

WHITE PAPER

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Building a Future-Ready GCC in India

A Roadmap for Success



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Global corporations are flocking to India to establish their Global Capability Centers (GCCs), thanks to the large tech talent pool, better infrastructure, fast internet, and cheaper office spaces. India's Global Capability Center (GCC) landscape has grown significantly, with NASSCOM reporting an increase from 700 centers in 2010 to 1,580 in 2023.

Since their debut 25 years ago, GCCs in India have evolved considerably. They are no longer merely the cost-saving extensions of global giants; they have evolved into hubs of innovation, talent, and growth. Remember the old days of call centers in India in the 90s - with fresh college grads handling customer calls in American accents? Besides calls, the early Indian Business Process Outsourcing (BPO) centers, or Captive Centres were performing jobs requiring low skills like data entry, resolving support tickets, verifying insurance claims, and bookkeeping.

Well, things have seriously levelled up!

The white collars have replaced the blues.



Today, GCCs in India are doing way more than answering phones. They're diving deep into data analytics, creating complex financial models, and working on cutting-edge research and design projects. They've become the brains behind some of the biggest companies in the world, helping the corner office occupants make critical business decisions.

This white paper delves into what it takes to build a truly future-ready GCC in India. This comprehensive guide delves into the key strategies and considerations, empowering you to create a GCC that not only thrives but also sets new benchmarks in operational excellence.

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The Foundation of Success

Strategic Planning

The foundation of any successful GCC lies in a well-defined plan. This entails clearly articulating the purpose of the GCC, its goals, and how it aligns with the overall business strategy of the parent organisation.

Defining Goals

Begin by establishing a clear understanding of the GCC's mission. This involves defining what the center aims to achieve and how it supports the broader objectives of the parent. A data-backed, well-articulated purpose provides clear direction, ensuring that all efforts are aligned with the broader organisational vision.

Conducting a SWOT Analysis

Perform a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to assess your current capabilities and identify areas for improvement. Understanding your strengths helps leverage existing advantages while recognising weaknesses and threats allows for proactive risk management. Opportunities identified through this analysis can guide strategic initiatives and help fine-tune the goals.



Drawing a Detailed Roadmap

Armed with profound insights from the SWOT analysis, an organisation can now create a comprehensive roadmap outlining the steps required to transform its GCC into a future-ready powerhouse.

This roadmap should include:

- **Technology Adoption**

Based on your unique use cases, identify and implement the latest technologies that can enhance operational efficiency and drive innovation. This might include Artificial Intelligence (AI), Machine Learning (ML), Cloud, and advanced data analytics.

- **Talent Acquisition and Development**

Just like any other business unit, a skilled and compatible workforce is the linchpin of a GCC. Focus on attracting top talent and continuously developing the skills of your existing workforce. Implement training programs and create a culture of continuous learning to keep the team connected with the latest trends and technologies.

- **Process Optimisation**

Streamline and optimise processes to improve efficiency and reduce costs. Lean methodologies, Six Sigma, and other process improvement techniques can be employed to identify bottlenecks and enhance operational workflows.

- **Innovation**

Foster a culture of innovation by encouraging creative thinking and experimentation. Establish innovation labs or dedicated teams to explore new ideas, test prototypes, and implement breakthrough solutions.

Aligning with Business Strategy

Ensure that the strategic plan and roadmap of the GCC are closely aligned with the parent organisation's business strategy. This guarantees that the GCC's initiatives support overall business goals, driving synergy and coherence across the organisation. Regular communication and collaboration with key stakeholders are essential to maintain this alignment and ensure that the GCC remains responsive to changing business needs.

KPIs

How will you know if your GCC is on track? Identify the key metrics you'll use to measure progress towards your goals. These could include things like cost savings, employee satisfaction, or the number of successful projects completed.

Resource Allocation

Figure out what resources you'll need, both in terms of people and technology. Do you need to hire new talent? Upgrade your infrastructure? Make sure you have a plan in place to get the resources you need when you need them.

Timeline

Create a realistic timeline for achieving your goals, with specific milestones along the way. This will help you stay on track.

Through this process, GCCs can effectively navigate the complexities of the global market, seize emerging opportunities, and drive sustained growth and innovation.

Selecting States/Cities with Favourable Regulatory Frameworks

GCCs have sparked a competitive landscape among Indian states vying to become the preferred destination for these operations. This competition has led to a variety of initiatives aimed at attracting and nurturing GCCs, including enticing regulatory exemptions and streamlined business processes.

Several states have taken proactive measures to explicitly recognise GCCs within their regional policies and frameworks. For instance:

Karnataka

The state's "Handbook on Digital Economy Policies, Programs & Incentives" designates Bengaluru as the "destination of choice for platform engineering GCCs."

Telangana

The "ICT Policy 2021-26" outlines a commitment to scaling GCC expansion by "strategically strengthening the ecosystem and easing the process of entry and doing business."

Uttar Pradesh

The "IT and ITES Policy" includes GCCs within the broader category of ITES, enabling them to access fiscal and non-fiscal benefits.

Andhra Pradesh

The "Industrial Development Policy 2023-27" pledges support for companies and multinational corporations establishing GCCs within the state.

By carefully considering the regulatory landscape and infrastructure offerings of different states and cities, foreign entities can strategically position their GCCs to maximise benefits, streamline operations, and capitalise on the growth opportunities presented by India's dynamic tech ecosystem.

Talent Acquisition: More Than Just Hiring

Beyond location, talent acquisition is a critical aspect of GCC's success. It's not just about filling positions; it's about attracting and retaining top talent by creating a work environment that fosters growth and innovation. Invest in employee engagement initiatives like mentorship programs, skill development workshops, and career advancement opportunities.

India's vast talent pool is projected to reach 5.5 million by 2025, according to NASSCOM, providing ample skilled resources for GCCs. However, retaining this talent requires a proactive approach to employee engagement and development.

Key Considerations

Cost-Benefit Analysis

- **Salary Benchmarks:** Research average salary levels for different roles and experience levels in your chosen domain and city. Partner with reputable staffing agencies or consult salary surveys to understand the local trends.
- **Real Estate:** Evaluate the costs of leasing or buying office space in different areas. Consider factors like size, location, amenities, and proximity to transportation hubs.
- **Operational Expenses:** Factor in costs like utilities, taxes, legal fees, and other day-to-day operational expenses. Analyse how these costs might vary across different cities and regions.

Infrastructure

- **Transportation Network:** Assess the availability and reliability of public transportation (metro, buses, trains), as well as the condition of roads and traffic congestion. Consider the proximity of your potential office locations to airports and major transportation hubs.
- **Power Supply:** Investigate the reliability of the power grid in the region. Frequent power outages can disrupt operations and decrease productivity. Look into backup power solutions if necessary.
- **Internet Connectivity:** High-speed, reliable internet is essential for GCC operations. Research the availability of fibre-optic internet and other high-bandwidth options in the area.

Government Policies

- **Tax Incentives:** Many state governments in India offer tax breaks, subsidies, and other incentives to attract foreign investment and GCCs. Research these programs and understand the eligibility requirements.
- **Ease of Doing Business:** Investigate the ease of obtaining licenses and permits, navigating regulatory frameworks, and establishing your GCC. Some states have streamlined processes for foreign companies, making it easier to set up operations.
- **Support for GCCs:** Investigate any specific programs or initiatives that the state government has in place to support GCCs, such as training programs, infrastructure development, or networking opportunities.

Talent Availability

- **Skillset Match:** Thoroughly assess the availability of professionals with the specific skills and experience your GCC requires. Consider both the quantity and quality of talent available in the region.
- **Educational Institutions:** Look for proximity to reputable universities, engineering colleges, and technical institutes that produce graduates with the skills you need. This can provide a continuous pipeline of potential employees.
- **Competitor Analysis:** Research the presence of other GCCs and companies in your chosen domain. This can give you insights into the competition for talent and potential salary expectations.
- **Networking and Recruitment:** Engage with local professional networks, industry associations, and online job portals to connect with potential candidates and get a pulse of the local talent market.

By carefully considering these factors, you can make an informed decision about the best location for your GCC in India, setting yourself up for success in attracting and retaining top talent while optimising operational costs and efficiency.



Selecting a Location for Your GCC in India Factors to Consider

Choosing the right location for your GCC in India involves a multi-faceted analysis that goes beyond just talent and cost.

To ensure the long-term success and sustainability of your operations, several crucial factors must be carefully evaluated:

Talent Availability and Skills

- **Assess the Talent Pool:** Evaluate the availability of skilled professionals in your specific domain. Consider the presence of universities and technical institutions that produce graduates with the expertise you need.
- **Evaluate Skill Levels:** Look beyond just the quantity of talent. Assess the quality of skills available, including experience levels, specialisations, and language proficiency.
- **Consider Talent Retention:** Research attrition rates and the factors that influence employee retention in the region. A stable and engaged workforce is crucial for long-term success.

Infrastructure and Connectivity

- **Transportation:** Evaluate the quality of roads, public transportation, and proximity to international airports. Easy access to transportation is essential for employee commutes and business travel.
 - **Power Supply:** Ensure a reliable and uninterrupted power supply, as frequent outages can disrupt operations and impact productivity.
 - **Internet Connectivity:** High-speed and reliable internet connectivity is critical for GCC operations that often rely on data transfer and communication with global teams.
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Cost of Living and Operations

- **Salaries and Benefits:** With the help of a renowned staffing agency, research average salary levels for different positions in the region to ensure your compensation packages are competitive and attractive to top talent.
- **Real Estate Costs:** Evaluate office rental costs, taxes, and other operational expenses. Many reputable real estate consulting companies, such as JLL, Knight Frank, CBRE India, and Cushman & Wakefield, are present in India and can help you navigate this part of the process.
- **Cost of Living:** Consider the cost of living for employees, including housing, food, transportation, and other daily expenses.

Government Policies and Incentives

- **Tax Incentives:** Research the tax incentives and exemptions offered by state governments to attract foreign investment and GCCs.
- **Ease of Doing Business:** Evaluate the regulatory environment, including the ease of obtaining licenses and permits.
- **Political Stability:** Consider the political stability of the region, as any disruptions can impact business operations.

Safety and Security

- **Transportation Safety:** Assess the safety of public transportation and late-night travel options, especially if your employees will be working in different time zones and commuting at odd hours.
- **Crime Rates:** Research crime statistics and safety records for the region and specific neighbourhoods you are considering.
- **Office Security:** Ensure the office building or campus has adequate security measures in place, such as surveillance cameras, access controls, and security personnel.

Quality of Life

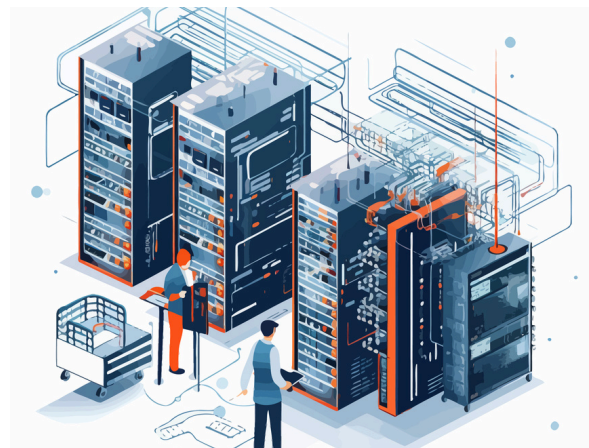
- **Healthcare:** When choosing a city for your GCC, prioritise access to healthcare. Opt for cities with a wide range of top-tier hospitals, clinics, and other healthcare infrastructure.
- **Amenities:** Consider the availability of amenities like housing options, schools, healthcare facilities, shopping centers, and recreational activities. A high quality of life can contribute to employee satisfaction and retention.
- **Cultural Fit:** Evaluate the cultural fit between your company and the local community. A good cultural fit can facilitate smoother communication, collaboration, and integration.

By carefully evaluating these factors and conducting thorough research, you can make an informed decision about the ideal location for your GCC in India, setting the stage for a thriving operation.

IT Infrastructure

The Linchpin for GCC Success in the Age of AI and Gen AI

A strong and flexible IT infrastructure is crucial for GCCs, serving as the key to operational efficiency, innovation, and business growth. In the age of AI and generative AI, this foundation is even more important to handle the massive AI workloads.





Cloud Computing: The Catalyst for AI-Powered Agility and Scalability

The adoption of cloud computing has become a cornerstone of modern IT, and GCCs are no exception. By migrating applications, data, and infrastructure to the cloud, organisations gain unparalleled flexibility and scalability, enabling them to adapt swiftly to evolving business demands. The cloud's inherent elasticity allows GCCs to rapidly scale up or down their resources based on workload fluctuations, ensuring resources are always aligned with needs.

Additionally, cloud platforms provide a fertile ground for the development and deployment of AI and Gen AI models, offering readily available computing power and storage capacity. Gartner's forecast of \$482 billion in global cloud spending by 2022 underscores the technology's pivotal role in shaping the future of IT infrastructure and AI-driven innovation.



Cybersecurity: A Non-Negotiable Imperative for AI-Driven Operations

The ever-increasing frequency and sophistication of cyber threats have made cybersecurity a top priority for organisations worldwide. GCCs, often handling sensitive data and intellectual property, and increasingly incorporating AI into their workflows, are particularly vulnerable to cyberattacks. Implementing robust cybersecurity measures is no longer a luxury but a non-negotiable imperative. This includes a multi-layered approach that encompasses firewalls, intrusion detection systems, encryption protocols, and regular vulnerability assessments, specifically tailored to protect AI models and data.



India's estimated annual cost of cybercrime, standing at a staggering \$10.5 billion, highlights the critical need for investment in comprehensive security solutions.



Data Management & Analytics: Unlocking the Power of Information with AI

Due to their sheer scale being a back office of giant global corporations, GCCs generate vast amounts of data. Investing in advanced data management and analytics tools, including AI-powered solutions, empowers organisations to extract meaningful patterns, trends, and correlations from this data.

By harnessing the power of AI-driven data analytics, GCCs can identify opportunities for optimisation, improve customer experiences, and make informed business decisions.



Collaboration: Connecting Teams and Fostering AI-Enhanced Innovation

The ability to collaborate seamlessly across geographically dispersed teams is crucial for GCCs operating in different time zones. Effective communication and collaboration tools, such as video conferencing, instant messaging, and project management platforms, break down geographical barriers, enabling real-time interaction and knowledge sharing.

These tools can be further enhanced with AI capabilities like real-time language translation and sentiment analysis, facilitating cross-functional collaboration, brainstorming sessions, and the exchange of ideas, ultimately driving the development of cutting-edge solutions.

A robust and adaptable IT infrastructure, enhanced with AI and Gen AI capabilities, is essential for the success of GCC in a data-driven era. They must choose a reputable IT infrastructure partner offering comprehensive solutions.

Leveraging India's SEZs and International Financial Service Centers

The Linchpin for GCC Success in the Age of AI and Gen AI

India's commitment to fostering a thriving business environment extends beyond its major cities. The country has established Special Economic Zones (SEZs) and International Financial Service Centers (IFSCs) to provide unique advantages to companies seeking to expand their global footprint.

Special Economic Zones (SEZs)

These specially designated areas offer a range of incentives, including:

- **Tax Benefits:** Reduced corporate taxes, duty exemptions on imports and exports, and other fiscal benefits can significantly lower operating costs for GCCs.
- **Simplified Regulations:** SEZs typically have streamlined procedures for setting up and operating businesses, reducing bureaucratic hurdles.
- **World-Class Infrastructure:** Many SEZs boast state-of-the-art infrastructure, including reliable power supply, high-speed internet, and modern office spaces.

However, establishing a GCC in an SEZ requires obtaining prior approval under the Special Economic Zones Act, 2005. This process ensures compliance with regulations and allows companies to leverage the benefits of the zone.

International Financial Service Centers (IFSCs)

IFSCs, such as the Gujarat International Finance Tec-City (GIFT City), cater specifically to financial services companies. It is located in Gandhinagar, the capital of Gujarat. GIFT City is India's first operational greenfield smart city and international financial services centre. IFSCs such as GIFT City offer:

- **Tax Exemptions:** Exemptions from customs duty, goods and services tax (GST) for procuring goods or services within the zone.
- **Regulatory Flexibility:** IFSCs operate under a more liberalised regulatory framework, allowing for greater operational freedom for financial services companies.
- **Access to Global Markets:** IFSCs provide a gateway to international financial markets, facilitating cross-border transactions and investments.

To establish a GCC in an IFSC, companies need to obtain prior approvals from the International Financial Services Authority (IFSCA).

Choosing the Right Zone

The choice between an SEZ and an IFSC depends on the specific needs and objectives of your GCC. If your focus is on financial services, an IFSC like GIFT City could be a strategic choice. If your GCC spans multiple sectors or primarily focuses on IT/ITES, an SEZ might be a more suitable option.

Consider the following factors when evaluating different zones:

- **Industry Focus:** Does the zone cater to your specific industry?
- **Incentives:** What are the tax benefits, duty exemptions, and other incentives offered?
- **Regulatory Environment:** How streamlined are the regulatory procedures?
- **Infrastructure:** Does the zone have the necessary infrastructure to support your operations?
- **Talent Availability:** Is there a readily available pool of skilled professionals in the region?

By carefully considering these factors and leveraging the unique advantages offered by SEZs and IFSCs, you can create a strategic advantage for your GCC in India and unlock its full potential for growth and innovation.

GCCs in India

Current Favourites and Emerging Cities

Choosing the ideal location for your Global Capability Center (GCC) in India is a critical decision that can significantly impact your success. It's a balancing act, weighing factors like talent availability, access to cutting-edge technology providers, cosmopolitan culture, international air connectivity, infrastructure, cost of living, and access to world-class education and health care.

The Favourite Destinations:

1

Bengaluru (previously known as Bangalore)

Often hailed as India's Silicon Valley, Bengaluru boasts the highest concentration of GCCs. Its robust tech ecosystem, world-class infrastructure, and access to premier educational institutions like the Indian Institute of Science make it a magnet for top talent. However, this popularity also comes with a higher cost of living and increased competition for skilled professionals.

2

Hyderabad

Hyderabad has rapidly emerged as a GCC hotspot, particularly for technology and financial services companies. The city offers a lower cost of living vis-a-vis Bengaluru, along with a growing talent pool fuelled by renowned institutions like the Indian School of Business. Its proactive government policies and robust infrastructure further enhance its appeal.

3 Chennai

Known for its strong engineering and manufacturing base, Chennai attracts GCCs in automotive, industrial, and IT sectors. The city's well-established infrastructure, including a major port, and its proximity to manufacturing hubs make it a strategic choice.

4 Pune

Pune has a thriving IT and engineering scene, making it a preferred location for GCCs in those sectors. The city's educational institutions, like the College of Engineering Pune, produce a steady stream of skilled graduates.

Emerging Contenders: While the major cities offer established ecosystems, emerging tech hubs present a compelling alternative.

5 Coimbatore

Coimbatore's strong manufacturing and engineering base is attracting attention from GCCs looking for cost-effective solutions and a skilled workforce.

6 Kolkata

With its rich history and cultural diversity, Kolkata is fast emerging as a hub for IT and BFSI (Banking, Financial Services, and Insurance) GCCs. Its relatively lower operational costs and access to talent from prestigious institutions like the Indian Institute of Management Calcutta make it an attractive option.

The Proactive Partnership: Building Your Digital Future in India

Embarking on the GCC journey in India is a significant endeavour, and choosing the right partner for your IT infrastructure is crucial. With 33 years of experience and a proven track record across diverse industries, Proactive Data Systems stands ready to help you navigate the complexities of the digital landscape.

Our deep understanding of the Indian IT ecosystem, coupled with our strong alliances with industry leaders, allows us to craft solutions that are not just current, but future-proof. We're committed to being more than just a technology provider - we're a strategic collaborator, invested in your long-term success.

Our team works closely with you throughout your journey, from initial consultation and design to implementation and ongoing support. When you partner with Proactive, you're choosing a dedicated team that understands the nuances of the Indian market and is committed to empowering your GCC to reach its full potential.