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Chairman's and CEO's note

By Antoni F. Reczek OBE and Paweł Siwecki

The busiest season of the year is upon us all, and we hope that everyone has had a great summer and a chance to relax, weather notwithstanding!

There was a tremendous response to the previous issue of Contact magazine, which appeared in July to commemorate the BPCC’s 25th Anniversary. This special, printed edition of Contact Magazine, (if you haven’t seen it, please download a .pdf format version of it here), had a print-run of 1,500 copies and has been sent to our members, partners and stakeholders.

Ahead of us, later this month, is the second great highlight of our anniversary year: the Gala Dinner. The event is sold out and we are looking forward to see all those attending. Tamara Arciuch, the Polish actress is the latest addition to our VIP guest list. Tamara will be our Master of Ceremonies for the night.

The BPCC been active throughout September, with our staff members attending Krynica forum and EFNI, as well as helping with the organisation of a British trade mission to Europe’s biggest rail event this year, Trako, in Gdańsk.

We conducted a major consultation exercise among our members on the government's proposed changes to corporate and personal income tax in Poland (CIT and PIT). The meeting and emails led to the formulation of a statement by the BPCC that was addressed to finance minister, Pawel Gruza. We would like to thanks all members who actively participated during the consultation process, and hope that our voice will be heard loud and clear by the Polish government.

Last month also saw the meeting of the Entrepreneurship Council (Rada Przedsiębiorczości) with all the major bilateral/national chambers of commerce in Poland who were invited to join this platform. The Council was initially established in 2003 by 11 of the biggest Polish and international business organisations representing entrepreneurs, employers, managers and some foreign investors with the BPCC amongst them. Major issues addressed in the dialogue with the government at that time: public finance, economic growth, foreign investments, economic regulations and labour market.

The council became dormant in late 2008 and has been reactivated in May 2016, by six Polish organisations: Business Centre Club (the equivalent of Britain's Institute of Directors), Krajowa Izba Gospodarcza (fulfilling a similar role to the British Chambers of Commerce), Konfederacja Lewiatan (the Polish CBI), Polska Rada Biznesu (Polish business council), employers' body, Pracodawcy RP, and the trade association, Związek Rzemiosła Polskiego.

During September meeting the Entrepreneurship Council has listed five areas of focus including Poland in the EU, judicial and taxation systems, media, and dialogue with economic policy makers and regulators. We shall keep all members up to date with the work of Entrepreneurship Council and BPCC's involvement.

The next Contact Magazine Online is due to be published in December 2017, in the meanwhile, there's plenty to read in this issue, which is focusing on IT – and in particular its impact on the future of the Polish labour market.

Searching for quality

Michał Głowiński, general manager of Hargreaves Lansdown and Łukasz Grzeszczyk, head of IT Practice, Hays Poland talk to Michael Dembinski, about one of the larger IT investments into Warsaw from the UK.

Michael Dembinski: Hargreaves Lansdown, a
UK FTSE 100 company, is opening an IT centre in Warsaw. Why did you choose Poland, and why Warsaw?

Michał Głowiński: We started a year ago, the idea was to diversify. From the beginning the goal was to find top quality people. Fifteen countries around the world were considered, including India, Czechia, Germany, Spain and Holland. In the end, our board agreed that Poland offered the best location for HL Tech, giving us access to the best quality IT people. We knew that our IT systems needed constant attention if we were to maintain our market-leading position – we trusted the people in Poland to create a quality IT centre. We will audit the existing systems, plan new solutions together with our stakeholders, develop and test them, and deliver a complete package. And then we’ll support it and develop it further.

Hargreaves Lansdown has always invested heavily in IT systems. Back in the early 1980s, the company was already IT driven, with paper notebooks and telephone lists replaced by databases on PCs. We’ve consistently been improving our IT capabilities since then, and it is one of the things that helps us retain our competitive edge.

Why Warsaw? It had two airports, there were direct flights to Bristol and our CIO really liked this town. He saw an analogy to Canary Wharf 20 years ago – cranes everywhere, a sense of energy and growth.

We looked at Gdańsk and Wrocław too. A while ago we used a Polish company from Poznań to write a small piece of software which the board really liked. Poznań seemed a good location too, but didn’t have direct flights to Bristol. With people in both locations who have to travel frequently between the two sites, that’s an important factor. Besides, if people relocate internally they tend to move to Warsaw rather than to Poznań.

MD: What is Hays’ role?

MG: We are fully supported by Hays, our exclusive partner for this recruitment. There are two aspects to working together with a specialist company on this project.

First the volume. We plan to hire 50 people by the end of this year. We have two floors on the Warsaw Spire ready for up to 200 people. Finding 50 people in six months is challenging. We've made offers to about 40 people and we’ve already got about 30 people working here. This is a software factory, able to produce a specialised piece of engineering. The first software will be prototyped in October. It can be difficult to find good IT specialists on the Warsaw market. You have to offer more than a good salary and work hard to attract people to come to you. Software specialists want to work with modern technology and create solutions instead of constant maintenance. Our strategy is for a constant evolution of the software we create.

Secondly, it’s about the brand we are building in Poland. We build it by the things we do. People in the IT world in Poland are all talking among themselves about HL Tech, the new player in the market. Moreover, our employees treat this company as their own; we trust what they do. Hargreaves Lansdown operates in the UK as a company which is trusted by investors – our clients. One of our goals is to make sure they are happy with the services we provide in HL Tech. Here in Warsaw, we’re just half of our IT, but on a daily basis we work as one company. The Warsaw office is the first branch of Hargreaves Lansdown outside of the UK – outside of Bristol even, so everyone’s really involved.

LG: The story behind this is interesting. Each year, Hays meets some 70 companies from around the world which are looking at Poland. Some are here for cost reasons. When we first met Hargreaves Lansdown’s CIO Dave Davis and HR director Heather Cooper in TriCity, they made it clear to us that they were looking to set up a technology arm for the firm to support their activity, rather than trying to cut costs. When
a company like Hargreaves Lansdown, a leader in its field, tells us that it wants to do something like this in Poland, it's the kind of assignment that comes up just twice a year. This investment is about people. If you just focus on costs and office space, but you don't have the proper talent pool, you will not open.

During this time from September to the end of the year, we have to establish the centre, and prepare a strategy – we need key people starting with the general manager, then about 50 people who will be the core of the organisation. This recruitment process is not extraordinary for us – but the people we're looking for have to be brave, to join what is in effect a start-up. We have to sell the story that Hargreaves Lansdown wants to build here. We chose Michał back in April – it's been an amazing time, we've got a lot of things to do to establish Hargreaves Lansdown as HL Tech in Poland. At the end of the year we'll have reached a critical mass which will make the rest of the task easier.

MG: To be frank, this is very much a start-up culture. If you aren't comfortable with that, it's not the job for you. In five years, this company will be exactly the company that our recruits will have created; they will have influenced it, selected the tools and technologies and decided about everything. They will have an impact on what they do. The candidates are buying into this vision, now we have to make sure they won't be disappointed.

MD: Who are the members of your team? Are they only young people?

MG: We're looking for experience and personality. At least a few years of work in software development is necessary at this stage. Age is less relevant, I know a 28 year old IT analyst who is the best specialist I've ever met and I know a test engineer the same age as my father who can easily shame me with his bright ideas. The key thing is personality – they have to buy the dream and follow it. This is 80% of success. If someone doesn't know the tools, the notations, we can teach them that. We can't teach attitude, or the right level of involvement.

MD: How much are you having to pay people to work for you in Warsaw?

LG: Salaries have to be reasonable – good enough to make people happy, but the business case must be met. We're trying to find an answer for how it will work out, we're trying to prepare for it.

MD: How does Hargreaves Lansdown see the prospect of Brexit?

MG: I am relaxed about it, global society is becoming more international. Hargreaves Lansdown made this decision after the referendum, and the UK economy has remained very robust in the aftermath of the Brexit vote. There are many more important risks than Brexit in today's world.

MD: Are you finding Poles looking to return to Poland from the UK? Is there a trend here?

LG: Not as fast as it could be, there's not a big number of people coming back. Yes, we do have a database of candidates who are currently living and working in the UK. But once they've been there for 10 or 15 years, you can't tell how they will respond to the chance of returning to Poland. HL Tech is a very different story, it's a unique chance to create something from the very beginning. Being able to choose tools and technologies is an important motivator – and differentiator – for candidates, who typically get five-ten interesting offers a month. One candidate was invited to 11 different job interviews, which resulted in him getting 11 job offers. These are pioneering people – motivated by the sum of their past experiences and their ambitions. If you've already been in a start-up and it failed, you might not feel brave enough to take on the responsibilities that HL Tech is offering. This is not to say you're a bad candidate, but at this moment in time, we need people with an entrepreneurial
spirit. You have to be a person who likes to make an impact and create something from scratch, using the best methodologies and taking responsibility. That is what has made Hargreaves Lansdown so successful.

Spare room start-up to FTSE 100 company
Our journey to become one of the UK’s most successful companies

1981
Peter Hargreaves and Stephen Lansdown found Hargreaves Lansdown in a spare bedroom

1998
We launch our Vantage platform

2007 Hargreaves Lansdown floats on the London Stock Exchange

2010
We move to purpose-built offices in the centre of Bristol

Today
We’re the number 1 investment platform in the UK. We have opened a tech hub in Warsaw. We look after £79 billion of investments for over 950,000 clients

Technological change is shaping tomorrow’s consumer

Anna Kuprian, head of digital at Grayling Poland, talks to Michael Dembinski about how technology is changing the relationship between business and the consumer, and how corporate reputations can be made or broken in the online space.

MD: Technology is continually putting new tools into the hands of marketing, communications and PR people. But how do consumers use technology to make their choices, what products and services to spend their money on?

AK: When corporate communications respond to these changes they have to keep in mind how people actually use tech. The idea of ‘micro-moments’, as Google calls them, when we use our smart phones to check real-time,
intent-driven information about products, brands – this is crucial. The broad deployment of smartphones, of which there are now more in developed markets than consumers, has to be taken into consideration when designing PR campaigns. This is the first touch point in the customer journey. How can we get to use those moments, to be the first to bring information to the consumer’s mobile devices? That’s the challenge in front of every marketing practitioner.

Another thing is constantly-evolving and ever-broadening Google search that changed how we acquire information, with almost 4 million searches a minute. To address that, Grayling has developed GCore - a tool that checks brand resilience and brand appearance on Google. We can check share-of-voice across different searches, keywords traffic, sources; all of this helps us to prepare a communication strategy. We can deliver a comms campaign where we tackle fact-checking, fake news and reinforce credible sources. Reputation management is something that’s happening all the time either through promotion or crisis mitigation. Companies off all kinds have to tackle crisis situations and that’s our expertise, that’s what we do on a daily basis.

These days while preparing a communication strategy we have to scan many more outlets, websites, forums, Facebook pages, Twitter feeds – this is much more time-consuming, but it gives us a far truer picture of the typical consumer journey and how it is established. We get to understand consumers’ media usage and learn from which outlets they gather their information. Using online analytics, keywords, key searches, competitor analysis and social media monitoring, we can build user-tested prototypes of marketing actions. For the first time in the history of PR we can do all this thanks to online tools and platforms. It is important, as the online sphere never stands still; in terms of communication, it is ever-changing. What’s relevant today is out-of-date tomorrow.

Which new technologies will shape the future of marketing and communications?

New technologies that will have an impact on marketing and communications are appearing constantly, every PR and marketing professional has to be in touch with what’s going on. One trend that’s appearing is automation - it is affecting every sector, including marketing. Many tools that use artificial intelligence (AI), when it comes to planning and deploying ads, prove to be much more effective than traditional online media planning. Many case studies of success in UK prove how companies can raise their conversion rates and identify high-value audiences thanks to AI.

Apple’s iOS 11 is boosting augmented reality (AR) to hundreds of millions of iOS devices this month. How will that affect marketing and PR? People tend to think about AR as a technology related to something like Google Glass, a wearable device, but the first implementation of AR that will change the market will happen once there’s a critical mass of usage on the smartphone. Once the technology is mature enough and included on our devices on a daily basis, we’ll see AR taking off. There are many start-ups working on AR at the moment. An example is the Polish firm, Tylko. It offers an app that allows you to custom-build bookshelves for your house. Through this multiplatform app, Tylko shows you how your room will look with different, made-to-measure shelves in place. Once you’re happy with its appearance, the firm will make the shelves to order. I can see many other AR use-cases for consumer brands in the nearest future and AR will have its place in comms and marketing too.

Beacon technology – using short-range radio transmitters to communicate with consumers – is also starting to become established. The first sector to have it implemented was retail, beacons guide you through shopping malls, help you find something you’ve been looking for, steer you towards relevant promotions, sales. But this won’t be the only implementation of beacons – it can be really helpful to many corporate entities – and to the public sector. Airports and airlines.
are implementing beacon technologies, pointing travellers towards their boarding gates, telling them which documents you should have prepared – this is already happening. It’s not in Warsaw yet, but it will be.

Blockchain – distributed ledger technology – can help us take control of our data, agreements, registers, we’re at a very early stage in the development of this technology, a bit like sending e-mail messages on computers using MS DOS. I was recently at the Techfestival in Copenhagen at which Shermin Voshmgir, founder of Blockchain Hub, gave a talk about the profound implications of distributed ledgers across many sectors of business and for individuals. It’s far more than just crypto-currencies, but still too early to say how exactly it will affect us all.

**Should businesses be proactive or reactive when it comes to implementing new technologies in their marketing and communications? How are companies responding? Is it better to be futuristic or traditional? Is it better to be an early adopter or a fast follower?**

Let’s look at the hype-cycle – as defined by Gartner Group – it concerns maturing technologies that are currently being developed. It goes through five stages and businesses should look at each of them to investigate possible tech pursuits. Firstly, there’s the technology trigger, with a first successful use case. Secondly, we reach the peak of inflated expectation with massive media attention. Next, there’s the trough of disillusionment – proofs-of-concept fail, many start-ups fail at this moment. Fourthly, there’s the slope of enlightenment, a solution is found, business cases can be solved. Finally, the technology matures. The last two stages should be the most beneficial business wise.

At the stage known as the ‘peak of expectation’ and earlier many companies don’t yet know how to deploy these new technologies. They don’t know how to put it into their business model and make them benefit their operation. Now, PR, communications, marketing – this is a small part of the overall business. So we keep track of them, put forward proposals and ideas to implement, and how to implement – as to the business model, they do it themselves. The hype cycle can help businesses assess emerging tech and related investments.

**How is technological advance changing the way new generations of consumers see the world? Are we becoming ‘stuffocated’ with things? Millennials seem to be more interested in buying experiences than owning possessions.**

Yes, there’s clearly a switch taking place away from ready-made products towards services. Business models based on products are changing. We are moving from owning a car to using an app that allows us mobility whenever we want it. Companies see that switch coming, their business models have to adapt to that notion. The younger the consumers are, the more online their life is, and the business model has to catch the consumer online.

Equipment is expensive, why own it when you only need it for a tiny fraction of the time for which it has been built. Millennials and Generation Z consumers that are getting to the market and becoming a significant buying force, have different needs and expectations. They are more aware socially and environmentally and want to know who they are buying from. We can educate them about companies. Consumers can change companies’ behaviour and approach to ecology.

Corporate Social Responsibility is becoming crucial, a must-have rather than a nice-to-have. Consumers are looking at upcycling. Fashion brands such as Levi’s jeans are encouraging their buyers to keep their old jeans, maybe cutting off the legs and turning them into shorts. Upcycling can be implemented in many areas of our life as consumers, there are growing communities that recycle and upcycle as much as possible.
We seem to be moving away from mass-production to mass-customisation. Do you think the consumers of tomorrow will want products that reflect their personality, rather than something which signals conformity?

Indeed. They will be seeking something that’s not identical to the mass-market products that everyone has. Businesses, enabled by technology that allows them to capture insights about individual consumers, will be able to prepare individual offers tailor-made for them. The sharing economy has been enabled to a far larger scale than ever before by technology and an online society. In transportation, Uber and BlaBla Car, in other areas, other sectors – Airbnb, eBay, Gumtree – I see this developing further, deepening into a collaborative economy, for services and products in the future. Companies that don’t understand how technology enables consumers will struggle to survive.

Editorial note

By Michael Dembinski, chief advisor and Dorota Kierbiedź, membership director

The BPCC holds many events across Poland, increasingly on the premises of our members in the manufacturing sector.

New investors are moving in – shared services and IT hubs, industrial and logistics – and everywhere the same issue is on everyone’s lips – what do we need to do to recruit and retain the employees that we need?

Unemployment in Poland has never been lower. The official claimant rate, according to the central statistical office, GUS, is 7.0%. Eurostat gives the number of Poles of working age who are economically inactive as being 4.7%. Much of the difference (2.3 percentage points) can be explained by the grey sector, the cash-in-hand economy. Yet if we look across Poland, we can see wide variations in the GUS figures. In Poznań, it is 1.7%. In the district of Szydłowiec, to the south of Radom, it is 26.9%. These differences are important when it comes to choosing an location for a new investment. But if you are already in Warsaw (unemployment 2.4%) or Wrocław (2.5%), the labour market is indeed very tight.

Other than engaging in a salaries arms-race, what should employers be taking to stay competitive? This issue of Contact Magazine Online asks to what extent IT is the answer, and how technology will shape the future labour market in Poland.

Studies by PwC and various think-tanks across the developed economies suggest that by 2030, over 30% of jobs that exist today could disappear, swept away by artificial intelligence (AI). Machine learning will automate many white-collar activities in areas such as accountancy, finance and law. Big Data, coupled to AI, will lead to the automation of marketing functions, offering businesses greater returns on their marketing budgets. Autonomous vehicles will drive themselves around our cities in safety, delivering people and goods to where they need to be. In manufacturing industry, IT will ensure that robots talk to one another, ordering components from suppliers without
the need for human intervention. The Internet of Things (IoT), the backbone of the Industry 4.0 concept, will reduce industry's demand for labour.

But on the other hand, Poland, and much of the Western World, is facing a demographic dip. With ever fewer young people entering the labour market, will the automation of work eventually match the lower supply of employees? Or will the skills shortage simply become exacerbated, because those few job-market entrants that there are are woefully unprepared for the technological world of work that awaits them?

These are issues the BPCC has been discussing with its members around Poland, looking at the impact of IT on the labour market, considering what skills will be needed by employers – in manufacturing industry, in shared services, in IT itself – and what the Polish government needs to be doing today to ensure that children at school today will be equipped with the right skills and mindset to thrive in an increasingly technological labour market. Tech is building smartness into the things around us. To make things that consumers and businesses will need and want will require new ways of thinking; are Poland's schools today preparing tomorrow's employees with a 'think big' and 'can-do' attitude?

Articles from Hays, Grayling, Deloitte, Sage, Antal, Tagetic, Pelka PR, Society of Human Resource Managers and others focus on different aspects of these questions, offering plenty of fresh business insight. And there is an update from Ministry of Digital Affairs as to how the Polish government is getting on with implementing the digitisation of the state.

All in all, there's much to read in Contact Magazine Online that will bring you up to date with what's happening in the world of Tech and how it's impacting the Polish economy – and in particular its labour market.

Brexit, taxes and gas: hot topics at this year's Krynica Forum

By Russell Towlson, trade director, BPCC

Each year, the ski resort of Krynica Zdrój plays host to an economic summit, the Economic Forum, where politicians and business leaders from across the CEE region come together to discuss important economic and political matters.

The first such forum took part in 1992, so, like the BPCC, this event is also celebrating its silver jubilee.

This year I was fortunate enough to attend the Krynica forum for the first time, as guest of BPCC patron, Sage. I was impressed by the scale of the event which was well organised and equally well attended. I took part in a panel discussing the government's proposed tax changes, digitisation of tax returns for SMEs, and corporate income tax were the key points. Undersecretary of state at the Ministry of Finance, Paweł Gruza, who has responsibility for taxes, was also on the panel, making it particularly well-informed.

On the same evening, I attended a dinner hosted by Shell. This was a very cordial affair attended by senior business figures, a former Polish prime minister, and BPCC board member and chairman of the Council of British Chambers of Commerce in Europe (COBCOE), David

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Thomas. The discussion was lively and light-hearted with more serious exchanges around the possible opportunities in liquid natural gas, with Piotr Dziwok the country chairman of Shell companies in Poland placing his company’s flag firmly in the ground as a major player which is very keen to increase its involvement in this growing sector where its market share is lower than it should be.

The following morning I attended a panel discussion about the likely impact of Brexit on the financial markets. Just before the panel, I was talking to David Thomas who was taking part in it. David confided that he was a little worried that the attendance might be low as a result of the previous night’s traditional parties and indeed at this point, the audience was thin on the ground. Yet the word ‘Brexit’ proved a powerful draw, and audience numbers suddenly swelled as the debate started. Within a few minutes, there wasn’t a seat in the house. Brexit is a hot topic and everyone I met in Krynica, our conversation eventually turned to the ‘B’ word. To summarise – the general view of the majority of panellists was that London would remain a global financial capital after Brexit because of its huge strengths and capital resources and its ability to attract capital.

I enjoyed the Krynica experience immensely and hope to attend again and I would certainly recommend those who have never attended to go at least once.

European Forum of New Ideas

The annual get-together of Europe’s sharpest minds, from business and government, organised by employers’ confederation Lewiatan, took place in Sopot in late September for the seventh time.

A large number of top people came together to discuss key issues concerning our continent’s future, in the attractive surroundings of Poland’s premier seaside resort.

Among the burning issues was Brexit; president of the Confederation of British Industry, Paul Dreschler was one of the panellists to talk about the concrete challenges facing business as the British government and the EU negotiate terms of UK withdrawal. Mr Dreschler, also chairman of Bibby Line Group, parent company of BPCC member Bibby Factors, said that in the national discussion surrounding Brexit, politics would always end up trumping economic issues. The panel also considered the role the media played in the run-up to the referendum and the future of the million of so Poles currently living and working in the UK.

A star speaker at the event, George Friedman, founder of strategic think-tank Stratfor and author of book The Next 100 Years, talked about the prospects of peace in the continent. In his book, he sees Poland as one of the countries that would develop into a regional power, as Germany and Russia both wane in influence. Although he sees war as an innate part of the human condition, he said that he didn’t think that Russia would launch an all-out war against Europe in the near future, rather it would continue behaving aggressively and meddling in our affairs.

While an A-list of European politicians and former presidents and premiers gave their views about the challenges facing the EU and the institional changes required to meet them, the most interesting panels were those that peered into the future.
Tesco organised a fascinating panel – all too short at 90 minutes – dedicated to the future of food. With speakers representing the cutting edge of food production and the latest industry trends, the challenges of feeding the malnourished while improving the health of the overweight in the developed world were discussed. Technological change is coming to the way we produce, process, deliver and sell food, some of these changes will be revolutionary. Matt Simister, CEO of Tesco across Central and Eastern Europe, was on the panel and talked about the responsibility of retailers to fight food waste. Tesco, was the first among all retailers to publicly state how much food was wasted at its shops. He said that its aim was to cut it as far as possible, working with food banks and charities – but also with food producers and consumers (where the most waste occurs) to reduce waste to a minimum. Tesco has stopped multi-buy offers ('buy one, get one free') on food with short shelf-life, he said. Future trends, such as functional foods that have a medicinal element in them, were also discussed.

Situated at the interface between politics and business, EFNI can become slightly introspective at times, but the future-facing discussions looking far beyond today’s day-to-day issues are without.

**Trako showcases Poland’s rail sector opportunities**

Every other year, Gdańsk plays host to Europe’s biggest railway industry exhibition, alternating with Berlin’s Innotranz.

This September, Trako attracted exhibitors and visitors from the rail sector from around the world, among them over 20 companies from the UK. With Poland currently in the middle of a massive, EU-funded rail redevelopment programme, the opportunities for British businesses here are greater than ever – though so is the competition!

The Department for International Trade (DIT) brought over a trade mission from the East Midlands to Trako as part of a broader UK presence at the show. There was also a DIT seminar, at which all the British participants could learn about the opportunities in Poland – and across the CEE region – ahead of the exhibition's official opening.

The range of products and services offered by UK businesses to the Polish rail sector is broad, from mobile ticketing solutions to piling for gantries, from rail de-icing chemicals to virtual-reality training for station staff and steel rails capable of carrying the fastest trains in Europe.

Participants heard about the size and scope of rail modernisation in Poland, where 31 projects – each worth over 500 million zlotys (around £100m) – are currently ongoing. A similar process is happening in Bulgaria and Romania – senior railway executives from both countries set out their plans to bring their rail networks up to the highest European standards.

Before the show, trade mission members from the East Midlands had the chance to meet the president of Gdańsk's tramway operator, GAiT. This meeting, arranged by the BPCC's Trade Team, was followed by a visit to one of the city’s two tram depots, currently being expanded. The British firms had the chance to see the state-of-the-art equipment being deployed at the tramshed so that the latest trams can be maintained to the very highest standards.

All of this is a great opportunity for UK firms, but they have to be aware of the differences in doing business in Poland. Above all, there is the public procurement process, which seems far more complicated to first-timers than the way it's done in the UK. The letter of the law is all-important in Poland; the paperwork has to be in order, and much of that is unfamiliar to British firms bidding for tenders here. Fortunately, the BPCC has many members in the B2B advisory sector who are experienced in helping firms win contracts, by knowing exactly what documents are required and what formalities need to be addressed.
Public procurement is slowly becoming more sophisticated in Poland, with an appreciation that factors other than lowest price are important. The notion that total cost of ownership over a 20 or 30-year period is more important than the cheapest price is beginning to sink in. However, Poland still has a culture of appealing against lost tenders; a British firm may win the tender, but the lawyers of the losing firms will pore over the documents looking for any technicality on which they can try to unseat the winning bid.

At the end of the exhibition there was a banquet at which UK rail minister, Paul Maynard and David Reed, the new deputy head of mission at the British embassy in Poland were joined by VIPs from the Polish government and railway industry as well as potential clients for British business to network over cocktails and canapes. This mixer was very well attended and gave British exhibitors the chance to cement relations made at the exhibition stands with a more informal chat in a relaxed atmosphere.

Finally, a farewell dinner was held at the Hilton Hotel in Gdańsk for all the British exhibitors and trade mission members. The BPCC hopes that this years’ Trako will result in export wins for the UK.

**International Oktoberfest 2017**

13th edition of Wroclaw’s International Oktoberfest sustained its famed grandeur and attractiveness as undoubtedly one of the biggest and most prestigious business events in Lower Silesia.

This year International Oktoberfest has drawn from the best experience of previous occasions strengthened by a modern approach combining wide and colourful exhibitions of characteristic Bavarian and Polish food with cultural elements of each of the countries represented by the Chambers.

The meeting was honoured by the presence of HM Ambassador Jonathan Knott and the Ambassador of Ireland Gerard Keown as well as consuls general, diplomatic corps and representatives of local authorities. Among the guests there were numerous representatives of member companies and guests of IO Sponsors. Well known TV celebrity and reporter Piotr Kraśko very efficiently and professionally managed the conduct of this prestigious event.

The main attractions of the evening couldn’t lack it’s most traditional elements - Tapping-of-the-Barrel alongside with lively and folklore music played the Bavarian State Orchestra Musikkapelle Niederwangen, existing since 1823. This joyful manifestation of beer festival enthusiasm was slightly tuned down by nostalgic Anglosaxon notes during a performance of Sam Alty, a young singer from New Zealand.

In this unusual atmosphere, the visitors could enjoy the delicious taste of both global beers and of those from local kraft breweries, together with original Wroclaw sweet cider Meli Melum.

International Oktoberfest is a luxurious networking event, which allows for an effective integration of top and mid-level managers of companies affiliated in the international chambers, their customers and business partners. Guests leaving Wroclaw Arsenal kept not only the good memories and impressions but also valuable contacts.
The BPCC organised a conference at the Silesian Marshal’s Office on 13 September to look at the implications of the coming fourth industrial revolution for businesses across the province.
The aim was to discuss the latest challenges that automation, robotics and the Internet of Things (IoT) create, and how business should prepare for these. The event also focused on the cooperation needed between business, local authorities and education, as well as the role of business support organisations such as clusters and science parks.

The event was formally opened by Kazimierz Karolczak, member of the board of the Silesian Voivodship, and also therecently appointed chairman of the Upper Silesian Metropolitan Area. He explained the importance of sustainable development based on the competitiveness of local businesses. The Silesian Voivodship is the second-most powerful region of Poland, generation over 12% of national GDP. Key sectors, he said, are energy, automotive, logistics and pharma. In recent years, the province has also become home to a large number of IT and high-tech firms.

Linking business and higher education is seen as an important part of maintaining the region's competitiveness. Janusz Michalek, chairman of the Katowice Special Economic Zone, Marek Pawelczyk, pro-rector of the Silesian Technical University and Dariusz Laska from the University of Silesia, were present, representing Pro-Silesia, the association bringing together the most important institutions for the region.

The first presentation, from Andrzej Kwaśniewski from the Marshal's Office, set out in detail the various forms of financial support for SMEs engaging in R&D activity. Michael Dembinski, the BPCC's chief advisor, spoke next, defining the Fourth Industrial Revolution, placing it in the context of the demographics of Poland’s labour market (see graph below).

The large number of Poles in their early 30s form a demographic peak, after which there is a drop in the numbers, with each successive age cohort being on average 17,500 smaller than the previous one. There are around 700,000 34 year-olds, but only 350,000 14 year-olds, so if employers are worried today, the labour market will only get tighter over the next seven years, he said. At the same time, an early demographic peak (those born in the late 1950s) are approaching retirement age. However, it is foreseen by various think-tanks that by 2030, between 30% and 45% of all jobs will disappear, due to robotics and AI. New technologies - robotics, artificial intelligence, IoT and distributed ledger will automate whole swathes of routine work in accounts, supply chain and database management. What skills should employees possess to remain valuable in the world of Industry 4.0? How should the Polish state respond with an education policy to fit the needs of tomorrow's labour market? These questions would be answered in the remaining part of the event.

Michał Kreczmar, a director at PwC, outlined the future of digitisation in industry, showing how it impacts the value chain, products, services and business models will impact companies, their employees, their clients and suppliers. He gave case studies from Bosch Siemens, Waymo and Boeing as well as Polish businesses. He defined the biggest two barriers to implementing Industry 4.0 solutions as finance and infrastructure. Mr Kreczmar also talked about Digital Innovation Hubs as a model for supporting business in matters of improving their competitiveness and implementing digital solutions.
The situation on the Silesian labour market and the availability of skills currently required from candidates were discussed by Karolina Szyndler, business manager from Hays. Currently unemployment across the province is 5.6%; there are 2,818,424 of working age, of whom 492,359 are employed in manufacturing industry. The most sought-after candidates are technical graduates, engineers, IT specialists with a few years experience, in particular those with good 'soft skills' - able to work in groups, good at communication, risk-taking and decision making, with high levels of empathy and emotional intelligence.

After a networking coffee break, Luk Palmen, chairman of the board of InnoCo from Gliwice spoke on behalf of the Silesia Automotive & Advanced Manufacturing Cluster, located in the Katowice Special Economic Zone. It currently brings together 60 firms, three business support institutions and eight scientific institutions. He discussed the cluster's role in facilitating a forum whereby competing companies could discuss issues concerning innovation, exchanging best practice and visions for developing a strong centre of competence.

Next, on behalf of Pro Silesia, Marek Pawelczyk, vice-rector for science and development of the Silesian University of Technology and Dariusz Laska, vice-chancellor for development and industrial cooperation of the University of Silesia in Katowice discussed the processes of modern education and scientific research. In particular, they talked about the challenges of fitting these to the needs of Industry 4.0, and how this was being implemented by the two best-known universities in Silesia. At present, a law to create a body that will manage the Polish Industry 4.0 platform is being prepared. This platform will act as an umbrella for all competence centres of Industry 4.0 located across Poland. Similar initiatives already work well in Germany, the Netherlands and in Slovenia. The Silesian University of Technology together with the Katowice Special Economic Zone have developed the concept of the Silesian Competence Centre of Industry 4.0 and have forwarded this on to the Ministry of Development. The decision to establish a Polish Industry 4.0 Platform is now anticipated. Mr Pawelczyk also presented the concept of a dual-study programme (the combination of work and study) in automation and machine building that is conducted in cooperation with automotive companies in Silesia.

The University of Silesia in Katowice has 12 faculties, 25,000 students and nearly 250,000 graduates. Mr Laska discussed the creation of new faculties set up to educate young people for evolving technological needs, and training courses that raise professional qualifications (including soft skills). He also mentioned the concept of the implementation doctorates (PhDs earned by implementing technologies into commercial life, rather than just writing theses). He also covered the activities of the university's Career Bureau, and the grants for innovative student projects such as isolation and characteristics of wild strains of yeast that may be used in the brewing and cosmetics sectors.

Pawel Szulc, chief technologist at Bodycote Polska talked about the Practical aspects of implementing Industry 4.0. Bodycote is a leading provider of heat treatment and specialist thermal processing services with seven production sites in Poland, including Zabrze and Gliwice in Silesia. Mr Szulc discussed implementation of Supervisory Control And Data Acquisition (SCADA), a system used to monitor and control equipment in production sites. Its principal functions include gathering the current data, their visualisation, the process control and data archiving.

The last substantive part of the conference was a panel discussion with the participation of all speakers, moderated by Michael Dembinski. The conference ended up with a networking meeting.
Houses of glass – when fiction becomes reality

By Stanisław Dąbek, consultant and member of the Intellectual Property, Technology and Communications practice team at Dentons

Stefan Żeromski wrote a pivotal novel about ethnic Poles from Siberia returning to their ancestral homeland after the Russian Revolution, in the belief there were fantastical 'houses of glass' in Poland.¹

The houses symbolised prosperity, development and technological progress. Alas, the main protagonist soon discovers to his chagrin that the houses of glass are just a chimera – a made-up story told him by his dying father. Today, in 2017, the glass metaphor is taking on a wildly more positive twist.

Two years ago saw the roll-out of a comprehensive programme of building next-generation networks to provide modern telecoms services for Polish flats or houses, based overwhelmingly on glass and plastic fibre optics. A good revolution!

This November will see the beginnings of a second roll-out. Telecoms operators are set to receive subsidies worth 1 billion zlotys² (c. €235m) to develop the next generation network. Following the last two competitions, the telecoms are already committed to building networks covering well over two million households (about six million Poles). To give you some idea of the scale of the investment, that's like hooking up the whole of Scotland to the internet and then some.

The major players on the Polish telecoms market, Orange, Netia, Vectra and Inea took part in the previous competitions. The new feature they brought to the local market was without doubt Nokia's successful debut in terms of its alliance with the Infracapital investment fund (obtaining funding of over 500m złotys).

The Polish government will have to nimbly side-step a number of legal barriers before launching the third competition, which seeks to make the fibre optic dream a reality for all Poles, everyday internet users, city dwellers and rural areas alike. Challenges are likely to come from two sources: on the one hand from EU regulations on state aid and, on the other, from local regulations concerning the investment process and the provision of telecom services.

The basic principle of granting state aid to develop broadband networks is to ensure effective wholesale access to networks created using EU funds. Overseeing the implementation of the rules in Poland is the regulator – the President of UKE (the office of electronic communication). He has decided to publish 'reference offers', an
important guideline for specifying access conditions – in particular the price conditions. Consultations are already under way as regards the conditions for wholesale access applicable to networks rolled out under the second and third competition for the construction and expansion of the broadband networks. A key challenge for the regulator will be to gauge the level of charges correctly and to define appropriate wholesale access products for wireless networks (if they take part in subsequent competitions).

Of particular importance for the telecom firms are the eligibility rules for expenditure funded by Europe, as they determine which outlays may be supported by the state, and which may not. Just maybe, the Ministry of Economic Development will decide to extend the scope of eligible expenditure in the third competition to cover expenditure related to the entire investment process. At present, certain costs, such as the purchase of telecoms equipment for the end user and spending related to the preparation of technical documentation, cannot be co-financed from the funds of Measure 1.1. of the Digital Poland Operational Programme.

It will be extremely difficult for the telecoms firms themselves to overcome the legal barriers related to the investment process, although in recent years there have been positive changes in the regulations concerning wired broadband networks (though the opposite can be said for wireless networks). On the other hand, great uncertainty still surrounds the updating of the Urban and Construction Code. The Ministry of Infrastructure and Construction has decided to start work on legislation to overhaul the Urban and Construction Code, which will hopefully speed up the construction process for modern fibre optic networks.

The challenge for the Ministry of Digitisation will be to deliver major investments. That said, this group of telecoms operators has been carrying out intensive work related to the implementation of investment commitments under the 800 and 2,600 Mhz bandwidth auctions completed in 2015. All will become clearer soon, as the competition documentation should be done and dusted within the next month and it will then be possible to assess how the telecoms market will react to the new rules.

Houses of glass. Almost every household in Poland should soon be connected to the internet. The phantasmagoria of a century ago is nearly within the reach of all. Not through building new glass-and-concrete Class A office buildings in central Warsaw, but by providing ultra-fast broadband in the areas that have been bypassed until now by the telecoms market.

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The future of work in Poland

By Andrew Blatiak, director, Leadership and Management Institute, and Michael Dembinski, chief advisor, BPCC

Five global changes will influence the future of work in Poland: demographics; technology; globalisation; new models of work and the increasing divide between the educational curriculum and business needs.

Demographics

Poland’s competitive advantage was based on a large number of young people entering the labour market soon after the transformation to a market economy but this has been fading as the demographic peak grows older. The largest age cohort in Poland is currently aged 34 (born in 1983) there are nearly 700,000 of them. The smallest group is currently aged 14 (born in 2003), there
are only 350,000 of them. This means that each year on average, some 17,500 fewer young people enter the labour force. For the next five to ten years, employers will need to make do with a shrinking number of school-leavers and university graduates.

Employers are increasingly reaching out abroad for recruits, either from Ukraine, or (for firms with strong employer brands), from the UK. Poland has the opportunity to welcome back over a million experienced, courageous workers who could make a difference to the economy. However, those returning may be discouraged if the prevailing management style is still autocratic.

Technology

Technological advances are automating many routine tasks formerly performed by semi-skilled workers (those with a high-school diploma but not a degree). Technology forces many mid-skilled workers to take low-wage jobs, resulting in a polarisation of the job market into high- and low-skilled. The number of overqualified applicants and employees in low-skilled jobs will increase. Across much of Europe, nearly half of school leavers go on to tertiary education. Yet it's far from the case that nearly half of all jobs are graduate-level. The remaining jobs may not be challenging or engaging to employees with middle- or higher education, potentially leading to decreased employee engagement, retention and productivity. In addition, productivity has increased substantially over the past few decades while workers’ wages have fallen in relative terms, creating an additional squeeze on wages which could soon be evident in Poland.

Technology has made it possible for employees to work from any location and has made their physical presence in the office less important. The rapid growth of technology has eroded physical barriers to working and has enabled people in previously isolated countries to participate in global business, thus allowing work to be performed far from its original source.

Globalisation

A threat as well as an opportunity for Poland. New foreign investments moving into Poland are now driven by the quality of the people rather than cost-cutting. But globalisation has made the world a competitive place. Capital will seek cost-effective solutions to business problems, which affect local markets. Foreign investors moving to Poland can afford to pay the highest salaries to the best talent, which has a knock-on effect for local employers who have to strive harder to keep their staff.

New models of work

Telecommuting will increase in Poland and more jobs will be conducted virtually with remote workers. The talent pool available to Polish employers will grow as people in many different countries abroad become available to work. However, HR managers will encounter greater challenges in managing remote workers, evaluating productivity and fostering feelings of connection to the organisation. The internet has facilitated a new way of working – crowdsourcing. New websites such as Gigwalk, Mechanical Turk and TopCoder have created global online marketplaces where workers and those with project work can connect and transact business. Employees can work for one company and, when work is slow, work for another company. This practice avoids lay-offs. Crowdsourcing is outsourcing from the crowd; it allows an organisation to leverage the collective talent of the crowd to get work done, often in more efficient
and cost-effective ways than the traditional employment model. By using 'reputation scores' similar to sellers on eBay, these platforms will allow companies in Poland to quickly evaluate talent outside their own workforce.

**Reshaping the curriculum**

Educational authorities in Poland (and the rest of the world) are struggling to adapt school and university curriculums to meet the needs of the modern economy. Though the percentage of young people with college degrees is growing in Poland (as it is across Europe) companies still report challenges in finding candidates with the right combination of technical and soft skills. Many high-school and college graduates will not be prepared for the workplace. Filling positions that require STEM (science, technology, engineering and maths) skills could be challenging. What should the government’s policy response to these needs be?

*A workshop on how HR managers can prepare for some of these changes will be held on Wednesday 8 November at the BPCC.*


**Artificial Intelligence and Human Resources**

*by Aleksandra Kujawa, business unit manager, Antal IT Services*

*From time to time, strong trends emerge on the human resources market that everyone finds as revolution.*

The world’s first HR department was set up more than 120 years ago in the National Cash Register Company. A few years later, the first search and selection tests were introduced. As the Internet era began in the 1990s, candidates could forget about paper CV and the recruitment world begun to run.

Nowadays, more and more companies are based around developing and selling ICT solutions. According to Eurostat, one out of every five companies across the EU hires someone with ICT competencies, and there are more than eight million people already employed in the sector, with the most working in the UK and Germany. However, this is still not enough and the EU lacks millions of specialists. Can some of them be replaced with AI solutions?

AI is also often called machine intelligence or machine learning. That means highly developed cognitive functions based on the massive data collected, processed and transformed into actions that can learn from its own performance and improve. The best-known applications at the moment are autonomous cars, human speech recognition such as Apple’s Siri and Amazon's Alexa, or Cogito advising you on emotions, to help your business improve its customer experience. Amazing!

The first phase of AI is happening; solutions are being developed for e-commerce, continually improving customer service, making our life easier and helping us buy new things as effortlessly as possible. Next will come a time when we can use it to improve our skills, helping children learn such hard competences like programming from the scratch, using a friendly robot. Schools and training centres are already using virtual reality, so you can reach the peak of Mount Everest or explore underwater volcanoes without moving from your chair. Companies are working intensively on developing smart e-books that will adjust to individual’s learning approach, and systems that will learn every student's aptitudes, advising them continuously on improvement and providing them with ready learning solutions. On top of the far greater effectiveness this offers, it’s also much more fun than another pen-and-paper questionnaire determining who you want be in the future.
If local economies are to have a ready supply of well-skilled specialists adjusted to the market's needs, the HR industry could also improve a lot from AI solution. Right now, in common use we can find chatbots, mostly based on Facebook's Messenger solution, that give real-time answers, helping HR departments and recruitment companies. That's really useful and time saving, especially when it comes to answering employees’ standard questions or during talent acquisition while processing the first selection. But that's just the beginning. In future, HR management will be able to offer a personal virtual advisor to every employee. By learning and analysing, it can assist you on onboarding new staff, developing their skills, improving the structure of the working day, providing a business-news package and even alerting when it's time for holidays as you start looking to increase effectiveness. It can also provide feedback about your performance and engagement to your boss and accelerate promotion! How often we discover that have had amazing people working in organisations... and we only notice them after they leave the job.

The recruitment process could also benefit from AI solutions that are still on the development phase. Most of us have changed the job several times across our career; however, some of us work on contracts or change it every couple of months. What if there existed a solution that will find you online whenever a great opportunity appears? Instead of waiting days for the recruiter to call, a velvety (though virtual) voice will guide you as to how you should tweak your CV for this job, tell you about its requirements, verify your skills, and advise you how much you should earn. Then each time you have a question or would like to check the recruitment status, the answer will be within a second.

AI will never substitute human beings. It can, however, be useful, especially in areas where machine learning and development performs properly. Instead of fighting with the technologies that may substitute human competences, we should focus on gaining new skills, retraining and concentrating on those areas where humans will be needed most.

**Digitisation in Poland: Achievements and Challenges for the Future**

*by Krzysztof Szubert, Secretary of State and the Government Plenipotentiary for Digital Single Market*

The dynamic technological progress that we've been witnessing for several years now has an enormous impact on the functioning of modern economies and societies.

The dynamic technological progress that we've been witnessing for several years now has an enormous impact on the functioning of modern economies and societies.

High-tech digital solutions, such as cloud computing, big data or the Internet of Things are increasingly used widely in the production chain. The development of telecoms – and especially of the fifth-generation mobile network (5G) – offers new possibilities in interpersonal communication. Because the process of digitisation is going at a mesmerising rate, the majority of countries include it in their economic policy and consider it a key factor of their growth. To face global competition from Asia or the US, Europe is also making a consolidated effort so that it can become the leader of digital transformation. Harmonisation and unification of policies and legislation in that domain should contribute to achieving that goal. As a result, the scope of legislative and non-legislative measures taken within the EU is constantly expanding. Activity in this field is stimulated by the European Commission and the member states themselves, which put digital issues important for the EU economy on the European agenda.

Digitisation is continuously
moving forward. The mission of the Ministry of Digital Affairs is to keep up with those changes, react swiftly, adopting measures which will benefit citizens, and to come up with new solutions. We want digitisation to be the support that Poland needs to make its civilisational leap, placing our country among the leaders of highly developed countries with regard to access to state-of-the-art solutions from the ICT domain. We're hoping our digitisation activities will contribute to people living better lives. That's why we resolutely implement the tasks we set ourselves in strategic documents, which we adopted soon after our Ministry was formed. We believe that digitisation is not just about buying hardware and software, but that it's about transforming the state. This requires us to act at the national and international level. Only a modern and efficient public administration, and a state that's creating favourable conditions for the development of digital skills and innovation will let us face the global challenges of technological transformation and allow us to fully benefit from it.

For this purpose, we've significantly reorganised the Ministry and adopted a project and goal-oriented approach. We're cooperating with many valuable ICT experts, whose experience in the business sector gives a modern face to the Polish administration.

Some examples of the Ministry’s successful activities at the national level include the possibility to apply for the 500+ benefit via online banking, check penalty points online (since April 2017, almost 300,000 citizens have used that service), or create, via online banking, a safe profile (Profil Zaufany) – a tool that makes it possible to certify one’s identity on the internet. The number of people that have used the last service has exceeded one million. Nevertheless, we continue to work on introducing new measures to make the life of citizens and businesses easier. The number of e-services offered by the Ministry has reached 580.

One of the key initiatives we are working on is a project aiming at upgrading citizens’ digital skills, so that they can benefit from technological progress and use it not only for entertainment, but also in their professional life. It's called the National Education Network (Ogólnopolska Sieć Edukacyjna, OSE). The goal is to connect all schools in Poland to high-speed internet (with bandwidth of at least 100 Mb/s). The first 1,500 schools will be connected by the end of 2018, and all 19,500 of them by 2020. The implementation of the OSE will result in a civilisational change in children’s education, transitioning from analogue (books) to digital. It will also make it possible to give equal educational opportunities to all pupils in Poland, especially to those living in less-populated areas and studying in schools with a small number of pupils. For those children, access to modern sources and streams of knowledge is vital to make the most of their potential.

Another important project of our Ministry is mDocuments. This e-service will allow a citizen to prove their identity or – at next stages – certify their rights with a mobile phone. The project will ultimately cover documents like the ID card, driving license or student ID. mDocuments will be an optional solution, complementary to the documents’ paper form. Those wishing to continue using traditional documents will still have the possibility to do so. This project is part of a bigger programme to build a system of digital identity – eID. In the long term, digital identity will speed up administrative procedures, as well as ensure greater accessibility of public administration’s and commercial services.

The efficacy of our efforts is proven by Poland’s gradual rise in digital sector rankings. In the DESI 2017 ranking (Digital Economy and Society Index), thanks to progress in human resources, Internet use, and connectivity we have advanced to 23rd place. And in the most recent OECD ranking Open, Useful, Reusable Government Data (OUR Data Index), published in Government at a Glance 2017, we’re in 20th place, eight places higher than in 2015. This was possible thanks to legislative changes made last year: the act on reusing public-sector information came into
force in June 2016. Last September, the Council of Ministers adopted the Opening Public Data Programme, implementing OECD recommendations set out in Open Data Review of Poland, and to the European Commission’s assessment Open Data Maturity.

We also have new challenges ahead of us. We want the Polish administration to be modern, efficient, and citizen-friendly. To do that, we’re working on creating the gov.pl portal – the one place citizens will be able to reach the public administration, where they will have access to information on the entire government administration and to the continuously expanding offer of digital services.

We’re also strengthening our activity in the international arena, in particular by being involved in the creation of the Digital Single Market. The Digital Single Market Strategy (DSM) is the main document of the European Commission outlining the EU’s planned activities in the digital domain. The strategy’s objective is to eliminate the existing barriers which hinder Europe’s digital development. The creation of a digital single market is supposed to help European businesses expand their activity on a global scale, and provide consumers with a larger selection of products and services of higher quality and lower prices. The DSM is a market with a huge potential for economic growth and of exceptional value. According to the estimates of the European Commission, it encompasses more than 500 million people, and can bring profits exceeding €415 billion a year.

The wide range of issues covered by the DSM requires a coordinated and coherent representation of Poland’s interests in foreign relations. That’s why I was appointed the Government Plenipotentiary for the Digital Single Market. As plenipotentiary, one of my main tasks is to draw up legal or organisational solutions for implementing the principles of the DSM. Right now, I am working on a mechanism of cooperation between ministries and state institutions involved in projects covered by the DSM strategy – the

Ministries of Development, Culture and National Heritage, Justice, Infrastructure and Construction, Science and Higher Education, Foreign Affairs, as well as the National Broadcasting Council. On 12 September 2017, I took part in a session of the Council of Ministers to present Poland’s international activity in the digital domain, and to encourage further collaboration and information exchange between ministries to make our international voice stronger.

Consolidation of the state administration’s efforts in the domain of international cooperation is all the more necessary in view of the mid-term review of the DSM Strategy’s published last May. In the review, the European Commission took stock of its achievements, showed the current state of affairs and announced the next course of action. It is clear that significant efforts will go towards supporting Europe’s data economy. The goal is to ensure free movement of non-personal data within the EU, which is of great importance with the ever-growing relationship between trade and data flow, as well as the future development of technologies based on transfer of data. The European Commission estimates that in 2020, the European data market will be worth from €361 billion up to €739 billion (2.3%-4% of the EU’s GDP).

Poland, with its qualified personnel and appropriate infrastructure has huge potential in this regard, and thus is particularly interested in adopting regulations ensuring the free flow of data. In December 2016, Poland together with 13 EU member states from the Like-Minded Group adopted a joint position on the free movement of data. We urged the Commission to present a legislative proposal eliminating unnecessary requirements relative to the data localisation. I’d like to emphasise the important role played in the Like-Minded Group by the UK. We hope for further constructive and friendly cooperation with our British partners on other digital topics raised by the group. Last May, a group of 15 EU member states led by Poland sent another letter to the European Commission, demanding quick action for establishing the EU’s position on the free movement of data in trade agreements.
Poland is prepared for a fact-based discussion on the validity of removing unnecessary barriers in the movement of data. The Ministry of Digital Affairs has ordered a scientific analysis, which comprehensively shows measurable benefits stemming from the development of economy based on the free movement of data. The analysis was published on 3 October.

Another important point of the European digital agenda is the development of the 5G network. The first steps for harmonisation among EU Member States in that domain were taken last July during a summit of telecoms and competitiveness ministers. A declaration was signed confirming the will of the EU countries to make Europe the leading global market of the 5G network’s development. This needs a transparent, predictable and future-oriented regulatory framework, allowing investments in a competitive market. Ministers also agreed that the 5G network is crucial for ensuring further digital development, benefiting consumers and businesses across all sectors of economy. It will also help boost Europe’s competitiveness. Poland is adopting measures that will allow us to become one of the 5G technology leaders. Even though final standards for 5G networks and devices are still being defined, our country is already preparing to implement the 5G network. Adequate frequency resources are the key problem. We’re working to ensure adequate resources for the 5G network on the international and the national level, also by solving legal issues. At the end of June, together with telecoms operators, chambers of commerce, providers of services, equipment and solutions for telecoms, R&D institutions and technical universities, we concluded an agreement for a 5G for Poland strategy. The goal is to draw up the strategy by the end of this year, the first step towards the implementation of the 5G network in Poland.

We don’t forget about the cybersecurity aspect – the common denominator for all digital matters. For modern economy and society to develop freely, it’s vital to undertake measures to strengthen cybersecurity. On 13 September, the European Commission published a package of documents, including legislative ones, dealing with cybersecurity. We intend to be an active participant of the debate that will take place in relation to the EC’s initiative. Our Ministry is going to coordinate the process of consultation of the Government’s position on the published package. On 9 May, premier Beata Szydło signed a resolution of the Council of Ministers on the National Framework for Poland’s Cybersecurity Policy in 2017-2022. This document sets out the government’s strategic approach to issues of cybersecurity in a broad sense. Currently, the Minister of Digital Affairs oversees the activities of a working group composed of representatives of various government authorities, tasked with drawing up an Action Plan for the Implementation of the National Framework for the Cybersecurity Policy. The outcome of their work will be a list of measures, the implementation of which will make it possible to achieve the goals set out in the adopted document. The list will be submitted for the Council of Ministers’ approval.

Issues relative to digital progress are of a horizontal nature, permeating all spheres of economic activity and social life. As a result, last June, under the leadership of our Prime Minister Beata Szydło, 17 EU leaders submitted a letter to the President of the European Council stressing the need to put digital matters at the highest political level of the EU. The document was signed by the premiers of Belgium, Czechia, Denmark, Estonia, Finland, Hungary, Ireland, Latvia, Luxembourg, the Netherlands, Portugal, Slovakia, Slovenia, Sweden, and the UK, as well as the president of Lithuania. The initiative largely led to the first summit of the European Council – well organised by Estonian presidency - dedicated solely to digital matters which took place on 29 September in Tallinn.

Realising the enormous potential of the Digital Single Market, in all our activities, we emphasise the need to make it more open to innovation and new business models. We call for the removal of unnecessary administrative and legal restrictions.
that hamper the development of this market, replacing them with solutions that are transparent, fair and responsive to real needs of society and markets. That’s because we want the largest possible number of citizens and businesses to benefit from the DSM. We’re certain that this approach is the only one which can let the EU become a true global leader of digital progress.


Recommendations in social media more effective than TV ads

Community portals are changing the balance on the media market.

Consumers’ interest in spending money on on-line video transmissions has increased. The Digital Democracy Survey by Deloitte has proven that nearly half (49%) of US consumers subscribe to chargeable streaming transmission services. Community portals are the key source of information for every third Millennial, while 70% use them for communicating with brands. Along with new formats, new content consumption methods are developed, among others Binge-watching – watching several or all parts of a serial at one sitting. Almost three-quarters (73%) of respondents declared to watch video contents this way.

As demonstrated by the Deloitte survey, 40% of Millennials (today’s 20 to 30 year-olds) and of Generation Z (i.e. people born after 2000) regularly binge-watch TV serials and programmes, which in practical terms means watching six parts at one sitting (for around five hours) on average. Since binge-watching is gaining popularity, advertisers and marketers face must find out how to reach their audience using this trend.

“One solution involves more strategic product location in binge-watched contents, which often do not include ads. Another one involves production of feature-length films in the form of mini-serials to make them more attractive”, says Krzysztof Przybysławski, digital media director, Deloitte Digital. “Obviously, developing new platforms is also an option, to make money on the binge-watching phenomenon”, he adds.

Mainstream social media?

What influences purchase decisions regarding different types of goods and services? According to the Deloitte survey, for Z and Y generations, recommendations in community portals are of key importance. Thus, their impact is much stronger than that of TV spots. According to 27% of Generation Z respondents, online recommendations published by friends in social media are ‘very helpful’ in making decisions to buy a product or service, while mere 18% shared the opinion with regard to TV spots.

There is one more challenge related to TV spots: the manner of watching them: nearly 99% of Generation Z respondents and Millennials admit to perform other activities when watching TV. As demonstrated by the Deloitte survey, we do on average four other things when sitting at the TV screen. “When companies decide to go for TV ads, they must be aware that viewing measurement does not tell the whole story. The very fact that a TV set is on does not guarantee that anyone pays attention to it. When planning a media campaign, brands must include the power of social media recommendation”, says Michał Owczarek, creative+strategy director, Deloitte Digital.

Community portals as a source of information

According to the Deloitte survey, 84% of US consumers use community portals (over 90% of Generation Z and Millennials). They use social media to discover new programmes. Both Generation Z and Millennials have indicated that these portals are more effective than TV ads in this respect. Moreover, every third respondent has indicated that community portals are their key source of information, while a mere 21% of respondents from this age group indicated
TV. If measured for all respondents, this platform is the most popular source of information for 40% of them.

Community portals provide brands with opportunities to directly communicate with their clients. According to the survey, nearly half (45%) of US consumers declare to be more fond of companies and brands involved in social networks. 70% of Millennials communicate with corporations through social media. Nearly three quarters of them consider this communication channel more effective than a phone call. “The generation raised up in the world of new technologies has brought their use to perfection. Social media provide benefits to both brands and consumers. When misused, they can give rise to many questions and doubts. When firms do not respond to customers’ needs, the latter have a tool that lets them share their dissatisfaction with other potential consumers. Thus, in the world of new media, caring for customer satisfaction must be a priority”, says Olgierd Cygan, Deloitte Digital CE leader.

Online ads do not fit all

At present it is hard to imagine a firm that is absent from internet. Despite the popularity of social media and their advertisement potential, reaching the audience may be a challenge, especially that nearly half (45%) of Millennials use ad pop-up blockers and 85% of them say that doing so improves the speed and efficiency of Internet operation. Some 40% of them block pop-ups in their smartphones, too. How, then, can a company produce viable advertisement communication using the internet? More than half of respondents would like to receive location-based ads, while 46% declare to pay more attention to ads they can skip than to those they cannot. “In this respect there’s no difference between Internet and other media; users dislike blatant advertising. On the other hand, compared to traditional media, it opens up new opportunities, such as geolocation”, concludes Mr Owczarek.

The survey included a representative group of 2,121 American consumers and was carried out in 2016.

There's no escaping automation – this goes for marketing too!

by Elżbieta Pelka, co-founder of GROW Poland, president of Pełka 360 agency and Marcin Stawowczyk, CEO GROW Poland

Every marketer has heard about marketing automation. In an era of algorithms and artificial intelligence, this buzzword has regularly appeared in discussions at all conferences on digital marketing.

Does this mean that every B2B marketer is bound to use marketing automation? And if so, what should we look at when choosing our supplier and implementing marketing automation?

In 2011, there were 16 suppliers of marketing automation (MA) solutions
globally, today the number of suppliers of comprehensive MA platforms is estimated at 212, which means that the market has grown 13-fold. The number of solutions, platforms and MA specialists is still growing, and technology development also brings about a change in the role and potential of MA. Most tools can handle email campaigns, some are better than others, but only a few systems are capable of in-depth data analytics, creating multi-stage, dynamic and personalised campaigns based on behavioural profiles.

Marketing automation has irreversibly changed paradigms that modern marketing is based on. It has forced a shift in the approach to the customer and to the very essence of communication as such. In simple words: true MA enables the delivery of a personalised message to a defined person at the right time.

There are multiple benefits of automation. Increased effectiveness, personalisation or measurability of data are but a few. Still, MA is often identified with a simple emailing tool. Which is not true. On the other hand, MA is sometimes viewed as a technological toy, a magic wand to solve all the organisation’s problems. This claim will not be realistic either, but is a good starting point for a discussion about Marketing Automation, as solving specific problems must lie at the core of implementing MA. Defining goals that we want to achieve by implementing MA is paramount.

Many companies start their adventure with MA by sending a mass amount of emails, which are of practically no use at all, nor do they give any return on investment, as most messages go straight to the recipients’ spam folders. Only comprehensive MA platforms enable precise targeting thanks to which organisations are able to precisely reach only recipients with a realistic interest in the company, its products or services.

Among mature MA platforms are suppliers as Oracle, Salesforce or Marketo, which allow you to get qualified leads from traffic generated on different channels such as websites, social media, emails or banners. What does it look like in practice? A person interested in our product or service enters into interaction with us, for example by filling in an online form. At this point, thanks to the correct use of tracking codes, we’re able to precisely identify the customer. They stop being an anonymous IP address and become a valuable contact, described through a behavioural profile. By knowing who's who, we can influence the customer in order to achieve our goals. In other words, we can start a nurturing campaign – the process of building the customer’s awareness of the brand and establishing rapport.

Thanks to the opportunities that comprehensive MA platforms give, we can define the steps of such campaigns, building whole processes of customer impact against the background of individual interactions they enter into. Depending on what the lead is interested in, having identified them, we can contact them, invite them to a webinar, send them discount coupons etc. If the customer is contacted within an hour of them visiting an organisation’s website, the conversion rate increases by 600%.

Most tests demonstrate that the business goal of 70% of marketers is to increase the number of leads and obtain and keep customers. Is that MA’s full potential? No. Automation enables multi-level marketing on all the stages of the customer journey. This enables handling the customers’ whole lifecycle. A holistic approach across channels enable the achievement of broader organisational goals, reaching beyond obtaining prospects. MA involves multiple departments in the company, reaching beyond sales and marketing. The fewer silos the organisation has, the better and more pronounced its brand identity is. Data analytics finally makes it possible to really understand who we’re interacting with, and just knowing the answer to this question, we’re able to deliver a personalised message. This is why the approach to MA should take into account the growth strategy of the whole organisation.
Without data, whether it's small data or big data, there is no marketing automation. Only working with data can we get to understand the customer's approach to our organisation, which is an issue companies worldwide struggle with. Forrester Research studies demonstrate that only 8% of data captured by marketing is used by sales departments! The same study indicates that companies where sales and marketing cooperate note an average of 32% increase in income year by year.

Technologies, especially the automation of marketing processes and data analytics have improved marketers' lives. However, in a market saturated with MA solutions, marketers end up facing a new dilemma. They must find which technologies will best match their needs. One study involving 270 B2B companies showed that 50% of marketers are most frustrated by having to deal with too much technology. Of those, 49% indicated that their biggest problem was integration. On the other hand, that same study proves that what marketers want most is to grow new campaigns and create marketing programmes rather than study the tech specs of complicated software. There is a huge gap between MA-based solutions and a comprehensive marketing automation platform.

Comprehensive MA platforms enable a scientific, fully measurable approach to marketing, controlling revenues and costs based on a revenue-management strategy. They let you create behavioural profiles or scoring leads based on digital body language. Only mature MA platforms can do that. They enable the effect of message adequacy, and this is what conversion rate is about. If we do not know what the customer wants to hear from us, and we don't know how to contact them, we are wasting time and resources on ineffective campaigns, which have no major impact on the organisation’s target audience.

No inbound strategy, no clear goals, no qualified team or no budget are the most common errors. Choosing the wrong tool, not suitable for the goals may result in a domino effect. This is why it’s paramount that we choose the right tool which will meet our goals. Once the right platform has been found, we must make an implementation plan which includes data synchronisation – integration with CRM, channels, content and customer profiling and segmentation.

Just as Marketing Automation has changed the paradigms of marketing, the internet has irreversibly changed companies’ business processes. Because information about companies, products or services is all available online, the purchasing process has been extended, while the sales cycle has shrunk by 40%. Before deciding to buy products or services of specific companies, consumers read about them online. They form their opinions on the basis of reviews on websites or impressions described by their friends on social media. 70% of customers are so well-informed about the products or services of the company that they often know exactly what they are looking for once they approach it. This is why it is so important to have a high-quality marketing automation platform. Each customer interaction with the website may be a sales opportunity. MA enables a comprehensive approach to the customer purchasing pathway, by precisely identifying all the touchpoints and allowing to automatically react at the right time, with the right message. And it lets you manage the process of obtaining information and building customer awareness. Controlling this process means being just a small step from success, especially when we're able to quickly contact the customer whose behavioural profile matches our sales.

Thanks to MA, marketers can immediately understand which message is right for each target group, as well as where, when and how to communicate to obtain the best results. Marketers may test, optimise and then retest messages, which allows them to obtain unique knowledge necessary to optimise content, which in turn results in saving time and money. To sum up, no modern marketer can escape automation, especially that the potential
The speed of innovation grows exponentially, and the main fuel for innovation is data.

From the first days of internet through the birth of the smartphone to augmented reality, more data is being produced and consumed every day.

According to Cisco Systems, “In 2016, global IP traffic was 1.2 ZB (Zettabytes) or per year, or 96 EB (Exabytes) per month [An Exabyte is a billion Gigabytes]. By 2021, global IP traffic will reach 3.3 ZB per year, or 278 EB per month.” This explosive change in technology can be dizzying at times, and it’s hard for companies to keep up and manage to shift their business models accordingly.

There is a big opportunity here, but what about challenges?

We see three main challenges related with Big Data and its application into business

- Technology and competences
- Data ownership
- Security

Already in 2014, the OECD highlighted in its report Data-driven Innovation for Growth and Well-being the growing demand for competent resources, as well issues concerning ownership of data and incentive for sharing.

How those three problems can be addresses? Let’s look at them one by one.

- **Continues technological disruption** – software drives this revolution: accelerating organisational change, improve effectiveness, run lean, and create value by connecting with customers in new ways. Every CIO or CTO must constantly reevaluate available options and with the software-as-a-service (SaaS) model, new tools and capabilities are just click away.

- **Mobile** – You’re carrying a supercomputer in your purse or pocket right now. It has sensors for measuring physical phenomenon, and the ability to continually tap into human experience. You are walking IoT hub. We’re just seeing the tip of the iceberg of the way that innovative companies can use this information to improve our lives. Doing so requires apps and other software that run on the mobile device.

- **Internet of Things** – IoT data is available, but most companies restrain from using it, thinking about privacy, are we as users ready to accept lack of privacy? To be successful in this arena you need to understand languages, protocols, security demands, hardware development nuances, interoperability, and the quality-assurance challenges of the world of IoT.

- **Blockchain** – This game-changing data and transaction processing technology is a potential answer to urgent questions of global marketplaces, online commerce, secure electronic voting, and personal data management. But is it being understood and adapted quickly enough? And who is doing this work? How should your
organisation be thinking about blockchain/distributed ledger? How will it impact you and your customers?

Let’s focus right now on competences, what are key trends in Big Data, and how can we avoid problems in this field.

- **Global workforce** – The need for innovation sourcing is critical to any modern enterprise. Accessing world-class talent to supplement and collaborate with existing teams is paramount. Global software engineering companies provide access to a world of talent to tightly constrained local marketplaces. To be successful, companies need the ability to work with partners who can adapt and morph team structures to match ever-changing customer needs and business realities. For developers and product owners, the ability to communicate needs, project deliverables, timelines, etc., across time zones and language barriers can determine a company’s position in the marketplace of global enterprises.

- **Expert-generalists** – Gone are the days when developers at innovation-driven companies can get by with only one development stack. The next generation of dev leaders will be expert-generalist visionaries capable of collaboration, creative thinking, and devising unique solutions to challenges that incorporate programming, UX (user experience), UI (user interface), hardware and business.

The next question is – how to hire and retain such people? Global trend shows that technology people tend to change projects and industry every 9-15 months. Only an environment that allows them to realise themselves within the company, creates space for longer collaboration.

Looking at the Polish market, the reality is that the traditional idea of outsourcing is, fairly or not, associated with things like job-loss, lack of quality control, communication roadblocks like phone calls at unseemly hours or language barriers.

Still, the undeniable truth is that the workplace, especially for software development of big data solutions, is global. Working with a project manager in London who runs a team of highly educated engineers in Poland isn’t outsourcing – it’s a necessary resource utilisation that has less to do with cost factors and nearly everything to do with the ability to innovate at scale. I call this innovation sourcing. Innovation sourcing is understanding how to leverage the strengths of the global marketplace into the creative problem solving enterprise software development desperately needs.

So how do you choose a resource that is positioned to provide innovation sourcing to help you in your journey? There are a number of things to look for.

Firstly, how flexible is their problem solving process? Is it customisable, is there an understanding of paradigm shifts? If the answer is ‘not very’ and ‘no’, you might want to keep looking. At a time where your organisation needs to move at the speed of innovation, having an agile and adaptable resource is key.

Next, consider their industry experience. Do they have a breadth of experience that will meet your growing needs? You might not consider yourself an e-commerce organisation, or even have plans to go in that direction, but when your business model changes or adapts, you want to be prepared. Finally, do they have a track record of success? The last thing you want is a partner who's learning on the job – and with your money. Finding a team with experience – and experience winning big – will give you an edge.

The nature of the global software engineering game is changing. The old tenets of speed at the cost of quality or execution is fading, being replaced by the need for quick deliverables and innovative, cost-effective, unique solutions. In a world where we can customise just about anything as consumers, enterprise organisations are demanding the same customisation for their software solutions.
Innovation sourcing is no longer a suggestion – it’s part of the big data driven business.

How modern technology affects the job market

by Cezary Karolczyk, Sage business expert

The rate of technological change has profoundly altered the way work and business is done.

The development of intelligent tools and IT systems has resulted in dramatically increased company productivity, but has also accelerated market fluctuations. Of the Fortune 500 companies of 1995 only 12% remain in the ranking today. In 2016 alone over a quarter dropped off the list. In the digital economy, the basis of company valuation has become intellectual property and services not investment goods or tangible assets. This is why inefficient colossuses unable to quickly adapt to change will not be able to survive. They will be replaced by companies which can cope in a digital world and offer a non-traditional work environment which encourages creativity and growth. Smart companies attract smart, creative workers.

Companies that want to win over new talent must be ready for the technological revolution. That requires a huge organisational effort, a redefinition of the concept of leadership, and career development. Experts at Deloitte believe that organisations of the future will need to be flexible and agile, replacing fossilised organisational structures with individualised leadership to create teams authorised to take autonomous decisions.

Companies will compete for workers’ attention

Businesses are already adapting to the new trends and changing demands in the job market. They are increasingly vying for the attention of potential employees. In the digital economy, brand is essential not only in communicating with clients or business partners – businesses must also take care to ensure that they are seen as a good brand of employer. Creating an appealing employer brand is not a purely externally-focused endeavour, but also involves creating a positive employee experience, which requires considerably greater effort and the involvement of multiple agents in the organisation.

In order to keep up with the digital revolution, one of the key challenges for HR departments is to create working conditions which support employee innovativeness and creativity while also providing autonomy and the freedom to act. Worker expectations in terms of flexible working hours and the potential for remote working are increasingly being met by employers.

Working away from the office is a growing trend around the world. Eurostat data shows that the percentage of EU citizens working from home in 2014 was 13.5%. At that time, 13.4% of workers in Poland were using the home office model, more commonly men (13.7%) than women (13.2%). Of the European countries leading in this regard, the most people working from home were to be found in Denmark (29.2%) and Sweden (28.7%). The analytics firm IDC predicts that, by 2018, three-quarters of workers in developed nations will be performing their duties according to a mobile model.

Sage, as a global tech firm, has introduced many remote-working options for its employees. The company applies an accounting system that rewards results, and not just hours worked. This approach has made it possible to introduce such innovations as virtual teams and home offices. Virtual teams connect employees dispersed throughout the country into groups which can work remotely, without the sometimes very cumbersome and time consuming need to commute to an office. Studies show that over 70% of employees in such companies value opportunities to work outside the office, or would like their employer to introduce them.
home office, as one means to maintain a good work—life balance, increases motivation to work. In companies which have introduced similar innovations the percentage of satisfied and motivated employees is about 20% higher than in firms lacking such privileges.

**Technology in the service of HR**

The digital economy is creating a paradigm shift for companies in areas related to HR. Now that the majority of companies has adapted organisationally to using IT systems to handle areas such as finance, accounting, sales, marketing, management, production processes and logistics, the time has come to focus on handling human resource processes. Only a few years ago, this area was perceived as being limited to functions to support and service employees. Today, HR is joining the other areas of the company jointly responsible for business success. Increasingly, modern companies are using the term ‘digital workplace’ to refer to creating conditions conducive to productivity and creativity. In its research, Deloitte estimates that 56% of companies surveyed are already transforming their HR programmes and giving their employees more and more remote-working tools. In addition, many of them are creating mobile applications to supporting aspects of HR. The digitisation of human resource operations is entering an entirely new phase, culminating in the implementation of IT solutions which comprehensively cover all business areas (including HR) with a single system.

One such comprehensive solution which weaves HR into the entire IT ecosystem is Sage X3 with the Sage People cloud module. Its users have access to essential data from anywhere in the globe and can work together, regardless of location. Meanwhile, HR department employees can better manage personnel data, periodic reviews, and the creation of various organisational models based on real business needs. The system makes it possible to give employees access to personalised information relating to their working conditions. It also facilitates the generation of personnel reports compliant with different countries’ legislations, and the management of salaries, bonuses and commissions, as well as many other options. It also enables the effective management of working time and employee activity by tracking and forecasting working hours and related costs, monitoring absences or managing work hours. The system also has facilities to more actively create career paths for employees through training management, and the creation of budgets and training programmes. In turn, employees can manage information relating to themselves and update it independently on a dedicated portal.

The Sage X3 system is now used by around 5,000 businesses worldwide. It has 228,000 satisfied users in 100 countries. Soon this global solution will be rolled out in a R&D centre in Warsaw.

Experts agree that the near future will bring ever greater focus on the digitisation of human resources. The dynamically changing world of HR needs bold changes in terms of IT services. In order to meet the new demands of employees and the competitive market, organisations will need comprehensive solutions for managing HR in conjunction with all the other areas of their businesses.

**The future of HR Management: at the intersection of AI and personal data protection**

*Dr Daria Gęsicka, of counsel, Intellectual Property team, Wierzbowski Eversheds Sutherland*

Recent years have seen an outburst of interest in artificial intelligence (AI). Technologies based on AI have attracted investors all over the world on an unprecedented scale.

More and more smart services
are becoming a reality. For example, Staples is using AI technology to automate the ordering process and customer service as part of its switch to conversational commerce (the use of social-media chat apps). IBM has developed Watson Beat, an AI tool for creating music. Artificial intelligence is also being applied in the legal services industry. For instance, IPGraphy is an AI-based service that assists in the process of trademark clearance and trademark monitoring. Artificial intelligence is present in every aspect of human existence, including human resources management.

Proper application of artificial intelligence in HR management can deliver value to organisations. In particular, HR leaders can use AI-based solutions to help with the recruitment process, scheduling appointments, as well as employee management. HR management services are expected to benefit from AI technology in three aspects. First, AI can eliminate human bias and uninformed choices. Second, by automating the data gathering and assessment processes, it can increase the efficiency of candidate selection. Third, it can reduce HR departments’ workload and thus allow HR personnel to focus on more challenging matters.

Regardless of how an organisation benefits from AI, the intersection of this technology and individuals’ data raises certain legal questions. Those concerning data protection seem to be most fundamental.

**AI and data protection**

Successful implementation of AI technologies is a result of multiple factors, the most important of which are the programming skills of their creators and input. Since big data is fuelling advances in AI and one of the main AI skills is to make autonomous decisions based on large collections of information, it is essential for HR departments to focus on the intersection of personal data protection and AI. This is even more vital as the General Data Protection Regulation (GDPR) comes into effect on 25 May 2018.

Even though employers are entitled to process certain personal data of their employees, under the GDPR, employees as data subjects will have greater rights, including the right to greater transparency and the right to data portability. Also, when discussing the intersection of AI and employees’ data protection, we must consider the big data context. The scope of the data processed by AI might be broader than the statutory authorisation, and as a consequence, a fair-privacy impact assessment should be conducted prior to implementing AI-based technologies.

One of the key guarantees provided to every data subject – including employees and candidates – under Article 22(1) of the GDPR is that they “have the right not to be a subject of a decision based solely on automated processing, including profiling, which produces legal effects concerning him or her or similarly significantly affects him or her.” Nevertheless, automated decision-making is not absolutely prohibited. There are three exceptions from the prohibition, where an automated decision is either (a) authorised by law, (b) necessary for entering into, or performance of, a contract between a data controller and a data subject, or (c) based on the individual’s explicit consent. However, in the latter two instances, it remains obligatory for the data controller to implement proper measures to safeguard the individual’s rights and freedoms.

The minimum threshold under Article 22(3) of the GDPR is to have human intervention on the part of the controller, and for data subjects to have an opportunity to express their point of view and contest the decision. Since AI logic does not necessarily reflect human logic and is based on complex algorithms, meeting these requirements might not always be possible. In particular, where an individual decides to contest an automated decision, the data controller should be able to provide the individual with justification for the decision. Therefore, the developers of AI-based
solutions that interact with personal data should think ahead and equip their technologies with a possibility to track back their reasoning. The algorithms should be not only trackable but also auditable. In other words, algorithms should be transparent so that factors influencing algorithmic decisions can be identified by auditing techniques. This can be achieved, among other means, by a combination of interactivity and visualisation.

For a data controller, it’s essential to comply with information obligations. With the constant growth of AI, it might not always be possible to determine which personal data have been processed and how they have been processed. Since there is a risk that not all the data are covered by the data subject’s consent, and thus processed lawfully, it seems reasonable for HR departments assisted by AI technologies to review the content of individuals’ consents.

Summary

AI is becoming widespread across private and public sectors. It involves the analysis of big data and results in certain legal implications for data protection. Due to the volume of data and the manner in which it is generated, the application of data protection principles, in particular the principle of transparency and accountability, can be demanding. Even though implementation of privacy by design, auditability, or data portability might seem challenging, it is also important to perceive these features as an advantage to the organisation. Individuals’ interest in data security is becoming greater and greater. Therefore, implementation of proper data protection measures can enhance the organisation’s attractiveness.

How tech can help with human resources planning

By Iwona Uss, CPM business solutions manager, CCH Tagetik

Payroll expenses are typically one of the largest costs for any organisation, and many firms have trouble accurately planning and tracking all expenses related to their employees.

HR isn’t a revenue-producing department, and the return on investment in this area isn't easy to measure. HR leaders have to take into account many elements, requirements and categories while creating their plans, e.g. salary allocation, capitalised labour, transfers between departments or companies approval, budget versus forecast and what-if analysis. Fast growth in one’s own company – or at competitors – and rapidly changing market conditions put pressure on HR managers.

Nowadays, simulating multiple business scenarios and accurately preparing forecasts on a monthly basis are highly recommended or even required. The ability to react quickly to economic and regulatory changes, and to support planning process driven by internal initiatives such as new business line or product, or a new acquisition is a must. HR leaders should be ready to provide a management team with often detailed reports on headcount reporting, average salary cost (on a quarterly, monthly or daily basis), existing-roster planning by individual and new hires/reductions by individual. And they are often asked to prepare roll-forward monthly forecast or budget vs. actual vs. forecast comparison.

The most carefully prepared HR plan can be affected by internal conditions. The HR plan’s quality is challenged by high volume of data and its accuracy, approval flow, resources allocation...
Human errors often occur because of floods of spreadsheet files all needing manual work and edits.

Now, since employee expenditure is a significant part of organisation expenses, it is ripe for optimisation and offers a chance for significant savings. Streamlined HR planning allows for analysis of personnel costs and budget vs. actual variances in detail from different angles, giving managers the chance to identify a risk of loss when human resources are not being utilised effectively.

Technology can help firms achieve optimisation in HR planning. Good software can help manage employee movement (hires, terminations, transfers – with or without approval, status variations) – by single employee and budget position. Such a tool will allow you to work with HR costs with different levels of detail, from a simplified model based on standard cost parameters, through projecting actual costs on the basis of the employee movements plan, to a complex one – detailing every single payroll line to the same level of a given payroll subsystem.

A professional tool also allows for real-time planning information, scalable planning horizons, simulations and what-if analysis, reporting capabilities covering planning and actual needs, and enabling comparison. Moreover, it will offer enhanced visibility of the allocations, customised approval policy, as well as security and data confidentiality policy. A good HR planning tool should cover all the HR financial planning and analysis processes, moving beyond a classical budget towards a continuous rolling forecast, automatically projecting into a reviewed budget and the strategic plan. Planning can be perceived as a collaborative process which enables decentralising responsibility and data validation, desirable within international organisations especially.

HR planning process issues can be fully covered by a corporate performance management (CPM) system, which is a set of management and analytic processes that enables the management of performance in such a way to achieve measurable goals. CPM applications allow key people in the organisation to make decisions about the direction of business development, based on real data and the prepared scenarios of financial and operational forecasts.

An example of successful implementation of CPM tool in the area of HR planning and budgeting is BAS Trucks case. A fast-growing, international group of companies which sells new and used vehicles as well as financing, leasing and after-sales services. Due to the group’s business model, personnel expenses were accounted for 70% of its total operating expenses. To further improve its profit margin, the company needed a more effective way to plan and manage employees costs. To gain more insight on the origins and development of these expenses, BAS Trucks decided to deploy a new solution for HR planning. The project, which took three months, covered multiple phases, from identifying requirements, designing the scope of work and schedule, building the application to data loading and testing, training users and providing go-live support. Thanks to the built-in application’s functionality, BAS Trucks can define top-down business targets and compare them with bottom-up budgets from the individual companies in the whole group. It allows managers to measure planned workforce and business demand, as well as to match it by modifying the type or number of employees, salaries and other factors such as the billable rate, efficiency or sick-leave. Implementing this solution, provided BAS Trucks with an efficient and effective budgeting and forecasting process, which results in faster closing and having budget on the lowest level. And as operational planning is linked to financial planning, cost/price analysis on the employee level can be performed easier and quicker. With this solution for performance and financial management in place, BAS Trucks has a single point of truth for all reporting and analysis. “The speed of implementation and the results achieved with the HR planning solution reconfirm our decision to select CCH Tagetik as our future performance
management tool” says Harm Verhagen, financial director at BAS Trucks.

CCH Tagetik company’s mission is to understand the complex challenges that face the finance office and translate that knowledge into intuitive, enterprise-scale performance management software solutions that drive business results. CCH Tagetik solution handles the following broadly defined processes (in the cloud or on premise): budgeting, planning and forecasting, management and statutory consolidation, cash-flow planning, disclosure management and reporting.

For more information how to improve efficiency, reduce risk, save money and deliver results contact Tagetik’s team directly (tagetik-poland@int.tagetik.com) or visit www.tagetik.com/pl.

If innovation in the tech sector is so simple, why is it so hard?

By Prof. Tomasz Barszcz, amc TECH

In recent decades, we’ve witnessed the rapid development of information processing technologies.

Smart devices with microprocessors at their centre can be found almost everywhere. We can talk and share information with people on another continent in the real time (and for free). Thousands of new websites offering new services are being launched every year.

Many companies see this wave of innovation-based growth, and are interested in developing new products based on these technologies. On average, new products bring more added value to manufacturers, and help increase profits as well as the value of the business. Developing new technologies brings the best returns on investment, which creates an entire ecosystem of venture capitalists seeking investment opportunities in the technology sector. A successful company can increase in value by several hundred percent or more. Governments also spend huge amounts of public money on innovation, trying turn innovative ideas and technologies into lucrative products and services.

Yet the IT world is full of bright ideas which didn't turn into wonderful products. Only one in seven development projects is successful. “If it’s so simple, why’s it so hard?”. Let’s take a closer look.

The early to middle stages of developing innovative technologies are often performed at universities or research institutes. They receive the largest funding, and are supposed to be the cradle for all kinds of new ideas. But practice shows that the problem is usually the gap between the lab and the real world. Developing a technology to produce a prototype that works in the laboratory is only a first step on a long journey of making a product. Taken as a whole, this stage accounts for about 8% of the total cost.

While a development is being performed by researchers at universities, it’s good to remember what’s interesting for the team working on it. As long as the project is at a stage when the physics needs to be understood and then implemented in the lab, it really is attractive, because the original research results can be published in scientific journals – something of paramount importance to university employees. However, once the lab prototype is ready, the next stage – industrialisation – is a long, tedious, and costly process. It consists of many actions, such as intensive testing in an increasingly complex environments (lab, test rig, and finally in the field). Typically, products must be re-designed, sometimes more than once. Finally, a successful product must meet numerous additional requirements, e.g. norms, manufacturing and service. Oh, and it must be price competitive… All these activities are not interesting for university researchers, yet they form the main part of the total cost (over 90%).

Who should then do the
new product development? Few models exist, but I'd like to present the benefits of a model where such activities are outsourced to a specialised company, whose core business is product development. If a company which wants to develop the technology (let's call it the end-user) doesn't have its own R&D department, or its existing one has a different profile or is overloaded, or it would require too long learning curve to master the required skills, it needs to look for a partner. The natural partner is the university, right?

Now, the university has many smart people and well-equipped labs. It makes it a perfect partner for project consulting. If a customer has a well-defined question and needs definitive answers, it's a good place to go. But if the goal is to have a developed product, accompanied by warranty and short response time from a supporting technical team, here is where we need a third player. Have a look at the interactions on the diagram below.

The perfect player is the specialised research firm with a focus on innovation. Often it can be a start-up, especially if the goal is to commercialise a single idea. More often, these are well-established companies with experience in the process of new product development.

If such a company executes a standard order from the end-user, it's called ‘business as usual’. It's a well-defined process, with a set of standard documents, such as a request for proposals (RFP), purchase order, and so on. However, the really interesting things happens when all the actors are involved, and one gets to the centre of the diagram. This is where the real need from the end-user meets the technologies coming out of academia, and the two are bridged by the innovation company. Here's how real new technology development can be achieved. Note the one pitfall in the diagram; if end-user requirements aren't taken into account seriously, the whole of the work gets done between the university and the innovation company. If this process is accelerated by a government grant, be very careful not to waste money!

The innovation company, needs to achieve one more important skill – it should be able to understand and to talk to people from industry and academia. This should be the cornerstone of the company culture. In other words, universities need people who like to build prototypes, who are continually asking “can it be done?” and “what happens if I do that?”. They learn by nurturing nascent technologies; their objective is to understand the world. The people in industry, on the other hand, need to hit their sales targets; they need proven solutions and ask the question “should we do it?”. They need to do the job right the first time; their objective is to deliver a solution. The ‘man in the middle’ needs to be bilingual, indeed.

There's one more enemy of innovation – the bureaucratic state of mind. To fight this enemy, one needs to be an open-minded entrepreneur, who's not afraid to take on new challenges, while still being able to weigh the many options offered by different design solutions. The innovation company needs people who want to climb mountains that no one’s climbed before. They need to try many paths, but should be ready to change to a better path, if proven so.

For anyone interested in developing new products, there is one motto: If you really want to do something, you’ll find a way. If you don’t, you’ll find an excuse.
Out-of-the-box solution or custom development?

by Piotr Żbikowski, key account manager, Clurgo

As the software market matures, the choice software that comes out of a box and software that’s custom-written for you is no longer so obvious.

Even until very recently, the companies whose needs were not satisfied with available solutions decided to acquire custom software built to suit their specific needs to enhance their business development. Out-of-the-box (‘box’) solutions, on the other hand, enabled companies to introduce best business practices, developed over the years, into their organisations.

Both of these kinds of applications are more and more similar to each other. Companies specialised in developing build-to-suit products use their knowledge in new projects which makes new software far more flexible. The possibility to integrate external solutions is becoming increasingly common. Both customer relationship management (CRM) systems and apps which enhance specific business processes and their elements might be now easily integrated. At this point, almost any class of software is offered as box solution. Custom solutions which support the most specialised areas of business are still very popular. That’s why the competition between custom-made and box solutions exists mostly in most complex areas of business that are of key importance for companies.

A case-by-case approach, supported by first-class execution of a product will maximise the performance of an organisation which uses built-to-suit solution to respond to its specific needs. The company will get key support for its actions in a field of its choice. On the other hand, box solutions will respond better to standard needs such as optimisation/development/enhancement of business processes, taking all the newest market trends into consideration.

In search for the answer

To answer the title-question, we have to emphasise the importance of real business needs. The question cannot be answered without thoroughly analysing the internal processes of the company, advantages and disadvantages of possible solutions and most likely assessing the probability of future success. Things that have to be considered prior to choosing a solution are the functionalities of the software, flexibility of the technology and development tools used. We should also analyse the functionalities of the application through the prism of the company’s internal needs. Dedicated solutions have to respond to more strategic needs of our organisation. Ordering a custom solution should be preceded by accurate analysis of needs and technology solutions.

At Clurgo we are aware of the importance of choice between market trends, creating your own application or a compromise on the integration of future systems with existing ones. That is why, in the CRM solution era we offer reliable, world-class Salesforce solution. It integrates years of experience proved by success of many companies. It is an extensive, fully functional platform ready to use on any device. It might be easily integrated to any possible business software – that’s why it became first choice solution. In Access and Identity Management we use the solution of a global leader, Forgerock, a platform which guarantees digital safety of your company and its clients. It also enables personalised access to products and services in any place and time – on any device.

At the same time, we support our customers in developing unique applications, at all stages - from the identification and analysis of business needs through the process of designing,
implementing, and testing the solution.

As we see it

The choice between one solution and the other must be based on a thorough analysis of the needs and the solutions available on the market, including costs for each variant. Applications that support core processes, such as finance and accounting systems, payroll or sales do not have to be written anew. A better practice would be to use the ready-made solutions. On the other hand, in the case of systems that support specific sectoral functions should reach for a dedicated, custom software written by an external company. Especially when these can give you a competitive edge.

At present, most businesses use both methods of obtaining business software. Some solutions are written to order and some are purchased on the market. In most cases, ready-made software, especially from the upper shelf, is supplemented by additional functions written by the implementing companies or the customer itself.

How much social-commercial-comfort do you generate?

by John 'Bob' Spence, Get Spence

Networking is something we all do in business. Yet the way we network makes a big difference to the way we’re perceived by our business peers; this in turn influences the effectiveness of our business development.

Bob Spence, business development specialist and co-founder of business development software firm 5next.io, offers some strategic thinking about how to maximise sales growth through effective networking.

Over the past two years, 5next.io interviewed 43 business development professionals across Poland, the UK and the US, searching for best practice in this role in the context of building international trade against the backdrop of Brexit.

We discovered that the biggest area of concern focused on the various methods of creating the right connections. Creating the right connections was identified time and time again as the key challenge business development professionals address on a day to day basis especially those working internationally.

Business development professionals understand that the right contacts provide introductions, insights, resources and commercial information, which in turn delivers the commercial results.

Business development professionals by definition of their role have to exchange business cards, attend networking groups, schmooze at mixer events, present at trade shows and connect online.

The view from Łódź to Long Beach California is that networking today is like “trying to sip a mouthful of water from a fire hydrant”! There is so much connecting taking place, one doesn’t know where to start.

We looked at what’s recognised as best practice. Time use has a key part to play. Business development is a time consuming process and the concept of the 80/20 rule plays its part in measuring return on investment (ROI).

The successful business development professionals were those looking at improving those ratios. Connecting to everyone on the most random basis was not a successful formula.

80% of your most valuable connections are generated by 20% of your effort.

We looked carefully at this ratio. The top business development professionals take these figures further; they look at the 80% of that 80%.

What we then have is that
64% of your results come from 20% of that 20%!
This would mean that 64% of your most valuable connectivity is sourced from just 4% of your effort!

Now that would mean that 96% of your effort will give a 36% return – or 36% of your results are coming from 96% of your effort.

All of our feedback suggests that in terms of revenue results, our group under review recognised an ROI ratio that was closer to 64/4 than 80/20. This return came up almost exclusively with regards to international business development.

With this in mind, the management of networking actions is becoming more and more vital.

This dramatic fall in ROI is a by-product that of what can be called in networking ‘the age of similarity’.

This means meeting people with a similar offer, with similar skills, with a similar approach, with a similar education, with a similar benefit case, with similar arguments.

The on-line presence of business development is another ‘look-a-like’ area too.

- Everyone is being equipped with the same business development tools
- Everyone is trying to conduct business in the same markets that these tools open up
- Everyone has access to the same training to use these tools

With that in mind, we began to define the concept of ‘social commercial comfort’ as the way we now evaluate new connections.

This model is a new consideration for business development. It’s not about ‘unique value proposition’; it’s about something different. We describe it as:

‘The degree of social commercial comfort you are able to generate’

Because we live in an age of similarity with ‘look-a-like’ online presence and ‘sound-a-like’ offline presence, we need to communicate something more to raise our profile in our meetings with potential valued connections.

This requires the recognition of ‘bespoke social capital’ as well as ‘off-the-peg commercial capital’.

What we mean is to think about what you offer as a connection beyond the corporate similarity offer referred to earlier and this is your bespoke social capital. Your ‘off the peg commercial capital’ is your company offer or your skill set. So rather than just be proficient with the art of the ‘60 second pitch’ can you communicate a different position in the following terms:

‘This is the total value of being connected to me’

This is very different than what it is that you’re selling, or your professional position. Doing business across borders requires recognition of this approach.

‘Social commercial comfort’ is the value in having you as a connection beyond what you do.

So if networking is like ‘trying to sip water from a fire hydrant’ then to achieve better results and improved ROI the key is to network on a strategic basis. On that basis, you’re not looking to appeal to everyone or connect on a volume basis but on a select agenda and you have ‘social commercial comfort’ that is relevant to that audience.

Strategic networks deliver three unique advantages:

- private information
- access to centres of influence
- connectivity to appropriate contacts
When we make judgments in engaging and connecting we use public and private information.

These days, public information is easily available from a variety of sources, including the internet; but because it is so freely accessible, public information offers significantly less competitive advantage in business development than it used to.

Private information or personal information, by contrast, is gathered from personal contacts who can offer something unique that cannot be found in the public domain, such as:

- the release date of a new product
- unpublished expansion thinking
- knowledge about what a particular buyer looks for in making a decision

Private information, therefore, can give the top business development specialist an edge.

Consequently, the value of your private information to others and the value of others private information to you will depend on how much professional trust can exist in the network of relationships. I refer to this as the level of social-commercial-comfort within your network.

It became clear that it’s worth considering how your networking practices can lead to one kind of network or to another type. Meeting many people on an ad hoc basis is unlikely to build a strategic web of connections in an efficient manner.

This is why strategic networking generates your ‘opportunity DNA’ which is essentially the framework that creates your background to your connections. Your ‘opportunity DNA’ is built from the most crucial contacts in your network—people you rely on for the exchange of private information, specialised expertise, advice and introductions.

Every business development professional we listened to saw their international network of connections as the vital asset that delivered the results and this was more so than any other consideration.

**Tailored to fit: content management systems and Big Data**

*by Filip Pietrek, PR specialist, Hamilton May*

Case study of Hamilton May – the 2.0 approach to content management in a real estate agency.

Traditionally, the role of a CMS (Content Management System) is to quickly and flexibly manage the content of a website. CMS supports the work of editors, resellers, marketers, graphic designers, etc., often without any IT background, and therefore is essential in any type of business or organisation, whose website requires frequent updates. There is a number of free and commercially available platforms used to manage content, knowledge, and document flow – starting from the ever-popular Wordpress, up to Danish TYPO3, or DocuShare – an extremely powerful, commercial tool produced by Xerox, designed to manage information flow within an enterprise.

Commercially available solutions aside, there are many advantages of investing resources, time and expertise in building your own platform, tailored to your organisation’s needs, reflecting your daily work pace.

“If you want to make sure the work gets done, do it yourself,” says Ian Daniels, business development manager at Hamilton May Real Estate Company.

“We created our own CMS, which was customised in every way to suit our individual needs. We drew inspiration from one of the most famous British agencies – Foxtons, and their original BOS software, worth £2m. Working on self-contained tools allows us to remain independent
and always one step ahead of our competition". The company’s special team of three software developers was responsible for upgrading, updating and creating system’s new functionalities.

IT as a branch develops at a very fast pace, rendering may technologies obsolete as years go by. The language in which the platform is being developed may not have an immediate impact on the software’s end user, but it is of great importance to its developer. “In 2017 our CMS – even though still robust – slowly becomes insufficient as our main management tool,” says Mr Daniels. “The technology in which we have written our current software has already aged, so even a slight modification requires many additional hours of work. That is why we – as a team – decided to build a completely new software tool, which would allow us to maintain the flexibility required to easily adapt to the ever-changing needs of the market”.

A modern real estate agency must enable its employees to easily expand their online property portfolios, update listings, and even enhance their pages with additional features, such as direct links to specific locations, or content-rich descriptions of the most attractive neighbourhoods in the given city. The obsolete architecture of the content management system makes such changes time-consuming and requires attendance of several employees.

Exporting data to real estate portals or automated keywording, which makes the listings recognisable by Google’s algorithms, is simply not enough. In a flourishing 21st century real-estate market, flexibility and tools for fast data aggregation and analysis are crucial. CMS 2.0 must be not only function as an external tool, but it must also allow agents, business departments, and marketers access to Big Data. “Accurate aggregation of real estate data will allow us to analyse the market in even greater depth. This in turn will affect our strategic decisions and will also streamline the work of the entire marketing department. All of our employees are involved,
as we consult them regarding the project’s final set of functionalities,” says Ian Daniels.

The brand cooperates with investors who then develop their portfolio of properties available for rent. The profile of such client resembles that of a prosumer [producer/consumer], who brings resources to the market, rather than a traditional consumer. That is one of the reasons why the new CMS will have a login system available for the property owners, allowing them to keep track of their statistics and offer views, compare prices in certain neighbourhoods or even in the same building, as well as access the technical and administrative details of the lease process, which remains a crucial field of property management.

Of course CMS 2.0 would be impossible to create without the participation of great software developers, fluent in the latest versions of programming languages. Moreover, it is equally important to invite experienced and ambitious salespeople, focused on their goals. All efforts should be based on two assumptions: the system has to be optimised and it has to be adaptable. In the end, it’s a tool designed to help keep customers updated and properly serviced on a day-to-day basis. It is anticipated that the entire project will take 18 months to complete. We hope this story will inspire you to develop your own solutions.
Entrusting personal data to non-EEA entities and new GDPR regulations


Entrusting data to be processed – outsourcing the processing of personal data on a company’s behalf to a third party – increasingly means having to transfer it outside the European Economic Area (EEA), mainly to US-based entities, which may pose significant legal risks on the part of the data controller.

The Personal Data Protection Act currently in force in Poland (the Act) doesn’t include provisions addressed directly to processors (except in Article 31(3) of the Act). This will change on 25 May 2018 with the General Data Protection Regulation (GDPR, the Regulation) coming into force, which will significantly broaden the list of standards addressed directly to processors, significantly increasing the scope of their liability.

The Regulation applies mainly to the processing of personal data connected with activity carried out by a business that has an organisational unit in the EU, whether or not processing takes place there. Yet whether or not a business has an organisational unit in the EU, GDPR will also apply in cases where the processing of personal data of data subjects who are in the EU by a processor involves offering them goods or services, irrespective of whether payment is required from them. It also applies when the monitoring of their behaviour within the EU.

So in practice, data processors that don’t have an organisational unit in the EU, don’t provide services directly to consumers (data subjects) in the EU and don’t monitor data subjects that are in the EU, will not be subject to GDPR.

Higher level of data security guaranteed

Article 28(1) of GDPR states that the controller is required to entrust data processing only to processors that can guarantee technical and organisational measures which meet the requirements of the Regulation, so that they can adequately ensure the protection of the data subjects’ rights. To ensure adequate levels of data protection, a personal data controller should choose processors who can provide the highest guarantees of compliance with GDPR standards. Therefore, data controllers should prefer processors that are subject to GDPR rather than those that are not. This is because processors subject to GDPR are obliged to implement appropriate measures to ensure data security on pain of administrative penalties, regardless of the contractual relationship between processors and controllers. In the case of processors not subject to GDPR, the only guarantee ensuring the implementation of appropriate technical and organisational measures will be contractual liability, which in practice can prove extremely difficult to enforce. It’s difficult to transfer the liability to processors through a contract because a large number of processors not subject to GDPR will use contract templates limiting their data processing liability. A lack of contractual and administrative liability for a breach of GDPR requirements may adversely affect the quality of the services provided, including the security of the data processed.

When choosing a processor that provides appropriate security guarantees, one should bear in mind that choosing a processor that doesn’t comply with GDPR can cost a data controller as much as €10,000,000 or 2% of the total worldwide annual turnover of the preceding financial year. This shows that to protect the interests of controllers, it’s recommended to determine each time whether or not a given processor will be subject to GDPR, and to use the services of processors to which the Regulation will apply.

Entrusting data for processing
These considerations have narrowed the circle of recommended processors to those which GDPR will apply to. The second step towards minimising the legal risks associated with entrusting data is to pay attention to the regulations governing the transfer of data to the US. Even if the US processor is subject to GDPR, such entrusting of data will still be considered as ‘transfer of data to a third country’ within the meaning of the Regulation and will involve additional restrictions. However, the fact that a processor is subject to GDPR doesn’t mean that additional restrictions related to data transfer to a third country such as the US won’t apply.

Entrusting data for processing that results in the transfer of such data to the US is admissible if the processor is an active participant in the Privacy Shield programme. IT market leaders such as Google, Microsoft and Amazon in principle participate in the Privacy Shield, but as far as smaller businesses are concerned, special care should be taken. The current list should each time be verified at www.privacyshield.gov. If a given entity doesn’t participate in Privacy Shield, the controller may only transfer personal data to the US if it provides appropriate safeguards. Such can be provided by binding corporate rules, standard data protection clauses, or approved certification mechanism. A data controller who decides to transfer data to the US to an entity that doesn’t participate in the Privacy Shield risks failing to provide the appropriate safeguards referred to above, which may involve a fine of up to €20,000,000 or 4% of the total worldwide annual turnover of the preceding financial year.

In the face of the obligation to choose a processor providing guarantees of compliance with GDPR, data controllers are advised to use the services of those processors that are subject to GDPR. In the case of US processors, these will be the processors that have an organisational unit within the EU; their activities involve the offering of goods or services to data subjects in the EU, irrespective of whether a payment of the data subject is required; or their activities involve the monitoring of behaviour as far as the behaviour takes place within the EU. In turn, when entrusting data to US entities, it’s also important to bear in mind additional risks associated with data transfer to a third country that can be avoided, among others by using services of organisations actively participating in the Privacy Shield programme.