



**UNIVERSITATEA  
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Doctoral School of Economics and Business Administration

**A Quantified Framework  
for Location Selection  
for Global Business Services Centers.  
Case study Cluj-Napoca**

**• SUMMARY •**

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## 1. Introduction

The market for setting up new global in-house centers or shared service centers, as well as new outsourcing deals is booming in the last decades worldwide. This rhythm has heightened the need to find suitable locations and has expanded the global search for “greenfield” cities if they really exist anymore.

The context created by COVID-19 pandemic raises the legitimate questions if this rhythm of growth or even overall industry will be the same in the future. While difficult to assess, an attempt will be made in a separate chapter, and for a while we will have to experiment and try to create the future by using incremental innovations.

When it comes to Cluj-Napoca, whenever an economic activity or group of activities seem to grow consistently and grow out of proportion with the general economic activity it is worth investigating and understanding the drivers behind the growth, which are the attraction points for the companies that contribute to the growth.

Based on the figures regarding the number of employees in each sector, provided by the National Institute of Statistics, indicator FOM105F (*INSSE*, 2022), the two sectors of the economic activities which presented the largest growth in Cluj county are the ones related to Information and Communication (section J) as well as Administrative and Support Service Activities (section N). These activities more have tremendous growth rates 2008 to 2020 of 353% and 145% respectively. The overall growth at county level was 19%, with some sectors decreasing (negative growth rate) and others having single digits growth rates. It is worth mentioning that the compound average growth rate (CAGR) for 2008 - 2020 of these sectors, as for the number of employees, is above 13.4% and 7.7%.

While it is difficult to decouple IT outsourcing or IT services from the business services, as all of them have a technical component, for the purpose of this thesis, purely IT services like application programming and development, networking and infrastructure management, web design and development *are not considered*, and these companies have not been included in the study. With respect to business services, the year 2007 marked the first inward of multinational companies in Cluj-Napoca for setting up centers for delivering business services, either in the form of companies setting up centers for providing services to 3<sup>rd</sup> parties or for centralizing own activities. In case of services provided to 3<sup>rd</sup> parties, the industry name is

business process outsourcing (BPO) while for own activities the usual designation is shared services center (SSC).

The companies present in Cluj are: Arvato/Majorel, BEIS/Hunnebeck, Bombardier BUW/Concentrix, Emerson, Endava, E.ON Business Services, Evalueserve, EXL, Genpact, Leoni, Office Depot, Recall/Iron Mountain, SIG Combibloc, Steelcase, Sykes, Tenaris.

**The aim of research** is focused on three main directions of study and the questions analyzed are:

- **The factors** that lead to the initial location selection for Cluj and if they are different compared to other business services centers' locations in the world
- **The challenges** these companies face and the **relevant strategic options** for the city in order to remain attractive for this type of activities and companies
- What is the **general framework** which business process outsourcing (BPO) companies or companies looking to setup a shared services center (SSC) use and how could one **assist and simplify their decision?**

Based on the factors in the quantified framework, other hypotheses can be checked: the presence of a local university and local airport are sine qua non factor for nearshoring.

Also, the importance of certain factors, like the availability of foreign language speakers labor, expertise in the market, potential for cost optimization in the destination location is positively related to the amount of nearshoring.

With respect to **author's motivation**, having the opportunity to be part of a new sector developing in your hometown is quite unique and I had the privilege to be among the first employees for Genpact as the company decided to open their second BPO center in Romania in Cluj, the first center being started-up in Bucharest in 2005. My career continued in BPOs, and for 11 years I was managing, as country director, SYKES which is headquartered in Cluj, by the numbers the largest BPO center in the city and not only, SYKES Romania has offices also in Sibiu, Oradea and Braşov.

Being part of the sector is definitely enticing to try to understand it beyond the day-to-day activities and add a scientific dimension to the work that has been performed. There was also a question in my mind if there is a gap between academic research and the “real” business world, and, if existed, if and how can it be bridged. Fortunately this issue has been largely documented in the academic world, certain authors considering that people in the academic world "are too preoccupied with advanced and sophisticated research to invent new theories", while people from the business world "are too busy living from deal to deal" (Sembel, 2015).

This research follows paths set by academicians which have studied offshoring, which suggested future paths of research, one of them being global destinations (Lacity et al., 2011). As Mary Lacity and her co-authors mentioned in their paper “Business Process Outsourcing Studies: A Critical Review and Research Directions” published in 2011, as this is a very dynamic field of business and hence research, there are different future paths to be explored. Out of the nine proposed by the authors for pricing models to effects related to innovation, one really fits the identified knowledge gaps, related to the global destinations of business process outsourcing and how they raise to this level of being a recognized global destination.

To summarize, being firstly a practitioner in business services for the last fifteen years, my aim and motivation is to create academically sound research which will be also useful and used in the day-to-day business environment I work in. Given my university studies as a computer engineer and the additional studies including an international Executive MBA have planted the seeds of a framework-based approach in major decisions. As I was privileged enough to expand the company I was managing in Romania and tested other regional markets, the need for a solid foundation in decision-making determined me to pursue this thesis. While it has been applied in my company, I do hope and aim for other entities, private companies, or public institutions, to find it useful and applicable.

**The research methodology** started with a literature review to identify the key location selection factors and risks. A survey covering these factors will be built and validated with people familiar with the industry. Two surveys, one for Cluj and one for the international colleagues, were afterwards rolled out and once results received a

quantified framework derived. Additional findings from the surveys were also presented in the thesis.

As methodology for the review, several sources have been used for identifying the critical factors for location selection – from articles in academic journals to books on this topic, but also reports from management and real estate consulting companies. The vast majority were academic articles and books but given the stated aim of having a very practical approach, reports from consulting companies had to be considered.

Summarizing the research steps, they are the following:



The initial plan did not cover a COVID-19 pandemic and a nearby war, but since the reality kicked in, these topics have been addressed in two dedicated sections.

**The uniqueness of this research** is based on the author being part of the industry, with access to key decision makers in Cluj and globally would be a factor that ensures the high-quality insights needed for proper research.

The research has brought in also a source of primary data based on the results from the surveys. The raw data has been completely and transparently included in the thesis.

Both companies across the world and public authorities which would like to make their cities ready and competitive for business services centers would be able to readily use the findings.

**The literature review** included theoretical models, scientific articles, books, reports from consultancy companies and even mainstream articles.

Several disciplines provide an insight into the offshoring/nearshoring decision, from international business (IB) to economic theories of agents and even strategic management (SM). The theories would need to support the location selection

explanations not the decision to outsource or offshore/nearshore. This is an important distinction, as in the location decision the main factors to consider are external, of course, to the internal needs of the company.

From the perspective of international business, the underlying theory is based on foreign direct investment (FDI). In case of FDI, the host economies or countries have certain “locational advantages”, which can be natural resources, labor costs and/or skills or other advantages like market protection (Massini and Miozzo, 2010). A company in this case would like to “appropriate fully the returns on certain skills and abilities” (Hymer, 1960).

Based on the above, location selection is a function of locational advantages, and these are a function of local environment or characteristics. Written following the model in (Creon et al., 2017),

Location selection ← function of (locational advantages)

Locational advantages ← function of (natural resources,  
labor costs, labor skills)

From the perspective of strategic management, the main theories employed in literature to explain offshoring were resource-based theory (RBT), as well as resource-dependence theory (RDT). As RBT focuses on the internal analysis of resources and capabilities (Grant, 1991), the RDT is can be better used for explaining the location selection in a nearshoring context. The RDT states that companies are or become dependent on different elements from external environment and these elements can be anything from land, labor, capital, information or a product/service (Benson et al., 1978; Dobbin and Schoonhoven, 2010).

Location selection ← function of (external resources)

Resources ← function of (importance for company, availability)

With respect to the theories of economic agents like Transaction Costs Economics (TCE), going offshoring or nearshoring implies some compromises and even extra costs related to managing that relationship, so the total cost for the company cannot be higher. The economic activity depends on the balance between production and costs of transactions (Coase, 1937; Williamson, 2007). In the case of business services, the production costs would be labor, real estate and IT&C costs,



while the transaction costs are related to distance and the management of the relationship.

Location selection ← function of (production costs, transaction costs)

Production costs ← function of (labor, real estate, IT&C)

Transaction costs ← function of (distance, management)

One can see that different theoretical models overlap on certain elements and although they would come from different disciplines can be combined in building an applicative framework for the location selection.

The research has identified multiple factors, some having a higher density than others. While no paper lists only one factor, the factors are presented below:

- Labor costs – presented in most of the sources
- Labor/Talent pool - while the concept of talent is sometimes difficult to grasp, “talent is broadly defined here as personnel with appropriate skills and qualifications” (Manning et al., 2008).
- Accessibility - the geographic distance has always been mentioned as a determining factor for the offshoring decisions. A negative correlation between offshoring and geographic distance has been documented (Graf and Mudambi, 2005). Also consulting companies have the transportation infrastructure on their lists of factors for decision making (Deloitte, 2011; neoIT, 2006, 2005; Tholons, 2009).
- Infrastructure - the quality of the infrastructure has been mentioned since the early days of offshoring. All the processes related to outsourcing are in fact IT-enabled services, so it makes total sense for different authors to position the IT infrastructure as a factor in the decision making. Real estate is also a factor to be considered
- Business environment
- Location characteristics and the quality of life
- Risks - while some risks as country risk can be assessed based on external data, others like data security risk are more difficult to assess and would make sense to be included in a detailed due diligence. Risks being external are more important for creating a mitigation plan, hence I have mapped them to the assessment criteria.

Based on the elements above and my industry experience in the field I have proposed a framework for nearshore location selection, which contains the main factors identified and used before. This framework contains three layers:

- qualifying factors – they do not need to be assessed in a quantified form, but their presence is a pre-requisite for moving forward with a location selection; in other works, if any of them is missing there can be a situation of disqualifying the location all together
- assessment factors – these are the factors which companies evaluate and can differentiate between locations; they are the main part of the model and because they are quantified, their scores will lead to the location final choice; they can have different scores and even different weightages, should a company choose so, but their importance in the final choice is still relevant
- risk factors – specific risks which should be evaluated and mitigated. I did not include risks in the assessment factors for two reasons: risks are potential, and companies can employ mitigation factors and they are closer to the qualifying factors, though they would affect equally all the companies operating in a certain location

All the analyzed sources have been summarized and presented in the following concentrated format:

Study/ Author	Factors	Way to measure	Unique approach / Critique
Manning, Massini and Lewin, 2008	Labor cost savings (top driver) Access to qualified personnel (growing in importance from initial survey 2004 to 2006)	Surveys	Data from Offshoring Research Network (Duke University), 2004, 2005, 2006
Kedia and Mukherjee, 2009	Country level: Infrastructure Government policy Human capital level: Labor arbitrage Knowledge arbitrage Time arbitrage	References to other papers	Analytical framework based on Disintegration- Location- Externalization (DLE) framework. No new data to gauge the advantages.

**The research surveys** were based on the literature review above and author's experience in the field.

To assess and validate the framework for nearshore location selection, a survey with two versions was devised, one applied to companies from Cluj, and one applied to companies worldwide, which setup their location somewhere in the world. The reason for having two surveys is related to the need to ask additional questions for the Cluj respondents, related to the city itself and how the assumptions turned out later on.

The surveys aimed for brevity, as the respondents were busy people. Also, the questions were constructed in an easy-to-follow manner and displayed equally fine on a desktop computer/laptop and on a mobile phone screen. For the usability and user friendliness, as well as consistency across devices, each question was displayed on a different page, with a progress bar indicator appearing on the page.

Certain questions were mandatory, and others had if-logic built in, i.e., would not be displayed if certain answers before did not meet preset criteria.

The question which lead to allocating weightages and quantifying the framework is below:

**\*required**

**\* 3. Based on your experience, how would you rate the key factors to be considered when selecting a new location for a site/center? Please assign amounts between 0 and 100, total should be 100.**

Availability of foreign languages skills in the talent pool	___
Experienced individuals in the market on the desired processes	___
Potential for cost optimization/lower salary cost base	___
IT & communications infrastructure	___
Accessibility of the city (airport, roads)	___
Real estate availability & quality	___
Business climate and competition	___
City development plans and overall quality of life	___

Other	—
Total	100

The platform used to collect the answers is SoGoSurvey.com Plus and the answers have been collected in Quarter 1, 2017 and the responses received are:

Survey	Cluj	Worldwide
Total Respondents	16	18
Incomplete Responses	0	1
Final Respondents	16	17
Available for follow-up	13	7
Completed on desktop/laptop	100%	56%
Completed on mobile device	0	44%

The data used in the weightages is presented below:

1. Based on your experience, in the due diligence process, was the existence of local universities a qualifying factor for the cities you have considered?	2. Based on your experience, in the due diligence process, was the existence of a national/an international airport a qualifying factor for the cities you have considered?	3. Based on your experience, how would you rate the key factors to be considered when selecting a new location for a site/center? Please assign amounts between 0 and 100, total should be 100.									
		Availability of foreign languages skills in the talent pool	Experienced individuals in the market on the desired processes	Potential for cost optimization/lower salary cost base	IT & communications infrastructure	Accessibility of the city (airport, roads)	Real estate availability & quality	Business climate and competition	City development plans and overall quality of life	Other	Total
Yes	Yes	20	20	10	10		10	20	10		100
Yes	Yes	20	20	10	10	20	15	5	0	0	100
Yes	Yes	10	25	35	10	3	2	5	5	5	100
Yes	Yes	25	10	15	15	10	10	5	5	5	100
Yes	Yes	25	10	15	10	5	25	5	5		100
Yes	No	30	7	30	10	5	8	5	5		100
Yes	Yes	30	20			10	15	20	5		100
Yes	Yes	20	15	25	10	15	5	5	5		100
Yes	Yes	40		30	10	5	5	5	5		100
Yes	Yes	20	20	25	15	5	10	4	1		100
Yes	Yes	15	15	30	5	10	5	10	5	5	100
Yes	Yes	20	10	20	10	10	10	10	10		100
Yes	Yes	25	25	25	5	5	5	10			100
Yes	No	25	15	10	10	10	15	10	5	0	100
Yes	Yes	15	15	15	10	10	10	15	10		100
Yes	Yes	20	5	10	20	5	15	15	10		100

Sample size planning was related to the feasibility of the study. In the case of Cluj, the availability was predetermined to the companies operating here, as there is no information related to other companies which would have considered Cluj for a location. Indeed, being able to identify those companies, would have given me the chance to expand the pool and potentially additional information on the perceived weaknesses.

For the international participants, the self-selection sample was, again, feasible and convenient. There is potential to change the approach in a future iteration of the survey and target executives in my network, which, even if not able to participate, could refer me to colleagues which are involved in location selection for new sites/centers.

The statistical power achieved is between 22% and 62%, for most categories being around 35%. The effect sizes were calculated using Laken's method and

spreadsheet (Lakens, 2013) and the achieved power was calculated using G\*Power software version 3.1.9.2 (“Universität Düsseldorf: gpower,” n.d.).

**Statistical Comparison Cluj vs. International** was made based on the collected data.

*t-Test: Two-Sample Assuming Unequal Variances* was used for checking that there is no difference between means (null hypothesis) and the results show that the alternative hypothesis cannot be rejected, so for now I would need to accept the null hypothesis. The results for all variables are presented in the table below.

The exception in the table is the Real Estate variable, for which the alternative hypothesis can be accepted. Looking deeper into the data, one can see that in the international survey this factor is scored consistently lower, which be an effect of the situation in Cluj, which from time to time had a crisis of office availability and, as result, the companies rarely had real choices. In fact, this is something that is still seen as an issue for Cluj, the free text part of the Cluj survey showing this. Considering the future applicability of the research it is, however, quite important to consider that certain factors can increase their weightage based on the local context at a certain moment in time.

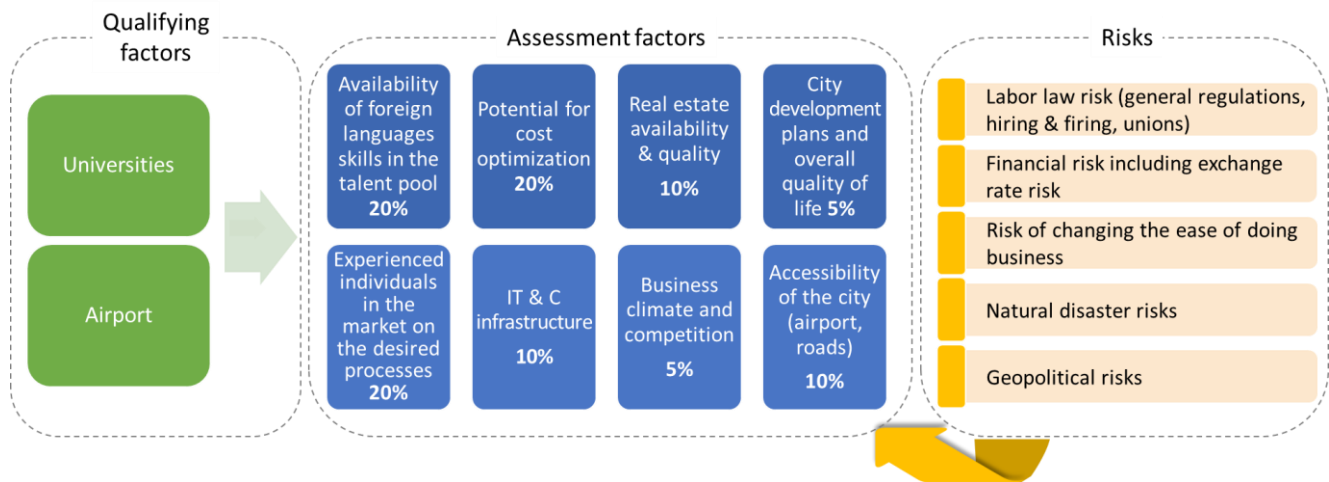
Considering the results from the surveys and the fact that there are no significant statistical differences between Cluj and international locations, the following weightages can be proposed, such that the model gets the necessary quantification.

Factor	Mean	Mode	Lower CI (95%)	Upper CI (95%)	Final Weightage
ForeignLanguage	20.45	20	17.2	23.7	20%
ExperinceProcess	16.27	20	14.1	18.5	20%
CostOptimization	22.58	20	18.4	26.8	20%
IT&C	11.61	10	9.9	13.4	10%
Accesibility	7.27	10	5.7	8.9	10%
RealEstate	8.06	10	6.1	10.0	10%

BusinessClimate	7.82	5	5.9	9.8	5%
QualityofLife	4.42	5	3.3	5.6	5%

The top three weightages, which in total go to 60% of the model are ForeignLanguage, ExperienceProcess and CostOptimization. They might seem to de-balance the model, as overall they are above 50%, but in reality, if a location excels in all of them it would really be a hidden gem (which is less likely to exist in real life). In general, CostOptimization and ExperienceProcess are antagonist factors, as more experienced people warrant higher salaries and the ability to also speak a rare foreign language also drives salaries up.

The quantified framework, considering the weightages is below and this would be the model I recommend for a company to analyze when looking to setup a business center. For the local administration it can be used to build a local strategy if the purpose is to attract foreign investments in the business services sector.

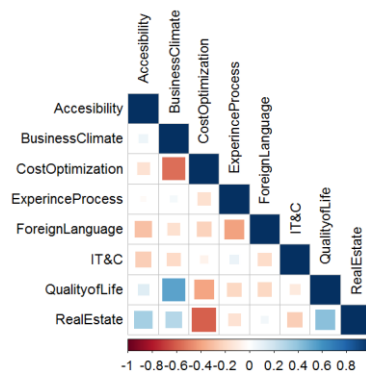


**The validation of the survey** is often an overlooked step in many scientific or less scientific endeavors. While self-confidence is great, any author should consider that certain elements have been duplicated at some point, especially in a case like this where many sources have been consulted and the definitions are not always so clear cut. By consulting the validation, any user of the framework can decide if there are certain factors which are easier to be left out.

The aim was to check for redundant factors, factors which could be safely removed from the model. In checking that there are no redundant factors, I ran an

exploratory factor analysis (EFA) to see if the variables can be grouped in a smaller number of factors and, potentially how many factors can be constructed. This statistical method has been used in literature, in very similar studies, in the sense that those studies have similar surveys constructed. In detail, a similar approach has been used by in papers which also had data obtained from a survey (Handley and Benton, 2009). A similar EFA for validation was ran for a student-lecturer evaluation questionnaire (Montshiwa and Moroke, 2014).

A representation of the correlations from R-Studio is presented below, as it was the first step in the validation:



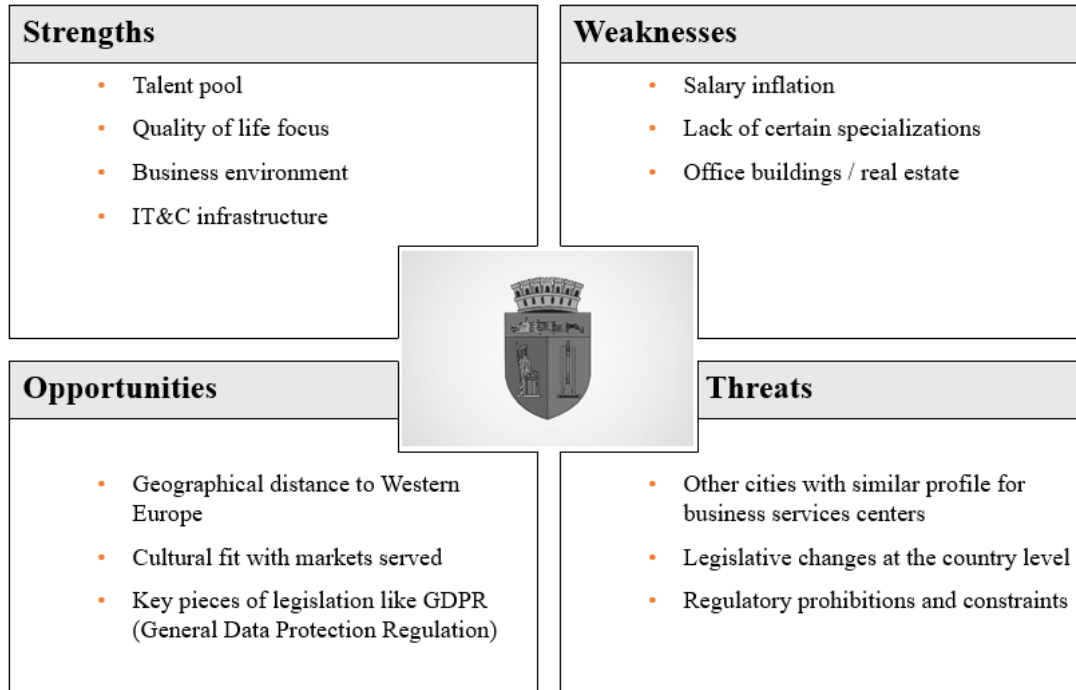
Considering the factors presented in the framework, a **strategic options analysis for Cluj-Napoca** is presented.

Besides the data and potential strengths and weaknesses for Cluj coming from secondary data and other research reports, a survey was run in Quarter 1 of 2017 among the companies in Cluj, to check the factors which made them choose Cluj and the opportunities and/or challenges they currently face or faced in the day-to-day operations.

The SWOT analysis is a great instrument to identify the strengths and weaknesses of a process, project, team, company and even a city and map them in a visual format. Coupled with the opportunities and threats which are coming from the external environment of the analyzed entity, it can paint a strong image of how that particular entity stands.

The SWOT for Cluj for Cluj is presented below:





Given the SWOT analysis output, an advanced SWOT can be created. Certain key opportunities and threats from the city’s point of view can be highlighted, keeping in mind the goal to keep or even grow the current business services footprint. Starting from the top strength and top weakness, considering the opportunities and threats, a Quantitative Strategic Planning Matrix (QSPM) will be built for Cluj, later proposing directions for the future.

To build the QSPM the internal and external factors are ranked. Starting from the internal factors, the strengths and weaknesses are put together with opportunities and threats and four types of strategic options can evolve – Strengths-Opportunities (SO) Strategies, Weaknesses-Opportunities (WO) Strategies, Strengths-Threats (ST) Strategies and Weaknesses-Threats (WT) Strategies. Each strategic option will aim to build on one or more strengths, counter the weaknesses while capitalizing on an opportunity and diminishing the threats.

All the steps are presented in the thesis, the proposed strategic options are presented below:

	Strengths		Weaknesses
S1	Talent pool	W1	Salary inflation
S2	Quality of life focus	W2	Lack of certain specializations
S3	Business environment	W3	Office buildings
S4	IT&C infrastructure		

### Opportunities

O1	Geographical distance to Western Europe	Position Cluj as the city to be and live in, a place equally attractive for citizens and visitors which can settle here. (S2, O1)	Work with local and international universities to start specializations which are in demand on the market. (W2, O3)
O2	Cultural fit with markets served		
O3	Key pieces of legislation like GDPR		

### Threats

T1	Other cities with similar profile for business services centers	Strengthen Cluj brand as a city to study and live in by increasing the available housing for students at affordable costs. (S1, T1)	Create industrial/office parks via public-private partnerships to increase the office stock on the market. (W3, T1)
T2	Legislative changes at the country level		
T3	Regulatory prohibitions and constraints		

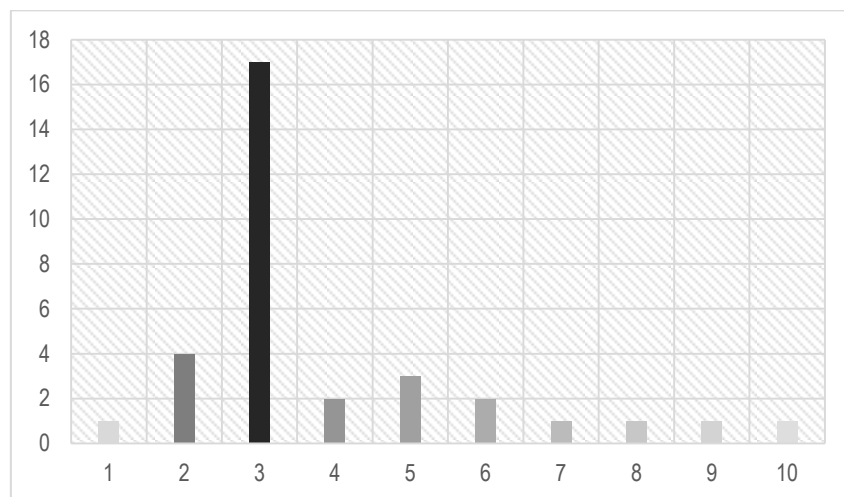
The evaluations of the options results in the following summarized table:

		Option A		Option B		Option C		Option D	
		Position Cluj as the city to be and live in, a place equally attractive for citizens and visitors which can settle here.		Work with local and international universities to start specializations which are in demand on the market.		Strengthen Cluj brand as a city to study and live in by increasing the available housing for students at affordable costs.		Create industrial/office parks via public-private partnerships to increase the office stock on the market.	
Weight		AS	TAS	AS	TAS	AS	TAS	AS	TAS
<b>Resources for companies</b>									
Overall availability of talent	30%	4	1.2	2	0.6	3	0.9	1	0.3
Quality of skills in the market	15%	3	0.45	4	0.6	2	0.3	1	0.15
Cost of doing business in Cluj	10%	2	0.2	1	0.1	3	0.3	4	0.4
Total	55%		1.85		1.3		1.5		0.85
<b>Impact on the city</b>									
More investments in Cluj	20%	2	0.4	3	0.6	1	0.2	4	0.8
Ability to gain higher wages	25%	3	0.75	4	1	2	0.5	1	0.25
Total	45%		1.15		1.6		0.7		1.05
<b>Aggregate TAS</b>			<b>3.0</b>		<b>2.9</b>		<b>2.2</b>		<b>1.9</b>

It is not easy to define a strategy for a city or a region without having certain stakeholders unhappy in the short term. But it is critical, from my perspective, to have a direction and push for a better quality of life and building of the strategic advantages as otherwise other locations will do it. No strategy should and can be completely prescriptive, there are always unexpected factors and local/global events which can completely change the course in the short or long term. COVID-19 and the recent armed conflict are two recent examples. In this case a good strategy allows pivoting or pushing certain strategic direction while stopping others.

**Other Findings** from the survey were also presented in the thesis.

As any new offshoring project, either in-house or outsourced, has risks associated, any company would consider more locations. The range of answers on the question “How many locations do you consider on average on the short-list of locations for a new site/center opening?” was from 1 to 10, but as one can expect the distribution of results flattens at the extremes. The average of results was 3.9, median 3, mode 3, standard deviation 2.1. The data is quite homogeneous here, the coefficient of variation being 53%. Results are presented in the chart below:



When it comes to data sources used for data gathering, the conclusion was that as many sources as possible, the better. All the respondents used at least four different sources, with two thirds of them using all available sources.

The sources are listed below in order of frequency mentioned: Reports from consulting companies, In-house research, Official country statistics, Reports from

HR/staffing companies, Meetings with other companies in the market, Publicly available reports, Investment agencies.

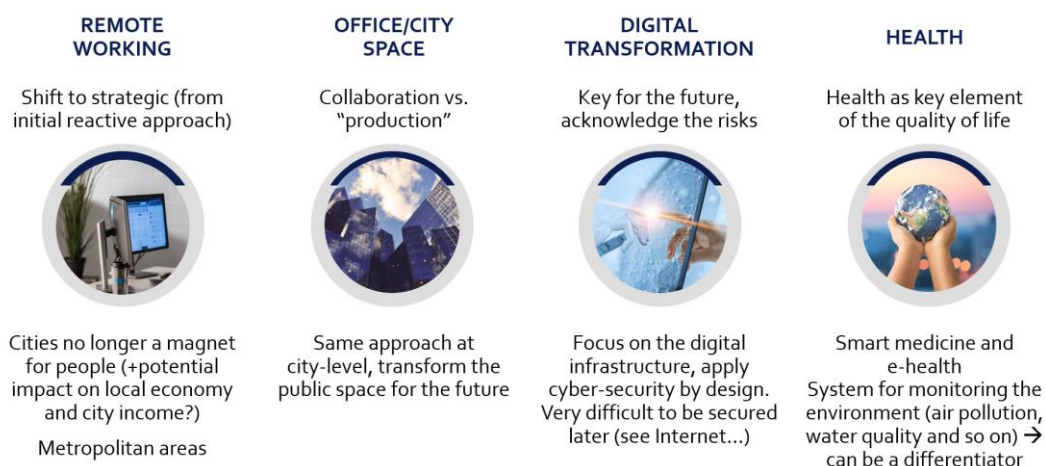
**The new reality of COVID-19** and what could happen next has been also analyzed. In addition, I will suggest an amendment to my overall framework for location selection, which will have the effect of simplifying it given that certain factors, especially the qualifying ones, do not seem to apply in a post-pandemic context.

The trends identified at a company level are:

1. Switch to remote working
2. Reconsideration of the office space
3. Acceleration of the digital transformation
4. Focus on health

These trends will be extrapolated at a city/community level and will form the basis of the simplification of the location selection framework. This new shape of the framework will have to be tested as a future development of my research, initially with a survey and, as a next step, by applying it to company and city level.

## TRENDS AND THE IMPACT FOR CITIES AND COMPANIES



Remote work has been implemented after the outbreak of COVID-19 and exponential increase in the number of cases in different countries as a business continuity action meant to ensure that businesses continue to operate. It is not

unexpected that some of the business support services have become true critical services, especially customer care and procurement functions. This switch to remote working has been extremely accelerated and generalized in all companies – private or public. As presented in a study following a survey by McKinsey & Company the increase in remote working and/or collaboration has seen a 43-fold increase compared with the expectations of managers. (Seiler, 2020)

This immediate migration towards remote working has raised a burning question about the necessity for office buildings and the future of real estate. Not all the specialist consider that office buildings will be a thing of the past, but all can agree that they will have a new design: “Offices being designed now for working through COVID-19 have lower employee density, and the open-office trend is giving way to personalized spaces that still permit air flow.” (Barghini, 2020) Probably the best advice and direction is to allow employees to decide how and where to work and also give them a voice in the redesigning of the workspace. The aim being, of course, the increased level of job satisfaction and productivity as mentioned in the chapter *New Office Concepts in the Post COVID-19 Times* from the book *New Work, Transformational and Virtual Leadership*. (Helmold, 2021)

It has been known for a while that a digital approach to setting-up business services centers can bring quite some benefits, but it is also one of the challenges in the industry. The main reason is the time-investment and lowered quality of the services while the new processes are setup. The two challenges, "seek digital approach from the start" and to "aim for a digital profile to the center from the beginning" both at process and strategic level, have been well documented in literature. (Almeida and Domingues, 2020) On the other hand, the digital transformation is not optional anymore, at all levels, not only companies, but also public services offered by local and national authorities. The move from paper-based approach and in-person presence is needed and it is here to stay. Gartner lists it a one of the top technology trend for 2021 and they refer to this transformation affecting “as many business and IT processes as possible” (Burke, 2020). I would say it will affect all the processes, both at company and public authorities’ level, but it will take a while. Now, with all these benefits there is an increased risk for the digital infrastructure to be attacked and compromised by different malefic actors, from individuals to organized groups or even state-level actors. The numbers in this area

are stunning, IBM reporting 2,000% year-on-year technology attacks, 150,000 vulnerabilities disclosed to date and 8,5 million records breached. (IBM, 2020)

As infectious diseases remain a major source of morbidity and mortality in many countries (Hauck, 2018) it is of no surprise that the appearance of a quickly spreading virus like SARS-CoV-2 has introduced a large degree of anxiety in the world. The good point is that nowadays we have all sorts of data points related to our health from smart watches, fitness devices, online medical accounts and so on, and we are more likely to use them in getting a feel for our overall health status and, hence, reduce anxiety or unwarranted burden on the medical system. (Hanna and Grace, 2020) At the next level, the same applies to the cities, as the quality of environment will be of focus of the people – the quality of the water, the quality of the air and other factors in the city will need constant monitoring and reporting. (Perron and Gross, 2020) All this aggregated data will be a differentiator for the citizens in choosing a certain city. There are certain high-level initiatives like European Commission's Green City Accord, in which the signatory parties make specific, measurable and time-bound commitments to improve air quality, quality of the water and water use, and others, including noise pollution reduction. (European Commission, 2020)

The framework presented earlier would be modified in the post-COVID reality, exactly in which ways and to what extent being rather difficult to be quantified now. It can definitely be a project of interest for the future, nevertheless. My proposal, given the above trends is to reconsider the qualifying factors, better said, to drop them as the talent pool can be anywhere and reassign the weightages of the selection factors. The risks would be the same, of course, they could be further detailed in terms of lockdowns and new legislation related to health issues.

The approach taken was to reconsider only the qualifying factors, as the actual assessment factors have been devised based on an extensive literature review and validated through a survey with people involved in setting up or running a business support center. The weightages of the factors have been altered minimally, with  $\pm 5$  percentage points. This is coming from a cautionary approach, as the plus or minus sign is more relevant than the actual delta. Since the new model will have to be validated, the actual dimension of the change can be also determined.

Given the recent developments and armed conflict between Russia and Ukraine, it is quite important to understand the potential impact of the **geopolitical risks** on the business services sector.

In the framework geopolitical risks have been mentioned and identified and companies were encouraged to prepare mitigation plans, but, almost the same as with the pandemic, few companies expected a full-scale war to erupt hence not many plans covered this scenario. Additionally, the response of the international community in terms of sanctions towards Russia and the public opinion pressure on companies to cease operations in the country has further disturbed an already stressed-out business environment. A summary analysis of the literature, both based on the papers related to conflicts from the past and early articles related to Russian-Ukrainian war, present a quite clear picture of the expectations from a company: in general, multinational companies are expected to play an active role in preventing conflicts, being almost active diplomats and not engaging in any malpractices (like corruption) which could weaken local governments and start conflicts. (Slim, 2012) If a conflict, of different intensities, is to start the market expectation is for the companies to sever ties with the country perceived as aggressor. (Jamali and Mirshak, 2010; Bennett, 2002; Tosun and Eshraghi, 2022) Anyhow the corporate planning, no matter which geography the company operates, should take into account the impacts of the war in terms of reduced demand and financial risks. (Ahmad, 2022; Parmanand, 2022; Tosun and Eshraghi, 2022) And once the conflict ends, the companies are expected to play an active and ethical role in the reconstruction and re-establishment of market economy principles which follow. (Guttal, 2005)

The following papers have been studied. The search has been run on Google Scholar for the terms *conflict & war & business & services* with citations excluded. In order to capture literature related to the Russia Ukraine war, the results above have been filtered for time of publication (since 2022) and four articles emerged tackling the current conflict.

The table below presents the studies which are supporting these conclusions.

Study/ Author	Starting point of the study	Proposed solutions	Unique approach / Critique
<i>What is at stake in a war? A prospective evaluation of the</i>	Multi-disciplinary approach to the impact of a war, from economics,	Impact of the war is both in the opposing countries and outside opposing	Crowdsourced research also involving a large group of co-authors.

<p><i>Ukraine and Russia conflict for business and society</i> (Lim et al., 2022)</p>	<p>environmental, public health and sociology perspectives. Case study-based approach. Word cloud analysis of news articles titles.</p>	<p>countries. It affects citizens and companies, which could and should prepare for threats like cyberattacks, lack of sustainable growth and impact of short and long-term sanctions, potential impact on brand management.</p>	<p>As the authors did not use primary sources of data, it would help if interviews and/or surveys will be used in future iterations.</p>
<p><i>How Can Military Conflict between Russia and Ukraine Affect Pakistan Economy</i> (Ahmad, 2022)</p>	<p>View of the war from a sustained trade partner of Russia. Pakistan is a net exporter to Russia and net importer from Ukraine.</p>	<p>Pakistan will need to prepare for the worst-case scenario, especially around electricity production, agricultural products which were generally imported and oil.</p>	<p>A call for a reality check on an economy weakened by the pandemic and over-reliant on goods and services from two countries in the conflict. Probably more data on other trade partners would have benefited the article.</p>
<p>The Impact of the Russia-Ukraine War on the Global ICT Market (Parmanand, 2022)</p>	<p>The war in Ukraine has a direct impact on the global business and IT&amp;C services which tended to be outsourced to Ukraine. Based on a consultancy company study.</p>	<p>Companies will need to address demand fluctuations for the services, but also financial impacts like the availability of cash and credit and exchange rate fluctuations. There are also spill-over effects to other countries.</p>	<p>Estimated reduction in IT&amp;C spend as the results of the war to over 140 billion USD. The article would have benefited for the aggregation of different sources of data; it is largely based on one consultancy company.</p>
<p><i>Corporate decisions in times of war: Evidence from the Russia-Ukraine conflict</i> (Tosun and Eshraghi, 2022)</p>	<p>Russian invasion of Ukraine; the initial sanctions imposed and the responses of companies in the period between 3<sup>rd</sup> of February and 8<sup>th</sup> of March 2022.</p>	<p>Companies were split into two groups: the ones which took considerable action (from suspension of parts of operations to complete exit from Russia) and the ones which did not take these actions. They were called Leavers and,</p>	<p>Market reaction to the portfolio of Remainers was worse than to the portfolio of Leavers. Same result is obtained if the portfolio of Remainers is compared with the market benchmark. The study gives a clear indication of the market expectations for companies</p>



		respectively, Remainers.	operating in a country acting like the aggressor. The data is coming from early conflict days; hence a follow-up comparison would be advisable.
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As a last attempt to provide food for thought, armed conflicts and conflicts in general are very volatile and complex, and not always the winning party can be predicted from the beginning. This might not be the specific case for Russia-Ukraine war, but, if in general, the purpose of a business is to continue to operate, to be an ongoing concern as it is often called, should the companies take a clear-cut position towards a party in the conflict, or not?

## Conclusions and Further Development

This thesis presents an up-to-date, literature and practitioner-based framework for the offshore location selection and aims to bridge the gap between managers and academics by offering a simple model to be used as reference in a real-life business decision scenario. As mentioned quite often, “not surprisingly, many managers and academics perceive the gap between research undertaken by academics and the practice of management as a problem“ and this is what I have aimed to bridge (Saunders et al., 2016).

Even in the cases in which the location is given by the partner (like for outsourced offshoring), hence the location identification exercise is done by the vendor, nevertheless my research and the literature itself suggests that same criteria apply (Hatonen, 2009; Schmeisser, 2013).

The research can also open a direction of research for cities and/or regions which want to become more attractive for these kinds of services. Given the assessment factors, one city can create a strategy, should it choose to, around this. Applying this for Cluj-Napoca, I have shown how a solid strategy can be built for a city to become or stay attractive for business services. As it is quite important for any community to understand the drivers of growing economic activities, especially around decision-making and challenges a company faces, plus any learning points for the future. This research, based on the participants to the survey, sheds an updated

light on the decision to offshore and updates the current knowledge with some key learnings from the past years.

Even considering the limitation of the number of participants the results can be used by any company looking to start an offshoring project and/or to analyze an existing one. The aim of the paper was to bridge the gap between academic research and day-to-day management practice, and the way results are presented makes them easily digestible both by a busy executive and an avid researcher.

Additionally, the primary data and the additional questions used in the survey can be employed to validate the results of the initial due diligence and expectations companies had.

The current unexpected turns of events in the context of COVID-19 pandemic and the armed conflict in Ukraine have prompted additional research and proposals for future-proofing the responses of the companies.

Another element to be very mindful of is related to the new privacy regulations coming up across the world. Many people thought that General Data Protection Regulation (GDPR) was the pinnacle of the privacy movement and that it will be the reference for the years to come. This is not quite true, because of two new developments and trends: new privacy regulations in the world and new data/Internet/AI/commerce related regulations in the European Union.

Rounding the research, the initial aims were:

- Identifying **the factors** that lead to the initial location selection for Cluj and if they are different compared to other business services centers' locations in the world

This has been achieved through the development of the two surveys – one for Cluj and one for international location - based on the factors identified in the literature. Comparing the results, there was no statistically significant difference between the factors used to assess Cluj or an international destination, hence a general model can be applied. (Section 3.5 and Section 4.1)

- Identifying **the challenges** companies face and the **relevant strategic options** for the city in order to remain attractive for this type of activities and companies

The challenges and potential roadblocks, alongside with other information have been presented in Section 5 and a strategic options proposal and assessment has been presented in Section 4.

- Building a **general framework** which business process outsourcing (BPO) companies or companies looking to setup a shared services center (SSC) could use in the decision of setting up a new business services center

The quantified location selection framework is the main output of the research, and it can be found in Section 3.6, with an updated version which takes into account the impact of the COVID-19 pandemic in Section 6.5.

The research results have been **disseminated** through the following articles, one published in an ISI indexed publication, one published in a BDI publication, and one published in the proceedings to an international conference.

- *The case for business services offshoring* in the proceedings of the *Managerial Challenges of the Contemporary Society* conference from 2018 (Surdea-Blaga, 2018a)
- *What makes a city attractive for business services centers? Cluj-Napoca case study* published in 2018 in the ISI indexed journal *Transylvanian Review of Administrative Sciences*. (Surdea-Blaga, 2018b)
- *Key factors for selecting an offshoring location* published in the journal *Review of Economic Studies and Research* “Virgil Madgearu” (Surdea-Blaga, 2020)

Going forward, the model should be put in practice to see how it fares. New research on the topic of location selection is published every day, hence the topic is still very relevant (Hanafizadeh and Zare Ravasan, 2020).

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