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Opinion

Global Capability Centres in India: Current Scenario and the Way Forward

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ABSTRACT

Global Capability Centres (GCCs) have emerged as the greatest growth engine in India during the past two decades. However, the success story of GCCs in India is constrained by regional imbalance in the upward journey of the country towards prosperity and progress. While the GCCs have transformed the industrial landscape of southern states in India, the northern and eastern states of the country have remained backward. Setting up of GCCs in the backward states of India require significant investments in world class infrastructure like Technology Parks and Special Economic Zone. It is hoped that the new government after elections in 2024 will pay heed to the aspirations of the backward regions of the country so that the dream of 'Viksit Bharat by 2047' can be achieved. Further, expansion of GCCs will mitigate the incidence of unemployment and poverty and help India become 5-Trillion economy in due course.

KEYWORDS: Global Capability Centres (GCCs), Employment, Innovation, Competitiveness, India

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INTRODUCTION

Global Capability Centers (GCCs) are the satellite constituents of the multinational corporations (MNCs) to support the parent organizations in an array of strategic roles through dedicated teams of experts, cost arbitrage, and operational efficiencies in the host countries. GCCs contribute not only to minimize costs but also add value to the product or service offerings of the parent companies and ensure seamless operations across the value chain. These centres of excellence enable the parent companies to focus on their core competencies. On the other hand, GCCs also supplement the innovation ecosystems of the parent companies. Over the years, GCCs have emerged as nerve centres of innovation. India is specially positioned to become a hub of GCCs for the leading MNCs of the world thanks to availability of tech-savvy talent pool as well as public policy focus towards attracting foreign direct investments such as Make in India, Digital India, Skill India, Technology Parks, Special Economic Zones, Ease of Doing Business in India, lower restrictions on raising overseas funds, production-linked incentives, etc.

Defying the popular notion of being the cost centres, Indian GCCs have evolved in the last two decades as centres of strategic excellence and innovation. No wonder, India accounts for over 45% of the GCCs in the world outside of home country and these centres are in a sense a microcosm of the global enterprise (NASSCOM, n.d.). A report published in the Economic Times indicated that at least 20% of Forbes 2000 companies have already established their GCCs in India as of 2023 (Majumdar and Parmar, 2023). According to a Deloitte Press Release based on a 2023 Global Shared Services and Outsourcing Survey:

“The GCC sector currently contributes a revenue of US\$60 billion, which is expected to reach US\$75-80 billion within 4-5 years. India is expected to have over 1,900 GCCs, employing 2 million people and earning US\$60 billion. According to WTO estimates, India is also amongst the world's top exporters of services, doubling its share in global services trade to over 4 percent in 2022 from 2 percent in 2005. This, backed by survey findings, showcases that shared service centres are going to be at the core of India strengthening its position on the global map, and achieving the country's services exports target of US\$400 billion for the current fiscal year”. (Deloitte, 2023)

DEVELOPMENT OF GCCS IN INDIA

Growth story of GCCs in India dates back to 1985 when Texas Instruments first opened its facility centres in Bengaluru. Liberalization in 1990s propelled the growth of GCCs in a significant manner. However, the GCCs got real push in early 2000s as when a very good number of MNCs chose to set up their cost centres like Business Process Outsourcing (BPOs) in the country. Availability of cheap knowledge workers and cost-effective real estate space triggered growth of BPOs in the country in a big way. GCCs in their initial avatar not only managed back-office functions but also handled tasks related to IT support functions such as data processing, customer care and documentation. Second phase of the growth of GCCs commenced in 2005 and continued till 2012. During the second phase, GCCs evolved as Global In-house Centres (GICs) with a clear mandate to improve delivery and process excellence fostering digital transformation and innovation throughout the organisation's product and service capability ecosystem (India Brand Equity Foundation, 2023).

The third and current phase of GCC growth story in India started in 2013 and is likely to continue during next few years. Now GCCs are viewed as Centres of Excellence (COE) with augmented emphasis on ownerships at GCC-level, innovation, digitization, use of artificial intelligence, machine learning, big data, etc. GCCs are poised to take care of multiple functions such as engineering research and development, information technology (IT) and banking and financial services (BFSI) among others (India Brand Equity Foundation, 2023). In the emerging scenarios, the GCCs are complementing the innovation thrust of their parent companies as never before. Table 1 provides a glimpse of the characteristic features of new age GCCs categorized as shared service centres, research and development centres, knowledge centres, innovation centres, and customer service centres. These centres work in tandem with the corporate headquarters to meet and exceed stakeholder expectations and offer value-added services imbued with cost efficiencies. No wonder, the MNCs from across the world are now looking at India as their preferred choice for setting up GCCs. We can expect large number of GCCs coming to India thanks to conducive ecosystems unleashed by the Government of India over the last ten years as manifested in various schemes to attract foreign direct investments.

Table 1: Characteristic Features of Global Capability Centres (GCCs)

Sl. No.	Type of Global Capability Centres (GCCs)	Characteristic Features
1.	Shared Service Centres	Finance, HR, IT, and procurement of all in one place for efficiency
2.	Research & Development Centres	Innovation hubs for new products, technologies and processes
3.	Knowledge Centres	Management of remotely shared information
4.	Innovation Centres	Development of new ideas, research, development of prototypes
5.	Customer Service Centres	Management of customer relations (query handling, complaints handling, feedback management)

Growth and development of GCCs in India have been facilitated by the following building blocks:

- **Availability of Talented Workforce:** India is said to have 5.4 million tech talent pool. Besides, India has second largest English-speaking population in the world. Indian workforce is highly affordable. For example, compensation of a software professional in India is just 1/10th of the same for his/her US counterparts.
- **Availability of Real Estate:** There are abundance of office and residential spaces in cities and towns of the country. Rentals in major Indian cities are 50% lower than other competing markets in Asia. Besides, the government provides facilities at affordable rates in the technology parks in various states of the country.
- **Conducive Public Policies:** India has been ranked highly in the Ease of Doing Business. Besides, the country has several schemes such as Digital India, Start-up India, Make in India, etc.
- **Strong Technology Ecosystem:** India has a robust technology ecosystem as manifested in increasing number of tech-based start-ups, technology firms, and Global Innovation Ranking.

THE ROAD AHEAD

The GCC market is likely to cross US\$ 100 billion by 2030 with 2500 GCCs across the country employing over 4.5 million people (India Brand Equity Foundation, 2023). It is imperative for

the government to leverage the scenario vis-à-vis GCCs to attain the lofty goal of 5-Trillion economy while resolving the issue of unemployment in due course. The government has already taken initiatives conducive for proliferation of GCCs. However, currently, GCCs are mostly concentrated in southern states of India like Karnataka, Kerala, and Tamil Nadu. It is imperative that the government incentivises the expansion of GCCs in states like Assam, Bihar, Jharkhand, Odisha, West Bengal, etc. World class infrastructure like Techno Parks (Jha and Mohapatra, 2023) can be established in 100 most backward districts of India (Prasad, 2023) to augment the dispersion of GCCs, which in turn, can help in attaining the lofty goal of 'Viksit Bharat' by 2047.

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