PRESENT AND FUTURE OF OUTSOURCING AND BUSINESS SERVICES IN NEW EU MEMBER STATES

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Annotation

The paper is focused on the business services and outsourcing trend. As a start it is important to clarify terms such as business services, outsourcing and types of outsourcing. There are defined several reasons and benefits flowing from outsourcing. The main elements relevant in the decision of firms to outsource have a different level of significance in each company. If a company wants to outsource part of its activities to any other country, it has to decide which activities and where to outsource.

Authors of the paper present situation of off shoring in the second part of the paper. There is considerable position of new EU members including Slovakia as well. A.T. Kearney Global Services Location Index is used to indicate the most attractive countries to outsource. Some current trends in outsourcing are discussed in the paper too.

Keywords: services, business services, outsourcing, new EU members, Slovakia, off shoring, A.T. Kearney Global Services Location Index, trends of outsourcing

Introduction

The paper focuses on the part of services sector, namely – so called business services. Position of business services in national economy is important to declare at first for understanding their role and significance in the economy and at the second to present level of usage of outsourcing by the companies.

In the first part of this paper attention is given to theoretical understanding of business services, various definitions of business services and their position in theoretical approach. In the
present there are many new types of services and research community pays attention to this field, as for instance strategic business services. Growth of business services is directly related with trend of outsourcing. Because of this, in the first part of this paper, a short overview of definitions and types of outsourcing is done and further relationship between business services and company environment is set.

Second part of the paper focuses on company’s decision-making about outsourcing, arguments for outsourcing and many conditions which determine the level of externalization at company. While deciding about transfer of some activities, company always thinks about place where to outsource and services which to outsource.

The last part is assigned to macroeconomic and geographic point of view on outsourcing. Business services are usually used for describing and measuring of outsourcing. Through import/export of business services we can monitor level of off shoring activities. There are certain countries and regions more appropriate for off shoring than other countries and regions. It is largely because of such factors as low costs, good business environment, good general education level and working skills of locality. These factors determine level of country attractiveness.

We want to point out that the new EU members are completely included in outsourcing trend and play important role in it. The article describes today position of some new EU members and finds the most probable future trend in the world global outsourcing in consideration of these countries.

**Theoretical overview of the concept of business services and outsourcing**

*Concept of business services*

Business services (BS) are much frequent term in economic theory and praxis. It is most dynamic part of modern economy and acts as an accelerator of changes in other sectors of economy. Many economists and government strategists are interested in this sector because of its importance for economy. Kox and Rubalcaba (2007) mention one of the definitions of business services in their research paper: “Business services are predominantly delivered to companies, other production organizations and government agencies. Hence, viewed from the angle of their destination, business services are primarily intermediate inputs; they can complement or substitute existing in-house service functions of client firms. Often the business service is co-produced interactively with the client. Building on Hill’s definition of services we define business services by their role for clients (Kox and Rubalcaba, 2007, p. 4): “Business services are set service activities that - through their
use as intermediary inputs - affect the quality and efficiency of the production activities, by complementing or substituting the in-house service functions.”

Figure 1 presents an operational taxonomy of business services based on the above mentioned definition. Business services are distinct from network-intensive services that in most cases can be produced in-house only at the expense of large scale diseconomies. Figure 1 distinguishes between knowledge-intensive business services (KIBS) and operational business services, based on the average degree of human-capital intensity of the labour force.

**Figure 1. Defining business services as part of producer services (Kox and Rubalcaba, 2007)**

<table>
<thead>
<tr>
<th>Producer Services</th>
<th>Business related services</th>
<th>Knowledge intensive-business services (K.I.B.S.)</th>
<th>Operational business services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Software and computer services</td>
<td>Security services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strategy and management consultancy</td>
<td>Equipment renting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Auditing, accountancy, tax and legal advise</td>
<td>Facility management, cleaning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marketing services, opinion polling</td>
<td>Administration, bookkeeping</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Technical services, engineering</td>
<td>Temporary labour recruitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personnel training, headhunting</td>
<td>Other operational services (e.g. catering, translation, call centres)</td>
</tr>
<tr>
<td></td>
<td>Network intensive services</td>
<td>Wholesale, export, import services</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transport and logistics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Banking, insurance, stock exchange</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Telecommunication, couriers, cable services</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Energy services</td>
<td></td>
</tr>
<tr>
<td>Consumer services partly used by enterprises like business travel, company health services, social insurance services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The earlier definition presented by Rubalcaba (1997) defines “business services or producer services as those real tertiary (non financial) activities that fully influence the competitiveness of firms through their use as intermediate inputs in the value chain and by means of the gains in quality and innovation resulting from the interactive provision connection between provider, client and service”. This definition precisely delineates the set of activities that constitute this branch of the tertiary sector. There is, however, substantial heterogeneity within this sector, with very diverse activities coexisting. One of the internal classifications of the activities belonging
to this branch (out of many that may be applied) distinguishes between traditional and advanced business services.

The distinction between the former and the latter is fundamentally based on different technological intensities and different intensities of knowledge. Thus, business services that require little technology and which do not need human resource intensive in knowledge are considered traditional. Likewise, business services that require high levels of technological intensity and human resource intensive in knowledge may be considered advanced (Martínez – Argüelles and Rubiera - Morollón, 2004).

Many various types and branches of business fall into sector of business services. According to General Classification of Economic Activities of the European Community (European Commission, 2007) we consider to be a business services all economic activities in group K with subsections by codes 70 – 74. Group K – Real estate, renting and business activities includes subsections 70.00 - Real estate activities; 71.00 - Renting of machinery and equipment without operator and of personal and household goods; 72.00 - Computer and related activities; 73.00 - Research and development and 74.00 - Other business activities. Variety of economic activities is considered as business services because of different functional nature of enterprises and organizations which buy this services. They buy all the types of consulting services, computer, technical services (engineering), industrial cleaning, security services, also traditional services as lawyers, accounting and at the same time new specializations of marketing services, labour recruitment or call centres. The customers of the business services are from all branches of the economy. The customers are not only companies or public organizations, but also private households (European Commission, 1998).

There are a lot of new types and specializations of business activities emerging year after year. “Most of new types of business services were caused by influence of key factors as the enterprises needed to concentrate in their main activity; new technologies entry (marketing techniques, electronic communication, internet services, etc.); importance of human factor and enforcement of internationalization (franchising, etc.).” (Michalová and Benešová, 2007, p.28).

Business services (and strategic business services in particular) have grown rapidly in OECD countries and have generated strong employment in the recent past. The strong performance of strategic business services\(^1\) has been driven by a wide range of factors, including (OECD, 1999):

\(^1\) OECD related a group of five strategic business services believed to be essential for business processes, firm competitiveness and growth: computer software and information processing services, research and

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- the general shift towards supply and consumption of services in the economy,
- the rise of knowledge-based economies, which rely on expertise and specialised service inputs,
- the need for greater flexibility within firms,
- specialisation and increased division of labour in many areas,
- outsourcing by established firms of many of their former activities,
- the growth of smaller production units and firms which use external services to supplement their own internal resources.

Strategic business services are often treated as new services. These new business services companies are very specialized in their branch of work. Other companies (mostly small enterprises) are obligated to buy these new types (not only new) of business services because they cannot employ persons, which are so specialized and well educated. Employees of this business services firm are mostly high educated, often they are also employed by some research and development centres, and services that they supply are very individual and specific. Therefore, it is very difficult for small or other companies to produce these activities on their own. It comes to this that every enterprise has to solve a problem of business activities provision. One of possible ways to solve this kind of problem is outsourcing.

**Essence of outsourcing**

There are many definitions of outsourcing published by many researchers, universities and private or public organizations as presented below.

University of Illinois mentions in its Glossary (2007) following definition: “Outsourcing is the transference to third-parties the performance of functions once administrated in-house.

Outsourcing is really two types of service:

**ITO** - IT Outsourcing, involves a third party who is contracted to manage a particular application, including all related servers, networks, and software upgrades.

**BPO** - Business Process Outsourcing, features a third party who manages the entire business process, such as accounting, procurement, or human resources”.

development and technical testing services, marketing services, business organisation services (comprising management consultancy and labour recruitment services) and human resource development services.

According to Murphy (2000), strategic business services:

1) might not be core parts of a traditional manufacturing firm’s business, but they are important complements to it;

2) are increasingly outsourced in OECD countries, rather than handled from within a firm’s own resources.
“BPO is the delegation of an IT-intensive business process to an external provider who owns, administrates and manages it, according to a defined set of metrics” (Gartner Group, 2004).

The website SourcingMag.com (2003-2008), which provides a practical advice for IT and business process outsourcing, characterizes outsourcing as: “… contracting with another company or person to do a particular function. Almost every organization outsource in some way. Typically, the function being outsourced is considered non-core to the business. The outside firms that are providing the outsourcing services are third-party providers, or as they are more commonly called, service providers. ... The most common forms are information technology outsourcing (ITO) and business process outsourcing (BPO). Business process outsourcing encompasses call centre outsourcing, human resources outsourcing (HRO), finance and accounting outsourcing, and claims processing outsourcing”.

The provision of strategic business services (as a significant part of business services from the view of management outsourcing decision) is key factor to enhancing performance across the economy, in manufacturing and services sectors alike. Increased efficiency in the provision of strategic business services will have positive spill over effects for both large and small firms. For example, a considerable share of the growth in strategic business services is the result of outsourcing by established firms which are shifting various functions and activities to external suppliers. Information technology services as well as personnel supply and training services are among the areas which are increasingly outsourced. In general, outsourcing can promote economic growth by improving efficiency for the firms which outsource by increasing the supply of effective and efficient lower-cost, high-quality services inputs. Outsourcing provides the basis for greater firm specialization and restructuring in addition to promoting new venture business and job creation (OECD, 1999).

Various sources distinguish between traditional and greenfield outsourcing (depending on principle of provision) (SourceWatch, 2007; Outourcing Cursive Hanwriting, 2006):

Traditional outsourcing – the routine jobs or tasks that staff of the organization does not perform, and the service provider usually hires staff for this job. For example, an information technology outsourcing may include a transfer of responsibility for management of data centres and networks. In the field of facilities management, individuals acting as property managers might become employees of a facilities management company.

Greenfield outsourcing – without hiring the service provider the organization can directly hire an intermediate company which can execute their business which was not done in the
organization internally. For example, the enterprise might hire a start-up company to provide a new service, such as wireless remote computing, that was not previously managed internally.

Himadri (2007) mentioned three obvious types of outsourcing in dependence on distance between provider and client:

- **on shoring** (Provider of businesses services – external company is located in the same country as client. Client avoids many problems, which could exist in the other types – language, time zone, different culture and etc.);
- **near shoring** (Client and provider of services are on the same continent. This allows reduce labour costs and there is not a really problem with communication “face to face” or time shift);
- **off shoring** (Client and provider are in a long distance each other and there is risk of many complication with communication – language, time shift, cultural manners, working style. But when some of these potential problems are delimitated, company can profit from lower costs).

Further in the paper, this classification is taken as a basis for analysis.

In short we can define outsourcing as such kind of subcontracting when some type of job is performed by third part.

**Enterprise economy and outsourcing**

*Critical factors in a company decision making about outsourcing*

Tendency of increasing number and importance of small and medium-sized enterprises (SMEs) still in process interferes with all economic sectors. There is a connection between increase of number of small and medium-sized enterprises and business services development. Business services help small enterprises to rise and expand; these specialized firms offer small enterprises accounting, advertising, legal and information activities, which ensure them computer techniques running, software, transfer of modern technologies, laboratory testing, consultancy activities in all business areas and so on (Elfring, 1989).

Use of specialized services allows SMEs to compete successfully with large-scale enterprises. These business activities are used by those small and medium-sized enterprises which cannot employ competent specialists in a certain field. To employ these specialists is very expensive for them; it is cheaper to buy services provided in the market.
Possibility to choose between internal or external producing of services is the second reason of increasing and acceleration of business activities. There is a question: to produce these services “in house” (in own company) or to buy them from a specialized company in the market. Company has to analyze all costs associated with both alternatives. When the company is small, it may be more effective to buy some specialized services. It can be very expensive for it to produce these services “in house”. On the other hand for large company, which has a great turnover, it is better to produce them in own business place (economies of scale). There are also costs associated with coordination of such activities. These costs are important as in case of using external services, as in case of producing them “in house”. The market is the most effective way to give the company real information about price of service. But when the number of service providers is very small, costs increase and information can be manipulated to one’s benefit. With expansion of business service market, the market of buyers of business activities grows as well. Existence of developed business activity market gives an opportunity to externalize many service functions.

Externalization is a result of decision called "Make or Buy" made on the price comparison of market prices with cost to the self activity functioning, nature of needed services and expected effects (Kigyóssy-Schmidt, 1992). The main elements that appear to be the most relevant in the decision of firms to outsource may be divided into at least two groups such as the set of firm/sector-specific factors and the set of external or background factors.

The former may likewise be subdivided into firm-specific factors and those factors that, though external to the firm, are specific to the activity sector to which it belongs. Within the firm-specific elements, the following may be highlighted (Martínez – Argüelles and Rubiera - Morollón, 2004):

- the size of the firm (In the major part of studies, graph showing relationship between the firm size and the externalization level, is found to have an inverted U shape. It is because of small firms having lesser and simpler tertiary needs which means that they subcontract out fewer producer services activities. However, if the firm grows larger it has greater and more complex the tertiary needs, with the subsequent need to resort to a greater use of subcontracting. When the size of the firm exceeds a certain limit, its capacity to be self-sufficient with respect to services is greater, which on occasions translates as lesser external tertiary needs (Perry, 1992; Barcet and Bonamy, 1983; O’Farrell et al., 1993; etc.).
- *the internal organization of the firm* (according to many studies, it would be expected that the greater is degree of internal division as well as knowledge of the tertiary consumables that may be provided externally, the greater is the tendency to outsource the advanced services. Likewise, the presence of certain departments may have an influence on general outsourcing patterns or on specific behaviour with respect to subcontracting certain services linked to these departments).

- *the ownership structure* (ownership structure (branch, subsidiary, franchise or independent firm; public or private sector; regional, national or foreign capital firm) will have a relevant influence on the way of managing the firm, through which it may possibly translate this influence to its outsourcing behaviour (O’Farrell et al., 1993; O’Farrell et al., 1998).

- *the degree of technological complexity* (the technological complexity of the firm, measured by means of its technological level, is significant with respect to its decision to consume certain advanced services or not. There are activity sectors that present a greater need to participate in the new ICTs, as well as to keep innovating constantly in these and other fields).

- *the importance of human capital* (each firm has to boast highly qualified staff. The level of training required by the firm influences its outsourcing behaviour).

- *age of the firm* (the variable years of permanence of the firm in the market is significant in its degree of external consumption of business services (O’Farrell et al., 1993; O’Farrell et al., 1998).

- *destiny of production* (it is evident that the internationalisation processes of firms bring about an increase in the tertiary consumptions of these firms (Aharoni, 1993; Daniels, 1993).

- *the location of the firm* (the largest external consumption of services is carried out among firms that are located in, or very close to, large urban centres (Illeris, 1996).

- *the satisfaction of the firm* in the external tertiary consumptions is an important factor in the subsequent decisions of contracting new services.

Manufacturing corporations (but also service corporations) use outsourcing in bigger range because of such reasons as (Michalová, 2005):

- better specialization of external companies allows them achieve a better economic effectiveness;
orientation on external sources utilization (labour and capital) allows them flexibly react to changes of demand and does not hustle them into rising of new investments;
- buying licences and manufacturing technology allows to achieve savings in research and development costs;
- buying consultancy activity helps to solve new problems, such as growing competition, introduction the new products (innovation) into the market and etc.

On the other hand, according to Martínez – Argüelles and Rubiera – Morollón (2004), there may be a series of factors that, while being common to a similar set of firms (or, in other words, to an activity sector), are not firm specific to each one of these, but which however have an influence on the decision to buy versus do a particular advanced service. These factors may be captured by means of a comparison of outsourcing behaviour by sectors. In the same sense factors of specific region or country may be characterized.

Benefits from outsourcing

Level of usage of business services through outsourcing in Slovakia was researched by an internet journal Infoware in March 2007 (Infoware, 2007). This journal researched level of usage of outsourcing in 2006 using electronic questionnaire sent to IT managers in companies at the position CIO (chief information officer) or chief IT manager. There were 39 companies investigated in the research, more than a half of them were manufacturing companies, financial institutions and other business companies. According to this research three quarters of respondents used some of the outsourcing services in 2006. 20 percent of researched companies have never used outsourcing and won’t in the near future. The last 5 percent of companies have never used it but they plan to do it in the near future. Advantages which the researched companies expected from outsourcing are as following (ordered pursuant to preferences from the top):
- decreasing of internal human resources costs,
- concentration on core business activities,
- cost decreasing,
- increasing of services quality,
- risk sharing,
- access to the most modern technologies,
- the acquisition of IT knowledge.
So, lots of reason can stimulate organizations to outsource but also we should to know which services we should to outsource and where we should to outsource.

**Which services to outsource?**

List of services, which can be outsourced, is broader from day to day. After administration activities, including human resources, there are also technical character activities. They substitute a human work, in the case of some breakdown there is not necessity to do it manually, this operation supplies various machinery. The most simply way are the custom phone lines or some section of questions on website. If company provide such services for more markets, it becomes oriented to help and assistance for customer. Would it be call-centre or helpdesk, it depends on type of communication. This sector seems to be the main sector for offshore business.

**Where to outsource?**

By decision making about where to outsource, companies act upon several criteria. Certainly company want to economize, work more effectively and be more competitive. Therefore the main criteria for decision about location are low costs, right people, stable environment and right infrastructure (Himadri, 2007). The question related with the place of outsourcing is in which other country or continent we should outsource and think about off shoring. Therefore we can consider some countries more proper then other ones.

**Today outsourcing situation**

**Measurement of outsourcing through business services**

Outsourcing is generally difficult to measure because information on which parts of the production stage are contracted out is not readily available, so we need to rely on indirect measures. One of the type of measures of outsourcing is an economy-wide measure based on imports of computing (which includes computer software designs) and other business services (which include accounting and other back-office operations), using data from International Monetary Fund’s Balance of Payments Statistics Yearbook, which in turn is compiled from the reports to the IMF by the national authorities of member countries (Amiti and Wei, 2004).
Table 1. Balance of business services$^2$ in 2004 in mil.USD (IMF, 2005)

<table>
<thead>
<tr>
<th>New EU members</th>
<th>Import</th>
<th>Export</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech republic</td>
<td>-3377</td>
<td>1798</td>
<td>-1579</td>
</tr>
<tr>
<td>Hungary</td>
<td>-3547</td>
<td>2827</td>
<td>-720</td>
</tr>
<tr>
<td>Slovak republic</td>
<td>-1043</td>
<td>686</td>
<td>-357</td>
</tr>
<tr>
<td>Poland</td>
<td>-3775</td>
<td>2135</td>
<td>-1640</td>
</tr>
<tr>
<td>Slovenia</td>
<td>-811</td>
<td>581</td>
<td>-230</td>
</tr>
<tr>
<td>Estonia</td>
<td>-392</td>
<td>512</td>
<td>120</td>
</tr>
<tr>
<td>Latvia</td>
<td>-225</td>
<td>263</td>
<td>38</td>
</tr>
<tr>
<td>Lithuania</td>
<td>-159</td>
<td>185</td>
<td>26</td>
</tr>
<tr>
<td>Malta</td>
<td>-137</td>
<td>148</td>
<td>11</td>
</tr>
<tr>
<td>Cyprus</td>
<td>-304</td>
<td>1728</td>
<td>1424</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>-505</td>
<td>445</td>
<td>-60</td>
</tr>
<tr>
<td>Romania</td>
<td>-1134</td>
<td>798</td>
<td>-336</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other countries</th>
<th>Import</th>
<th>Export</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>-1444</td>
<td>923</td>
<td>-521</td>
</tr>
<tr>
<td>Moldavia</td>
<td>-74</td>
<td>33</td>
<td>-41</td>
</tr>
</tbody>
</table>

Table 1 presents balance of business services in new EU member countries in 2004. Balance illustrates active result of business services international trade in Cyprus and the Baltic states.

Which countries are on the top?

International consultancy company A.T.Kearney work out Global Service Location Index. It analyzes and ranks the top 50 locations worldwide that provide the most common remote functions, including IT services and support, contact centres and back-office support. Each country’s score is composed of a weighted combination of relative scores on 43 measurements, which are grouped into three categories: financial attractiveness, people and skills availability, and business environment (see Table 2).

Although small in size, all three Baltic countries combine a business environment similar to the most developed countries with a superior cost structure. Estonia today is as Ireland used to be 10 to 15 years ago, a relatively low-cost European location with top class, largely untapped, talent and a pro-business policy environment. The well-educated population has a strong focus on science, and wage costs here are still considerably lower than Western European levels. Skype, the peer-to-peer Internet telephony network owned by eBay, located a portion of its applications work in Estonia to take advantage of the country’s strong IT skills and low labour costs (Kearney, 2007).

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$^2$ Business services we consider to be subsections 70 – 74 of NACE classification.

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Table 2. A.T. Kearney Global Services Location Index, 2007 (2005) (Kearney, 2007)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (1)</td>
<td>India</td>
<td>3.22</td>
<td>2.34</td>
<td>1.44</td>
<td>7.00</td>
</tr>
<tr>
<td>2 (2)</td>
<td>China</td>
<td>2.93</td>
<td>2.25</td>
<td>1.38</td>
<td>6.56</td>
</tr>
<tr>
<td>3 (3)</td>
<td>Malaysia</td>
<td>2.84</td>
<td>1.26</td>
<td>2.02</td>
<td>6.12</td>
</tr>
<tr>
<td>4 (6)</td>
<td>Thailand</td>
<td>3.19</td>
<td>1.21</td>
<td>1.62</td>
<td>6.02</td>
</tr>
<tr>
<td>5 (10)</td>
<td>Brazil</td>
<td>2.64</td>
<td>1.78</td>
<td>1.47</td>
<td>5.89</td>
</tr>
<tr>
<td>6 (13)</td>
<td>Indonesia</td>
<td>3.29</td>
<td>1.47</td>
<td>1.06</td>
<td>5.82</td>
</tr>
<tr>
<td>7 (8)</td>
<td>Chile</td>
<td>2.65</td>
<td>1.18</td>
<td>1.93</td>
<td>5.76</td>
</tr>
<tr>
<td>8 (4)</td>
<td>Philippines</td>
<td>3.26</td>
<td>1.23</td>
<td>1.26</td>
<td>5.75</td>
</tr>
<tr>
<td>9 (15)</td>
<td>Bulgaria</td>
<td>3.16</td>
<td>1.04</td>
<td>1.56</td>
<td>5.75</td>
</tr>
<tr>
<td>10 (17)</td>
<td>Mexico</td>
<td>2.63</td>
<td>1.49</td>
<td>1.61</td>
<td>5.73</td>
</tr>
<tr>
<td>11 (5)</td>
<td>Singapore</td>
<td>1.65</td>
<td>1.51</td>
<td>2.53</td>
<td>5.68</td>
</tr>
<tr>
<td>12 (16)</td>
<td>Slovakia</td>
<td>2.79</td>
<td>1.04</td>
<td>1.79</td>
<td>5.62</td>
</tr>
<tr>
<td>15</td>
<td>Estonia</td>
<td>2.44</td>
<td>0.96</td>
<td>2.20</td>
<td>5.60</td>
</tr>
<tr>
<td>16 (7)</td>
<td>Czech Republic</td>
<td>2.43</td>
<td>1.10</td>
<td>2.05</td>
<td>5.57</td>
</tr>
<tr>
<td>17</td>
<td>Latvia</td>
<td>2.64</td>
<td>0.91</td>
<td>2.00</td>
<td>5.56</td>
</tr>
<tr>
<td>18 (18)</td>
<td>Poland</td>
<td>2.59</td>
<td>1.17</td>
<td>1.79</td>
<td>5.54</td>
</tr>
<tr>
<td>24 (19)</td>
<td>Hungary</td>
<td>2.54</td>
<td>0.95</td>
<td>1.98</td>
<td>5.47</td>
</tr>
<tr>
<td>28</td>
<td>Lithuania</td>
<td>2.60</td>
<td>0.83</td>
<td>1.98</td>
<td>5.42</td>
</tr>
<tr>
<td>37 (27)</td>
<td>Russia</td>
<td>2.61</td>
<td>1.38</td>
<td>1.16</td>
<td>5.14</td>
</tr>
<tr>
<td>47</td>
<td>Ukraine</td>
<td>2.76</td>
<td>0.98</td>
<td>1.09</td>
<td>4.83</td>
</tr>
</tbody>
</table>

Note: The weight distribution for the three categories is 40:30:30. Financial attractiveness is rated on a scale of 0 to 4, and the categories for people and skills availability and business environment are on a scale of 0 to 3.

India and China continue to dominate the Index. India maintains a wide, although slightly shrinking, lead over China, confirming what industry surveys and visiting executives repeatedly find – for all the concern about overheating, wage inflation and service levels, India still offers an unbeatable mix of low costs, deep technical and language skills, mature vendors and supportive government policies. Newer contenders in Central and Eastern Europe are outshining more established locations, as Bulgaria, Slovakia and the Baltic states move ahead while the Czech Republic, Hungary and Poland either slip or remain unchanged in the rankings. Slovakia continues to do well, edging out the neighbouring Czech Republic to reach 12. Bulgaria replaces the Czech Republic as the only country from the region in the top 10. Both Bulgaria and Romania see big jumps in their business environment scores as a result of reforms carried out to qualify for European Union membership, a process that was successfully concluded on 1st of January, 2007. The Baltic States countries Estonia, Latvia and Lithuania respectively jump into the Index with ranks of 15, 17 and 28 (Kearney, 2007). Slovakia became a part of world tendencies of processes moving to cheaper countries called off shoring. Countries which consider being a centre of this tendency are Poland, Brazil, China or India (Múčka, 2007).
The most traditional country for outsourcing of call centres is India. India is a country, which despite the fact that is very away, offer advantages against its neighbour countries. In the country is official language world-wide English and general education is on relatively good level. And most interesting – wages are even after training matchless low. But services from call centres in India or Philippines are not convenient in many cases. This tendency was surveyed by Economist Intelligence Unit (analytic unit of journal The Economist) in May 2006 and analysis was called new face of off shoring. New tendency was uniquely determined – more closely to home. Home means customer location (Jesný, 2006). We can see the movement from off shoring to near shoring. Therefore also most of Indian companies, despite of low salaries in India, establish their call enters for European continent in central European countries including Slovakia. One of practical aspect of communication with customers is near time zone. It is necessary that call centre is working at the same time as its clients. On the other hand, from the global view, there is needed that in case of some problem at least one call centre is working in some country at that time. Therefore in a global praxis the interest is orientated to central European countries. Salaries in these countries are still less by half than in cheaper Western European countries. There is good position of Slovakia because it has advantages also in comparison to other countries from the central European region. Not only salaries are lower but also lower taxation and levy.

There is also a cultural element by establishing call centres. Communication standards increasingly recommend for contact with customers operators from the same continent. In Europe, communication in mother language has a big significance. Most of call centres opened by IBM in Bratislava in the last five year are especially oriented in the communication. Especially small companies have problems with communication in English. Therefore in these call centres work people speaking 19 languages for every country which is operated. It is important to create local relations because of better maintenance of clients (Jesný, 2006).

**Future of outsourcing trend**

Everest Research Institute predicts that at least 20 years will be still profitable to move part of company activities to China or Philippines. More profitable should be Mexico in the future. But significantly less attractiveness is predicted for central European countries. According to tendency of salary rise it would be not more than six years. Similarly says Forrester Research Institute. It claims that India will remain able to offshore for a long time. Not because of low labour
costs but due to well adapted Anglo-Saxon working rules and potential increase in labour productivity (Múčka, 2007).

There is also tendency to move from more expensive big cities to cheaper localities in the offshore country. It is called off shoring in off shoring.

**Conclusions**

The paper presents a position of business services in the economy and their influence through the trend called outsourcing. Using of outsourcing leads to decreasing of costs and more effectively production. This trend is also noticed in Slovakia. Slovakia is the 12th most attractive country of the world and has good financial and business environment. We expect a growth of business services in economy and more intensive usage of outsourcing.

It is indisputable that business services have a big significance for economic growth and country development. There is marked difference between new and old EU members in the economic development, but at the same time this paper shows, that these countries (new EU member states) are very suitable for outsourcing activities also (including all the types of outsourcing). The countries as Bulgaria, Slovakia or Estonia are popular and well marked from the outsourcing point of view.

Above-mentioned trends point out on a large significance of new EU members included Slovakia in outsourcing world. As Ireland 10-15 years ago used to be world outsourcing leader, today this position is taken by several new EU members. Estonia became new Ireland with the 15th place in the global attractiveness. As an evidence of this may be big companies which move their call centres into this region.

Business services are used for measuring country’s level of outsourcing. Monitoring of balance of business services may help to concretely identify types of business services which are outsourced.

In the future we expect expansion of outsourcing in current localities and discovery of new regions. We forecast that within several years, attractiveness of Central and Eastern Europe as outsourcing provider will be reduced because of increasing salaries in the region.

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