Concluding remarks

The book has been devoted to merging two perspectives on offshoring of advanced business services. Business operations have been analysed to responsibly approach the economic meaning of offshoring of services. Currently, there are many developments taking place within the ABS industry and it is absolutely crucial to include them in the economic analysis. Without providing the business perspective any economic and policy conclusion would be irrelevant.

The main conclusion from the empirical analysis of the Visegrád Group economies is that there are still strong arguments supporting the traditional perspective on the white-collar jobs offshoring. It is confirmed by the differences in wages between home and host economies. The largest number of investors originate from the Western Europe and the United States. However, when we take into consideration the context of many CEE economies, where the gap between production costs and highly developed economies is getting smaller and smaller, other qualities are attracting investors. It is more proof that the investors do not only look for low costs, but also for quality. When we put it in the context of a corporate strategy, it means that firms search for both cost savings and high quality and they use a mix of these two depending on their overall strategy.

The V4 locations are very different from their Asian peers due to the history of FDI. First, incumbent foreign-owned firms, which earlier invested in the economies of CEE in core operations in manufacturing, services or finance later invested in ABS. The road towards knowledge-intensive activities was a result of earlier developments in activities of lower knowledge content. The key locations for offshoring of ABS in Asia had not developed the secondary industry before accepting vast amounts of FDI in services. Second, there are new investors in CEE, without any prior core operations, interested in providing support activities by accessing the pool of talents, good institutions and proximity to main operations.

Moreover, the CEE economies became an important and integrated element of the global services delivery chain. In the beginning of the 21st century there were three main locations for advances business services: North America, the Western Europe and some Asian economies. Adding the CEE economies filled the gap when it comes to time zone and cost arbitrage. It also confirms that the survival rate of companies in the industry should be high as operations in CEE are important for the entire global network.

Indeed, very few companies in ABS withdrew or significantly reduced the scope and size of support services provided by CEE units. The survival rate may be lower when it comes to some outsourcing operations. The conclusion may be that shared services are more prone to be stable operations, while BPO is not fully embedded in the host economies and may easier relocate to other destinations providing cost advantages and better job market situations.

Offshoring of white-collar services is footloose, which means that at low cost the operations can easily be moved from one country to another. In such an idealistic setting, all ABS should be executed in the very low-cost economies of India or the Philippines. The sheer size of the ABS industry in those locations confirms that cost arbitrage is still an important magnet. Moreover, the vast scale of operations helps to achieve economies of scale and allows for investment in further development. Anyway, there is room for many other players and CEE economies with their geographic position, integration with EU, sharing similar values, and, very importantly, offering a high level of education can still play an important role in the industry for years to come.

Throughout the discussion about the determinants and impacts of FDI in ABS in V4 only one group of factors proved to be relevant – those related to supply of inputs. Despite the intensive search for demand-related elements of the ABS operations, there are virtually none identified. It means that operations of ABS firms are not embedded into local operations of MNEs, but rather provided globally, or at least regionally. This poses some threats for the longevity of the projects, as a lack of demand linkages makes the operations very footloose and they can actually be delivered from almost any place, which provides a proper supply of inputs.

Several levels of analysis were employed to explain the phenomenon of offshoring. Conducting the empirical analysis regarding ABS in the V4 economies on the regional level provided more insights thus made the results more robust. Moreover, using regions as the units of observation enabled also the comparison within particular economies. This is important as FDI in the business services sector are not evenly distributed across countries. Consequently, combining data on the regional level with data on a firm level allowed for a very thorough analysis. The inclusion of firms in the analysis of offshoring was also crucial due to their bargaining power. The firms in the ABS industry are relevant enough not to take the local conditions as granted, but have power to shape them.

There is a further expansion of FDI in knowledge-intensive services expected. However, the V4 economies are already pretty saturated and the trend may be rather increasing complexity of processes executed, not significantly increasing the headcount. There are no reasonable arguments to expect that the employment will rise as dynamically as it was in the previous decade.

There is still room for the upgrade of the functions in ABS units. However, there are no strategic approaches to do so. It can be interpreted that ABS units are still subordinated to main decisions of the headquarters, rather than provide knowledge to operate entire organisations. Anyway, to fully utilise the opportunities provided by the global presence and access to talents, there should be a further progress towards most advanced functions and direct influence on the decision process of a MNE.

I was focused on analysing operations of multinational firms in advanced business services in CEE. However, the additional objective was to observe changes within MNEs due to their offshoring operations. MNEs are changing dynamically due to reorganising their processes. They put bigger chunk of activities in separate units both within and outside the boundaries of a firm. Importantly, they put knowledge-intensive processes, which despite being considered as support or secondary activities, are actually playing the key role. When it comes to finances, it is no longer about recording transactions, but rather analysing operations and transforming processes. When it comes to IT, it is no longer about solving some software errors, but more about designing new software or new solutions for businesses.

There is an ongoing evolution of the ABS and they become more and more technology-oriented. This creates new challenges for labour markets as new competences are required. At the same time, it creates new challenges for already employed, whose competences may be very short-lived. This is a new challenge for policies regarding the ABS industry. Due to the global competition for projects, it is expected that host destinations offer unique characteristics. However, the most important is rather to provide quality of education and skills. The supply of talents will help to maintain the cost advantage. However, the demographic conditions may provide some headwinds. It was underlined that the immigration policies in CEE should be relaxed towards those migrants having requisite skills. The solutions adapted by, for example, Canada may be also useful here. An increase in number of skilled immigrants may help not only the ABS industry, which can be a direct beneficiary, but also economies in large.

The technological changes are especially important for locations, which are dependent of foreign investors and have not developed their own service multinational firms. We can build links between technological and organisational changes, through altered environment for multinational firms in home and host economies. The issue is also the productivity of white-collar services, which is rising due to the technology improvements and bigger focus on quality.

Unfortunately the official statistics are decades behind the developments in the business environment. It is more and more difficult to use quantitative measures to understand business operations, which become increasingly intangible or digital. However, such data are necessary to build economic and policy recommendations.

From the policy perspective, it is also crucial to understand the role of ABS units within companies. In spite of significant upgrade of processes and gained trust within MNEs, ABS units in CEE economies are still treated as auxiliary units with minor role in creating value added in the company. Still such units are treated as costs centres, not profit centres, which induces the cost optimisation as the key imperative of their operations. Because of the limitations, ABS units are still on the

outskirts of the operations of MNEs. This means that the knowledge creation is still not the most important task of many ABS units. Some years ago, the CEE economies have been considered as favourable locations for manufacturing, nowadays they are good locations for "services factories". However, it still means that they are not in the centre of the operations within MNEs. There are little prospects that the situation may change any time soon.