

Expanding GBS – But where?



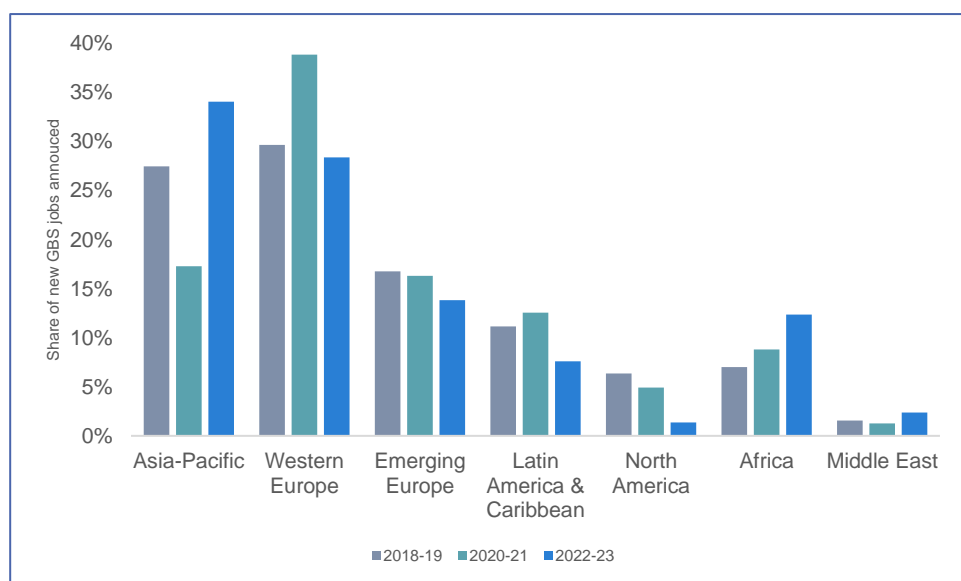
Through the 2022-2023 period, *The Financial Times* recorded 434 cross-border investments in the GBS space. Associated job creation exceeds 129,000. Up 25% and 36% respectively from 2020-2021. Meanwhile, SSON Research & Analytics concludes that location is a significant component of the Shared Services and GBS model, and under constant change. So, as location matters to GBS strategy: Where's hot and where's not? And how to design a robust GBS footprint?

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Rear-view mirror

At a global level, 2021-2022 GBS footprint choices reverted to pre-pandemic patterns with around 60% of all new GBS jobs being announced for Western Europe and Asia-Pacific.

Notably only the latter and Africa posted an increase in their "market share" over the 2018-2019 period.



Source: Locationperspectives, based on fDi Markets, a service of The Financial Times Ltd. Used with permission.

Top-15 countries by new projects/ expansions ⁽¹⁾	Post- pandemic	Pre- pandemic
Costa Rica	1	5
India	2	1
Poland	3	6
Philippines	4	3
Colombia	5	16
Portugal	6	21
United Kingdom	7	2
United States	8	4
Mexico	9	19
Malaysia	10	13
Romania	11	10
UAE	12	28
Egypt	13	32
Ireland	14	7
Spain	15	11

Note: (1) Ranking only reflects international inward investments. Source: Locationperspectives, based on fDI Markets, a service of The Financial Times Ltd. Used with permission.

As for the number of new GBS facilities/extensions per country, the pre and post pandemic period show noticeable shifts among the most-favored locations.

Certainly, Asian destinations such as India, Malaysia and Philippines hold strong. But it is equally clear that after the Covid pandemic companies increasingly opted for near-shoring destinations.

This is exemplified by the rise of Egypt, Colombia and Portugal in the destinations Top-15, and the fact that 11 of the 2021 – 2022 top destinations are either on- or nearshore countries.

When it comes to ranking cities by new and expanding GBS operations, the Financial Times' list of top destinations shows that companies continue to locate the world-over, all while predominantly choosing metropolitan areas with a well-developed ecosystem for business services.

Yet, the rise of Tier-2 Medellin and Porto in the Top-15 underscores the trend for GBS operations to locate beyond the "beaten path" to tap additional – and lower cost - talent pools.

Equally noteworthy is the entry of Portuguese locations into the ranking. Historically - for the European Union - the list would only feature locations in Central Europe.

As compared to 2018-2019, the post-pandemic period sees an increase of nearshore destinations to serve Europe (e.g. Lisbon, Porto and Wroclaw entering the top-15) and the United States (with Medellin entering the top destinations list while Bogota and San José maintain their top-5 positions).

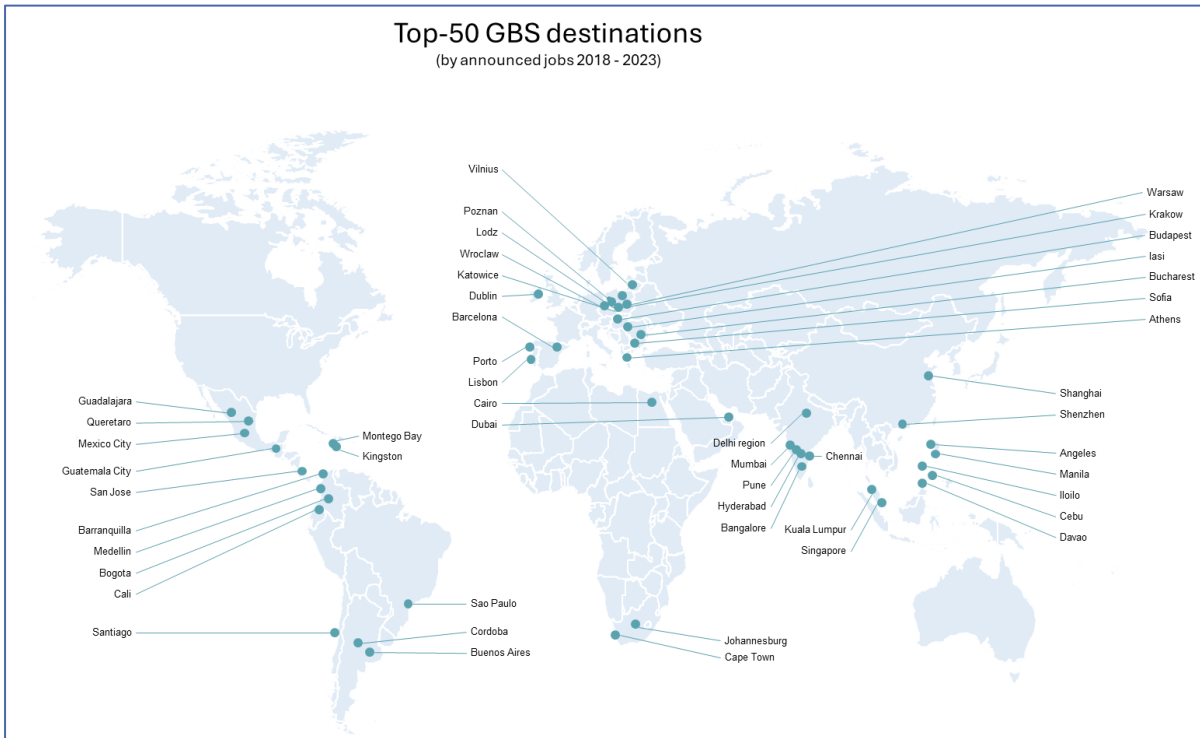
Opposite table may suggest that Asian destinations lost popularity over the pandemic. But let's put that into perspective: for 2021-2022 foreign companies still announced the creation over 11,000 new jobs in Bangalore ,Manila, Singapore and Kuala Lumpur combined. That number that excludes new jobs by domestic players.

Barranquilla, Cairo, Chennai, Davao, Mexico City and Pune would also have been among the Top-15 ranking if it were based on GBS job creation by international companies.

Top-15 cities by new projects/ expansions ⁽¹⁾	Post- pandemic	Pre- pandemic
San Jose	1	1
Medellin	2	9
Vilnius	3	2
Bogota	4	4
Porto	5	56
Wroclaw	6	19
Bangalore	7	14
Manila	8	3
Budapest	9	7
Warsaw	10	13
Lisbon	11	23
Bucharest	12	5
Singapore	13	8
Kuala Lumpur	14	11
Pune	15	12

Note: (1) Ranking only reflects international inward investments. Source: Locationperspectives, based on fDI Markets, a services of The Financial Times Ltd. Used with permission.

There is more than just a Top-15 list to be considered. Through the 2018 – 2023 period GBS and like operations have located across more than 90 cities globally. Location tactics ranged from well-known Tier-1 to rapidly developing Tier-3 cities.



Footprint design principles

Whether you are embarking on your GBS journey or seeking to improve its existing footprint, a few basic principles apply to designing a robust location strategy:

1. **Process drives location** – A city’s ecosystem maturity impacts its talent pool skill levels and aspirations. GBS planner should ensure being out of synch with the latter. For example: Tier-1 locations will cause recruitment and retention challenges for transaction-like processes. Likewise, Tier-3/Tier-4 locations are likely to disappoint when operations require deeply skilled and experienced staff.
2. **Always plan for scalability** – With little exceptions, GBS centers grow in scope, be it in their functional or geographical reach. Proactive (second-line) stakeholder consultation on potential future GBS service demand will help to avoid picking a short term solution that proves inadequate over the longer term.
3. **Locations evolve rapidly** – Many are the cases where companies complain that a city no longer works for them. In most of these, the local ecosystem has evolved whereas the GBS processes still follows a blueprint/mandate dating back +5 years. It is all about adjusting your process allocation; GBSs need to grow or need to go.
4. **Do not fear the unknown** - Rankings of GBS destinations abound. It may seem safe to cast your choice on a destination that features favorably on any of them. But then, do consider that Central Europe featured barely six GBS destinations in 2020, with over 150 cities offering “proof of concept” today. Quid pro quo, destination options abound in Latin America and Asia. Looking beyond the “beaten path” worked well for many GBS centers, and may do likewise for yours.
5. **Data and insights** – A GBS location decision cannot easily be revoked, so getting a robust site selection process in place is key. This requires tailor-made data and insights into “what works where”. Publicly available and subscription-based data typically fall short to build a robust business case. Such sources will not transfer valuable insights and lessons learned. Consulting with other GBS leaders, and expert advisors will invariably reduce your risk.