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Evolving face of the India Offshore Business (GCC): Way forward



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GCC, commonly known as the Global Capability Centre (GCC) is one of the focal points in many round table discussions of the industry forums. Statistics speak for themselves!!!

GCC contributes close to US\$38 Billion+ to our country's direct gross output, a measure of sales to its associate organization - close to 1.1% of the GDP of India. GCCs tops up the taxes by US\$6.5 Billion+ and employ close to 1.3 million people i.e., 25% of the employment by IT industry. Nevertheless, India was and is still the favoured destination for setting up the capability centers for large corporates across the globe. India's eco-system has also responded positively to the development and we have been witnessing the phenomenal industry blossoming over the last two decades.

The GCCs have continuously evolved over the years to align with the business and operational requirements of the parent organization. In the initial years, they started as a Functional Shared Services Centres wherein individual functional processes and sub processes were outsourced to India. GCCs were also referred to as back-office / BPOs that caters to specific rule driven repetitive tasks. They slowly metamorphosized into global shared service centers centralizing the task for global distributed environments. With technological intervention, adequate innovation, and availability of large talent pool, GCCs have now started focusing on transformation, value added services, and larger front end roles. In the current evolution stage, it wouldn't be incorrect to connote GCCs as a Global Value Organisation (GVO).

There is an inherent requirement to make the Indian GCCs more

productive in terms of efficiency and delivery. The GCC operating model is continuously evolving from being back office to an inseparable front office, wherein the GCC moves head-to-head with the parent organization – be it customer acquisition, core technology development, future innovation or strategic research and development. There are India offshore centers of various corporates that are assisting the parent companies in high end technology development – Robotic Process Automation, Generative AIs, Cyber and Data Security – on one hand and complex business processes – customer acquisition, data analysis, finance, legal, regulatory and compliances, taxation, operation landscape and related functions – on the other.

As per the estimates, by 2030, GCCs will contribute US\$110 billion+ (2% of GDP) with 2500+ organizations reaping the strategic advantage of the Indian subcontinent.

There are five strong undercurrents that are defining the future landscape of GCCs in India:

a) What can be delivered?

Gone are the days wherein the offshore centers are only catering to call centers and certain body shopping companies, capturing pre-defined SOP driven work. The capability centers are now working on cutting edge technologies and capturing end-to-end processes for the parent organisation. Most of the large corporates in the US, EMEA, and Australia has a capability centers in India. Some of the large tech companies have their

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Center of Excellence in India that have an expertise in the given area and are entrusted with the task of identifying, studying, implementing and monitoring any new tools, technologies, processes or structures. Though the finance, IT, and HR functions continue to grow within the GCCs, the centers will continually expand their wings to cover the knowledge intensive area like R&D, legal, product evangelization and development, and high end consulting. GCCs are transitioning from operational support centres to centres of innovation and research.

b) Who will deliver the work?

With the strong work force employed in GCCs, there is already a pipeline of leaders created in this industry. As per the estimates, close to 50,000+ future leaders have been developed over the last 10 years. With the growing intellect and complex work in GCCs, the employees of GCCs are high in demand – 80,000+ people hired by start ups founded by ex-GCC employees. After the pandemic, GCCs started providing flexibility in working hours and locations and that trend provided further opportunities to an additional female employee

base to the tune of 2 lacs+ workforce who may take medium / long term break due to various reasons. The GCCs are one of the most favoured industries opted by top institutes in India. All these factors lead to a strong convergence of talent pool towards the GCC. This is further creating a snow-ball effect in attracting more talent.

c) How will the service delivery happen?

The GCCs developed as an industry in India, and are served by large ecosystems within and outside India. The growing intent to drive innovations in GCCs has created a strong organic support system that has developed gradually. This benefits the parent organisations, industry partners, and the Indian economy as a whole. There are companies that render support services primarily to the GCCs for example, SaaS products, cyber and data security companies, logistics and office commute companies, manpower and software outsourcing units, business enabling services – finance, HR, IT, admin, payroll, taxation, secretarial services etc. With such a conducive environment, GCCs are operating smoothly, delivering

successfully the needs of the parent organization.

d) Where will the service delivery happen from?

While Bengaluru, Chennai, Pune, Mumbai and NCR remains the popular sites for GCC establishments, Tier II and Tier III cities in India are also jumping on the GCCs bandwagon. With the rising real estate cost, choking roads, deepening air quality index, and higher cost of living, companies are opening the nodal offices in Tier II and Tier III cities and towns. After the pandemic, the trend is more prominent, wherein the GCCs are opening offices in many cities and multiple offices in same cities to provide flexibility to the employees to work closer to their place of residence. Some GCCs have gone the extra mile in providing access to nearby co-working location to work remotely, without coming to the base office. With the hybrid work option, female employees are glued more to the GCC organizations. Some of the cities attracting the GCCs are Indore, Bhopal, Jaipur, Kanpur, Nashik, Coimbatore and the likes, covering the length and breadth of India.

e) Where will the services be delivered?

Largely, the Fortune 500 companies are already reaping the benefits of GCCs. The key benefits have been realized in the area of quality delivery, large talent pool, cost arbitrage, and scale efficiency. Noting the significant benefits emanating out of the GCCs, companies beyond Fortune 500 and medium sized corporates are also looking forward to taste the success through establishing a new GCC or expanding the scope



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of their existing GCCs. With a larger global demand, scant resources availability and fierce competition, shifting focus towards GCCs is more of a strategic compulsion than a matter of choice. Though 80%+ GCCs HQs are in Europe and America, there is a sizable chunk contributed by other geographies – NZ, Australia, South Korea and countries in SE Asia.

The corporates are going bullish on the GCCs and this is leading to an interesting asset class over a period amongst private equities and large investors. There are strong thoughts of monetizing the GCCs Model and offering the GCC as a service to other corporates. In fact, there are certain large BFSI companies that started providing certain back end process supports to other corporations. Over a period, the Business Unit (BUs) will be spun off to create a separate asset class and investment can be raised to make this as a self sustaining business providing competitive services to external companies.

Large Opportunities for businesses

Setting up of GCCs and being a part of the growth story itself provides enormous opportunities to all – businesses, professionals, and the working population. With the large scale evolution, it provides enormous opportunities

to all to be a part of the GCCs success stories.

- a) **Wider Coverage:** More GCCs are opting for Tier II and Tier III towns for setting up of the GCCs. This will provide opportunities to all the professionals in those cities and towns to provide the required support. GCCs will require support in terms of managing infrastructure, hire manpower and regular operational services. Such services will be provided by the local service providers.
- b) **GCC as a Service:** The professionals can provide a improvised GCC as a Service model capturing medium and small scale companies in different parts of the globe wherein required process support will be provided to the parent companies. Equipped with hyper local knowledge for office location, manpower availability and local regulatory environment, service structure can be created to cater to the customized needs of the off shore organization.
- c) **Transaction Support:** In case of merger, spin off, fund raise and other related transactions, professionals with the adequate subject matter knowledge can provide adequate support and increase the chances of successful closure of transactions.
- d) **Business Enabling Services:** With the new GCCs of all the sizes setting up across the geography, they will need a support around their core business in India. This includes book keeping, HR, payroll, regulatory, compliances, legal, secretarial and other allied supports. Professionals with the right expertise can

provide them the appropriate assistance and help them to focus in their core area.

- e) **Tech Support:** Appropriate technology and system support will be essential for the successful delivery of the services to the associate organisation. The new requirements in relation to information security and data protection, additional threat of data theft and dynamic nature of evolving technology will make GCCs more vulnerable. These factors create large opportunities for the start ups and other service providers to provide customized solutions to cater to the immediate and long term needs of the GCCs.

GCCs have traversed a long way in India and continue to grow with a strong pace. The sector is still facing certain key challenges in terms of uncertain policy frameworks, demand supply gaps in talent, low cost-low value perception and limited infrastructure support. It requires a razor sharp focus from public and private sector to help this sector grow further and flourish to its maturity. More favourable policies around GCCs, extending tax incentives, focusing on ecosystem development, and accelerating physical and digital infrastructure will go a long way in supporting GCCs sector. Positioning India as a True Value Creator and creating a strong Brand India around it will also help in attracting more global corporates to India.

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