

# 9 Export of business services in Poland and the European Union

## Introduction

Servicisation of products and economic activity resulted in the increased importance of services in national economies (Vandermerwe, Rada, 1988). It particularly applied to business services, which comprise a wide range of services fulfilling the needs of enterprises in terms of marketing, legal, accounting, research & development and other types of trade-related services. The aim of this paper is to present changes in the structure of Polish business services export in comparison to the European Union occurring since the middle of the previous decade as well to attempt to outline the most promising services for Poland in the future.

An analysis was conducted with respect to business services in international trade classified in line with the International Monetary Fund guidelines published in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). The research period covers the years of 2005–2016, and UNCTAD data were used as a statistical source. The employed research methods included a study of the literature of the subject, statistical methods (of dynamics and structure) as well as descriptive and comparative methods.

The paper was divided into three parts. The first part presents the development of business services exports in Poland and in the EU. In the second part individual types of business services in the EU market were analyzed. It served as a reference point for the evaluation of the transformations in the structure of Polish export. In the third part Poland's position was presented in comparison to that held by the EU; furthermore, the competitiveness of providing individual business services was examined.

### **1. The role of business services in Polish export compared to the EU**

The concept of business services refers to various services related to the conduct of business activity and support for enterprises. It is a very wide-ranging category and there are different classifications of business services in the national economy. In the international trade business services are most typically associated with the item of other business services stipulated in line with the guidelines of the International Monetary Fund. The IMF specified standards for the classification of international services trade. In the sixth edition of the Balance of Payments and International Investment Position Manual (IMF, 2009, pp. 301–302) business services along with 11 other service types were recognized in the current account.

The European Union export structure presented in Table 1 shows a dominant and growing significance of business services. In the years of 2005–2016 a systematic growth of revenues on that account was observed. Consequently, business services generated over 1/4 of exports (Table 1). The second position in that structure was occupied by foreign travel, and the third one – transportation services. They each constituted 17–18% of revenue. Overall, the three types of services mentioned accounted for approximately 60% of EU exports.

The development of business services export was also observed in Poland. In 2016 the proceeds on that account stood at 23%. However, transportation services, which constituted more than 26% of exports, were of relatively greater significance. What is more, by 2014 foreign travel still generated greater revenue than business services. While in 2016 the three main groups of services made up approximately 70% of Poland's exports.

The growing significance of business services in the EU, and particularly in Poland, involved the servicisation of economies and industrial production (Manyika et al., 2012, p. 7). At the same time, the intensity of service provision processes within the services network was increasing (Chilimoniuk-Przeździecka, Kuźnar, 2016, p. 145). Particularly research

& development centers and other centers involved in customer service were specializing in their provision.

Table 1  
Structure of services exports of the European Union and Poland  
(services in total = 100; in %)

Item	European Union				Poland			
	2005	2010	2015	2016	2005	2010	2015	2016
Other business services	21.4	22.9	25.4	25.9	14.8	27.2	22.4	22.8
Travel	22.3	19.4	17.8	17.9	34.7	27.1	23.2	22.4
Transport	20.7	20.6	17.7	17.0	30.2	25.1	26.6	26.3
Telecommunications, computer, and information services	10.1	11.3	12.7	13.2	2.6	5.7	9.8	10.5
Financial services	9.8	10.5	10.8	10.2	1.2	1.9	1.5	1.6
Charges for the use of intellectual property n.i.e.	4.3	4.7	5.2	5.3	0.3	0.7	0.9	0.9
Insurance and pension services	3.4	3.2	3.0	3.1	0.8	0.6	0.9	0.9
Manufacturing services on physical inputs owned by others	2.9	2.6	2.4	2.3	6.7	5.0	7.7	7.3
Construction	1.3	1.6	1.5	1.4	4.7	3.7	3.4	3.3
Maintenance and repair services n.i.e.	1.1	0.9	1.3	1.4	3.2	2.0	2.6	2.5
Personal, cultural, and recreational services	1.2	1.1	1.1	1.2	0.5	0.9	1.0	1.4
Government goods and services n.i.e.	1.5	1.1	0.9	0.9	0.2	0.1	0.0	0.0

Source: own elaboration on the basis of UNCTADstat.

The services constituting a link in the chain of processing and service processes could be provided at separate entities (enterprises) and at various locations. These criteria in particular formed the basis for stipulating internationalized business services within the scope of the processes of (UNCTAD, 2004, pp. 25–26):

- offshore outsourcing – involving cross border provision of services between entities unrelated by capital,
- captive offshoring – concerning the performance of services within the scope of foreign branches of an international corporation,
- nearshoring – referring to a transfer of business processes to states that are geographically and culturally close, for instance between the EU member states.

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Table 2

Dynamics of business services export of the EU and Poland (%)

Item	Average annual value during 2005–2008	Change in 2009 (2008 = 100)	Average annual value during 2010–2014	In the years of 2015–2016 (previous year = 100)	
EU	114.7	90.6	107.7	94.9	102.8
Poland	144.1	92.2	107.8	93.8	110.5

Source: own elaboration on the basis of UNCTADstat.

The presented phenomena contributed to a dynamic increase in the export of business services in the EU, and especially in Poland in the course of 2005–2008 (Table 2). In the subsequent year falling sales of business services were noted on account of the global financial crisis. The crash was short-lived, but in the following years the dynamics was lower than before the crisis. While in 2015 decline was recorded once more and in the subsequent year the EU still did not recoup its losses on business services exports. Relatively better results were recorded in the Polish export of business services and their individual types will be examined in the following chapter.

## 2. Structure of business services types

Business services in international trade are a wide-ranging assortment of (IMF, 2009, s. 144–145):

1. Research and development related to basic research, applied research and experimental development of new products and processes.
2. Professional and management consulting services, including:
  - legal, accounting, management consulting, and public relations services,
  - advertising, market research, and public opinion polling services.
3. Technical, trade-related, and other business services, including:
  - architectural, engineering, scientific, and other technical services,
  - waste treatment and de-pollution, agricultural and mining services,

- operating leasing services,
- trade-related services,
- other business services n.i.e.

Technical, trade-related, and other business services played the most important role in the EU exports, generating jointly over a half of the global sales of business services. Among them the so-called other business services n.i.e. played the greatest part – they corresponded to 1/4 of the EU revenue in 2015. This category takes into account the services related to the distribution of water, steam, gas and other petroleum derivatives as well as air to HVAC systems, if they could be isolated from transfer services, as well as job agency services, private security and detective services, services of translation and interpretation, photography, building cleaning and real property maintenance.

Additionally, among technical, trade-related, and other business services one needs to differentiate architectural, engineering, scientific, and other technical services. In the analyzed period they corresponded to 14–15% of the EU exports. While the following three categories of business services stipulated in Table 3 generated several percentage points of revenue each.

Professional and management consulting services ranked second in the structure of exports of the member states. They constituted 1/3 of exports on average. Legal, accounting, management consulting, and public relations services played the most significant role – they generated close to 1/4 of business services in total.

Slightly different trends have been observed in the structure of Polish export of business services in relation to the two main groups of business services mentioned. Most importantly, the significance of professional services has been growing since the beginning of the present decade. At the end of the analyzed period they were already generating over a half of Poland's service-related revenues. In turn, among the services rendered by professionals, a dynamic development of legal, accounting, management consulting, and public relations services export deserves a particular emphasis. In the course of the analyzed period their percentage grew nearly twofold, and then at the end of 2015 they constituted already more than 1/3 of revenue. Furthermore,

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1/5 of services exports in Poland came from the sales of advertising, market research, and public opinion polling services.

Table 3  
Structure of business services export of the EU and Poland  
(business services = 100; in %)

Item	European Union				Poland			
	2010	2012	2014	2015	2010	2012	2014	2015
1. Research and development	12.8	13.3	14.1	13.5	5.8	7.3	10.0	10.3
2. Professional and management consulting services, of which:	33.8	33.3	33.0	30.7	35.7	43.3	51.8	52.6
2.1. Legal, accounting, management consulting, and public relations services	24.6	25.1	24.4	22.6	17.5	24.5	32.2	33.6
2.2. Advertising, market research, and public opinion polling services	9.2	8.2	8.7	8.1	18.2	18.8	19.6	19.0
3. Technical, trade-related, and other business services :	53.5	53.4	52.8	55.8	58.5	49.4	38.2	37.1
3.1. Architectural, engineering, scientific, and other technical services	14.5	14.7	14.4	13.7	9.4	11.1	11.6	11.0
3.2. Waste treatment and de-pollution, agricultural and mining services	3.1	2.7	3.1	3.0	7.9	8.2	2.7	2.3
3.3. Operating leasing services	5.1	5.0	5.7	5.8	1.3	1.1	1.6	1.6
3.4. Trade-related services	7.2	7.5	8.0	7.7	6.0	7.1	8.8	8.8
3.5. Other business services n.i.e.	23.7	23.5	21.5	25.7	33.9	21.9	13.5	13.4

Source: own elaboration on the basis of UNCTADstat.

The operation of service centers emerging in great numbers contributed to the development of professional services exports. Until 2004 only 87 of them had been operating in Poland, whereas that number grew to 300 in the year 2010, and in 2013 there were already 400 service centers with foreign capital (Romanowski, Walkowiak-Markiewicz, 2015, p. 76). In 2016 the total number of service centers in Poland reached 936, including 676 foreign centers (Górecki, 2016, p. 7). Within the scope of their activity business centers provided services to foreign customers, which was reflected in the increase of services export from Poland. It is worth mentioning that the factors affecting the fact of foreign customers choosing Poland for the provision of specific business processes (within

the scope of legal, accounting and other areas) included the attractiveness of the prices offered with the simultaneous observance of the required standards of services rendered, which was helped by the similarity of cultural customs and the stability of business environment in Poland (Gutowski, 2016, p. 188).

Out of the multitude of areas in which service centers operate, three particularly important ones to the development of professional services export can be differentiated, namely BPO (Business Process Outsourcing), SSC (Shared Services Center) and LPO (Legal Process Outsourcing) (Romanowski, Walkowiak-Markiewicz, 2015, pp. 69–70). The operation of BPO's was characteristic in that regard that Polish companies in the capacity of external suppliers took over the performance of selected business processes that were traditionally performed by internal resources of a foreign partner. In turn, shared services centers located in Poland worked at the commission of a foreign organization and for its needs conducted internal business processes (accounting and other processes) for the benefit of the remaining entities of a given capital group, as well as for the needs of its customers. LPO's became a relatively new type of centers, where Polish lawyers provide legal advisory services for the benefit of various foreign entities.

The second ranking business services in the structure of Polish export included technical, trade-related, and other business services. In 2015 they generated 37% of exports, but it was a falling trend. It resulted in particular from a decreasing role – in the group of technical, trade-related, and other business services – of services classified as other business services n.i.e.

Research and development ranked in the third place – both in the Polish and the EU market. In the recent years it constituted 10% of our export, a figure that was several percentage points lower than in the EU exports structure. The situation was helped by the operation of Research and Development Centers (R&D), including Knowledge Process Outsourcing (KPO), whose main objective was conducting research and development work.

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The structural transformations observed in the Polish export were linked to competitiveness changes in the provision of individual business processes.

### **3. Poland's competitiveness in the provision of business services in the EU**

The concept of international competitiveness is a complex and multifaceted phenomenon. From the research conducted on the issue so far it arises that widely understood country's international competitiveness capacity, determined by a multitude of various factors, affects the shaping of its international competitiveness position, which in turn should be reflected in shaping of different indicators of international competitiveness position (Misala, 2011, p. 81).

In this chapter indicators of Export Market Share (EMS) were used along with Revealed Comparative Advantages (RCA) to evaluate Polish export competitiveness in the EU market. This last indicator enabled the evaluation of a relative share of individual types of business services in Poland's exports in relation to the same groups of services in the EU exports. The indicator values greater than 100 meant that Poland enjoyed comparative advantages, and otherwise the country had no revealed comparative advantages.

Out of the three main types of business services represented in Table 4, the highest and growing values of the country's share in the EU exports were recorded in the services rendered by professionals. At the end of 2015 Poland was receiving 3.3% of its revenue on account of the EU sales of these services. In turn, taking into consideration individual types of professional services, advertising, market research, and public opinion polling services need to be emphasized. Poland held a nearly 5%-share in the EU exports of these services. A smaller, yet growing share of nearly 3% fell to Poland on account of legal, accounting, management consulting, and public relations services. On the other hand, Poland's indicator regarding research and development services demonstrated a slightly rising trend up to 1.5%. However, the competitiveness position in technical,



trade-related, and other business services was deteriorating. The indicators fell by nearly a half within the last four years (to 1.3%).

Table 4  
Poland's competitiveness indicators in business services export

Item	EMS <sup>a</sup>				RCA <sup>b</sup>			
	2010	2012	2014	2015	2010	2012	2014	2015
1. Research and development	1.2	1.2	1.4	1.5	56.4	57.5	64.9	68.0
2. Professional and management consulting services:	2.7	2.9	3.1	3.3	130.4	135.5	143.4	151.9
2.1. Legal, accounting, management consulting, and public relations services	1.8	2.1	2.6	2.9	87.9	101.7	120.9	132.1
2.2. Advertising, market research, and public opinion polling services	5.0	5.0	4.5	4.6	244.5	238.5	206.4	206.9
3. Technical, trade-related, and other business services:	2.8	2.0	1.4	1.3	134.8	96.5	66.1	58.9
3.1. Architectural, engineering, scientific, and other technical services	1.6	1.7	1.6	1.6	80.1	78.7	73.7	71.0
3.2. Waste treatment and de-pollution, agricultural and mining services	6.5	6.7	1.7	1.5	318.3	316.7	79.1	68.2
3.3. Operating leasing services	0.6	0.5	0.5	0.5	30.6	23.8	25.0	24.7
3.4. Trade-related services	2.1	2.1	2.2	2.2	103.4	98.8	100.3	101.4
3.5. Other business services n.i.e.	3.6	2.1	1.2	1.0	176.5	97.1	57.3	46.3

<sup>a</sup>  $EMS = X_i / X_i^{EU}$

<sup>b</sup>  $RCA_i = \frac{X_i}{X} / \frac{X_i^{EU}}{X^{EU}} \times 100,$

where:  $X_i$  – value of export of business service  $i$  in Poland;  $X_i^{EU}$  – value of export of business service  $i$  in the EU;  $X$  – value of business services export in total in Poland;  $X^{EU}$  – value of business services export in total in the EU.

Source: own elaboration on the basis of UNCTADstat.

Similar conclusions resulted from the dynamics of RCA indicators, whose high values confirmed that Poland specialized in services rendered by professionals. The data demonstrated both the presence of revealed comparative advantage as well as growing intensity of that advantage – which referred to both types of services classified as professional

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services. A relatively higher RCA was recorded with regard to advertising, market research, and public opinion polling services. In 2015 the indicator was about 207, and in the case of legal, accounting, management consulting, and public relations services – 132.

With regard to other types of business services, no significant permanent comparative advantages were found. Nevertheless, it is worth taking note of research and development services, since they demonstrated a nearly systematic growth of the RCA indicator. If the trend is maintained, in the future, research and development services may gain an ever greater importance for the development of business services in Poland. Particularly if wages growth in Poland becomes a factor holding back the previous dynamic development of BPO/SSC centers (NBP, 2017, p. 55). In the long term, progressing digitization and automation of certain business functions (e.g. concerning the professions of a data analyst, an accountant, etc.) will influence the development in that direction (Włoch et al., 2017, p. 13). Therefore, in the future, Poland's competitive capacity to provide highly specialized services at KPO centers is going to play a greater role

## Conclusions

The conducted research demonstrates that business services played an increasing importance in Polish export, adapting in that respect to the trends determining services development in the EU.

A detailed analysis of the structure of business services types revealed Poland's specialization in professional and management consulting services. This group of services dominated Polish exports, particularly in comparison to the EU, where technical, trade-related, and other business services were of greater importance still. Research and development services ranked third in Polish exports and their role was increasing.

In Poland nearshoring and the activities of BPO/SSC business centers providing services to foreign customers contributed to the development of professional services export. However, the sensitivity of the business services sector to the economic situation may raise certain concerns.

Nevertheless, in the long term, the growth of Polish export ought to be based on modern services within the area of KPO and R&D.

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### **Export of business services in Poland and the European Union**

**Summary.** The objective of this paper is to present changes in the structure of Polish business services export in comparison to the European Union occurring since the middle of the previous decade. From the conducted research it arises that the transformation in Polish export diverted from the trends observed in the EU market. Poland provided chiefly professional and management consulting services, while in the EU technical, trade-related, and other business services played a more important part. Specializing in professional services, Poland has become a major location for BPO/SSC business centers. Such centers have been used to handle accounting, fiscal, consulting, research, marketing processes and other services commissioned by foreign companies. In the future advanced services ought to play a greater role, particularly in the areas of KPO and R&D.

**Keywords:** international trade, services, specialization

**JEL classification:** F14

### **Eksport usług biznesowych w Polsce i Unii Europejskiej**

**Streszczenie.** Celem artykułu jest przedstawienie zmian zachodzących od połowy bieglej dekady w strukturze rodzajowej polskiego eksportu usług biznesowych na tle Unii Europejskiej. Z przeprowadzonych badań wynika, że przekształcenia w polskim eksporcie odbiegały od tendencji obserwowanych na rynku unijnym. Polska świadczyła głównie usługi profesjonalne, podczas gdy w UE większą rolę odgrywały usługi techniczne, związane z handlem, oraz pozostałe usługi biznesowe. Specjalizując się w usługach profesjonalnych, Polska stała się ważną lokalizacją centrów biznesowych BPO/SSC, w których obsługiwano procesy księgowo-podatkowe, doradcze, badawcze, marketingowe i inne na zlecenie zagranicznych firm. W przyszłości większą rolę powinny odgrywać usługi zaawansowane, szczególnie w obszarze KPO i R&D.

**Słowa kluczowe:** specjalizacja eksportowa UE, międzynarodowy handel usługami

**Klasyfikacja JEL:** F14