



# Hungarian Shared Services and Outsourcing Insights<sup>©</sup>

360° view about the  
**Hungarian shared services market**

## 2017



# Hungarian Shared Services and Outsourcing Insights © 2017

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Hungarian Investment Promotion Agency together with its professional partners EY and SSC Heroes has prepared this market analysis about the Hungarian shared services sector. Shared Services and Outsourcing Insights is a unique 360° view about the sector because it does not only include answers coming from the company executives but also features opinions from employees currently working in shared services.

## Impressum

This document is issued by the  
Hungarian Investment Promotion Agency



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The survey was conducted in co-operation with EY and SSC Heroes



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# Preface



*Dear Reader,*

*The Hungarian shared services industry shows a constant growth pattern. In order to continue this promising trend and to help the sector to reach its maximum potential, we must keep ourselves up to date.*

*For this purpose, the Hungarian Investment Promotion Agency – in cooperation with its professional partners, EY and SSC Heroes – has created the **Hungarian Shared Services & Outsourcing Insights** survey. The goal of the research is to have the largest possible coverage of the Hungarian SSC industry to make sure that the collected information is as accurate as possible. Moreover, in order to reach a full 360° view – as a groundbreaking method – apart from the company survey, we launched another survey, which puts emphasis on interviewing the employees of the industry. Thus, you will be able to see a more thorough study than ever before, reflecting opinions and news of the entire SSC community, including employees and company executives.*

*We truly believe that every current – and potential – member of the sector will benefit from this comprehensive survey, because understanding each other and the market is vital for further development.*

**Róbert Ésik / President, HIPA**



*“The strength of the Hungarian SSC survey is that it combines feedbacks from both SSC leaders and SSC employees. This is something so far not done in the market and would give an excellent multi-view overview for all who are engaged in the SSC landscape.”*

**Arjen Sader / Associate Partner / EY**

*“At SSC Heroes our experience is that the general knowledge and the reputation of the SSC industry in the eyes of the employees and potential employees have significantly improved in the past few years. The employee survey confirms our view, however it also highlights the fact that there is still a lot to do in order to achieve higher employee awareness.”*



**Zsolt Kelliár / Founder & Managing Director / SSC Heroes**



# About the survey

## Why 360 degrees?

The aim of the SSC Insights Survey was to create the most comprehensive market analysis about the Hungarian shared services sector. The more we know about the industry and the more we learn from each other, the better we can develop the business environment in order to unleash the full potential of the services industry in Hungary.

This survey offers a unique 360° view about the sector, because it not only includes answers coming from company executives, but also features opinions from employees currently working in shared services. Our goal was to gain representative and accurate information regarding the actual market situation, which we succeeded due to the fact that the company survey reached an almost 50% response rate, which represents 80% of the employees working in the industry.

For the first time, an employee survey has been carried out in the market, which provides an excellent overview for all who are engaged in the SSC landscape. The number of respondents exceeded 800 and, in combination with the company survey, it gives a useful insight and a bit of flavour to the results.



Company survey



Employee survey



## Key findings

- Hungary is definitely **one of the most mature SSC markets in the Central and Eastern European region**, which becomes very visible by comparing the relatively low number of BPO organisations with the high percentage of captive shared service centres. Maturity could also be demonstrated with two other facts. Firstly, a wide range of industries have established shared service organisations in the Hungarian market. Secondly, two-thirds of the companies operating in the Hungarian market were established at least 5 years ago.
- The importance of **locations outside of Budapest** is increasing – the companies' intent is to utilise several benefits by investing in Tier 2 cities like Debrecen, Miskolc, Pécs, Szeged and Székesfehérvár. Cities are very much aware of the appeal of this sector and its promise to help them to retain talent at the home city and to drive major investments.
- **Hungary is no longer a low cost location** – labour arbitrage is becoming less and less a factor to invest in Hungary.
- Although attrition is a very important focus point for shared service centres in the Hungarian market, **the average attrition is between 11% and 15%**, where almost half of the SSCs report attrition below 10%.
- **Talent retention is in the spotlight for the majority of the SSCs.** SSCs in the Hungarian market start to realise more and more the importance of **developing and training their staff**, and there is a clear trend visible over the years that SSCs invest higher amounts in training.
- An interesting outcome of our survey is that **there is a lot of focus on automation**. Especially **Robotic Process Automation** is mentioned as an area of interest. However, seeing the survey results, a large majority of the companies want to invest in these areas, but have not started it yet. The development of automation can make a large difference in the shared service market in Hungary for the future.



# Background of the survey

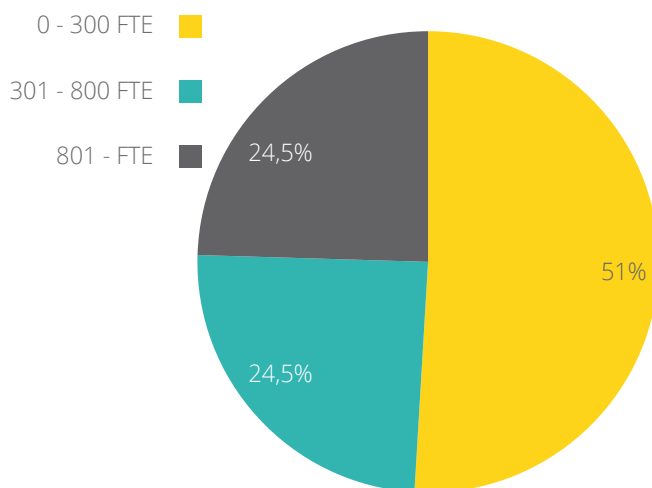
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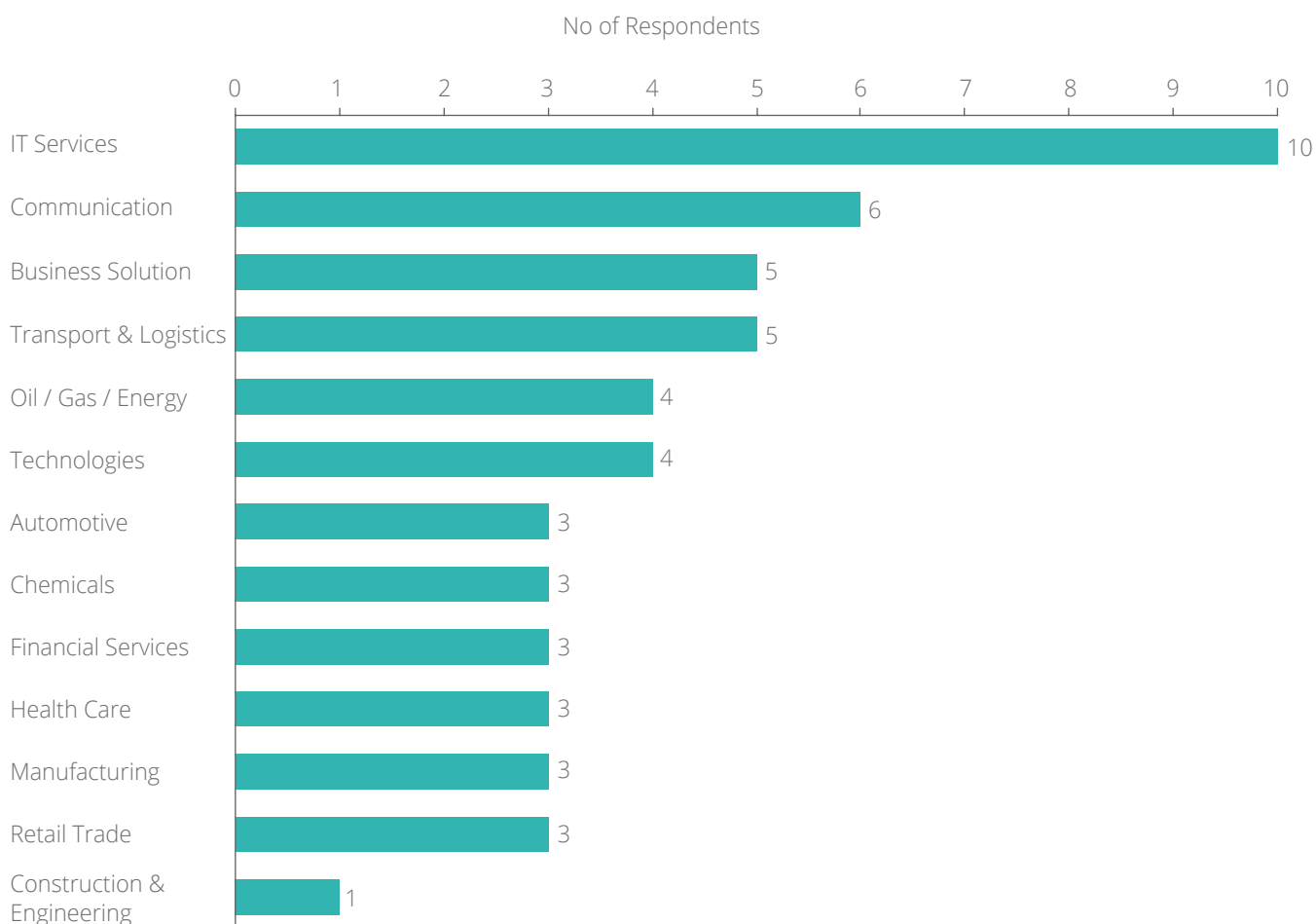
A total of **53 companies** participated in the survey from a wide range of industries. Taking into account that the **overall number of shared services and outsourcing firms in Hungary is almost 110**, it provides an almost **50% market coverage**. It is worth mentioning that we understood the SSC abbreviation in a broader sense, also covering Business Services Centres, Centres of Excellence, Global Business Services Units, etc.

### Survey participants by size 🏢

As for now, according to our estimation, the SSC industry employs almost **46,000 people**. The survey participants employ almost **37,000 people** in Hungary, which means roughly **80% market coverage** in terms of headcount. The study proves to be representative as there is a fine balance between the size of companies: 23 participants employ less than 300 people, 13 have a staff of between 300 and 800, and 13 provide jobs for more than 800 people.



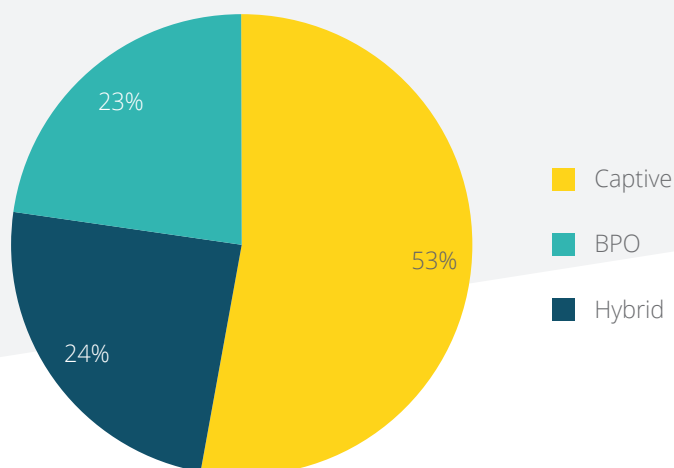
### Shared service centres by industry 🏢



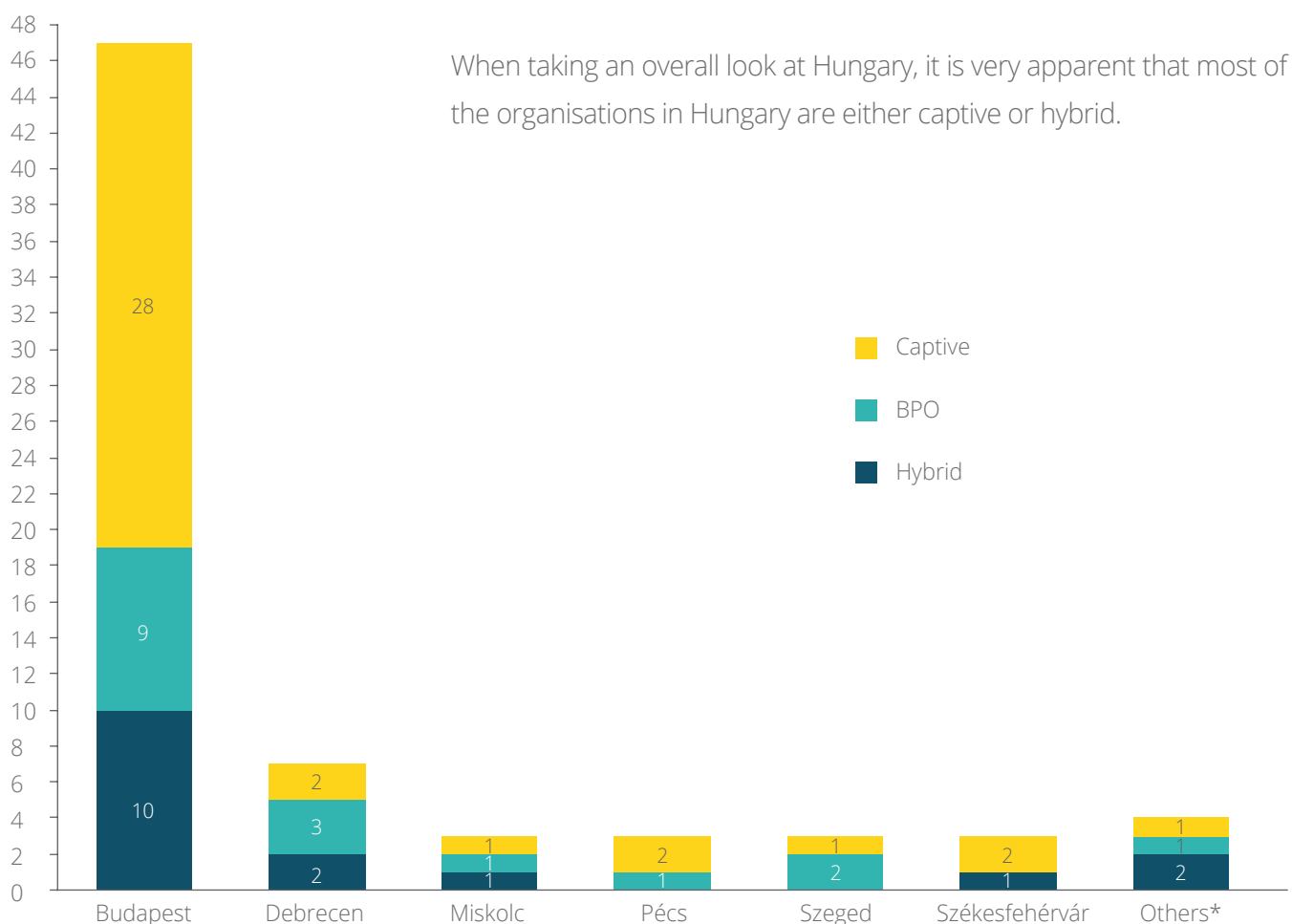


Respondents show a very nice mix of the **different industries presented**, meaning that a large variety of companies see Hungary as an interesting location to build and develop their SSCs. The IT industry has a large footprint, with several leading multinationals, but the Telecom market is also strong with several large international companies having their SSCs in Hungary.

### Distribution of whole Hungarian shared services market 🏢



### Type of service organisations spread over locations 🏢



\* Other locations include Veregyháza, Tatabánya, Szekszárd and Rábadídvég.

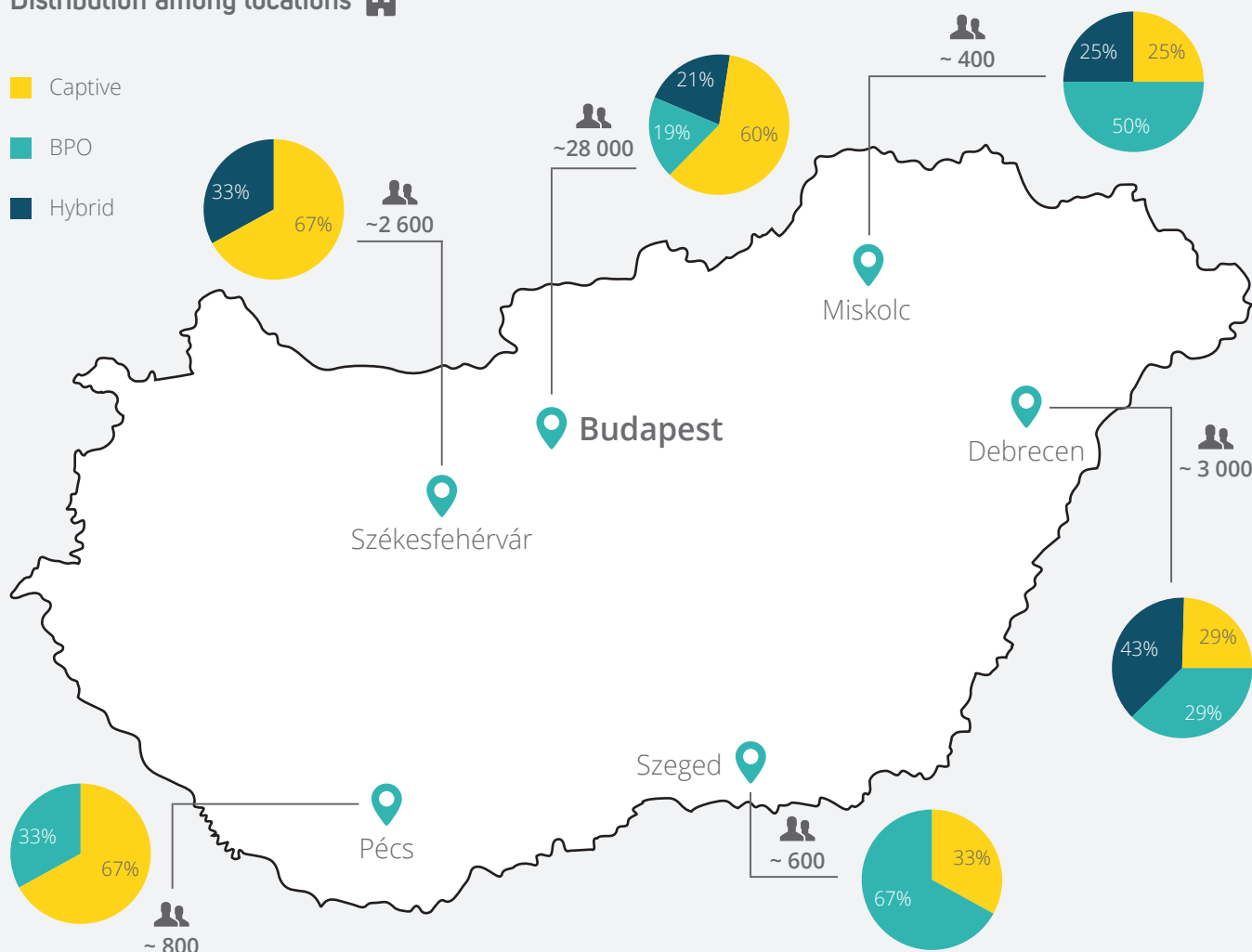
A normal development of SSC markets is that at the start, a lot of BPO companies come first and the more mature the market becomes, the higher the percentage of captive and hybrid SSCs becomes.

When taking an overall look at Hungary, it is very apparent that most of the organisations are either captive or hybrid. Only 23% are BPO organisations, which is a clear indication of the maturity of the market.

Budapest is a typical matured location, where a large majority is captive and the level of BPO is low. In the Tier 2 cities, the level of BPO and hybrid centres vs captive is high on average. This is a well-known view, which is normally apparent when new locations emerge. What is interesting to see is that Debrecen has a very nice balance between captive and BPO.

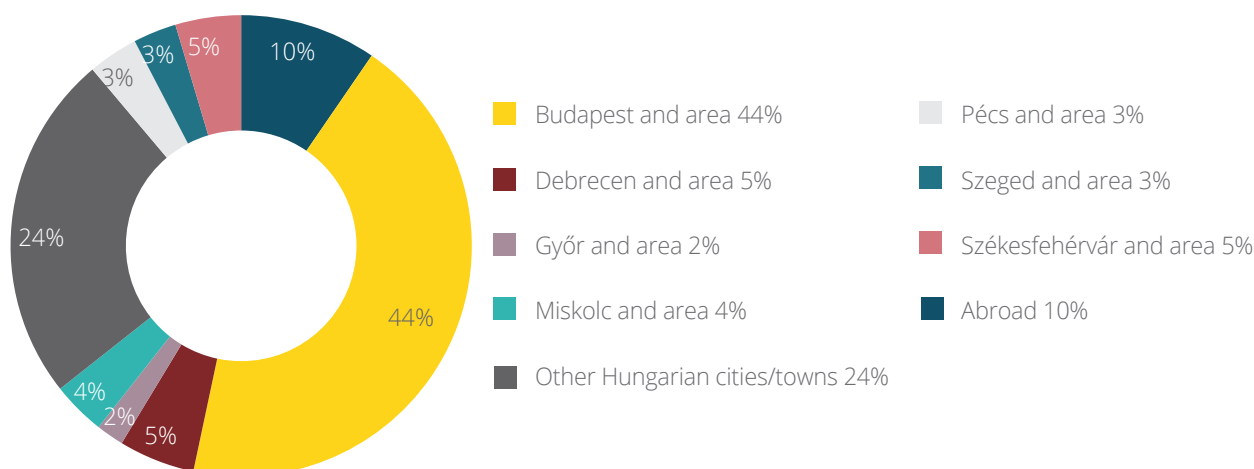
**The expectation is that Tier 2 locations with substantial university background will significantly grow** in the upcoming years and more and more centres will decide to open a satellite office there. Another expectation is that in the next few years a clear majority of SSCs will be captive or hybrid there as well. This is underpinned by the survey results, where 50% of respondents indicated interest in potentially moving to a Tier 2 location.

### Distribution among locations 🏠



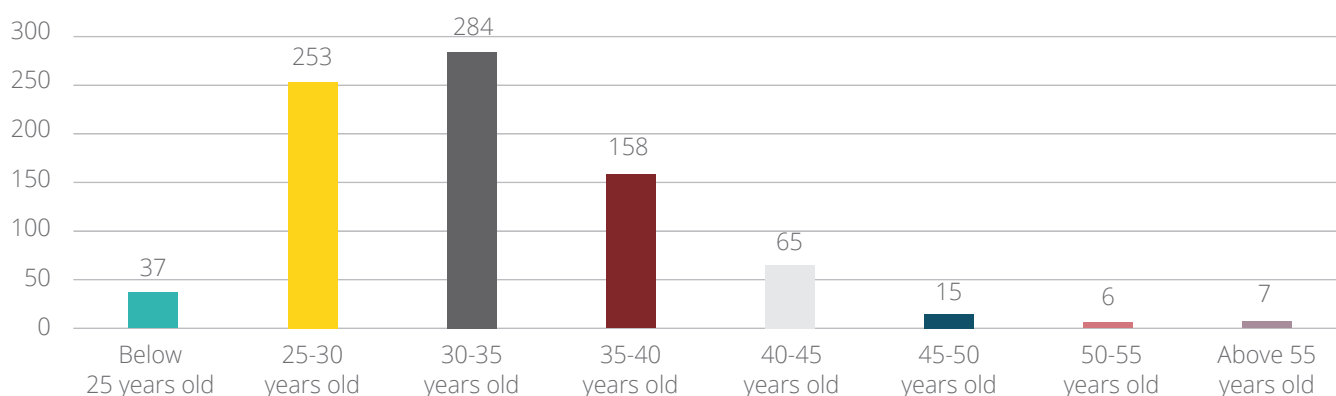
The employee survey is also considered to be highly representative as various demographic characteristics and the main business areas are covered by the 825 participants.

### Distribution amongst home towns



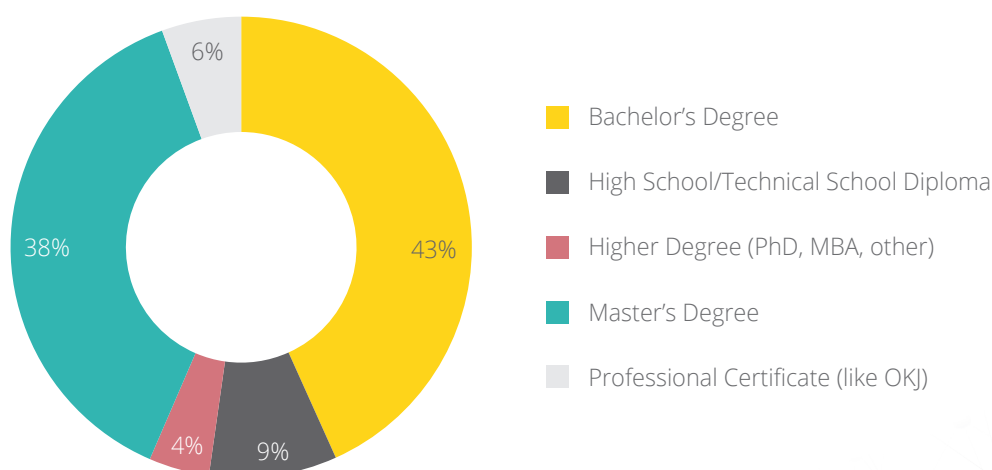
Almost half of the respondents come originally from Budapest; however, all other major Hungarian regions could be found as origin. 10% of SSC employees in Hungary originally come from abroad and due to the ongoing trend of attracting more foreign students to the country, this number is expected to grow in the future.

### Distribution of age groups



Employees between the age of 25 and 35 are the most represented in the sector, whereas the number of employees below 25 or above 45 is significantly lower.

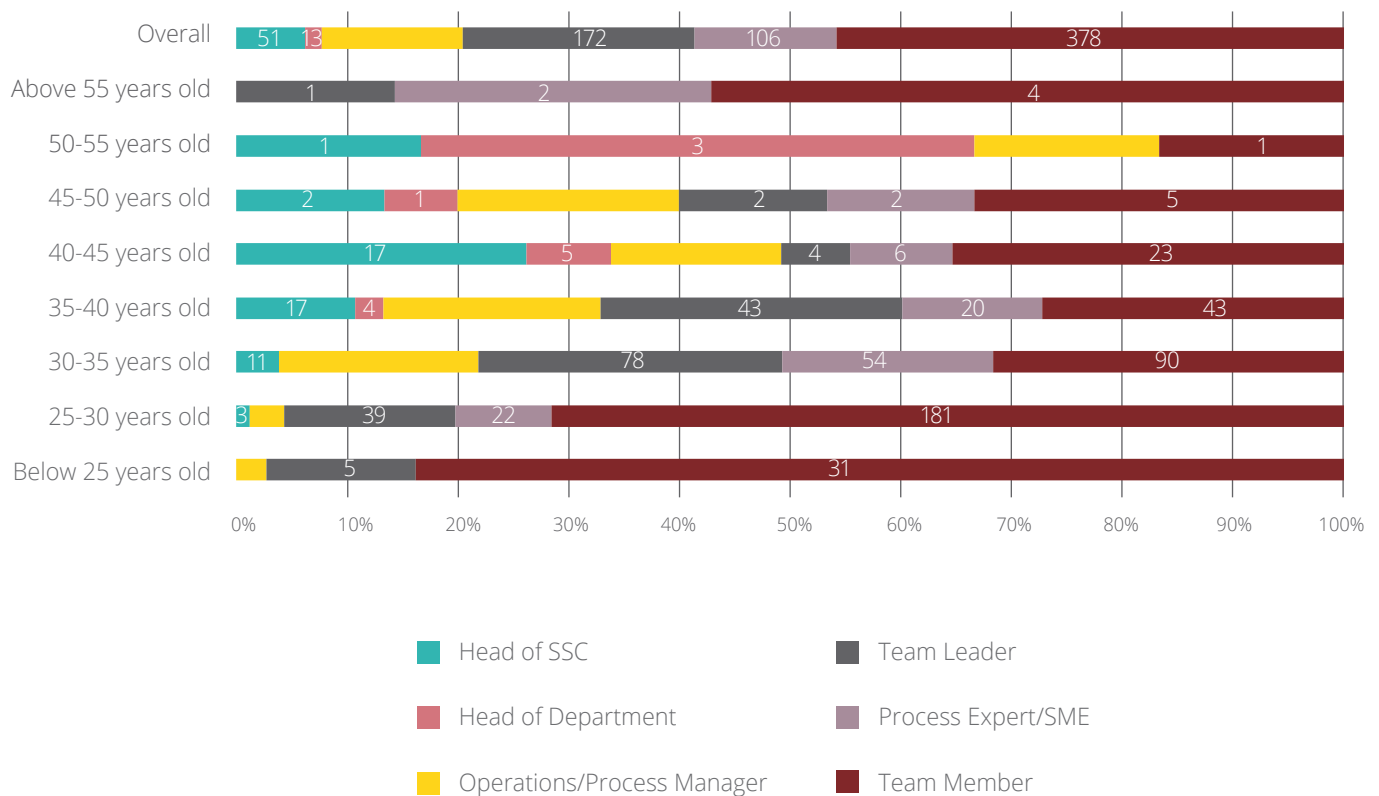
### Distribution of highest education level



This sector is well-known for its highly educated workforce: 85.4% of the employee survey respondents have a higher education degree (Bachelor's or above).

However, it is also visible that companies have realised that several jobs do not require BsC or MsC studies, but rather excellent language skills. In fact, 14.6% of the employee survey respondents' highest educational certificate is a secondary school diploma (or equivalent).

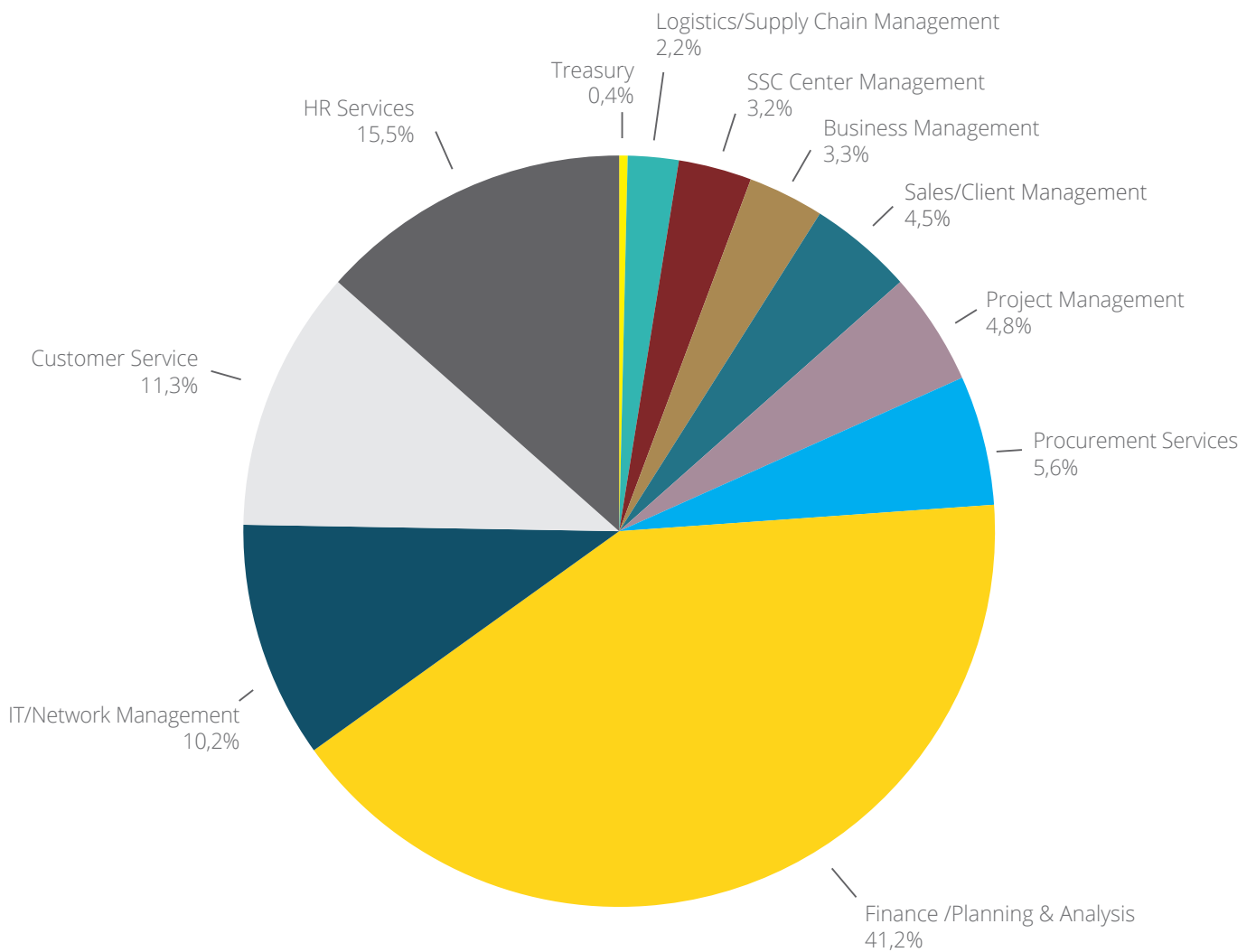
### Position Seniority levels vs age groups



There is a **very good career path** visible in the SSCs within Hungary, where on average more resources in the higher age categories are in a leadership position. It is also apparent that employees of relatively young age are involved in team or people management.



## Participants by Business Area



The survey shows that a wide range of functions are present in the shared services sector from the employee point of view as well. As the company survey also indicates that Finance functions are significantly represented in the industry, which is also reflected by the participants' business areas.

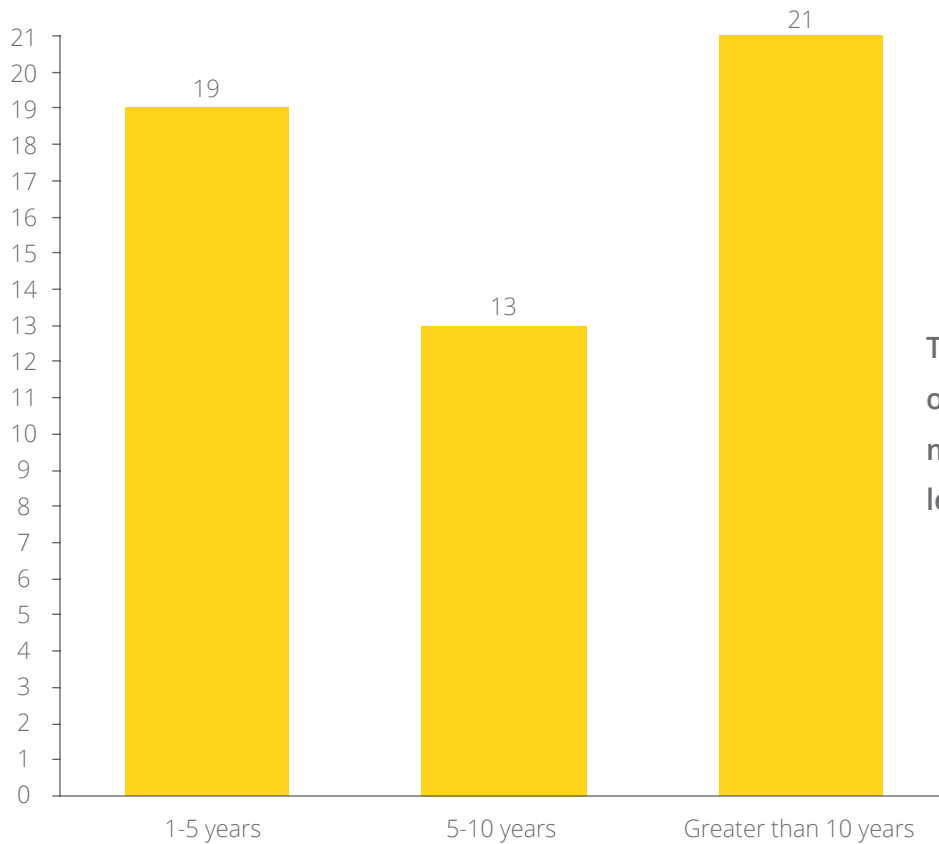
# Survey results

## Company Characteristics



# Company Characteristics

## Maturity of SSC market in Hungary 🇮🇪



Two-thirds of the companies operating in the Hungarian market were established at least 5 years ago.

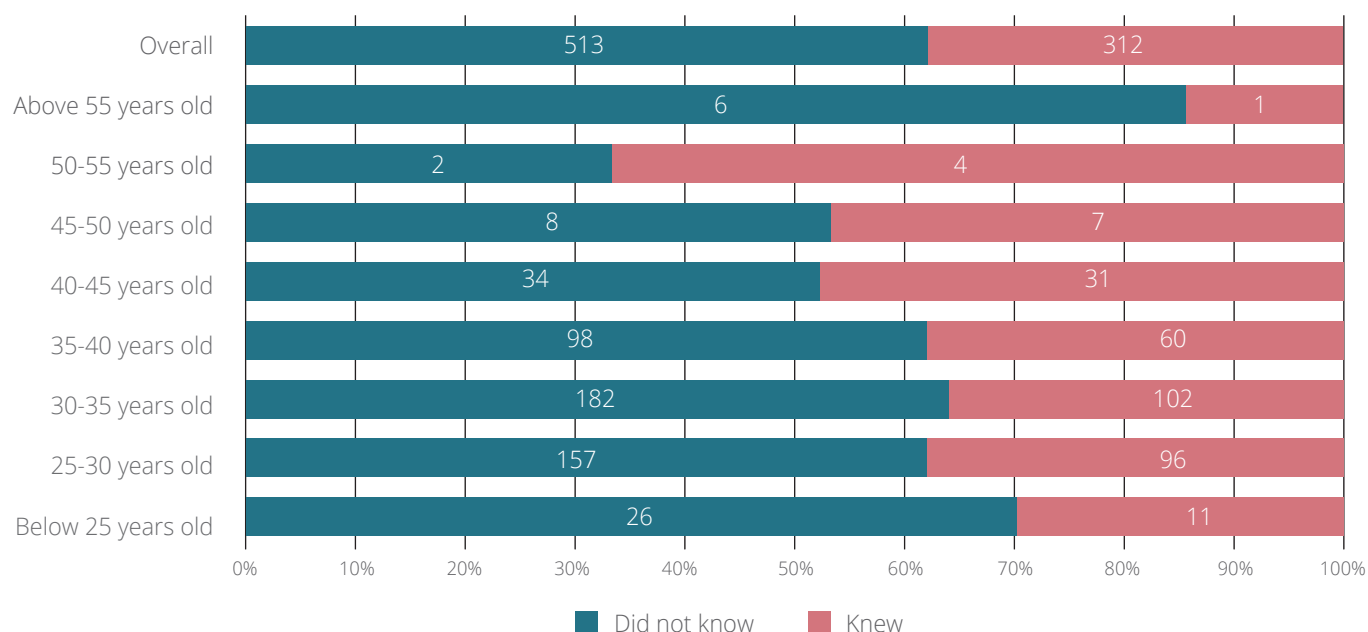
**Two-thirds of the companies operating in the Hungarian market were established at least 5 years ago.** This is in line with the large growth in the SSC market between 2007 and 2012. Many of the mature centres are large, stable organisations, which deliver according to expectations or above.

The Hungarian SSC market is still attractive for newcomers. Despite the fact that an increase in terms of labour costs is visible, companies still prefer a location where a sufficient number of employees with the right level of experience can be found. That is why Budapest continues to lead the growth in the SSC sector.

Most of SSCs who joined in the last 5 years are primarily focused on areas like process stability, experienced resourcing and ability to benefit from synergies, rather than having a pure financial focus.

Also a rise in newcomer companies is visible due to the development in Tier 2 locations (for example Debrecen or Pécs).

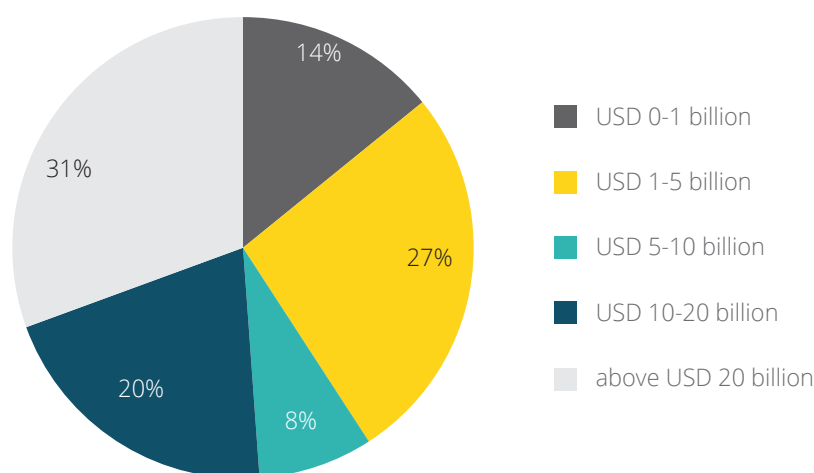
## Sector Brand Awareness: Percentage of respondents who knew what an SSC was, before they started to work in the sector



Even though the sector has more than 25 years of history in Hungary, there is definitely **room for improvement when it comes to sector brand awareness**. There is an improving tendency due to constant education and branding connected to the industry, but as we can see on the graph, in most of the age groups, more than 50% of the participants did not know about the sector before they entered it.

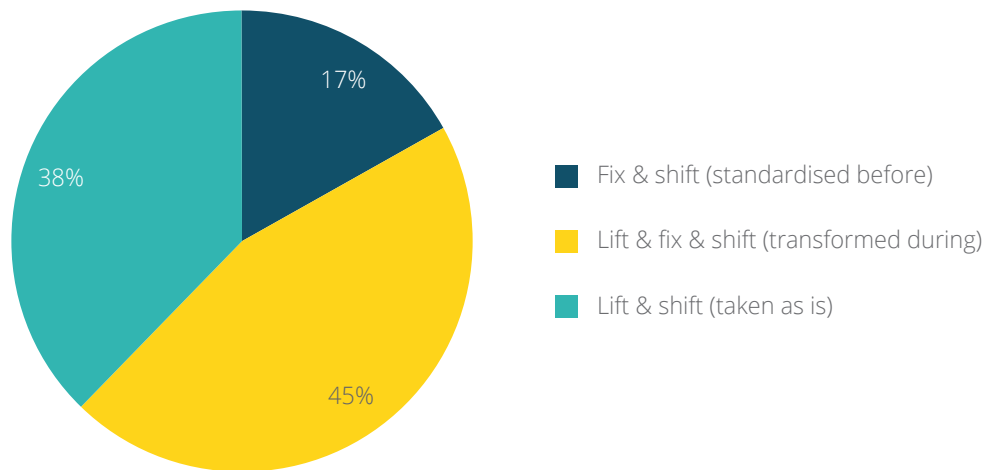
The Hungarian education system has an important role in increasing sector awareness; however, they need to be regularly informed about the current and upcoming trends and about opportunities that the sector can offer to youngsters.

## Size of parents companies investing in the Hungarian SSC market



An interesting picture can be seen, with many large global multinationals investing in Hungary. Over 50% of all companies that established an SSC have a **global annual revenue** of more than USD 10 billion. The benefit of large organisations choosing Hungary is that these companies have more growth potential, which also became visible when asking for the expected growth/-decrease of headcount at the centre.





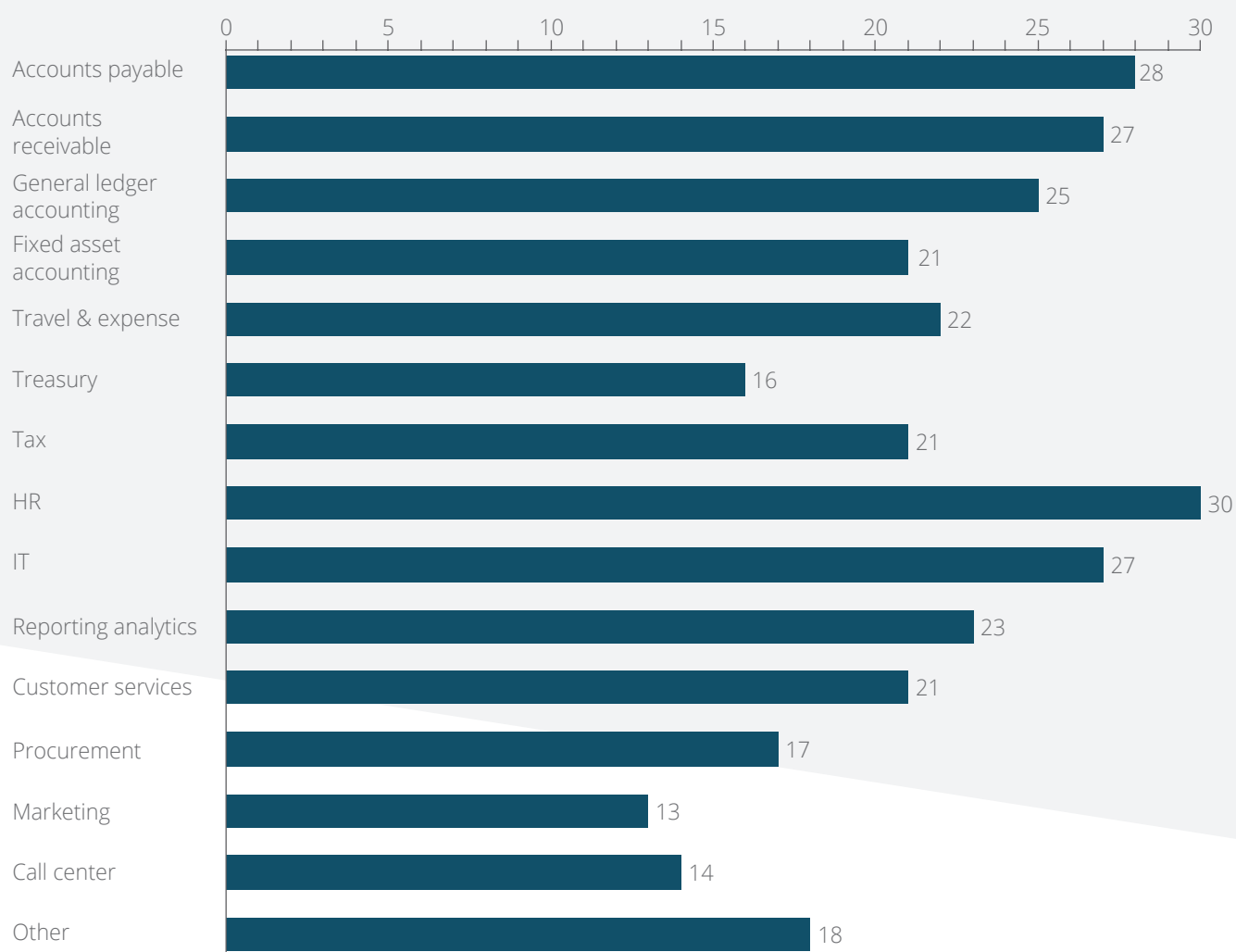
While building up the centre, **close to 40% of all SSCs choose the least complex migration methodology** (lift & shift). The benefit of this methodology is that processes can be migrated relatively quickly and training can be performed by the sending organisation as no changes are made to processes.

The risk of this methodology is, however, that maturity of the centre might take longer and a lot of effort needs to be given by the operational staff to standardise and optimise processes which could potentially harm service delivery. This is probably also a reason why Hungarian SSCs on average spend a lot of focus on process optimisation initiatives.

The high number of companies that fix during migration is also surprising, because this requires major extra efforts from the transition and operational teams during the move.

**Preparing before the move and shifting optimised processes are the least applied**, which is probably caused by companies that want to quickly receive benefits from their SSC journey and, therefore, do not want to spend much time on optimisation. Many companies also see the SSC as the right place to optimise processes after everything has been brought centrally.

## Activities performed by Hungarian SSCs



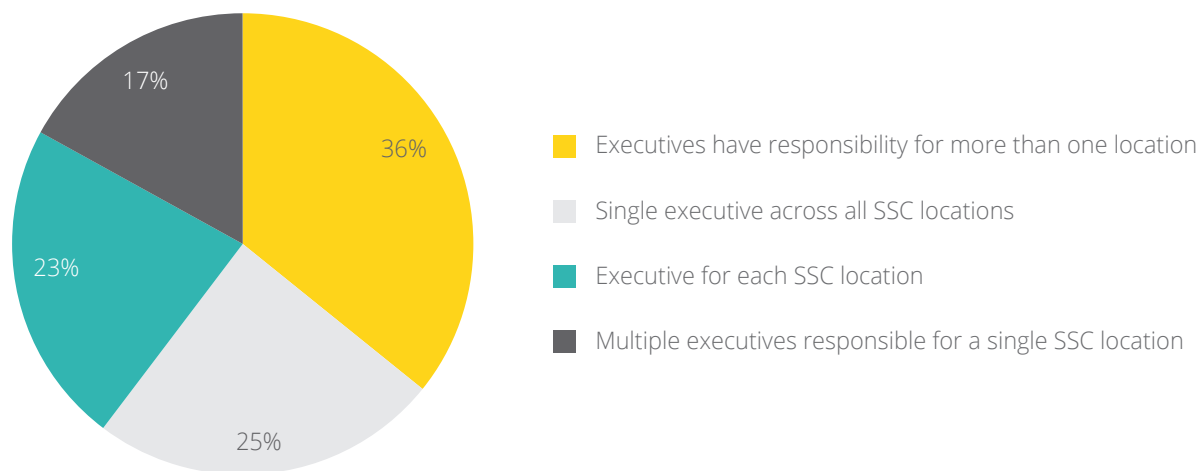
Hungarian SSCs have a **wide spread of services delivered**. Maturity of the market and the drive of these mature organisations towards a Global Business Service footprint cause companies to widen their views and to look for new opportunities to expand scope. Also the fact that **labour arbitrage is becoming less and less a factor to invest in Hungary** results in companies trying to find a larger variation and higher complexity in the services which are being delivered.

Even though the main processes being served in the Hungarian SSC industry are still the common processes in Finance (AP, AR and GL), it is visible that more and more companies, especially in Budapest, are broadening their scope in areas like higher end accounting, IT, HR, procurement, sales and marketing, tax and treasury.

At Tier 2 locations, the majority of processes are still in the finance and IT area; however, it is also visible that some centres are already bringing functions like HR in.

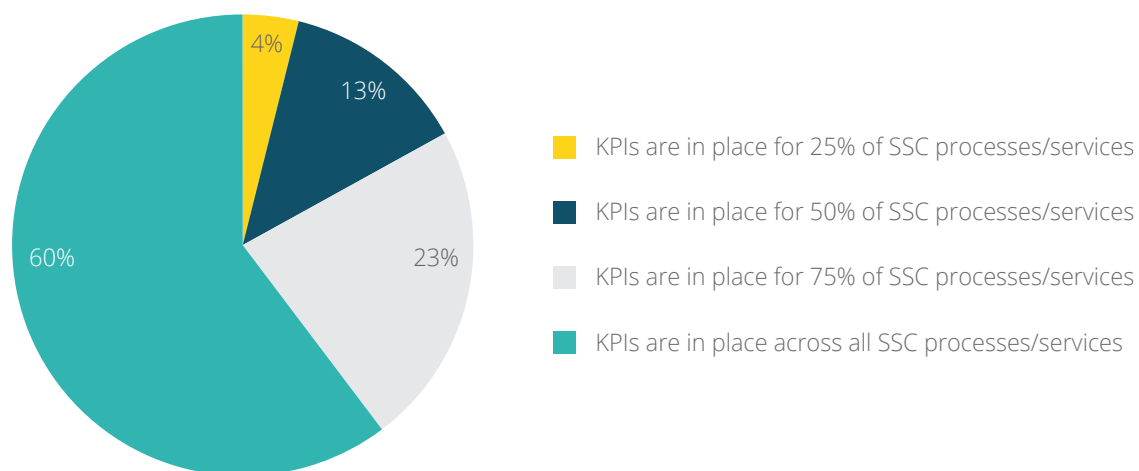
A potential threat for the Hungarian market is the high number of SSCs that perform transactional accounting tasks, which will potentially be heavily impacted by automation over the next few years. It will be interesting to see how well the Hungarian market can transform into other and more value-added activities.

## Leadership scope



The Hungarian SSC market is more and more moving in the direction of global business services and multifunctional SSCs with one **leadership** for its location or across several locations. It is increasingly frequent to see fragmented leadership disappear and responsibility of leadership grow.

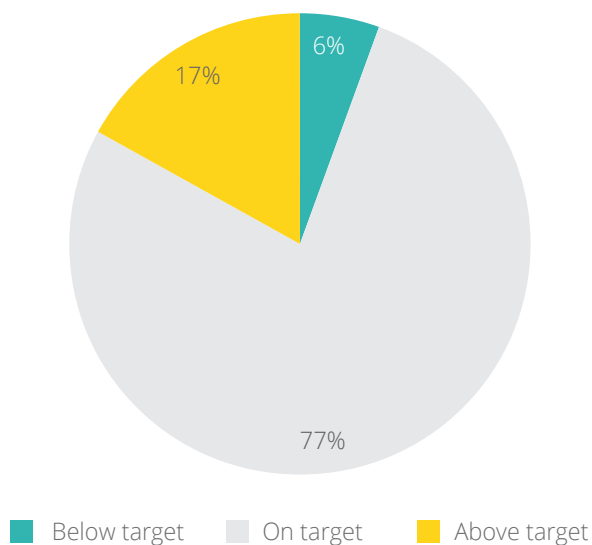
## Level of process measurement



The majority of the responding SSCs have **KPIs introduced** for all their processes. This is in line with the observed maturity of the Hungarian market.

However, still 16% of all responding SSCs have KPIs for less than half of their processes, which could result in the lack of clarity of the performance in their area.

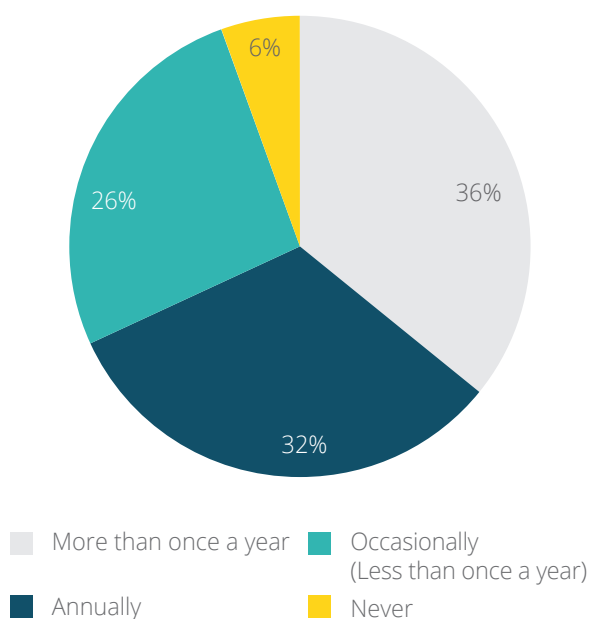
## Performance of Hungarian SSCs 🏢



Within the Hungarian SSC market, only a small percentage of the respondents see a below target performance in their SSC. A direct link can be made between below target operating SSCs and centres that have high attrition. Probably the lack of ability to keep talents at the centre results in process instability.

**The large majority is, however, delivering on target, which is a good result in a mature market like Hungary. 17% say they even perform above target.**

## Measurement of customer satisfaction 🏢

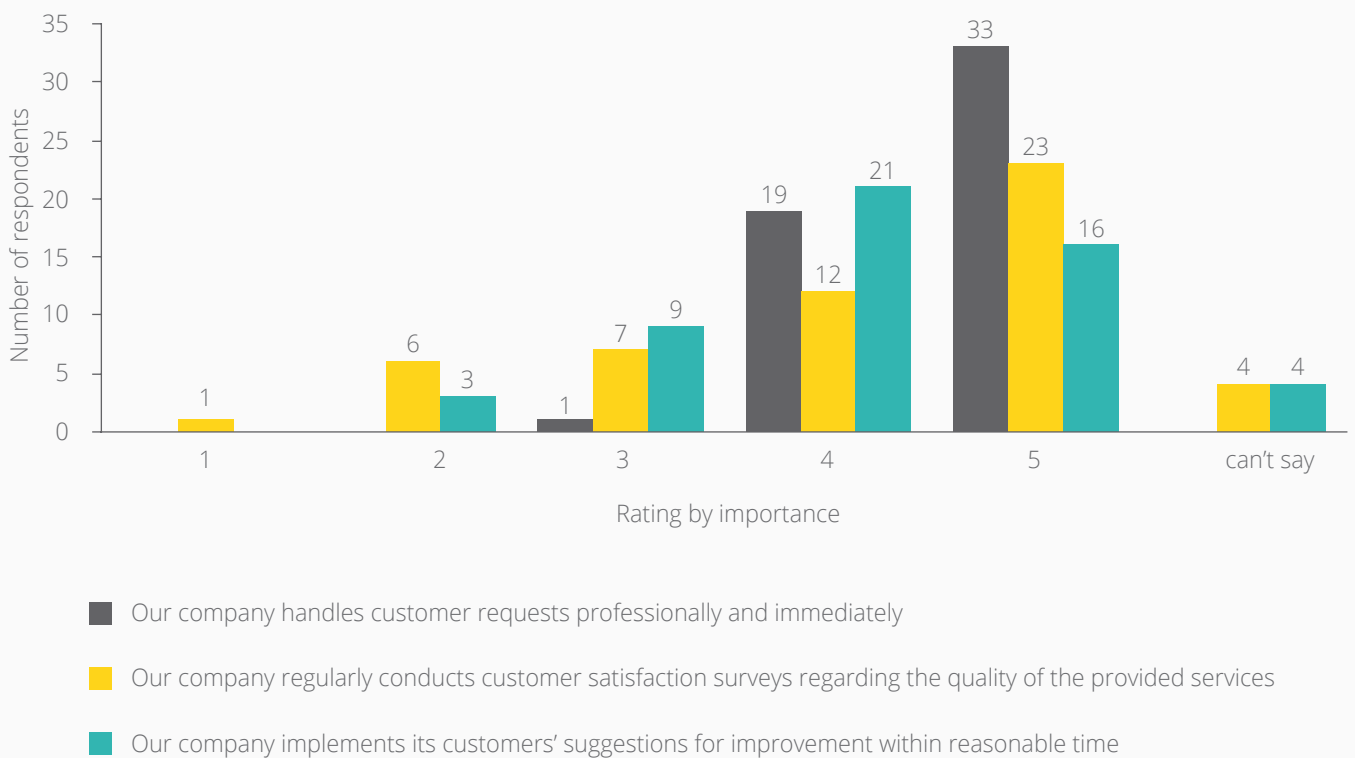


Although over 80% of all SSCs in Hungary rate the importance of conducting **customer satisfaction service** above average, only 36% are conducting surveys regularly. 34% never do any surveying, which is a significant number.

When looking at these numbers, we would conclude that although the Hungarian market sees the importance of customer feedback, the Business Partner function still has room for improvement.



## Handling customer requests 🏢

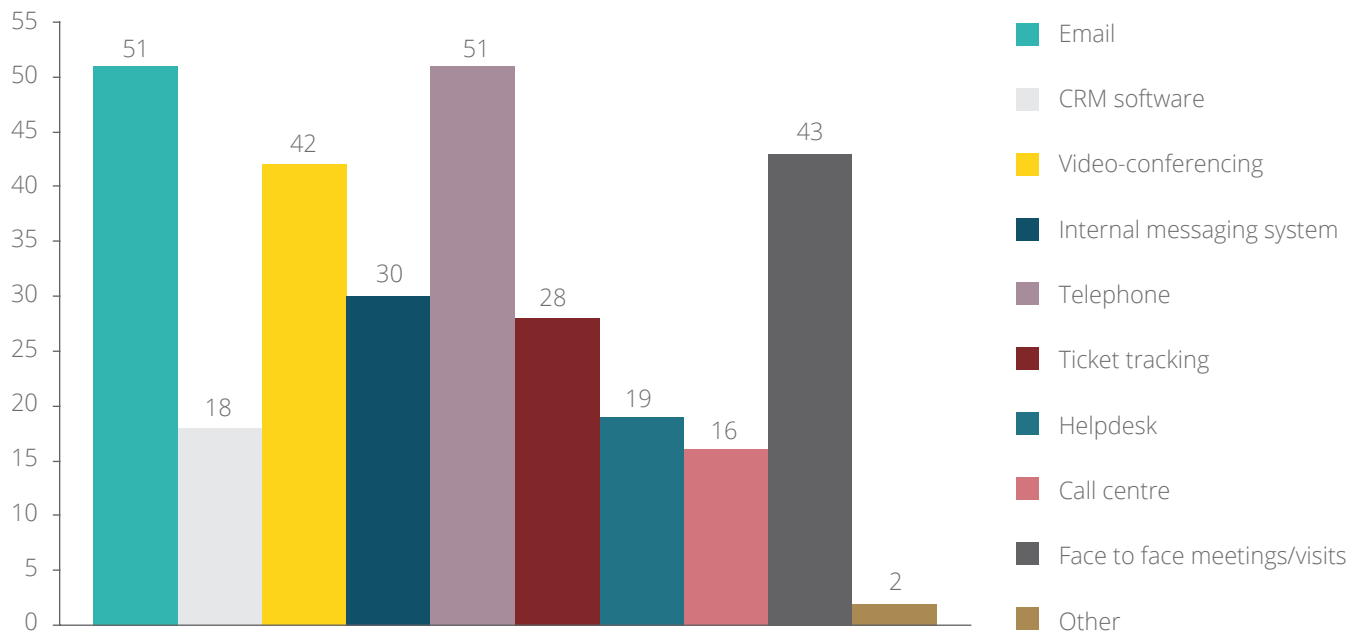


**Customer orientation and customer service mindset** are the main trends visible within the SSC industry globally, where more and more organisations are focusing on the customer experience and moving towards being a real business partner of their organisation. Knowing that the Hungarian SSC market is a very mature market, one would expect to see high focus on these areas.

When asking Hungarian SSCs about the importance of certain areas of customer focus and asking them to rate their importance between 1 to 5, it becomes clear that Hungarian SSCs see handling requests and tasks in a professional and fast manner to be the most important. Also there is quite some focus towards the measurement of customer satisfaction. However, still almost 25% of our respondents said that this was not their key priority. Also around 25% do not see high importance in the implementation of customers suggestions.

This brings us to the conclusion that to improve the centres in the future, more focus should be given to customer management within SSC organisations.

## Ways of interacting within SSCs



Almost all SSCs use telephone and email for communication. Video conferencing and face to face meetings/visits are very much used, too.

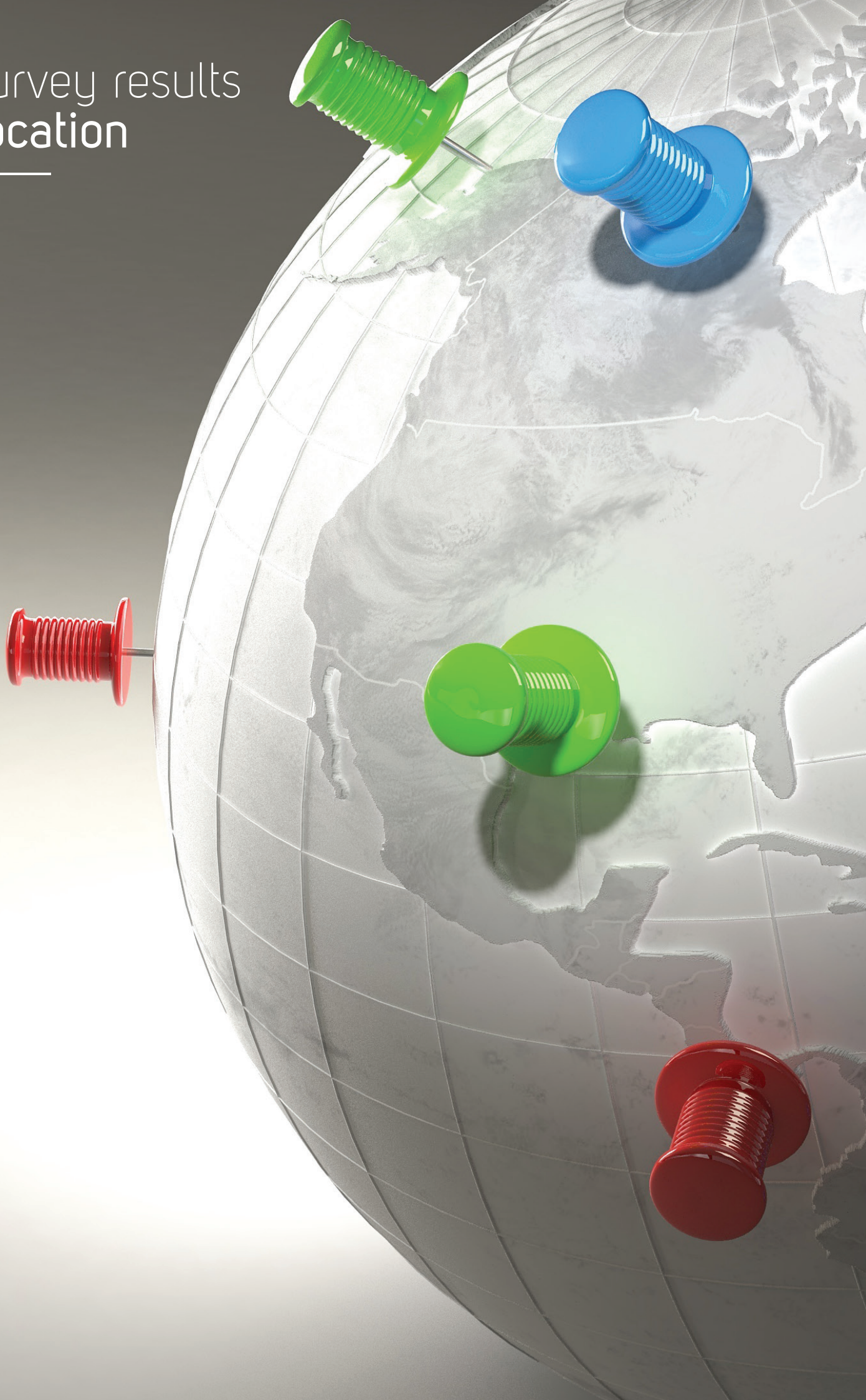
Surprisingly only slightly more than 50% use an internal messaging system to interact. By implementing such systems, significant productivity improvements can be realised due to quicker response times and shorter communication lines.





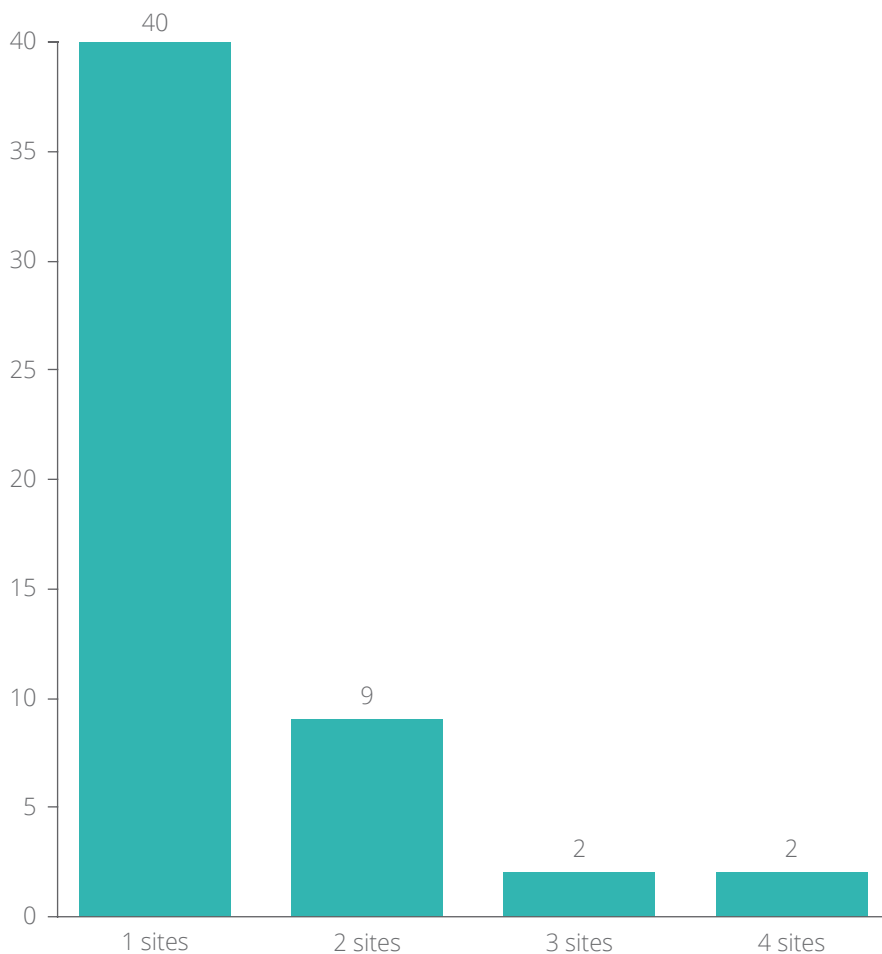
# Survey results

## Location



# Location

## Number of SSC locations in Hungary 🏢



This is a good indication that shared services organisations are satisfied with the current conditions in Hungary.

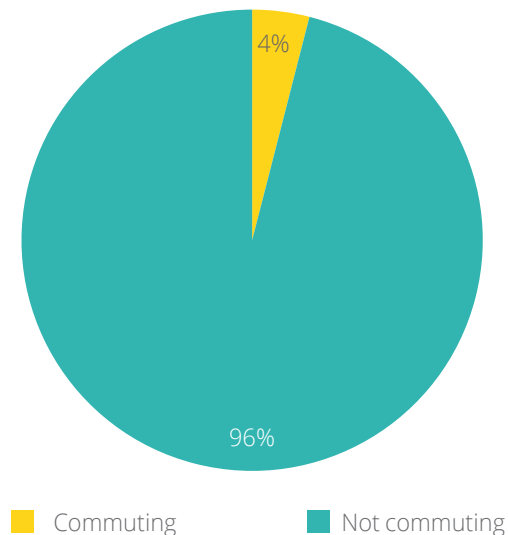
There is a clear trend visible that more and more SSCs and BPO organisations choose multiple locations in Hungary.

This is a good indication that shared services organisations are satisfied with the current conditions in Hungary and also see the existing opportunities that Tier 2 locations provide. They also see the benefit of spreading activities over multiple sites to leverage the risk in areas like business continuity.

Currently there are four companies that already have three or more locations and also some SSCs have recently opened hubs in a Tier 2 city. Most companies choose either Debrecen, Székesfehérvár, Szeged or Pécs. There is no clear split between BPO and captive SSCs as both type of organisations see the benefits of spreading their workforce over multiple locations.

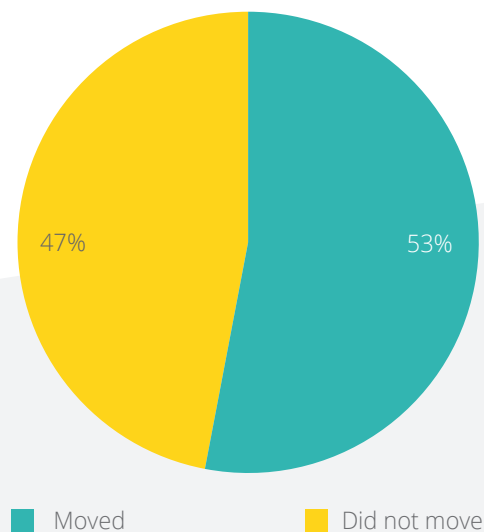
Our view is that over the course of the next years this trend will continue and the number of companies that have multiple locations will grow. In order to help and ensure that this trend continues, investment from government in the form of **attractive state aid opportunities** and development of universities are crucial factors.

## Daily Mobility



There is no significant daily mobility in the lives of SSC employees in Hungary, as 96% work where they live and do not commute on a daily basis. This gives higher importance to local public transport and also has influence on the office locations, because companies need to focus on being closer to their employees. However, employees show a much higher willingness to long-term mobility.

## Long-term Mobility: percentage of employees moving to Budapest from Tier 2 locations

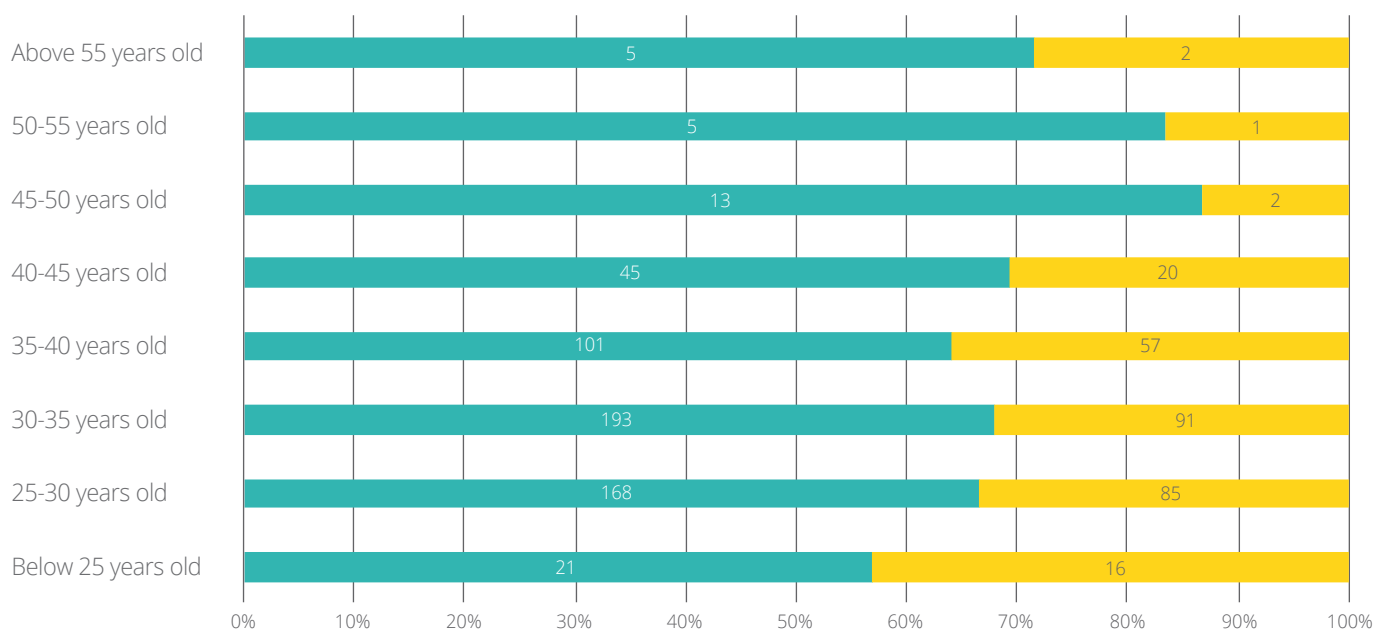


Budapest is still a very attractive location for employees to move to and work in the SSC sector. Seeing more than 50% originally not residing in Budapest shows a clear need of the Hungarian market to create more opportunities at Tier 2 locations. Looking at the willingness of people to move back to their home locations when proper job security is available, it becomes apparent that a minority after moving is still interested in moving back.

One of the future trends forecasted in Hungary is that Tier 2 cities will grow further and will attract more and more employees. The employee survey indicates that more than 30% of the participants are willing to move to a Tier 2 location in the case of similar or better work conditions.



## Willingness to move to a Tier 2 city by age

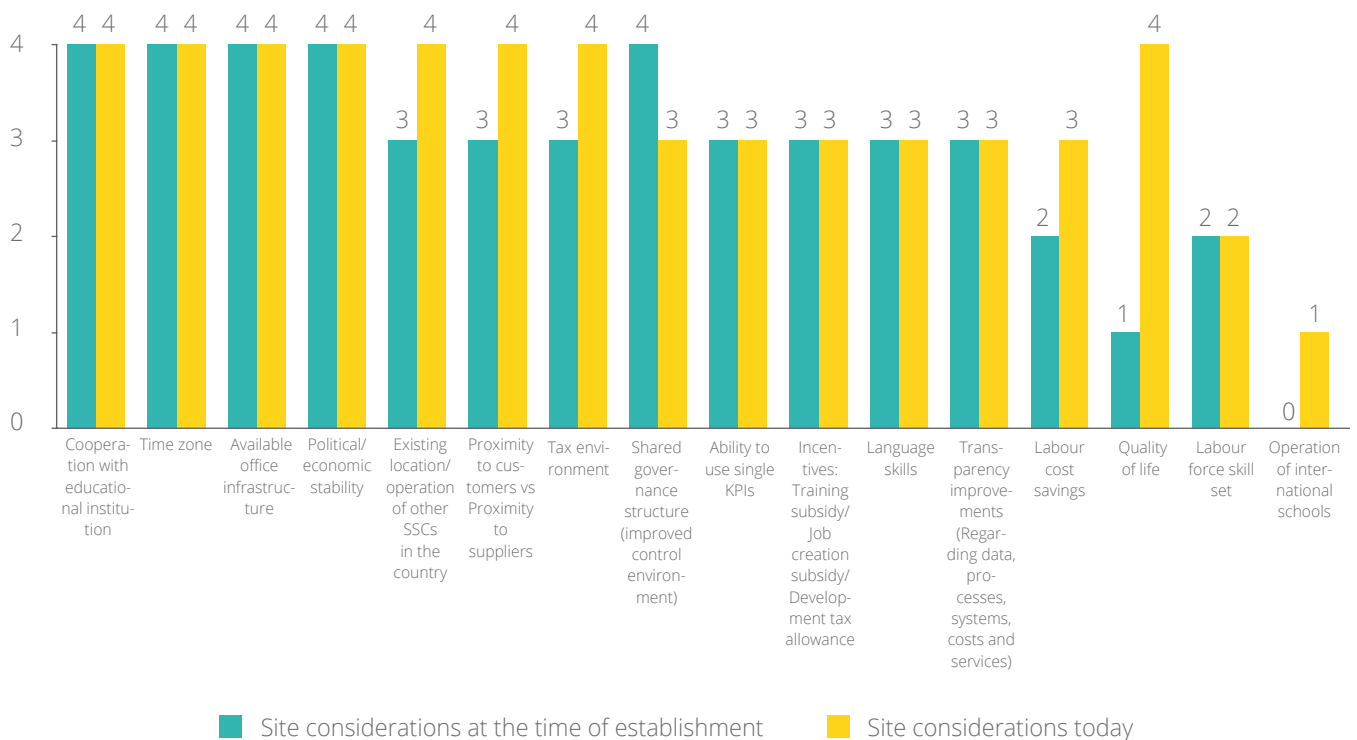


Generation Z (below 25) is the most willing to relocate, which indicates that long-term mobility is going to increase further and not only to Budapest, but also to Tier 2 cities.





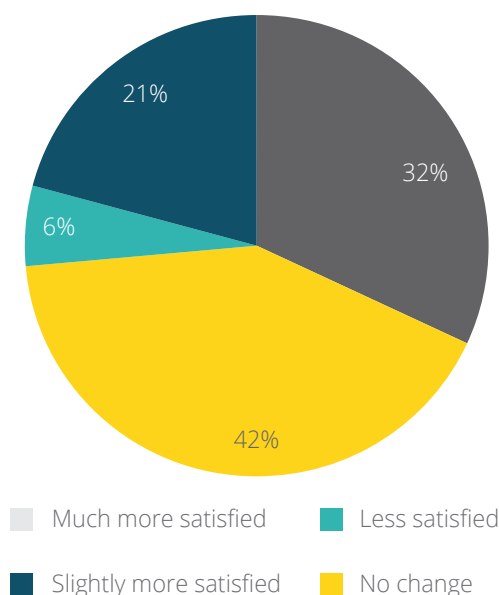
## Why do companies choose Hungary as SSC location? 🏢



According to the respondents, the main and consistently existing **decision-making criteria** are educational cooperation possibilities, time zone considerations, the available space and political stability of the country. Being a well-known market, closeness to customers, the taxation environment and especially the quality of life have become much more important when making a decision nowadays.

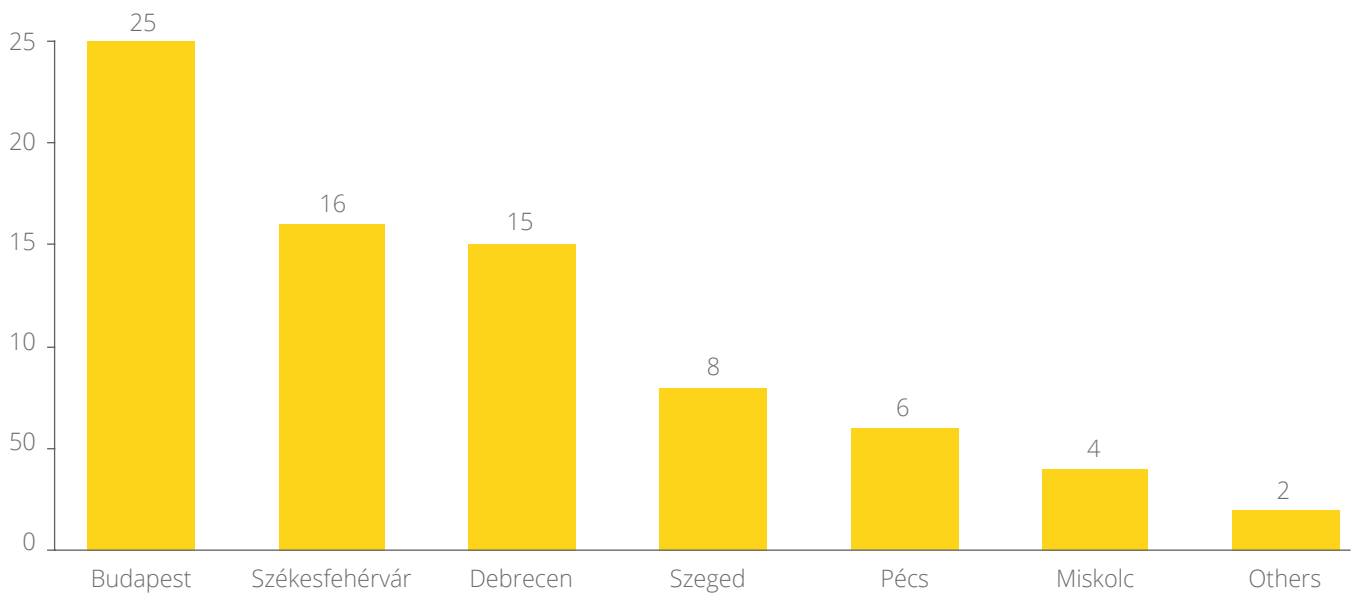
Interesting results coming out of the survey were the relatively low score received by the factor of the labour force skill set and the operation of international schools.

## Satisfaction about the location by SSCs 🏢



More than two-thirds of companies are more satisfied with their Hungarian location(s) than expected at the time of establishment.

## Average number of countries served



Due to the excellent language spread, mature market, experience in servicing a large group of countries and the fact that a lot of companies investing in SSCs in Hungary are globally operating multinationals, **a large number of countries are served on average by Hungarian SSCs.**

Budapest is still the location from where most countries are served by SSCs. The market contains a few centres that deliver globally in over 100 countries; however, the majority deliver in around 16 countries. Székesfehérvár is number two when it comes to countries served, which is caused by a few SSCs located there with a broad scope, established a long time ago.

In Debrecen the number of countries served is rapidly growing, mainly due to some newcomers in the industry. Other Tier 2 locations are for now staying behind in the number of countries served, which is partly caused by the relatively lower number of exotic language skills available and the relatively young SSC markets in those cities.

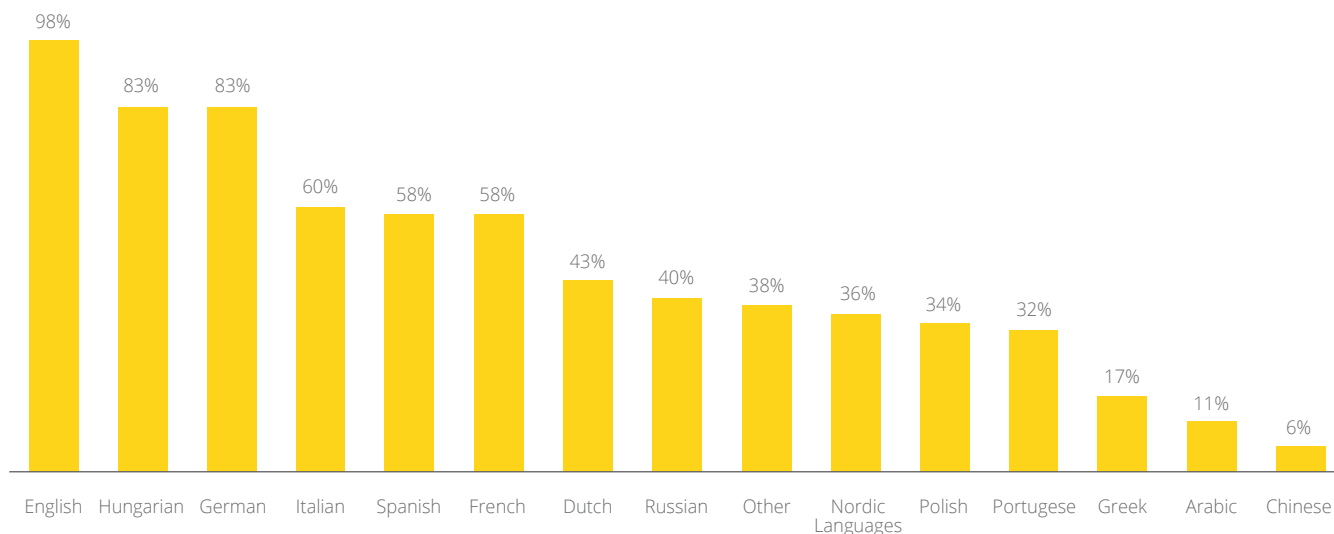
# Survey results

## HR

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## Languages spoken in Hungarian SSCs 🏢



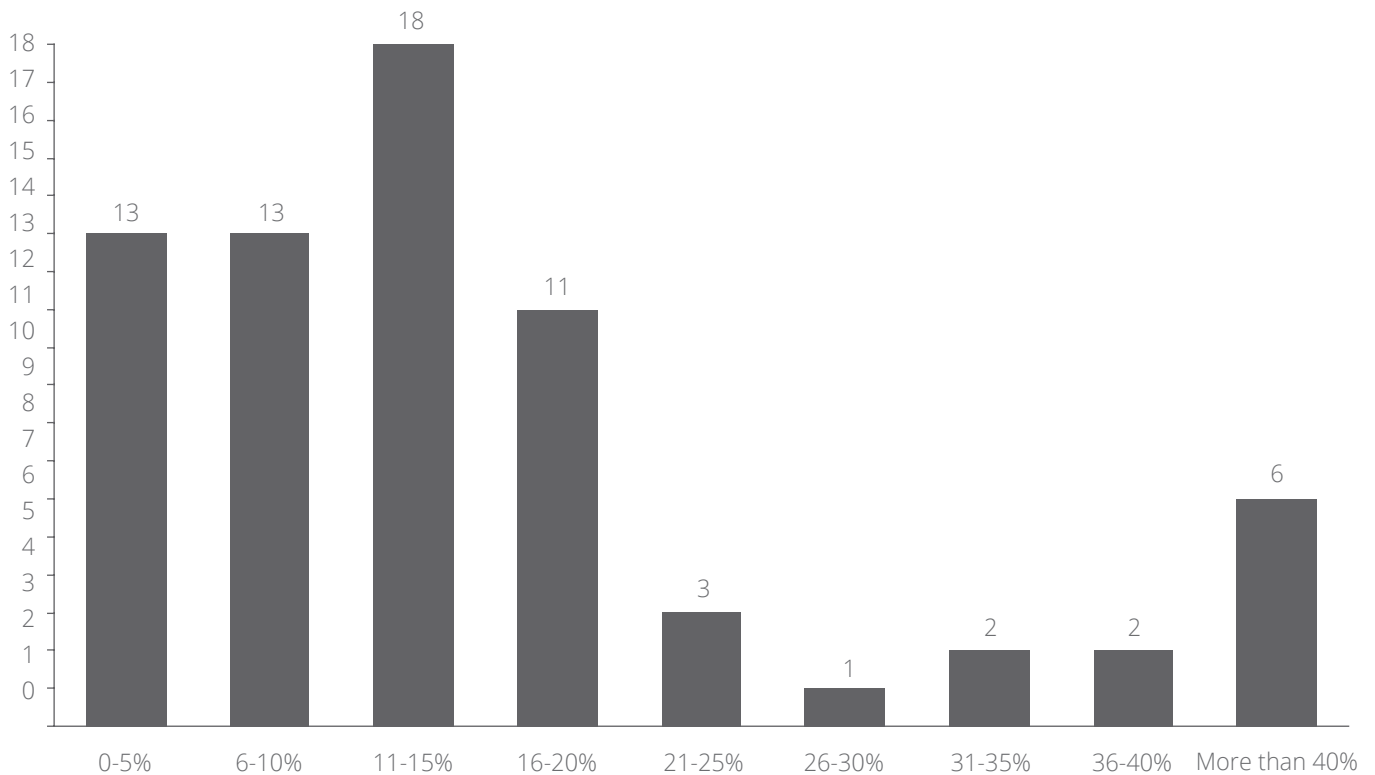
The Hungarian SSC market is well known for the **broad spread of available language skills**. Whilst the market currently suffers from high demand for certain languages (like German), there is still a relatively large pool and a wide spread of people who speak several languages, especially when reviewing the same spread in other Central and Eastern European countries.

It can be seen that more and more centres need to make a balanced choice between language and experience. On average, experience of processes in SSCs are relatively easy to train, where languages require a large investment in time to learn. Therefore, more and more SSCs are seen to choose language and hiring resources from education like tourism and followed by training them to perform SSC tasks.

The main languages spoken in SSC beside **English** and **Hungarian** are **German, Spanish, Italian** and **French**. Also the number of centres that serve relatively exotic languages like **Dutch, Nordic** languages or **non-European languages** is high. This is a good indication that centres are established in Hungary because of the availability of languages.



## Average attrition rate



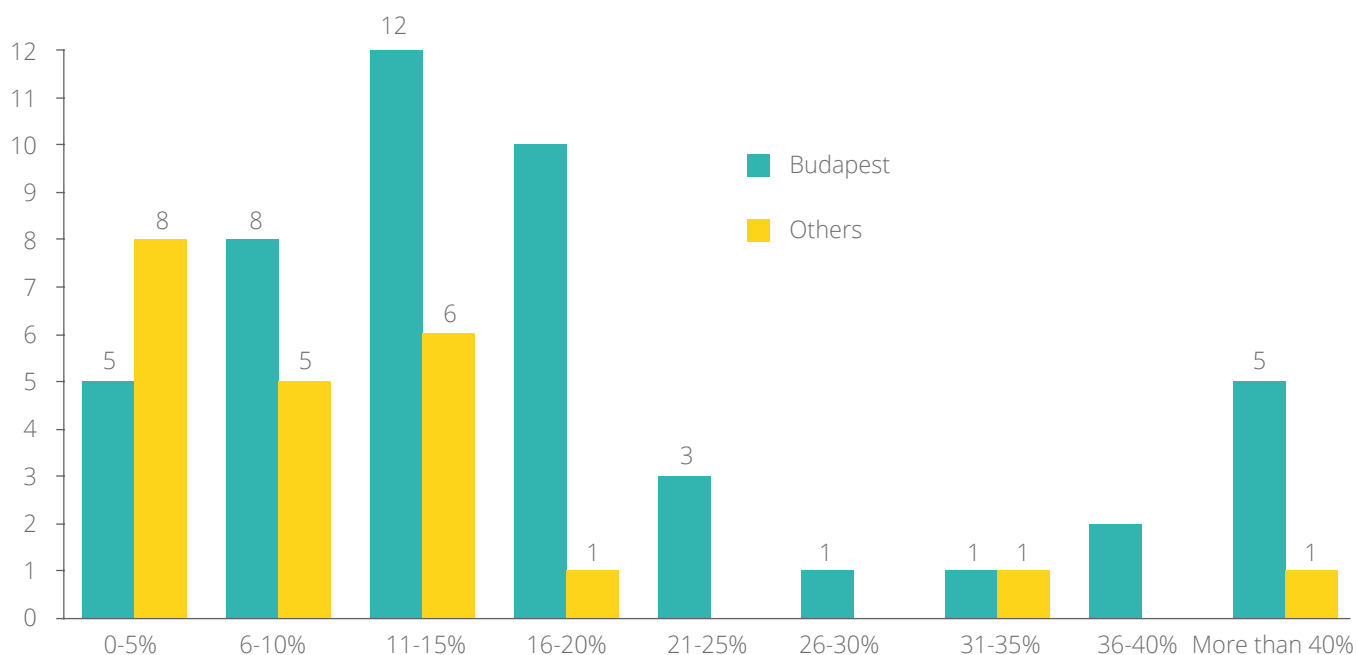
Attrition is always a hot topic within SSCs and also one of the outcomes of this survey is that one of the most important focus points is talent retention.

**The average attrition is between 11% and 15%**, where almost half of the SSCs report attrition below 10%. This is a lower average than in many of the surrounding countries, where attrition is normally between 16% and 20%.

This attrition is low partly due to the Tier 2 cities that are shown in this chart. The next chart shows a comparison between Budapest and Tier 2 cities.

Although attrition is on a very decent level considering the large number of SSCs centred in Budapest, there are also 10 companies that report an attrition rate of over 30%. These companies are losing in the battle for talent and probably have to review their current retention strategy. A large majority of the high attrition companies are located in Budapest.

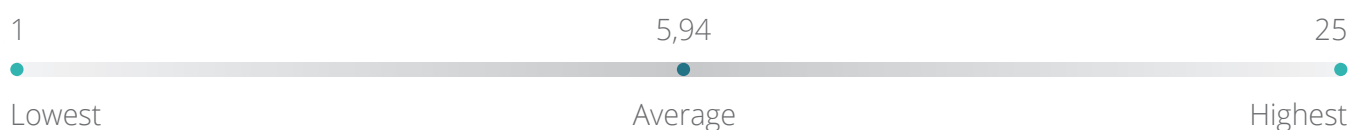
## A comparison of average attrition between Budapest and other locations



When reviewing the **attrition of Budapest compared to Tier 2 cities**, a clear difference can be seen in attrition levels.

Most of the Tier 2 cities are scoring low or moderate attrition, which is probably caused by the relative age of the centres and the fact that pressure on the market is much lower than in the capital, Budapest.

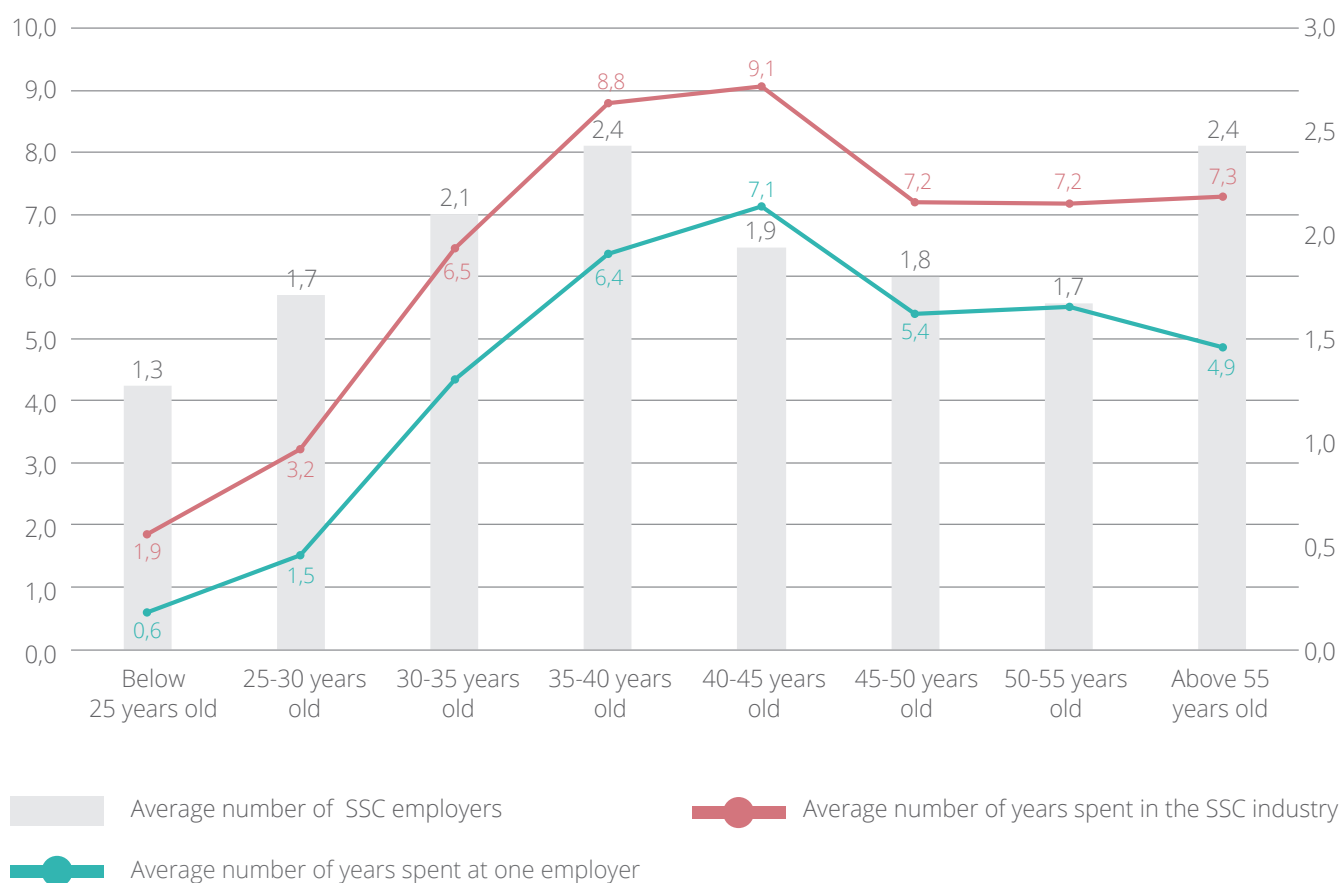
Low attrition rates are something that could further attract companies to consider moving (part of) their activities to a Tier 2 location. However, due to the relatively small size of Tier 2 locations, extra care should be taken to avoid the saturation of Tier 2 cities, which has happened in several of the surrounding countries within the CEE region.



**An average SSC employee has been working in the sector for almost 6 years**, which is very high compared to the region. It has definitely the advantage of having more and more senior and experienced people in the market. The average number of years spent at the same employer is 3.9 years.

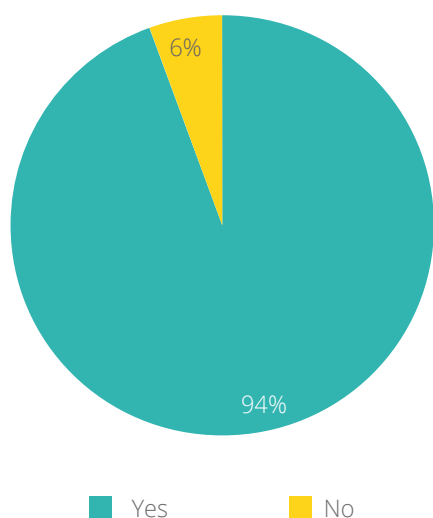


## Average number of work years in the sector and at 1 employer



Looking at the above metrics in terms of age groups, it is visible that employees between the age of 35 and 45 spent the most time in the industry and at the same employer as well. Younger generations (below 30) tend to change jobs more frequently.

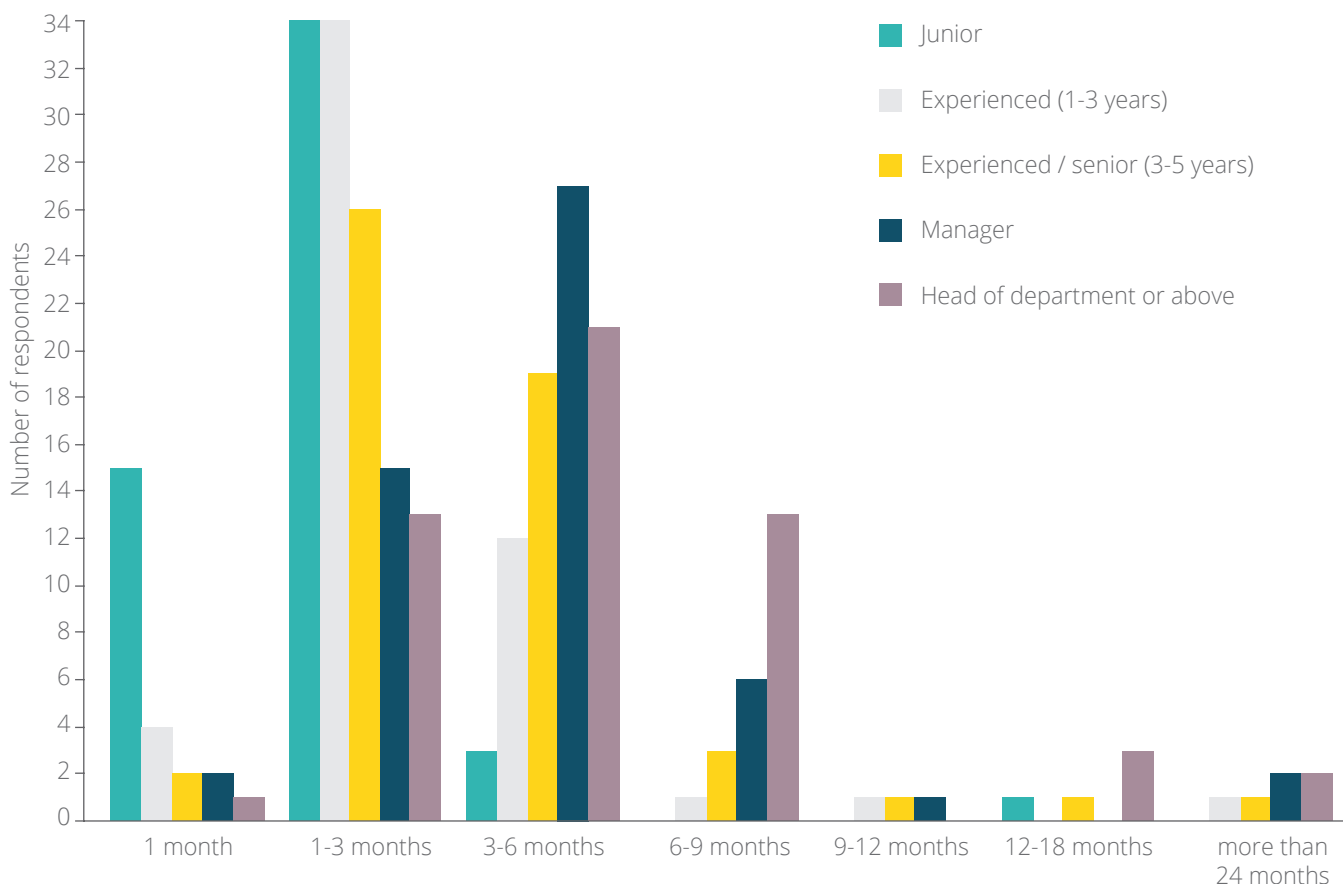
## Importance of employer branding



Almost all shared service centres see **employer branding** and employee connection as important priorities.

The high level of focus on employer branding might partly cause the relatively low attrition rates reported in the Hungarian market.

Employees like to feel connected with their workplace. It is an excellent tool to ensure the awareness of employees about the values, vision and products of their companies. Employees who feel connected are often more likely to stay at their workplace.

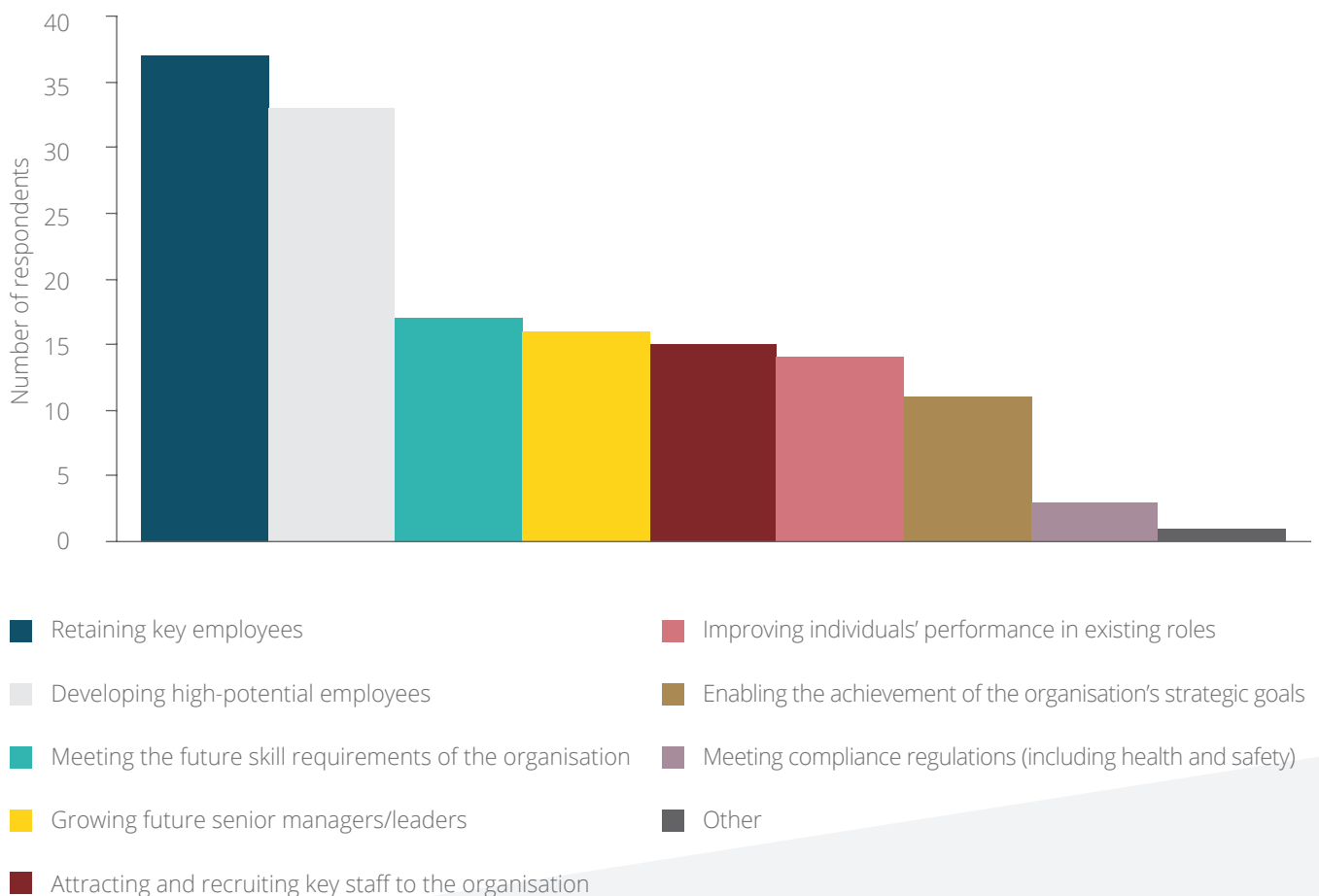


A clear trend in all Central and Eastern European countries is the leakage of talents who go abroad, resulting in more difficulties to find the right talent for the SSCs. Also the relative lack of knowledge at potential employees of the SSC market is a driver, which can have pressure on recruitment. Therefore, it is incremental for the sector to keep advertising the career possibilities it can bring.

When looking at the **estimated time per role** to hire, we see a couple of areas for attention:

- Hiring of junior resources and resources with limited experience is relatively easy in the Hungarian market. When only looking at Tier 2 locations, this is even easier than in Budapest. This means that the bottom for the resourcing pyramid can be relatively easily filled.
- However, when looking at more experienced roles, resources with over 3 years of experience, one starts seeing the tightness of the resourcing market. The majority of these resources are hired between 3 and 6 months, which means that companies have to look further ahead when hiring experienced people.
- Hiring manager profiles and above starts to become critical in the market and companies should have focus on this.

## Talent management focus areas



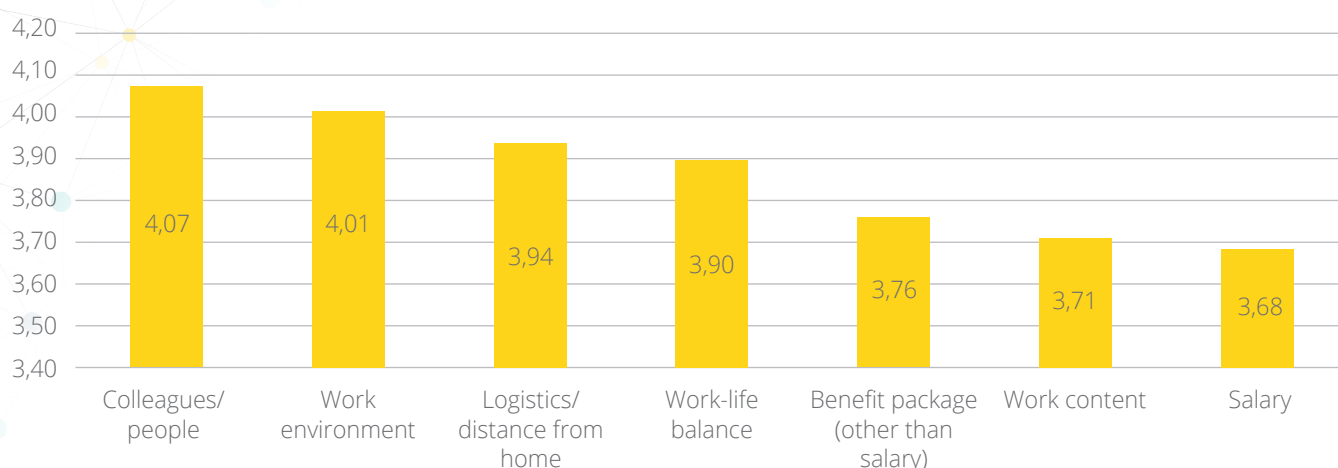
**When looking at the talent management objectives, a clear focus of a large majority of the SSCs in Hungary is on retaining talents.** This is a very normal sign within competitive markets. Attrition management is crucial for many and comparing it with the average attrition numbers, the Hungarian SSC market is relatively well able to retain talents.

The other key focus is developing high potential personnel. This is very much in line with global trends where SSCs get a more important role within the organisation and are seen as a pool of talents for future leadership.

One thing that is surprising in the market is the relatively low number of SSCs that focus on attracting new key staff. This can be because companies are able to retain them relatively easily. However, seeing attrition averages around 14%, companies should consider if they should have more focus on this area.

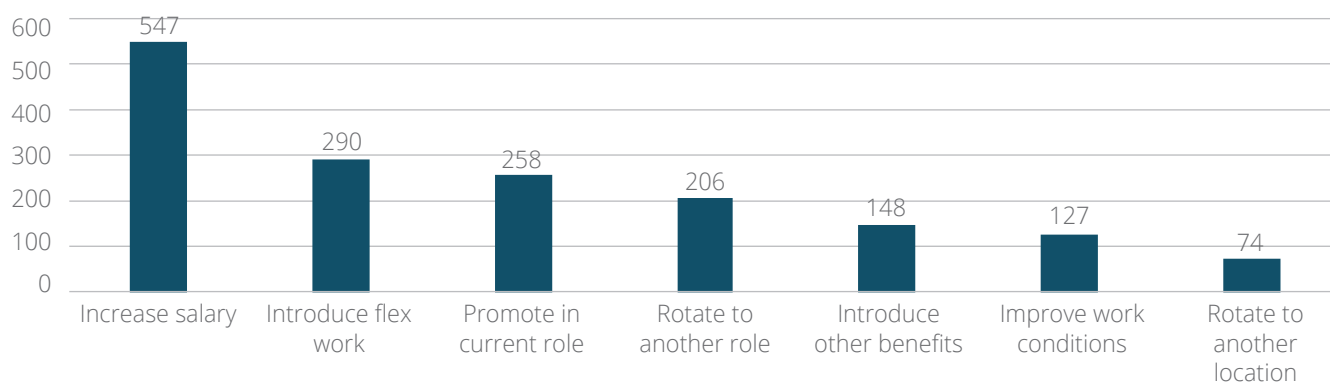
Another surprising outcome which goes against the global trend of SSC organisations becoming a key driver to achieve the organisation's strategic goals is that only 10 companies rate this as important.

## Average satisfaction level of employees (1 to 5) with TOP 7 work conditions



SSC employees are the most satisfied with their colleagues/people and their work environment. This could be a result of the increasing number of new Class A office developments, which are highly preferred by SSCs when it comes to the final location selection and also the fact that more and more companies see employer branding as an important tool. Although salaries in the Hungarian market are balanced compared with those in the surrounding countries, it becomes apparent that employees in the Hungarian market are least satisfied with the salary received and content of work. This development could lead to more pressure on the Hungarian market in the next few years.

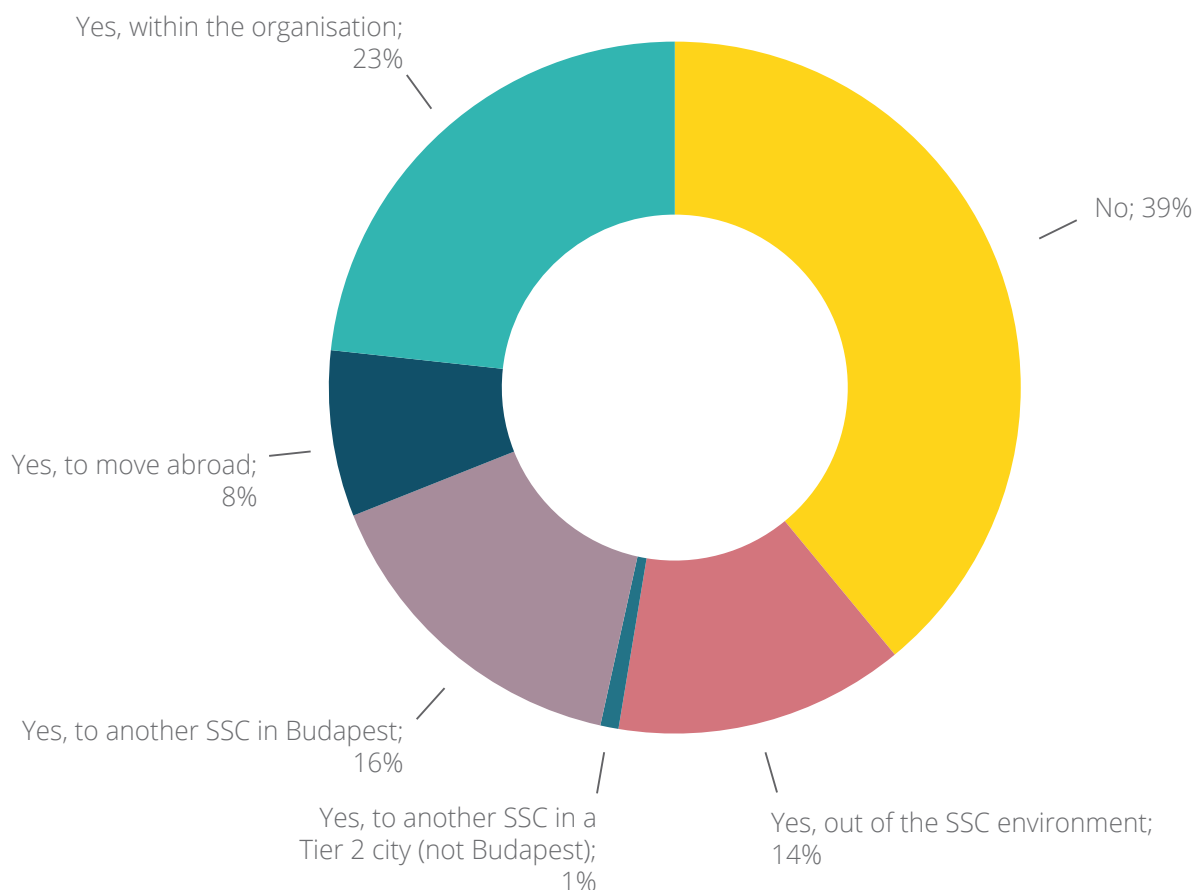
## Number of respondents about the TOP2 facts that will keep them at their current employer



The pressure on salary in the Hungarian market is very high and it is clear that salary is more important for employees than development within the company. This can result in a significant increase in salaries in the market and can jeopardise market competitiveness. Companies should definitely consider this when creating their attrition management strategy. Another interesting outcome of the survey is the fact that around 30% of the respondents consider staying at the current workplace if they get more flexibility at work. This is in line with the expectations of the XY Generation.

The satisfaction level is higher in the case of complex job profiles compared to more transactional activities. One interesting outcome is Procurement, because it is currently relatively complex to hire good procurement specialists and those employed show a lower satisfaction than average with their current salaries.

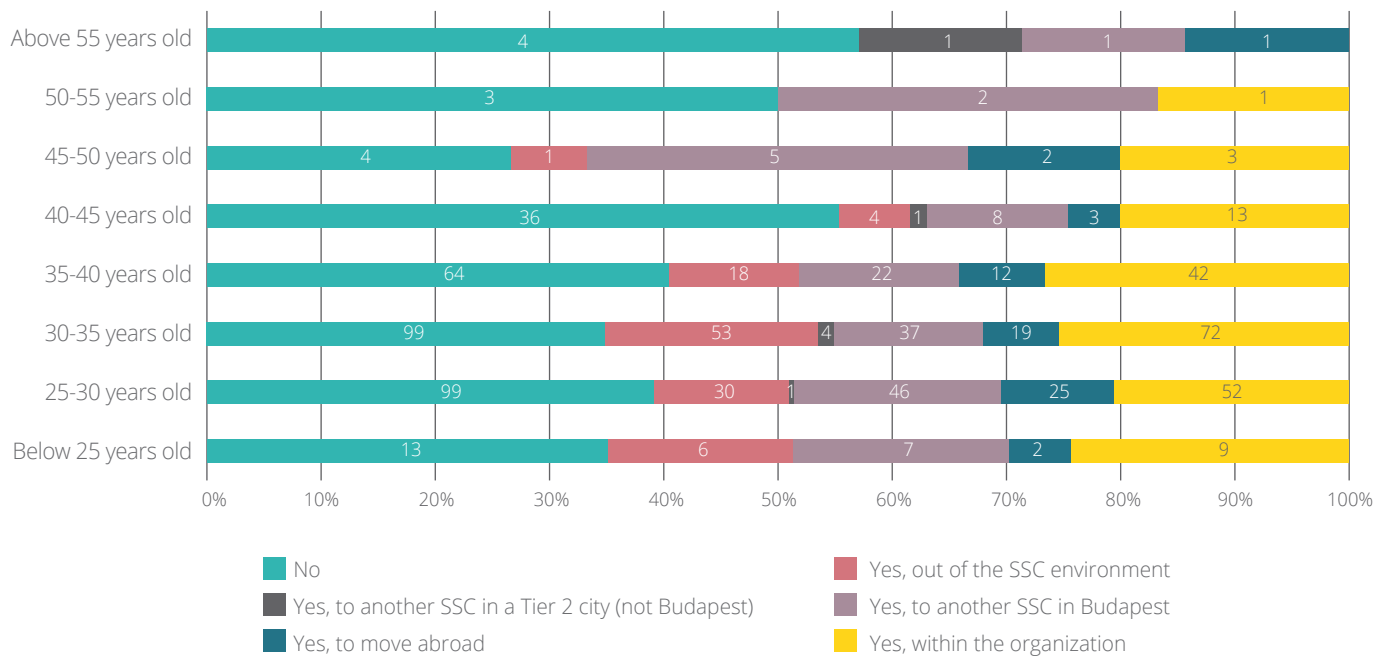
## Considering change/career move



When it comes to the question of willingness to change or move, 62% of the employees would stay with their current employer (39% does not consider a change; 23% would move within the organisation). It is also remarkable that 78% of the employees would like to stay in the SSC sector. 8% of the respondents would like to move abroad, which tends to be a high ratio; however, it needs to be investigated the seniority level behind. This shows that out of those who would like to move abroad, 50% are team members and 35% are process experts and the survey did not examine the reasons behind this (e.g. looking for secondment opportunities within the same company).



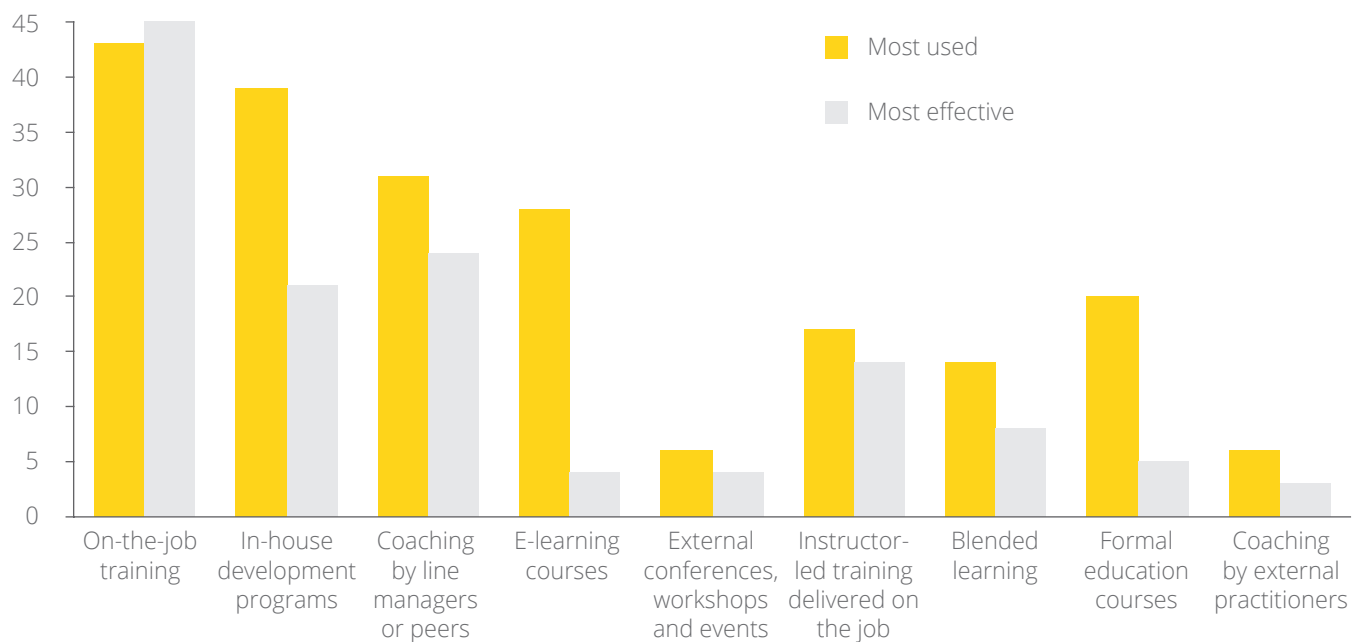
## Willingness to leave the current company by age



It can be concluded that younger generations (below 40) are more open to change; however, older generations (above 40) seem to be more loyal to their current employer. This is rather a general characteristic of the regional labour market.

Although 62% say that at this moment they would like to stay, over two-thirds would leave their current company if a better opportunity arose. Especially in the younger age groups, the absolute number of people who are open to leave their current company is high. It becomes apparent that although people do not necessarily need to change, they are willing to consider it when the right opportunity occurs. For the SSCs operating in Hungary, it is important to focus on this silent potential attrition group.

## Types of training and their effectiveness



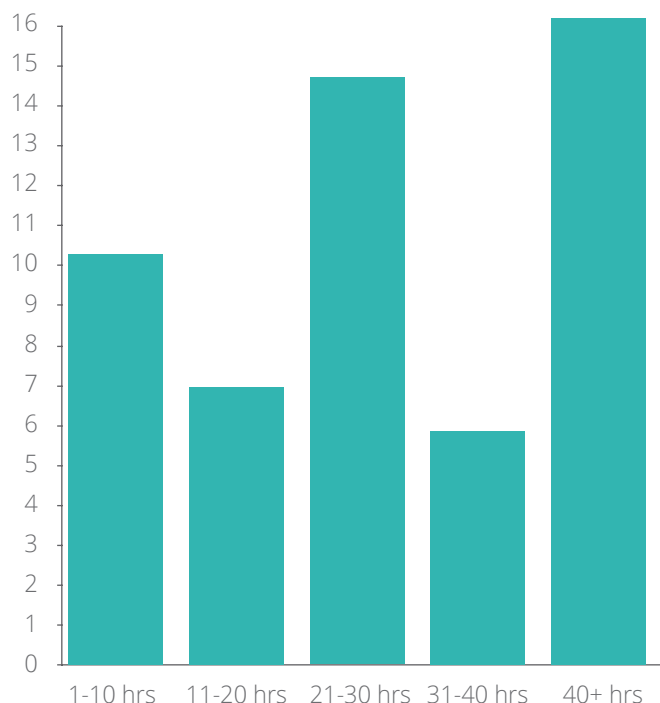
A **large variety of learning and development tools** are used on the Hungarian SSC market. On-the-job training is most common and is also seen as the most effective by the majority of respondents. There are, however, some very interesting outcomes, which SSCs should consider.

In-house development programmes, e-learning and formal courses are used a lot, but the market thinks that they are not very effective. With this information, SSCs should review their current split in the different tools used and should determine if they currently use the most effective ways.

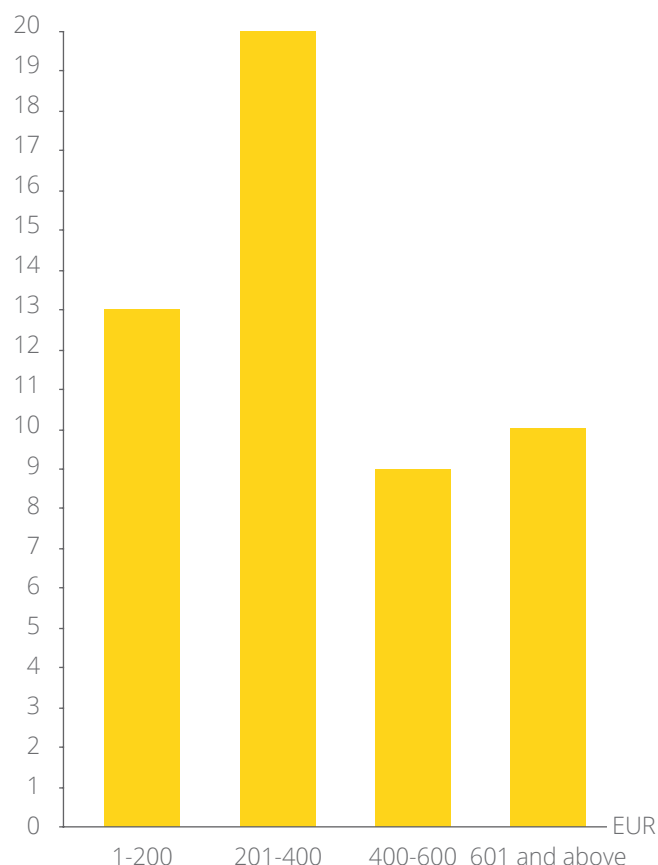
Considering the high number of potential silent attrition cases, companies should consider if they currently apply the most effective and best perceived training opportunities to their employees.



Average training hours 🏢



Average training cost 🏢



An interesting trend to see when looking at the **average training hours per employee** is that although they spend EUR 300 per employee on average, the actual hours spent on training is above 30 hours at more than one-third of all centres asked.

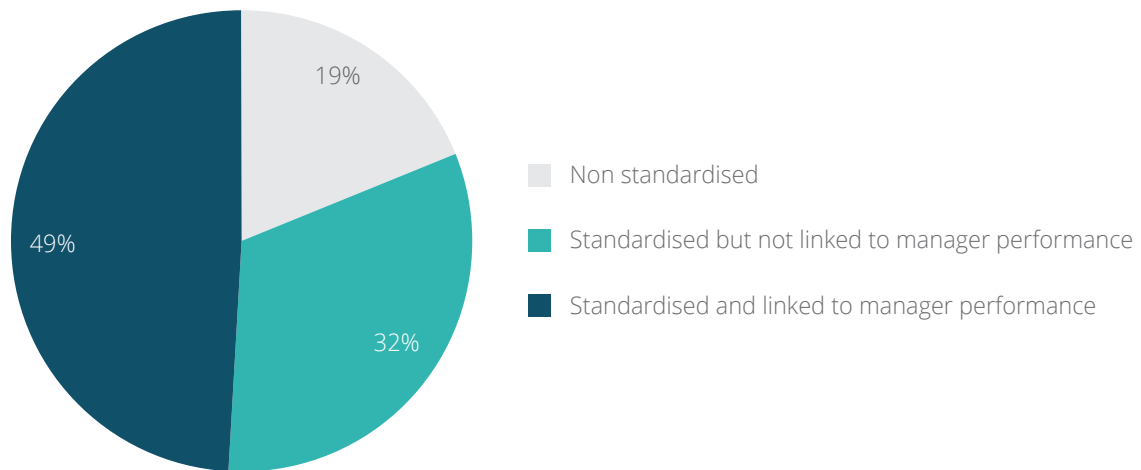
Seeing this, the assumption can be made that more and more companies invest in cheaper forms of education like self-learning and online training. What companies should ask themselves is whether the lower cost in investment is offset by the lower effect as indicated previously.

According to the survey results, there is no direct correlation between the annual training time generally provided to the employees and the attrition rate.

When looking at the company respondents, the Hungarian SSCs see that **training is one of the competitive advantages to be successful in the market**, and although the majority spends between EUR 200 and 400 on it, over 35% of the companies spend a budget above EUR 400 per employee.

A closer connection with universities is important to ensure that education is more linked to the requirements of the changing world of SSCs. It is crucial that companies and universities increasingly cooperate to ensure that the market gets the right people and internal training budgets can stay

## Employee development plans 🏢



Over 80% of responding companies have standardised their employee development plans and the majority of these are linked to manager performance.

It is good to see that over the years HR departments have started to realise the importance of development plans as a tool to reduce attrition. When we view our survey results, a direct correlation can be made between companies that do not have standard development plans and those that have higher attrition rates.

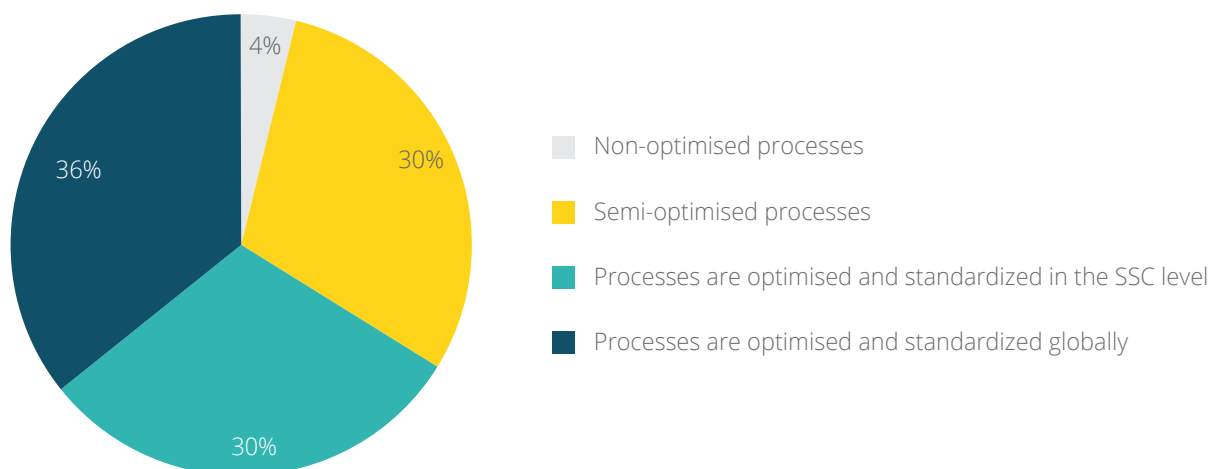
# Survey results

## Operational structure and automation



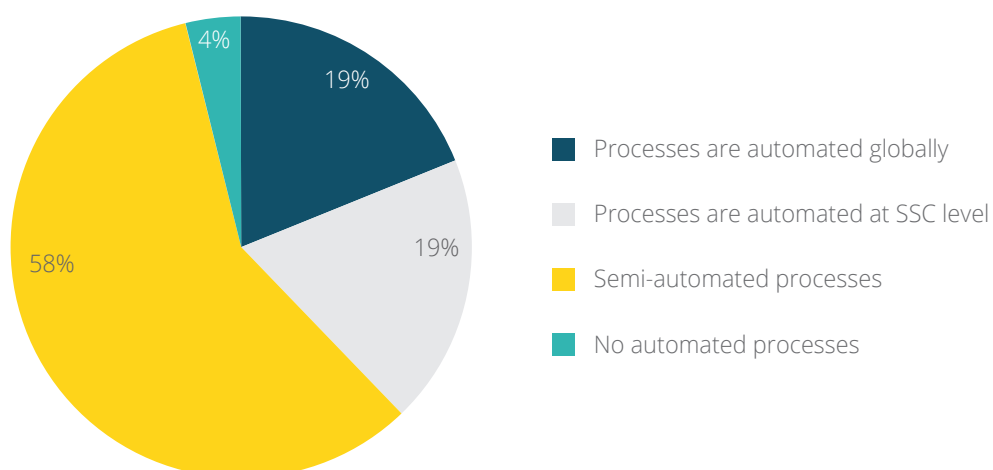
# Operational structure and automation

## Level of process optimisation 🏢



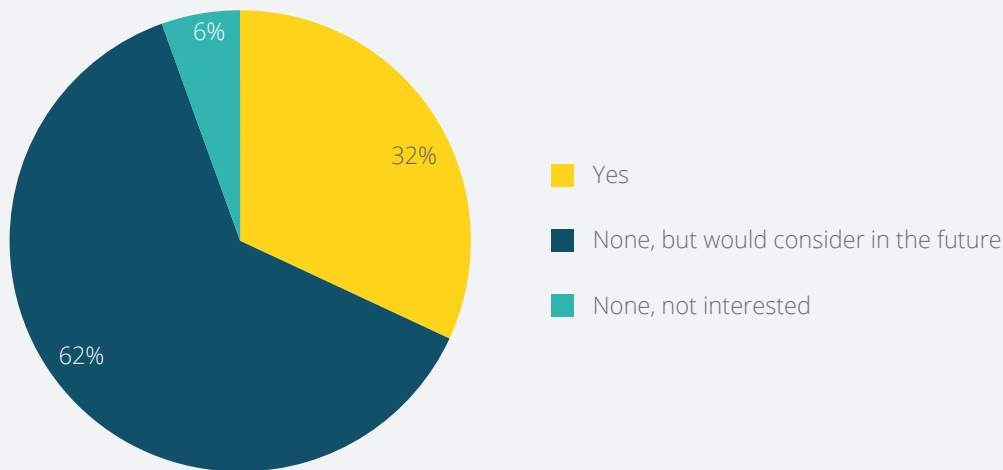
Due to the maturity of the SSC market in Hungary, **many SSCs have fully optimised their processes to gain benefits from standardisation.** Only a few centres do not have their processes optimised at the moment; they are mainly companies that have performed lift and shift to bring activities in and companies that are at the beginning of their SSC journey.

## Level of automation within the SSCs 🏢



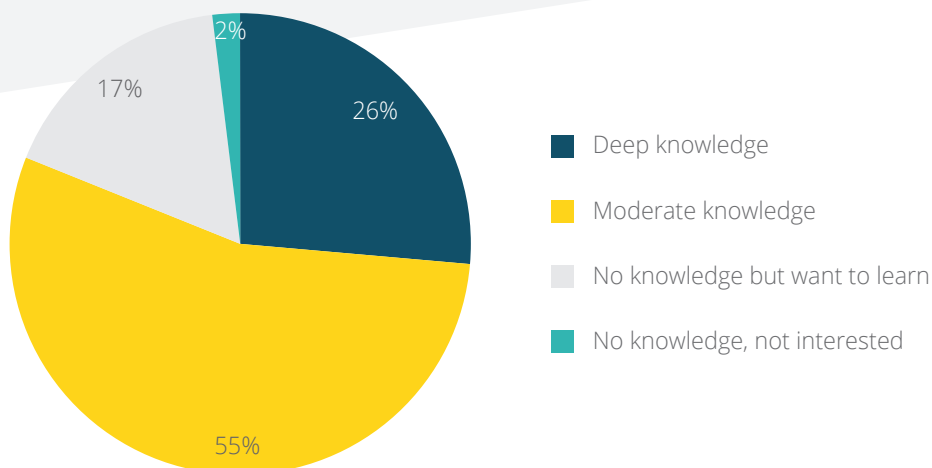
The Hungarian SSC industry has a lot of processes automated. This is normally visible in a market where SSCs are located for longer than 10 years. Hungary is such a market with mature SSCs. If you compare the automation with the Robotics process automation initiatives, there is a visible gap, meaning that most of the automation of processes are through ERP implementation and other tooling.

## Usage of RPA within the SSCs 🏢



Shared service centres in Hungary are very much interested in the possibilities and opportunities that RPA gives; however, only 30% is actually using it at the moment. When looking a bit deeper, most of the SSCs experiment with RPA and have a few proofs of concepts running. Very large SSC wide RPA initiatives are very scarce, which is probably caused by the lack of readiness in processes to implement RPA and the lack of knowledge about RPA in the centres as seen on the next chart.

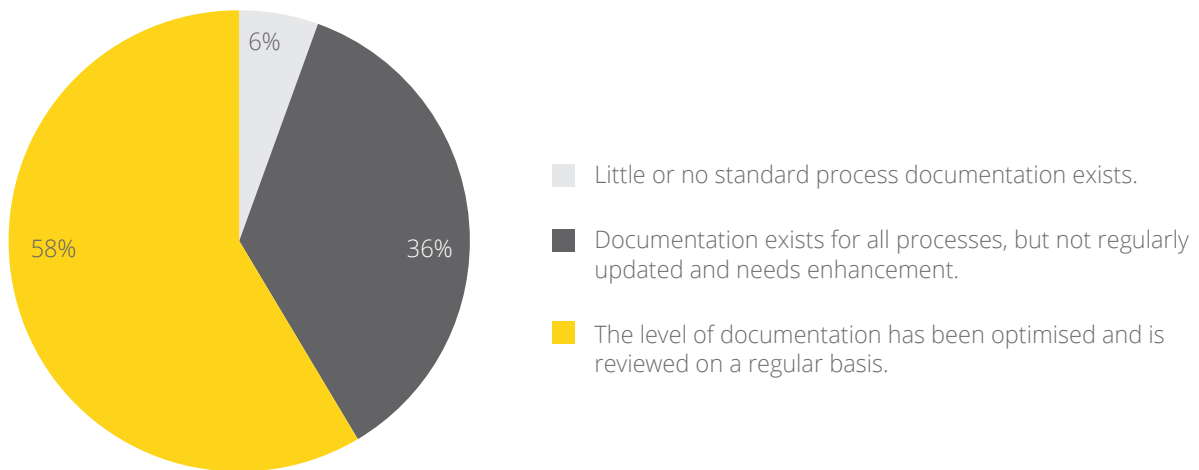
## Knowledge about RPA functionality 🏢



In a time where RPA is one of the main trends in the SSC industry, the outcome that only 26% of the respondents say they have deep knowledge on RPA is surprising. RPA is mentioned at every gathering or conference about shared service centres. However, bringing it to a real knowledge of RPA is not happening. This is probably caused by the complexity of implementation, the not fully optimised processes and the priority setting of initiatives. RPA is on many SSC leaders' agendas, but there is still a lot of room for improvement. If one compares this with the level of optimisation in processes as shown in the previous chart, where 65% say they have their processes optimised in their SSCs, one would expect to see more RPA knowledge and implementation projects.



## Availability of process documentation



While a large majority of Hungarian SSCs are focused on improvements and 94% say they are on or above target in their KPIs, almost half of the Hungarian SSCs do not have all processes documented, are not updating them regularly or have very little documentation in place.

Seeing the mid-level attrition in the Hungarian market, combined with the growing timeframe to source good and mature employees, this can be a risk in continuation of delivering the right service levels when resources leave and need to be replaced.

Knowledge can be lost by not having all processes documented and not having a proper knowledge retention strategy in place. Also the learning timeframe for new resources will probably extend when not all processes are properly documented.

Transparency of the processes delivered can also become less visible, which could have impact on service quality and KPI delivery. It also can impact the standard ways of working and different teams can amend their ways of working based on what their interpretation of how processes should be handled.

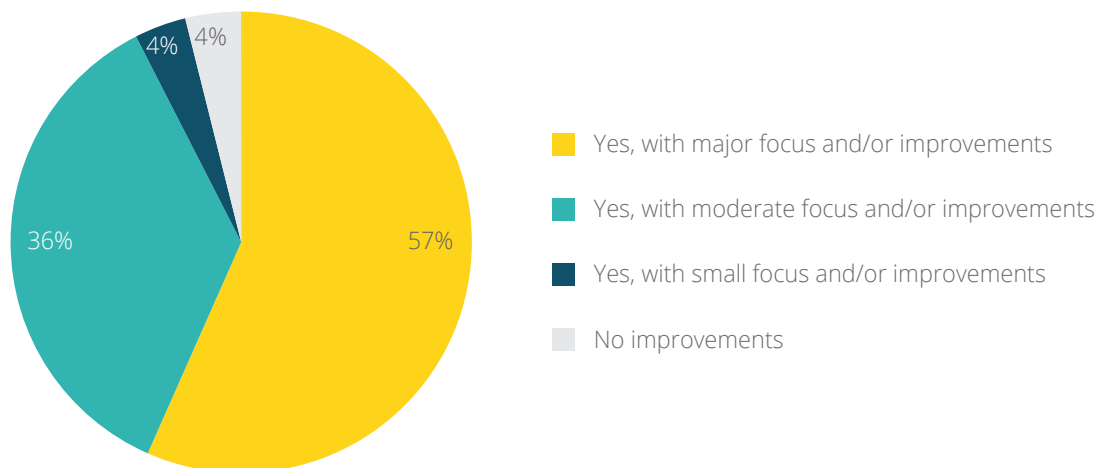
What comes next?  
Where to improve and what are  
future challenges?

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# Where to improve and what are future challenges?

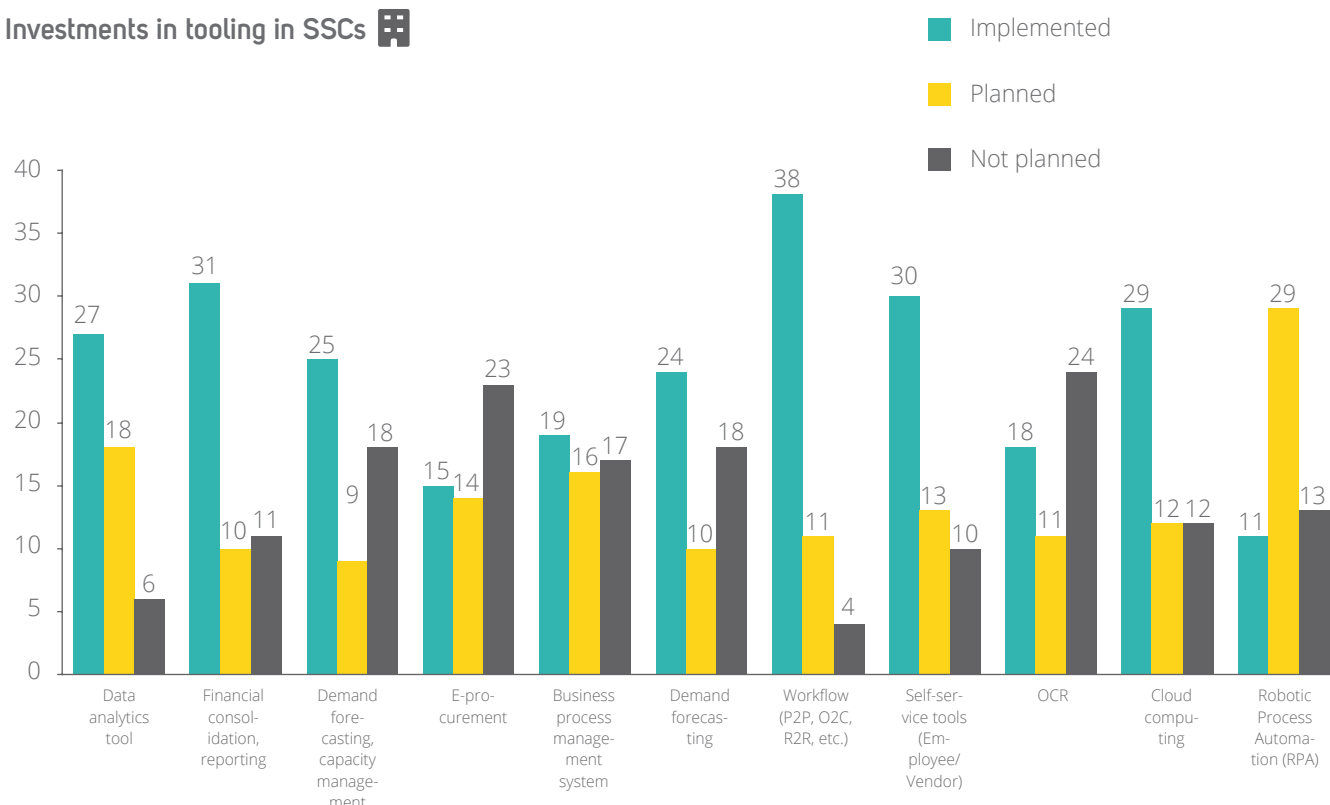
## Focus on improvement 🏠



The Hungarian SSC industry is an area where almost all companies are focused on improvements. With a score of above 90% of SSCs that have a moderate or major improvement focus, one can say that the **centres are very much focused on improving delivery.**

It also shows the maturity of the market, where there are sufficient resources available with knowledge to ensure that improvements can be realised. Another point to make based on these outcomes is that Hungarian SSCs are really making an effort to support their companies' strategies.

## Investments in tooling in SSCs 🏠



**RPA is a tool which many SSCs plan to implement. More than 60% of the SSCs in Hungary think they will implement RPA solutions in the near future.** Other areas for which there is a great desire to implement are Business Process Management systems, Data analytics and E-Procurement.

Most Hungarian SSCs have already implemented workflows, consolidation and reporting tools and have implemented tools to analyse the ever growing amount of data in shared services. Surprisingly, the appetite to implement OCR solutions is much lower. This can be because many companies decide to keep their scanning locally due to local restrictions and easy invoice handling or to outsource scanning to a provider. Clouds have been implemented in many SSCs.

#### Main challenges seen by Hungarian SSC leaders



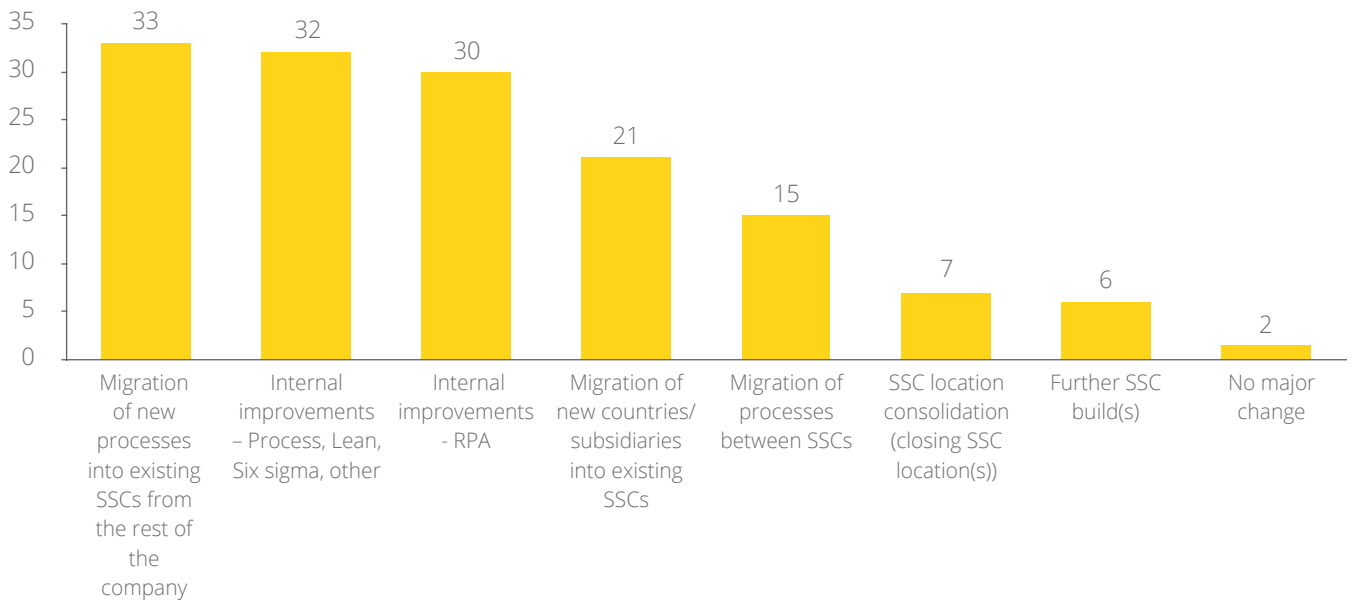
When looking at the challenges faced by the Hungarian market, a very clear focus is given to challenges in the **recruitment and retention area**, where more than half of all companies see challenges. The main area is career planning and progression. This is very interesting when you lay this next to the number of companies who have development plans in place.

Other areas where challenges are seen are process quality and efficiency, where over 40% of respondents see challenges in the next few years.

A relatively low scoring area, which has high focus in the global SSC market currently, is the customer service focus and mindset. About 35% of companies are responding to see this as a challenge; however, looking at other SSC locations globally, this percentage is normally higher. Our assumption here is that the Hungarian market is very mature and, therefore, most companies have already reached maturity in their customer service mindset and do not see it as a challenge.

With the coming trends like Robotic Automation, the bottom of the employment pyramid will probably disappear, which means that hired starters in the SSC market will get more complex roles. This would also mean that higher training budgets are required to ensure employees are fit to perform the tasks.

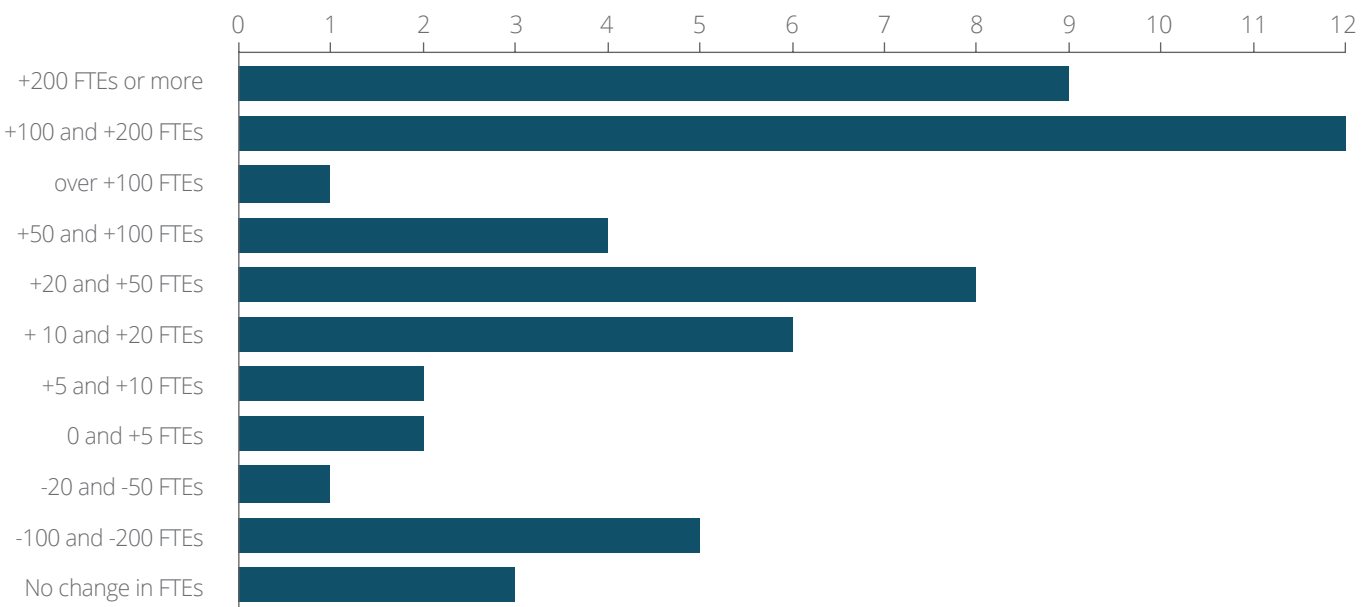
## Expected changes within SSCs



Overall, the Hungarian SSC market is changing, as only two respondents assumed that no significant changes would occur to their SSC. This shows the great drive that still exists in the SSC market and the demand for change and improvement at companies. The vast majority of organisations are very keen to further develop their SSC in Hungary. Both scope increase and process optimisation are very high on the agenda and more than half of all SSCs are foreseeing this.

There are two areas which the market should significantly focus on and which have the desire to move activities between centres. This can mean moving activities to Tier 2 locations; however, at the same time, it can also mean moving activities from Hungary to other locations. This is a trend that needs to be monitored. Another trend that can affect the SSC market negatively in Hungary is the fact that seven respondents have answered that they are considering site consolidation. This can mean that sites in other countries are moved to Hungary; however, knowing the competition between countries, this could also mean moving activities to other countries.

## Expected workforce development



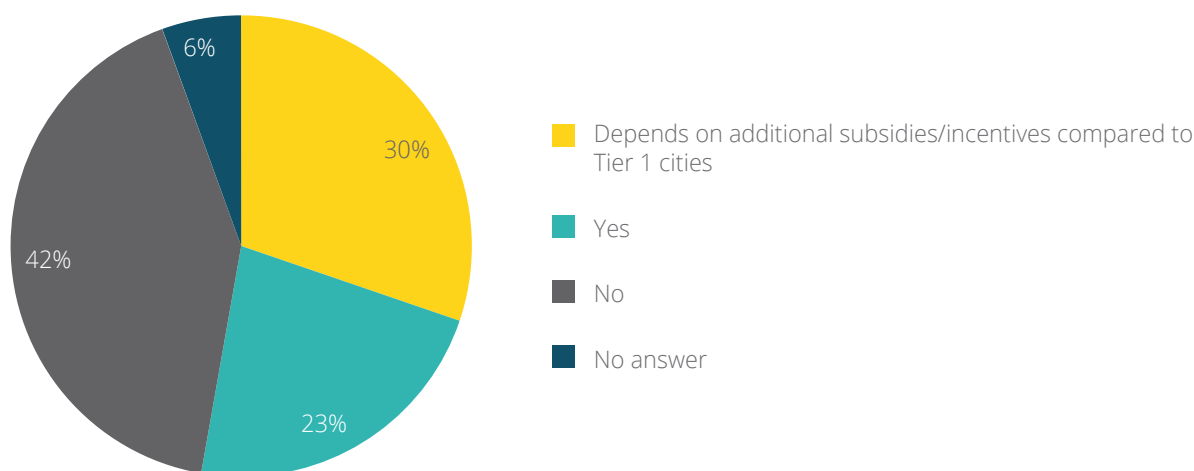


When looking at the **expected workforce development** at the SSCs, there are two visible directions.

Around 80% of the companies expect to grow their current workforce in their SSCs in Hungary. Of this 80%, half are expecting significant growth of over 100 FTE added. In a timeframe where automation, saturation of workforce and moving to lower locations happen to a significant extent in the world of shared services, this is a very positive average, showing that the companies in the Hungarian market see a lot of positive signs to grow and overcome possible resourcing issues.

However, there is a minority of companies who expect a decrease in their FTEs. For them it might be important to promote for companies to bring higher added-value work to the centres located in Hungary to offset possible headcount reductions, which will be generated by trends in automation and a further consolidation of centres.

### Appetite to move to Tier 2 cities 🏠



In the past, Hungary was very much seen as an SSC location which was very Budapest-centric. However, **some large developments have taken place recently, which make Hungary a multi-location SSC destination.**

Our research shows that over the last few years more and more companies have been considering moving activities or full operations to Tier 2 cities in Hungary. While a couple of years ago a large majority of established shared service centres in Hungary did not consider Tier 2 locations, nowadays more than half of the centres in Hungary are considering it, which is a good sign of the development of Tier 2 locations in Hungary.

When considering the group of companies that are considering moving to Tier 2 locations, it also becomes clear how important support for companies is in the form of incentives. It is, therefore, essential that the Hungarian government keeps **providing attractive state aid packages for companies** to establish hubs or full SSCs in Tier 2 cities.

# Contacts

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# Survey Participants

## Thank you for your co-operation

