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**Hewlett-Packard's global business center in Poland as an
example of a successful shared services center**

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This thesis was written as a part of the master program at NHH. Neither the institution, the advisor, nor the censors are – through the approval of this thesis – responsible for neither the theories and methods used, nor the results and conclusions drawn in this work.

Abstract

This master thesis investigates the Hewlett-Packard's global business center in Poland as a successful example of a shared services center. The center performs and manages global business processes for the corporation in an effective and efficient way. The thesis focuses on three main aspects such as resources and capabilities, location and organization of the shared services center in Poland which is illustrated by the TCE model. OLI paradigm examines more in details the importance of the location factors for the shared services center in Poland. Recent phenomena such as business process outsourcing, shared services centers and offshoring are recalled in the context of better understanding of the globalized business operations.

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1. Introduction

Nowadays when the business conditions have become turbulent and unpredictable, when the world economy has been struck by a serious crisis companies are increasingly interested in establishing shared services centers that bring significant cost reductions and effective and efficient management of companies' global operations. Such centers are capable of serving geographically dispersed business units of a company. Enormous advancements and developments in the information and communication technologies have revolutionized today's way of doing business. Now many production and service processes do not have to be initiated and completed at the same time and place where they need to be consumed. They can be stored and travel long distances. Companies look for cost reductions on the global scale, choosing the proper locations for their operations.

Centralization, consolidation and standardization of business processes in the form of a shared services center (later referred as SSC) can bring substantial cost reductions, especially when the location of sourcing services offers a lower cost base. A favorable location for shared services center plays a key role in the success of such an approach which is then reflected in the quality and performance of business services provided by a SSC.

The master thesis presents and analyzes the successful case of a shared services center in Poland established by the Hewlett-Packard company. The Hewlett-Packard company is one of the largest technology and computer corporations in the world. It specializes in production and development of computing, software and networking hardware and services. The latter one have become a vast and critical proportion of the business segment and they will be the main subject of interest of this paper. Hewlett-Packard in order to consolidate and reach substantial improvements in its world-wide operations has set up its global business center in Poland. The shared services center in Poland performs and accomplishes support business operations in the fields of finance and accounting, human resources, customer support, supply chain management, marketing etc.

The purpose of the master thesis is to examine the effects of the shared services strategy on the company's performance and to analyze the Hewlett-Packard global business center in Poland (Wroclaw) as an example of a successful shared services center. In order to

carry out the analysis, three strategic problems have been formulated and later will be accordingly discussed. These three strategic problems are broadly defined in terms of location, resources and organization. In order to address better the investigation of the strategic problems, the TCE model serves as a framework that is used to examine the following issues:

What are the key resources and capabilities embedded in HP shared services center in Poland and what key benefits are thus brought to the whole company?

Is the organization form (centralized hub) the proper one to have a successful shared services center? Is it appropriate to exploit the company's resources and capabilities and to adapt to location conditions in Poland?

The master thesis has been divided into five main parts; introduction, theoretical approach, company case, analysis and conclusion. After giving the introduction to the SSC case in Poland, relevant theory will be presented. The TCE model has been chosen as an integrated approach to point out the location, resources and capabilities, and organization aspects. Later, the HP shared services center in Poland is described in details and three strategic issues are examined more thoroughly. Further, in the analysis section evaluation and interpretation of the information and materials concerning the SSC in Poland in the light of the TCE model is conducted. Finally, taking all the aspects of the analysis, conclusions and recommendations are formulated.

2. Theoretical approach

This section include the relevant theory that will help to diagnose the role and tasks of the shared services center in Poland and strategic problems faced by Hewlett-Packard. Firstly, since the paper emphasizes shared services as an international strategy, the term of shared services will be defined and its characteristics will be explained. Besides, other important terms such as business process outsourcing and knowledge processes outsourcing will be mentioned. Location possibilities as a key issue of a shared services center will be discussed. Secondly, The Total Cost Economics model has been chosen to present and examine the resources and capabilities and organization of the shared services in Poland and to show Poland's attributes for setting up a SSC in Poland.

2.1. Strategy, SSC, BPO, KPO – terminology

Companies undertake various forms of strategies to be able to withstand fierce competition and keep the business lucrative. An important question arises, what actually strategy is. According to Peng (2006) strategy is a mixture of planned deliberate actions and unplanned emerging activities; it is a firm's theory about how to compete successfully. Porter (1996) defines strategy as the creation of a unique and valuable position, involving different set of actions and making trade-offs in competing and creating fit among a company's activities in order to stay ahead of rivals. Overall, it may be stated that a company's strategy is an unique manner on how to compete and how to outperform competitors. In a globalized economy firms not only strive to be cost-effective, but also attempt to deliver services of top quality. Focusing on core competencies and getting rid of minor and not critical operations within a company has become a key strategy in the international business. A company's strategy is a central element since on the one hand it resembles the environment in which a firm operates, and on the other hand influences the final performance of a company. Peng (2006) presents strategy as a link between factors affecting and shaping strategy. These factors are industry forces, firm-specific resources and capabilities and institutional conditions; and performance. A strategy is a firm's individual approach on how to use opportunities coming from the industry, how to exploit its assets and adapt to institutional rules which then result in a company's performance. In the thesis performance will be viewed

as an effective and efficient way of managing HP business services in the EMEA region by the HP SSC in Poland.

Shared services centers have their roots in Business Process Outsourcing. Click and Duening (2005) define BPO as *a transfer of business processes from the inside of an enterprise to an external supplier of particular functions*. This however, both SSC and BPO due to the well-developed communication infrastructure, does not any longer take place only at a domestic level but it has reached a global scale. The below definitions and characteristics of the SSC will be useful for distinguishing it from alternative process delivery forms such as outsourcing. On the one hand, there is a clear separation between these two terms; SSC is a part of the company group with the processes consolidated into one unit; outsourcing means an external provider.

Shared services model is one of numerous strategies aiming at reaching cost-effectiveness and being a flexible and agile organization able to respond to rapidly changing business environment. In the literature there is a lack of consistency in defining a shared service centre. A few will be now quoted. A shared service center (SSC) is a corporate - owned service center where business processes of several divisions of an entity are outsourced to (LaSalle, 2009). UK trade and investment agency (2009) defines a shared service centre as a centralized business unit that undertakes internal business functions for divisions or subsidiaries of a particular company, rather having those functions conducted decentralized and separately. According to Schulman et al. (1999) shared services is a business concept of bundling supporting processes and nonstrategic activities into a separate organization, which in term treats those processes and activities as the core of its own business. He offers a following definition: shared services is the concentration of company resources performing like activities, typically spread across the organization, in order to serve multiple internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value (Schulman et al., 2009, p.7). Although there is a wide range of definitions and characteristics of the term “shared service centre”, there are some common attributes overlapping among the scholars and analysts that describe the SSC. Schulz et al. (2009) provides a summarized understanding and says a SSC is an organizational concept with the following features:

- consolidates business processes within the group
- delivers support processes as its core competencies

- is a separate organizational unit within a group
- is aligned with external customers (other than mother company)
- is driven by cost cutting for its implementation
- has a clear focus on internal customers
- is operated like a business

It is crucial to emphasize that initially and originally a shared services center is established to serve the business units (internal customers) of a corporation that are geographically dispersed. When reaching a certain level of development and quality of services, a shared services center gradually opens up for external customers (companies present on the market other than the mother company) and becomes an outsourcer for such a customer. It is vital to highlight that a SSC is a concentration of firm's resources, but not a typical centralization. Centralized processing is oriented upward to corporate headquarters, where it is located, and there is little accountability for costs and service level. Whereas, a shared services providers are oriented outward toward the business units to whom they deliver services. These business units are the shared service centre's partners and they demand the appropriate service level. A well and correctly performing shared service centre supports and improve decentralized corporate operations. Each business unit is able to fully focus on the strategic parts of its operations, while removing necessary but nonstrategic and noncore processes to the shared service centre. As a result, each strategic business unit outsources these operations, not to a third-party provider, but to another unit within the same corporate organization (Schulman et al.,1999).

Consulting company Deloitte (2009) claims that the concept of shared services is based on standardization, consolidation and reorganization. Consolidation includes a decrease in a number of locations, simplifying the organization, and economies of scale. Standardization means minimizing the number of information systems, and taking over the best practices from other units of the company, and making unified procedures and rules. Applying technological leverage, process optimization, and making the company structure more flexible is what reorganization of a firm encompasses. In a traditional model of an organization support functions (accounting, HR, IT) are conducted in each unit at many locations, very often in not standardized manner. Building a shared service center allows a company to reorganize transaction processes according to the best world practices. Due to the

process standardization and new task organization, a shared service centre requires resource consolidation and better technology utilization.

Implementation of shared service centers is mainly caused by the need of the organization improvement that is dispersed geographically. To exemplify it, why to keep within one organization numerous accounting or human resources centers when one consolidated unit may run their tasks more efficiently and at lower costs? The sources of the cost reduction may be divided into three categories:

- Consolidation that is reflected in the reduction of the number of locations,
- Simplification of the organization and benefits coming from economies of scale,
- Standardization aiming at the minimization of the number of information systems, overtaking best practices from other units in the company, and creating a set of common procedures and policies.

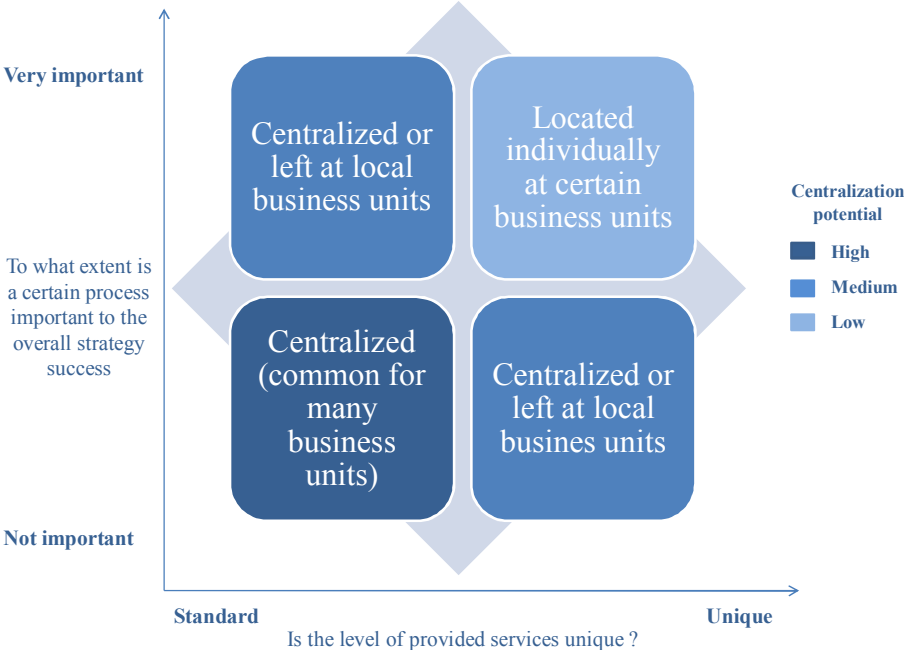
Finally, reorganization refers to the usage of technological leverage. Benchmarking study carried by Deloitte (2006) reveals that shared service centers reach higher effectiveness measured by payables productivity, fixed assets productivity, and accounting productivity. Other incentives to create shared service centers are:

- increasing the value of the company by lowering the costs of support functions and by higher financial control,
- processes' standardization and quality improvement of provided services,
- possibly best utilization of investment in technologies and standardized information systems,
- freeing the business units from administrative and accounting tasks and enabling the focus on tasks with higher value added,
- creating a newly-motivated organization with the orientation on quality upswing,
- concentration on constant advancement of people and processes (Pniewski and Kalawa, 2009).

Going deeper into the shared service centers' matter, it is crucial to mention the processes that are performed there. The most appropriate processes for the transfer to such centers are routine processes and those being conducted in all units of the organization, usually not requiring interaction with customers (both internal and external). Although shared services centers cooperate together because they are the parts of the same organization, accomplishing each other's business processes does not require personal contact. This comes

back to the features of the processes conducted at SSCs. The illustration below presents Deloitte Business Consulting approach classifying processes and functions suitable for placing them at shared service center.

Illustration 1. Processes suitable for transfer to shared services centers



Source: Adapted from (Pniewski, Kalawa, 2009, p.6)

Shared services centers deal mainly with financial, accounting, payables and receivables processes since they are unified in the entire organization, are not strategic and do not require personal interactions but engage a substantial number of employees. As a result, transferring such processes into a shared services center brings a significant cost reduction due to the improved efficiency, change in employment structure and experiencing economies of scale.

While business process outsourcing refers mostly to simple, routine and standardized business functions and activities, Knowledge Process Outsourcing (KPO) goes further and encompasses operations requiring specialized and more depth and domain knowledge and more analytical and technical skills. Maskell et.al (2006) refers KPO to sourcing for

innovation implying that during companies' development, motives go far beyond than cost reduction. Running operations from a low cost country brings also a great improvement of firm's processes and innovation. Undoubtedly, one of the motives of creating an overseas SSC is the company's desire to gain access to new knowledge and technology, and higher quality of business processes.

Another matter linked to SSCs is the problem of its location and thus the question where to set up a SSC. A company has to take into consideration issues such as, cost level, resources quality, competition, legal and cultural environment, infrastructure etc. There are several possibilities while searching for SSC's location.

Table 1. Location possibilities of a Shared Services Center

Resources	Domestic market	Foreign markets (offshoring)		
	Firm's domestic market	Geographically & culturally close market with similar economic status	Geographically distant, but culturally and economically similar market	Geographically & culturally distant market with different economic status
SSC – Internal (within one organization)	Insourcing (onshore)	Nearshoring SSC	Offshoring SSC	Farshoring SSC
External (with the usage of external providers)	Outsourcing (onshore)	Nearshore outsourcing	Offshore outsourcing	Farshore outsourcing

Source: Adapted from (Szczepanski, 2007, p.11)

The table above demonstrates possible geographic modes for a SSC and also emphasizes the differences between SSC and outsourcing. In brief, there are two main possible variations for SSC location. A company can set up its centre onshore which means in a country where its headquarters are present or offshore implying a location behind the borders of the domestic market. For the purpose of the thesis, only the relevant location version will be expanded, namely the offshoring SSC. This combination tells that the SSC in Poland as a business unit created within the HP organization depending and using internal resources and capabilities is located in a country which is geographically distant, but culturally close and with similar economic status. A recent trend of creating global service centers indicates that distance plays an increasingly smaller role in case of unified and standardized processes not requiring face to face contact. Broadband internet, online process analysis, greater Internet security,

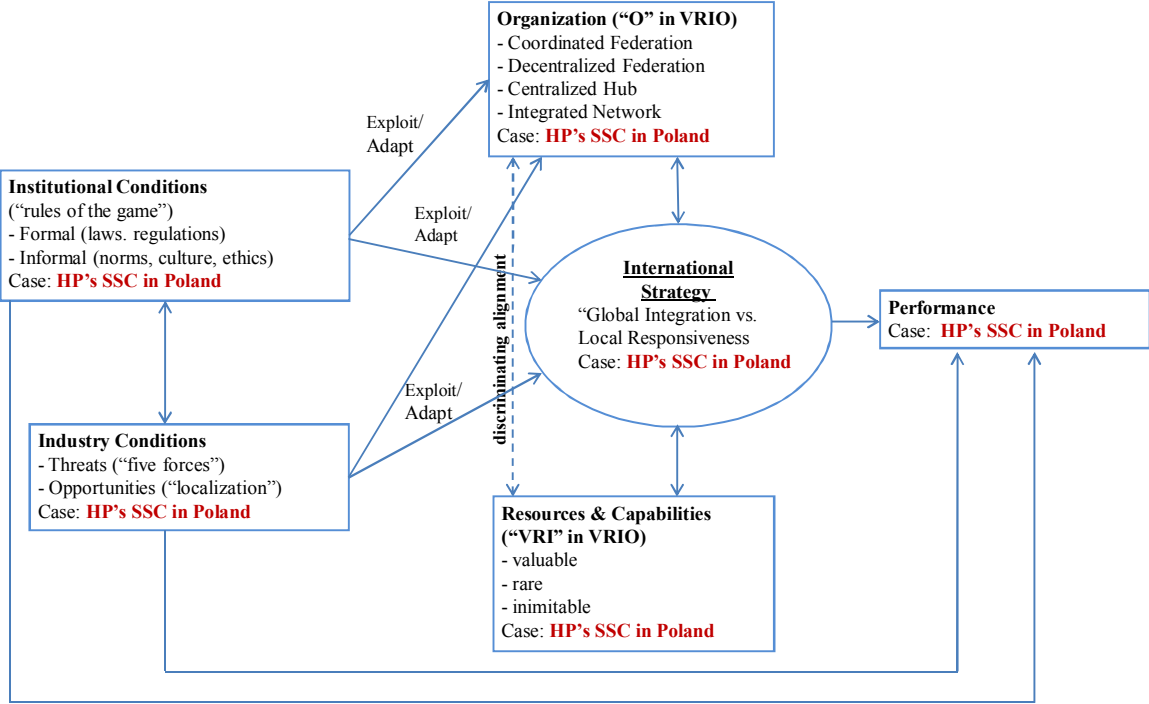
inexpensive data storage, business specialization, all these have been great enablers for global business diversification (Click and Duening, 2005, p.10). Thanks to these technologies and because company's functions and operations are set up in most competent and relevant locations, their quality, reliability and safety is reached.

Having defined and characterized shared services approach, it is now crucial to deal with theoretical model that will help to investigate the strategic problems more thoroughly.

2.2. TCE model

Total Cost Economics (TCE) Model may have several variations. Since the focus of the thesis is the analysis of a shared services strategy run by Wroclaw global business center, an Integrated TCE Strategy Model for the SSC in Poland (Ulset, 2008) will be demonstrated. Looking globally at the TCE model it is noticeable that the shared services strategy represented by the SSC in Poland is influenced and formed by the forces coming from the outside (institutional and industry conditions) and inside (organization, resources and capabilities) of the company. It is crucial to point out that the shared services strategy of the SSC in Poland is consistent with the HP corporate assumptions and its global delivery model. While the organization and resources and capabilities are firm-specific attributes of the company's strategy, institutions and industry build an external environment in which the company operates. As a result, the company can determine its organization and its assets, but can not shape the forces set by the industry and institutions. As an integrated approach, the TCE model presents how the Wroclaw SSC exploits and adapts to industry forces set in a certain institutional environment in Poland, and how the company organizes its activities to develop and leverage its resources having an appropriate organization that follows and resembles the company's shared services strategy. The TCE model demonstrates how HP global business center in Poland manages to exploit its shared services capabilities by using hub-formed organization while exploiting and adapting to Poland's location conditions. It can be said that the model characterizes the requirements for a SSC in Poland in terms of resources and capabilities, organization and location.

Figure 1. An Integrated TCE Strategy Model for HP’s SSC in Poland



Source: Adapted from S. Ulset, 2008, International Strategy, Recap Seminar, p. 125.

In the next section which is the SSC case in Poland, the TCE model will be applied in the context of Wroclaw SSC. Resources and capabilities of the HP SSC in Poland will be firstly discussed. Institutional and industry conditions will be presented together since they give foundations for advantages or disadvantages of Poland as a destination location for shared services centers. In other words, when choosing a location suitable for a shared services center, industry and institutional conditions are prerequisites for its assessment as favorable or unfriendly. In the context of this analysis, location pros and cons stem from and are characterized by industry and institutional conditions. Finally, the organization as an organ helping to exploits the SSC’s resources and capabilities and adapting to Poland’s conditions will be described.

2. The SSC case in Poland

Now each element of the TCE model (resources and capabilities, industry and institutional conditions and organization) will be examined with reference to the shared services center case in Poland. While the industry and institutional conditions build the external constraints or opportunities for the HP company that has chosen Poland as a SSC location, the resources and capabilities are firm-specific.

3.1. Resources and capabilities

Resources and capabilities, and organization represent the company's potential and ability to appropriately exploit and/or adapt to the external forces posed by the industry and institutions. According to Peng (2006) the key is to examine whether a firm has resources and capabilities to perform a particular activity in a manner that is superior to competitors. What is more, it is crucial to determine where exactly within a company resources and capabilities add value. In the context of the location, the company has to answer whether its particular location adds value to the overall firm strategy, and whether resources and capabilities present there are unique and hard to imitate. Peng (2006) offers a VRIO framework which assesses resources and capabilities in four aspects; value (V), rarity (R), inimitability (I), and organization (O). Each firm should answer a question if its resources and capabilities are valuable, rare, inimitable. Firstly, it is important to get rid of non-value-adding resources and capabilities. Secondly, valuable resources and capabilities may not be common. Thirdly, if resources and capabilities are valuable and rare but easy to imitate, this will not provide a sustainable competitive advantage. Worth mentioning is that while imitating firm's tangible resources (plants, software, fleet) is relatively easy, imitating intangible resources (tacit knowledge, managerial talents, customer relationships) is much more challenging and often impossible. Finally, valuable, rare, hard to imitate resources and capabilities that are organizationally embedded and exploited can possibly lead to sustained competitive advantage and persistently above average performance. How should a firm be organized and to develop and leverage the full potential of its resources and capabilities? Resources and capabilities cannot be evaluated in isolation. Therefore, the task for the companies is to build firm's strategy by identifying, developing and leveraging such resources and capabilities which may be reached by choosing the adequate location for running the business operations.

In the fast moving world, over the time all advantages may erode. Thus, it is vital to develop strategic foresight to be able to anticipate future needs and move early to build resources and capabilities for future competition (Peng, 2006, pp.77-92).

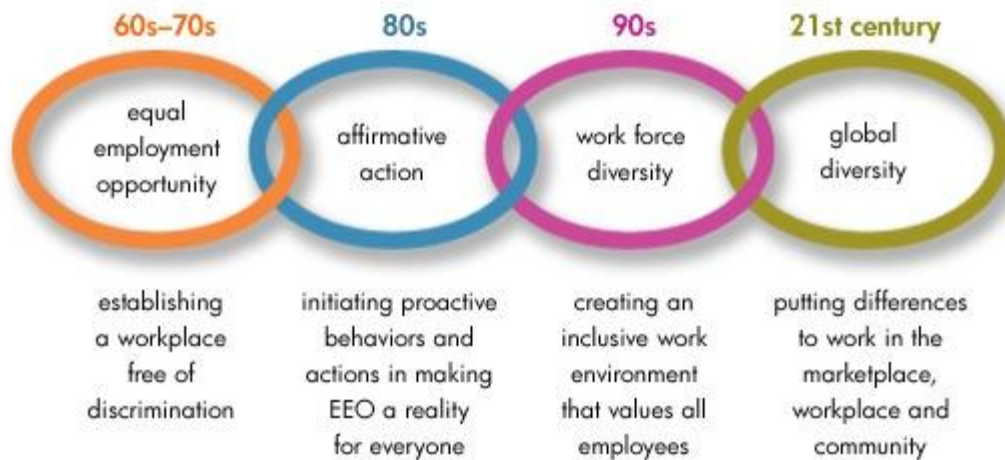
Undoubtedly, the unique resources and capabilities of the SSC in Poland refer to provided services (finance and accounting, human resources, marketing, supply management etc.), the exceptional way of doing business, its tools, and its intangible assets. Business-focused approach is offered by HP. The company has an extensive array of software and training designed to help its business units to optimize its operations. HP not only helps to align the business' overall strategy with IT strategy, but also to design, develop and implement services. Another distinctive feature of HP resources is the HP Service Management Framework. It is a holistic approach which organizes resources and capabilities such as, people, processes, and technology within the service management system based on international standards and industry based practices. What is more, Business Technology Optimization approach that supports the strategy of shared services. BTO helps to ensure that every dollar invested in IT, every resource allocated, and every application in development or production meets business goals. Service Oriented Architecture (SOA) of the business dramatically improves the flexibility and adaptability of IT organization. SOA contributes to the reduction of IT costs by making services highly reusable (HP, 2009). Besides, the HP's significant brand recognition judged by global rankings, such as the Fortune 500, FTSE4Good Index, Best Global Brands, contributes to the unique and sophisticated way of doing business (Datamonitor, 2010). All in all, HP offers its customers (both internal business units and external companies) services delivering a converged infrastructure with value-added software any way the customer wants; in-house, outsourced, cloud-based, or through hybrid environment balances costs and performance across multiple models. No other company is as well positioned and HP's supply chain is the largest in the industry and provides a tremendous leverage across its IT services portfolio (HP Annual Report, 2009).

Another important characteristics of HP SSC in Poland creating value is knowledge management approach. The concept of knowledge management has deep historical roots in the company. The Hewlett-Packard's strong culture and traditional businesses practices have always encouraged innovation and knowledge sharing throughout the company. With the growth of the company, Hewlett-Packard has always seen the potential in small, autonomous business units, splitting the largest units into smaller ones, believing in benefits from hands-

on management, and face-to-face relationships, and physical co-location. What is more, management by walking around has been followed. Managers have been expected to live among their staff and to be both visible and accessible. Open office environment is another element of the company's knowledge management approach. This allows everyone to be involved in all the matters. In general, the practice of sharing information about the business has been wide spread, minimizing the rules, bureaucratic procedures, and internal security. Permission to experiment and fail is a crucial enabler of innovation. Truly empowered staff try things out without being afraid of punishment in case of being unsuccessful. It is also visible that Hewlett-Packard has always established its business units in university sites. Together with rapid market changes and the international growth of the company, since early 1990s substantial changes within the company took place. In order to gain economies of scale and take benefits from lower labor costs overseas, most manufacturing and corporate operations were moved to larger, more specialized organizational units. Because Hewlett-Packard started to grow globally, business units became larger and more specialized, and more geographically distributed, and depending more on a complex network of relationships both inside and outside the company. In such environment it was impossible to walk over to the colleagues to discuss an issue. Knowledge had to flow easily across time and space, and between people who might not even know each other. Hewlett-Packard invested heavily in a technology infrastructure that provided universal connectivity for all employees. Solutions such as Intranet, Internet protocols, on-line data base, web browsers and automated software distribution were well functioning already at the end of 1980s. The more formal capture of knowledge in deed enabled the consolidation and standardization of processes that in large extent relied on the personal, and often inconsistent knowledge of local agents (Sieloff, 1999).

What is more, people working at the SSC in Poland are directly connected with knowledge management and other business tools applied at the center. They are the executors of the defined goals and strategy. At HP it has been recognized that creating a diverse, inclusive work environment is a journey of continuous renewal. Each step in the process to the current strategy has been significant for the move forward into the 21st century. Together, the steps build a diversity value chain upon which HP builds global winning workforce, workplace and strategy which is illustrated on the illustration below.

Illustration 2. HP's path to the current strategy



Source: Hewlett-Packard, Annual Report, 2009, p. 21

Diversity and globalization are key factors of creativity, innovation and invention. HP strives around the globe to take advantages of differences, connecting all people to the power of technology at the workplace and in the society. At HP it is believed that diversity is a key driver of its success (HP.COM)

3.2. Industry and institutional conditions

The services provided by the HP SSC in Poland and its enabling resources and capabilities determine what kind of environment and location factors are most important. The below discussed factors are critical for the HP SSC existence and are embedded in industry and institutional conditions which pose potential threats and opportunities. Conditions of shared services industry in Poland may be generally defined as very favorable and there are no serious competitive threats. The influence of five forces, namely rivalry among competitors, bargaining power of buyers and suppliers, threat of new entrants and substitutes, is very low. According to Peng (2006) the company's strategic task is to examine the five forces affecting the industry and stake out a position that is less vulnerable to these forces. When it comes to the Polish IT industry and shared services practices in Poland, they are at the developing stage and offer a huge potential. Since the major recipients of the SSC in Poland (Wroclaw) are other Hewlett-Packard's business units spread in the EMEA region, industry rivals (DELL, IBM, Accenture) are not of a great danger. Poland's service industry is

underdeveloped and lack of well-established domestic IT companies have been the greatest opportunities for the HP global business center in Wroclaw to enter the market and work out a strategic position. The service industry in Poland is characterized by the Global Services Location Index (GSLI). AT Kearney's (2009) Global Services Location Index (GSLI) is a very good indicator judging the attractiveness of a country in the context of services location such as shared services centers. The GSLI examines and ranks the top 50 countries around the world as the best destination locations for providing services activities, including IT services, back-office tasks, and other support processes. GSLI index is based on A.T. Kearney's industry surveys, knowledge gained in client engagement during the past five years. Each country's score is comprised of a weighted combination of relative scores on 43 measurements that are grouped into three main categories: people skills and availability, financial attractiveness, and business environment which is presented by the Table 2. below.

Table 2. The 2009 A.T. Kearney Global Services Location Index

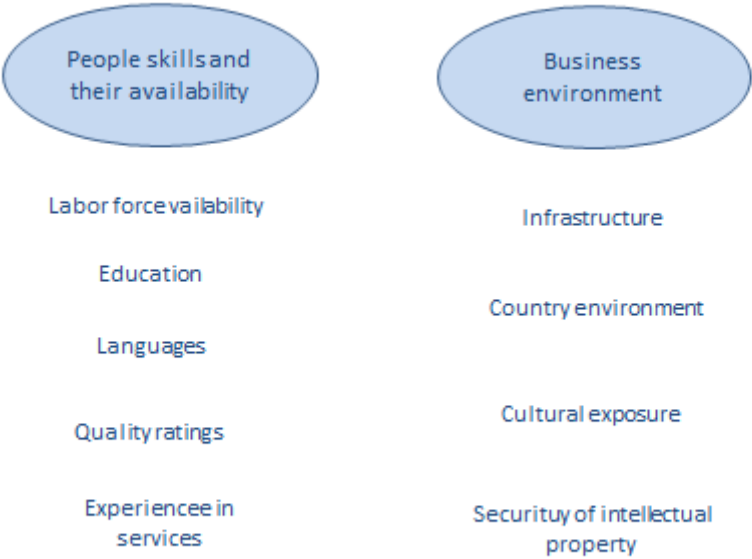
Rank	Country	Financial attractiveness	People skills and availability	Business environment	Total score
1	India	3.13	2.48	1.30	6.91
2	China	2.59	2.33	1.37	6.29
3	Malaysia	2.76	1.24	1.97	5.98
4	Thailand	3.05	1.30	1.41	5.77
5	Indonesia	3.23	1.47	0.99	5.69
6	Egypt	3.07	1.20	1.37	5.64
7	Philippines	3.19	1.17	1.24	5.60
8	Chile	2.41	1.20	1.89	5.550
9	Jordan	2.99	0.91	1.59	5.49
10	Vietnam	3.21	1.02	1.24	5.47
11	Mexico	2.48	1.50	1.45	5.43
12	Brazil	2.18	1.83	1.37	5.39
13	Bulgaria	2.83	0.89	1.62	5.34
14	United States	0.47	2.71	2.15	5.33
15	Ghana	3.26	0.70	1.36	5.32
16	Sri Lanka	3.13	0.95	1.17	5.25
17	Tunisia	2.86	0.91	1.45	5.22
18	Estonia	2.06	0.93	2.20	5.19
19	Romania	2.63	0.91	1.58	5.12
20	Pakistan	3.12	1.08	0.91	5.11
21	Lithuania	2.31	0.81	1.99	5.11
22	Latria	2.28	0.86	1.96	5.10
23	Costa Rica	2.67	0.89	1.50	5.07
24	Jamaica	2.77	0.79	1.49	5.06
25	Mauritius	2.32	0.95	1.77	5.04

26	Senegal	3.06	0.88	1.08	5.03
27	Argentyna	2.47	1.34	1.21	5.02
28	Kanada	0.54	2.10	2.38	5.02
29	United Arab Emirates	2.10	0.84	2.04	4.98
30	Morocco	2.62	0.93	1.42	4.97
31	United Kingdom	0.43	2.13	2.39	4.94
32	Czech Republic	1.74	1.14	2.07	4.94
33	Russia	2.39	1.45	1.08	4.92
34	Germany	0.42	2.10	2.40	4.91
35	Singapore	0.72	1.55	2.62	4.90
36	Uruguay	2.46	1.00	1.43	4.89
37	Hangary	1.95	1.01	1.92	4.88
38	Poland	1.82	1.22	1.73	4.77
39	South Africa	2.28	1.02	1.44	4.74
40	Slovakia	2.05	0.94	1.75	4.73
41	France	0.40	2.03	2.29	4.72
42	Ukraine	2.63	0.97	0.99	4.58
43	Panama	2.48	0.70	1.40	4.58
44	Turkey	2.01	1.23	1.29	4.54
45	Spain	0.57	1.90	2.00	4.47
46	New Zealand	1.12	1.18	2.15	4.45
47	Australia	0.42	1.62	2.22	4.26
48	Ireland	0.27	1.56	2.26	4.09
49	Izrael	0.85	1.39	1.78	4.02
50	Portugal	1.00	1.00	1.97	3.98

Source: Adapted from A.T. Kearney, atkearney.com.

Since cost advantage is usually the primary motive behind location choices, financial attractiveness constitutes 40 percent of the total weight in the Index and is ranked from 0 to 4. Two other categories, business environment, and people skills and availability, have the weights of 30 percent and can score from 0 to 3. It is vital to have a deeper insight into each category. Financial attractiveness is composed of three elements: compensation costs, infrastructure costs, tax and regulatory costs.

Illustration 3. Factors shaping people skills and business environment



Source: own

From the illustration above it is noticeable that services sector experience and quality ratings, labor force availability, education and language build up people skills and availability category. Business environment is influenced by country environment, infrastructure, cultural exposure, and security of intellectual property. While analyzing this ranking, Poland has been mostly compared to the countries from the Central and East European region. Poland among 50 best service location countries is placed on 38th place. Financial attractiveness and business environment have the highest scores. Poland’s score (1.73) in business environment category is better than India (1.30) and China (1.37) but worse than in Czech Republic (2.07) or Hungary (1.92). Poland though appears to be more attractive than Czech Republic in the financial aspects, scoring 1.82 and 1.74 respectively. Comparing Poland to its regional partners in the people skills and availability category, it also looks competitive. With the score of 1.22 Poland outperforms Czech Republic (1.14), Hungary (1.01), Lithuania (0.81) or Bulgaria (0.89) which in the overall classification get higher ranks. Going a bit deeper into each category, Poland in the category of people skills and availability is positioned on the 21st place out of 50, and education and language capabilities are two key components in this category. Relevant experience has proven to be a weakness compared to other countries. Further, in financial attractiveness Poland takes 37th place and offers better conditions in this field than Czech Republic, but worse than Hungary, Bulgaria or Lithuania. Comparing

business environment, Singapore is the leader. In this category Poland's 23rd place is outperformed by neighboring countries, Czech Republic (11), Hungary (18), Slovakia (22), Lithuania (14). Poland has lower country risk than Bulgaria, Romania. However, Poland's country infrastructure is less developed than in Czech Republic and Hungary. Moreover, security of intellectual property in Poland is only higher than in Romania and Bulgaria.

The attractiveness of the shared services industry is to a large extent influenced by Poland's institutional conditions, commonly known as "rules of the game". Within them formal rules (laws, regulations) and informal (norms, culture, ethics) are distinguished. Undoubtedly, Hewlett-Packard's performance, strategy and the decision on choosing an appropriate location for business processes are vastly determined by institutions. How a firm will be able to use its potential from the location depends on how the rules are enforced. This however requires from a company a certain degree of adjustments and adaptation to the rules of the game. The key function of institutions is to reduce uncertainty, signal actions that are acceptable and not, affect firm's strategy by constraining the range of acceptable actions, and define what is legitimate. From the perspective of doing a business in a particular location both formal and informal rules are important. Laws and regulations play a crucial role in shaping a business culture in a country; setting limits or providing greater freedom. Norms, ethics and culture are directly connected to the human factor. In a business life it has its reflection in standards of conducting a business, governing individuals' and firms' behavior. Ethics is also deeply reflected in formal laws and regulations. Managing overseas is especially challenging because what is ethical in one country may be regarded as unethical or even illegal elsewhere. By such dilemmas companies operating internationally are constantly struck. What are the defining characteristics of national culture and how should a company exploit and adapt to such cultural differences? Since laws, rules and regulations vary from country to country, running an international business thus seems extremely challenging. In general, governments in developed countries impose fewer procedures and lower total costs. On the other hand, companies are confronted with much harsher regulatory burdens in poor countries. Apart from formal rules, institutions consist of informal rules (norms, culture, and ethics). Informal institutions may substitute for the lack of formal institutions. Thus, informal institutional conditions play a more important role in emerging than in developed markets. There are some benefits and costs of institutions. Appropriate "rules of the game" reduce behavioral uncertainties and transaction costs (tendencies to mislead, cheat and confuse the other party). While inappropriate "rules of the game" (conflicting, contradictory, ambiguous)

increase these behavioral uncertainties and transaction costs. Direct implications of institutional conditions on location decision are the following. The company has to judge whether the formal rules, such as legal aspects of doing business, trade and tax regulations, will impose greater constraints or will be more favorable to the company's business profile. Norms, culture and ethics, on the other hand, reflect the cultural environment and human aspect of a location. The company has to deal with matters, such as corruption, level of bureaucracy, national mentality, and features deeply rooted in a particular country's culture. Thus a company before choosing a location for setting its business operations, it has to take into consideration numerous industry and institutional conditions which will eventually speak in favor or against of a certain location (Peng, 2006, pp.109-135).

In case of the SSC in Poland (Wroclaw) institutional conditions, formal rules in particular, have played a critical role in the assessment of Poland as a destination for shared services centers. Legal aspects of doing business in Poland such as forms of conducting business activity, real estate, labor regulations are worth mentioning. Since Poland joined the European Union on 1 May 2004, Polish law must be consistent with the EU legal system and thus entrepreneurs conducting economic activity in Poland have to comply not only with internal Polish law, but also with EU law, which is becoming a part of the Polish legal system. Hewlett-Packard as a foreign company eager to start its operations in Poland was allowed to undertake and carry out economic activity in the following forms: limited partnership, partnership limited by shares, limited liability company (sp. z o.o.) and joint stock company (S.A.). HP's shared service center in Poland was established under the official company name Global eBusiness Operations Spółka z o.o. Limited liability company assumes that its shareholders receive shares (interests) in exchange for contributed capital. Running a business also requires an entity to possess a legal title to real estate. HP in Poland (Wroclaw) owns a building (premises). Labor regulations are one of the most important aspects which HP had to consider when setting up its SSC in Poland. The Labor Code is the principal act regulating Polish labor law. It also applies to foreigners employed in Poland. Rules and regulations of employment concern working hours, remuneration, holidays, limitations of claims against employee (Kalinowski et al., 2009).

Other institutional conditions such as economy, FDI attractiveness, infrastructure are be raised by Dunning's paradigm. The aim of the OLI paradigm is the identification and evaluation of significance of the factors influencing the initial act of foreign activity by an

enterprise (Dunning, 1988). Initially, the OLI paradigm states that the extent, form, and pattern of international production is determined by the configuration of three set of advantages perceived by enterprises (Dunning, 1988, p. 2). First, the ownership-specific advantages refer to a multinational company's unique trademark, skills, productions techniques and economies of scale. Ownership advantages have to be particular to a company and easy to transfer between countries and within the company. Second, location advantages that are country specific advantages include economic, political and socio-cultural advantages. These factors influence the attractiveness of various locations and are critical in determining which will become host locations for MNEs operations. And finally, internalization advantages tell that the multinational companies have several choices of entry mode such as licensing, export or fully-owned subsidiary. More attention will be now given to the second element, locational advantages which explains the "where" aspect of OLI paradigm.

Dunning (1988) in the context of the location (L) element points out that the determinants of transnational activities and motives of going abroad vary and depend on factors, such as FDI attractiveness of a country, a country's ability to engage in outward direct investment, level of economic development, structure of a country's factor endowments and markets, its political and economic systems. It is then directly connected with the investment development path introduced by Dunning and Narula (2004) saying that together with a country's economic development, its FDI position will go through a number of stages. First stage of FDI path is characterized by the lack of inward and outward MNEs' investment activities because a country's markets and factor endowments are insufficient to attract foreign investors. What is more, a country's political, commercial and technological infrastructure is underdeveloped to meet the expectations of foreign investors in the provision of service and production processes. In the second stage, as the infrastructure, government policy and economic structure improve, intermediate products are imported. However, the transaction costs remain high, and the ownership advantages of MNEs are derived from the possession of individual intangible assets. Main features of the third stage of FDI path are that a developing country's companies are able to generate own ownership-specific advantages and are most likely to go abroad as market or resource-seekers. This stage is largely influenced by the structure of its resource endowments, the attitudes of its government toward international economic involvement and inward and outward direct investment in particular. The fourth stage of FDI development path takes place when a country turns to be a net

outward investor implying that a country's companies invest more abroad than is hosting foreign investments. At the last stages of investment development path it occurs that the ownership-specific advantages of a country's MNEs become more firm-specific and less country-specific (asset based) and the locational decisions by both foreign and domestic MNEs become less based on the comparative advantage of factor endowments, but more on the strategies of competitors supplying regional or global markets, the desire to fully exploit the economies of large-scale production, the need to reduce market instabilities and uncertainty, and the incentive to reap the gains from integrating related activities over space (Dunning, 1988).

Nothing in the business sphere remains static. Not only conditions for international business have been changing over the time, but also location motives have evolved. Dunning (1998) in his more recent work he studies the implications of such changes on FDI location. He emphasizes that over the time firm-specific assets have become mobile across countries' boundaries as a result of spatial – aspects of value – added activities. This means that numerous business processes may be transferred by high-tech equipment without the need of direct contact. He formulates four main causes of such changes, namely first, constantly changing world environment for international business; second, changing geography of MNEs' activities; and third, microeconomics of the location of MNEs' activities, and finally, macroeconomic aspects of international allocation of economic activity. Intellectual capital and increasing significance of non-material assets as creators of wealth, rapid advancements in transport and communication technologies, trade and investment barriers reductions – these elements have shaped the global economy since early 1980s and have resulted in the much easier transfer of intangible assets within MNEs across borders and geographic concentration within certain regions and countries. The changing geography of MNEs activities refers to the world map of FDI location that has been affected by the above mentioned factors and huge shift are to be noticed. Whereas in the early 1990s the majority of global FDI inflows reached the developed countries, for the last decade there has been a substantial growth of importance of Central and East Europe region and developing countries as FDI destinations. When talking about the microeconomics of MNEs' activities, Dunning (1998) underlines the rising significance of firm-specific knowledge intensive assets in the wealth creation, well-developed relations with stakeholders, skilled labor force, and greater companies' abilities to coordinate their cross-border operations. Finally, the development of the global economy has

led to opening up and enlarging of markets and thus has had impact on the FDI structure and geography.

International labor division, strategic role of geographically dispersed business units, and shift in the location needs from those focused on gaining access to the market or resources, to those referring to knowledge-intensive assets and learning experiences have led to the spatial specialization of certain regions or countries in provision of particular services (Dunning, 2000).

The issues of knowledge importance and spatial value-adding operations have been studied by Bathelt et al. (2004) and named as spatial clustering of economic activity and its relation to the spatiality of knowledge creation. According to Porter (2000, p.254), cluster is a “geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities” where geographic scope may refer to a city, country or even a group of neighboring countries. It is argued that it is beneficial to locate firm’s activities in a spatial cluster and being surrounded by similar or related companies. The explanation for this lies in viewing knowledge creation as an interactive learning process. This process can take place among actors embedded not only in the organization, but also coming from the outside of the organization. Interactions between a firm’s departments demonstrate knowledge creation within a company. Since companies coexist, compete and interact with each other, these are great incentives for knowledge creation. Thanks to building external relations with companies’ stakeholders, companies represent various profiles and specialize in different fields and complete individual tasks, may complement each other and exchange their experiences. Intensive rivalry between enterprises is an decisive incentive for innovation and product variation. Moreover, Bathelt et al., (2004) argues that the presence in a cluster enhances tacit knowledge learning processes since in the contrary to the codified knowledge it requires regular interactions and exchanges and they depend on special proximity between parties involved. Consequently, co-presence and proximity to company’s competitors bring a couple of advantages such as, an effective monitoring and comparison with others, interdependence, shared knowledge leading to a continuous exchange and combination of companies’ resources and capabilities that develop new solutions and products (Bathelt et al., 2004).

Referring it to the case of the HP SSC in Poland, Hewlett-Packard as an American company possesses an exceptional advantage over Polish firms in the field of IT, advanced technologies and business services. Long tradition and well-developed infrastructure in the IT industry has made American companies very competitive in this field. However, rising competition and turbulent environment have made HP to seek for new solutions in order to withstand these harsh conditions, and constant way to higher efficiency and lower costs. HP has started to take advantage from international expansion and setting its business activities in low cost countries. Poland has been one of the successful HP's destinations in its shared services locations. Components of institutional conditions, such as laws and regulations on doing business, or labor law and corporate culture; and industry conditions, such as the level of competition, interaction between the rivals in the service industry etc. are common measures included in numerous studies to judge the economic attractiveness of Poland. Thus, it is now vital to have a look at institutional indicators demonstrated in FDI flows, European Attractiveness Survey and Global Competitiveness Index.

FDI trends play an important role in the international activity of a company. Since Hewlett-Packard is a multinational company, it is crucial to give a background in the world FDI tendencies. World Investment Report (2010, p.17) points out important changes in global FDI patterns that took place after the global crisis and will continue. Firstly, the significance of developing economies as both destinations and sources of global FDI is expected to keep on rising. Secondly, there has been constant increase in service FDI relative to manufacturing FDI. Thirdly, although the crisis has had an impact on FDI, it has not stopped the growing internalization of activities. While FDI inflows reached its bottom in 2009 in all three major categories – developed, developing and transition economies, global FDI experienced a modest, but uneven, recovery in the first half of 2010. Developing and transition countries absorb now half of FDI and investment inflows towards these economies is expected to accelerate (World, Investment Report, 2010, p. 31).

Dunning's determinants of companies' transnational activities explain the HP's motives for the SSC in Poland. FDI attractiveness plays an important role. First of all, Poland's overall attractiveness as a destination country for shared services has to be viewed. FDI attractiveness, Poland's ability to engage in outward FDI, level of economic development, structure and factors' endowment, and political stability these elements give a macroeconomic image of Poland as a destination location for international activities. Ernst

and Young's European Attractiveness Survey (2010) which is based on the interviews of 814 world 's business leaders indicates that there was a general decrease in global FDI operation in 2009 due to the financial crisis. FDI inflow into Europe fell by 36 percent compared with 2008. In addition, the number of FDI projects and FDI job creation in Europe scored lower rates in comparison to previous years. It has to be pointed out that year 2009 experienced the general collapse. However, the declines are mostly seen in industrial and manufacturing sectors, while services were almost untouched and remain stable. Despite the overall slump, Europe is still the world's number one of FDI destination which reached 36 percent of total inflows. China, India and Central and Eastern European (CEE) are perceived by investors as the most attractive regions for FDI projects. There is a high confidence for CEE and investors view all the economic problems in the region as temporary. Poland keeps a very strong position in Europe in FDI activities. In 2009, Poland scores a 5th place in the FDI job creation (7 491 job created) and 8th in the number of FDI projects (102 projects) which makes the country ahead of Hungary, Romania, Slovakia, Czech Republic (p. 20). Service sectors remains in particular stable and attractive, shared service centers created 500 jobs in 2009. Poland's high FDI attractiveness can be supported and confirmed by FDI Confidence Index (2010) prepared by A.T. Kearney company. This index examines the impact of political, economic and regulatory changes on FDI decisions and preferences of the leaders of top corporations around the world. According to FDI Confidence Index investor outlook about Poland compared to 2007 has changed more positively which is reflected in Poland's 6th place out of top 20. On the 0 to 3 confidence scale Poland reached 1.35 which is better than Romania (1.26) and Czech Republic (1.25). This is relevant for the HP SSC in Poland because it explains that Poland's FDI attractiveness is one of the location advantages.

The above information implies that Poland is moving from the 2nd to 3rd stage of Dunning's development path. Not only has Poland high FDI inflows, but also Polish companies are more and more capable of investing outside the country. The country offers political and economic stability with further prospects for improvement and development. It can be said that Poland is on the transition phase from effectiveness- driven to innovation-driven economy.

The Global Competitiveness Index (2009) is another indicator for Poland's attractiveness. A country's competitiveness is judged in the context of 12 pillars, such as institutions, infrastructure, macroeconomic stability, health and primary education, higher

education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness, market size, business sophistication, and Innovation. More attention will be given only to those pillars that substantially affect Poland's competitiveness. Institutions build legal and administrative framework within which companies and governments operate and serve the business world. Bureaucracy, overregulation, corruption, and transparency these all impact the quality of doing business in a country. Thus a solid institutional environment has become an important enabler while investing overseas. Well-developed and efficient infrastructure is a driving force of competitiveness and reduces the effect of geographical distance. It determines the location of particular economic activity, integrating and connecting the regions. The more developed a country is, the better health system and primary education it offers. By improving the quality of health and education a country may be involved in more advanced processes. Higher education and training is essential for economies that want to be engaged not in simple production processes but in truly value-adding operations requiring more sophisticated education and ability to adopt quickly to the changing environment. Until recently market size was linked to a particular territory of a country. Due to the highly interdependence and openness of economies, market size refers now both to the domestic and foreign markets. All the pillars are interdependent and reinforce each other and thus making an economy more or less competitive and moving a country through stages of development path.

According to GCI Poland is in transition phase from second to third stage. This implies that Poland does not any more compete on producing and selling basic products and commodities (factor-driven economy) where well-functioning public and private sector, well-developed infrastructure and stable macroeconomic framework, and a healthy and literate workforce are required. Poland is on the move from the efficiency-driven stage of development, where competitiveness is based on introduction of more efficient production processes and rise in product quality reached thanks to higher education and training, efficient goods markets, well-functioning financial market, to innovation-driven phase. On this stage a country is able to sustain higher wages and the higher standard of living; companies compete on innovation producing new and different goods applying the most sophisticated production processes. In the GCI ranking 2009-2010 Poland is on the 46th place behind Czech Republic but ahead of Slovakia, Hungary, Romania out of 133 examined countries. What is more, Poland has registered the largest improvement among the new EU members by gaining seven places up compared to year 2008. Strong educational system and large market bring greatest

benefits to investors. There has also been a significant improvement in the quality of Poland's public institutions.

3.3. Organization

Having dealt with resources and capabilities of HP SSC in Poland, its determining industry and institutional conditions, the organization will be now examined. Even valuable, rare and difficult to imitate resources and capabilities can not be reached and further exploited, unless the company is appropriately organized. It is the organization that contributes to the development and leveraging full potential of its resources and capabilities. According to Eisenhardt (2002) strategy is organizational. Organization is something more than just an organ to implement a programmed strategy. Having in mind today's vibrant and turbulent environment (markets), strategy is about of choosing an excellent team, picking the right roles for team members and then allowing their moves to emerge. HP's way of doing business confirms that a strategy is firm and clear at any point in time but is also able to change quickly when needed. HP widely successful global strategy from the mid-1980s till now led the company to the domination of the global IT industry. It is now crucial to get a deeper insight into the organization of the HP SSC in Poland.

The table below shows different organization approaches and structures. However, for the purpose of this thesis only corporate structure relevant to Hewlett-Packard company will be explained and characterized, namely centralized hub. Its key features are that strategic and operational decisions are retained at the headquarters, global-scale efficiency, assets are centralized and globally scaled, and knowledge development takes place at the center.

Table 3. MNE Strategy-Structure Features

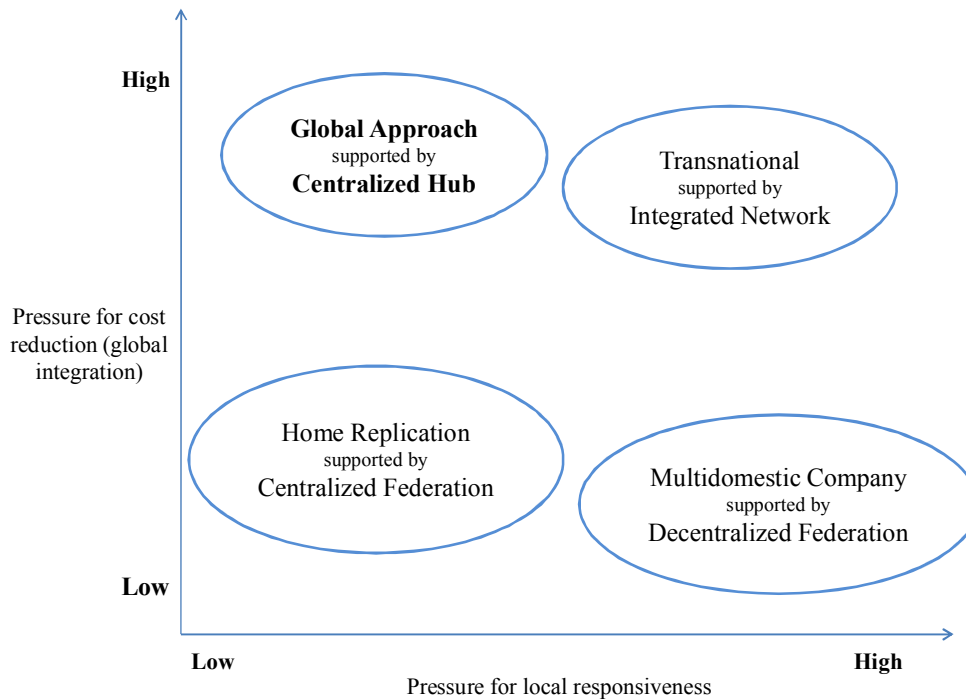
	Decentralized Federation	Coordinated Federation	Centralized Hub	Integrated Network
Strategic approach	Multidomestic	International (home replicator)	Global	Transnational
Strategic (S) and Operational (O) Decisions	S and O delegated to divisions/countries	S retained at headquarter, O delegated to division/countries	S and O Retained at Headquarter	S and O delegated to most capable entity
Key strategic Capabilities	National responsiveness	Worldwide transfer of home country	Global-scale efficiency	Local responsiveness, global

		innovations		efficiency, worldwide learning
Configuration of critical assets and capabilities	Decentralized and nationally self-sufficient	Sources of core competencies centralized, others decentralized	Centralized and globally scaled	Internationally distributed and interdependent assets and capabilities
Role of overseas Operations	Sensing and exploiting local opportunities	Adapting and leveraging parent-company competencies	Implementing parent-company strategies	Sensing, adapting, transferring, exploiting and defending in many ways and respects
Development and diffusion of competitive knowledge	Knowledge development and retained within each unit	Knowledge developed at the center and transferred to overseas units	Knowledge developed and retained at the center	Knowledge developed at various centers and units and diffused throughout the organization

Source: Adapted from (Ulset, 2008, Recap Seminar, p.128)

The shared services center in Poland operates and is organized as a global delivery hub and represents a centralized organization where business functions are concentrated into one single place and provided to several other units (Becker et al.,). It reports to the HP's headquarter in Geneva. At the SSC in Poland business functions in the field of HR, accounting, marketing, procurement and other back-office processes from all EMEA HP's units are gathered and completed. This center deals with non-strategic operations allowing the organization and headquarters to be focused on core competencies and freeing them from time-consuming and routine processes. Although the SSC in Poland operates as independent and individual organization specializing in particular business operations, it executes and performs the decisions and business assumptions defined at the headquarter. The organization is aligned to the strategy which is presented below. Undoubtedly, Hewlett-Packard puts an emphasis on cost reduction meaning that global integration is the primary focus, while local responsiveness plays a secondary role.

Figure 2. MNE Strategy-Structure Alignment



Source: Adapted from (Ulset, 2008, Recap Seminar, p. 135)

Although all elements of the TCE model have been above mentioned and described individually, they can not be viewed separately since they do not occur independently but they interact and affect each other. They build an integrated picture of the strategy of the HP SSC in Poland and its forces that shape it. The TCE model with the focus on HP's SSC in Poland illustrates the company's strategy and explains the relevance of shared services approach for the HP's overall success. From the heart of the model it is noticeable that the HP's international strategy is a balance and trade-off between global integration and local responsiveness.

Having described in details the case of the HP SSC in Poland on the basis of the TCE model, the above three strategic problems will be now viewed together and examined more thoroughly. Firstly, right location is a prerequisite for the success of a shared services center (Kalinowski, 2009). Looking at the HP company, its global business center in Poland is defined as a global delivery hub in a low-cost location, specializing in transaction processing. The shared services center in Poland is an integral part of the entire network of locations with

its well-defined and ascribed tasks and operations. It follows and executes the strategy and goals of the whole Hewlett-Packard organization.

The TCE model encompasses and explains motives, requirements and structure of the HP SSC in Poland. The motives of shared services are embedded in the HP strategy which is aimed at cost savings and global integration. These cost savings are reached by the combination of factors stemming from industry and institutional conditions and access to resources and capabilities.

HP's global map of shared services centers demonstrates that the company has chosen locations for its operations regardless the distances from the country of origin, but on the basis of most relevant factors suiting its business strategy and meeting the customer needs. Wroclaw shared service centre is an offshoring location of Hewlett-Packard. Poland is a geographically distant country from the headquarter placed in USA, but cultural closeness and other aspects, such as law and regulations, labor force, and costs, determining IT industry in which HP operates made the location attractive and suitable for establishing a shared services center. In the perspective of resources and capabilities retained at the SSC in Poland it is important to examine what these resources and capabilities exactly are. Remembering that resources and capabilities should be valuable, rare and hard to imitate, an issue arises whether the SSC in Poland successfully follows and imitates the corporate resources.

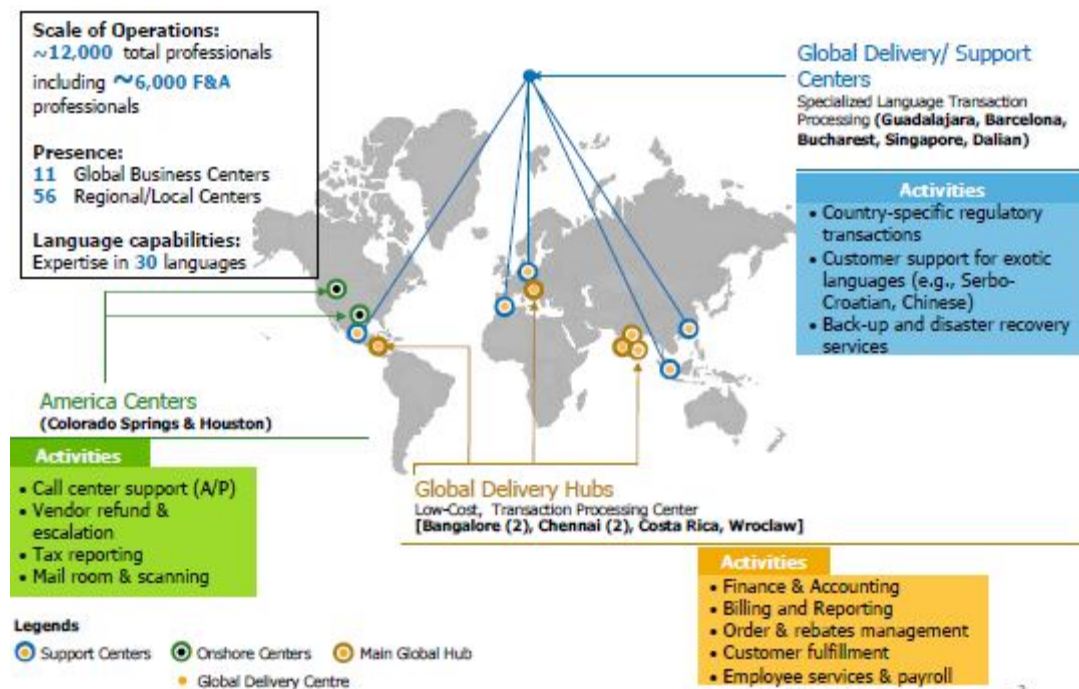
Finally, organization plays a key role in the company's strategy. Organization is a linking element of company's internal resources and capabilities, and external forces stemming from the industry and institutional environment. It is the organization that combines all company's market factors and through their configuration and coordination creates value to the company. The organization form of the shared services center in Poland will be viewed, its integration with the global network of HP business units and its benefits for the rest of the HP corporation.

Broader explanation of the three strategic problems and theory were needed to run the proper analysis which will include evaluation, interpretation and judgement of the information, facts and studies included in the paper.

3. Analysis

In the analysis section the specificity and characterization of the SSC in Poland will be given which are needed for the evaluation and interpretation of the information included in the TCE model. The Hewlett-Packard Company is one of the biggest technology corporations in the world. The company specializes in development and manufacturing of storage, computing, and networking hardware, software, and services. In order to consolidate and improve its world-wide operations, HP has established a network of global business centers that are responsible for accomplishing support activities (in fields such as finance, accounting, human resources, customer support, reporting, supply chain management, etc.). The task of these centers is to carry out the above mentioned business processes on behalf of other HP units. The company has currently 10 such centers located in Costa Rica, China, Spain, Mexico, India and Poland (Kalinowski et al., 2009). The illustration below demonstrates the SSC in Poland and its position in the HP’s global delivery model and sourcing.

Illustration 4. HP BPO Global Footprint to “right source” responding to unique client needs



Source: Downie, P., 2004, HP EMEA E-invoicing Program Manager, p.3.

Hewlett-Packard's shared services center in Poland was established in April 2005 together with the official company named Global eBusiness Operations Spółka z o.o.. The company started then the process of hiring and training its first managers and employees. Accounting and financial services, human resources and payroll administration, and processing of orders and purchases were initially performed on behalf of HP units located in Europe, Middle East and Africa (EMEA region). Currently, the center employs ca. 1800 people, accountants, business analysts and other certified specialists.

The specificity of the center's operations requires to employ specialists who are able to communicate in all EMEA languages. HP puts significant attention to the quality of provided services and adequate competencies of its employs. To guarantee high standard of provided operations, a candidate for the global business center in Wroclaw should be fluent in English and should know a second EMEA language depending on his/her job position. Language skills and other qualifications are key advantages of the center. Business operations and activities are conducted in more than 30 languages.

The center deals with providing complex business services mainly for the internal client which are other HP's business units located in Europe, Middle East and Africa; and for external customers such as Procter & Gamble or C&A. Originally, Wroclaw SSC was created with the exceptional service of HP's other business units. Within the time, when the center has developed and gained the right level of proficiency it became able to provide its services to external customers (other corporations). However, the decision on whether the center can also serve external customers is taken by the headquarters in Geneva. Since the HP internal interest, and internal processes are at priority, after meeting the needs of the mother corporation the center may offer its services to the outside of the company. Wroclaw is one of the most advanced centers of business services in Europe regarding not only scale, scope and complexity of the processes, development level of the services, but also regarding the number and the type of customers. Initially, the center was responsible for dealing with receivables and liabilities settlement for the HP corporation Europe. Within the last years the offer has been expanded and upgraded by additional financial, accounting and outsourcing operations. Services in the following fields are accomplished at the center:

- **Finance:** proving services including financial analysis, controlling, financial leasing, meeting receivables and liabilities according to the international standards between HP and customers from EMEA region (Europe, Middle East, Africa)

- **HR:** broadly understood services in the administration of personnel, recruitment, payroll etc.
- **Marketing:** preparing marketing analysis, monitoring HP campaigns with the corporate marketing and branding standards
- **Supply chain:** purchases' administration and management; controlling of orders' status and creating profiles of new suppliers in the system
- **Supportive operations:** assisting already existing processes with the focus on quality management, transfer and optimization of business processes, project management, communication, knowledge and talent management and employees' growth
- **Center of Excellence:** financial activities including financial analysis in the field of operational and marketing costs, controlling for the EMEA region, financial reports, budgeting and prognoses (HP Annual Report, 2009).

The shared services center in Wroclaw currently provides 32 processes (services) in the area of finance and accounting, administration of personnel and payroll, sales processes, order and purchase processes, financial reporting, marketing, as well as advanced business processes. The services are grouped in four major businesses:

- Global Business Services
- Finance Center of Excellence
- Business Process Outsourcing
- HP Financial Services

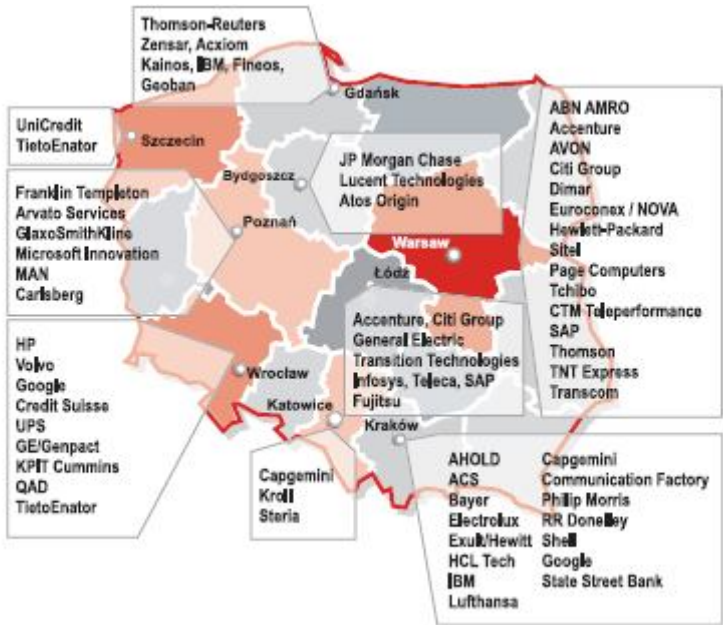
Looking at the past-presence-future path of the shared services center in Wroclaw its success is noticeable. Initially, the center dealt only with simple financial and accounting services, and administrative operations. Currently, the services are performed in human resources, marketing, supply chain etc. The good performance of the HP shared services center in Wroclaw means that the company in the nearest future wants to expand its operations by offering constantly new financial, business and marketing services and is planning to increase the number of employees by 1000 people, bringing the total workforce to almost 3000 and making the Wroclaw SSC one of the most efficiently growing and effectively progressive HP units in Europe.

The TCE model as an integrated approach perfectly illustrates on the example of the SSC in Poland the key factors of this international strategy. The model address the main

question, why the Hewlett-Packard company has chosen Poland as a destination for its shared services center and what are the Poland's attributes in the context of the SSC. Location, resources and capabilities, and organization are three strategic issues to be considered and are key factors for a successful shared services center.

Industry and institutional conditions in Poland have influenced the initial decision of the HP company to establish its SSC there. Since the key driver of a SSC is a vast cost reduction and improvements in service quality and performance, the location has to possess attributes relevant for a SSC which in turn will result in the accomplishment of the earlier defined goals of the company. Studies and surveys mentioned in the previous section imply that Poland has become one of the key destinations for placing shared services centers. The Poland's attractiveness for the service industry may be proved by the number of companies having their centers in Poland which is shown on the Illustration 5.

Illustration 5. Selected finance and accounting, and IT centers in Poland



Source: Jones Lang LaSalle, 2009, Invest in Poland, Onshore, Nearshore, Offshore: Unsure?, p. 7.

The capabilities of the HP SSC in Poland depend on a number of factors such as general economic situation in Poland, availability and skills of human capital and academic backup. Thus, a study will be presented below in which these factors are judged comparing Poland to other countries.

Poland's economics and demographics are a great base for having service performance. Friendly business environment with transparent rules and international compliance, government and EU incentives support foreign investors with their projects. Furthermore, thanks to the EU data protection law Poland offers a high level of operations' safety, and allows provision of a wider scope of service operations. This gives Poland's advantage over India or China. To mention Poland's impressive economic results, such as relatively high and stable GDP growth compared to other EU members and stability, Poland is the sixth largest country in the EU. The HP SSC Poland needs people with relevant education and qualifications and this within reach in Poland due to the extremely large human resources potential. 39 cities over 100,000 people, 7 agglomeration areas of approximately 1 million inhabitants create Poland as a country with huge capabilities for numerous BPO and service centers. Additionally, Poland is a country with young human capital. 47 percent of Poles are under 35 years old. This is a key factor since the HP SSC in Poland is characterized by young population. Secondly, not only quantity but also quality of Poland's labor force is a critical aspect for foreign investors. In 2008 there were 455 universities and 1.94 million students with the main academic centers in Warsaw, Krakow, Wroclaw, Katowice, and Poznan. Diversity of education and wide range of language capabilities are a hallmark of Polish labor force. German-, French- and Russian-speakers obviously distinguish Poland from other service locations such as India, China or Malaysia. What is more, good command of languages such as Norwegian, Spanish, Italian, Hungarian, Finish and others is available among Polish staff. This is especially of strategic importance since the HP SSC in Poland provides business processes for the EMEA region. In addition to excellent language skills, high motivation and mobility of labor pool, relatively low salary expectations, and stable labor market with low attrition rates are the dominant drivers for international enterprises to set up service centers in Poland. Thirdly, a geographical aspect can not be underestimated. Poland is situated in the heart of Europe. Its cultural and physical proximity to Western European markets, as well as being a transit country to the East make Poland a particularly interesting location for BPO and shared service centers. Real estate market is another key factor while establishing a service center. Poland offers modern, flexible, and highly-specialized and diversified office space available from 13 Euros per square meter per month, while the average for Europe is ca. 16 Euros per square meter per month. Especially prime office headline rents are much lower in Poland than in Europe. Thus it makes Polish largest cities more competitive than other European cities such as, Bucharest, Budapest, or Prague. Naturally, Warsaw as the capital has the highest prices, followed by Krakow, Wroclaw and

Tri-City. Moreover, cities such as Szczecin, Lublin, Olsztyn, Bydgoszcz, Torun are newly emerging locations for service centers in Poland. Bearing in mind that Poland is a co-organizer of Euro 2012 football championship, significant investments have been done especially in transport infrastructure, highways and airports, which will make Poland even better connected and linked to the international business world (Jones Lang LaSalle study, 2009).

Having a closer look at the Wroclaw city, where the HP SSC, is recognized as a base of substantial number of businesses in high-tech industries. Lower Silesia region right after Masovia region (with Warsaw) offers the best investment attractiveness potential. Its large human capital resources, well-developed network of motorways, and business infrastructure, and constantly growing number of research and development centers make the region especially attractive for BPO and SSCs. HP shared service center is located in the heart of Polish innovation source. Wroclaw with its numerous academic hubs, research and development centers, and companies representing advanced sectors is great location enabling creation and development of the newest service solutions, and hereby creates a favorable business conditions for service activities. Next to HP, companies such as IBM, Nokia, Volvo, LG, Toshiba have recognized the potential of Wroclaw city and have build an IT cluster and have launched knowledge-intensive investments.

Besides, the city together with highly regarded universities and research centers support knowledge economy and foster new ideas and innovation (www.araw.pl). Furthermore, foreign investors claim that Wroclaw offers a very good investment climate. They praise the cooperation with local governments and authorities. One of the greatest advantages of the region and Wroclaw is its strategic location. Not only is the city situated close to the German and Czech borders and thus close to Berlin and Prague, but also within a couple hour-distance other European cities are quickly reachable (www.msg.uni.wroc.pl). According to the Forbes rating (2010), Wroclaw is the most business friendly city of Poland. Competencies of administrative workers, speed and proficiency of solving the matters, openness of local authorities and politicians on the business issues, transport infrastructure, and city spatial planning were judged (www.forbes.pl/wiadomosci/rankingi).

Undoubtedly, HP benefits significantly from the proximity of innovation and service centers. Within the Wroclaw cluster there is a tight cooperation between local government, colleges and universities, specialized higher education institutions and operating companies.

The members of the cluster can effectively use their competences, research and development capabilities through joint development and knowledge exchange, as well as through joint implementation of innovative projects (www.ict-cluster.wroc.pl)

Many studies have proven that companies operating in clusters score better results and are more competitive. Being within a network enhance the ability to withstand the fierce market competition and stimulate the company to monitor constantly changing environment and adjust its strategy to the current needs and examine the future requirements in order to act quickly.

Further interpretations concern Poland as a shared services center location in more institutional terms. The greatest advantages that Poland offers for the SSCs are stability, economy, FDI attractiveness and human capital. Poland's membership in the EU, NATO and OECD makes the country as a trustworthy and reliable partner for international business and guarantees stability and further dynamic development. What is more, Polish economy is prospering very well, developing faster than the Euro zone (Doing Business in Poland, 2009).

The number of FDI job creation, number of FDI projects in Poland confirm that the country as the sixth largest economy in the EU with population of ca. 38 million people has huge potential and foreign investors do not hesitate to allocate its assets here (Kalinowski, 2009).

Human capital is the flagship attribute of Poland as a shared services center location. This advantage is seen in various aspects. Not only does Poland offer competitive labor costs, but also the quality of available labor force is on the highest level. From the perspective of shared services centers, young, highly-educated people with knowledge of foreign languages are needed. Moreover, Poland's labor force possesses a high expertise in finance, accounting, human resources, marketing and other support business processes.

The greatest disadvantage of Poland's location is the infrastructure. Although the country is easily accessible since it lies in the heart of Europe, internally there is poor motorway infrastructure. Predominantly, in Poland there is a shortage of motorways connecting the largest cities as well as the lack of beltways allowing cars and trucks easily transit across the country. In addition, the quality of already existing roads and motorways is

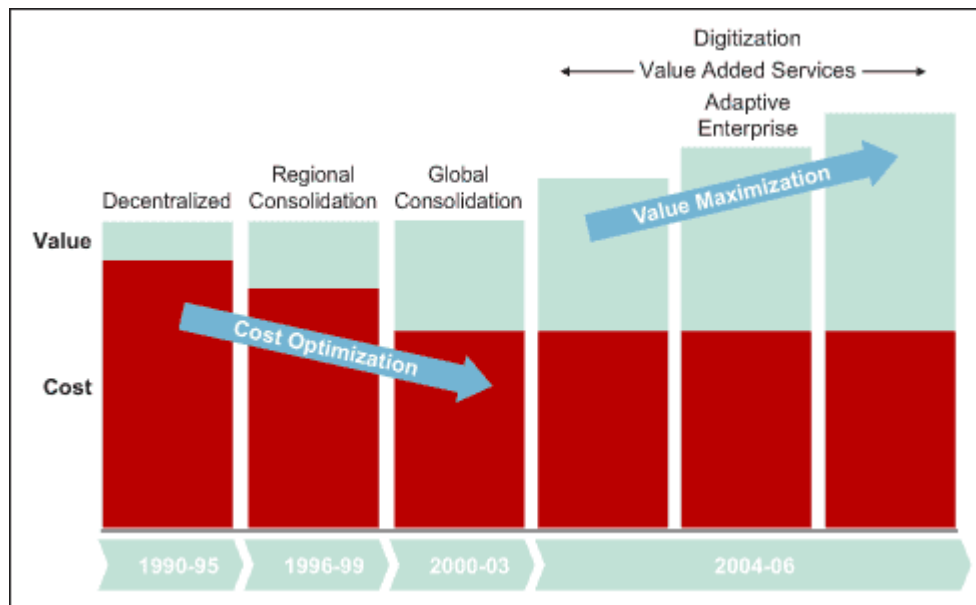
very low. Undoubtedly, hosting the EURO 2012 should encourage and speed up investments and developments in this area (Kalinowski, 2009).

Analyzing now the second strategic problem which are resources and capabilities of the SSC in Poland, it has to be said that this center is an integral part with the HP viewed as a global corporation. The SSC in Poland represents and owns the business concept and input stemming from the HP headquarters. Some of the resources and capabilities have been imitated and transferred from abroad to Poland. These are the HP's unified and standardized tools and methods of doing business, corporation goals and overall strategy. They were crucial at the early development stage of the SSC in Poland. The role of the SSC in Poland is to exploit the original assets while using the available resources and capabilities developed and gained already in Poland.

The HP shared service in Poland is a part of the corporation ongoing program to optimize efficiency and reduce costs across the company. Shared service center approach is a part of these efforts. The SSC in Poland executes the HP's multi-year program to consolidate real estate locations worldwide to fewer core sites in order to reduce its IT spending and real estate costs. HP has started its way to the shared service approach at the beginning of 1990s, when a company set a strategic goal to reduce operating costs which is demonstrated on the Illustration below. Transitioning from a fragmented operation to a process-based business was the greatest challenge HP had to face while deciding for SSCs. Through the integration of the back-end work of individual business units and countries, HP planned to gain benefits of consistency in process, operating efficiency and first time quality. This meant establishing standardized rules and processes in order to achieve a simplified, streamlined, and consistent process across multiple business units in all regions that HP operated. Undoubtedly, it was not an easy task remembering that HP is a global firm operating in 178 countries (HP Annual Report, 2009).

The HP SSC in Poland resembles the goals and aspirations of the entire corporation. Since the initial task of the HP SSC in Poland was to work on cost efficiency in the offered services, over the time value maximization has become one of the center's focus which is shown on the illustration below.

Illustration 6. Hewlett-Packard's Shared Services Experience

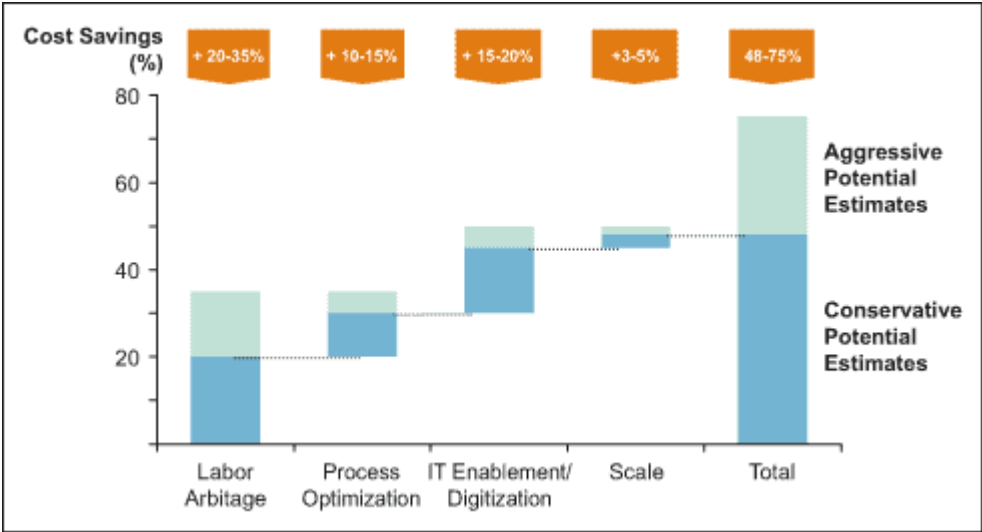


Source: Hewlett-Packard Annual Report, p. 27.

It is noticeable that the HP has recognized two phases of SSC journey (Illustration 6.). While the first stage is cost reduction, standardization, and simplification, value creation and quality enhancement is a core of the second phase. Currently, HP is on the second phase of this journey leveraging its shared service model which allows improvement in cash flow performance and optimization. HP strongly believes that shared services operating model supports and enables the shift from a traditional back-office function to a true service provider. HP shared services centers not only relieve business units from transactional processes and administrative tasks, but also delivers services in a concentrated structure, improving process and service quality at reduced cost. (Mara, 2007).

Since the goal was to optimize the cost base and enable the operations to become more efficient, the effects of the SSC in Poland are increased productivity of other HP business units. Gathering particular business operations at one unit (SSC in Poland) enable economies of scale and process improvement (Nagali et al., 2008). Other key benefits offered by the SSC in Poland are great cost savings, efficiencies, experienced and motivated people, broad capabilities and skills performed, reduced risk.

Illustration 7. Significant Cost Savings through BPO



Source: Hewlett-Packard Annual Report, p. 32.

Apart from strictly cost linked motives, there were other strategic results of SSCs; agility, acceleration of business growth and risk mitigation. Frank (2005), HP Vice President in Consulting System Integration, distinguishes following benefits from the SSC in Poland. Shared service center deliver to other HP business units improved cost efficiencies, economies of scale and higher returns. It brings improved quality and better responsiveness for customers needs, accelerated business and alignment, and enables more effective risk identification and management. Finally, SSCs increase flexibility with sourcing options. The greatest stimuli of starting shared services model was HP’s customer demands (HP business units search for reaching the next level of optimized efficiency while continuing to reduce their operating costs) and needs.

The resources and capabilities originating from the SSC in Poland are certainly people and their qualifications and skills that are claimed to be at a very high level. From the HP webpage (HP.COM) it is easy to derive that at the SSC there are people working with passion, dedication and full of brilliant ideas. Not only young graduates who give fresh and modern concept build the human capital at the center, but there are also experienced specialists whose knowledge and skills are valuable for the company. Furthermore, the number of the employees (ca. 1800) itself explains that there is a wide-range of nationalities, cultures and personalities contributing to the success of the SSC in Wroclaw.

Finally, the strategic issue of organization raises a question whether a centralized hub is the proper form to exploit resources and capabilities while exploiting and adapting to the industry and institutional conditions in Poland. The SSC in Poland is characterized by hub organization. It means that particular business operations (finance, accounting, HR, marketing etc.) from all HP units in EMEA region are gathered at the center. This result in the specialization of the SSC in Poland in several business services. Consolidation and standardization of such business processes lead to global efficiency, improved service quality and let the other HP units focus on their core functions. This type of the organization helps to successfully execute the HP strategy assumptions that are global integration and cost leadership.

To conclude the analysis part, Poland possess attributes relevant for the SSC operations. Political and economic stability is a prerequisite to run a safe and secure business in the long run. The appropriate human capital base that is needed to perform business processes in the field of finances, accounting, human resources, marketing etc. is available in Poland at reasonable costs. What is more, a wide range of language capabilities enables the HP SSC to execute the business operations in the numerous languages of EMEA region. Further, the hub-formed organization of the SSC in Poland is based on the specialization in the supportive business processes for the HP units. The SSC in Poland treats these processes as its core competencies and as a result the center performs them at the highest level bringing to the entire organization cost effectiveness and efficiency and significant quality improvements. Resources and capabilities embedded in the SSC in Poland, its organization and location build a great combination for a well prospering global center. It can be stated that the Wroclaw SSC and its organization form perfectly match with the whole corporation and its strategy. In this configuration, while the SSC in Poland specializes in execution of support business processes for other HP business units, the HP headquarters are responsible for setting strategic goals and taking critical decisions. This gives a well-organized company structure, specialization and avoidance of overlapping and repeating which is eventually reflected in the improved quality of provided services and guarantees company's efficiency and effectiveness. Furthermore, locating the SSC in Poland, in a low cost country with relatively low labor cost and high quality of human resources has been a decisive contributor to the overall success.

4. Conclusions and recommendations

It can be stated that the Hewlett-Packard's global business center in Poland is an example of a successful shared services center. The TCE model as a framework for the analysis has shown the requirements of the SSC in Poland in terms of resources, organization and location. Unique resources and capabilities refer to the execution of business processes in the field of finance, accounting, marketing, supply chain management. It is achieved thanks to the availability of well-educated and highly-trained human resources in the Wroclaw SSC. Furthermore, to achieve high quality of offered business processes the organization in form of a hub is needed. It gives the specialization in the field of above mentioned business processes. Since the SSC in Poland is responsible for delivering business processes in the EMEA region, its location in the heart of Europe is of advantage. Researches and studies mentioned in the thesis place Poland in a very positive light on the international scene and position the country among the key destinations for shared services centers. Factors such as cultural and geographical closeness to Western Europe, highly-qualified labor force with diverse foreign language and specialized skills, low risk profile including EU data protection and international compliance, and far reaching cost advantages stemming from the labor market, real estate, government and EU incentives make Poland a perfect location for shared services centers (LaSalle, 2009).

Shared services as a business strategy has its roots in business process outsourcing. Cost effectiveness and reaching economies of scale were the initial driving forces of this approach. The shared services center in Poland increases value of the company by cost reduction of support HP functions and better financial control. Thanks to the standardization and consolidation of HP business processes at the center, higher quality is achieved. It enables the company to exploit better technology investment and frees business units from strictly administrative and support tasks. Thus, being able to focus on operations of higher value added and to build a highly motivated organization oriented on quality improvement and customer needs.

The TCE model has demonstrated that the key element is to exploit and/or adapt to environmental conditions (industry and institutions) in most efficient and value-creating way which will result in eliminating competitive disadvantage and if performed well enough will

lead to creating a competitive advantage. Besides, it illustrates that the shared services center in Poland and its strategy of global integration and cost leadership is formed and influenced by industry and institutions, and firm-specific resources and capabilities. The hub organization of the SSC in Poland bonds all these elements into the integral part and successfully manages to exploit its resources and capabilities while following the “rules of the game” in Poland.

Dunning’s studies have highlighted that the location itself plays a decisive role while searching for a SSC destination and that the location may turn to be an advantage or disadvantage. A number of criteria influences the perception of Poland as a shared services location. Not only macroeconomic factors such as country’s development level, political and legal environment; but also more business-specific aspects, such as business environment, proximity to research and innovation centers, access to well-educated and highly-qualified labor force play crucial roles.

To conclude, the case of the shared services center in Poland proves that the Hewlett-Packard company effectively and efficiently manages its business processes on the global scale. Undoubtedly, the studies and surveys, above analysis, and plans of further expansion and development of business processes performed by the SSC in Poland demonstrate that the center is the successful example of a shared services center. Moreover, it has been presented that the shared services approach successfully suits and supports the company’s strategy which is focused on global integration and global cost reduction.

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