



The Sector Specialists



Poland:

A top nearshore IT
outsourcing destination
for Europe

Why choose Poland for IT outsourcing?

Poland is rapidly becoming the preferred location for financial firms based in the UK and continental Europe wishing to undertake IT development using a nearshore model. Key factors which make Poland such an attractive destination include; a highly-skilled, multilingual and affordable workforce, proximity with major European financial centres, attractive tax incentives and an extensive pool of IT graduates.

Throughout the recent time of financial uncertainty, Poland is the only member of the European Union to have avoided a decline in GDP. Since its departure from Communism in 1989, Poland's stable economy has attracted numerous multi-national corporations such as Google, Bayer and GlaxoSmithKline.

Poland's viability as a nearshore destination for complex IT projects is partly thanks to a sustained investment in education, especially technology. Each year Poland produces more than 40,000 graduates compared with Bulgaria for example, which only produces 3,500. In addition to investment in education, the country's successful development strategy may be attributed to continued social progress, political and economic stability and the promotion of an economy based on specialist knowledge.

Poland's services and potential for nearshore outsourcing have prompted commentary from around the world, including:

- Poland ranking 7th in the Social Progress Index for access to higher education
Social Progress Index, 2013
- Poland also ranks 7th in the world in terms of investment attractiveness
Ernst and Young, 2012
- Poland is the only central and Eastern European country described as a 'mature' market
Everest Group, 2013
- In 2011, the value of the IT market grew by 8% and reached zt31.3 billion which amounts to almost 2% of GDP
PWC, Investing in Poland 2014
- Approximately 70% of all major IT companies in Poland are outsourced centres belonging to foreign firms including Microsoft, Google and Oracle.
PWC, Investing in Poland 2014

Geographical advantages

Poland has evidently become an important nearshore destination for the UK and continental Europe, aided primarily by its excellent geographical position and close time-zone alignment with clients based in Western Europe. Its 12 international airports ensure that all major European cities are just a two to three hour flight away, with London to Poznań for example taking a mere 1 hour and 55 minutes. With annual flight movements exceeding 20 million individual flights,



the transport infrastructure is able to cope with the high volume, reliability and frequency required for a connected, developed country. Poland also has the considerable benefit of being located close to the client markets (compared with more distant offshore locations), since the Polish time-zone of GMT +1 provides a much better alignment of client / supplier working day. This enables effective communication and coordination between local (client-facing) and remote (development) teams, facilitating the execution of projects using more suitable Agile development approaches.

Business advantages

Business climate and culture

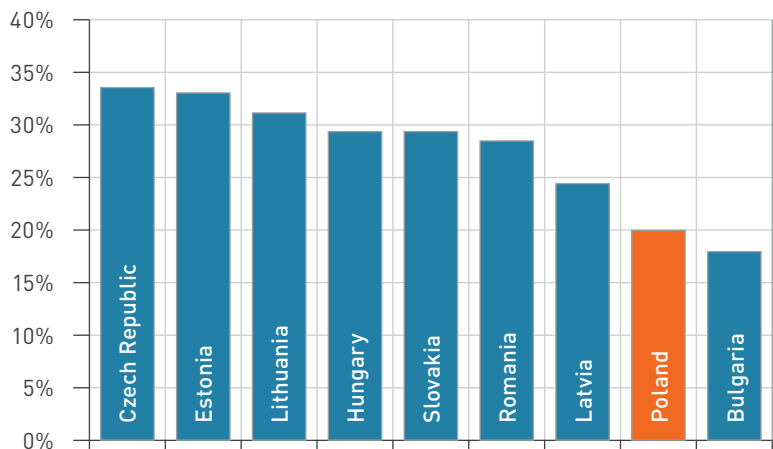
Poland is an increasingly attractive prospect for foreign companies as it provides a stable environment for trade, aided by a business culture which is open to foreign partners, aligning particularly well with the UK thanks to the high volume of skilled English speakers. Whilst Poland enjoys all of the economic benefits of European Union membership, it has crucially retained its own currency, the Zloty (zł), helping it to weather the recent Eurozone financial crisis.

The Polish IT labour pool is recognised internationally as being highly-skilled, efficient, and cost-effective, with a work ethic that is compatible with the multi-national banks and IT companies for whom many of them deliver services. Excellent communication skills and the ability to work well in multidisciplinary teams are two of the key skills commonly associated with Polish workers.

A worker's salary is never the only cost incurred by an employer, they must also consider social insurance (retirement, disability, accident insurance), labour fund and guaranteed employment benefit fund. The average total contribution obliged to be made by a Polish employer is among the lowest in central and eastern Europe, which is a key consideration for prospective foreign investors.

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Employer's contributions in central and eastern europe



Source: Social security programmes throughout the world: Europe, 2010

Intellectual property protection

In TaylorWessing's 4th global intellectual property index (GIPI), Poland once again appeared in the top 20 nations worldwide for protection of intellectual property rights. A wide range of significant changes to Polish civil procedure came into force in 2012, whilst a draft amendment to the Polish eCommerce Act and a lively public debate on how to further protect copyright online are both on-going.

Poland is a member of the Paris Union (for the protection of industrial property), the Patent Cooperation Treaty (Washington 1970), the Madrid Agreement for the International Registration of Trademarks and the World Institute of Intellectual Property (WIPO). This is reassuring for large client companies for whom the protection of intellectual property is of paramount importance.

Business process outsourcing (BPO) and data protection

The Polish Information and Investment Agency (PALiZ) cites favourable business conditions, labour and real estate as principal drivers for business process outsourcing (BPO). The Polish IT market is already the second largest in the wider region, after Russia, with services focusing on data collection, data entry and data processing. The extensive and robust data protection policies that exist in Poland are vital to ensuring a high level of customer confidentiality, facilitating the provision of data-driven services.

Sustained investment has resulted in BPO services emerging in a number of sectors including; business and administration, human resources, recruitment, engineering, information technology and financial analysis.

Poland has developed into a fully-fledged outsourcing location, allowing companies to execute end-to-end processes in a number of languages, including English, German and Russian. In Poznań alone (the location of a Rule Financial nearshore development centre) 95% of IT students can speak English and 4,500 of the city's students speak two foreign languages.

The Polish Law on Copyright and Neighbouring Rights (LCNR) encompasses diverse types of intellectual property and combined with EU membership, provides a secure legal framework for BPO services. The LCNR legislation includes protection of computer programs and in recent years provisions have been made to ease data controller obligations and implement guidelines regarding data protection.

Free trade agreements

A recent report by the Organisation for Economic Cooperation and Development (OECD) assessed the trade facilitation indicators for all of its 26 members, identifying areas of action and potential reform. Poland excels in governance, impartiality and advance rulings, whilst also achieving commendable scores for information availability, streamlining of procedures and fees / charges. The country's former membership of the Central European Free Trade Agreement (CEFTA) has been superseded by European Union legislation, which in



conjunction with its decision to join the Schengen zone, has made international trade easier than ever.

Quality of infrastructure

In addition to more than 100 connections to major European airports, the Polish government is conducting intensive, domestic work on the development of the road infrastructure, with more than 700 kilometres of motorway and express roads currently under construction. The Polish telecommunications sector has also experienced significant improvement in recent years and several major investments aimed at offering users a choice between different fixed-line telecom operators have now been completed. Poland has four leading mobile phone providers, operating under the brands of T-Mobile, Orange, Plus and Play.

“Employee liability is a key consideration for prospective investors and attrition rates in Polish organisations remain reassuringly low at 15%.”

Political and economic climate

Key economic indicators

Since the birth of capitalist Poland in 1989, the economy has been increasingly stable, with gross domestic product (GDP) currently standing at €15,323 per person for a population of 38.5 million people, placing it 14th in the Social Progress Index. Furthermore, the government has succeeded in slashing the national deficit from 5.1% of GDP in 2011, to just 2% at the end of 2013. To put the economic outlook into context, Poland has outperformed the EU average for GDP growth year-on-year since 2002, and is the only EU member to have avoided negative growth during the recent financial crisis.

Since peaking at 20% in 2002, unemployment has been steadily declining and has almost halved, currently standing at 10.4%. Employment in the modern business services sector in Poland has grown in recent years by 20% per annum and is expected to continue at that rate throughout 2014 and beyond, according to the Association of Business Service Leaders (ABSL) in Poland. The older historic industries (mining and agriculture) continue to decline; for example agriculture still accounts for 13% of the workforce but is no longer a highly productive sector, contributing less than 4% to GDP.

IT services have experienced rapid expansion in Poland and there is an available talent pool of 76,000 highly-skilled graduates at any one time that are ready to meet the increasing demand. More than a third may be considered Java specialists, whilst others are experts in .NET, Windows Presentation Foundation (WPF) and C++ technologies. Employee liability is a key consideration for prospective investors and attrition rates in Polish organisations remain reassuringly low at 15%.

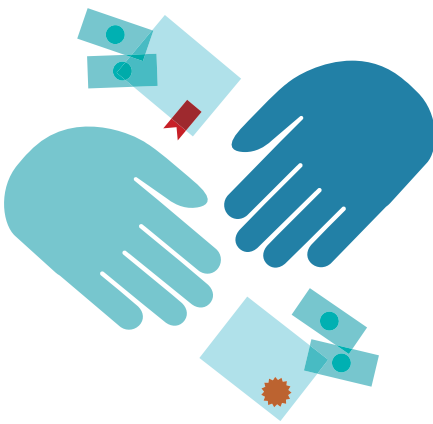
Incentives and costs

Attractive tax incentive packages and low costs make Poland one of Europe's most viable outsourcing locations, with:

- The lowest wage inflation in Europe, standing at 4% per annum
- A corporate income tax (CIT) rate of just 19% (which includes provision for all EU contributions)
- CIT exemptions available to investors operating within special economic zones (SEZs)
- The 2nd lowest for employer contribution costs across Central and Eastern Europe

These figures offer a more cost-effective proposition than many neighbouring countries. For example;

- Germany (CIT rate = 29%)
- Ukraine (CIT rate = 21%)
- Denmark (CIT rate = 25%)

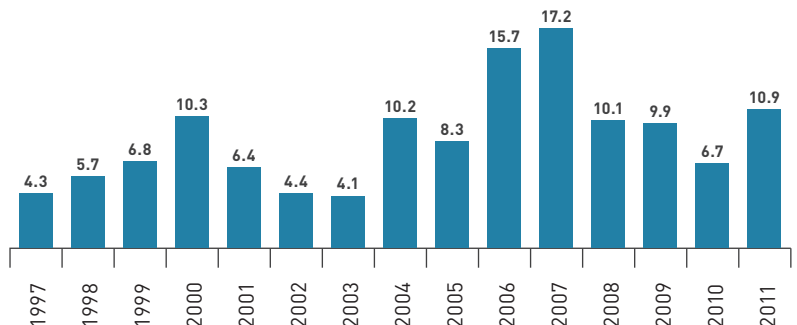


A history of foreign investment

Poland is now responsible for 3.4% of all outsourced jobs globally and is ranked as the world's 13th best host economy for foreign direct investment.

In 2007 Poland attracted a record €17.2 billion of foreign investment and although this figure dropped during the Eurozone financial crisis, in 2011 the country still received investments of almost €11 billion. December 2012 saw the number of people working in the outsourcing industry exceed 100,000 for the first time, with the number of BPO and technology centres rising to 375. Poland's accumulated foreign direct investment (FDI) between 1997-2011 was valued at approximately €130 billion; the majority of which was equity capital and reinvested profits, with obligations to foreign shareholders accounting for the remainder.

Foreign direct investment flow to Poland: 1997-2011 (€billion)



Some of the most recognisable brands present in the Polish outsourcing market include Infosys, Google, Nokia, Motorola, Shell,

“Polish IT services (...) accounted for 29% of the total IT sector sales income in 2011, equivalent to €7.3 billion.”

General Electric, Xerox, and Jones Lang LaSalle across the finance and accounting, IT, and research sectors. This client roster is indicative of Poland's relatively rapid transition from a nation offering basic commoditised services, to the current situation in which highly bespoke and complex solutions are delivered. The influx of investment has seen the value of total exports of goods and services rise from €76 billion in 2005 to €95.7 billion in 2011.

Companies are evidently capitalising on the opportunity to leverage the available experience, knowledge and expertise, leading to tangible business value being added, rather than simply reducing costs. Moreover, the presence of IBM Global Technology Services, Hewlett Packard and Microsoft underline Poland's position as a hub for Information Technology Outsourcing (ITO). Polish IT services (implementations, integrations, technical service, consultancy and outsourcing) accounted for 29% of the total IT sector sales income in 2011, equivalent to zł31.3 billion, (€7.3 billion).

The digital technology market has grown substantially on a global basis and the widespread availability of educational programmes specialising in IT makes Poland a strategic location for outsourcing.

Living and working in Poland

Poland ranks 39th in The Economist's human development index, scoring 82.1% which places it only 5 points below the United Kingdom and represents a very high level of human development. In the most recent Social Progress Index, Poland was ranked as the '7th safest country to live' in, had the '10th best foundations for wellbeing' and achieved an overall position of 13th.

Poland's principal cities are highly diverse, multicultural centres with many international languages being spoken, making it a welcoming environment for foreign nationals working there. The capital, Warsaw, is one of three Polish cities to feature in the Tholons 'Top 100 Outsourcing destinations' list (2013).

Highly skilled talent

Top tier education

Poland is renowned for having an industrious, highly-skilled workforce which may be attributed to the government's commitment to accessible education for all of its citizens.

The Polish education system underwent reform in 1999 which dictated that compulsory education would begin for children between the ages of five and six, with compulsory exams governing the level of lower and upper secondary schools they will attend. The education system in Poland allows for 22 years of uninterrupted schooling, which has led to almost perfect literacy rates (99%) and a ranking by the Organisation for Economic Cooperation and Development (OECD) as the '23rd best education system in the world'. In 2008, the government allocated

13.3% of its entire budget to education, compared with 11.7% for healthcare and 12.6% for general public services.

There are currently 1.7 million students studying in Poland's 453 higher education institutions, many of which are specialist business and technology centres. These universities and colleges provide training in engineering, mathematics and information technology, with approximately 40,000 IT students graduating every year and a further 100,000 high school students attending IT-specialised courses.

The Warsaw University of Technology and the Poznań University of Technology are two primary providers of specialised technical courses. As the popularity of business process outsourcing increases in Poland, both institutions are also preparing their graduates for an international working environment.

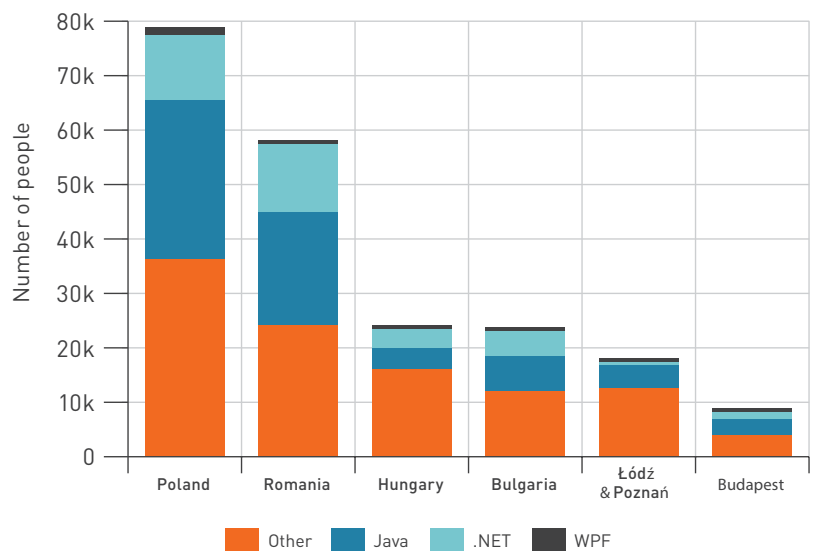
An estimated 95% of employees in multinational companies are local, therefore Poland's bilingual workforce is a highly attractive prospect, with 33% of the population speaking English as a second language (the level of spoken English is also much higher among young professionals and those living in urban areas).



Quality of IT development

Poland is internationally recognised for the quality of service it provides, and year after year, young Polish computer scientists receive accolades at industry events such as ImagineCup, Code Jam and the Central European Programming Contest (CEPC). Skilled IT professionals are adaptable and able to work within standard global IT project frameworks, adopting the Agile methodologies widely used within the outsourcing market.

IT resource pool comparison by country and region



“Poland’s close proximity with major European markets results in reduced travel time and costs (...) which helps facilitate the close and interactive management of the nearshore centre”

Cost effectiveness

Multinational companies undoubtedly outsource to Poland in order to benefit from a skilled and available talent pool, but they are also driven by the cost efficiencies compared with their ‘domestic’ markets.

Despite steady increases in recent years, salaries in Poland remain considerably below the EU average and are less than 50% of those for comparable positions in the UK. According to CWjobs.co.uk a C++ specialist in the UK can expect an average annual salary of £29,000, whilst the comparable position in Poland would command earnings of approximately £20,000. Moreover, Poland’s close proximity with major European markets results in reduced travel time and costs (especially when compared to the traditional distant, offshore outsourcing locations such as India), which helps facilitate the close and interactive management of the nearshore centre. High-quality infrastructure, office space and support services are also widely available at very cost effective rates.

Investing in Poland: The rise in digital technologies

Over the past two decades foreign direct investment has grown significantly due to a committed drive towards a service-focused economy. Poland is now considered a leading outsourcing destination for IT services, banking, financial analysis, human resources and many other highly skilled sectors.

Specialist technology universities have for a long time been producing a workforce capable of meeting the demands of multinational companies who are looking to outsource business services, with minimum disruption and maximum long-term effectiveness. Tax incentives in specific sectors and special economic zones (SEZs) have already attracted global IT giants and the market is expected to continue to grow year-on-year, mirroring the nation’s bright economic outlook.

The Polish Information and Foreign Investment Agency (PAIilZ) have been instrumental in transforming Poland’s BPO landscape. The Polish government agency provides information and services for foreign entities considering expanding their business activities with Poland; assisting companies throughout the investment process, running seminars, attending site visits, collaborating with SEZs and acting as an ombudsman for foreign investors.

Rule Financial nearshore development expertise

With a deep knowledge of wholesale and investment banking, asset and wealth management and associated financial services, Rule Financial is highly aware of the importance of IT in creating efficiencies and maximising competitive advantage. Our nearshore development facilities in the regional centres of Łódź and Poznań in Poland are highly effective at servicing a growing client demand in the UK and Continental Europe for development resources that are better time-zone aligned, have a large untapped talent pool, and enable lower overall business costs than their onshore or offshore equivalents. In addition to Poland, our recently established nearshore development

centre in Costa Rica enables us to deliver a truly global service, offering a similar time-zone aligned nearshore development experience for clients located in North America.

Our specialists are always on hand to offer advice, share best practice and discuss how to establish an effective and efficient global development strategy.

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Featured specialists



Piotr Kania Country manager for Poland

Piotr is country manager for Rule Financial in Poland, and is responsible for our nearshore delivery centres in Łódź and Poznań. Piotr joined Rule Financial in 2011 to help grow the competence pool for our solution development, QA and Testing, as well as application support practices. He has extensive experience of customer service engagements, project management and the management of offshore organisations delivering global projects. Piotr has 15 years of experience in consulting, service delivery and offshore management working with CGI, Nokia and Teleca across the EMEA region.



Gareth Richardson Specialist in IT outsourcing strategy

Gareth is Head of Global Delivery at Rule Financial and was instrumental in the creation of its nearshore facilities in Poland and Latin America. He has extensive experience in building world-class consulting organisations and has led the design and management of numerous large-scale IT programmes, delivered using global teams. With a decade spent ensuring effective IT delivery from teams in India and China, and five years working with nearshore teams, he is implicitly aware of the challenges and solutions that make a Global IT outsourcing strategy work. Gareth is based in the Rule Financial office in London (UK).

Rule Financial

Rule Financial is a leading independent provider of business and IT services to the world's foremost financial institutions. Our specialists work alongside their counterparts at leading investment banks, central counterparties, exchanges, asset managers and other financial institutions, helping to lower costs, improve productivity and extract the maximum business value from IT investments. Headquartered in London, we provide strategic consultancy from our offices located at the heart of the European and North American financial markets, and deliver technical design, implementation and support services from nearshore facilities in Poland, Spain and Costa Rica.

About PAIiZ

The Polish Information and Foreign Investment Agency (PAIiZ) helps investors to enter the Polish market and find the best ways to exploit the opportunities available to them. They guide investors through all of the essential administrative and legal procedures that involve a project, whilst also supporting firms that are already active in Poland. PAIiZ provide rapid access to the complex information relating to legal and business matters regarding the investments, help in finding the appropriate partners and suppliers, together with new locations.



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