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Global Capability Centers: From Evolution to Revolution

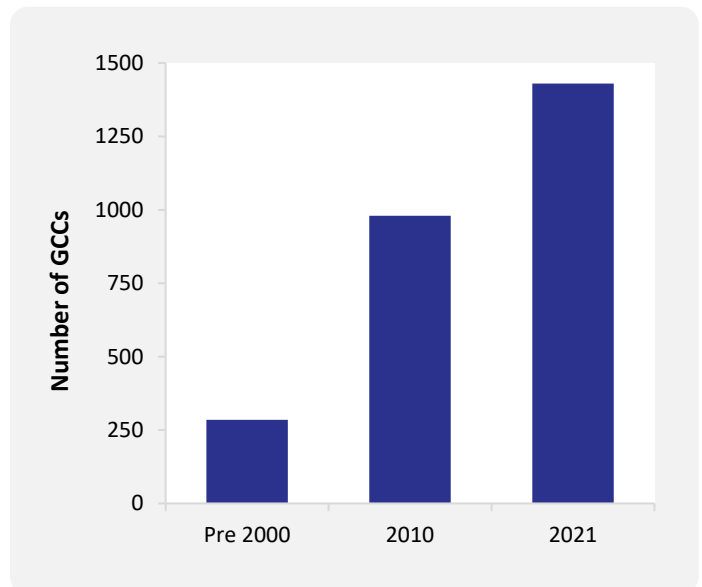
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Global Capability Centers (GCCs), also known as Global In-house Centers (GICs), have expanded exponentially across the world. In the past two decades, from just outsourced business functions (back-office functions, corporate business-support functions and contact centers) and IT support (app development and maintenance, remote IT infrastructure and help desks) with an eye on cost savings, these captives have evolved and moved up the value chain as a center of excellence (CoE). They perform various functions such as automation, innovation, and analytics and build advanced digital competencies for the parent organization.

In the past decade, India has witnessed significant growth in the number of GCCs. According to the NASSCOM Report GCC India Landscape - 2021 & Beyond!, India is home to more than 1,430 GCCs. This accounts for a staggering 50% of all such centers globally, employing close to 1.5 million people. In terms of geographic representation, companies with headquarters in North America constitute around 70% of the GCCs in India, followed by Europe (~20%), and the Asia-Pacific (~10%). The key growth segments are banking, financial services, insurance, retail/consumer packaged goods, manufacturing, healthcare, and technology product companies. Furthermore,

while Bengaluru (~31%) is the most sought-after destination for GCCs in India, followed by the National Capital Region. Hyderabad, Pune, and Chennai have also gained ground in recent years. Recently, US-based NielsenIQ opened its largest global capability center in Chennai.

Undoubtedly, owing to its value proposition that ranges from digital capabilities and a unique ecosystem to a huge skilled talent pool, India has emerged as a favorable destination for GCCs across the globe. Presently, India ranks among the top digitally penetrated countries with around 4.5 million technologically qualified workforce in the IT sector. Of these, nearly one-fourth work in GCCs. Further, the government through its various initiatives and programs is prioritizing and scaling digital adoption. The Digital India initiative have indeed pushed and even helped several companies to survive and thrive during the pandemic. Such initiatives have also pushed the GCC dream.



“ With the launch of a new GCC in Bengaluru, Cardinal Health International India strengthens its commitment to driving synergies between the core customer service work, and emerging technology skill development to provide a superior customer experience in a post-pandemic era. The focus of this multi-functional center is to build a world-class capability that is at an intersection of tech innovation and learning, empowering our people to build solutions that will solve healthcare’s most complex challenges. We welcome the technology talent to join us and help create a sustainable competitive advantage and a technology network that will enable scale across the enterprise.”

Nagaraj Bhat, Vice President and Managing Director,
Cardinal Health International India

With growing digitization and an inevitable role of technologies, most of the new centers being set up in India are undertaking core, strategic, and impactful work aimed at future-proofing the parent organization. They are designed to be CoEs in various digital technologies (analytics, blockchain, AI/ML, etc.) focused on growing competencies and market-oriented/strategic CoEs (developing products for emerging markets). While GCCs were set up with the intention to provide value to their parent organizations, they have, in fact, emerged as a strong contributor to India's progress. India has significantly benefitted through the creation of employment, diffusion of prosperity, and improved access to global best practices across various domains.

Undoubtedly, given the nature of the industry, there is substantial demand for workforce with specialized skills and investment for upskilling of the existing workforce, especially in advanced technologies. Without the right talent pool, the digital transformation of GCCs will be in jeopardy. Therefore, GCCs are also contributing toward creating a high-quality workforce of the future, prioritizing the need to build niche skill capabilities among their workforce, through a structured training approach and continuous upskilling in the field of AI/ML, big data analytics and cloud engineering.

“ Our new GCC hub in Chennai is integral to our growth as it will be the heart of our digital transformation agenda. Here, we will harness the power of data science, engineering, analytics, artificial intelligence and machine learning to give our clients an even more detailed understanding of the retail landscape and shopper behavior”

Mohit Kapoor, Global Chief Technology Officer,
NielsenIQ

The sector has emerged not only as an employer and a source of creating next-generation capabilities and skills for the ecosystem but also as a significant channel to bring global best practices to India, thereby augmenting India's reputation as a global tech hub. Between 2019 and 2021, more than 140 MNCs have set up their GCCs in India to tap into India's rich and diverse ecosystem. According to the NASSCOM report, in the next couple of years, more than 500 new GCCs are likely to be set up in the country, which will drive up the total tally of GCCs to more than 1,900 by 2025. It is likely to employ around 2 million people and generate revenues of US\$58–61 billion by 2025.

While the GCC ecosystem has matured over the years, there is a significant opportunity for growth in the coming years. According to another recent report by NASSCOM, only 25% of Fortune 500 and 15% of Fortune 2000 companies have a presence in India through GCCs. This indicates a large scope for growth. Due to India's vantage points such as its significant talent pool, robust digital and physical infrastructure, vibrant start-up ecosystem, accelerated digital and technology penetration, cost attractiveness, maturity of service providers, peer GCC ecosystem, and continuous government support, India stands ahead as a preferred GCC destination among its global counterparts. To leverage the opportunity, the country needs strategic collaboration among stakeholders to build more infrastructure (physical and digital) and ease regulations (legal, regulatory, tax, and other considerations). In addition, it should also focus on bridging the demand-supply gap in skills and continuous upskilling/reskilling of the workforce to make India a global GCC hub.

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info@benoriknowledge.com

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