

Reasons for Establishing Business Centers in the CEE Region

Dagmar Valekova¹ – Sonia Ferencikova²

ORCID iD: 0000-0002-3086-5182¹, 0000-0003-0256-3950²

dagmar.valekova@euba.sk, sona.ferencikova@euba.sk

^{1,2}Bratislava University of Economics and Business, Faculty of Commerce, Department
of International Trade
Bratislava, Slovakia

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Abstract: The article aims to identify the reasons for establishing business centers in the CEE. The main method for processing the empirical part of the article is a multiple case study. The objects of the investigation were four business centers in Slovakia whose main activity is providing financial services. The original reasons for building centers in the region included cheap labor, geographical position, time zone, political situation, and tax system. The result of our research is the expansion of the existing literature with additional factors and the updating of the literature with the current reasons for establishing and preserving business centers in the region. Currently, the centers are motivated to stay in the country mainly by a qualified workforce that can adapt flexibly to changed market conditions. A limitation of the research is the focus of the investigation on one country.

Keywords: Business Centers, Motives for Establishing, Central Europe, Slovakia

JEL Classification codes: M13, M19

INTRODUCTION

Currently, shared services and business centres are becoming an integral part of the global economic environment. These institutions play an important role in the framework of effective movement of business operations, especially in the field of services such as IT, HR, logistics and financial services (Ślusarczyk, 2017; Marciniak, 2019). Within the global trend, these centres are being built in different regions and countries, each of which shows specific motivations and conditions influencing the location decision. The Central and Eastern European (CEE) region has established itself as an important player in this field in recent decades, mainly due to its strategic location, highly skilled workforce and increasing economic stability (Golnik and Golnik, 2016; KPMG, 2022).

According to research by Ślusarczyk (2017), the main motives for choosing the CEE region are lower operating costs, availability of skilled labour and favourable investment conditions. The dynamics of the global economy, which increasingly favours flexibility, digitalisation and innovative processes, also have a significant impact on this trend. While Western Europe and the US have already established their shared services centres, the CEE region shows an increasing competitiveness in the field of outsourcing and financial services provision. This is also underlined by research by Marciniak (2013), which states that this region is a strategic point for companies that want to expand in the Eastern European markets while reducing operating costs.

Slovakia, as part of CEE, is an interesting case region with a growing number of business centers that specialize in the provision of financial services. As Golnik and Golnik (2016)

suggest, Slovakia is profiled as a key player in this sector thanks to his business environment, geographical location and EU membership. In addition, factors such as political stability, developed infrastructure and support from the state create favorable conditions for the development of these centers. Another important motive is the institution's activities in the country, which actively contribute to building the country's reputation and favourable business environment (SARIO, 2019). However, Slovakia has not been sufficiently studied in the literature. This is the gap in the literature that we will review in our article.

The aim of this article is to explore the motives that lead to building these centers in the CEE region, with a special emphasis on Slovakia, on the example of an example Four selected business centers providing.

1 LITERATURE REVIEW

From a CEE perspective, the region has garnered significant attention in recent years due to its economic potential and competitive advantages. The region is characterized by an abundant and diverse labor force, which is skilled across various sectors and remains relatively more affordable compared to Western Europe (Golnik & Golnik, 2016; Ślusarczyk, 2017; Marciniak, 2013). In addition to a competitive labor force, the region benefits from well-established IT infrastructure, which is crucial for the development of business centres that require robust technological support (Tarkowski, 2018). As a result, many multinational companies have chosen to locate their shared services and business centres in CEE, seeking to capitalize on these economic advantages.

One of the most significant factors influencing the location of business centres in the CEE region is its strategic geographical location. The region's proximity to Western Europe, combined with favorable time zone alignment, facilitates effective global operations. CEE centres are able to respond to customer needs across different time zones, providing services to clients in the US during the afternoon and evening and to clients in Asia during the early morning hours (Ślusarczyk, 2017; Marciniak, 2013).

Cultural homogeneity is another critical factor that makes CEE attractive for business operations. The cultural proximity between CEE countries and Western Europe, as well as the alignment with US corporate culture, offers a competitive advantage over regions like India, where cultural differences may present additional challenges (Ślusarczyk, 2017; Marciniak, 2013). Additionally, the multilingual capabilities of the population in the CEE region further enhance its attractiveness, enabling businesses to better meet the needs of global clients. For example, in Slovakia, a large percentage of the population speaks English, followed by German, Russian, French, and Spanish, thus providing a versatile workforce capable of supporting various international markets (Sario, 2022).

Furthermore, the CEE region benefits from relatively favorable tax policies that offer a range of incentives for foreign investors. Many CEE countries provide tax exemptions or partial reductions in tax burdens, especially during the initial years of operation in the region. This tax environment, combined with the aforementioned economic factors, makes the region a highly appealing destination for multinational companies seeking to establish or expand their operations (Ślusarczyk, 2017; Marciniak, 2013).

These combined advantages of labor force availability, infrastructure, geographic positioning, cultural proximity, language skills, and favorable tax policies create a highly attractive environment for the establishment of business centres in CEE. As a result, the region has become an important hub for shared services and business operations, with many global corporations seeking to optimize their cost structures while maintaining a high level of operational efficiency.

2 METHODOLOGY

The authors of the article used a number of scientific research methods. The basis for the preparation of the theoretical part of the article was the collection, processing and analysis of available sources of domestic and foreign literature. The dominant method of the article was the case study method.

In many cases, the case study is not classified as a research method in the literature. According to Yin (2014), a case study is an empirical method that examines the current phenomenon in the context of its real life, especially when the boundaries between the phenomenon and the context are not clear and obvious. Its aim is to understand the phenomenon and its context (Cavaye, 1996). A case study as a research method is a research strategy that includes several research methods, using specific approaches to data collection and analysis. Based on the above, it can be said that the case study is not only the data collection technique or the design element itself. It is a comprehensive research strategy (Yin, 2014). In carrying out this research, the authors of the article followed Yin, 2014. They used the multiple case study method.

According to Yin (2014), it is also necessary to identify several aspects at the beginning of the examination:

- Research question
 - What motives have led to parent companies to build business centers and sharing services in Slovakia?
- Analysis unit
 - business center
 - located in Slovakia
 - provide financial services
- The number of objects of examination – Yin (2014) states that the minimum number of objects of examination for the elaboration of a quality case study are 4 objects of examination. So, in our research we will explore 4 business centers.

In preparing a case study, the authors used a strategy based on theoretical premises - the objectives and design of the case study were based on theoretical literature sources and similar research questions or literature review (Yin, 2014).

They were obtained through interviews with business centre managers. They were conducted between August 2023 and November 2023. The interviews lasted 60-90 minutes. The interviews were conducted online. The questions were sent to the respondents beforehand. After the interview, the answers were transcribed into a continuous text. The text was modified and cleared of information that was not related to the content under investigation. The final text of the case study was sent to the respondents for approval.

Given the information used in our research, it is not possible to mention the company names of the companies or business centres studied. For this reason, it is not possible to publish the names of the respondents or the names of the official website of the centres.

The data obtained were processed and then compared using the comparative method. The main findings and conclusions related to the whole CEE region were summarised in a synthesis.

When examining business centres and shared service centres in the CEE region, authors often focus on a single aspect within one country and generalise their findings to the region as a whole. This approach, based on the common characteristics of CEE countries, is common in the literature, with conclusions drawn from countries such as the Czech Republic or Poland

being applied to the wider region. Similarly, in our research on Slovakia, we apply our findings to the entire region, identifying similar patterns and motivations in the development of business centres and shared service centres.

3 RESULTS AND DISCUSSION

In this section of the article we present the multiple case study, in which we pay attention to the motives of building business centers in Slovakia. In the following table, we present basic indicators about the selected business centers, which are an object of examination of the multiple case study.

Tab. 1 Business centers: Basic indicators

Business Center	Year of foundation in SR	Location of headquarter	Core activity of the center	Location in SR
BC 1	2000	USA	IT services	Bratislava
BC 2	2002	USA	Financial services IT services	Bratislava
BC 3	2005	Switzerland	Insurance services IT services	Bratislava Košice
BC 4	2006	Germany	Financials erVICES IT services	Bratislava

Source: processed by authors based on interviews

In the following subchapters we present case studies of selected examples of business centers in Slovakia.

3.1 Business Center 1

Business Center 3 (BC 1) was established in Slovakia on 3 April 2017 through the merger of two global companies. This merger has resulted in a new company and a new brand. The company is a leading global independent company providing new generation IT services (Internet source, 2024). The company is one of the world's leading independent IT companies. It provides IT services that customers need to modernise their operations and support innovation across their IT environment. It helps them to create a complete working environment, simplify and optimise IT, achieve a secure, high-performance cloud and hybrid environment to ensure positive business results (Internet source #1, 2024).

The main motives for building the centre on the territory of the Slovak Republic were the country's steps towards integration and participation in international structures - the entry of the Slovak Republic into the European Union and the Schengen area. The country also had potential in terms of the population needed to provide corporate services and a favourable tax environment. It was a combination of several factors, and the cost of labour was also lower than in Western Europe. Taking into account these costs, together with the quality of higher education, which is better than in the surrounding countries, the Slovak Republic was a quality space for the construction of the business centre (Semi-structured interview #1, 2023).

The gradual development and progress of the Business Centre can be seen in the development of the company. Over time, the number of employees increased, as did the volume and value of the services they provided. They began to provide internal support to the whole company.

After two years, they also started to attract external clients (Semi-structured interview #1, 2023).

3.2 Business Center 2

Business Center 2 (BC 2) was established in the Slovak Republic in 2002. We can talk about the global business centre that provides a wide range of IT services, finance, marketing, sales, technical support and support for business operations on a global scale (Internet source #2, 2024).

The parent company of the centre has its headquarters in the USA. However, the cost of labour there was very high. In addition, the labour market was constrained by a number of rules and regulations or local restrictions. The parent company was looking for a solution to this situation (Semi-structured interview #2, 2023).

The availability of labour dominated the decision-making process in the Bratislava business centre. In this context, they focused on labour costs. They also looked at the language skills of the local population. Their original intention was to find a location in Bratislava with cheap labour that spoke German. The aim was to cover the German market with services focusing on finance. About twenty employees were available for such activities (Semi-structured interview #2, 2023).

They began to provide regional services for the whole of Europe. The traditional shared service centre became a reporting centre within a few months, which then grew. They found that these services could be provided not only for Germany, but also for other countries, and so began to provide services for the UK and Switzerland. In the next 10-12 years, a strong expansion and reorientation towards the European market can be observed. In 2014 and 2015, these services began to be provided to countries outside Europe (Semi-structured interview #2, 2023).

3.3 Business Center 3

Business Center 3 (BC 3) is a branch of the Swiss company. It is a highly specialised centre of competence that employs recognised experts in the field of insurance and mathematical services. The international team of more than 400 employees provides value-added services to the company's business units worldwide (Interview 3, 2023). In addition to the centre in Slovakia, the organisation has five other centres. Three are located in Europe, one in North America and one in South America. The activities of the centres are not divided geographically. In most of them, the teams provide their services on a global scale (Semi-structured interview #3, 2023).

BC 3 started its operations in the Slovak Republic in 2005. The original aim of the Swiss investors was to set up a call centre. Investors were mainly motivated by the availability of skilled labour. The positions that BC 3 created were not demanding in terms of education and experience. They were mainly junior positions. They required potential employees to have a basic overview of accounting and appropriate language skills. The Slovak Republic met these requirements and, in addition, labour costs were much lower than in Western European countries (Semi-structured interview #2, 2023).

Over the next two years, the call centre was cancelled. Transnational decided to lay off most of the centre's original staff. The structure consisting of insurance mathematicians was retained. Seven of them did not leave the centre and used their qualities. They laid the foundations for the current form of the Centre. At present, the majority of employees are insurance mathematicians. The second part is represented by employees who provide IT

services (Semi-structured interview #2, 2023). At present there are 410 employees in the centre (Internet source #3, 2025).

3.4 Business Center 4

The Business Center 4 (BC 4) is located in Bratislava, where, in addition to the business divisions, there is also an expert branch. The centre in Bratislava is one of the strategic locations of the company's branches from the beginning of their work can be observed continuous growth. From the original 650 positions, almost 1,700 employees are currently working in the centre (Internet source 4, 2024). Since its establishment in 2006, BC 4 has been one of the most important parts of the company in Slovakia and worldwide (Semi-structured interview #4, 2023).

The main reason for the company's management to establish a business centre in Bratislava was the level of language skills and higher education (currently focused more on secondary school graduates). In addition to the level of education, the company management was also attracted by the price of work (Semi-structured interview #4, 2023).

Expert BC 4 is where the latest ideas in finance, IT, marketing and customer service are developed for Europe and beyond. The centre's experts include top analysts and developers, forensic specialists, market researchers and leading designers (Semi-structured interview #4, 2023).

From the point of view of the Human Resources Department, the company is working on a market that is demanding, and this forces them to be the most progressive of all corporation centers. They take the Slovak Republic as a pilot country and test procedures and processes (Semi-structured interview #4, 2023).

3.5 Findings

The following table presents the key findings derived from the case study focusing on the motivations of parent companies in establishing business centers within the Slovak Republic. These findings address the key factors that influenced decisions regarding the location of these centers. The table summarizes the most important aspects that played a role in the location selection and their impact on regional development.

Tab. 2 Motives for establishing business centers in Slovakia

Business Center	Motives
Business Center 1	Entry into the EU and Schengen Area Availability of workforce Labor costs Favorable tax environment
Business Center 2	Availability of workforce Labor costs
Business Center 3	Availability of skilled workforce Labor costs
Business Center 4	Quality of workforce Language skills Labor costs

Source: processed by authors based on interviews

In the literature, there are various analyses dealing with the motives that influence the decision to locate a business centre in a region. Ślusarczyk (2017) and Marciniak (2013) include the geographical location, the availability of cheap labour, cultural homogeneity, political stability, the level of education, the use of the euro, the time zone and the tax system. Golnik and Golnik (2016) emphasise the importance of a country's human capital, quality of education, wage costs, legal framework, transport infrastructure, environment and overall living conditions.

Similarly, Tarkowski (2018), in his research focused on the Polish city of Gdynia, found very good access to modern office space, excellent communication infrastructure and a sufficient supply of labour.

In their findings, Gorzelak and Smetkowski (2012) also underline the importance of an increase in the number of modern office spaces as a significant factor in the decision to locate business centres in the CEE region. They also discovered the factors mentioned in the literature, such as geographical location, labour costs, language skills of the population or the qualifications of the workforce. However, labour and its aspects, such as labour availability, labour costs and the level of education of the population, play a key role in our research. These factors turned out to be decisive for the location of business centres and proved to be the dominant motives influencing the decisions of parent companies to choose Slovakia as a location for their investments.

Thus, our findings confirm that the labour force, together with its qualification and affordability, is the main factor in the creation of business centres in the region, which is in line with the theories listed in the literature.

Our research also creates space for new areas of research on Business Cantier and factors that lead them to create, respectively staying and preserving Cantier in the country under investigation. Literature GAP and therefore our future research could deal with motives for which business centers remain in Slovakia.

CONCLUSION

Business centers are being established in various regions around the world, with the Central and Eastern European (CEE) region emerging as an important hub for the development of these investments. This region has attracted the attention of numerous authors who examine the factors influencing decisions about the location of business centers.

In our study, we focused on the motivations behind the establishment of business centers in the Slovak market, as this topic has been less explored in the literature. The findings suggest that labor represents a key common factor influencing the decisions of parent companies when choosing a location. This factor can be further specified into three main aspects:

- the availability of labor,
- the qualification of the workforce,
- and labor costs.

All selected companies confirmed that the availability and quality of the workforce, coupled with competitive labor costs, were the decisive motivations for choosing Slovakia as the location for their business centers.

When foreign companies started setting up shared service centres in Slovakia 20 years ago, they were attracted by the country's favourable geographical location in the heart of Europe and the low cost of skilled labour. However, the sector has gradually moved away from relying solely on the cheap labour model. Today, business service centres in Slovakia are seen as indicators of the country's potential. With the development of new technologies and the

assignment of more complex tasks, sector representatives see great potential for the arrival of new centres and the expansion of existing ones. As Peter Rusiňák, coordinator of the Business Service Centre Forum, said, "They are a significant step away from industrial production towards Industry 4.0" (Liptáková, 2022).

A limitation of our study is its focus on four selected business centers in one CEE country, which may affect the generalizability of the conclusions. Future research could expand this analysis to include additional centers in Slovakia, as well as in other countries within the region, providing a more comprehensive view of the factors driving the development of business centers in Central and Eastern Europe.

Overall, this study contributes to a better understanding of the dynamics of business center development in this region and their impact on local economic growth.

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