

# Covid19- GBS-GCC

Amidst the outbreak of the Coronavirus Disease 2019 (COVID-19), most organizations around the world are finding it challenging to navigate through these uncertain times. According to EY's Global Risk Survey 2020 – which surveyed 500 board members and CEOs across the world – nearly 4 out of 5 respondents stated that their organizations are not very well prepared to deal with a crisis-event.

In India, a little over 1500 cases have been detected as of 31 March 2020 and the government is taking significant proactive measures to control the spread – with a nation-wide lockdown and controlled trade limited to essential items. It is a critical time for the Indian economy, like it is for the rest of the world that is grappling with the pandemic. While large corporates are planning responses at a global level, their business operations have been impacted owing to the impact on Global Capability Centres (GCCs) as they provide services directly to their parent organizations. Equally impacted are the third-party providers that are experiencing similar yet protracted challenges. To help you prepare better, here is a detailed assessment of the impact of the on-going public health emergency faced by GCCs across industries, mitigation steps that are being taken and ideation on what needs to be done in terms of immediate and forward-looking actions.

**\$28B revenue**  
46% growth from  
\$19.4bn in 2015-16

**~1500+ GCC centers**  
**across 6 major cities**  
70+ new GCCs setup in 2018

**~1.1 M+ people 5X increase**  
in GCC headcount over 2003

Indian GCCs account for  
**~50%** of global GCC  
headcount

**Financial services and**  
**technology** together  
account for **~70%** of skills

**180+ innovation centres**  
of Fortune 500 companies focusing  
on digital, IP development &  
emerging technologies

# Global capability centres in India

## Preparedness and response to nationwide lockdown

In order to survive and thrive in this difficult time, business resilience has become particularly crucial as it is the key capability to manage dynamic and unpredictable challenges. In current circumstances, global capability centres can play a crucial role in enabling enterprise stability and smooth functioning of its parent organization's business continuity plan. How to respond to the coronavirus outbreak, highlight the value of shared service, and continue to provide stable and reliable shared services becomes particularly critical.

### Understanding the context

The Coronavirus outbreak is deepening into several countries around the world and the situation is unfolding each day with a newer dimension. Countries are now trying their best to control the spread of virus and cure those that are already infected. Partial or full lockdown is one of the prime quarantine strategies being adopted by countries to control the exploding infection.

A lockdown is an emergency protocol implemented by government authorities that prevents people from leaving a predefined area (usually their homes). A full lockdown means and implies that people in a given area will be mandated by law enforcement to remain where they are and remain confined for the prescribed duration. India ordered a full lockdown at midnight on 24th March, 2020 for a period of 21 days in an unprecedented measure to contain the spread of Covid19.

### Global capability centres in India

India is home to a vast number of global capability centres and with a large workforce exceeding a million skilled employees, it accounts for nearly 50% of the global back office workforce. These centres include shared services, engineering and design centres, centres of excellence and digital enablement centres amongst others. Many of them are engaged in business-critical operations that are dependent on uninterrupted business services.

The lockdown and the run up to the lockdown have posed several direct and imminent challenges to the GCCs and their ecosystem. The implications of under preparedness and unpreparedness have potentially posed compulsions on the headquarters and parent entities of these centres to consider the alternate courses of actions.

### EY focus

EY in India has a dedicated team that exclusively serves GCCs operating in the country and we are a provider of choice to several such GCCs

Our services in India range from Digital, Emerging Technologies, Data, Analytics, Risk and Managed Services to Taxation, Mobility, Regulatory and Compliance. We have risen to be a partner in digital innovation in most of the GCCs that we proudly serve in India. As a result of the ongoing and dynamic pandemic situation, this concentration has afforded us a unique opportunity to gain deep insights into some of the measures being taken by the GCCs to deal and cope with the crisis and disruption caused.

## GCCs – current situation

Global capability centres are facing the crisis with a comparable set of challenges and grappling with similar mitigation options. Ranging from keeping the lights on, to enabling work from home for a large employee population the challenges and implications have both been far-reaching. Shortages on mobile computing equipment such as laptops and high compute capacity tablets have been addressed by these organizations in a variety of ways.

Some have engaged in large scale movement of desktops from offices to employee homes. A few have expanded virtual machines with corporate IT security policies applied to personal computing devices. Local authorities have lent their hand of co-operation to these organizations in the times of crisis by providing necessary approvals to keep mission critical processes running.

The challenges are far from over, but the response is a clear combination of resolve, will and commitment on part of organizations, its employees and the Government alike.

### 1. GCCs in the financial services sector

While Indian GCCs across the financial services industry are managing well overall, a demand and supply mismatch is creating stress in some pockets like customer-facing processes. Valid information security concerns are being raised from the point of GDPR non-compliance, especially where sensitive/PII information is being accessed from home. As witnessed in other parts of the world, bandwidth issues are being faced across a few cities due to the surge in traffic together with connectivity issues.

A breakdown of the broad areas serviced by FS GCCs are given below:

#### 1. Tech/IT support (status: amber)

Overall, relatively smooth WFH operations given that majority of the resources have laptops:

- i. Technology projects and transformation initiatives: idle capacity seen across due to delivery timelines being pushed out.
- ii. Sporadic issues witnessed across production, IT Infrastructure and cyber monitoring.

#### 2. Enabling ops/global functions (status: amber)

Smooth WFH operations for functions like Finance, Risk, Sales Support, Procurement, and HR. which have traditionally been enabled for remote operations with laptops. Challenges seen in the below pockets:

- i. Finance: Function is stressed and requires support due to the 31st March quarter-end requirements. For example, a large international bank has requested workforce augmentation with an ask for 10- 20 resources.
- ii. Procurement: Surge in accounts payable due to early submission of invoices from vendors.
- iii. Payroll: Challenges faced given its sensitive nature as the function was being serviced out of secure rooms and employees were not provided laptops.

### 3. Core operations (status: red)

In-house consumer contact areas: Limited presence of these functions within the Indian FS GCC industry to certain banks and financial institutions (operating at 30% capacity currently). Pronounced issues being faced by call centres due to:

- i. Call centres were never enabled for WFH due to infrastructure limitations.
- ii. 40-60% resources in these processes are idle given that all desktops cannot be moved from workplaces due to the lockdown.
- iii. Impact on call volumes: Demand reduction in several pockets and a surge in other areas. Overall volumes have shot up 2x while ~40% of the staff is functional. Organizations are trying to cross-train people but face an uphill struggle. For example, a multinational financial services corporation has requested resources with dispute processing skills.
- iv. Spike seen across credit balance refunds, card disputes collections, and direct debit.
- v. Decreased volumes for new business requests.

#### 3rd party contact centres:

Some FS GCCs use third party BPOs for customer facing processes wherein the struggle has been two-fold:

- i. Ensuring all 3rd party BPO employees have laptops issued.
- ii. Remote access: Giving remote access is proving troublesome as vendor employees are unable to access client servers from home. For example, 25% employees of a global business process management company are functional and 40-50% of an American business services company.

Work has stopped where global clients have expressed issues with data security and are not comfortable with WFH for 3rd party vendors employees.

#### a. Mitigation measures:

- i. Rapid shift towards digital channels.
- ii. Only servicing critical call types call, such as lost cards.
- iii. Securing approval for critical employees to work from office from a sanitized floor.
- iv. Purchasing emergency laptops and working with local authorities (such as, district magistrate) to distribute laptops / desktop stuck in office to employees.
- v. Extended shifts (12-14 hours, 7 days a week) with overtime payments for employees with working laptops while the remaining are given have system access.
- vi. Looking at temp support across Big 4 and similar organizations.
- vii. Restoring work to originating regions.
- viii. Some GCCs have provided dongles/data cards along with lump sum allowances to employees for seamless broadband connection to work from home.
- ix. Cross skilling of teams to use spare capacity available as demand has gone down in some areas.

## 2. GCCs in the technology sector

The Non-FS GCC community has seen some impact due to the COVID-19 situation primarily stemming from technology, cyber security and procedural challenges. While most had BCP plans in place, there has never been the need to execute at this scale, hence there were pockets of unknown challenges that have cropped up. The situation is far more stable at this point given that everyone has been working remotely on and off for several days now.

A breakdown of the broad areas serviced by Non-FS GCCs are given below:

### 1. Tech/IT support: (status: amber)

- i. No major issue here other than specific areas such as SOC (Security Operations Centre), NOC (Network Operations Centre), IT Helpdesks. These functions traditionally operated in a collocated environment with physical presence and in shifts. Converting this into a remote population has brought some challenges especially in those cases where there were no laptops provided or home broadband connections.
- ii. Operations / Dev/ Functional jobs have been the least effected since they have had prior experience working remotely.

### 2. Enabling ops/global functions: (status: amber)

- i. Issues faced for some global functions such as payroll processing. Financial processes such as month-end closing requiring high reliability bandwidth for live financial operations also faced some challenges
- ii. Huge backlogs exist for manufacturing setups where supply chain operations and logistics have been badly hampered and in turn affecting employees who support such functions.

### 3. Engineering R&D: (status: amber)

- i. Some disruption to engineering and R&D procedures specifically where there are large lab environments requiring physical presence for development, testing activities.
- ii. Network issues exist at home environments since upload speeds are generally 10-20% of download speeds. Engineering document transfers take a significant time resulting in loss of productivity and /or increased timelines for projects

### 4. Mitigation measures:

- i. Enabling personal laptops of employees for system access.
- ii. Securing approval for critical employees to work from office from a sanitized floor.
- iii. Purchasing emergency laptops and working with local authorities (such as, district magistrate) to distribute laptops / desktop stuck in office to employees.
- iv. Extended shifts (12-14 hours, 7 days a week) with overtime payments for employees with working laptops while the remaining are given have system access.
- v. Looking at temp support across Big 4 and similar organizations.
- vi. Some GCCs have provided dongles/data cards along with lump sum allowances to employees for seamless broadband connection to work from home.
- vii. GCCs have used the 3-day relaxation given by government to unlock offices to shift IT hardware to homes besides allowing mission critical staff to work from office.
- viii. Several players have campuses and thus mission critical employees are able to stay at office campus or are using dorms built to stay within office.

### 3. Service provider ecosystem (technology and BPO companies)

The organizations in the technology space as well as the BPO outfits are more significant than the GCCs when it comes to employee strength, global clients serviced, business critical aspects of clients catered to. Our partners have been in discussion with senior executives of large IT companies since the onset of the crisis in relation to how we can possibly engage with them and support them in this time.

Traditional resilience planning does not do enough to prepare for a pandemic especially for service providers. As prudent risk management and to the extent possible, they should look to diversify supplier base, customers and third-party service providers across geographies to avoid single points of failure and increased exposure due to regional outages and geopolitical events.

A breakdown of the broad areas serviced by core technology companies in India are given below:

#### 1. Core IT operations: (status: red)

Overall, a sizeable impact seen on the revenue front in IT service organizations:

- a. Revenues from travel and hospitality industry domain: Most technology companies on an average earn app. 4% of their annualized revenues from this domain. Some technology organizations are heavily dependent 16% from this domain while others have roughly 18% concentration in this area.
- b. Unable to provision work-from-home: Revenue-at-risk on-account of work-from-home provision not being executed timely in Q4.
  - i. Estimated revenue impact of 4% - 8% seen on quarterly revenues. Idle capacity seen due to this delay. In some companies app. 10K - 15K were on bench due to this reason.
  - ii. Companies that had a better mix of laptops versus desktops are geared better in dealing with the COVID-19 situation. Large IT organizations have moved roughly 20K desktops (each) to the homes of their respective employees to address this issue.
- c. Large-deal pipeline risk: Mixed signals received from organizations as this is dependent on case-to-case.
  - i. Impact on large deals in comfort and luxury retail (especially apparel) were observed. No impact seen in consumer products focused on essential commodities.
  - ii. Few companies are seeing a hold on deal-pipeline at banking and capital markets.
  - iii. IT companies are performing modelling and simulations around estimated revenue impact with scenarios (for example, should the pandemic situation continue for 1 month versus 3 months).
- d. Revenues from BPM vertical (contact centre, F&A and HR outsourcing):
  - i. BPM organizations especially focused on 3rd party F&A and HR outsourcing are seen an impact on revenues in cases where the revenue trigger is transaction-based billing model. Given the lock-down situation, delays in receipt of input data from the end-customer is leading to significant downward trend of transactions being processed.
  - ii. Privacy challenges being encountered on account of work-from-home situation especially in F&A and HR process outsourcing areas. BPMs are requesting the end-customer to waive privacy clauses on account of this situation.
- e. Infrastructure issues/challenges:
  - i. While BCM/continuity plans are activated at a respective account level, instances of data centre outages seen.  
  
Scalable infrastructure seen as a large pain-point/problem across the board. Outages seen given the Citrix situation .

## 4. What needs to be done?

Currently in India, the only connectivity to the outside world is via the internet and the only method of doing business is online. Every GCC employee is now working remotely from their homes. All enterprises have been deeply impacted by this lockdown not only in India but across the world and are now preparing themselves for the next step in this saga – that of recovery.

Areas where EY can help:

Employee engagement

Employee health

Cyber risk management

Improving productivity

Managing temporary surge volumes

If you are a GCC leader, there are several elements you need to think about for the future and work with our teams to gain from our insights and our service offerings that will guide you through and beyond the crisis. Some of the elements that need to be under your consideration are:

### People management

- ▶ Continued focus on employee health  
Once the borders are opened and people start to travel, people will need to continue to maintain 'social distancing norms', sterilizing offices and in some cases asking non-critical staff to rotate remote working schedules.
- ▶ Employee engagement  
These are tough times and for every GCCs, its largest asset are their employees. This is the time to step up employee engagement initiatives and these don't have to be extravagant; a simple meet and greet on a weekly basis goes a long way to reassure employees. This is also a good time to continue skill development initiatives, all of which can be delivered online.
- ▶ Future proof the performance management system  
The future KPIs would need to move from being measures of 'efficiency' to 'effectiveness'. In a SMART (Specific, Measurable, Achievable, Realistic, and Timely) way, GCCs would need to objectively measure the value adds to the businesses. Measures of efficiency will continue, but these will be more hygiene, than actually be the key measure of performance.
- ▶ Cross skilling and online onboarding  
Cross skilling of teams to use spare capacity available as demand has gone down in some areas. Additionally, with the productivity levels going down, workforce augmentation is a focus area with the aid of online onboarding.

### Technology

- ▶ Expedite digitization initiatives  
This maybe a good time to revisit and prioritize plans around digital transformation. Should you automate more? Should you reduce the number of applications, thus, reducing the requirement of manpower as well as dependency on VPN infrastructure? Should you invest more on your global network? Should you continue to expedite your cyber security initiatives and now especially, incorporate remote working scenarios to prevent data leakage and/or cyber threats?
- ▶ Building a technology enabled workplace of the future  
From rostering, scheduling company transportation, managing service delivery, access and ergonomic workspace, the need for tomorrow is to technologically enable as much of this as possible. There is considerable need to extract greater value from the Dollars spent on support, and this can be realised through technology and flexible employee policies.

- ▶ Enhance knowledge management practices and tools  
Knowledge management, specifically detailed and up to date documentation of day-to-day work, will be key. The digitization of documents and their ready availability online, will enhance telecommuting in the future. The robust documentation will also be an enabler to run future digital transformation initiatives at both scale and speed.

## Operating model and enabling components

- ▶ Continue to update business continuity plans  
Post the SARS and H1N1 Swine Flu crisis, every enterprise has stressed on the importance of business continuity plans to be able to deal with situations that we face today. A best practice here is periodic testing, having said that, while many centres did that on paper, very few tested them on the ground. The identification of areas that faced the highest disruption and fixing the issues encountered will go a long way in minimal interruption in the future.
- ▶ Do with less  
As organizations recover from this crisis, there will be a strong push to reduce costs and curtail initiatives. At the same time there will also be a strong push to meet growth and revenue targets. All of us have been in these situations before especially during the financial crisis. Can we draw on some of those learnings? This is the right time to start thinking about how to effectively utilize the resources you have at your disposal, expedite those talent development plans and prioritize workforce planning initiatives. Better the planning the less the pressure on the employees and the leadership.
- ▶ Deliver value  
For a long time, most GCC discussions have been around value addition and moving up the value chain. These difficult times provide opportunities for GCCs to rethink the status quo and deliver significant cost reductions through process optimization, rationalization and innovation. This also is the right time to expedite the transfer of additional activities from other locations.
- ▶ Leveraging the ecosystem better  
Some of today's centres, have been siloed and limited to performing the migrated activities, which also has been a function of a limited mandate from the parent company. The future success of GCCs will depend on partnering with start-ups to drive innovation, manage flexible staffing and to innovate on the operating model.



## Excerpts from specific clients and organizations:

### A multinational consumer goods company:

Has a fairly matured GCC in India focusing on operations like P2P, R2R and also is the hub for running digital innovation programs. It had a fairly robust BCP in place and has not seen any major disruptions being reported internally or via their third-party service providers. While their factories in Italy and highly affected regions have been shut down, they have been working round the clock to increase their production across other regions to cater to the increased demand across personal care. The organization has mandated its entire global workforce including third-party service providers to work out of home and it has been working fine so far.

### A multinational technology firm:

Its India operations comprise of manufacturing units (covering laptops, desktops, tablets, gaming, workstations, networking and other solutions and services) has a GCC for all digital innovations, maintenance of technology applications for its sales, order processing, inventory, financials and support services. As soon as early COVID cases came to light, it mandated all its employees and contractual workforce to work from home. This has been working well so far with regular SCRUM calls. With increased work from home globally, there has been a surge for manufacturing requests for remote working facilities however the company is waiting to see the impact on its US customer base. Right now, it is looking at all spends cautiously and any area of spend which is not a critical or priority area for them is likely to be kept on hold.

### A multinational financial services corporation:

It has a mature multi-functional GIC with over 15000 people (25% of global headcount) across the NCR region predominantly focused on customer facing operations (contact centre, new accounts, and collections), enabling functions (procurement, F&A HR, risk) and technology. Technology and enabling functions are equipped with laptops and nearly everyone is able to work from home with no disruption. Customer operations are handled via desktops and are facing challenges. Given the massive disruption/ cancellations across the travel and hospitality sector, their servicing / card member dispute volumes have increased three-fold, further they are unable to shift workload to their alternate site in Manila. They are working with authorities to shift desktops/ laptops from offices to the homes of employees and are also cross-training idle employees who already have laptops/ desktops. As of now they are operating at a degraded level of service at half their capacity and only handling critical customer servicing requests like disputes, fraud, and lost cards.

### A global wealth manager and investment bank:

It is a mature GCC with over 15000 people (~30% of global headcount) with significant GCC operations across Mumbai, Pune and Bangalore. The pre-dominant functions in India are Operations, IT, Risk, Finance, and Compliance. Due to COVID 19 situation, it has enabled work from home access to most of its employees and contractors/vendors in India. It has also enhanced the technology infrastructure to support remote working. The first couple of weeks there were challenges in terms of ensuring all employees and vendors have appropriate IT hardware and having enough bandwidth on remote working. In addition, there are challenges related to getting desktops/laptops for all employees and contractors, which are gradually being resolved using alternate means. It is now piloting remote onboarding for new employees and contractors during the period of lockdown. Due to economic impacts, there would be several needs that would arise like enhanced Capital & Liquidity reporting, strengthen compliance function to monitor control breaks, potential fraud situations, strengthen IT functions to improve resilience.

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