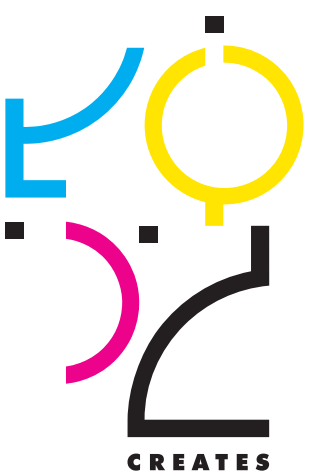




MULTILOCAATION

THE LOCAL FUTURE OF GLOBAL BUSINESS
- A SUMMARY REPORT





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1

MULTILOCATION LANDSCAPE

MODELS, CHALLENGES
AND LIMITATIONS



To stand still is to move backwards

In today's global and digitalizing world, the business truth "to stand still is to move backwards" is especially evident among those who do not have an informed strategy for robotization and automation of their business areas, who are still looking for the "holy grail" of digital business/operational models and

- ▶ To reduce processing time, which correlates with improved customer experience/perception and increased business value
- ▶ To reduce operating costs by finding gaps and inefficiencies in day-to-day operations and processes while maintaining the quality of service provided

those who have not yet realized that the game is mainly about **talent**.

The dynamics of the above trends is not dependent on the operating model of individual Shared Services/Global Business Services, but is universal and shared across the sector. Just as immutable and universal are the fundamental aims of the existence of these units, namely:

Przemysław Zakrzewski

Head of ABB Corporate Technology Centre in Krakow



ABB



Multiple reports indicate that special attention should be given to competences in the areas of data analysis communication and creativity.

As many as 80% of the companies interviewed pinpoint the critical role of investment in soft skills and of the necessity to strengthen ties with academia.”



Andrew Hallam

General Secretary



Say Kraków, Think Poland

During COVID we found ourselves in the enviable position of being able to hire from anywhere in Poland, tapping into talent pools from across the country.

As we move into a Post-COVID reality, questions emerge about how best to leverage the benefits of remote work whilst also maintaining a collaborative workforce.

This means exploring strategies which look beyond Kraków.

Though not without its challenges, the idea of an in-country multi-location strategy can be a game-changer for companies seeking to optimise their location strategies in a post-pandemic world, not just for outsourcers but also for captive centres.”

Modifying the the traditional SSC/GBS model

Since the mid-1990s, which is considered to be the starting point of the SSC sector boom, more than 30,000 centre have been established in the world, and it is additionally estimated that the SSC/GBS market is expected to reach USD 679.67 billion in 2025 with a CAGR of 7% (Global Business Support Services Market Report 2021 to 2030).

Invariably, one of the key elements when launching a new shared services centre is the decision on the location, which directly and indirectly controls or significantly affects the other elements of the SSC/GBS strategy (such as: business case, setup model, business objectives, roles & responsibility).

Covid-19 and global competition for talent have completely redefined the assumptions of GBS's operating model. Working from home and the access to high quality remote services, are becoming the norm, forcing organisations to reconsider long-term location strategies to optimize costs, to build resilience to turbulence, and to acquire access to relevant talent.

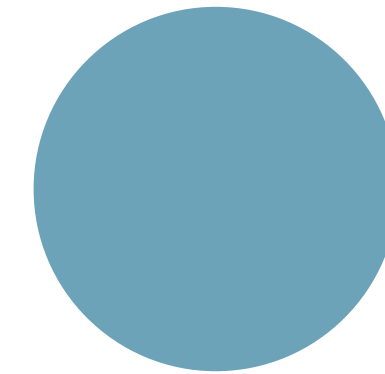
One of the interesting side effects of COVID-19 is the revival of the 'hub and spoke' model in a slightly modified form.

Hub-and-Spoke segmentation

While scaling their businesses, most GBS centre follow a similar path of development (fig. 1): from a single corporate centre, through 2-3 centre for each time zone, ending with a more or less modified version of interconnected main hubs with local branches. In addition, there is a trend towards GBS functions where they become more of an orchestrator of services provided diverse partners or third parties than their actual operational contractors.

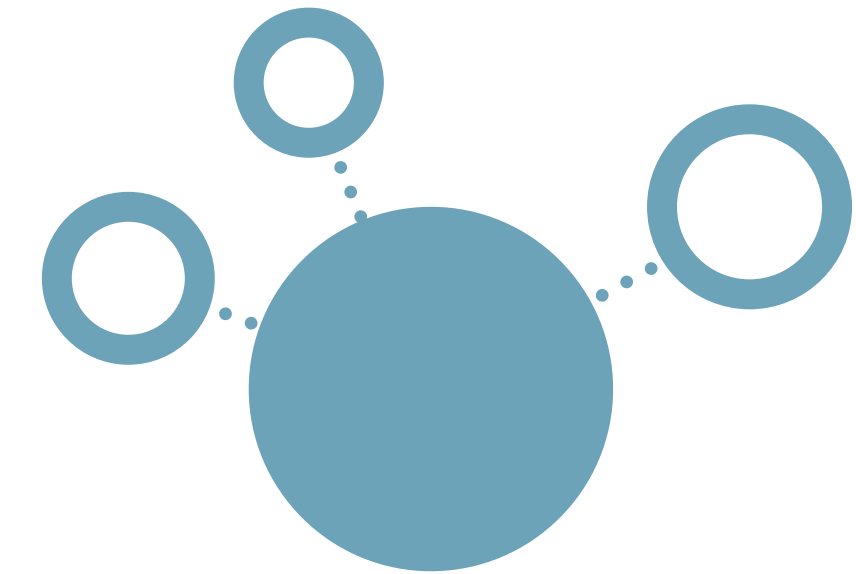
Inevitably, each model of operation has its pros and cons, as in many case sit is not 'one size fits all' solution. Every company, based on its business models, current challenges and its own organisational culture, must decide for itself which approach best meets the requirements and supports their development strategy.

Despite this, the most attractive approach today seems to be "multi-hub-and-spoke" thanks to which we can more effectively reach the dispersed talent pool, build local strategies for cooperation with academia, better manage distributed suppliers and help mitigate risks related to operational continuity.



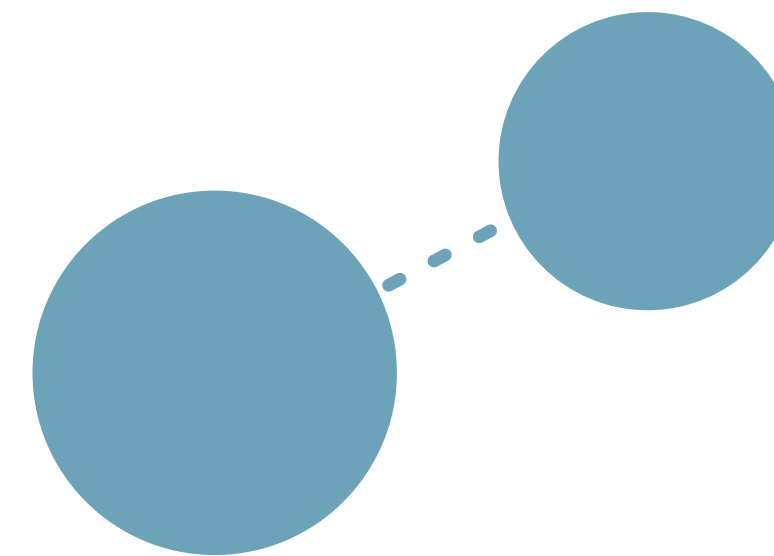
A. Centralised model:

A single centre, with full scope and responsibilities



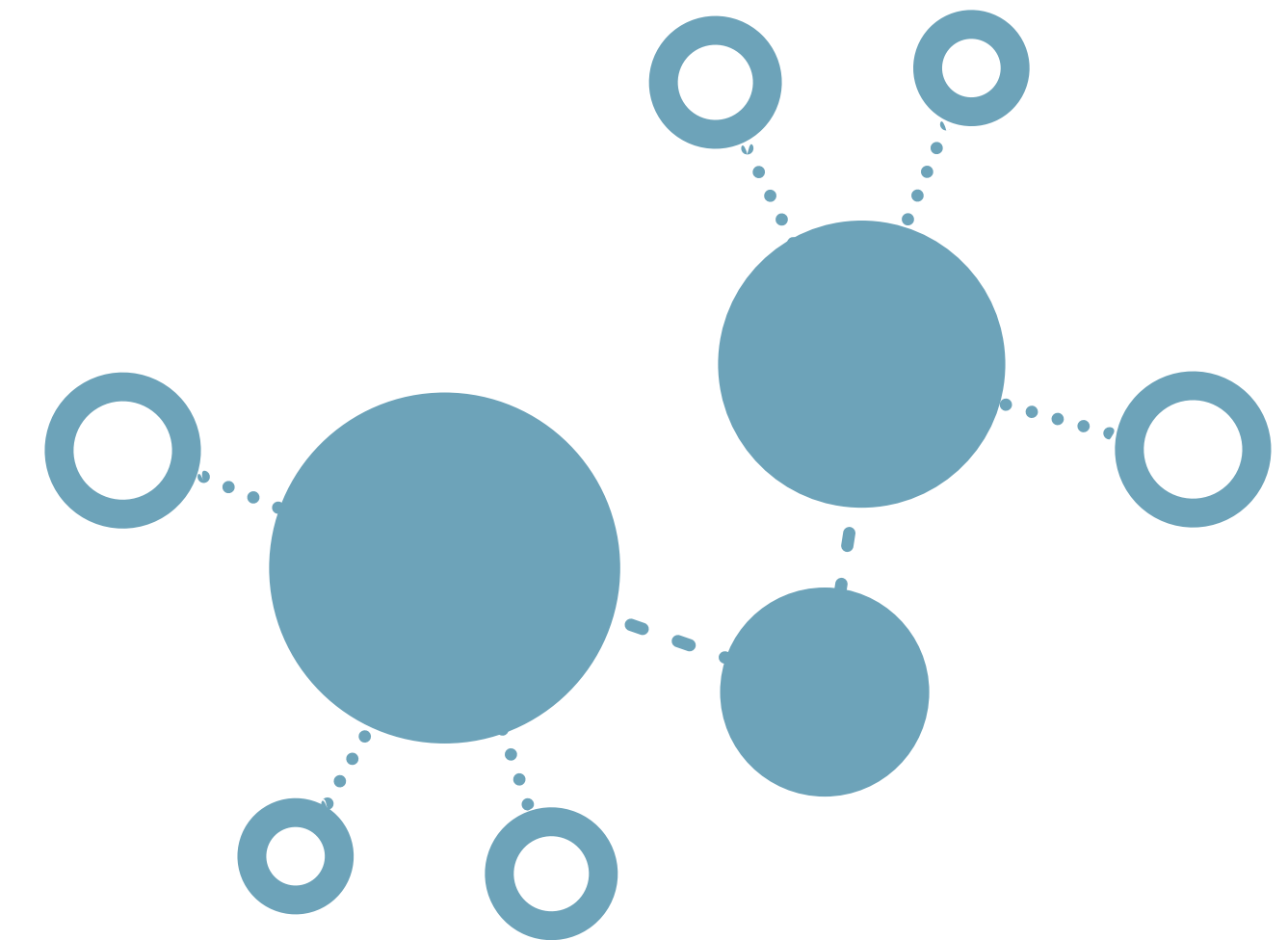
B. Hub-and-Spoke model:

Each location connected with one another by a hub whose role is to coordinate and synchronise processes, resources and locations.



C. Point-2-Point model:

Two or more locations connected by communication processes, with isolated or partially overlapping scopes of operations



D. Multi Hub-and-Spoke model

2 INSIGHTS FROM
ASPIRE MEMBERS



The workshop held in Kraków in May 2022 and co-hosted by the Invest in Lodz (Central Poland) was an opportunity for the ASPIRE members to discuss some important questions regarding the future of their organisations in the context of multilocation. Specifically, the participants focused on:

- ▶ articulating the vision for their company's expansion through multilocation
- ▶ exploring the strengths of their organisations and the barriers/challenges resulting from the current market situation.
- ▶ identifying the kinds of support their companies need to achieve their strategic goals

Monika Sułdecka-Karaś

Regional Director



Observing the market, we can clearly see that tenants are looking for new strategies in relation to their offices.

Many of them are planning or already in the process of redeveloping office space portfolio”

1. How multilocation can benefit business – the perspective of ASPIRE members

According to the participants, the post-pandemic reality of growth and development requires thinking of diverse types of resources, its acquisition and distribution. Specifically, they underlined the following:

- ▶ **Multilocation is a way to assure business continuity** in a volatile market and to move forward. It is the process that allows for the acquisition of new businesses, talent, competencies and markets. At the same time multilocation requires sharing resources among locations.
- ▶ **Multilocation may stimulate the change of a business model**, foremostly the new division of responsibilities and business processes would be necessary as well as selecting one city as a 'glue location' for all existing businesses. Temporary changes of location among the employees can also be practiced, although pushing for commuting should be avoided (hybrid model of work). Moving to a different location should be seen as a benefit, a form of 'workation' in different places.
- ▶ **Multilocation can push companies to scale up** and to increase the speed of hiring new talent. However, organisation size should stimulate manageability and community to create a more 'human', diverse, multilingual organisation. The participants also point to the fact that multilocation should foster healthy internal competition

Since the fourth quarter of 2019, the number of jobs in these three sectors has increased significantly more in smaller cities than in San Francisco and New York. The study also shows that companies also delegate more work abroad.

The Economist, analyzing large publicly traded companies in America and Europe, indicates that they are indeed increasingly relying on others. The average intensity of outsourcing has doubled from 11% in 2005 to 22% in 2022. Poland is one of key beneficiary of this trend.



**dr Marta
Hereźniak**



The traditional model, often called Pre-COVID era, assumed the configuration of a form of location work in the "all under one roof" mode, at a desk from 8 to 16.

In many global corporations, it meant that they had one or two shared service centre that fully overlap in the scope but support different time zones."

2. Strengths of businesses in view of multilocation

The participants pointed to a number of themes they perceive as their strengths in view of multilocation opportunities.

- ▶ **Organizational culture:** based on diversity and inclusion, it generates loyalty among the current employees and should do the same from those in smaller locations – no jumpers
- ▶ **New opportunities for the current and future employees:** career development, multicultural work experience, better attrition mitigation due to alternative locations, setting up offices in other cities also ensures geographical proximity of virtual teams
- ▶ **Strong brand:** attracts talent, shields the organisation from unforeseen circumstances, constitutes a significant advantage in smaller locations.
- ▶ **Operational readiness for multi-location:** experience in all forms of work: remote, hybrid, virtual, also BFF function can be supported by central locations
- ▶ **Being first in a new location:** advantages that arise from being number one in a particular location include access to the best talent pool, stronger relations with clients and other stakeholders and higher resilience to crisis

3. Challenges of multilocation

Among the most commonly quoted challenges of multilocation process, the following appeared:

- ▶ **Keeping the sense of belonging & organisational culture:** managing potentially different local cultures, team integration, value sharing, employee retention, employee migration between locations, lack of equality perceptions among the locations.
- ▶ **Divergence in the levels of university education** and different patterns of co-operation with third-level institutions, resulting in discrepancies in the quality of talent.
- ▶ **Leadership models:** single- or multi-head accountability and the question of division of duties, 'double management', internal rivalry.
- ▶ **Headquarters' approach:** Corporate decision not to stimulate further growth, not to open any new offices, just to hire more people. Decisions taken by those who don't feel local labour market, often based on perceptions only.
- ▶ **Finding the right workplace:** quality and affordability of office space.
- ▶ **Unknown state of labour market, companies and competitors**
- ▶ **Local patriotism** preventing companies from moving anywhere else outside their initial location.
- ▶ **Differences in the quality of life,** access to housing and amenities in the new location makes it more difficult for employees to migrate.

Three scenarios come up most often in our conversations with tenants:

1. Hub & Spoke model:

In this case, the company's headquarters, which performs basic functions and where customers are invited, is connected to geographically dispersed satellite offices. Satellite offices give employees the opportunity to work closer to home, and allow employers to meet the expectations of employees, in some cases saving on office rental costs.

2. Workplace model:

treated as change in the functionality of the office/ arrangement thanks to the introduction of flexible solutions, i.e. hot-desking, more space for co-operation.

3. Mixed model:

this is a hybrid solution in terms of tenants office space. This strategy combines an office with a co-working space



Marek Bartosik

CEO

GFT

“Multilocation in post-pandemic work in areas where you can work remotely? Does it really make sense if you can hire someone from Szczecin or Rzeszów having only one office in Kraków or Łódź? The current reality is still new to us. We do not have any scientific models to tell us what's better, but after 2020 isolation we see that the social part of work is necessary and it's difficult to realise it without offices.

What's the difference between one company and another if you never see the office or colleagues? On the other hand, if you work in hybrid environment and people are coming to the office more or less regularly for single days, a full-blown office is not necessary.

And here (multi)hub-and-spoke is a good option to benefit from multilocation, to effectively use office space and maintain company culture.”

4. Support

In view of the challenges identified during the workshops, ASPIRE members indicated the main types of support they expect from a location they would consider for their business outside of Kraków.

- ▶ **Talent support:** assistance in recruitment of employees, simplified formalities of transfer of foreigners to Poland, educational infrastructure, facilitation of relationships.
- ▶ **Workspace:** Co-working space instead of traditional office, small (seed) office availability, high quality offices availability, shared workspace (flexible approach)
- ▶ **Promotional support:** PR/branding of the company; employer branding
- ▶ **Location research:** SWOT for localisation, access to local insight and knowledge
- ▶ **Financial incentives** tax relief, grants/incentives
- ▶ **Administrative support:** faster and simpler clerical procedures, friendly city office, labour law – remote solutions, flexibility in setting operations
- ▶ **Infrastructure & environment:** easy access to technology/connectivity, affordable and reliable tech infrastructure, quality of life

Michał Kasprzyk

Head of Alcon Global Service
Regional Center &
Member of the Board



Alcon

Value of place – trends

In view of the challenges identified during the workshops, ASPIRE members indicated the main types of support they expect from a location they would consider for their business outside of Kraków.

- ▶ **Trend #1**, where the jobs are moving from big city corporate headquarters to smaller cities, cheaper locations. Such jobs have become much more dispersed across America since the pandemic, with big cities losing out to smaller cities.
- ▶ **Trend #2**, office occupancy rates are expected to steadily increase from the current global level below 40% to over 60%. Tenants will focus on reconfiguration and repurposing of their space to support productivity, strengthen cooperation and stimulate the company's organisational culture.



Multilocation is a strategic approach that enables organizations to optimise their workforce by tapping into talent pools from various regions, which can enhance the diversity and skillset of the organisation. This approach has gained traction, particularly during the COVID-19 pandemic, which has highlighted the viability of remote working.

However, it is important to weigh the benefits against the costs. Organizations should consider the size of their shared services organisation when deciding on a location strategy. For smaller teams, multilocation can make it challenging to maintain a consistent organisational culture, which can negatively impact employee morale, engagement, and retention.

Additionally, it is essential to consider the collocation of shared services locations with business units, as this can drive additional benefits for both sides and help employees connect better with the company's purpose. Therefore, before deciding on a multilocation strategy, it is important to carefully evaluate its potential benefits and costs and consider factors such as organisational size, culture, and collocation with business units.





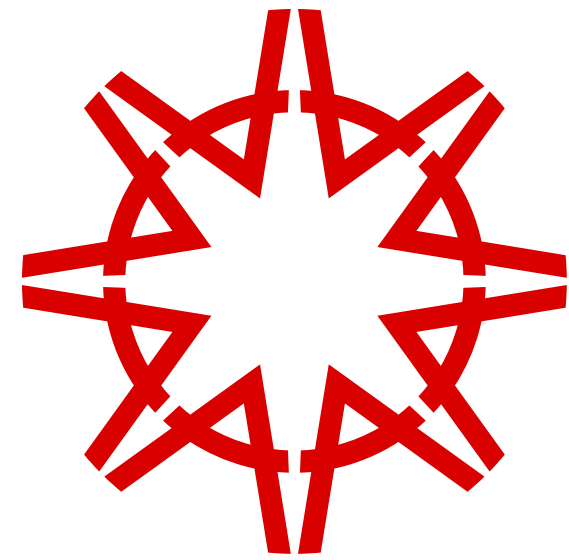
Invest in Łódź is the City of Łódź's comprehensive support system to assist investors and businesses in achieving their goals.

The Office's Real Estate, New Business Initiatives, and Investors' Development & Relations teams offer expert assistance in site selection and managing the pre-investment process. They also provide crucial support to fintech, life science, and game development communities, as well as aiding in recruitment, employer branding, and PR processes.

Additionally, the International Cooperation Team explores collaboration opportunities, while the Entrepreneurship & Cooperation with Universities Team addresses queries related to scientific cooperation and internships.

Click [here](#) for more information.





ASPIRE

ASPIRE's focus is Kraków. With our mantra of **“Act local, win global”** and sharp focus on location and local capability, ASPIRE is widely credited as a key driver in Kraków's emergence as Europe's leading tech and business services hub, now employing 120,000 people.

ASPIRE was established in 2008 as the first organisation in Central Europe to bring together companies operating in the business services sector.

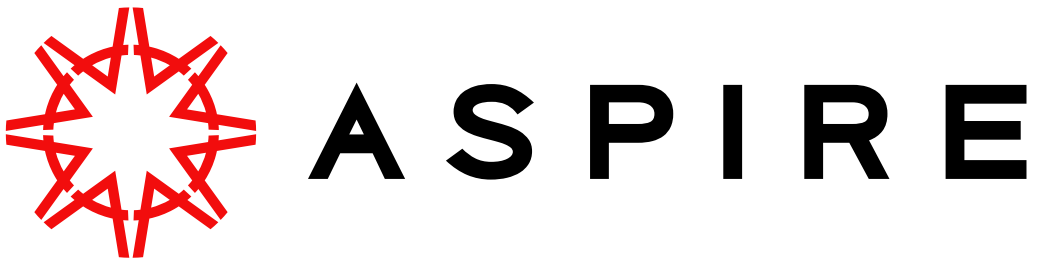
We have been a driving force in the reawakening of a proud historic city into a melting pot of cutting-edge technologies, bold investments and young talent.


We are first and foremost **a community of professionals empowered by sharing insight, experience and ideas** – a reimagining of how people associate across companies, cultures and cities.





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