Lithuania's business services report

2020

Invest
Lithuania

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WesternUnion WU

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EUROMONITOR INTERNATIONAL · FESTO · HEGELMANN GROUP · .NF3 · Nordzucker

Revolut · Teleperformance each interaction matters · TSW LIVING LOGISTICS · Webhelp

Cover photo: Vilnius Central Business District
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Nordics

adform · arctic adventures · COWI · Danske Bank · DAT

GREENCARRIER · YARA Knowledge grows · intrum · metso · MICRO MATIC

NKT · NOKIA · NORIAN · Nortal · omega

outokumpu · ROYAL UNIBREW · SEB · SERGEL we care · SuperOffice

SWECO · Swedbank · Telia · tia · Transcom

VISMA · WinBas

Other

HCL · shopify · WIX

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Preface

Dear Ladies and Gentlemen,

It is a great honor and pleasure to present our 6th Lithuania's Business Services Report – the most in-depth study on the Global Business Services industry in Lithuania.

With steady growth of 14% in terms of employment, 2019 was yet another fruitful year for our GBS sector. Together with an additional 2,300 new jobs, the Lithuanian GBS community welcomed 4 names from the Fortune 500 list.

It is an open secret that it is Lithuania's multilingual talents, with their extraordinary motivation and work ethic, that have driven the success of the country's GBS industry. As evidence of this, you need only look to the 81 companies from the US, Nordics, Western Europe, and the rest of the world, who have already entrusted their operations to Lithuania's specialists.

Another exciting trend emerged in 2019. A number of existing GBS players announced plans to extend their presence in Lithuania by expanding their current functions or introducing new ones, such as AML/KYC, AI, robotics, cyber security or R&D. This is a clear indication of how healthy and sustainable the ecosystem in Lithuania is, and sends a positive message to potential investors.

We believe this report will be a great source of information and insight and that it will help you to better understand the many benefits that Lithuania has to offer as an ideal location for forward-thinking businesses.

Laisvis Makulis,
Vice President at Invest Lithuania

About the survey

The data was collected at the beginning of 2020 by Invest Lithuania.

66 companies employing 17,750 professionals participated in the survey, which accounts for 81% of all GBS centers in the industry and 92% of its total labor force.

81%
of all centres

92%
of the total labour force in the industry

Asgaard Keys business center in Vilnius
© Norbert Tukaj

Invest Lithuania

Invest Lithuania is the official agency for Foreign Direct Investment and Business Development under the Ministry of Economy and Innovation.

We'll partner with you to get your business set up and off to the best start possible:

Decision-making

We'll help you make the most informed decisions for your new operations:

- Tailored in-depth market and industry insights.
- Advice on business costs.
- Information concerning the local labor and legal framework.
- Site visits, including the preparation of detailed, tailor-made agendas for the purpose of location assessment and introductions with peer companies, universities, and government authorities.

Business Establishment

We'll connect you with everyone you need to know to guarantee a soft landing for your set up:

- Intros and meetings with key market players and relevant governmental institutions.
- Project assessment to identify financial support opportunities from local government and the EU.
- Assistance with PR and marketing strategies before, during, and after the project announcement.

Business Development

Once you are up and running, we'll be there with aftercare and support:

- Assistance with one-off problems.
- Lobbying for greater governmental support.
- Help with finding the right employees through the Work in Lithuania program.

"

The Lithuanian GBS & ICT community is exceptionally multi-faceted, with companies from different sectors sharing their knowledge and experience, and helping one another grow. Invest Lithuania stands at the heart of this community – an organization which not only welcomes new investors but continues to give them great support and assistance throughout their journey.

Arminta Saladziene, Vice President for European markets at Nasdaq and CEO of Nasdaq Vilnius Services, Board member of Invest Lithuania

"

To put it in three words, Invest Lithuania builds business relationships. The organization brings together stakeholders from all levels and makes dialogue not just possible but also fruitful.

Giedrius Dzekunskas, Head of Danske Bank Group IT Lithuania & Board Member of Invest Lithuania

GBS sector in Lithuania[1]

81
Number of investor companies with GBS centers

19.3K
Number of employees in GBS centers

240
Average number of employees in a GBS center

14%
Growth in GBS center jobs

14%
Average voluntary attrition rate in GBS centers

11
Number of Fortune 500 investors with Lithuanian GBS centers

Lithuania's TOP 5 advantages according to the GBS centers polled[2]

1. Availability of well-educated talent

2. Competitive labor costs

3. Well-developed IT & telecommunications infrastructure

4. Availability of multilingual talent

5. Social climate and quality of life

Vilnius Central Business District
© Norbert Tukaj

Chapter 1
Industry overview

Yara Lithuania office in Vilnius
Photo courtesy of Yara Lithuania © Danius Petrulaitis
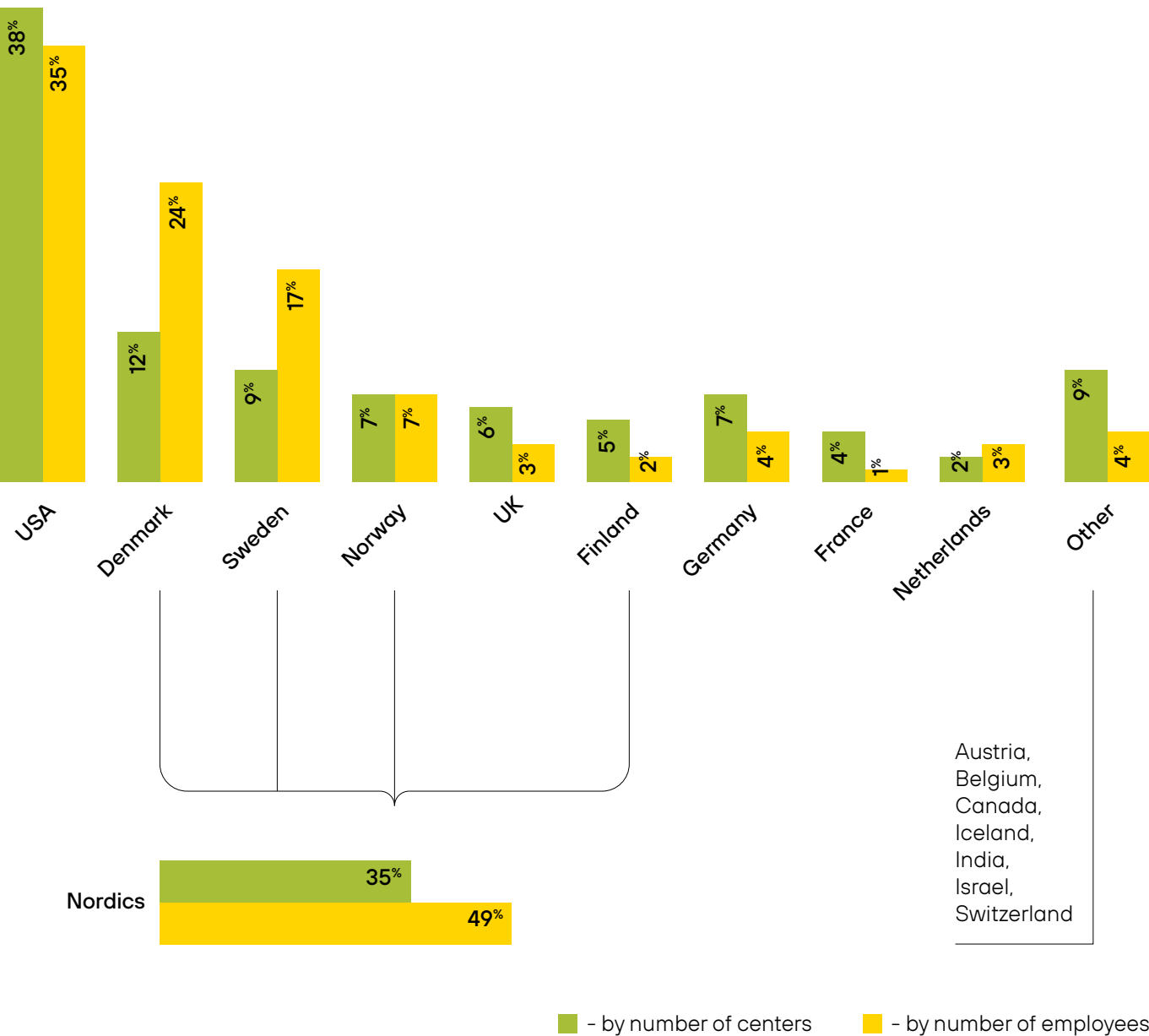
1. Sector overview

By HQ location

The last few years have witnessed an increasing inflow of investments from the US. This is also evident this year, with 38% of all centers headquartered in the United States.

US based companies currently account for 35% of the industry's total employment. The Nordics, however, remain one of the most important regions for foreign

investment, comprising 50% of all centers and employing over a third of the industry's workforce.

USA — 38% / 35%
Denmark — 12% / 24%
Sweden — 9% / 17%
Norway — 7% / 7%
UK — 6% / 3%
Finland — 5% / 2%
Germany — 7% / 4%
France — 4% / 1%
Netherlands — 2% / 3%
Other — 9% / 4%

Nordics — 35% / 49%

Austria, Belgium, Canada, Iceland, India, Israel, Switzerland

■ - by number of centers   ■ - by number of employees
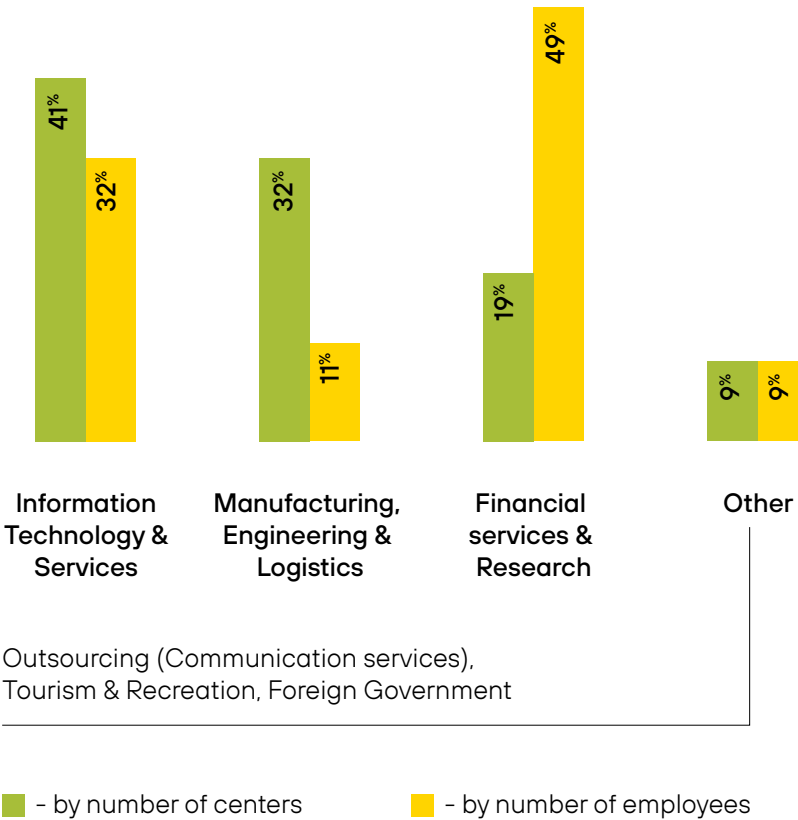
By sector

Compared to previous years, the ICT sector experienced higher growth in terms of both centers and employees. However, the number of manufacturing & logistics sector investors experienced the largest jump – with Lithuania welcoming two out of the four largest global

pharmaceuticals wholesalers and distributors in 2019, as well as a number of other well-known manufacturing companies.
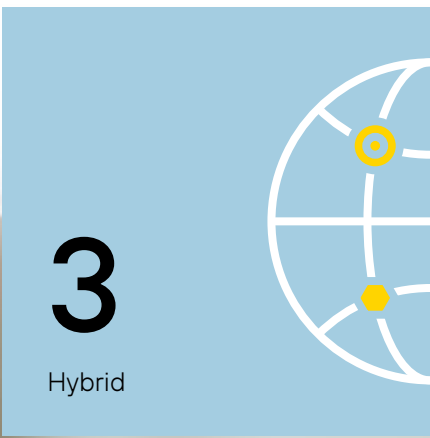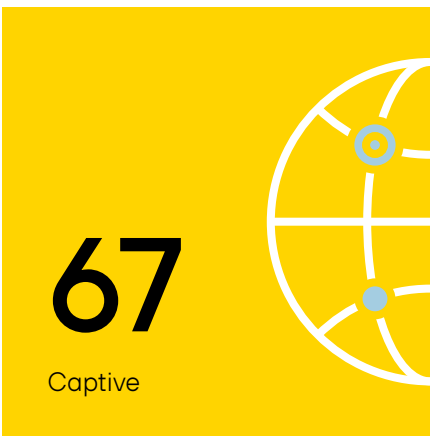
The financial sector still remains the largest employer. The largest GBS centers in Lithuania belong

to financial services companies, employing almost half of the industry's labor force.

The majority (83%) of Lithuania's GBS centers are Captive, a situation unchanged from previous years.

Information Technology & Services — 41% / 32%
Manufacturing, Engineering & Logistics — 32% / 11%
Financial services & Research — 19% / 49%
Other — 9% / 9%

Outsourcing (Communication services), Tourism & Recreation, Foreign Government

■ - by number of centers   ■ - by number of employees

Business Service centers by type

67 Captive

11 BPO / ITO
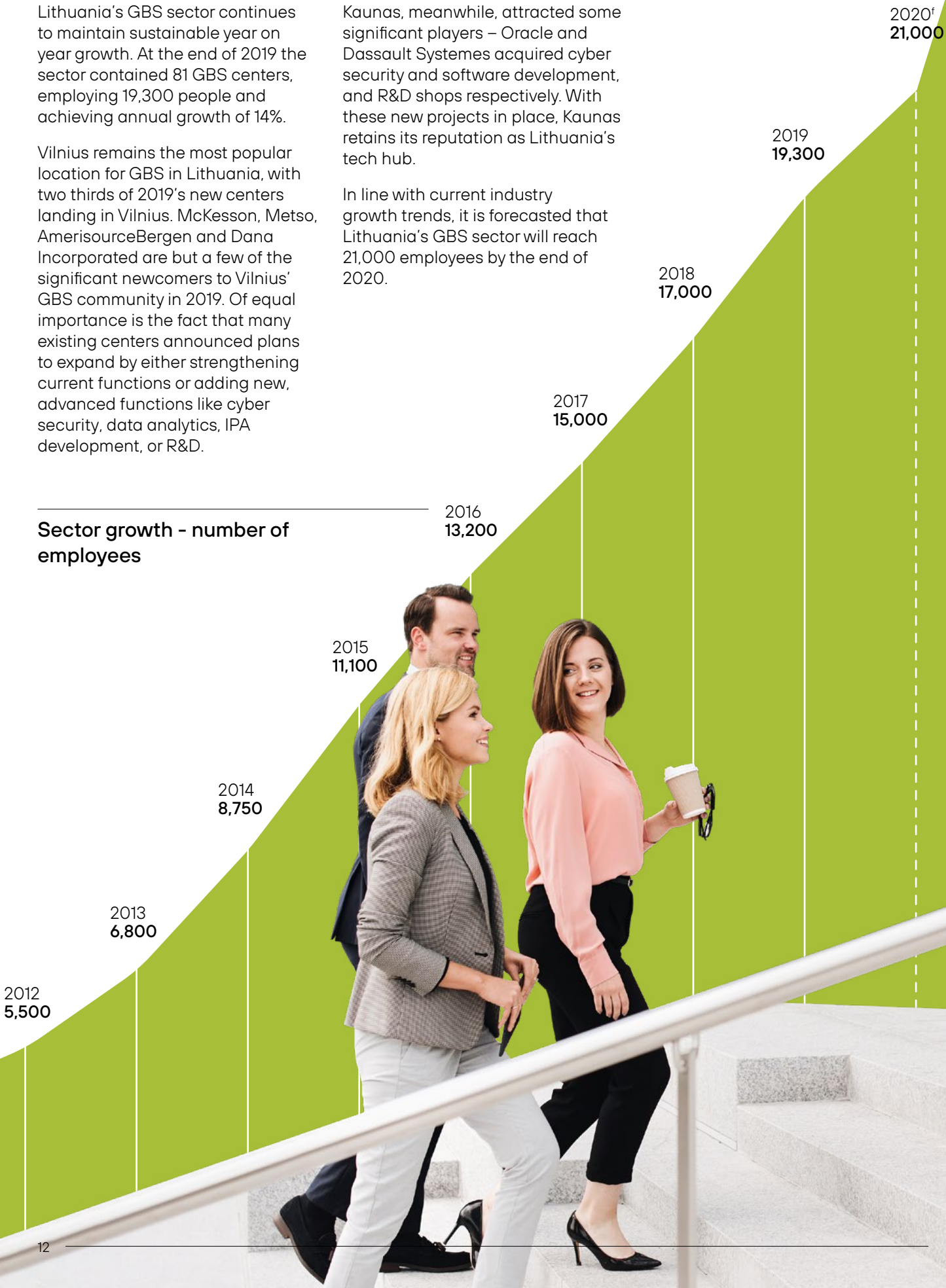
3 Hybrid

2. Sector growth

Lithuania's GBS sector continues to maintain sustainable year on year growth. At the end of 2019 the sector contained 81 GBS centers, employing 19,300 people and achieving annual growth of 14%.

Vilnius remains the most popular location for GBS in Lithuania, with two thirds of 2019's new centers landing in Vilnius. McKesson, Metso, AmerisourceBergen and Dana Incorporated are but a few of the significant newcomers to Vilnius' GBS community in 2019. Of equal importance is the fact that many existing centers announced plans to expand by either strengthening current functions or adding new, advanced functions like cyber security, data analytics, IPA development, or R&D.

Kaunas, meanwhile, attracted some significant players – Oracle and Dassault Systemes acquired cyber security and software development, and R&D shops respectively. With these new projects in place, Kaunas retains its reputation as Lithuania's tech hub.

In line with current industry growth trends, it is forecasted that Lithuania's GBS sector will reach 21,000 employees by the end of 2020.

Sector growth - number of employees

2020ᶠ **21,000**
2019 **19,300**
2018 **17,000**
2017 **15,000**
2016 **13,200**
2015 **11,100**
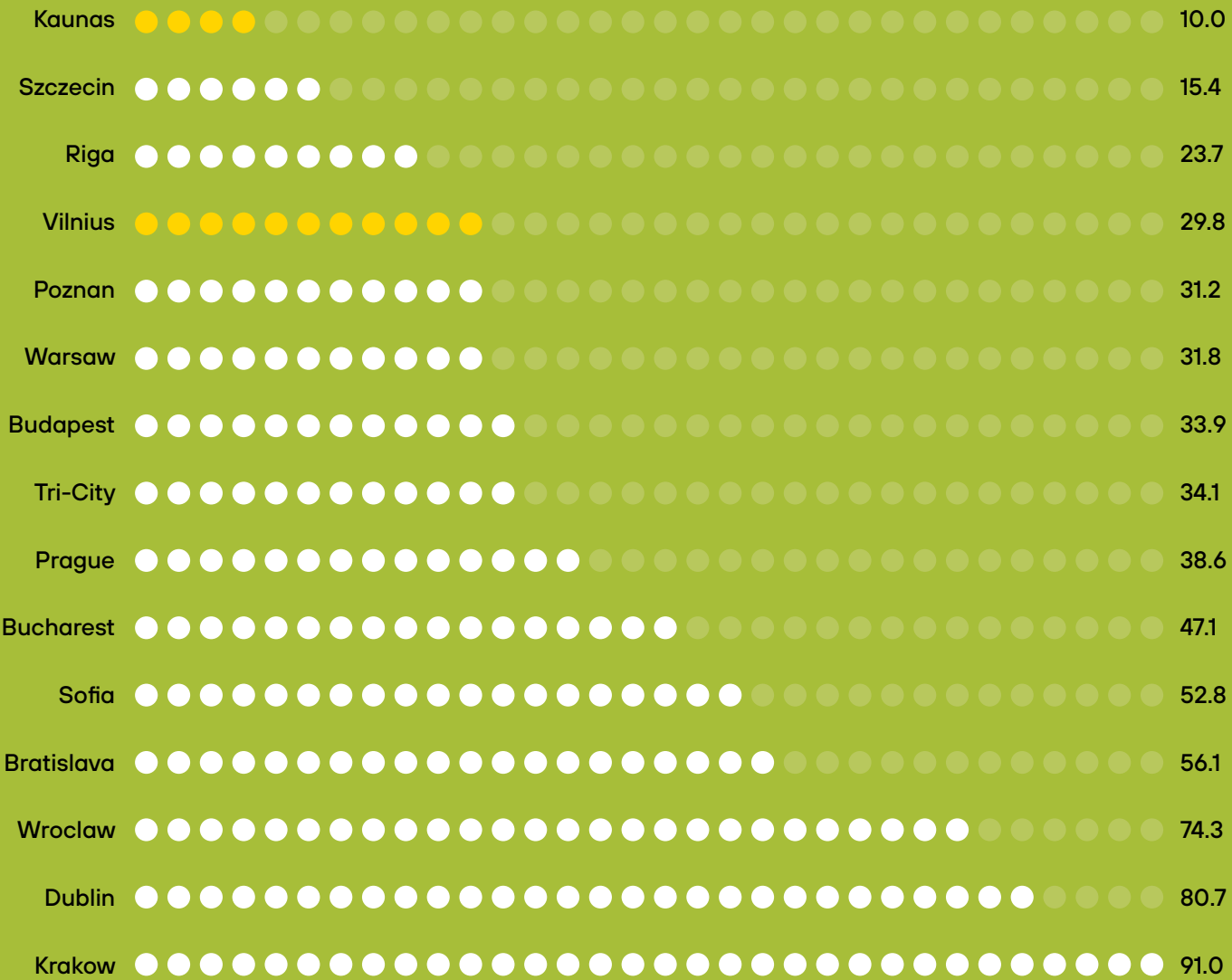2014 **8,750**
2013 **6,800**
2012 **5,500**

3. Saturation

The saturation rate in Lithuania's GBS sector remains healthy despite the sector's continued growth and increased maturity. This backdrop of comparatively low saturation offers companies of all sizes the opportunity to stand out as attractive employers, while the sector itself is mature enough to offer seasoned talent. Moreover, this lower level of saturation also indicates lower attrition rates and slower wage growth.

People employed in Business Service Centers per 1,000 residents

Location	Value
Kaunas	10.0
Szczecin	15.4
Riga	23.7
Vilnius	29.8
Poznan	31.2
Warsaw	31.8
Budapest	33.9
Tri-City	34.1
Prague	38.6
Bucharest	47.1
Sofia	52.8
Bratislava	56.1
Wroclaw	74.3
Dublin	80.7
Krakow	91.0

4. Location

2.8^M

2.8ᴹ

Total population[1]

	Vilnius	Kaunas	Klaipeda
County population[1]	820ᴷ	563ᴷ	320ᴷ
Students[2]	52ᴷ	37ᴷ	8ᴷ
Universities and colleges[2]	19	12	6

Lithuania's two main cities, Vilnius and Kaunas, form the hub of Lithuania's GBS sector. Closely connected by road and rail, the two cities complement each other in terms of the flow and composition of the talent on offer. Combined, they offer a GBS talent pool of over 19,000 specialists. Lithuania's third largest conurbation, the port city Klaipeda, remains the destination of choice for logistics companies and has a yet untapped potential of maritime competences.

Compared to other Central European locations, the share of foreign workers in the overall GBS workforce is still relatively low – at 5%. This, alongside the sector's comparatively low saturation, indicates that there are still considerable untapped resources when it comes to the provision of local talent. The local talent pool is also benefiting from the return of seasoned professionals from abroad – in 2019 Lithuania experienced positive net migration from abroad for the first time since joining the EU.

Meanwhile, for companies looking to recruit specialists from abroad, significant improvements have been made to streamline processes for the immigration of highly educated talent. Indeed, the numbers of foreigners living and studying in Lithuania has been experiencing growth of around 15% year on year, which should also have a positive net effect for the GBS industry in coming years.

Klaipeda

1 #of centres

Panevezys

3 #of centres

110 # of employees in GBS

1.4ᴹ Population

90ᴷ Students

Vilnius - Kaunas hub

52 #of centres

16.3ᴷ # of employees in GBS

Kaunas

17 #of centres

2.86ᴷ # of employees in GBS

Vilnius

8 centers co-located in Vilnius and Kaunas
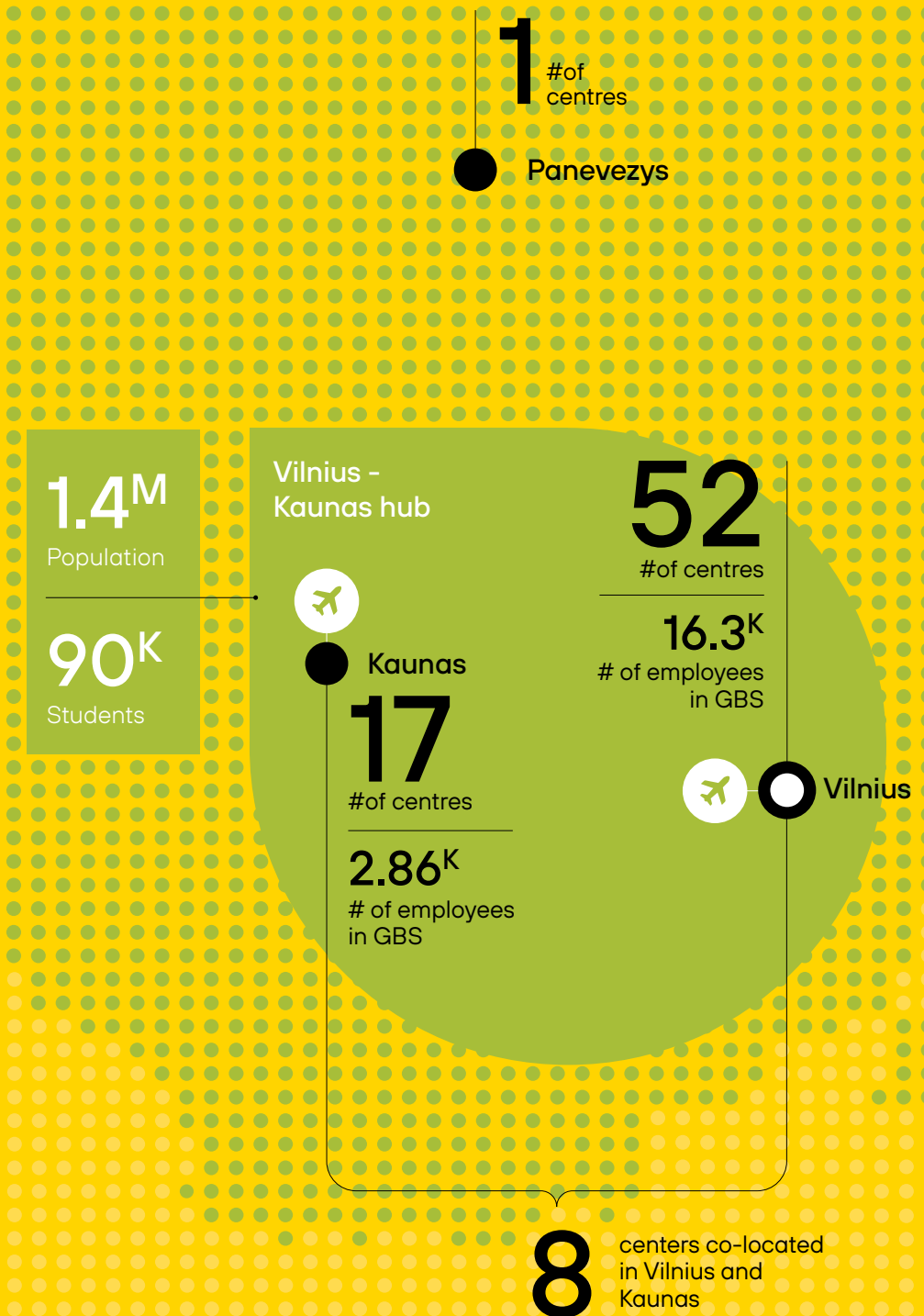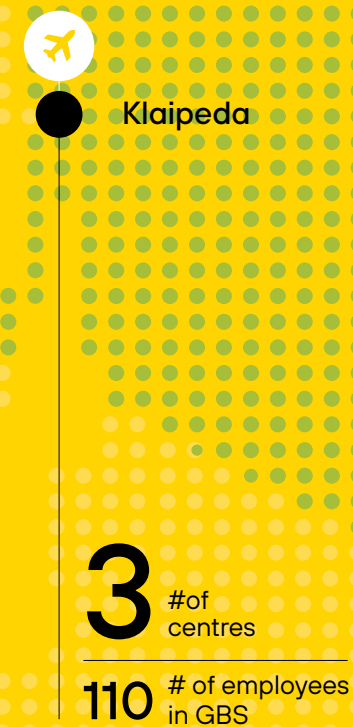
✈ - International airports

5. Vilnius

For the 6th year in a row Vilnius has been acknowledged as the best city for GBS in CEE. This ranking is borne out by the list of major international businesses that have chosen Vilnius as the destination of choice for their operations: Moody's, McKesson, Western Union, Nasdaq, Uber, Danske Bank and Booking.com.

There are many reasons for Vilnius' predominance as a regional center for GBS. It is conveniently located in the heart of Europe, with most major European cities only a 3-hour flight from Vilnius airport, while the airport itself is only a 15-min drive from the city center.

Meanwhile, Vilnius houses most of the top Lithuanian universities and colleges, including Vilnius University – the oldest and largest university in the Baltic States. The city continues to be a hub for finance and accounting, business administration, marketing, IT and cross-skilled multilingual talent.

> 66
>
> The quality of talent available was the main reason Danske Bank chose Vilnius in 2012. We have been outperforming our initial goals every year since. I can say that our journey has been more than a successful one, and that's down to the amazing team of overachievers we have found here.
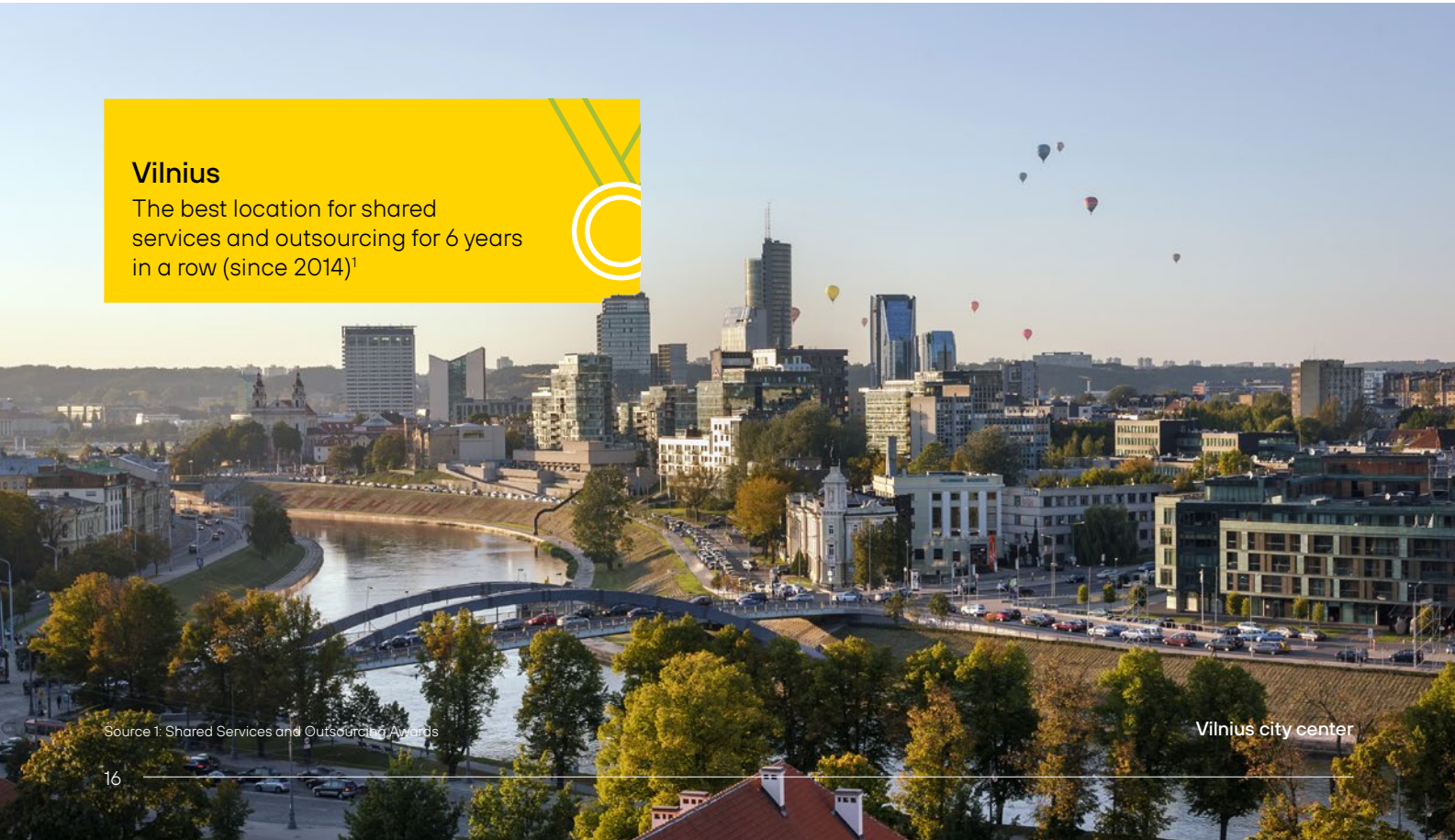
Aiste Gataveckiene, SVP, Head of Global Services Lithuania at Danske Bank

Key sectors

Business Services & ICT	Biotechnology	Fintech	High-Tech Manufacturing
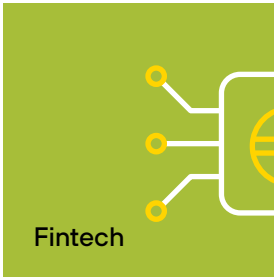
Vilnius
The best location for shared services and outsourcing for 6 years in a row (since 2014)[1]

Source 1: Shared Services and Outsourcing Awards

Vilnius city center

Kaunas old town

6. Kaunas

Kaunas is the second largest city in Lithuania and the fourth largest in the Baltics.

Located in the center of Lithuania, Kaunas is well connected to Vilnius and neighboring countries via road and rail links. It also has an international airport, providing connectivity to over 25 different destinations worldwide.

Home to the leading technical university in the Baltic States – Kaunas University of Technology – Kaunas is a regional hub for technology and engineering.

The city's GBS sector has seen significant growth and is now a base for such global names as FESTO, NKT, TransUnion and Dematic. In recent years the city has become a major lure for manufacturing, with such giants as Continental and Hella establishing manufacturing facilities within the Kaunas Free Economic Zone.

> 66
>
> Kaunas is not only located in the geographical centre of Lithuania - historically, it is also the centre for tech studies as well. In particular, KTU produces some of the best interdisciplinary engineers on the market. They will give anyone in our field a run for their money.

Gitana Strazdauske, Managing Director of Dassault Systemes Lithuania

Key sectors

Automotive	Business Services & ICT	MedTech	MRO
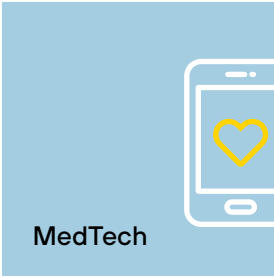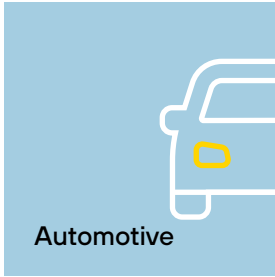
7. GBS success stories

Danske Bank

Functions:	F&A, HR, IT Development & Support, Compliance, Legal, Customer operations, Marketing, Analytics, IPA
Languages:	English, Danish, Norwegian, Swedish, Finnish
FTE: 4,000	**Established:** 2012, Vilnius

In 2012, Danske Bank established its Global Services Centre (GSL) in Vilnius, which became a key strategic center for a vast portfolio of banking operations, professional services, business support functions (legal, finance, risk management, procurement, HR) and business development.

Danske Bank Group IT Lithuania (DGITL) was established at the end of 2014 and is part of the Group IT Danske Bank organization which delivers financial solutions to customers. It is the fastest growing IT organization in the Lithuanian market, employing around 1,100 high class IT professionals.

WesternUnion WU

Functions:	F&A, HR, IT, Compliance, Customer operations, Procurement, Marketing, IPA
Languages:	35 languages
FTE: 2,000	**Established:** 2010, Vilnius

Western Union established its Global Operations Center in Vilnius in 2010. Today with 2,000 employees, it is the second largest GBS center in Lithuania, as well as the largest Western Union site worldwide.

The center provides 24/7 operations in 35 languages and performs a large variety of functions from F&A and procurement to IT and global marketing. In 2017, Western Union established its Center of Excellence for RPA and was immediately recognized for Top Robotics/RPA Implementation in CEE at the Shared Services Summit & Awards 2018.

Telia

Functions:	IT, Software Development, Mobile Network Engineering, Data Science, Robotics, Procurement, HR, F&A
Languages:	Danish, English, Finnish, Norwegian, Swedish
FTE: 520	**Established:** 2017, Vilnius

Telia, the leading Scandinavian telco provider, established its Global Services Center in Lithuania in 2017.

The company's team in Vilnius ensures the provision of high-quality software development, procurement, robotics, data analytics, network engineering and other services to Telia's key markets. The Lithuanian branch provides services to the Telia Group, which is considered to be the frontrunner in the field of digitization in Northern Europe and the Baltic States.

FESTO

Functions:	F&A, IT, Procurement, Sales, Customer support, Engineering (non-IT)
Languages:	English, German, Italian, Spanish
FTE: 500	**Established:** 2015, Kaunas

The Festo GBS center opened its doors in 2005 and, having enjoyed accelerated growth over the last four years, today has more than 500 employees. Festo's GBS center specializes in various activities and services, encompassing support in Product and CAD Management, IT, Finance, Accounting, Controlling, Business Assistance, Procurement, Sales, Marketing, Supply Chain Operations, and HR. Also, like many other GBS centers in Kaunas, Festo has a long-standing cooperation with Kaunas University of Technology.

Booking.com

Functions:	Customer support
Languages:	Danish, English, French, German, Italian, Polish, Portuguese, Russian, Spanish, Ukrainian, Turkish, Latvian
FTE: 360	**Established:** 2017, Vilnius

Booking.com's Vilnius call center is the company's ninth in Europe and eighteenth globally. The Vilnius customer service team supports Booking.com's 24/7 service to guests and accommodation partners through a variety of channels, including incoming calls, e-mails and messaging.

Booking.com has brought customer care to the next level, and is currently among the most desired employers in Lithuania.

Nasdaq

Functions:	IT, F&A, Cyber security, Big data analytics, Customer operations
Languages:	Danish, English, Finnish, French, German, Swedish
FTE: 340	**Established:** 2015, Vilnius

Nasdaq established its Global Technology and Business Services hub in Vilnius in 2015, and since then it has become one of Nasdaq's fastest growing offices worldwide. An expanding team of skilled professionals run a range of business-critical operations supporting Nasdaq's clients in EMEA, the Americas, and Asia. Nasdaq's Vilnius-based teams are involved in engineering, developing, testing and delivering state-of-the-art technology which powers trading venues, clearing houses, central securities depositories and corporations around the world.

Moody's

Functions:	F&A, IT, AML/KYC, Cyber security, Analytics, HR, Customer support
Languages:	English, French, German, Italian, Portuguese, Russian, Spanish
FTE: 80	**Established:** 2018, Vilnius

Moody's Corporation chose Vilnius as the location for its newest European office at the end of 2018.

The center covers a variety important positions that provide support for Moody's ratings. Business research and operations are conducted in areas such as finance, human resources operations, information security, and information technology.

Uber

Functions:	Core infrastructure development & engineering (CSR)
Languages:	English
FTE: 50	**Established:** 2015, Vilnius

Uber, the American multinational transportation company headquartered in San Francisco, California, provides services in over 60 countries and 400 cities worldwide. It opened its technical office in Vilnius in 2015. Uber Lithuania oversees 50% of the company's core infrastructure by providing IT development services at their Vilnius office.

Chapter 2
**Survey
findings**

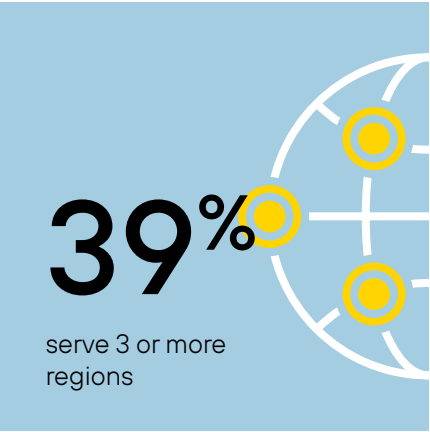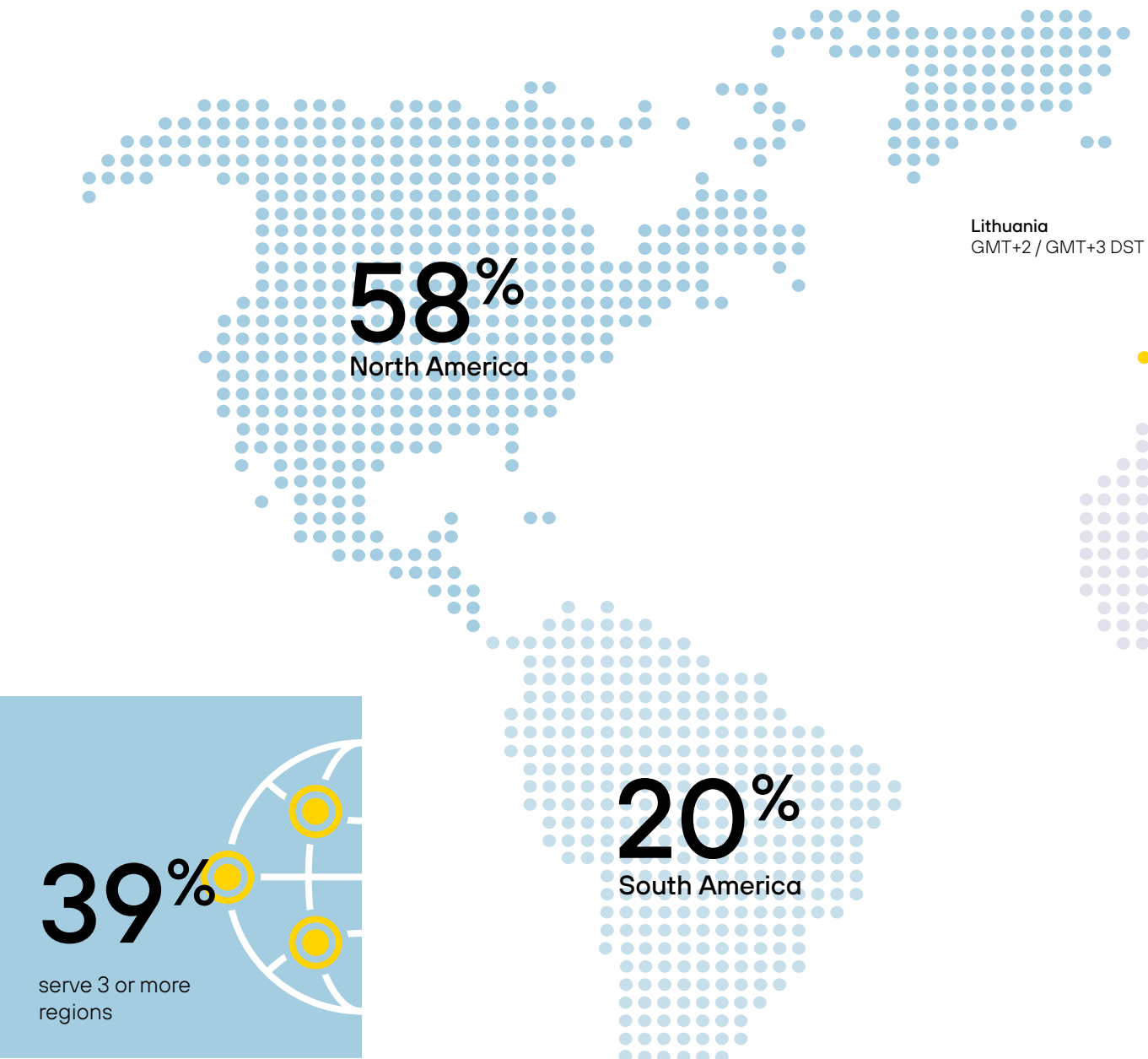River Hall office building in Kaunas
© Norbert Tukaj

8. Markets covered

2019 saw the arrival of a number of new US companies to Lithuania's GBS landscape. It should come as no surprise then that service coverage for North America increased the most, from 42% in 2018 to 58% in 2019. Europe,
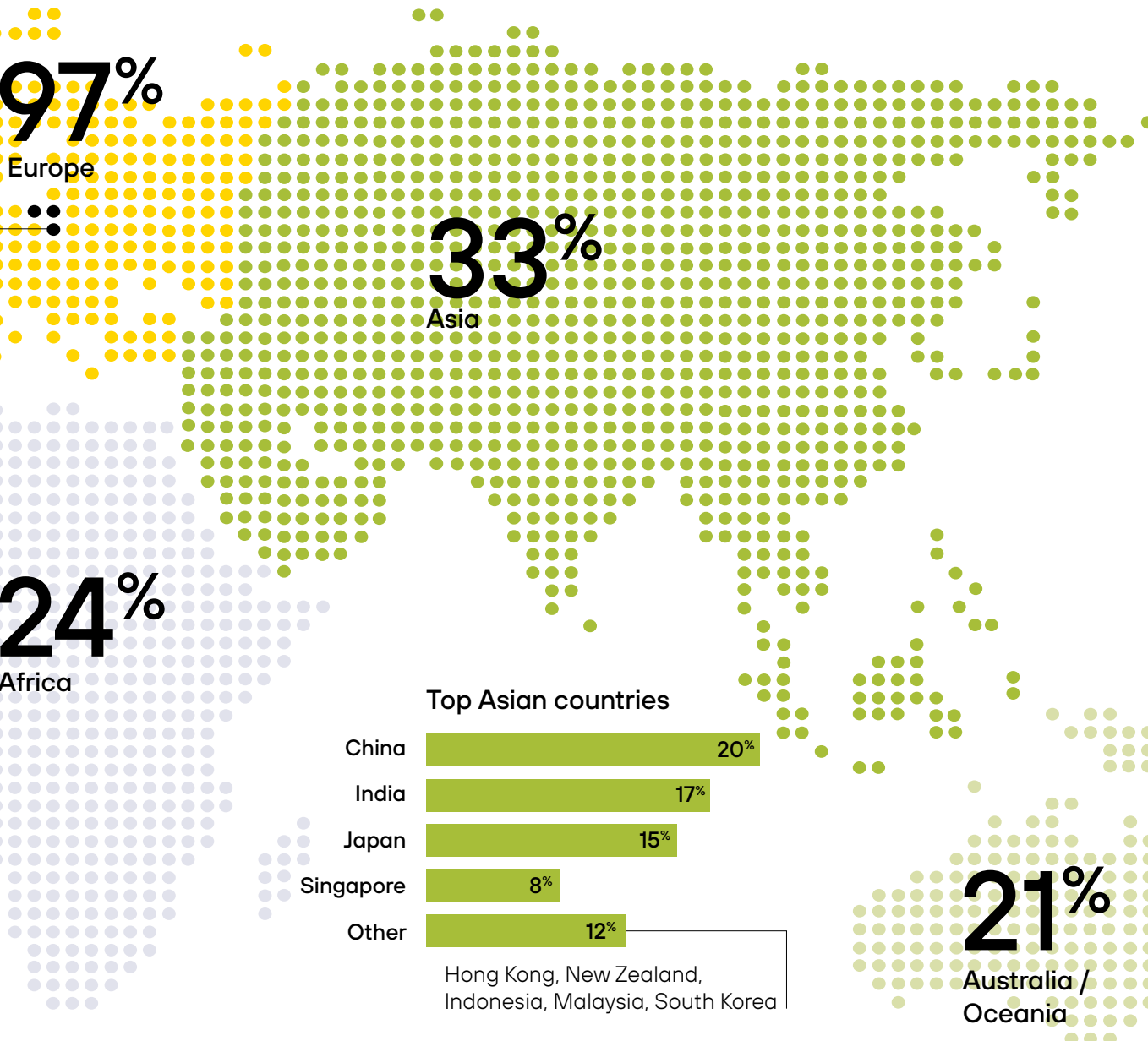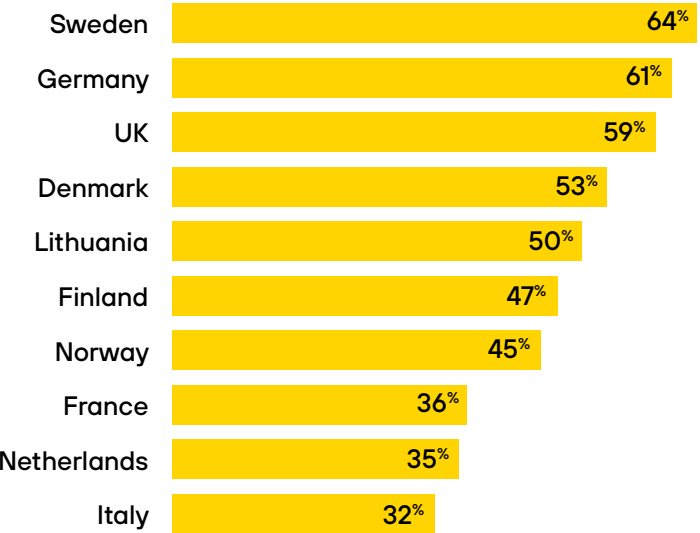
however, continues to be the market most served by Lithuanian GBS centers. Sweden has retained its prominent position, followed by Germany, which overtook the UK and Denmark in 2019.

Offering truly global coverage and services across different time zones, cultures and languages, the Lithuanian GBS sector has cemented its position as a mature hub in the CEE region.

Regions that are served by GBS centers in Lithuania

Top 10 European countries

Country	%
Sweden	64%
Germany	61%
UK	59%
Denmark	53%
Lithuania	50%
Finland	47%
Norway	45%
France	36%
Netherlands	35%
Italy	32%

35%
serve 10 or more countries

97%
Europe

Lithuania
GMT+2 / GMT+3 DST

58%
North America

33%
Asia

24%
Africa

20%
South America

39%
serve 3 or more regions

Top Asian countries

Country	%
China	20%
India	17%
Japan	15%
Singapore	8%
Other	12%

Hong Kong, New Zealand, Indonesia, Malaysia, South Korea

21%
Australia / Oceania
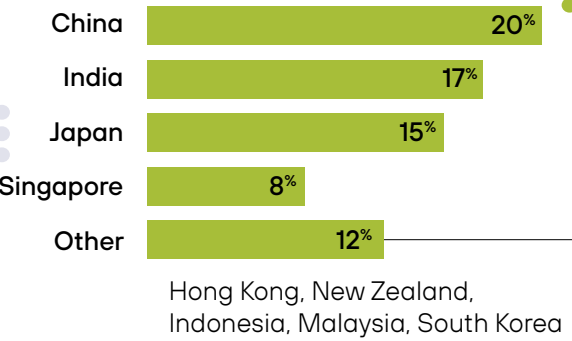
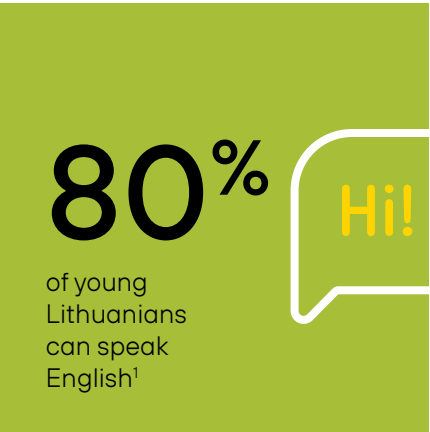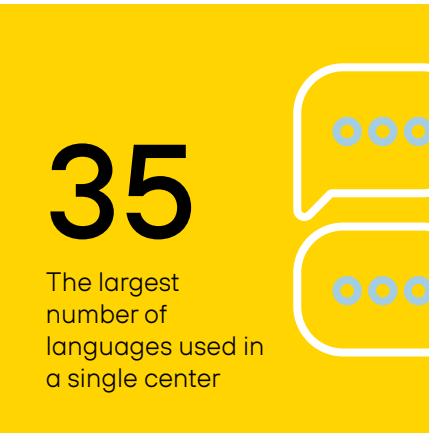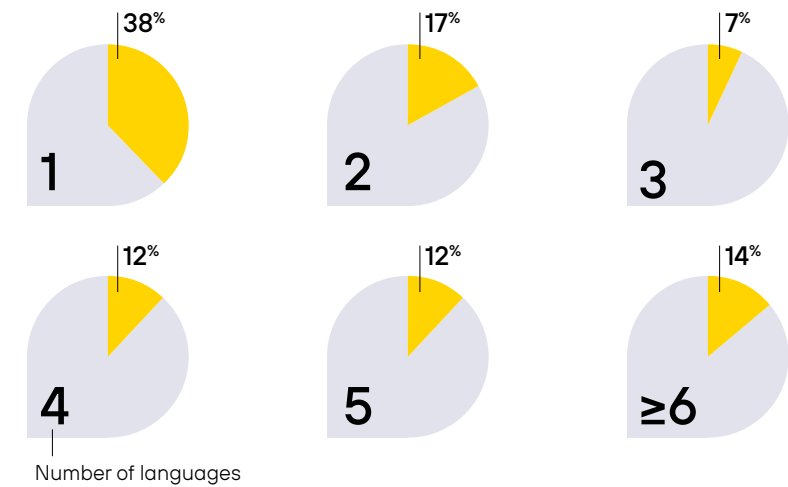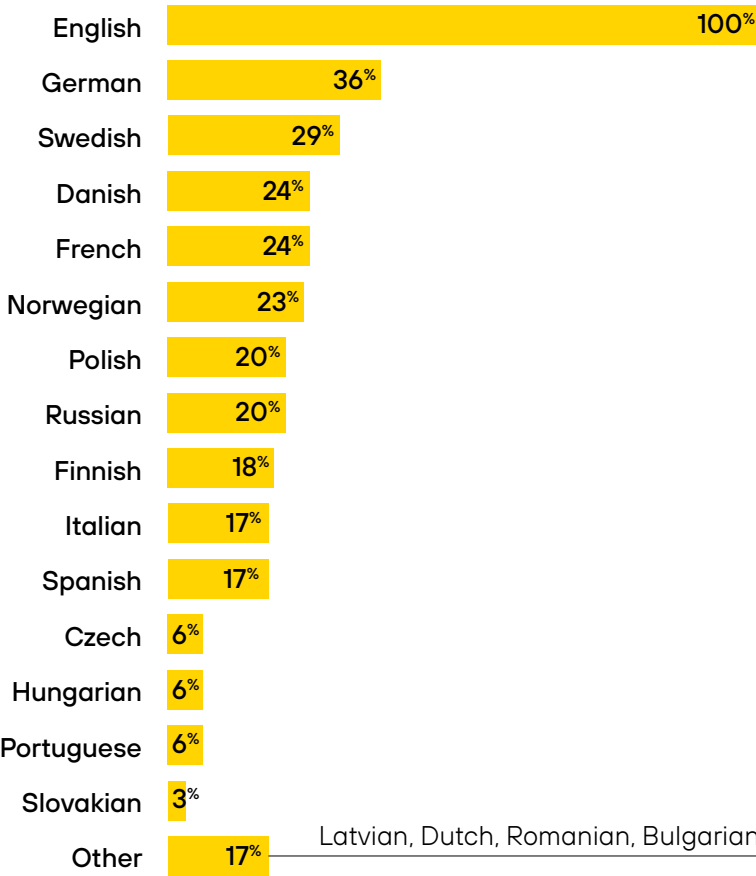# 9. Languages used

Well-known for its multilingual talent, the Lithuanian GBS sector provides services in a cornucopia of languages. With English long since established as a must across the sector, 2019 saw a rise in the use of German due to the substantial inflow of new investments from the US and Western Europe. Scandinavian languages, meanwhile, retained their prominence across the sector.

35
The largest number of languages used in a single center

80%
Hi!
of young Lithuanians can speak English[1]

52%
of Lithuanians are fluent in at least 2 foreign languages[2]

Share of centers by number of foreign languages spoken

Number of languages

- 1 — 38%
- 2 — 17%
- 3 — 7%
- 4 — 12%
- 5 — 12%
- ≥6 — 14%

Share of centers by languages used

Language	Share
English	100%
German	36%
Swedish	29%
Danish	24%
French	24%
Norwegian	23%
Polish	20%
Russian	20%
Finnish	18%
Italian	17%
Spanish	17%
Czech	6%
Hungarian	6%
Portuguese	6%
Slovakian	3%
Other	17%

Other: Latvian, Dutch, Romanian, Bulgarian

Source 1: National Census 2011
Source 2: European Commission, Europeans and their languages, 2012

10. Functions performed

The maturity of the Lithuanian GBS sector can be best observed in the diversity of the functions it provides. The share of centers performing 8 or more functions jumped to 56% in 2019, compared to 44% in 2018. A number of well-established GBS centers reinforced their capacities in Lithuania through the introduction of new functions, whether it be enhanced customer support or the exploration of the potential of robotics, AI or R&D. The rise of digitalization in the market has pushed companies across the board to focus increasingly on compliance and KYC, as these functions are now not only exclusively applied to the financial sector. Furthermore, with increasing amounts of data to manage, the functions of data analytics and cyber security are becoming more common.

Share of centers by number of functions performed

Number of functions

- 1 — 6%
- 2-4 — 27%
- 5-7 — 11%
- 8+ — 56%

94%
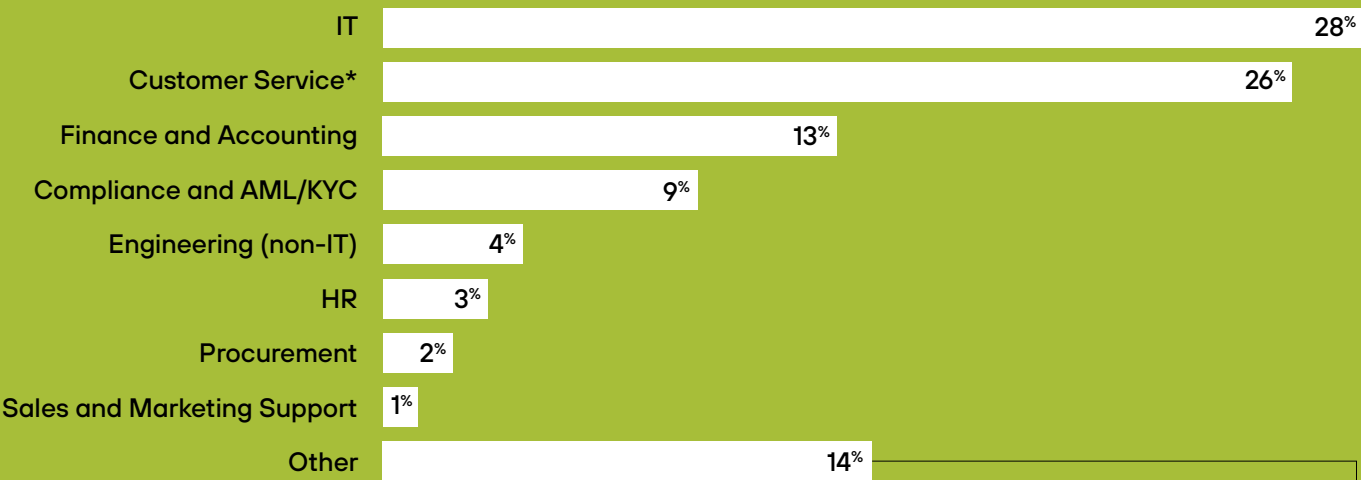of centers are multifunctional, performing 2 or more functions
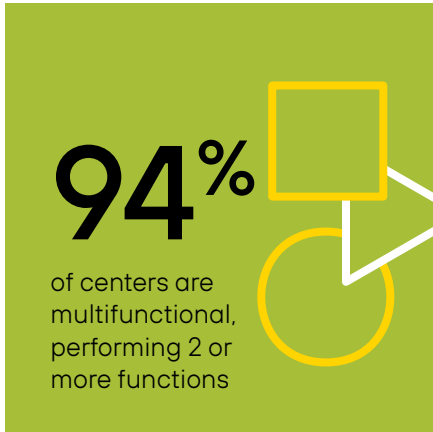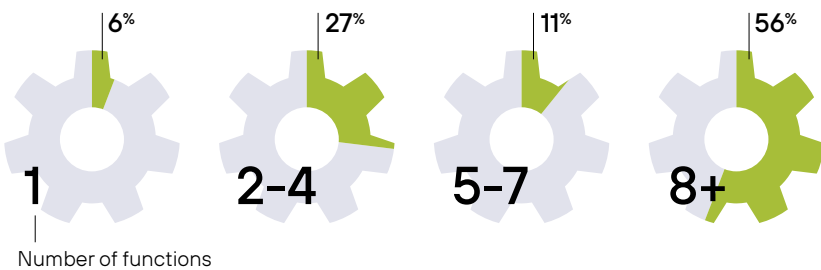
For the third year in a row, IT remains the leading field of operations in the Lithuanian GBS sector. This trend is more than likely set to continue in light of the ongoing global shift towards increased digitization. Finance and Accounting, meanwhile, retained its position within the top 3 services performed.

Share of employees by function performed

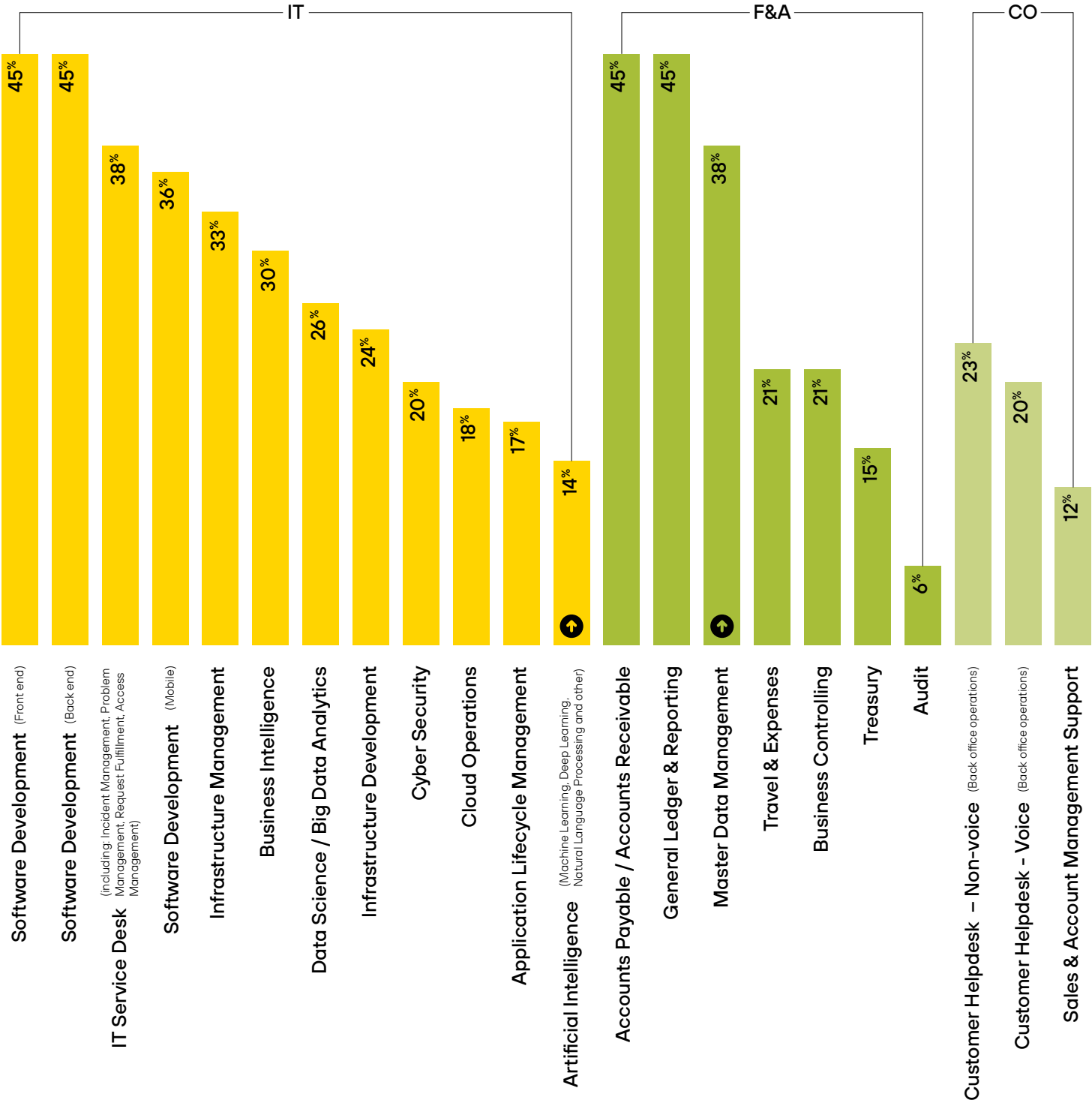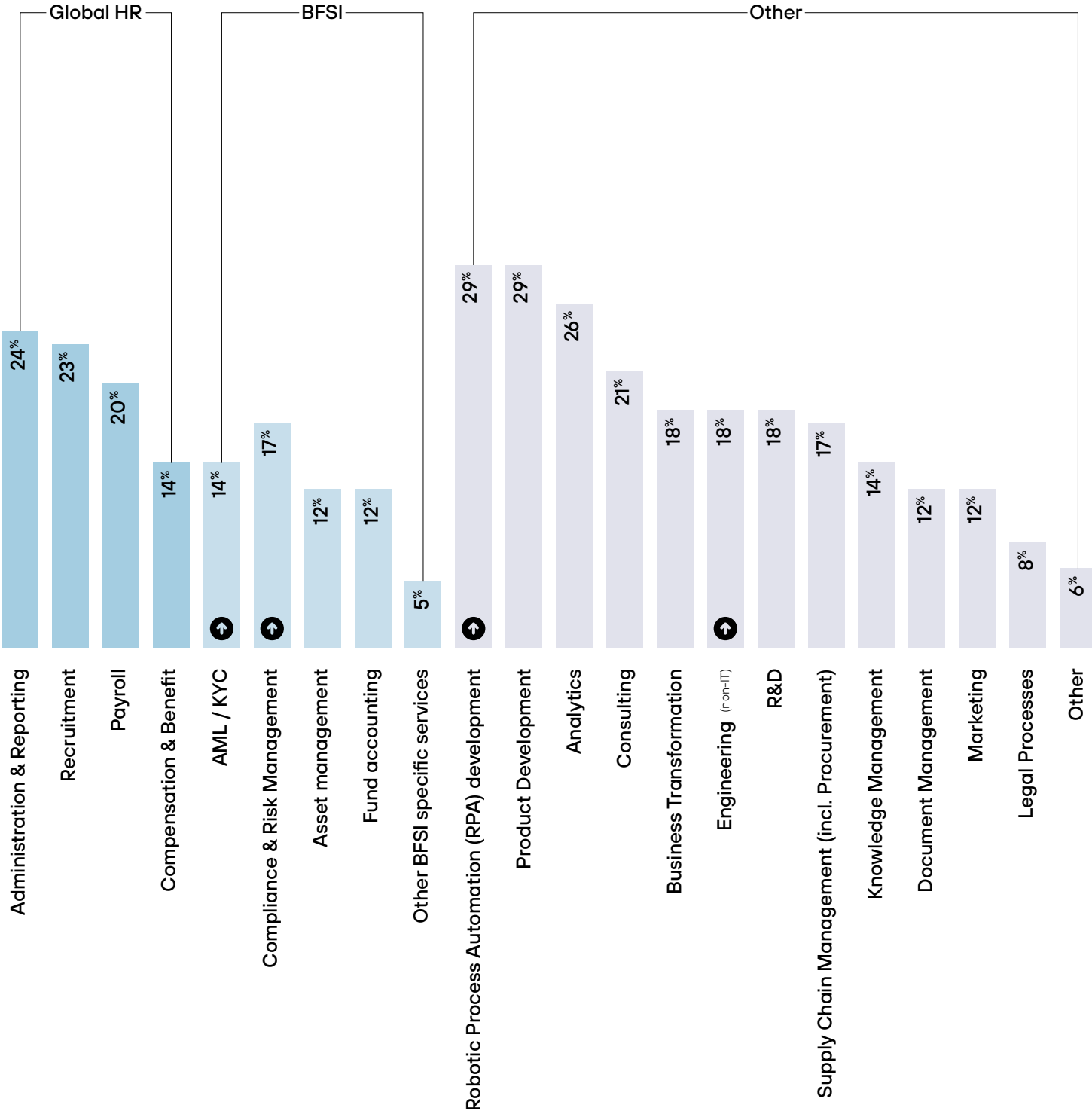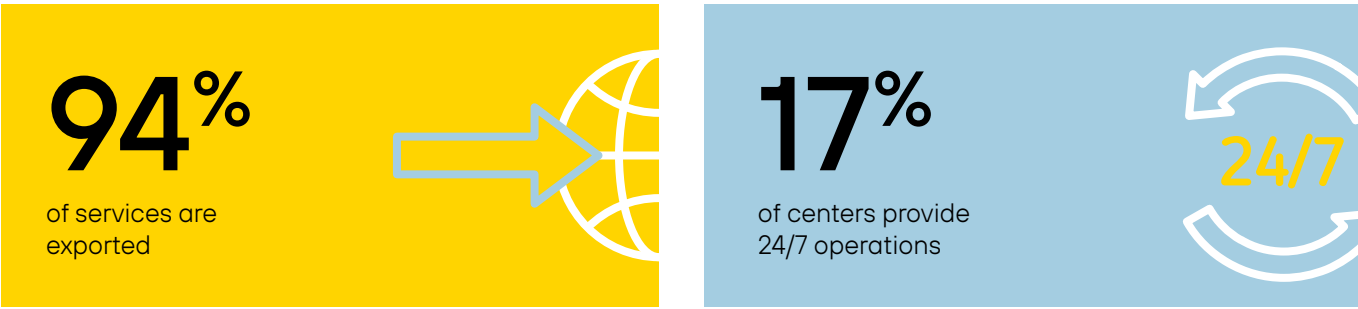| Function	Share
IT	28%
Customer Service*	26%
Finance and Accounting	13%
Compliance and AML/KYC	9%
Engineering (non-IT)	4%
HR	3%
Procurement	2%
Sales and Marketing Support	1%
Other	14%

Other: Legal, Data science, Research, Communications, Risk management, Strategy execution, Analytics, Supply chain management, Reporting, Business support, Administration, Management, Quality assurance

* Customer service cover not only call center functions but also the broader scope of overall customer operations.

Share of centers performing each of the following functions:

94%
of services are exported

17%
of centers provide 24/7 operations

24/7

IT

Function	%
Software Development (Front end)	45%
Software Development (Back end)	45%
IT Service Desk (including: Incident Management, Problem Management, Request Fulfillment, Access Management)	38%
Software Development (Mobile)	36%
Infrastructure Management	33%
Business Intelligence	30%
Data Science / Big Data Analytics	26%
Infrastructure Development	24%
Cyber Security	20%
Cloud Operations	18%
Application Lifecycle Management	17%
Artificial Intelligence (Machine Learning, Deep Learning, Natural Language Processing and other)	14% ↑

F&A

Function	%
Accounts Payable / Accounts Receivable	45%
General Ledger & Reporting	45%
Master Data Management	38% ↑
Travel & Expenses	21%
Business Controlling	21%
Treasury	15%
Audit	6%

CO

Function	%
Customer Helpdesk – Non-voice (Back office operations)	23%
Customer Helpdesk – Voice (Back office operations)	20%
Sales & Account Management Support	12%

Global HR

Function	%
Administration & Reporting	24%
Recruitment	23%
Payroll	20%
Compensation & Benefit	14% ↑

BFSI

Function	%
AML / KYC	14% ↑
Compliance & Risk Management	17%
Asset management	12%
Fund accounting	12%
Other BFSI specific services	5%

Other

Function	%
Robotic Process Automation (RPA) development	29% ↑
Product Development	29%
Analytics	26%
Consulting	21%
Business Transformation	18%
Engineering (non-IT)	18% ↑
R&D	18%
Supply Chain Management (incl. Procurement)	17%
Knowledge Management	14%
Document Management	12%
Marketing	12%
Legal Processes	8%
Other	6%

↑ - Functions that experienced the largest growth from last year

11. Programming languages

The programming languages that are most extensively used at Lithuanian GBS centers mirror overall global trends. Reflecting the increased focus on machine learning and data science, Python has climbed to the Top 5 in 2019. Other traditional languages like SQL, Java, JavaScript are still widely used by financial institutions and the developers of custom IT products.

The volume and variety of programming languages in use reveals the complexity of IT solutions provided in Lithuania. As a rule, IT teams in Lithuania are not only problems solvers, but also solution creators. Lithuanian IT teams not only oversee IT support, they are also responsible for the gradual change and improvement of legacy banking systems, as well as the creation of innovative products and services. An example of this is Danske Bank's Mobile Pay app, one of the most popular payment apps in Denmark. It was created, and is now maintained, at Danske Bank's Lithuanian GBS center.
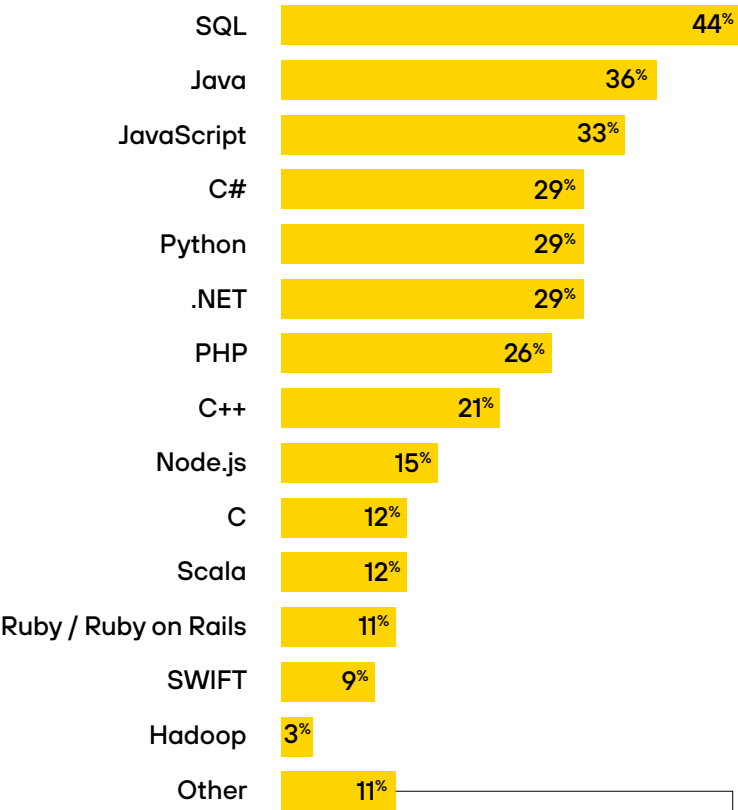
> Generation tech in Lithuania is here to make a change – enable them by providing latest technologies and they will produce long-lasting innovations that will ensure the upward trend of your ICT organization on a global scale.

Marius Ivanauskas, Head of Group Global Services at Telia Company

Share of centers by programming languages used

Language	%
SQL	44%
Java	36%
JavaScript	33%
C#	29%
Python	29%
.NET	29%
PHP	26%
C++	21%
Node.js	15%
C	12%
Scala	12%
Ruby / Ruby on Rails	11%
SWIFT	9%
Hadoop	3%
Other	11%

HTML, CSS, Bash, jQuery, Bootstrap, Vue.js Ext.js, TypeScript, Angular JS, Lua

12. AML / KYC / Compliance

Since the global financial crisis, compliance functions have witnessed a period of major growth and investment. With ever increasing regulatory fees and growing demand for resources, companies, especially those in the financial services industry, are successfully leveraging the talent available in Lithuania. The survey results show that the GBS sector has an increasing number of compliance specialists, especially in the areas of Anti-Money Laundering, Counter-Terrorist Financing and Know Your Customer. The continued focus of the Bank of Lithuania and the Financial Crime Investigation Service on strengthening the financial system, together with initiatives like Danske Bank's Anti-Money Laundering Academy, stand to further deepen industry expertise.

A professional local team is crucial to ensuring the development of global business strategy: providing reliable services, securing market positions and innovating the way of operations. This is one of the main reasons, why Western Union consolidated so many key competencies in Lithuania.

Sarunas Suipis, VP Operations & Managing Director of Western Union Processing Lithuania

13. Engineering / SCM

> The importance of the Yara European Business Service Center cannot be understated, as every order and every delivery in Europe goes through our colleagues in Vilnius.

Beda Merkelbach, Vice President & Head of Yara European Business Services Center

Lithuania is dramatically diversifying the range of services covered by its GBS sector. One of the strongest examples of this trend is the growing number of Engineering service centers. Over the last few years Engineering has been rapidly expanding in terms of its prominence in the overall split of GBS functions. Engineering service centers in Lithuania are largely concentrated in Kaunas and focused on a broad range of innovation areas, from computer simulation and design through to process automation and IoT solutions. The wealth of Engineering talent available has enabled companies to grow and diversify in Lithuania, and many Engineering service centers have taken the opportunity to further nurture this talent pool by working closely with local technical universities to ensure a steady supply of next generation.

Another new cluster emerging in Lithuanian GBS is centers focused on Logistics and Supply Chain Management (SCM). Positioned between three sizeable markets – Western Europe, the Nordics and the CIS – Lithuania boasts a Transport and Logistics sector that accounts for a larger percent of GDP (12%) than any other EU nation. Additionally, with almost 7,000 logistics specialists currently being trained by the education system, Lithuania has the right talent pool to serve the needs of a rapidly expanding market. A prime example of an international company making use of Lithuania's exceptional logistics know-how is Yara. After 18 months operating in Lithuania Yara had already built a team of 240 specialists providing services in 16 languages. Yara's Lithuanian office is set to become a crucial operational supply chain node in Yara's European delivery network.

14. Intelligent Process Automation & AI

Process automation solutions are already firmly established in Lithuania's GBS industry, and this area continues to flourish in terms of both volume and complexity. Almost 40% of all GBS centers have implemented or are continuously developing IPA solutions. And nearly a third of these have already stepped up to more advanced, and even fully autonomic, process automation solutions.

It is important to note that 96% of the centers using IPA are developing their solutions in-house, compared with 85% in 2018. This increase indicates that the number of automation specialists in the local talent market has been substantially bolstered. Reacting rapidly to global trends, the main universities in Lithuania have introduced IPA modules into their IT and business management study programs, thus ensuring the necessary supply of process automation specialists is in place to meet the increasing demand.

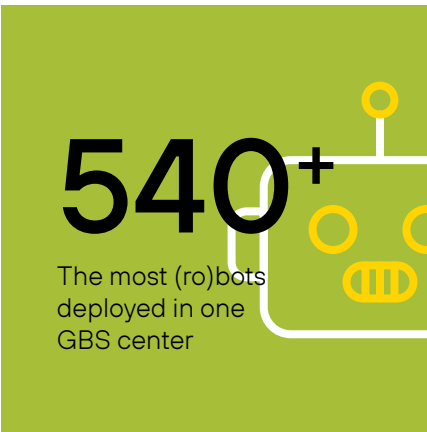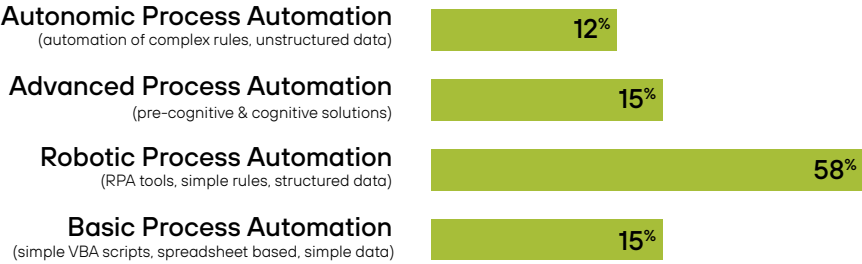## International recognition[1]:

WesternUnion\\WU

2 x TOP RPA Implementation of the Year (2018)

Cognizant

Digital Services Firm of the Year – CEE (2019), TOP RPA Implementation of the Year (2020).

Share of centers by level of Process Automation

Autonomic Process Automation
(automation of complex rules, unstructured data)
12%

Advanced Process Automation
(pre-cognitive & cognitive solutions)
15%

Robotic Process Automation
(RPA tools, simple rules, structured data)
58%

Basic Process Automation
(simple VBA scripts, spreadsheet based, simple data)
15%

We started our IPA journey in 2016, when this was still something novel. Today, automating over 200 tasks daily, we are transforming SEB group's operations globally. For companies willing to develop their IPA solutions in Lithuania, this country offers a whole community of consultants, developers and other GBS players.

Ruta Jasiulioniene,
Branch manager of
SEB Global Services

39%
of GBS centers have implemented or are developing IPA solutions

96%
of GBS centers using IPA are developing their solutions in-house

540+
The most (ro)bots deployed in one GBS center

400K
The most hours per year saved by implementing IPA solutions in one GBS center

Last year, Lithuania became the second country in the EU to draft a national AI strategy. The government is not just supporting an inclusive community of several thousand AI enthusiasts and professionals, it is an active player in this community.

Elijus Civilis,
Vice-Minister for
Digital Agenda

Danske Bank

2015
Started their RPA journey.

540+
Robots are currently deployed.

Currently focusing on Workflow solutions to orchestrate user tasks, RPA and APIs as well as AI solutions within the BPM and RPA areas.

WesternUnion\\WU

2016
Started their RPA journey.

90+
Robots are currently deployed.

Western Union established a global RPA Centre of Excellence in Vilnius, and has around 2 million tasks successfully completed already.

outokumpu

2019
Started their RPA journey.

3
Robots are currently deployed.

The RPA Center of Excellence ensures close co-operation between Business and IT Operations by supporting Outokumpu Group's process automation initiative.

A Government that embraces innovation, AI and IPA

Quarterly **Intelligent Process Automation meetups** bring together GBS industry leaders and IPA professionals. These meetups are a platform for industry leaders to share their IPA journeys and lessons learned, and to discuss best automation practices and case studies.

The **AI BOOST** platform was launched in Q1 of 2020 under the Agency for Science, Innovation and Technology in order to consolidate and strengthen the Lithuanian AI ecosystem. The platform will become a one-stop AI info point and a bridge between developers, stakeholders, society and the government. AI BOOST will also provide a consultation service for startups and businesses, host events, run promotional campaigns in Lithuania and abroad, and assist with initiating and upgrading education programs so that they reflect the ecosystem's needs.

Open data in Lithuania. The Beta version of the Lithuanian Open Data Portal was published in January 2020 as a single access point to all open data sets in Lithuania. Currently, the portal provides more than 317 metadata sets, as described within DCAT dictionary requirements, and links to data sources. These will all be available to users in a machine-readable format (CSV) by May 2020. More than 120 datasets are available for users.
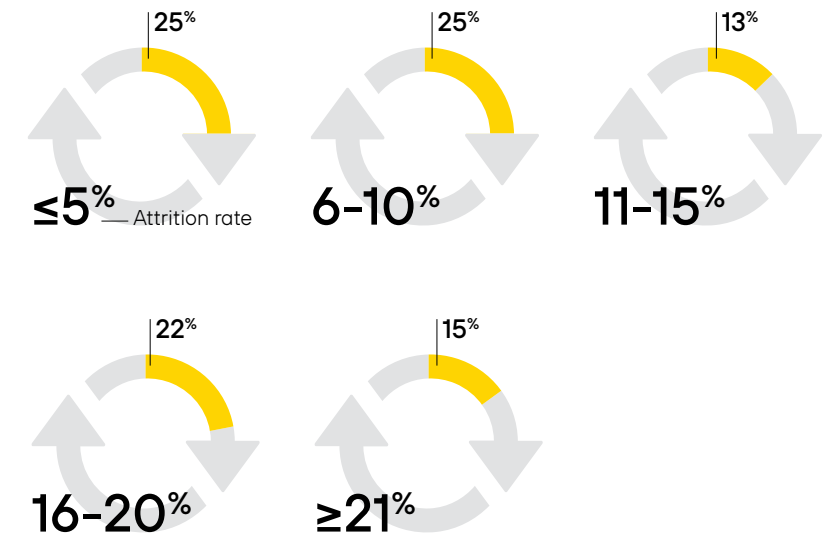
Source 1: Shared Services and Outsourcing Awards

15. Attrition rate

Lithuania's constantly growing GBS industry has managed to keep attrition rates relatively low. The average voluntary attrition rate stood at 14% in 2019. As is to be expected, higher attrition rates were seen in companies operating project-based tasks or attracting a younger, student-heavy workforce. At the same time, centers offering more senior roles and higher value-added functions reported an attrition rate at the lower end of the scale.

30
The average age of employees in GBS centers

14%
Average voluntary attrition
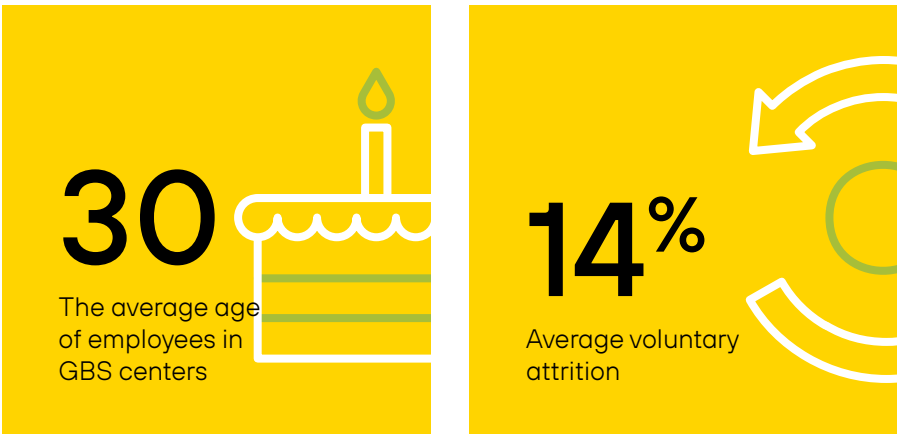
Share of centers by attrition rate

25%
≤5% — Attrition rate

25%
6-10%

13%
11-15%

22%
16-20%

15%
≥21%

16. Benefits

Companies in Lithuania's GBS sector are using a variety of strategies to develop and enhance their employer branding, with benefit packages being one such approach. Traditional benefits like private health insurance, sports and entertainment subscriptions, and subsidies for studies and professional development are commonplace. Companies are also becoming more creative, suggesting tailor-made benefits for individual employees to show their appreciation and provide additional motivation.

Share of centers by benefits provided

85%
Private health insurance / medical package

68%
Sports / entertainment

30%
Life insurance

23%
Private pension schemes

62%
Subsidizing studies or other professional courses

61%
Subsidizing language training

12%
Preferential share purchase options

3%
Child / infant care subsidies, kindergarten

47%
Other

17. Training

Lithuania's talent pool is one of the most educated in the EU. Despite this fact - or perhaps because of it - employees are highly motivated to continue learning and expanding their skillsets. The opportunity to participate in a variety of training programs is seen as an additional benefit for employees. For employers, training helps to further their employee's career planning and keep loyalty and retention rates high.

Globally, soft skills are predicted to be the most desired in the future labor market. In line with this trend, Lithuanian GBS centers identified this area as the most common type of training provided to their employees. Managerial coaching and Project management training were also among the most popular in 2019.

"

Vilnius impressed us with its outstanding talent, that very much like Booking.com, has a strong passion for teamwork and continuous learning. Lithuania was the right choice for us.

Salvatore Simbula,
Site Leader at
Booking.com
Lithuania

Share of centers by training provided

Soft skills
incl. social communication, emotional intelligence — 77%

Managerial coaching — 72%

Language training
(without certification) — 57%

Project management
e.g. PMP, Agile, Scrum, Prince, Prince 2 — 52%

Programming training
e.g. JavaScript — 40%

Language training
(incl. certification) — 32%

Operational excellence and improvement
e.g. Lean, 6 Sigma — 31%

RPA training
e.g. CISA, ITIL — 28%

Computer and internet technology — 28%

Financial
e.g. CIMA, CIA, ACCA, CFA, GAAP — 25%

Business analysis
e.g. CBAP — 11%

Supply chain
e.g. APICS — 3%

Marketing
e.g. CIM — 3%

Other — 12%

92%
of GBS centers provide training

First foreign language starts – usually English

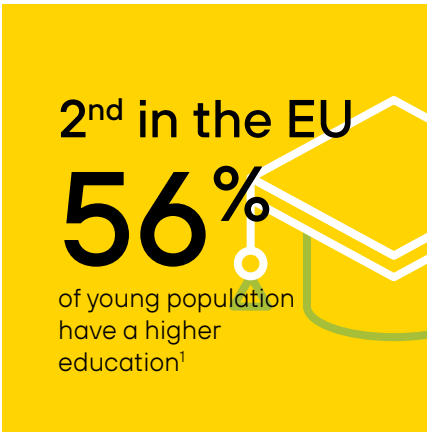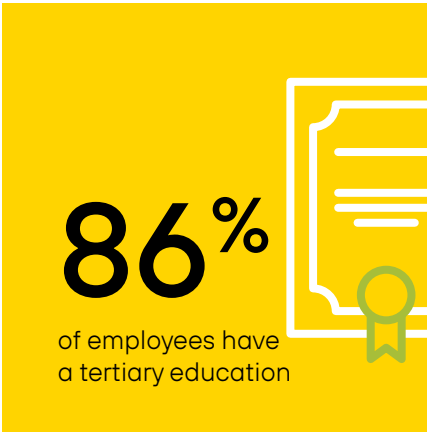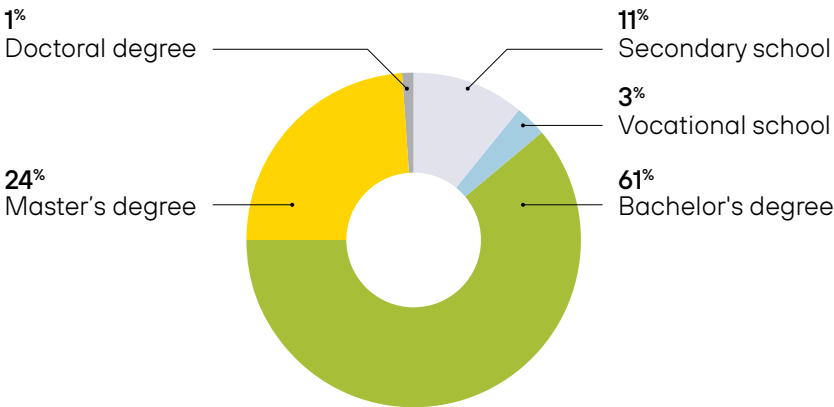Coding skills are introduced in primary school

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18. Education level

In the GBS sector, as in Lithuania overall, the majority of specialists have higher education, and the proportion of employees with a Bachelor's degree or higher continues to rise. This long-term trend means that centers have access to highly qualified,

interdisciplinary professionals. The GBS sector remains highly attractive to top-grade Lithuanian talent, as ever more high value-added functions are introduced, including robotics, cyber security, AML and R&D.

86%
of employees have a tertiary education

Share of employees by highest level of education

1% Doctoral degree
11% Secondary school
3% Vocational school
24% Master's degree
61% Bachelor's degree

2nd in the EU
56%
of young population have a higher education[1]

Lithuania's education system

2nd in EU
for share of students choosing STEM

2.5K
people requalified as junior developers in 2019

New requalification programs are being developed with business

Second foreign language education starts before the age of 12

Primary education

Secondary education

Tertiary education

Life-long education

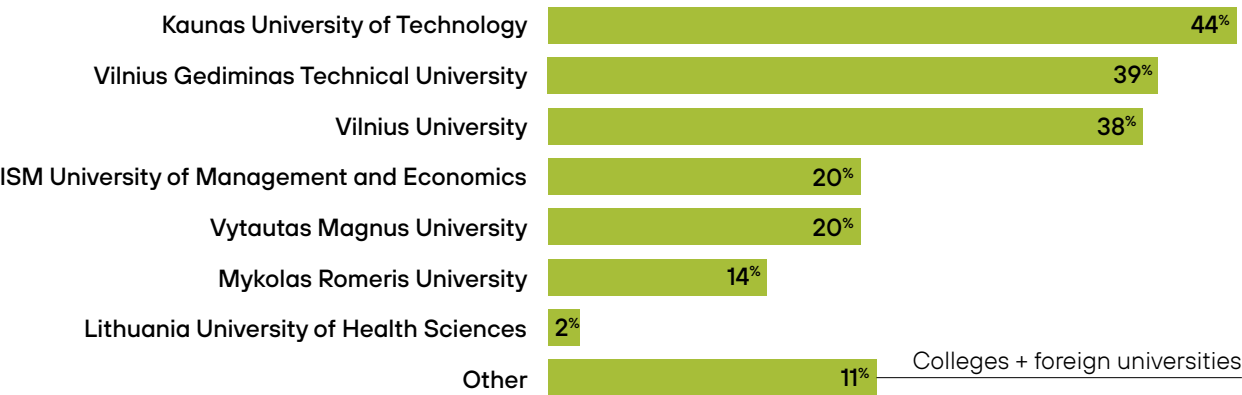# 19. Cooperation with educational institutions

Cooperation between business and academia is truly symbiotic in Lithuania, with both sides clearly perceiving the mutual benefits. The result is an ever-increasing pipeline of high quality talent equipped with the most desired skillsets.

In 2019, 70% of all GBS centers had some form of collaboration with local educational institutions. The most popular forms of cooperation included lecturing, providing study materials, and sponsoring and/or mentoring the brightest students.

To keep track of these fast-developing trends, Invest Lithuania has taken on the role of steering the Investor's Spotlight project. This project is responsible for the reviewing and renewal of study programs on demand. Representatives from GBS centers are actively involved in this process, providing hands-on insights and industry knowledge.

70%
of GBS centers are working together with universities
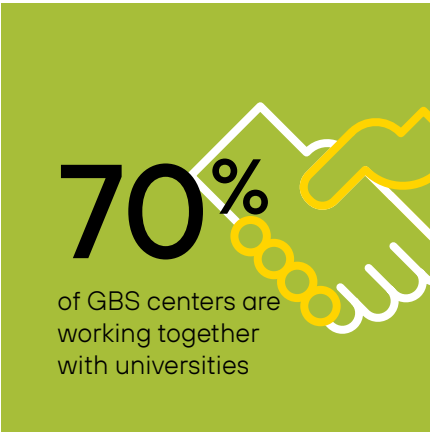
Universities with whom GBS centers are actively cooperating

University	%
Kaunas University of Technology	44%
Vilnius Gediminas Technical University	39%
Vilnius University	38%
ISM University of Management and Economics	20%
Vytautas Magnus University	20%
Mykolas Romeris University	14%
Lithuania University of Health Sciences	2%
Other	11%

Colleges + foreign universities

Sunrise Valley in Vilnius
© Norbert Tukaj

Cooperation examples

Kaunas University of Technology (KTU)

With almost 10,000 students enrolled every year, KTU is the leading university for technology studies in the Baltic states. KTU is also among the most business-friendly universities in Lithuania, actively cooperating with many GBS centers in both Kaunas and Vilnius, including Centric, TransUnion, Dematic and others. One of its most active partners is industrial control and automation company FESTO.

Known for: Information Technology, Software Engineering, Electronics Engineering, Mechanical Engineering, Finance, Mathematics and Data Science.

Vilnius Gediminas Technical University (VGTU)

VGTU is another leading technical university in Lithuania, with approximately 10,000 students enrolled. It has well-established partnerships with Danske Bank, Cognizant, DXC Technologies and many others. Its dedicated Fintech study program will be launched in September 2020, and it is drafting plans for an advanced GBS focused program in Strategic Excellence.

Known for: Information Technology, Electronics Engineering, Architecture, Supply Chain Management & Logistics, Cybersecurity, Smart City & Urban Mobility.

Vilnius University (VU)

Vilnius University is the oldest university in the Baltic region. With over 17,000 students enrolled, VU offers strong partnership opportunities for Lithuania's GBS community. SEB, Nasdaq, Danske Bank and Cognizant are just some of the international companies that are actively engaged with VU in organizing lectures, providing internships, delivering training courses, defining topics for theses, and other fruitful cooperation activities.

Known for: Information Technology, Software Engineering, Finance, Economics & Business Management, Mathematics & Data Science, Languages.

ISM University of Management and Economics

Established in 1999, ISM was the first privately owned institution of management education in Lithuania. Since then it has gained a reputation as one of the most prestigious scientific institutions in the country. No wonder then that many GBS centers, including Moody's, Western Union, Citco and others, are cooperating with ISM in developing a strong talent pool with the necessary skillsets for future employees.

Known for: Finance, Economics & Business Management, Analytics, Innovation and Technology Management.

20. Diversity

Lithuania remains 1st in the EU for the share of women in the labor force. And this general trend is reflected in Lithuania's GBS sector, where 54% of the workforce is composed of women.

Even more importantly, Lithuania's GBS industry is leading the way in gender equality not just in terms of volume. The representation of women in senior roles keeps growing. Currently, 51% of senior management positions in the sector are held by women.

Lithuanian women in tech are being recognized not only in international ratings. Ona Juodkiene, Co-Head of IT Operations at Danske Bank, was acknowledged as one of 50 most influential women in tech globally at Women Leaders in AI list by IBM.

> In the Lithuanian workplace, people are valued based on their skills, not their gender. No wonder we have consistently been one of the TOP3 countries in EU for the share of women in IT.

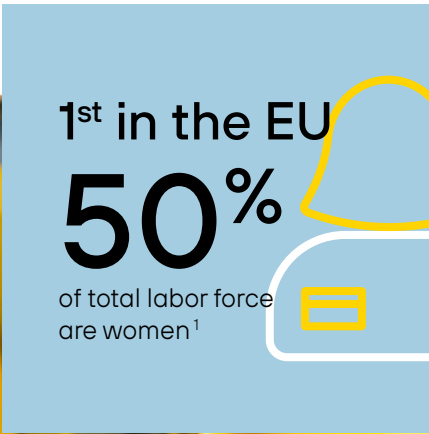**Ona Juodkiene**, Development Director, Co-Head of IT Operations at Danske Bank

> With so many strong female leaders, the Lithuania's GBS sector is an example for others. However, what matters most is the kind of person you are. Taking care and developing people, the environment and the community will support business in ways you never expected.

Ilona Antonoviciute, Managing Director of Metso Business Services

Headcount of women in Lithuania's GBS sector

Overall

54% Women

Senior management

51% Women

1st in the EU
50%
of total labor force are women[1]

1st in the EU
57%
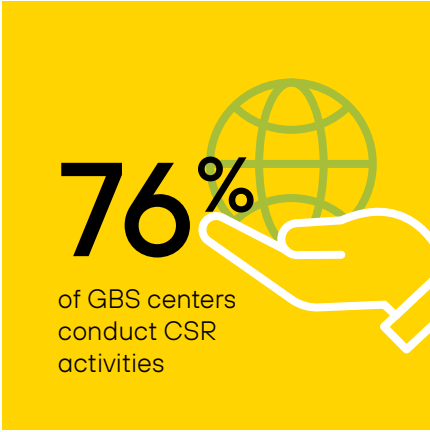of scientists and engineers are women[2]
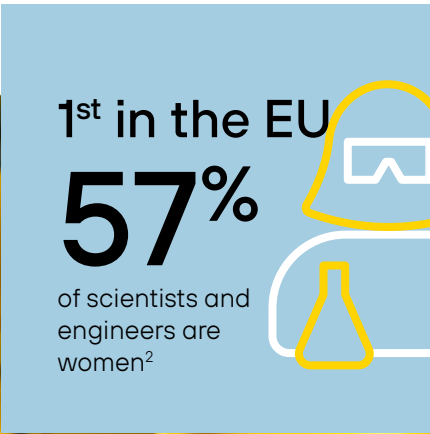
Source 1: Eurostat, 2016
Source 2: Eurostat, 2018

21. Social responsibility

Corporate social responsibility is becoming the new normal. For the new generations of employees, choosing an employer means much more than simply looking at the salary and job description. Young people tend to associate themselves with the organizations they work for. This means that many of them are looking to join companies with strong track records in social responsibility and well developed corporate cultures.

Within this context, it is perhaps unsurprising that the share of GBS centers conducting corporate social responsibility (CSR) activities jumped impressively – from 38% in 2018 to 76% in 2019.

The range of CSR activities carried out by centers is rather broad, from standard support and contributions to charitable organizations through to tailored programs aimed at tackling or improving specific areas.

76%
of GBS centers conduct CSR activities

TOP CSR activities

Giving to charity and contribution to society

Supporting employee volunteering

Environmental sustainability activities

Sponsorship and mentorship of pupils and students

Cooperation with NGOs

> Moody's is committed to fostering economic inclusion and entrepreneurship through education and access to financial services and lending. We're proud to support the future entrepreneurs and business leaders of Lithuania through our partnership with Junior Achievement and ISM University of Economics and Management. Together, we're creating a brighter future for the next generation.

Mariano Andrade Gonzalez, Country Manager at Moody's Lithuania

Swedbank

In 2018, Swedbank opened the Financial Laboratory, a unique interactive educational venue designed to promote financial literacy. Almost 9,000 schoolchildren from all over Lithuania have already visited the Financial Laboratory. Swedbank has also launched a dedicated website - www.finansulaboratorija.lt - with video lessons, a virtual tour and other educational materials.
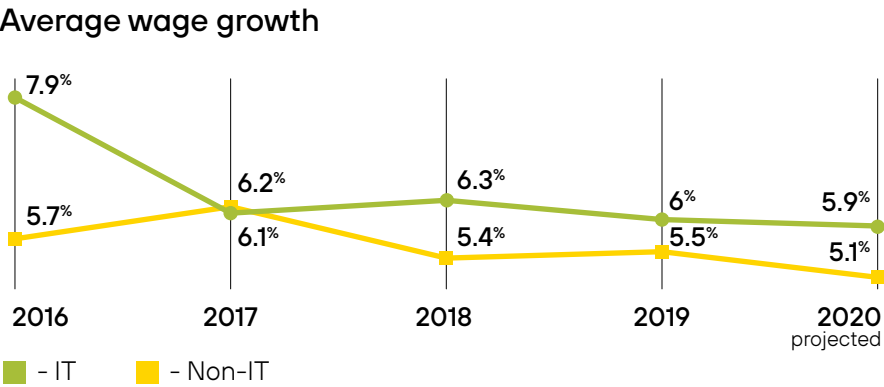
Chapter 3
Additional information

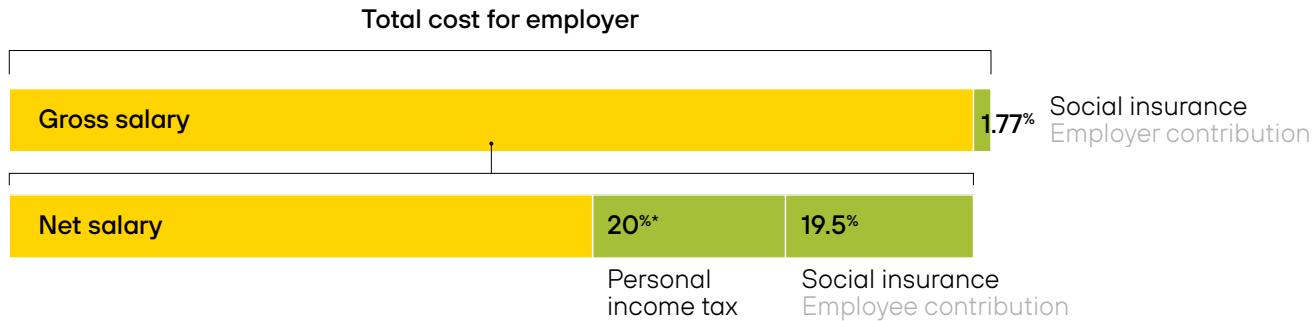S7 office park in Vilnius
© Norbert Tukaj

22. Wages and wage growth

For the past four years the wage growth rate in both IT and non-IT functions has been slowing down, and it is projected to continue to decrease further in the future.

The changing profile of Lithuania's GBS industry towards more advanced functions has led to the emergence of additional salary data on roles that are currently trending, alongside that for traditional GBS roles.

Average wage growth

- IT
- Non-IT

Salary structure in Lithuania:

Total cost for employer

Gross salary — 1.77% Social insurance Employer contribution

Net salary — 20%* Personal income tax — 19.5% Social insurance Employee contribution

* To earnings above the set social security contributions ceiling the PIT rate will be 27%.

Monthly salaries (total costs / EUR) at GBS centers for employees who speak English

Area	Position	Salary range in Vilnius (total costs), EUR			Salary range in Kaunas (total costs), EUR		
		Min.	Average	Max.	Min.	Average	Max.
F&A: AP / AR / GL	Junior Accountant (0-2 years' experience)	1,096	1,298	1,502	1,007	1,209	1,384
	Accountant (2-5 years' experience)	1,562	2,031	2,444	1,411	1,815	2,139
	Senior Accountant (over 5 years' experience)	2,404	2,900	3,501	2,146	2,493	3,098
	Team Leader (team of 5-15 people)	3,254	3,817	4,274	2,859	3,449	3,880
Customer Operations	Junior Specialist (no experience)	975	1,105	1,237	881	997	1,144
	Specialist (over 1 year experience)	1,252	1,412	1,574	1,086	1,224	1,365
	Team Leader (team of 5-15 people)	2,049	2,411	2,885	1,866	2,121	2,574
Procurement / Order Management	Junior Specialist (0-2 year experience)	1,211	1,450	1,692	1,070	1,301	1,506
	Specialist (2-5 years' experience)	1,727	2,149	2,516	1,505	1,885	2,252
	Senior Specialist (over 5 years' experience)	2,448	2,821	3,311	2,133	2,506	2,944
	Team Leader (team of 5-15 people)	2,802	3,494	4,074	2,531	3,196	3,665
HR processes	Junior Specialist (0-2 years' experience)	1,130	1,249	1,370	996	1,104	1,214
	Specialist (2-5 years' experience)	1,428	1,770	2,113	1,237	1,547	1,858
	Senior Specialist (over 5 years' experience)	2,146	2,452	2,727	1,921	2,174	2,428
	Team Leader (team of 5-15 people)	2,925	3,635	4,321	2,614	3,331	3,905
IT	Junior Specialist (0-2 years' experience)	1,230	1,447	1,666	1,042	1,277	1,518
	Specialist (2-5 years' experience)	1,727	2,453	3,072	1,545	2,237	2,829
	Senior Specialist (over 5 years' experience)	3,075	3,750	4,406	2,726	3,345	4,028
	Team Leader (team of 5-15 people)	3,326	4,047	4,659	3,193	3,742	4,164
	Junior Developer (0-2 years' experience)	1,456	1,997	2,353	1,330	1,750	2,081
	Specialist Developer (2-5 years' experience)	2,302	3,084	3,792	2,069	2,823	3,465
	Senior Developer (over 5 years' experience)	3,912	4,752	5,626	3,751	4,592	5,467
	Team Leader (team of 5-15 people)	4,231	4,841	5,679	4,069	4,647	5,553
Engineering	Junior Engineering Support Specialist (CAD, FEA, CFD; 0-2 years' experience)	1,496	1,966	2,286	1,342	1,785	2,115
	Engineering Support Specialist (CAD, FEA, CFD; 2-5 years' experience)	2,237	2,723	3,064	1,971	2,417	2,736
Trending	Cyber Security Specialist (2-5 years' experience)	2,239	3,151	4,153	2,009	2,840	3,718
	Data Scientist (2-5 years' experience)	2,967	3,710	4,488	2,832	3,556	4,314
	RPA / Process Automation Specialist (1-3 years' experience)	2,125	2,784	3,421	1,934	2,543	3,138
	Compliance Specialist / Officer (2-5 years' experience)	2,153	2,925	3,590	1,955	2,663	3,284
	Supply Chain Manager (2-5 years' experience)	2,953	3,776	4,374	2,692	3,436	3,990

Source: Alliance for Recruitment, 2020 / Strategic Staffing solutions, 2020 / Amston Recruitment, 2020
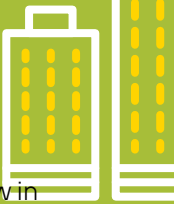
23. Real estate: Vilnius

Vilnius offers a wide selection of high-grade, sustainable and state-of-the-art office premises to meet contemporary business needs. At the end of 2019, modern office stock in Vilnius totaled 724,100 sqm, of which class A offices accounted for 44%. Notably, all new office developments completed in 2019 were high-quality, class A office properties situated in the central business district.

Sustainability is one of the core values that developers in Vilnius are focusing on. As a result, 44% of office space in the city is BREEAM or LEED certified. Green properties likewise dominate the new development pipeline.

This active development is matched by active take up, with overall vacancy down to 3.6% at the end of 2019. However, the Vilnius real estate market will see significant growth in office space, with a further 307,000 sqm to be added by the end of 2021.

Flexible workspace solutions that facilitate scale up scenarios and accommodate companies of all sizes are also gaining momentum in Vilnius. At the end of 2019, a total of 16 such locations were available from both international and local operators, amounting to 19,900 sqm in total.

Vilnius' market for office space continues to grow in quality and quantity.

Class A average cost	**15.5** EUR/m²
Class B average cost	**11.5** EUR/m²

13 EUR/m²

9 EUR/m²

Depending on specific demand and deal structure, tenants can expect rent incentives including fit-out contributions, rent free periods, etc.

Business Stadium business center
© Norbert Tukaj

Park Town business center
© Andrius Laucius

k29 business center
© Norbert Tukaj

Kauno Dokas business center
© Norbert Tukaj

River Hall business center
© Norbert Tukaj

Magnum business center

24. Real estate: Kaunas

The rapid growth seen in the Kaunas office market in recent years has significantly raised the bar in terms of quality and modernity. Overall, total office stock in Kaunas reached 234,600 sqm at the end of 2019.

This growth in office development in Kaunas, the second largest city of Lithuania, has gone hand in hand with the expansion of class A supply, which now constitutes 17% of all office stock. The range of high-quality office space on offer is expected to further increase in the upcoming years, with almost 60,000 sqm to be added by the end of 2021.

The substantial level of development activity in Kaunas is reflected in the vacancy level, which stood at an average of 11.4% at the end of 2019. This affords companies a greater choice of office premises at attractive rental rates. The growing supply of office space in Kaunas is expected to keep rental rates steady during 2020.

Kaunas's office space market is keeping step with the latest global trends, offering a variety of flexible workspaces with more than 850 workstations created.

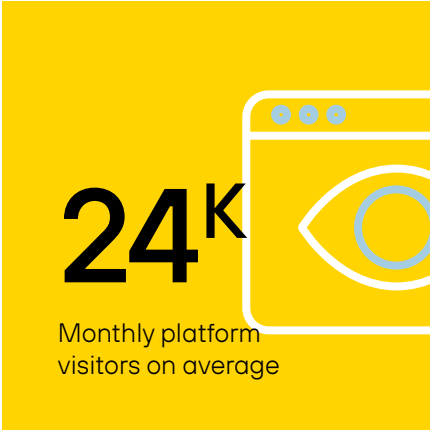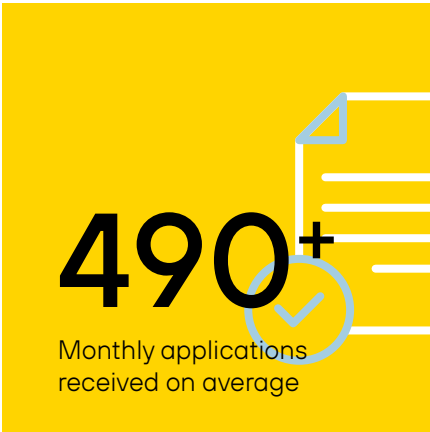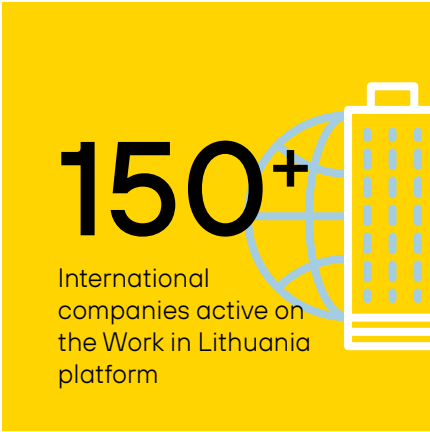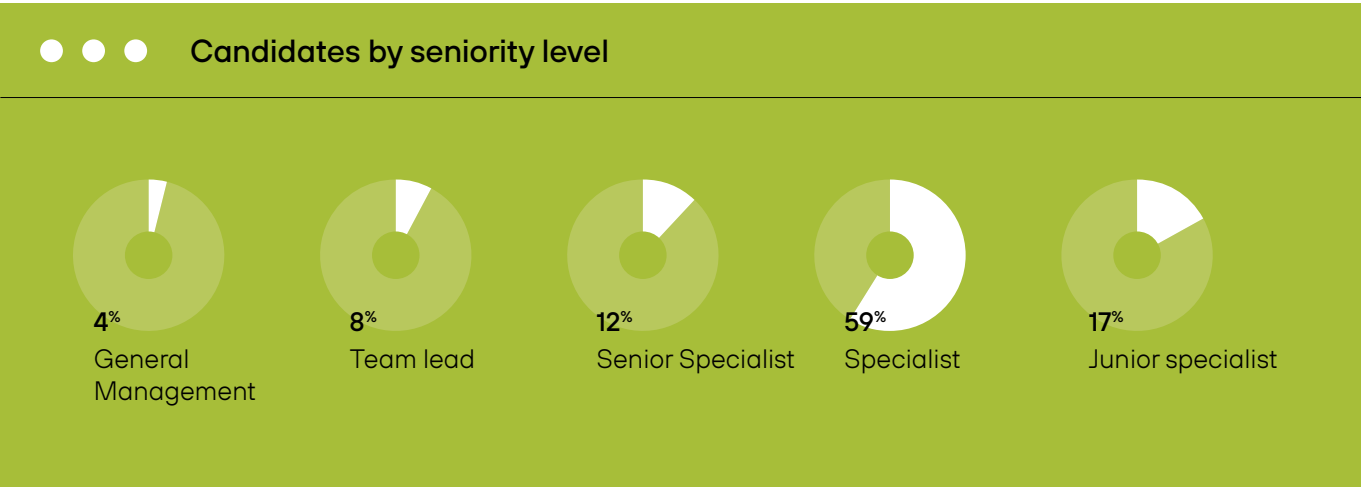Kaunas' tenants enjoy the benefits of class A quality office stock at competitive prices.

25. Work in Lithuania

The Work in Lithuania program was set up in 2018 to help deliver the best talent to the growing number of international and domestic businesses operating in Lithuania. The program is dedicated to attracting both Lithuanian and foreign talent from abroad to Lithuania and facilitating relocation processes when needed. Currently, the GBS sector is one of its main focuses.

2019 was a year of expansion for Work in Lithuania, with monthly visitors to the project's employer-employee matching platform growing from 18,600 in 2018 to 24,350. The number of active international companies on the platform also grew from 120 to over 150.

Work in Lithuania
workinlithuania.lt

150+
International companies active on the Work in Lithuania platform

490+
Monthly applications received on average

24K
Monthly platform visitors on average

Top 10 countries by Work in Lithuania platform visitors

- 20% Ukraine
- 1% Netherlands
- 8% Poland
- 4% Belarus
- 8% United Kingdom
- 3% Russia
- 3% United States
- 6% Italy
- 3% Germany
- 4% Spain

Achieve your career goals

Candidates by seniority level

- 4% General Management
- 8% Team lead
- 12% Senior Specialist
- 59% Specialist
- 17% Junior specialist

TOP 5 most popular areas

1. Software Engineering
2. Operations and Customer Service
3. Accounting and Financial Services
4. Marketing and Advertising
5. IT (Information Technology)

TOP 5 positions by applications received

1. English Speaking Operations Specialist
2. Junior Finance Specialist
3. Junior Compliance Executive
4. Data Analyst
5. Data Extraction Specialist

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