

# 20 Industry Experts On The State Of The Outsourcing Market in Eastern Europe | Outsourcing Journal

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Our friend from Kosbit, Fatmir Hyseni was asking 20 industry experts about their view on the state of Outsourcing in Central and Eastern Europe and gathered some interesting views on the status-quo and the future of the IT and business process services industry in the CEE region.

Big changes are happening in the outsourcing world in Eastern Europe. The question is, are you ready for them? While some are ready to declare that outsourcing is dead, others see it as a dynamic business strategy that will continue to grow. Eastern Europe is on the edge of an outsourcing transformation the likes of which we haven't seen for decades.

Challenges with a mature market in Eastern Europe allows Southeast Europe to benefit from incredible business prospects for outsourcing. With an established legacy of existing connections throughout the Balkans, outsourcing in Southeast Europe will continue to thrive now and in the future. While the future holds promise, there are many trends that are just on the edge of happening. Some you can predict and plan for. Others you will never see coming, unless you consult the experts.

In this roundup article, we've asked 20 top outsourcing professionals and thought leaders to share their insights and predictions they see coming true this year. And we asked them for their solutions and suggestions to take advantage of these upcoming trends and changes.

Read what these industry experts have to say and draw conclusions to make your own outsourcing strategy a success.

## **#1 Outsourcing potential in CEE Europe is massive**

The potential for outsourcing in Central & Eastern Europe is massive and it is currently being realised in several ways, including front-office support, back office processes and IT services. Perhaps the most impressive aspect of the region for me is the technical know-how of the workforce alongside the region's linguistic skill set. Whether it is established delivery points like Poland and the Czech Republic, or emerging ones such as Belarus, outsourcers and their clients are getting tremendous value from this part of Europe. That said, the challenge will include an availability of skills, awareness and managing perceptions. New investors and enterprise clients may have preconceived views of the commercial climate and business sophistication in these markets. This will necessitate stakeholders from the BPO community and the government to work together to ensure that the right impression is provided to the rest of the world.

[Peter Ryan](#) is Principal at [Ryan Strategic Advisory](#).



## **#2 Outsourcing is a Service Delivery Revolution**

It's exciting to see that outsourcing has fundamentally changed in the past decade. The delivery platform for most IT projects is either cloud or app based. This has been a boost for Eastern Europe because many of the traditional measures of outsourcing are removed from the management decision-making process. Purchasing a service from the cloud is the same for the customer, regardless of where the cloud is physically located. This means that the emphasis is on the quality of the product itself and Eastern Europe has some of the best app developers and cloud-based services in the world. Nobody asks where Viber, Angry Birds, or Waze was developed when they use the service, and this is fantastic news for a region with a long history of technological excellence.

[Mark Hillary](#) is the CEO of [Carnaby Content](#).



### **#3 Outsourcing is Still a Strategic Priority**

While many have pronounced the death of outsourcing as a direct result of robotic process automation, SSON Analytics data confirms that 50% of the market still actively embraces outsourcing as a service delivery strategy. However, there are clear signs that customers expect more value-added services in terms of problem-solving, and they are looking to BPOs for technical leadership. For example, introducing automation for improved performance and to drive down costs.

Outsourcing, in other words, is still significant, particularly as a means of tapping into new technologies and skillsets. SSO practitioners in Central and Eastern Europe list data analytics and automation in the top five skillsets they don't have, according to SSON Analytics.

Other areas customers are demanding more support that includes data analytics and workflow management. Nearly a third of BPO customers confirm that BPO contracts are shifting towards being output-based, and one out of five indicate that data analytics is being incorporated into agreements.

[Barabra Hodge](#) is Global Digital Content Editor of the [Shared Services & Outsourcing Network \(SSON\)](#).



### **#4 Outsourcing in Eastern Europe is an integral part of our story**

My experience of doing business and investing in the region has been hugely positive. A major draw to the region is the language capabilities that workers there offer. Industry's close connection with many third-level institutions also makes talent acquisition a lot less of a

challenge than in other regions. Salaries in the country, while rising, remain affordable by western European standards and rental costs are estimated to be around half the level of those in major Western European cities. Additionally, the geographic position of these countries relative to the world's major Western business hubs make them a much more appealing option. While every country in Eastern Europe has its own unique opportunities and challenges, the region in its entirety has a lot to offer. Often when I'm hosting partners for the first time in one of our offices in Eastern Europe, they leave feeling pleasantly surprised regarding the benefits of locating here. I think we are going to see an outsourcing industry flourish even more in the years ahead.

[Dan Kiely](#) is Founder & CEO of [Voxpro](#) – powered by TELUS International.



## **#5 Outsourcing in CEE region offers great benefits**

I could easily jump on the band wagon extolling the clear benefits of outsourcing in Eastern Europe as if I had discovered alchemy or I was in possession of a BPO divining rod! However, with twenty years' experience in this sector, there has always been a requirement in CX BPO to deliver services from the best place at the best price. Near shore has gradually matured in Western Europe, Portugal and Ireland, for example, and they have enjoyed many years of success. But with maturity comes new cost pressures focused on maintaining infrastructure, workforce expertise and investment in future technologies while local and regional economies raise the cost of living and associated operational commitments.

It is my view that major BPOs operating in Europe can and should be at the fore front of investment in Eastern and South Eastern Europe. These companies know the natural business cycle will eventually demand they address their cost challenges in well-established locations, and it is only a matter of time before the smart money heads East. There is no shortage of skills, attitude, aptitude, culture and energy – what's missing is conviction on the part of major BPOs to truly examine the Eastern European proposition. In time, there will be a stampede, but the “also rans” will find the best already spoken for if they lack the entrepreneurial drive and insight to propel themselves forward.

[William Carson](#) is the Director of Market Engagement for [Ascensos](#).



## **#6 Outsourcing in Central & Eastern Europe provides great business opportunities**

Although demand for talent remains very high, there is a steady and large supply of university graduates entering the labor market every year. Due to unprecedented changes that Eastern Europe experienced since the fall of communism, people are accustomed to permanent transformation. Learning new skills and obtaining knowledge on new processes and technologies is a daily reality. It is worth mentioning that most positions in outsourcing, IT and professional back office services appeared in the region only in the last 20 years. Large number of companies are still moving processes to Eastern Europe. Additionally, services being delivered from the region are becoming more and more sophisticated. Eastern European delivery centers currently compete with their Western counterparts not only on the price and quality but also on the scope of technologies and languages which can be centralized in one place.

[Szymon Stadnik](#) is the Director of Business Service Center of [FRISTA](#).



## **#7 For tech driven companies, outsourcing to Eastern European is a great opportunity**

Things have changed in software development over the last twenty years or so. Not only has technology become a competitive advantage rather than just a business enabler, it is also at the core of all digital businesses. For the majority of such technology driven businesses in the West, outsourcing is a necessity in order to access top engineering talent in a timely and cost-effective way.

Given the location, quality and availability of skills, time difference, language ability, and cost differential, Eastern Europe remains an excellent option for finding technical teams to help get quality product to market quickly. However, perhaps more importantly, the cultural alignment between Eastern Europe and the West allows a much closer relationship between partners in an outsourcing arrangement. When done correctly, this tightness of relationship leads to highly efficient, effective and innovative product creation.

[Steve Jackson](#) is Co-Founder of Group COO of [Xoomworks](#)



## **#8 Outsourcing Digital Convergence & Enterprise Transformation**

Most executives are dissatisfied, if not fed-up, with traditional outsourcing and its labour arbitrage-centric business model. Most of these savings have evaporated, performance is lagging, and innovation isn't coming fast enough. In addition, the decline of outsourcing revenue since its peak in 2014, shows no signs of turning around anytime soon, but what we are seeing is a dramatic and rapid increase in the market for digitally-fuelled business deals—service offerings powered by emerging technology, a transition to new business models & new (often outcome-based) pricing.

With the convergence of new tech such as blockchain, AI, automation, analytics & IoT, and new business models rapidly disrupting the old, the outsourcing conversation has changed from one of offshoring work and labour arbitrage, to building out a digital strategy. This would encompass existing outsourcing and also build upon it with the digital transformation work that can continue to be served by trusted business partners. These partners can help glue all the moving pieces together and eliminate the separate siloes that are stymieing transformation which is all too common in many organizations. This new normal relates to a more wholistic solution that is required by clients – a focus on outcomes and results that are delivered as solutions, not independent transactions.

[Daniel Goodstein](#) is President of Media & Events for the Outsourcing Institute, [IRPA AI and the new Digital Enterprise Institute](#)



## **#9 Diverse industries with partially advanced technical and process knowledge**

The CEE region is a very diverse landscape when looking at the IT and business process services industries. We have mature, dynamic industries in Poland and Bulgaria, a very well established, large shared services industry in Hungary, traditionally strong technical, knowledge based economies like Belarus and Armenia, and emerging locations like Kosovo.

Having been able to observe very closely the developments of IT and business process industries over the last few years, I have to admire the efforts taken by governments, public organisations, universities and entrepreneurs, to build, extend and improve the technical and business administration capabilities of their economies.

This is not only very beneficial for economies with strong demand and labor market shortages in the technical and business administration sectors like Germany, the UK or the Netherlands, it also puts Europe in a very good position to master the economic changes we are currently facing.

And for Germany: Even with a very traditional, risk sensitive business mentality, and a strong preference for in-house operations, most of the German companies have realised that it is no longer a question whether to take advantage of the capabilities and resources in the different CEE markets, but how to do it. Companies are building and extending in-house provider management capabilities that enable effective evaluation, transformation and management of external technical and business process support engagements.

[Stephan Fricke](#) is the CEO of [German Outsourcing Association](#), and the [Process Automation Association](#).



## **#10 Outsourcing in CEE provides access to a large IT talent pool**

I have been lucky enough to travel to several countries across CEE over the years and I've always been impressed with what I have seen. First, I'm from the UK and English speaking, the CEE benefits are obvious in terms of language, time zones, cost of travel and a nearshore location. What also stands out is the desire of a well-educated and growing talent pool, especially in the IT, software and digital sectors. This actually should come as no surprise due to the region being a key location for SSC's for a number of years. Costs have gone up; however, so has the number of skilled individuals working in the sector numbering around 750,000, which will rise over the next few years.

Traditionally I think the countries that people would assume are the sourcing hubs are Czech Republic, Hungary, Poland and Slovakia, but the opportunities in several the South East countries needs to also be considered. There are still plenty of skill sets in the region, but the untapped pools may be in emerging regions.

[Jonathan Yarlett](#) is the co-founder and publisher of [Intelligent Sourcing](#).



### **#11 CEE Europe is maturing, while SE Europe flourishing**

Unlike other outsourcing destinations, Eastern Europe is associated with top quality services backed by highly experienced technical people at reasonable costs.

The Eastern Europe outsourcing market has matured while South Eastern Europe is just starting to flourish. Eastern Europe is affected by rising costs, an attrition rate, and talent migrating to Western European countries, making the region more expensive for retaining good talent, according to PwC.

Countries in South Eastern Europe, like Albania, Serbia, Macedonia and Kosovo, have become very attractive as they prepare to join the EU. SE Europe offers advantages for investors such as financial stability, business confidence, low-operational costs, a free market, adequate EU legislation, solid infrastructures, high internet penetration, and bilingual staff. It's no wonder several multinationals are enjoying huge success here like AT&T, Vodafone, DHL, Teleperformance, Webhelp, and Sutherland, who appreciate the labour advantages of these countries.

[Fatmir Hyseni](#) is the CMO of [Kosbit](#).



### **#12 Outsourcing Shows Greater Promise for Nearshoring Clients**

The history of outsourcing in BPO and SSC models in Europe has been growing strong for 20 years. These two decades were very dynamic as Europe was primarily the primary choice of



American companies. But the last decade introduced some interesting changes, as clients from Germany and Scandinavia became more active in searching for either BPO or ITO business partners or searching for locations for SSC/GBC business centres. One of the reasons for this situation are ready-made business opportunities provided in regional cities. Some of these locations are still undiscovered opportunities with an available talent pool and lower costs. On the other hand, there are existing branches of larger outsourcing services providers who are willing to take on new projects. Poland is a great example of a country where there are over 15 outsourcing destinations already and additional ones appear every year.

[Wiktor Doktor](#) is the CEO of [Pro Progressio](#)



### **#13 Thanks to Globalisation and Technological Advancements, Geography is no Longer Critical**

What is most important is available talent, or access to ongoing post-secondary graduate resources, and a steady supply of future in-demand skill sets such as design-thinking or programming. The global competition for talent is becoming increasingly tight and our region — the 23 countries of an emerging Europe — can boast something special that other developed regions can't. That is a great well-educated workforce. With a population of 200 million, emerging Europe cannot be — in size or scale — compared to India, but the region's rich talent pool of highly educated resources, based in small countries across the region, and together with an innovative culture, match the desire to deliver service excellence. This proves the region is a serious player in the global marketplace. And emerging Europe is indeed making its footprint. The Best of the Global Outsourcing 100 List 2019, published by the International Association of Outsourcing Professionals (IAOP), includes seventeen companies from the emerging Europe region that are among the best tech firms in the world over the last decade. And the region has yet to reach its full potential. We, at Emerging Europe, through our initiatives such as the Alliance for Business Services, Innovation and Technology, will continue to showcase the region's capabilities on the global arena.

[Andrew Wrobel](#) is the Founding Partner, Strategy & Content, Leader of the [Emerging Europe](#).



### **#14 From Outsourcing to Digital Transformation**

Over the course of the past decade I've had the opportunity to spend some time in central and eastern Europe in my capacity as an industry analyst (specifically, Romania, Hungary, and Russia). Aside from the impressive range of European languages, what has struck me the most about this region of the world has been the technical skill-set of the talent located there.

When you consider how fast technology is advancing, how rapidly the digital landscape is changing to next-generation software and automation technologies that embrace tools such as data analytics and artificial intelligence (AI), it's easy to surmise that the talent found across central and eastern Europe will be an ever more sought after resource when it comes to both IT and BPO. Consider the implementation of conversational AI as an example. Some European enterprises are labouring under legacy systems while lacking the skilled resources required to help set the foundation of digitization that would make adoption of this new technology a reality. In many cases, central and eastern Europe may be a logical place to look for addressing these challenges.

In addition to the technological expertise, there's a host of cultural, regulatory (particularly around data privacy), and legal realities across the European continent that nearshore Europe may be well positioned to help address.

[Stephen Loynd](#) is Principal at [TrendzOwl](#)



## **#15 The Emerging IT Outsourcing Landscape in Belarus**

For some of your readers, CEE is a new outsourcing destination, but we in Belarus have been involved in IT outsourcing here since the early 1990s. Belarus served as an IT hub for the entire USSR and preserved its IT traditions until the present time. Our developers are well-known for having university educations not just in IT, but also in mathematics, physics, and other scientific disciplines. Our corporate teams are known for reliability and low employee turnover. Given our long IT traditions, local companies have deep expertise in old and new technologies and therefore provide legacy transformation. The world-known giants like IBM, Apple, Facebook, Microsoft, Google, and Amazon use our services. If you still have doubts, come to Belarus and see everything with your own eyes. We would be happy to welcome you, build cooperation, and eventually make friends with you!

[Irina Kiptikova](#) is the Head of Corporate Communications at [IBA Group](#).



## **#16 New Technologies and Automation at the Core SEE's Rapid Development**

Eastern and South Eastern Europe has an important and growing place in the global outsourcing landscape. What we at M+Grupa see across industries and geographies is that the IT, BPO and SSC sector is rapidly changing as a result of increased automation, use of chatbots and AI. While there is no doubt that these new technologies are a great opportunity for the industry, companies that fail to have their human resources follow these advancements in technology will inevitably fail to keep track of the increasing quality demands.

Based on our experience, Eastern and South Eastern Europe are great places to be tackling these new technologies and skillsets. A technically savvy workforce is far beyond what other geographies offer, and given accessibility and affordability of technical universities, this is a gap that will keep widening in favour of the region. In terms of the linguistics, thanks to obligatory foreign language studies in schools and continuous back and forth migration, the region is abundant in language skills for most of the Western European markets.

The biggest drawback is that regional service providers are still relatively small, which limits the positioning of the entire region on the global outsourcing market. With only a few companies standing out, we believe that further consolidation is necessary to get all stakeholders onboard and advance to the next stage.

[Ivan Posavec](#) is CEO at [M+Grupa](#).



## **#17 Global Management Comes to CEE/SEE in a Large-Scale Way**

The Outsourcing sector in CEE/SEE is evolving so quickly that we'll have to find a new name soon! The captive Shared Services operations across CEE continue to grow steadily, and are adding more complexity into their operations, which reflects the confidence of global management in the quality of these operations. We see local managers becoming Global

managers, overseeing full processes, and often with direct access to the company's global HQ's and boards. The relentless march of digitalisation in all enterprises means that the demand for digital/tech/IT skills is incessant. Our events in both US and Japan teach us that the demand for tech outsourcing in CEE is really, strong. I think the demand from Japan has been overlooked, and opportunities for CEE-based tech companies, especially with gaming expertise, are tremendous. And US mid-size and small corporates (which are still large!) are keen to find outsourcing partners in CEE/SEE. While the CEE region, with its EU membership, has attracted more than 800 SSCs/Captives, the further "east" and "south" are doing well with tech/digital sourcing, parlaying their technical strengths into strong partnerships with global firms.

[Thom Barnhardt](#) is founder of CEE Business Media; [www.EuropeanBusinessServices.com](http://www.EuropeanBusinessServices.com).



## **#18 The Outsourcing Boom In the Post-Soviet Era**

The first conference, "Outsourcing in Russia: Business Opportunities" was held in December 2000 and had two parts: "Software Services Export" and "Corporate IT Outsourcing." As a result, the National Software Developers' Association (NSDA, now – Russoft) was created in September 2001 to address the hottest issues of Software Services Exporting, and a few years later, ASTRA Partners – Association for STRAtegic Outsourcing, was formed in 2008 to support ITO & BPO development for Russian businesses. Still this division does exist within Russia and the EE territories. Today Global Sourcing has achieved a great range of Outsourcing services from EE countries, especially in or based on IT, with reasonable pricing, great expertise, cultural proximity, etc. While Outsourcing as a regular management practice is still under-developed in EE countries with a lack of business literature in a local language, a new ASTRA Partners textbook – "Outsourcing in the Modern Business Strategy" – based on international expertise and local practice — fills the gap for Russia & CIS. The best practices of building successful long-term co-operation and relationships with service providers will help outsourcing professionals to develop a Sourcing industry in the ex-USSR countries, where most of the population knows the Russian language.

[Sergei Makedonski](#) is a Regional Director for [Forrester Research](#).



## **#19 Outsourcing Success Depends on Evolvement and Collaboration**

The sourcing sector in Southeast Europe (SEE) is expected to double in size by 2021, as it did between 2013 and 2017, and exceed 14.7 billion euro, according to a recent report prepared by SEE News, for the Bulgarian Outsourcing Association. However, to maintain the growth momentum and make the best of its potential, it needs to evolve. As global focus shifts from cost-cutting to customer-centricity, and cloud, AI and Big Data are changing the way industries function, sourcing in SEE too is moving away from relatively basic services and the traditional project-based approach towards high value-added knowledge process outsourcing and active involvement in clients' business development. To strengthen their capacity in this transformation and sidestep some of the limitations with the local markets, such as tightening the labour force, companies in the region need to collaborate more actively.

[Nevena Krsteva](#) is the Editor in Chief at [SeeNews](#).



## **#20 Quality versus Arbitrage**

The emerging skills base, and the strong language capability in CEE countries, is expanding opportunities for the rest of Europe to access a highly motivated workforce that can focus on quality outcomes that are fuelled by digital transformation and the shift to more collaborative outsourcing. Many organisations are realising that in this digital age a lack of quality can have disastrous effects in a short time and can be impacted by social media. Low cost labour on the other side of the world has not yielded to promised results and rework often swallows the savings. In the past, CEE countries acted as the receptacles for large IT companies to source relatively unskilled tasks. However, the boom in technical skills means that CEE countries now lead the way in critical skills for business. It is becoming THE dynamic place to base operations with people who are in easy reach and able to contribute more value to outsourcing than was ever possible nearshore before. In less than 5 years, we may very well see some of the big names in outsourcing relocating their headquarters away from Western Europe to CEE. Dynamic times!

[William Mills](#) is a Director at [Burnt Oak Partners UK&I](#).



## **Conclusion**

Most of the outsourcing experts, thought leaders and practitioners agree the future of outsourcing in Eastern Europe looks very exciting and promising. Challenges with talent acquisition and maturity might be coming....

On the other hand, Southeast Europe is growing massively.... A bright future shows that the advantages in Southeast Europe outweigh the disadvantages.

Enjoy the ride.

By Fatmir Hyseni for Outsourcing Journal