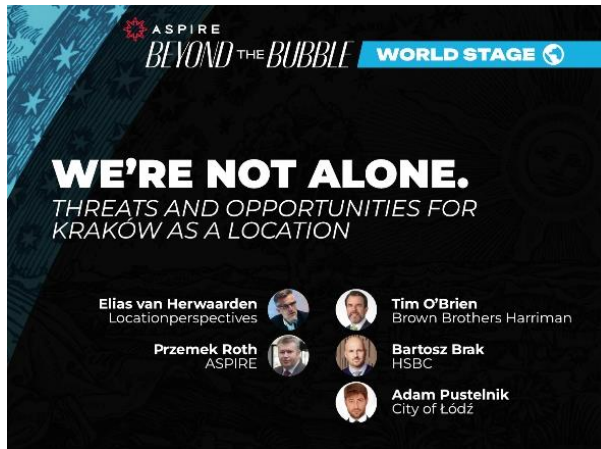


We are not alone....

Threats and opportunities for Krakow as a GBS destination

By Elias van Herwaarden - 28.10.2024



Many view Krakow as the apex of what a GBS ecosystem can achieve, with companies hardly having alternative destination options for high value adding processes.

ASPIRE – the association for Krakow-based GBS – asked for my frank view on that. And to debate it with Center Heads and the First Deputy Mayor of the City of Lodz during ASPIRE's recent 'Beyond the Bubble' Summit.

What we found is relevant to GBS Strategists and Site Leaders globally.

1. The grass could be greener next door

No matter where my GBS work takes me, Site Leaders from Bogota to Dalian tend to think that 'their' GBS city stands out above all others, calling it a "Tier-1 destination".

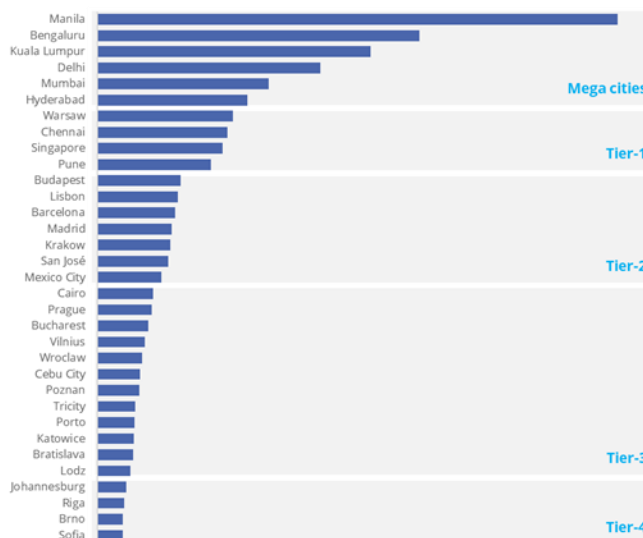
But such claims are rarely based on a proper understanding of other cities' location offer.

With GBS-like operations located in over 400 lower cost metro areas globally the grass could be greener next door.

The larger GBS cities globally

Europe	Africa & Middle East	Asia (excl. China)	Latin America
Barcelona	Abu Dhabi	Ahmedabad	Aguascalientes
Bratislava	Accra	Bangkok	Alajuela
Brno	Alexandria	Bengaluru	Bogota
Bucharest	Amman	Cebu City	Cali
Budapest	Beirut	Chennai	Guadalajara
Istanbul	Cairo	Coimbatore	Juárez
Katowice	Cape Town	Delhi	Kingston
Krakow	Casablanca	Georgetown	Lima
Lisbon	Dammam	Hyderabad	Medellin
Lodz	Doha	Jaipur	Mexico City
Madrid	Dubai	Jakarta	Monterrey
Porto	Hawalli	Johor Bahru	Montevideo
Poznan	Johannesburg	Kochi	Panama City
Prague	Lagos	Kolkata	Queretaro
Riga	Mekka	Kuala Lumpur	San José
Sofia	Muscat	Manila	San Luis Potosí
TriCity	Nairobi	Mumbai	San Salvador
Vilnius	Port Louis	Pune	Santiago De Chile
Warsaw	Pretoria	Singapore	Santo Domingo
Wroclaw	Riad	Vadodara	Tijuana

Tiering of selected worldwide GBS locations by ecosystem size



2. The traditional city tiering model doesn't always work

Conventional practice tends to categorize GBS destinations into four tiers based on population size and ensuing ecosystem sophistication. The concept was first developed in India and has its merits when comparing destination options within one country. Or comparable options across multiple countries.

But it has its limits when GBS Strategists need to decide on process allocation across location options globally. In particular when the service catalogue comprises both region-focussed and global processes.

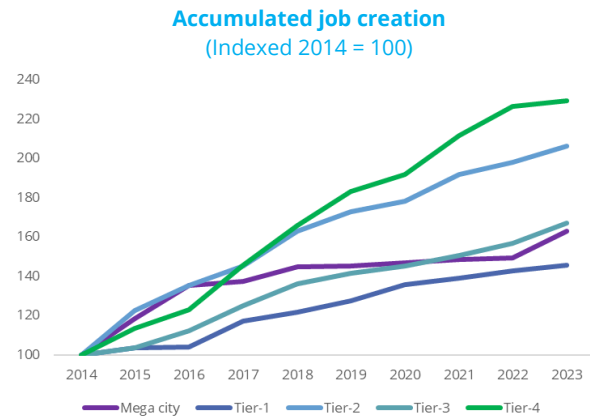
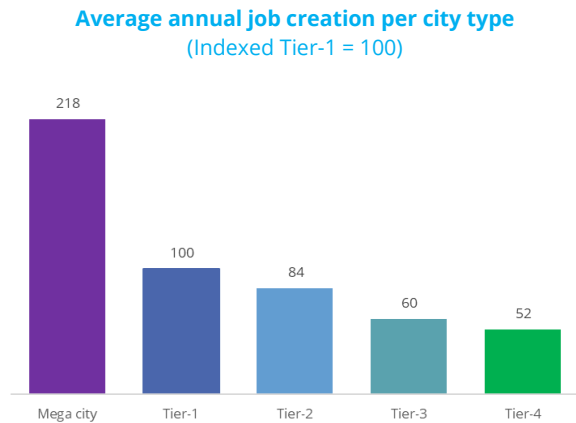
Using a five tier model makes more sense. It puts European options on the proper scale in a global context. With GBS far-shoring on the rise, that is a context not to be ignored.

3. Fast growing Tier-2 and Tier-4 cities

When comparing key European destinations with alternative options globally, Asian Mega cities take-up the larger share (around 43%) of new GBS jobs created through the 2014-2023 period.

But in terms of year-on-year job creation growth European Tier-2 and Tier-4 cities outperform the other destination types.

That trend is partly explained by Tier-1 based GBS hubs setting up in-region satellites to access wider (and some times lower-cost) talent pools. But it also underscores the fact that cities are rapidly developing and thereby offering more 'safe landing zones' for establishing business services.



4. Innovation is not a European exclusive

A recurring perception holds that Asian GBS cities are all about conducting high-volume/low value processes. And that European GBS destinations have an edge because a higher potential for innovation.

This could not be further from the truth.

In fact, many Asian destinations rank high in terms of their innovation city score. And they come with a significant cost advantage over key European GBS locations. Just consider the below graph.

Of course, time zone, cultural and language proximity (to name a few) will continue to justify establishing GBS in Europe. But with AI and language neutralization software taking-on, high-innovation far-shore destinations could well challenge the position of GBS sites in Europe and in other global regions in the years to come.



Take-aways for GBS strategists and site leaders

1. *As GBS organizations and individual GBS sites mature, the choices for location expand.*
2. *Krakow remains a compelling 'safe landing zone'. Its rich, well-experienced, motivated and multi-lingual talent pool – at all levels – allows GBS to quickly start-up and to rapidly achieving cruising altitude Both for regional and global processes.*
3. *AI and language neutralization are currently far from being able to threaten the role of near-shore based GBS sites.*
4. *Building trust is key to success for higher-cost GBS sites. Site Leaders must prioritize constant communication with front-line business, dedicating most of their time to such exchanges.*
5. *Uplifting talent capabilities is crucial. Educational institutions must do more to prepare the next generation for regional and international competition.*
6. *City leaders should interact more with Site Leaders to ensure the growth and reach of their GBS ecosystems.*

Notes:

Graphics derived from the Locationperspectives GBS Location Strategy Tool, drawing on public, subscription-based, and proprietary data. The tool assists corporations in establishing their first Shared Services/GBS center and aids mature Shared Services Organizations in optimizing operations and enhancing their global footprint.