

What's the right mix of elements to catalyze true value?

Global Capability Center (GCC)
Pulse Survey 2023

September 2023



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Contents

Chapter 1.0 – Preface	3
Chapter 1.1 – Introduction	4
Chapter 1.2 – Approach	5
Chapter 2.0 – Strategic Pathways	8
Chapter 3.0 – Nurturing Digital Horizons	10
Chapter 4.0 – Putting Humans@Center	12
Chapter 5.0 – Risk to Resilience	14
Chapter 6.0 – Summary	16
Chapter 7.0 – Acknowledgements	17
Chapter 8.0 – EY GCC Core Team	18



Preface



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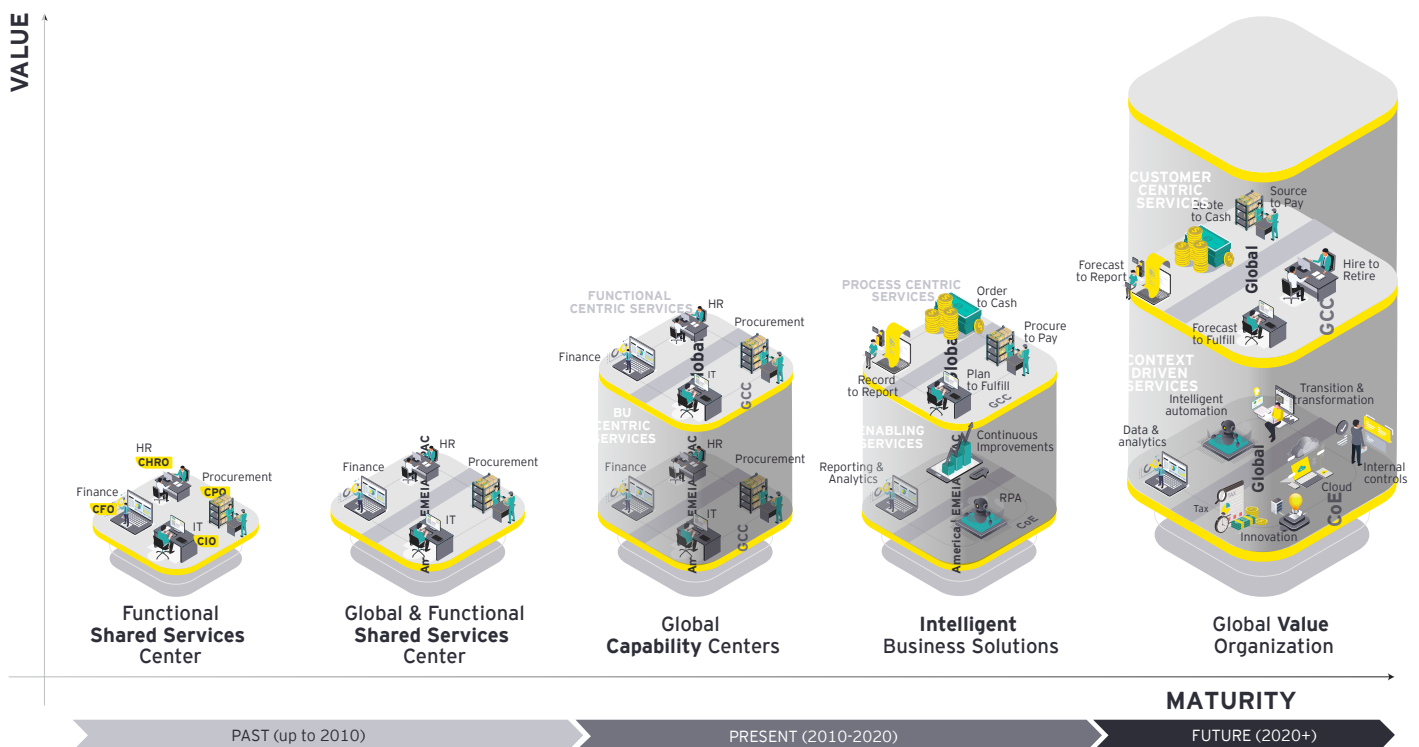
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The Global Capability Center (GCC) operating model continues to evolve, shifting from being 'back-office' organizations to a more integrated, 'one-office' structure, which is driven by digital talent, technological advancements, and transformative leadership skills.

The outlook for the GCC industry continues to be bullish, as GCCs are expanding their services with a focus on transformation, innovation, and knowledge-based capabilities. With value-added services taking center stage, GCCs are moving towards becoming Global Value Organizations (GVOs).

For this year's GCC Pulse Survey, we interacted with 87 GCC leaders, to understand the strategic imperatives of the industry. We covered elements of their vision and business strategy, operations, digital adoption, talent management, the future of work, risks and vulnerabilities.

In this context, we are pleased to present the outcome of our survey, which aims at providing insights to industry leaders as they shape their medium and long-term strategies. We would like to thank all the participants for their contribution to the survey and appreciate their valuable time and inputs.



1.1 Introduction

EY has been working closely with GCCs in India for over 17 years, helping drive their business agenda and provide insights to support them as they move up the value chain to become Centers of Excellence for innovation and driving digital mindsets.

In our GCC Pulse Survey 2021, we focused on *war for talent, growing digital, future of work, and navigating threats and vulnerabilities*.

The idea was to gauge the medium and long-term strategy and the state of enterprise-wide digital transformation.

While some of the aforementioned themes remain relevant, this year's survey focuses on providing guidance on the strategic roadmap for GCCs in India and the evolving operating models.

This year's survey provides direction and insights around:

- Strategic pathways
- Nurturing digital horizons
- Putting humans@center
- Risk to resilience

Past GCC Pulse Survey editions

How EY can help ○

Past editions

Connect with Sayan.Banerjee@in.ey.com to get the previous survey editions.



1.2 Approach



The GCC Pulse Survey 2023 covers current trends and industry priorities of GCCs in India. The survey this year captures responses from 87 GCCs, across multiple geographies, industries, and functions.

We conducted the study in two parts - the first part focused on gathering inputs from GCCs through a digital survey along with one-on-one interviews with GCC leaders.

This was followed by extensive data analysis coupled with insights from EY practitioners. The survey was conducted during the period May - July 2023.

Scope and coverage

The survey is designed to assess the key trends which are shaping the GCC sector in India. The questions for the survey were structured around the four pillars of strategy, digital, talent and security.



Strategy

We sought to understand the key priorities of the GCCs over the next 12 months, including operating models, business risks, innovation, and sustainability



Talent

Deep dive into how GCCs are enhancing their employee value proposition, managing scalability of operations and attrition



Digital

Gain insight into the role of the GCCs, as they continue to drive digital transformation within their organizations



Security

Explore the key priorities around data and cyber security and their maturity level

On average, the India center headcount represented

25%

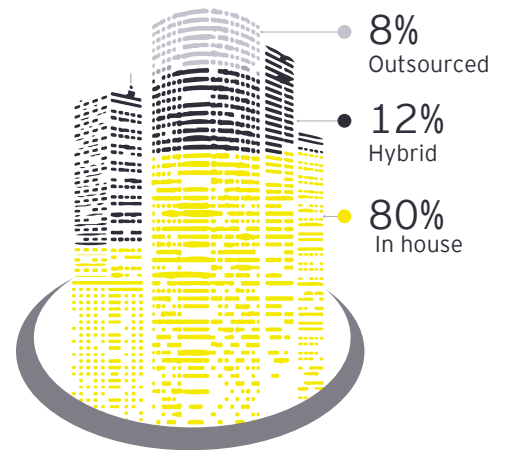
of the global company headcount.

Nature of GCC

About the survey respondents

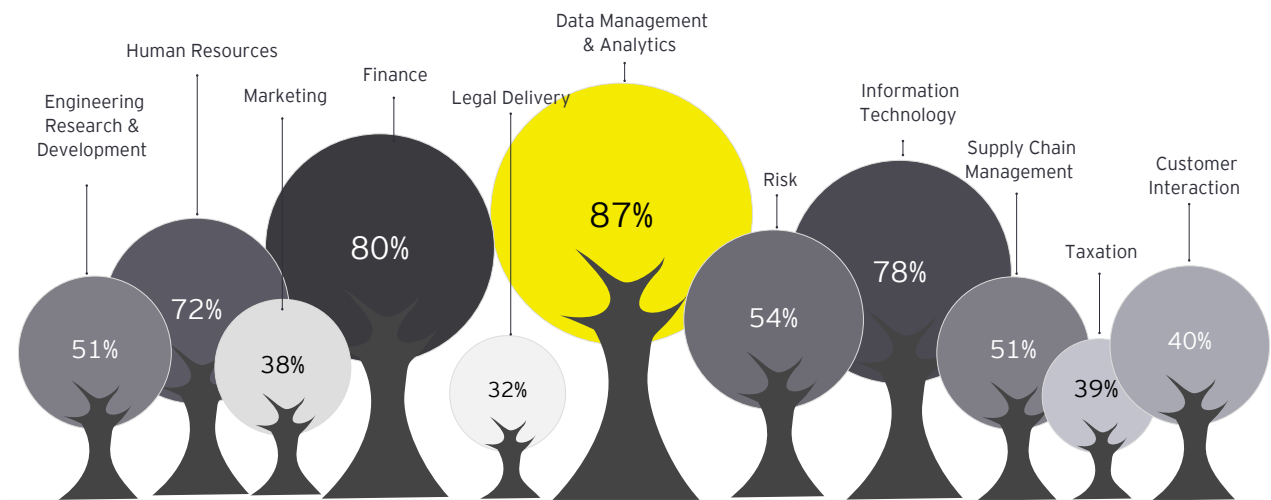
Participation in this year's survey, covered 87 GCCs representing various industries. The participating GCCs, have centers in India as well as other locations, such as Argentina, Poland and Malaysia, with an average of 1340 FTEs across locations.

While in-house GCC set-ups are the preferred choice for companies to enhance their global reach, some are looking at hybrid set-ups for flexibility, cost optimization, risk mitigation, and more importantly, access to specialized expertise needed to adapt and thrive in today's dynamic business environment.

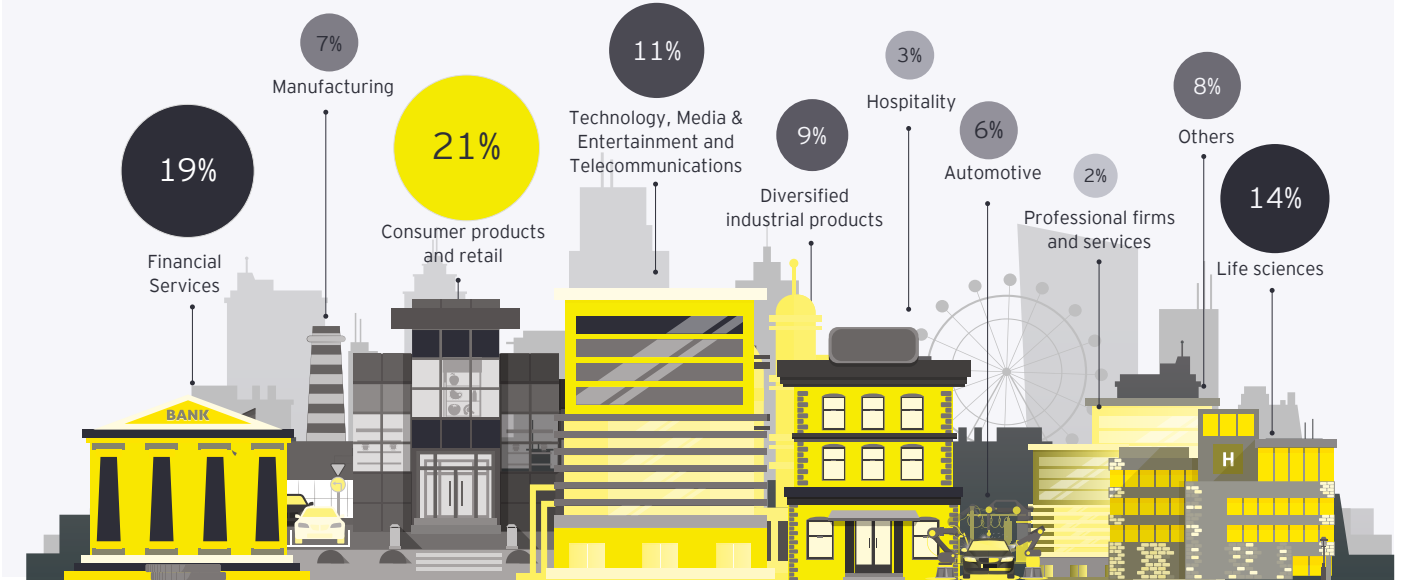


Functions supported

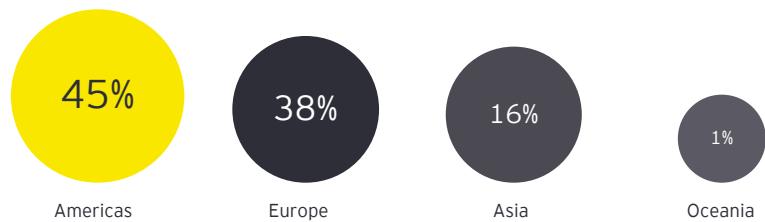
While business functions such as finance, HR, and IT continue to grow within the GCCs, these centers are rapidly broadening their services to cover knowledge-intensive areas like ER&D, Marketing, Legal, and more. This expansion aims to unlock additional value and potential through the GCC model.



Survey participants by sector



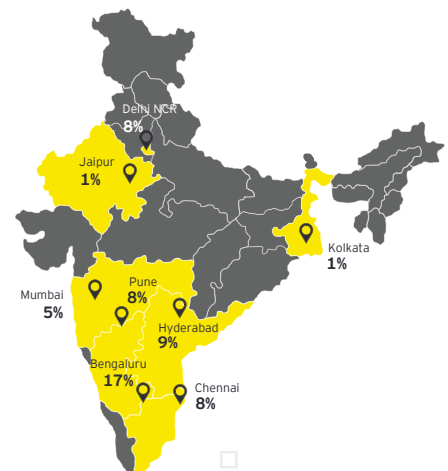
GCC HQ location



We are witnessing a growing trend where several companies in the Americas and Europe are transitioning from relying on third-party service providers to establishing their own greenfield GCCs or adopting a hybrid model.

GCC locations in India

While Bengaluru, Hyderabad, Chennai, Mumbai, Pune, and Delhi NCR remain popular sites for GCC establishments in India, tier-II cities are also grabbing the interest of GCC leaders.



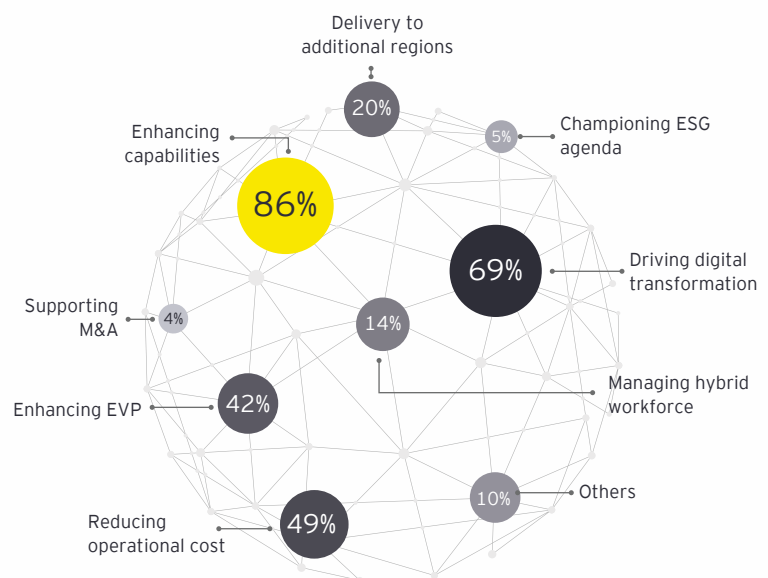
2.0 Strategic pathways

GCCs are expanding their services with a focus on innovation and knowledge-based capabilities. This is, however, also leading to increased costs. The focus is on balancing higher cost with value delivered.

Key priorities

GCCs have embarked on a service expansion journey which goes beyond the traditional services of IT, Customer Interaction Services, Finance, HR and Supply Chain. GCCs are looking into newer areas such as Marketing, Legal, ESG, Advanced Analytics & Data Science as they continue to adopt technological advancements and grow leadership skills in India.

Compared to our 2021 survey, we have seen a ~36% increase in focus on enhancing capabilities and extending functional scope. Moreover, driving enterprise-wide digital transformation continues to be the leading agenda.



How EY can help

EY GCC Cost and Operations Benchmarking Study

Connect with Kunal.Ghatak@in.ey.com or Arpit.Dharma@in.ey.com to get the latest EY GCC Cost and Operations Benchmarking Study.

Supporting ESG

In 2021, only 17% GCCs were actively supporting global sustainability/ integrated reporting, which has increased to

47%

in 2023.

There has been a significant rise in the number of GCCs supporting sustainability initiatives. It involves environmental data analysis, sustainable supply chain management, and corporate social responsibility reporting.



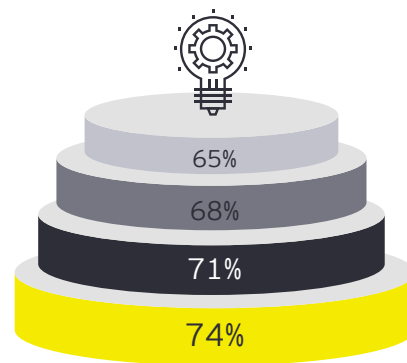
Innovation and research

GCCs are transitioning from pure operational support to become centers of innovation and research. They are actively contributing to product development, design thinking, and technological innovation, all of which are instrumental in driving organizational growth.

We have seen a 30% increase (from 47% in 2021 to 77% in 2023) in focus towards building an innovation culture in an organization.

Spotlight

A retail major has built a global e-commerce platform out of India by modernizing its technology landscape, enabling agility for timely/relevant client experience.



- Introduce an idea sharing platform
- Conduct internal webinars to facilitate learning
- Create a screening process for all the ideas
- Create dedicated innovation teams

How EY can help

Procurement GCC operating model

To know more about the latest EY point of view on Procurement GCC operating model, contact Nikhil1.kumar@in.ey.com or Sonam.Mahajan@in.ey.com.

3.0 Nurturing digital horizons

GCCs are increasing their focus on emerging technologies to drive product development, innovation, and operational efficiency, which helps them in their positioning as Centers of Excellence within the enterprise.

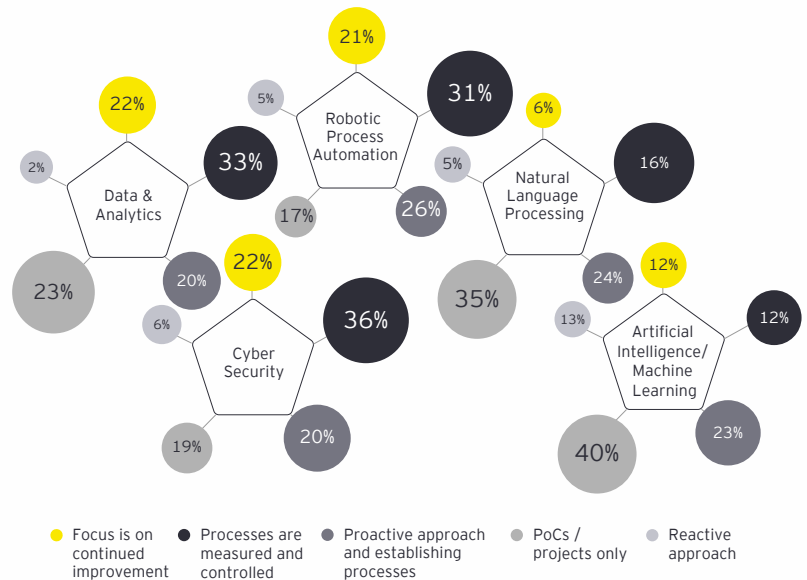
Spotlight

An automotive GCC has built a one stop digital health tracking solution for warehouses, which helps to monitor and optimize the overall health, safety, and efficiency of a warehouse.

Adoption of digital technologies

Our survey results show that 55% of participants have established a mature data and analytics practice as part of their digital strategy. This is closely followed by cyber security and robotic process automation, which support the digital transformation journey of GCCs and help drive value across business functions.

The adoption of metaverse and blockchain technology has been slow compared to other technologies.



Role in enabling digital technologies

81%

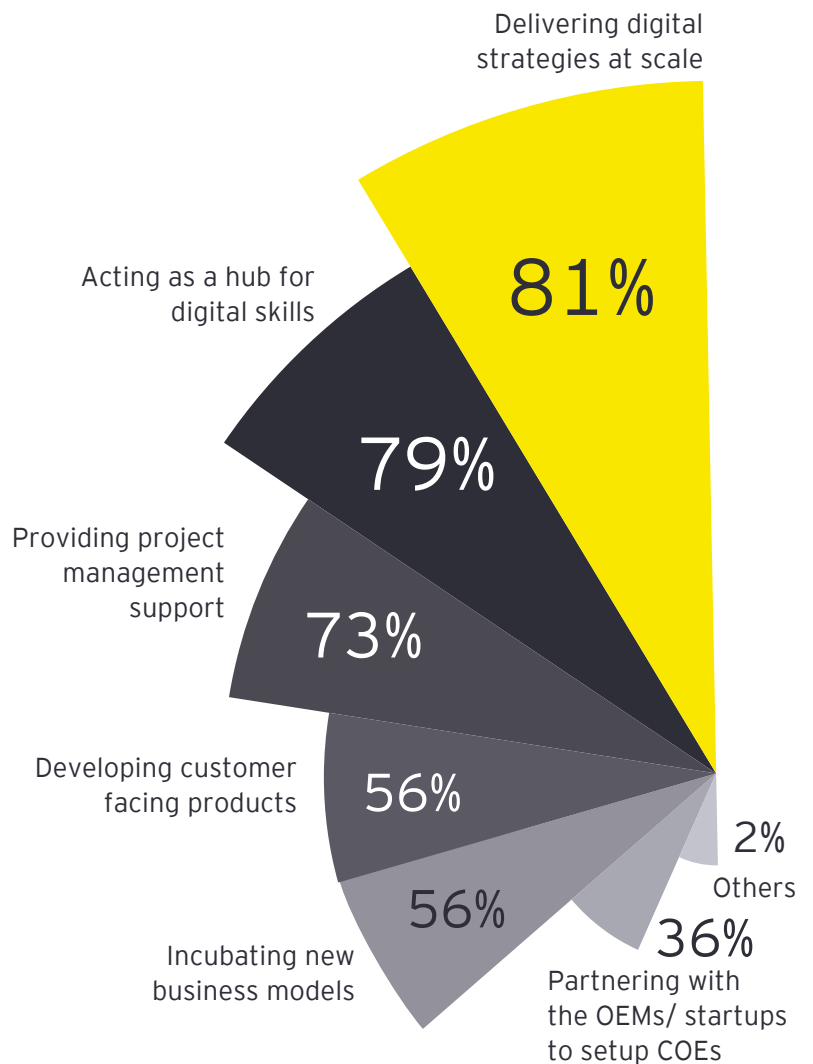
of participants offer scalability required to execute large-scale digital initiatives.

GCCs can quickly ramp up resources, whether it's adding software developers, data analysts, or customer support agents, to support the implementation of digital strategies. 79% participants stated that their centers are acting as a global hub for digital skills and delivery, which is the backbone for their digital transformation journey.

Furthermore, there has been an increase of 28% in the engagement of GCCs in developing customer facing products, in comparison to the previous survey.

Spotlight

A leading manufacturing GCC has developed an end-to-end storage product that enables customers to deliver more innovative solutions in their devices



How EY can help

Future of GCCs in India

Grab the recent 'Future of GCCs in India - a vision 2030' report; to know more, write to ajay.kamat@in.ey.com or bvijay.shankar@in.ey.com

4.0

Putting Humans@Center

Today, GCCs are redefining their employee value proposition (EVP) and looking to offer a customized employee experience which resonates with the type of talent a company wants to attract.

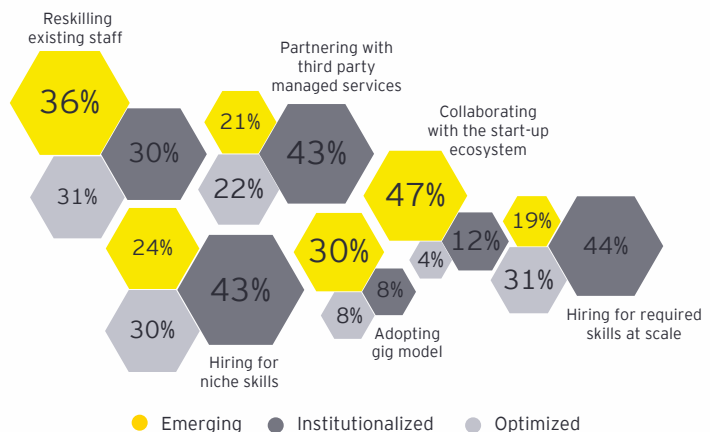
Addressing scalability in operations

The future of work remains 'Hybrid' - 77% of the survey participants believe that a majority of their workforce will continue to work in a flexible manner for the next 12 months. However, most believe that less than 25% of their workforce will continue to work remotely. The participants have seen an average attrition rate of 12.5% with almost 60% of the GCCs having an attrition rate between 5% and 15%.

Further, most of the survey participants felt that 'war for talent' still holds a significant risk for their business.

In the last 12 months, the cross-pollination between the GCC sector and start-ups are bringing newer products to life.

The coming together of GCCs and start-ups is beneficial for the latter as they get better market access, faster core product development, experienced mentorship, and other benefits. On the other hand, co-developing with start-ups helps GCCs in process enhancement and faster go-to-market, which directly benefits customers.



How EY can help

EY Work Re-imagined Survey 2023

Contact alpana.priyabhashini@in.ey.com to know more about the findings from the EY Work Re-imagined Survey 2023.

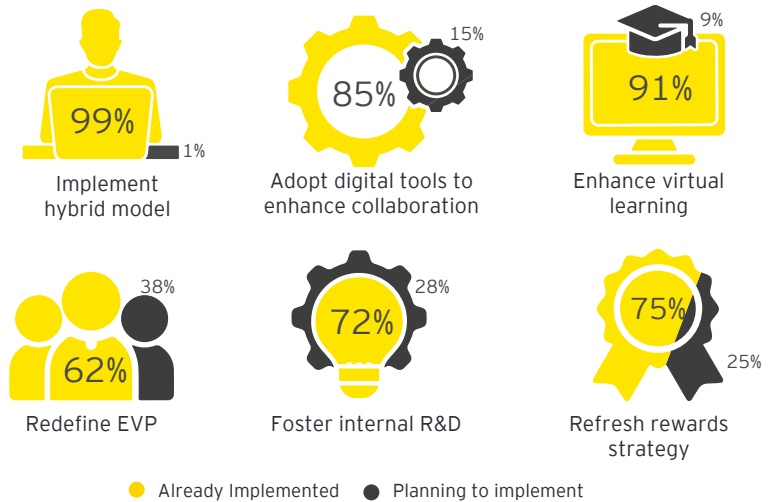
GCCs are offering a range of learning opportunities to their workforce, aimed at up-skilling/cross-skilling, thereby bolstering their operational capabilities. For instance, a leading automotive GCC has partnered with distinguished business schools and ed tech firms to offer specialized courses to their staff, fostering continuous learning and skill development.

'Future of work'

The GCC industry has a well-developed future of work strategy and has managed to address the changing dynamics of work in the modern landscape. However, the participants recognize the ever-evolving need for redefining their Employee Value Proposition, with 38% of survey participants planning to roll out changes in their EVP.

Spotlight

A leading alcohol GCC is piloting an AI based career management and development tool that aims at supporting employees with reskilling and upskilling recommendations backed by rich, real-time data and insights.



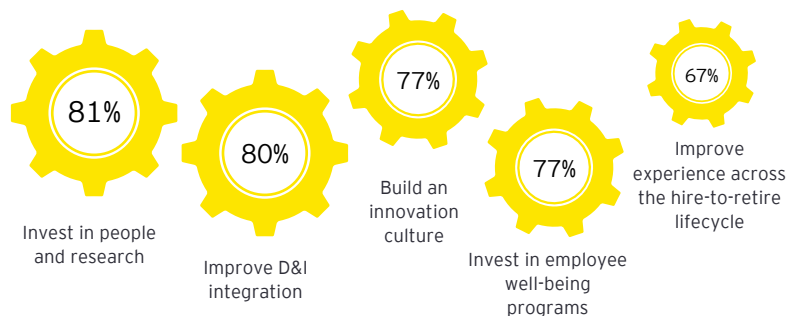
Cultural changes

While GCCs continue to invest in their people and research to innovate for the future, increased focus on Diversity and Inclusion (D&I) agenda has emerged as a significant focal point for GCCs in the country. D&I policies are not just an HR concern, but now a key business agenda.

This reflects in the remarkable surge of

~70%

in planned D&I integration drives, compared to the previous findings in our 2021 survey.

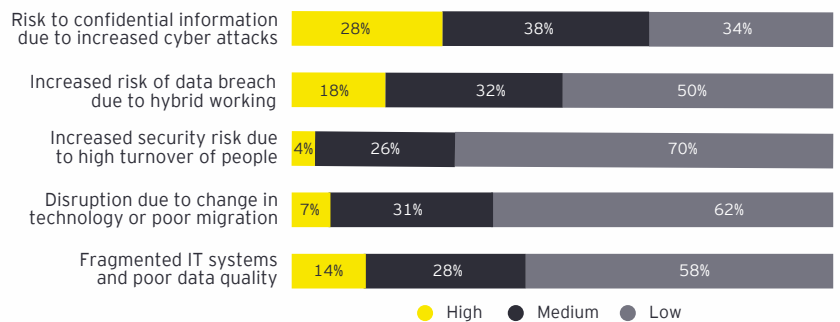


5.0 Risk to resilience

GCCs continue to be vulnerable to various cybersecurity risks due to their interconnected nature, remote working, and reliance on technology. Risk to confidential information and increased data breaches are the key watchouts for GCCs.

Risks in delivering key priorities

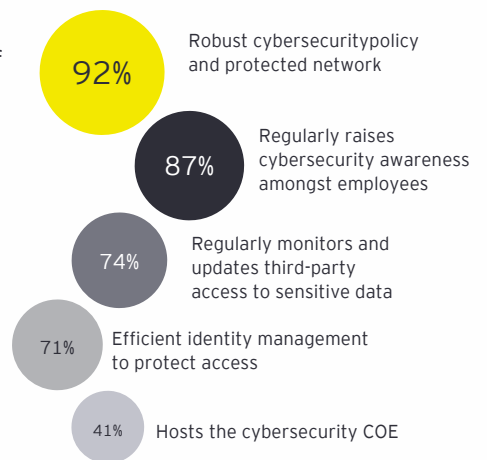
With the hybrid work model becoming the new normal for GCCs in India, leakage of confidential information due to increased cyber-attacks is seen as a major risk to the operations. This is especially concerning for GCCs in the financial services, technology, and retail sectors.



Managing cyber security

Compared to our last survey in 2021, the maturity level of GCCs in managing cyber security requirements has significantly improved from 43% to 92% in 2023.

However, increased risk of data breach stemming from remote working arrangements remains a cause for concern, given the evolving tactics employed by cyber attackers and the constantly changing threat landscape.



How EY can help

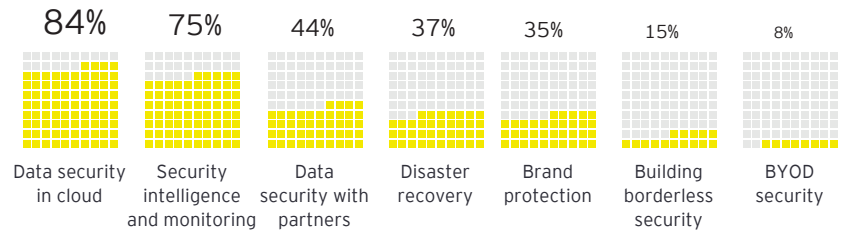
Global Information Security Survey

Reach out to Tiffany.Lisaac@in.ey.com to know more about cybersecurity trends and business risks.

Key priorities

Given the challenges around data breaches, regulatory compliance, and IP protection, among others, GCCs have started to prioritize data security in the cloud.

The survey participants acknowledge the need to implement comprehensive measures such as robust encryption, access controls, authentication mechanisms, monitoring, auditing, and regular security assessments.



Business risks

GCCs encounter a multitude of risks including talent-related issues, operational inefficiencies, regulatory compliance complexities, volatility of currency exchange rates, and geopolitical uncertainties, among others. Several key business risks stand out:

77% of survey participants feel that increased people's cost, due to higher salary and hiring costs, is a significant business risk

61% of survey participants identify the inability to attract talent at the required scale or speed as a potential challenge in the next 12 months

45% of survey participants acknowledge that siloed operation within GCC/ inadequate cross-functional synergies can be a roadblock if not addressed quickly

In summary, the future of GCCs in India appears promising. With the focus on research and innovation, digital transformation, ESG, and re-defining employee value proposition, GCCs are expected to play an even greater role for their parent organization than in the past.

To remain competitive on a global scale, we expect the GCC industry to continue their service expansion journey and drive operational efficiencies on the back of digital skills and technologies. This dynamic growth will outline their move from 'Capability Centers' to 'Value Creators'.



Acknowledgements

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