



MULTILOCATION – THE LOCAL FUTURE OF GLOBAL BUSINESS

A SUMMARY REPORT

ASPIRE is pleased to have worked alongside the City of Łódź to produce this report, bringing the insights of our members to the challenges and opportunities of remote and hybrid working accelerated by the COVID Pandemic and our focus on location and local capability, ASPIRE is widely credited as the driving force behind Kraków's emergence as Europe's leading tech and business services hub, now employing over 120,000 people. After COVID, we are looking at a new mantra: "Say Kraków, Think Poland." This means exploring strategies which look beyond Kraków. 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. 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.

Andrew Hallam, General Secretary, ASPIRE



I. MULTILLOCATION 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 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 SSCs/GBS but is universal and shared across the sector. Just as immutable and universal are the fundamental aims of the existence of these units, namely:

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



“ Multiple reports indicate that special attention should be given to the areas of data analysis, communication and creativity. As much as 80% of the interviewed companies are aware of the critical role of investment in soft skills and of the necessity to strengthen ties with academia”.

Przemysław Zakrzewski,
Head of ABB Corporate
Technology Centre in Krakow



Multilocation is a strategic approach that enables organizations to optimize their workforce by tapping into talent pools from various regions, which can enhance the diversity and skillset of the organization. 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 organization when deciding on a location strategy. For smaller teams, multilocation can make it challenging to maintain a consistent organizational 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 organizational size, culture, and collocation with business units."

Michał Kasprzyk,
Head of Alcon Global Service Regional Center

THE INSUFFICIENCY OF THE TRADITIONAL SSC/GBS MODEL

Since the mid-90s, which is considered the starting point of the SSC sector boom, more than 30,000 centres 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). 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 centers that fully overlap in the scope but support different time zones.

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 organizations 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.



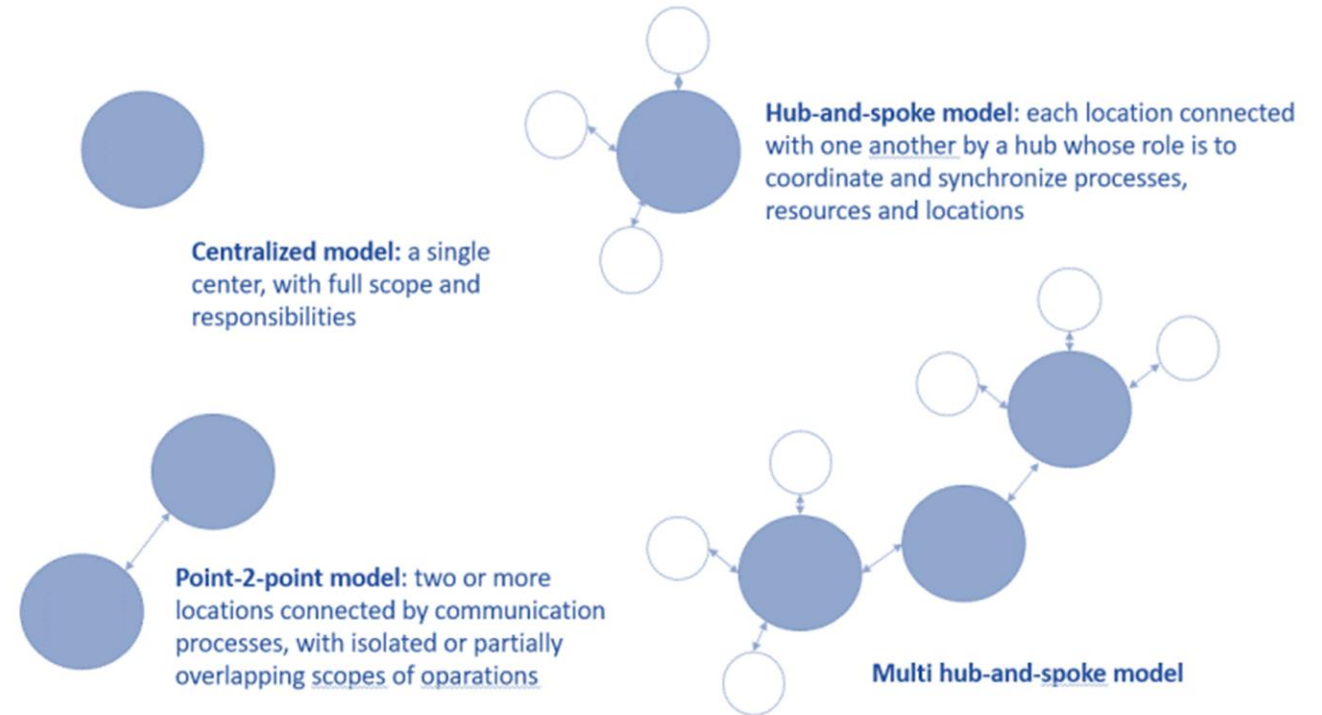
THE HUB-AND-SPOKE SEGMENTATION

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 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 cases it is not 'one size fits all' solution.

Every company, based on its business models, current challenges and its own organizational 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.

Fig.1. GBS development path





“ 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 are already in the process of redeveloping office space portfolio”.

Monika Sułdecka-Karaś,
Regional Director
Knight Frank, Poland

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

1. **Hub-and-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., hotdesking, more space for cooperation.
3. **Mixed model:** this is a hybrid solution in terms of tenants’ office space. This strategy combining an office with a coworking space

II. INSIGHTS FROM ASPIRE MEMBERS

ŁÓDŹ x ASPIRE MULTILOCATION WORKSHOP

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 organizations 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 organizations and the barriers/ challenges resulting from the current market situation.
- Identifying the kinds of support their companies need to achieve their strategic goals.



HOW MULTILLOCATION CAN BENEFIT BUSINESS THE PERSPECTIVE OF ASPIRE MEMBERS

According to the participants, 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 ensure 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 'workcation' in different places.
- **Multilocation can push companies to scale up and to increase the speed of hiring new talent.** However, organization size should stimulate manageability and community to create a more 'human', diverse, multilingual organization. The participants also point to the fact that multilocation should foster healthy internal competition.



STRENGTHS OF BUSINESSES IN VIEW OF MULTILLOCATION

The participants pointed to several 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 organization 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.



CHALLENGES OF MULTILLOCATION

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

- **Keeping the sense of belonging and organizational culture:** managing potentially different local cultures, team integration, value sharing, employee retention, employee migration between locations, lack of equality perceptions among the locations.
- **Discrepancies in the quality of talent** caused by divergence in the levels of university education and different patterns of cooperation with third-level institutions.
- **Leadership models:** single- or multi-head accountability and the question of division of duties, internal rivalry, double management.
- **Headquarters' approach:** corporate decision not to stimulate further growth, not to open any new offices, just to hire more people. Decisions taken by makers who don't feel local labour market, often based on perceptions only.
- **Finding the right workplace:** quality and affordability of office spaces.
- **Unknown state of labour market,** companies and competitors.
- **Local patriotism** preventing companies from moving anywhere else outside their initial location.



EXPECTED 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 with universities.
- **Workspace:** Co-working space in place of traditional office, small (seed) office availability, high quality offices availability, shared workspace (flexible approach).
- **Promotional support:** PR and 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, labor law - remote solutions, flexibility in setting operations
- **Infrastructure & environment:** easy access to technology.



III. LOCATION TRENDS

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 countries since the pandemic, with big cities losing out to smaller cities

Trend #2, office occupancy rates are expected steadily increase from the current global lever below 40% to over 60% will focus on reconfiguration and repurposing of their space to support productivity, strengthen cooperation and stimulate the company's organisational culture.



“Multilocation in post-pandemic world in the 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? 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 social part of work is necessary and it's difficult to realize it without offices. What's the difference between one company and another if you never see the office and colleagues? On the other hand, if you work in hybrid environment and people are coming to the office for single days, full blown office is not necessary. And here (multi)hub-and-spoke is good option to benefit from multilocation, effectively use office space and maintain company culture”.

Marek Bartosik, COO of GFT Group.



ŁÓDŹ: YOUR BUSINESS POWERHOUSE

Łódź is a true #business powerhouse. It is a **Central European** location ideal for making connections and accessing markets.

The qualified and competitive **talent pool**, educated at **19 universities**, includes experienced high- and mid-level managers, specialists and industry experts, graduates and **75,000 students**. The ecosystem of talents, companies and universities is endorsed by such institutions as Poland's leading and internationally **awarded Łódź Special Economic Zone**, offering comprehensive support for business. Support at every stage of the investment project is also provided by **Invest in Lodz. Central Poland** – a team of experienced professionals at the City of Łódź, ready to respond to the changing needs of investors.

For this and many other reasons, Łódź has been recognized as **one of the most business-friendly Central-European cities** in such rankings as FDI's European Cities and Regions of the Future 2022/2023, Emerging Europe's Business Friendly Cities (2nd position in 2022) and ABSL (cooperation with universities and local investment agency, cost and availability of working spaces, 1st and 2nd positions).

The sectors of the economy currently driving the city's economic ecosystem include **IT, BPO/SSC, Fin-Tech** dynamically developing in recent years as well as **manufacturing, logistics, e-commerce and life science** that have long been the flagships of Łódź.

OVER 35 000

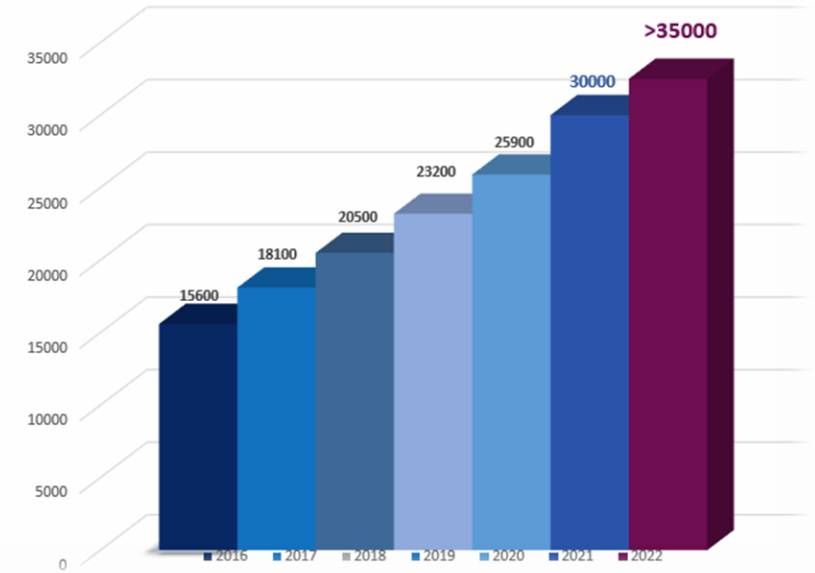
FTE in the BSS Sector

***Michael Page market research 2022**

107 SSC/CoE/GBS/BPO centres

+

>200 IT CENTRES



The current number of **BSSs exceeds 100** with employment of **35,000 FTE**, on top of **200 IT centers** with nearly **30,000 IT employees** present in the city.



Łódź is **one of Poland's largest cities**, but one that is free from "metropolitan tension". Employers and employees value its compact and relaxed character, which provides them with the **optimal work-life balance**.

Unique post-industrial urban landscape, high quality coworking spaces and offices stimulate creativity and foster integration. Years of investment in improving the **quality of life in Łódź** result in a cultural and lifestyle offer at the European level. All this makes Łódź a great place not only for business but also to live and to spend free time with family and friends.

In Łódź, the basis for cooperation with our partners are authentic and direct relationships and co-creation. Our activity is centered around the idea of **integrating the city with the business environment**. Our partners and their development is our priority – for us it is synonymous with the development of our city.

We invite you to become a part of our community fostered by entrepreneurial spirit, energy and creativity!



ASPIRE

ACT LOCAL • WIN GLOBAL

**ASPIRE Rynek Główny
39/8, 31-013 Kraków**

www.aspire.org.pl

joinus@aspire.org.pl



**City of Lodz
Business Development
and International Cooperation Bureau**

**ul. Piotrkowska 104a, 90-926 Łódź
tel.: +48 42 638 59 39**

boi@uml.lodz.pl; a.brzostowski@uml.lodz.pl