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Face the Future with Confidence

Global Capability Centers in India

A Survey Report

Internal Audit, Risk, Business & Technology Consulting

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Overview

The offshoring industry in India has substantially expanded over the last 2 decades. Majority of fortune 500 companies have setup their Global Capability Center (GCC) in India. GCCs initially were spread across metro cities however they have expanded in Tier -2 locations such as Ahmedabad, Indore, Jaipur, Visakhapatnam etc.

GCCs have risen in importance and relevance over the last decade and have become universal among large global corporations. GCCs were initially set-up as part of a strategy to reduce operating costs and bring in service improvements. However, with the emergence of paradigm changes in the technology environment and related ecosystem, GCCs have been able to deliver more complex processes, participate in innovation programs with onshore, manage customer relationships, develop digital capabilities, etc.

The decision of locations to be offshored is primarily driven by factors such as low cost manpower, availability of skilled resources, scalability, language proficiency, availability of seamless connectivity, infrastructure, etc. India not only has an upper hand when it comes to the factors mentioned above, it also has time zone advantage and can serve the operations across Asia, Europe and USA which brings additional efficiency.

COVID-19 has led to an unprecedented global impact on the way organizations operate and manage their workforce with respect to safety, mobility, productivity, etc. In the current situation, GCC leaders' need perspective to ensure they take the right actions across various strategies around employees, technology, work from home, operational resilience, cyber security, etc.

GCCs must sustain secure operations and maintain productivity while readying themselves for building enterprise resilience and successfully prepare for future disruptions.

In order to better understand the current landscape, Protiviti has conducted a GCC survey to study various approaches and actions taken by them with regards to core elements such as Operations, Technology, People and Strategy.

Our survey covers following aspects:

i)   Impact of COVID-19 and lockdown on operations, technology and people
ii)   Next steps (Actions) around operations and technology to augment resilience
iii) Hiring plans of the GCC, including the mix of contractual staff
iv)   Future roadmap for the offshore industry

In this report, we present an analysis of the responses received from more than 150 participants across industries.

We would like to thank all our respondents who have supported us by participating in this survey.
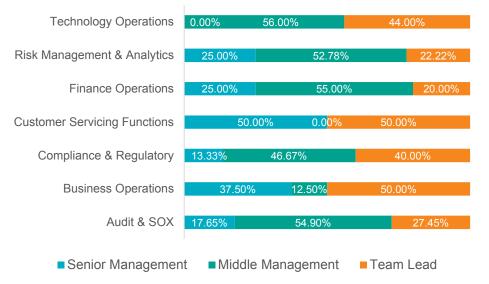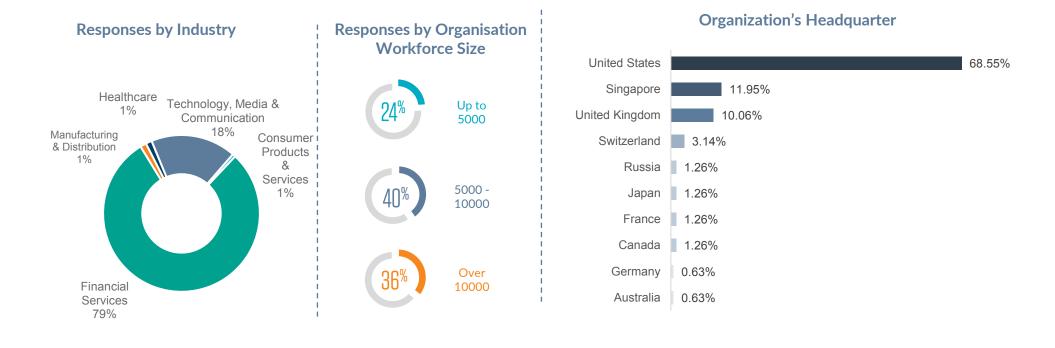
Our Key Findings

01

Minimal impact on operations during lockdown
94% of the respondents indicated that majority (>91%) of their workforce was able to work from home during lockdown period and was able to successfully deliver to the on-shore team.

02

Extensive hiring freeze by small GCCs
Approximately 60% of the small GCCs (1000-5000 employees) are expecting hiring freeze due to the current pandemic situation as compared to the overall average of 45%.

03

Minimal impact on employee compensation due to lockdown
97% of the respondents highlighted that there will be none to minor impact on the employee benefits (compensation) due to the current pandemic situation.

04

Hiring contractors provides staffing flexibility and required expertise
Analysis of survey responses highlighted that 98% of the respondent organizations who are hiring, will either maintain or increase the percentage of contractual workforce.

05

Employee wellbeing and IT resilience are the focus areas of discussion with onshore partners
More than 80% of the respondents highlighted that employee wellbeing and IT resilience are the top two focus areas of discussion with the onshore partners during the current pandemic.

Demographics

- The analysis features responses from **more than 150 participants** from various industries.

- Our diverse respondent comprises of Senior Management, Middle Management and Team Lead representing key functions across various industries.

- Approx. **69%** of our respondent GCC's organization were headquartered in the **United States of America**

- **76%** of our respondent's were from organisation having **workforce of more than 5000.**

- Global Capability Centre survey was conducted in the **third quarter** of 2020.
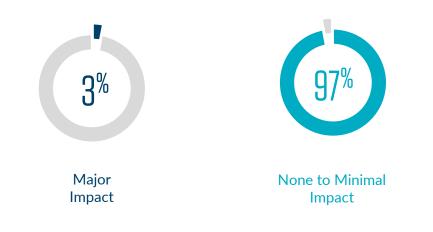
Responses by Function and Management

Function	Senior Management	Middle Management	Team Lead
Technology Operations	0.00%	56.00%	44.00%
Risk Management & Analytics	25.00%	52.78%	22.22%
Finance Operations	25.00%	55.00%	20.00%
Customer Servicing Functions	50.00%	0.00%	50.00%
Compliance & Regulatory	13.33%	46.67%	40.00%
Business Operations	37.50%	12.50%	50.00%
Audit & SOX	17.65%	54.90%	27.45%

■ Senior Management   ■ Middle Management   ■ Team Lead

Responses by Industry

- Healthcare 1%
- Technology, Media & Communication 18%
- Manufacturing & Distribution 1%
- Consumer Products & Services 1%
- Financial Services 79%

Responses by Organisation Workforce Size

- 24% Up to 5000
- 40% 5000 - 10000
- 36% Over 10000

Organization's Headquarter

United States	68.55%
Singapore	11.95%
United Kingdom	10.06%
Switzerland	3.14%
Russia	1.26%
Japan	1.26%
France	1.26%
Canada	1.26%
Germany	0.63%
Australia	0.63%

Operations

• • • *How successfully were your deliverables managed during the lockdown?*

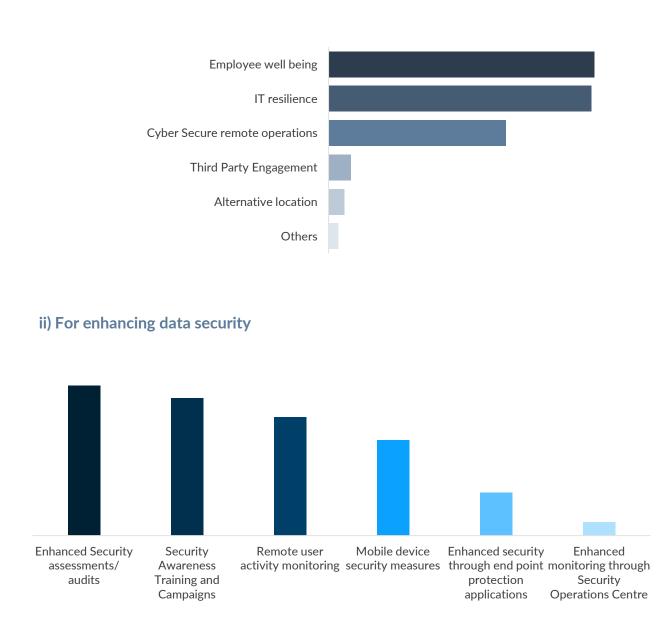**3%**

Major
Impact

97%

None to Minimal
Impact

There was no impact on the delivery as 94% of the respondents indicated that majority (>91%) of their workforce was able to work from home during the lockdown.

• • • *Functions which faced major impact at initial stages of lockdown*

Risk Management & Analytics — 40%

Business Operations — 20%

Customer Servicing — 20%

Finance Operations — 20%

Our discussions with the GCC also indicated that initially priority was given to stabilize business functions followed by the support functions.

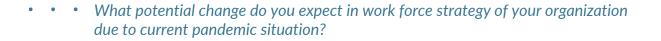• • • *Focus area of discussion with the onshore partners:*

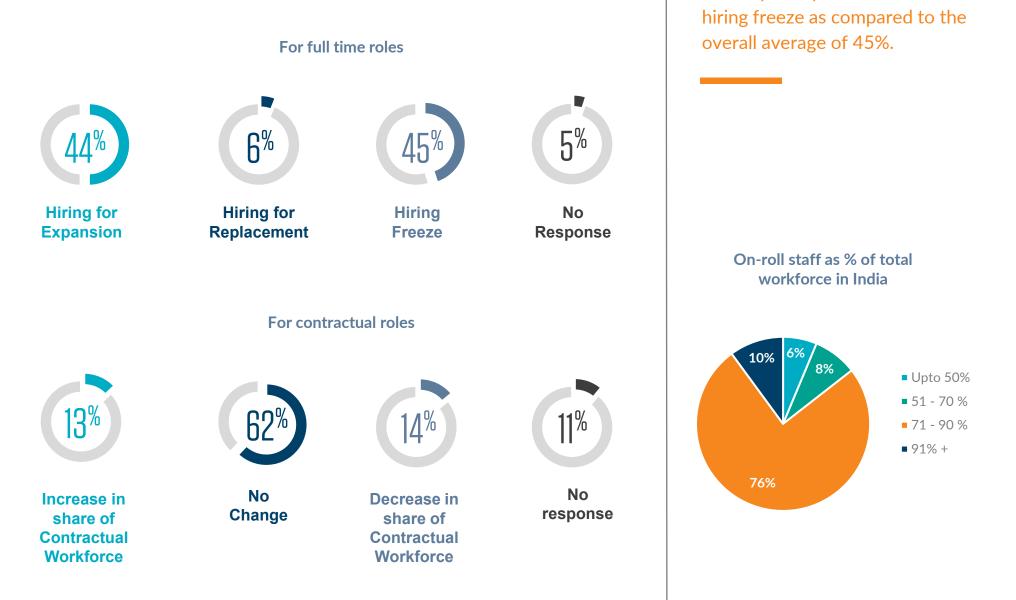## i) For augmenting operational resilience

Respondents across industries indicated that employee well being and IT resilience would be the key to continue to provide seamless delivery of the processes offshored to India.

ii) For enhancing data security

In the current times, it is equally important to enhance the data security given the sudden rise in work from home.

People

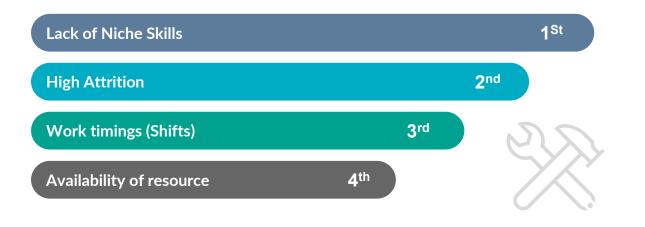• • • • *What potential change do you expect in work force strategy of your organization due to current pandemic situation?*

Of the companies headquartered in Europe only 37.5% indicated hiring freeze as compared to the overall average of 45%.

For full time roles

44%
Hiring for Expansion

6%
Hiring for Replacement

45%
Hiring Freeze

5%
No Response

For contractual roles

13%
Increase in share of Contractual Workforce

62%
No Change

14%
Decrease in share of Contractual Workforce

11%
No response

On-roll staff as % of total workforce in India

- 10%
- 6%
- 8%
- 76%

■ Upto 50%
■ 51 - 70 %
■ 71 - 90 %
■ 91% +

• • • *Factors which you believe are the major challenges from talent perspective for the offshore industry ranked by preference?*

Lack of Niche Skills	1St

High Attrition	2nd

Work timings (Shifts)	3rd

Availability of resource	4th

Availability of resources in India is the least challenge. However, quantum of people with relevant skills (local language proficiency, international compliances, etc.) continues to be the most important concern.

We understand from many global companies that they do plan to set-up new/increase the offshore center capacity. This always results in high demand of people having past experience of working in GCC.

• • • *What is the average attrition rate in your function in the last 2 years?*

Function	Upto 5%	5%- 10%	10%- 15%	15% or more	No Response
Audit & SOX	24%	33%	24%	14%	6%
Business Operations	38%	13%	13%	0%	38%
Compliance & Regulatory	27%	27%	20%	13%	13%
Customer Servicing Functions	0%	25%	25%	25%	25%
Finance Operations	20%	40%	30%	10%	0%
Risk Management & Analytics	19%	28%	33%	14%	6%
Technology Operations	28%	32%	32%	4%	4%
Average	23%	31%	27%	11%	8%

Strategy

- - - *Factors which you believe will enable growth of India's offshoring industry ranked by preference?*

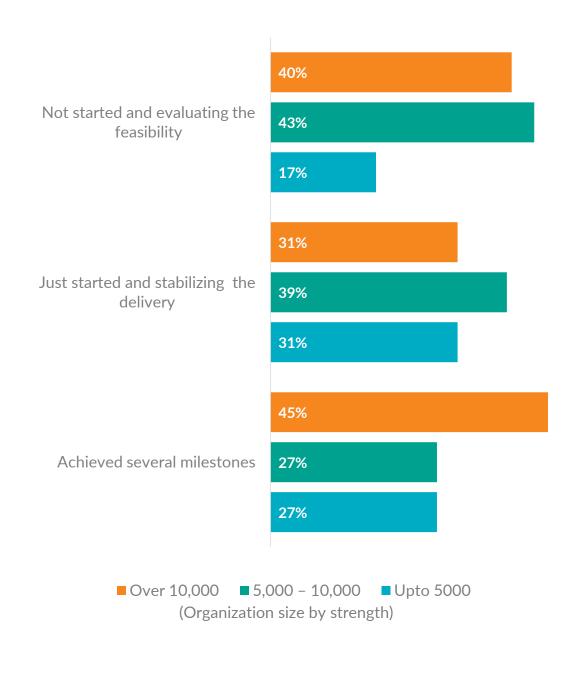| 'India's growth factors' rank	Factors evaluated by Respondents
1	Cost optimization
2	Talent pool
3	Time overlap across the globe
4	Proven delivery track record
5	Scalability

- - - *Factors which you believe are most effective to retain talent in your organization ranked by preference?*

'Talent retain factors' rank	Factors evaluated by Respondents
1	Flexible work environment
2	Financial support (educational support, loans etc.)
3	Rewards and Recognition
4	Employee support (crèche, transport)
5	Up-skilling training
6	Internal job transfer

Cost optimization and talent pool are of almost equal importance for the growth of India offshore industry. India has a time zone advantage and can support operations across Asia, Europe and America, which also enables efficiency.
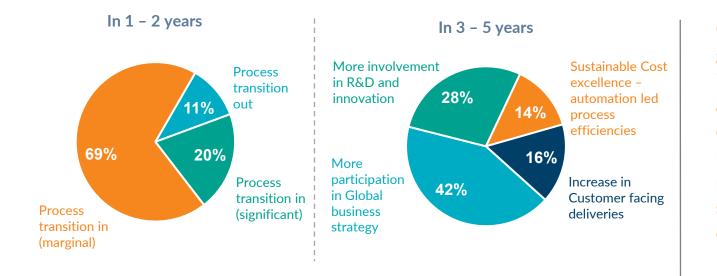
GCCs in India have been supporting the onshore counterparts over two decades now and have established confidence with them.

How has your organization progressed in the digital transformation (RPA, AI, ML etc.) journey?

Not started and evaluating the feasibility
- 40%
- 43%
- 17%

Just started and stabilizing the delivery
- 31%
- 39%
- 31%

Achieved several milestones
- 45%
- 27%
- 27%

■ Over 10,000   ■ 5,000 – 10,000   ■ Upto 5000
(Organization size by strength)

45% of the respondents from GCCs with workforce over 10000 have achieved several milestones in RPA, AI and ML transformation journey as compared to 27% each in small and mid-sized GCCs.

What changes do you envisage in the offshoring industry over 5 years?

In 1 – 2 years

- 69% Process transition in (marginal)
- 11% Process transition out
- 20% Process transition in (significant)

In 3 – 5 years

- 28% More involvement in R&D and innovation
- 14% Sustainable Cost excellence – automation led process efficiencies
- 42% More participation in Global business strategy
- 16% Increase in Customer facing deliveries

Likelihood of the Countries (other than India) which will lead the offshoring industry in the next 3-5 years?

Ranking	Top Offshoring Country
1	Malaysia
2	Poland
3	Indonesia
4	Vietnam
5	Philippines

Given the business impact globally, GCCs across the industries expect transfer of additional processes to be delivered from India. Given the maturity of GCCs, they expect to participate in global business strategy and innovation activities over the next 3 to 5 years.

Some of the recent trends suggests that global companies are looking to set-up delivery centers in other low cost country and near shore locations which provides them ability to balance cost and skills.

Conclusion

An imminent disaster, COVID-19, has caused disruption in businesses across all sectors and geographies and will be uncertainly prolonged. It is evident that GCCs have adopted new ways of working in order to sustain the delivery standards during the current situation. Recently, regulators are also promoting principles behind having an effective resilience program. Financial Conduct Authority and Prudential Regulation Authority have issued consultation papers on concept of Operational Resilience. Given the size of GCC's operations, it will certainly appear in firm-wide resilience plan. This would also require GCCs to re-assess the sustainability of their infrastructure, availability, and scalability of the workforce and overall delivery strategy to maintain their positioning as a trusted partner. They may also be required to contribute in developing overall firm-wide resiliency framework.

To achieve this, GCC's leadership should consider evaluating below questions:

Is our IT environment resilient and sustainable?

The emphasis on adoption of cloud applications, remote collaboration tools, etc. will certainly pose risks in the current IT infrastructure that includes cyber security related risks and increased down time. This would require revisiting the existing IT infrastructure and taking prompt actions. Survey results shows enhanced security assessments/ audits and security awareness campaigns as most discussed topics currently with onshore partners for managing data security.

Are our processes scalable to deliver additional workload?

The continuation of manual processes or legacy systems that are not agile may not be a viable option moving forward. Our discussions with the GCC's senior executives highlighted the importance of technology modernization in scaling up the existing processes to deliver additional workload. Our survey result indicated that more than 40% of the respondents are evaluating the implementation of Next-Gen tools and technologies such as Robotics Process Automation, Artificial Intelligence and Machine learning. Further, GCCs need to re-align their workforce strategy in accordance with expected volume, nature and complexity of processes to be transitioned in, while keeping in mind the potential technology changes. Our survey results indicated that lack of niche skills is the top most challenge from talent perspective faced by GCCs in India.

Are we ready to participate in global business strategy?

Our survey results indicated that GCCs will play a pivotal role in firm-wide business strategy and overall R&D/ innovation efforts over the next 3-5 years. More than 40% of the respondents highlighted that in the next 3-5 years they are expecting increased participation in the global business strategy. Many GCCs have also started multiple programs to identify, develop and nurture right set of domain expertise and leadership.

To strengthen ties with global leadership, GCC's management will need to continue their focus on sustainable transformation along with expanding ownership, enhancing efficiency, and retaining & up-skilling resources.

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

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