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PROMOTION AGENCY



BUSINESS SERVICES

HUNGARY

360° view about the
Hungarian Business Services Market

2018



HOA

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BUSINESS SERVICES

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360° view about the
Hungarian Business Services Market

2018





Creating

new opportunities and potential
for further growth for a mature market
by applying new technologies
and talent management approaches
in order to transform operations
to reach operational excellence at a global scale
and to promote Hungary as a key regional location
for new investments.

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Foreword

In recent years the business services sector (BPO operations and BSC) has become a flagship industry in Central and Eastern Europe with its 10-12% annual growth rate. This growth is based on the expansion of current services as well as on migrating more complex, high value added services into the centres.

Hungary, with its dynamic growth as well as economic and political stability, has been attracting significant numbers of investors in the field of the BSC and the BPO markets. The skills and competencies of the local talent pool contribute significantly to the expansion of the Hungarian centres. The scale of employment, the language skills and the broadening scope of business activities of BSCs and BPOs demonstrate the success of the industry and help to strengthen the country's position for future expansion plans.

In order to fully examine and outline the current trends and tendencies of the business services sector, the Hungarian Investment Promotion Agency and the Hungarian Service & Outsourcing Association have conducted the Business Services Hungary 2018 Survey. In this survey we examine how suitable Hungary is as a location for BSC or BPO operations. Our goal was to provide a comprehensive overview of the Hungarian BSC market in respect to industry trends, HR & education, location and technology.

We strongly believe that the sector is a key driver for elevating the competitiveness of the Hungarian economy. Cooperation between all stakeholders, including companies, educational and governmental institutions is essential. Based on the joint statement of the representatives of the major organisations, the focus areas of cooperation should include industrial branding, talent management, innovation and education. We would like to thank every company that participated in our comprehensive survey. Based on your valuable feedback we are able to present a more accurate and representative overview of the sector than ever before.

Preface

Over the last decade, the Business Services Sector has become one of the fastest growing sectors of the Hungarian economy, attracting a high level of investment into the country. The importance of the sector is shown by the fact that the

more than
50,000 employees
of the 110 companies operating
on the Hungarian market provided
1.2% of Hungarian GDP and
1.6%
of the entire Hungarian exports,
while 1.1% of all employees
work here.

Based on the experiences of the last ten years, the Business Services Sector is one of the few sectors that has shown steady growth in both crisis and booming periods of the economy. This development continued during the last twelve months, and based on the expectations of the market players, will continue in the future as well.

This report contains data provided by 71 companies, a fact that makes this research the most comprehensive research of its kind and widely supports the representativity of the results and the conclusions drawn. The survey examined the three basic pillars of the successful operation of Business Services Centres: operational strategies and service processes, characteristics of the workforce employed in the centres and the technological solutions supporting service delivery activities.

The research justified that the maturity level of the Hungarian Business Services Centres has increased over the last year and centres are operating on the basis of a more developed business model, in more service areas and performing more complex and higher value-added activities, supported by conscious talent management programmes, an employer branding approach and developed service delivery innovations.

The main challenge BSCs are facing is the recruitment of new talent, but due to the execution of a focused talent attraction and retention programme, they have overcome these challenges successfully. This was supported to a great extent by digitalisation and automation as the workforce freed up by the introduction of new solutions can contribute to the further development of the centres. Such transformation will continue in the future and it is expected that more technological innovation, in more areas will support and simplify the efficient operation of the centres and create the opportunity for further growth, as well as justify the success of the shared services and outsourcing models.

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Executive Summary

The Hungarian Business Services Sector has entered a new phase of its existence in terms of maturity. The key strategic driver for the service providers is undertaking more complex and high value-added services. Therefore, transformation of strategies and operational practices has become the number one priority for BSCs. As a result of this change, innovation and talent retention practices come to the forefront, and in the meantime companies have to keep up with their widening service portfolio of high value-added activities.

Signals that service providers have started to move from the traditional captive and BPO models towards the hybrid service delivery model show that companies are optimistic regarding their quality of services and this strategic approach has also become a driver of their operational improvements.

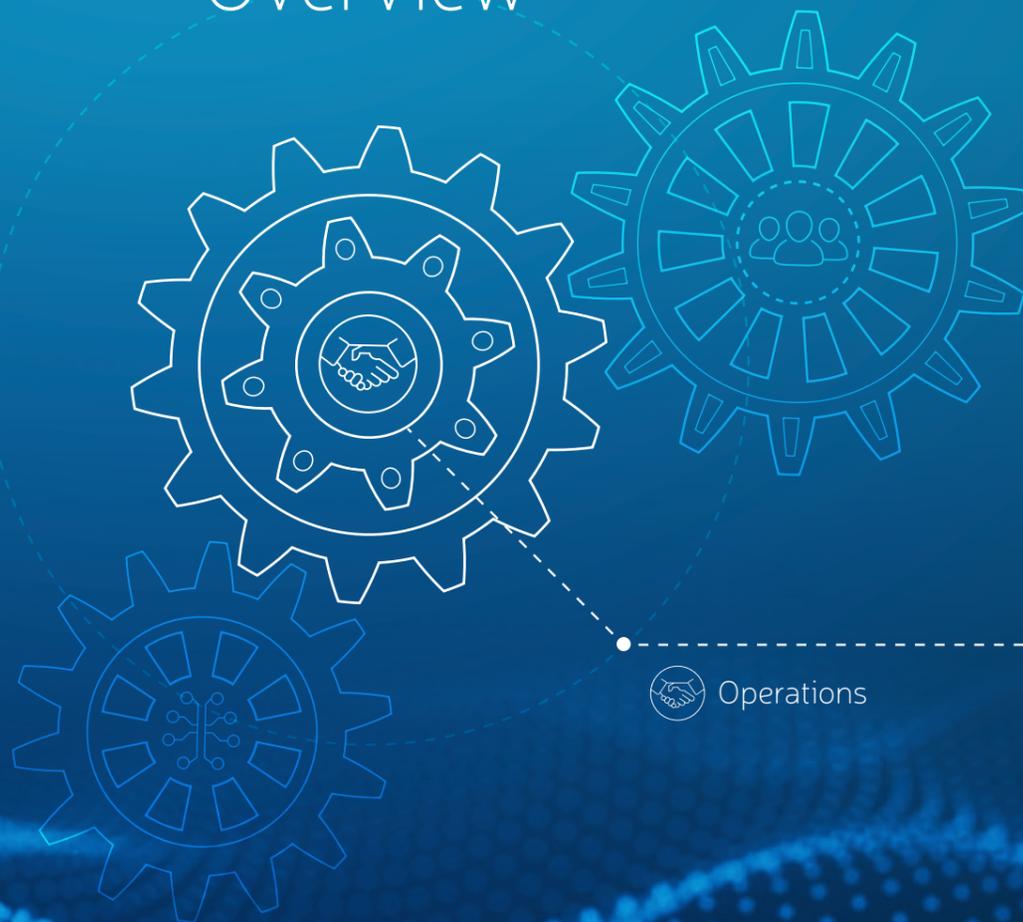
Engaging new talent, the education of employees and retaining people are key for the centres. The number of employees in the sector is increasing every year and the availability of skilled labour is the major factor in considering Hungary as a preferred location by employers.

To further leverage the talent potential, companies establish cooperation with various educational institutions and provide extensive corporate training opportunities to improve the skills and competences of the employees at every level. Employer branding has taken a new approach in targeting future talent.

Implementation of process automation projects and other new service delivery technologies are being carried out at a growing number of centres. The number of operating RPA systems is starting to increase in BSCs and, in parallel, companies have started educating and training their staff to acquire the necessary digital skills for the application of the new technology in their daily routine.

In summary, the Hungarian Business Services Sector and its market players are making serious efforts to transform the sector in one of the fastest growing economic segments of Hungary by aiming to achieve operational excellence at every level and by promoting the goal of making the country a centre of excellence in both the region and globally.

Operations Overview

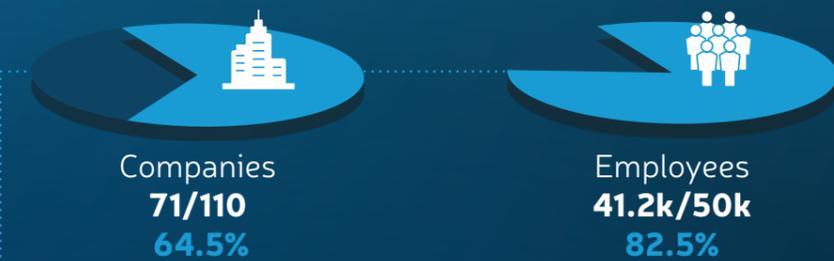


General Information

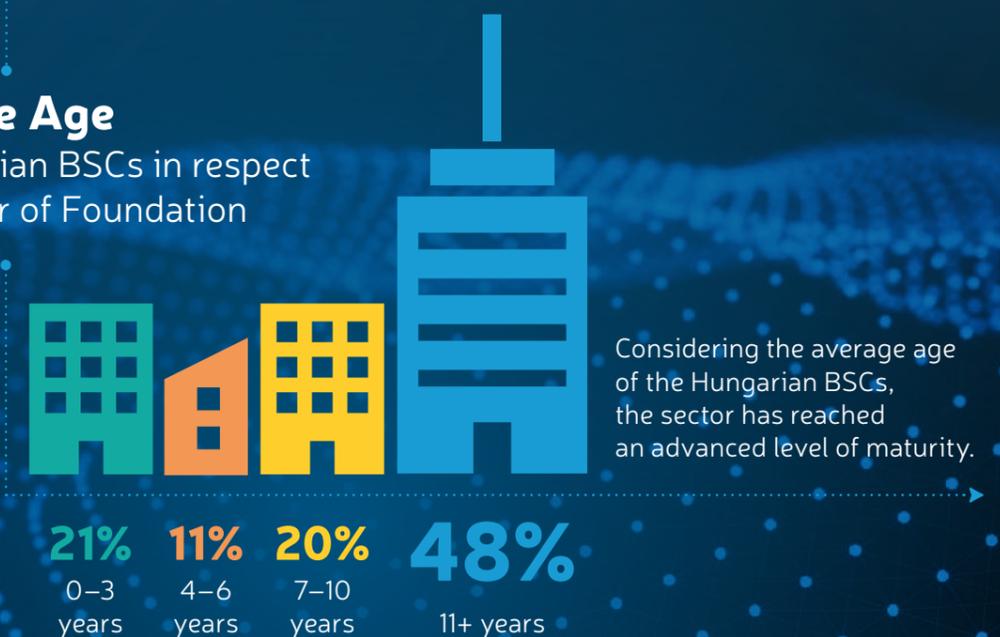
Number
of Survey Respondents: **71**

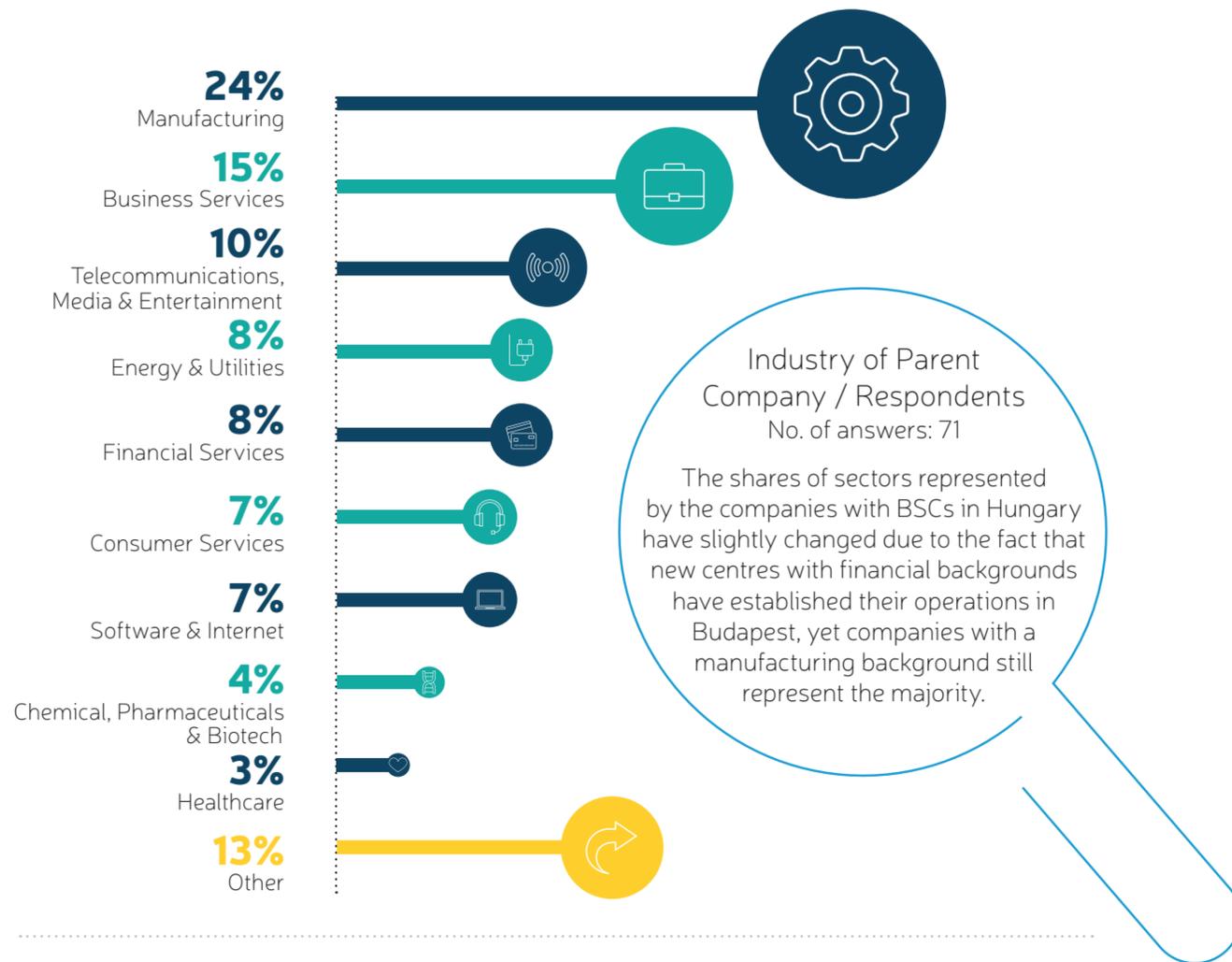


Industry & Employee Coverage



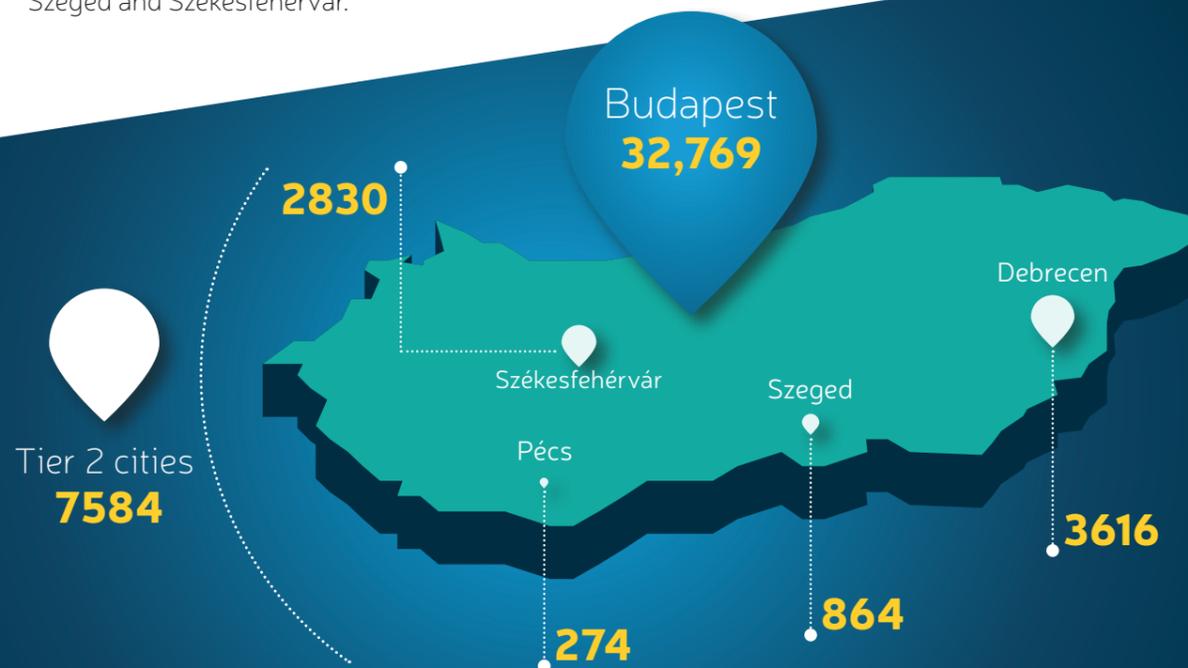
Average Age
of Hungarian BSCs in respect
to the Year of Foundation





Survey Respondents by Location (2018)

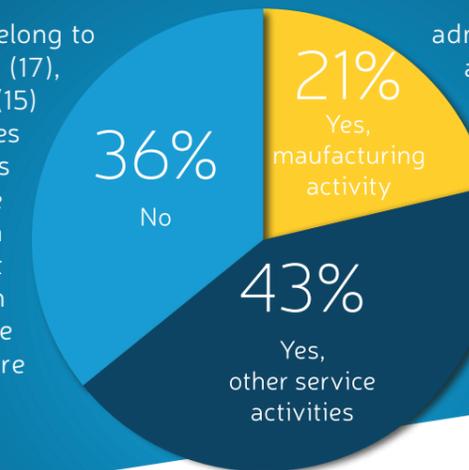
The figures show that the number of employees working in the Business Services Sector in Tier 2 cities also increased last year. This shows that companies are establishing new centres or taking on new talent due to the transition of processes and the increase in work content. The highest growth in terms of employed people has been achieved in Debrecen, Szeged and Székesfehérvár.



Activities of Respondents in Hungary besides Providing Business Services

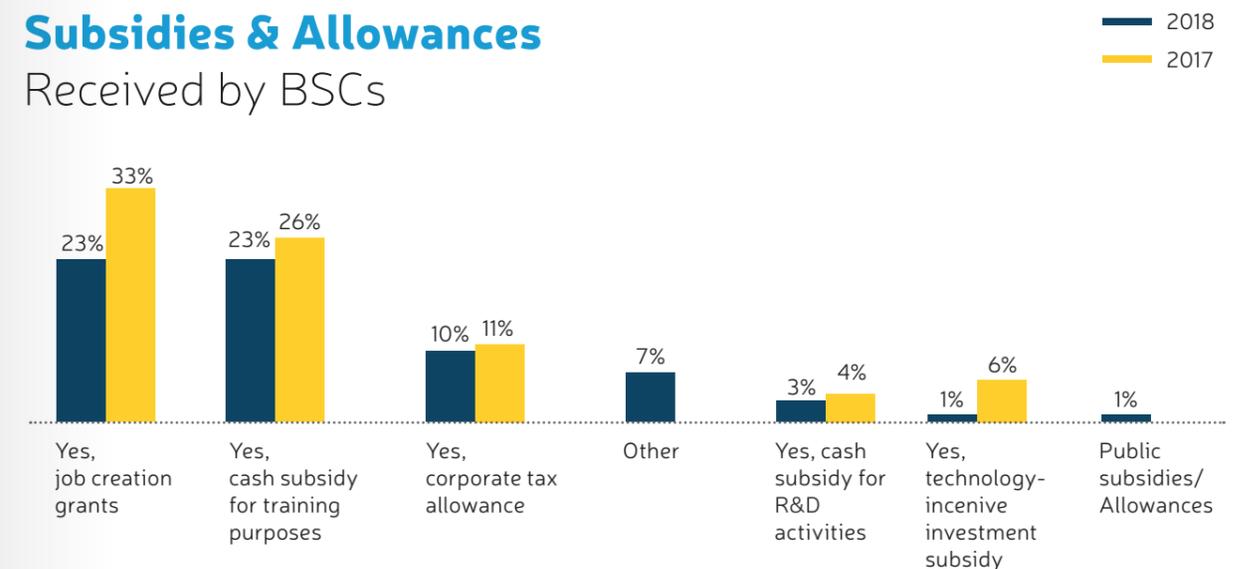


The majority of the BSCs belong to manufacturing companies (17), 21% of these respondents (15) have their production facilities in Hungary as well. This means that 88% of these companies perform both activities in Hungary. Almost half of the information providers deal with service activities besides their core



administrational operations. This also supports our previous statement that the centres are becoming more profit-oriented and, in some cases, are making their services available to external clients, thus, moving to a hybrid operational or profit-oriented approach.

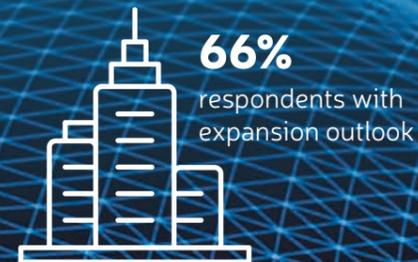
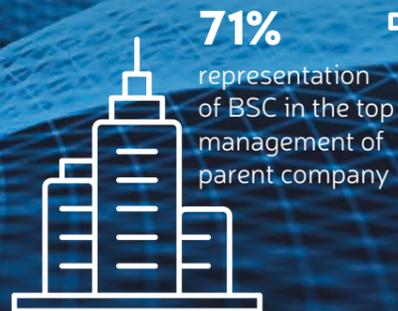
Subsidies & Allowances Received by BSCs



Almost 60% of the BSCs have not received or applied for subsidies. When receiving any kind of support from governmental institutions or local authorities, BSCs used these funds for job creation or training purposes. It is important to mention that subsidies for technology-intensive or R&D

activities were introduced last year by the government and growth is expected in this field due to the increasing number of transformation projects. The majority of the companies establishing BSCs in Hungary use their own funds for investments in the country.

Strategies & Processes



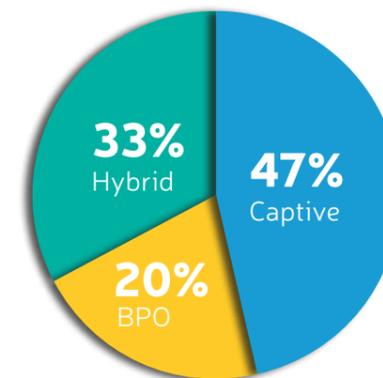
Growth Strategies

23% of the responding companies with already existing BSCs are planning to open a new centre in Hungary. It is an important fact that 17% of the companies are planning to establish their new operational unit in the countryside while 6% consider Budapest as the location for their new centre. This is a promising approach from the companies in the Hungarian market as Tier 2 cities are gaining importance in their considerations. Opening more centres in these locations will contribute to the development of the cities: infrastructure, retained talent in these cities, cooperation with educational institutions, international environment, and growth potential.



Operational Details of Business Centres in Hungary

Operational Model of the BSCs

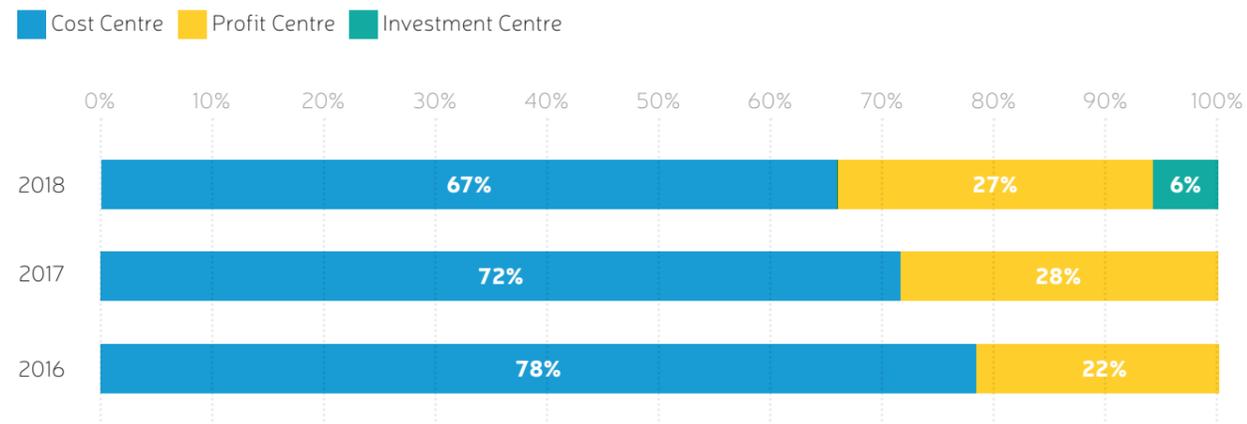


47% of the centres are captive centres providing services solely for their parent company, 20% are BPOs and 33% define themselves as hybrid centres because of their clientele. This change can be attributed to the higher number of companies providing information and the diversification of the activities and clients of the centres.

According to the recent business services Industry report of Shared Services and Outsourcing Network (SSON)*, the global market situation is very similar to the Hungarian, 55% of Business Services Centres are operated with a captive model approach and 35% with a hybrid model of operations.

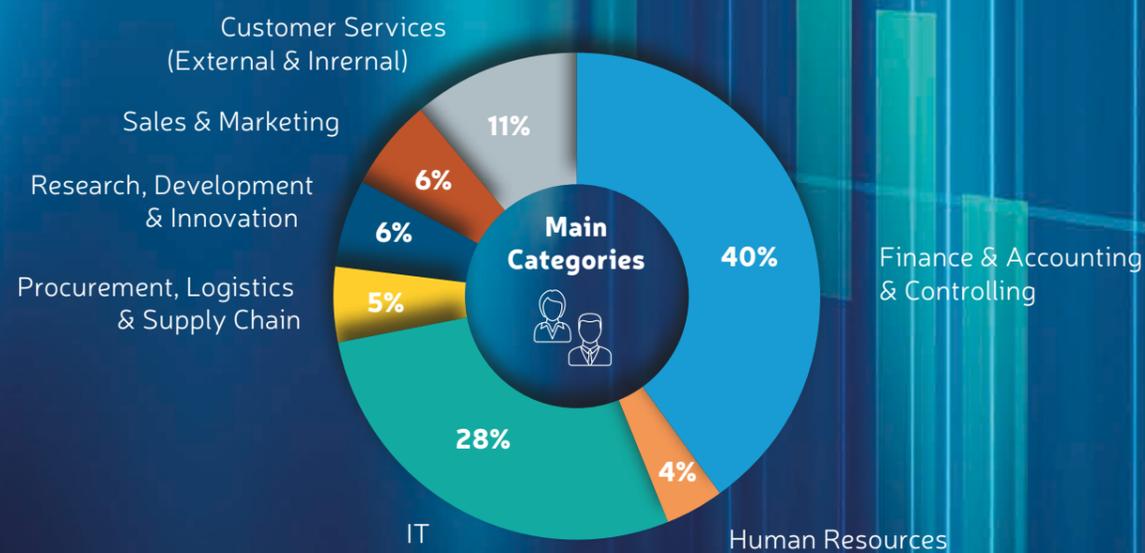
* The Shared Services and Outsourcing Network (SSON): State of Shared Services and Outsourcing Industry Report 2018 – An Analysis of European Trends, 2018

Financial Responsibility of Participating Companies' BSCs

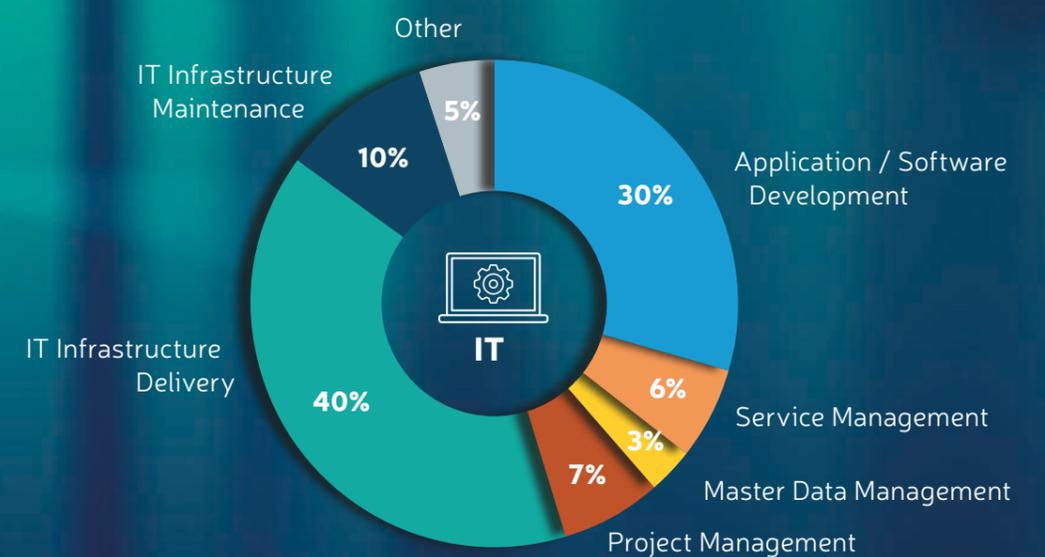
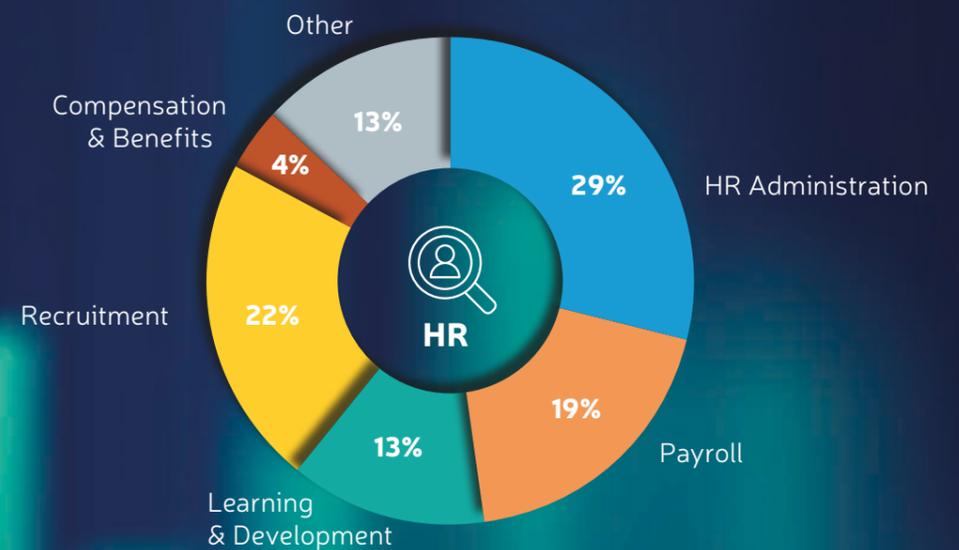
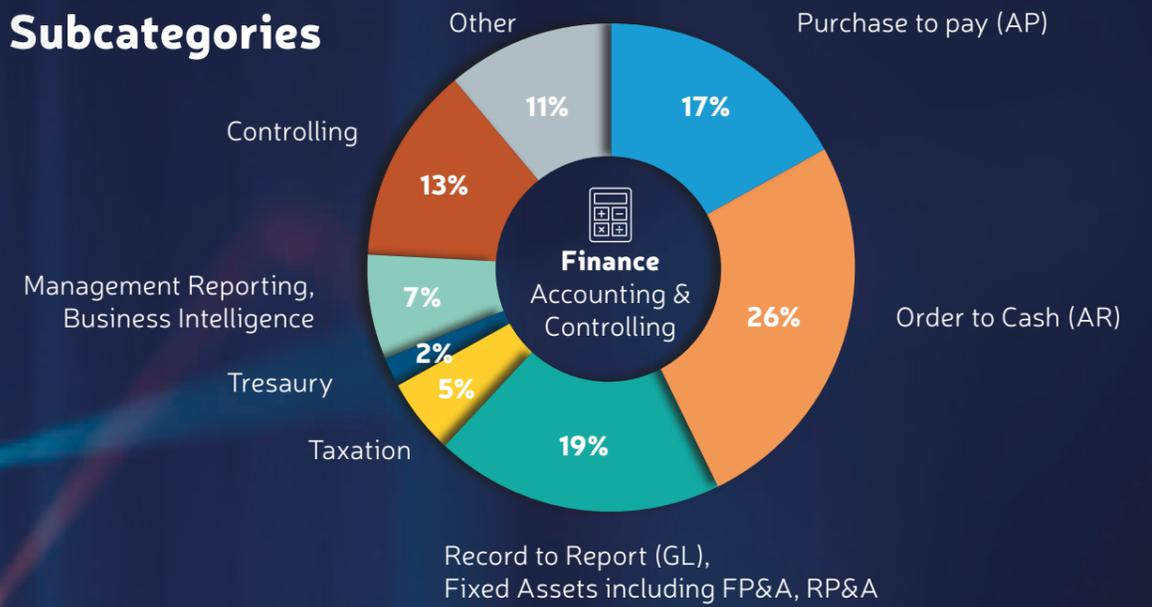


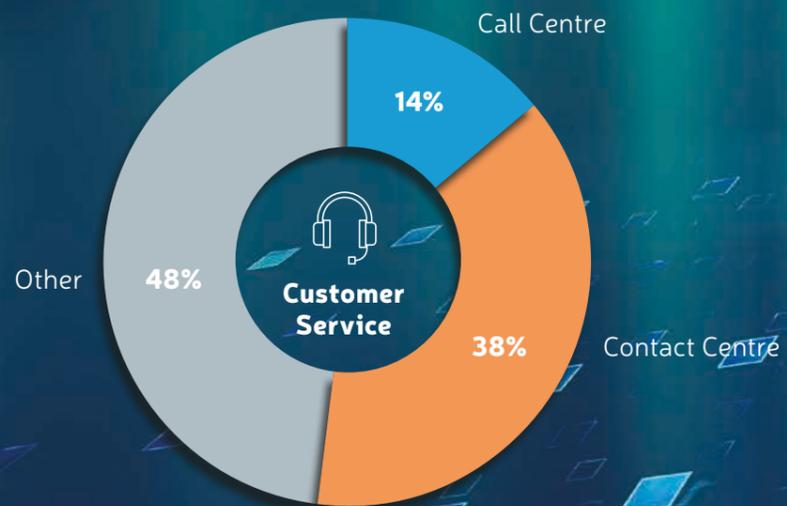
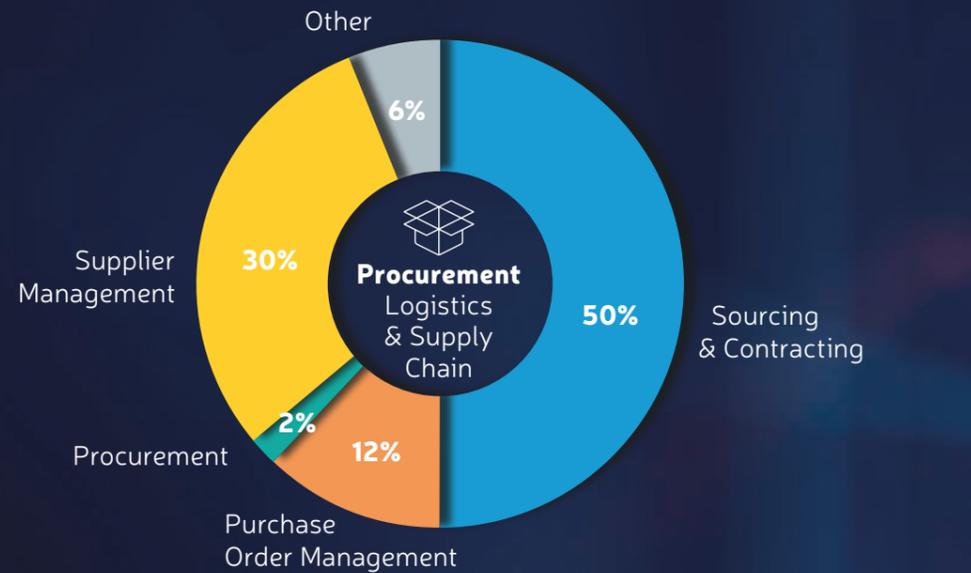
67% of the centres are still operating as cost centres with predefined budgets. The ratio of profit centres has not shown significant change, but the investment centres (as a responsibility concept with wider opportunities) have come to the forefront. This also shows that centres in Hungary are moving towards a higher maturity organisational level and their operational approach is adjusted accordingly.

Distribution of the Workforce among Different Functional Areas in Hungarian BSCs

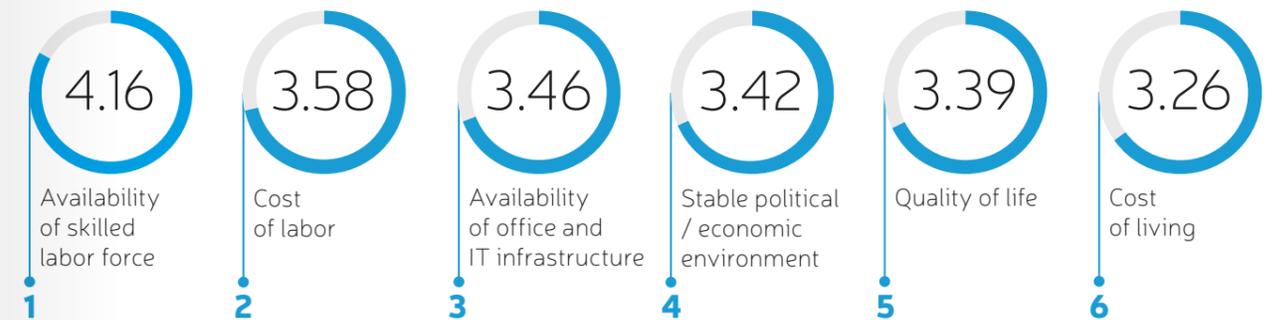


Subcategories





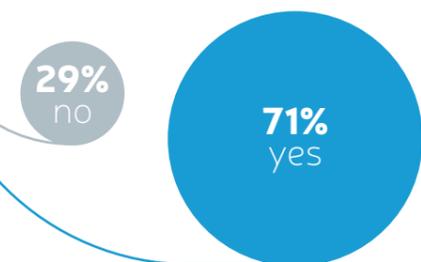
Factors Influencing Location Consideration by Responding Companies if the Centres were to be Setup Today



When asked to rank **the location selection criteria if their centre was to be opened today, respondents still consider the availability of a skilled workforce as the factor with highest weight when considering a new site or location for their business services operations.** This means, that **Hungary still has the potential and the talent necessary for further growth of the existing BSCs** and for the attraction of new market players or new centres from the existing ones, thus promoting the development of the sector and Hungary's competitiveness.

Representation of the BSC in the Company Top Management at an International Level

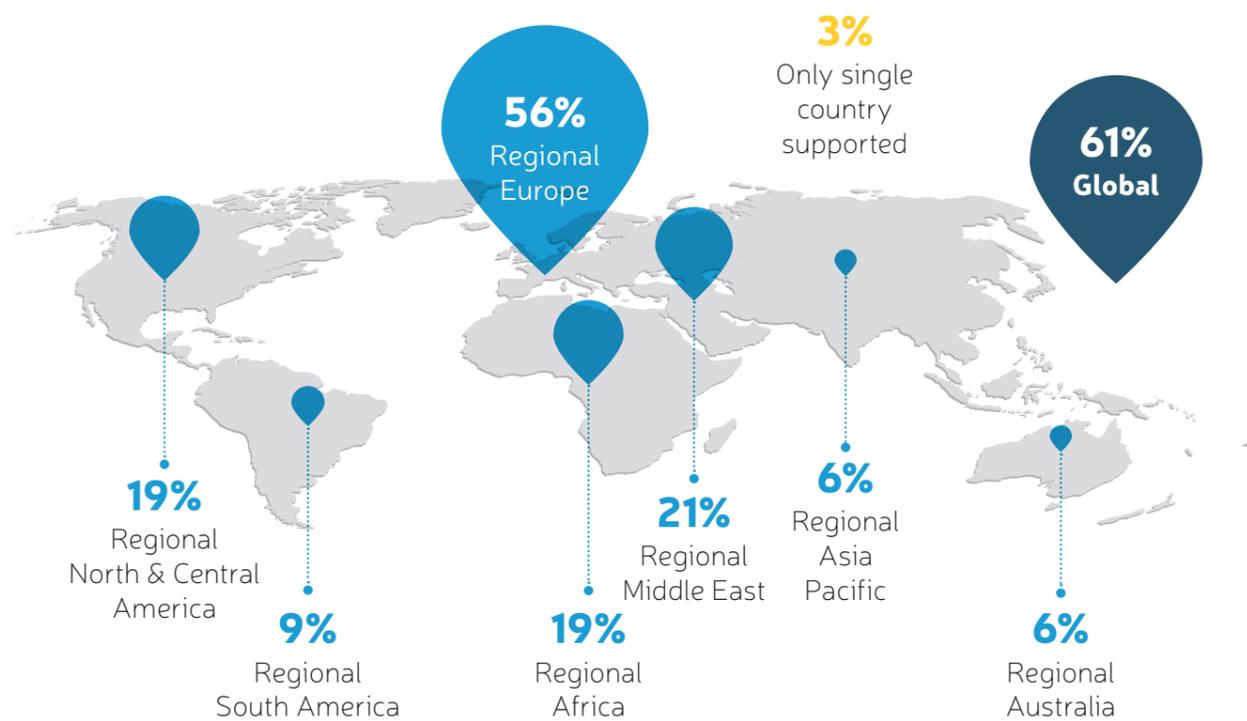
Due to the strategic and operational importance of the centres and their operational attributes, the representation of the BSCs is highly significant in the top management at the international level of the parent company.



Regions Served

by Hungarian BSCs

The coverage of services provided by the BSCs in Hungary is moving from a more regional-oriented approach to the provision of global operations, as a consequence of the migration of new, higher value-added services and processes and the planned growth for the centres in the country reported over the last five years since this benchmark survey was elaborated.



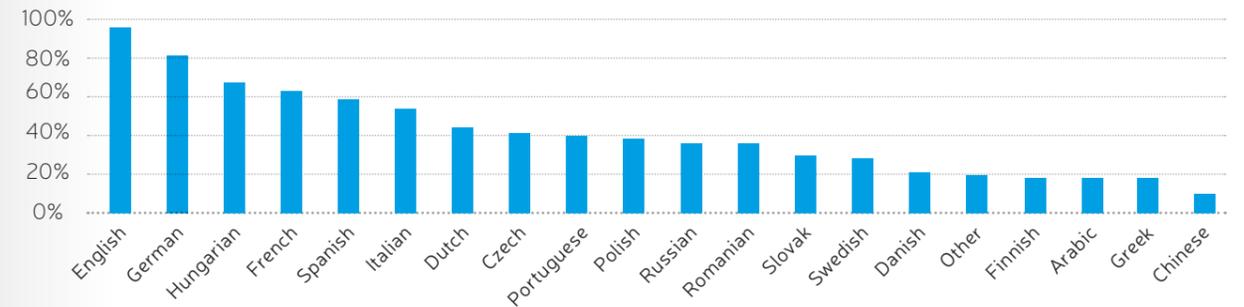
This is attributed to the fact that

Hungary is becoming a mature market for centres with a higher level of value creation operations

wide service portfolio, more complex processes, organic growth, and transition of low value-added processes to other locations.

Languages Supported

from BSCs in Hungary (2018)

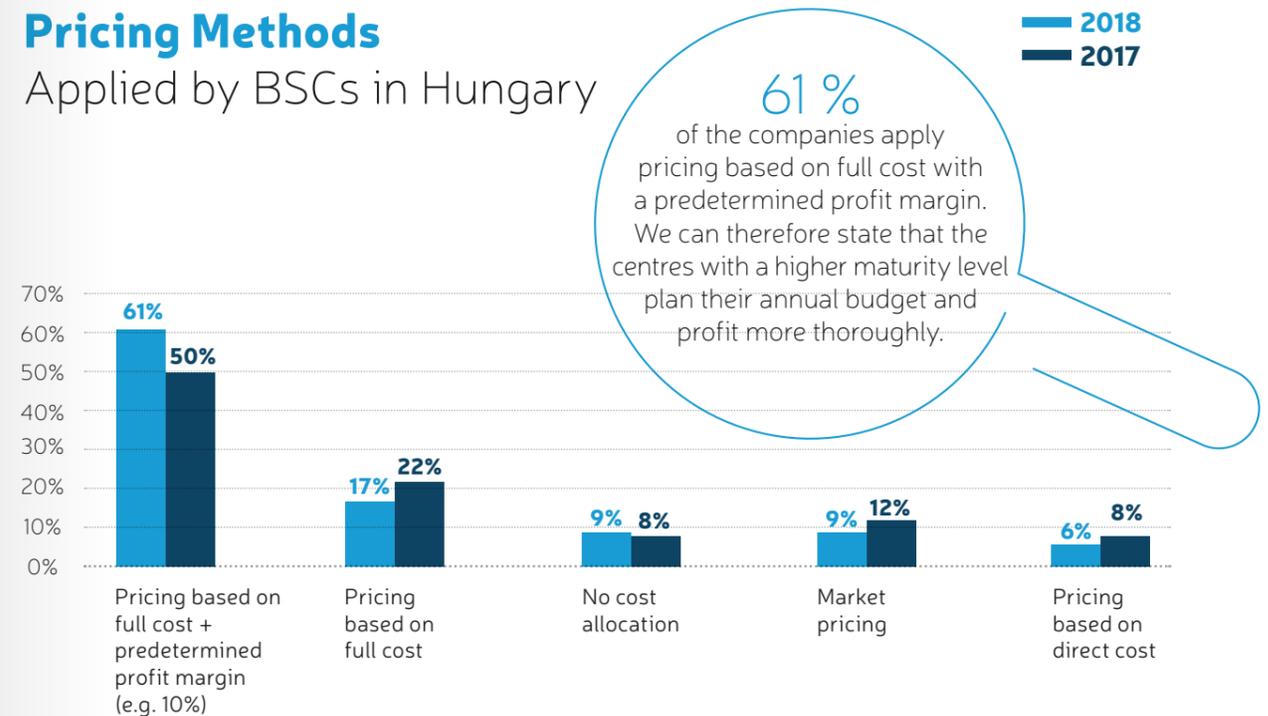


English is still the basic language of operations in the centres, but, as centres are moving forward to become global service providers, other languages besides the widely spoken European languages have started to gain more importance

over the last two years. These languages include: Slavic languages such as Czech, Polish, Slovak; Nordic languages such as Danish and Swedish; and also the newly appearing languages: Greek, Arabic and Chinese.

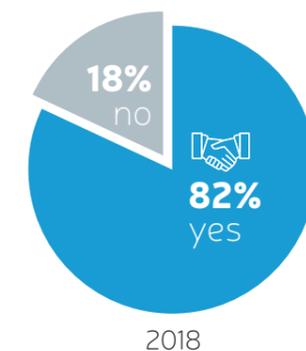
Pricing Methods

Applied by BSCs in Hungary

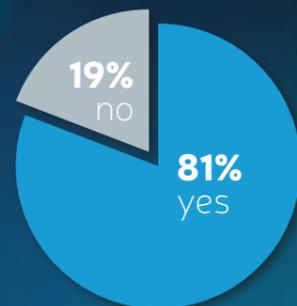


BSCs Operating with SLAs

Service Level Agreements (SLAs) between the BSC/BPO and its clients (internal or external) have been keeping the level close to 80% with only a minimal increase throughout 2017 and 2018.



Migration of New Services into the BSCs in Hungary



2018

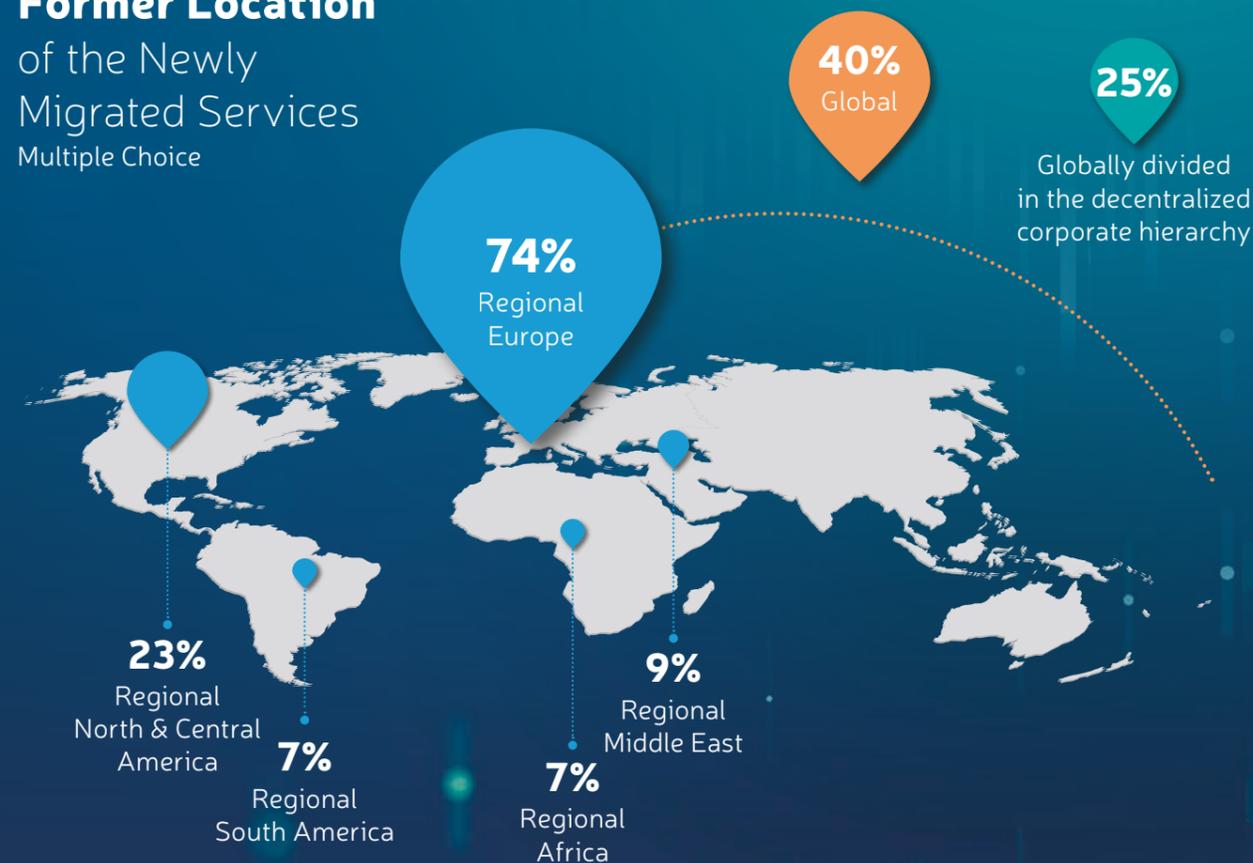
The volume of newly moved or implemented processes is still high among the market players. The increase in the ratio of newly migrated services into Hungarian BSCs can be attributed to the widening of the service portfolio of the centres and to the higher number of responding companies. The original locations of these processes moved to Hungary are mainly Europe and, as previously mentioned, global locations (in the

case of stand-alone/E2E or globally decentralized processes) integrated into the operations of the Hungarian centres. The ratio of the North & Central American region is still significant. The migrated processes come mainly from Finance, Customer Service, IT and Controlling. It is also worth mentioning the share of Procurement and the growth of Research & Development & Innovation, which reached 5% in 2018.



Former Location of the Newly Migrated Services

Multiple Choice



Kind of Services Moved into the BSCs in Hungary

Multiple Choice



Reasons for Inbound Service Migration

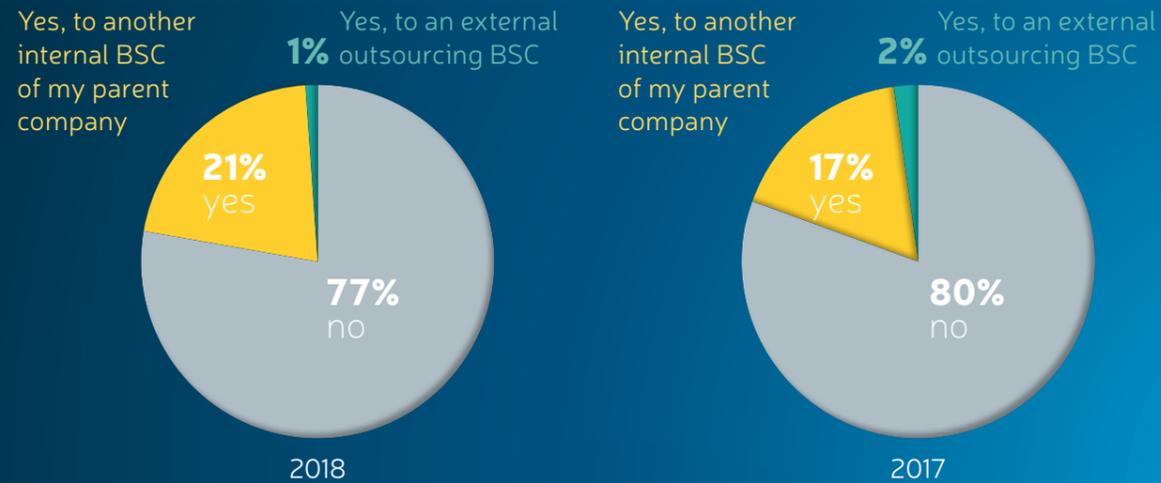
Companies selected Efficiency and Productivity (38) as the main reasons for inbound service migration (three reasons could be selected from the provided list). Cost arbitrage is still high (34), Service Quality (22) and the Skills & Availability (17) of the area are also significant. **It can also be summarised that the Hungarian labour market provides talent for the Business Services Sector in terms of efficiency, productivity and quality,**

and that this talent, with the necessary skills, is available on the market, but there are still strategic steps to take jointly by the stakeholders of the sector to increase the competitiveness and the attractiveness of Hungary and the sector. These figures justify the latest Global Industry Report published by SSON*, which states that the near-shore and onshore locations have become more important than the offshore ones.



* The Shared Services and Outsourcing Network (SSON): State of Shared Services and Outsourcing Industry Report 2018 – An Analysis of European Trends, 2018

BSCs Transferring Services to other BSCs in the past year



The outbound service and process migration by BSCs in Hungary has remained at a similar level to last year. Only 21% of the responding companies have moved services or processes from Hungary, typically to another BSC of the company. The target region is mainly (61%) a Far Eastern country or another CEE country (11%).

These data also support our previous statement in respect to

Hungary becoming a global location as well as the sector and the country undergoing a transformation by moving up the value chain and becoming more competitive,

i.e. a more attractive country with potential locations for investors in Budapest or, as we have seen the preferences, in other Hungarian cities. The processes were migrated typically as they were performed or transformed and adapted during migration.

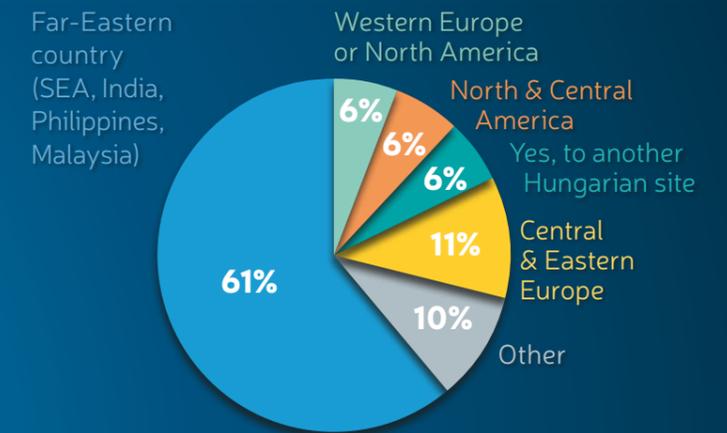
The migrated services come mainly from the low value-added or transactional processes,

due to the cost arbitrage offered by the target countries, from the following functional areas:

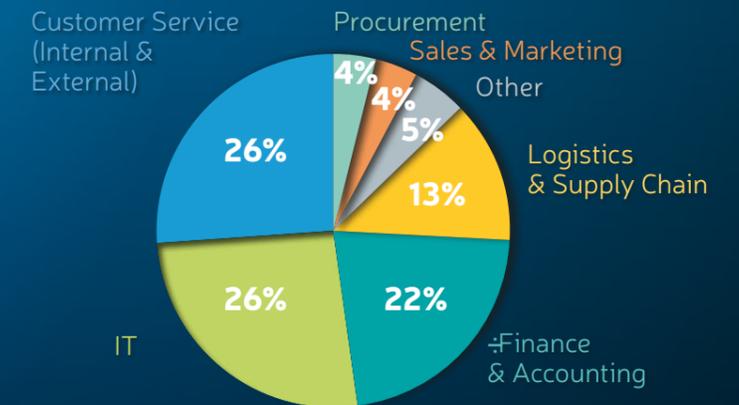
Customer Service (26%), IT (26%) or Finance & Accounting (22%).



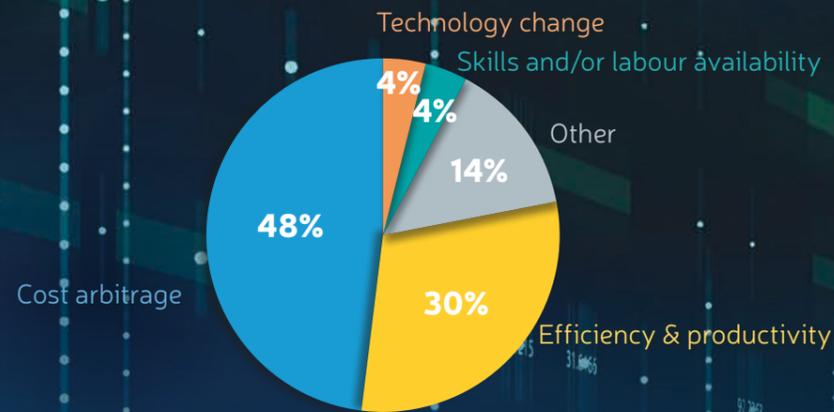
New Location of these Migrated Services



Services Moved from Hungarian BSCs



Reasons for Outbound Service Migration

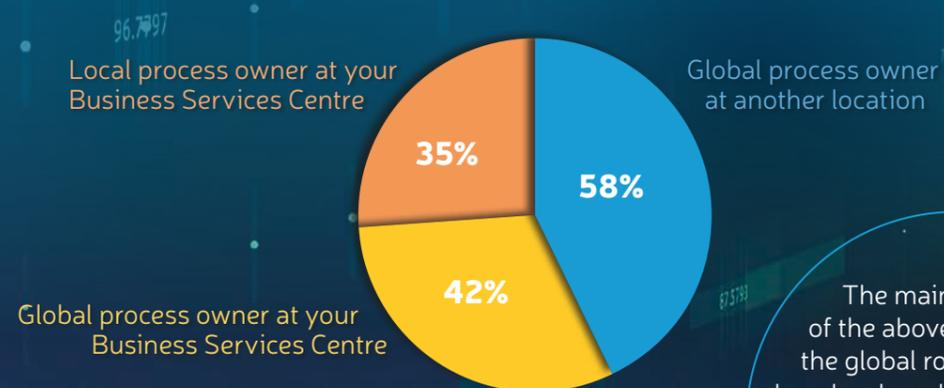


The fact that the market players with BSCs in Hungary are planning to bring new services and processes to the country (46%) and only 6% of them are planning to move services from Hungary, also demonstrates that the sector is developing and going through an upgrading period and, as the share of more complex services and processes has been growing in recent years, it means that the country is getting more attention for the existing companies and potential investors. It is also important to mention that 23% of the respondents are planning service migration in both directions. Transitions are mainly performed and supervised by Project Teams (local and global members), but Methodology and Knowledge Sharing are also important elements of the transition. The role of

Transition Managers is also becoming important as BSC are gaining more and more knowledge and practical experience to appoint a local transition manager for the role. 52% of the migrated processes of the participants were fixed before or during relocation. This also proves the global and regional role of the Hungarian business services market. Recently, investors have been choosing Hungary because of the opportunities for transformation stemming from the new locations, and not because of the available cost arbitrage. This means that during transition and migration, higher value added and streamlined (mainly E2E) processes are implemented and a wider coverage and scope are added to the Business Services Centre.

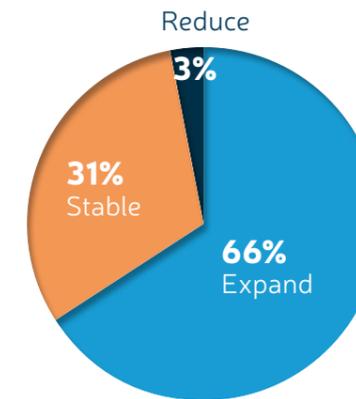
Typical Process Owner of the Migrated Services

Multiple Choice



The main message of the above chart is that the global role of Hungary has developed to a level where 42% of global process owners are performing tasks from a Hungarian location providing support on a global scale.

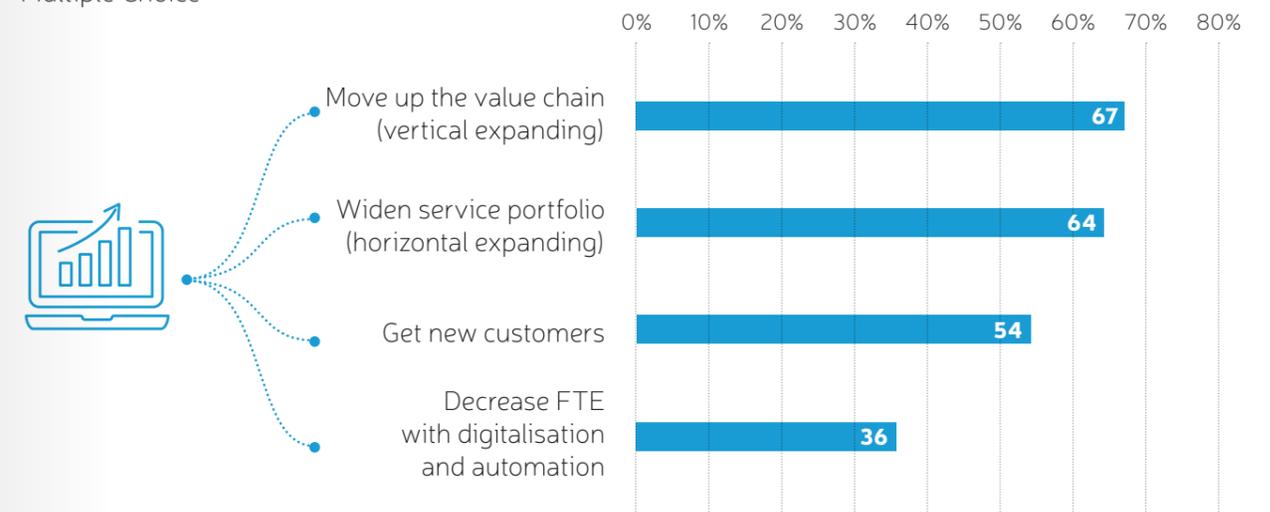
Development Outlook of BSCs in Hungary



As a consequence of the service migration activities during recent years, more companies report that they would like to stabilise their transformed operations, and only 3% are planning to reduce activities based on their migration strategies and practices, and due to the FTE reduction as a consequence of the introduction of digitalisation and automation technologies. These figures also strongly demonstrate that Hungary has become a mature market with service centres focusing on transformation and optimisation of their operations, and not only on growth.

Factors Influencing the Development Outlook

Multiple Choice



These multiple-choice answers show that the factors for growth also indicate changes in strategies by the BSCs and BPOs. Moving up on the value chain (vertical expanding) is still a top priority for the centres, but the share of widening the service portfolio (horizontal expanding) has slightly decreased.

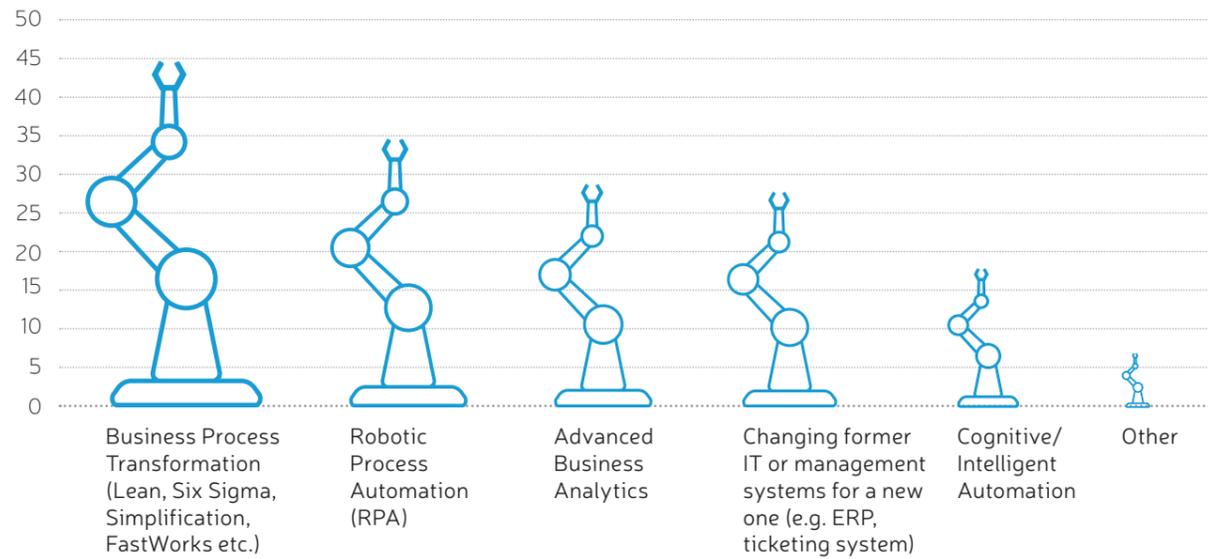
Companies would instead like to increase the number of their customers. This increase in the customer portfolio means potential for additional service exports for the Hungarian economy. This is a justification of previous remarks regarding the increasing number of profit centres and the number of responding companies.



Operational & Technological Solutions Applied

to Drive the Organisation

Multiple Choice



BSCs are still before the significant Automation and/or RPA transformational boom. This means that the majority of the companies are either re-designing/transforming their processes or upgrading their former IT systems of management systems as a preparation for Automation/RPA projects.

Robotic Process Automation has also increased since last year. The following chart summarises the previous statements made by the responding companies regarding their maturity: almost two thirds of the BSCs are applying management methods and tools to streamline and make their operations more sophisticated (process management and projects) and/or are starting or implementing digitization or digitalisation projects.

51%
of the respondents have started or have been implementing RPA/Automation projects during 2018.

20%
of the companies are moving towards the Centre of Excellence operational mode

It is important to note that the share of Advanced Business Analytics and Cognitive/Intelligent Automation is gaining more importance as the centres have started new projects to transform their operations with digitalisation solutions.

while 19% are targeting a GBS operational approach.

As a consequence
80%
of the BSCs are focusing on adding high value-added functions to their operations.

Maturity Stage of BSCs Considering Operations

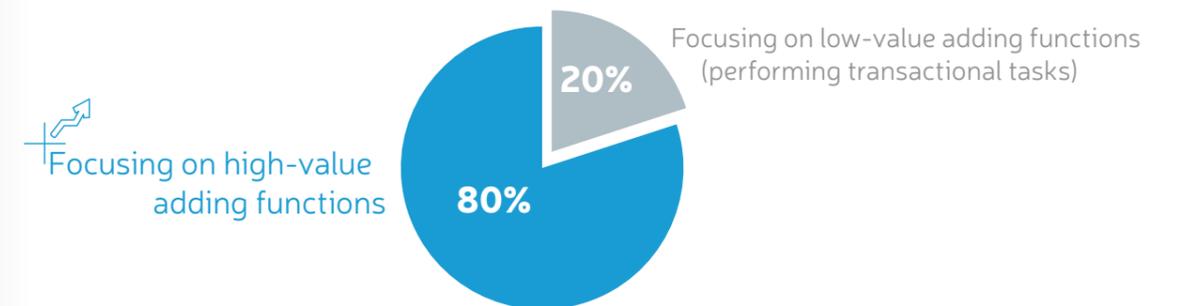
When evaluating the maturity level of the Hungarian BSCs, automation and digitalisation are the main drivers for further development and for achieving a new level of maturity.



Short Term BSC Strategies

Regarding the Level of Added Value

Multiple Choice



In recent years, Hungarian BSCs have shifted from transactional work to a more complex and higher value-added operational approach. However, according to the survey respondents, 49% of the participants have opted to maintain a transactional service delivery focus. This change is underpinned by the short-term

80%
of the respondents have their own strategy for focusing on higher value-adding functions.

strategies of BSCs regarding this topic. According to the latest industry report by SSON, the main driver of this shift is the implementation and use of intelligent automation and RPA. The share of this driver is 56% globally and 73% in Central and Eastern Europe, which is the highest percentage among the various regions.

People Overview


Average age
of employees
31.9


Ratio of
university graduates
among employees
75%


Ratio of
female employees
55%


Average span
of control
12.9


Ratio of female
managers
48%


Voluntary
attrition rate
18.3%


Ratio of foreign
citizens among
employees
16%


Average
training days
per person
per year
12


Proportion
of employees
with some form
of disability
1.1%

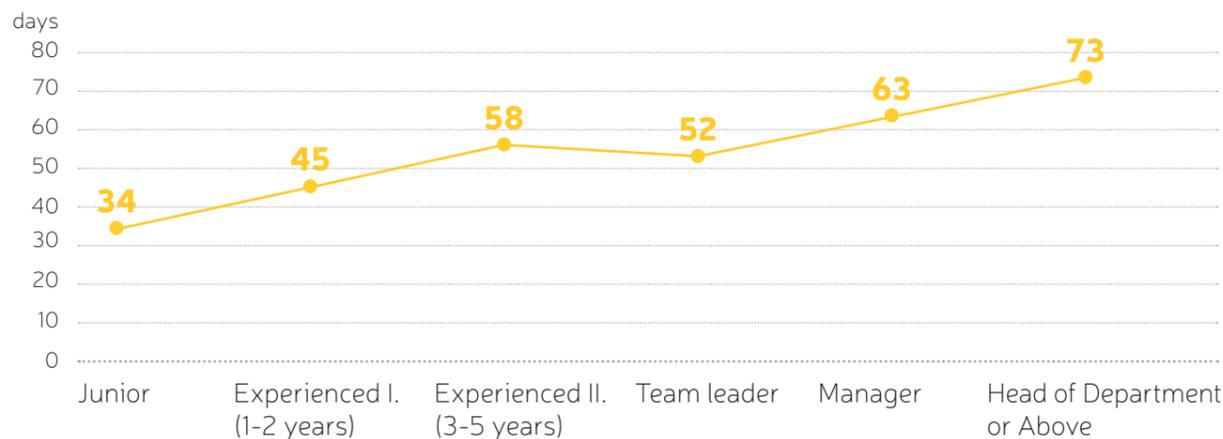
 People

Most of the employees of Hungarian BSCs are young and have degrees. The average age of employees is under 32, and 75% of them hold a university degree. Only 33% of the BSCs used 24/7 and 3% of them used a 24/5 service delivery. Whilst there were significant changes like the widening service portfolios of BSCs, the adoption of new service technologies or the change in the labour supply on the Hungarian business services market in recent years, has meant that the workforce has not only preserved, but also strengthened its importance. The recruitment and retention of the right kind of labour has become a competitive edge for BSCs.



Average BSC Recruitment Lead-Times

Average Business Services Centre recruitment lead-time (from vacancy opened for search until offer acceptance): days



Positions Fulfilled by Female Employees

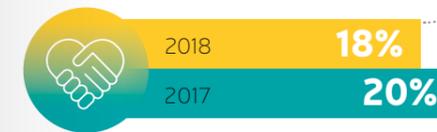


The Hungarian business services sector offers a multicultural and diverse work environment. The ratio of female employees is roughly the same as that of males,

and this applied not only to employees as a whole, but to the managerial level as well. According to the responses, 16% of the workforce in the Hungarian BSCs have foreign citizenship but it is worth mentioning that this ratio has been steadily increasing over the last four years. Only the proportion of employees with some form of

disability remains low. This minority could ensure a big potential for new employment in the segment and this is the reason why 52% of BSCs wanted to increase this ratio. The Hungarian BSCs are lean organisations and employees work in small teams. The span of control is around 13 employees at the participants' centres.

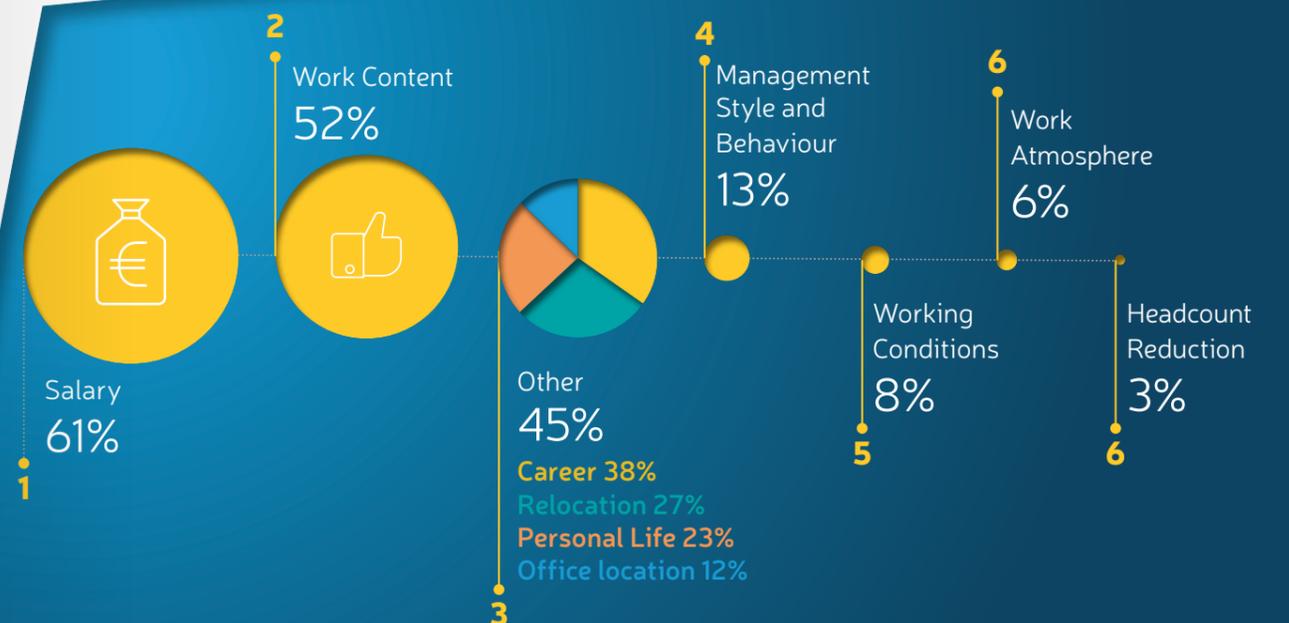
Voluntary Attrition Rate



Based on the responses, the ratio of voluntary attrition stabilised just under 20% over the last year and this constitutes a substantial management challenge for Hungarian BSCs. The business services segment has been working on the development of new HR strategies and tools to improve the satisfaction of the employees and the attractiveness of the employers. 28% of respondents have implemented churn prediction systems to forecast employee dissatisfaction and to encourage the employees not to leave.

Fluctuation Drivers among Employees at BSCs

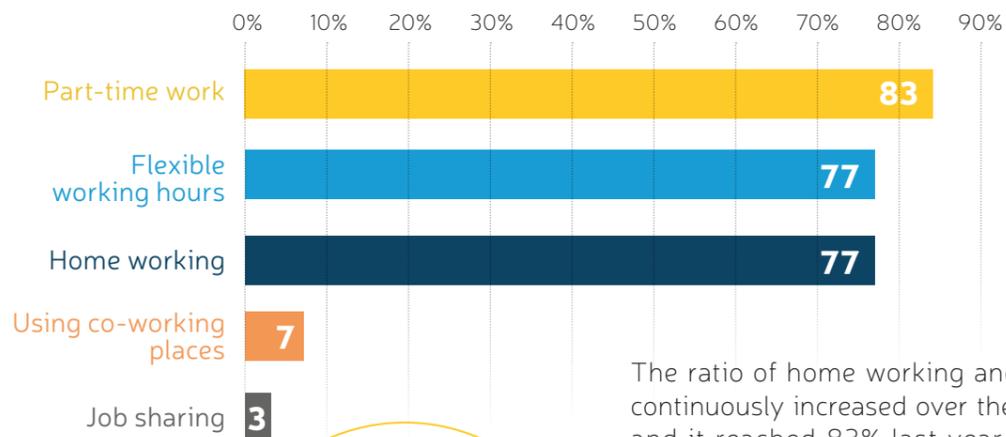
Multiple Choice



According to the respondents, the most significant drivers of fluctuation are dissatisfaction with salaries, work content, as well as management style and behaviour. BSCs have been trying to improve these factors with salary increases (by over 5% based on the average of

the last three years), flexible employment, monitoring of the satisfaction level of employees (90% of participants have an employee engagement survey) and by providing a job-grading system (84%). All of these ratios have increased in the last two years.

Types of Flexible Employment



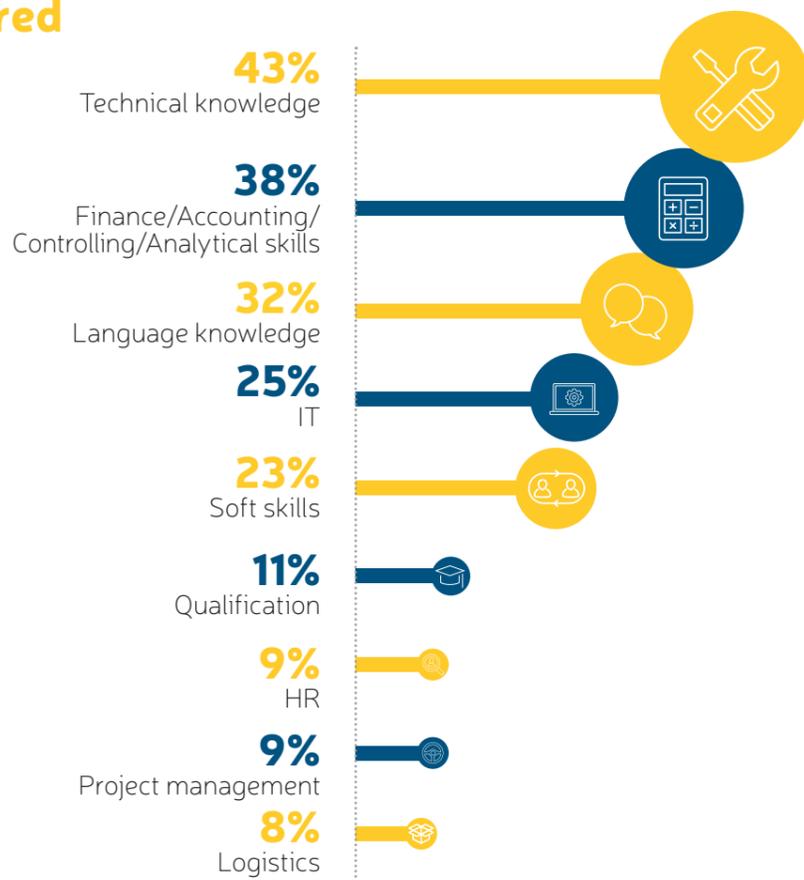
In recent years, BSCs have tried to provide a wide scale of flexible employment types as a part of their employer branding strategies and as a response to fiercer competition for a suitable workforce.

The ratio of home working and part-time work continuously increased over the analysed period and it reached 83% last year. However, these flexible employment types are not available in all positions within the centres and this represents significant potential for the future. BSCs focus on education as well, by providing education support to their employees to continue their studies and gain a professional qualification (80%) and by providing 12 training days per person per year on average. It is not only the employees that have expectations in respect to jobs, since employers also set requirements for the potential workforce.

This approach could have a significant impact on progress along the value chain.

Knowledge Required by BSCs

Multiple Choice



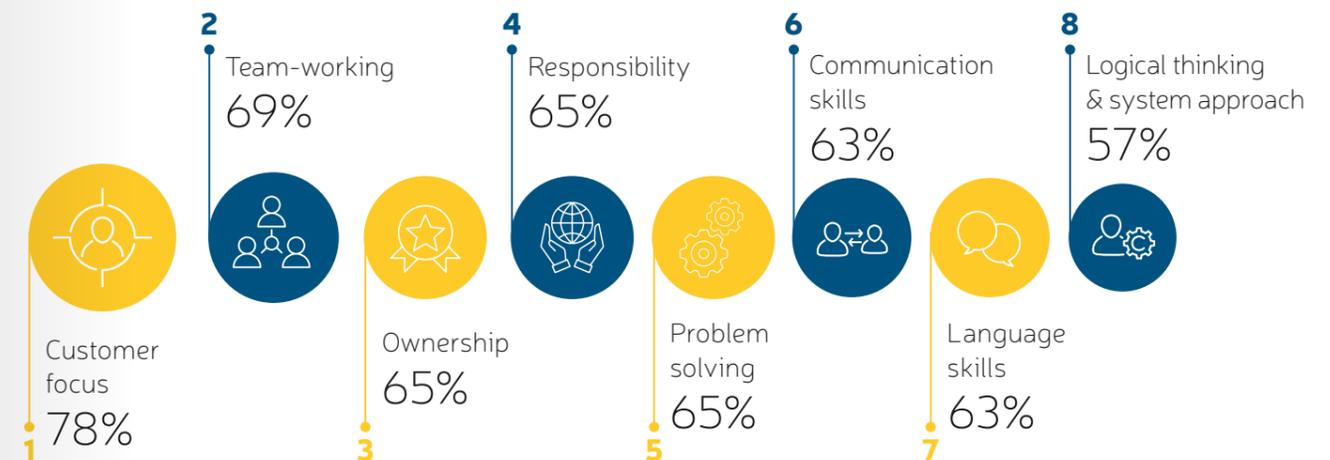
* Technical skills: e.g. MS Office, Cloud-Based Technologies, Working in Shared Documents etc.)

When asked to select the top five knowledge requirements Hungarian BSCs are looking for in new employees, technical knowledge, professional knowledge, language knowledge, IT and soft skills were selected by the respondents. These figures show that Business Services Centres need a well-trained and educated work-

force. As these skills are provided to the potential employees during their education at the various universities, colleges or vocational schools, the main focus of the educational strategy at a national level must be strengthened while specialised curricula should be developed and implemented in these institutions.

Other Skills, Competences & Knowledge Required by BSCs

Multiple Choice

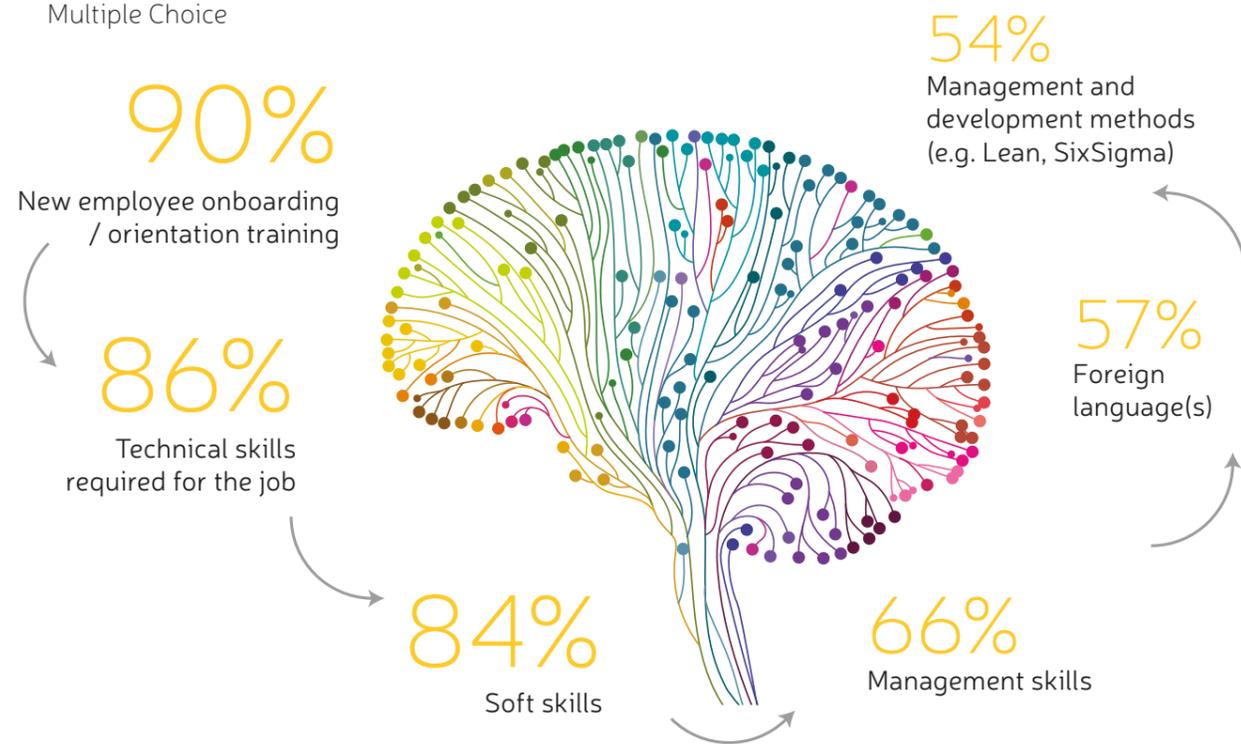


According to the survey participants, the most significant skills, competencies and knowledge features were related to communication and interpersonal behaviour, as well as commitment to the job or the assigned task.

Skills like customer focus, teamwork, ownership, responsibility, problem-solving, communication skills, language skills and logical thinking are in the front positions and the most important skills highlighted by the survey respondents.

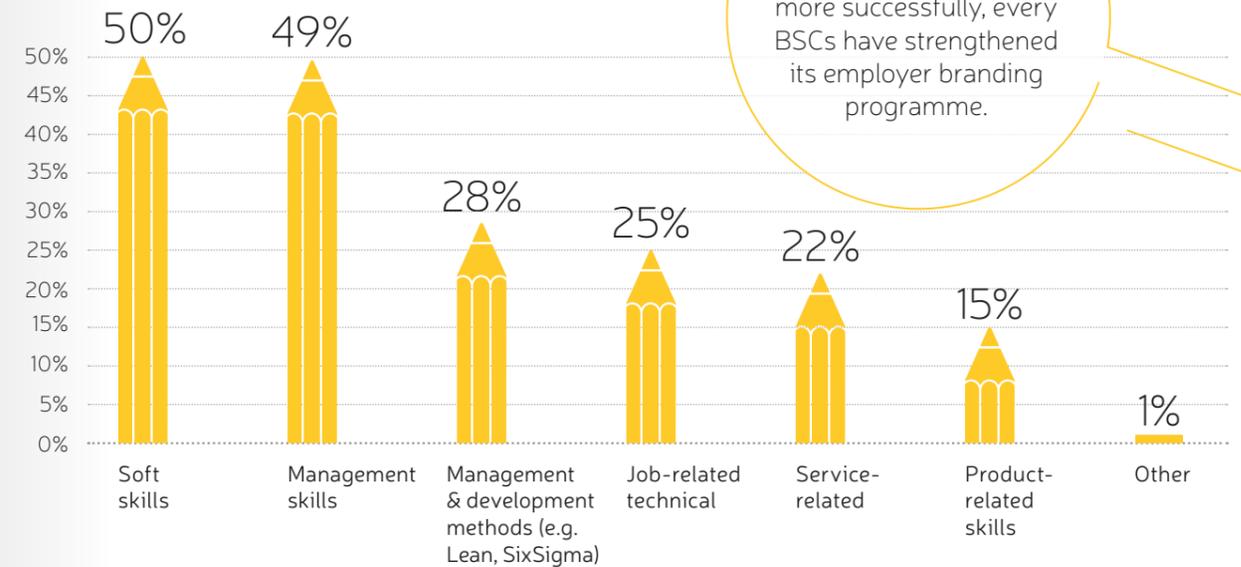
Elements of Internal Training or Educational Programmes of BSCs

Multiple Choice



Knowledge Provided by External Training Partners

Multiple Choice



In order to recruit and retain their talented workforce more successfully, every BSCs have strengthened its employer branding programme.

Based on the recent data, the three most preferred programme elements were **the organisation of company events (87%), provision of training programmes (84%), and the development of internal career routes for employees (70%).**

During the last two years, the biggest advancements have been **achieved by using gamification, exploiting social media platforms and participation at various festivals.**

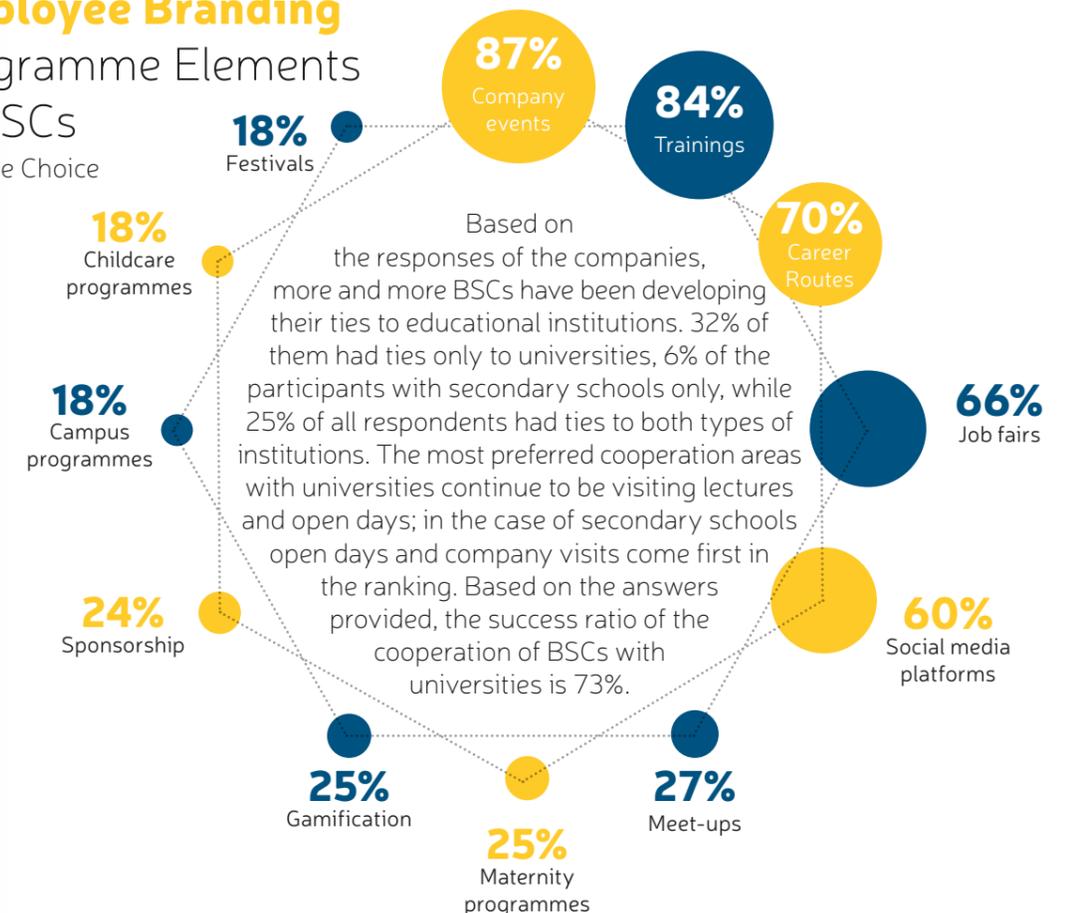
External Training Partners



Employee Branding

Programme Elements at BSCs

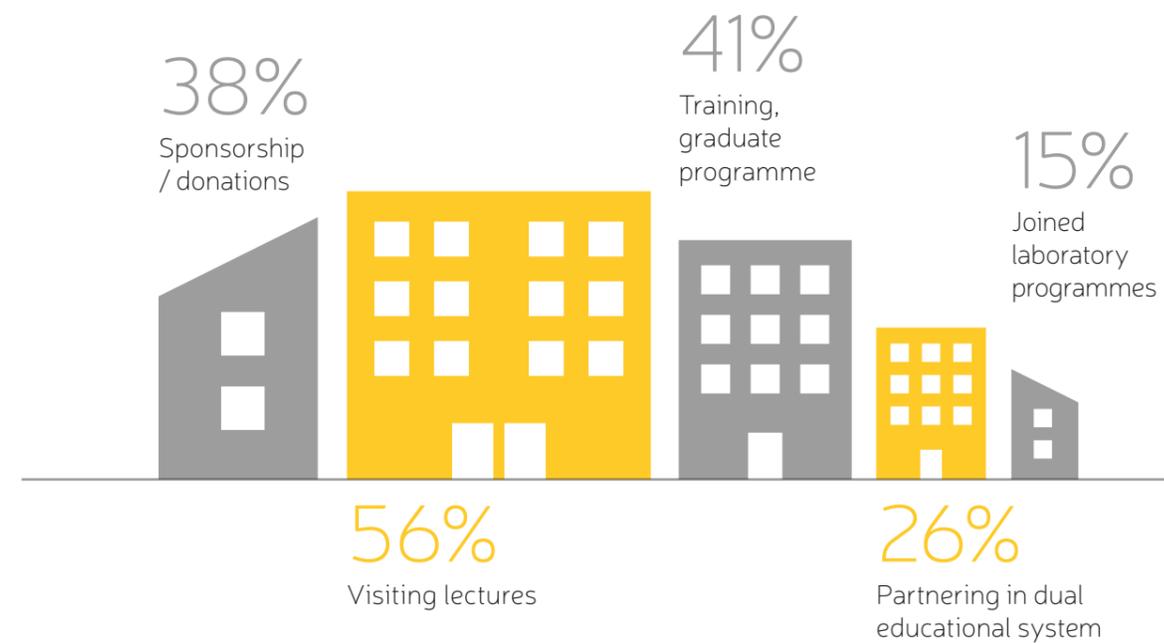
Multiple Choice



Based on the responses of the companies, more and more BSCs have been developing their ties to educational institutions. 32% of them had ties only to universities, 6% of the participants with secondary schools only, while 25% of all respondents had ties to both types of institutions. The most preferred cooperation areas with universities continue to be visiting lectures and open days; in the case of secondary schools open days and company visits come first in the ranking. Based on the answers provided, the success ratio of the cooperation of BSCs with universities is 73%.

Areas of Cooperation with Educational Institutions (Higher)

Multiple Choice



Recently, the most frequent types of cooperation have been guest lectures, internship programmes and sponsorship. The popularity of joint laboratory programmes and cooperation resulting in credit points has decreased over the last three years. The dual educational system provides great potential for BSCs in the future.

Areas of Cooperation with Educational Institutions (Secondary)

Multiple Choice

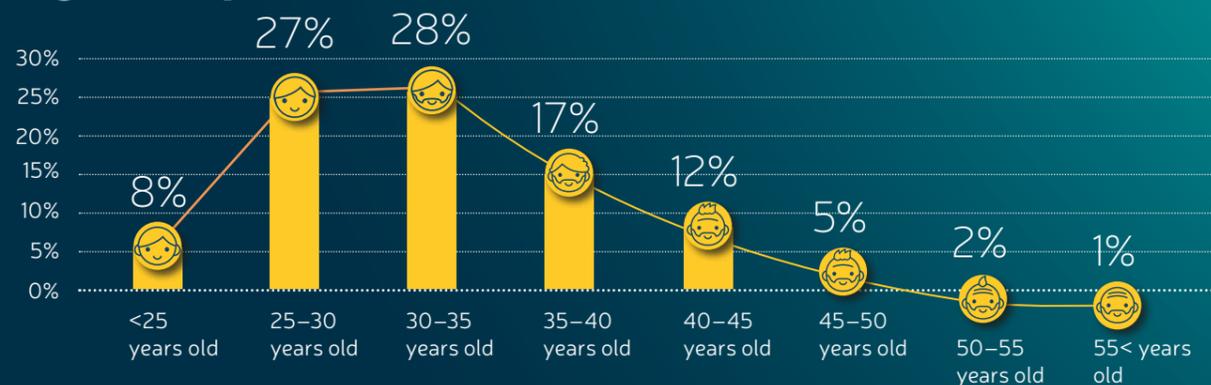


HIPA+HOA+CUB Employee Survey Results

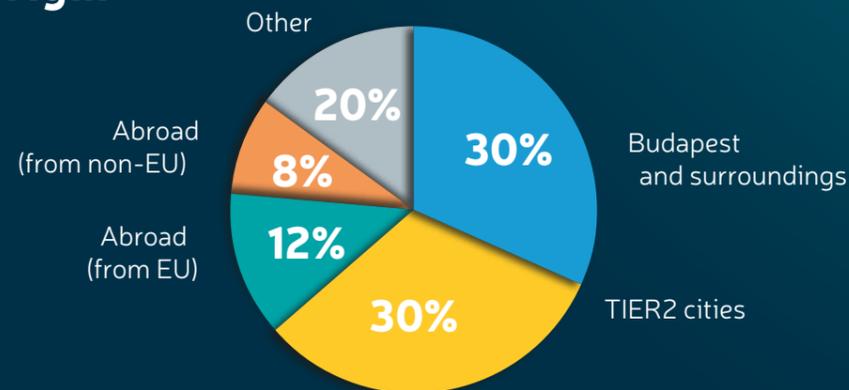
In tandem with the Business Services survey for BSCs, another survey has been run among the employees of Hungarian Business Services Centres. The survey used a different questionnaire and the respondents were employees from all levels of the companies participating in the main survey. Accordingly, the evaluation of the results was performed separately. This research aimed to get more information on human resource characteristics of the sector. The results have shown that the average age of the respondents is around 32 and these centres attract employees from various regions of the country or from abroad, as only 30% of the employees originate from Budapest or its environs.

No. of total answers of the survey
566

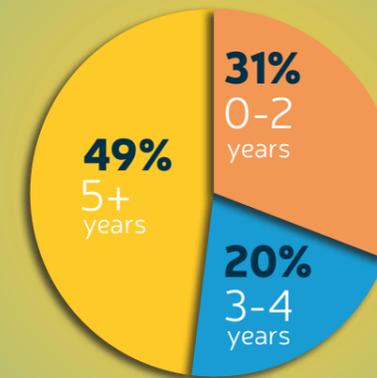
Age Groups



City of Origin



Years of Employment in BSCs



The years of employment show that around **49%** of the respondents have been working for their current company up to four years.

Career Changes over the Last Twelve Months

over the Last Twelve Months

54% of the respondents have not changed positions during the last year and 19% of those who changed, stayed with their current company.



Planned Career Changes

50.8% No



25.6% Yes, into a higher role within the organisation

6.4% Yes, into a different role within the organisation



6.1% Yes, to another BSC/SSC/BPO in Budapest

6.1% Yes, to move abroad

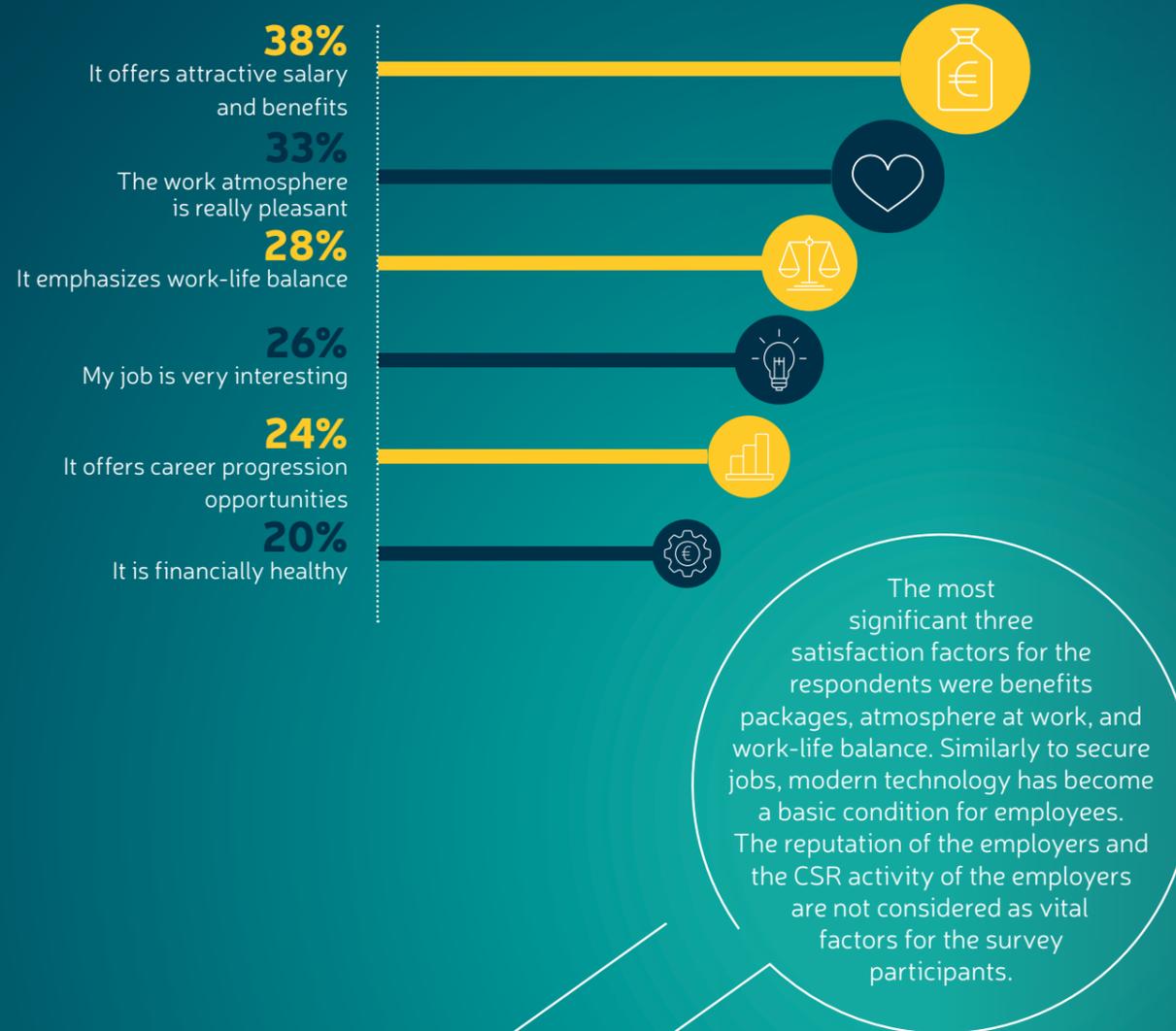


Employment in Different BSCs including the Current One

27.4% of the employees have been working in a BSC for two years, 23.3% of them have not exceeded four years of employment at a centre. About 34.2% of the respondents are working for the first BSC in their career.

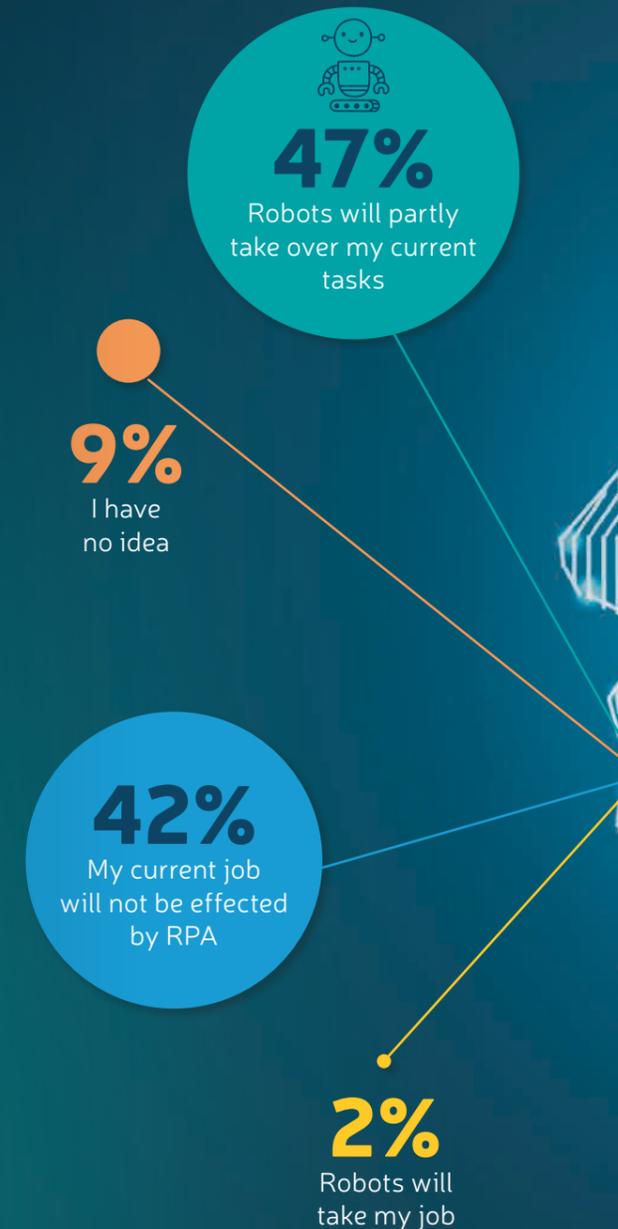


Most Important Employment Satisfaction Factors at the Current Company



Perceived Effects of Robotic Process Automation on Jobs

An analysis of respondents' expectations showed that only 2% of them think that the progress and introduction of automation technologies will take their jobs.



Technology & Innovation Overview



Company-wide
integrated ERP
56%



Use of ticketing
systems
59%



Use of customer
self-service
applications
61%



Participation of external
BPM company or consulting firm
in the implementation
of automation technologies
45%



Use of automation
technologies for services
76%



IT-supported
knowledge management
software
71%



Ratio of assisted
RPA
56%



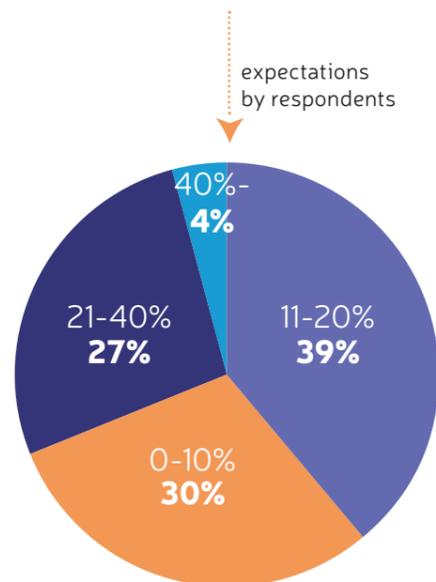
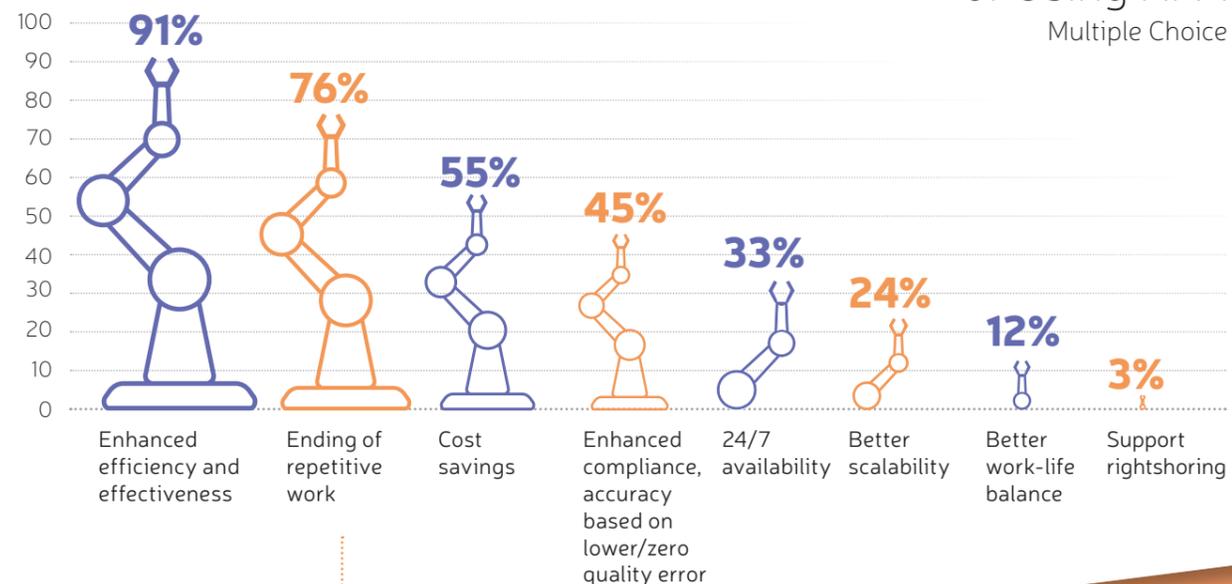
Human resistance
against automation
technologies
13%

 Technology

Technology has always played a significant role in the evolution of the business services segment, but in recent years it has become one of the key drivers both globally and in Hungary. The implementation of new digitalisation and automation technologies means the adaptation of technological innovations related to the fourth industrial revolution, but nowadays these technologies are also implemented in business services delivery units. These new service technologies reached a tipping point in the optimisation of organisational operations. This means a primary trigger for the operational transformation projects and could provide new tools for service centres to streamline their operations. The basics for this transformation are standard and digitalised processes and those fundamental IT systems that support these processes.

Most Important Effects and Benefits of Using RPA

Multiple Choice



The most important drivers for employees for the implementation of automation tools are enhanced efficiency and effectiveness, cost savings, enhanced compliance, accuracy, 24/7 availability and better scalability. Thanks to automation, 39% of the respondents expect cost savings between 11-20%, 30% of them between 0-10% and 27% between 21-40% in the next 2 years. Only 4% of the respondents thought that cost savings would be in the range of 31-40%.

Services Supported with Automation Technologies

Multiple Choice



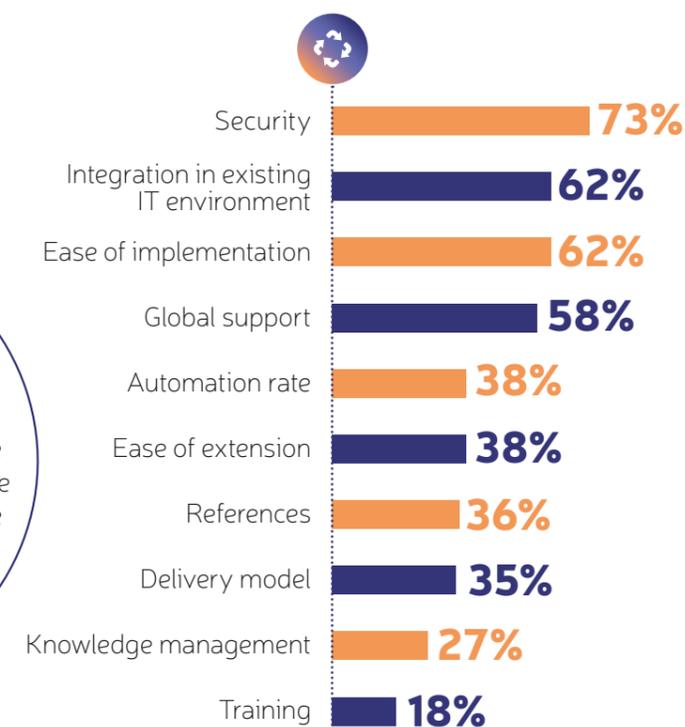
According to the participants, the acceptance of automation technologies is surprisingly high among their employees. Only 13% of the respondents experienced any kind of human resistance against automation tools within their organisations. This high level of acceptance is probably the result of the first positive experiences of employees with RPA pilot projects. However, people were usually not fully replaced by bots in these projects and where it happened, the people replaced managed to find other jobs within the centres.

In this segment of the economy, the use of automation does not result in job reduction but instead, in quality changes for the employees. Those who are freed up by automation technologies can get more complex and decision-demanding jobs that could help in the retention of a talented workforce. Based on the respondents' experiences, ending repetitive work was the second most important factor according to 76% of respondents. According to 12% of respondents, automation could improve the work-life balance for their employees.

Criteria for Selecting an Automation Technology Vendor

Multiple Choice

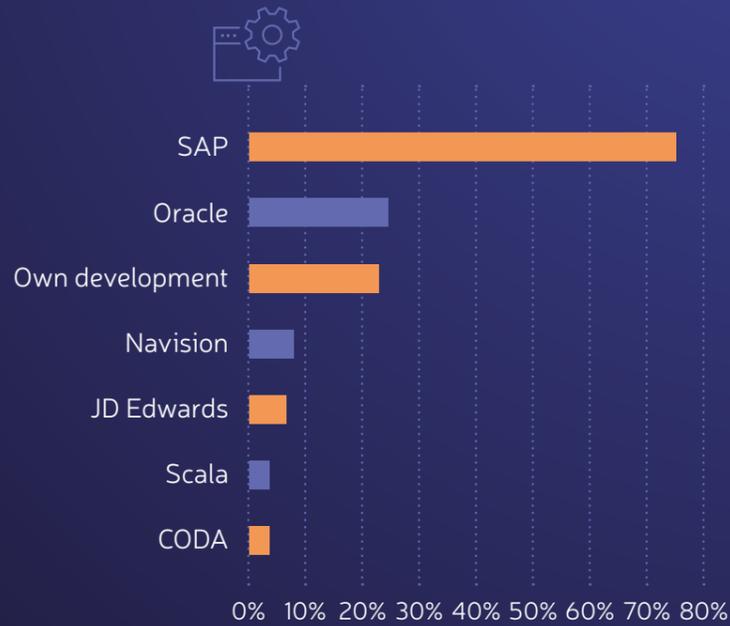
The most important criteria for automation vendor selection are security, integrity, easy implementation and global support. Around half of the respondents (45%) use BPM service vendors or consulting firms in the implementation process of new automation technologies.



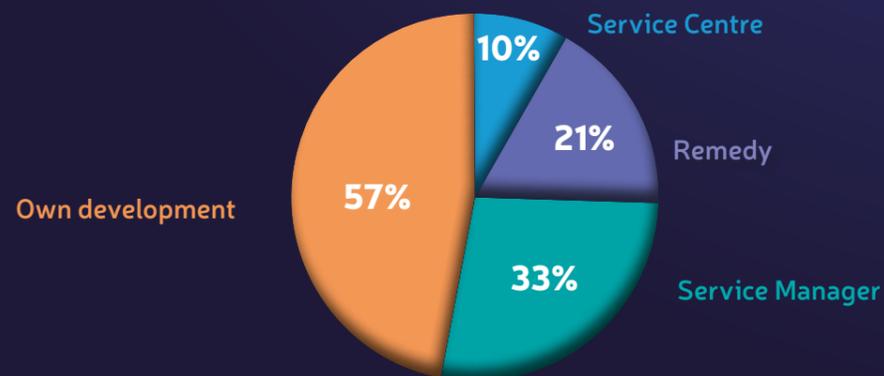
The substantial growth in the number of RPA projects implemented by the respondents is shown by the change in the number of software robots (bots) in use or under development in the Hungarian BSCs over the last 2 years.

ERP Systems Used by Participants

The ratio of using a company-wide, integrated ERP system increased from 46% to 56% among the respondents. The most preferred system providers are SAP and Oracle in the business services centres, as well as, in the medium-sized and large companies of other sectors of the Hungarian economy.



Ticketing Systems in Use



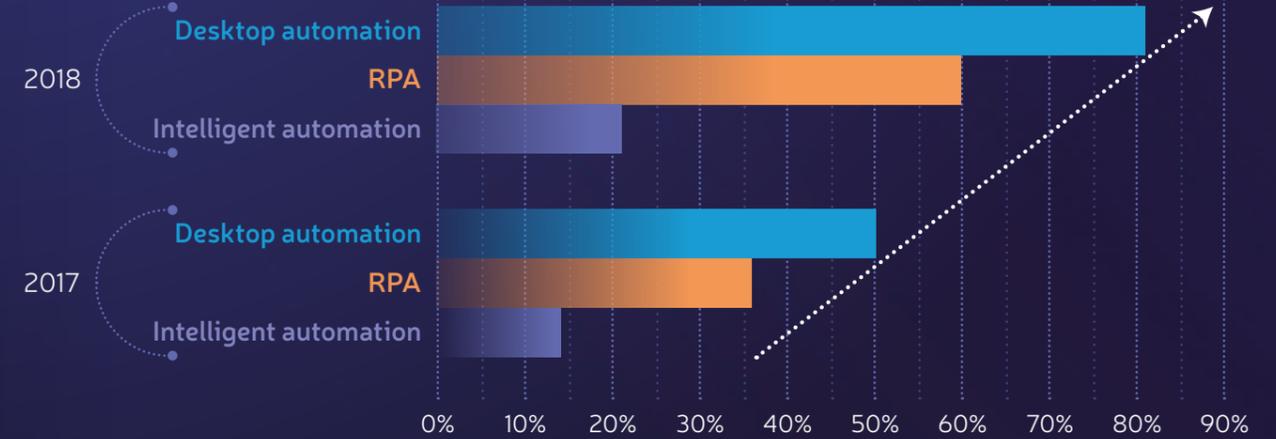
Over the last four years, the use of process-supporting ticketing systems have also become standard for Hungarian Business Service Centres. In 2014, only 4% of the respondents used these workflow systems, compared to 59% in 2017. The majority use their own developments, but the most often-used market

software by the Hungarian BSCs is Service Manager. Similarly to ERP and ticketing systems, the use of an IT-supported knowledge management software or platform has become key, showing a ratio of 71%, in supporting knowledge sharing within Business Services Centres in Hungary.

Use of Customer Self-Service Applications



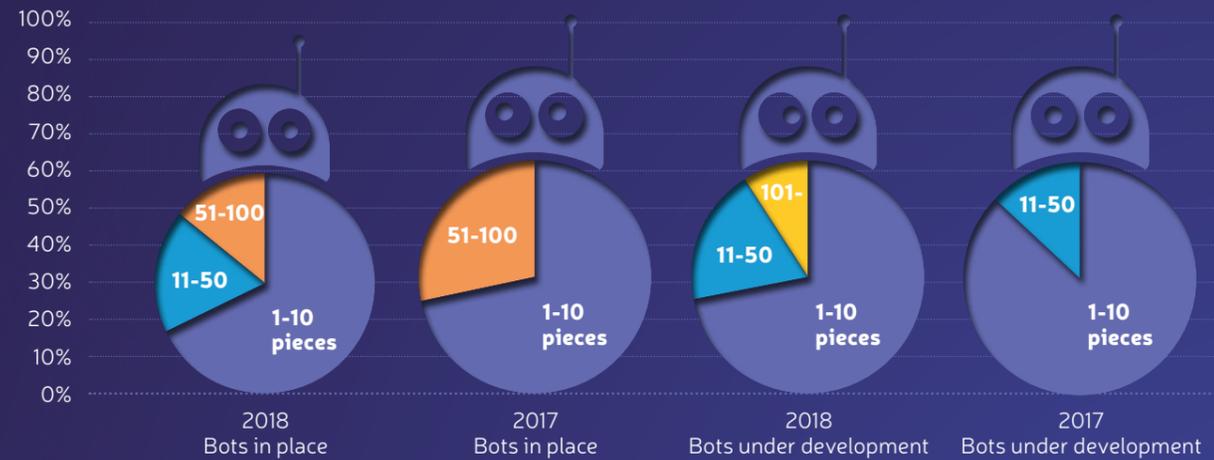
Automation Technologies Used in BSCs



The use of the different kinds of automation technologies increased over the last year, but, without desktop automation, the progress of Robotic Process Automation (RPA) was 24%, while the intelligent automation was only 7%. The most frequent service areas where Hungar-

ian BSCs used automation tools are IT, F&A and HR. These are the areas where most of the routine and standard processes are performed, and they are good targets for quick gains during implementation.

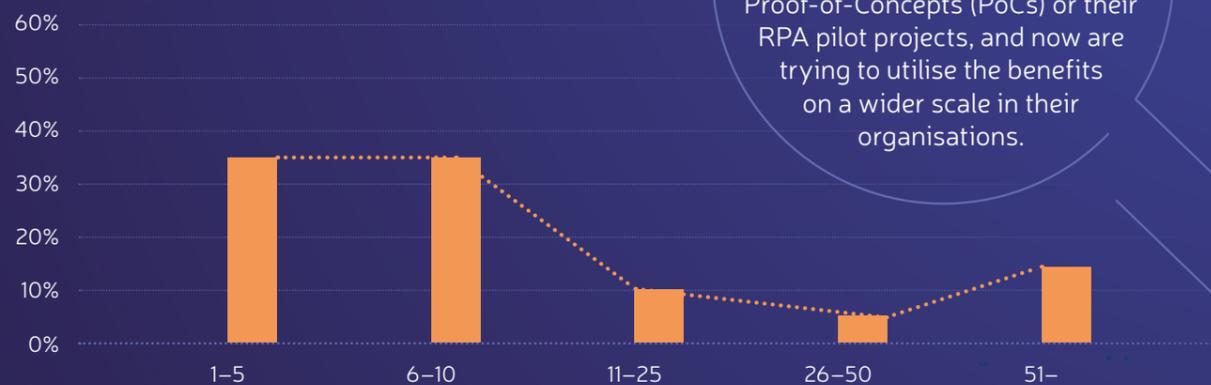
Number of Bots in Place or Under Development



56% of BSCs run RPA bots in attended/assisted mode, which means that the entire end-to-end (E2E) processes are not fully automated and some part of the processes are supported by a human workforce. Upon the early adoption of automation technologies, BSCs could not automate most of the processes as a whole due to several circumstances (e.g. complexity of the

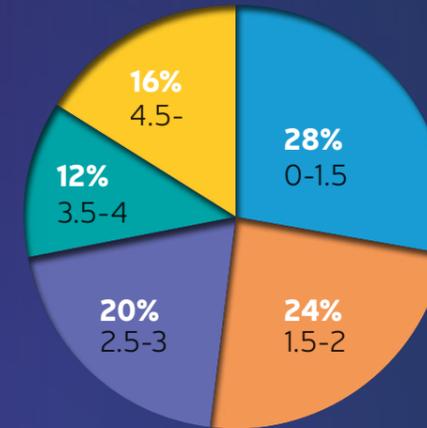
processes, non-standard operation, shortage of specific knowledge and experience, non-existing digital strategy, etc.), but attended RPA will have its own reason for existence in the long term and attended automation will probably be implemented together with non-attended RPA in order to create an intelligent process automation environment.

Processes in Scope when Using RPA Solutions



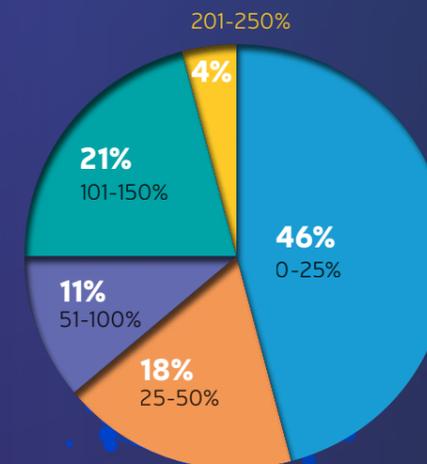
Substantial growth can be observed in the number of processes involved in RPA projects over the last two years. Most of the respondents ended their Proof-of-Concepts (PoCs) or their RPA pilot projects, and now are trying to utilise the benefits on a wider scale in their organisations.

Expected Number of FTEs Replaced by Robots



The expectations are realistic but cautious, 72% of the respondents expected 0-3 FTEs to be replaced by one bot on average, but 28% of them think it will not exceed 1.5 FTEs on average. 46% of the participants answered that ROI for the first year will be under 25%, but 21% of them hope it will be between 101-150%. Only 9% of the respondents use cloud RPA provided by an outsourcing provider. 38% of the respondents run RPA bots in a private cloud, 28% of them have bots running on servers at their premises, and 25% of bots run on desktop computers of the users. The most prevailing RPA technology vendors of the Hungarian BSCs are Blue Prism (46%), UiPath (38%), Automation Anywhere (29%) and Winshuttle (13%).

Expected First Year ROI of RPA



HIPA

Introduction

How do we support your **BSC** project?



Hungarian Investment Promotion Agency (HIPA) is the national investment promotion organisation of Hungary governed by the Ministry of Foreign Affairs and Trade.

We contribute to the economic development of the country by promoting Hungary as an ideal location for investments and by providing management consultancy services to investors and prospective investors. In the framework of our policy advisory activities we mediate between business and government and collect company feedback in order to prepare policy proposals to further improve the business environment.

We are also responsible for the government incentives for investments and work as the managing body of the VIP cash subsidy system based on individual government decisions. We provide management consultancy services in the fields of location selection, supplier development and mergers and acquisitions in a one-stop-shop service model on a free of charge basis.

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Web: www.hipa.hu

HOA Introduction

The mission of HOA is to support our members and the Business Services sector by promoting the successful and high quality business services and outsourcing possibilities, with the use of the application of the development offered by the digital age and by mapping the possibilities of the cooperative work of human resources and automation.

It is also our intent to promote the economic development of the country with the promotion of the above-mentioned activities. HOA is an open and independent professional organisation. Its common organizing principle is to participate in the service activities provided to the stakeholders of the national economy and public sector. We act in the interest of the Business Services and Outsourcing Sector and our Members.

To fulfill our mission, **our goal** is to



Our activities in fulfilling our Mission



Corvinus University of Budapest (CUB) & Corvinus Business School (CBS)

Introduction

Corvinus University of Budapest (CUB) defines itself as a research university oriented towards education, where the scientific performance of the academic staff measures up to international standards and the students can obtain a competitive degree with a standard and knowledge content identical to similar-profile universities and acknowledged on the European Union's labour market as well as on a global scale. The University, which admits over 11,000 students offers educational programmes in business administration, economics, and social sciences, and most of these disciplines assure it a leading position in Hungarian higher education. CUB, which functions as a real 'universitas', accepts students at three faculties and offer courses leading to degrees at the bachelor, master and doctoral level in countless specialisations taught in Hungarian, English, French or German, qualifying students in a wide variety of fields.

Corvinus Business School (CBS) is the centre for education and research in business, financial management, management and organisation, management sciences and management practice. With over 200 professors and over 8,000 students – CBS is the biggest of the university's three Faculties.

Its educational approach is to enable students to become methodologically grounded and sound practitioners with a sensitivity and openness to social challenges. CBS offers programmes at the bachelor, master and post-graduate levels both in English and Hungarian; PhD programmes in English; and a double degree master programme in German.

It is our objective to be a leading business school internationally recognised for excellence in education and research. Our mission is to educate responsible business leaders who work on the basis of sustainable business practices and have a global outlook. Moreover, we aim to advance knowledge to promote the progress of global business and society.

The high quality of education offered by CBS is guaranteed by the fact that each subject is taught by lecturers who are specialists in the given science or discipline, equipped with the necessary academic and practical knowledge both at the domestic and the international level.

CBS's positions in the national and international rankings ensure that it is able to choose from amongst the best students. The international recognition of our educational and research activity is proven by the fact that since 1996, the University – through the Corvinus Business School – has been a member of the prominent CEMS (The Global Alliance in Management Education) network.

Corvinus Business School is also a member of PIM (Partnership in International Management), EDAMBA (European Doctoral Association in Management and Business Education), EFMD (European Foundation for Management Development) and the CEEMAN (Central and Eastern European Management Development Association) organisations. Corvinus Business School gained second place among the best business schools of the Central and Eastern European region according to Eduniversal's survey of 2018. CBS has two EPAS accredited programmes, is listed in the Financial Times rankings with its Management and Leadership master programme and is currently waiting for the EQUIS accreditation while being close to completing the AACSB (Association to Advance Collegiate Schools of Business) accreditation process.

The Institute of Management (IoM) is the biggest institute of CBS, and manages the flagship bachelor and master programmes of the university. IoM works in cooperation with the business services segment in several educational and research programmes. Based on these experiences, IoM is working to build new educational programmes for BSCs.

Business Services Terminology

Artificial Intelligence (AI): a technology that is able to think and process information in a human-like way.

Attended RPA: bots respond to employee-triggered actions by automatically completing certain tasks to simplify a workflow. Typically run on local workstations, meaning they manipulate the same front-office programs as the human employees.

Backsourcing: transfer a service back in-house from an external service provider.

Basic Automation: automation of activities within a software (e.g. VBA macros and scripts).

Business Process Outsourcing (BPO): transfer of responsibility for the execution of an entire (End-to-End – E2E) business process to an external service provider.

Business Services Center (BSC): it is an umbrella term that includes all kinds of service centers that provide business services.

Captive Center: is a type of shared services center that has only internal service recipients/clients (within the same company). Sometimes it is also called as GIC (Global-In-house Center).

Center of Excellence (CoE): an organisational unit (sometimes a high value-added subsidiary) that embodies a set of shared capabilities that has been explicitly recognized by the firm as an important source of value creation, with the intention that these capabilities are leveraged by and/or disseminated to other parts of the firm. In the Business Services Center, this organisational unit governs the transformations and supports the deployment of new organisational and technological solutions.

Cognitive or Intelligent Process Automation (CA, IPA): includes non-standard heuristic processes, typically requiring human intervention or sample recognition from big data. It is primarily a good idea to work with data analysis and unstructured data, where cognitive automation tools help logical reasoning with pattern recognition and natural language interpretation. It must support data and provide scenarios to develop its logical ability.

Cost Center: a business unit that is only responsible for the costs that it incurs.

Desktop-Based Automation: software is designed to help user interface on the desktop, replaces the individual workstation, and is run on individual desktops. It can be run on a PC/desktop, while also using the PC/desktop to perform other regular tasks simultaneously. Software is often referred to as “attended RPA” where it requires human interaction in order to initiate a task, as well as to continue the process. Software is often used to automate multiple small micro-tasks within a larger end-to-end process.

Digital Transformation: transformation of business enabled by digitized content and rapid change capabilities. It is the integration of digital technology into all areas of a business resulting in fundamental changes to how businesses operate and how they deliver value to customers.

Digitalisation: a process of considering how is best to apply digitized information to simplify specific operations. Digitalisation means turning interactions, communications, business functions and business models into (more) digital ones.

Digitization: a process of converting information available and accessible in a digital format.

End-to-End (E2E): cover every stage in a particular process, often without any need for anything to be supplied by a third party.

Fix & Shift/Fix & Drop: means a service process optimisation before relocation.

FTE (Full Time Equivalent): it means a full-time employee.

Global Business Services (GBS): is an advanced multi-locational and multi-sourcing service delivery model for a service center. This compilation of service offering is global in nature with respect to both delivery centers and customers. The provider of the individual services can be either internal or external but must be managed centrally by the global business services organisation.

Insourcing: adoption of an activity/service function that was not part of the organisation earlier.

Investment Center: is a business unit that has responsibility for its own revenue, expenses, and assets, and whose financial results are based on all three factors.

Knowledge Process Outsourcing (KPO): high value-added type process outsourcing.

Lift & Fix & Shift/Lift & Fix & Drop: means a service process relocation that includes optimisation (“fixing”) during the transfer.

Lift & Shift /Lift & Drop: means a service process transfer without redesign (“fixing”) of it.

Machine Learning: a type of artificial intelligence that allows computers to learn without pre-programming.

Nearshore: use of services provided by nearby country.

Offshore (or Far-Shore): use of services provided by a country further away (not only geographically, but culturally as well).

Onshore: use of services provided by the same location as the clients.

Outsourcing: transfer of responsibility for executing those activities to an outside contractor that were previously performed within the company.

Process Owner: a person who is responsible for managing the objectives and performance of a process.

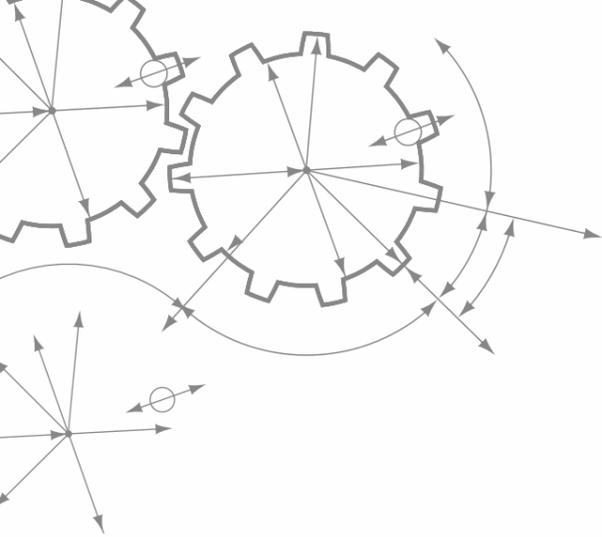
Process Standardization: is the unification of procedures in organisations to avoid using different practices for the same issue.

Profit Center: as a responsible center, is a business unit or department within an organisation that generates revenues and profits or losses.

Proof-of-Concept (PoC): a project section for a demonstration of a new method, idea or technology to prove the feasibility, functionality and capabilities. Typically, it justifies the practical potential of it with a small or not complete example.

Rightshore (or Hub-and-Spoke): is a multi-locational service delivery model that breaks down the service process into different parts and find the optimized service provision locations for them.

Robotic Process Automation (RPA): is mostly an automation of an IT-centric process where communication with the software is done through the user interface. It is working with software robots (bots) that substitute human workforce.



Robotization: establishing an automated operation by robots or robot-like machines (software robots, bots).

Server-Based automation: software is written and designed in a data center to execute the task autonomously without human interaction, i.e. the software, the process and the robot are run only on a server. Human interaction is not required, as this is an "Unattended RPA". Often there are trigger-based rules that initiate the RPA.

Service Automation: operating or controlling a process of electronic devices, reducing human intervention to a minimum.

Service Delivery Automation (SDA): is an umbrella term for the technologies that automate a series of human actions in business or IT processes. It includes different levels of automation technologies like Basic Automation, RPA, Cognitive Automation.

Service Level Agreement (SLA): is a formal agreement between the (external or internal) service provider and service recipients. SLAs include all important details and KPIs about service provision that are monitored by both parties during the partnership.

Service Migration: geographic transfer of an E2E process or only a part of it without any modification. It is also called as Lift & Shift or Lift & Drop project.

Service Relocation: choosing a new service location for higher operational efficiency. It includes two types of transfer: service transition and service migration.

Service Transformation: altering the structure or operational mechanism of a service process without geographic transfer.

Service Transition: is a change both in the location of a service delivery and structure or operational mechanism of a service process.

Shared (Captive/) Services Center: an internal service center that provides services not only internally but externally as well.

Shared Services: services that are usually provided from (legally) independent units within a holding structure (shared services organisation, SSO) that is typically an internal service center (shared services center, SSC).

Ticketing System: a workflow software that supports and helps service organisations to manage any issue/incident, from the moment they are captured, through to obtain their resolution.

Unattended RPA: bots automatically complete back-office functions at scale with minimal employee intervention. Unattended bots usually run on an organisation's server with little to no human intervention.

2018

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Survey Respondents

Thank you for your co-operation

