

SEIZING THE WAVE: INDIA'S RISE AS A GLOBAL GCC CAPITAL

In the ever-evolving landscape of business, the term "GCC" has transcended from a mere jargon to become a cynosure of India's economic growth. With over 1600 operational Global Capability Centres (GCCs) and counting while employing more than 1.3 million people, India has become the GCC capital of the world.

GCCs, also known as captives, have transformed into hubs that drive innovation, strategic operations, and digital transformation for global businesses. Situated at the crossroads of global expertise and local talent, Indian GCCs have redefined organizational capabilities, ensured business continuity, and fast-tracked digital initiatives. Apart from offering transactional services, they also offer value-added services such as accounting advisory, tax planning, transfer pricing, risk advisory, digital services, analytics, research and design and thereby becoming indispensable assets to their parent companies. One such example is Japan's Rakuten Pay, equivalent to GooglePay, which owes its existence to the Bengaluru based GCC of the Rakuten Group. This unit manages product, engineering and advanced research facility for the group, showcasing the evolution of GCCs from cost-saving units to sophisticated centres of excellence.

GCCs have a huge economic impact, contributing to billions in taxes and expected to generate half

a million jobs in couple of years. According to the Zinnov-Nasscom India's GCC Trends report, about 83% of the new GCCs established in India in H1 CY2023 encompass all three functional areas – engineering research & development (ER&D), information technology (IT), and business process management (BPM).

The appeal of India for GCCs is no longer solely driven by cost arbitrage. Instead, it is a blend of talent, a thriving start-up ecosystem, and a digitally adept industry that attracts companies. India's digital explosion across fintech, commerce, healthcare, food, mobile, and various other sectors, make it a goldmine for diverse talents.

Global economic challenges and the successful validation of remote work during the Covid-19 era have accelerated the growth of GCCs. Ernst & Young (EY) report on 'How India is gearing up for a US\$110b GCC industry by 2030', projects a total of 2400 operational GCCs in India by 2030, with an average of over 100 new facilities added per year until then. By 2030, the industry is estimated to grow to a headcount of 4.5 million—a near-tripling of the current figures while expecting revenues to cross \$100 billion.

As the role of GCCs within their global parent firms ascends the value chain, India's offices play an

indispensable part in their growth. Many GCCs now house a significant presence of senior- and global-level leadership in India, showcasing the strategic importance of Indian centres within these organizations.

The challenges, however, persist, with talent attraction and retention being primary concerns for GCCs. Aon's 28th Annual Salary Increase Survey in 2023, reveals that attrition and salary increments remain in the double digits. Firms' have deployed several measures to retain their talent, either through promotions or off cycle corrections. This has contributed to uncertainty over talent spend and salary increase projections. Firms' which have alleviated these concerns and able to retain staff have placed themselves in a better position to overcome such challenges.

Despite these challenges, GCCs are optimistic. In 2023 report GCCs: Dinosaurs or Unicorns? by BNY Mellon India, emphasizes the expansion of ownership within GCCs across functional, product, and application domains. This expansion leads to more leadership positions, where individuals manage teams across the world while stationed at a GCC, driving global strategies.

February 2024 article in Business Today notes a positive trend even though GCCs face hurdles in talent acquisition. Attrition, which was at 35-40% during the pandemic, has reduced to 15-16%. Hiring skilled talent in India, even at a slightly higher cost, remains significantly more cost-effective than engaging their counterparts in the West.

Success in this dynamic landscape, however, requires a strong operational model. India, despite producing an abundance of graduates, faces challenges related

to skill sets. Quality of work is another aspect that has cast a shadow on India's reputation. This is a significant concern for GCCs, as foreign businesses hesitate to outsource work to India due to perceived deficiencies in systems, processes, learning and development, and attrition. Many graduates are not job-ready and require extensive training. As a result, GCC's have set up training programmes that range from few months to continuing training programmes for several years. India's vast talent pool has the potential to be harnessed with focused training and continuing learning.

Interestingly, Tier II cities such as Indore, Chandigarh, Vadodara, and Ahmedabad are emerging as key centres of excellence for GCCs. These untapped markets offer an immense talent pool, providing a solution to talent retention issues and contributing to the local economies. Smaller towns can now retain their talented populations, alleviating the burden on Tier I cities struggling to expand beyond their capacities.

The road ahead involves thoughtful planning and swift action plans to ensure India maximizes its potential in this evolving landscape.

In conclusion, India stands at the forefront of a GCC revolution, showcasing its adaptability and resilience in the face of global challenges. As the nation navigates the future of business excellence through GCCs, strategic planning and collaborative efforts will be pivotal to ensure India seizes this transformative opportunity. The journey has just begun, and with a focused approach, India is prepared to lead the charge in this era of evolving business paradigms.

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