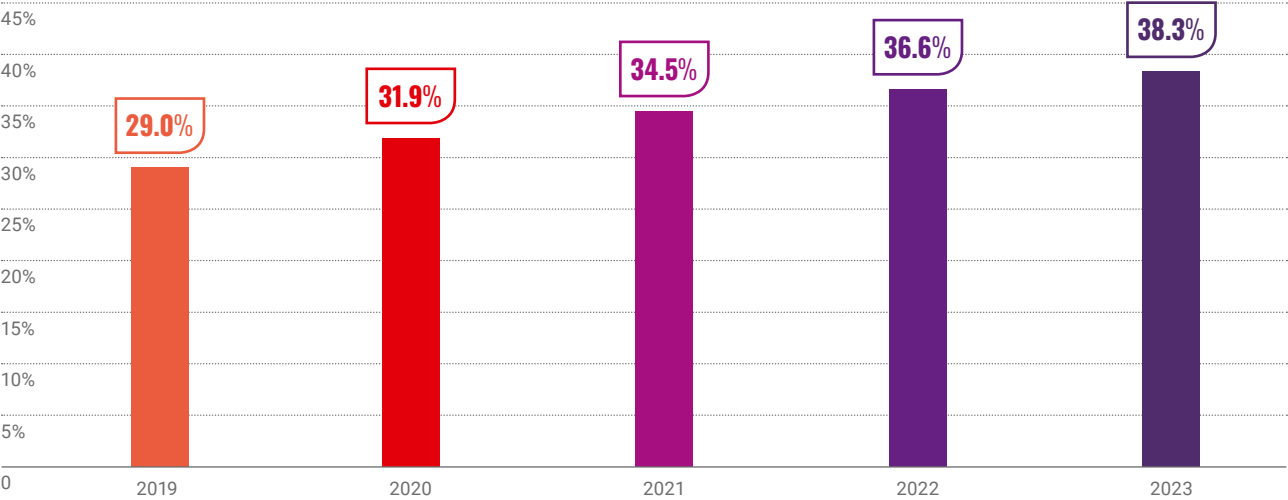
FIGURE 1.31
EMPLOYMENT STRUCTURE OF BUSINESS SERVICES CENTERS BY JOB CATEGORY (2020, 2023%)



Source: ABSL's study based on a survey addressed to business services centers (for 2023, N=181). The results are weighted by overall employment.

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FIGURE 1.32
THE SHARE OF 35+-YEAR-OLDS IN THE SECTOR'S EMPLOYMENT (2019-2023)



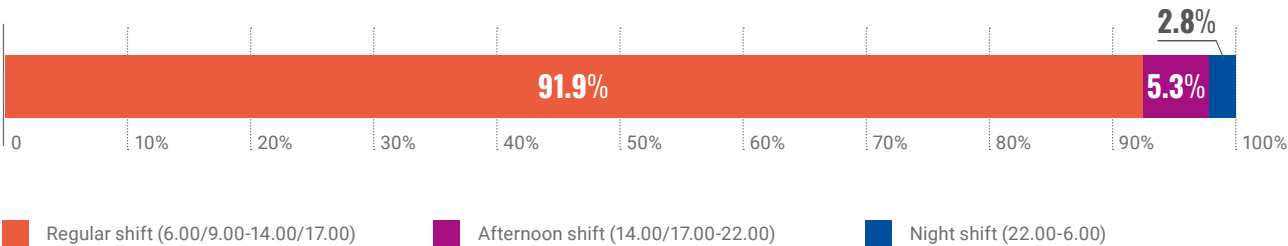
Source: ABSL's study based on a survey addressed to business services centers. The results are weighted by overall employment.

SHIFT WORK

The majority (55.7%) of companies analyzed do not operate in shifts. Among the centers that declared partial shift work, 91.9% (84.6% last year) of employees work a regular shift pattern (6.00/9.00-14.00/17.00), 5.3% (previous year 11.4%) work an afternoon

shift (14.00/17.00-22.00), and 2.8% (4.1% last year) a night shift (22.00-6.00). A rising YoY share of employees working on a regular shift pattern may indicate the increasing role of nearshoring.

FIGURE 1.33
THE STRUCTURE OF EMPLOYEES WORKING IN SHIFTS (%)



Source: ABSL's study based on the results of the survey. The results are weighted by overall employment (N=156 companies).

FOREIGNERS IN BUSINESS SERVICES CENTERS

**92.7%**

The share of business services centers employing foreigners.

**17.6%**

The percentage of foreigners in overall employment in business services centers analyzed by ABSL. (13.8% in the previous year).

**60.0%**

The rate of centers where at least 10.0% of employees are foreigners (13 p.p. more than the previous year).

**34**

The estimated number of foreigners (in thousands) working in business services centers covered by the ABSL survey (9,000 people more than in 2022).

**76,700**

The estimated number of foreigners employed at services centers nationwide.

Respondents were asked to indicate the five leading countries of origin of foreigners working at the business center they were representing. The top three positions were taken by Ukraine, Italy, and India (the same as the previous year).

Ukraine was once again the most frequently stated country of origin for foreigners employed at business services centers in Poland. Ukrainians were the largest group of foreigners at 60.0% of the companies that employ foreigners (4 p.p. higher than in the previous report). Multiculturalism is a characteristic feature of the business services sector in Poland. This is why Diversity & Inclusion plays

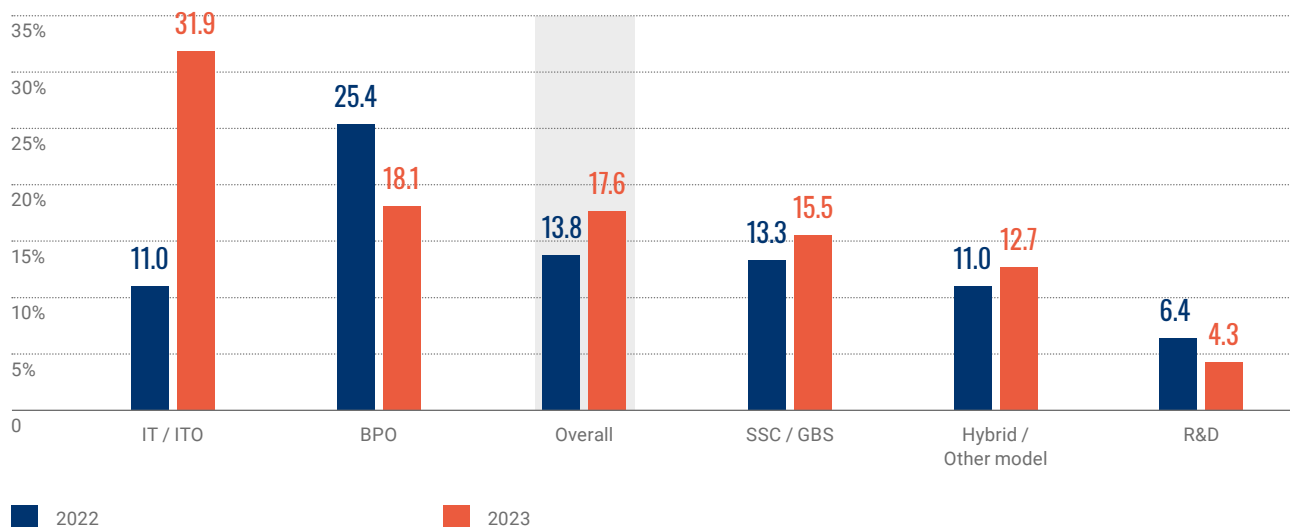
a particularly significant role in the industry and its future growth. The industry is already based on a diverse workforce, but this will increase further with talent being sought globally to meet growing demand.

This is particularly true of the most prominent business services locations. The number of countries from which foreign-owned workers are sourced is 57 (eight less than in 2020). The share of foreigners in overall employment in business services centers analyzed by ABSL was 17.6% (3.8 p.p. higher than in the previous year). Employees are also being sought from outside of Poland as companies stated they had difficulties finding them in Poland.

State of the business services sector in Poland
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FIGURE 1.34

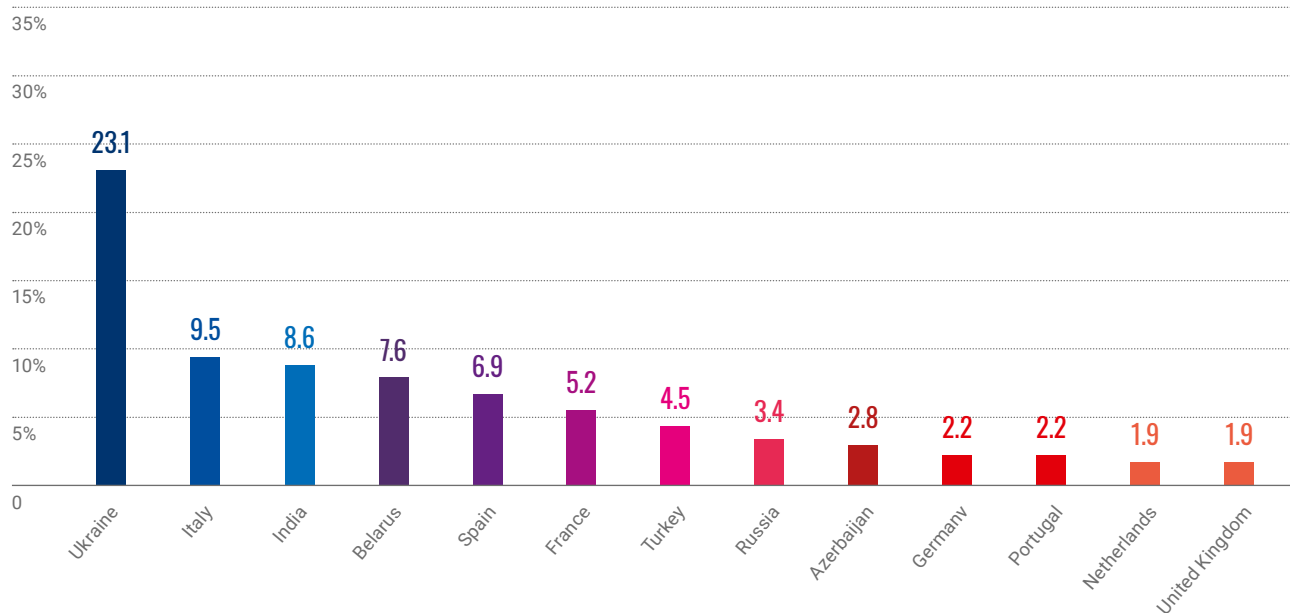
SHARE OF FOREIGNERS IN EMPLOYMENT, BY TYPE OF CENTER (2022, 2023, %)



Source: ABSL's study based on the results of the survey (N=179, employment weighted)

FIGURE 1.35

COUNTRIES MOST OFTEN DECLARED AS THE ORIGIN OF FOREIGNERS EMPLOYED IN BUSINESS SERVICES CENTERS (% OF INDICATIONS)



Source: ABSL's study based on the results of the survey (N=179, the number of indications 580)

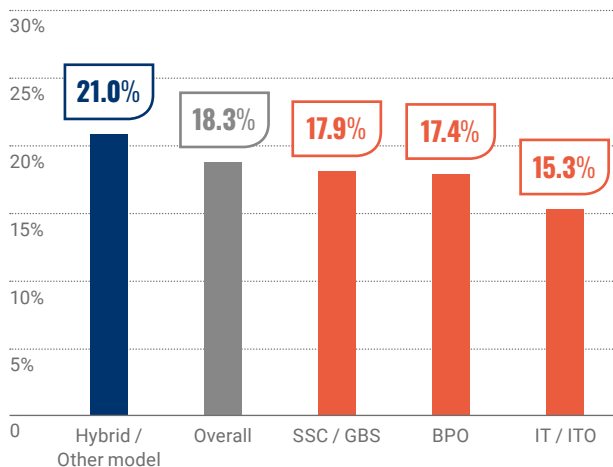
EMPLOYEE TURNOVER

The voluntary turnover rate in business services centers, analyzed by ABSL for 2022, was 18.3%. It has been growing since 2020 when it stood at 13.0%. The highest voluntary turnover rate was reported by hybrid centers (21.0%). The involuntary turnover

rate (not dependent on the employee) for 2022 was 4.2% (0.5 p.p. higher than in the previous year). As was the case in the previous year, BPO centers reported the highest involuntary turnover rate.

FIGURE 1.36

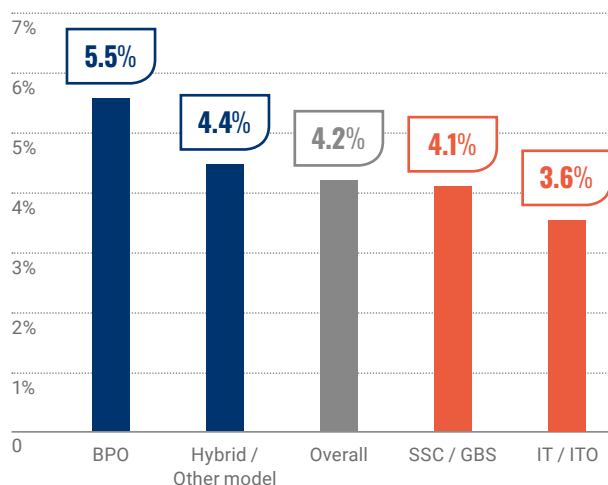
VOLUNTARY TURNOVER RATE
BY CENTER TYPE (%)



Source: ABSL's study based on the survey's results (N=155 companies). The results are weighted by overall employment.

FIGURE 1.37

INVOLUNTARY TURNOVER RATE
BY CENTER TYPE (%)



Source: ABSL's study based on the survey's results (N=155 companies). The results are weighted by overall employment.

WOMEN IN THE SECTOR



53.0%

The share of women in overall employment at business services centers in Poland.



43.0%

The share of women in first-line management.



32.0%

The share of women in senior management.



232,400

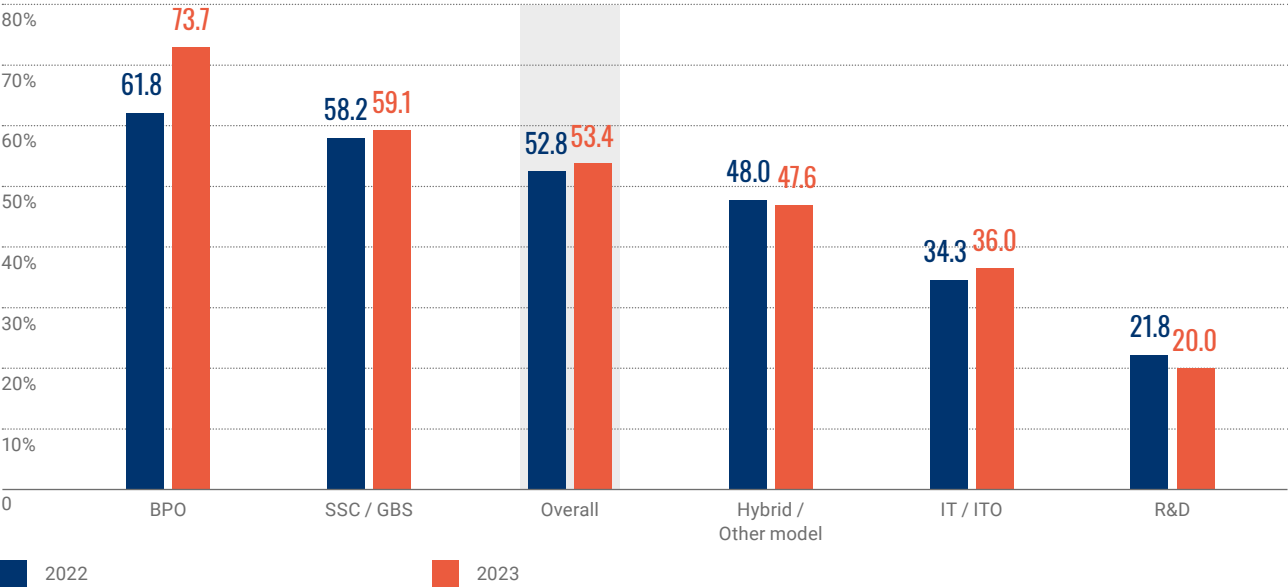
Estimated number of women in the sector in Poland.

State of the business services sector in Poland
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The share of women in overall employment was 53.0%⁵. In the case of first-line management (team leader level), it was 43.0%, and in the case of senior management, 32.0%. These levels are significantly higher than in other areas of the Polish economy. The highest percentages are found in BPO and SSC/GBS centers.

However, the continuing gender pay gaps and unequal parenting circumstances are factors limiting the increase in the proportion of women in senior managerial positions. In the context of D&I strategies, this share is likely to gradually increase.

FIGURE 1.38
THE SHARE OF WOMEN IN OVERALL EMPLOYMENT BY TYPE OF CENTER (%)



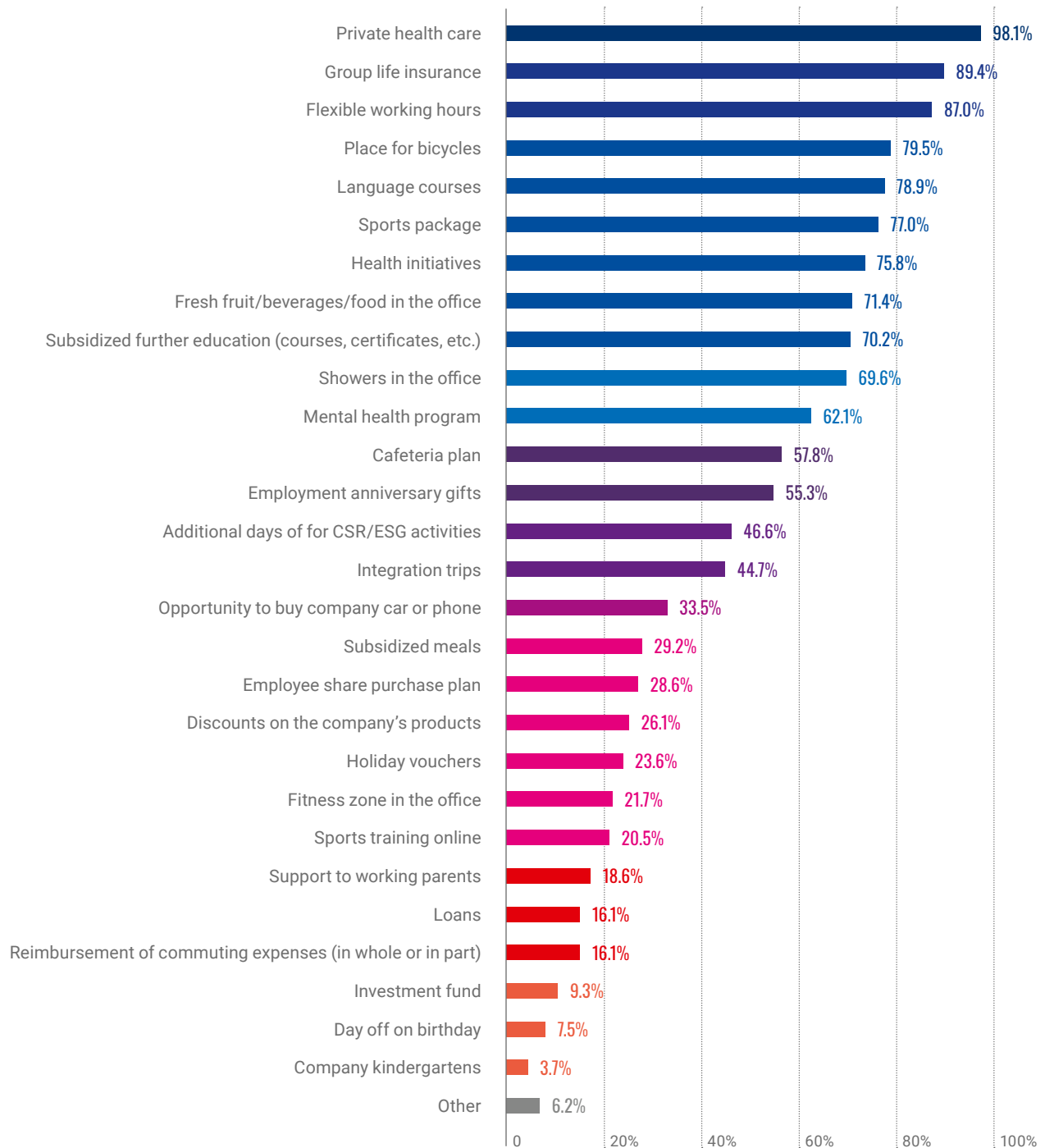
Source: ABSL's study based on the results of the survey. The results are weighted by overall employment (N=180 companies).

⁵ The results presented are weighted by employment in particular companies.

NON-PAYROLL BENEFITS

Highly skilled workers are the most critical asset in the industry. The modern business service sector in Poland offers highly competitive salaries. It provides its employees with a whole range

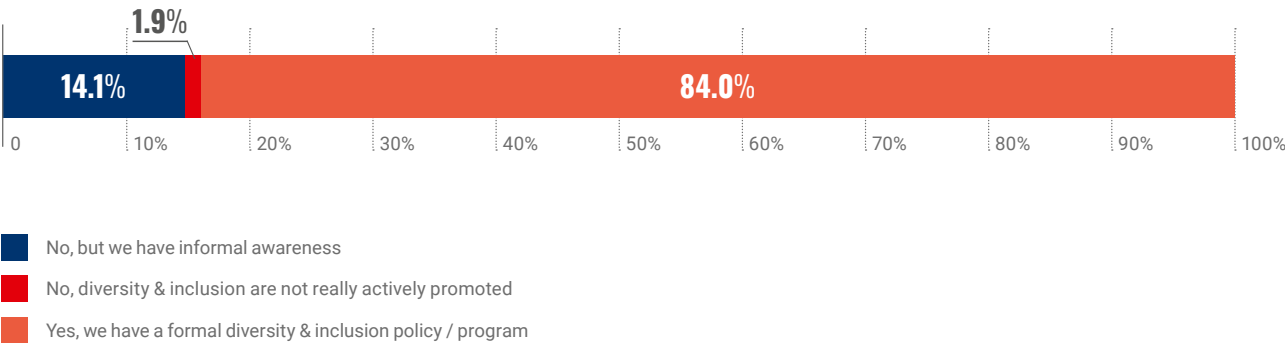
of non-payroll benefits that go well beyond what is standard in the Polish labor market. The sector is a trendsetter for other industries in this respect.

FIGURE 1.39NON-PAYROLL BENEFITS & ALLOWANCES OFFERED TO EMPLOYEES AT THE END OF Q1 2023
(% OF RESPONDENTS)

State of the business services sector in Poland
at the end of Q1 2023

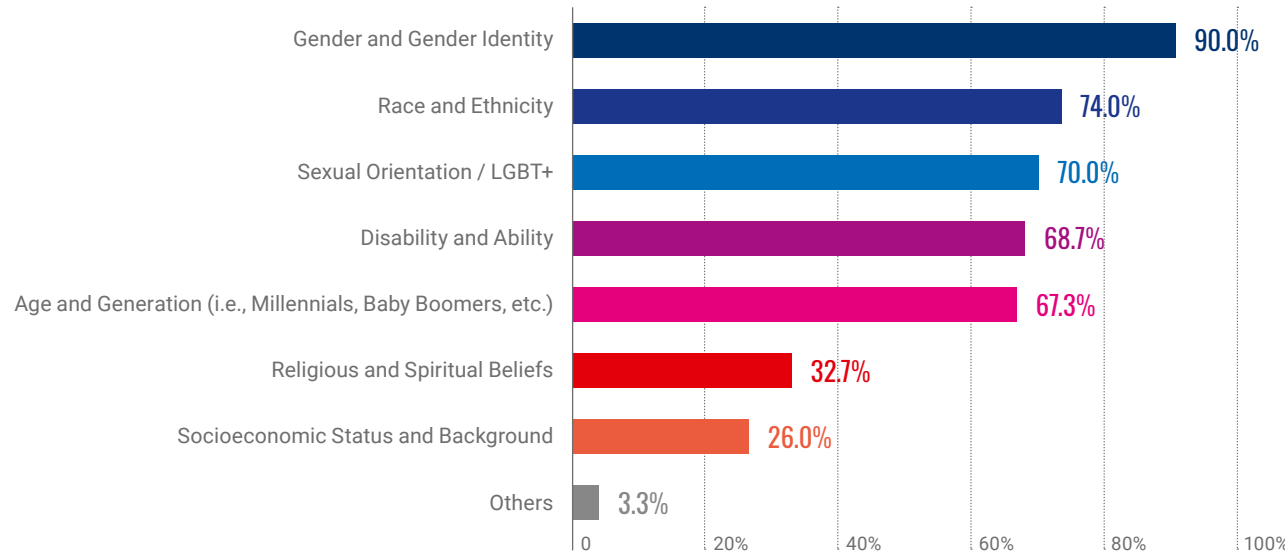
DIVERSITY, INCLUSION & BELONGING

FIGURE 1.40
IS DIVERSITY & INCLUSION PART OF YOUR BUSINESS STRATEGY? (% OF RESPONDENTS)



Source: ABSL's study based on the results of the survey (N=156 companies)

FIGURE 1.41
WHAT IS YOUR DIVERSITY & INCLUSION POLICY/PROGRAM FOCUSED ON? (% OF RESPONDENTS)



Source: ABSL's study based on the results of the survey (N=150 companies)

LOCATION OF BUSINESS SERVICES CENTERS



87

The number of locations in Poland where business services centers have been established.



97,950

The number of people in the sector's largest location – Kraków.



18

The number of locations in which centers employ more than 1,000 people.

Business services centers have created jobs in 87 locations (an increase of three when compared to the previous ABSL report), including 18 which employ 1,000 people or more. Changes are ongoing in the sector, with employment at centers ramping up or down due to various processes including consolidation, difficulties in finding employees, or changes in the business models of individual companies. The eleven most prominent locations employ 95.6% (416,300 people) of the sector's workforce. In eight primary areas, the headcount exceeds 10,000, while the following ten most prominent locations⁶ employ between 1,000 and 10,000 people each.

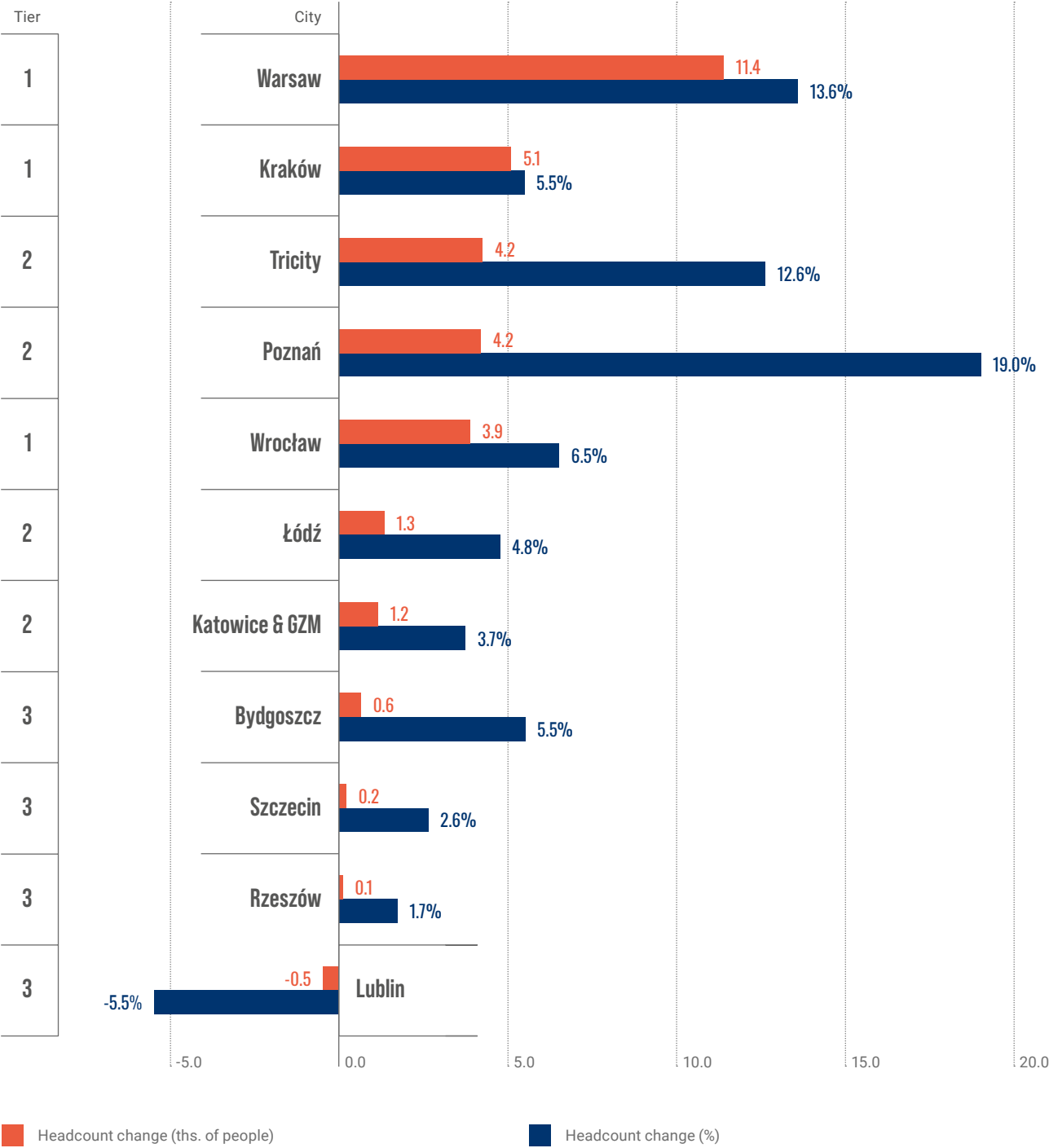
Kraków remains the leader in terms of headcount with 97,950 people (22.5% of overall employment in the sector). Next comes Warsaw with 95,300 jobs, followed by Wrocław with 63,400.

As the overall employment in the sector grew by 8.0%, the largest increases were registered in Poznań [Tier2] (19.0%), Warsaw [Tier1] (13.6%), and Tricity [Tier 2] (12.6%).

⁶ In each of these locations employment in the sector is higher than 5,000 people.

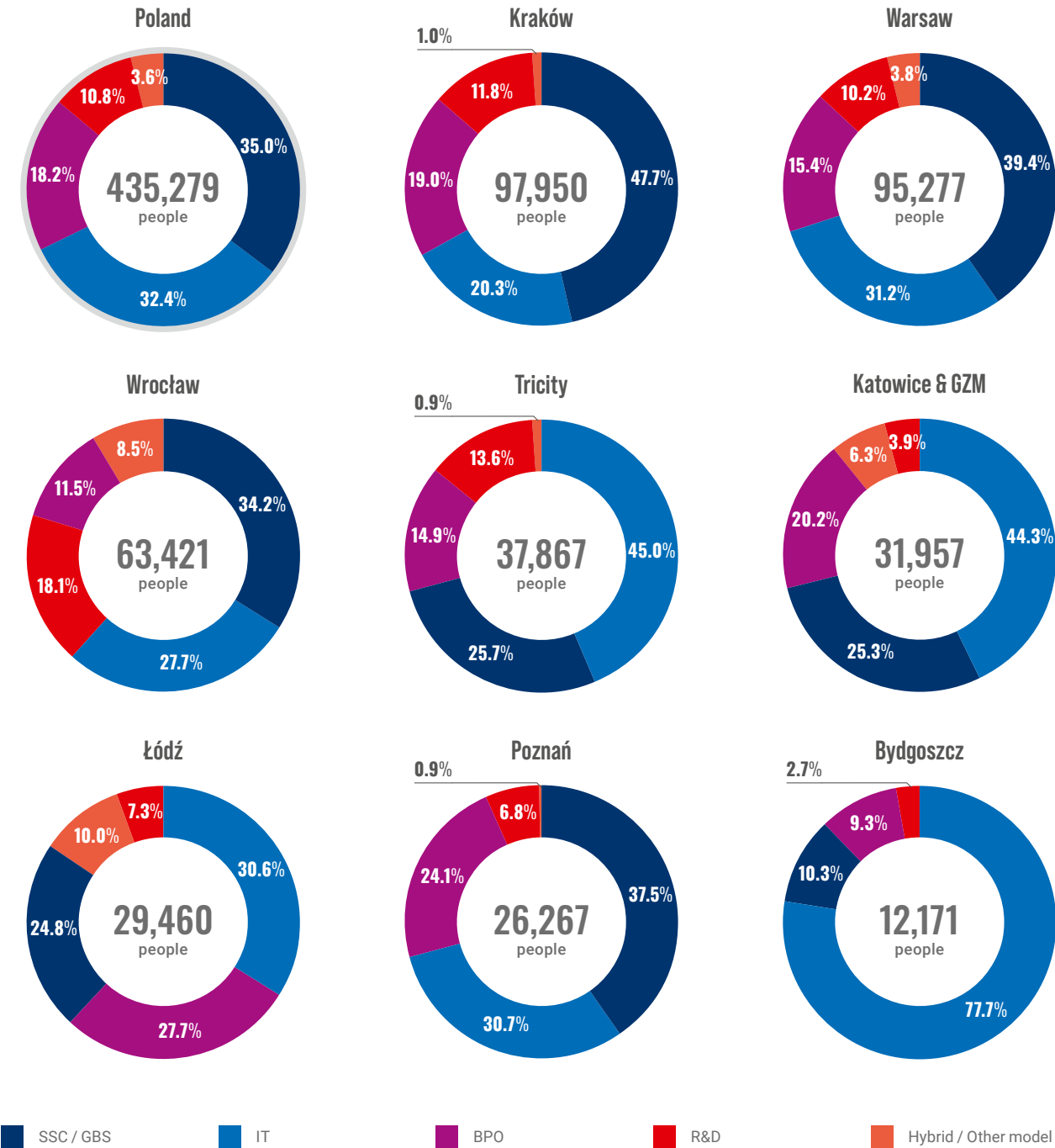
State of the business services sector in Poland
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FIGURE 1.42
CHANGES IN EMPLOYMENT (IN TIERS 1, 2, AND 3 LOCATIONS) BETWEEN Q1 2022 AND Q1 2023
(PERCENT AND HEADCOUNT CHANGE)



Source: ABSL's study based on the ABSL's business services centers' database

FIGURE 1.43
EMPLOYMENT STRUCTURE OF SELECTED BUSINESS SERVICES LOCATIONS (WITH EMPLOYMENT EXCEEDING 10,000) BY TYPE OF CENTER (ACCORDING TO THE PRIMARY PROFILE OF THEIR OPERATIONS)



Source: ABSL's study based on ABSL's business services centers' database

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The period between 2018 and 2023 has seen a marked change in employment in the sector by location category. An increasing share in overall employment in the industry (+2.2 p.p.) has been seen in both Tier 1 and Tier 2 (+0.2 p.p.)

locations. However, Tier 3 and Tier 4 locations have seen a decline in the number of employees. 2022 has accelerated the trend of increasing employment concentration in Tiers 1 and 2.

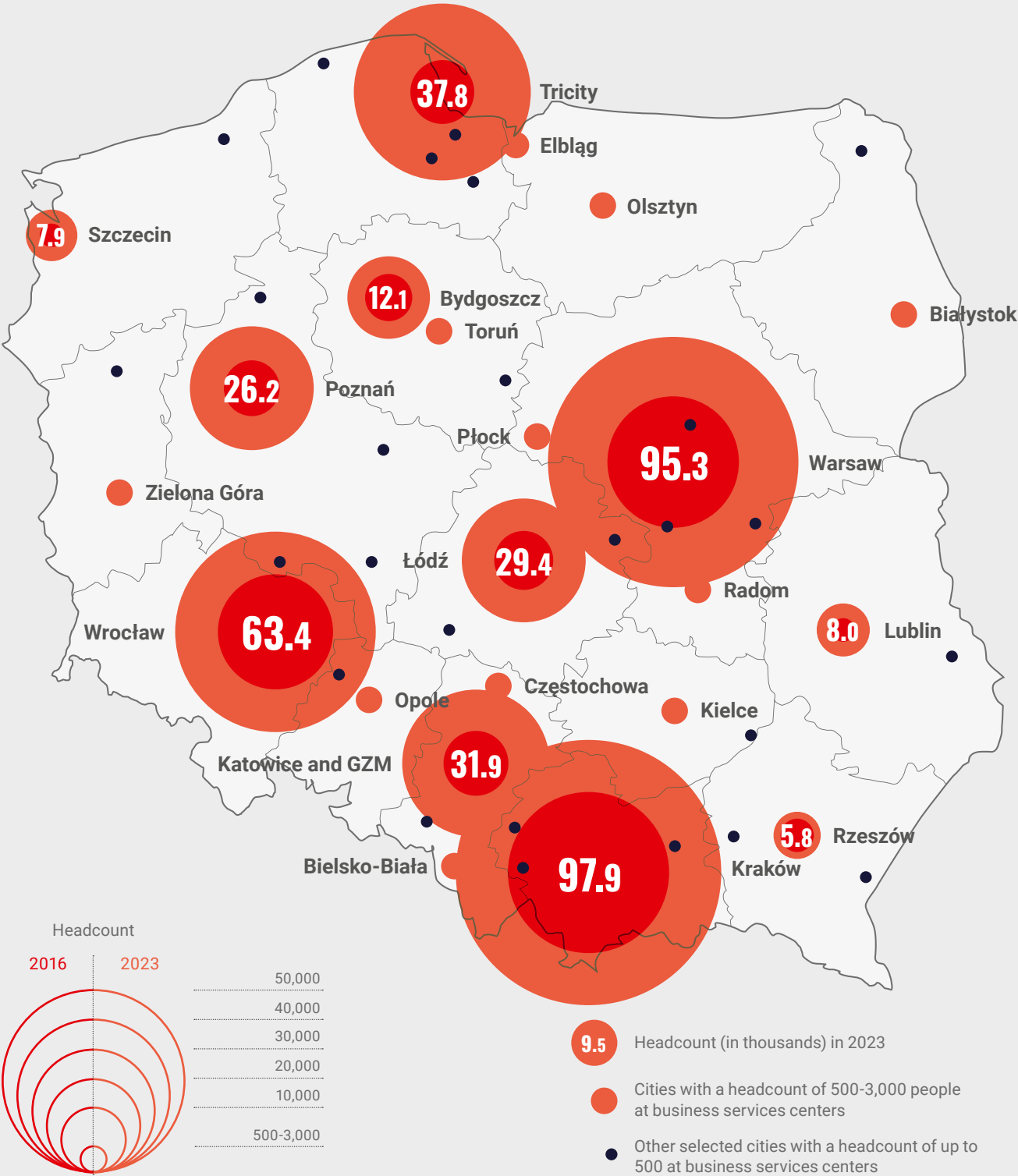
TABLE 1.5

EMPLOYMENT IN THE SECTOR BY CATEGORY OF LOCATION; CHANGES IN THE YEARS 2018-2023

Tier	Locations	2018		2023		Change 2023-2018	
		Number of people	%	Number of people (% change over 2022)	%	Number of people	Percentage points
Tier 1	Kraków, Warsaw, Wrocław	158,355	56.7	256,648 (0.3)	59.0	98,293	2.2
Tier 2	Tricity, Katowice & GZM, Łódź, Poznań	79,903	28.6	125,511 (0.4)	28.8	45,608	0.2
Tier 3	Bydgoszcz, Lublin, Rzeszów, Szczecin	25,951	9.3	34,086 (-0.5)	7.8	8,135	-1.5
Tier 4	Other (including Kielce, Bielsko-Biała, Białystok, Opole, Olsztyn, and Częstochowa	14,854	5.3	19,034 (-0.3)	4.4	4,180	-0.9

Source: ABSL's study based on ABSL's business services centers database

FIGURE 1.44
HEADCOUNT IN BUSINESS SERVICES CENTERS BY LOCATION

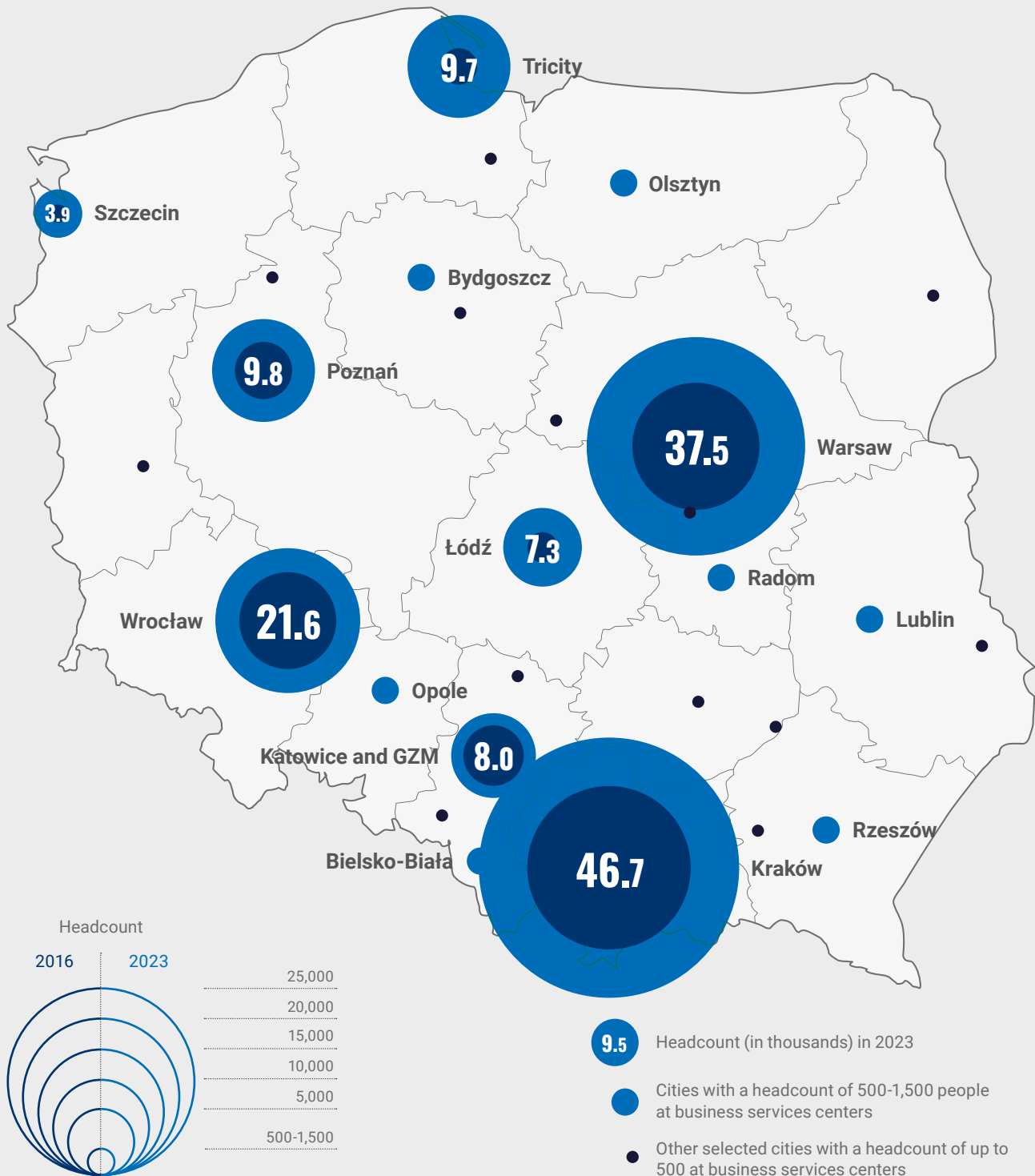


Source: ABSL's study based on ABSL's business services centers database

State of the business services sector in Poland
at the end of Q1 2023

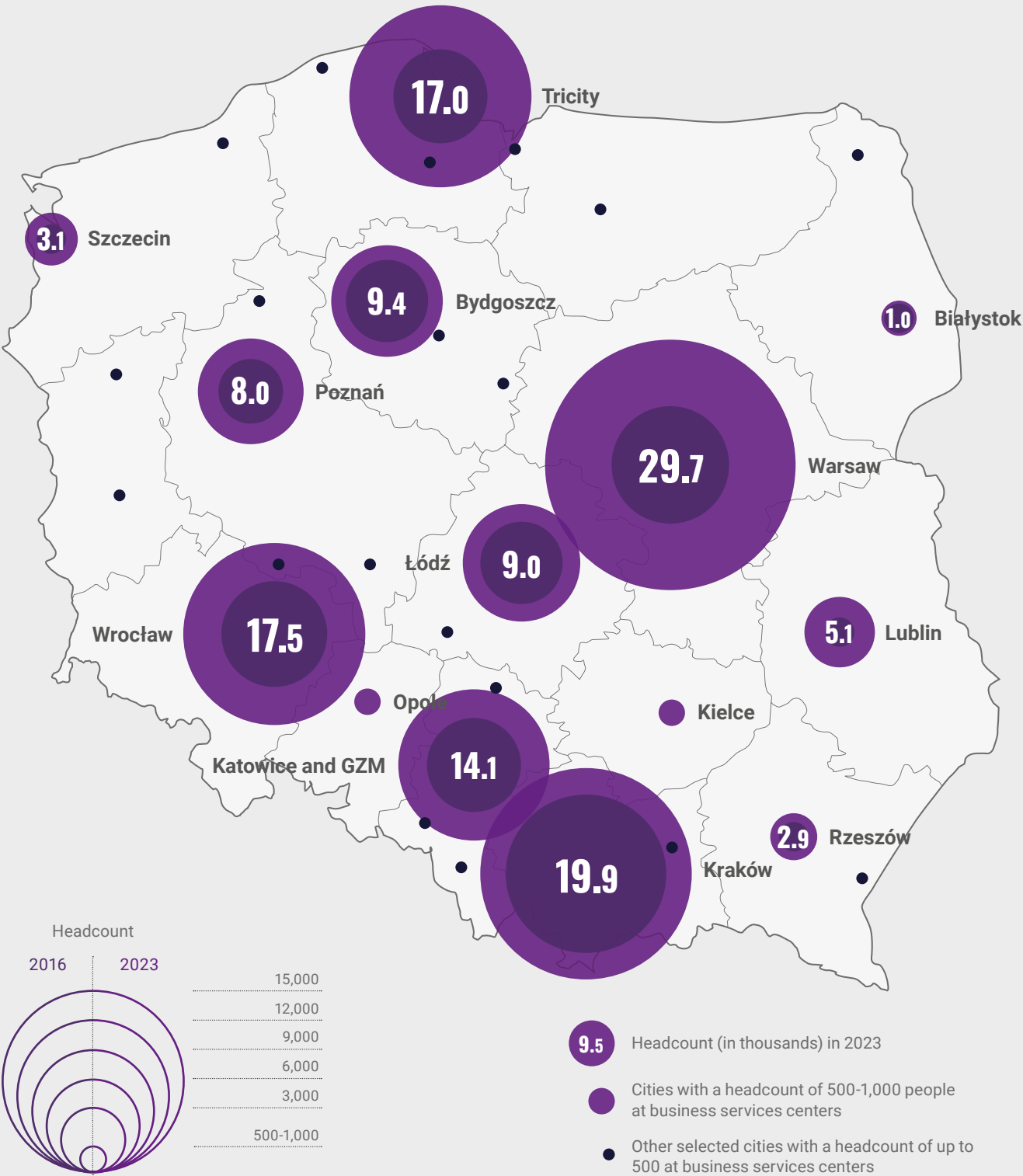
FIGURE 1.45

HEADCOUNT IN SSC / GBS CENTERS BY LOCATION



Source: ABSL's study based on ABSL's business services centers database

FIGURE 1.46
HEADCOUNT IN IT CENTERS BY LOCATION

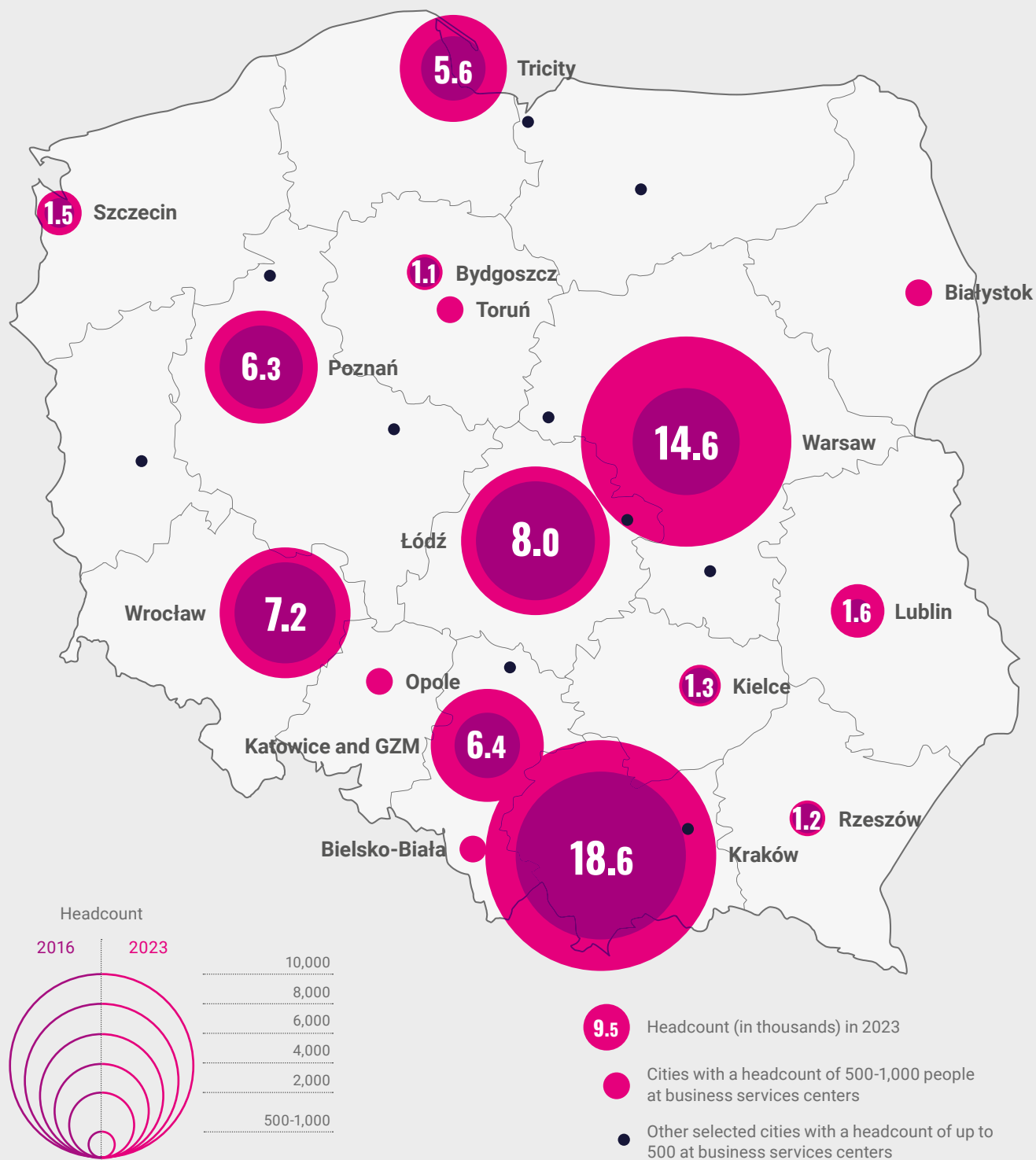


Source: ABSL's study based on ABSL's business services centers database

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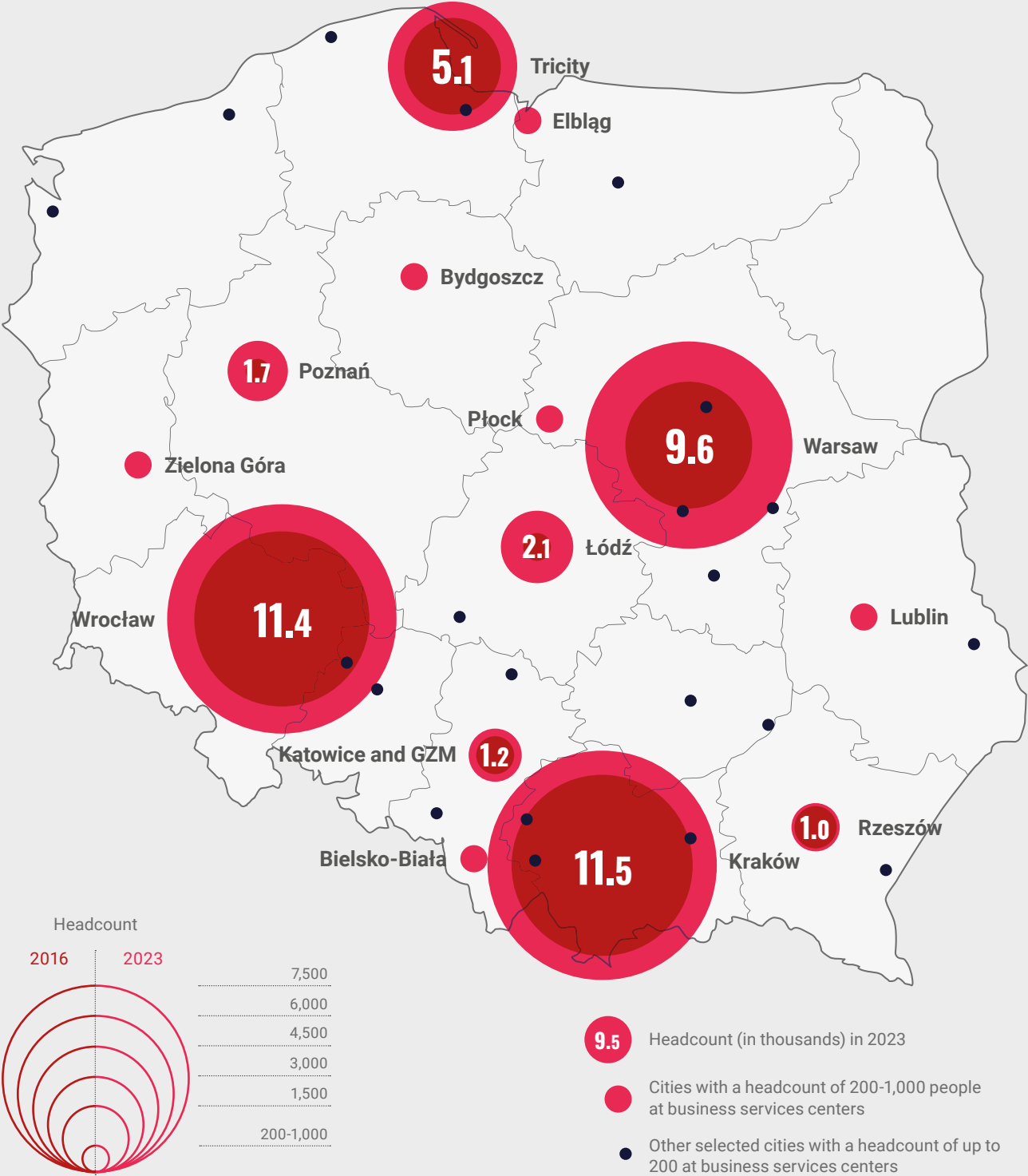
FIGURE 1.47

HEADCOUNT IN BPO CENTERS BY LOCATION



Source: ABSL's study based on ABSL's business services centers database

FIGURE 1.48
HEADCOUNT IN R&D CENTERS BY LOCATION



Source: ABSL's study based on ABSL's business services centers database

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KNOWLEDGE-INTENSIVE BUSINESS SERVICES INDUSTRY AS A LOCAL SPECIALIZATION

$$LQ = \frac{\frac{\text{headcount at business services centers in a given location}}{\text{employment in a given location}}}{\frac{\text{total headcount at business services centers in all locations under analysis}}{\text{employment at all locations under analysis}}}$$

This section of the report identifies specific locations in Poland where the business services sector presents a clear local specialization. As was the case in previous editions of the report, we have used an approach based on the location quotient (LQ).

We have kept the methodology from last year's edition that ties employment in the KIBS sector in a given location to total jobs in the exact location (that is, its share thereof) in relation to the average value in Poland for all locations in which the ABSL database identifies business services centers (at the end of Q1 2023).

Information on employment in particular years is taken from the most recent edition of the Statistics Poland BDL Database (Bank Danych Lokalnych).

The location quotient value enables the determination of locations where employment in the business services centers is "over-represented" ($LQ > 1$) or "under-represented" ($LQ < 1$) in relation to the national average. In academic studies, the threshold for signaling the occurrence of a local specialization is taken to be an LQ of 25.0% above the national average, that is, $LQ > 1.25$. We provide separate figures for Katowice, and Katowice as part of GZM (Katowice & GZM).

With the above considerations taken into account, at the end of Q1 2023, the business services sector

could be regarded as a strong local specialization in Kraków (LQ 3.6), Wrocław (3.0), Katowice (2.1) & Tricity (1.9), Łódź (1.6) and Bydgoszcz (1.3). Poznań (1.4) and Warsaw (1.3) are also above the benchmark value of 1.0. There are only slight YoY changes in the LQ value. The changes are more noticeable over the previous six years (2016-2022).

Among Tier 1 & Tier 2 locations, the importance of the business services sector as a local specialization relative to 2016, is growing in Tricity, Katowice (separate from GZM), Warsaw & Poznań; it is low but stable in Katowice & GZM.

As was the case last year, the sector has the most significant LQ values in Kraków and Wrocław. Nonetheless, in comparison to 2016, the values (employment in other industries is rising faster in these locations than in the KIBS). This is also visible in Łódź and Bydgoszcz.

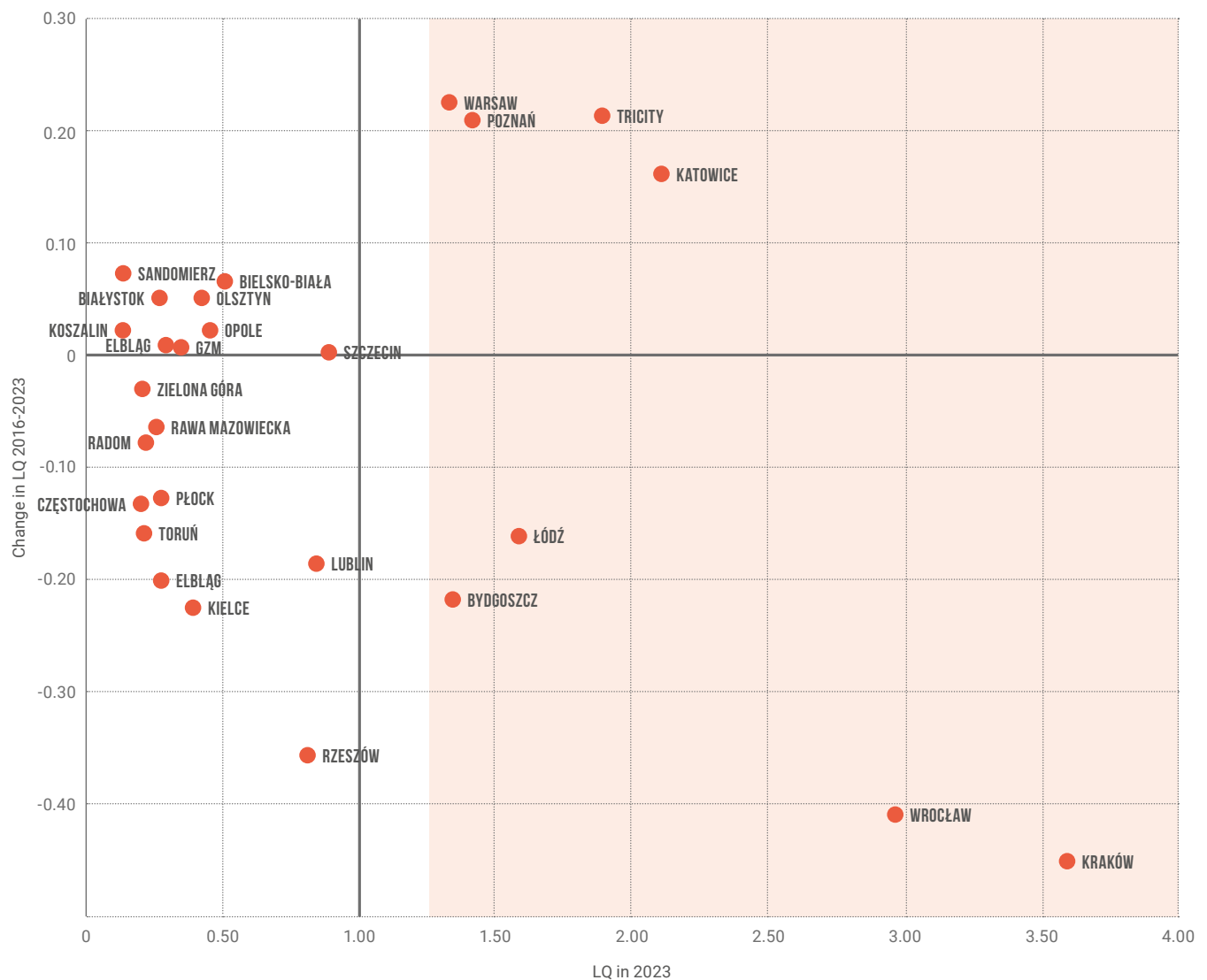
In the case of Tier 3 cities, Bydgoszcz, despite the decline in LQ, remains a significant location for the sector in Poland, with an LQ value at the higher end of the scale with 1.25. All other Tier 3 cities have LQ values below 1. A decline in LQ was also observed in Rzeszów and Lublin but was stable in Szczecin. In all Tier 4 locations, the importance of LQ was continually below 1.00, indicating a lack of specialization in KIBS, relative to the national average.

As we have shown in the EMEA 2023 report this year, comparing the KIBS talent pool to all European regions, we can first of all see that three Polish concentrations are above the EU27 average – Warszawski Stołeczny (Warsaw), Małopolskie (Kraków) and Dolnośląskie (Wrocław) – all three from the Tier 1 group. When compared to other CEE countries, Poland has the advantage of polycentricity, with several significant

concentrations of the sector within the country. This is in contrast to other CEE countries, where the capital city's region dominates. The network competitiveness of the sector in Poland – the ability to source talent from multiple locations – gives the country a clear advantage over competitors in the CEE region.

FIGURE 1.49

LOCATION QUOTIENT FOR THE BUSINESS SERVICES SECTOR IN 2023 AND CHANGES SINCE 2016



Source: ABSL's study based on the ABSL database & GUS BDL database

ASSESSMENT OF LOCATIONS AS A PLACE FOR DOING BUSINESS

Part of the ABSL annual survey is an assessment of factors that affect doing business in particular locations in Poland, by representatives of companies participating in the survey. In the case of companies with more than one center in Poland, the three most important centers that employ the most significant numbers of people were subject to assessment. We obtained information from respondents in 18 cities. As in previous years, given the need to analyze a sufficiently large number of responses, we examined the seven cities for which we obtained the most information: Warsaw, Kraków, Wrocław, Poznań, Tricity, Katowice&GZM, and Łódź. There were 203 responses concerning these cities. We applied the Likert scale, which enabled us to depict a more comprehensive assessment of individual cities. The respondents made an overall subjective valuation of a given location as a place to do business; it was not a result of calculations or weightings introduced by the ABSL team.

The overall position of a city in the subjective ranking reflects the opinion of the managers. As in the previous year's edition of the subjective ranking, we have presented an additional overall score. This has been further elaborated by ABSL with the scores of cities in all the assessment categories averaged out, except the "overall position in the subjective ranking by managers." This alternative approach negates the case of a particular city ranking low in the majority of attractiveness assessment categories while obtaining high scores in its overall position. Accordingly, the overall top scorers were (1) Warsaw, (2) Wrocław, and (3) Tricity.

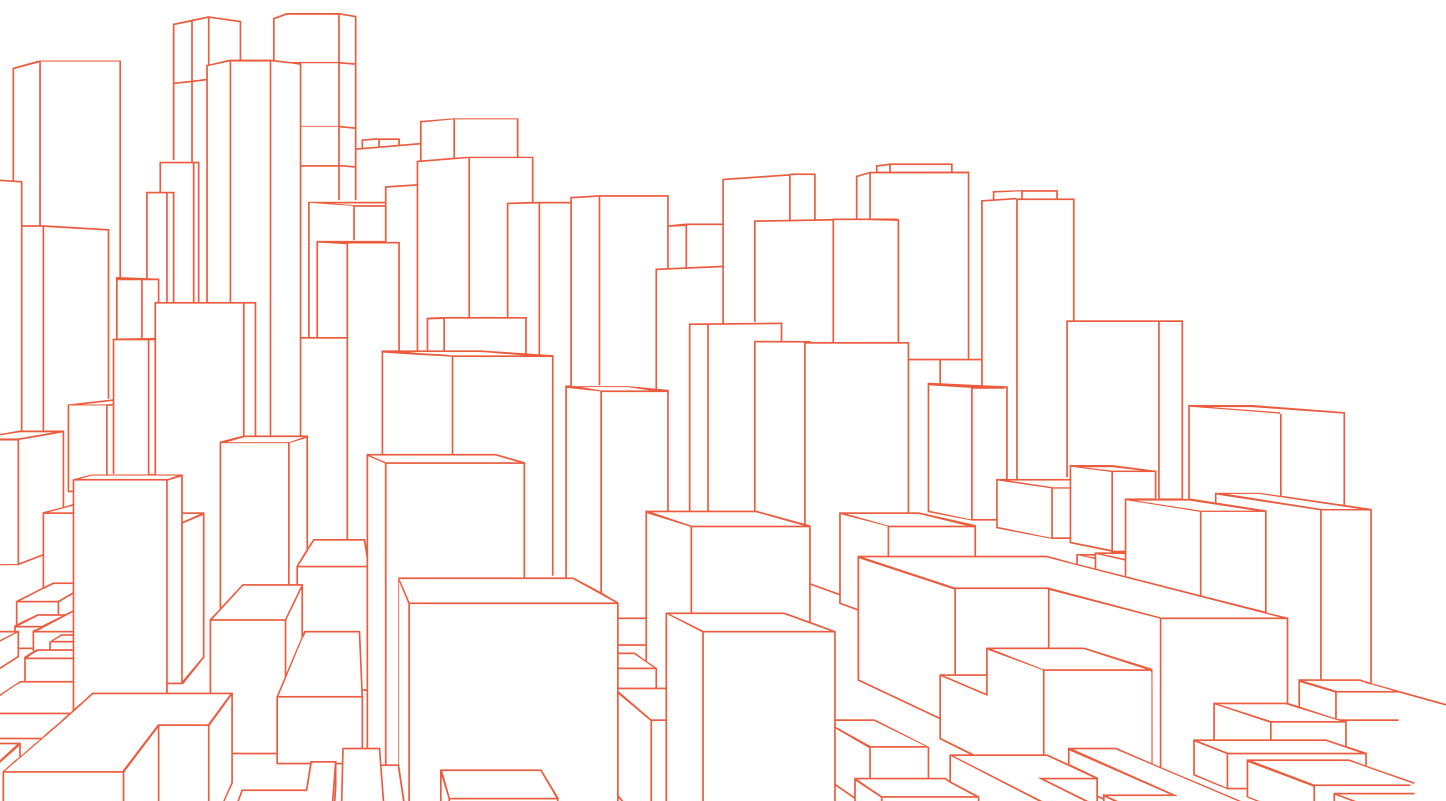


TABLE 1.6

ASSESSMENT OF LOCATIONS AS A PLACE FOR DOING BUSINESS (2023)

	The overall position in the ranking		
	①	②	③
	WARSAW (Tricity)	WROCŁAW (Warsaw)	TRICITY (Kraków)
	The overall position in the subjective ranking by managers		
	①	②	③
	WROCŁAW (Wrocław)	WARSAW (Tricity)	TRICITY (Warsaw)
Categories of locations' attractiveness assessment	Position in the subcategories of the ranking		
	①	②	③
Availability of talent pool/ highly qualified staff	KRAKÓW (Kraków)	WARSAW (Tricity)	WROCŁAW (Warsaw)
City accessibility by airport	WARSAW (Warsaw)	KRAKÓW (Kraków)	WROCŁAW (Wrocław)
City accessibility by road	WARSAW (Warsaw)	POZNAŃ (Poznań)	ŁÓDŹ (Łódź)
City accessibility by train	WARSAW (Warsaw)	TRICITY (Poznań, Tricity)*	KRAKÓW (-)
Quality of public transport	WARSAW (Warsaw)	POZNAŃ (Poznań, Tricity)*	WROCŁAW (-)
Perception of the general quality of life	TRICITY (Tricity)	WROCŁAW (Wrocław)	WARSAW (Poznań)

State of the business services sector in Poland
at the end of Q1 2023

Categories of locations' attractiveness assessment	Position in the subcategories of the ranking		
	①	②	③
Quality of local universities	WARSAW (Kraków)	WROCŁAW (Warsaw)	KRAKÓW (Poznań)
Availability of modern office space	WARSAW (Warsaw)	WROCŁAW (Kraków)	KRAKÓW (Tricity)
Cooperation with local universities	ŁÓDŹ (Łódź)	WROCŁAW (Katowice & GZM)	KRAKÓW (Kraków)
Cooperation with a local investor support office	ŁÓDŹ (Tricity)	POZNAŃ (Łódź)	TRICITY (Poznań)
Level of wages	ŁÓDŹ (Tricity)	TRICITY (Łódź)	POZNAŃ (Katowice & GZM)
Cost of renting office space	ŁÓDŹ (Łódź)	TRICITY (Tricity)	KRAKÓW (Kraków)
Availability of flex/ coworking office space	TRICITY, WARSAW* (Warsaw)	- (Kraków)	WROCŁAW (Łódź)
Quality of the local natural environment	TRICITY (Tricity)	POZNAŃ (Poznań)	WROCŁAW (Wrocław)
Location of office premises relative to the city center (attractive location in the city center)	WARSAW (Poznań)	POZNAŃ (Tricity)	ŁÓDŹ (Wrocław)

(City) 2022 rankings

* cities with the same position

The presented information reflects the opinions of the representatives of centers, is subjective, and derived from many factors such as the type of business conducted, preferences of the parent company, and perceptions of the importance of an agglomeration's benefits. It is worth emphasizing that a given position in the ranking does not necessarily reflect the actual situation of the subject matter under analysis. The results may also be tied to the geographic distribution of the respondents' locations.

Source: ABSL's study based on the results of the survey (N=203 responses for locations)

KRAKÓW



97,950

Number of employees in business services centers in 2023



9.1%

Accumulated job growth in the sector (CAGR) 2018-2023



273

Number of business services centers (Q1 2023)



34,498

Number of jobs created since Q1 2018



41

Number of centers employing a minimum of 500 people (Q1 2023)



3.6

Location Quotient



5

Number of new centers established in 2022 and 2023



105,600

The forecast for the number of jobs in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

Imperial Brands Services
Polska Sp. z o.o.

L&T Technology Services Limited (LTTS)
Novocure Poland Sp. z o.o.

SoftServe
Teleperformance Polska

State of the business services sector in Poland
at the end of Q1 2023

WARSAW



95,277

Number of employees in business
services centers in 2023



13.6%

Accumulated job growth in the sector
(CAGR) 2018-2023



349

Number of business services centers
(Q1 2023)



44,944

Number of jobs created
since Q1 2018



58

Number of centers employing a minimum
of 500 people (Q1 2023)



1.3

Location Quotient



3

Number of new centers established
in 2022 and 2023



104,100

The forecast for the number of jobs
in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

Imperial Brands Services
Polska Sp. z o.o.

Fresenius Kabi

Rockwool

WROCLAW

**63,421**Number of employees in business
services centers in 2023**7.3%**Accumulated job growth in the sector
(CAGR) 2018-2023**215**Number of business services centers
(Q1 2023)**18,851**Number of jobs created
since Q1 2018**29**Number of centers employing a minimum
of 500 people (Q1 2023)**3.0**

Location Quotient

**3**Number of new centers established
in 2022 and 2023**64,600**The forecast for the number of jobs
in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

Allegro

airSlate Poland Sp. z o.o.

NatWest Polska

State of the business services sector in Poland
at the end of Q1 2023

TRICITY



37,867

Number of employees in business
services centers in 2023



10.6%

Accumulated job growth in the sector
(CAGR) 2018-2023



199

Number of business services centers
(Q1 2023)



15,003

Number of jobs created
since Q1 2018



17

Number of centers employing a minimum
of 500 people (Q1 2023)



1.9

Location Quotient



8

Number of new centers established
in 2022 and 2023



42,300

The forecast for the number of jobs
in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

Allegro

Capgemini Business Services

Future Processing

Godel Technologies Poland

iTechArt

Navblue

S&P Global

SoftServe

KATOWICE & GZM



31,957

Number of employees in business services centers in 2023



9.6%

Accumulated job growth in the sector (CAGR) 2018-2023



132

Number of business services centers (Q1 2023)



11,722

Number of jobs created since Q1 2018



18

Number of centers employing a minimum of 500 people (Q1 2023)



2.1*

Location Quotient



1

Number of new centers established in 2022 and 2023



35,100

The forecast for the number of jobs in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

GlobalLogic

* LQ for GZM without Katowice equals 0.31

State of the business services sector in Poland
at the end of Q1 2023

ŁÓDŹ



29,460

Number of employees in business
services centers in 2023



6.1%

Accumulated job growth in the sector
(CAGR) 2018-2023



107

Number of business services centers
(Q1 2023)



7,509

Number of jobs created
since Q1 2018



15

Number of centers employing a minimum
of 500 people (Q1 2023)



1.6

Location Quotient



8

Number of new centers established
in 2022 and 2023



31,800

The forecast for the number of jobs
in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

Allegro

Alorica

Axalta Coating Systems Poland SSC

DOCAPOSTE

EY

Finanteq

LaSoft

Marel Shared Services Center

POZNAŃ



26,267

Number of employees in business services centers in 2023



12.0%

Accumulated job growth in the sector (CAGR) 2018-2023



136

Number of business services centers (Q1 2023)



11,374

Number of jobs created since Q1 2018



15

Number of centers employing a minimum of 500 people (Q1 2023)



1.4

Location Quotient



14

Number of new centers established in 2022 and 2023



26,100

The forecast for the number of jobs in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

Beiersdorf BSS Hub	Lidl	SSC Phoenix Contact
BestCoders Poland Sp. z o.o.	PEAC Poland	Tieto
FIS Technology Services	RGames West	Transcom WorldWide
Haleon	Sigma Software Labs	Zalaris Consulting
IVU Traffic Technologies AG	SIS	

State of the business services sector in Poland
at the end of Q1 2023

BYDGOSZCZ



12,171

Number of employees in business
services centers in 2023



5.3%

Accumulated job growth in the sector
(CAGR) 2018-2023



47

Number of business services centers
(Q1 2023)



2,789

Number of jobs created
since Q1 2018



3

Number of centers employing a minimum
of 500 people (Q1 2023)



1.8

Location Quotient



0

Number of new centers established
in 2023 and 2023



12,000

The forecast for the number of jobs
in the sector in Q1 2024

LUBLIN



8,066

Number of employees in business services centers in 2023



4.2%

Accumulated job growth in the sector (CAGR) 2018-2023



70

Number of business services centers (Q1 2023)



1,500

Number of jobs created since Q1 2018



5

Number of centers employing a minimum of 500 people (Q1 2023)



0.8

Location Quotient



3

Number of new centers established in 2022 and 2023



9,200

The forecast for the number of jobs in the sector in Q1 2024

EXAMPLES OF NEW INVESTMENTS

Allegro

Dignio Poland Sp. z o.o.

Publicis Re:Sources

State of the business services sector in Poland
at the end of Q1 2023

SZCZECIN



7,996

Number of employees in business
services centers in 2023



9.5%

Accumulated job growth in the sector
(CAGR) 2018-2023



65

Number of business services centers
(Q1 2023)



2,918

Number of jobs created
since Q1 2018



3

Number of centers employing a minimum
of 500 people (Q1 2023)



0.9

Location Quotient



0

Number of new centers established
in 2022 and 2023



9,100

The forecast for the number of jobs
in the sector in Q1 2024

RZESZÓW



5,853

Number of employees in business services centers in 2023



3.5%

Accumulated job growth in the sector (CAGR) 2018-2023



45

Number of business services centers (Q1 2023)



928

Number of jobs created since Q1 2018



4

Number of centers employing a minimum of 500 people (Q1 2023)



0.8

Location Quotient



0

Number of new centers established in 2022 and 2023



6,200

The forecast for the number of jobs in the sector in Q1 2024

2 TECHNOLOGY AS A DRIVER OF CHANGE IN THE SECTOR

Technology plays a key role in the development of the sector both domestically and globally. The recent COVID-19 pandemic has led to further acceleration in digitalization. The ability of generative AI to transform the sector in the next decade is one of the main conclusions of this year's edition of the Strategic Foresight Report. Technology is transformative, but transformation requires talented people. Technology is an area of particular focus in this year's edition of the report. Therefore, we have decided to devote a separate chapter to technology-related issues.



**It is not a faith
in technology.
It is faith
in people.**

Steve Jobs, Co-founder of Apple

The chapter consists of several elements.

For the fourth time in a row, we asked managers about the utilization of programming languages and different information technologies in their centers. In comparison to previous reports, we extended the lists of languages and information technologies reflecting this new development in the sector, and due to size, divided the analysis into several sub-categories:

» **Programming languages,**

» **Cloud technologies,**

» **Data and big data,**

» **IPA, RPA & Process Mining,**

» **Analytics, Advanced Analytics & Visualization,**

» **Specialized models, methods, and techniques.**

The responses for the sector in general and the sub-group of IT/ITO companies do differ. We have decided to present both groups due to the focus of the report on technological issues in which IT companies are more aware of technological trends and are likely to be at the forefront of changes by applying the solutions to other centers.

In most cases, the responses to the question on the future needs for specialists in a given technology area by the end of Q1 2024 seem to reflect the current utilization of programming languages and technologies with little change anticipated in 2024.

The chapter also looks in more detail at the IPA domain and extent of digitalization of centers, utilization of the cloud, and cybersecurity issues. The section on the impact of AI on the sector has been written by ChatGPT.

USE OF PROGRAMMING LANGUAGES, IT TECHNOLOGIES, METHODS, AND MODELS

PROGRAMMING LANGUAGES

The most popular programming languages in the industry's centers in Poland are SQL, Python, VBA, Java & Javascript, followed by the C#/.net/C/C++ language family. The results are in line with both global trends and the results of previous ABSL surveys.

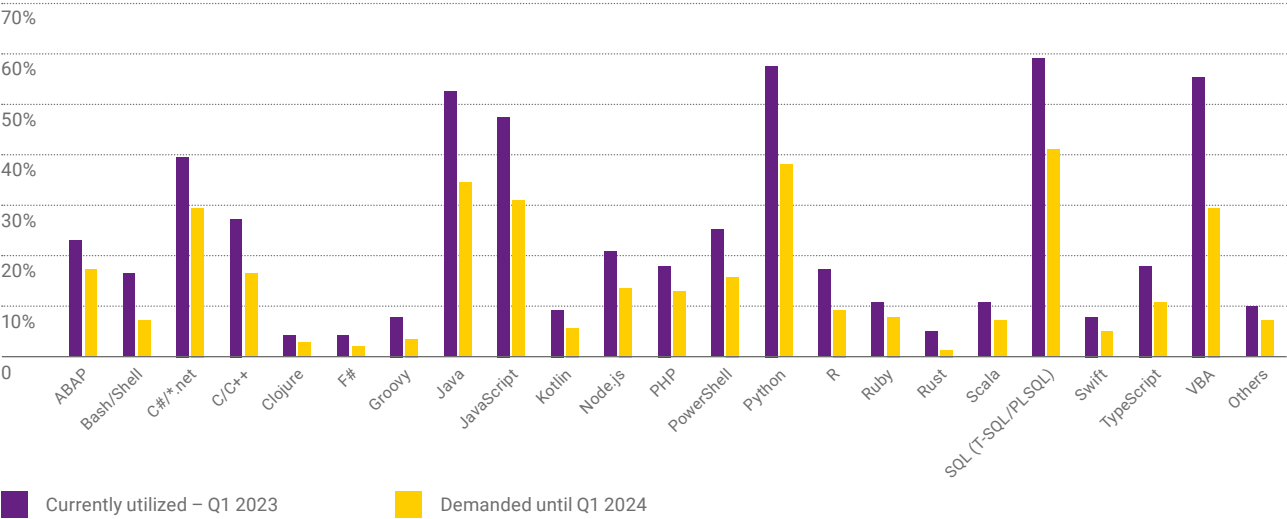
The use differs among IT/ITOs with more intensive use of programming languages overall. The most significant roles were played by Java, Javascript,

Python, and C#/.net (utilized by more than 70.0% of centers). Typescript and Node.js stood out as well but the utilization of VBA among IT/ITOs was significantly lower than the industry average.

Demand for specialists in programming languages over the coming 12 months is in line with the current use of languages.

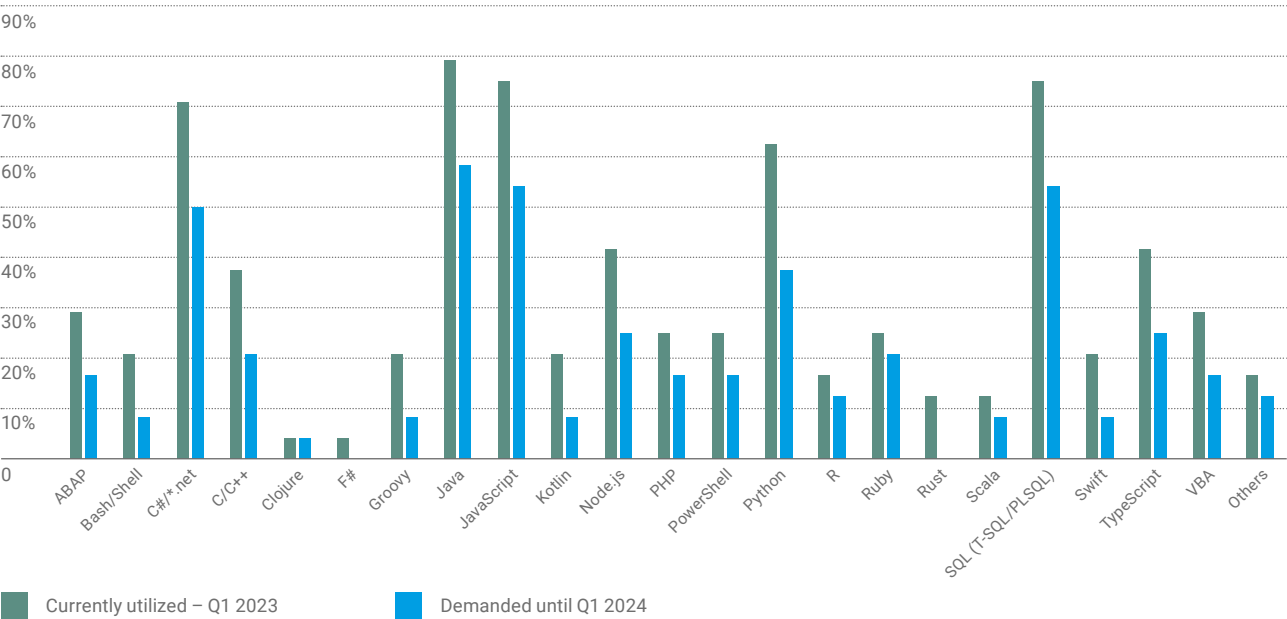
Technology as a driver of change in the sector

FIGURE 2.1
UTILIZATION OF PROGRAMMING LANGUAGES AND THE NEED FOR SPECIALISTS IN THIS AREA TO THE END OF Q1 2024 (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=139 companies)

FIGURE 2.2
UTILIZATION OF PROGRAMMING LANGUAGES AND THE NEED FOR SPECIALISTS IN THIS AREA TO THE END OF Q1 2024 (% OF RESPONSES) – IT / ITO COMPANIES ONLY



Source: ABSL's study based on the results of the survey (N=24 companies)

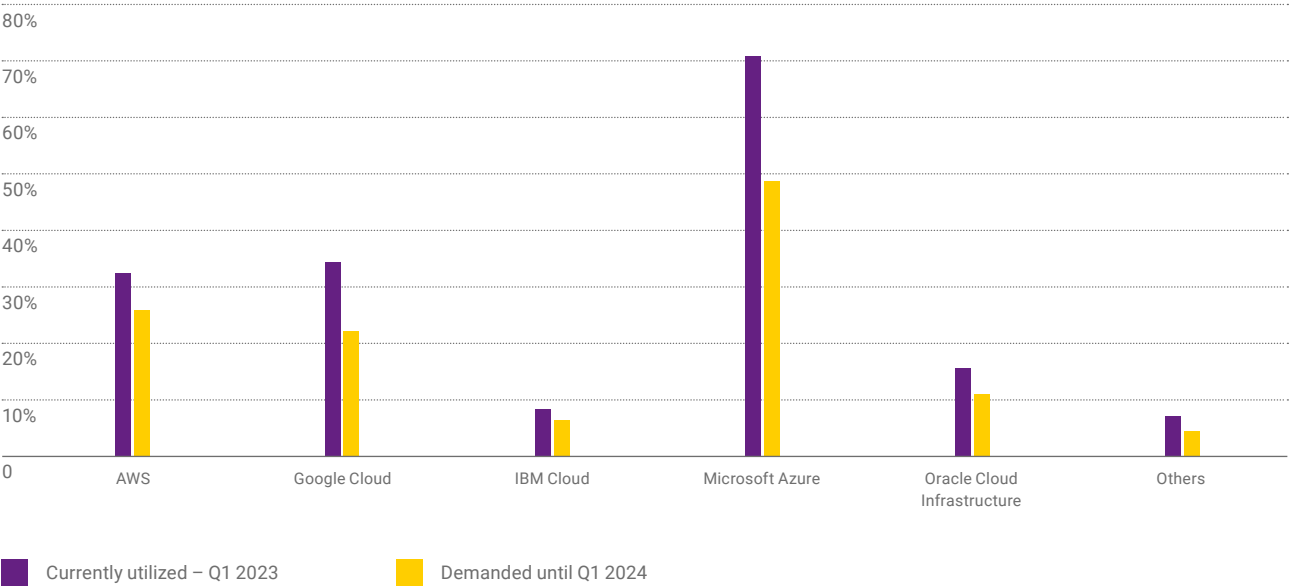
CLOUD TECHNOLOGIES

Despite the complex nature of large-scale cloud transformation initiatives, cloud transformation is gaining momentum, in line with previous expectations. At the same time, technology executives accept that agile software development methods are effective and are increasingly sophisticated in their approach to cloud transformations.

Cloud technology centers in Poland are utilizing the whole spectrum of available technologies with Microsoft Azure (used by 70.8% of firms) clearly leading the way followed by Google Cloud and AWS.

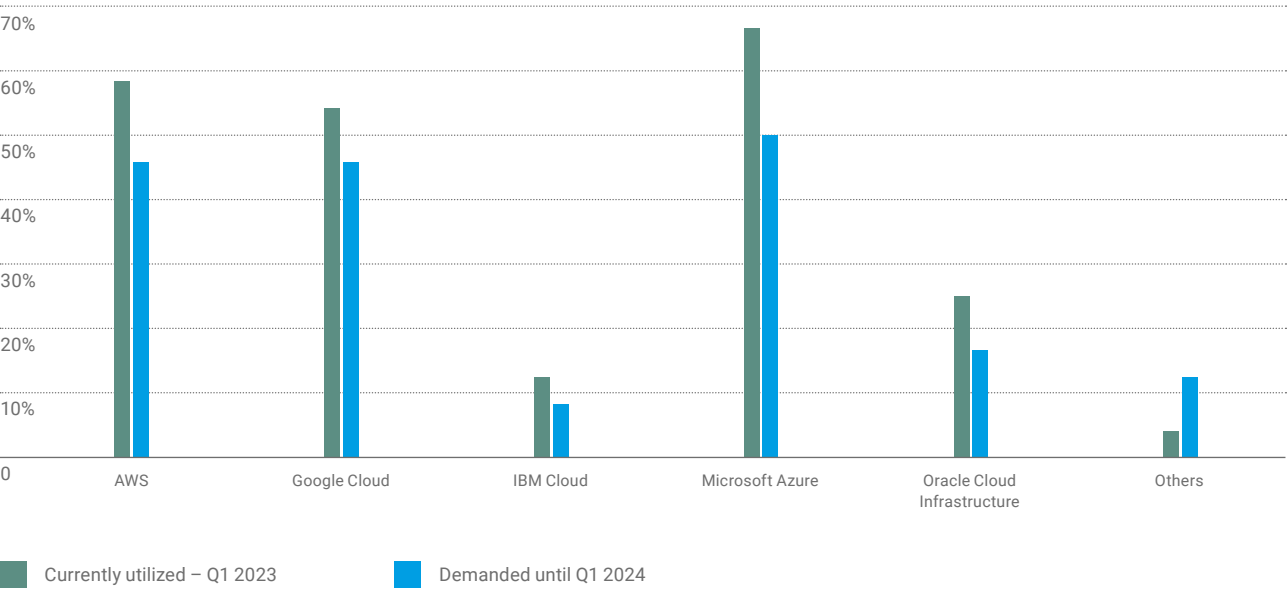
Among IT/ITOs the structure of use is more balanced with more than 50% of firms reporting the use of Microsoft Azure followed by AWS and Google Cloud. Oracle and IBM solutions were less popular at this time.

FIGURE 2.3
UTILIZATION OF CLOUD TECHNOLOGIES AND THE NEED FOR SPECIALISTS IN THIS AREA TILL THE END OF Q1 2024 (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=154 companies)

FIGURE 2.4
UTILIZATION OF CLOUD TECHNOLOGIES AND THE NEED FOR SPECIALISTS IN THIS AREA TO THE END OF Q1 2024 (% OF RESPONSES) – IT / ITO COMPANIES ONLY



Source: ABSL's study based on the results of the survey (N=24 companies)

DATA & BIG DATA

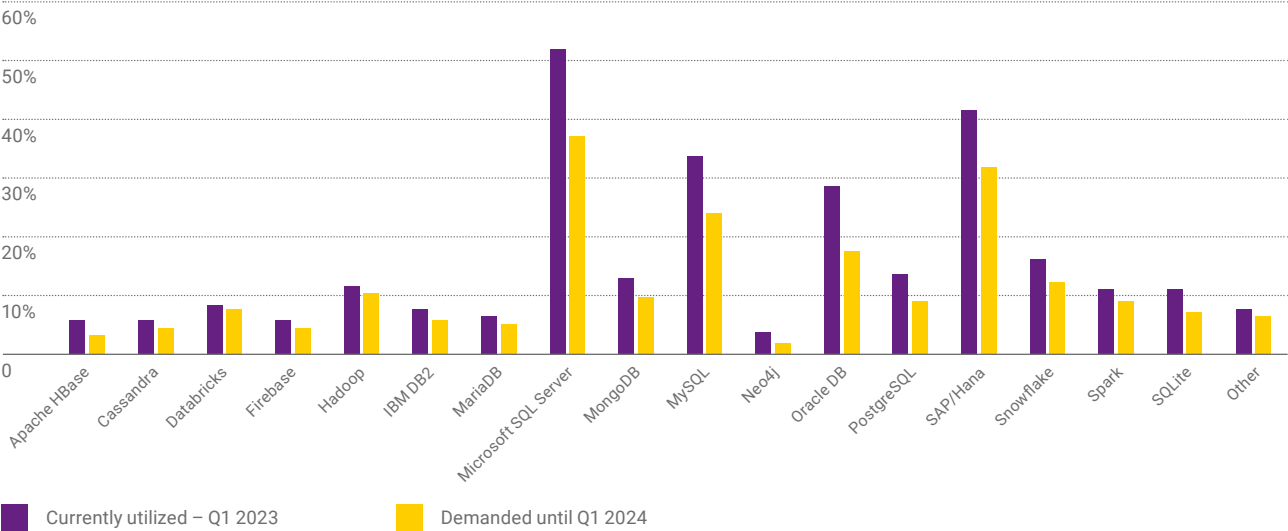
The significance of data in different forms and types, structured and unstructured, and the volume of data collected is increasing. Technologies allow data to be effectively collected, processed, stored, combined, visualized, and utilized in more advanced predictive analysis.

The most popular technologies, platforms, and tools related to data were Microsoft SQL Server followed by SAP/Hana and MySQL.

For the subgroup of IT/ITOs, the most popular solutions were MySQL, followed by Microsoft SQL Server and Oracle DB (used by more than 50% of firms).

FIGURE 2.5

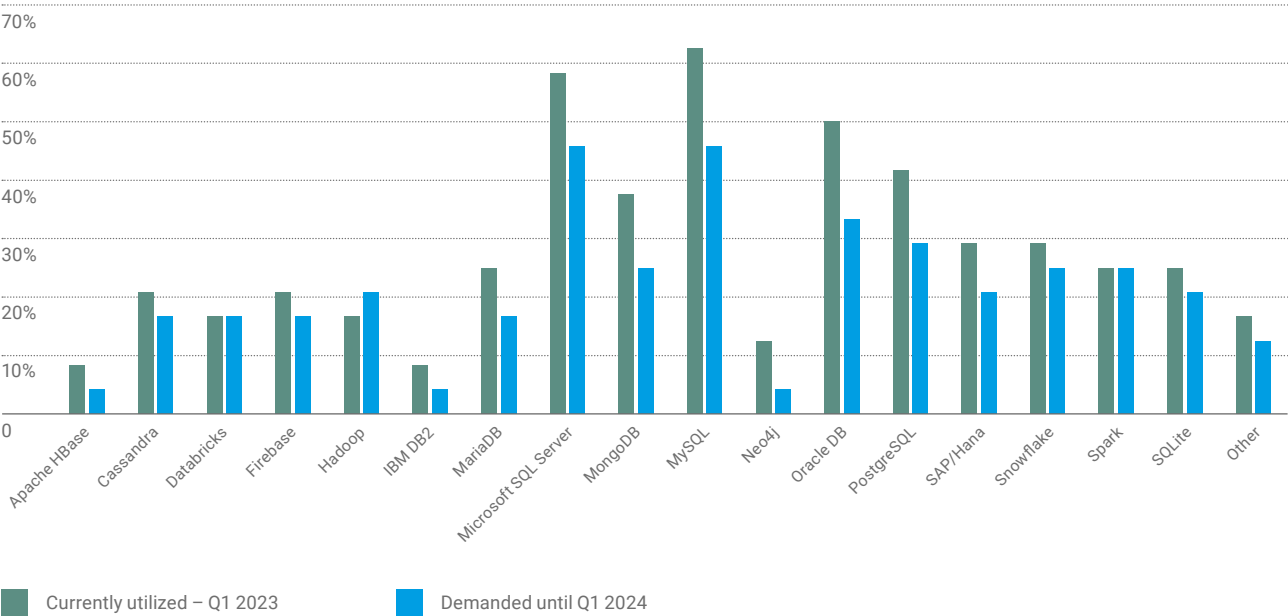
UTILIZATION OF DATA & BIG DATA TECHNOLOGIES AND THE NEED FOR SPECIALISTS IN THIS AREA TILL THE END OF Q1 2024 (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=154 companies)

FIGURE 2.6

UTILIZATION OF DATA & BIG DATA TECHNOLOGIES AND THE NEED FOR SPECIALISTS IN THIS AREA TO THE END OF Q1 2024 (% OF RESPONSES) – IT / ITO COMPANIES ONLY



Source: ABSL's study based on the results of the survey (N=24 companies)

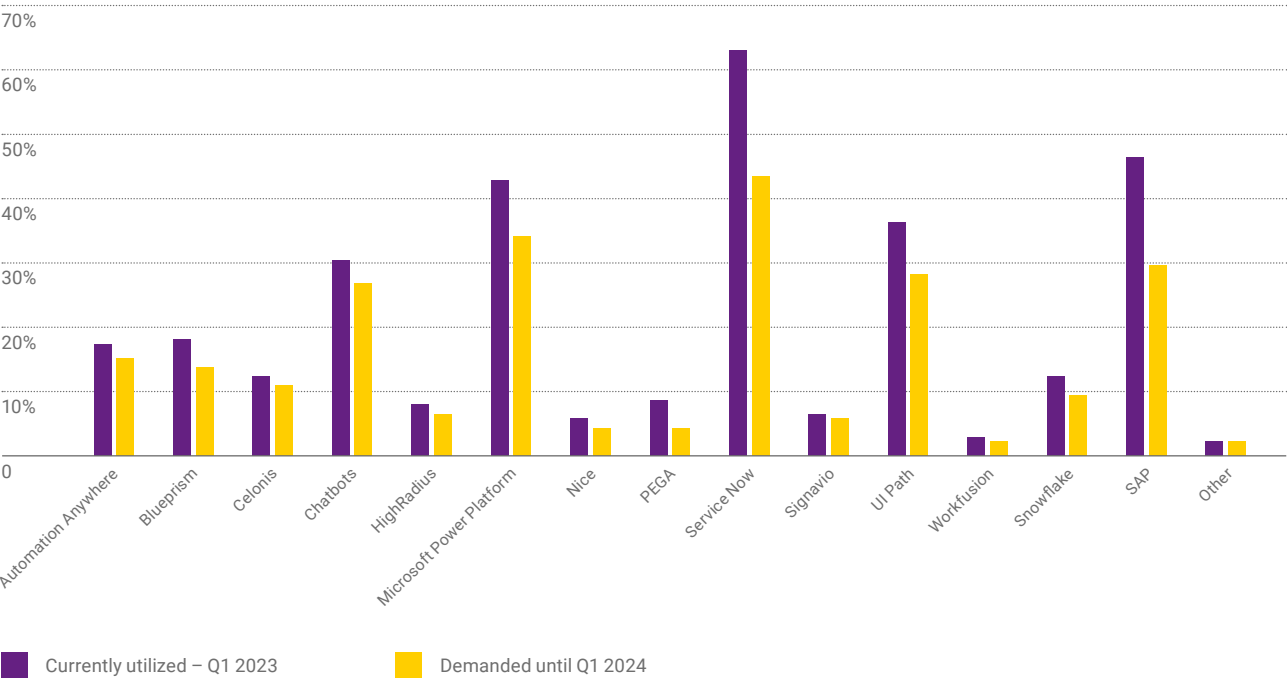
IPA, RPA & PROCESS MINING

The trend toward implementing IPA that includes both RPA and AI solutions is also on the rise. The COVID-19 pandemic has significantly accelerated digital transformation, acting as a driver of change which continues despite the pandemic becoming endemic.

The most popular solutions in this domain include Service Now, SAP, and Microsoft Power Platform followed by UI Path and Chatbots. Among IT/ITO it is Service Now and Chatbots were also popular.

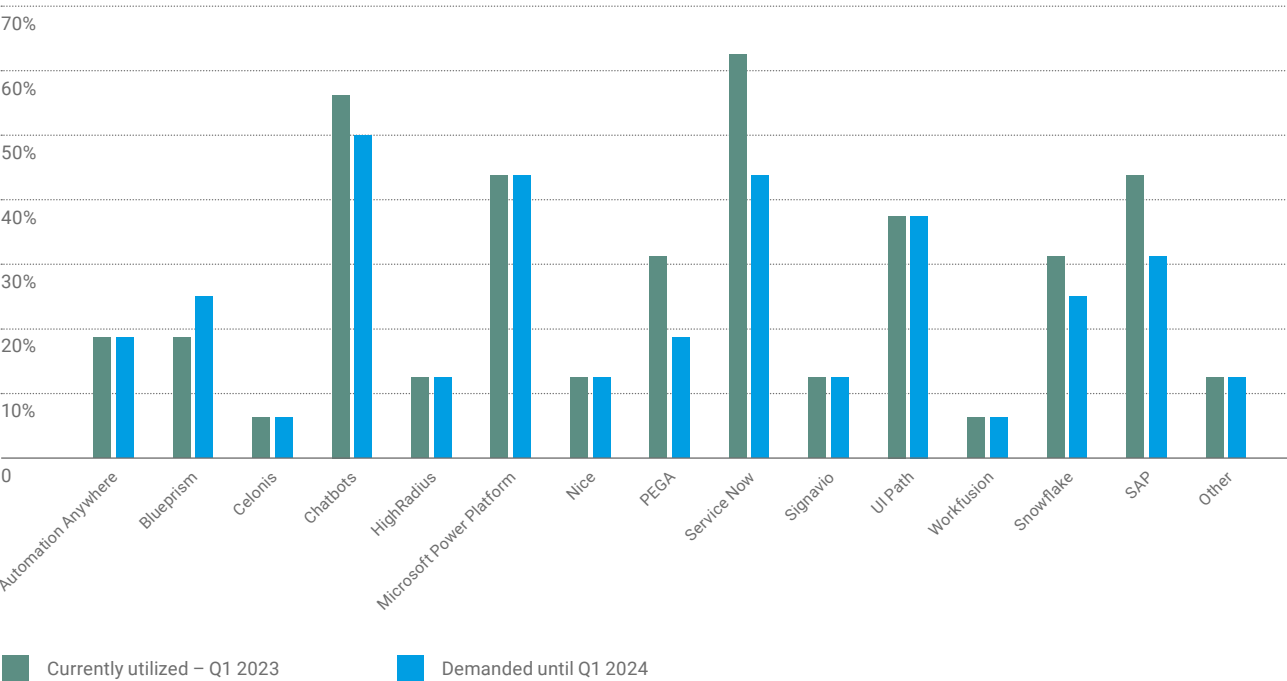
Demand for new specialists was in line with current usage apart from Blueprism (exceeding current use) in IT/ITO centers only.

FIGURE 2.7
UTILIZATION OF IPA, RPA & PROCESS MINING TECHNOLOGIES, AND THE NEED FOR SPECIALISTS IN THIS AREA TILL THE END OF Q1 2024 (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=138 companies)

FIGURE 2.8
UTILIZATION OF IPA, RPA & PROCESS MINING TECHNOLOGIES, AND THE NEED FOR SPECIALISTS IN THIS AREA TO THE END OF Q1 2024 (% OF RESPONSES) – IT / ITO COMPANIES ONLY



Source: ABSL’s study based on the results of the survey (N=16 companies)

ANALYTICS, ADVANCED ANALYTICS & VISUALIZATION

Data visualization is becoming increasingly popular; it enables managers and clients to make informed strategic decisions and allows data to tell a story, including creating manager dashboards. Similarly to last year, we observe the clear dominance of PowerBI over Tableau and other available solutions. For IT/ITOs, the structure is more balanced with a more pronounced use of Google Data Studio.

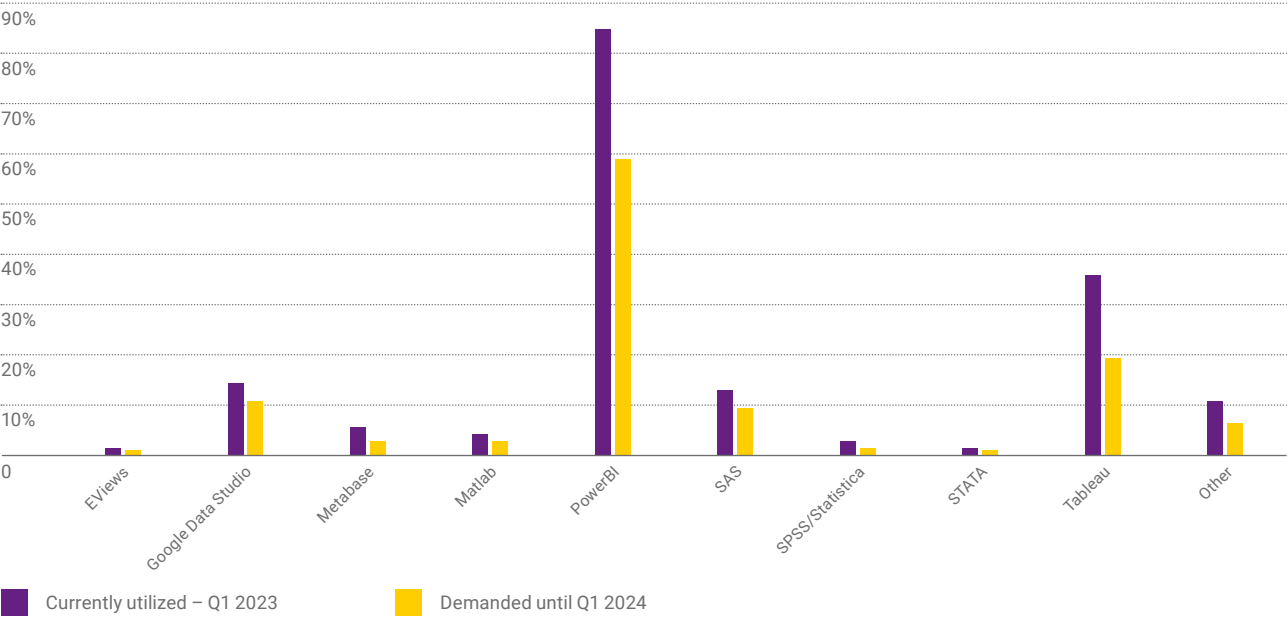
This digital transformation also points to the integration of systems and evaluation of the effectiveness of processes based on automatically

generated data. There is an increasing appetite for constant access to automatically updated data, preferably in real-time, with visualization and presentation on various access platforms.

Furthermore, it is clear from our strategic foresight report panels and review of industry trends, that a trend towards hyper-personalization of services will be gaining momentum in the next few years, with information on users and their preferences being collected en masse. Predictive analytics could therefore also become increasingly important.

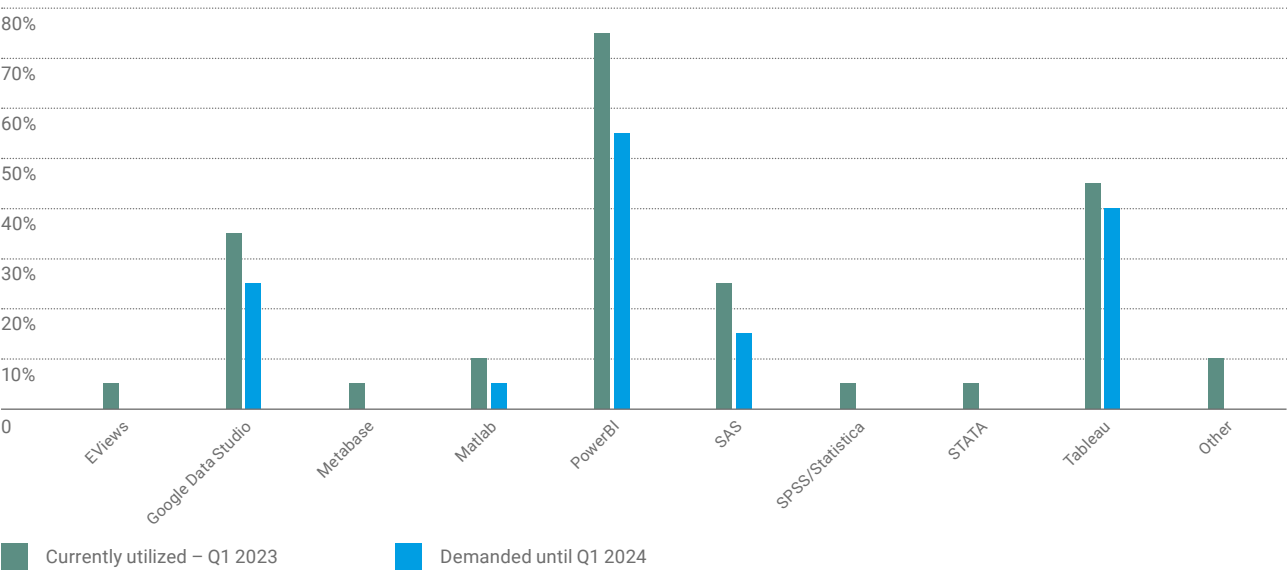
Technology as a driver of change in the sector

FIGURE 2.9
UTILIZATION OF ANALYTICS & VISUALIZATION TECHNOLOGIES AND THE NEED FOR SPECIALISTS IN THIS AREA TILL THE END OF Q1 2024 (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=139 companies)

FIGURE 2.10
UTILIZATION OF ANALYTICS & VISUALIZATION TECHNOLOGIES AND THE NEED FOR SPECIALISTS IN THIS AREA TO THE END OF Q1 2024 (% OF RESPONSES) – IT / ITO COMPANIES ONLY



Source: ABSL's study based on the results of the survey (N=20 companies)

SPECIALIZED MODELS, METHODS, AND TECHNIQUES

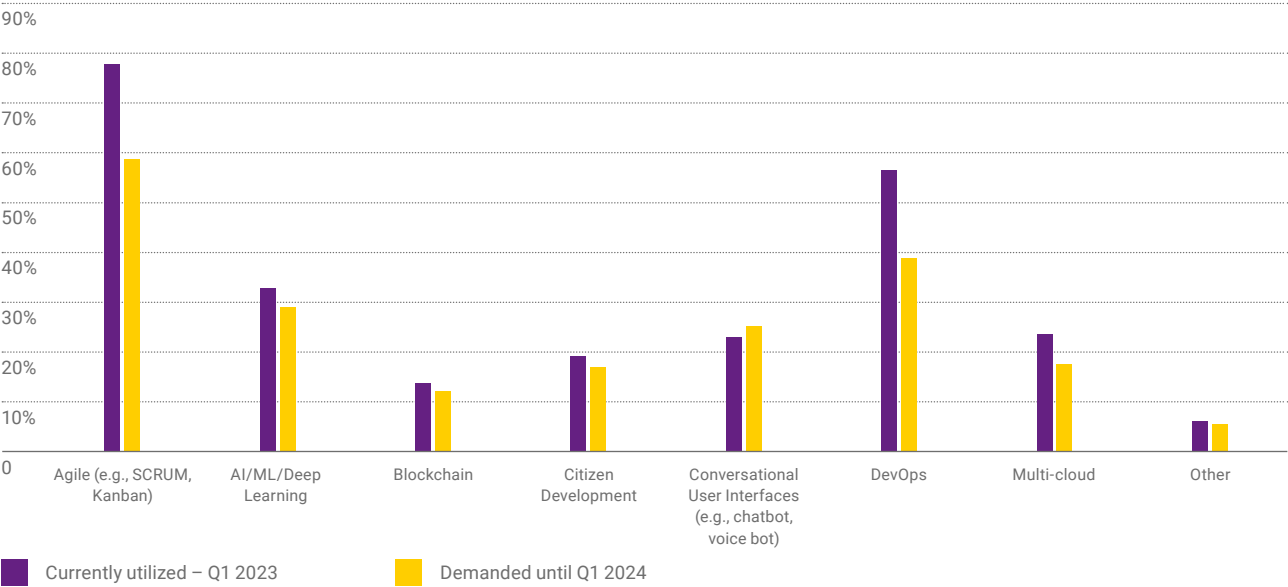
For the first time, we asked the respondents about the use of certain specialized models, methods, and techniques.

77.9% utilize Agile methods such as SCRUM and Kanban. Among IT/ITOs, unsurprisingly, the share went up to 90.0%. 56.5% utilize DevOps (for IT/ITOS 81.8%). Artificial Intelligence, Machine Learning, and Deep Learning was utilized by 32.8% of respondents (50.0% among IT/ITOs with increased interest in specialists reported

for 2024). 23.7% of respondents utilized multi-cloud solutions (40.9% among IT/ITOs).

Conversational User Interfaces were utilized by 22.9% with growing interest from specialists in this domain (31.8% among IT/ITOs). Approximately one in five firms used citizen development (with less interest shown by IT/ITO). Interest in blockchain solutions grew but slowly with 13.7% of respondents (27.5% among IT/ITOs) utilizing these solutions.

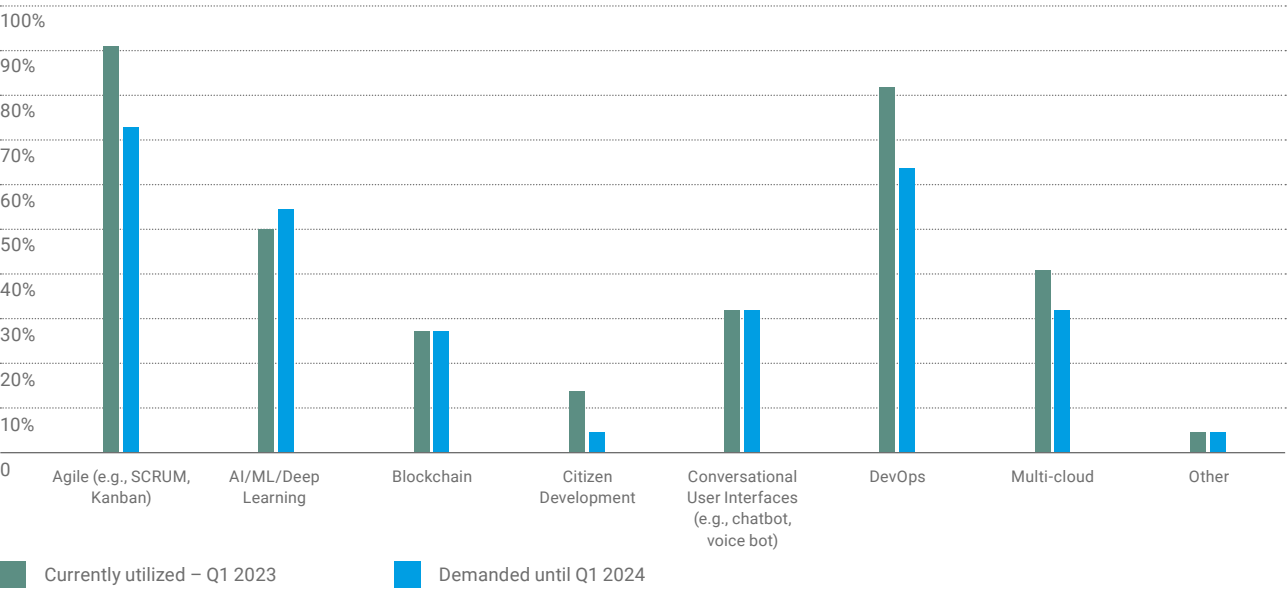
FIGURE 2.11
UTILIZATION OF SPECIALIZED MODELS, METHODS, AND TECHNIQUES AND THE NEED FOR SPECIALISTS IN THIS AREA TILL THE END OF Q1 2024 (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=131 companies)

FIGURE 2.12

UTILIZATION OF SPECIALIZED MODELS, METHODS, AND TECHNIQUES AND THE NEED FOR SPECIALISTS IN THIS AREA TO THE END OF Q1 2024 (% OF RESPONSES) – IT / ITO COMPANIES ONLY



Source: ABSL's study based on the results of the survey (N=22 companies)

INTELLIGENT PROCESS AUTOMATION



58.2%

IPA part of daily operations.



19.3%

The mean reported automation of processes in Q1 2023 (median = 15.0%).

One of the most distinctive trends in both the global industry and Poland is the growth in Intelligent Process Automation.

In 2021, 62.2% of business services centers in Poland stated that they utilized IPA (to varying degrees), 26.5% intended to implement it in the future, with only 8% stating that they were not interested in introducing it. Last year, the share of users was 60.9%, with another

26.7% planning to implement IPA in the future while 12.4% were not interested. This year the share of users now stands at 58.2%, with another 30.3% planning to implement IPA in the future while 11.5% were not interested.

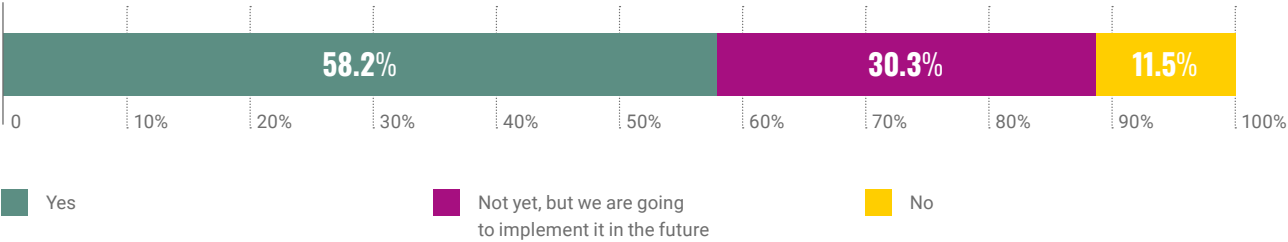
IPA, according to this year's results from the survey, was most often implemented by SSC/GBS (61.7%) hybrid centers (59.3%), followed by BPO centers (57.1%), and by

IT companies (36.4%). R&D was 100.0% but there were only two participants from this sub sector.

The main objective of introducing IPA (57%, 50.0% of respondents last year) is cost-optimization, with companies utilizing IPA increasing 7.0% YoY (13.0% in two years).

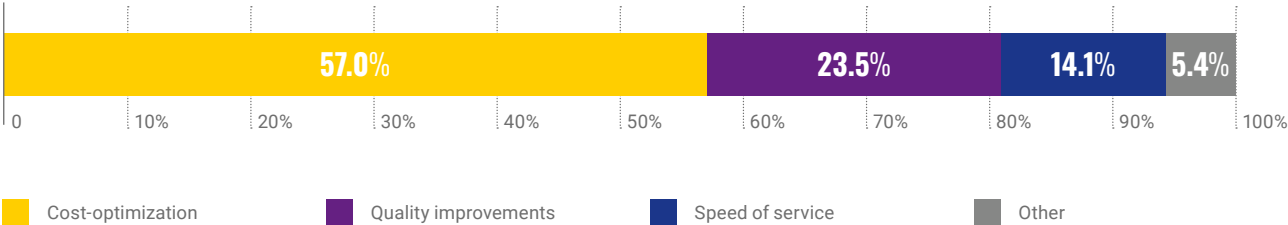
23.5% of respondents indicated that their priority for introducing IPA was quality improvement (24.0% last year), and 14.1% the speed of the service provided (15.1% last year). 5.4% of respondents indicated other aims.

FIGURE 2.13
IS INTELLIGENT PROCESS AUTOMATION (E.G., ROBOTIC PROCESS AUTOMATION) PART OF YOUR OPERATIONS? (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=165 companies)

FIGURE 2.14
THE KEY AIM OF IMPLEMENTING IPA IN YOUR CENTERS IN POLAND (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=146 companies)

Respondents stated that their most popular benefits for implementing IPA were productivity improvement (1.26) and cost reduction (1.05) followed by an increase

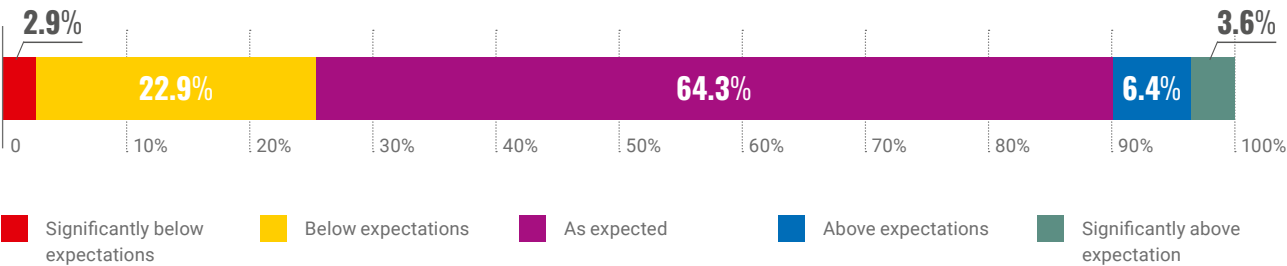
in company competitiveness (0.88). The least popular aim was minimizing IT systems development (legacy systems syndrome).

FIGURE 2.15
WHAT ARE THE MAIN BENEFITS OF USING BUSINESS PROCESS AUTOMATION IN YOUR CENTER?
(LIKERT SCALE – 2 TO +2, MEAN SCORE)



Source: ABSL's study based on the results of the survey (N=145 companies)

FIGURE 2.16
HAS THE AUTOMATION IMPLEMENTED SO FAR BROUGHT THE EXPECTED RESULTS?



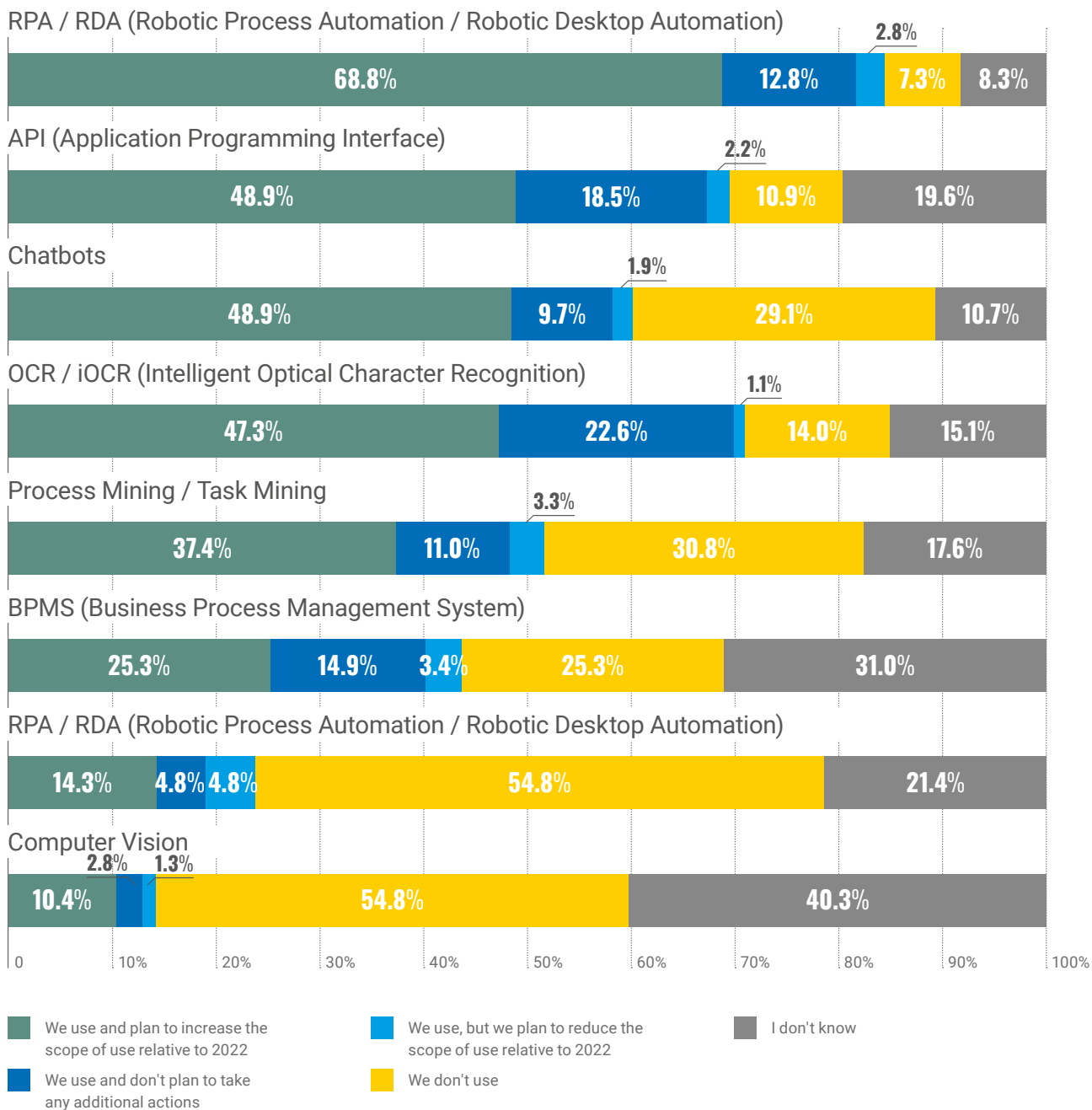
Source: ABSL's study based on the results of the survey (N=145 companies)

According to respondents' answers, the most frequently utilized IP technologies included RPA / RDA (Robotic Process Automation / Robotic Desktop Automation), Chatbots, API (Application Programming Interface), and OCR / iOCR (Intelligent Optical Character

Recognition). Voicebots and computer vision were the least popular at this time. Process Mining / Task Mining, as well as BPMS (Business Process Management System), are likely to grow in significance in the years to come.

FIGURE 2.17

WHICH IPA TECHNOLOGIES ARE CURRENTLY UTILIZED IN YOUR CENTER(S) LOCATED IN POLAND AND WHAT ARE THE PLANS RELATED TO THEM IN THE NEXT 12 MONTHS (TILL Q1 2024)?

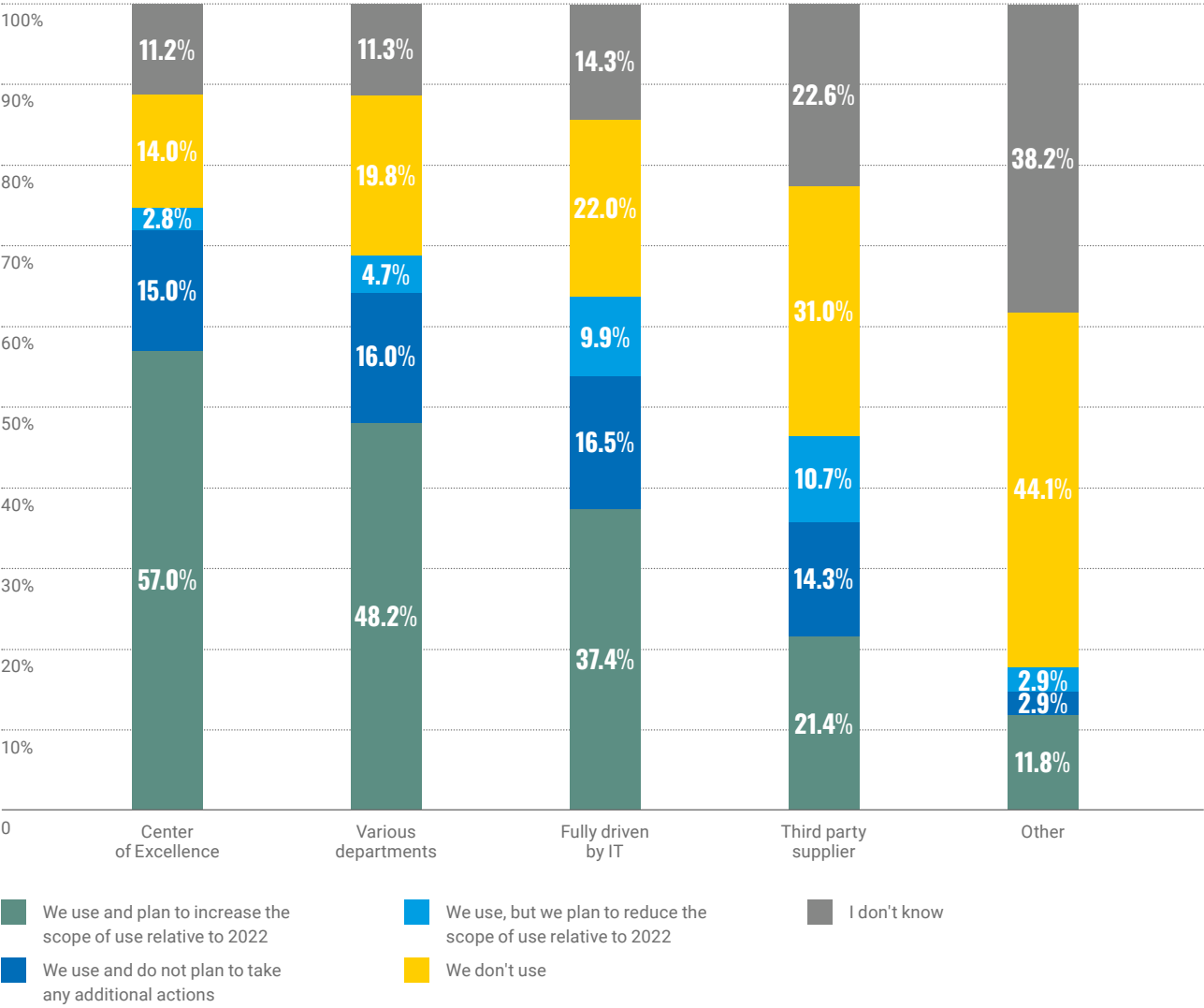


Technology as a driver of change in the sector

According to respondents' answers, a dedicated Center of Excellence was most frequently responsible for business process automation in the centers located in Poland followed by various other departments within a firm. Fully driven by IT mode was less popular with the business process automation driven (acquired) by an external supplier being the least popular.

The mean reported size of the Center of Excellence in Poland was 9.24 FTE with a median of five FTE, with the largest declared Center employing 70 FTEs. At this stage, the departments are rather small in comparison to the mean reported center size of 241.

FIGURE 2.18
WHO IS RESPONSIBLE FOR BUSINESS PROCESS AUTOMATION IN YOUR CENTER(S) AND WHAT ARE THE PLANS FOR THE NEXT 12 MONTHS (UNTIL Q1 2024)?

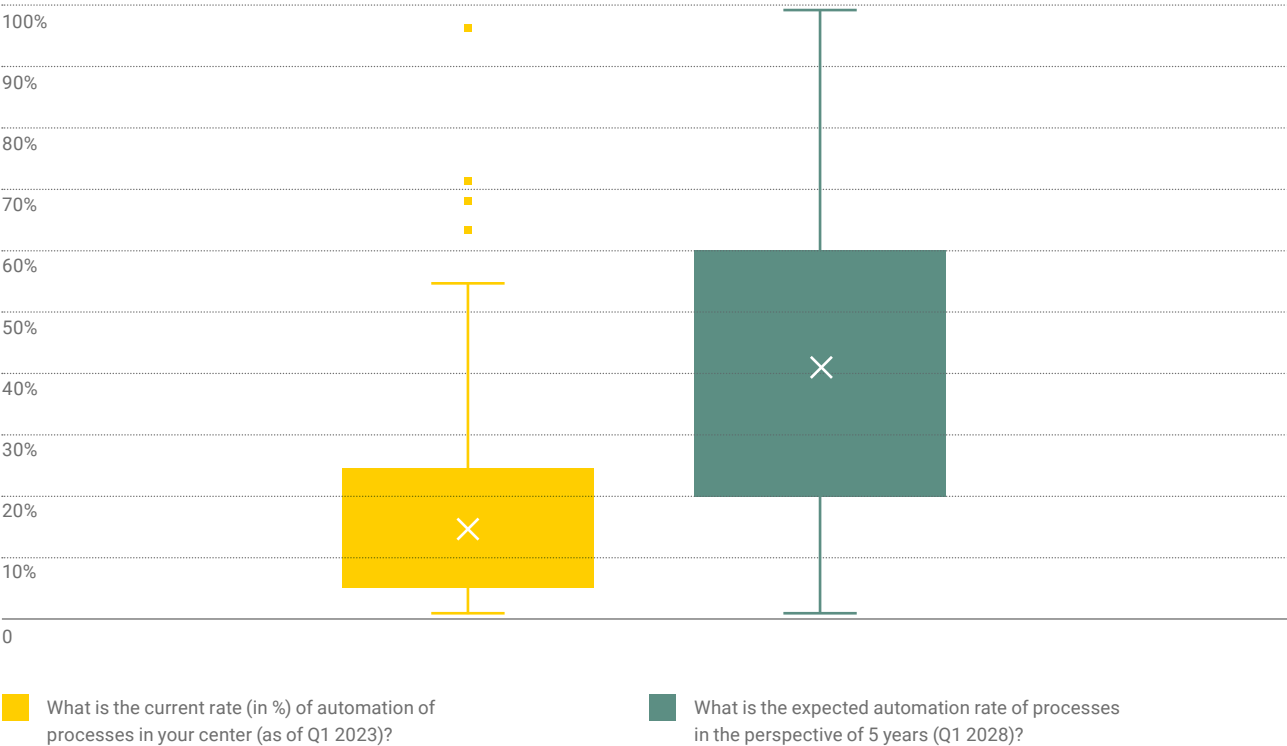


Source: ABSL's study based on the results of the survey (N=109 companies)

Similarly to last year's edition, we asked center managers about the current rate (in %) of the automation of processes in their centers (at the end of Q1 2023) and the expected automation rate of processes in the next five years (to Q1 2028). In the last annual report, the declared mean current automation rate was 18.75%, with the median at 15.0%. The expected automation rate in the next five years (from Q1 2022) was 38.1%, with a median of responses standing at 35.0%. This year, the mean has gone up to 19.6%, with the median again

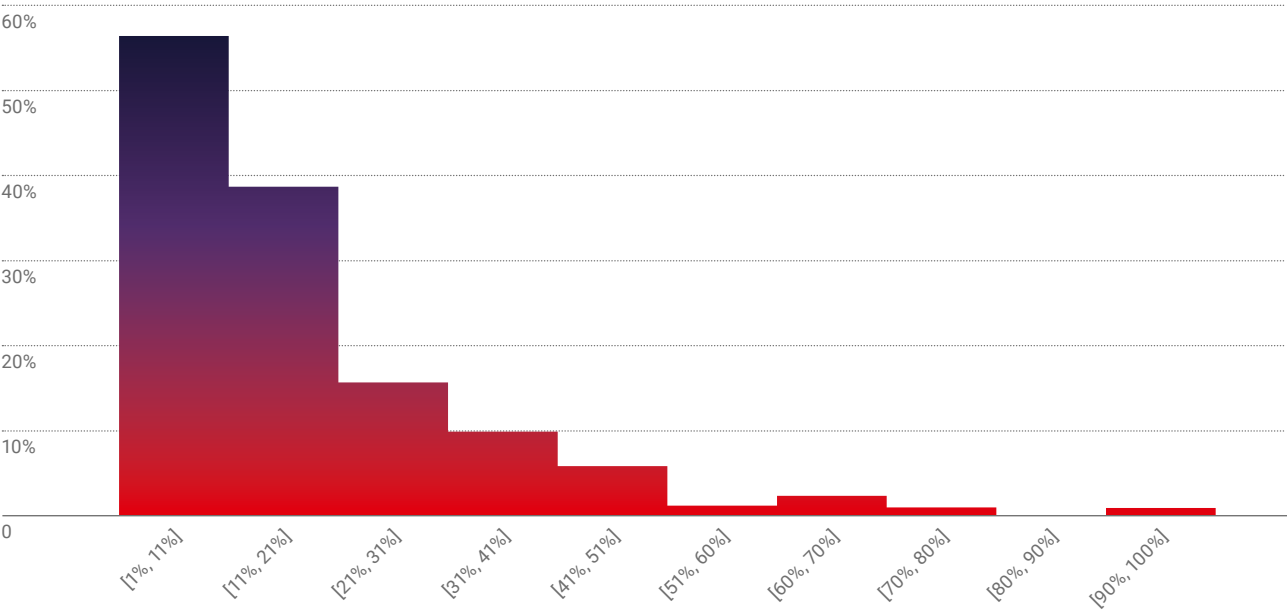
at 15.0%. The expected automation rate in the next five years (Q1 2028) is 40.7%, with a median of responses standing at 40.0% (+5.0% YoY). Furthermore, the distribution of the answers on the current automation rate is highly skewed to the right (median significantly below the mean, with most respondents declaring a low overall automation rate), while the expected automation rate in five years is much closer to the bell curve (normal distribution).

FIGURE 2.19
THE CURRENT AND EXPECTED AUTOMATION RATE OF PROCESSES AT THE CENTER
– BOXPLOT OF RESPONSES



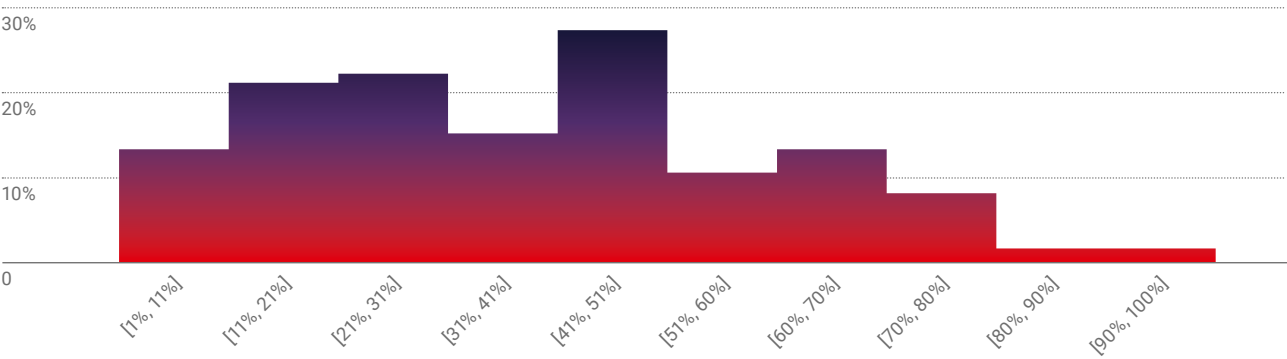
Source: ABSL's study based on the results of the survey (N=136 companies)

FIGURE 2.20
THE CURRENT AUTOMATION RATE OF PROCESSES AT THE CENTER – HISTOGRAM OF RESPONSES



Source: ABSL's study based on the results of the survey (N=136 companies)

FIGURE 2.21
THE EXPECTED AUTOMATION RATE OF PROCESSES AT THE CENTER IN 5 YEARS – HISTOGRAM OF RESPONSES



Source: ABSL's study based on the results of the survey (N=136 companies)

Last year we asked about the processes performed in centers that have been automated (IPA) by at least 70.0%. The top methods indicated by more than 15.0% of respondents included F&A: Accounts Payable – 36.1% of respondents, F&A: Invoice to Cash (incl. Cash Allocation, Cash Collection, Disputes Management) – 20.8%, F&A: General Ledger & Period Reporting – 19.4%, Robotic Process Automation (RPA), Process Digitization – 16.7% and HR Administration & Reporting – 15.3% of respondents.

This year we decided to ask a different question – Which of the processes have been automated (IPA) in your centers? Respondents were asked to indicate the level of automation of the processes in a qualitative Likert scale, going from 0-none to 4 – fully automated.

The five most automated processes by a mean reported automation rate were:

- » **Intelligence & Insights: Business Intelligence, Data Analytics, Complex Performance Reporting,**
- » **IT: Testing,**
- » **IT: Robotic Process Automation (RPA), Process Digitization,**
- » **IT: User support / Service Desks,**
- » **F&A: Accounts Payable and IT: Enabled Services.**

With results close to two – mediocre level of automation at this stage. For most of the processes, the mean was close to one or a low level of automation.

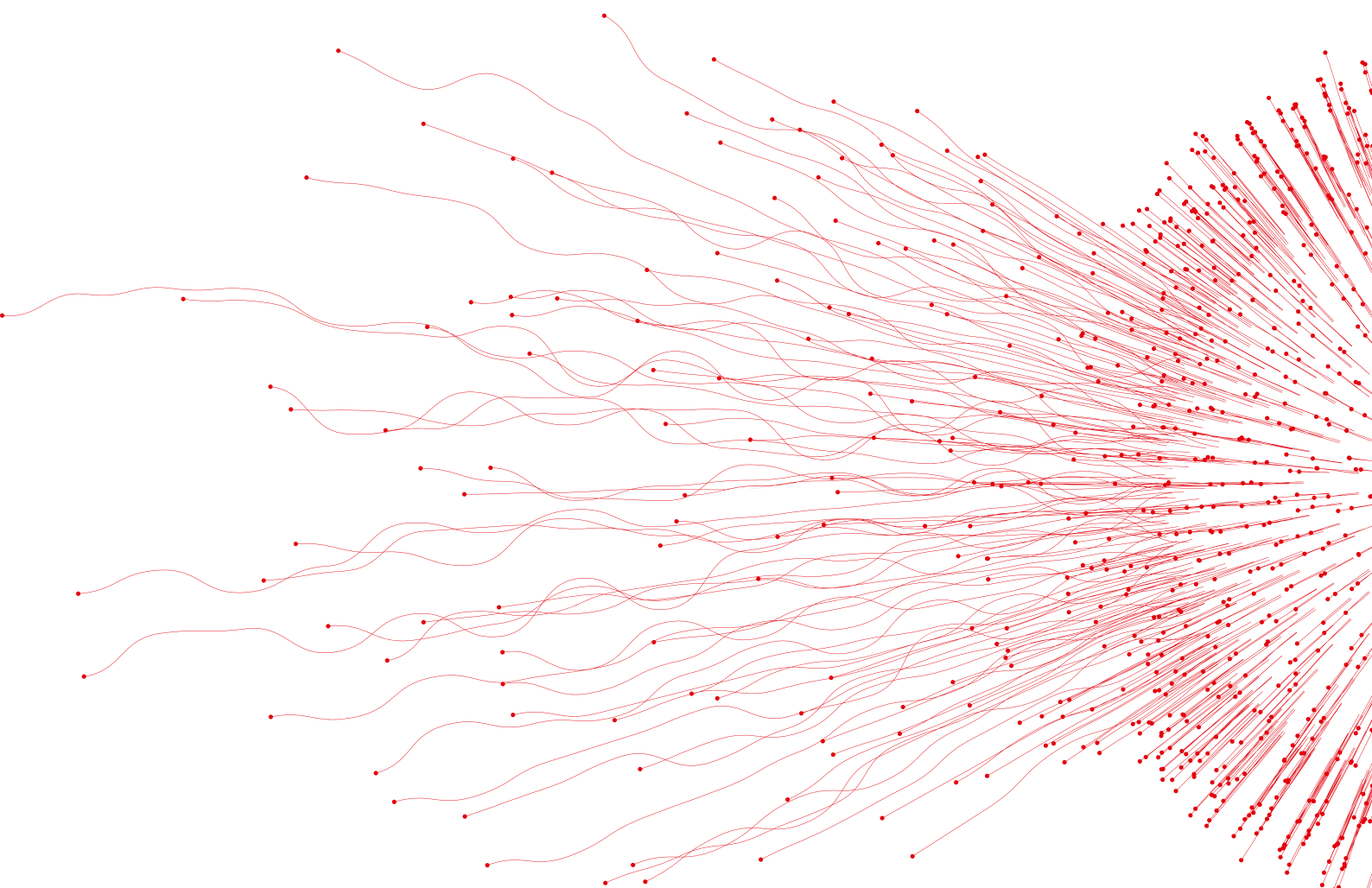
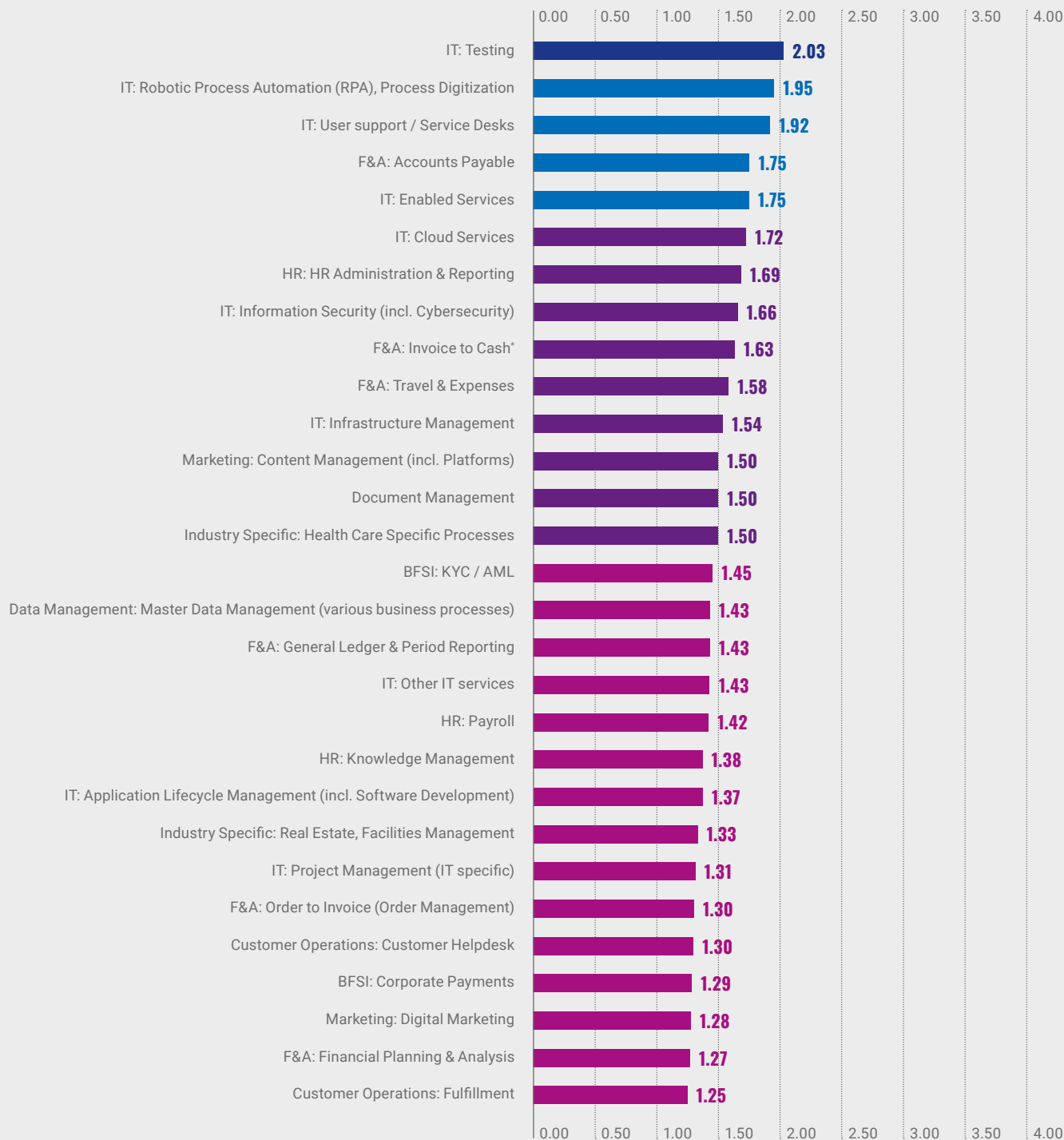


FIGURE 2.22

WHICH OF THE PROCESSES HAS BEEN AUTOMATED (IPA) IN YOUR CENTERS? PLEASE INDICATE THE LEVEL OF AUTOMATION OF THE SELECTED PROCESSES (0 – NONE / 4 – FULLY AUTOMATED) (PART 1)
(% OF RESPONSES)

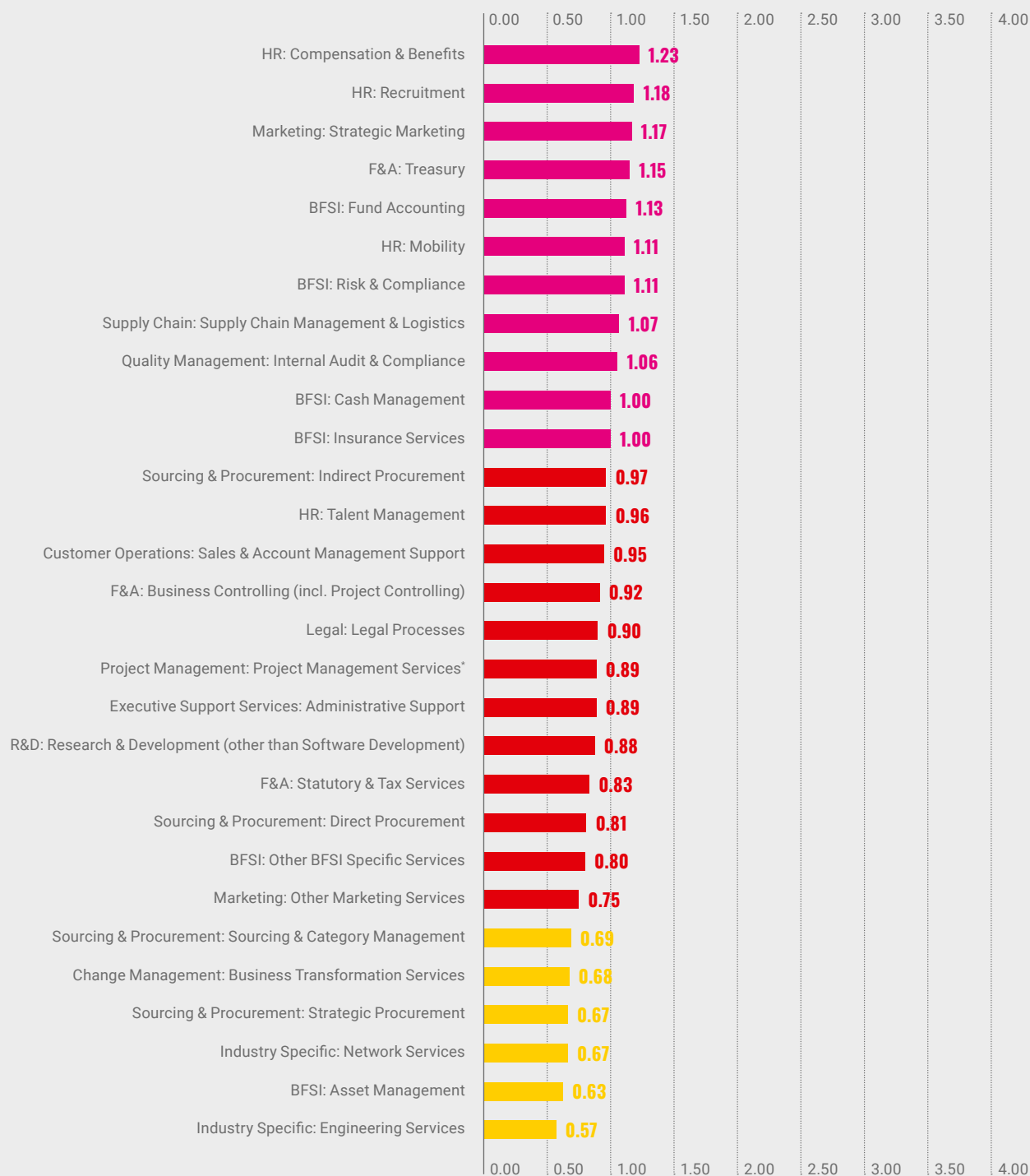


* incl. Cash Allocation, Cash Collection, Disputes Management

Source: ABSL's study based on the results of the survey (N=100 companies)

FIGURE 2.23

WHICH OF THE PROCESSES HAS BEEN AUTOMATED (IPA) IN YOUR CENTERS? PLEASE INDICATE THE LEVEL OF AUTOMATION OF THE SELECTED PROCESSES (0 – NONE / 4 – FULLY AUTOMATED) (PART 2)
(% OF RESPONSES)



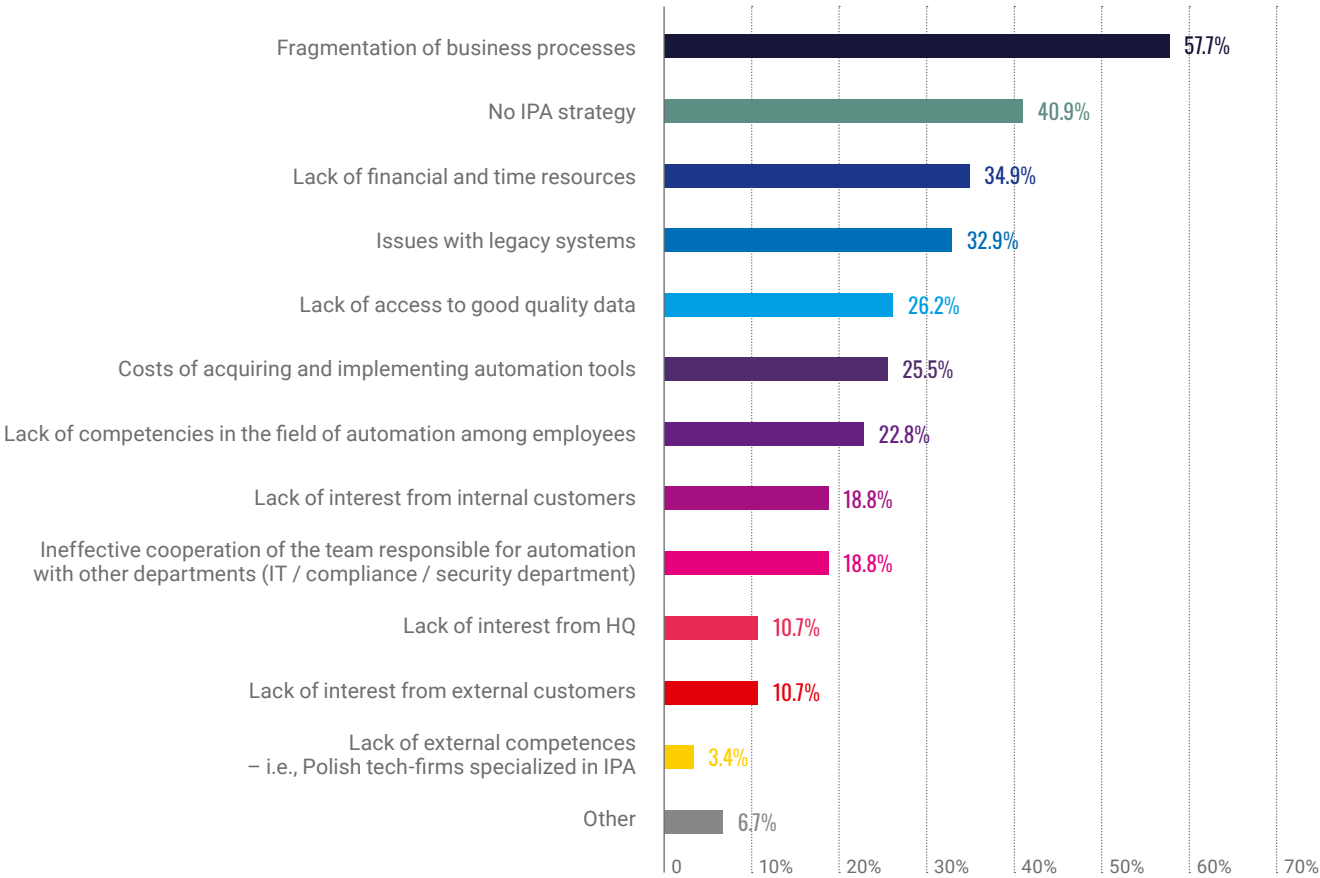
* incl. Service Transitions

Source: ABSL's study based on the results of the survey (N=100 companies)

The main barriers to process automation in Poland’s business centers, indicated by respondents, have changed slightly since last year’s survey. The hurdles, as we have already stressed, can be considered significant challenges for upskilling, overall upgrading, and greater value-added creation. These issues could also be an issue for the business operating model of centers and therefore may adversely affect their future development in Poland.

These major hurdles included fragmentation of business processes (57.7%), lack of an IPA strategy (40.9%), and insufficient financial and time resources (34.2%) – a barrier that was at the top of respondents concerns in last year’s report. More than one in four respondents additionally pointed to a lack of access to good quality data (26.2%), costs of acquiring and implementing automation tools (25.5%), and issues with legacy systems (32.9%). Overall, most of the barriers indicated by respondents were internal rather than external or systemic.

FIGURE 2.24
MAIN BARRIERS TO IMPLEMENTATION OF IPA IN CENTERS LOCATED IN POLAND (% OF RESPONSES)



Source: ABSL’s study based on the results of the survey (N=149 companies)

UTILIZATION OF CLOUD TECHNOLOGIES

31.7% of respondents utilized a private cloud, with most using a hybrid cloud (41.0%) and 27.3% using a public cloud with one supplier.

In most centers (51.7%) the size of the team in Poland that was dedicated to the development and maintenance of cloud services was small (five or below of FTEs).

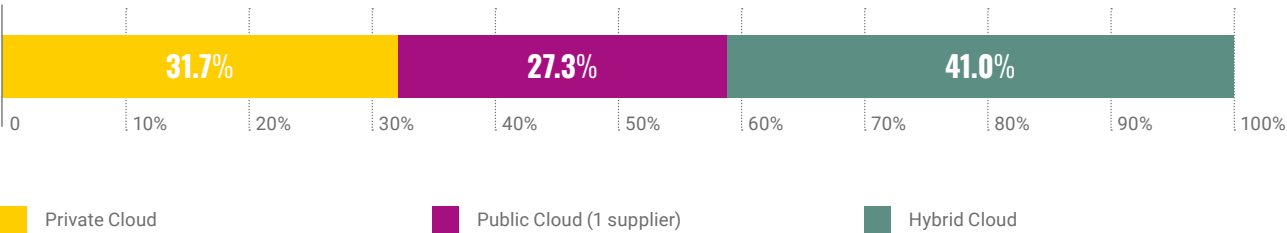
The cloud was reported to be used primarily for e-mail, file storage, office software (all with more and data backup).

More advanced uses were not popular among respondents (but were still utilized by more than 50% of centers): Computing power for applications (cloud computing), ERP, and CRM.

The top three reported benefits of using cloud technology included a simplification of IT resource management (e.g., IT process automation), Increased flexibility in the use of IT resources, and increasing the reliability of IT resources (availability). The least noticeable benefit was cost reduction.

As for the largest barriers to using cloud technology in an organization, respondents stated that legal regulations, e.g., in the area of data processing and collection, and cloud migration costs were major issues. Hurdles which were not seen as such a concern for the majority of respondents included a lack of competencies in the area of cloud technology and a lack of senior management’s support/direction.

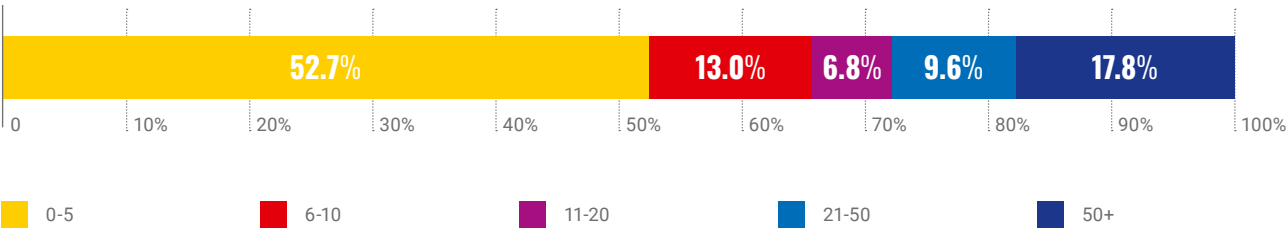
FIGURE 2.25
WHAT TYPE OF CLOUDS ARE USED IN YOUR CENTER(S)? (% OF RESPONSES)



Source: ABSL’s study based on the results of the survey (N=139 companies)

FIGURE 2.26

HOW MANY EMPLOYEES IN POLAND ARE DEDICATED TO THE DEVELOPMENT AND MAINTENANCE OF CLOUD SERVICES IN YOUR COMPANY? (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=146 companies)

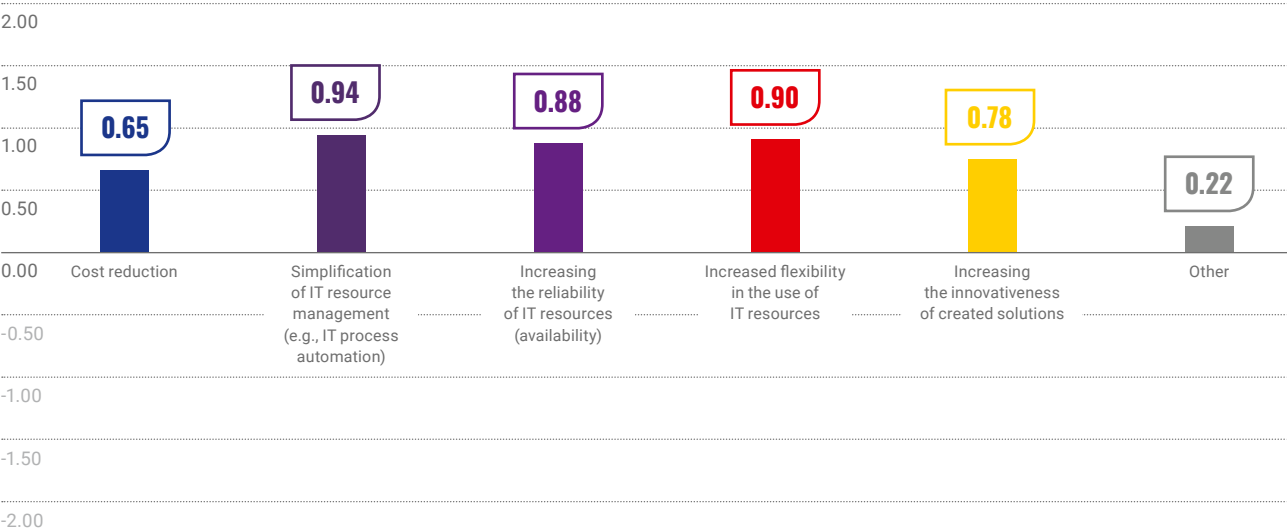
FIGURE 2.27

WHAT TYPES OF APPLICATIONS, SYSTEMS, AND IT SERVICES IN YOUR CENTER(S) ARE UTILIZED IN YOUR CENTERS ON A DAILY BASIS IN CLOUD TECHNOLOGY?



Source: ABSL's study based on the results of the survey (N=142 companies)

FIGURE 2.28
BENEFITS OF USING CLOUD TECHNOLOGY IN YOUR ORGANIZATION (MEAN RESULT FROM A QUALITATIVE ASSESSMENT USING LIKERT SCALE 2 TO +2)



Source: ABSL's study based on the results of the survey (N=127 companies)

FIGURE 2.29
BARRIERS TO USING CLOUD TECHNOLOGY IN YOUR ORGANIZATION (MEAN RESULT FROM QUALITATIVE ASSESSMENT USING LIKERT SCALE - 2 TO +2)



Source: ABSL's study based on the results of the survey (N=114 companies)

CYBER SECURITY CONCERNS

Cyber security concerns as well as threats are rapidly increasing. According to a recent Cisco cybersecurity report (Cyber security threats trends) – 86.0% of organizations have at least one user trying to connect to a phishing site, 70.0% of organizations had users who were served malicious browser ads, 69.0% of organizations experienced some level of unsolicited crypto mining, and 50.0% of organizations encountered ransomware – related activity.

Cybersecurity threats are greater and at the same time becoming more advanced. Since Q1 2022, cybercriminals have delivered a wave of cyber-attacks that were not just highly coordinated, but far more advanced than previously encountered.

According to Verizon's (Verizon 2023) Data Breach Investigations Report 2023, several trends are clear. Cyber security threats are growing. Social Engineering attacks seem to be often highly effective and extremely lucrative for cybercriminals – Business Email Compromise (BEC) attacks (which are in essence pretexting attacks) almost doubled, and now represent more than 50% of incidents within the Social Engineering pattern. 74.0% of all breaches include a human element, with people being involved either via error, privilege misuse, use of stolen credentials, or social engineering. 83.0% of breaches involved external actors, with the primary motivation for attacks continuing to be financially driven (95.0% of breaches). The three primary ways in which attackers access an organization are stolen credentials, phishing, and exploitation of vulnerabilities. At the same time, ransomware

continues its reign as one of the top action types to be utilized in breaches with 24.0% and is ubiquitous among organizations of all sizes and in all industries.

Against this backdrop, and rather surprisingly, only 28.0% of respondents stated that they had a cybersecurity incident at their company in 2022.

Most firms (60.1%) did not encounter the problem of the availability of information security specialists in 2022. 31.5% encountered the problem when trying to hire specialists and 7.7% when it was trying to acquire competencies from the market.

Leakage of sensitive information as a result of a hacker attack was indicated by 95.5% of respondents as the greatest risk related to a cybersecurity threat. Next was data encryption as a result of a ransomware attack (58.6%) followed by leakage of sensitive information as a result of the intentional actions of an employee (46.8%).

Regarding firms' plans in the area of cybersecurity, most investments had already been planned or were part of a current strategy with additional elements: corporate network security (52.3%), Security Area Automation (SOC) (45.0%), and public cloud security (35.1%).

Taking into account the complex geopolitical situation in the region, 45.4% of respondents planned to move copies of data or part of business systems outside the country (Poland) as part of a business continuity plan (BCP).

KRAKÓW

a fusion
of past

and **FUTURE**

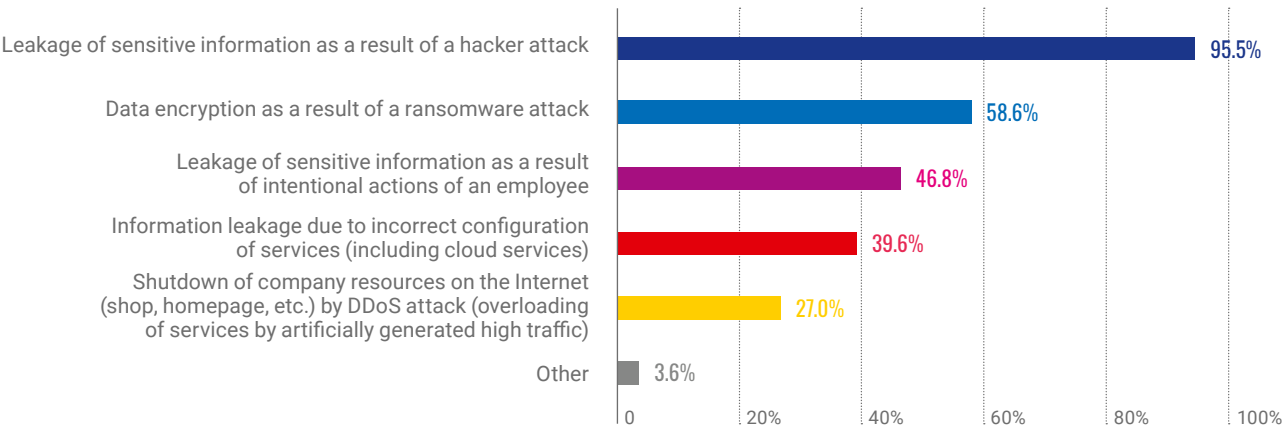
Technology as a driver of change in the sector

FIGURE 2.30
DID YOU ENCOUNTER A PROBLEM WITH THE AVAILABILITY OF INFORMATION SECURITY SPECIALISTS IN 2022? (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=130 companies)

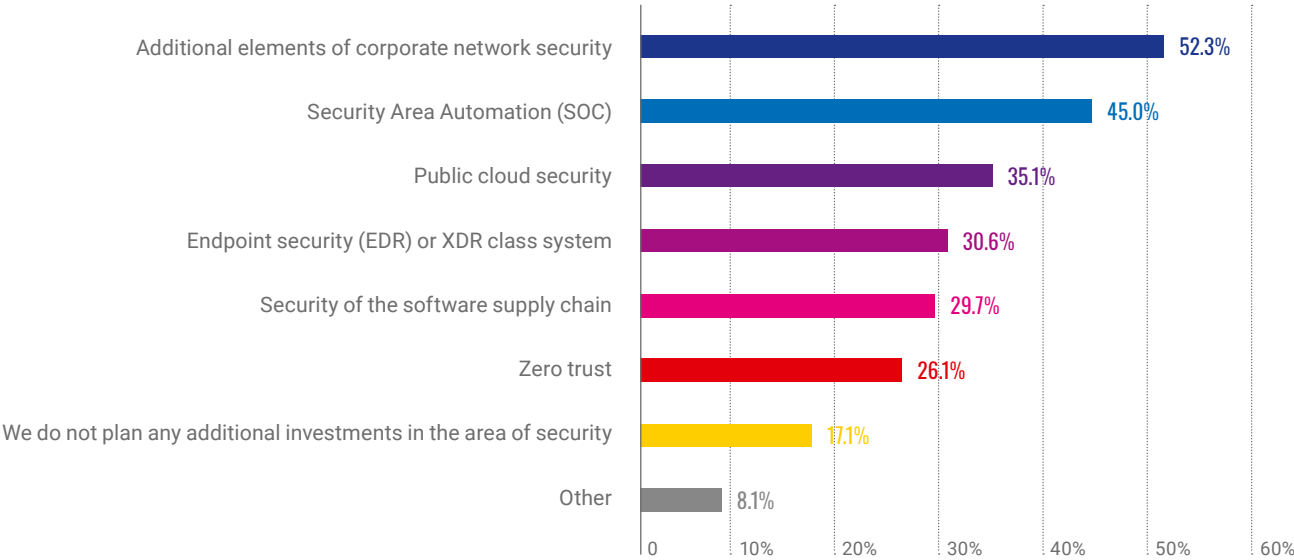
FIGURE 2.31
WHICH OF THE FOLLOWING CYBERSECURITY THREATS DO YOU SEE AS THE GREATEST RISK TO YOUR BUSINESS? (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=123 companies)

FIGURE 2.32

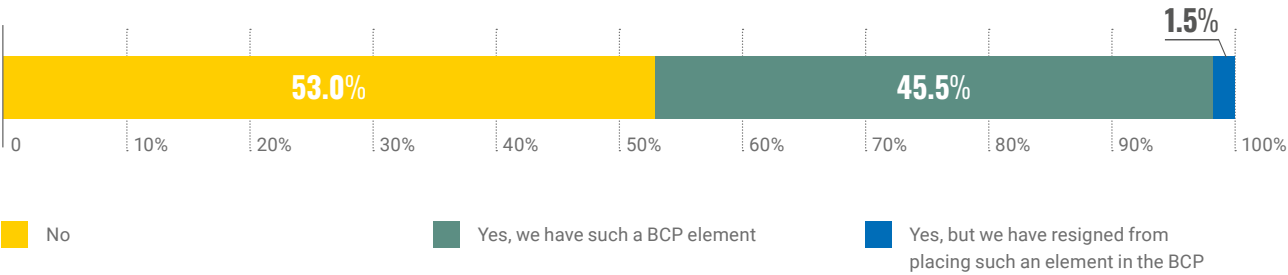
INVESTMENTS IN WHICH OF THE FOLLOWING AREAS RELATED TO SECURITY HAVE ALREADY BEEN PLANNED OR ARE PART OF YOUR STRATEGY (DUE TO THE TENSE GEOPOLITICAL SITUATION AND THE INCREASED LEVEL OF CYBER THREATS)? (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=111 companies)

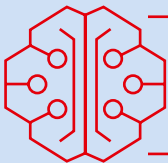
FIGURE 2.33

DUE TO THE GEOPOLITICAL SITUATION IN THE REGION, HAVE YOU PLANNED TO MOVE COPIES OF DATA OR PART OF YOUR BUSINESS SYSTEMS OUTSIDE THE COUNTRY (POLAND) AS PART OF YOUR BUSINESS CONTINUITY PLAN (BCP)? (% OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=134 companies)

THE IMPACT OF AI ON THE BUSINESS SERVICES SECTOR IN POLAND IN THE NEXT 5 YEARS



This article was generated by AI

Artificial Intelligence (AI) is expected to have a profound impact on the business services sector in Poland over the next five years. Here is a summary of some possible effects:

Automation of repetitive tasks: AI technologies, including machine learning and robotic process automation, can automate repetitive and rule-based tasks. This automation can lead to increased operational efficiency, reduced costs, and faster turnaround times for businesses in the sector.

Improved customer experience: AI-powered chatbots and virtual assistants can enhance customer interactions by providing instant and accurate responses

to inquiries. These AI systems can handle a wide range of customer queries, freeing up human agents to focus on more complex and value-added tasks. This improved customer experience can lead to higher satisfaction levels and increased customer loyalty.

Data-driven decision-making: AI can analyze large volumes of data quickly and extract valuable insights. This capability enables businesses to make data-driven decisions, optimize processes, identify patterns and trends, and develop targeted marketing strategies. AI-powered analytics can provide valuable business intelligence, allowing companies to stay competitive in the market.

Personalization and recommendation engines: AI algorithms can analyze customer preferences, behaviors, and purchase histories to offer personalized recommendations. This level of personalization can improve cross-selling and upselling opportunities, increase customer engagement, and drive revenue growth for businesses in the sector.

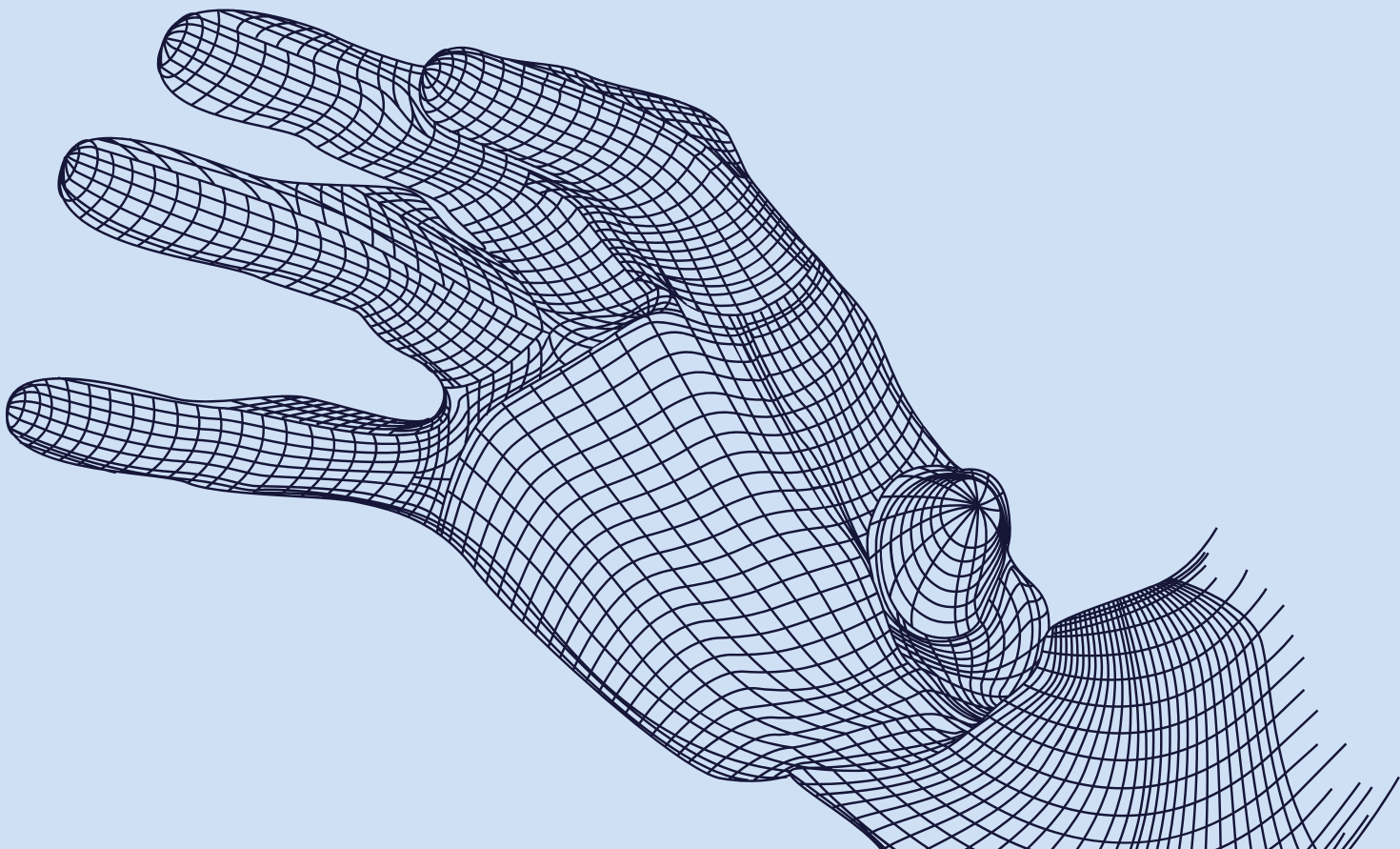
Enhanced cybersecurity: As businesses increasingly rely on digital systems and data, AI can play a crucial role in strengthening cybersecurity measures. AI algorithms can detect and respond to cyber threats in real time, identify anomalies in network behavior, and protect sensitive data from unauthorized access. AI-powered cybersecurity solutions can help businesses mitigate risks and safeguard their operations.

Job transformation and reskilling: While AI automation may lead to the displacement of certain job roles, it also presents opportunities for job transformation and reskilling. Employees can be trained to work

alongside AI systems, focusing on tasks that require human creativity, critical thinking, and emotional intelligence. This shift in job roles can lead to a more fulfilling and productive workforce.

Ethical and regulatory considerations: The increasing use of AI in the business services sector raises ethical and regulatory concerns. Issues such as data privacy, transparency, bias, and accountability need to be addressed to ensure responsible AI implementation. Policymakers and businesses will need to work together to establish frameworks and guidelines to govern the ethical use of AI.

Overall, the adoption of AI technologies in the business services sector in Poland holds great potential for increasing efficiency, improving customer experiences, and driving innovation. While challenges exist, careful planning, collaboration, and continuous learning will be key to harnessing the full benefits of AI in the next five years.



Agnieszka Belowska Gosławska

Head of Compliance Office at Nordea, Vice-President Digital and Technology ABSL

According to an ABSL study, 57% of companies implement automation for cost optimization purposes. The question is, are they able to reap the benefits, or is it merely a number shown to the board during a PowerPoint presentation? Process fragmentation (reported by 57.7% of respondents) does not support an appropriate benefit realization, as it would initially require process simplification and unit restructuring. On top of this, the lack of a proper IPA strategy (reported by 40.9%) does not enable embedding hyper automation into a global master plan. Quite often investments in this field are not properly utilized with benefits being analyzed in a detached manner. "Nothing is free on Wall Street". Digitalization requires a significant financial outlay and as in any other fields of BPO/SSC sector, being laser focused on efficient and effective ways of running automation is critical for success.

And what if companies could reap these benefits? Does it mean we would see an increased number of layoffs? Or would we observe a need to upskill/reskill employees, whose jobs had been taken over by machines? With the latest technological development, we need new competences in the market – a situation for which we are not currently prepared. How do HR units and team leaders support employees in their career development? Are they equipped with the knowledge of how to navigate the path to new expertise?

To apply a transport metaphor, generative AI is changing our reality from an electric train to a Maglev driven service, and if we don't get on this (metaphorical) train now, it may very well leave the station without us. Leaders should follow the latest market trends and become tech aware, no matter which domain they head. This may provide a significant challenge for some of them, so a reliable support system is crucial here. Searching for advice among domain experts (also within academia), exchanging knowledge

in international forums, and using generative AI in order to improve one's competencies are all necessary steps to take. However, we will only be able to take these measures if we are open to change.

THE NUMBER OF LANGUAGES USED AT A CENTER

Having employees with a knowledge of rare languages has, for years, been simultaneously our biggest competitive advantage and greatest risk. On the one hand, the BPO/SSC sector in Poland can proudly boast the utilization of a large number of languages, with up to 62 being used on a daily basis; on the other hand, the ubiquitous emergence of NLP techniques may soon mean that we will become language agnostic, especially in the era of large language models. Expanding the usage of generative AI may significantly change the job market, for example, by removing the heavy workload from lawyers and compliance/risk officers, who may no longer have to spend hours analyzing lengthy protocols.

WORK FROM HOME

Companies continue to focus on defining and implementing new working standards, with an emphasis on hybrid models. What is often not given enough attention is how to adjust the leadership style to the "new normal". Leading people and machines in a virtual environment requires a different approach from leaders – one combining a company's culture, the employees' wellbeing, and the efficiency of processes.

THE SHARE OF WOMEN IN OVERALL EMPLOYMENT BY IT CENTER

The noticeably positive trend regarding the number of women hired in the IT sector proves that dedicated, multi-educational activities with the aim of reskilling/

upskilling female employees in the technology field, led by both the business and education sectors, can generate exceptional results. A new hybrid work environment has enabled and encouraged Polish society to shift from an old patriarchal model, in which women were stuck at home, to a model that enables them to further develop their careers.

Dominika Kaczorowska-Spychalska (PhD)

Centre for Intelligent Technologies, University of Lodz

This year's ABSL report, 'Business Services Sector In Poland', once again highlighted that digital technologies are undeniably a key driver for the growth of business service centers, including those in Poland. However, the extent and speed of their adoption, which has varied across industries and countries, has been crucial for the sector's development. The Covid-19 pandemic, as mentioned in the report, is widely considered to have been the catalyst for many of the changes we have witnessed at the intersection of technology and business over the past three years. Nevertheless, both the endemicity referenced in the report and geopolitical changes, including the ongoing conflict in Ukraine, high inflation, and the potential risk of further 'black swan' events, do necessitate the integration of digital resilience into business models to cope with unpredictability. This not only involves the current use of various tools, such as cloud technologies, IPA, RPA, Process Mining, and analytics, but also the demand for new specialists in these areas. However, it also prompts consideration regarding how to manage both categories to not only maintain the current status quo but, even more importantly, to consistently build a market advantage in the coming years.

DATA & BIG DATA

The reported wide range of data-related technologies, platforms, and tools in use is certainly encouraging, especially considering that the volume of available

PROGRAMMING LANGUAGES

A significant drop in demand for all types of IT specialists which is predicted for 2024 does raise a question: are we are facing a future crisis? Will companies be encouraged to increasingly utilize automation, which blossomed during Covid-19, due to the potential of further major cost savings.

data is not only growing exponentially but is also becoming increasingly diverse. However, from the perspective of decision-making quality and the level of business results achieved, the key issue is not merely the possession or access to data, but primarily the ability to integrate, select, and analyze it. Business Intelligence is increasingly becoming a determinant of the effectiveness and efficiency of implemented business models and strategies. It's also worth considering the potential for cyber-attacks and strategies to counter them, including data collection, storage, and sharing processes. In this regard, the report's results demonstrate a substantial understanding of potential threats within the analyzed sector and, if the declarations are accurate, the extent of investments in this area. Given the ongoing discussion, it may also be worth considering the potential future sharing of aggregated, anonymized data and their commercial models in a business context.

IPA

Over the past three years, there has been an increase in the number of business service centers in Poland which have been willing to implement Intelligent Process Automation (IPA). This year, one in three of the companies surveyed declared their intention to do this. Although this appears to be a positive forecast for the further development of this sector, there are still just over 11% of companies that are not interested in investing in this area. It is crucial to analyze

the reasons behind their decision, particularly in the context of the future development strategy of business service centers in Poland, including their individual locations. This could be influenced by a lack of sufficient competencies in collaborative intelligence, a lack of currently identified needs in this area in individual centers, a lack of interest from internal and/or external customers, or a limited awareness of the benefits of such investments especially in terms of productivity or the reduction of specific cost categories. Undoubtedly, the barriers limiting process automation in business service centers in Poland, as indicated later in the report, also contribute to this state of affairs.

The primary barriers to the implementation of Intelligent Process Automation (IPA) are the 'fragmentation of business processes' and the 'lack of an IPA strategy'. These factors can significantly hinder further development, impacting operational consistency, the continuity of activities, and the speed and scalability of implemented solutions. Financial issues and existing infrastructure (legacy systems) also influence the future dynamics of these processes. The level of automation appears to be affected by a lack of competence in this area among employees, as well as ineffective collaboration between the team responsible for automation and other departments. This presents significant challenges for the training system for future employees and necessitates increased cooperation between the education and business sectors.

NEW COMPETENCES

The report's findings clearly indicate that the quality of the education process is a key factor for the sector's further development. This highlights the role and importance of education in shaping a suitably qualified workforce, which, given the volatility and increasing complexity of the environment, should

combine technical knowledge and competencies which encompass soft skills. This combination presents real opportunities to enhance the efficiency and effectiveness of business outcomes.

However, it's worth noting that not only will the sheer number of graduates from specific fields of study domestically and internationally matter, but also, and perhaps more importantly, the knowledge, skills, and competences that they possess. These include future competencies such as creativity, collaboration, communication skills, and critical thinking. The rapid pace of current technological change may, in the long term, lead to a shortage of people with specialist competences and the associated consequences (e.g., high costs of employing specialists and experts in a given field, as well as cross-sector competition). This could also increase the level of unpredictability regarding the future skills graduates may need to possess.

Currently, we are discussing areas such as predictive analytics and prompt engineering, but it is a challenge to pinpoint which competences will be key in three to five years' time as today's students begin to enter the workforce. A potential solution may be the systematic intensification of cooperation between academia and business, implemented on both educational and scientific-research levels. This could involve dual degree programs, periodic joint updating of core curricula for individual fields of study along with their specializations, joint research, and implementation projects, as well as the creation of flexible 'sandboxes'. In these 'sandboxes', within university settings, including laboratories, it would be possible to verify and evaluate certain planned business solutions. The current level of cooperation still offers a wide range of possibilities, and the factors determining this state of affairs are due to limitations on both the academic and business sides.

Sebastian Kondracki

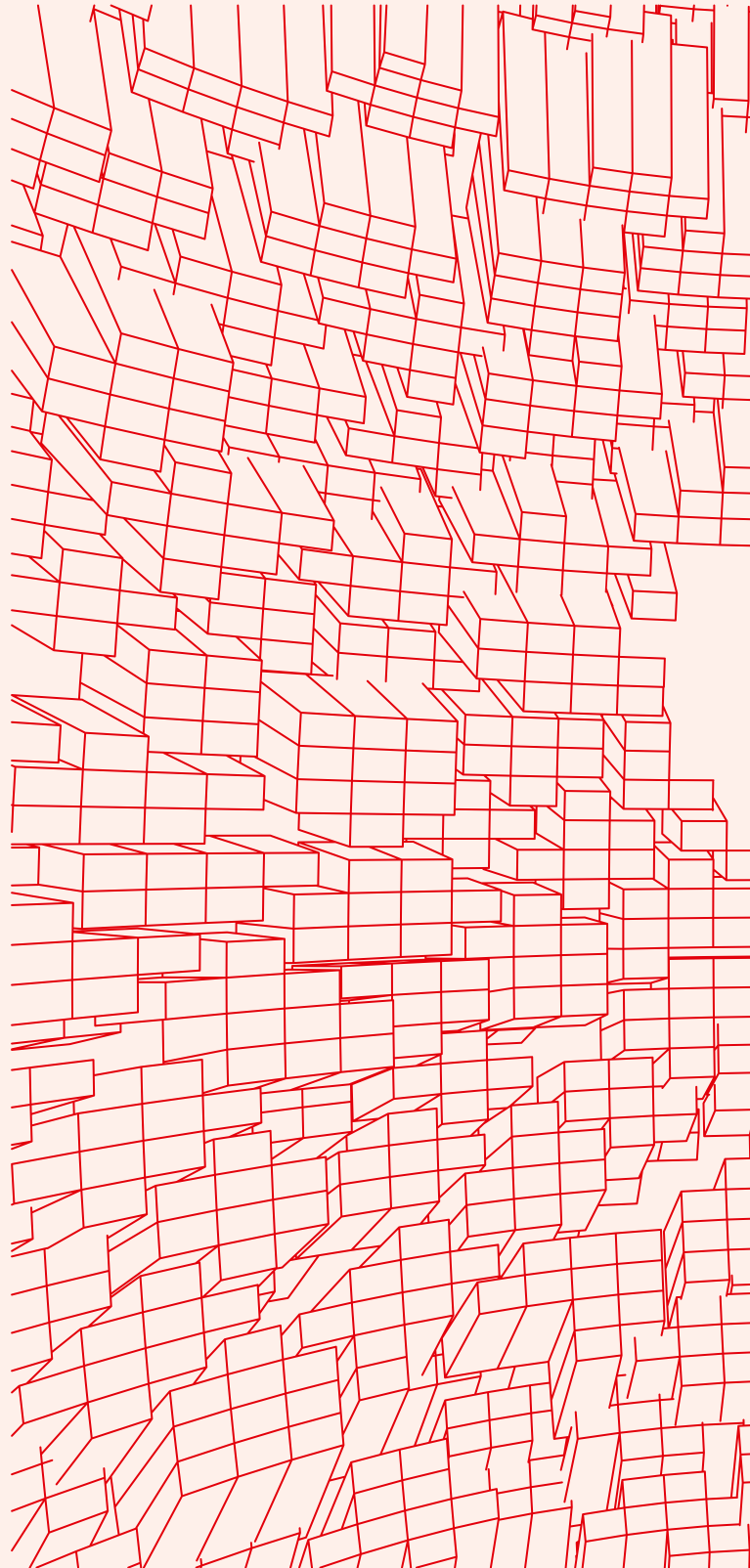
Chief Innovation Officer, Deviniti

DATA & BIG DATA

It is noteworthy that no SQL technologies such as MongoDB and Neo4J emerged in the DATA & BIG DATA category of the report. These technologies excel at processing complex, high-volume data structures. Moreover, they play a key role in innovative processes and AI-based solutions. Their increasing popularity over traditional SQL databases is a positive sign of the ongoing intelligent transformation. On top of this, we can add the very strong position of agile methodologies, DevOps culture and principles, as well as the more than the 30 per cent usage of techniques based on machine learning and deep learning. It's clear that innovation is making its way into CCS.

IPA

The report underscores the challenges faced when implementing intelligent automation in the shared services sector. It highlights that a primary obstacle is the 'fragmentation of business processes' as identified by respondents. Against this backdrop, it is now imperative for the sector to focus on the evolution of generative artificial intelligence, especially large language models. Such technologies currently present opportunities to devise advanced cognitive solutions that effectively address the risks stemming from the non-uniformity and pronounced fragmentation of business processes.



3 THE OFFICE MARKET

The Polish office real estate market is one of the most dynamic and innovative in the Central and Eastern Europe (CEE) region. With the changing post-pandemic reality and the emergence of the “new normal” reality, there are factors influencing its development and requiring adaptation to new conditions. The Russian invasion of Ukraine in 2022 which led to the first full-scale war in Europe since WWII, has significant implications for the economic situation throughout the CEE region, introducing uncertainty and hindering capital and trade flows. However, despite these challenges, the office real estate market in Poland remains in good condition.

At the beginning of 2023, the total supply of modern office space in the nine major markets in the country was 12.7 million m². Warsaw is the largest business hub in the country, attracting both domestic and international companies. In recent years, other metropolitan areas, and emerging markets in smaller cities such as Bydgoszcz and Opole have also witnessed development, and in turn, have become attractive locations for companies seeking office space. In terms of demand for leased office space in 2022, the market recorded a 20% growth in tenant activity in Warsaw and major regional cities. The total volume of lease transactions concluded in 2022 amounted to just under 1.5 million m². New leases dominated overall demand for modern office space nationwide, while the share of renegotiations and extensions decreased. The market is experiencing a gradual decline in development activity after years of seeing the delivery of numerous

new projects. At the beginning of 2023, just over 700,000 m² of office space was under construction.

The redefinition of work models and office functions is another significant aspect influencing the office real estate market in Poland. The rise in popularity of remote work has led many companies to redesign and rearrange their offices, transforming them into spaces that support hybrid work. Rising inflation and energy costs are impacting the office real estate market in Poland. The increase in energy prices, including electricity and fuel, has led to higher operating costs for office buildings. Investors are increasingly interested in properties that comply with ESG policies. This also influences a shift towards sustainable design and construction, requiring the introduction of new certification standards. In addition to existing green certification systems like LEED and BREEAM, certifications such as WELL, Fitwell, WiredScore, and SmartScore are gaining in popularity. These certifications confirm the comprehensiveness of intelligent systems, their security, and flexibility, i.e., a readiness for future technological changes in real estate.

Despite economic and geopolitical challenges, as well as the process of technological transformation, the Polish office real estate market remains in good condition. Investments in modern offices, low unemployment rates, and strong demand are positive indicators which point to the further development of this sector in Poland.



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FIGURE 3.1

OFFICE STATISTICS



12,700,000 m²

Total office supply in Poland. The largest office market in CEE.



11%

Share of demand generated by BPO & SSC centers in Warsaw.



19%

Share of demand generated by BPO & SSC centers in Warsaw and regions.



1,542

Number of lease agreements in 2022.



1,483,000 m²

Volume of lease agreements in 2022.



13

Number of lease agreements over 10,000 m².



9

Number of developed office markets.



712,000 m²

Space under construction in 2023.



EUR **27.50**

Highest asking rents in Warsaw (m² / month).



EUR **16.95**

Highest asking rents in regions (m² / month).



285,000 m²

Office space leased by BPO / SSC companies in 2022.



438,000 m²

Absorption in 2022.



13.8%

Vacancy rate in the main markets in Poland.

WARSAW

Warsaw is the largest office market in Poland with over 6.27 million m² of office space. At the end of Q1 2023, around 209,000 m² was under construction with delivery deadlines set for 2023-2025. A further 300,000 m² scheduled for 2024-2028 is in the planning phase.

In the past year, 12 projects were delivered to the market with a total area of 237,000 m². This is 27% less than in 2021. The largest projects included Varso Tower (63,800 m²), Forest Tower (51,500 m²), P180 (32,000 m²), and SkySAWA II (22,800 m²). In Q1 2023, no office project was completed on the Warsaw market for the first time in over 15 years.

The total volume of lease transactions in 2022 was 860,000 m², which was 33% higher than in 2021. The structure of demand was dominated by new transactions (49%), renegotiations (39%), which declined 6 p.p. on 2021's performance and expansions which accounted for 8%. The share of pre-let contracts totaled 9% of total demand. Q1 2023 ended with a stable level of tenant interest. The share of new contracts was 70%, while contract renewals dropped to 23%.

The average transaction size in 2022 was 1,100 m², which was on a par with that of 2020. The largest transactions recorded in 2022 included the pre-let of PKO Bank Polski in SKYSAWA (31,300 m²), a new contract by a confidential client in Forest Tower (30,000 m²), and a renegotiation with an expansion by ING in Plac Unii (23,500 m²).

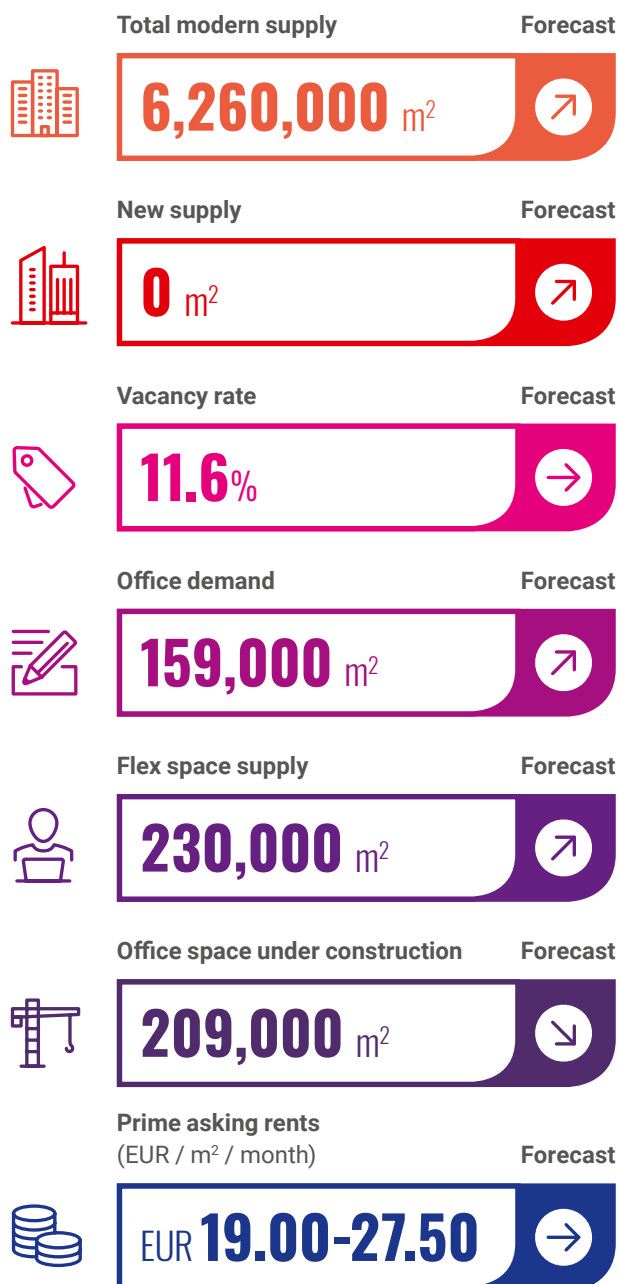
The market has observed high demand for flex office space with supply from the sub-sector now at 230,000 m². Between Q1 2022 and Q1 2023 alone there were 13 new transactions and two renewal agreements signed for approx. 35,000 m². Major flex operators in the capital city's market included WeWork, Regus, Spaces, New Work, and CiC.

At the end of Q1 2023, the vacancy rate in the Warsaw office market decreased by 1.1 p.p. QoQ and totaled 11.6%, the equivalent of 726,000 m² of available office space. The increase in available space is a result of the high volume of new supply which was completed in 2022.

Rental rates for office space have seen successive rises in recent years. In central zones, rents amounted to EUR 19.00-27.50 m² / month, while in non-central locations they were EUR 15.00-18.00 m² / month.

FIGURE 3.2

SUMMARY – WARSAW Q1 2023



Source: Colliers

KRAKÓW

At the end of Q1 2023, the total office stock in Kraków exceeded 1.7 million m². The city is the second-largest office market in Poland after Warsaw and has been developing rapidly over recent years. Buildings completed in the last five years represent around 40% of existing supply.

In 2022, around 60,700 m² of modern office space was delivered to the market in the shape of nine projects and represented a YoY increase of around 65%. The largest completed projects included Brain Park A and B (in total 31,000 m²), Fabryczna Office Park B4 (12,200 m²), and The Park Cracow I (11,800 m²). In addition, Kraków was one of three markets in Q1 2023 where developers completed office projects – two buildings were granted a usage permit – Ocean Office Park B (28,600 m²) and Fabryczna Office Park B5 (14,000 m²).

At the beginning of Q2 2023, 67,500 m² of office space remained under construction, with completion scheduled for 2023-2025. A further 50,000 m² remains in the planning phase, with completion due in 2025.

In terms of the office take-up registered in 2022, Kraków remained a leader among regional cities. Total gross demand totaled 198,000 m², which is 26% more than in 2021. New deals accounted for the largest share of contracts signed over 2022, at approximately 60% of total demand. This marked an increase of 8 p.p. compared to 2021. Renegotiations accounted for 29%, owner-occupied transactions 9%, and expansions 2%. Pre-let transactions at the construction phase accounted for 33,000 m² (17% of total demand).



Lease agreements signed in 2022 resulted in an average transaction size of 1,100 m², which is 30% less than in 2021. In Kraków, two agreements exceeded 10,000 m² in 2022. The largest deals between Q1 2022 and Q1 2023 included a new contract signed by Capgemini for space in Fabryczna Office Park B5 (13,800 m²), a renegotiation by Cisco Systems Poland in Enterprise Park C (12,500 m²), and an owner-occupied transaction in Fabryczna Office Park H1 (9,500 m²). In Q1 2023, tenant activity stood at 38,400 m².

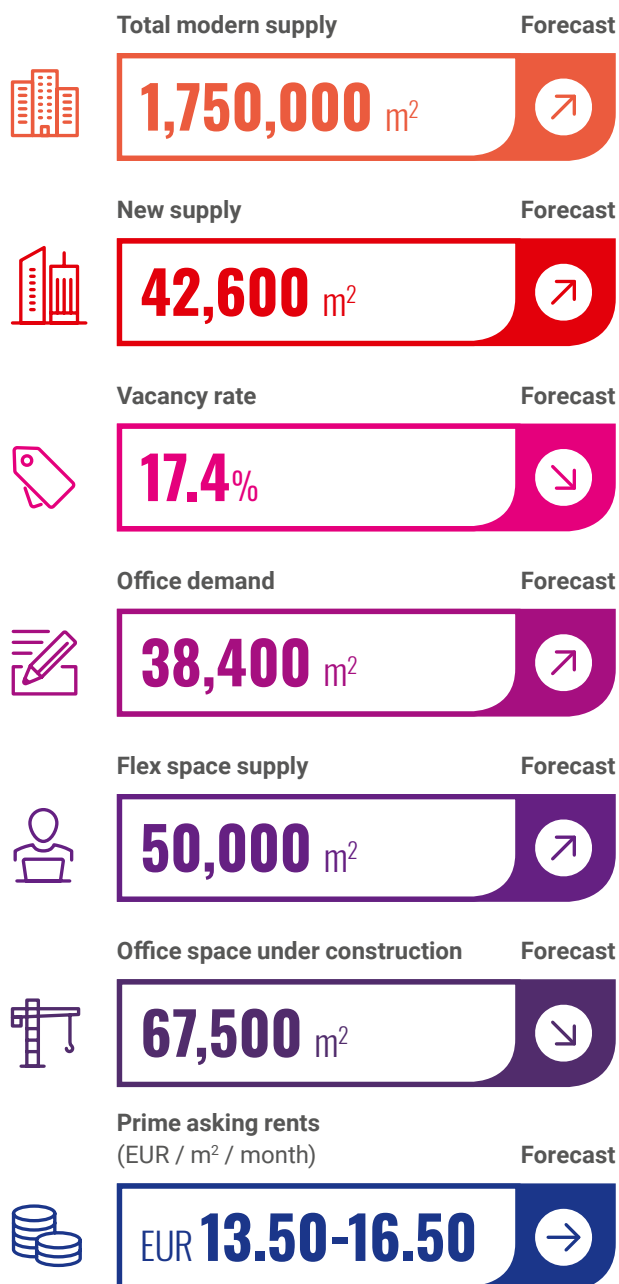
The flex office space supply is growing rapidly in Kraków. At the end of Q1 2023, there were over 50,000 m² offered by RISE, City Space, Quickwork, New Work, Spaces, Regus, and many other flex operators.

At the end of Q1 2023, the vacancy rate was 17.4% an increase of 1.3 p.p. on Q4 2021, equating to over 305,000 m² of available space.

Asking rents for office space have recorded an upward tick while their range differs depending on the office zones. In modern A-class projects, they were EUR 13.50-16.50 m² / month in the central zone and EUR 10.00-13.00 m² / month in non-central zones.

FIGURE 3.3

SUMMARY – KRAKÓW Q1 2023



Source: Colliers

WROCLAW

Existing office supply at the end of Q1 2023 in the Wrocław market was 1.3 million m², making it the second-largest office market among Poland's regional cities. There are several office hubs in the city. Most of the supply (40%) is located in the CBA. Other office hubs are the Western Business Area and the Southern Business Axis – along ul. Powstańców Śląskich.

In 2022, developers completed 65,700 m² of office space. Completed projects included – Midpoint71 (36,200 m²), Quorum Office Park D (16,200 m²), L'Uni (4,000 m²), and Księcia Witolda (3,750 m²). One office project – Centrum Południe 3 (20,800 m²) was granted a usage permit in Q1 2023. By the end of Q1 2023, nearly 150,000 m² of modern office space remained under construction with completions scheduled for 2023-2025.

Gross demand in 2022 was 137,200 m². The structure of take-up was dominated by new contracts, which accounted for 48% of total demand. The share of renegotiations increased by 3 p.p. compared to 2021 and stood at 44%. Expansions accounted for 7%. Nearly 11,000 m² was leased in projects which were still in the construction stage, accounting for 8% of the annual take-up volume.



On average, the rental agreements concluded in 2022 was approx. 1,100 m² (a decrease of 30% compared to 2021. Among the largest transactions signed between Q1 2022 and Q1 2023, were a lease renewal for a confidential client in Green Day (14,500 m²), a lease renewal for another confidential client in Pegaz (5,600 m²) and UPS' lease renewal for space in Bema Plaza (4,600 m²).

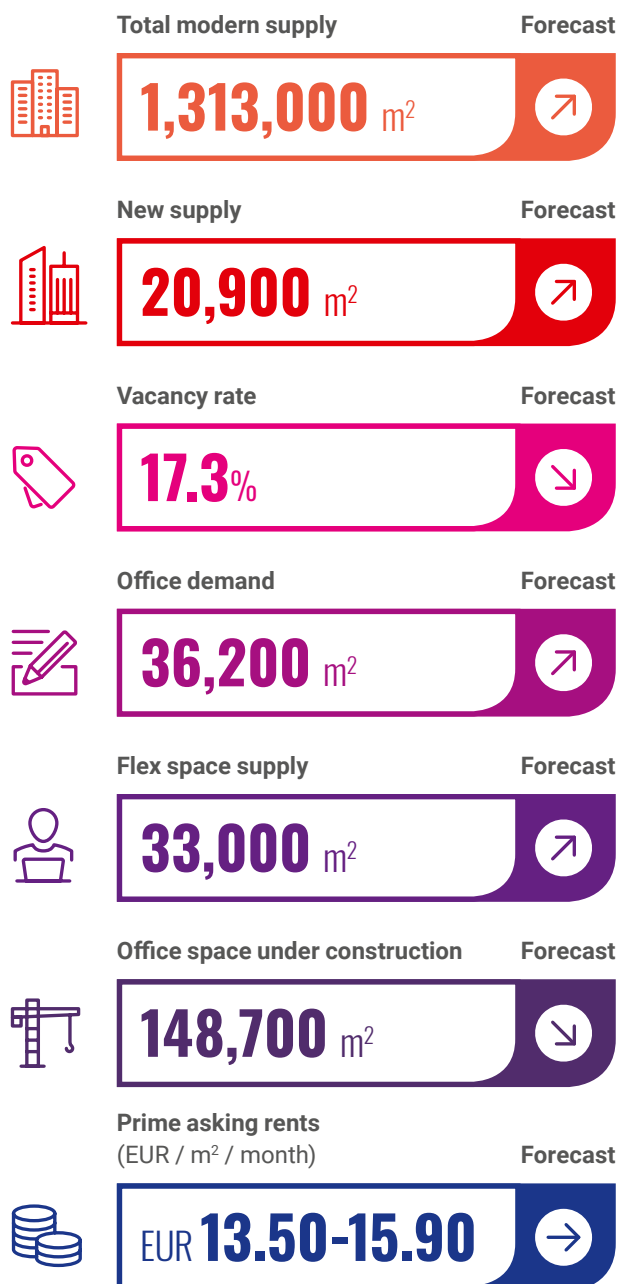
The flex office space supply continues to rapidly grow in Wrocław. 2022 saw an increase of 33% to 33,000 m² with four major transactions – Business Link in Centrum Południe, CitySpace in MidPoint 71, Rise.pl in City Forum:City 2, and Wisner Enterprise in Silver Tower Center.

At the end of Q1 2023, the vacancy rate in Wrocław increased by 0.6 p.p. compared to Q4 2021 and totaled 17.3%, approx. 227,000 m² of available office space.

Office space rents have been rising over the past year. In modern A-class projects, tenants pay EUR 13.50-15.90 m² / month in central zones and EUR 11.50-13.50 m² / month in non-central zones.

FIGURE 3.4

SUMMARY – WROCLAW Q1 2023



Source: Colliers

TRICITY

Total stock in Tricity amounts to over 1 million m², which places the location in third place among all regional markets. The largest amount of office space is available in Gdańsk (75%), followed by Gdynia (21%) and Sopot (4%). The market's modern stock is concentrated along the route of Szybka Kolej Miejska, Droga Gdynńska, and al. Grunwaldzka (Wrzeszcz, Oliwa). Office projects are also located in the vicinity of Gdańsk airport and the center of Gdańsk.

In 2022, approx. 50,600 m² of modern office space was delivered to the market in four projects, which is 30% less than in 2021. Completed projects included Format (16,000 m²), Airport City Gdańsk Alpha (8,500 m²), and Palio Office Park B in Gdańsk (7,900 m²). In Q1 2023, a usage permit was granted for the Officer project in Gdynia (4,700 m²).

At the beginning of 2023, over 93,000 m² of office space was under construction, the completion of which is scheduled for 2023-2025. The location that is currently rapidly developing is the Młode Miasto district in Gdańsk.

In 2022, gross demand for office space in Tricity decreased by 6% YoY, totaling 101,000 m². The largest share of deals were new contracts, which increased by 28 p.p. compared to 2021 and stood at 68%. Renegotiations reached 21% and expansions of existing tenants accounted for 11% of annual take-up. Pre-let transactions in 2022 totaled 3,200 m² (3% of total demand).



The average lease transaction signed in 2022 amounted to 1,000 m² and was down on the previous year by 39%. The largest transactions signed between Q1 2022 and Q1 2023 included the renegotiation of Sii in Olivia Prime (10,100 m²), LSEG's new contract in 3T Office Park (8,300 m²), and a renegotiation by a confidential tenant in Olivia Star (5,400 m²).

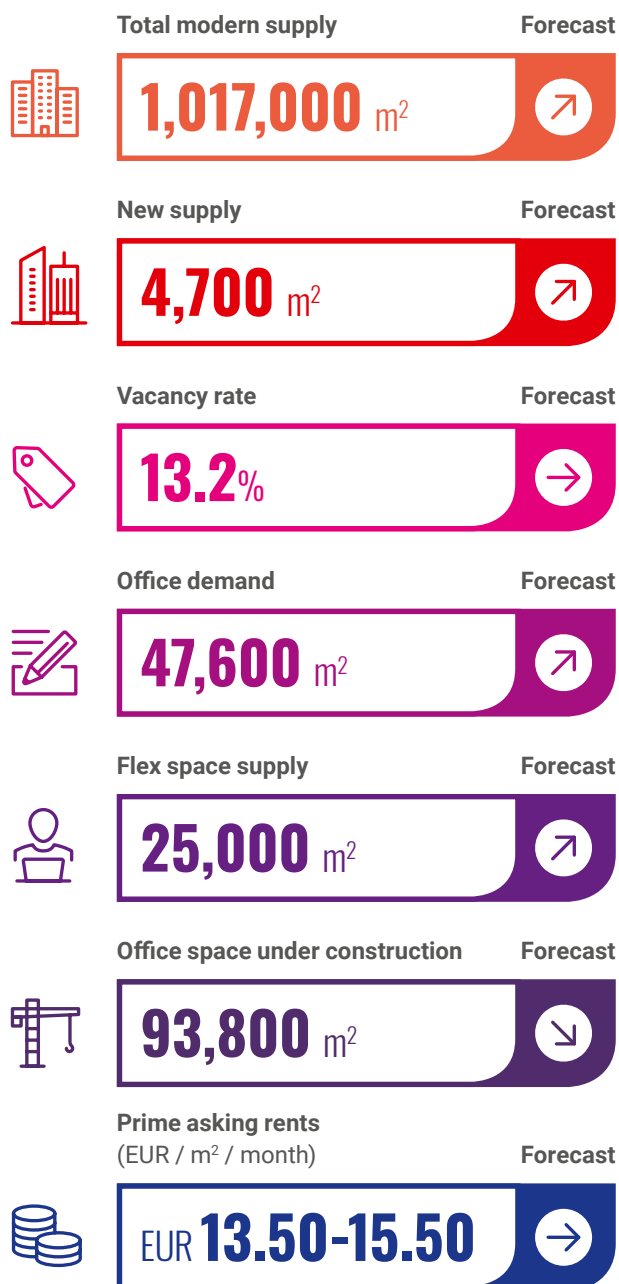
The flex office space supply is growing quickly in Gdańsk. 2022 saw an increase of 23.0% to 25,000 m² with two completed transactions – a confidential flex operator in Alchemia II and COLLAB in Format.

The vacancy rate increased by 1 p.p. compared to 2021 and at the end of Q1, 2023 stood at 13.2%, which was the equivalent of 134,400 m² of available office space. The vacancy rate in Gdansk was 11% and in Gdynia 21%.

In class A buildings, rents for office space have increased in the past year and are EUR 13.50-15.50 m² / month in central zones and EUR 8.50-13.00 m² / month in non-central zones.

FIGURE 3.5

SUMMARY – TRICITY Q1 2023



Source: Colliers

KATOWICE

The total office stock in Katowice at the end of Q1 2023 amounted to 725,000 m². Last year, developers delivered 127,000 m² of new space, which was eight times more than in 2021. Growth in supply in the local market is cyclical – usually, after a year with a significant number of new openings, there is a reduction in the activity of developers allowing for the absorption of existing office space. Existing office buildings are clustered around main traffic arteries, such as ul. Chorzowska, ul. Korfantego, ul. Murckowska, al. Górnośląska and al. Roździeńskiego.

The largest completed projects in 2022 included KTW II (39,900 m²), Global Office Park A1 (27,200 m²), Global Office Park A2 (27,900 m²), and DL Tower (11,900 m²). Buildings completed in the last five years represent 35% of the existing supply.

At the beginning of Q2 2023, around 100,000 m² of office space was at the construction stage with a scheduled completion date of 2023-2025. Local and international developers such as Cavatina, Ghelamco, GPP, and Opal Maksimum have continued development projects that will be gradually completed in the coming years. Another 118,000 m² scheduled for 2024-2025 is in the planning phase.

In 2022, total demand in Katowice was 62,700 m² which indicates a YoY increase of 17%. New contracts took the largest share, rising by 36 p.p. YoY to claim 74% of total demand. Renegotiations constituted 16% and expansions 10% of take-up volume. The average transaction volume of 1,100 m² was roughly on a par with 2021. In Q1 2023, tenant activity was 19,200 m².



The largest deals signed in the period of Q1 2022 and Q1 2023 included PWC's new contract in KTW II (12,900 m²), Keywords Studios' new contract and expansion in Global Office Park A1 (13,000 m²), as well as Eurofins' renegotiation in Katowice Business Point (3,800 m²).

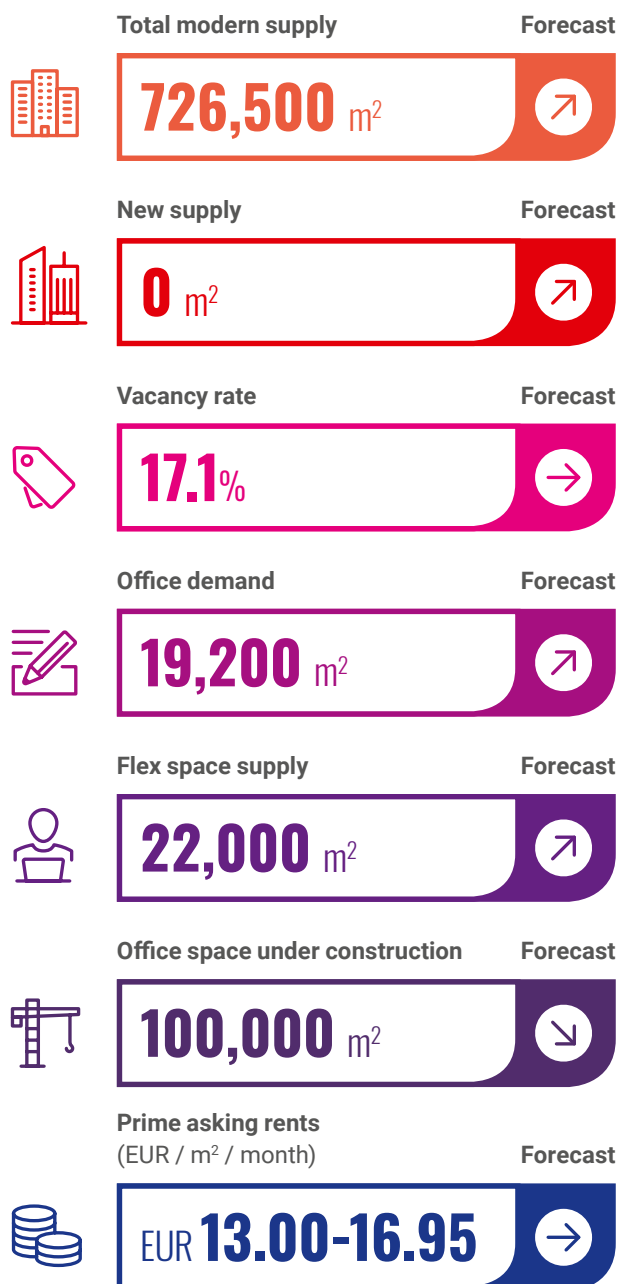
The flex office space supply is rapidly growing in Katowice. Q1 2023 saw an increase of 25% to 22,000 m². Three major transactions were signed – Cluster Offices in Stary Dworzec and RISE.pl as well as Loftmill in KTW II.

The vacancy rate increased by 6.6 p.p. compared to 2021 and at the end of March 2023 stood at 17.1%, which translates into almost 125,000 m² of available space. The increase in vacancy rate was a result of the limited tenant pool combined with the large amount of office space delivered to the market over the last few years.

Rental rates in the city's best buildings in modern A-class projects ranged from EUR 13.00 to 16.95 m² / month in the central zone and EUR 10.00 to 12.50 m² / month in non-central zones.

FIGURE 3.6

SUMMARY – KATOWICE Q1 2023



Source: Colliers

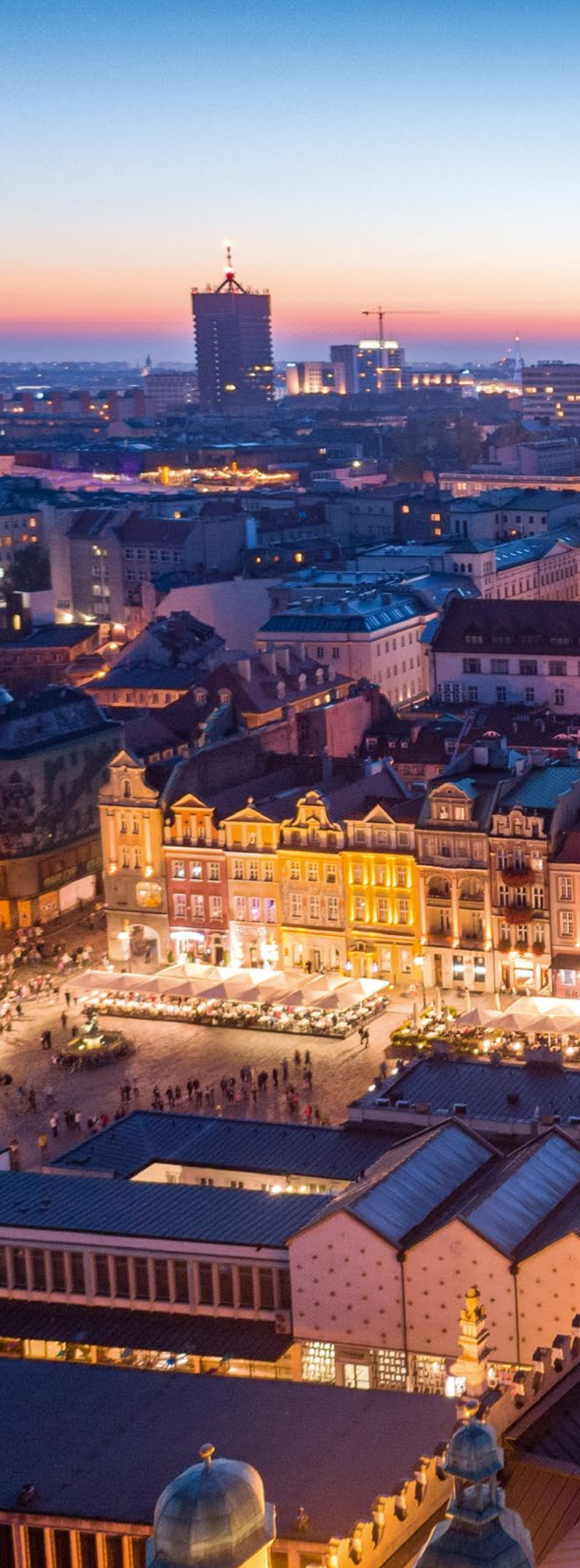
POZNAŃ

The total office stock in Poznań at the end of Q1 2023 stood at 623,000 m². About 40% of the area is located in the city center whose area is defined by the streets of Solna, Małe Garbary, Matyi, Królowej Jadwigi, Roosevelta, and the Warta River to the east. The other two office hubs are in the vicinity of Malta Lake and ul. Bułgarska in the western part of the city where the Business Garden Poznań complex, the largest office park in the city (86,700 m²), is located. There were no new completions in 2022.

At the beginning of Q2 2023, 69,000 m² of office space was under construction, scheduled for completion in 2023-2025. A further 60,000 m² was in the planning phase, scheduled for completion in 2023-2025. The most interesting investments include the Stara Rzeźnia project being prepared by Vastint. BPI Real Estate Poland and Revive's multi-stage investment in a former military barracks, located in the center of Poznań. The project, which will include residential, retail, and office space as well as the revitalization of historic buildings, will have a significant impact on the city's development.

The total transaction volume in 2022 amounted to 46,600 m², a decrease of 37% compared to 2021.

The largest share in total demand went to new contracts, which increased by 15 p.p. compared to 2021 and by the end of 2022 accounted for 53% of all transactions. Renegotiations totaled 41% with expansions making up 6% of total take-up volume.



The average rental agreement in 2022 covered 1,100 m², which was 40% less than in 2021. The largest rental contracts of Q1 2022 – Q1 2023 included a renegotiation by OLX in Maraton A (7,500 m²), City Bank's transaction for space in Plac Wolności 4 (5,000 m²), and a new contract signed by DFDS in Centrum Biurowe Globis (3,200 m²).

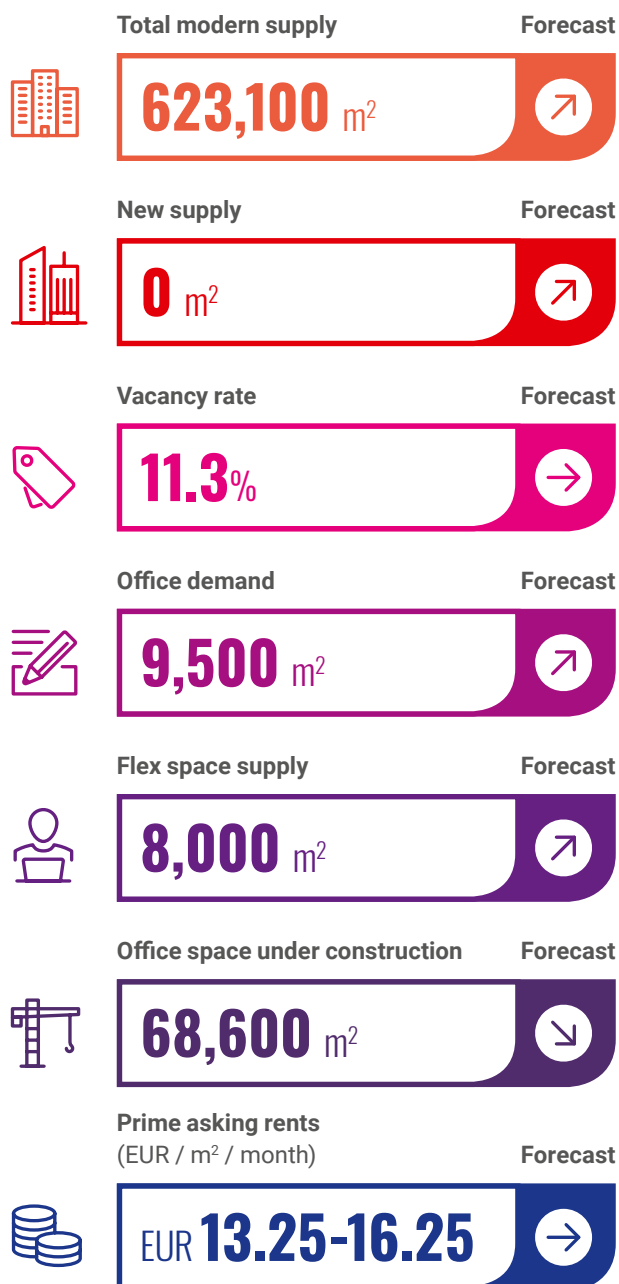
The flex office space is in the early stage of development in Poznań with an offer covering approx. 8,000 m² with major active operators – Regus and Business Link.

At the end of 2022, the vacancy rate had decreased to 11.3%, a 1.4 p.p. drop on Q4 2021, amounting to 70,500 m² of available space. Approximately 25% of the available space is located in Business Garden Poznań.

Rent rates for office space, after being stable for several quarters, recorded an increase. Tenants in modern, A-class projects had to pay rents of EUR 13.25-16.25 m² / month in the central zone and EUR 10.00-12.50 m² / month in non-central zones.

FIGURE 3.7

SUMMARY – POZNAŃ Q1 2023



Source: Colliers

ŁÓDŹ

At the end of Q1 2023, the supply of modern office space in Łódź stood at 631,000 m². In terms of size, the market is comparable to Poznań and Katowice. Within the city center, three separate office hubs are becoming increasingly distinct: NCL, in the vicinity of Piotrkowska Street, an area along al. Mickiewicza and al. Piłsudskiego, with the third in proximity to the crossroads of al. Piłsudskiego and al. Śmigłego-Rydza / ul. Kopcińskiego. The remaining office projects are in the north-western part of the city (Teofilów) and to the south-east (Dąbrowa).

New completions in 2022 totaled over 43,000 m² with the largest projects including React I (14,200 m²), Fuzja C (9,600 m²), Fuzja D (9,100 m²), and Monopolis M3 (7,700 m²). At the end of Q2 2023, 16,700 m² of office space was under construction and scheduled for completion in 2023-2024.

In 2022, total gross demand for office space in Łódź amounted to 48,400 m², a YoY decrease of 6%. New contracts took the largest share of tenant activity over the last year with 58% of total demand, an increase of 27 p.p. compared to 2021. Renegotiations constituted 21% of all deals, while expansions of existing tenants accounted for just 5%.



In 2022, the average size of a rental agreement decreased by 42% YoY to 850 m². The largest agreements signed in Łódź between Q1 2022 and Q1 2023 included: an owner occupier type of deal by Ericsson in Olimpia Software Pool (7,700 m²), a new contract signed by McCormick Shared Services EMEA in Monopolis M3 (5,300 m²) and Allorica's new contract for space in React (5,000 m²).

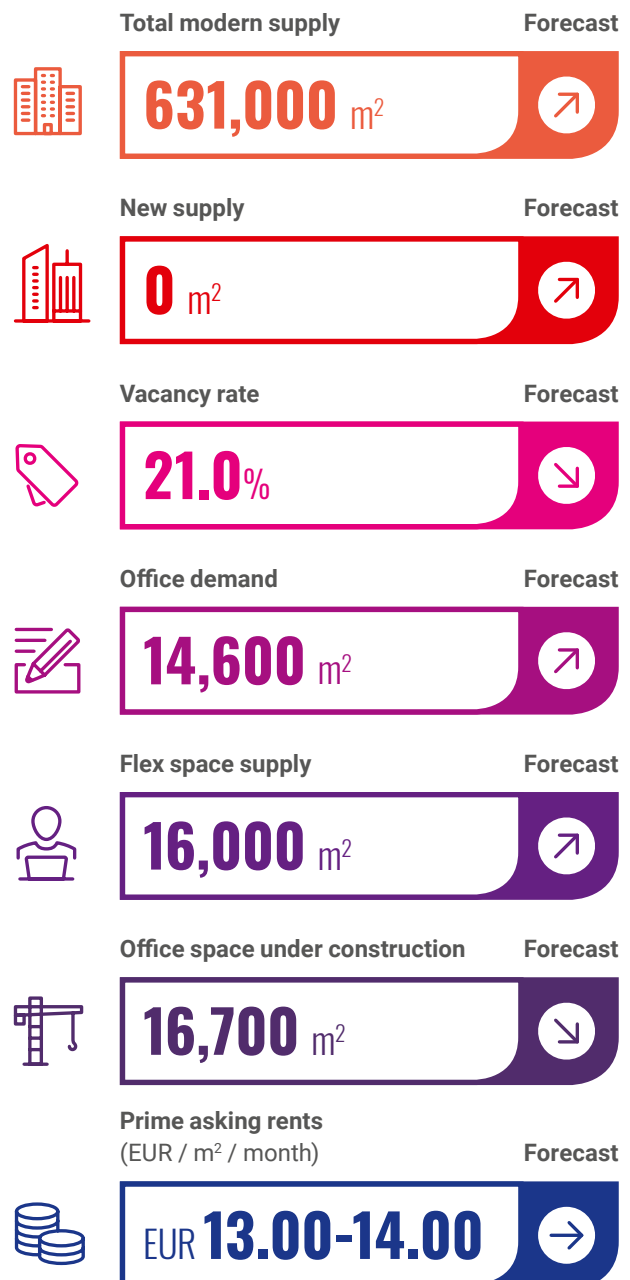
Flex office space supply is growing quickly in Łódź. 2022 saw an increase of 18.0% to 16,000 m² with two major transactions completed – CitySpace in Fuzja J and Memos in Red Tower.

By the end of Q1 2023, the vacancy rate had increased by 5.2 p.p. compared to Q4 2021, with the market's 21% translating to 132,500 m² of available space.

Compared to other cities, Łódź is an incredibly competitive market – asking rents in prime properties amounted to EUR 13.00-14.00 m² / month in the central zone and EUR 9.00-12.00 m² / month in non-central zones.

FIGURE 3.8

SUMMARY – ŁÓDŹ Q1 2023



Source: Colliers

LUBLIN

Lublin is the seventh-largest regional office market in Poland and the largest hub of modern offices in the eastern part of the country. The total supply of modern office space at the end of Q1 2023 amounted to 223,000 m² across 50 modern office buildings. In 2022, developers had completed the construction of two buildings – CZ Office Park D (15,000 m²) and Poligonowa 50 (1,300 m²). Additionally, as of the beginning of Q2 2023, the Agatowa Office project (2,000 m²) was under active construction.

The total volume of lease transactions for Lublin in 2022 was 10,800 m², a 45% YoY increase. The beginning of the current year also indicated increased tenant activity in Lublin, with lease agreements signed for 6,600 m² in Q1. All signed contracts were defined as new agreements and 21% of the leased office space was concentrated in buildings under construction.

Among the largest transactions in the Lublin market during the period from Q1 2022 to Q1 2023, a new agreement with Britenet in W9B (2,800 m²) and a pre-let by a confidential IT tenant in the G3 Inter Office project (1,600 m²) were both noteworthy. The average size of lease transactions was approximately 660 m². Four agreements involved modules larger than 1,000 m², accounting for 61% of total annual demand.

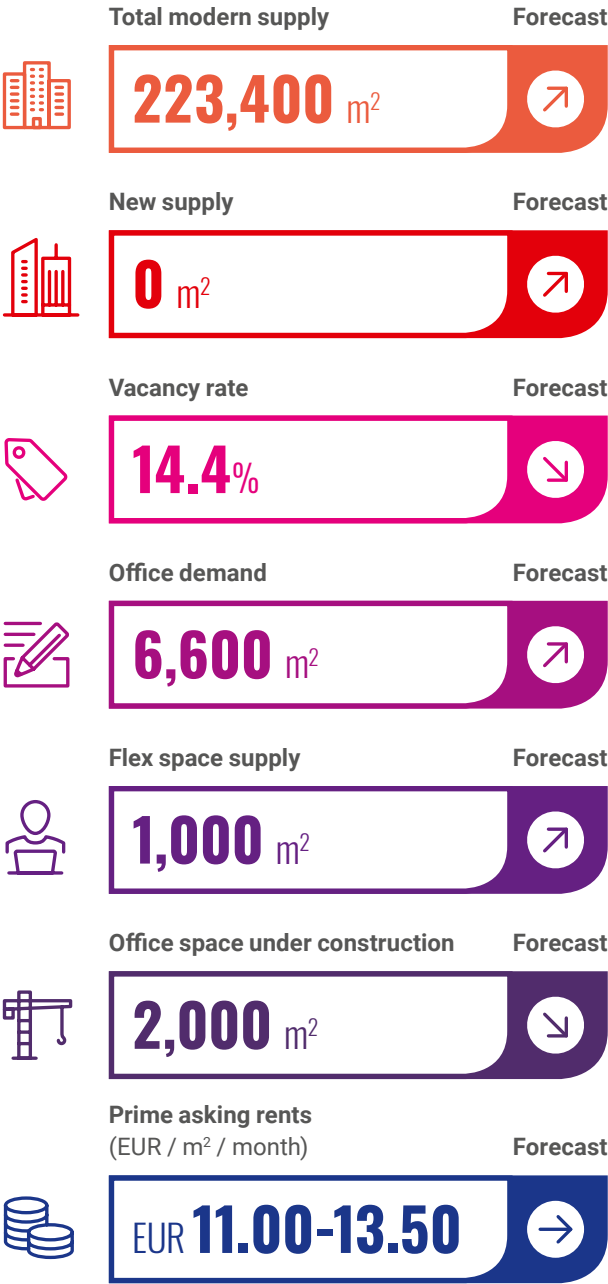


The supply of flexible office space in Lublin remains stable, with international operators only represented by Regus in the Zana 39 building.

As of the end of Q1 2023, the vacancy rate in Lublin increased by 3.7 p.p. compared to Q4 2021, reaching 14.4%. Currently, there are 32,000 m² of vacant office space in Lublin, in both Class A and B/B+ buildings.

Lublin is a competitive market compared to other regional cities due to favorable rental conditions. Rents for office space have remained at a similar level for several quarters. In Class A modern projects, tenants pay EUR 11.00 to 13.50 m² / month in the central zone, and EUR 9.50 to 12.00 m² / month in areas outside the city center.

FIGURE 3.9
SUMMARY – LUBLIN Q1 2023



Source: Colliers

SZCZECIN

Existing modern office space in Szczecin totaled 186,000 m², which was the lowest volume among all eight regional cities. Szczecin is a market that is still in a relatively early stage of development. Supply growth occurs cyclically – typically, after a period of new investments, there is a decrease in developer activity, which is the usual period required for the absorption of existing office space in this market. In 2022, one new project, Ster 31, with an area of 1,500 m², was completed. As of the beginning of Q2 2023, there were 2,400 m² under construction in the shape of office modules in the Sky Garden residential tower project.

Most of the office space in Szczecin (approximately 80%) is located in the city center around al. Wyzwolenia, al. Niepodległości, as well as in the vicinity of Bramy Portowej. This is where the city's office and commercial resources are primarily concentrated. A new location is the southern part of the city – Gumieńce, where large office projects such as the Cukrowa Office and Szczecin Business Plaza have been completed in recent years.

Szczecin maintains a moderate level of interest from tenants in office space. Gross demand in 2022 was nearly 18,500 m², which almost doubled that of 2021. In Q1 2023, registered tenant activity amounted to 2,700 m². New agreements accounted for the largest share of all contracts in 2023 – 74%. Renegotiations



and lease extensions made up 26% of the volume.

The largest transactions in the period from Q1 2022 to Q1 2023 included a renegotiation and expansion by Demat in Oxygen (4,500 m² and 1,500 m²), a renegotiation and expansion by a confidential tenant in Brama Portowa II (2,300 m² and 1,300 m²), as well as a renegotiation by TietoEvry for space in Piastów Office Center C (3,450 m²). The average size of lease transactions concluded in 2022 remained on a par with the previous year, at approximately 1,300 m². Three agreements involved modules larger than 3,000 m², accounting for 70% of total demand.

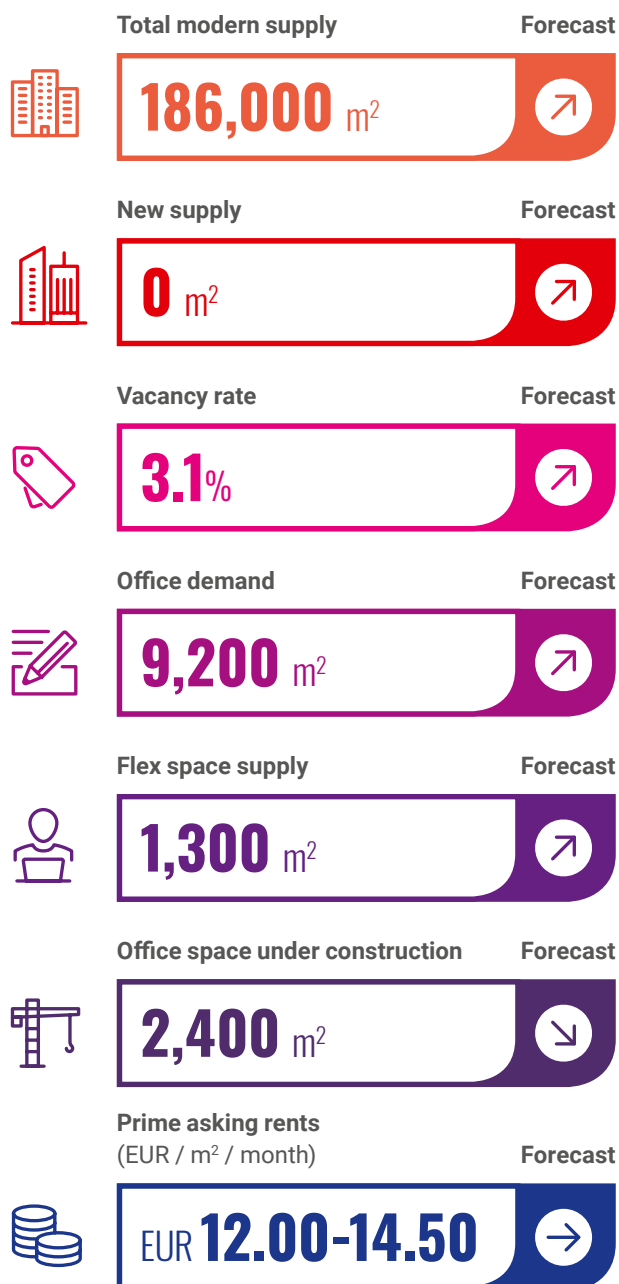
The flexible office space market in Szczecin is in its early stages of development. In 2021, the first local operator, Biuro Aloha, appeared on the market and opened a coworking space in Stettiner Business Centre (1,300 m²).

The vacancy rate decreased by 2.2 p.p. percentage points compared to the end of 2021 and stood at 3.1%, the equivalent of 5,800 m² of available space, by the end of Q1 2023. This was the lowest percentage among all regional cities.

Rents for office space have remained at a similar level for several years. In Class A modern projects, tenants in the city center pay EUR 12.00 to 14.50 m² / month, while in areas outside the city center, the range is EUR 9.00 to 12.00 m² / month.

FIGURE 3.10

SUMMARY – SZCZECIN Q1 2023



Source: Colliers

SECONDARY OFFICE MARKETS

Investor interest in Polish secondary office markets in Poland is growing. Well-developed transportation infrastructure, a skilled workforce, as well as proactive support from local authorities, make these markets attractive locations for investments in modern office projects. Companies that relocate their operations to these towns can benefit from access to qualified workers without having to compete for prospective employees in saturated larger cities. They also enjoy proximity to large markets and have advantages such as access to customers, business partners, and services, while avoiding the high costs associated with operating in major agglomerations areas. Secondary markets typically offer lower labor and office rental costs compared to larger cities, which is appealing to companies seeking to optimize their operational expenses, and especially so if they do not require direct access to a larger city center.

Modern class A office projects, although not typical for secondary office markets, are increasingly more frequent among pipeline office projects. Developers are choosing to invest in such premises despite competition from lower-grade buildings classified as class B and C. The group of secondary office markets is highly diverse.

There are already well-established office locations, such as Bydgoszcz and Rzeszów, which have been attracting investors for some time. However, emerging markets such as Białystok, Radom, and Tarnów are gaining in importance.

Many office projects in the planning or construction phase require prior lease agreements or interested tenants to commence development. Therefore, a key factor is to create an attractive offer for potential tenants that convinces them to choose a new office space. The favorable economic climate, which is conducive to investments, serves as an additional incentive for investors and entrepreneurs to invest in developing office markets. The increasing demand for larger and better office spaces is also evident among local tenants. The improving economic climate attracts new investors to the cities, leading to a growth in the demand for modern offices. Companies increasingly expect spaces that meet their requirements in terms of modern standards and functionality. As a result, developing office markets must meet rising expectations and adapt their offerings to the needs of local tenants.

TABLE 3.1

DEVELOPING OFFICE LOCATIONS IN POLAND

	Białystok	Bydgoszcz	Kielce	Olsztyn	Opole	Radom	Rzeszów	Tarnów	Toruń
Total stock (m ²)	70,000	139,000	73,500	48,800	52,000	51,000	120,000	18,100	87,500
Vacancy rate (%)	10.0%	19.0%	8.0%	8.0%	15.0%	9.0%	6.0%	10.0%	11.0%
New completions 2022 (m ²)	9,500	0	0	0	0	0	7,000	0	5,500
Under construction (m ²)	0	14,300	2,100	10,500	15,100	0	12,000	0	4,300
Asking rents (EUR m ² / month)	8.00-12.00	8.00-13.00	7.00-12.00	7.00-11.00	7.00-12.00	6.00-11.00	8.00-14.00	7.00-11.00	8.00-14.00

Source: Colliers

NAVIGATING THE CHALLENGES AND OPPORTUNITIES OF HYBRID WORK IN THE BPO / SSC INDUSTRY

Dorota Osiecka

Partner, People & Places Advisory, Define

As the world navigates the still largely uncharted territory of hybrid work, the BPO/SSC industry is grappling with its own unique challenges. With recent global disruptions that have forced organizations to rethink their key processes, we are witnessing an accelerated acceptance of distributed work models. These models are being adopted both as part of talent strategies and as a means of improving cost efficiency, risk management, and business process continuity.

While well-executed hybrid work can indeed bring opportunities for increased flexibility and cost savings, poorly implemented approaches often

introduce unforeseen challenges. Successful implementation and maintenance of a distributed work model require a thoughtful strategy and an understanding of the key drivers of both business performance and employee attitudes.

One pivotal concern revolves around the long-term impact of hybrid work on vital aspects of organizational performance, such as employee engagement, team effectiveness, and communication. This concern largely stems from employees' reluctance to return to a more office-based work environment. This resistance is often rooted in a new-found appreciation for the

flexibility, comfort, and time saved on commutes that remote work has to offer. It is further compounded by the subjective perception of increased individual productivity while working from home. A question then arises: How can leaders ensure that processes dependent on the collaborative and communal fabric of the organization do not suffer without infringing on the valued benefit of flexibility?

To effectively implement these strategies, leaders need to understand the unique preferences and motivations of their employees. Regular pulse surveys can provide invaluable insights into employees' evolving needs, attitudes toward work, and specific points of resistance to returning to the office.

Moreover, leadership should foster a culture of meaningful dialogue and transparency. Empowering employees to voice their concerns and ideas as well as demonstrating that their input matters can help alleviate resistance and foster loyalty.

Overall, in the era of distributed work models, leaders must respect the desire for flexibility and autonomy while ensuring that the workplace remains a compelling environment that employees want to return to. Embracing this challenge presents an opportunity to build a resilient, adaptable, and more engaged organization.

NEW CHALLENGES AND MARKET REVIVAL: ORGANIZATIONAL PREPAREDNESS FOR NON-FINANCIAL REPORTING UNDER THE CSRD DIRECTIVE

Andrzej Gutowski

Director, Leader ESG, Colliers

Organizations are keeping a close eye on the next legislative stages of the Non-Financial Reporting Directive. In January 2023, the Corporate Sustainability Reporting Directive (CSRD) came into force at the EU level, which expands the number of companies covered by the reporting obligation. It is expected that the directive will eventually cover some 50,000 companies in the European Union, which will be obliged to publish annual reports on their impact on the environment, society, human rights and the area of corporate governance.

Poland has 18 months to incorporate these EU regulations into local law. Reporting obligations will be imposed in three steps, starting with large,

listed companies from 2024, all large companies in 2025, and listed SMEs from 2026. The new requirements will be challenging for some companies. The market is booming, there is a growing demand for sustainability and ESG specialists as well as experts, and organizations themselves are creating cells or positions for people to manage the process of establishing ESG strategy and reporting.

One of the key indicators for reporting is the organization's carbon footprint, which should be divided into three scopes – direct emissions (Scope 1 – emissions resulting from the burning of fossil fuels directly by the organization), indirect emissions (Scope 2 – emissions resulting from the energy

factor – heat and electricity) and the value chain (Scope 3 – among others, emissions resulting from the supply chain of generated waste, employee communication to offices, products, or indirectly from the operations of the organization). Most organizations today are not prepared to collect the data necessary to measure an organization's carbon footprint. Scope 3, in particular, is challenging

due to the multiplicity of categories that constitute emission sources and the lack of access to data, such as from suppliers. The coming years are likely to see organizations focus on developing ESG strategies and determining the level of ambition in terms of sustainability, establishing information channels, and sourcing data for future reporting.



THE FUTURE OF INTELLIGENT BUILDINGS: HARNESSING AI FOR ENHANCED EFFICIENCY

Renata Hartle

Director, Technology Solutions, Colliers

Description: At the end of last year, the world had the opportunity to experience a unique artificial intelligence tool called ChatGPT. This breakthrough allowed most of us to witness firsthand the capabilities of AI and how quickly it can accomplish tasks that were previously time-consuming, such as writing code for mobile applications or job advertisements.

The development and adoption of AI solutions have dramatically accelerated. In April 2023 alone, over 1,000 new AI tools in various forms, including animation creation, filmmaking, image generation, and music composition, were introduced to the market. We can now officially bid farewell to the notion that creativity is reserved only for humans and greet a new chapter in the history of technology.

One of the most exciting aspects of AI is its utilization of diverse databases, which provide it with knowledge. In the realm of intelligent buildings, this means that currently siloed systems, such as cooling and access control, will be able to communicate with each other to manage offices more efficiently. This can be likened to managing traffic lights – based on data from city cameras, artificial intelligence will be able to extend the green light duration for heavily congested streets, optimally alleviating traffic jams in the city.

To reach this stage, property owners need to take decisive action in implementing intelligent systems that gather the necessary data. Tenants already require constant information regarding their presence in a building, such as utility consumption or space utilization (the number of people coming to the office, on which days, and with what frequency). In the context of ESG reporting requirements, this data is essential. Unfortunately, the majority of buildings in Poland do not yet possess adequate solutions (e.g., sufficient meters, access control with data analytics, or waste production monitoring systems). A significant milestone in meeting tenants' needs for data access is the technological certification SmartScore, which sets the global standard for intelligent office buildings.

SmartScore entered the Polish market in 2022 and quickly gained recognition from the most technologically advanced players in the real estate market. We predict that in the coming years, it will become the benchmark for office buildings, organizing the range of technological solutions that must be strategically implemented to be comprehensively ready for the future.

VISION OF THE FUTURE: AI-ENABLED INTELLIGENT BUILDINGS

Companies with multiple locations will opt for implementing a comprehensive office management system that encompasses their entire organization. Such a system will be integrated with local building systems, from which it will gather data for analysis and be able to override their settings. The system will analyze and suggest changes in the office's functional layout, provide optimization recommendations for parking access, and even make adjustments to surface cooling in order to optimize energy consumption while maintaining high indoor air quality.

It will also learn from optimization systems employed by other tenants, creating a broad network of AI connections. The building will receive anonymized commands to adjust lighting for specific types of meetings or grant access to specific users, while employees' data will remain solely within the tenant's system. The role of the building will no longer be to provide a specific application but to prepare the foundation for integrating tenant applications with interconnected systems.



TRENDS IN THE OFFICE MARKET: PANDEMIC, INFLATION, WAR, AND LEGAL REGULATIONS. HOW THEY HAVE IMPACTED THE FUTURE OF OFFICE WORK

Sebastian Bedekier

Partner, Office representation, Colliers

The pandemic, which has been the main topic of discussion regarding changes in the office market in recent years, remains a crucial factor but is no longer the sole influence on its transformation. High inflation, the outbreak of war in Ukraine, political and social transformations, as well as new legal regulations regarding sustainable business development, and challenges associated with new work models, are phenomena that affect all sectors of the economy. Organizations also face

these challenges against a backdrop of change. The problem lies in the lack of solutions that satisfy everyone, leading to an urgent need for discussion.

In 2022, tenant activity remained at a relatively high level, but offices that allow for flexible space adaptation to tenant needs continued to be of interest. Rising office maintenance costs have also led both property owners and tenants to focus on technological solutions that enable full optimization.



A significant wave of new supply has altered the balance of power in the office market. In 2022, for the first time, the total supply of modern office space in the eight main regional markets (Krakow, Wrocław, Tricity, Lodz, Poznan, Katowice, Lublin, and Szczecin) exceeded that of the capital by 200,000 square meters. However, Warsaw, due to its legacy, appears to be the most stable location on the office map of Poland.

The share of lease renegotiations also noticeably increased in total demand. We predict that this process will likely intensify, mainly due to high office finishing costs and a lack of new supply in Poland's largest office markets. In 2022, there

was also a rise in rental rates for prime properties in most major office markets. It is important to note the increasing number of subleases, leading to the phenomenon of so-called "hidden vacancies".

2022 in the office market was marked by efforts to mitigate the effects of many events that occurred over the past 2-3 years, as well as rising costs in construction and office space arrangements. Among the challenges to be faced in 2023 and the coming years, the necessity of cost-saving measures, new obligations related to growing environmental and social awareness, and a slowdown in development activity can certainly be mentioned.

Does your organization function in the right working model?

Report

Hybrid and Beyond 2.0

Embracing *the hybrid* work model



Discover the latest trends and tendencies in remote and hybrid work models changes in the largest organizations in Poland

Download the report

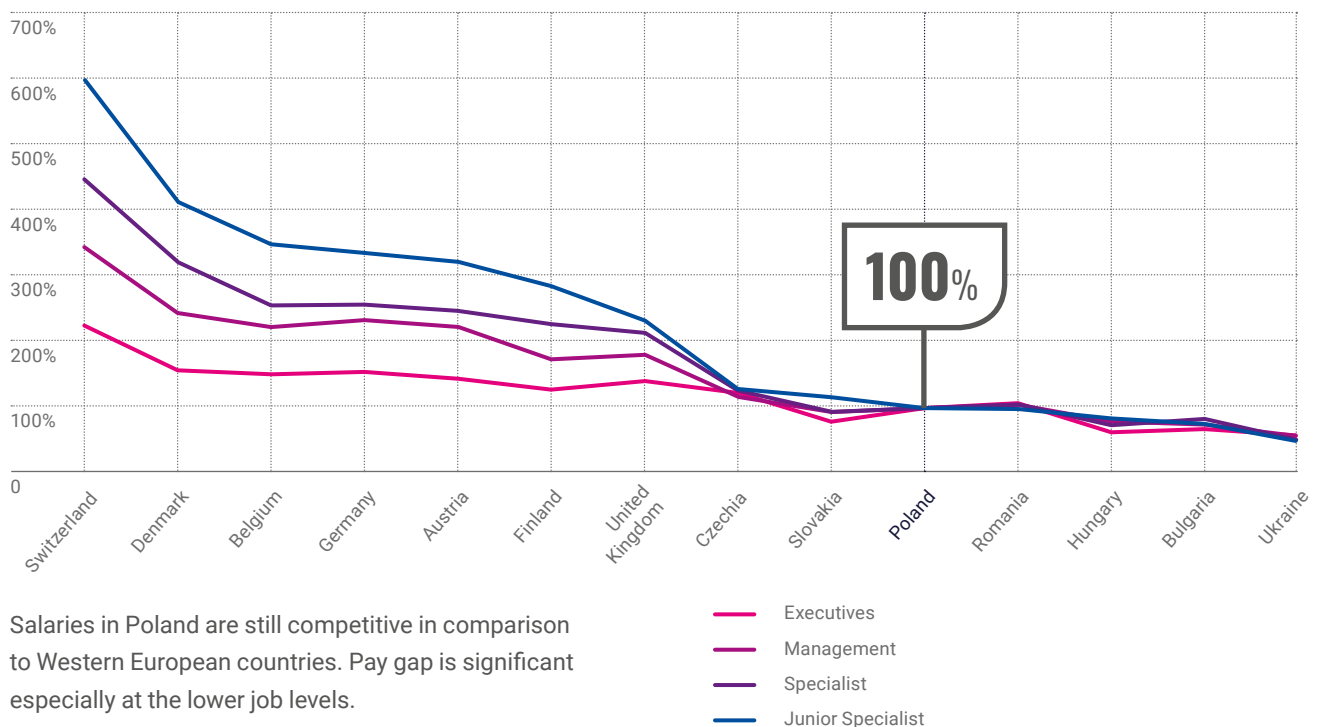


4 THE LABOR MARKET AND SALARIES

SALARIES AT BUSINESS SERVICES CENTERS

FIGURE 4.1

COMPARISON OF ACTUAL ANNUAL GROSS BASE SALARY BETWEEN POLAND AND EUROPEAN COUNTRIES AT DIFFERENT JOB LEVELS



Source: Mercer 2022 surveys


Chapter content developed by: **Mercer Poland**

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Mercer is part of the MMC Group, a company listed on the New York Stock Exchange. Mercer employs over 21,000 employees in over 170 countries around the world, more than 700 in Poland. More at: www.mercer.com.pl.

TABLE 4.1

COMPARISON OF ACTUAL MONTHLY GROSS BASE SALARIES IN BPO/SSC/IT/R&D SECTOR IN POLAND AND OTHER COUNTRIES IN THE REGION IN EUR

Job Level	Base Salary 25th Percentile	Base Salary Mean	Base Salary Median	Base Salary 75th Percentile
Senior Manager / Manager	4,023	4,633	4,670	5,171
 Team Leader	2,367	2,853	2,779	3,261
Senior Specialist	1,930	2,437	2,357	2,826
Junior Specialist	1,208	1,400	1,353	1,597
Senior Manager / Manager	2,826	3,640	3,422	4,222
 Team Leader	1,645	2,250	2,042	2,595
Senior Specialist	1,695	2,097	1,975	2,401
Junior Specialist	903	1,179	1,097	1,365
Senior Manager / Manager	4,905	6,074	5,902	6,817
 Team Leader	2,849	3,621	3,449	4,127
Senior Specialist	2,873	3,179	3,190	3,590
Junior Specialist	1,679	1,889	1,899	1,958
Senior Manager / Manager	3,936	4,367	4,389	4,765
 Team Leader	2,316	3,213	2,786	3,684
Senior Specialist	1,791	2,080	2,045	2,260
Junior Specialist	1,062	1,260	1,249	1,401
Senior Manager / Manager	4,404	5,009	4,715	5,761
 Team Leader	2,413	2,897	2,802	3,135
Senior Specialist	2,063	2,591	2,369	3,000
Junior Specialist	1,137	1,412	1,306	1,561
Senior Manager / Manager	3,278	3,998	3,841	4,479
 Team Leader	2,077	2,606	2,431	3,031
Senior Specialist	1,904	2,324	2,272	2,614
Junior Specialist	1,196	1,451	1,402	1,700



Currency exchange rates

1 PLN = 0.2109 EUR

1 BGN = 0.5113 EUR

1 RON = 0.2038 EUR

1 HUF = 0.0026 EUR

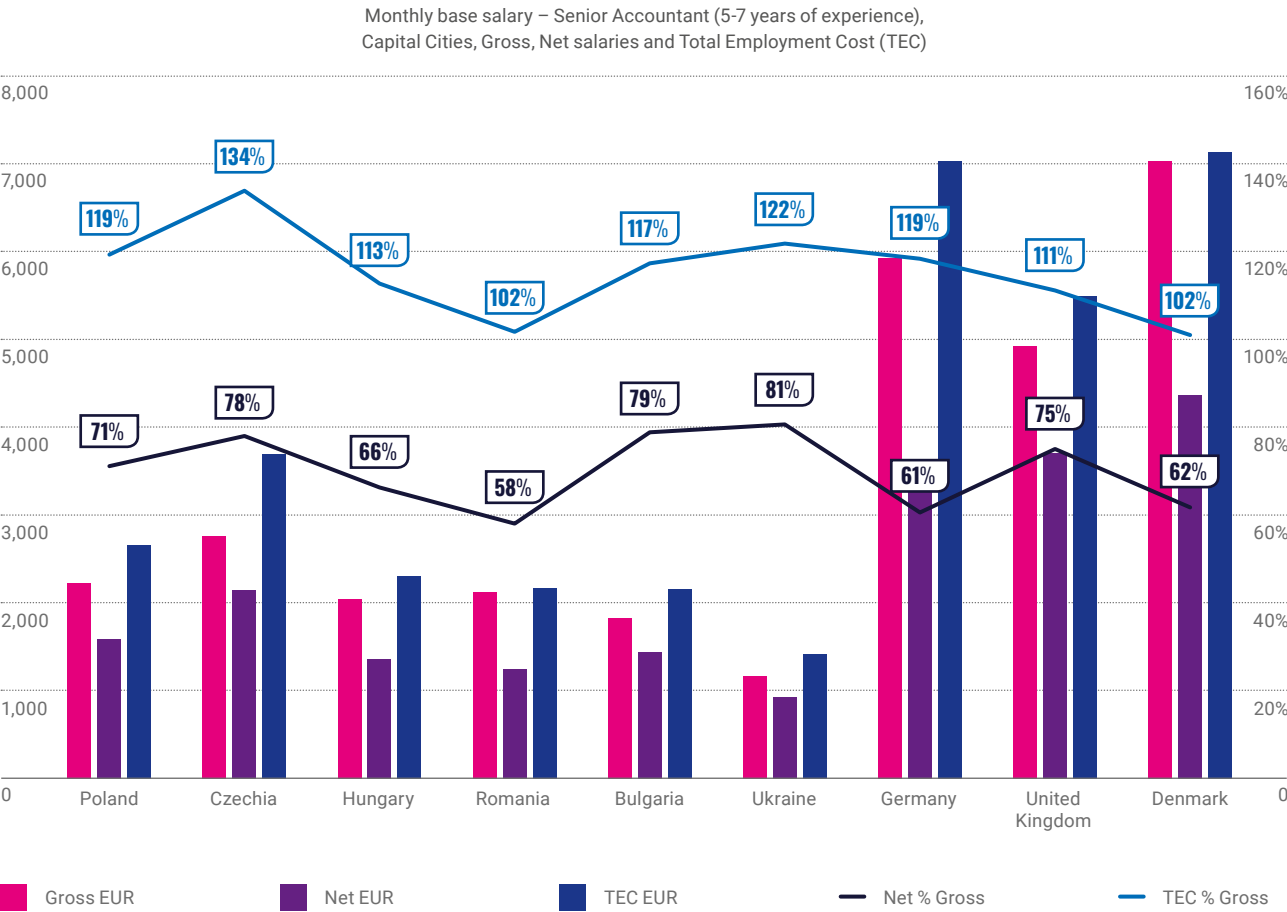
1 CZK = 0.0422 EUR

Sources: Mercer 2022 Poland SSC Industry Survey, Mercer 2022 Bulgaria TRS Survey, Mercer 2022 Czechia SSC Survey, Mercer 2022 Hungary TRS Survey, Mercer 2022 Romania SSC Industry Survey, Mercer 2022 Latvia TRS Survey

Base salaries are significantly diversified across Europe. The salaries observed in Eastern Europe are still very competitive against those in Western European countries. In the example below, we have analyzed base salary of Senior Accountant (professional, typically with 5-7 years of experience) in capital cities of selected countries. Besides the differences in gross salaries, it is also interesting to see how those vary in terms of net salary and total employment

cost (TEC). Senior Accountant’s earnings are higher in Czechia than in Poland, especially, in terms of net salary. The total employment cost in Poland is much lower, compared to Czechia, where the employer is required to contribute to the social security, on top of gross salary (34%). Even though gross salary in Romania is quite in line with the Polish one, the net earnings are much lower, given high tax burden in Romania, which is more than 40% of gross salary.

FIGURE 4.2
COMPARISON OF ACTUAL MONTHLY GROSS AND NET BASE SALARIES IN SELECTED COUNTRIES IN EUROPE. WHAT IS THE TOTAL EMPLOYMENT COST?



Source: Mercer 2022 compensation surveys

Working on your transition business case don't focus only on the base salaries. Guaranteed allowances, bonus and typical benefits levels vary in countries around the world. In India base salary typically

accounts only for 36% of senior specialist total remuneration. In Poland 6% of total remuneration is provided as a bonus and 5% is a benefits cost.

FIGURE 4.3

PERCENTAGE OF TOTAL REMUNERATION INTO BASE SALARY, GUARANTEED ALLOWANCES, VARIABLE CASH PAYMENTS, LONG-TERM INCENTIVES AND BENEFITS

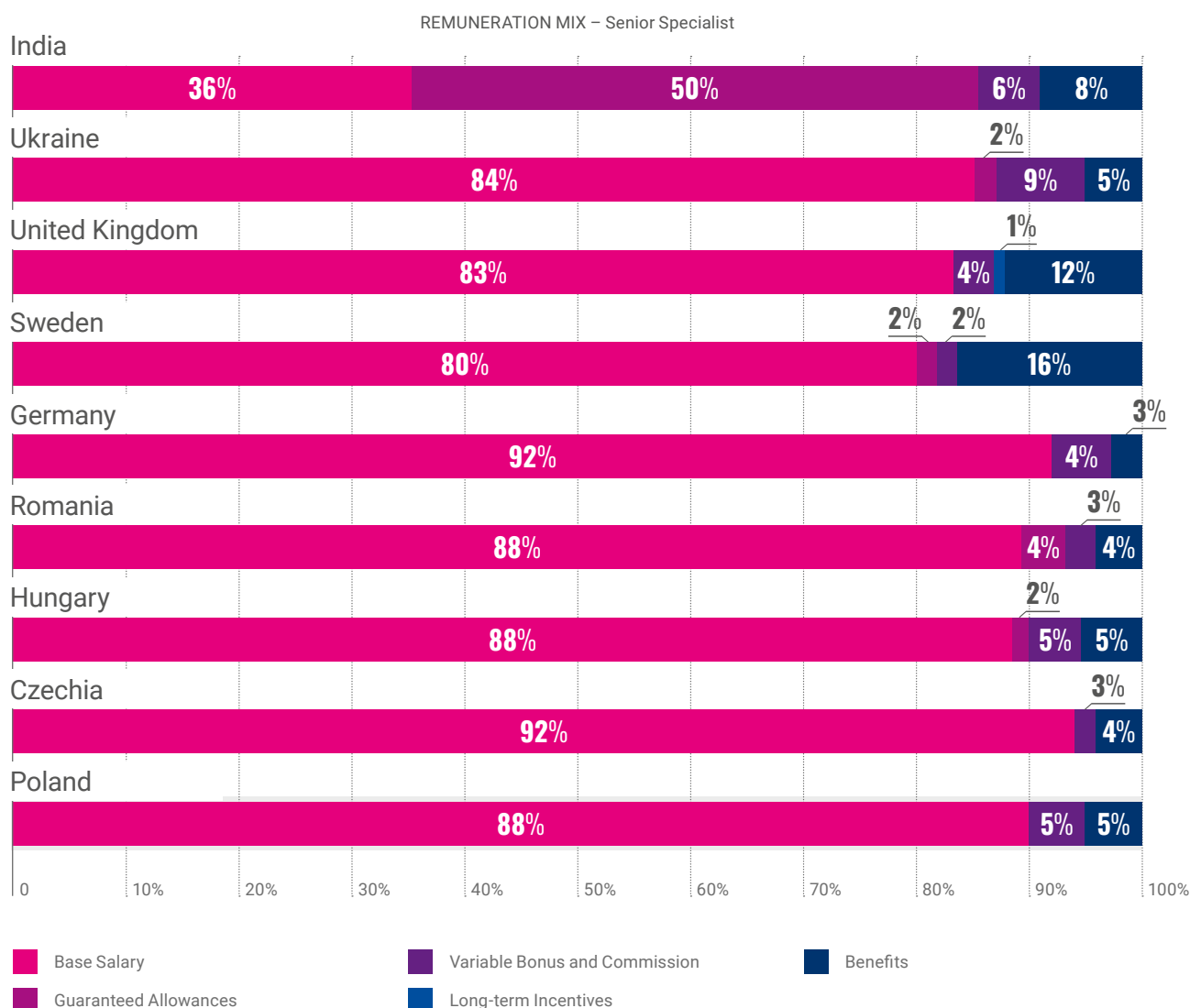
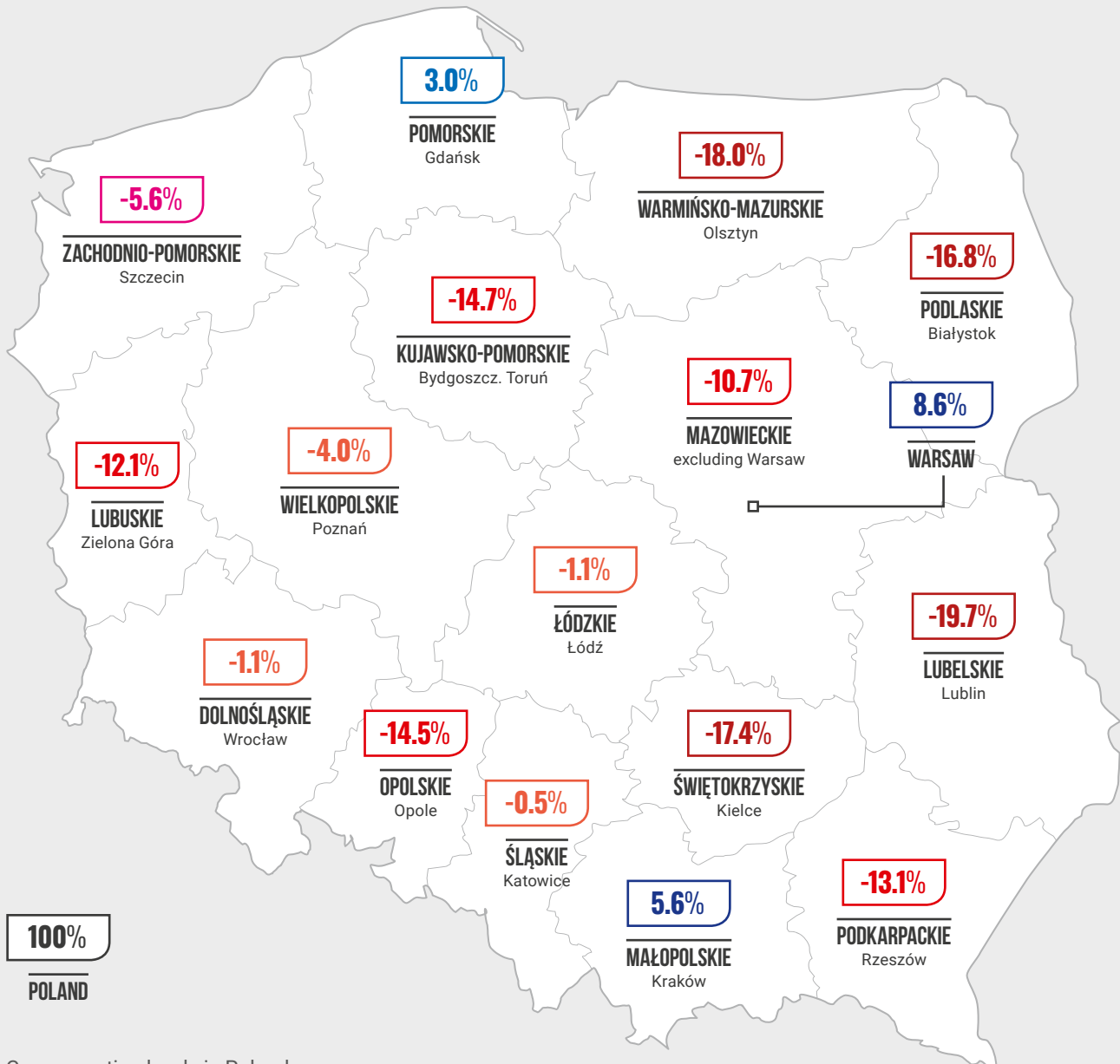


FIGURE 4.4**REGIONAL PAY DIFFERENTIALS IN POLAND**

Comparison of average annual base salary in regions in Poland, where average Poland is 100%. Table is based on the analysis of actual remuneration of employees in Poland in 2022.



Compensation levels in Poland are diversified and the highest are in the capital city Warsaw.

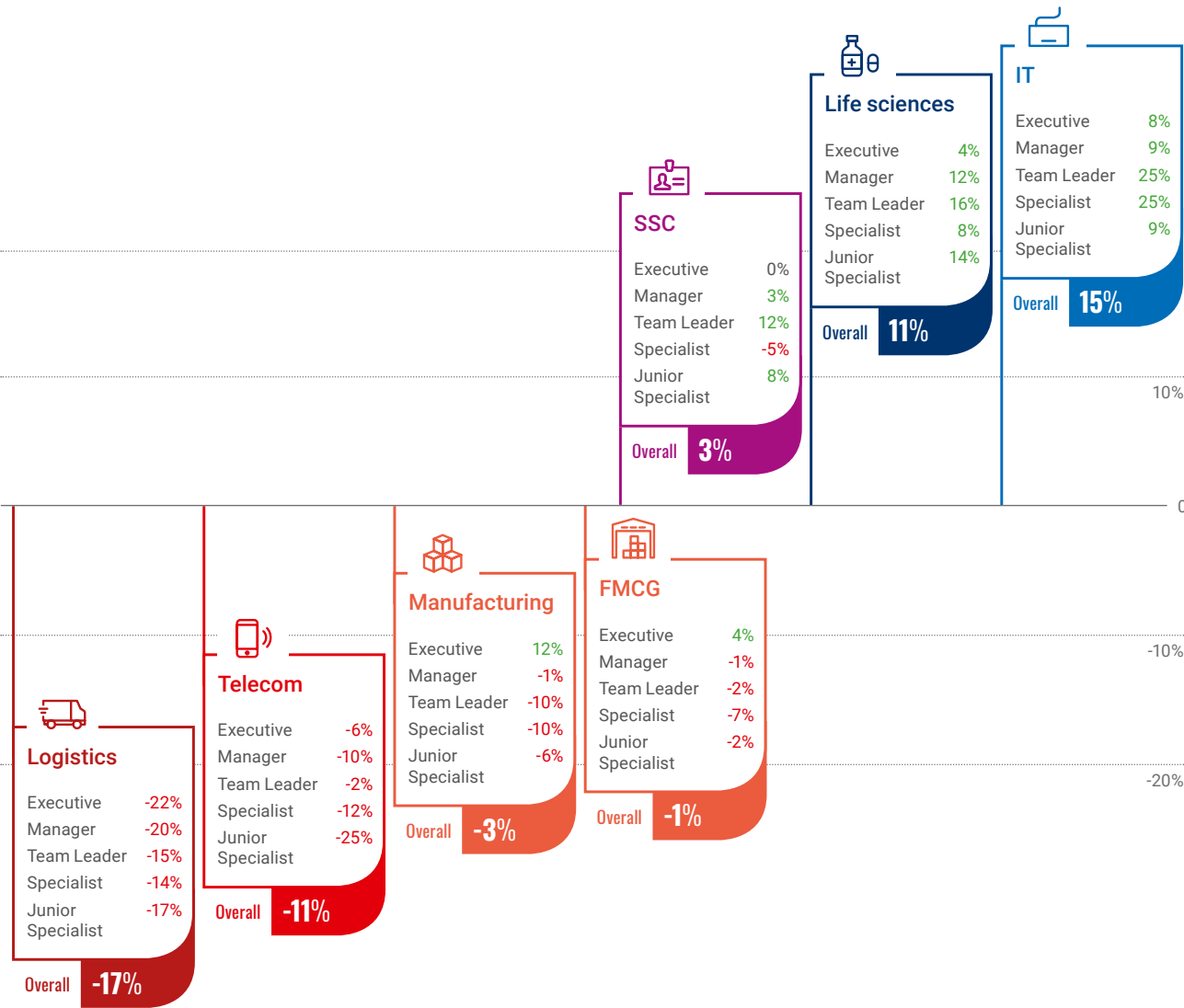
The average salary in the Logistics industry is 17% less than general market. Salaries are also lower in the Telecom and Manufacturing sectors. On the other hand, in the SSC industry

salaries are higher than general market by about 3%, and in the IT industry it is 15% more.

FIGURE 4.5

SALARY DIFFERENTIALS BY INDUSTRY IN POLAND

Comparison of average annual base salary in industries in Poland, where general market is 100%.



The labor market and salaries

TABLE 4.2**ACTUAL MONTHLY GROSS BASE SALARIES IN BPO / SSC / IT / R&D SECTOR IN POLAND IN EUR**

Table is based on the analysis of actual remuneration of over 68,000 employees from 212 SSC organizations in Poland surveyed in 2022. Detailed cities compensation analysis was prepared based on the regional pay differences.

City	POLAND	
Region		
Monthly gross base salaries	Median	Mean
Head of Center	7,946	8,326
Manager	4,129	4,014
Team Leader	2,902	2,882
Senior Specialist	2,391	2,338
Specialist	1,767	1,720
Junior Specialist	1,322	1,290



Currency exchange rate

1 PLN = 0.2109 EUR

Manager	team up to 50 people (Team Leaders manager)
Team Leader	5-15 subordinates
Senior Specialist	minimum 4 years of experience
Specialist	2-4 years of experience
Junior Specialist	up to 2 years of experience, entry level position

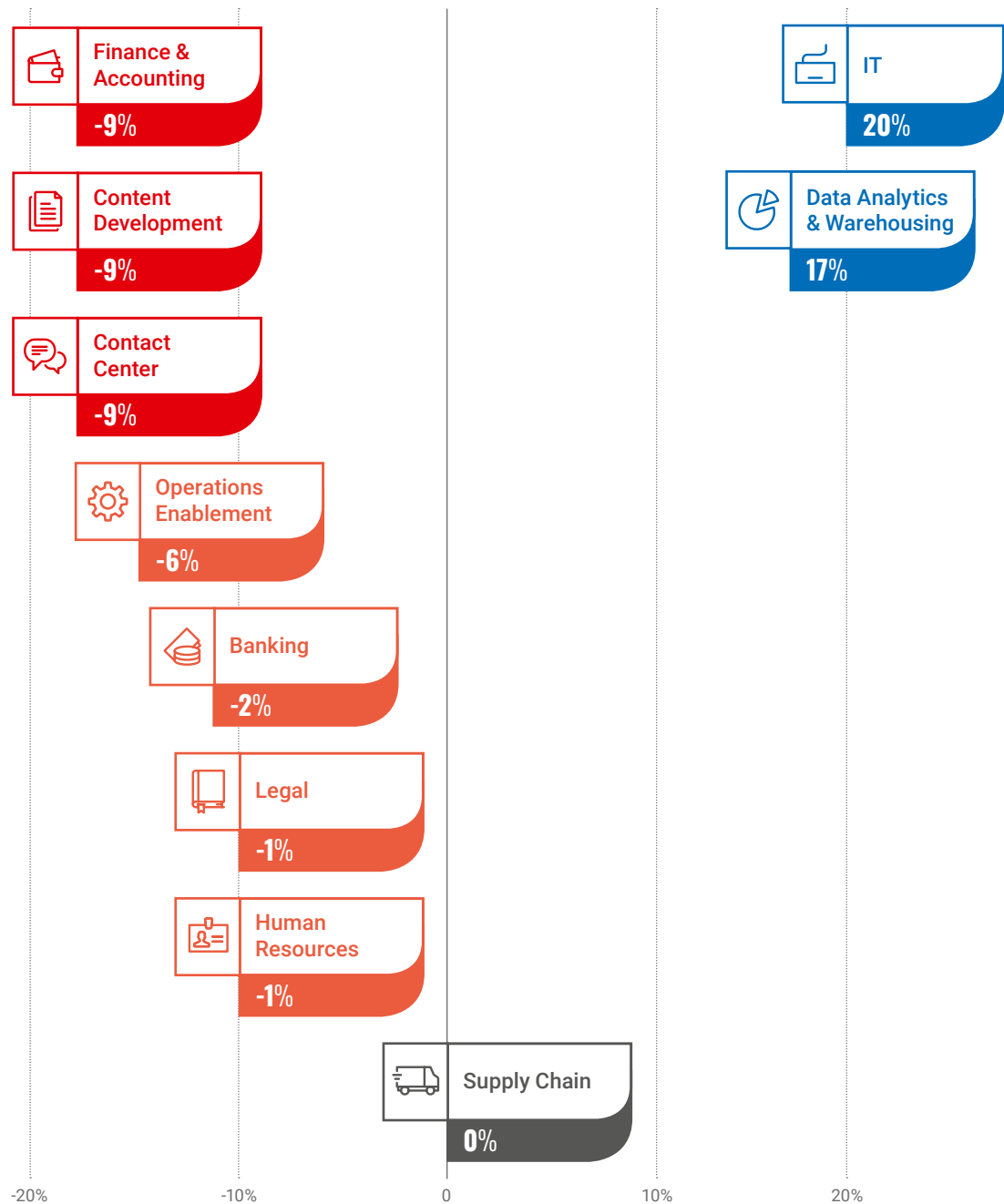
City	WARSAW		KRAKÓW		WROCŁAW	
Region	Warsaw		Małopolskie		Dolnośląskie	
Monthly gross base salaries	Median	Mean	Median	Mean	Median	Mean
Head,of,Center	8,630	9,042	8,391	8,793	7,859	8,235
Manager	4,484	4,359	4,360	4,239	4,084	3,970
Team,Leader	3,152	3,130	3,065	3,043	2,870	2,850
Senior,Specialist	2,596	2,539	2,524	2,469	2,364	2,312
Specialist	1,918	1,868	1,865	1,817	1,747	1,701
Junior,Specialist	1,435	1,400	1,396	1,362	1,307	1,275

City	TRICITY		ŁÓDŹ		KATOWICE		POZNAŃ	
Region	Pomorskie		Łódzkie		Śląskie		Wielkopolskie	
Monthly gross base salaries	Median	Mean	Median	Mean	Median	Mean	Median	Mean
Head,of,Center	8,185	8,576	7,859	8,235	7,907	8,285	7,628	7,993
Manager	4,253	4,135	4,084	3,970	4,108	3,994	3,964	3,854
Team,Leader	2,989	2,968	2,870	2,850	2,888	2,868	2,786	2,767
Senior,Specialist	2,462	2,408	2,364	2,312	2,379	2,326	2,295	2,244
Specialist	1,819	1,772	1,747	1,701	1,758	1,712	1,696	1,652
Junior,Specialist	1,361	1,328	1,307	1,275	1,315	1,283	1,269	1,238

Source: Mercer 2022 Poland SSC Survey

FIGURE 4.6
PAY DIFFERENTIALS BY JOB FAMILIES IN SSC SECTOR IN POLAND

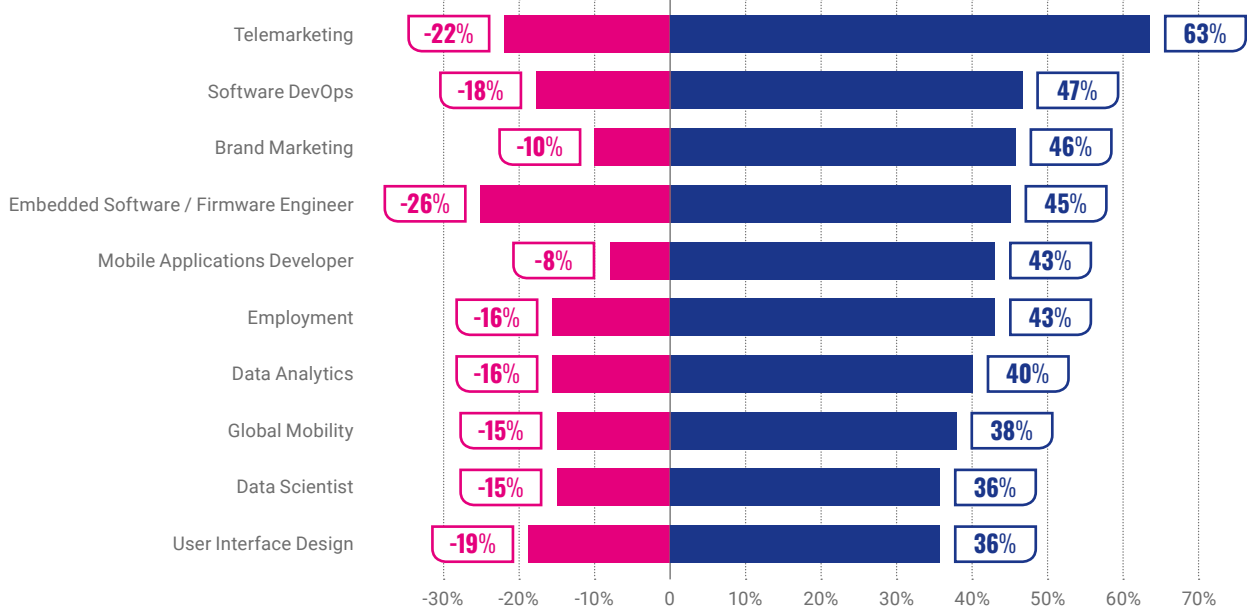
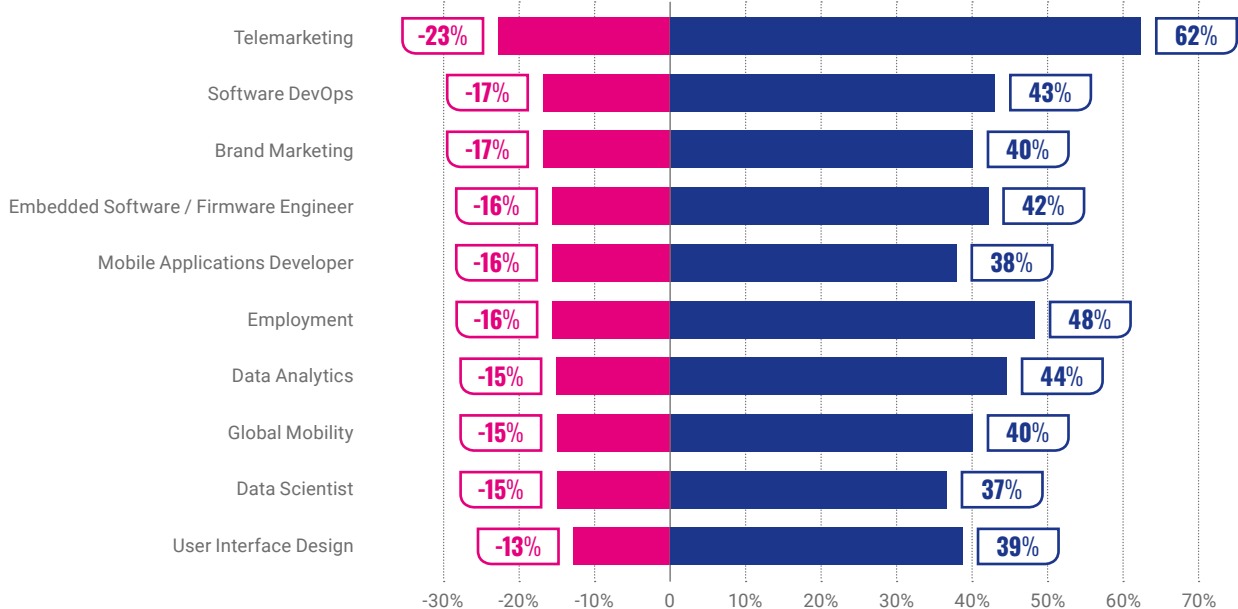
IT is the best rewarded job family in the industry, while jobs at Finance & Accounting, Contact Center and Content Development are the lowest.



Source: Mercer 2022 Poland SSC Survey

FIGURE 4.7**HOT JOBS IN EUROPE AND AROUND THE WORLD**

Globally we see strong demand for data privacy, data analytics, digital & customer focused roles.

Global**Europe**

■ Voluntary Turnover Rate

■ New Hire Rate

PAY INCREASE IN SELECTED CATEGORIES OF SERVICES IN POLAND

TABLE 4.3

ACTUAL SALARY INCREASES AWARDED IN BPO / SSC / IT / R&D SECTOR IN POLAND IN 2022*

The most common salary review dates in Poland are: March (32% of organizations surveyed) and February (23% of organizations surveyed). Individual performance is the most common criterion for a salary increase (97% of organizations surveyed).

	25th Percentile	Median	Average	75th Percentile
Overall Budget	4.9%	6.1%	6.6%	8.0%
Head of Center	4.1%	6.0%	6.1%	7.5%
Managers and Team Leaders	5.0%	6.0%	6.6%	8.0%
Specialist	5.0%	6.5%	6.6%	8.0%
Junior Specialist	5.0%	6.5%	6.9%	8.0%

* Based on all responses, not including zeros.

Source: Mercer 2022 Poland SSC Survey

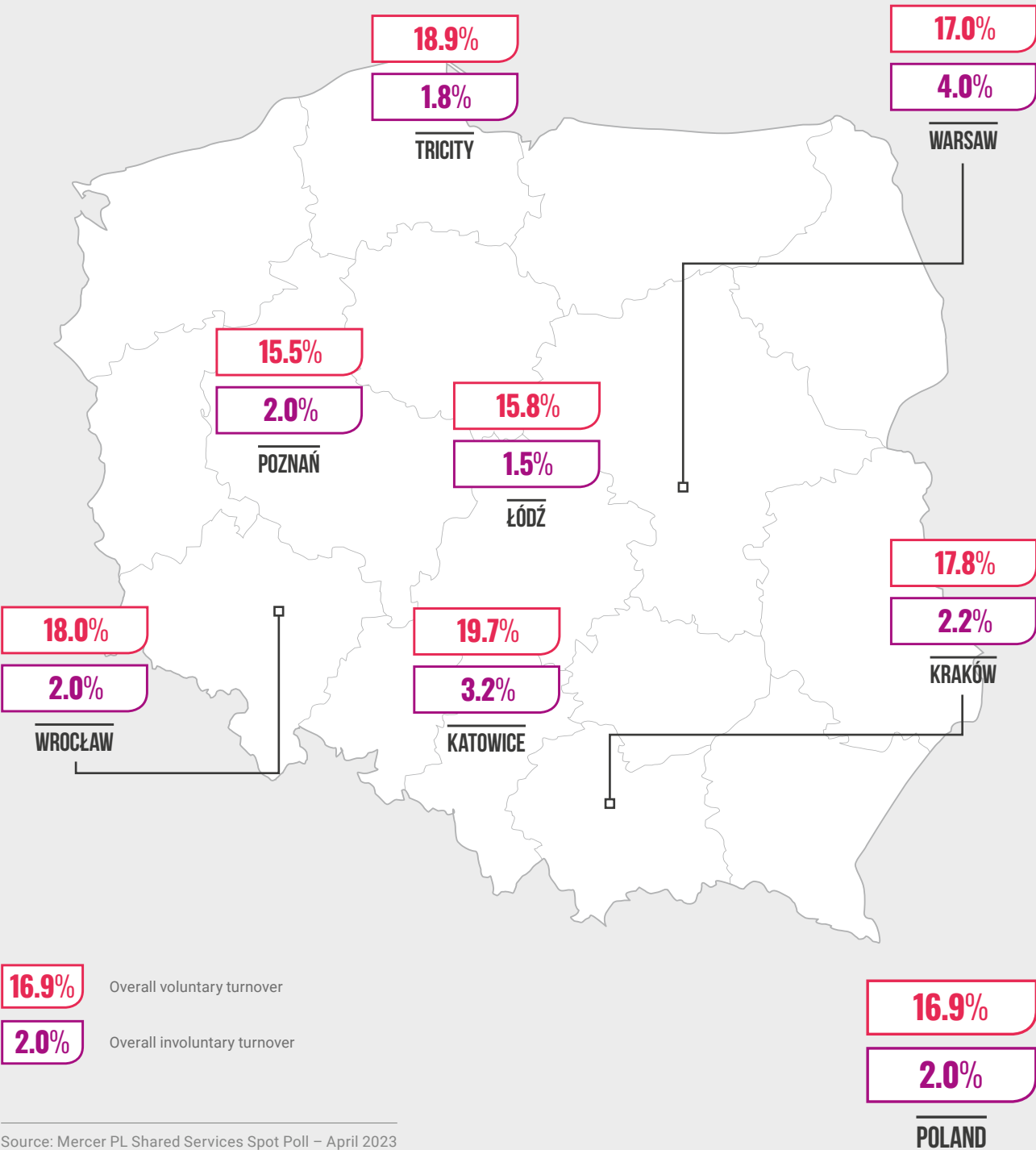
TABLE 4.4

TYPICAL SALARY INCREASE WHEN PROMOTING TO HIGHER LEVEL

	25th Percentile	Median	Average	75th Percentile
Management	10.0%	16.1%	15.0%	20.0%
Team Leader	15.0%	17.0%	17.0%	20.0%
Specialist	12.8%	16.2%	15.0%	20.0%
Junior Specialist	10.0%	15.6%	15.0%	20.0%

Source: Mercer PL Shared Services Spotpoll – April 2023

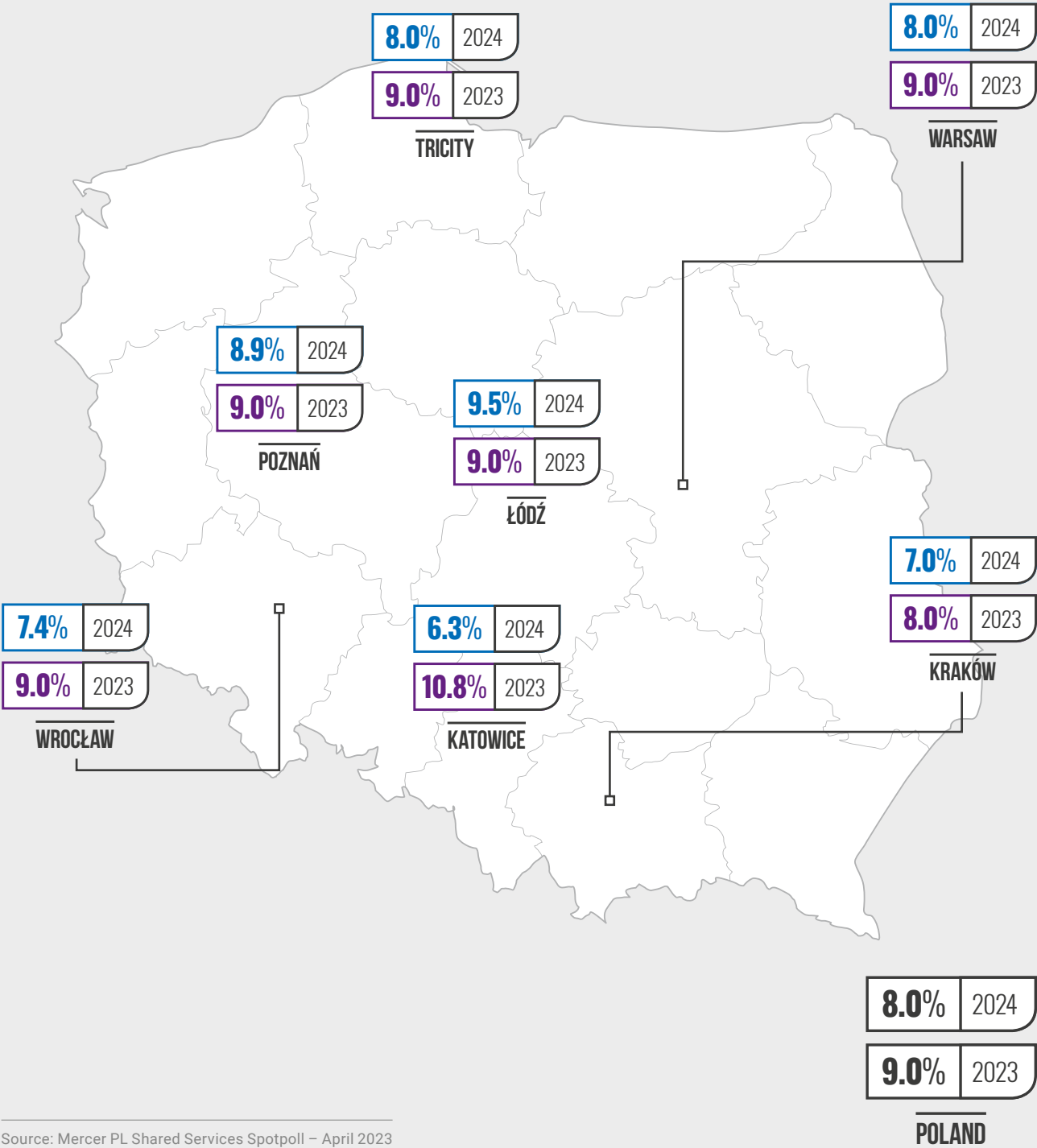
FIGURE 4.8
EMPLOYEES' TURNOVER IN BPO / SSC / IT / R&D SECTOR IN POLAND IN 2022 (MEDIAN)



Source: Mercer PL Shared Services Spot Poll – April 2023

FIGURE 4.9

BUDGETED AND FORECASTED SALARY INCREASE IN BPO/SSC/IT/R&D SECTOR FOR 2023 AND 2024 BY REGIONS



Source: Mercer PL Shared Services Spotpoll – April 2023

LANGUAGE BONUSES

FIGURE 4.10
LANGUAGE ALLOWANCES



FIGURE 4.11
MONTHLY LANGUAGE ALLOWANCE DEPENDING ON THE FOREIGN LANGUAGE

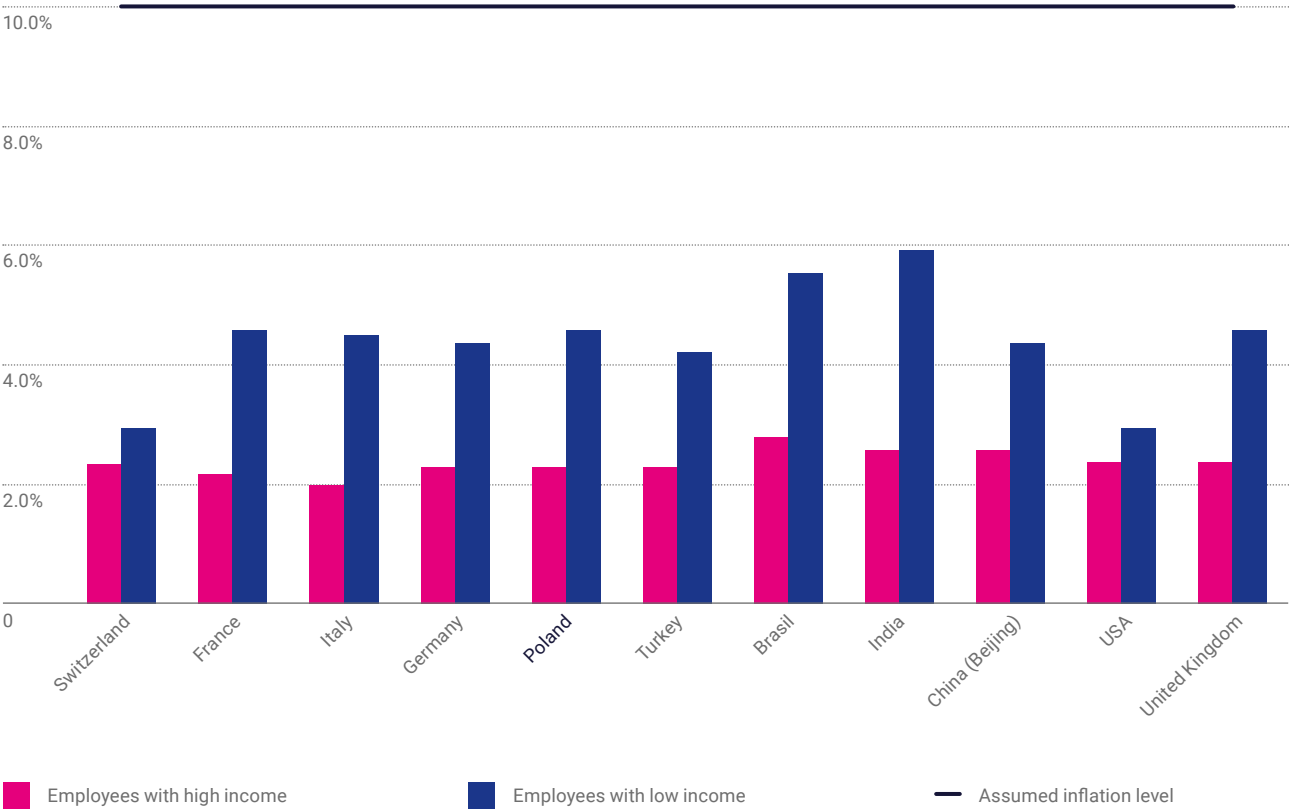


INFLATION

Inflation affects income in varying degrees. Employees do not spend their entire gross salary. They pay taxes, they save. The higher

the income, the less percentage is spent on products and services included in the inflation basket.

FIGURE 4.12
ACTUAL AFFECT OF 10% INFLATION ON 'DISPOSABLE INCOME' EXPRESSED AS A PERCENTAGE OF GROSS INCOME IN SELECTED COUNTRIES



Source: Mercer's own calculations, based on Mercer TRS survey and Mercer Cost of Living study

TABLE 4.5

ACTUAL SALARIES GROWTH IN POLAND OVER THE LAST 15 YEARS

Year	Salaries growth (Mercer TRS survey)	Inflation – CPI (GUS)	Salaries growth vs inflation
2008	6.5%	4.2%	2.3%
2009	4.7%	3.5%	1.2%
2010	3.9%	2.6%	1.3%
2011	4.0%	4.3%	-0.3%
2012	4.0%	3.7%	0.3%
2013	4.2%	0.9%	3.3%
2014	3.1%	0.0%	3.1%
2015	3.2%	-0.9%	4.1%
2016	3.0%	-0.6%	3.6%
2017	3.5%	2.0%	1.5%
2018	3.5%	1.6%	1.9%
2019	4.2%	2.3%	1.9%
2020	3.7%	3.4%	0.3%
2021	3.5%	5.1%	-1.6%
2022	6.0%	17.2%	-11.2%
Average	4.1%	3.3%	0.8%
Total	61.0%	49.3%	11.7%

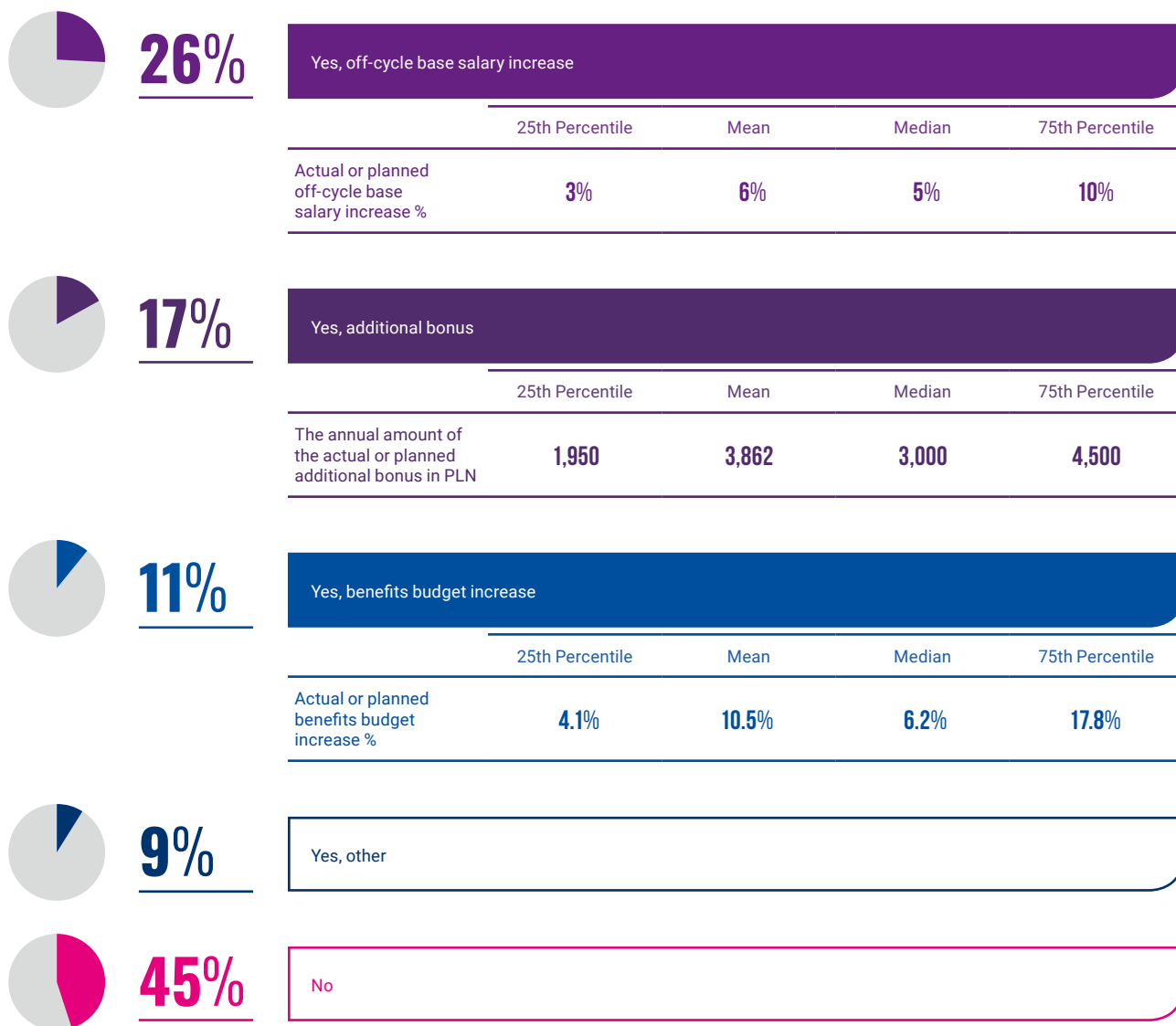
Source: Mercer's own calculations, based on Mercer TRS survey and data published by GUS (Polish Central Statistical Office)

A bit more than half of companies, decided to implement extra measures, due to increasing inflation in order

to partially reimburse it to their employees. However, 45% of companies decided not to do so.

FIGURE 4.13

DID ORGANIZATIONS IMPLEMENT OR ARE CONSIDERING TO IMPLEMENT ANY OF THE BELOW ACTIONS DUE TO HIGH INFLATION RATE?*



* More than one response could be provided.

Source: Mercer PL Shared Services Spot Poll – December 2022

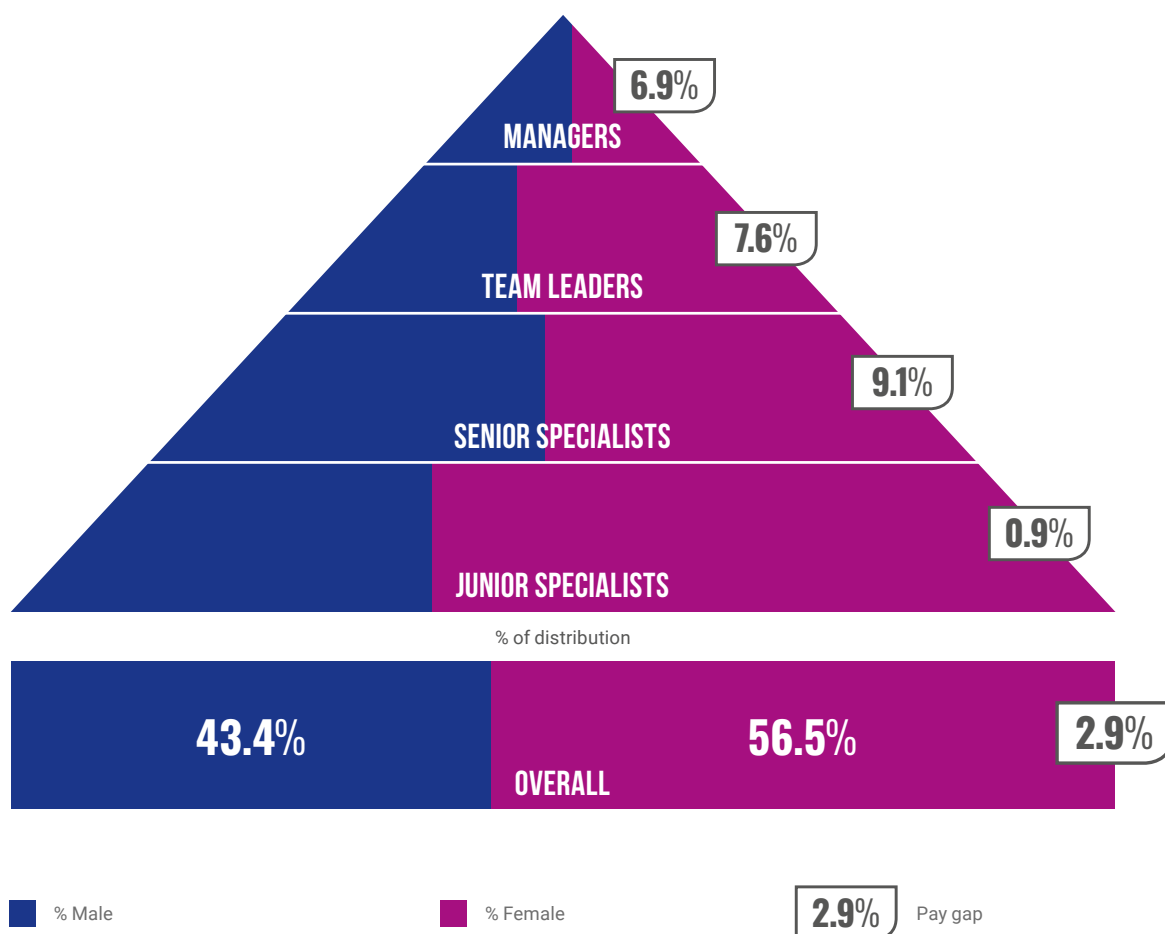
GENDER DISTRIBUTION BY EMPLOYEE GRADE

Females are majority in BPO/SSC/IT/R&D sector in Poland representing almost 60% of the entire workforce. While among junior specialist women take almost 61% of positions, on a managerial level they occupy only 45% of role. While most

of the sector organizations are declaring that diversity and inclusion are part of their strategy, the average pay gap is 2.9%. Gender pay gap at entry level positions is only 0.9%, but among managers it is 6.9%.

FIGURE 4.14

GENDER DISTRIBUTION BY EMPLOYEE GRADE IN BPO/SSC/IT/R&D SECTOR IN POLAND AND PAY GAP*



* Data in below figure is based on the actual data of over 40,000 employees employed in 147 organizations.

Source: Mercer 2022 Poland SSC Survey

TRENDS IN BENEFITS

In order to attract and retain talent, companies have long relied on employee benefits as a crucial component of their compensation package.

Recent trends, have shown a shift towards even more holistic approach to benefits that prioritizes both the health and wellbeing of employees, encompassing physical, mental, social, and financial wellbeing as well as other perks.

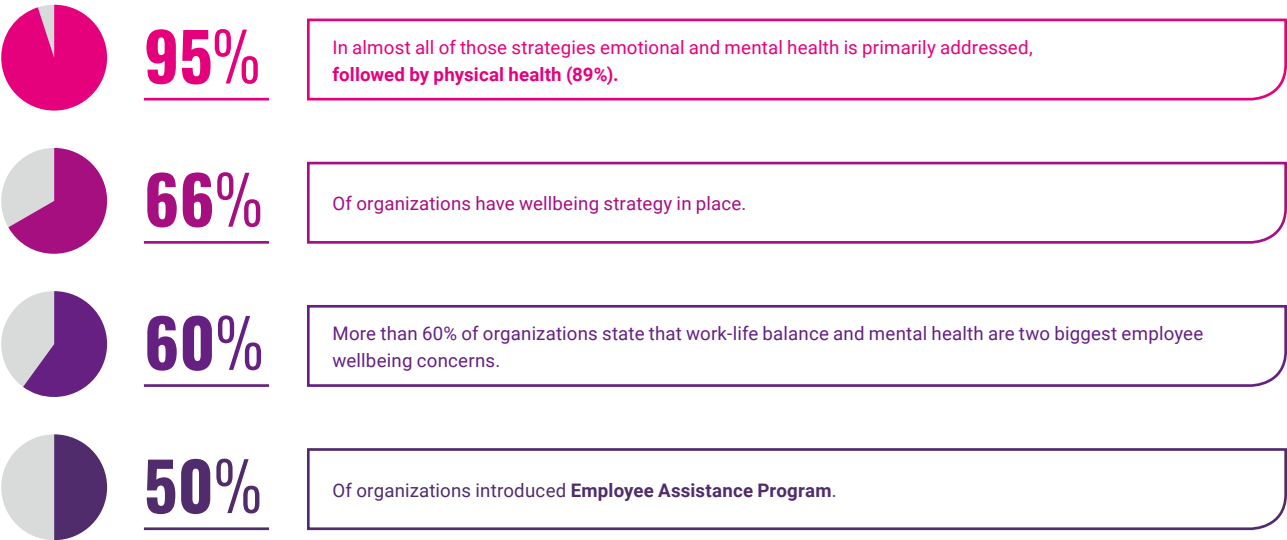
Demographic changes, a tight labor market, available innovations in the market, and statutory changes have driven this trend, which has been accelerated by post-pandemic employee needs, such as mental health support.

The current economic climate, marked by a high Consumer Price Index (CPI), presents challenges for both employers and employees. Medical benefits costs have risen significantly, often with increases of 20-30% seen in some cases. This puts pressure on the benefits budget and this year appears to be no different from 2022 in terms of cost constraints.

Although cost challenges exist, employers are still expected to provide comprehensive benefits packages to their employees, including a wide range of benefits with attractive terms, not only for employees but often for their family members and partners, easy enrollment and flexible options. These initiatives frequently require significant effort and expenses from employers. As a result, companies may need to reassess their benefits strategies and to compare themselves with their peers, and gain an understanding of where they stand in relation to industry standards and best practices.

Remote work has emerged as a hot topic due to recent legal changes, and companies must closely monitor this trend to stay on top of changing market conditions.

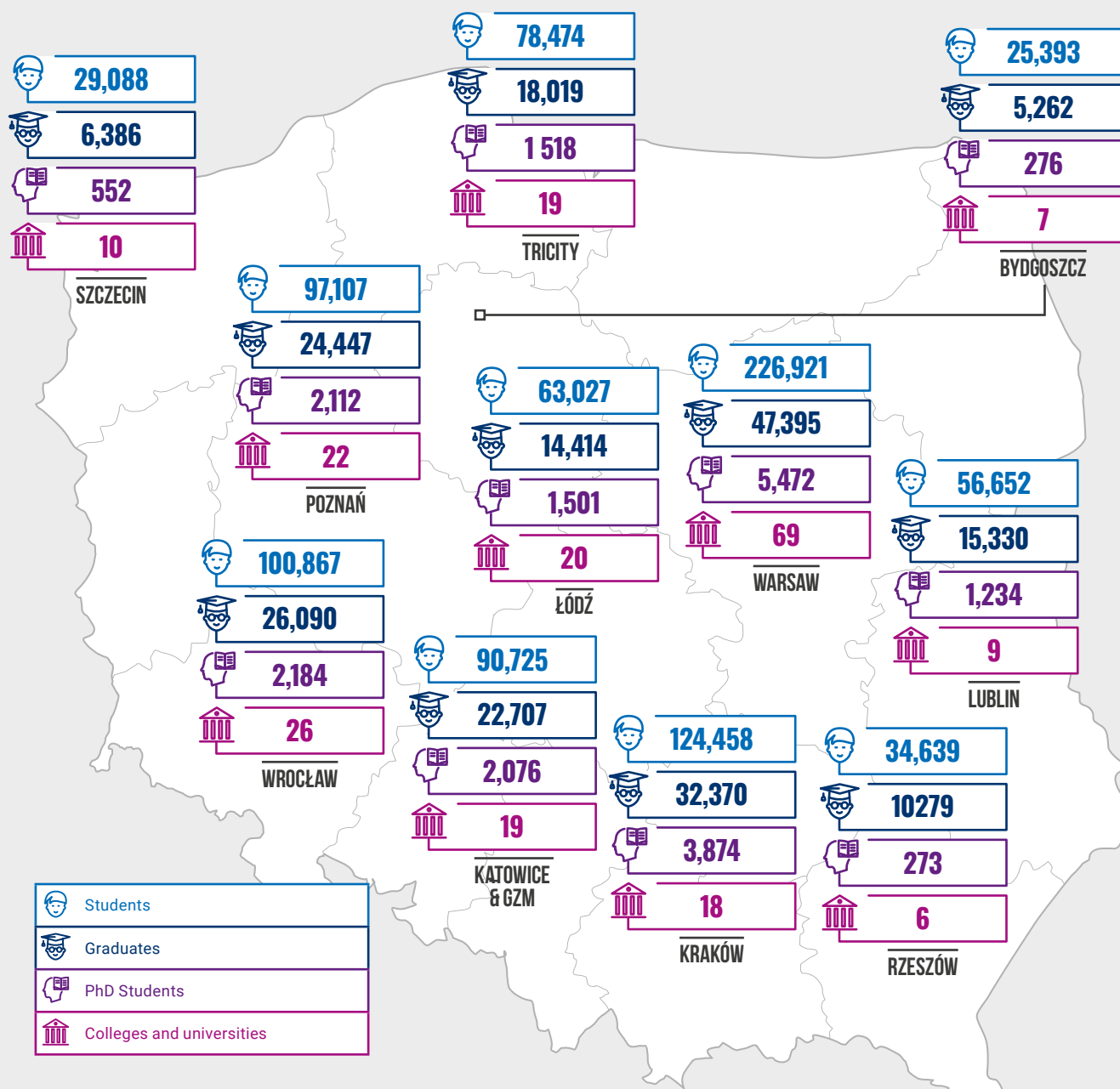
With a growing emphasis on work-life balance and a more diverse workforce, employers will need to be increasingly attuned to demographic trends and adjust their benefits packages accordingly to attract and retain talent.



EDUCATIONAL POTENTIAL

FIGURE 4.15

NUMBER OF STUDENTS, GRADUATES, AND UNIVERSITIES IN SELECTED CENTERS IN POLAND

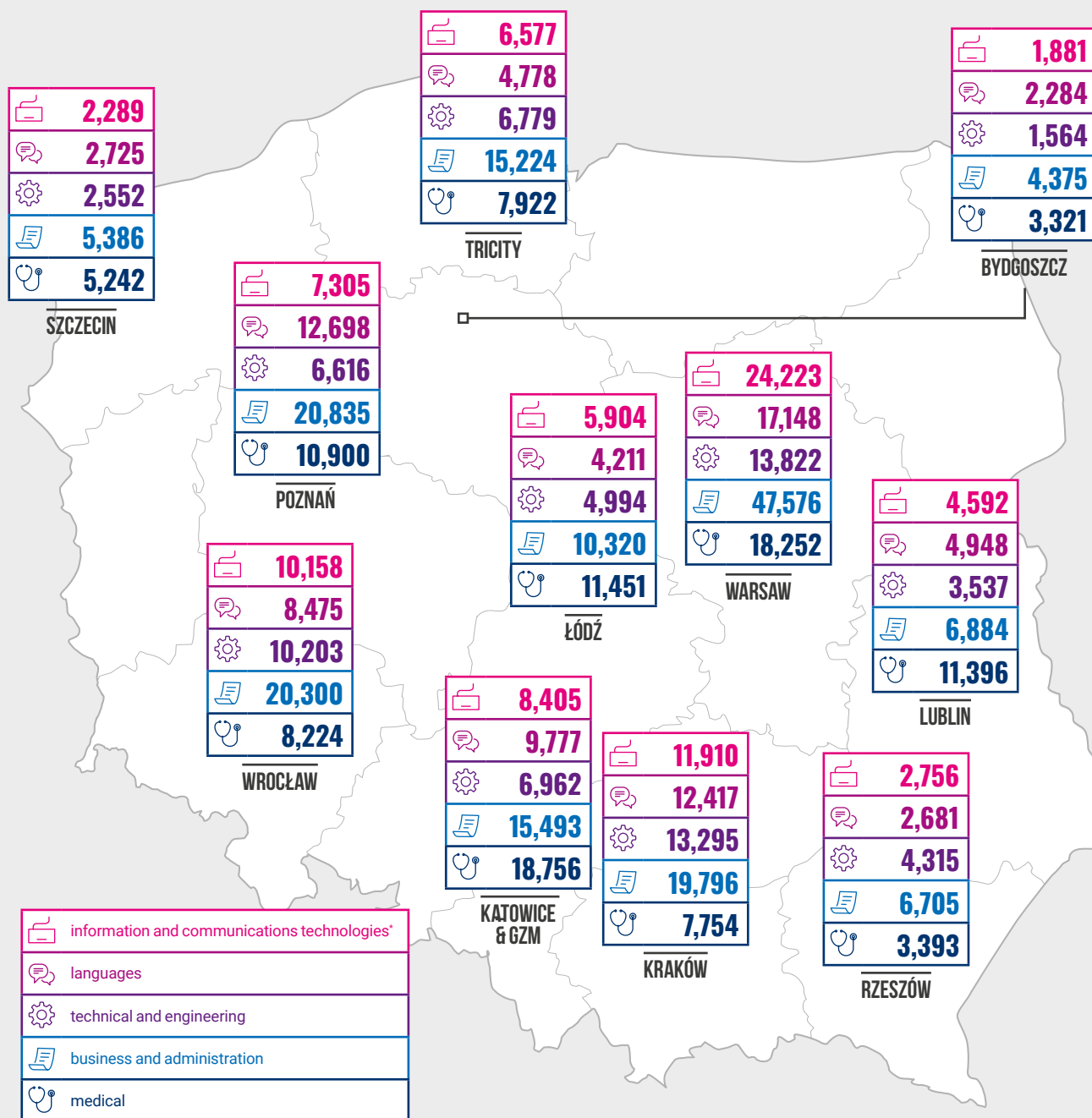


Note. The student and graduate numbers are based on the actual location of the unit (faculty). The college and university numbers are based on the address of the home institution in selected cities.

Source: Prepared by ABSL on the basis of data received from the National Information Processing Institute at the National Research Institute

FIGURE 4.16

STUDENTS OF SELECTED COURSES: LANGUAGE, BUSINESS AND ADMINISTRATION, ICT, ENGINEERING AND TECHNICAL, MEDICAL



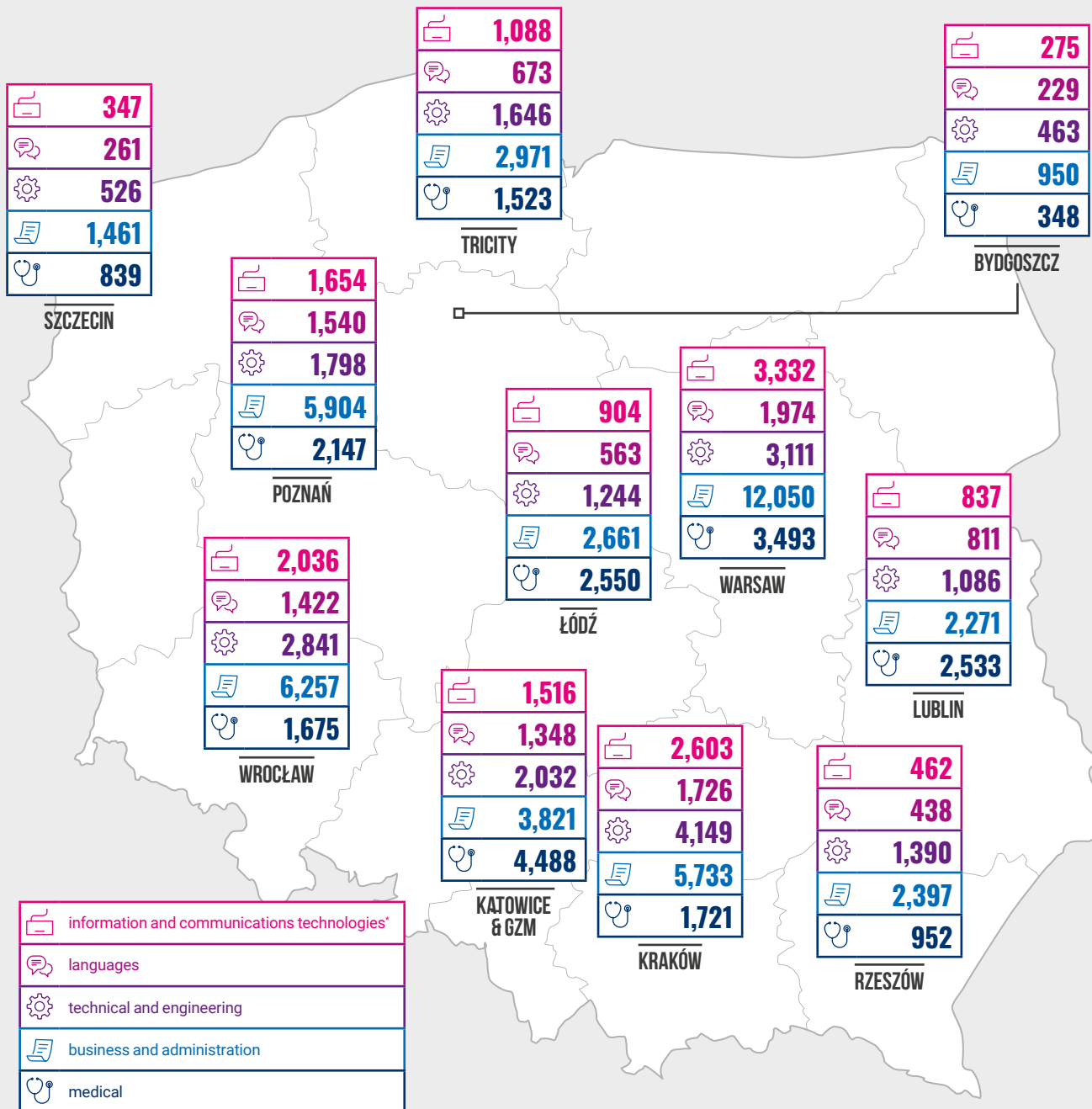
Note. The data is based on the actual location of the unit (faculty).

* Together with a subgroup of interdisciplinary programs and qualifications covering information and communications technology.

Source: Prepared by ABSL on the basis of data received from the National Information Processing Institute at the National Research Institute

FIGURE 4.17

GRADUATES OF SELECTED COURSES: LANGUAGE, BUSINESS AND ADMINISTRATION, ICT, ENGINEERING AND TECHNICAL, MEDICAL



Note. The data is based on the actual location of the unit (faculty).

* Together with a subgroup of interdisciplinary programs and qualifications covering information and communications technology.

Source: Prepared by ABSL on the basis of data received from the National Information Processing Institute at the National Research Institute



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BUILD AN AGILE AND SUCCESSFUL WORKFORCE: THREE TRENDS FOR BUSINESS SERVICES COMPANIES IN POLAND

What does the future hold for the business services sector in Poland?

After a tumultuous few years that have transformed the world of work, companies face some new challenges in building effective teams for their centers. At the same time, there are new opportunities to evolve their talent strategies, adapt to the current landscape and be better prepared for the future.

Despite the recent disruption, business services companies are primed for strong and continued growth, as evidenced by Poland's relatively low unemployment

of 5.3% and strong economy over the past couple of years. But there are signs that [the economy may be slowing](#), such as a decrease in Gross Domestic Product (GDP) from 6.8% in 2021 to 4.9% in 2022, with projections that it is set to fall to 0.7% in 2023.

But as yet, this potential slowdown has not affected the sector, as many business services companies continue to predict rapid employment growth. This has employers optimistic about the future, with nearly three-quarters (73.9%) planning to increase employment.



Chapter content developed by: **Randstad Poland** and **Randstad Sourceright**

Randstad Poland is one of the largest personnel consulting and staffing agencies. We combine our experts' drive with the power of modern technologies. As a lifelong partner in the changing world of work we support people and organizations in realizing their true potential.

Randstad Sourceright is a global HR solutions leader supporting employers in building strategies for talent acquisition and human capital management. We continuously build and evolve solutions across recruitment process outsourcing (RPO), managed services programs (MSP), and total talent acquisition.

A CHANGING LANDSCAPE

Along with the growth, however, come new changes as the sector evolves. As the sophistication of services provided by business services centers grows, employers must also recruit and retain talent with more sophisticated skill sets to deliver those services. This means talent leaders are facing greater competition for the skills they need to drive company priorities.

The growing presence of remote work arrangements also continues to present challenges for employers in this sector. While the shift to remote work was driven by COVID-19, it has now become an attractive benefit for talent, enabling improved work-life balance and flexibility. However, some employers continue to be concerned about productivity and whether teams can meet their goals and fulfill company needs as well as projects while working in this format.

THREE AREAS AFFECTING TALENT STRATEGY

Against a backdrop of rapid growth and changing work dynamics, business service employers face several challenges when acquiring the talent their organizations need.

1. A LIMITED TALENT POOL IMPACTS SECTOR GROWTH

As the need for business services increases and employers plan to expand their hiring, they will likely be challenged by Poland's limited and shrinking talent pool. According to the [IMD World Competitiveness Center](#), Poland was ranked 50th out of 63 countries in its 2022 World Talent Ranking — a measure of how different markets develop, attract and retain talent. This is down from 45th in 2021 and 35th in 2020, emphasizing the challenges of Poland's long-term ability to provide high-quality talent for the business services sector.

The talent shortages are also evident in the ABSL 2023 report, which finds that 40% of surveyed employers see the availability of talent in Poland as a fundamental challenge to their center's growth and opportunity. Meanwhile, the majority (55.7%) expect talent shortages will be significant in the next five years, driving the need to adapt how they find and develop talent.

2. HIGH TURNOVER

While the scarcity of talent makes it difficult to find talent, another challenge is retaining people with the right skills. Per the ABSL 2023 report, the voluntary turnover rate for the business services sector had risen from 13.0% in 2020 to 18.3% in 2022. As a result, more companies are providing enhanced benefits and focusing on well-being to better attract, retain and engage talent, such as offering remote work as an incentive.

ABSL data shows that 28.5% of business services companies in Poland require employees to be in close proximity to the office. Meanwhile, 45.1% of employers said that they recruit from anywhere in Poland, and another 13% recruited from anywhere around the world. While hybrid and fully remote work can unlock access to talent outside the immediate location, some employers are still concerned about the impact on productivity.

3. IT / DIGITAL SKILLS IN INCREASING DEMAND

Specialized talents, such as those with IT and digital skills, are increasingly in short supply and more costly to obtain. Not only are companies competing against others in the sector but also with businesses across all sectors. According to the ABSL 2023 report, 56.1% of employers said that predictive and advanced analytics would be the most in-demand skills in the next five years, meaning such individuals may be even more difficult to find.

The lack of individuals with the required technological skills is also highlighted in [Randstad Enterprise's 2022 Global In-demand Skills report](#). By analyzing the supply and demand for talent with the most sought-after skills across 26 countries, the report found that Poland had one of the highest job vacancy rates

for roles requiring skills such as artificial intelligence and machine learning, cloud computing, big data, and business intelligence and data visualization.

Further complicating the issue is that the costs of IT talent are going up, as is wage inflation. At 12.9%, Poland has one of the highest wage inflation rates among developed countries, as per the Randstad Intelligence team's market research. The short-term impact is that individuals with IT and digital skills will continue to be scarce, though over the long-term, AI may replace some of the simple competencies and workloads, thereby alleviating some of the effects of talent scarcity.

THREE TALENT TRENDS FOR THE BUSINESS SERVICES SECTOR

To overcome these challenges and ensure a more sustainable and agile approach, business services companies in Poland can follow three major talent management trends. These trends are based on the findings of Randstad Enterprise's [2023 Talent Trends](#) research, with responses from more

than 900 human capital and C-suite leaders across 18 markets around the globe. The report also includes responses from more than 50 leaders in Poland, giving a first-hand view of how they are responding to changes in the talent landscape.

TREND 1: CREATE CLARITY AND DRIVE READINESS WITH TALENT INTELLIGENCE

Key to overcoming talent challenges in the business services sector is using [the right talent intelligence](#) to make better-informed decisions and drive more accurate workforce planning. With access to internal data about their talent and external market data, companies can gain a deep understanding of their current and future talent needs — as well as the supply of skills inside and outside of the organization needed to fill those gaps. Analytics also provides insights into how to be competitive through compensation and benefits, by understanding market rates and how to predict which roles will be quicker or slower to fill based on available candidates.

Given the economic uncertainty in Poland, and ongoing skills shortages, it is more important than ever for companies to leverage talent intelligence. Strategies such as workforce rebalancing, internal mobility,

and reskilling can all help companies overcome skills gaps. But without the right analytics, it will be hard to know if the skills already exist within the organization, and if not, can individuals with adjacent skills who can be trained easily to take on new roles, be identified?

Based on the findings from the 2023 Talent Trends research, employers in Poland have made progress in utilizing analytics to enhance talent strategies compared to the previous year. For instance, 60% said that they were investing in talent intelligence platforms, compared to 54% in 2022; 62% stated that they were investing in market insights platforms (40% in 2022); and 58% were investing in HR and talent analytics visualization dashboards (46% in 2022). The vast majority (81%) said decisions related to talent strategy were fully supported by analytics.



To fully capitalize on the promise of analytics, consider these four strategies:

1. Use analytics to understand how internal talent can be redeployed. You can analyze the adjacency of skills to higher-priority roles or use market data to understand the sources and locations of right-fit external candidates.
2. Elevate diversity, equity, and inclusion (DEI) beyond common factors, such as the number of female employees hired. Instead use analytics to find areas where DEI can be measured and improved across the entire talent life cycle, like identifying
3. Develop clear KPIs that reflect the company's business and talent goals, and then focus on the metrics that contribute to these goals, such as how many employees receive training to develop their skills.
4. Although talent with analytics skills is in high demand, layoffs in the tech industry present an opportunity for business services companies to attract analytics professionals who were let go from tech companies.

career development opportunities, retention rates, and availability of diverse talent.

TREND 2: OVERCOME TALENT SCARCITY WITH A PURPOSEFUL TALENT EXPERIENCE

With companies in Poland competing for a limited talent pool, those that offer a **meaningful work experience** will be better positioned to find and retain top talent. Data from **Randstad's Workmonitor** survey of 35,000 workers around the world shows that 77% feel a company's values and purpose are important when selecting an employer. As competition for top talent increases for business services companies, those that can set themselves apart by highlighting their positive work experience and a focus on people will have a significant advantage.

How are companies in Poland working towards delivering a more meaningful experience? According to the **Talent Trends** research, 75% of talent leaders said

that the talent experience had become more important to their organizations over the past 12 months, down from 78% in 2022. There were also slight decreases in the number investing in DEI as a critical component of talent experience (67% compared to 70% in 2022) and the number leveraging more technology to raise engagement (75% compared to 82% in 2022).

However, 77% said that they were creating specific talent communities and content plans to engage and nurture future talent, up 25 points from 52% in 2022. Given the growing demand for talent, such actions will continue to be instrumental in winning over talent early in the process.



By working to enhance talent experience, business services companies can create a desirable organization that fosters loyalty, improves retention, and elevates the employer brand to remain a company of choice for talent. You can:

1. Develop a robust people experience that includes collecting feedback and inviting regular collaboration with the talent to ensure they feel valued and heard.
2. Strive to stay up-to-date with labor market trends, such as the available skills, compensation rates, and locations of talent, and ensure salaries and benefits are competitive for each location.
3. Recognize what is most important for talent, which is not always more money; the Randstad Workmonitor study showed that 94% of workers said a good work-life balance was just as important as decent wages.
4. Consider how expanding remote work and hybrid arrangements can be used as a tool to attract and retain talent outside the immediate area; survey talent to understand what flexibility means to them to ensure they are offering benefits and arrangements that make an impact.



TREND 3: UNLOCK WORKFORCE POTENTIAL WITH INTERNAL MOBILITY

Faced with growing talent scarcity, employers can look internally to fill crucial gaps. **Internal mobility** helps companies promote current talent to new roles by providing the skills and training they need to grow, while also serving as a powerful retention tool.

According to a study by **McKinsey**, 80% of talent wanted growth and new opportunities, which are critical to improving retention and enriching the talent pool. And given the time and cost it can take to recruit external talent; internal mobility is an efficient way to

fill key gaps. The **Talent Trends** research showed that many employers were already making progress in their talent mobility programs. Overall, 87% of respondents in Poland said they were placing more emphasis on skilling and career engagement, a huge jump from 2022 when only 50% stated that they were focused on this. Additionally, 88% said that career mobility and redeployment of talent would play an important role in their talent strategies this year, while 62% declared that they were investing in talent mobility platforms.



To build a successful talent mobility strategy that truly develops talent and retains employees, consider the following strategies:

1. Create a comprehensive skills taxonomy to map out the knowledge base of the workforce and better understand how talent can be redeployed to adjacent roles based on their skills and future potential.
2. Invest in an internal job marketplace that highlights internal openings, allowing employees to explore new opportunities to advance professionally without having to look externally.
3. Implement a learning platform system that includes a skilling curriculum and coaching that enables you to capture life cycle data for employees, while offering talent real-time insights to help them move forward in their careers.

ADJUST YOUR APPROACH TO OPTIMIZE YOUR TALENT STRATEGY

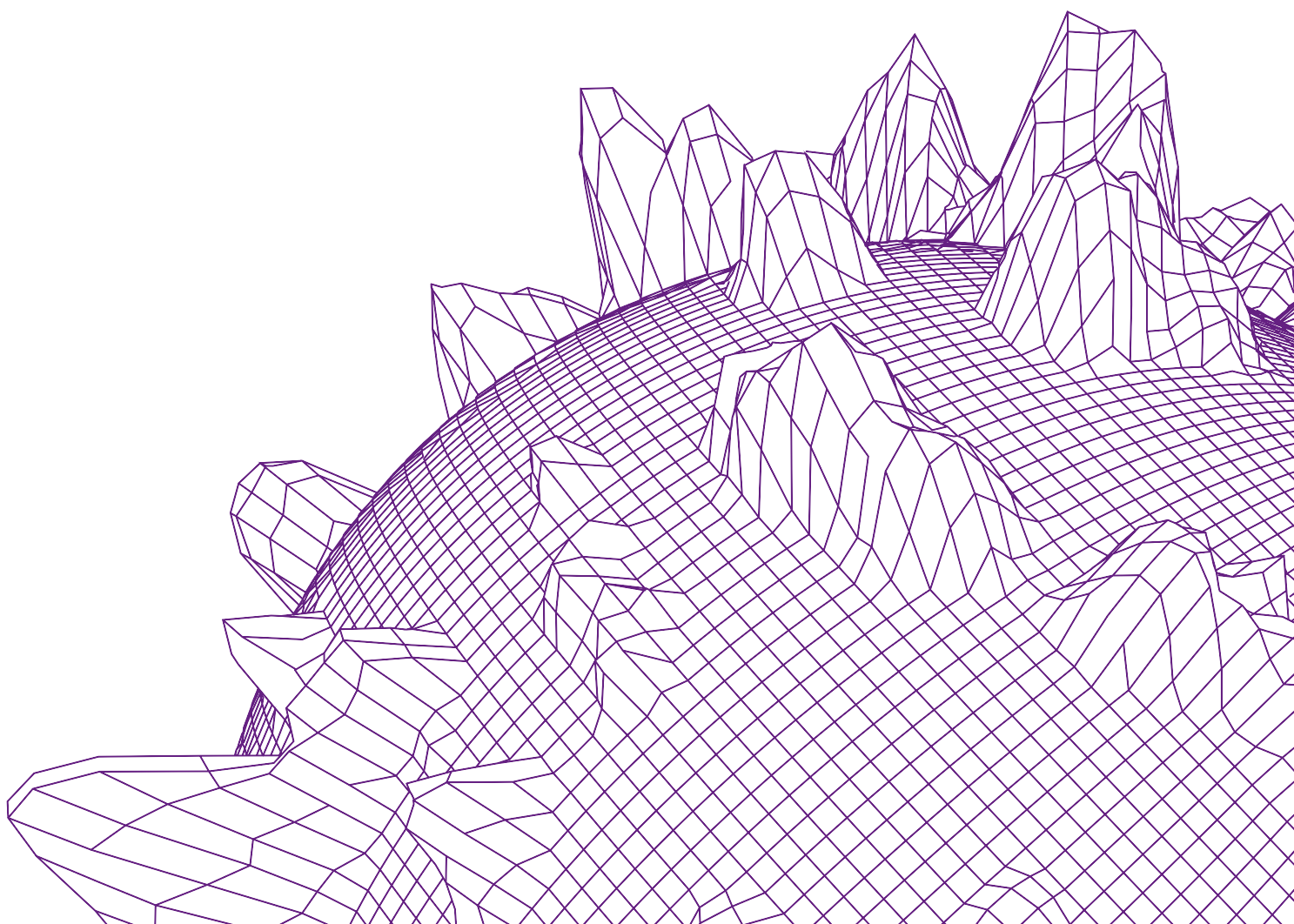
For business services companies in Poland, the current landscape is one of constant change and uncertainty. But there is also plenty of opportunity to rethink the talent strategy and gain a competitive advantage.

Investing in talent analytics will help uncover where to find relevant candidates who are in greater demand than ever. Creating purposeful work experiences can attract and retain high-quality talent who are eager to help the company succeed. Meanwhile, developing a robust internal mobility program will empower current

staff and give them the tools to take on advanced positions, while further supporting retention.

All of these factors will play a key role in building a strong business services operation able to meet current business needs while gaining the agility to address any future challenges.

Learn more about these top talent trends, and what other companies are doing to enhance their talent strategies, in the [2023 Talent Trends Report](#).



5 INNOVATION, BUSINESS TRANSFORMATION PARADIGM, INVESTMENT PLANS, AND ESG DOMAIN

To remain globally competitive, the industry in Poland must continue the shift towards higher-value-added services, more advanced functions, roles in mid-office and front-office processes along with higher skills and knowledge content capacities. Poland, as ABSL has already stressed on many occasions, is considered to be the best cost location for the value generated.

Poland's competitiveness is based on the country being located in an advantageous time zone location, allowing the servicing of both APAC and AMER markets and offering the benefits associated with EU27 membership.

The trends towards upgrading and upskilling are already strong and continue to gain momentum. The sector has proven its innovation capabilities in recent years. Digitalization is ongoing while productivity is increasing (please see our estimates of the value of exports per worker in the section on trade).

However, to remain competitive in an even faster-moving market, the industry needs to transform into a more creative, higher-value-added mode. The rising complexity of roles, the drive towards upskilling, high attrition rates, extended training periods, and a relatively short average duration of employment are significant challenges, particularly in advanced jobs and talent acquisition. The global competition for talent is escalating.

From this perspective, the capacity to innovate continuously will become even more vital. We need to commercialize improved and/or new services and solutions in the global market as well as for our customers. We now need to take proactive rather than reactive positions by using technology to boost our competitive positions in the global markets. From being followers to catching up with the global technological frontrunners, we need to adapt to the role of leaders. This is a fundamental paradigm shift – a profound transformational change.

**73.9%**

The share of companies declaring an introduction of innovation(s) in the preceding three years (72.3% in the 2022 report).

**56.0%**

The share of respondents who declared to have been constantly introducing more significant or minor changes in products, product range, processes, or organizations of business during the last three years.

**36.0%**

The share of respondents who regarded themselves to be ad-hoc innovators.

**6.9%**

Respondents who had had a separate product development / R&D / transformation unit located in Poland.

**59.6%**

Percentage of firms planning to introduce a transformation strategy in the next year.

**75.9%**

The share of companies that had expanded or significantly expanded the scope of services provided in 2022 (same result as in the previous survey).

**73.9%**

The share of companies that planned to increase their headcount to Q1 2024 (ten p.p. lower than in the previous survey).

**19.7%**

The share of firms which planned to expand their activities in 2023 and wanted to reinvest in Poland (1.8 p.p. lower than in the previous survey).

**40.4%**

The share of respondents who perceived the current availability of the talent pool in Poland as a fundamental or significant barrier to overcome for their centers' operations and growth (53.3% in the previous survey).

**55.6%**

The share of respondents who perceived that the problem with the talent pool availability would intensify over the next five years to a significant or significant extent (72.1% in the previous survey).

**45.1%**

The share of companies that were going to recruit from anywhere in Poland, without employee relocation. For 13.0% of companies, location is no longer a factor.

**41.0%**

The share of firms planning to follow a product diversification strategy in 2023 (introduction of new products on new markets).

**80.0%**

The share of respondents who thought that the destabilization of macro fundamentals (inflationary pressure and global stagflation) could have an adverse or severely adverse impact.

**75.9%**

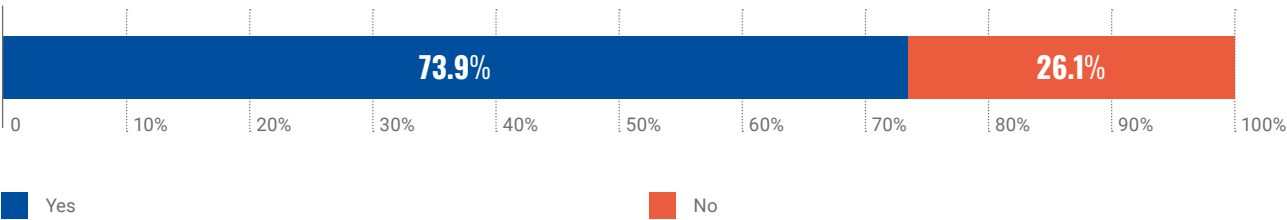
The share of respondents who were concerned with an adverse or severely adverse impact due to an escalation of the military conflict beyond Ukraine.

Innovation, business transformation paradigm, investment plans, and ESG domain

Last year, 72.9% of companies declared that they had introduced innovation(s) understood as integrated products/services in the preceding three years and thus could be considered innovators. This year, the share stood at 73.9% (+ 1 p.p.).

This was once again significantly higher than the nationwide mean. According to Statistics Poland (GUS 2022), in 2019-2021, 26.3% of industrial enterprises and 22.2% of service enterprises showed innovative activity. In services companies employing 250 people and more, the share of firms that had introduced product innovations was 24.5% and business processes innovation – 58.4%. For IT firms the total share was 48.4%, while in R&D it stood at 56.0%.

FIGURE 5.1
HAVE YOU INTRODUCED INNOVATION(S) (INTEGRATED PRODUCTS/SERVICES) IN THE PRECEDING THREE YEARS (SINCE 2020)? (%)



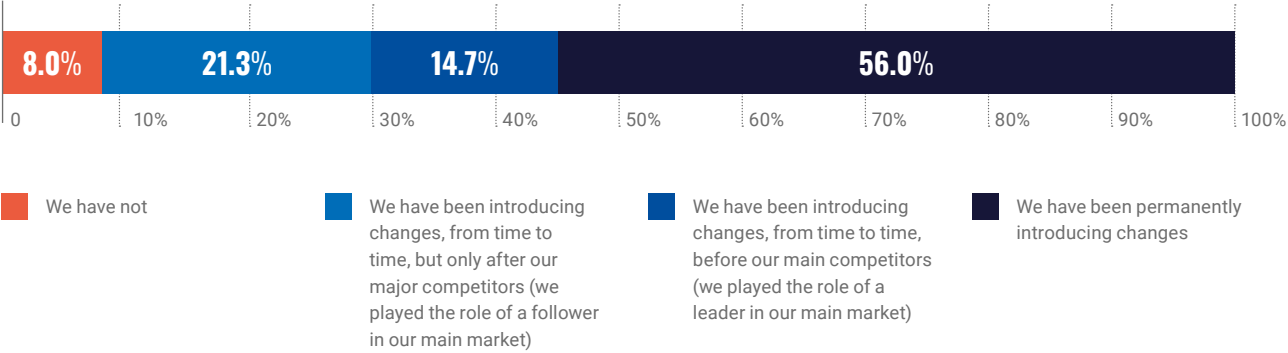
Source: ABSL's study based on the results of the survey (N=153 companies)

56.0% (compared to 57.1% of respondents in 2022) had permanently introduced minor or significant changes in products, product range, processes, or organization of business during the last three years (from 2020 to 2022). They can thus be considered creative warehouses (or permanent innovators). At the other end of the scale, 8.0% (compared to 6.5% in the 2022 edition) of centers had not introduced any of the above changes (non-innovators). However, 36.0%

of firms (36.4% in 2022) stated that they had introduced innovations on an ad hoc basis. Among them, 14.7% (18.2% last year) said that they had played the role of a leader (strategic behavior) while 21.2% (18.2% last year) declared that they were followers in the market (reactive behavior). Overall, declared innovation behavior decreased slightly YoY which could reflect the more challenging macroeconomic environment as well as a greater focus on cost-optimization.

FIGURE 5.2

HAVE YOU INTRODUCED MINOR OR MAJOR CHANGES IN YOUR PRODUCT, PRODUCT RANGE, PROCESSES, OR ORGANIZATIONS OF BUSINESS, DURING THE LAST THREE YEARS (2020-2022)? (% OF RESPONDENTS)

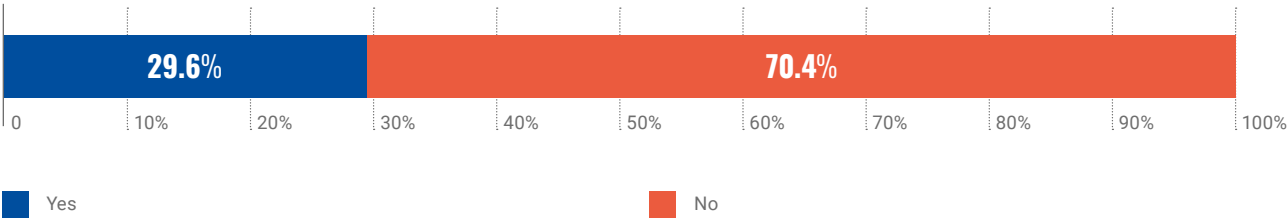


Source: ABSL's study based on the results of the survey (N=150 companies)

26.9% of respondents had a separate product development/R&D/transformation unit located in Poland. The share had not changed YoY.

FIGURE 5.3

DO YOU HAVE A SEPARATE PRODUCT DEVELOPMENT/R&D/TRANSFORMATION UNIT LOCATED IN POLAND? (% OF RESPONDENTS)



Source: ABSL's study based on the results of the survey (N=152 companies)

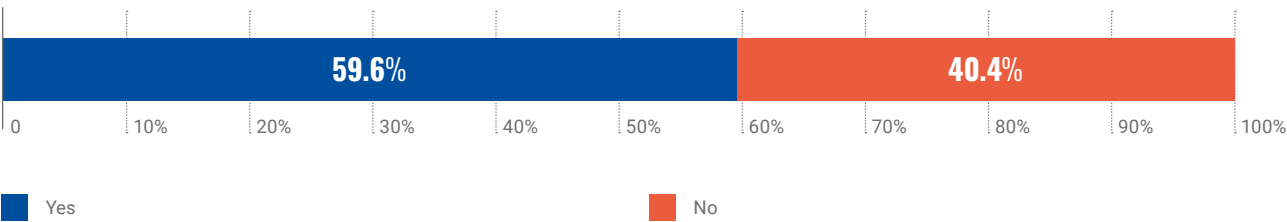
Innovation, business transformation paradigm, investment plans, and ESG domain

TRANSFORMATION PLANS

59.6% of firms planned to introduce a transformation strategy in the forthcoming year, a 6.7% increase on last year.

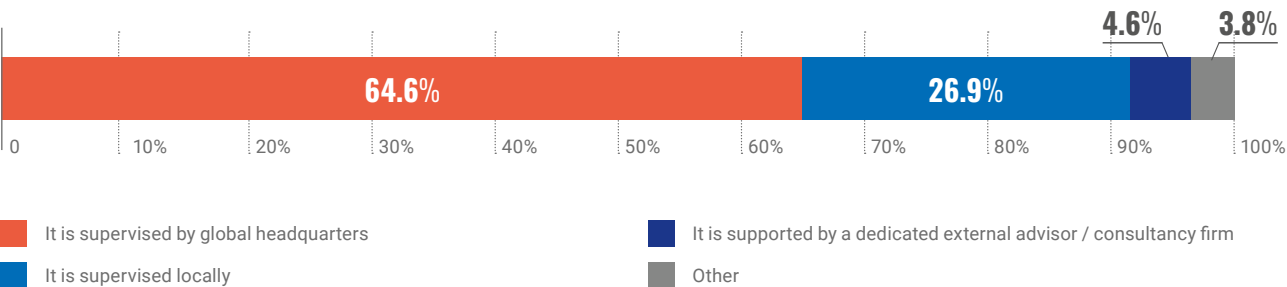
64.6% of respondents declared the transformation strategy would be supervised by global HQs (47.0% last year), while only 26.9% acknowledged it would be locally supervised (45.8% last year). The role of local decision-making seems to have been reduced in the current challenging environment.

FIGURE 5.4
DO YOU PLAN TO INTRODUCE A TRANSFORMATION STRATEGY IN THE FORTHCOMING YEAR (TILL Q1 2024)? (% OF RESPONDENTS)



Source: ABSL's study is based on the results of the survey (N=151 companies)

FIGURE 5.5
WHO IS SUPERVISING THE TRANSFORMATION OF YOUR CENTER? (% OF RESPONDENTS)



Source: ABSL's study is based on the results of the survey (N=130 companies)

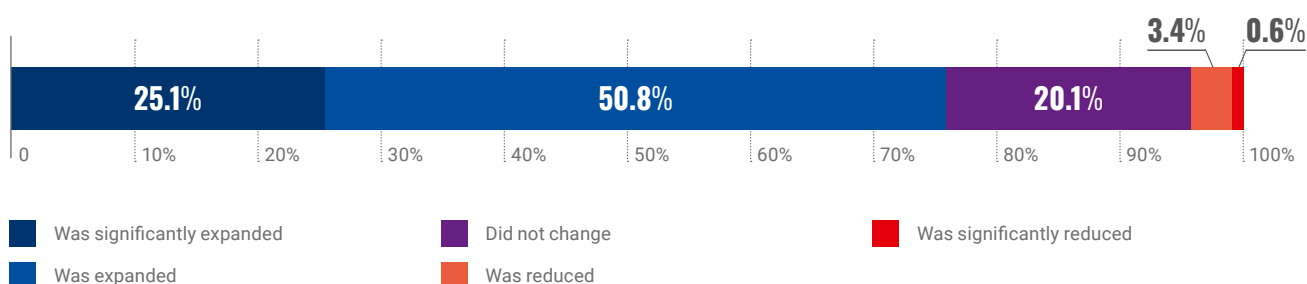
SCOPE OF SERVICES, CENTERS' PLANS REGARDING CHANGES IN HEADCOUNT AND NEW INVESTMENTS

The sector operates in a dynamic economic and social environment, characterized by volatility, uncertainty, complexity, and ambiguity (VUCA). Adaptability to negative and positive shocks is a normal part of day-to-day business. The character and scale of challenges that the sector has been confronted with in the last few years have been far beyond expectations. The new reality is determined by the COVID-19 pandemic and its consequences, WFH mode, Russia's invasion of Ukraine, macroeconomic instability as well as global tensions. The KIBS sector in Poland is performing well, with it passing the pandemic stress test and its business continuity plans having worked well.

In 2022, 75.9% of respondents expanded the scope of services they provided (the same result as a year ago). The pandemic has accelerated the changes affecting the sector over the last few years (the growing role of AI, robotization, and soft skills; big data or even oceans of data processing; increasing client expectations). The employment plans declared by the survey's respondents from a Q1 2024 perspective) are optimistic. 73.9% of respondents planned to increase employment. Although this is 10 p.p. lower than the previous year, we do have to take into account the more sophisticated, VUCA economic environment in which the sector operates globally.

FIGURE 5.6

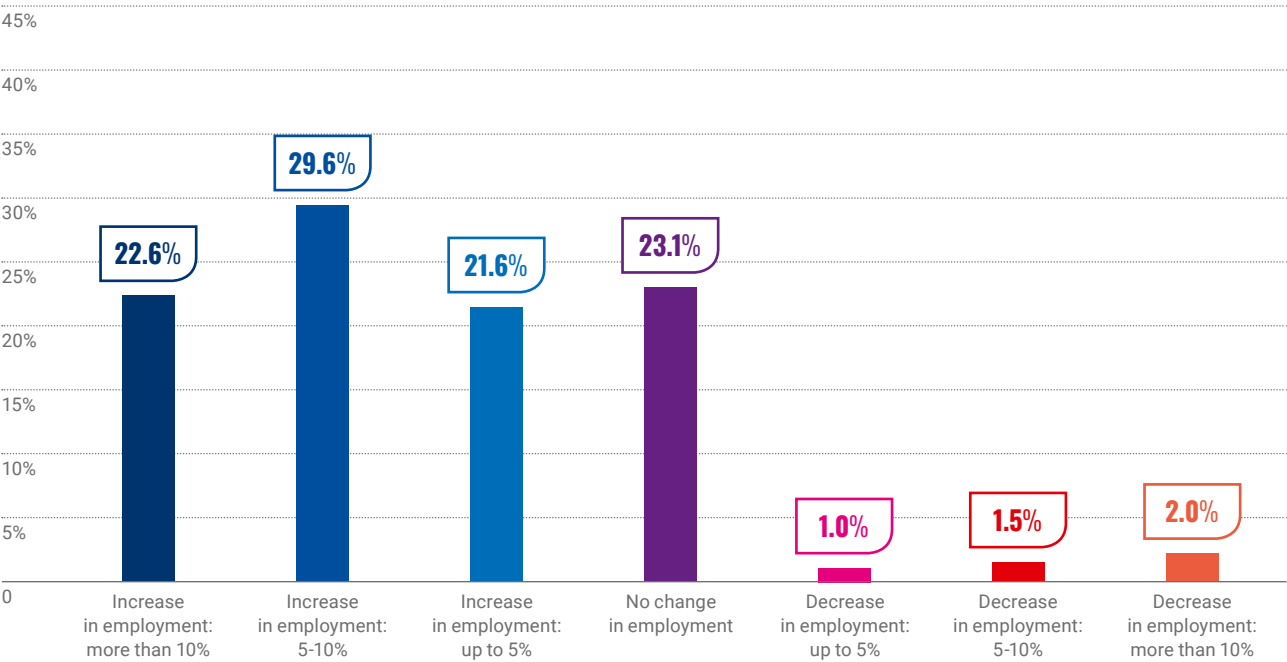
CHANGES IN THE SCOPE OF SERVICES PROVIDED IN 2022?



Source: ABSL's study is based on the results of the survey (N=179 companies)

Innovation, business transformation paradigm, investment plans, and ESG domain

FIGURE 5.7
SERVICES CENTERS’ PLANS REGARDING CHANGES IN HEADCOUNT BY Q1 2024 (SHARE OF CENTERS IN %)



Source: ABSL’s study is based on the results of the survey (N=199 companies)

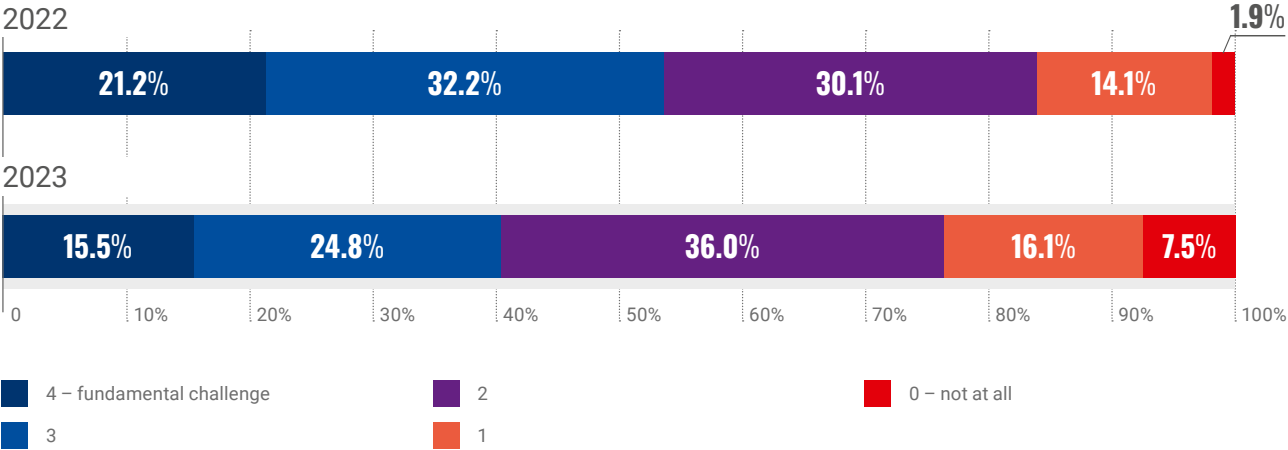
Employment plans must take into account the respondents’ perception and expectations of talent pool availability.

Respondents perceived talent pool shortage as a less significant barrier to operation and growth, compared to the previous year’s survey results. They

acknowledged there was a talent pool shortage and adjusted to this fact by employing more foreigners, and people from the 35-plus demographic. Additionally, in the longer term, WFH and work-from-anywhere, accompanied by the development of technology and AI, is expected to reduce the talent pool shortage.

FIGURE 5.8

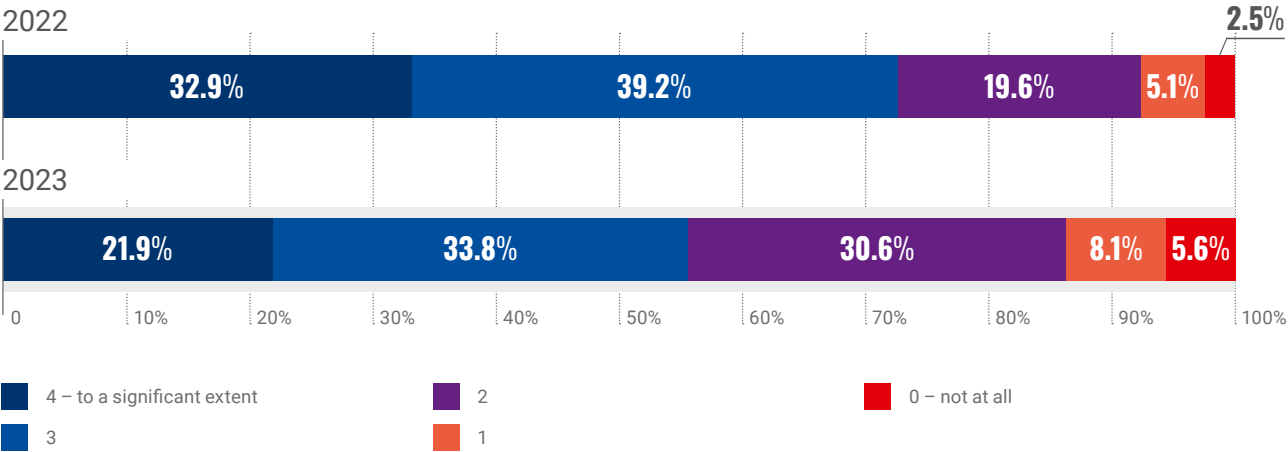
TO WHAT EXTENT IS THE AVAILABILITY OF A TALENT POOL IN POLAND A BARRIER (A BOTTLENECK) FOR YOUR CENTER(S) TO OPERATE AND GROW? (% OF RESPONDENTS)



Source: ABSL's study is based on the results of the survey (for 2023 N=161 companies)

FIGURE 5.9

WILL THE TALENT POOL AVAILABILITY ISSUE INTENSIFY IN THE NEXT FIVE YEARS? (% OF RESPONDENTS)



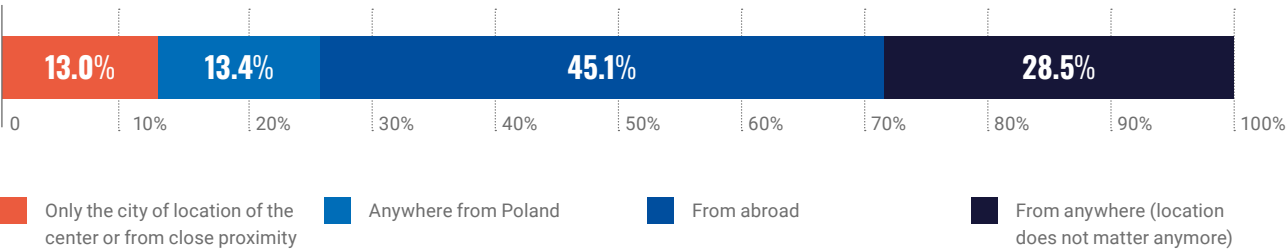
Source: ABSL's study is based on the results of the survey (for 2023 N=160 companies)

Innovation, business transformation paradigm, investment plans, and ESG domain

Undoubtedly, the pandemic has changed recruitment patterns in the sector. 45.1% of companies declared that they recruited from anywhere in Poland, and 13.0% from anywhere (location is no longer a factor). Only 28.5% of respondents said that employees had to be in the city of location or in close proximity to it. The sector appears to be at a crossroads. On the one hand, locations are still perceived by many investors as offering specific/idiosyncratic talent

pool competencies, which stem from local business, culture, and a tacit knowledge of organizations (and their interactions). On the other hand, a growing sector means that demand for talent, and talent pool scarcity is forcing organizations to source personnel from anywhere. In fact, with regard to many centers' day-to-day operations as well as decisions related to long-run teamwork efficiency, the back-to-office issue is at the top of the agenda for a number of organizations.

FIGURE 5.10
WHERE ARE YOU GOING TO RECRUIT NEW EMPLOYEES FROM (WITHOUT EMPLOYEES' RELOCATION)?



Source: ABSL's study based on the results of the survey (N=181 companies)

PLANS FOR NEW INVESTMENTS

Among those centers planning to expand their activities in Poland in the coming year, 19.7% intended to open a new center (reinvest) in Poland. This percentage is 1.8 p.p. lower than in the previous survey, which reflects the moderate global economic

forecasts. Among investors that plan to open new centers in Poland within the next year, the most significant numbers were companies with American capital (27.8%) and Polish capital (16.7%).

ANSOFF, PRODUCT-MARKET EXPANSION MATRIX

The Ansoff matrix, also known as the product-market expansion matrix, is a management strategy tool that companies use to analyze

and plan their strategy for growth. The four strategies that appear in the Ansoff matrix are:

Market penetration:
focusing on increasing sales of existing products in the existing market.

Diversification: focusing on entering a new market by introducing new products.

Market development: focusing on entering a new market using existing products.

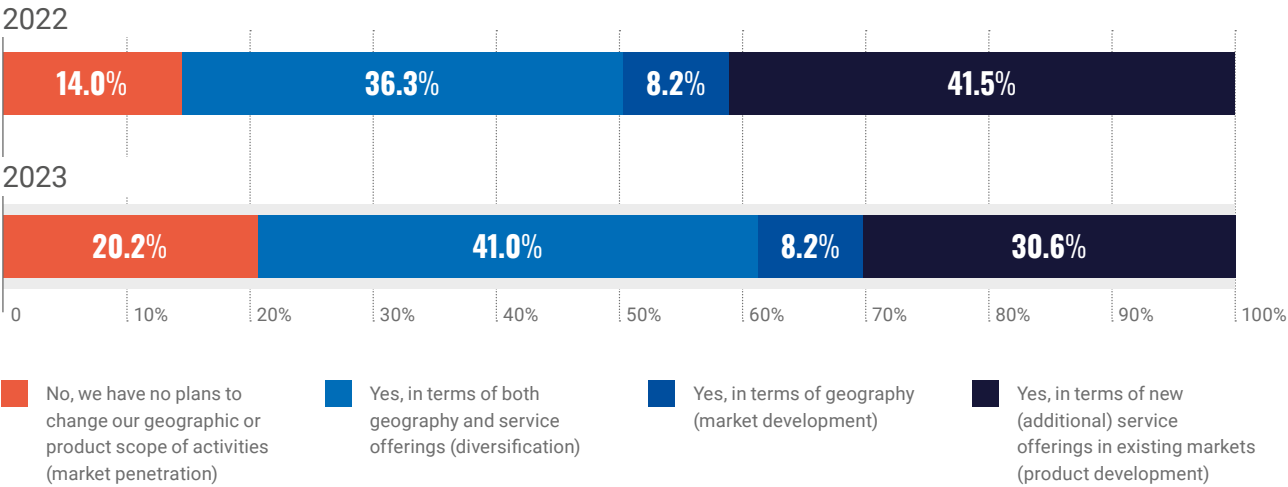
Product development: focusing on introducing new products to the existing market.

The least risky of these is the market penetration strategy, with the most difficult considered to be the diversification strategy.

In comparison with the previous year, the shift towards the most difficult strategy (diversification) can be observed. 41.0% of respondents declared carrying

out the most difficult, product diversification strategy (introducing new products and entering new markets). 30.6% of companies were developing products in existing markets (market penetration). At the same time, 20.2% (14.0% in 2022) of respondents had no plans to change geographic and product scope (market penetration), while 8.2% of companies planned to enter new markets.

FIGURE 5.11
ANSOFF MATRIX – COMPANY PLANS FOR 2023



Source: ABSL's study is based on the results of the survey (for 2023, N=182 companies)

Innovation, business transformation paradigm, investment plans, and ESG domain

DRIVERS OF CHANGE IN THE SECTOR

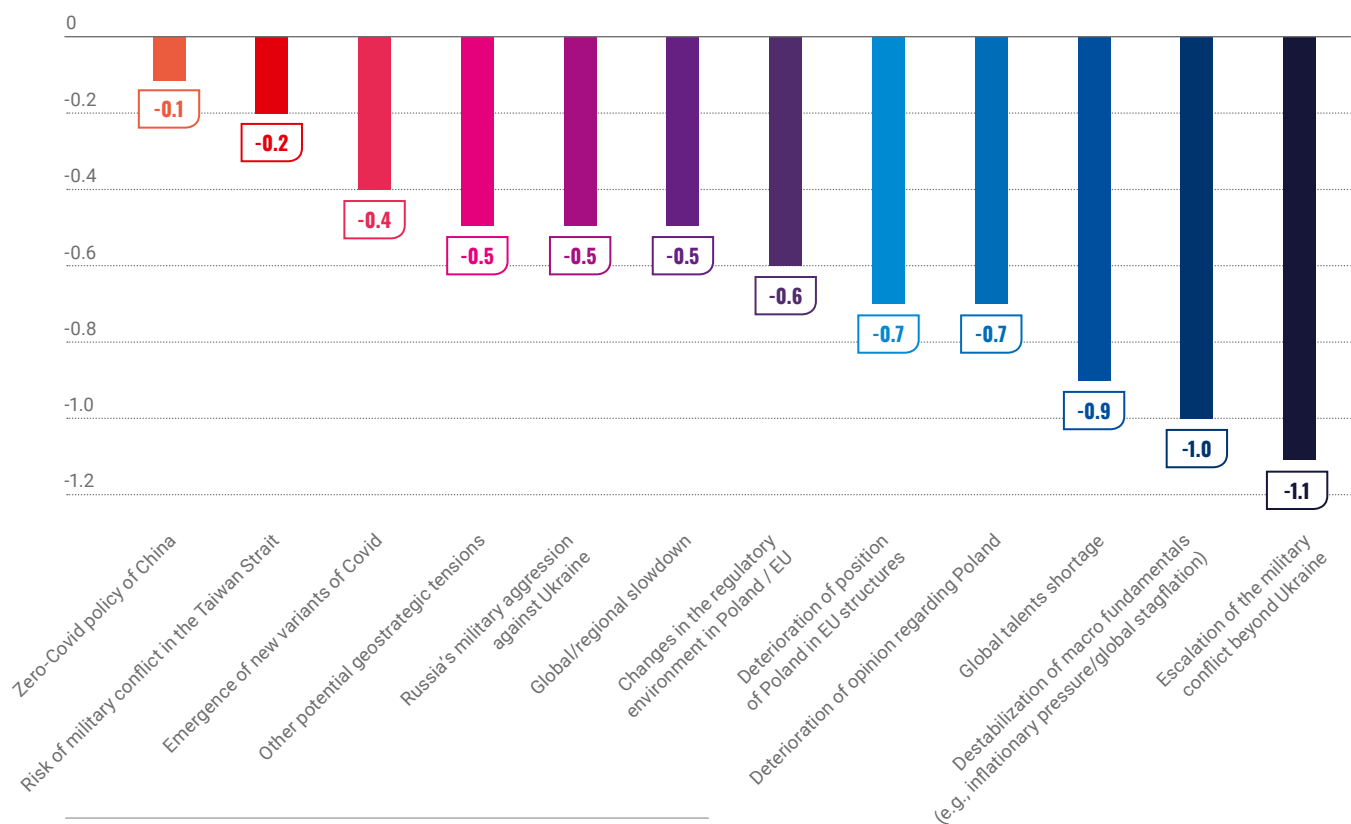
The destabilization of macro fundamentals (inflationary pressure and global stagflation) was stated as a factor that could have the most adverse effect on centers’ activity. This was followed by an escalation of the military conflict beyond Ukraine, and the global talent shortage.

Despite their adverse nature, most drivers of change can also be perceived as opportunities. For instance, COVID-19 was initially a shock, but became a game changer resulting in several structural changes, such as the speeding up of both digital transformation and the mass-scale transition to new work models. Remote

and hybrid modes have become a part of the post-pandemic reality. The factor that could have the greatest positive impact on the sector in Poland, according to respondents, was a global/regional slowdown, as this could increase the scale of operations in Poland.

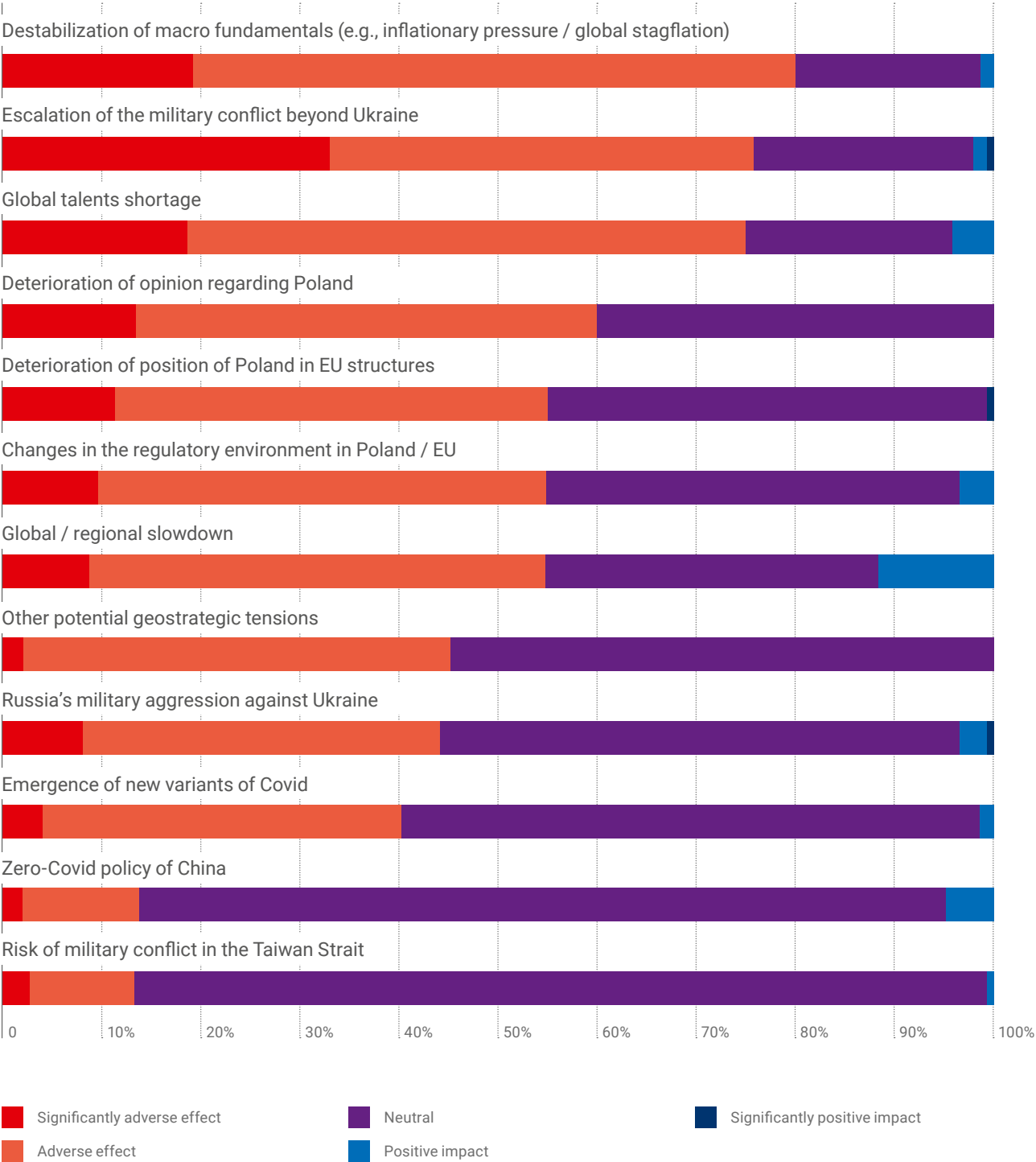
Figure 5.12 provides a synthesis of respondents’ opinions on the factors that they said would affect centers’ activities in Poland over the next year. The average for responses was counted on the five-point Likert scale, ranging from – 2 = Significantly adverse impact to +2 = Significantly positive impact.

FIGURE 5.12
THE IMPACT OF SPECIFIC FACTORS ON THE SECTOR IN POLAND FOR THE COMING YEAR
(AVERAGE OF RESPONSES)



Source: ABSL's study based on the results of the survey (N=150 companies)

FIGURE 5.13
THE IMPACT OF SPECIFIC FACTORS ON THE SECTOR IN POLAND FOR THE COMING YEAR (%)



Source: ABSL's study based on the results of the survey (N=150 companies)

Innovation, business transformation paradigm, investment plans, and ESG domain

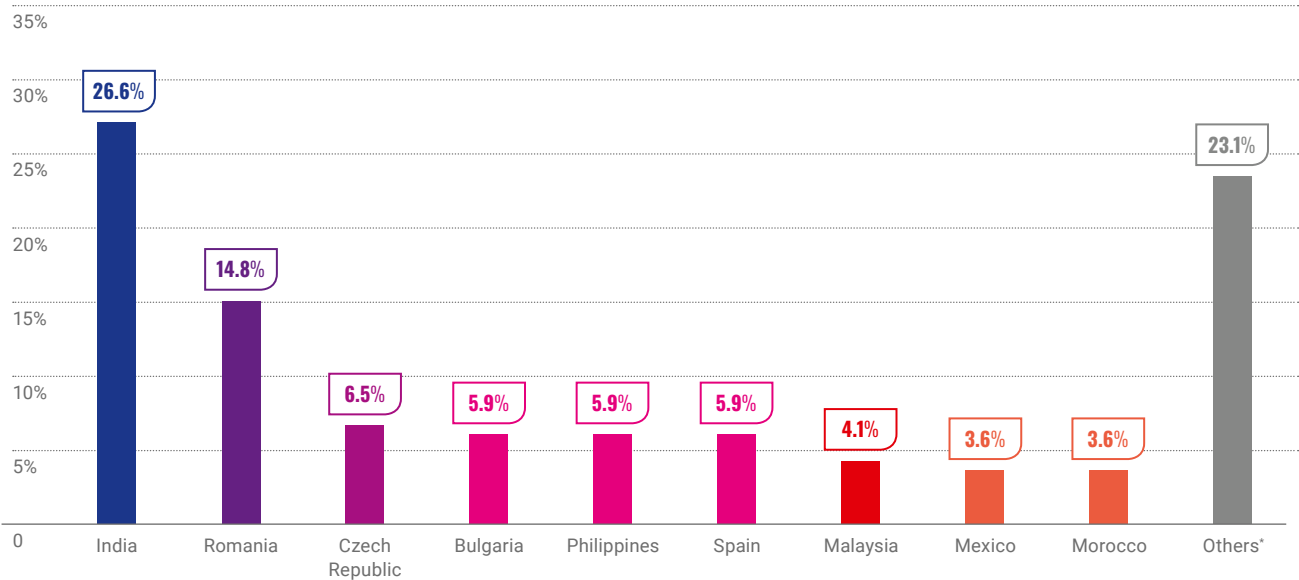
POLAND’S BIGGEST COMPETITORS IN ATTRACTING BUSINESS SERVICES

The business environment in which investors operate is changing. The global economy has become vibrant, but black swans events have altered business schemes, work modes, location attractiveness factors, and rankings. On the one hand, organic employment growth in existing centers, which illustrates reinvested earnings, proves how attractive Poland is to investors. On the other hand, some factors can potentially have a detrimental effect on Poland’s attractiveness: talent pool scarcity; rising uncertainty, and fears stemming

from being in proximity to the war in Ukraine, as well as concerns related to Poland’s macroeconomic stability.

Respondents were asked to identify locations that may become direct competition for services that could be located in Poland, taking into account Poland’s aspiration to expand knowledge-intensive, high-value-added business services against a backdrop of high inflation and talent pool availability issues.

FIGURE 5.14
LOCATIONS THAT ARE OR MAY BECOME DIRECT COMPETITORS FOR SERVICES WHICH COULD BE LOCATED IN POLAND



* Others: Germany, Ukraine, Costa Rica, Hungary, Slovakia, United Kingdom, Egypt, Italy, Portugal, United States, Australia, Brazil, Colombia, Croatia, Ireland, Norway, Russia, Serbia, South Africa, Sweden, and Vietnam.

Source: ABSL’s study based on the results of the survey (N=169 indications)

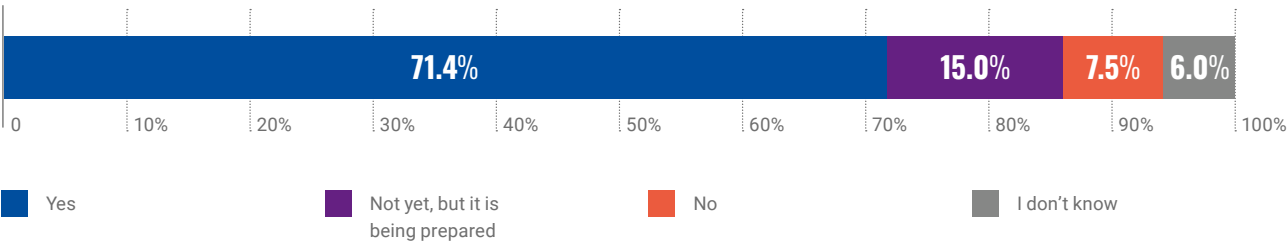
ESG IMPERATIVE

Sustainability and ESG principles are not only the subject of discussion in the public sphere but have become an important element in day-to-day business practice. They are a response to the environmental and societal challenges which now confront us. Long-term value creation in service firms is also subject to ESG principles. Issues such as climate change, net-zero goals, a circular economy, gender pay gap, talent pool scarcity, diversity and inclusion, protecting human rights in GVCs as well as data security and employee wellbeing are now part of a center’s business reality.

ESG is already becoming more prominent in the short and long-term strategic plans of firms and is another significant dimension of business transformation.

71.4% of respondents of ABSL’s annual survey said they had introduced a global ESG strategy. 15% had not as yet but were preparing a plan.

FIGURE 5.15
HAS YOUR COMPANY INTRODUCED A GLOBAL ESG STRATEGY?



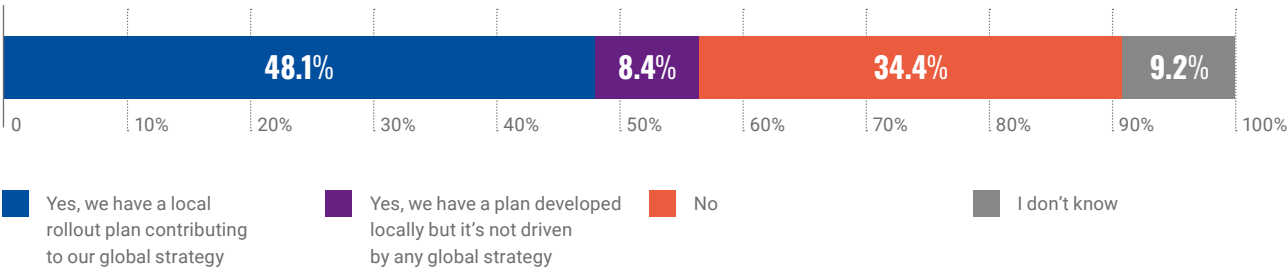
Source: ABSL’s study based on the results of the survey (N=133 companies)

The sector in Poland is mainly driven by centers owned by foreign firms, and which are part of global/transnational organizations. 48.1% of respondents declared that they had rolled out locally an ESG-related action plan that contributed to their organizations’ global

strategy, while 8.4% of respondents had developed a strategy which was not driven by any global strategy. These results confirm the global character of the sector’s operations in Poland. 34.4% of respondents did not have a local ESG-related action plan.

Innovation, business transformation paradigm, investment plans, and ESG domain

FIGURE 5.16
DO YOU HAVE A LOCAL ESG-RELATED ACTION PLAN?

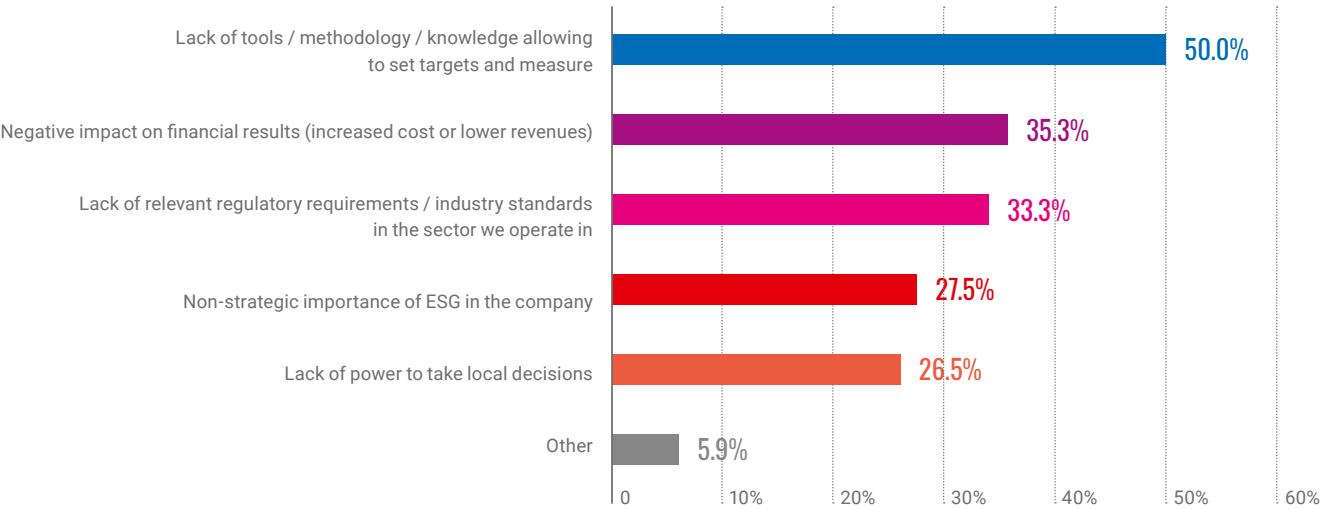


Source: ABSL's study based on the results of the survey (N=131 companies)

ESG strategy introduction is associated with risks, challenges, and costs. The respondents identified these as predominantly a lack of tools, methods, appropriate knowledge about setting ESG targets

and measures (50%), a negative impact on financial results (35.3%), and a lack of relevant regulatory requirements/industry standards in the sector (33.3%).

FIGURE 5.17
THE BIGGEST CHALLENGES COMPANIES OPERATING IN THE MODERN BUSINESS SERVICES SECTOR ARE FACING ON THEIR WAY TOWARD OPERATING IN AN ESG-RESPONSIBLE WAY

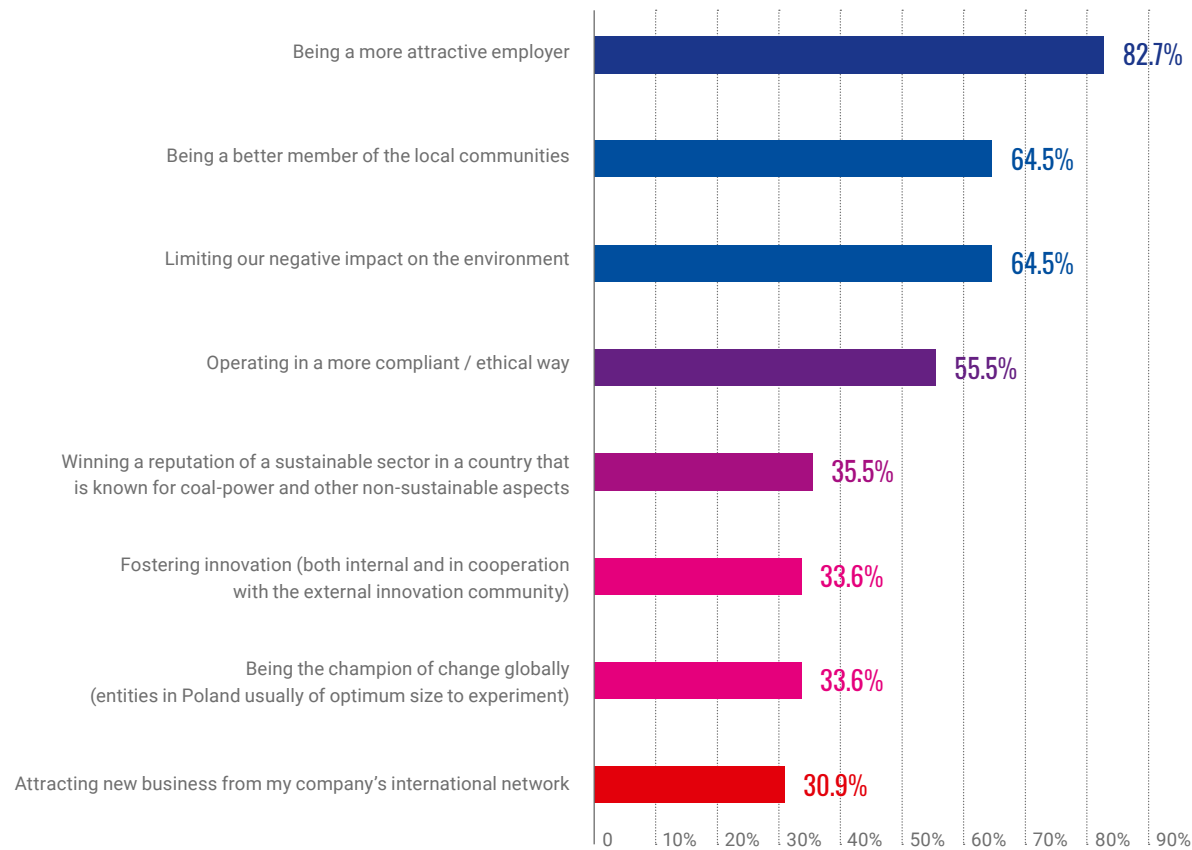


Source: ABSL's study based on the results of the survey (N=102 companies)

The main opportunity associated with ESG is an improvement of the company's position as an attractive employer (82.7%), which can improve the firm's standing in the competition for talent. Other

major opportunities which were highlighted were a better embodiment in the local community as well as limiting negative impacts on the environment.

FIGURE 5.18
THE BIGGEST OPPORTUNITIES FOR YOUR COMPANY/THE MODERN BUSINESS SERVICES SECTOR
IN POLAND IN TERMS OF ESG?



Source: ABSL's study based on the results of the survey (N=110 companies)

POLAND IS THE BEST PARTNER FOR THE MODERN BUSINESS SERVICES SECTOR

Paweł Kurtasz,

Chairman of the Polish Investment and Trade Agency

For years, Poland has been one of the undisputed world leaders in attracting projects from the business shared services sector. This success is the result of many factors. The sustainable development of the entire country, educated and qualified staff as well as access to tertiary education hubs has led to investments being located both in large and smaller cities, a fact that undoubtedly proves the strength of Polish regions.

2022 was a record year in attracting FDI to Poland. PAIH supported 126 investment projects in Poland whose establishment were approved. As many as 71 of them were investments from the BSS sector (51 IT projects, 7 SSC/BPO projects, and 13 R&D projects). These numbers translated into the creation of nearly 7,000 new jobs, with the estimated value of the completed projects in the BSS sector alone totaling nearly EUR 145 million.

The influx of new, highly advanced investments from the services sector continues. In the first half of 2023, PAIH supported and provided advice on technologically advanced projects for global brands such as Volvo Car Corporation and Visa Inc. The portfolio of active projects handled by the Agency at the end of the second quarter of 2023 included 66 such investments.

In addition to handling investor inquiries, the Polish Investment and Trade Agency also actively seeks new investors. PAIH participates in industry events, conducts webinars targeted at the business community, and conducts economic missions aimed primarily at attracting new investments. One important tool which contributes to attracting further investments to Poland is the investment incentive. PAIH is responsible for government grants for the creation of new jobs. The procedure underwent significant changes

in June 2023 to make the application process even more accessible. This is one of the key advantages of the agency in talks with potential investors. In 2022, the Agency issued as many as 41 positive recommendations for support, of which nearly 25% were for projects in the modern services sector.

In addition, PAIH implements the objectives of *Poland. The Business Harbor* program, a fast-track visa path for IT professionals from around the world who want to relocate to Poland. By June 2023, PAIH had granted nearly 80,000 visa recommendations for these specialists and their families.

It is worth noting that the support offered by the Agency is also available to Polish companies and investors who are planning to reinvest in the country.



Polish Investment
& Trade Agency
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