NEVER WASTE A GOOD CRISIS

Perspectives for BSS regions and cities
by Elias van Herwaarden and Sunny Hindwani.

AS THE DUST SETTLES…
Through May and June countries will emerge from lockdowns wake-up to a gloomy new dawn. Think of GDP contraction and high unemployment levels. Add Covid-triggered aid packages which will strain countries' ability to invest in their economy for years to come.

And more challenges might follow. Some experts expect the pandemic to accelerate de-globalization. Others, like the World Economic Forum, hold that the virus will not spell the end for globalization – but that change is unavoidable.

Meanwhile, Covid's impacts are visible. International trade drastically decreased with foreign direct investment projects having been cancelled or stalled. Encouragingly, a few cities still report BSCs growing and new projects coming in.

What does this all spell for the BSS, and for Central European regions and cities catering to it?

TAKING THE BULL BY THE HORNS
BSCs across Central Europe did not stall in front of the pandemic. They have been quick to transition to remote work. Previously "unthinkables" quickly became "good practice". Elements such as delivering recruitment and customer experience from kitchen tables.

Certainly, there have been challenges and not all has been "business as usual". To mention a few: BCP proved inapt at mitigating a hazard of this reach and speed, process transitions were put on hold, not all SLAs were met, few BSC managers were fully geared-up to handle remote teams, and productivity decreased. Cost increase posing as a challenge also.

But the Covid pandemic also has an unexpected positive outcome. For years BSC leaders had to argue that their centers are above all about value creation, not merely about cost-cutting. The debate now is all about value and resilience, with CFOs and COOs discovering their "back-offices" often better prepared than the frontline business.

This is bound to create the impetus the sector has longing for. More room for change and bottom-up driven process improvement, end-to-end. As stated previously (see *Outsourcing&More* May-June 2020), we do not expect radical changes. It is more about accelerating existing initiatives and shifting priorities. These will take time to fully materialize, but as typical for our sector, BSC leaders waste no time.

But some of their plans might run into "locational barriers":

- Increased digitalization: a 2020 European Commission study finds a major shortage of ICT specialists on the labor market.
- Wider talent: EY reports that three-quarters of European businesses are suffering from skills shortages that are damaging their productivity and profitability.
- Remote work: if fixed broadband access is above 80% of households across the EU, disparities are more pronounced in rural areas. For Next Generation Access the cross-EU numbers hover between 10% and 100%.
- Multi-facility structures: intra-city connectivity, public transport and availability of suitable office space may limit second site choices.
- "External resilience": Not all locations offer similarly robust infrastructures and public governance.

A DEAFNING SILENCE?
As the pandemic spread BSC's rushed for damage control and quickly began an attempt to anticipate the sector's future. Few of the BSS public sector partners followed. Even four weeks into the lockdowns there were many investment promotion agency websites with barely any information on how companies could get help in addressing the pandemic's impact.

Early June, leading agencies managed to catch-up. Information and testimonials abound on local level while at national level financial support packages have been launched. "Aftercare" has become the marching order. A major step that all agencies should follow suit.

THE ANSWER HAS JUST CHANGED
But, if Covid caused companies to rethink their business models and to shift priorities, shouldn't the BSS' public sector partners act in similar fashion?

Admittedly, the core question for BSCs remains the same: "Where are the optimal ecosystems for my operations?" But the shifts within their location requirements call for a public sector response that differs from the pre-Covid one.

Starting from BSCs post-Covid needs and plans, they should seek new answers to traditional questions:

- What is our competitive position?
- Should we still aim for the same target markets?
- How should we change our "product"?
- Is our value proposition still up-to-date?

NEVER WASTE A GOOD CRISIS
There is no doubt: the Covid-crisis will leave some lasting changes on business and society.

Regions and cities that act now will benefit from a competitive advantage. As Churchill once said: never waste a good crisis.◆

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