

THE IMPACT OF THE CORONAVIRUS PANDEMIC ON THE BUSINESS SERVICES MARKET – LESSONS LEARNED AND OPPORTUNITIES

28.02.2021

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Process Solutions (PS) with the participation of leaders of some of its European network companies, has carried out an international survey on the systemic changes that the COVID-19 pandemic has brought about and can bring about in the functioning of the BPO market.

PS experts agree that following the sudden, unprecedented health and economic crisis caused by the coronavirus, in addition to the initial shock effects, there may be long-term and significant positive benefits for the global economy, including for the BPO market. In our unanimous opinion, the step up of digitalisation is the most significant „benefit“.

COVID-19: GLOBAL ECONOMIC AND HEALTH CRISIS, ALL AT ONCE

Although the two waves of the pandemic so far have had a significant different run-off on the economies of the countries of our experts who participated in the survey, and in particular their health system, they have experienced very similar phenomena and changes.

In the spring alarm, governments decided almost always for the most complete „lockdown“, due to the partly understandable lack of preparedness and protection of people. All institutions and enterprises where it was possible moved to full home office. There was a country where even 90% of office workers started working from home. It was also typical that, at that time, a drastic cut-off of investments had been made in several countries.

After “getting acquainted with the virus“, the second wave is better treated by governments, with much more planned and constant balancing between

the increasingly shrinking „potential“ of economic protection and the „necessity“ of protecting human life. Although the countries under investigation have experienced a crisis in different ways depending on the current strength of their economy, before COVID, the experts consulted indicated tourism and hospitality among the biggest losers in the pandemic, which is consistent with the data from other analyses.

It should be noted that, due to the continued decline in their reserves, the frustration of both the companies and the population is increasing in several countries, while, where vaccination is progressing at a good pace, there is increasing confidence in the rapid recovery.

As always, there are winners of the crisis. Sectors whose goods and services were essential for „survival“ during and after the changeover to „lockdown“ may have developed significantly. For example, in the energy, technology and telecommunications sectors, we have been reported by our experts about increasing profits.

COVID CONSTRAINT, WHICH HAS BROUGHT A REVOLUTION – DIGITALISATION AND HOME-BASED WORK

Transformation in the way of working

Our experts' experience shows that the forced transition to „home office“ was anticipated as a huge challenge by everyone. But obviously, countries and/or companies that have reached a high level of digitalisation in recent years have managed to do so more painlessly and quickly, i.e. in which contacts with state agencies and/or business players have been made mainly online before the pandemic. This has given rise to a negligible amount of administration

requiring a personal presence or 'service telephone' and to the substitution of mail by e-mail and online contact portals.

In other words, developments along the lines of a fashionable 'paperless office' approach, which has so far only been environmental and/or efficiency-enhancing, have also, almost literally, provided life-saving solutions to the epidemiological protection.

Overall experience is that countries, state agencies or firms that have been lagging behind in digitalisation have been able to adapt to the lockdown at a much slower rate and at the cost of much higher efforts.

The fast transition to „home office“ has 3 key conditions: digitalised processes, mobile devices and IT security systems

PS Network offices were also ones of those who were able to move quickly and without hesitation to work at home because we were able to adapt to the expectations and practices of our clients with advanced technology systems. This was due to the situation that even before the pandemic we:

- were at the forefront of the digitalisation of their processes,
- had mobile IT equipment and
- have already met the strict IT and data security requirements for remote access.

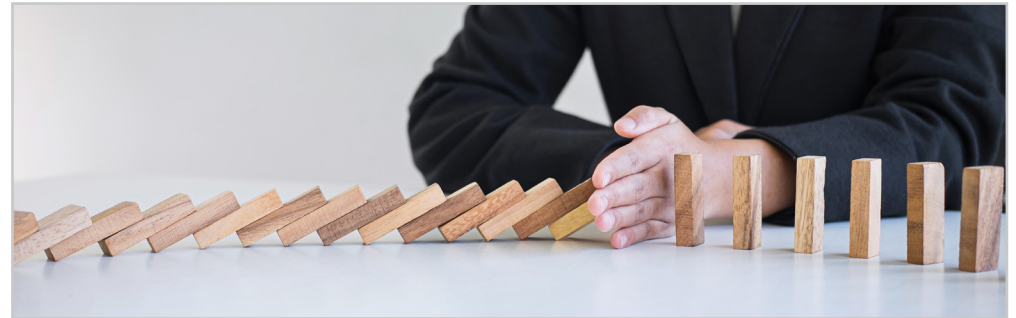
Thus, after fine-tuning some processes and some system development, a 'COVID-resistant' service was provided to our clients. These „fine-tuning developments“ were already under way at the start of the pandemic, as they would

soon have been ones of the basic expectations of multinational companies that require secure and high-quality services.

Ensuring business continuity in a crisis situation is a key issue

For BPO firms, ensuring „COVID-resistance“ is a crucial issue: whether it is a financial, accounting or payroll service, whether the clients be SMEs or multinational companies, they expect their service providers to guarantee them the continuity of the business. These core business functions cannot „stop“ even in the context of an economic crisis and health emergency, even if the existence of the company is threatened by the complex effects of the pandemic, since they must fully perform the functions defined by the legal and statutory obligations.

Whether today or in the future, the only question is if these functions are performed with their own workforce in-house or with the involvement of an external service provider



What are you going to expect after the pandemic? – Lessons learned, tasks and opportunities

A step change in digitalisation – a more modern business environment with the need for re-regulation

According to our experts, the COVID pandemic has forced the modernization of the economy based on digitalisation to a degree that would have been achieved in several years' time by a number of state authorities or companies, which still operated according to the 'off-line' logic, without any pressure. This sudden development is a major challenge for governments, which must „follow“ these changes by developing appropriate legislation with rules that are flexible and enable fast reaction.

“Home office” is a widely used and popular solution, but it raises many questions

The pandemic COVID-19 has changed business processes and the environment in a very short time, including the explosion of „home office“ (HO) or large-scale switch to digital communication channels, which reinterpret the relationship between „work“ and „home“.

The popularity of „HO“ for workers, as our experts also confirmed, is beyond doubt throughout Europe.

Much more companies have become open to HO, as the job-efficiency concerns associated with it substantially proved to be false, so that it will certainly remain with us in the future.

The regulation of labor law for HO is expected to be reconsidered in several countries so that it can become a truly new form of employment.



However, it was noted by some of our experts that continuous HO cannot be sustained in the long term. As many other analyzes suggest, finding the right balance between office work and HO in all sectors is a joint task for employers and employees.

In particular, because of the lack of social ties in the workplace, the “full home office” could have a negative impact on the motivation of the employee, on team spirit, and ultimately on the quality of the work and, in more severe cases, even on the mental health of the employee.

The successful management of HO requires a change in approach, according to which it is not the availability of staff, but the performance that must be monitored during evaluation. This approach should give employees considerable flexibility in the day-to-day schedule of their tasks. They have much more opportunities to find a work-life balance that is optimal for them, while their performance is not declining and there is a chance to build an even more motivated and committed team.

Opportunities for the BPO sector in the “re-building”

Across Europe, there are changes in attitudes that are most likely to be found in the management of companies that have been largely „off-line”.

These provide significant opportunities for outsourcing providers during and after the re-build, to help them with the expected long-term recovery by providing experience and flexible solutions.

These opportunities are not simply due to the fact that companies that did not think about the previous BPO solutions have become „technologically adapted” to cooperate with modern services. The stronger driver is that, at a time of lack of resources in recovery, the BPO solutions offer a real and economical alternative at a higher level and even backed by guarantees.

Thus, the COVID crisis, by forcing a quantum leap in and change in attitudes toward digitalisation, has put focus on the BPO services as flexible, tailor-made and efficient alternative solutions for most companies compared to operating in-house back office functions.



EUROPEAN OVERVIEW

Hungary

„In Hungary, the virus has stopped a market growth over the last 10 years. In the first wave, pessimism and alarm were much greater than in the second wave. However, the time of the virus itself has helped to bring about many changes that could have been made for a long time in order to make it more efficient for business,” said András Szalai, Managing Partner of PS Hungary.

The second or even the third wave is currently taking place in the country, and this time the transition has been smoother than in the spring. It seems that all companies are much better prepared, more prudent and reshaping the processes is more thought-out than before. In those industries where the problem seemed to be high, they were able to deal with the problems and many are already preparing for the recovery that this year, 2021, could bring.

Transformation in the way of working

Work is done from home wherever possible – especially in the office work. In the case of blue collar jobs such a change is obviously more difficult, but a solution has been found in several places. The virus has also had an impact on the labor market, perhaps a movement has started, which makes it easier for companies to find people with better quality than before the pandemic. Where necessary, the situation has led to reductions and reductions in wages and allowances.

The second wave is more predictable than it was in the spring, and while many people have reacted drastically to the first wave, the virus has now been “priced” in business plans in general.

Changes in the BPO industry

The virus has led to the rapid implementation of long-analyzed projects and the digitalisation has accelerated. This has brought extra efficiency, but in the longer or medium term, these changes would have been required anyway for the ongoing operations. Factors such as online communication or electronically stored and managed documents add value to clients in electronic form, but what used to be an additional layer of the service has now become an expectation. PS was relatively ahead of this and was also able to steer client in the right direction. The current situation also highlights the way in which legislation can be made more effective and the legal procedures that still cannot be completed in digital form.

„There is no good pattern for such a situation in the last 20 years. A serious crisis situation regularly leads to cuts in external costs.. First, everyone wants to plan for their team, while payroll and accounting are vital services that cannot be eliminated. These areas are more generally outsourced by a company, but there may be a decline in the in terms of the number of orders as far as comprehensive accounting is concerned,” adds András Szalai.



Slovakia

Slovakia reacted quickly and effectively to the virus, with immediate and rigorous closures and mass testing in the country that provided a significant proportion of the control before the vaccine was released.

The state was not yet prepared for the first wave, but the second wave was already subject to much more thought-out measures, which led to an increase in the Slovak GDP in the third quarter. Nevertheless according to the experts, the annual deficit shall be close to 8%.

Transformation in the way of working

In Slovakia, the digital switch-over was not extremely difficult for companies and while the spring period was slower, the transition to home working became smooth for the second wave.

In spring, there were still difficulties with the documents – declarations, labor documentation – to be submitted to the government and public authorities but the full digital transition has now been achieved, and the Slovak Government is now adopting everything digitally.

The crisis has hit the tourism, catering industry, as well as the automotive industry, which is of particular importance for the country. Many of these industries have been forced to cuts or even suspend their activities.

Changes in the BPO industry

“What is likely to be the survival of electronic invoices in the Slovak economy even after the virus, as well as digital formalities, but as human contacts are important, business meetings will be largely personal again,” says Andrej Bajusz, Head of PS’s subsidiary in Slovakia.

The digital switch-over of PS office in Slovakia did not cause any particular problems because many international clients where work has been done digitally, have already supported teleworking by the company's infrastructure.

Poland

In Poland, too, the situation caused by the virus was primarily treated with restrictions on going out. The crisis has also brought many positive benefits, according to the head of PS office in Poland, Tomasz Takiel. "in the Polish economy, the changeover to home office has been very well managed, and our own experience has shown that work can be fully managed, because people have been willing to work from home anyway. It has been found that working processes can function effectively, and there have been no significant delays in the deliveries."

Compared to the first wave, the situation in the second wave in the autumn was much more predictable, and the public and market players feel that it will be temporary only.

During the first wave, the government has provided significant support to firms that were unable to pay to their employees. At the same time many companies that were not in the need of subsidies also benefited from the aid.

In the second wave, this is why the problem is far more serious economically, especially in tourism, because companies have not been able to set up reserves, but have already spent the subsidies received before.

Transformation in the way of working

PS's office considers that about 20% of clients have gained from the situation, mainly IT companies that were already prepared for home office. Another 20%

is very affected, especially in sectors such as tourism. These companies are still in a very difficult situation.

The remainder of the companies in Poland, around 60%, can be relatively stable even during the pandemic. However, the question is how long the second or third wave takes.

There is no panic on the market at present, but in March 2020 many people were very frightened, immediately dismantled and investments were stopped. Companies have now become much more prudent, so they are also making more disciplined decisions.

"The viral situation is a one-way street, most of the transformations are likely to remain with us in the future," says Tomasz Takiel.

Changes in the BPO industry

Almost all administrative formalities in Poland have been working electronically since 2019, which has enabled the BPO profession to respond quickly and flexibly to this challenge, but only a few small changes have been made in the process of administrative contacts.



“In the future, similar situations must be prepared for and things such as corporate insurance must be considered, as in many places, insurers were not called upon in terms of such matters. An important lesson is that almost everyone in the business sector can work remotely and the situation has shown that there is no need to fear that work cannot be completed remotely,” the expert added.

Czech Republic

The pandemic situation in the Czech Republic has developed in the same way as in the other countries of the region. Although the country has been very intensively affected by the virus, the government has also reacted with closures.

While fear and unpredictability were the main characteristic in spring 2020, both the market segment and the government reacted more slowly to the second wave, partly because of the forthcoming elections, and people were less afraid than in spring. It is noted that the population has taken measures in cities much more seriously than the rural population, so it can be seen that the virus has spread more rapidly in smaller settlements.

PS clients experienced immediate restrictions in the most affected sectors. Among these, the cut of the budget, the cease of recruitment and the lay-offs were the most common ones. There has been a package of government assistance, which often required the involvement of external accounting providers, which has resulted in additional work for the BPO sector.

Transformation in the way of working

The work has also changed substantially as a result of the closures. Multinational companies have taken home office and security measures very seriously.

Companies are trying to support this type of work, several companies have provided chairs and monitors for workers to work more comfortably from home.

„The trend of digitalisation is likely to stay with us in the future. While there were only a few video conferences last year, they were usually telephone conference calls or face-to-face meetings. The latter 2 types (now) have completely moved to the online space,” said Tomáš Frkal, Partner of the PS subsidiary in the Czech Republic.

Changes in the BPO industry

Even before the pandemic, 95% of contacts with the authorities were online, with only minor improvements and optimization in the system throughout the year. The biggest change is that postal, personal and telephone communications have lost their emphasis with the authorities and that e-mail has become increasingly the primary form of contact.

The number of personal audits has fallen significantly in 2020 and the state agencies are working on longer deadlines.

A large number of companies were not prepared for digital work, so it was typical that they had to find solutions for infrastructure development at the last moment, such as providing adequate remote access and laptops to work.

Croatia

Croatia's economy has also been significantly affected by the infection. While the first wave had almost complete closures, only restaurants, cafes and gyms were closed in the second wave.

Most of the companies sent office workers to their home office, which was successfully used in the second wave. The Croatian Government has acted in

support of digitalisation, which has enabled a large part of the administration to be quickly digitized in the offices, and has helped to compensate workers who have been laid off and companies in difficulty.

According to our Croatian partner, working at home remains an integral part of life and similar emergencies can be best responded by quick reaction. The company's turnover could even increase in 2020 due to increased efficiency and a relatively smooth transition.

Italy

The impact of the virus on the Italian economy has been significant for a number of factors: The country's economy has been found to be in a weak state of affairs, and its structure has also been marked by sectors that have been critically affected by the virus. Apart from the economy, the financial situation of individual citizens is also relatively bad, and few have had major savings due to the economic slowdown in recent years.

The labor market has reacted primarily by optimizing and flexibility on the situation. In general it can be said that the coronavirus has significantly accelerated digitalization in the country, both in the market and in the public sector.

Tourism and hospitality, which account for 13% of the country's GDP indirectly, among the most affected segments, have been particularly hard hit by the crisis. With the second wave, the proportion of Italian companies that did not detect a negative impact due to the crown virus has continuously decreased. The Italians are even more concerned about the economic impact of COVID-19 and how long the current situation will last than about the pandemic itself. As a result, they are more mindful of their expenditure and have greatly increased the organization of home-based alternatives to activities outside the

home, such as smart work, streaming, video conferencing or online shopping. These habits are expected to persist in the medium and long term.

Spain

Spain's health was drastically affected by the first wave of virus, which led to a partial collapse of the system, but the Spanish hospitals has been better prepared for the second wave.

With regard to the labor market, office work has decreased by around 90% and face-to-face meetings have been replaced by video conferences. Labor administration is already almost completely digital, with the exception of some very specific processes with government institutions. This digitalisation process is also true for business as a whole, and the situation has convinced market players that going paperless is a real alternative and that its effectiveness cannot be called into question compared to traditional paper-based processes. Companies were at different levels of digitalisation before the virus, so they were also faced with different difficulties in switching over. However, today, all companies have accepted the challenge and are willing to think about working at home, for example.

There is a slower change in the case of public institutions, as there is a need to amend all the regulation processes involved.

In most cases, the Spanish company of PS has experienced the effects of the virus on almost all its clients, especially in the tourism and catering sectors, by reducing costs and reducing the number of outsourced services that are not critical.

Not all companies have been negatively affected by the crisis; energy, technology and telecommunications have reported an increase in profits.

United Kingdom

The United Kingdom is among the countries most affected by the coronavirus in the world, and mortality rates are also quite high. It is important to note, however, that the UK is also very active in the vaccination campaign, so that the situation is likely to turn right in the country shortly.

The population has been much more severely suffered and understood the restrictions during the first wave, but in the second wave there are considerably more infringements. In general, people are being taken on board and both the private and the market are showing signs of frustration.

With regard to the labor market, people have been well adapted to the opportunities created by the new situation and most people have welcomed the possibility of working from home. However, according to our UK partner, this situation should be balanced in the future, because continued home office cannot be sustained in the long term.

The usage of offices will change somewhat in the future, and there will be much more of the so-called „nomadic desktop“, where a workstation will be used by several colleagues. As a result, companies can reduce their costs, but industries such as cyber security and IT are greatly appreciated.

The crisis has also brought considerable flexibility to the lives of workers, and working time can be better managed by many people – for example, no one is shocked by someone making a business call while he or she walks a dog, rather than from his desk.

About Process Solutions' BPO Blog

We launched our COVID-19 blog series to share our experience gained so far during the COVID crisis and our views on business changes in the world.

We are confident that this will help our readers to get beyond the crisis with the least possible loss and to get straight ahead as soon as possible, strengthened.

The link to this post:

[The Impact of the coronavirus pandemic on the business services market – Lessons learned and opportunities](#)

Our previous “COVID-series” posts:

- 1 [COVID-19, the invisible factor irrevocably transforming the world — The launch of a Blog Series](#)
- 2 [How did PS adapt its HR procedures to meet the challenges of 2020?](#)
- 3 [Survival competences during a pandemic](#)
- 4 [Questions that must certainly be answered in order to survive an economic and health crisis](#)
- 5 [Themes and aspects that are to be discussed in order to maintain our competitiveness \(Part 1\)](#)
- 6 [Themes and aspects that are to be discussed in order to maintain our competitiveness \(Part 2\)](#)

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