



## Global Location Strategies Newsletter – Summer 2015

Locations become more and more accessible as result of technological and infrastructural developments. Add to that the breaking down of trade barriers, the yearly 6% rise in passenger air travel and it's clear that we are indeed living in a global village.

This newsletter explores how that global village is rapidly changing, all-focusing on issues related to corporate sourcing and location strategies.

It contains the views and insights of Global Location Strategies, Deloitte's CoE for corporate site selection.

If you need further information, or help with client discussions, bids or engagements related to global location matters, do not hesitate to reach out.

Enjoy the reading!

Elias van Herwaarden, GLS Service Leader.

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## The changing face of Global Investment

Through 2014 Foreign Direct Investment (FDI) increasingly flowed to so-called “developing economies” (think African Asia-Pacific, BRICs, Central Europe and Latam), while it declined in the developed economies like North-America, Japan and Western Europe. The Financial Times reports a 36% increase of jobs created by FDI over 2013 figures. 2014 also was the year that Asian companies overtook Western European and North American ones to become the prime source of international job creation.

By contrast, 2015 started slow for foreign investments. Continuous geo-political struggles in Eastern Europe and the Middle East, and worsening economic situations in China and Southern Europe have taken their toll on investors’ appetite for international expansions.

In 2015’s first five months, the Financial Times has registered just under 3,000 international investment projects worldwide. A whopping 20% decline compared to the same period of 2014. All industries recorded a drop, with the biggest relative decline seen in E&R and FSI.

GLS recent client work confirms that investors have lost their adventure mojo. Clients are indeed looking for safer locations. Countries which registered growth in international investment were India, Indonesia, Thailand, Romania, Hungary and Czech Republic. On the other hand, investments into China decelerated. Unsurprisingly, Russia has seen further erosion. What came as a surprise is the decline of other traditional destinations such as Poland, Malaysia, Philippines and South Africa, which witnessed a drop in inward investment.

## Lessons from the trenches

**IT is hot again!** Unmistakably, with business analytics and increased automation penetrating all corporate activities and client interfaces, companies require access to an ever larger pool of IT talent. Yet in many cities around the world, that pool is limited. Even in lower cost cities, IT wages command a 25% premium over non-IT pay-scales

**There is no Prague in Asia-Pacific.** Obviously, you might say. But what we’re pointing to is the fact that unlike GBS and shared services destinations in Central Europe, there are no Asian cities with vast pools of multi-lingual talent. Of course, Kuala Lumpur and Singapore, and economic centres like Mumbai do attract talent from throughout the region. But will that talent want work in a back-office environment? GLS recent engagements in the region paint a grim picture. We found only few back-offices to have multilingual capability. Kuala Lumpur seems to be an exception, but it comes with language premiums that can drive up payroll costs to 25% above Manila levels.

**EVP?** Even though across Central Europe the average attrition rates have stabilized in the area of 15%, recruiters confirm that it is increasingly challenging to attract and retain staff for purely transactional work. Staff are becoming “pickier” about the office building location and public transportation connectivity in choosing their employer. At a recent conference, HR leaders gathered to discuss Employee Value Proposition (EVP). They concluded that the retention of staff will depend not so much on the salary package but on additional tangible and non-tangible benefits considerations such as development and training offerings of employers, clear career paths, working environment, interesting projects and opportunities to acquire new competencies.

## GBS, Shared Services & BPO update

Poland’s Association of Business Service Leaders (ABSL) reports a steady increase in employment in the Polish business services sector. There currently are 532 centres, with overall headcount totaling 150,000, up 22,000 from 2014. The Czech ABSL estimates that there are +150 captive SSCs and BPOs in the Czech Republic, with Prague and Brno as leading destinations. During recent GLS field work we learned that the Czech service centre sector employs around 55,000 people, with a 20% year-on-year growth rate. On the other side of the world, the IT & Business Process Association of the Philippines puts the country’s sector employment at 918,000, with a 19% cross-the-board growth rate. Meeting with the Association’s leader in Manila we heard about a bold plan to increase the sector’s direct employment to 1.3 million by 2016.

Some eye-catching developments:

- State Street SSC to Gdansk (Poland). Krakow-based since 2007, the US financial giant announced a second Poland SSC, creating 300 jobs in the Tri-City area. Yet it rented office space that can host 1,000 employees, so how big a centre will it be?
- ISON poised to open Contact Centre in Nigeria, headcount projected at 1,000. A final city would not yet have been selected, but reportedly it might be in a more rural environment.
- Deloitte Central Europe to Rzeszow (Poland). Our colleagues will set-up a captive SSC to support operations across DCE's 18-country geography.
- ANZ Bank opens technology and SSC hub in Bangalore (India), employing over 500 to support operations world-wide.
- Amazon.com reported to expand its Heredia (Costa Rica) customer service operations with 400 employees, who said that Costa Rica was overheating?
- Deloitte leaders from across the 16 Pan-Africa leaders gathered in South Africa to formulate strategy and a go-to-market proposition for delivering Business Processes as a Service to Africa's booming outsourcing market.

## GLS point of view: Globalisation and digital transformation

In the past two decades, no company has been spared by the advancements of new technologies and globalisation. Both have helped them access new markets and customers, create new products and offerings, increase productivity and profitability, and expand their talent pools far beyond their home bases.

How is the global talent demand for digital skills evolving? How do successful companies leverage globalization to compete for talent?

Read more in our PoV: <https://deloitte-be.sharefile.eu/d-sf6ddc7b4e144b2b9>

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