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McKinsey & Company

Key Contributors - ABSL members

















































Preface



This year sees the 20th anniversary of Global Business Services (GBS) in the Czech Republic. In the last two decades, the sector has grown from a few shared services operations into a global hub of high-value, digital operations that employs over 120,000 people in 310 GBS centers.

At the start of this turbulent year, the ABSL board and McKinsey & Company decided to collaborate on an ambitious project to set out our vision for the Business Services sector and create a roadmap for future success, based on the incredible achievements of our sector.

The Leaders Vision project was launched in January 2020. Our strategy was to ensure that the project was helmed and delivered by leaders from our Czech Business Services sector in order to reflect their achievements and aspirations for the future. Leveraging the power of the ABSL member network, we were joined by 28 GBS leaders, who actively contributed to the report and devoted over 1,000 hours in total through digital collaborations and shared insights. This was a truly remarkable achievement, given the challenges faced in this historic year. We can say that the Leader's Vision for Business Services in the New Digital Era was crafted in the crucible of COVID-19 and can be seen as a testament to the resilience and versatility of our sector and leaders.

We would like to thank the leaders who gave their time, resources, and insights into this report. It is a shared project that built on the ABSL foundation of Together We are Stronger. The ABSL Board would also like to recognize the significant contributions of McKinsey & Company as our knowledge partner, who shared global GBS knowledge and expertise, and supported us with editing and design of the report.

What is the future of Global Business Services in the Czech Republic and how do we get there? How do we build our Czech centers with the right combinations of technology and talent to ensure we are as successful in the next 20 years as we have been in the last two decades? How do we continue to grow through the challenges of the new normal and become the largest Business Sector in the Czech Republic, driving the digital agenda and contributing hugely to the economic and social growth of the country? These are just some of the many questions asked by our leaders. You will find their views, insights, and challenges inside.

Whether you are running a Czech Business Services center, looking to establish a new investment in the country, or simply interested in knowing more about the future of the incredibly dynamic and innovative world of Business Services, we hope that you will find many useful insights in **THE FUTURE NOW: A Leader's Vision for Business Services in the New Digital Era**.

On behalf of the Board of Directors of ABSL Czech Republic,

- Jonathan Appleton

Managing Director and Co Founder, Association of Business Service Leaders Czech Republic

About McKinsey & Company



McKinsey & Company is a global management consulting firm, committed to helping organizations create Change that Matters. In more than 130 cities and 65 countries, our teams help clients across the private, public and social sectors shape bold strategies and transform the way they work, embed technology where it unlocks value, and build capabilities to sustain the change.

At McKinsey, we combine global expertise and local insight to help our clients turn their ambitious goals into reality. Our consultants include engineers, designers, data scientists, business managers, civil servants, entrepreneurs, and research scientists.

McKinsey Prague office was established in 1994 and since then it has been working with leading international and local companies and institutions in the Czech Republic and Slovakia. With our consultants and specialists, we tap into the strong global network of experts at any given moment, both in our cross-border client engagements, and in our internal research efforts. In addition to the consultancy office, Prague is also home to the McKinsey Global Services with a team of more than 400 specialists in technology, digitization, data science, and other areas. Increasingly in our projects, we form hybrid teams that comprise consultants, data scientists, designers or developers.

In the last few years, Prague McKinsey Office has worked on more than 200 projects across a variety of business sectors and functional topics. In addition, we regularly provide pro bono expertise to help improve areas which are of crucial importance for the future of our country: sustainability, education, healthcare or digitization.

In preparation of this report THE FUTURE NOW: A Leader's Vision for Business Services in the New Digital Era, McKinsey provided a pro bono support to the Association of Business Service Leaders Czech Republic. As a knowledge partner McKinsey contributed with Global Business Services expertise and specific knowledge of the Czech Republic. This report was created through a joint collaboration among 28 Global Business Services leaders, ABSL Czech Republic and McKinsey consultants. Visions, case studies and recommendations presented in this report come from work in project working groups and from individual contributions. They may not always represent prespectives of McKinsey & Company.

We hope that you will enjoy reading this report and find many inspirations in it.

- Michal Čermák Partner, McKinsey & Company

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- Vision 6: GBS offices are a place for innovation and creative collaboration and our modern office space supports critical interactions
- Vision 7: Our employees bring the new skills and dynamics required to ensure we deliver greater value
- Vision 8: We attract great talent and are able to respond to changing business needs
- Vision 9: We embrace new and emerging methods and technologies to develop, and retain a flexible and agile workforce
- Vision 10: We collaborate with governments, municipalities, universities, and the public to create a strong environment for GBS

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Glossary of terms





The success of the Czech Global Business Services (GBS) sector is based on the four pillars of the overall GBS environment:

3

4

Macroeconomic conditions with a strong track record of economic development A business environment with favorable commercial conditions and supportive government mechanisms A culture and mindset that nurtures talent and competence

Smart productivity that drives a transformation of skills and activities

- 1.1. The Czech Republic is a place of economic growth
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- 4.1. The nature of work is evolving to new complexity levels
- 4.2. The Czech Republic is in a superb position to support the new skill-related paradigm





1.1. The Czech Republic is a place of economic growth

120,000

people employed in GBS, accounting for

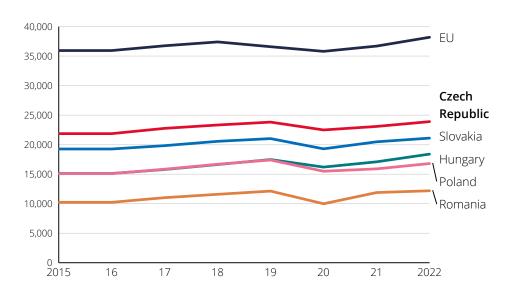
310

GBS centers

Historically, the Czech Republic has been a European manufacturing powerhouse. The country has developed and diversified over the last two decades to become a major hub for global business services, which now employs over 120,000 people. This services success has been built on the tradition of skilled labor and high productivity which remain key attributes of the Czech Republic's global offer. The location of the Czech Republic in the very heart of Europe also provides strategic, geographical proximity to Western European countries in particular, but also countries further afield, including in the Americas and the Asia-Pacific region. This allows for easier travel to and from the country and fosters close ties between key business and trading partners and markets.

A great deal of the country's success and stability on the global stage also comes from its entry to the European Union in 2004. This strategic membership, and, in particular, the comfort that this provides to international businesses, paved the way for a wave of investments into the country, both leading up to and since 2004. These factors, amongst others, led to the birth of Global Business Services (GBS) in the country. It has gone from strength to strength in the past 20 years.

The Czech Republic has maintained the highest GDP per capita¹ among CEE counties; still under the EU average



Source: https://tradingeconomics.com/country-list/gdp-per-capita?continent=europe

1st

currently the lowest unemployment rate in the EU, yet mature employment market

Source: June 2020 datapoint

715,000

foreign workers currently in the country

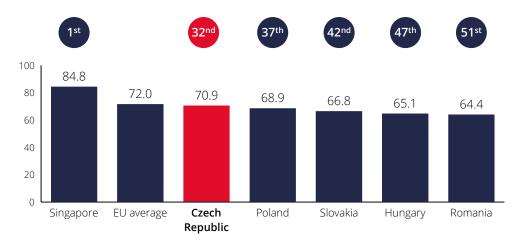
By nature of its location and economic development, the Czech market is physically close to its Western European peers, being comparable in terms of the quality of output and educational levels. At the same time, while the country has remained competitive from a cost perspective, it has more than excelled in growing its value offer from the more routine 'back office' functions of the past to becoming cutting-edge business innovation partners and centers of excellence across a very wide range of disciplines and sectors.

Thanks to its economic and political stability and sensible risk profile, the country is highly attractive to foreign companies looking to invest in the country. The Czech Republic

also has its own currency, which makes it less prone to external market fluctuations. With its fiscal responsibility policies, the country has the lowest debt-to-GDP ratio in the EU. Since the great financial crisis of 2008, the Czech economy has become more diversified and less reliant on industry, largely thanks to sectors like business services and other high-value-add services and sectors.

The Czech Republic has maintained a low unemployment rate, currently the lowest within the EU. The country is, however, highly attractive to foreign workers. There are currently over 715,000 foreign workers, with 296,000 coming from countries outside of the EU, in particular, Ukraine (167,000), Vietnam (34,668), and Russia (20,400).

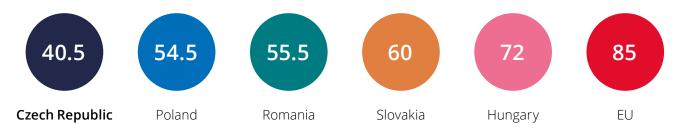
The Global Competitiveness Index² ranks the Czech Republic 32nd



Source: World Economic Forum, Global Competitiveness Report, 2019

Government debt as percentage of GDP³ has remained low and stable, significantly below EU average

Source: https://tradingeconomics.com/country-list/government-debt-to-gdp? continent = europeal to the eu





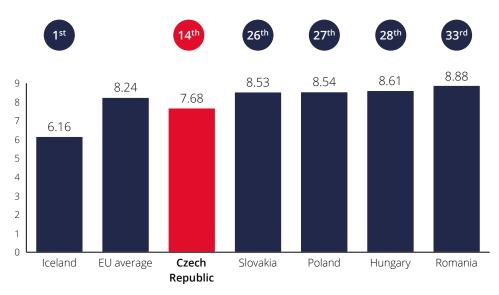
1.2. The Czech Republic has a sensible risk profile and high stability

Within the Central and Eastern European (CEE) region, the Czech Republic is one of the most stable and strongest countries from the aspect of investment for establishing business services centers. At a time of rising geopolitical tensions, the Czech Republic offers stability, resilience, and business continuity. This was strongly demonstrated during the recent COVID-19 outbreak, when Czech business services adapted quickly, moved the workforce to work-from-home arrangements, and

maintained operations without significant disruptions.

The Czech Republic is one of the safest countries in the world and has the highest safety index of all CEE countries. Major Czech cities are also very secure, with low crime rates and offering a safe environment in which to live and do business. This has also proven to be one of the most important factors in attracting expats and the growing international workforce.

Czech Republic ranks 14th safest country in the world and has the highest safety index⁴ of all CEE countries



Source: Global Finance Safety Index Score

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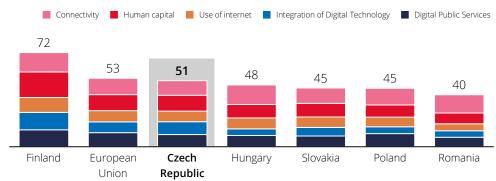
1.3. The Czech Republic has a central location and excellent connectivity

One of the key elements that makes the Czech Republic extremely attractive is its convenient geographical location. The country's position in the middle of Europe makes it possible to reach all European capitals quickly with excellent air, road, and train connectivity. In fact, the Czech Republic is ranked among the world's most advanced countries in terms of transportnetwork density and affordability of public transportation.

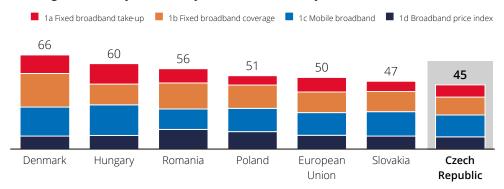
In addition to transport infrastructure, the Czech Republic also leads the CEE region in internet connectivity and broadband services. Internet penetration for both the population and businesses, plus the use of new technologies, is a good indicator of the ability to prepare for future changes in technology. The Czech Republic is well prepared for the adoption of modern concepts such as Industry 4.0 and has a solid track record in adopting important technologies and reacting to upcoming trends.

The Czech Republic leads among CEE countries in overall digitization with some room for improvement in digital connectivity⁵

DESI (Digital Economy and Society Index), 2020



DESI (Digital Economy and Society Index) - Connectivity, 2020



 $Source: https://digital-agenda-data.eu/charts/desi-components\#chart=(\%22indicator\%22:\%22desi\%22,\%22breakdown-group\%22:\%22desi\%22,\%22unit-measure\%22:\%22egov_score\%22,\%22time-period\%22:\%222019\%22)$



1.4. The Czech market is a GBS leader in the CEE region⁷

15%

growth per year in the Czech GBS sector

73%

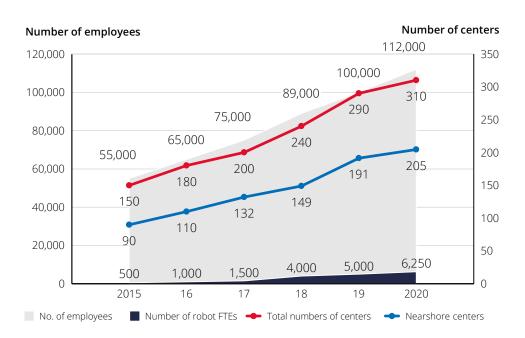
of all processes are delivered in the advanced or partner stage The GBS sector in the Czech Republic has grown at an average of 15% per year recently and is approaching 120,000 people employed in over 300 centers across the country. The Czech Business Services sector is now equivalent to the size and economic contribution of the Czech automotive industry and has contributed significantly to building the Czech economy as a high value, global hub for investors.

The Czech Republic has become one of the most popular destinations for nearshoring service centers from Europe—based on the strong cultural fit and the availability of an excellent European talent pool.

Robotics and AI have grown significantly in recent years and now account for more than 5% of the GBS sector workforce—this is predicted to rise sharply in coming years as the country builds on its digital capabilities and track record in advanced robotics. Currently, more than 73% of all processes are delivered in the advanced or partner stage.⁶

The Czech Republic has established one of the most mature GBS sectors in Europe and has laid strong foundations for future growth in high-value and digital services. The country has one of the highest densities of GBS professionals in the EMEA region, providing an experienced pipeline of talent for future growth.

The GBS sector has grown quickly in the last five years



Source: https://www.absl.cz/activities/publications/ ABSL reports 2015-2020

Share of processes delivered in the advanced or partner stage has been growing

Source: ABSL survey , 2016-19



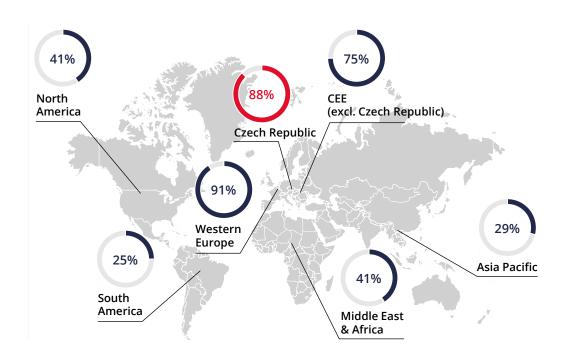
The Czech Republic has the highest share of GBS employment⁸ in the total workforce in the CEE region

 $Source: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsq_egan\&lang=enhttps://absl.pl/en/publications (EMEA'S BUSINESS SERVICES LANDSCAPE)$



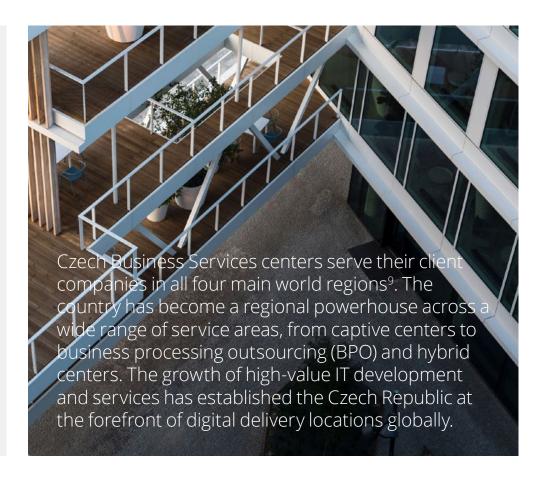
Czech GBS centers support all major global regions

Source: ABSL survey, 2019



5%

Robotics and AI have grown significantly in recent years and now account for more than 5% of the GBS sector workforce



The Czech Republic demonstrates a rich mix of provided services within GBS

Source: www.absl.cz/report2020











Prague is a good place to live and the true capital of modern Business Services

Unique value proposition for the GRS sector:

Prague is a truly modern and cosmopolitan city with a rich history and a high quality of life at relatively low living costs. The city attracts a unique pool of local and global talent as well as international companies, many of which have chosen Prague for their national and regional headquarters.

Major GBS centers located in Prague:

Accenture Services, AB Inbev, Amazon, Barclays, Daimler Benz, Exxon Mobil, Expedia, JNJ, LUKOIL, Medtronic, Microsoft, MSD, Novartis, Oracle, Pfizer, SAP Services, Siemens, Volkswagen.

PRA HA PRA GUE PRA GA PRA G Key facts

Capital of the Czech Republic, located in the heart of the country and in the heart of central Europe

1.3 million inhabitants¹⁰

Key industries and sectors:

financial services, administration

Education¹¹

8 public and 21 private universities

are located in Prague, including the country's oldest institution—Charles University, founded in 1348, is one of the most requested universities within the Erasmus+ program.

120,000

enrolled university students

25,000+

students graduate each year

Workforce

680 OOO

is the total workforce in Prague¹³

EUR 17.800

is the median gross annual wage in Prague¹⁴

18 000

is the current number of job seekers in Prague, which gives the city an unemployment rate of 1.9% $^{\rm 15}$

Business Services centers¹² 150+

major international Business Services centers operate in Prague

55,000+

people employed in the Business Services sector in Prague

7%

of all employees in Prague work in Business Services

51%

of employees in Business Services are foreigners



Ouote from ABSL

"Prague is the place to be for Business Services, with many of the world's leading Healthcare, Financial Services, and IT firms choosing the city to host their international centers in the heart of Europe, with excellent transport connections and one of the highest quality of life standards in the world."

– Jonathan Appleton, Managing Director, ABSL Czech Republic

Examples of successful centers in Prague

The GBS market in the Czech Republic is best seen through some recent examples that demonstrate the nature of the Czech Business Services sector. Prague has an excellent track record for the modern GBS sector, which started around 2001 and has since grown to more than 150 major centers with 56,000 employees.



Barclays—a successful GBS located in Prague 4. Barclays announced in July 2020 that they will expand their Czech center by creating more than 200 high-skilled technical positions. Barclays launched a Czech recruitment campaign to attract developers, project managers, and business analysts. As a center of technical excellence, Barclays Prague is an increasingly important part of the bank's vision to provide world-class operations and technological services. This investment means that, over time, Barclays will employ more than 1,000 professionals in the city—twice as many as at the start of the year.



DHL IT Services—another long-term IT center located in Prague, DHL's center develops and supports IT solutions and infrastructure for Deutsche Post and DHL. The Prague office operates the largest data center in the Czech Republic and employs more than 1,750 IT specialists.



SAP—a successful and expanding center located in Prague 5 accommodates SAP Services, SAP Concur, and SAP Ariba—the cloud-based business commerce network—under one roof and provides HR, finance, administration, and marketing services to SAP branch offices around the world. They employ more than 2,000 people from 86 countries in Prague.



A success story: Czech Business Services swiftly reacted to the COVID-19 pandemic

Key facts¹⁶

Business Services & impacts of lockdown

96%

immediately recommended home office

80%

of employees moved to home office

100%

banned business trips

100%

canceled or postponed all internal meetings

98%

deployed digital platforms for meetings

60%

recruited and onboarded newcomers remotely

8%

stopped recruiting activities

Source: ABSL survey, March 2020

The Czech Republic and GBS sector showed resilience, agility, and leadership during the COVID-19 crisis.

The Czech Republic was one of the first European countries to impose a widespread lockdown in mid-March 2020 due to the coronavirus pandemic. The Czech Business Services sector as a whole adapted to the situation quickly and with great flexibility. Within a matter of days, the majority of employees worked from home while centers continued delivering services as usual. Seventy-one percent of Czech centers reported that this new situation increased their employees' performance and motivation to deliver great results, and 56% of the businesses reported new opportunities arising from the pandemic.

Employees seamlessly switched to working from home

On the first day of quarantine in the Czech Republic, up to 96% of Business Services centers immediately recommended their employees work from home. Out of the 120,000 people working in the Czech Business Services sector, 80% of employees followed this recommendation and moved to home office. Since then, working from home has become a standard strategy for most centers. The possibility to work both from home and from the office is now offered as a benefit that allows employees greater flexibility and increases satisfaction.

Onboarding of newcomers continued according to plans

Recruiting and onboarding at 92% of the

centers continued according to existing plans. The centers quickly adapted and applied new methods of remote and digital recruiting. Interviews with potential candidates were, for example, conducted online via Skype or via other digital platforms. Only 8% of centers stopped recruiting and onboarding activities.

New business opportunities for Czech centers

The high level of digitization and advanced technology skills within the Czech centers helped bring new business opportunities arising from the pandemic. In many cases, these were new clients, accounts, and services from regions where operations were not able to continue as smoothly, and local centers were not able to provide the technological support to their employees working from home. Many Czech centers upscaled and gained higher service volumes from their mother companies, new digitization projects, or took over volume from centers in the APAC region and India.

Increased education and development focus

The "new normal" led many employees to take this as an opportunity for personal and professional growth. According to the ABSL survey, over 60% of Business Services centers reported a higher interest from their employees in professional training as well as personal development. The most popular areas focused on leadership skills, digital re-skilling, language courses, and sectorspecific GBS qualifications provided by The Hackett Group.

Business services stabilizing the Czech economy

71%
reported
stable or
higher
productivity of
employees on
home office

took up additional volumes from APAC, China, and India **56%** reported new business opportunities

84% did not plan to ask for government support

engaged in the fight against the pandemic through CSR projects

Source: ABSL survey, April 2020^{17}



2.1. The Czech Republic holds great potential for Business Services centers

1st

among new EU members

Quality of Life Index (Mercer Quality of living survey, 2019)

10th

most attractive country

Attractive country for expats (Expat Insider, 2019)

14th

safest country

Global Finance Safety Index

The Czech Republic is a gateway to European and international markets

Within the CEE region, the Czech Republic is one of the strongest and most stable countries from the perspective of Business Services center establishment. Located in the heart of Europe, the Czech Republic is a strategic gateway to the European market of 502 million consumers. For this reason, many eastern companies have chosen the country as a gateway to European markets or for their EU headquarters. For example, over 250 Japanese and 70 Korean companies currently operate in the country, including major global companies such as Toyota, Panasonic, and Hyundai Motor Group.

A European Union member since 2004, the Czech Republic is fully integrated in the European single market and its legal system, with the regulatory system aligned to the EU law in areas like immigration or data protection. The country is also one of the main recipients of EU funds and subsidies. For the program period of 2014–2020, EUR 24 billion has been allocated to the Czech Republic, financing more than 196,000 projects.¹⁹

The Czech Republic was the first CEE country to be admitted into the Organisation for Economic Cooperation and Development. It is also a member of multiple international organizations, including the North Atlantic Treaty Organization, Organization for Security and Cooperation in Europe, the World Trade Organization, International Monetary Fund, European Bank for Reconstruction and Development, the World Bank, and more.

For ease of doing business¹⁸, the Czech Republic and Poland rank in line with the EU average



Czech Republic

76.4

Poland

73.3

Romania

75.6

Slovakia

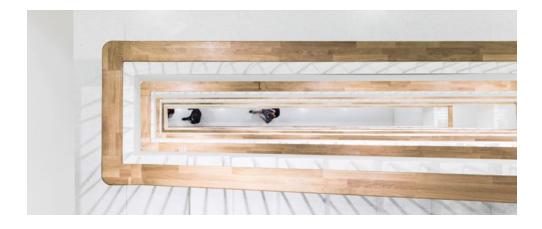
73.4

Hungary

76.5

EU

Source: https://www.doingbusiness.org/content/dam/doingBusiness/media/Profiles/Regional/DB2020/EU.pdf



32nd

out of 140 countries

Global competitiveness Index

14th

among EU member states

European Consumer Health Care Index (2018)

40th

among 190 economies

Ease of doing business (World Bank annual ratings)

The Czech business environment is favorable for future GBS sector growth

In the last five years alone, the Czech Business Services sector has more than doubled in size, currently comprising 310 service centers and employing over 112,000 people²⁰. Twelve-percent growth in the sector in 2019 demonstrates the vast potential for Business Services in the Czech Republic.

This rapid expansion of the GBS sector is not a coincidence and is underlined by the sector's favorable business environment. This year, the Czech Republic ranked as on the 40^{th} place²¹ among 190 economies in the ease of doing business (World Bank annual ratings). In addition, the country ranked 32^{nd} in the Global Competitiveness index in 2019^{22} (World Economic Forum). The Czech Republic is also one of the safest countries in the world (ranked 10^{th} on the Global Peace Index 2019).²³

The Czech Republic excels in the number of statistics, including the quality of life index, attractiveness for expats, and others²⁴²⁵.

The stable business environment in the Czech Republic has attracted a significant amount of foreign investments. By 2019, the country has received a total of EUR 130 billion worth of foreign direct investment since 1993 (Czech National Bank, 2019)²⁶, and over 173,000 Czech firms across all sectors are now supported by foreign capital.

Unlike other CEE countries, the footprint of international business is not solely concentrated within the capital region but is spread throughout the country. The same applies to the service sector, seeing that the hubs of Prague, Brno, and Ostrava have been joined by clusters of new centers in over 20 regional locations that now host a growing hive of Business Services centers.²⁷



Source: Czech Invest



2.2. The Czech Republic has a variety of public support mechanisms to accelerate future GBS sector growth

The investment and governmental support available for large enterprises is one of the best motivational factors for further expansion of the GBS sector and its activities into regional hubs.

There are four main support mechanisms available:

The Czech government has successfully established the new "Country for the Future" innovation strategy

"Country for the Future" is a new strategy aiming to place the Czech Republic among the most innovative countries in Europe by 2030. The overarching objective of the strategy is to turn the country into one of Europe's innovation leaders and bring it to the forefront of the digitized world. To achieve this, the focus is on driving final production and technology solutions and services, shifting the country's output from generating volume to generating added value. This presents a great opportunity for the Czech Business Services sector to assist the transition towards high-value-added services

and building world-class service centers as well as showcase the Business Services sector as the leading innovative sector.

Research infrastructures and innovation centers will be able to capture the funding opportunity of CZK 9.1 billion that is pledged to finance projects with innovative and digital elements. For projects to qualify for this funding, the mandatory conditions require that the project is at least in the amount of CZK 50 million and that the project has a long-term impact of more than five years. The strategy was launched last year, and more initiatives will follow to support implementation. Business Services centers should be proactive and start early planning for projects and investments to achieve a maximum benefit from this opportunity.

The strategy consists of nine interrelated strategic pillars aiming to promote and support innovative activities in the country. The program has the following goals to be accomplished by 2030 under each pillar²⁸. More about these initiatives can be found on the dedicated website.29



Country for the Future segments

The country for R&D:

Increase R&D funding (% of GDP) from 2% in 2020 to 3% in 2030

The country for Digitization:

Permanently secure online and

complex facilities

shared services, including industrial

enterprises and the system security of

The country for Technology:

Integrate technology subjects from early school years, add an emphasis on creativity, research approaches, technical imagination, logical and critical thinking

The country for Excellence:

Focus support on key trends at the the potential of Czech companies, and

The country for Patents:

Raise awareness of intellectual protection-set up closer cooperation with all levels of education

intersection of research excellence, future technological trends = Smart Specialization Strategies

The country for Smart Infrastructure:

Ensure widespread and affordable use of reliable smart mobility services

The country for Start-ups:

Create a comprehensive funding program with national support for the start-up segment

The country for Investment:

Achieve increased use of tax deductions for RD&I investment

The country for Smart People:

Build the brand of the Czech Republic as a confident innovation leader







ABSL currently represents over 106 members and global companies employing over 50,000 people.

The ABSL mission is to drive the growth and maturity of the Czech Business Services sector by building and leveraging an effective member network.

ABSL acts as the leading force in supporting growth and collaboration within the Czech GBS sector

The Association of Business Service Leaders (ABSL) in the Czech Republic was founded in 2013. Our members are companies operating in the Business Services and Business Outsourcing industry in the Czech Republic. ABSL currently represents over 106 members and global companies employing over 50,000 people, thus sustaining a strategic position as the largest Business Services network and representing the sector with currently over 120 000 employees in the country.

Since its foundation in 2013, ABSL Czech Republic has contributed significantly to the growth of Business Services, which has more than doubled in size and complexity. This tremendous growth has been achieved across the whole country and now represents a network of mature Business Services centers and innovation hubs serving globally across the whole Czech Republic. Almost 60% of centers deliver services globally, which is almost double to previous years. In addition, 50% of the activities performed by centers are expert- and knowledge-based. And even now, in the post-COVID-19 disruptive era with all the challenges imposed, Business Services in the Czech Republic still flourish and significantly continue to contribute to the growth of the Czech economy.

The ABSL mission is to drive the growth and maturity of the Czech Business Services sector by building and leveraging an effective member network. ABSL organizes various expert activities such as annual conferences, clubs, roundtables, and seminars for its members, which create opportunities to meet and share experiences from business, show best practices in operations and international recruitment, and even uncover their expertise in automation or robotics.

Czech Invest³⁰ actively supports further GBS sector development

Czech Invest actively supports further development of the Czech GBS sector and cooperates closely with ABSL. To date, the agency has arranged approximately 2,000 investments worth over CZK 1 trillion. Increasingly more projects have been technology-oriented, with more than 30% of the investments involving high-tech projects. The GBS sector has also obtained a significant amount of support. Successful projects received support in the form of corporate income tax relief for up to ten years, as well as a financial subsidy for newly created vacancies and requalification of employees.

AFI supports the GBS-associated investments

The Association for Foreign Investment (AFI) is an organization that provides comprehensive support for investments and investors in the Czech Republic.
Currently, the association has almost 50 members. In close collaboration with Czech Invest, AFI actively supports companies interested in bringing a Business Services center into the Czech Republic.

Multiple support and incentive mechanisms are also available at the EU level

Under the umbrella of European Structural and Investment Funds, the EU offers various indirect funding options for business. The European Regional Development Fund supports projects for regional and urban development and can, therefore, support investments targeted at developments outside major hubs (e.g., smaller towns and regional locations). With Business Services processing large amounts of data, the sector has an opportunity to help develop capabilities in this area, leveraging European research funding.



Ostrava is on the path to being Europe's leading industrial center

Ostrava is a Czech industrial center and has a long tradition in steel and heavy industries. Ostrava has been a recipient of a significant inflow of Czech and EU subsidies for regeneration and modernization, turning the city into a modern technology hub. The city's cost competitiveness and geographical proximity to the big Polish market with matching language skills is another factor attracting many new foreign investors.

Major GBS centers located in Ostrava:

Siemens, ČEZ Group, ABB, Verizon, AXA Assistance, Canon³⁷, DHL Express, IBM CZ, Tieto EVRY, Innogy, Moneta Money Bank, O2, OKIN BPS, Stora Enso.

OSTRAVA!!!

Key facts

3rd largest city, located in northeastern Czech Republic; the capital of the Moravian-Silesian region

500,000 in the urban area

Key industries and sectors:

Coal mining, steel, chemical and mechanical engineering

Education³⁵

in Ostrava and its surroundings, with numerous departments, including economics, business, administration, technology, informatics, engineering, sciences, and more

enrolled university students

students graduate each year

Workforce

is the total workforce in Ostrava, with 11,300 people working in the modern Business Services sector³²

was the median gross annual wage in Ostrava (Moravskoslezský region) in 2019³³

is the current number of job seekers in Ostrava, which translates to an unemployment rate of 5.1%34

Business Services centers36

major international Business Services centers operate in Ostrava

people are employed in the Business Services sector in Ostrava

of all employees in Ostrava work in Business Services

of employees in Business Services are foreigners



Quote from the mayor

"Blend together strong will, energy, a willingness to learn, and diligence and adjust them to modern trends, and you get Ostrava. The city has been endowed with all of these qualities for the last two centuries. Without them, Ostrava could not have become one of Europe's leading industrial centers."



– Tomas Macura, Mayor of the City of Ostrava

Case study

SIEMENS

Siemens in the Czech Republic has been providing shared services to internal Siemens customers since 2003. Siemen's business center is located across Prague and Ostrava. With more than 1,500 employees, it is our second-largest location globally after India. The center is highly international, with 30% of employees being foreigners who provide services in 28 languages. Siemens chose Ostrava for its Corporate Unit center with worldwide responsibility since 2007. Ostrava was the clear choice for its great potential of young, educated people and its competitive labor market. In addition, Ostrava benefited from investment-supportive schemes: up to 2014, 40%, and until 2020, 25% of eligible costs (in case of large enterprises) set by the conditions of financial programs.

Due to high connectivity and a developed infrastructure, Siemens was able to react quickly to provide a safe and comfortable way of working to its employees during the COVID-19 pandemic, being one of the work from home pioneers in the sector. Siemens Shared Services in Ostrava is a division which strengthens Siemens' competitiveness by owning, providing, and continuously improving common support for our customers.



This section focuses on key aspects of culture and mindset that have made the Czech Republic an attractive environment for the Business Services sector today and will contribute to further growth of this sector in future. Business Services are all about people, and so many of these softer elements of culture and mindset play a critical role in creating a strong and sustainable foundation for providing high-quality services from the Czech centers.



3.1. The Czech Republic is a cultural bridge between East and West

The Czech Republic is part of the Western Europe-North American transatlantic cultural space, sharing similar values and cultural perspectives. Its strategic location in the heart of Europe provides geographical proximity to Western EU countries, which allows for easier travel and

fostering close ties between centers and its internal business partners and customers. Given the advanced educational system and geographical proximity, the Czech Republic is well-positioned to offer Western languages and advanced skills competence to the Eastern clients who require them.

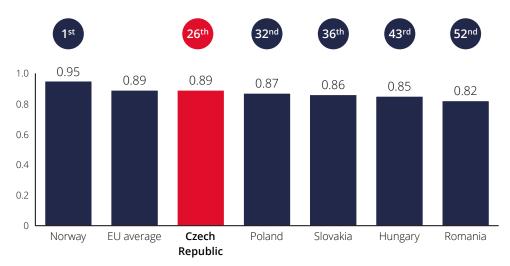


3.2. The Czech Republic is perceived as a great place to live and work

The Czech Republic, also known as the Heart of Europe, has one of the most developed economies in CEE. In terms of living standards, the Human Development Index ranks the country consistently above other CEE countries as well as above the European average. The country's urban centers and beautiful countryside offer countless possibilities for leisure activities for both tourists and locals throughout the year. The

country also has an efficient healthcare system. Healthcare in the country is both accessible and affordable (due to compulsory health insurance with automatic coverage for residents and workers). The European Consumer Health Care Index³⁹ (2018) ranks the Czech Republic as the 14th best, highlighting its "unusually rapid access to care".

On the Human Development Index (2018)³⁸, the Czech Republic ranks 26th globally, the highest score in CEE.



Source: Human development index 2018

86%

of expats would recommend living in Brno to their friends or family Czech cities, especially booming hotspots such as Prague, Brno, and Ostrava, offer a great quality of life thanks to a combination of developed amenities, reasonable size, affordable living cost, open culture, and safety. This secures not only Czech talent, but also attracts an increasing number of foreigners from the international workforce. Prague and Brno, for example, seem to be the new tech hotspots and are attractive locations for talented developers and tech professionals because of their high quality of life and relatively low living costs.

Czech society is quite open and tolerant, creating an investor-friendly and multicultural business environment

that is attractive for both the Czech and foreign workforce and investors. A great example is the city of Brno, a world leader in expat integration, which provides care to foreigners at the same standard as business hubs like Vienna and Amsterdam. This is in particular thanks to the Brno Expat Centre, a free public service supported by the City of Brno. According to a recent survey of over 1,000 respondents, 86% of expats would recommend living in Brno to their friends or family. Respondents were most satisfied with public transport, the sense of security, work opportunities, quality of life, and cultural opportunities.



3.3. The Czech education system is advanced and nurtures talent and competence

The high-quality affordable education system, universities, and start-ups in major Business Services hotspots such as Prague, Brno, and Ostrava offer advanced ecosystems for students. Czech universities offer a wide selection of English programs from economics, law, and regional development to nanomaterials, biomedicine, engineering, cybersecurity, and information technology. Both Prague and Brno enjoy a great international reputation for quality education. In the QS Best Student Cities Index⁴⁰, which ranks cities according to their attractiveness to

international students, Prague is the 35th best location in the world, leading such spots as San Francisco, Dublin, Madrid, Amsterdam, and Brussels.

In all major cities, schools and universities and business organizations cooperate closely, which creates advanced ecosystems that further foster human capital (skilled experts, working habits and approaches) and an educated workforce that is ready and willing to constantly upskill and develop.

Prague is the 35th best location for students in the world, leading such spots as San Francisco, Dublin, Madrid, Amsterdam, and Brussels.



3.4. Czech employees have a good work ethic and an open mindset

13%

is the attrition rate of employees within GBS sector in the country Since the early days of the Business
Services sector in the Czech Republic,
international companies have benefited
from the strong work ethic and open
mindset of the Czech workforce. This
is underlined by overall low workforce
turnover—the employee attrition rate is
only 13% in the country's GBS sector. At the
same time, the mindset—being agile and
flexible, able to work independently, and
also being innovative and finding creative
solutions—is well-recognized. Customer
focus and the ability to build long-term
relationships is another strength of the
Czech workforce.

Many of these centers were established in the early 2000s and have transformed into Centers of Excellence and Innovation Hubs that transform and drive global business from the Czech centers located in Prague or Brno. These GBS hotspots are attracting huge numbers of graduate professionals, IT developers, and tech entrepreneurs from both East and West. This great

pipeline of global talent, combined with an impressive stream of Czech graduates and professionals, has driven the growth and success as Business Services hubs to rival far larger locations. According to the "Generation survey—generations Y and Z" by Grafton, Business Services areas are perceived as attractive employment opportunities by students and young professionals.⁴¹

When it comes to Business Services, It's All About People...

The Czech workforce is technically skilled, educated, fast learning, professionally competent, and has available language skills. At the same time, it is equipped with the right working attitude. Openness and flexibility also allow for a fast integration of foreign talent that further enriches the value proposition of Czech Business Services. That remains the key core advantage for developing Czech Business Services in the future.

The Czech workforce is technically skilled, educated, fast learning, professionally competent, and has available language skills.





Brno is the Silicon Valley of the Czech Republic

Unique value proposition for the GBS sector

Brno is the innovation and technology hub of the country, now being recognized as the Silicon Valley of the Czech Republic. The city is also a melting pot of culture, sports, and entertainment. For these reasons, many start-ups and modern Business Services centers choose the city for their main location.

Major GBS centers located in Brno:

ABB, AT&T, Atlas Copco Services, Avast (former AVG company), Deloitte, Deutsche Telekom Services Europe CZ, Dixons Carphone, FNZ, IBM Global Services Delivery Centre, Infosys, Honeywell, KBC group, Konica Minolta, Lear Corporation, Lufthansa InTouch, Mann+Hummel, Oracle Netsuite, SAP labs, Thermo Fischer, zebra Technologies and IT & business scale-ups Kiwi.com, Ysoft, RWS Moravia (before the acquisition known as IT Moravia), Jonckers, etc

-

Key facts

2nd largest city; the capital of South Moravia; close proximity to Vienna and Slovakia

381,000 city inhabitants⁴²

600,000 in the urban area

Key industries and sectors: engineering technologies, precise instruments and devices, software and hardware development, life sciences, aerospace technologies

Education⁴⁶

12 universities

are located in Brno, with 34 faculties that focus on a wide range of degrees, from economics, law, and regional development to nanomaterials, biomedicine, engineering, cybersecurity, and information technology

65,000

enrolled university students

16,000+

students graduate each year

Workforce

300,000

is the total workforce in Brno and its surroundings⁴³

EUR 15,300

was the median gross annual wage in Brno in 2019⁴⁴

14,000

is the current number of job seekers in Brno region, which gives the area an unemployment rate of 3.1% as of July 2020^{45}

Business Services centers⁴⁷

55

major international Business Services centers operate in Brno

22 nnr

people employed in the Business Services sector in Brno

9%

of all employees in Brno work in Business Services

30%

of employees in Business Services in Brno are foreigners



Quote from the mayor

"Young, dynamic, open, affordable, educated—all of these attributes, including the city's strategic location in the heart of Europe, have turned Brno into a popular place for business. Our region is number one in the Czech Republic for its investment in science and R&D, and among the best for electron microscopy and IT. In addition, Brno has excellent living conditions and a friendly atmosphere."

– Marketa Vankova, Mayor of the City of Brno

Case study



Global finance services consolidation in Brno

Atlas Copco Shared Service Centre (originally Edwards Services) in Brno was established in 2008, in the middle of the financial and economic crisis. By 2013, Edwards had about 150 professionals supporting finance processes and customer care operations in Europe and the US. In 2014, Edwards was acquired as a strategic investment by Atlas Copco Group, which provided even more opportunities for expanding the successful shared services center model (especially in finance).

At the time, Atlas Copco had a hybrid model that combined its own and outsourced operations and spread between various centers in Europe and Asia. The model was fragmented, had skill and cultural issues, and did not deliver the planned operational and financial benefits.

So, Atlas Copco looked at Brno...could the Finance Service Centre built by Edwards be an answer to their problems? They saw the strong work ethics of Czech Business Services professionals; a reliable, hardworking, agile, flexible, and loyal staff able to work independently; an established center with a proven track record of excellent customer service, high quality, and value-added work. Thus, the opinion was formed.

After its initial pilot in 2015, everything accelerated in 2016 with the launch of a major transition project to transfer the finance services operation for the largest business area of Atlas Copco (Compressor Technique) from Asia to Brno. Now we have over 500 people in the Brno Centre (finance and customer care) serving an increasing number of Atlas Copco entities/brands for two major business areas (Vacuum Technique and Compressor Technique).

Atlas Copco Brno Shared Service Centre enjoys the great benefit of Brno's educated and diverse workforce and further invests in education (such as certifications from the Association of Chartered Certified Accountants). Our people-centric model has proved to be very successful in attracting and cultivating talent for Atlas Copco organization (within shared services and beyond). In 2019, Atlas Copco Shared Service Centre Brno celebrated ten years and is ready to continue the successful journey of building a Center of Excellence in the great city of Brno.





4.1. The nature of work is evolving to new complexity levels

25%

overall growth in RPA deployment in 2019

The nature of work in general, and in the realm of the GBS sector in particular, is shifting gradually yet swiftly from pure transactional work to knowledge-based and higher-value-added work. The gradual shift of job descriptions towards higher complexity has been recognized as the main trend by GBS leaders; More and more customers demand more innovative solutions and higher efficiency.

A trend in 2012–2020 is that robotics and process automation (RPA) has become a mainstream, smart approach to productivity solutions. Thinking as if there is no box is gaining momentum across the board. The most desired skills forecasted by McKinsey and Deloitte⁴⁸ are: complex problem solving, creativity, flexibility, emotional intelligence, data literacy, and tech-savviness.

These skills (that are not technical in nature but rather the main factors that define humans) will not only characterize traditionally complex jobs but also will be making their way into the business center environment, which, to date, has been characterized by rather structured, rule-based work.

On top of the skill shift, the nature of the Business Services sector implies the fact that transactional work along with data sources (enterprise and resource planning systems) and data itself has been outsourced to Business Services. This creates the unique opportunity of utilizing the data as an "elephant in the room" to drive business decisions and add value for customers. This unique chance has been neglected by some headquarters and potentially can be elevated to the strategic differentiator of businesses.

The Czech Business Services sector is known for investing in RPA, and data analytics and artificial intelligence (AI) capabilities. The overall growth in 2019 in RPA deployment alone was 25%, and the sector invests in in-house re- and upskilling of its own employees as a main source of new in-house capabilities. In 2020, these capabilities are widely available on the market and are slowly becoming mainstream. Data analytics and AI skills and strategies are on the rise and are becoming more relevant to Business Services.⁴⁹



4.2. The Czech Republic is in a superb position to support the new skill-related paradigm

In the Czech Republic, the approach to innovation is to embrace it rather than fear it. This attitude extends to new technologies, due to significant R&D infrastructure as well as a variety of companies that, through their presence and approach in the GBS space, have developed the tradition of smart productivity.

The skill shift has been recognized and traditionally supported by the Czech Government in a variety of sectors and via several governmental and non-governmental programs.⁵⁰

The Czech Republic has the highest gross value added of CEE countries

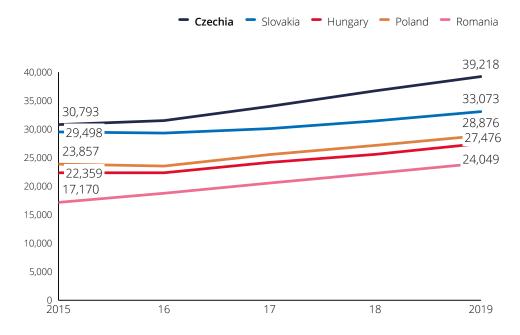
Today, Czech companies invest heavily in research and innovation, which is actively

used in digital manufacturing models that incorporate new technologies, such as AI, the Internet of Things, and robotics. Even though Industry 4.0 is currently a key initiative in all economies, Czech industry is also developing advanced technologies in other areas, including autonomous mobility, pure mobility, cybersecurity, optoelectronics, and many more. Gross value added per capita could be viewed as a tool with better precision than GDP. Even after subtracting taxes and subsidies, the gross value added for the Czech Republic tells a similar story: the Czech Republic is a leader in the CEE region, with room to grow in comparison to the EU average⁵¹.

The manufacturing and industry sectors have lower gross value added per full-time employee⁵²; however, they employ the largest number of people, capturing a large proportion of the workforce that

will likely be released in the future due to automation. This creates a potential future talent pool for the GBS sector after reskilling and requalification.

The Czech Republic has the highest GVA per employee among CEE countries



Source: https://ec.europa.eu/eurostat/news/themes-in-the-spotlight/gva-employment



Over 22% of all 2017–2019 graduates studied in the technical sciences. Traditionally, the CEE region is strong in technical and math studies, with most of the population possessing an above-average education.

25%

of companies on the Czech market have tested and utilized deployment of data analytics and AI The innovation and research infrastructure have not only favored Czech's poster child Prague, but also other regions. The South Moravian region and its capital Brno is famous for AVG, Phonexia, Madfinger Games, Y Soft, and Kiwi.Com. Other regions have attracted international leaders like Siemens in Prague and Ostrava, Knorr-Bremse in Liberec, and Lego in Kladno.

The secret sauce of smart productivity in the Business Services industry lies in the perception and re-definition of the Business Services role in the organizations and the value-adding chain.

The fact that GBS are processing copious data rarely looked at by their headquarters gives GBS an unprecedented edge to create new product offerings, support global cross-functional initiatives, and potentially play the role of aggregators and consolidators across different stakeholders. For this to happen, it is

imperative to provide a certain level of freedom to experiment (incubation is a possible approach). IT governance and political obstacles are also concerns. GBS organizations should be aligned closer to the stakeholders (e.g., corporate headquarters) in order to allow this to happen. The capability, knowledge, and willingness present certainly would allow this to happen.⁵³

The traditional view of Business Services as being simply transactional is not relevant anymore; this is proven by centers like Infosys, Atlas Copco, AB InBev, Deutsche Telekom Services Europe, and many others. Business Services play a vastly important role. Data analytics and AI is being deployed, tested, and utilized in more than 25% of companies on the Czech market, while most of the companies raise and nurture future-proof skills directly in-house.⁵⁴

The Czech Republic is home to leading international tech start-ups (Avast, Kiwi.Com, Madfinger Games, Phonexia, and more) and maintains a solid network of start-up incubators that support the innovative spirit. For example, Brno-based JIC annually supports over 100 companies in the initial phase of development. The Czech Republic has attracted many high-tech companies (IBM, Microsoft, Red Hat, Honeywell, etc.) that nurture smart productivity and constant innovation.

The Czech Ministry of Industry and Trade encourages and supports companies (with several subsidy programs) that bring high-value-added jobs to the Czech market, with a focus on robotics and technical research.

Development of automation in the Czech Republic

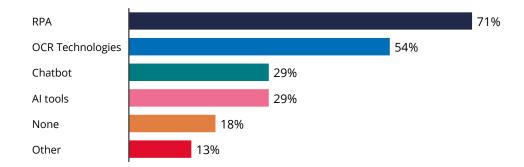
Automation methods implemented in Czech centres:

82%

of centres already implemented some automation methods

Other methods implemented in the centers include: Fully automated accounts payable workflow, SuccessFactors - Employee Central, unified Fiori ticketing, analytics/dashboards, ETL tool (Alteryx), natural language processing, digital enablers/overlay, workflow, code platforms.

Share of Business Services centers that have already implemented the selected methods of automation



Robots and automated processes provide work equivalent to:



5,000

full-time employees (FTEs), compared to 4,000 in 2018



16

on average 16 FTEs per center, compared to 14 in 2018

Robotics and automation experts within Czech business services:



1,200

FTEs, a 25% increase compared to 2018



10

the average FTES in an automation team within centers driving such initiatives; a 55% increase from 2018

Use of advanced knowledge-based services



73%

of all processes are now being delivered in the advanced or partner stage, up 5% compared to 2018



88%

of surveyed companies have advanced the level of services provided in the last year by 5% compared to 2018



50%

of activities performed are knowledge-based



0%

of the centers perform purely transactional tasks, a 2% drop compared to 2018



32%

of the centers perform more knowledge-based activities than transactional, a 17% increase compared to 2018

Source: www.absl.cz/report2020/



Deutsche Telekom Services Europe Czech Republic (DTSE CZ) subsidiary, located in Brno, has been operational since 2017 and has developed to over 140 employees. It delivers financial services to the Deutsche Telekom Group, ranging from procurement (P2P) to complex accounting services. To support its own and customer processes as well as make the best use of the multitude of the data sources that the Business Services center processes, DTSE CZ has embarked on the innovation journey of process mining and Al implementation.

Process mining

The process mining of DTSE follows a four-step approach that evolves over time.

Step '

What has happened? (Historic reporting based on cleared data) >>

Step 2

Why did it happen? (Self-service BI and explorative process visualization) Where the solutions are being used in the areas of process excellence, conformance checks, etc. >>

Step 3

What will happen? (Predictive analytics) Where the solutions are being utilized in the areas of fraud prevention and various real-time alerts. >>>

Step 4

What should I do? (Prescriptive analytics and machine learning). Where the solutions are being utilized to significantly improve our reaction to the forecasts in various areas. >>

After taking the first steps, Deutsche Telekom Services Europe actively explores the fourth step of evolution: Looking at the use cases with the support of complex machine-learning techniques that can be deployed in a variety of areas.

Al incubator

To tap the talent market in the Czech Republic, Deutsche Telekom Services Europe organized a hackathon in 2019 that offered international students and professionals the chance to join real-life challenges and test their data analytics skills in the Telco sector. Fast-forward 12 months, the Al Incubator is an integral part of Deutsche Telekom Services Europe and has created a steadily growing team of talented individuals that delivers an innovative approach for delivering cutting-edge solutions to the whole Deutsche Telekom Group.

ABInBev

AB InBev is constantly looking for potential improvements. The problem statement of the ABSL Diamond project was simple. While looking into transport planning processes, AB InBev realized that the processes were full of exceptions, human errors, non-standardization, and unstructured data. The transport teams used to receive thousands of email requests every day, where the majority was linked to routine, repetitive executive tasks. This led to a continuous decrease in employee engagement and the overall meaningfulness of their jobs.

AB InBev decided to implement a Natural Language Processing (NLP) engine in order to categorize, extract, and process the data in an automated way. The solution was fully scalable and overall independent from scope or language. AB InBev followed a DevOps mindset, where they built the technology and its future maintenance and support model fully in-house, in order to increase the control of these new processes.

As a result, the manual workload decrease generated savings of seven FTE's worth of workload as well as a decreased very low cost due to error avoidance and with positive impact on Net Promoter Score (NPS).

AB InBev's long-term strategy consists of multiple factors. The first is to introduce process mining tools to capture the full range of potential benefits. Second, our focus is on removing language dependency via tech, and achieving the maximum workload digitization, which will lead us into a state of true volume independence. This is what AB InBev calls "a road to a virtual GBS". The third part of the strategy is to scale up the technology portfolio and automation to the business and key customers.



Regional cities serving as GBS hubs

Unique value proposition for the GBS sector

Regional cities are attractive for foreign investors looking for new GBS placement due to their close proximity to major cities, a vast ecosystem of universities generating a substantial talent pool, and established cooperation with municipalities and regional governments. These cities also attract potential GBS employees due to their favorable living conditions, providing cost-competitiveness compared to the capital city.

Major GBS centers located in Ostrava:

Comdata, ČEZ Korporátní služby, Knorr-Bremse Czech Republic, Komerční banka, Laird Technologies, Ella CS, GMC Software Technology, Kingspan, Teleperformance CZ, Bosch, E.ON, Minerva, Gordic, Acamar, ADP, Aimtec, Hay Group (Korn Ferry), Kerio, NTIS, PDM Technology, SONY DADC, EXL Service, Flowserve, John Crane Sigma, NNIT, TESCO SW, Westcombe International Research, Johnson Control, Lapp Kabel, Foxconn CZ

Key facts

Liberec, Hradec Králové, Pardubice, České Budějovice, Jihlava, Plzeň, Karlovy Vary, Olomouc, Ústí nad Labem, Zlín

930.000 inhabitants⁵⁵

inhabitants within the 10 aforementioned cities; 1,220,000 within urban areas

Key industries and sectors: manufacturing, advanced industries, electronics, automotive

Education⁵⁹

11

universities

86,000

enrolled university students

17,000

students graduate each year

Workforce

911.000

is the total workforce of the district population⁵⁶

EUR 13,500-15,000

is the median gross annual wage range⁵⁷

32.000

is the current number of job seekers, with an average unemployment rate of 2.49%⁵⁸

Business Services centers⁶⁰

44

major international Business Services centers operate in these cities and in their close proximity

15%

of employees in Business Services are foreigners







((K)) KNORR-BREMSE

Since 2017, Knorr-Bremse has provided administrative services in accounting, HR, indirect purchasing, and IT for 27 Knorr-Bremse entities across Europe. Currently employing more than 200 employees, the Knorr-Bremse center is located in Liberec. The team speaks fourteen languages. About 66% of the staff speak more than three languages, and the same percentage has a university education. In 2019, Knorr-Bremse won the ABSL Diamond Award for employer branding.

Reasons to choose the Czech Republic and Liberec

Cultural proximity to the German headquarters; Labor arbitrage compared to Western Europe countries, mainly Germany; Proximity to the plant, which is also located in Liberec

Pros of the regional center

A lower labor cost compared to other cities in the Czech Republic; Low attrition, below 10%; Premier employer in the location and supported by strong brand; Opportunity to build a start-up culture on a green field; Lower rent cost compared to the main cities in the Czech Republic

Cons of the regional center

The shared services industry does not have a history in the traditional automotive region; Highly specialized talent, mainly IT, had to be hired from abroad or commute from Prague; A longer process to build everything from scratch



The Business Services of LEGO in Kladno is only part of the LEGO history on the Czech market. Over 3,000 people work in the LEGO production factory in Kladno, while Business Services shared services employs 200 people who are responsible for finance (accounts receivable, accounts payable, general ledger) and HR (recruitment, service desk, payroll, master data) services for the Lego EMEA region. Planned expansion includes for order to cash, treasure, general ledger accounting, and tax, which requires highly skilled people with language skills.

Why Kladno

LEGO Business Services traditionally follow company production sites, and the Czech location was no different.

At the beginning of operations in 2016, 80% of the employees were Prague commuters, and 20% lived in Kladno and surroundings. In 2020, only 30% are Prague commuters, and the rest have moved from Prague to the area.

LEGO has a unique family-like company culture which puts a high focus on people and on keeping people together, while pursuing maturity and process standardization as well.

Robotics is new to LEGO and starts making sense after a long process of in-house IT standardization. The attrition rate is 9–10% and super stable in 2019–2020. Twelve languages are spoken in Lego, which covers the market. At the beginning of the Business Centre operation, there was a massive recruiting wave and transition years.

LEGO's size allows for proper local community engagement and relationship-building with the local authorities. All skills shifts and upgrades are planned to be achieved through investment in people development.





We see the following key global trends affecting the future of the GBS sector

1 2 3 4 5

Organization and operating models are changing Delivery models are virtualized and distributed The push for increased efficiency continues

Technology and digitization brings great opportunities and challenges The future requires new capabilities and brings different skills and expectations

- 1.1. Company mergers, acquisitions, and spin-offs have an impact on GBS
- 1.2. Company internal transformation programs impact GBS
- 2.1. Delivery models are becoming more outcome-driven
- 2.2. Delivery models are becoming more virtual
- 2.3. Delivery models are becoming increasingly global
- 2.4. GBS is receiving a greater scope of Business Services

- Labor cost productivity is expected to continue improving
- Facility cost is expected to reduce by redesign of office use and functionality
- 4.1. GBS processes and services undergo "de-languaging"
- 4.2. Self-service models are getting more prevalent
- 4.3. End-user experience grows in importance
- 5.1. Future GBS will need different skills and capabilities
- 5.2. New generations will have different expectations for meaningful work

Our world is changing fast. The speed of that change has increased, accelerated in many areas by the COVID-19 pandemic. Czech GBS centers are closely connected with the global economy and will feel the effects. Businesses and companies are looking for the "new normal" and are thinking about how to radically evolve their operating models and redefine the role of GBS centers.

1 Organization and operating models are changing

The speed of change in business increases every year, particularly as global competition intensifies and innovation rates accelerate. Numerous studies show the impact of these rapid changes to the workforce, technology, and everyday life. GBS organizations, in turn, find themselves directly and indirectly impacted by the flurry of divestitures, integrations, and other large, disruptive transformational initiatives within their companies. Due to

the significantly increasing scale of Business Services footprints and their closer proximity to corporate strategy execution, they are now both agents and recipients of these changes—expected to support and even lead the business through change while adapting their own model to ensure continuity of support afterward.

We observe the following key drivers of organizational changes in GBS:



1.1. Company mergers, acquisitions, and spin-offs have an impact on GBS

The divestiture of business components through spin-offs, demergers, sales, or other similar means often results in additional or even duplicated workload for Business Services teams during the process of separation (e.g., while providing transitional support), even as the same teams prepare to ramp down once the work has moved to its new owners. Both the short-term increase and eventual decrease in activity in this case disrupts economies of scale and overall efficiency. On the other hand, the acquisition of

new work through the onboarding of new business components as a result of mergers, acquisitions, or the like creates pressure to quickly scale operations, adapt and standardize processes, and lead change management in order to drive quick efficiency gains. Very often, teams balance both onboarding and offboarding work from business deals simultaneously, which produces more complexity and can also bring opportunity to more seamlessly manage workforce dynamics.

Companies routinely embark on ambitious internal transformation programs and these result in direct engagement from and operational impact to Business Services teams.



1.2. Company internal transformation programs impact GBS

Sometimes directly as a result of large business deals, and oftentimes simply to drive internal effectiveness, companies routinely embark on ambitious internal transformation programs. These, too, result in direct engagement from and operational impact to Business Services teams – particularly in more mature GBS organizations where their delivery models span across both enabling and commercial

business operations. If not asked to help lead these initiatives, Business Services must quickly embrace them and rotate on organizational, technological, and/or process enhancements (perhaps in multiple layers) to ensure sufficient adaptation to each of their internal customers. Again, this usually calls for active exercise of agility, scalability, and a consistent focus on compliance.

Delivery models are virtualized and distributed

The overall strategy through which GBS delivers value, including cost-effectiveness, is very significantly tied to its delivery model—the what, how, and where services are provided within a respective organization. Rather than looking simply to reduce costs, a keen focus on aligning with business needs is critical to adapting delivery models in a way to bring true strategic value while maximizing cost efficiency.

Business Services organizations now often have the ability to interact with and support activities across the range of enterprise functions, providing the opportunity to position delivery models to greater effect and to address important questions around scope, location, and stakeholder interfacing. In doing so, they must carefully assess priorities and the approach to delivering true value in end-to-end services.

Understanding and mapping needs to capabilities includes anticipating capacity requirements, available talent, and mobilization potential to ensure the footprint design is capable of bringing both operational and financial success. In

addition, careful consideration of proximity to clients and relevant response time is still critical due to the increased drain on quality, agility, and resilience in delivering desired business outcomes.

Culture is also an important aspect of the delivery model, namely how diversity in an organization's colleague base is harnessed to produce a robust corporate culture to the benefit of its service offerings and solutions. While increased global standardization and self-service in delivery reduces direct cultural implications, diverse backgrounds and perspectives continue to play a role during solution design, helping to ensure unexpressed cultural expectations are translated into service design and delivery. Thus, GBS centers will continue to benefit from inclusivity.

All this said, there are a few delivery model characteristics that seem to be emerging—or being strengthened—today in progressive GBS organizations as they adapt to a dynamic and changing environment, seeking to produce extraordinary value.



2.1. Delivery models are becoming more outcome-driven

Business Services must clearly align its existence to internal and external customer needs, and linking its deliverables to the commitments of internal stakeholders is key to providing premier strategic value. Offering a service and solutions without driving value toward the ultimate benefit of the customer may help save costs but won't result in maximizing cost payback.

In many companies, Business Services has led in bringing clarity to value proposition, benchmarking outputs, and aligning structure and agile delivery model to ensure best-in-class operational productivity. Every decision on the how, what, and where of organizational footprint and design must contribute to the delivery of value, not just service.

This capacity and orientation toward output-focused planning and execution will continue to position Business Services for success as long as output efficiency and effectiveness in alignment with enterprise goals is always an integral part of its core DNA.



2.2. Delivery models are becoming more virtual

A considerable impact of the COVID-19 pandemic on organizations is the clear demonstration that services can be successfully delivered to clients, no matter the physical location of the employees who support those activities. As a large majority of the Business Services workforce across the globe shifted from office-based working to home-office working during the crisis, it was proven that substantially all processes can be managed remotely, thanks to virtual tools. Fortunately, as remote working was already part of the model for most GBS teams, adaptation to the pandemic was largely fairly seamless. It nevertheless shattered some long-held preconceptions about remote working and whether it could be successful in a service-oriented landscape.

Thus, delivery model decisions will continue to be less location-centric, providing greater flexibility to construct them for optimal effectiveness and cost-efficiency. In practicality, it means services will be solutioned increasingly with distributed

delivery, though business partnering on design may originate in close proximity to where customers are primarily located. In this way, service components could be produced by self-organized virtual teams in multiple geographic locations.

Even collaboration can clearly be achieved remotely through various technical solutions. Employees do not need to be face-to-face in order to collaborate and innovate. This opens the opportunity to engage employees and partners, regardless of their location, to work together and resolve issues and to create innovative solutions. The logistics of organizing multiple recurring sprint events, for example, is simplified now it is unchained from being done in-person—and helps maximize the utilization of people's time. On the other hand, it comes with challenges to event preparation, facilitation, and participant engagement. As a result, the role of team lead may transform to team facilitator and engagement lead.



2.3. Delivery models are becoming increasingly global

A shift from regional to global modeling has been underway for some time within Business Services, and it has assumed remote service delivery of professional services from fully-scaled global service centers where activities are concentrated in a few on-shore and/or off-shore locations. This trend will only be accelerated due to COVID-19 and the broad realization (even acceptance) that physical location in itself is not a critical component of successful service delivery.

The question remains how increased remote working within GBS teams will impact the particular structures of global centers themselves, but it is clear that the need to concentrate service delivery in locations of service use is less important than it once was. Despite where the work is physically

performed, the globalization of process design and service footprint—including further standardization at scale—facilitates greater end-to-end and cross-functional integration. From a service delivery perspective, it unlocks significant potential for driving operational and cost-effectiveness/efficiency.

On the other hand, the potential complications in labor management and labor law compliance as a result of a distributed workforce may lead to a desire for more localized talent near global centers, or in on-shore centers serving the global centers in a wheel-and-spoke manner. In either case, continued globalization of delivery models will bring about the dynamic transfer of roles across locations to best leverage access to required capabilities and talent.

As the location where the work is physically performed is revealed to be unimportant, process design and service footprint are increasingly globalized, and companies become more end-to-end and cross-functionally integrated.





2.4. GBS is receiving a greater scope of Business Services

The service offerings of Business Services will continue to expand well beyond typical corporate functions. As delivery becomes more virtual and global, yet keenly focused on high-quality output, GBS will be able to absorb more of the external client support services and play a more important role in the business model and operational strategy of corporations themselves. This is evident organizationally from the increasing frequency in which GBS leaders are being placed in executive leadership positions alongside core business owners and other members of the C-suite.

One important enabler to this wider set of opportunities is the successful automation of processes and work tasks, which has pushed Business Services in its transformation from transactional delivery to a center of knowledge and capability. While GBS continues to oversee and often own transactional processes, it is progressively more able to harness vast amounts of data, process knowledge, and internal networks to create critical connections between business needs and innovative service solutions.

In addition, as GBS moves up the value chain, it is better positioned to contribute meaningfully to vital and ever-growing needs around business resilience, IT, and data security. This is particularly acute as the virtual economy expands, and employees work extensively from remote locations, bringing more criticality and complexity to security measures.

Another area where GBS is leveraging technology to enable greater effectiveness and an opportunity to expand its scope is through language unification, namely reducing the importance of language capability as a value proposition. This not only serves to facilitate globalization and virtual working but also becomes a tool through which GBS can fine-tune its delivery model to more seamlessly connected processes. From a scope and cost perspective, gains can be achieved through the optimization of both backoffice and front-office functions. However, where business interfaces still require a "human-like" experience, there is still plenty of opportunity for GBS to help deliver stronger solutions.

GBS leaders are more often being placed in executive leadership positions alongside core business owners and other members of the C-suite.



The push for increased efficiency continues

The origin of Business Services (then often called 'shared services') was rooted in helping companies reduce their operating costs, particularly in the area of repeatable transactional work. Even as the concept has progressed to increasingly take on a more value-focused, rather than cost-focused, approach, the pressure on organizations to maximize profit—and thus minimize cost—never subsides. As the Business Services approach has proven an effective means for achieving cost efficiency, it will continue to be expected to deliver continuous efficiency and productivity improvements for companies. If anything, the global COVID-19 crisis will make this focus even more acute going forward. Labor cost is certainly the most relevant cost category for GBS services, but there are many others—including facilities costs and IT systems.

As labor is often the single most significant cost driver for companies—and certainly so within Business Services—it is a critical area in the play to minimize expenses. Fortunately, even with rising labor costs virtually everywhere, Business Services successfully drives process centralization and standardization; automation; work migration; and workforce flexibility, in particular; to deliver savings where labor cost is concerned. Going forward, finding these opportunities will be more difficult,

especially as global centralization and high levels of automation are achieved, and global economic expansion continues to reduce options for further work migration in order to find lower labor cost locations.

In addition, operating costs related to facilities management and maintenance have been, and are being, better leveraged (if not trimmed) through smarter planning and reduced headcount requirements, due to both staffing reductions and more progressive remote working such as homeoffice and office-sharing approaches. The COVID-19 dilemma has certainly accelerated the acceptance of offices being collaborative spaces rather than "working" centers in the future. While expanded work-from-home practices may shift some cost to ensuring sufficient support for those home offices, a more focused use of commercial office space for meetings, training, and coworking will reduce the space needs—and, thus, operating costs in those high-cost office environments.

Even so, to the extent physical office locations continue to be required, the advancement of truly global and fully integrated multi-functional Business Services organizations provides a significant ability to leverage scale in bringing facility cost synergy to organizations.

Business Services are expected to continuously increase labor productivity through process centralization and standardization, automation, work migration, and workforce flexibility.

4 Technology and digitization brings great opportunities and challenges

Traditionally, GBS drives efficiency by processing large volumes of standardized work. This environment creates the opportunity for introducing large-scale digitization and new technologies to increase efficiency and reduce service costs. GBS centers are often pioneering new technologies that are later adopted by the rest of the parent company, even

while leveraging them to enable broader service options and greater value delivery to the organization. As innovation rates increase, so does the pressure to integrate technology solutions.

Following are several specific trends in the area of technology and digitization as they relate to Business Services:



4.1. GBS processes and services undergo "de-languaging"

Regional and global service hubs often have to work with multiple language variations in master data and documents, which creates various operational challenges. Hiring, training, and retaining foreign-language speakers is increasingly difficult and more expensive. Also, maintaining a separate process/agent for each language variation substantially limits the opportunity for full standardization and, therefore, hinders productivity growth.

However, GBS centers are dealing with the language challenge in creative ways that enable them to shift to larger volumes of language-independent processes.

The solution for the language challenge is either in process, or in technology, or a combination of both. Processes can be deconstructed and the language-dependent parts can be moved to a different role or process phase. Technology can help by introducing optical character recognition (OCR), translation tools, or more advanced natural language processing (NLP) technologies.

These solutions reduce the need for language speakers, enabling efficiencies, and opening the doors to large-scale process automation.

GBS centers use technology to shift to larger volumes of language-independent processes.



4.2. Self-service models are getting more prevalent

In the last decade, great progress has been made in user interface solutions, evident in the increased use of portals and mobile applications designed for simple and intuitive user experience. Technologies like OCR, NLP, chatbots, and AI are enabling the development of self-service portals, mobile applications, and other solutions that allow customers or other stakeholders to contact the service center easily, at any time, and with little, if any, human touch on the service side.

Self-service solutions are desirable for Business Services. They reduce the need for human agents and usually increase data accuracy by introducing intelligent input/data validations. Moreover, self-service portals enable the inflow of structured digital information right at the source of this information. There is nothing more frustrating and inefficient as retyping data from multiple formats and templates, or even hand-written hard copy documents.





4.3. End-user experience grows in importance

The expectations from customers and other end-users of the GBS are growing. In the past, GBS was the place for pre-defined standardized procedures to be processed. Now, users and customers look to the GBS for a partner who can help solve problems. The GBS will own not only processes but also solutions.

The expectations are that services will be delivered in an automated, integrated way,

preferably through a digital on-demand interface. It should be as easy to get something from the GBS as it is ordering from an online retailer (the Amazon test). These expectations also make the Net Promoter Score (NPS) the primary key performance indicator (KPI), over more traditional service level agreements (SLA) and KPIs.

In the past, end-users looked at GBS as a place for pre-defined standardized procedures. Going forward, end-users will require GBS to be their partner in problem-solving.

The future requires new capabilities and brings different skills and expectations



5.1. Future GBS will need different skills and capabilities

As noted, Business Services has significantly evolved in its operational positioning and in its value proposition. Gone are the days where it is seen primarily as a back-office transactional operation. Sure, it still continues to manage (even more) transactional activities for organizations—but it has leveraged experience and scale to substantially centralize, standardize, optimize, and automate those highly manual, repetitive activities. It now looks to be more front and center to both core and enabling functions by delivering deeper strategic value through cognitive and integrated technology, analytics, agility, and information. Doing this successfully in the future will require a workforce that has a progressively forwardfocused outlook and skills.

While functional expertise is still important, as is a solid work ethic, responding to market needs requires Business Services professionals to be change leaders: strongly analytical, big-picture focused, and technologically competent. This is true even to adequately respond to other macro trends mentioned—cost pressure and speed of change. Driving innovative and adaptable solutions to address these challenges in the marketplace and within organizations will largely be the responsibility and mission of Business Services. Its colleagues of the future will not be looked to for repetitive transactional work but for understanding needs, driving change, developing and implementing solutions, and effectively communicating across diverse stakeholder groups.

Future GBS will require different capabilities, such as understanding needs, driving change, developing and implementing solutions, and effectively communicating across diverse stakeholder groups.



5.2. New generations will have different expectations for meaningful work

Ultimately, responding to the need for new skills is a play by Business Services to help put organizations closer to their customers and to successfully respond to their shifting needs—thus ensuring ongoing success in a highly competitive marketplace. It is also an increasingly competitive and quickly evolving marketplace in terms of talent, as well.

The workforce of today demonstrates the convergence of professionals whose careers date back to the early days of the PC revolution with the new generation of young professionals who are ambitious, impatient, and highly techsavyy. Harnessing and leveraging the vast capability of this diverse workforce is requiring companies to recognize and respond simultaneously to the needs of its seasoned veterans as well as young, fresh talent just joining their team.

In practicality, this shift from the 'old economy' to the 'future economy' of talent means attracting, retaining, and developing colleagues across a wide spectrum of ages and needs. Companies can still benefit greatly from the maturity and experience of Baby Boomers and GenX, but oftentimes those colleagues need help, particularly in embracing new technology and for rapid change. For millennials and GenZ, who comprise the future of work, they desire and even demand frequent change and disruptive, innovative technology. They are largely more creatively-oriented and socially/environmentally-conscious, with the expectation that personal values should be more aligned to corporate missions. The concept of life-long loyalty to (or from) a company is foreign to them, so they often view employment relationships more through the lens of 'assignments' and 'experiences' rather than as an investment in a long-term, linear promotional track.

The future of work for the millennial and GenZ generations comes with different expectations than for the Baby Boomer and GenX generations.



How does GBS in the Czech Republic stand vis-à-vis these trends?

The Czech Republic has been a fairly significant GBS location choice in recent years for both medium-sized and large multinational companies. This is largely due to a combination of geographic centrality, diverse population, good standard of living and infrastructure, access to an educated and professional workforce, and reasonable cost of labor and rent. Many companies have found success in building centers here, not only in Prague but in various locations throughout the country.

However, as both the GBS sector (locally and globally) and the Czech market itself have continued to develop and evolve, some of the competitive advantages of placing work here have softened and, as a result, require a fresh and honest assessment of the Czech 'value proposition' moving forward.

Here are a few examples:

1. Cost

Over the past five years, a strong demand for talent has helped facilitate a vibrant Czech economy, but has also resulted in quickly expanding labor costs. The clear cost advantage is in question, even compared to many other emerging markets. As companies look to further centralize their global operations, labor arbitrage (especially at scale) can be more easily found, especially in Asia.

2. Geography

Location decisions regarding where to place work are decreasingly based on geography as a significant factor in itself, not only due to a greater shift from regional to global but also due to a more effective virtual economy. Collaborating and communicating through virtual channels has vastly improved, as has the proliferation of self-service and remote help models that can effectively be based almost anywhere.

3. Language

Due largely to automation and excellent cognitive tools, activities that have historically required human language expertise to perform effectively are being increasingly done by machines—including chatbots and web-based applications with language generation working in the background. Companies are now much less dependent on locations with rich language availability.

4. Employment environment

Companies are looking for more flexibility to scale operations, for labor codes that favor flexibility in work arrangements, and for efficient immigration practices that make talent movement relatively easy to accomplish. With extremely low unemployment, restrictive labor codes, and difficult immigration processes, the Czech Republic is increasingly at a relative disadvantage on this front.

In the previous generation of GBS centers, these four factors were key to selecting the right GBS location, and the Czech Republic scored high. Now and in the future, different factors are becoming more relevant. We will outline them in our vision in the following chapter.



Chapter 3: Our GBS Vision FUTURE NOW

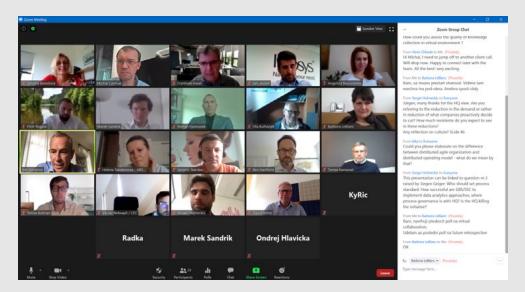


Our aspirations for the Czech GBS sector in 2025

In 2025, the Business Services sector in the Czech Republic has achieved broad international recognition as a global superhub for advanced IT, Business Services, and digital transformation. We are the largest business sector in the Czech economy, employing 180,000 people in over 500 centers across the country. Czech Business Services stands at the forefront of advanced robotics and digital transformations across global business—and the sector drives the digital and innovation agenda here in the country. This secures the prosperous development of the Czech Republic into a highly advanced, top-tier European services and innovation economy.

The Business Services sector benefits from the modern business environment in the Czech Republic, which is one of Europe's innovation leaders that supports science, research, and innovation.

This report was created by a collaboration of GBS professionals and McKinsey & Company consultants in June–September 2020. Virtual digital collaboration was used exclusively as the means of cooperation.



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Our GBS Vision FUTURE NOW

As a diverse group of experienced professionals currently leading Czech GBS teams, we embarked on a mission to offer collective insight into the future of Business Services in the Czech Republic—and to bring a cohesive vision that takes into consideration the current landscape of our sector, trends impacting GBS locally and globally, and opportunities to ensure future success. This required both an appreciation for the tremendous progress made locally by our sector and an honest assessment of how our organizations can meet the demands of the future global economy.

In an increasingly competitive world, we are aspirational in our outlook, understanding that staying ahead requires a value proposition that does not rest on any past formulas of success but on a progressive orientation toward the future. Given the considerations outlined in Chapters 1 and 2, we have aligned our assessment into a vision wherein the continued success for Czech Business Services must be achieved through a robust combination of:

1

2

3

4

Expanding the scope and value added of our services

Becoming digital and innovating the GBS collaboration model Leading in talent management

Shaping the business environment





Automating, improving productivity & quality of services



Expanding scope of services & smart solutions



Thought partners for clients



Digitization & the latest intelligent technologies in service delivery



New
operational
models &
leveraging
the
workforce



Innovative workplace & creative collaboration

We expand the scope & value added of our services

We are digital & innovate the GBS collaboration model



We lead in talent management



Reskilling & value-added service delivery



Attracting new talents & flexibility



Embracing new methods & technologies

We shape the business environment



Creating a strong environment for GBS



We continuously automate and improve productivity and the quality of the services we provide

Automation has become the new name of the game—and technology is the vehicle. Those who can adopt technology and transform from within will be those who get on a trajectory to a bright future.

To date, Business Services have mainly used chatbots and Robotic Process Automation (RPA) technology on simple processes in finance, HR, or logistics to automate repetitive manual, labor-intensive tasks. This slow pace of automation adoption so far is likely to change, and we will experience a shift from linear to exponential transformation. Accompanied by emerging technologies such as process mining, NLP, and natural language generation (NLG), and human-robot collaboration environments, GBS are moving into a new world. In this world, successful delivery will no longer mean functional teams and their KPIs/SLAs but will have different manifestations: a distributed and augmented network of human and digital workers with the underlying fabric of supporting systems and smart, automated solutions.

 In the last three years, the Czech GBS automated approximately 8,000 full-time-employees (FTE) worth of work, yet the sector has brought in a new 25,000 (real) human FTEs.





We expand the scope of our services far beyond transactional and support functions into digital, IT, transformation, expertise, and core business

Traditionally, shared service centers were established to centralize non-core transactional activities in order to reduce unit costs. Over time, after the centers established themselves and expanded into more complex activities and as GBSs started adding IT activities into their portfolios and as they are also key business users, they combine user perspective with development capabilities. After gaining the competence to digitize and automate services, GBSs are transforming their own activities and offering new services to the rest of the company, effectively becoming Centers of Excellence (CoE). GBSs thus can play an important role as they are placed between business, various internal functions, and IT and have good visibility into interface and data flow gaps between the individual functions and tools.

 Security awareness training is becoming critical—96% of phishing attacks arrived via email last year, while only 3% arrived through a website, and 1% were associated with a phone or SMS





We are thought partners for our clients and we provide them with true added value

The amount of data available—not only to GBS—has been increasing dramatically. This trend will continue. Centers are uniquely positioned to work with large datasets and bring new insights because they are usually seated between various company departments that often work in silos. Silos do not allow rapid productivity increases, flexibility, or resources reskilling through cross functional cooperation—skills that centers have recently learned in order to remain competitive.

The key success factor for GBS in this new era is ownership of domain and functional expertise that is needed to convert data into relevant and value-adding information. GBS centers need to shift their focus from being processing units to becoming strategic partners relevant to the company's top line. They need to be a partner who understands and owns business processes, has a deep business understanding, and can shape the parent company's tactical and strategic decisions.

 The volume of data produced globally is growing exponentially—from 15 zettabytes in 2010, to 50 in 2020, and 175 in 2025





We are digital and we use the latest technologies in service delivery and how we work together

In the past, GBS centers were defined by their mother companies' IT. All technology decisions were made at headquarters. Centers provided a workforce with functional expertise, operating the tools and processes.

In the future, GBS centers will define digital and technology strategies, roadmaps, and solutions for global companies. They will be in charge of developing digital tools, redesigning global processes, and developing new end-products. The technology ownership of the solution is typically coupled with process ownership, and GBS centers thus will become fully responsible for the new digital end-solutions. They will quickly begin to use technology pilots, proof of concept models, and develop minimal viable products using the latest technology and scaling it rapidly.

 In the Central European region, Czech GBS centers have the highest share of full time employees working in IT—41%, significantly above Poland (32%), Slovakia (31%), Hungary (11%), or Romania (8%)





We work in new operating and organizational models that engage colleagues from all over the world and leverage an agile way of working

Since most transactional services have been relocated to low-cost locations, GBS centers are going through organizational transformations to remain competitive. This includes utilizing the modern ways of agile and virtual collaboration, breaking down the boundaries of departments, divisions, and even geographies. The conversion toward the new operating model enables GBS organizations to bring critical capabilities and orchestrate transformation and digitization in global corporations.

This agility expands the scope of activities, bringing new value-added services to customers. Providing more complex services also enables GBS organizations to build partnering relationships with headquarters and regional sales units and to actively shape and redesign provided services, rather than passively executing them.

 CZK 1,000—Typical well-being budget per head/per year can start as low as CZK 1,000, making it a "small" investment considering its powerful impact





GBS offices are place for innovation and creative collaboration and our modern office space supports critical interactions

Coronavirus-related restrictions have proved that employees are flexible when the situation demands it. Despite many managers' expectations, productivity hasn't dropped and trust between employees and their managers as well as among teams grew.

While a certain share of work-from-home is normal for many roles, the office workplace will still continue to be the main hub for collaboration, interaction, and innovation in organizations. However, the need for flexibility and faster dynamics in the workspace will require a shift in company culture. This might include custom design to make employees feel good in their offices and further increase their productivity and loyalty. New office models include non-dedicated work areas which reduces the square meters needed for the traditional office-like areas. With the office environment adapting to flexibility and coworking, the collaboration of employees will be enhanced, and their greater engagement will lead to more creative ideas.

- 50% of employees wish to have the opportunity to work 1–2 days from home even after the COVID-19 crisis passes
- 20% of organizations in the Czech Republic are planning to reduce their office floorspace





Our employees bring the new skills and dynamics required to ensure we deliver greater value

The digitization of Business Services is changing the traditional GBS model driven by labor arbitrage. Increasingly, a low-skilled, high-turnover approach to GBS talent management is replaced by the demand for a higher-skilled workforce, where employee development is essential. Continuous improvement within the processes, coupled with digitization and automation, increases the need to develop new capabilities and skills with a particular emphasis on new digital profiles. These digital experts, together with management, need to move away from linear thinking and towards how technology can exponentially transform the functional area and solve the business problem. Product centricity and ownership will be among the key skills.

GBS leaders that pay attention to the talent management topic will be better placed to deliver superior performance across a wide array of metrics.

 50% of centers plan to introduce data scientist, RPA engineer, and customer experience specialist roles in the next three years





We attract great talent and are able to respond to changing business needs

As the need for highly skilled talent is becoming a major challenge in all developed markets, GBS organizations are focusing on the pull strategy to demonstrate local talent capabilities. At the same time, candidates need to understand company purpose, culture, and leadership style, as well as how their own contribution will fit with the company goals.

To compete with attractive employers on the relatively exploited Czech talent market, Business Services companies need to promote the industry and their own brands, ensuring a positive experience of the talent attracted. Leveraging technology capabilities will play a critical part in future recruitment to make it more effective. Technology will enable recruiters to conduct proactive strategic hiring rather than spend most of their time with reactive backfilling. Also, recruiters will have more time to spend with candidates in-person to build relationships and help determine culture fit, thus reducing early churn.

 12% is the annual growth rate of jobs in Business Services—among the fastest growing industries in CZ





We embrace new and emerging methods and technologies to develop and retain a flexible and agile workforce

Which levers will the best companies pull to equip their people with the diverse range of skills to succeed in the coming years? The COVID-19 crisis has accelerated digital transformation programs across industries and it has become more apparent than ever that it is people that will drive the transformation.

The ability to motivate and educate people will be among the key levers of success. The importance, impact, and significance of learning and development departments across an organization will grow exponentially over the coming years and only organizations with the right talent will succeed. Learning and people development in organizations will be shaped by multiple trends, such as technology advancement (e.g., virtual reality, wearables), course relevance (e.g., standardized courses vs. personalized), or a higher need for flexibility (e.g., longer on-the-job learning, department rotations, cross-team training).

- 54% of all employees will require significant re- and upskilling by 2022
- 19% of the skills we have today will be irrelevant in three years' time



We collaborate with governments, municipalities, universities, and the public to create a strong environment for GBS

As GBSs expedite their growth in the post-COVID business environment, the demand for quality of talent and overall expectations will increase simultaneously. While GBSs push toward new service delivery boundaries, locations must clearly demonstrate their ability to move with them—support from the countries and cities where the centers are located is critical. Only a combination of high living standards, high-quality education, modern digital infrastructure, and a flexible business environment will enable the growth of the Business Services sector.

Our vision is that by 2025, the Czech Republic is known across Europe as:

- · The country of digitalization, innovation, and technology
- The country of investment support and flexible business environment
- The country of a high-quality, modern, and up-to-date education system







How to achieve GBS vision FUTURE NOW

1

Automating, improving productivity & quality of services

2

Expanding scope of services & smart solutions

3

Thought partners for clients

4

Digitization & the latest intelligent technologies in service delivery 5

New
operational
models &
leveraging
the
workforce

6

Innovative workplace & creative collaboration

We expand the scope & value added of our services

We are digital & innovate the GBS collaboration model



We lead in talent management



Reskilling & value-added service delivery



Attracting new talents & flexibility

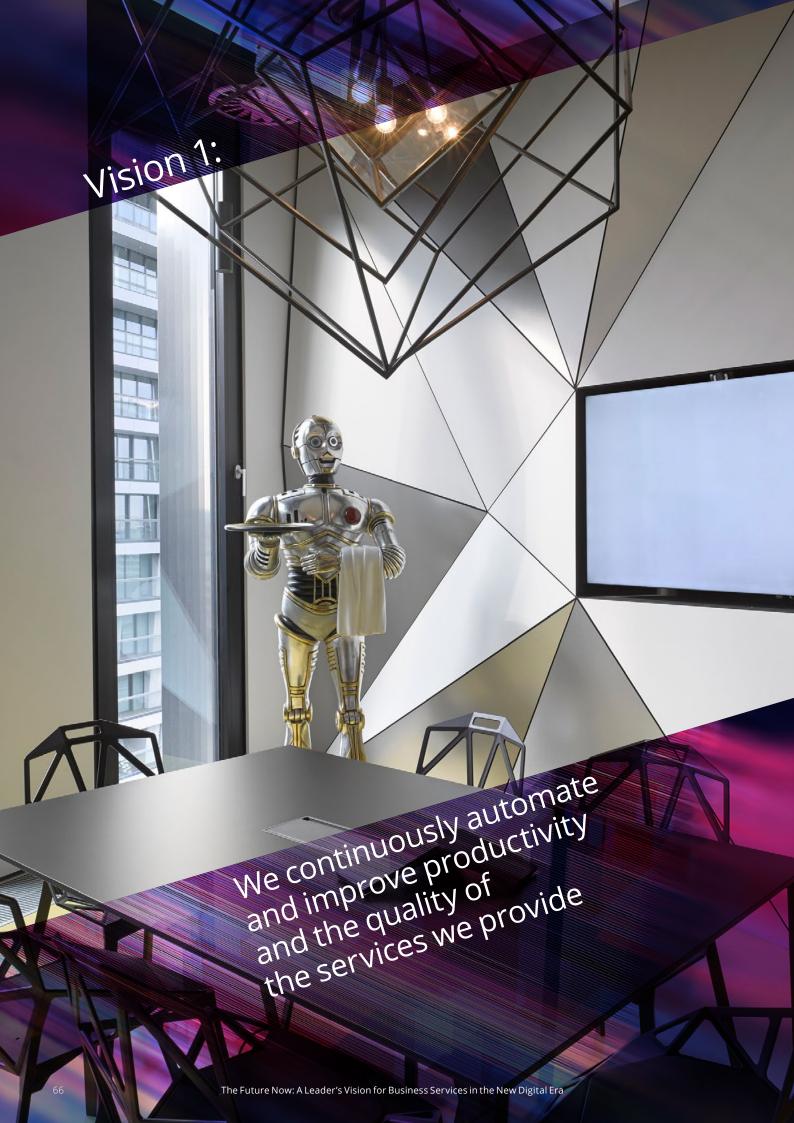


Embracing new methods & technologies

We shape the business environment



Creating a strong environment for GBS





Our future is built in our history

The Business Services sector has had a long journey to get where it is today. There are over 500,000 FTEs working in Business Services only in Eastern Europe, and well above 130,000 FTEs in the Czech Republic. The sector provides complex services and has become an integral part of global corporate structures. Business Services have matured when it comes to process performance and productivity.

What is behind this successful journey, and how have Business Services become such a strong and growing business? The origins of the centralization idea date back to the early 1980s. Roughly every decade since, there has been a new lever that

served as an improvement engine, namely centralization, standardization, off/near-shoring, and operational excellence. In the past decade, we saw various process improvement initiatives that combine the best of traditional process management and Total Quality Management (TQM) techniques and tools, from Kaizen to Lean. And Business Services were able to push process performance even further.

At present, the sector faces new horizons. Technology is coming—and it is obvious that it will turn the Business Services environment upside down. The Age of Technology is bringing new challenges and opportunities.

Process automation and use of new technologies are the new standard in GBS productivity evolution

Central	lization
of busi	ness
process	ses

Standardization of business processes

Offshoring & nearshoring

Process operational excellence

Process automation & new technology

Creation of Shared Service Centers (SSCs)

Maximize cost-efficiencies

Service levels

Performance management

KPIs & SLAs

Process management

Multifunctional scope

Low cost locations labor arbitrage

Front/back office split

Regional/global operating model GBS

End-to-end service management

Lean, Kaizen

Process improvements

Global agility

Service value orientation

End-to-end process governance

Client-centric approach

High-end valueadded scope

Lean 6 Sigma

Process transformation RPA
Machine learing & Al

Advanced analytics

Source: The Future Now Workgroup Analysis



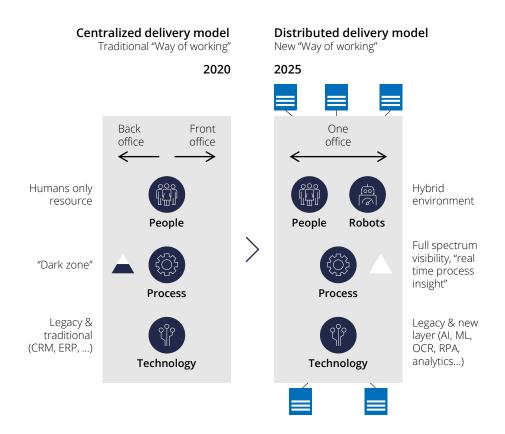
GBS is at the edge

The GBS sector in the Czech Republic has been growing, organically and successfully, for more than ten years under stable and predictable conditions. It has progressed from simple to more complex and a higher value-added scope of services. Yet, nowadays, the unforeseen COVID-19 pandemic and the rapid technology pace

changing in every aspect of our business lives present a disruption of scale and size that we have never seen before. Heads of GBS find themselves in front of an uncomfortable question: How can centers sustain the constant push for improving already excellent services and, at the same time, get ready for the new environment?

GBS centers will move to the distributed delivery model

Source: The Future Now Workgroup Analysis



Implementation of digitalization accelerated in 52% of Czech centers during the COVID-19 pandemic.

Source: ABSL 2020 survey



Automate, or die

Traditional levers like scope centralization, labor arbitrage, process standardization/ optimization, and process improvements are falling short of the mark of getting GBS ready for what is coming. Automation has become the new name of the game—and technology is the vehicle. Those who can adopt technology fast and successfully and transform from within will embark on the

trajectory to a bright future. Automation is not new, nor is the modus operandi. It's the state of mind that is new. Business Services were always asked to be customer-centric, now they should also find ways to be automation-centric: customer-centric to the outside world and automation-centric inside the organization!



There is a long journey ahead

Let's recap technology and the impact it has on improving our services: To date, Business Services have used chatbots and RPA technology on simple processes in finance and accounting, HR, logistics, and other business areas to automate repetitive manual, labor-intensive tasks. Booking

invoices, the administration of new hires, and entering orders used to be typical repetitive activities for employees. Automation has indeed improved process performance by lower cost-to-serve, zero error rates, faster transaction times, and 100% auditability.

Top 3 areas with the highest percentage of automated processes

Source: ABSL 2020 survey



Finance & accounting



IT services



Customer operations

The incremental FTE scope increase for the same period, driven by natural growth, that is, new positions created for the human workforce, has been two to three times greater. In other words, GBS in the Czech Republic automated approximately 8,000 FTEs' worth of work, yet the sector has brought in new 25,000 (real) human FTEs. It may seem like we have successfully completed the country-level automation pilot and now it's time to roll it out.





Fasten your seatbelts: next stop, hyperautomation

11%

of customer operations and 8% of IT services have been automated using AI

Source: ABSL 2020 survey

The slow pace of automation adoption so far is likely to change. Get familiar with the term "hyperautomation". Coined by Gartner and reported as one of ten global megatrends for the coming years, hyperautomation means leveraging machine-learning and Al capabilities in order to rapidly accelerate the identification of automation potential and solution deployment.

This means a shift from linear to exponential transformation. Accompanied by other

emerging technologies like task- and process mining, NLP, NLG, and human-robot collaboration environments, GBSs are moving into a new world. In this world, successful delivery will no longer mean functional teams and their KPIs/SLAs, but rather will have different manifestations: a distributed and augmented network of human and digital workers with an underlying fabric of supporting systems and smart automated solutions.

Accelerated growth ahead

- Gartner expects the RPA market to triple in size between 2018 and 2024
- The global RPA market is projected to exhibit a CAGR of 40.6% from 2020 to 2027

(www.grandviewresearch.com/industry-analysis/robotic-process-automation-rpa-market)

 About 22% of EU workforce activities (equivalent to 53 million jobs) could be automated by 2030

(www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-in-europe)



Those who dare, win

In this (new) environment, more complex work can (and will) be automated.

Deterministic business logic will no longer be needed for robots; automation projects will move to a fuzzier (and truer) business reality. If automation were a house, RPA would be the concrete foundation on which the walls and roof would need to be built.

With new technologies in place, new capabilities need to be built and trained. Data engineers, data scientists, (machine learning) model trainers, the second generation of business analysts, automation solution architects—those are just a few new roles that centers will need to bring the automation to life. GBS will have to play an active role and take the lead, particularly in the following:

- Defining the center-specific ambition level for automation (i.e., how fast or slow the organization can move forward)
- Turning old-fashioned ideation management frameworks into an automation generation and delivery platform
- Piloting new emerging technologies and building minimum viable products
- Constant staff upskilling and looking for individuals who possess both technical capabilities and common sense to identify new meaningful use cases
- Reworking the governance structures as they are as well as the center-wide goals and objectives



The state of the automation within Czech GBS Centers

51%

of centers invest in robotics and automation in order to increase their productivity and free up talent to focus on higher-value activities. While 22% of centers employ RPA in order to cut costs or headcount, this is a minority, proving that costcutting is not the main motivation behind the expansion of RPA in the Business Services sector

Source: ABSL 2020

56%

of centers focus their robotics and automation capabilities towards service functions within their own organization. 35% of centers focus on the global organization, while only 8% of the capabilities are directed toward external clients and the organization's stakeholders

Source: ABSL 2020

Mission possible

There are numerous challenges in front of us: How to maintain top-quality service while keeping up with the innovative trends? How to cope with the increasing complexity of the environment (more systems, communication channels, exceptions)? How to retrain management and employees?

On the other hand, technology can be a great enabler. We, humans, can't process large data sets, but computers can. We can't work (and think!) exponentially, but computers can. We can't manage complex systems, but computers can. If we master the skill of applying technology to the problems that we have, we can achieve the right results and at scale.

There is a new era of GBS in front of us. An era in which people are empowered by the latest technology to achieve things that were not possible before. Hyperautomation can help centers in the Czech Republic outperform other regions and continue growing the business in both the centers themselves and their parent companies.

Recommendations for GBS heads to succeed with automation

- 1. Take action now! Every step counts. Initiate, support, and protect small automation projects, if you haven't started yet. Or make your automation project bigger by engaging new teams and functions.
- 2. It is not about tools; it is about mindset. Do not bother too much with the question of what is the best automation tool. Seek individuals with the right mindset and a "can-automate" attitude.
- 3. A silver bullet does not exist.

Automation tools, namely RPA, are not a universal solution to all your processperformance problems. Don't forget your traditional tools, like Lean, Kaizen, Visual Basic scripting, process design, etc. Leverage all that brings value.

- 4. 1 plus 1 equals (much) more than 2.

 Bring more tools together. Seek synergies.

 Betting on a single technology may work, but it may slow down the pace of automation. Try RPA + OCR, RPA + chatbots, RPA + machine learning and computer vision, process mining + RPA...

 Diversity is what you want.
- Fail fast, fail safely (and learn from it!).
 Shorten your project timelines. Demand quick-try and quick-outcome approaches.

- Do not plan for long durations. The sooner you realize something (e.g., a tool) is not working for you, the sooner you can move to another one.
- 6. Decide on how aggressively you want to move forward. There may be a different appetite for adopting new disruptive changes. Define the best pace for you and your organization. What best describes you?
- Level 1—disruptors & risk-takers—
 you are first to try new emerging
 technologies. You accept that "success/
 failure" does not exist when it comes
 to researching and testing new things.
 You only "learn", and this is extremely
 attractive for your employees. You do not
 follow; you actively set trends. In order to
 succeed, you need strong leadership and
 communication skills on all management
 levels. You also need to secure and justify
 funding.
- Level 2—mainstream—you follow trends that have been proven elsewhere. You do not have the ambition to experiment or you may not have the right conditions to do so. On the other hand, you do not want to lag behind. The advantage of this approach is that you don't have to repeat the mistakes of others. Also, you get more reliable

- justifications for your business cases and innovation projects.
- Level 3—conservatives—you prefer the stability and predictability of operations. For whatever reason, you are resistant to test and leverage new technology. You benefit from deploying the new standard when it becomes best practice. You are constantly seeking the best solution to your business problems, but you do not want to be distracted by testing and trying out new things. You accept the risk that going slow on innovation may harm you in the longer run.
- 7. Shift the mindset from running pilots to managing large-scale operations. Limit the number of pilots to only a few at a time. In many cases, pilots may just be a waste of time. Running an isolated pilot project will typically tell you nothing about what it is like to run a large-scale project. Pilots usually work well but can lead you off-path. What you need is a vision of how to orchestrate the entire automation technology and how to run it when it is ten- to twenty times bigger in size. Educate your operations managers on what it is like to manage both the human and digital workforce, including resource capacity planning, utilization, cost-to-serve calculations, KPI and SLA redefinitions, and other operations topics.
- 8. Move from RPA Center of Excellence (CoE) to Automation CoE. "RPA CoE" is becoming obsolete terminology. "Automation" will be a more accurate underlying denominator. Stop using the "RPA" term when talking about automation projects in your organization as it is derailing you and your team from the key message that RPA is just one tool in the toolbox. Instead, you want automation to become the ever-present topic that will connect all departments

and teams.

- 9. Don't just create bots. Let them die too. Most bots (i.e., robotized processes) have been put in place as an interim solution. When we deploy the proper seamless, backend-driven integrated solution, no bots are configured. This is why many bots are designed and built as a solution that is meant to be replaced at some point in the future. Define the required lifespan of your bots and validate on a regular basis that your "hotfix" solutions have not become the permanent solution.
- 10. Make "Can we automate this?" your first question and "Why not?" your second. Always challenge any resistance to automating tasks in your organization. An automation-first mindset will help you forge the right corporate DNA and working habits until it becomes second nature.



McKinsey Intelligent Virtual Assistant Use Case

In addition to the consultancy office, since 2005, the Prague office has also been home to the McKinsey Global Services Center, which is part of a network of McKinsey's centers of competence. As the McKinsey Prague Global Services Center, we provide in-house IT services, procurement, logistics, and administration.

Our helpdesk is responsible for troubleshooting and resolving a wide variety of IT issues for several tens of thousands of colleagues across the globe. While planning to change mail platforms, we anticipated a high volume of how-tos and decided to pilot an intelligent virtual assistant (IVA) to address this. This resulted in capturing 13% of total relevant support volume and resolved 60% of the requests initiated by users.

Following the pilot success, IVA was staffed by a dedicated product team, which doubled its impact on call deflection within six months by:

- · Investing in deep product insights to inform strategic and tactical decisions
- · Maturing the operating model for NLP and content development

Our recommendation to approach similar challenges:

Start with an already-existing technological business change
Focus on low-complexity and high-impact interactions
Build in feedback to capture success metrics to enable the chatbot's machine learning to optimize the taxonomy, intent, and corresponding knowledge entities
Involve a content writer, editor, and curator upfront and at every stage to design for natural and humanistic interaction around the focused user journey
Integrate with the backend knowledge database and communication channels to extract existing knowledge objects
Define the brand and visual identity to create trust and increase engagement
Use agile deployment and continuous improvement



Automation—table of common terms

Technology	Current status	Future status	Impact on Business Services
Robotic process automation (RPA)	Wider adoption, yet quite often a challenge to scale deployments beyond local individuals/ teams and establish company-wide programs	Adopted as a norm, normalized expectation, and integrated to other, side-sitting systems/apps/ teams	Serving as a base case/ experience of digital transformation, further institutionalization of this technology
Task mining	Early-stage, being piloted to improve user productive time and app ergonomics	Integrated with process mining and automation platforms, with real- time insight on hybrid workforce performance	Normalized performance on low-level tasks, higher productivity, accelerated improvement detection, and process automation
Process mining	Early-stage, being piloted to improve end-to-end process performance and expose the digital fingerprint of corporate processes	Digital fingerprint of the organization available real-time with KPIs/insights, leading to digital twin organization models	Full visibility in process domains, auto-detection of bottlenecks, unlocking further process performance improvement potential
Unstructured/visual data processing/ generation	Early adoption of NLP and NLG tools— intelligent interpretation of unstructured data, conversational engines, multi-language capabilities	Ability to process any form of unstructured data (text, visual) at scale and interpret it/structure it	Unlocking new process automation potential through structuring the input in the process
Machine learning and Al	Early stages, being piloted to understand, manage, and structure complex and variable data/process systems	Embedded into and/or integrated seamlessly with process automation platforms. Marketplace with machine learning models available to plugand-play with domain-based trained models.	Unlocking new process automation potential through computer-driven cognitive ability to manage complex systems
Test suites for automation/robotic solutions	Early stages, traditional and old-fashioned scenario-based testing approach to RPA (and similar) scripts before going live, including script maintenance	Dynamic and automated testing of scripts at scale	Accelerated bot deployment cycle time, resulting in faster benefit realization
Human-robot collaboration environments	Early-stage, fragmented solutions available	Wide-scale, long processes, human-robot collaboration environments/solutions that allow seamless and fast handover between humans and robots	Processes redesigned to support high-performing processes in hybrid environments

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ponavka.eu



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Vision 2: We build more than offices. We expand the scope of our

ve expand transactional transactional services far beyond transactions into services far functions into and support functionation, digital transformation, and support transformation, digital transactions and services are larger transformation. expertise and core business



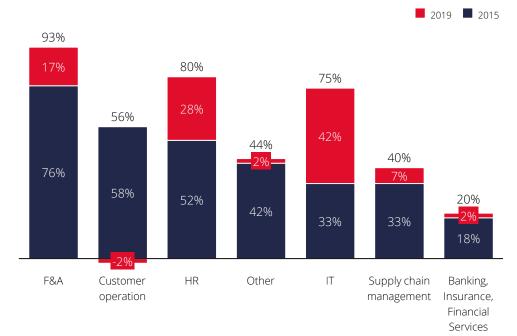
GBS centers have evolved and expanded the breadth and depth of provided services

Initially, shared service centers were established to centralize non-core transactional activities in order to reduce unit costs. Centers were established in lower-cost locations in Asia or CEE. The

activities centralized and nearshored first were transactional finance and accounting, customer service, and order management. Over time, centers established themselves and expanded into more complex activities.

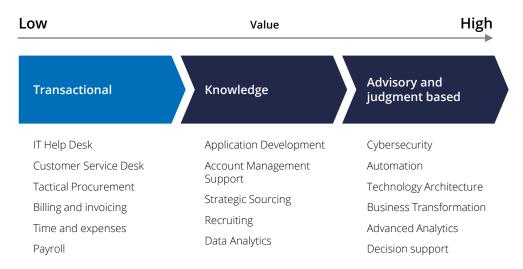
Companies have increased the breadth of tasks, with IT being the key focus





Companies have increased the sophistication of tasks with more value-added activities

 ${\tt Source:} \textbf{The Future Now} \, {\tt Workgroup} \, {\tt Analysis}$



59%

The share of knowledge-based activities has reached 59% within Business Services centers in the Czech Republic

Source: ABSL 2020 survey

New GBS services

- GBS centers create a CoE for various competencies: The CoE becomes a central place for the company to serve specialized expert support, as for example, legal support, HR compensation and business partners, global mobility, internal communication and translation services, financial planning and analysis, and other.
- GBS centers expand further into IT and digital services: They host experts in automation and digitalization who support initiatives and projects worldwide in the rest of the parent company. These projects not only automate support function services, but also expand into core business areas, such as digitization of sales, operations, logistics, and the like.
- GBS centers become transformation hubs: Most centers have built substantial knowledge and experience in business transformation, process improvement, Lean, Six Sigma, Agile, project management, continuous improvement, change management, work transitioning. GBS centers can provide this expertise to regional and global transformation projects.
- GBS centers host core business/ HQ functions/sales support: With the growth of virtual and remote working, substantial parts of the core business/HQ functions/sales support can relocate into the GBS centers, for example, compliance, internal communications, digital sales, regional or global logistics and supply chain, pricing, contracting, and product development.



GBS performance is tightly linked to IT systems

While most of the centers focus on enduser and functional services, they are also a key user of company IT systems, and a center's performance is tightly linked to IT.

The following IT system challenges may cause serious issues:

- Slow response, legacy setups, homegrown bolt-ons, and outdated user interfaces (UI) are the largest contributors to waste in processes.
- The lack of integration of various IT systems often becomes quite visible when centers provide services to various company departments/ functions.
- The quality of master data seriously influences the quality of service that centers can offer to their parent companies.

Improving performance via technology transformation:

- RPA and other automation tools have been used to overcome some of the inefficiencies. However, the impact is relatively limited because they largely only replicate user actions.
- For larger benefits, the underlying base IT systems need to be adjusted, e.g., by deploying function-specific cloud platforms and bringing functional processes and IT system needs closer together.



GBS centers grow their IT capabilities

Functional GBS have started adding IT activities into their portfolios. As key business users, they combine a user perspective and IT development capabilities with the ability to manage cross-functional teams. After gaining competence to digitize, automate, and transform their own activities, GBS centers

create CoEs and start offering these services to the rest of the company.

While pure-play IT GBS centers already have the IT expertise to build and run services, they can leverage the ability to work virtually using Agile.

75%

The ratio of IT activities performed by GBS centers has risen from 33% in 2015 to 75% in 2019

Source: ABSL annual reports





The GBS development path integrates various IT capabilities

- End-user IT support capabilities: GBS can build on close collaboration with end-users and IT applications experts to develop a professional IT end-user support help desk providing advisory services to all company employees.
- IT application and solution development capabilities: GBS can build an agile IT-business collaboration, where IT resources are staffed into cross-functional quads/tribes to work with business on developing solutions. GBS can provide the IT resource and competence pool
- (or "chapter", in Agile terminology), which has the responsibility for recruiting, development, staffing, and performance management of the IT competencies available to the company.
- IT expertise capabilities: GBS can effectively manage the roll-out, review, and support of employees with a specific technical or legal topics such as cybersecurity, technology architecture, automation, data analytics, and also for non-IT expertise such as data privacy or compliance.



Cybersecurity plays a critical role in GBS

One of the core competencies recently added to the GBS portfolio is cybersecurity services. In the past, a single-resource jack-of-all-trades managed both IT and security. Today, the extended number of security tools requires a specific skill set with different specialists. GBS has the capacity to recruit and fully on-board required resources and use their full potential after only one or two years after joining.

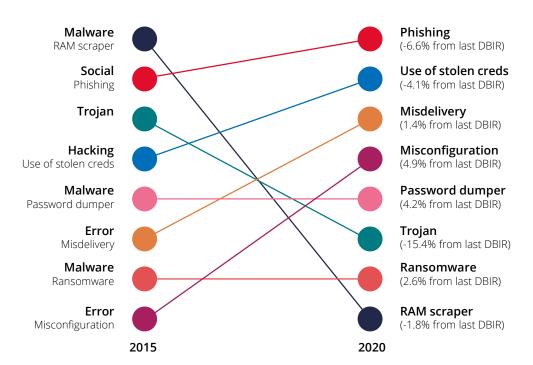
There is a multitude of risks that must be addressed, aside from having obsolete operating systems or missing or misconfigured fundamental controls. Endusers are the main entry point for attacks. The attack surface will grow due to:

- Increases in remote work
- Increases in the private use of mobile devices
- Home IP-enabled IoT devices such as smart TVs or home routers that are not kept up-to-date and which serve as entry points to home networks with further propagation to corporate networks

Phishing incidents remain the top threat for the second year, and the majority of the attacks (96%) arrive via email, while 3% arrive through a website, and a mere 1% were associated with phone or SMS.

Therefore, security awareness training will become even more important and will need to expand to include newly emerging threats also and to enhance the first line of defense—the end-users.

Attackers become increasingly efficient and lean more toward attacks such as phishing and credential theft



Source: Verizon DBIR, 2020 based on incidents up to October 31, 2019 $\,$



When we fast-forward to 2025...

Cybersecurity will utilize deep learning and neural networks to leave analytics/analysis of threats to Al.

Endpoint-based security tools will merge, bundle into agent suites or agentless lightweight sensors, where the horsepower will not reside on the endpoint anymore, but rather on the backend of a given solution.

Companies will have to refocus their internal teams to work on security strategy, policies, and to enable security awareness and provide governance by bridging external providers with internal teams.



Recommendations for GBS heads to successfully increase the scope of services

- Think big and globally. Identify new opportunities for services scope provided by GBS centers. With the post-COVID-19 situation, companies are revisiting their regional strategies, and they are open to moving new services and responsibilities to GBS centers.
- 2. Think of hosting professional Centers of Excellence and Expertise for the global company. You should select a virtual model that connects globally-distributed topical experts into a common expertise network with knowledge managers.
- 3. Aspire to become a transformation hub for the global company. As such, you should provide needed competencies (project management, Agile, service design, etc.), know-how from previous transformation projects, and a collaboration platform.
- 4. Create collaborating cross-functional teams for service innovation. Often, the best results are achieved with a combination of customer service view, technology expertise, process redesign capabilities, and Agile approaches.

- 5. Actively push for an increase in IT and digital services provided for the global company. As GBS activity is significantly influenced by IT architecture and applications, you should not only participate but actively contribute to IT strategy discussions.
- 6. Play an active role in analyzing the technology options available on the market, pilot them, and offer these options to headquarters. There have been multiple cases when a successful GBS-led innovation pilot was rolled out to a global company; after, the GBS has even been transformed into a global CoE.
- 7. Have people who understand the right technology in your center, in order to have an expert view.
- 8. Justify your place at the table with global company and end-user divisions. Use data and data insights to demonstrate the inefficiencies of current systems and opportunities. Bring fact-backed improvement suggestions with impact estimates.

Attacks soar on industrial control systems (ICS) and operational technology (OT): In 2019, OT targeting increased 2,000% year-on-year with more attacks on ICS and OT infrastructure than any of the prior three years.

Source: IBM X-Force Threat Intelligence Index 2020



SHARED IT SERVICES

Médecins Sans Frontières Use Case

Médecins Sans Frontières (MSF)—Doctors Without Borders—is a global humanitarian organization of 50,000 people in over 70 countries. Historically, MSF has been a decentralized organization, but thanks to the immense efforts of General Director Daniel Cunder, it has built the Prague MSF Shared IT Services to standardize, optimize, and centralize IT services. One element of this global approach is information security. The major challenge was to elevate security from a local function into a global perspective and information sharing.

The first step, which enabled global-scale monitoring, was adopting Microsoft 365 cloud technologies, which provided a detailed overview of end-users' activities and their behavior patterns. For the first time, it was possible to see information on a global scale, such as atypical travel, unfamiliar sign-in properties, sign-ins from malware-linked IP addresses, or use of anonymized IP addresses. Implementation of Office 365 Advanced Threat Protection (Office 365 ATP) then allowed MSF to respond to recent threats in near to real-time manner.

Next was the adoption of Microsoft Intune as a mobile device management tool, which, in connection with the Microsoft Defender Advanced Threat Protection tool, allowed complete control and an overview of what was happening directly on endpoint devices. From that moment on, any suspicious activity could be investigated in full detail.

The new threats have a global nature and are hard for local IT teams to mitigate without global data and a coordinated response to the dynamically changing threat landscape. For MSF, information security is more than data protection. It is about the safety of their patients and staff in the field.











Driving value

for Business Services

We are thought partners for wide provide and we provide true added value them with true added value.



The traditional GBS value added is gone

In the enterprise world, value added can be defined as the contribution that a unit, entity, or department provides to the company's business objectives. In the early days of GBS, the key value added of shared service centers to the parent companies was low cost. Work was centralized in locations that provided the best combination of hard skills and cost, and centralized operations usually acted as back-office transactional processing operations or large-scale customer service (call center) operations.

However, with technology and process automation, tools advancing, transactional activities are the first ones to be automated/ eliminated. Therefore, the initial value proposition of shared service is under question. One way to address the new reality is to add new, more complex processes to centers. Most centers have done this already. Another way is to look at the centers' information, work with and analyze it, and present it to the parent company and stakeholders as business insights and forecasts.



GBS centers have a unique position in companies

Centers are uniquely positioned as they are usually "seated" between various company departments that often work in silos. For example, GBS centers face and contact both external clients and internal customers, and have access to information about their satisfaction with company services. Processes run for finance and treasury (account receivables, account payables, procurement, CRMs, etc.) and provide data that can help profile clients and analyze their needs (potential sales) as well as their risks (potential churn).

Unstructured data from social networks should be considered to better understand behavior changes and trends. The silo approach that most organizations have will not allow them to increase productivity, cope with the speed of change, or reskill resources in silos in a cross-functional view. If GBS centers can bridge these and other gaps using their data, they can turn such data into gold for the parent company, and raise the GBS center's added value exponentially.





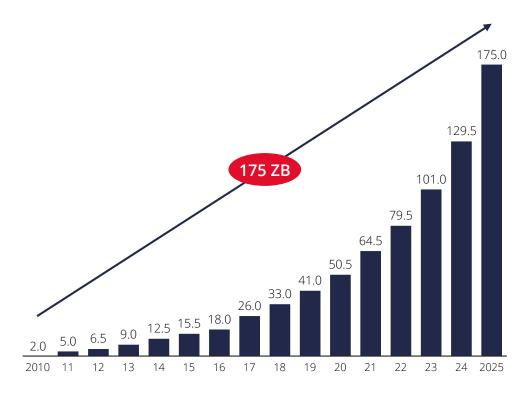
Making sense of huge data pools is a challenge

The amount of data available to all of us (not only GBS) has been increasing dramatically, and this trend will continue, especially with the IoT, Industry 4.0, and 5G networks.

Analytics of such large amounts of data

will require deep expertise and dedicated experienced resources. Additionally, the tools used to analyze data are getting increasingly complex and are often powered by AI.

Volume of data & information created worldwide is expected to grow exponentially until 2025



Source: Statista 2020; Data Age 2025, sponsored by Seagate with data from IDC Global DataSphere, November 2018

Analyzing and making sense of vast amounts of often disconnected data is not just a matter of applying the right analytical tools. The right data structures need to be also selected, analytical strategy needs to be defined, and the understanding of business context is of paramount importance. Capturing the right data and then transforming it into relevant information is still a key challenge to face and embrace by GBS.

Data and information are now more relevant than ever, especially in the enterprise world. Several new "digital native" companies have successfully entered the market based on deep analysis of customer behavior using big data, and those companies are significantly disrupting the status quo in many traditional industries today. Any company or GBS center that does not analyze data from a business perspective is doomed.

Holistic approach should be followed for developing an end-to-end Al enterprise solutions

Source: "Data Science for Executives" book - Nir Kaldero



The right strategy

Enterprise Al strategy & use-case ROI prioritization

Data Strategy & architecture

Data governance roadmap

Change management & culture

Workshops, training, skills & competencies



Data at the core

Digital architecture implementation

Data governance implementation

Data democratization & acquisition
• Data harvesting &

- connectivity

 Data lake
- Data lake integration



Automation and Al learning

Tailored AI & machine learning models

- Demand forecasting
- Optimize pricing
- Optimization of logistics & distribution



Operationalization and business impact

360-degree views

Real-time business insights and knowledge

Technology embedding & system enhancements

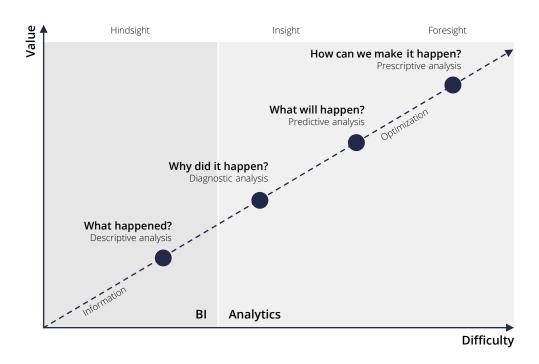
Strategy enhancements

I maturity lev

Skills & capabilities

BI + Analytics unlock the door to AI, machine learning, and real-time insights

 ${\sf Source: "Analytics in a \, day" - Microsoft}$





Structural shift from a processing unit to a strategic business partner

The key success factor for GBS in this new normal is ownership of domain and functional expertise that is needed to convert data into relevant and value-adding information. GBS centers need to shift their focus from being a processing unit to becoming a strategic partner relevant to the company's top line. It should be

a partner who understands and owns business processes, is able to capture and manage relevant data, and has a deep business understanding allowing it to convert data into business insights that can shape the parent company's tactical and strategic decisions.

~50 to ~175 Zettabytes

The size of the global datasphere will grow from the current ~50 to ~175 zettabytes by 2025

Dramatic developments are expected in the data field in the close future

- · A huge leap from data analytics to data science
- Unlimited amounts of both structured and unstructured data, practically unlimited data storage, and vastly improved processing power
- The size of the global datasphere will grow from the current \sim 50 to \sim 175 zettabytes by 2025
- Investment in data analytics will rise from the current USD ~50 to 90 bn by 2025
- 50% of data will come from IoT devices by 2025
- 30% of data will require real-time processing by 2025
- Current IoT active devices are estimated around 10 bn and will grow to 22 bn by 2025
- Al and machine learning tools will be necessary to process the amounts of data generated
- · Real-time data visualization will be the primary way to consume data

Value added can be defined as the contribution that each area provides to business objectives. In this regard, data analytics are highly recommended to support and help an "offensive" strategy of revenue growth and customer understanding, as well as a "defensive" strategy of mostly optimizing processes, tasks, and routines to be more task-efficient.

Data management - table of common terms

Details (technology)	Current status	Future Status	Impact on Business Services
Ві	Implemented in different company levels Used for decision support systems	Business dynamics will increase the use and need for BI BI will enter data Science level	Real-time visibility into operation and business performance will increase significantly Information will be easily searchable Cross-department data linkage will be possible
Big data	The maturity of big data evolves from its inception, with great possibilities but few applications available Strategic data analysis starting to take place	Big data maturing as a previous step to Data Science Processing power, data storage and data accessibility will be more mature Data processing in real time	Large scale complex business scenario simulations based on real- world data will be possible Large scale predictive models available for all company departments
Data visualization/data storytelling	In the early stages Graphical databases starting to be used	Primary way to consume data Data visualization will be combined with AI and machine learning and will redefine the customer experience NLP, AI, and machine learning capture critical information from the business Displaying data in a user-friendly way is in place	Full 360 views of business will be available. Data insights available on all platforms (mobile) and are accessible real-time Virtual assistants to guide users through data and graphical presentations
Machine learning/deep learning	In the early stages One of the bases for the evolution of AI First neural networks and learning algorithms in place AI evolving its own neural networks as it develops Learning to learn	Becoming an inseparable part of the day to day life and present in most of the tools we use Technology and knowledge applied to our daily life A strategic area for companies and society	Applied to both external and internal process and customers Projections and predictive models Ecosystem behavior
Data infrastructure platforms	Onsite-on-premises servers decline to give room to cloud processing	Hybrid infrastructures Cloud and as SaaS will shaping the future of companies Benefits of security, accessibility, scalability and cost savings	Important cost savings Companies will pay as per use Infrastructure will adapt to companies in an agile way. Flexible and fast deployment options



Recommendations for GBS heads on data use to become a value-adding business partner

- Redefine the role and value-add of the GBS center from the operational to strategic levels. The center sits on a data lake that has a huge value for the global company.
- 2. Understand your company's global business well. This will help you to provide more value-add and analyze data for relevant business insights.
- 3. Define a data strategy for your GBS center. Decide what data you want to collect, store, and use.
- **4.** Transform raw data into value-add business insights. GBS should be a partner to support business continuity, revenue growth, and cost optimization.
- 5. Bridge existing gaps between company silos in data management. You should link operational data with business data and company business performance. This will help to better link marketing with sales and logistics, finance with HR, etc.

- 6. Add unstructured data to all existing structured data at the GBS center.

 360 views of different business areas (customers, financials, employees, operations, etc.) will become possible.
- Become a company-wide CoE for data and information management and data analytics.
- 8. Appoint a Chief Data Officer to drive your data strategy.
- 9. Provide data training to your employees. This will give them an understanding of how to best use data and what tools are available.
- 10. Use online reporting tools to give all your stakeholders business insights in real time. The times of monthly reports in PowerPoint are over.



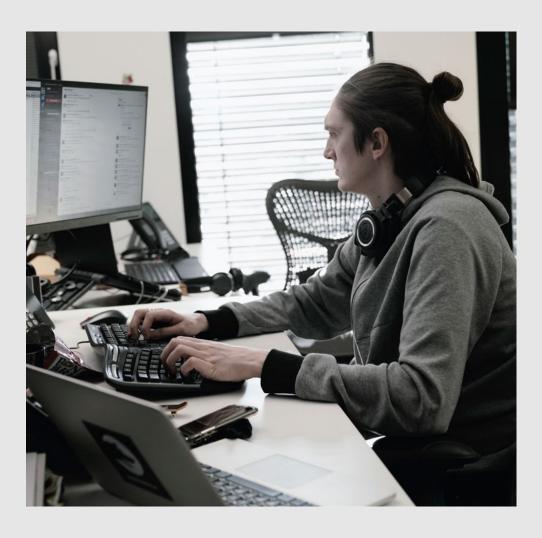
McKinsey Advanced Analytics Use Case

Profiles and expertise search are the most-used product family at McKinsey & Company, with over 2 million internal profile views monthly. These applications show professional profiles and help teams find appropriate colleagues for specific needs, much like an internal LinkedIn. For example, a McKinsey consulting team working on a study in a pharmaceutical company will use expertise search to find a legal expert in the pharma domain. This functionality is especially important in an environment with flat hierarchies and expertise spread globally across the organization.

The product team responsible for developing these applications is working with the McKinsey Prague-based insights team, which includes data scientists, analysts, and data engineers. Working together in an agile model, they develop innovative machine-learning-driven approaches to enhance the profiles. This includes a recommendation engine that suggests topics of expertise that colleagues should add to their profiles, making these colleagues easier to find.

The algorithm developed by the Prague-based data scientists uses Natural Language Processing (NLP) to scan the Firm's studies, documents and capability data to extract topics our colleagues may know about. The application will then suggest adding these topics to their personal profile, so they are easier to find and claim recognition for their expertise.

This collaboration has led to 40,000 topic updates and 20% increase in user satisfaction. It has also become a cornerstone for a cultural shift because colleagues become the curators of their own identity in the firm.



Vision 4: We are digital and we use in the latest technologies in the latest technolo The Future Now: A Leader's Vision for Business Services in the New Digital Era



Technology has disrupted the status quo

52%

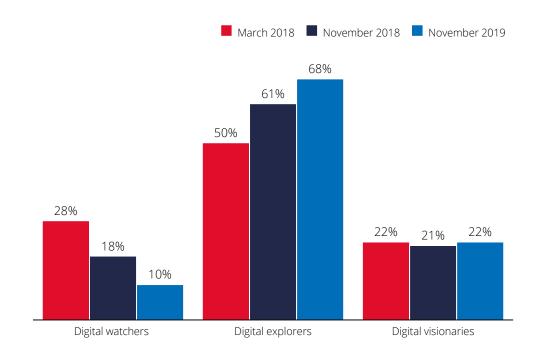
Implementation of digitization accelerated in 52% of Czech GBS centers during the COVID-19 pandemic

Source: ABSL

The new technology options that are available in all aspects of our lives develop at a fast and accelerating pace. The changes that they bring are huge. When Apple launched its first iPhone in 2007, it was hard to imagine the dramatic changes that smart mobile devices would bring and the fundamental transformation they would cause to the way we access information, communicate, and do business.

Technological developments have challenged the traditional ways of doing business and have given rise to completely new digital business models and operations. Digitalnative companies like Airbnb, Uber, and Netflix have taken full advantage of the latest technology options and related consumer behaviors. They have demonstrated that a large-scale business can be launched and operated digitally and with a minimum need for dedicated physical infrastructure and heavy long-term capital investments. Digitalnative companies have challenged the status quo in several industries and sectors and even forced some well-established traditional players out of business. The rest must adapt and quickly move into digital ecosystems or risk a serious loss of business.

Number of companies exploring the digital space is increasing



Source: Infosys Digital Radar 2020

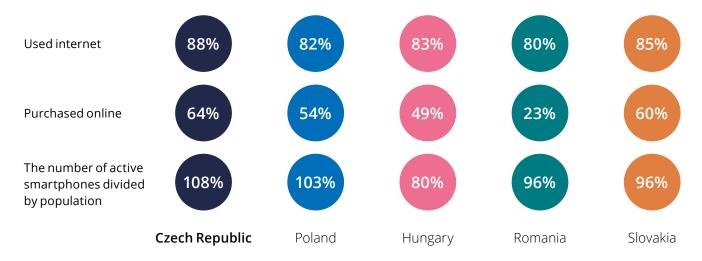
Being digital = engaging with customers in digital ways, using data to make better and faster decisions, and creating value in the new digital frontiers of the business world.

72%

of EU internet users have purchased goods or services online in the last 12 months End customers have reaped the great advantages of the new technologies available and have adjusted their own behaviors. They now demand services and goods available online. Moreover, they want to find them instantly and be able to explore them, try them, and buy them from their homes—and, largely, from their mobile devices.

Czech Republic is leading the digital adoption in the region

Proportion of individuals who:



Source: Eurostat 2019; Population data is from United Nations, Department of Economic and Social Affairs



Welcome to a fully virtual world

71%

of Czech Business Services reported normal or higher productivity while working from home Several companies now offer completely virtual showrooms using virtual and augmented reality (VR, AR) tools where products as sophisticated as cars can be configured, showcased, and ordered. The buyer experience must be seamless and intuitive, and more and more customers make their purchasing decisions based on the quality of interactions with the company. Consumers want their interaction to be smooth and seamless, with no need to switch applications or communication channels. The one-stop-shop experience is paramount to customer satisfaction and customer loyalty.

The COVID-19 pandemic has accelerated the move to the virtual space. The amount of goods purchased online has increased by 15%, and an even larger impact is visible in the way global companies operate. The majority of businesses had to develop new operating models overnight with their staff working from home, and a large portion of those companies noticed no impact on productivity. Some of them have even seen an increase in the quality of output.



Originally, Business Services were defined by IT

Business Services is a sector that has been enabled by technology and connectivity. At first, centralized Business Services operations, together with the first offshoring (outsourcing) of non-core business activities, started only after high-speed data connectivity was established between continents, and companies adopted large-scale enterprise-level IT

systems. Traditionally, Business Services centers have used the technology tools that the parent company had implemented, and any strategic decisions about technology and tools used by the parent company were driven by company business and customers' needs. Centers have been providing staff with functional expertise, running the tools and processes.



Business Services will define 'digital' and 'technology'

The situation is different today and will change even more going forward. Parent companies are adapting to the new digital world, technology development accelerates exponentially, and technological changes considerably impact and challenge Business Services operations, the speed of execution, costs, customer digital experience, business transformation, business value, and many others. The traditional Business Services operating model combining people, process, and technology is changing to an operating model fully led by the latest technology. Current technology options and tools offer almost endless solutions to various tasks performed in Business Service centers, and a large share of the processes currently done in Business Services can be automated and with minimal human interaction.

Centers will have to stay on top of the technology curve. Often, they will be in charge of finding the right tool or product for the desired end product. The technology ownership of the solution usually will be coupled with process ownership, and business centers will become fully responsible for the end solution. The amount of quick technology pilots and proof of concept done in Business Services centers using the latest technology will increase with new technology solutions being introduced. Centers will have to be digital, operationally and technologically nimble, and will have to be able to successfully combine testing and introduction of new tools while running the existing day-to-day business. As most of the processes in Business Services centers will be technology-enabled, the amount of IT activities in the scope of Business Services centers will increase.



GBS employees working in an IT center

Ratio of all GBS employees

Source: EMEA's Business Services landscape, ABSL report



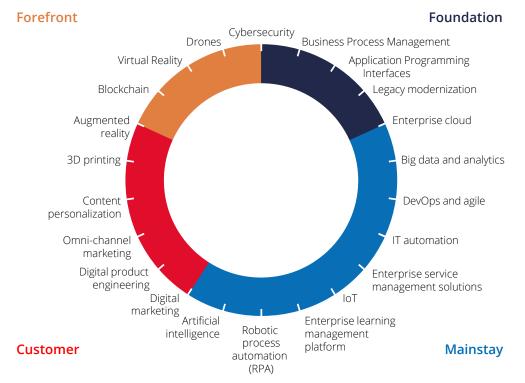
Digital services delivered by export-oriented GBS

Ratio of IT services

Source: EMEA's Business Services landscape, ABSL report



Key digital initiatives observed at GBS centers



Source: Infosys Digital Radar

2023

The virtual reality market is expected to double by 2023

Source: Statista

Top 15 mainly digital jobs that have emerged over the last 5 years

- 1. Al specialist
- 2. Robotics engineer
- 3. Data scientist
- 4. Full stack engineer
- 5. Site reliability engineer
- 6. Customer success specialist
- 7. Sales development representative
- 8. Data engineer
- 9. Behavioral health technician
- 10. Cybersecurity specialist
- 11. Back end developer
- 12. Chief revenue officer
- 13. Cloud engineer
- 14. JavaScript developer
- 15. Product owner

Source: LinkedIn 2020 Emerging Jobs Report

Interactions between Business Services. the parent company, and customers will be digital. Emails will become a matter of the past, and interaction tools similar to today's social media will be commonplace. Collaboration platforms will be the primary channel to create, edit, and share documents, content, and ideas. As the need for efficiency is combined with seamless customer experience increases, Business Services will often be exposed to the endusers of the parent company's product. They will engage with them directly, even in non-customer service processes. Both internal and external user experience and, in particular, the quality and ease of user interactions, will be the key driver in creating good perceptions about the quality of service provided by Business Services

As the parent company and the world around us becomes more digital, the amount of data created, collected, stored, and flowing to Business Services centers will exponentially increase. Data will have to be managed (master data management and data cleaning will be of critical importance) and, if processed and analyzed with the right tools used with the right expertise, they will give a well-prepared Business Services center an opportunity to provide its parent company with valuable insights into its business. Business Services will become fully data-driven.

Business Services survived COVID-19 lockdowns well and have been able to operate in work-from-home models. Post-pandemic "new normal" operating models will further evolve around virtual and remote working that will be fully digital.

The office will be 100% paperless, including contractual documentation and digital signatures. VR and AR collaboration tools will be commonplace and will be used for external interactions and also for day-to-day work like prototyping and design. Any modern Business Services center will have a VR-enabled training center and the expertise to build VR applications.

All the above trends will demand new skills from Business Services. Regardless of the function and the functional skills (finance and accounting, customer service, procurement) supported by the center, additional skills related to technology and technological tools will be mandatory. As process transformation evolves in regards to technology, subject-matter experts will know the technological tools available and how best to use them.

Additionally, new technology skills, not traditionally present in typical Business Services centers, will be needed. Experts in user experience and interactions, front-end developers, digital modelers for AR and VR, digital marketers, and others will be in high demand due to the move toward fully digital interactions and digital enterprises.

Lastly, with the move to a digital environment and fully globally interconnected devices used for critical business tasks, IT security, and data privacy will be of paramount importance in every aspect of Business Services center operations. Centers will adhere to "infosec" requirements from the parent company and Business Services can expand to IT security to add new value.

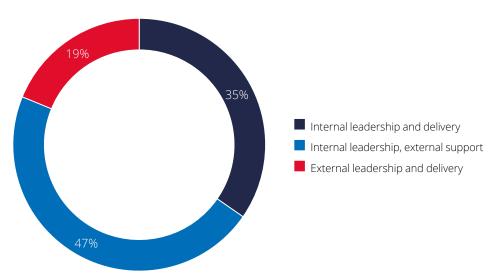
Any modern Business Services center will have a training center and expertise to build virtual reality applications.



Recommendations for GBS heads to become digital

- 1. GBS centers will have to embrace the fact that technology will lead the majority of process improvements and changes going forward and must stay on top of the knowledge curve on the latest technology advances.
- 2. Embed an agile way of doing things and prototyping in your GBS center's everyday life.
- 3. Introduce basic technology-related topics like algorithmizing, process design, the basics of process automation using RPA, data structures, and data analysis into your training curriculums for all your staff. Each person in the center should be able to draft an automation solution using a simple script or a visual automation tool interface. Where possible, give your teams free access to simple RPA-based automation platforms so that they can experiment and use it to automate simple day-today transactions (1-to-1 model, meaning each user should have his/her robot).
- 4. Each center needs a Technology
 Transformation Lead who has the primary responsibility for working with the rest of the functions in the center, identifying opportunities for transformation, scanning the technology landscape for the best technological tools and partners to use for the task, and assisting with tool implementation. The Lead should ideally be part of the technology-related strategic discussion on the level of the parent company.
- Invest hard into new digital skills and skills related to the transformation of the physical world into a virtual world:
- Data analysis and data visualization
- User interactions and user-interface design
- Front-end development
- Digital marketing and content creation
- VR and AR

Collaboration and partnership can accelerate your digital journey—two-thirds of companies partner for two-thirds of their digital initiatives



Source: Infosys Digital Radar

- Have all existing tools and processes reviewed regularly by a user experience (UX) expert to see if the UX could be improved.
- 7. Consider introducing measurements of the user experience into the KPIs of the center and the center management, as digital and user experience is one of the key drivers of customer satisfaction with the services of the center.
- 8. Implement and drive adoption of the collaboration platform with the video conferencing facilities in the center, and move away from emails wherever possible. Define the "new operating normal" for the center, where most of the users do not have to work from the office, including the right tools for capturing attendance and

- other remote HR administration and people management.
- 9. Make IT security and data privacy non-negotiable. Zero tolerance policies on users and system access, password protection, unauthorized data access, confidential information sharing, etc. must be introduced, especially considering remote working and system access through personal devices.
- 10. See technology as an enabler, an opportunity to expand the scope of the center with new roles and processes that should be proposed to decision-makers in the parent company. Good examples are front-end developers, mobile app developers, master data experts, UI design experts, IT security analysts, etc.





TBC Corp Use Case

TBC Corp is the biggest marketer of tires for the automotive replacement market operating in the North American region (USA, Canada, Mexico). Using wholesale, retail, and franchise channels to provide replacement tires and other basic automotive services under more than 15 brands, TBC Corp is a large, complex organization that has become the largest, most efficient distribution network in the market, with the ability to deliver to clients in 24 hours.

Accelerated business growth has brought more competitors; meanwhile, TBC Corp experienced increasing customer demand for a robust digital experience. Limited information available for performance analysis led to a slower response time and a lack of visibility for decision-making. Pain points included:

- · The C-suite's need for a daily performance snapshot.
- Current KPIs stored in different information silos.
- · Users did not use current dashboards directly ("data cooking").

Two initiatives were provided around the Order-To-Cash (O2C) and Procure-To-Pay (P2P) processes. Solutions like 360 Digital Insight Dashboard and Procurement Dashboard were implemented with the following outcomes:

- One consolidated view of O2C and P2P KPls.
- · C-suite can guickly see the next areas to prioritize.
- UX designs create an appealing and easy-to-follow KPI dashboard.
- · Easy navigation through different data and information dimensions
- · Trends and threshold integrated into a unified view (data plus knowledge).
- · Glossary of all dashboard KPIs.
- Scalable dashboards to which new KPIs can easily be added.

The original challenges have been resolved by the appropriate use of data transformed into information.

Digitization and work collaboration – table of common terms

Details (technology)	Current status	Future Status	Impact on Business Services
Front-end technologies	Already widespread, and an inseparable part of any application development because user experience is the key driver of application adoption	Its importance and sophistication will only increase as new ways of interaction between users and applications are explored	As user experience will only gain in importance, front-end technologies will be adopted above all the tools that Business Services centers use
Virtual reality (VR)/ augmented reality (AR)	Already present in the consumer sector and fast gaining traction in enterprise applications	One of the future key interaction models. Largely replaces traditional stores and used widely for design, testing, and trials in all consumer and enterprise applications	VR/AR adoption will give rise to new scope and roles relating to VR/AR. Virtual designers, virtual shop-assistants, VR/AR subject matter experts, etc.
Mobile	Present and widespread	Mobile devices will be the only communication and work device for the majority of the workforce	New roles related to mobile application developments will be introduced
Collaboration tools	Partly implemented	The tools will advance considerably with the use of VR/AR and will largely replace traditional email communication	Tools will replace internal email communication and will fundamentally alter the way Business Services interacts with their customers. New roles like community managers, administrators, security managers will be introduced.
Video conferencing and telepresence tools	Used frequently after COVID- 19	Primary communication tools that largely replaced face-to- face meetings	The tools will be the enabler of virtual working models implemented in GBS. New roles like virtual meeting moderators will be introduced.

Technology checklist for virtual operations:

Select one common collaboration tool combined with a chat and videoconferencing solution (Slack,	For global collaboration, validate server data residency for compliance with GDPR rules
Microsoft Teams, etc.). The tool must have a mobile application.	Equip your teams with productivity- enhancing hardware (a second screen,
Do proper sizing of storage capacity of collaboration tools, maximum number	headsets, external keyboards, high- speed modems, etc.)
of videoconferencing participants, VPN capacity	Validate compatibility of your tools with different hardware platforms and
Define minimum bandwidth/speed rules for home connectivity	operating systems in case a BYOD (bring your own devices) model is allowed
Define clear configuration rules for document repositories and share with your teams	Define non-negotiable technical and behavioral IT security policies/rules
	Establish a remote IT support team equipped with a proper ticketing tool



Game, Set, and Experience

All tennis fans have one thing in common: They are drawn to broadcasts because they want to absorb every detail about a match or athlete. Now, they can get even the minutest of insights about every forehand stroke, the perfect angle and bend of the backhand, a player's serve speed, delivered right to their handheld devices in real time.

Infosys' Tennis Platform (ITP) serves millions of fans, players, and media worldwide. A global leader in next-generation digital services and consulting, with nearly four decades of experience in managing the systems and workings of global enterprises, Infosys has expertly steered to digitally transform the sports arena as well.

The implementation of ITP yielded the following:

- 10 million new unique fans impacted across new Infosys-built digital platforms
- 27% rise to the stats section, and 26% to the live scores sections, as a result of innovations
- 1 million downloads of the new AO mobile app developed by Infosys
- 15 new innovations across big data analytics and digital experiences
- Over 1 million fans who have physically experienced the immersive tennis VR innovations built by Infosys with real-time sensor technology

How did we do it?

The ITP delivers insights by analyzing terabytes of data leveraging Infosys's expertise in digital technologies such as artificial intelligence, big data and analytics, mobility, and VR and AR. Built with the best DevOps practices and Twelve-Factor App compliance, these tools aggregate in an open-source, cloud-based, plug-and-play platform that serves sports technology applications on-demand.

Infosys is the Digital Innovation Partner for three major tennis organizations—Roland-Garros, Australian Open, and ATP Tour—using the ITP platform to transform the sports viewing experience.

Infosys at Roland-Garros 2020

As part of the second year of a strategic technology partnership with the French Tennis Federation, Infosys has further added to the innovation kitty, with tools set to hit the courts at this year's Roland-Garros.

Leveraging ITP, this year's tournament will deliver a digitally enhanced experience. It will facilitate virtual experiences and greater access for millions of fans, better training, analysis among players and coaches, as well as storytelling support for journalists.



The business world is changing at a pace never seen before, and so is the Business Services sector. You need to deliver greater value by producing smart, proven operational models. We find ourselves in the situation where most transactional services have been relocated to lowcost locations, and so the previously gained benefits from the paradigm of on-shoring versus off-shoring are being reconsidered. New ways need to be found to remain competitive. The increasing scope of services GBSs provide brings new responsibilities. There is an increasing demand for business resilience and data privacy. GBS increasingly focus on their internal organization, looking for more agile models and ramping up technology and virtual team use. Services can now be delivered from anywhere virtually, but the

acceptance of these new types of work is often hampered by us, the humans. More than ever, it is necessary to invest in the workforce to enable people to adapt to changing conditions while maintaining physical and mental comfort. Resiliency—the ability to absorb a shock and to come out of it better than the competition ⁶¹—will be the key to survival and long-term prosperity.

Additionally, our customers have higher demands and expect more innovative solutions and higher efficiency. The combination of these trends, along with the need for greater resilience, the ability to adapt quickly to changes, and a focus on customer centricity, will form the framework for the new models of work management and organization.



5.1. The future GBS operating model will be innovative and virtualized

As GBS expands its scope of services, transforms its role, and focuses on providing value added vis-a-vis customers, we see that the GBS operating model is dynamically evolving.

Traditionally, the GBS operating model was organized around service category and process teams who face specific customer

groups and provide them with service and process-related support (e.g., procure-to-pay, record-to-report, or technical support services). For these teams, the GBS center provides a shared location for work with a support infrastructure common to all onsite teams. This includes HR, facility management, and IT support.

We see that the GBS operating model is dynamically evolving.



GBS centers today are typically organized around services and process teams serving specific customer groups

Customer 1 Customer 2 Customer 3 Customer 4 Customer 5

GBS management

Service category 1 Service category 2 Team 1 Team 1 Team 2 Team 3 Team 3

Team support – Team support – processes, development development

Service category

Team 1
Team 2
Team 3
Team support – processes, development

Service category

Team 1
Team 2
Team 3

Team support – processes, development

Service category

Team 1
Team 2
Team 3

Team support – processes, development

GBS support backbone

Human Resources Facility management IT support

Source: McKinsey & Company

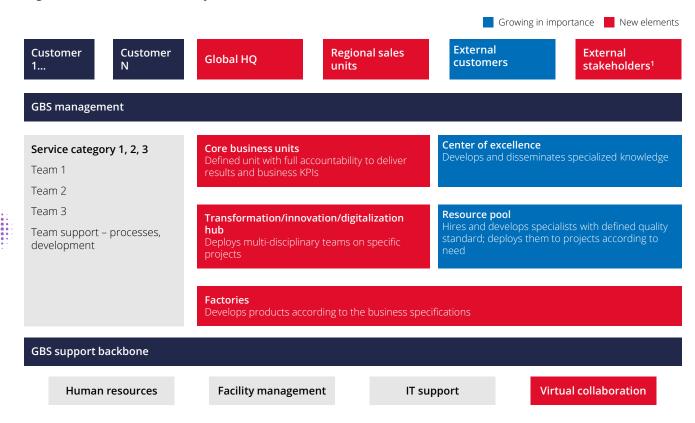
As a GBS center grows, it serves a more diverse group of customers with different relationships. GBS organizations build partnering relationships with headquarters and regional sales units and actively shapes and redesigns the provided services.

GBS serves both internal and external

customers directly and is responsible for their satisfaction measured through the NPS (more about this later). The GBS also directly interacts with many external stakeholders such as municipalities, banks, and tax authorities, and acts as the representative for the headquarters.

The GBS support backbone will evolve and instead of providing "one location for all" it will provide "a common virtual collaboration platform" for GBS employees, customers, partners and other divisions.

Future GBS models will host multi-service units, innovation and digitization hubs, and delivery factories



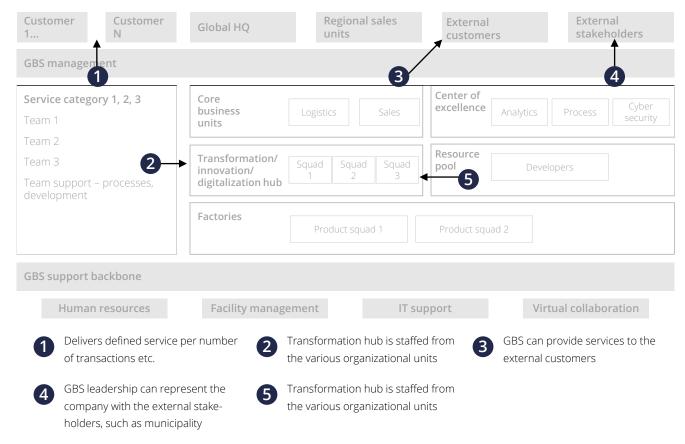
1. E.g., courts, municipalities Source: McKinsey & Company

In the future operating model, service and process-related teams will reduce in relative size and new elements will be created:

- 1. Core Business Services units who take over full responsibility for specific functions (e.g., compliance, security, logistics) and who have the full authority and responsibility to deliver their business objectives. They also assume accountability for delivered business results (for example, the integrated supply chain management unit is responsible for delivering business and cost KPIs).
- 2. CoEs concentrate specific competence and expertise (cybersecurity, advanced analytics, process redesign) that they effectively deploy on a demand basis and provide consultations.

- **3. Resource pools** are responsible for hiring and developing specialists and then staffing them to projects.
- 4. Transformation/innovation/
 digitalization hubs are
 multidisciplinary teams that combine
 different skill sets and have the knowhow for and a track record of delivering
 transformational impact.
- **5. Factories** have resources and capabilities to deliver a full product or digital solution for the GBS customer as per agreed specifications.

Future GBS model will be more flexible and based on a virtual collaboration platform



Source: McKinsey & Company

The model is dynamic based on the demand requirements and type of GBS.

The model is able to utilize different types of resources.

- Onsite and home office from country of the GBS
- Contractors working remotely or onsite
- Employees of Global HQ or other service centers

The GBS support backbone will evolve. Instead of providing "one location for all" it will provide a common virtual collaboration platform for GBS employees, customers, partners, and other divisions. The remaining elements of the GBS backbone will transition towards remote and a virtual way of working (e.g., remote onboarding by HR or IT device management support to enable virtual collaboration).

The future model will be more flexible and resilient and will be able to utilize resources in a distributed manner. Everyone from GBS employees working from the center or from home office, external contractors from other companies, to headquarters and other global division employees will be supported.

We already see examples of GBS centers building up new future-focused elements (centers of competence, resource pools, delivery factories). In the future, we expect most of these elements will exist in every GBS center. They will significantly scale up in size and they will interact with each other in a new more dynamic way, using the modern ways of agile and virtual collaboration to break down the boundaries between departments, business divisions, and even geographies. The future operating model will enable the GBS organization to bring critical capabilities and orchestrate transformation and digitization in the global corporation.



5.2. Customer centricity is a critical priority for GBS in the new normal

Center management logically focuses on delivering the highest possible value to customers while maintaining acceptable costs. This increases the importance of listening to customer needs and their feedback. Customer centricity can be a tool to differentiate yourself from the competition. It's a change driver. Companies need to have the most accurate and up-to-date knowledge of customers and the context of their needs. This requires data from internal or publicly available sources. GBS teams must conduct regular, online checks and surveys and incorporate a focused set of customer-satisfaction metrics. In addition, they should use digitization tools such as cloud-based interaction-management platforms, often provided as a SaaS solution, cognitive-processing technologies, chat and voice bots, and enhanced analytics to streamline customers' interactions and track performance.

Customer centricity is one of the top priorities of the new normal. What are the key strategies for improving customer experience? Consider the following:

 Employ three main dimensions of customer experience (CX)

- a) Provide outstanding CX by categorizing customers into different segments and design experience-focused value propositions for each. When you fully understand their needs, you can bring solutions accordingly. By focusing only on customer priorities, you can simplify access to information, products, and services. In addition, you can simplify your offerings by eliminating features customers do not value.
- b) Deliver high customer value via contextual and personalized service. Personalization is directly connected with the usage of data-mining tools and predictive analytics. Al-driven proactive solutions bring an enlarged augmented workforce capability and enable centers to be flexible and agile. Reimagining how we use robots and automation to complement existing human capacity will

lead the way. More and more, automation and AI will take over repetitive work, allowing agents to focus on exceptions and escalations. AI must enable 'superagents' to better understand customer needs and support and guide them to optimal outcomes.

- c) Develop capabilities to deliver value consistently across channels providing a true omnichannel experience. An omnichannel CX is made up of individual customer touchpoints, over a variety of channels that seamlessly connect, allowing customers to pick up where they left off on one channel or device and continue the experience on another.
- 2. Encourage customer feedback as a source for continual improvement.

 Make sure you use insights to understand customer needs and manage their expectations. Build trust and a deep relationship and gain their loyalty.
- 3. Accelerate the transition of digitization and automation and support selfservice management. Build a digitalfirst framework (which enables a rapid decrease in costs). Keep a laser focus on non-assisted channels and a true focus on digital technologies so your customers can be directly supported by automation and the usage of AI, speechto-text and text-to-speech technologies, bots, and predictive analytics. These digital technologies capture data not previously capturable and enable centers to be flexible and smarter through data-driven management and insight. The optimization of end-to-end digital customer journeys is an inseparable part of the new normal.
- 4. Synchronize your workforce with CX strategy; seamless and effortless experience must also be implemented for internal customers, the employees. This facilitates the opportunity for all customers to have the same fulfilling and enriching experience through the use of technology.

Customer centricity can be a tool to differentiate yourself from the competition.

Market leaders are able to involve customers directly in the co-creation of products and services.

Many methods can be used to measure customer satisfaction directly or indirectly. From feedback surveys and questionnaires, focus groups, benchmarking, the measurement of Customers Effort Scores or First Contact Resolution to more complex as Customer Satisfaction Scores or social media or other contact sentiment measurements. One of the most used and simplest is the Net Promoter Score (NPS). Due to its simplicity, it is probable that this metric will continue to be used. There is already a clear trend of measuring satisfaction and the level of customer experience virtually online and collecting that data easily and seamlessly, often using mobile applications. Continuous and comprehensive feedback collection is a key input for the development of the offer. Market leaders are able to involve customers directly in the co-creation of products and services, and they are then directly involved in innovation and development.

Regarding technologies that support the customer-centricity approach, the source of inspiration is found through Gartner Magic Quadrants. Organizations no longer have to rely solely on their customer-relationshipmanagement solution to deliver a first-class customer experience; new tools are being developed continuously and are available

in the cloud. We can now all benefit from technology that supports omnichannel, knowledge and process management, VR and AR, and the IoT. How organizations embrace and deploy these technologies will determine how successful they are in moving up the CX value chain.

To be able to deliver these types of services, centers must change themselves. Getting things done quickly and effectively is more urgent than ever. Organizations have to remove boundaries and break down silos in ways no one thought was possible in the pre-COVID-19 era. They have to streamline decisions and processes, empower frontline leaders, and suspend slow-moving hierarchies and bureaucracies. As companies adopt new ways of working at speed, executives will need to explore moving to flatter, non-hierarchical structures, taking more radical approaches to decision-making and ways of working. We can no longer wait around for best practices to emerge. CEOs recognize the need to shift from adrenalinebased speed during the pandemic to speed by design in the long run. The winners are experimenting now, and boldly. Customer experience is not a department; it is an attitude. Organizations need to ensure their people understand that.





5.3. Leadership across all GBS levels is required to successfully drive transformation

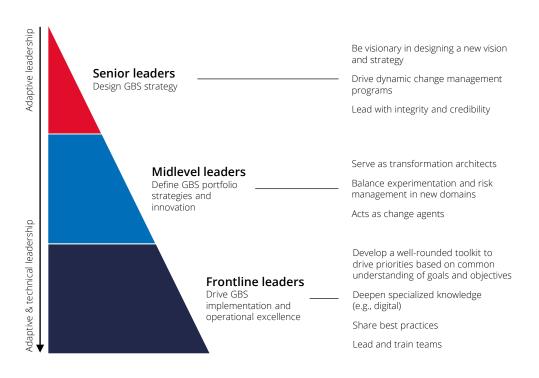
To successfully transform a GBS center, all leadership levels should be actively involved and play a specific role. Senior leaders should provide an exciting change vision, drive the overall program, and lead with integrity. Midlevel leaders are the actual transformation architects who act as change agents. Frontline leaders bring specialized knowledge, share best practices, and lead and train teams.

What will be the success factors for the Czech GBS industry from the perspective of the new ways of working?

The alchemy of success will be the right combination of listening to customers and bringing excellent contextual personalized service, all while using digital and automated tools in a smart way within the hybrid organizational model. This is the humanly digital future of the GBS sector in the Czech Republic.

The Czech GBS industry has a unique opportunity to co-build the winning mix of balance between flexibility vs. stability, quality vs. speed of delivery, automated vs. human touch, and local vs. global.

Successful GBS centers clearly define leadership imperative for senior, mid- and frontline leaders



Source: McKinsey & Company

Recommendations for GBS Heads on how to transform operating models and change ways of working

- 1. Change GBS center operating models to support new types of expertise, competencies, and services. Introduce core Business Services units, CoEs, resource pools, transformation/innovation/digitization hubs, and product/solution factories. Create proper cooperating mechanisms such as team staffing, feedback and evaluation, and working collaboration.
- 2. Transform the GBS center's physical backbone (HR, office space, and IT) into a virtual collaboration platform. Processes and activities, such as recruiting and employee onboarding, should be supported virtually and employees should use digital collaboration tools to maximize

productivity.

- 3. Adopt customer centricity as a key priority for the GBS center. Improve CX by improving the value proposition, personalization, and omnichannel experiences. Encourage customer feedback as a source of continuous improvement. Adopt a digital-first approach in everything you do. Align all GBS employees behind providing CX to internal and external customers as a top priority.
- 4. Make hybrid work. You should significantly increase the number of people working in a hybrid way—sometimes in-person with colleagues onsite and sometimes working remotely. This should unlock significant value, including more satisfied employees and lower real-estate costs. You will have access to a broader range of talent, greater flexibility, and improved productivity. Do more for remote working than giving people a laptop. Instead, focus on both well-being and social connectivity to help people smoothly transition between onsite and remote work.
- 5. Flatten the structure and accelerate the transition to agility. Real-time collaboration and co-location become

- more important, even extending to the virtual world. The new structure should not be a hierarchy of bosses, but rather a dynamic network of teams. Deploy agile cross-functional teams in a large-scale way. The teams work together toward a common set of objectives. Agile companies are more decentralized and depend less on top-down, command-and-control decision-making. Flatter decision-making structures are faster and more flexible and will reach higher adaptivity than traditional organizations.
- 6. Speed up and delegate decision-making. Companies should better plan and organize meetings ("fewer meetings and fewer decision-makers in each meeting") and should take on the mantra that "quarterly is the new annual." Delegate and distribute decision-making to empowered teams.
- 7. Step up execution excellence. Frontline employees should take on more responsibility for execution, action, and collaboration. Leaders should assign responsibility to the line and drive "closed-loop accountability." Everyone working on a team should be clear about what needs to get done and by whom, when, and why. Employees should also be equipped with the right skills and mindsets to solve problems instead of waiting to be told what to do.
- 8. Introduce a new leadership model. The future requires leaders to act as visionaries instead of commanders. Be focused on inspiring your organization with a clear vision of the future, and then empower others to realize that vision. Build winning teams and then coach their players and let them make and execute decisions. Bring energy and passion to catalyze innovation, change, and growth. You need leaders who can make and execute decisions rapidly and who are able to take on new challenges and lead in the face of uncertainty.



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Employees ask for a sense of belonging and well-being

10-20%

Current average participation of employees at well-being programs is between 10–20%. We expect a growing rate of engagement as more programs become available remotely and encompass more elements of well-being.

It was already clear in 2019 that well-being is changing and that it can be the distinguishing factor during a job search for many candidates. This year has confirmed the shift in taking care of employees when companies quickly reacted to employee needs in the time of distress, putting staff well-being before business interests. These reactions strongly resonate with the young generation that makes up the majority of the GBS workforce.

In this respect, the GBS big advantage is its unique position to drive new ways of working while providing space for employees to engage in social matters and topics of a higher principle. The GBS scope of services is more and more linked to creativity and creating value rather than just saving costs and delivering repetitive

mundane tasks. The sector has quickly and easily moved to the right set-up, providing much-desired flexibility and opportunities for individual growth and self-managed workday regimes. Space is allowed for the topics that most interest the individual. This is exactly how the younger generation imagines themselves being engaged—fulfilled at work while also cooperating to deliver the best for the benefit of the employer and society.

"Battle-hardened by the trying circumstances that have shaped their generations from the beginning, these younger generations are remaining steadfast, refusing to compromise their values—and that attitude may ultimately help change society." The Deloitte Global Millennial Survey 2020

Well-being—key changes and trends

The growing importance of taking care of employees and their overall wellbeing

Employee well-being is turning into a must to ensure a healthy, productive, motivated, engaged, sustainable workforce. It is in employers' interest to pay attention to employees' well-being. In the post-COVID-19 era, we have combined our work and personal lives much more than previously. The once-clear borders of being at work and working vs. being at home and having personal time off have morphed into one continuing period between morning and evening. This can have quite a negative impact on people's physical and emotional states. Stress and limited possibilities to recharge from it impact negatively on the overall feeling of well-being and ultimately will become an issue that employers must address. Preventing this from happening is obviously desirable for both parties. A

proactive approach to a healthy work-life balance simply represents a smart human capital management strategy.

"The physical and emotional burdens of anxiety do more than cause people to miss work. They can also affect people's job performance and, ultimately, affect job loyalty, making this a critical issue for employers to focus on." The Deloitte Global Millennial Survey 2020

From physical body to body and soul focus

Originally focused primarily on the physical side of well-being, for example, supporting general health and a healthy body, the first well-being initiatives mainly encompassed various employee fitness programs (gym memberships as a benefit, company sports events, onsite gyms). With millennials entering the workforce, the focus is moving to mind-centered and soul-balancing activities like yoga or

CZK 1,000

The typical budget per head/per year can start as low as CZK 1,000, making it a small investment considering its powerful impact (this number does not include typical professional development and training cost, employee assistance program costs, etc.)

meditation classes. Current trends take this body and soul concept further, adding a holistic view of the employee as a human being and trying to cater to all aspects of what is now considered "well-being". The "common elements—physical, career, social, financial, and community" help workers feel happy, healthy, resilient in times of stress, and perform well at work⁶². The GBS sector, with a young workforce majority, is clearly among leading sectors focusing on meeting employee well-being needs. Employees will soon consider the availability of well-being measures as a standard job benefit. Employers must pay more attention to this area and continue to invest in it to stay competitive in the market.

Changing roles in well-being delivery and management

While employees may take the leading role in deciding well-being activity plans and creating well-being "buzz" within their company, including managing activity schedules, organizing events, and running the practical details of the overall program, it remains the employers' responsibility to provide structured, robust work-life balance concepts. "The data tells us that more than ever before in our historyemployees want employers to be partners in their well-being". Well-being programs may be the key distinguishing factor in job selection and in drafting the best-qualified talent on the market. It is not just about the perks; it is about the authenticity of the employer in providing the best possible care for their employees. In line with this change, the role of the employer is shifting from the budget provider to a program enabler and concept driver. We can anticipate the growing importance of new roles in the company that would be fully dedicated to these employee programs, be it through merging existing similar roles

like Happiness Officers into something more over-arching, or by creating new positions that encompass all well-being.

From ad-hoc activity to ready-made function, an on-demand managed product

Well-being is changing from single, ad-hoc events to a full range of activities depending on employee interests or driven by company needs and culture. Employees subscribe to employer well-being programs just like they would buy a club membership. In the future, certain levels of well-being programs might open when an employee meets certain performance criteria, etc., so there can also be a motivational and reward aspect to creating a company-specific well-being program.

From physical presence to remote and online delivery

The first half of 2020 showed us how quickly activities, previously thought as primarily linked to the physical site and employee attendance, can be moved to remote locations and into a virtual world. Many well-being programs are running on existing technologies in the online space, establishing new well-being communities, connecting employees to deliver body and soul classes right to the employees' own homes. This forced separation of the need to be in a specific physical space from the actual location of consumption provides opportunities to offer wider and richer well-being experiences to a much larger audience at a fraction of the cost. Content providers and their customers can join remotely from almost anywhere at the most suitable time for them. This self-management aspect of wellbeing promotes more participation and flexibly caters to the growing demand for customization and on-demand access.



FNZ – Eva Bata, Head of HR, Brno, Czech Republic (Excerpt from the ABSL Diamond Award Brief, absl.cz)

The FNZ Company won the Education award (best project in the field of education) for its program focusing on employees' mental health and well-being. The Brno center of this New Zealand global fin-tech company develops software for banks and financial institutions. It organized Search Inside Yourself (SIY) training for its employees, which was originally developed at Google and is based on modern neuroscience findings.

Its goal is to teach participants to eliminate stress and assume responsibility for their personal mental health and endurance and for the way they treat people around them. This training course met with a very positive response from employees and 95% of those who took part would recommend it to their colleagues. SIY is part of the complex FNZ Health Fitness program, which focuses on physical health, fitness, nutrition, and prevention in the field of mental health.

"This course is geared to companies that are progressive and conscious of developing their people and culture with self-accountability, enthusiasm, and teamwork. We are teaching employees to take responsibility for the way they perform, cooperate with others, their well-being, resilience, and stress management."

FNZ has invested considerable time and resources in this opportunity to ensure Brno and the region remain leaders in science, technology, and innovation. ABSL supports this program as a unique opportunity to ensure our Czech services sector has access to the most advanced educational and leadership opportunities to strengthen our future capability.

The key element for success is support of senior management and allocated budget combined with a bottom-up, employee-driven approach.





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The workspace as an enabler of innovation and creative collaboration

A workspace that supports the interaction of people while providing flexibility to choose your preferred workplace arrangement is a core enabler of collaboration, increased productivity, and great company culture. Over the last decade, most companies invested in restructuring the look and feel of their office environment in order to build an agile workplace, accommodating the fast-changing world. The focus was on creating multiple zones—from collaborative hubs to closed phone booths, varying sizes of meeting rooms and break-out areas, all equipped with powerful technology and designed according to the latest trends. This created dynamic workspaces that project company culture through custom design, make employees feel good in their offices, and increase staff productivity and loyalty. New office models often reduce the square meters needed for office-like areas and boost the non-working areas like kitchenettes, break-out rooms, energy rooms, fitness spaces, meditation rooms, canteens, and the like. Collaboration and employee engagement were the words underlying these workplace environment trends. With the office environment adapted to flexibility and co-working, the collaboration of employees was enhanced so their greater engagement could lead to more creative ideas and solutions to customer problems. However, as seen during the pandemic, change is inevitable and may happen faster than expected.

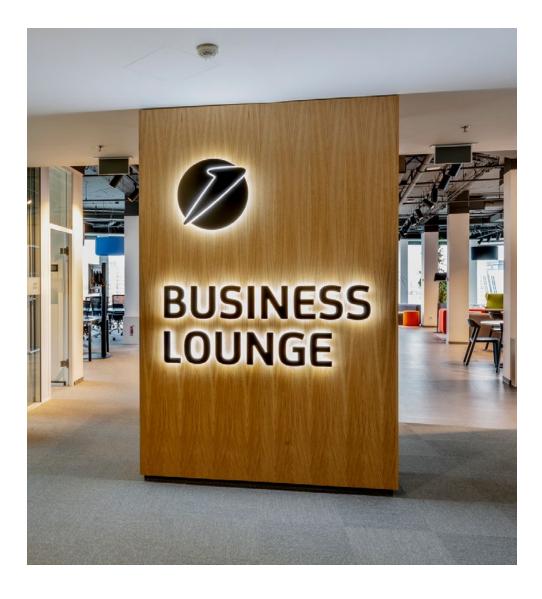




The COVID-19 pandemic changed how we work, introducing virtual and hybrid models

Employers' very first reaction to the pandemic was to establish work-fromhome policies that aimed to protect everyone's health. Before COVID-19, home office was one of the most desired benefits but not every organization offered it. Governments recommended working from home when possible, and companies quickly enabled employees to do so. This was challenging on numerous fronts: logistics to ensure everybody had laptops and other vital equipment, enabling virtual instead of face-to-face meetings, administering processes originally requiring manual procedures and in-office presence, changes in HR

policies, etc. These were just some of the measures to guarantee critical processes continued so clients could receive services. This year has proven that people are flexible when the situation demands it, that they are willing to operate even under less-than-adequate conditions. Maybe surprisingly, productivity on average did not drop. While not always favored by employers in the past, home office became a must, and in most cases, increased trust between employees and their managers as well as among teams. This has emerged as a guideline for leaders as they started to establish their organization's new normal.





20%

of organizations in the Czech Republic are planning to reduce their office floorspace

Prochazka & Partners, Survey results July 2020

More home office and higher safety standards will influence office space decisions

The sudden shift toward working from home and the process of returning back to the office showed that each employee has individual, varying needs and enjoys a personalized approach. True flexibility in where to work and how, leads us to virtual and hybrid models.

According to a Prochazka & Partners group survey of over 100 organizations in the Czech Republic, which represented a total of more than 350,000 m2 of office space, 20% of respondents had planned to increase their office space prior to the pandemic. After the COVID-19 crisis, 25% of those organizations have already decided to change their plans. And out of these, 82% will decrease office space by 10–40%. Only one-quarter of respondents wish to return to the same home office practice as before; the rest want to utilize home office at a higher rate and adapt to the new ways of working.

There is no exact picture of how the workplace of the future will look. It depends on multiple factors, from economic situation, organizational approach, geography, and culture to the development of the COVID-19 pandemic or any other future virus. Increased

hygiene is a necessity for all offices. Each organization should revise its safety measures and optimize its health and safety policies to ensure a physically safer work environment that supports employees' increased hygiene habits.

Whether this is providing hand and surface disinfectants, support of fresh air exchange, reconfiguration of office space, or social distancing measures, all should create hygiene discipline and respect for others' space. This feeds into the creation of a smart office concept that considers the right level of fresh air, CO2, temperature, humidity, and other factors that positively influence the working environment.

The question of health and safety also extends to organizations influencing the home office environment of their employees. Besides proper training on safely working from home, they need to emphasize other aspects, such as ergonomics, the provision of or subsidy for equipment that keeps them healthy and productive in a remote setting. Not providing these may impact employee productivity, satisfaction, and even brand perception.

Only one-quarter of respondents wish to return to the same home office practice as before; the rest want to utilize home office at a higher rate and adapt to the new ways of working. Office use and build are likely to change to allow for a higher proportion of home office and to create a truly flexible environment. According to Colliers, employees demonstrate an appetite post-COVID-19 for working from home: around 30% of respondents want the possibility of working three or more days from home, about 50% wish to work from home 1-2 days, and 20% less than one day. The future lies in adopting flexible and home working policies. The focus will be on adapting the workplace to new flexible solutions, setting up the right technology, culture, and equipment for home workers, and making the workplace and home office experience seamless. Employees like working from home and working at the office for different reasons. Working from home eliminates the commute and strikes a better work-life balance while

working from the office allows for efficient interaction with colleagues. According to CBRE Group: "Office space is likely to be reinvented to create augmented experiences for in-person and remote participants to better communicate and collaborate. As they quickly evolve to meet this new demand, physical workplaces will act as the hub that works in concert with remote nodes (employee homes, field and branch locations, etc.) to orchestrate a hybrid effort that most effectively supports the pursuit of cultural and business goals." 63

Even before 2020, some organizations implemented flexible solutions featuring open workstations but closed rooms for tasks needing heightened concentration. This trend goes hand-in-hand with an increased focus on hygiene and cleaning, especially of surfaces used by multiple people.

50%

of employees wish to have the opportunity to work 1–2 days from home even after the COVID-19 crisis is over. 30% would ask for 3 or more days

Colliers Back to Work Navigator, March 2020



Office use and build are likely to change to allow for a higher proportion of home office and to create a truly flexible environment. Technology will play a central role in the transformation into the new model. This may happen while creating solutions for the hybrid model, or when

solutions for the hybrid model, or when facilities manage space occupancy. The first step will ensure smooth connectivity and enable all necessary tools, involving new policies and procedures. The second step will require an automated system to screen space occupancy and predict and plan optimal usage of the physical setting.

A significant accelerator of seamless modern workspace usage is 5G technology. Its predicted 100-times-faster internet speeds and other benefits will change the way we connect and work. 5G will also enable other technologies and hardware through the IoT. Virtual reality and augmented reality have the potential to take off as 5G internet rolls out. According to JLL: "This has immense implications for the digital workplace, which could begin using virtual reality meeting rooms, which would reduce the space needed for physical meeting rooms—and a company's real estate footprint—while connecting global teams. Colleagues could log into a designated online space to interact with remote team members in real time; smaller office nooks could be transformed by virtual reality spaces designed for telecommuting members to work together on a digitally reproduced product."64

There are still multiple challenges and the application is still too early-stage to develop such an environment and keep it compliant and secure. It will surely need large investments. However, since these technologies will reduce the need for a physical workspace, this may be the future of the hybrid working environment. It would be both technologically advanced and safe and healthy. Organizations will need to keep focusing on true collaboration and relationship-building among their employees and teams.

We believe a safe, healthy office workspace will continue to be the main hub for collaboration, interaction, and innovation in organizations.

Most companies are built on the close connection of key partners, achieved during physical interactions as well as leveraging the continuously developing technology. While offices after COVID-19 will surely focus on better hygiene and workplace safety protocols, employees will come back to the office for meaningful collaboration on innovation. For example, our locations have become a hotbed of creative innovations and we have defined a "nouveau" office space as a place for critical interactions.

True flexibility without boundaries is frequently discussed, especially in organizations with a high proportion of foreigners. Most GBS workers have contracts listing the Czech Republic, or even a specific city, as the location of work. There are obstacles to enabling employees to work remotely from another country, for example, taxes and insurance.

A significant accelerator of seamless modern workspace usage is 5G technology. Its predicted 100-times-faster internet speeds and other benefits will change the way we connect and work. 5G will also enable other technologies and hardware through the IoT. Virtual reality and augmented reality have the potential to take off as 5G internet rolls out.

Time will show how the new workplace will be formed. Organizations will have to offer a working environment that fosters flawless collaboration and increased health and safety standards and keeps in mind the mental well-being of its employees. As CBRE states: "Great offices of the future will do what great offices of

today already do: serve as important hubs for the human elements and experiences that technology can't provide—relationships, teamwork, chemistry, and culture."

Organizations must find the best balance that will enable employees to continue working productively and collaboratively in the long term.



Recommendations for GBS Heads on implementing the future hybrid workspace⁶⁵

- 1. A modern workspace should support collaborative and creative interactions among people and, at the same time, offer flexible working arrangements for employees to choose from. It should aim to improve collaboration, productivity, employee engagement, and loyalty.
- 2. COVID-19 brought a new requirement for a healthy and safe environment where employees can work without an increased risk of virus spread.

 This is supported by the concept of the smart office, which automatically tracks and manages the amount of fresh air, temperature, and humidity.
- 3. Employees require work-from-home models. GBS centers should support proper home workspace design and technology and digital solutions for employees. It is also important to train employees how to be productive and manage distractions when working from home.
- Time will show how the new workplace will be formed. Organizations will have to offer a working environment that fosters flawless collaboration and increased health and safety standards and keeps in mind the mental wellbeing of its employees.

- 4. Future workspaces will be hybrid, combining company offices and home workspaces. Office space will be reinvented to create augmented experiences for in-person and remote participants to better communicate and collaborate. Physical workplaces will act as the hub that works in concert with remote nodes (employee homes, field and branch locations, etc.) to orchestrate a hybrid effort that most effectively supports the pursuit of cultural and business goals.
- 5. The future office space model will be transformed by technology. All digital and communications tools will be connected. Employees will leverage the experience of VR and AR. 5G networks will allow ultra-high-speed transmission of large amounts of data that will make the virtual collaboration feel real.
- 6. The new normal will allow teams to collaborate globally and GBS centers to involve foreigners who can continue living abroad while making them part of effective virtual teams. GBS centers will transform into virtual organization hubs that integrate employees across multiple countries.



Post-COVID-19 Workplace

77%

companies reporting increased or constant productivity

82%

respondents who would like to work one day a week or more from home

76%

respondents who still feel connected to their team

63%

respondents who state their work-life balance has improved

88%

indicate that their manager is able to manage virtually

>50%

respondents who miss the office as a way to separate work and home life

Source: Colliers International

ABSL

Vision 7:

One voice for Business Services

Our employees bring the Our employees bring the new skills and dynamics new skills and dynamics required to ensure we required to ensure walue deliver greater value

People and their skill sets are a key enabler of center and overall GBS sector success. GBS leaders that pay attention to the talent management topic will be better placed to deliver superior financial performance across a wide array of metrics. Due to the focus on operational excellence, an increased level of digitization, widening breadth of services, and new operating models, there is a clear need to develop new skill sets. In this chapter, we will look at why a new skill set is needed, which skills will be required, and what the impact will be on different centers.

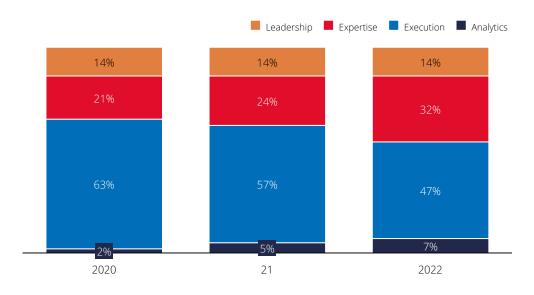
Reasons a new skill set is needed

There are multiple reasons a new skill set will be in demand. The focus on delivering higher-value-added services will require

us to bring new capabilities to our centers. Continuous improvement within the processes, coupled with digitization and automation, greatly reduces the need to support transactional services, vet increases the need to develop new capabilities and skills, with a particular emphasis on new digital profiles. The change in operating models and the scope of services supported, as described in Vision 5, demonstrates how much we will be required to develop new skills. The proliferation of the available data within centers enables us to create actionable insights for GBS clients and optimize GBS operations. There will be a clear transition from execution and leadership profiles towards profiles with expertise and analytical skill sets.

The AB InBev GBS center undergoes a re-profiling journey to change the profiles mix to meet future requirements





The focus on delivering higher-value-added services will require us to bring new capabilities to our centers. Continuous improvement within the processes, coupled with digitization and automation, greatly reduces the need to support transactional services, yet increases the need to develop new capabilities and skills, with a particular emphasis on new digital profiles.

The skills that are needed

Our employees will need both human, soft skills as well as hard, technical skills. This is visible in the 2020 ABSL survey, which lays out the most important skills employees will need in the next five years as the following:

- Digital
- · Data & analytics
- Innovation, driving change and agility to change

- Leadership
- Other soft skills

This change in skills requirement is also demonstrated in The Hackett Group's 2020 GBS Performance study, which confirms that digital skills are increasingly essential for a digital Business Services model to be successful. It identifies ten key skills required to thrive in a digital environment.

10 new skills required to thrive in a digital environment

Agility and Change orientation

Comfortable with change and shifting priorities, able to deal with ambiguity and uncertainty.

Creativity and innovation

Ability to create diverse and novel ideas; curiosity, broad interests, and boldness.

Data savviness

Ability to analyze and interpret data for key messages and storylines to support business-decision making.

Versatility

Possesing an all-around, multi-faceted skill set that can be used to perform a wide variety of jobs and

Analytics and modeling

Ability to perform statistical data analysis using multiple methods, modeling techniques, and associated tools.

Critical thinking

Ability to conceptualize, apply, analyze, synthesize, and/or evaluate information.

Service design

Skilled at customer-centric design of end-to-end processes. Ability to analyze and design process changes that improve

Business acumen

Ability to understand key business drivers. Knowledge of factors, priorities, and business demands.

Technology savviness

Afinity with and understanding of technology and how to use digital tools to improve service delivery.

Customer focus

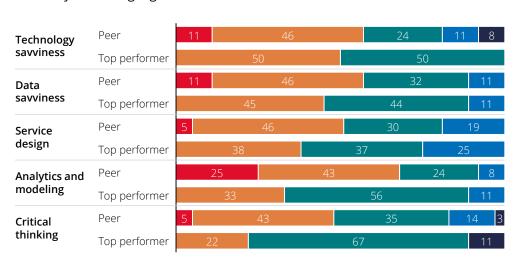
Ability to empathize with IT's internal stakeholders and focus on optimizing and continually improving user experiences.

In the same study, onshore centers report particular difficulty attracting some of the required key digital skills. Analytics and modeling, technology, and data savviness

are especially challenging. Perhaps unsurprisingly, the top performers have less difficulty in attracting these digital skills.

Onshore GBS centers have difficulty attracting digital skills





Source: The Hackett Group

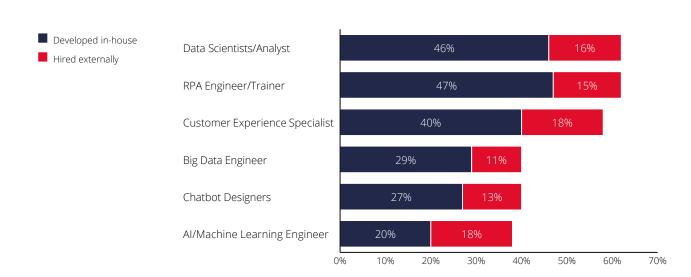
The digitization of Business Services will upset the traditional GBS model driven by labor arbitrage. Increasingly, a low-skilled, high-turnover approach to GBS talent management will be replaced by the demand for a higher-skilled workforce in which employee development is essential.

Non-technical skills will be increasingly important. Our people need to have curiosity and the desire and ability to learn fast and adjust to a changing environment. This multiskilling ability arises as multiple roles merge into one due to increased efficiency, flattened business structures, and degree of business change. The focus on customer delivery will cascade through customer centricity. Moreover, as organizations demand and strive for continuous improvement, it will require a closer connection to the business and a better understanding of the end-to-end processes and value drivers. We are beginning to see a shift of work from East to West, from off-shore to on- or near-shore centers, meaning that strong foreign language skills will remain a key differentiator for the Czech GBS sector as we will be inevitably required to deliver an increased scope of services, supporting a wider geographic reach.

The widespread remote working accelerated by the COVID-19 crisis will further increase our requirements of our colleagues. This brings a heightened demand for skills such as multitasking and virtual collaboration. Emotional resilience will be important due to remote work and ability to self-motivate. Leaders within the organization will need to manage and lead remotely. These are all skills that we have historically neither focused on nor required from our people. Leading remotely and the ability to motivate and engage through virtual environments are skills that we will have to help our leaders acquire.

In summary, the centers will look to introduce new roles. Among these, at least 50% of the responding centers already plan to introduce a data scientist, RPA engineer, and CX specialist. Other roles, such as big data engineer or chatbot designer also will be widespread. It appears the predominant trend will be to develop talent internally rather than source it externally across all functions.

In the next 3 years, GBS centers plan to introduce new roles through in-house development and external hiring



Source: ABSL Survey 2019

The Hackett Group's 2020 GBS Performance study identified 12 new emerging digital roles that GBS organizations will look for:

Chief digital strategist

Responsible for digital transformation strategy development and execution

Chief data officer

Responsible for data strategy and execution.

Data architect

Responsible for designing, creating, and deploying a data architecture.

Digital transformation program manager

Responsible for management of digital transformation programs.

Customer experience designer

Responsible for designing and implementing customer-centric services.

Cybersecurity specialist

Responsible for assessing IT systems for cybersecurity threats, designing and implementing effective solutions.

Digital content manager

Responsible for managing digital content and knowledge of GBS services.

Agile project manager

Responsible for managing the design and build of digital services using agile management techniques.

Data scientist

Responsible for collecting, analyzing and interpreting "big" data using advanced analytics and data presentation tools.

RPA automation programmer

Responsible for automation script development to production.

Cognitive computing specialist

Responsible for application development incorporating artificial intelligence from development to production.

Social media manager

Responsible for targeting audiences with social content; analyzing, testing, and optimizing strategies; and driving brand awareness.

This transition to a more digital Business Services organization will require the redefinition of both talent acquisition and reskilling strategies.

Impact on different centers

Despite the general trend, the impact will be different depending on the type of center, such as functional specific centers or multi-process, multi-skill centers.

Some functional specific centers that specialize in a certain type of activity, for example, financial accounting or IT development, will become centers of excellence with the aim of broadening technical knowledge in given functional

areas (e.g., through recognized professional certifications like ACCA/CIMA/ITIL). For these centers, the need is clearly to get profiles with a high level of technical expertise coming from either universities or industry, and further developing this expertise. These expert technical roles will widen their responsibility as more scope will move from the business to the GBS organization and there will be a need to combine this expertise with digital literacy. These experts need to move away from linear thinking and towards how technology can exponentially transform the functional area and solve business problems. Product centricity and ownership will be key skills needed for these centers.

Multi-process multi-skill centers will drive the digital end-to-end transformation linked to driving efficiency within the specific process area, benefitting the center and, more importantly, the whole organization. The focus will also be on high-value delivery for their business stakeholders, for example, through data and analytics projects. The important skills these centers will be looking for are:

- Ability to do process analysis and propose end-to-end solutions (tech + process)
- Ability to define pain points and technical solutions for them
- Agility or knowledge of another relevant methodology
- · Tech affinity/ambassadorship
- Analytics knowledge and applicability of it to business problems





Recommendations for GBS Heads on developing critical skills for the future

- People in our teams and their skill sets are key enablers of center and overall GBS sector success.
- Skill set needs are closely linked to the GBS center and company strategy, the global operating model, and new opportunity areas to expand the scope of services. They have evolved recently.
- 3. Top in-demand skills follow the transition of GBS centers into value-driven digitally-enabled centers, such

- as technology savviness, data savviness, customer centricity, analytics, agility, and change orientation.
- 4. The recent trend toward working in a virtual environment will demand multitasking, virtual collaboration, and emotional resilience.
- GBS HR teams should make the entire talent management process effective, efficient, and as agile as possible.

Vision 8: We attract great talent and are able to respond to changing business needs

12%

growth of Business Services jobs

ABSL Annual Report in 2019

The GBS sector represents one of the fastest-growing industries in the Czech Republic. Year by year, the number of jobs in Business Services constantly increases. In 2019, the growth reached 12%66. The industry is still relatively new in the wellestablished manufacturing market, where traditional industries play a crucial role in the economy. The Czech Republic has a central position in Europe, and the high living standard attracts international talent. GBS companies need to focus on attracting and developing the talent pool available through cooperation with universities and forming their own curricula, possibly in cooperation with the Association of Business Services Leaders (ABSL). In order to compete on the relatively limited talent market, GBS companies need to promote the industry and their own companies, ensuring a positive experience for the attracted talent.

ABSL will play a crucial role in promoting the GBS industry, cooperating with governmental institutions and also mainly promoting the industry itself, together with ABSL members. As the need for highly skilled talent is becoming a major challenge for all developed markets, ABSL members will need to focus on the pull strategy to demonstrate local talent capabilities to foreign investors. This will require a focus on the following:

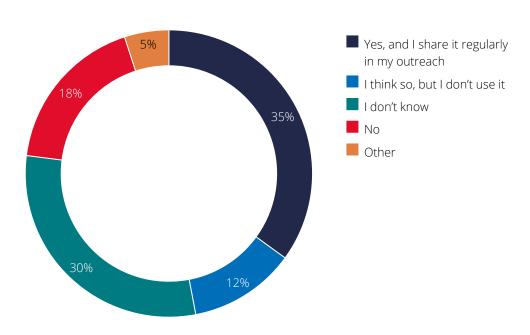
- Sharing best practices
- Promoting the industry through the right marketing and communication channels
- Strengthening the network amongst GBS companies

Employer branding will become a vital tool to attract talent for individual companies by demonstrating a strong company brand with a clear value proposition to potential employees. Candidates need to understand company purpose, culture, and leadership style as well as how their own contribution fits with company goals. The opportunity to grow in the company will be more and more understood as an opportunity to learn instead of the traditional pay increase. All these facets have to be carefully reflected in the employer brand communication through channels selected to attract the target talent.

Sourcers and recruiters

Does your organization have an employee value proposition (EVP)?

Source: The Hackett Group



75%

of talent considers an employer's brand before they apply for a job According to Hackett research, strong employer branding can halve the time to hire, cut cost-per-hire in half, and reduce turnover rates by nearly 30%. What's more, 75% of talent considers an employer's brand before they apply for a job. Still, only 35% of sourcers and recruiters say their company has an employee value proposition that they use in their outreach. That means for many companies there is a disconnect between the employment branding campaign and the story recruiters tell prospective candidates. Data suggests recruiters and leadership would benefit from taking the time to share the details of the employer branding campaign more fully with recruitment, so the team can tell a more cohesive story about the organization.

The next key element in attracting talent is the role of recruiters. Given the talent competition on the market and constantly changing business needs, the importance of recruiters will significantly increase. Recruiters need to have a strong talent market overview to adequately react to business needs. Therefore, recruiters have to be involved in business-strategy preparation and work very closely with business to meet the strategic needs. This would also require upskilling recruiters as a profession to have a broader overview than traditional interviewing. Recruiters need to excel in new skills such

as go-to-market strategy preparation, a good level of understanding of serviced products, analytical skills to assess talent availability and how to attract talent, and communication skills to understand both business and talent needs and preferences. Alignment of talent mix with business strategies is yet another critical aspect of the overall HR strategy. Talent diversity strategy needs to fit with business strategy to create cultural alignment.

Although a customer-centric approach towards recruitment has been part of the process for some time, it is essential that our recruitment teams focus on this and make the applicant feel that they are the center of attention and ensure that the recruitment experience "wows" them. Recruiters have to find a way to follow a standard recruitment process combined with the applicant's stewardship within the process. A combination of future technology with human touch needs to be set up. The full potential of technology needs to be leveraged up to the point when candidates are shortlisted. From that moment, a "relationship recruiter" has to take the applicant through the process until formal handover to the business when the onboarding process is completed. Successful stewardship will make a strong relationship between applicant and recruiter that has to remain active even after handover to business.

Recruiters have to be involved in business strategy preparation.



During the 2020 COVID-19 crisis, the GBS industry demonstrated that work-fromhome needs to be part of the future operating model. The opportunity for employees to work from home should be used by employers to attract the talent on the market—talent that is open to new ways of working with clear purpose and responsibilities. Work-from-home will bring more opportunities also in the diversity and inclusion of the workforce. Making working from home the new normal removes some of the typical barriers traditionally standing in the way—including physical limitations, commuting issues, work-life balance challenges, etc. This is particularly important for the GBS sector, where there still may be a lack of foreign-language skills caused by a nearby lack of native speakers of that language. The pool of potential candidates that would otherwise be missed can be extended by those who may not be able to commute or work in a traditional office environment (be it due to physical disabilities or in rural locations with limited infrastructure and transportation options, or simply due to cost of the commute). In addition, potential candidates can be sourced among those who cannot work full-time schedules (e.g., employees on maternity and parental leaves) or by people who need specific flexible schedules (e.g., working second jobs). The GBS sector can take great advantage of this shift. With the right targeted recruitment focused on such

previously disadvantaged and harder-toreach groups, companies can tap into this hidden employee pool, benefiting from the skills while providing employment to those that need it and otherwise would not be able to get it.

Leveraging technology capabilities will play a critical part in future recruitment to make it more effective. Technology will enable recruiters to conduct proactive strategic hiring rather than spend most of their time with reactive backfilling. Recruiters will have more time to spend with candidates in person to build relationships and help determine culture fit. Al data will enable recruiters to close the loop with hiring managers and demonstrate recruiting KPIs, including quality of hire. Flexible Enterprise Resource Planning (ERP) will enable recruiters to follow a standard process, starting from position approval and release of advertisement to a broad variety of recruitment portals connected to social networks and fit gap-mapping of applicant experience and skills against the job requirements. Customer-friendly ERP will deliver a similar value as CRM systems. Artificial intelligence may dominate in the first phase of the recruitment process. Major value will be while prescreening candidates, when AI shortlists the number of candidates against position requirements. Al will significantly reduce the time to hire a candidate and save

Leveraging technology capabilities will play a critical part in future recruitment to make it more effective.



recruiters' time by automating high-volume tasks. Chatbot deployment will enable applicants to obtain answers to common questions about the company profile and status of their application. Similar to Al, chatbots will save time for recruiters and will improve the company impression if applicants receive consistent updates throughout the application process. Also, the use of video conferencing tools such as Skype, Zoom, and others will massively increase after the COVID-19 pandemic. It was proved that during the lockdown period that video-conferencing tools can partially mitigate human interaction in face-to-face meetings and allow recruiters and hiring managers to observe applicant behavior and communication skills.

Given the size of the local market, it is foreseeable that some GBS companies will

grow to a size at which it will be efficient for them to establish their own university. Individual players on the market have to strengthen cooperation with universities to develop academy programs. We need to become more proactive at attracting talent during their university studies by demonstrating we are an innovative sector where students will find their opportunity to learn and grow. The way to establish cooperation should include both traditional methods, such as the development of Business Services curricula, as well as making sure that our GBS teams leverage opportunities to share case studies on university days. Business Services leaders can use these opportunities to speak with university talent directly and therefore attract talent pools.



Recommendations for GBS Heads on recruiting great talent

- 1. GBS companies should collaborate with universities in cultivating and attracting the right talent pool. They should cooperate with universities to develop the right curricula. GBS leaders could also take advantage of ABSL-organized education programs that will help them to develop the best professionals and leaders.
- 2. Employer branding will become a vital tool to promote the company and attract the best talent pool. Well-executed campaigns reduce time to hire, recruitment costs, and employee attrition.
- Recruiters will need to develop an excellent understanding of business needs and have insights into talent market development.
- Leveraging technology capabilities will play a critical part in future recruitment to make it more effective.

Individual players on the market have to strengthen cooperation with universities to develop academy programs.



In 2017, Knorr-Bremse Services Europe launched an employer branding campaign with the objective of speeding up recruitment in the traditionally automotive Liberec region. The company created a successful recruitment campaign. It convinced job applicants that it was worth joining an important European brand from the beginning, when it was just establishing itself in the region so as to be involved in the configuration of work processes and creation of the corporate culture. It recruited 170 qualified employees in the first year and commenced operation. The Knorr Bremse Company also contributed to regional diversification of the sector on the Czech market by taking this step.

Knorr-Bremse has partnered with an external marketing agency and developed a campaign that included the following steps:

- Insight—data collection about the company history and achievements; presence at the
 global market; mission; contribution to the transportation industry; company culture;
 information on the newly opened shared service center; interviews with shared
 services top management, candidates, and existing employees, and recruiters and
 personal agencies; a competition communication analysis.
- 2. Strategy—employer value proposition for each of the four target groups; an HR marketing communication strategy; recruitment process guidelines; a referral program for the newcomers.
- 3. Execution—leaflets for each target group; career websites (microsites); Facebook profile management and paid campaigns; LinkedIn campaigns; print and outdoor campaigns, including on public transport; street marketing events; online campaigns, such as banners on suitable websites and search engines Google and Seznam; SEO and link building; consulting with recruiters and personnel agencies.

Key benefits of the Knorr-Bremse employer branding campaign:

- Win-win for the company to quickly hire talent as well as increasing the appeal of the region for future investors
- Leveraging experience of an external professional consulting company that was able to create and execute a successful employer branding campaign with the Knorr-Bremse team

Example of outcomes from the insight phase with prospective talent profiles, their needs, and company value proposition to attract talent to join the newly established Knorr-Bremse teame

Introduction of Knorr- Bremse	Introduction of Business Services	Offices and location	Life in Liberec
Internal project and family business	The use of foreign languages	Employee events	Inspirational and approachable bosses
Flexibility—home office	Pioneering—being at the inception	Employee benefits	Support for mothers with children
We're not automotive	A transparent and quick recruitment process		

Vision 9: 兴 (Cof Bixby Vision AR emoji We embrace new and emerging methods and technologies to develop and retain a flexible and agile Workforce

Trying to upgrade your business without upskilling your people is impossible.

The unprecedented disruptions to organizations in 2020 have created huge opportunities. As the landscape changes and organizations embark on new digital transformation programs, it is apparent that people sit at the heart of these opportunities, and it is people that will drive the transformation. Trying to upgrade your business without upskilling your people is impossible.

As we embrace the new digital age and invest more heavily in technology and automation, the need to invest in the new skills that people will require to help drive future success has never been more important. As we automate more of the highly repetitive and transactional tasks, our people will be required to focus on high-value, unusual, creative, personal, and innovative activities, developing the competencies that ensure we are able to add a greater contribution to the business.

So rather than being replaced, human work will be augmented by technology.

Both hard, technical skills and human, behavioral skills are of equal importance. However, the human skills, traditionally receiving less focus, are the key to employees developing the necessary technical skills. In the recent publication, The Curious Advantage, these 'soft' skills are rebranded as 'power skills', with curiosity as the 'superpower'. Why? Because curiosity fuels the motivation to learn other skills: those that businesses need for future success.

Which levers will the best companies pull to equip their people with the required future skills? How do we keep employees motivated? How do we influence performance to greater heights? How do we retain our best talent? And how do we ensure we provide a rewarding long-term career for them? There are three key areas that organizations need to focus on regarding their people:

- Learning, people development, and reskilling
- Performance management
- · Career development and retention

We embrace all opportunities for organization-wide learning, development, and reskilling

"The only sustainable competitive advantage is an organization's ability to learn faster than the competition". This was stated in the Peter Senge book, The Fifth Discipline, astonishingly in 1990. Yet it remains as relevant today as it was 30 years ago.

It is essential to recognize that learning is a continuum. The opportunities and channels available for learning new skills have never been so vast—and they are only likely to grow over the coming years. If the recent pandemic has taught us one thing, it is that agility, acceptability, and adaptability are key to being successful. The rate of change and, hence, acceptance of new ways of working and learning continues to gather pace. At the 2018 World Economic Forum in Davos, Canadian Prime Minister Justin Trudeau said, "The pace of change has never been this fast, yet it will never be this slow again."

"The pace of change has never been this fast, yet it will never be this slow again."

- Justin Trudeau, Canadian Prime Minister

13%

world-class GBS organizations spend 13% more time on learning and development than peer group organizations It is incumbent upon all companies to ensure that they are making available, and encouraging, as many channels as possible to deliver learning content to their employees. Omnichannel, on-demand, device- and platform agnostic, have never been more relevant. How we choose to enable learning and how we encourage

our employees to learn will pave the way for our organizational and people successes. The Hackett Group's research shows that world-class GBS organizations spend 13% more time on learning and development than peer group organizations. A recognition that it is an essential element of driving success.

What is the annual number of learning and development hours expected per GBS employee by level in 2019?

Managerial

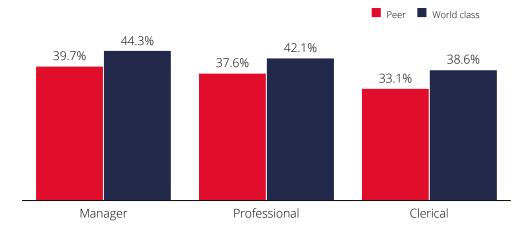
employees include those positions that involve the performance management of at least one other employee

Professional

employees are generally skilled workers (in the US, generally exempt employees) who do not have performance management responsibility for any other employee

Clerical

employees hold positions performing routine tasks (in the US, generally non-exempt employees)



Source: The Hackett Group

54%

of all employees will require significant reand upskilling by 2022

19%

of the skills we have today will be irrelevant in three years' time At the center of these efforts will be our learning departments. Their levels of importance, impact, and significance across an organization are set to grow exponentially. With a focus on people and learning, we are beginning to see new jobs emerge like Head of Learning Content Design, Head of Human Intelligence, Chief Happiness Officer, People Champion, HR Data Detective, and Performance Consultant. While transitioning from a delivery center to a value-adding business area, learning and development professionals will be required to partner across the business, understand the ever-changing requirements, and develop and curate new learning materials at speed. This is demonstrated in the World Economic Forum The Future of Jobs Report 2018, which stated that by 2022, no less than 54% of all employees will require significant re- and upskilling. And in a survey by Gartner in 2019, over a third of respondents recognized that they had learned a skill that

did not previously exist, like RPA, machine learning, or blockchain, in the last three years. Their research also predicts that 19% of the skills we have today will be irrelevant in three years' time.

It is clear that technology will play an ever-increasing role in how we all learn, from e-learning and online portals to content curation and gamification and the use of VR and AR. With all of us more connected, more of the time, and with the increasing adoption of not just mobile, but wearable technologies, the content and learning journey must be made easy to access, flexible, simple to consume, engaging, and relevant. Integration with your existing enterprise technology infrastructure will help, but the use of best-in-breed technology that will help you achieve your own organizational goals is essential. It is important to remember that learning resources need to enable people to do their jobs more efficiently and more effectively. Relevancy is critical.

Open access exchanges have created the ability to access learning content through a multitude of avenues. Many organizations partner with the likes of Coursera or LinkedIn Learning, providing access to thousands of online-learning courses, ranging from online university programs to short-form topic-specific courses. Content curation enables us to use technology to deliver the right content to people more often, in a timely manner. In this current period, when we are timepoor, one of the obstacles to overcome within your learning strategy is to make access to relevant content easy, and curation does just that.

The next likely significant disruptors to learning are the expansion of AI and the power of data. Having the ability to provide employees with relevant and appropriate learning materials, supporting their work activities, while not disrupting them, is becoming more **commonplace.** Following in the footsteps of entertainment providers such as Netflix and Spotify, learning content is now being delivered through a series of channels or playlists. The learner subscribes and then content is recommended to them based on job profile, previous content consumption, or just algorithmic recommendations. Such an approach to delivering learning in the course of everyday work has been described by Josh Bersin as 'learning in the flow of work'.

While technology will continue to increase its impact in the learning and development space, some of the more traditional areas must not be overlooked. For example, on-the-job learning, stretch assignments, rotations, coaching, mentoring, and formalized training programs all remain highly effective practices used by world-class organizations to develop critical skills, according to The Hackett Group's GBS Performance study. There will continue to be the need for better collaboration across the Business Services industry as well as with universities as we strive to build the right competencies for our people. Programs such as ABSL Fusion in the Czech Republic, the MSc in GBS program delivered out of the Technological University Dublin, the NASSCOM FutureSkills initiative, internal company HiPo and Leadership Development programs, will continue to play an important role and remain an essential part of the learning mix.

Content is and always will be king, and our responsibility is to ensure simple, intuitive, and engaging access to it.

Reskilling and equipping people for future success requires different thinking when approaching learning and development strategies. Think personal, think relevant, think agile, think flexible, and start by thinking of the employee first.

Content is and always will be king, and our responsibility is to ensure simple, intuitive and engaging access to it.





Edwards Lifesciences High Potential Development Program

Edwards Lifesciences' service center in Prague was established in 2013 and has grown into a highly diverse business center covering multiple business functions from finance through IT to HR. It has expanded from transactional tasks to the ownership of key regional processes, such as talent management and learning.

Talent management and learning have become a critical function in the current marketplace, where talent shortage is quickly turning into talent drought. The gap is especially critical when it comes to top talents—leaders who are expected to navigate an uncertain future and deal with the challenges of an increasingly complex business environment.

That is why the Top Talent program became one of the company's priorities with a focus on High-Potential employees—a subset of top performers with the highest potential for future growth. A rigorous, data-driven selection process was put in place to ensure candidates are vetted, not only based on their past performance but also on their cognitive abilities and potential for leadership growth.

The program brought multiple benefits to the company. Members of the program are roughly three times as likely to get promoted or have a lateral move. Furthermore, the voluntary turnover for Top Talent has dropped by more than a third while the overall voluntary turnover remained level.

The program itself is focused on accelerating both the learning journey and career progression, but it goes beyond the traditional boundaries of learning and development. Through this program, high-potential leaders from across the region are offered the opportunity to participate in internal "consulting" teams, formed for short-term engagements. These teams are cross-functional, with leaders from different backgrounds working outside their core area of expertise to find creative solutions to tough challenges or take a fresh look at resolving strategic issues.

The diverse projects successfully covered include traditional service-center themes, the assessment of the direct vs. indirect business model in selected countries, and market opportunities for new products.

These projects offer a great opportunity to bring business leaders together with service-center experts in order to leverage their expertise to tackle important business challenges.



4.5x

top-performing organizations are over 4.5x more likely to adopt a continuous feedback approach than the peer group

We will lead the way in employee performance management

If people are the greatest creators of value in organizations, then good performance management is critical for an organization's success. Employees need to clearly understand what is expected of them. They must be managed and motivated as well as have the necessary skills, resources, and support to achieve those goals. It is abundantly clear that the days of a single annual performance review are over, or at least they should be! Such a blunt instrument is completely inadequate for this VUCA (Volatile, Uncertain, Complex, and Ambiguous) world that we operate in, and, as such, should be confined to the histories of time. As organizations are

required to continually review and adjust performance goals and objectives, it is essential that we adopt the same flexibility and philosophy in people performance management.

The future of performance management lies in the creation of an environment that fosters the opportunity for continuous feedback. It should not be seen as a single technique, but rather a range of factors that help support the growth and development of people, which in turn supports the success of the business. In fact, The Hackett Group's Next Practices in Employee Performance study showed top-performing organizations are over 4.5 times more likely to adopt a continuous feedback approach than the peer group.

Approach to employee performance management

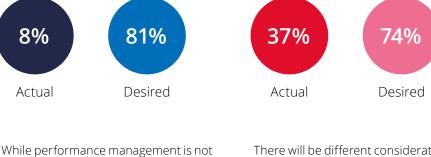
Source: The Hackett Group

Entire process is continuous; relies on frequent conversations and interactions between managers and staff



Peer group





an exact science, given the increasing importance of data in our working environment, it is certainly becoming much more so. As organizations collect more data about customers, sales, marketing and, ultimately, about people, the key difference will be how we use this data to provide accurate, timely, and effective feedback to help people become better. We are already seeing organizations use the power of data to directly influence, manage, and even reward performance. Unsurprisingly, tech giants such as Google, Microsoft, and Netflix are leading the way.

Organizations will continue to adopt a much more holistic approach to employee performance management as they move away from once or twice yearly 'reviews' to an ongoing continuous feedback loop.

There will be different considerations and tools that should be used, such as:

CX mindset as part of the evaluation

Top performers

- Ability to collaborate across teams, both physically and virtually
- Ability to lead and inspire in a virtual world
- The use of NPS for instant feedback on performance
- 360 reviews, gaining input from internal and external clients with a focus on strengths
- Output-based, not input-focused, and data-driven in real-time
- Absolute clarity of goals, objectives, targets, measurements, etc.
- Complete transparency on both sides

Below is an outline, from The Hackett Group's Next Practices in Employee Performance study, for how organizations can approach a new performance management process.

5 steps for a more successful performance management process

Prepare the organization for change

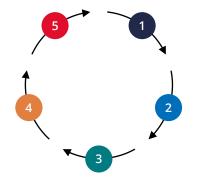
Make the process easier through inclusive methods and technology enablement

Make regular, ongoing discussions about performance the norm

Focus on goal achievement and skills development

Solicit broad, inclusive feedback

Invite peers, team members, subordinates, and even customers into the process



Hold leaders accountable but equip them to succeed

Provide managers with ample training, tools, and support

Train (and retrain) front-line leaders to coach performance and skills development

Train supervisors on giving/guiding staff through experiential learning

Rather than focusing on the areas that your people are weak in, organizations look at people's strengths and what they are good at.

We see a shift in approach which follows the philosophy of appreciative inquiry.

Rather than focusing on weaknesses, to help improve performance, organizations look at people's strengths and what they are good at and then focus on what contributed to that success, and how they can expand, build on, and replicate that in other areas of their work.

We provide the most rewarding and challenging careers by managing career development

As organizations continue to wrestle with the challenge of unwanted staff attrition, career development and retention strategies are becoming an ever-increasingly important element of the overall talent management strategy. No longer can we assume that our talent is willing to have a job for life or even remain in the same industry or career. Given the relatively lower age demographic that makes up most of the GBS sector, that concept is alien to them. Employees, more than ever, demand a rewarding, challenging,

and diverse career. And if they feel that they are not being supported in these areas by their existing employer, they will move on to an organization that better fits these objectives.

The need to focus on employee engagement has never been greater.

Happy, engaged employees not only stay with their existing employer for longer, they are more productive and innovative. This drives better performance, resulting in better business outcomes. We must create exciting career paths that offer the opportunity to collaborate widely across multiple teams within the organization and, where possible, across different locations at home and abroad that enable people to gain greater exposure to leaders and increase their networks.

Addressing employee engagement and development though, in this VUCA world, requires more than a one-size-fits-all approach. The power of search engines and the immediacy of information availability means that tolerance and

The 6 dimensions of talent management

Demand management

GBS workforce needs to be flexible and knowledgeable to meet varying customer demand for services.

Retention

Effective talent management reduces uncontrolled attrition, lowers costs and provides more consistency in customer service.

Recruitment

Having an attractive value proposition provides an edge in competitive GBS locations.

Career development

Active preparation for career development to move people from role to role and business to shared services and vice versa

Training

Is valued by employees, increases competencies, improves morale and productivity and the ability to add value to business customers.

Skills

Skills and competencies over and above technical skills are essential to successfully manage interactions with clients and deliver customer excellence efficiently. patience are arguably at an all-time low. Our HR strategies need to reflect this. They must start with a flexible and agile talent roadmap and career development framework, which fosters innovation and personal development, as well as encourages bravery in people—bravery in the sense that mistakes are accepted and are used as a learning opportunity for everyone.

We need to have a strategy in place that is proven to promote from within the organization, rather than looking externally when a role needs to be filled. Actively encouraging people to apply for new roles is something that all organizations should do. Cisco, for example, has a policy that anyone who has held a job for two years or more is free to look for a new role internally; managers are directed to support employees in this search.

Career development opportunities, growth, and engagement are key drivers for employee retention. It is widely acknowledged that employee turnover is not only more expensive than retention, but can also have a wider impact on both team morale and productivity. Some 78% of employees say they would remain with their employer longer if they saw a

career path opportunity (Mercer). A recent employee engagement poll from The Hackett Group backs this up: it shows that increased learning and career development opportunities are the single most effective actions to increasing employee engagement.

It is essential that organizations think of ways to keep employees engaged and motivated, and this needs to start from the beginning of the recruitment process. We want employees to choose us because they recognize that we are a great place to work, have amazing career opportunities, and we will value and respect their opinions and support their well-being. There are many different approaches to adopt around retention. We need to find the solutions that best fit our company culture, ambitions, and drivers.

In conclusion, talent management is becoming a cornerstone of businesses and there is a reason why it is so important, beyond the points raised in this chapter. According to The Hackett Group, organizations that are top performers in the six dimensions of talent management, as listed, see a direct correlation between that and improved business performance.

Recommendations for GBS Heads on developing and retaining great talent

- 1. GBS should embrace all opportunities for organization-wide learning, development, and reskilling. New programs should be omnichannel, on-demand, and platform-agnostic. They should target all employees and focus on the development of new critical skills. Learning should happen through an e-learning platform, using content curation, gamification, and VR or AR.
- 2. GBS should lead the way in employee performance management. The future is in fostering an environment for continuous feedback. It should come from customers, colleagues (360 view) and day-

- to-day interactions. It is critical to look at employees' strengths first and then think about how to help them build on those strengths and grow.
- 3. GBS should provide the most rewarding and challenging careers and improve retention by managing career development. GBS should promote more from internal talent pools. Employees should be encouraged to look for new roles and challenges. This will develop their skills and increase their engagement while lowering attrition.

Vision 10:

We combonate with whicipalities, municipalities, municipalities, and the universities, and the universities are universities.

In today's globalized post-COVID-19 business environment, most enterprises continue searching for optimization of their costs and locations to place their operations. Recent, rapid advances in communication and IT have shown that the need for face-to-face contact might further reduce. As a result, the GBS sector will become more relevant in fostering and enabling enterprise-wide change.

As GBS continues to grow, so does the demand for quality talent and overall expectations and support from the countries and cities where the centers are located. Expanded requirements and the growing complexity of Business Services require broader functional knowledge and additional language skills. As GBS pushes toward new service delivery boundaries, locations must clearly demonstrate their ability to move with them. All this has increased the importance of location within a country that can provide a friendly business environment and comprehensive support to investors.

Our vision is that the Czech Republic is known as:

The country of digitalization, innovation, and technology

The country of investment support and flexible business environment

European Union
active investment support
onboarding expats
data security
confidentiality
privacy framework
part-time
work from home
faster immigration process
English

The country of a high-quality, modern, and up-to-date education system

creativity

technical imagination
logical and critical thinking
problem-solving
project-oriented
teaching
cooperation between
schools
upskilling and reskilling
entrepreneurship
education

As GBS continues to grow, so does the demand for quality talent and overall expectations and support from the countries and cities where the centers are located.

Our vision is that the Czech Republic is known as:



The country of digitization, innovation, and technology



- The Czech Republic is a digital country that promotes innovation with a tech-savvy population, extensive digitization of public services, and enterprises that are among the first to implement new digital technology.
- The Czech Republic is a **country with a strong scientific background, advanced industries, and research** in numerous fields, with educated and resourceful people who have great invention potential.
- The Czech Republic is one of the most connected countries and continues to invest in high-speed connectivity infrastructure.
- The Czech Republic acknowledges and promotes Business Services, IT, and other knowledge-based services with high value added as priority sectors.
- The Czech Republic actively presents and promotes GBS-sector successes, a developed innovation ecosystem, and the GBS vision outside of the country.
- The Czech Republic creates comprehensive financing programs with national support for the start-up segment and attracts foreign start-ups and technology teams for the long-term development of their activities in the country.
- The Czech workforce is technically skilled, educated, fast learning, professionally competent with language skills, and, at the same time, equipped with the right working attitude and an open mindset.

Our vision is that the Czech Republic is known as:



The country of investment support and flexible business environment



- The Czech Republic remains an **active member of the European Union** and supports pro-EU initiatives and open borders.
- The Czech Republic continues strong and active investment support through Czechlnvest and other organizations that provide broad investor services.
- The Czech Republic promotes city-level support for onboarding expat managers and workers across the country.
- The Czech Republic is an **active member of the global and European data security, confidentiality, and privacy framework** and it supports the free flow of data in and out of the country.
- The Czech Republic is implementing legislation that supports a probusiness-oriented environment, including:
- Taxation systems that incentivize investments into skill development, R&D, and IT.
- Low labor taxation for employers, incentivizing the creation of new highly qualified jobs in the country.
- Flexible legislation around part-time, temporary workers, and work from home plans.
- Legislation that allows people with Czech employment contracts to also work from outside the country.
- A faster immigration process for workers outside of the EU and clearer and simpler visa transfer rules for non-EU workers and students who are already in the Czech Republic.
- **English** becomes one of the communication languages in all levels of Czech administration offices, including the Department of Foreign Police.

Our vision is that the Czech Republic is known as:



The country of a high-quality, modern, and up-to-date education system



- An education system that focuses on creativity, research techniques, technical imagination, logical and critical thinking, problemsolving, information evaluation, and project-oriented teaching based on the knowledge base of natural sciences and STEM (Science, Technology, Engineering, and Mathematics).
- Promotion and support of active cooperation between schools at all levels, and businesses adopting disruptive models in education that use the latest technologies like e-learning, AI, and VR and AR.
- · Continuous support of **upskilling and reskilling of people**.
- Introduction of **entrepreneurship education** at all levels of schools.

Digitization, innovation, technology, investment support and flexible business environment, high-quality, modern, and up-to-date education system.

Our aspiration for the GBS sector in 2025

In 2025, the Business Services sector in the Czech Republic has achieved a broad international recognition as a global superhub for advanced IT, business services, and digital transformation. We are the largest business sector in the Czech economy, employing 180,000 people in over 500 centers across the country. Czech Business Services are at the forefront of advanced robotics and digital transformations across global business—and the sector drives the digital and innovation agenda here in the country—securing the prosperous development of the Czech Republic into a highly advanced, top-tier European services and innovation economy.

The Business Services sector benefits from the modern business environment in the Czech Republic, which is one of Europe's innovation leaders that supports science, research and innovation.



Appendix

Endnotes

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Appendix

Glossary of terms

Abbreviation	Full Text
Al	Artificial Intelligence
AR	Augmented Reality
ВРО	Business Process Outsourcing
CAGR	Compound Annual Growth Rate
CEE	Central and Eastern Europe
CoE	Center of Excellence/Expertise
CRM	Customer Relationship Management
CX	Customer Experience
DevOps	Development and its Operations
ERP	Enterprise Resource Planning
F&A	Finance and Accounting
FTE	Full-Time Employee/Equivalent
GBS	Global Business Services
HR	Human Resources
ICS	Industrial Control System
IoT	Internet of Things
IP	Internet Protocol
IVA	Intelligent Virtual Assistant

Abbreviation	Full Text
KPI	Key Performance Indicator
NLG	Natural Language Generation
NLP	Natural Language Processing
NPS	Net Promoter Score
OCR	Optical Character Recognition
OECD	Organisation for Economic Cooperation and Development
OT	Operational Technology
R&D	Research & Development
RPA	Robotic Process Automation
SaaS	Software as a Service
SLA	Service Level Agreement
SSC	Shared Service Center
TQM	Total Quality Management
UI	User Interface
UX	User Experience
VR	Virtual Reality
VUCA	Volatile, Uncertain, Complex, and Ambiguous
Zettabytes	1.0E+21 Bytes

