THESIS

Rationale, implementation challenges and success factors for establishing GCCs - Global Capability Centers (Captives)

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ABSTRACT

The phenomenon of MNEs (Multi-national enterprises) setting up their own subsidiaries in India to provide services to the parent organization (aka GCCs or Global Capability Centers - GCCs) has gathered pace in the past 15 years or so, with over 750 additional such units having been established, bringing the total count of such subsidiaries to over 1500. When viewed in the backdrop of India as a preferred offshore outsourcing powerhouse, this brings up the question of why MNEs are adopting this strategy as opposed to pure outsourcing. Further, in doing so, what challenges arise for the MNEs to realize the benefits of this choice. This research examines this rapidly growing trend through a series of interviews with leaders of established GCCs, GCCs that were established and subsequently sold, and through Industry experts who have been consulting or researching this area. The research shows that the rationale for establishing GCCs rests on the foundational element of the core CSA or Country Specific Advantage that India possesses, namely an English-speaking low-cost talent pool. Building on this foundation, MNEs are seeking to create FSAs (Firm Specific Assets) such as technology-driven transformational capabilities, Intellectual Property development, and even establishing innovation centers – all geared to creating a competitive edge. The data gathered is analysed through the lens of Internalization and shows the crucial role that management and the processes put in place for collaboration with the offshore unit serve to enable a successful GCC strategy. The findings are pulled together in a GCC Success Framework that presents a wholistic model for successfully establishing a GCC. Additionally, in analysing both the challenges as well as success enablers, a diagnostic framework has been proposed that enables existing MNEs to evaluate their own GCC.

Keywords:

GCC, gcc, global capability center, gic, global in-house center, subsidiary, international business, CSA, country specific advantage, FSA, firm specific asset, outsourcing, offshoring, internalization, digitalization, transformation, innovation, fascicle

1. INTRODUCTION

1.1. BACKGROUND

"Offshoring (Davis et al., 2006) *is defined as the provision of organizational products and services from locations in other countries*".

As a business practice, it is nothing new and the most touted example of this is one of shifting manufacturing processes to locations that have lower labour costs. This applies to Information Technology and Business Processes, such as accounting, as well. The rapid advancements in connectivity and technology have provided the necessary impetus for this.

This is further explained as being done in one of two ways. The first is for a firm to outsource some of its activities to providers or vendors in other countries (hereinafter also referred to as Third-Party Providers or TPPs). The second is through the establishment of their own service operations in other countries. These establishments are called Captives, or GCCs, and in India were given the acronym GICs (Global In-house centers) by NASSCOM[1]. NASSCOM, in more recent years has changed this nomenclature to GCCs or Global Capability Centers. These owned centers are also referred to as GCOEs (Global Centers of Excellence), GBS (Global Business Services) and SS (Shared Services) by various players. Hereinafter for the purposes of this thesis we will predominantly use the term "GCC".

GCCs[2] are therefore business units that are owned and provide services to an overseas parent organization from an offshore location.

The trend of outsourcing in the field of Information Technology was initiated by airlines and computer services companies during the 1990s as they offshored a variety of back-office services. An example of this is American Express which has been outsourcing to India since 1994. The motivation to outsource is summed up in Larry Ellison's statement[3]: *"Why should every automaker, publisher or doctor's office have to be a tech company too, employing high-paid staff who spend all of their time fiddling around with computers?"* In this *"lies the profound idea that a firm should consider not performing activities that are outside its core competencies, because others can generally do such functions better, less expensively and/or faster"* (Davis et al., 2006). However, the authors also aver that there is an exception to this principle which is that *"unless these activities are not core competencies but are critical success factors (CSFs) – something that is necessary, but not sufficient, for the success of a firm – and are not generally available in the marketplace".* They further state that "*in such cases, activities should be done in-house through the creation of new capabilities or functions".*

[1] National Association of Software Companies (nasscom | The trade association of Indian IT BPM industry)

[2] Adapted from: A historical review of the information technology and business process captive centre sector. Journal of information Technology, 27(4), 270-284) (Oshri & Van Uhm, 2012)

[3] As quoted in Wall Street journal, Feb 11, 2004

This brings us to the second way of offshoring – that of establishing owned units or GCCs. One of the earliest R&D facilities set up as a GCC was by Texas Instruments in 1985[4] in India. From then on, Deutsche Bank, Citigroup, Samsung, United Technologies, Exxon Mobile, Daimler, HSBC and General Electric all followed suit by setting up GCCs in India through 1997 (Oshri & Van Uhm, 2012). Further, as the establishment of GCCs was taking root, companies were doing so in other geographies as well, such as Moscow, Singapore, Dublin, China, and Malaysia.

From the year 1998 through 2002, 66 GCCs were established on account of what the authors termed the "General Electric Effect" where the establishment of the GE GCC prompted several other organizations to evaluate setting up one of their own. In this phase, locations like Philippines, Israel and Poland were additional destinations for the establishment of these units. However, with a strong foundation of English-speaking engineering talent, low cost, and government reforms introduced in 1991, India became the preferred destination.

According to Zinnov[5] the number of GCCs set up in India by 2009 was estimated at over 750. By 2023 they estimated this number to be over 1500[6], representing a significant increase in the establishment of GCCs in India. According to NASSCOM, the number of GCCs established in India will grow to over 1900 by the year 2025[7]. In 2021 alone, the market share of GCCs in India's IT-BPM exports basket was estimated at a little over 23%[8].

This proliferation of GCCs signals a departure from earlier practices that large corporations adopted which entailed outsourcing significant portions of their IT work and Business Processes to low-cost third-party service providers. The historical drivers of outsourcing were several. The notion that non-critical work needs to be outsourced being primary among them. This, followed by the opportunity to save money by outsourcing to low-cost destinations like India, provided the offshoring impetus. Talent shortage in countries like the US further fuelled this shift, where it was felt these Third-Party Providers in countries like India, that boasted large populations of English-speaking professionals, were better placed to attract and retain the required talent when compared with the alternative of attempting to do so by themselves.

What then is prompting this acceleration towards owned "GCC" centers?

In a study of 26 Global 500 firms (Straub et al., 2004) compelling evidence was found that showed that outsourced strategic IT functions experienced lower performance. A viewpoint that surfaced was that over time, organizations may not be able to maintain skills that they have outsourced – which meant that when the contract came up for renewal, the organizations may not have the skills to even consider doing it themselves (King, 1994). This potential lock-in with a vendor, including the accompanying risks of

[4] TI India Fact Sheet
[5] www.zinnov.com
[6] Sept 2022 Zinnov report "The evolving India GCOE ecosystem"
[7] GCC India Landscape – 2021 & Beyond! | NASSCOM
[8] Derived from NASSCOM-Deloitte research, GCC Value Proposition for India, 2021

possible reduced vendor attention down the road and the need to conform to technologies that are decided by the vendor rather than by the company, add to the risks associated with outsourcing.

More contemporarily, with an increasing move to digitalization, IT (Information Technology) and BPM (Business Process Management) were no longer looked upon as a support functions, but as mainstream functions that were centric to consumer experiences and therefore to increasing and retaining market share.

A major change therefore was that what were earlier considered to be support and adjunct functions were now considered to be mainstream. In other words, the definition of what was "core" to the business underwent a change, driven largely by technology. This becomes a key drive for the establishment of GCCs.

According to Zinnov, GCCs can become "Hubs" creating "niche competencies and becoming forerunners in innovation". A "Hub" is described by Zinnov as having "highly empowered GCC leadership roles that drive strategic and transformational initiatives locally and globally"[9] and focuses on strategic priorities like becoming an Innovation Hub, supporting Digital Transformation, IP creation, establishing Centers of Excellence, to name some.

Establishing the GCC in a low-cost destination like India, therefore, enabled organizations to create a low-cost foundation for themselves to build these hubs with a focus on strategic priorities.

It is driven by this evolution of GCCs to create global capabilities that NASSCOM chose to label them as Global Capability Centers (GCCs).

While talking about the rapid increase in the number of GCCs, it needs to be pointed out that this phenomenon has also included instances of some of them being sold off or shut down (examples are, America Online's contact center, Citigroup Global Services, UBS, to name a few)[10]. These instances prompted debate as to whether the GCC strategy was here to stay or would die out. According to the India Brand Equity Foundation[11] report published in 2007-8[12], it was predicted that the GCCs were likely to decline post 2009-10 with more and more companies favouring outsourcing. The reasons cited were increasing costs in these centers, increasing attrition, lack of integration and management support and lesser flexibility on the part of the GCCs. Additionally, third parties were able to configure a GCC-like offering they called a "Virtual GCC" which functions as an overseas resource center for the client, which they felt would be an effective counter. IBEF further predicted that the increasing service levels by TPPs along with better management of security concerns would further drive the preference back towards them.

[9] The Evolving India GCOE Ecosystem, Sept 2022, Zinnov
[10] Captives in India: Is the Honeymoon Over? | VCCircle
[11] www.ibef.org
[12] Knowledge_Process_Outsourcing_170708.pdf (ibef.org)

Yet the rapidly rising number of GCCs belies this prediction and gives rise to the question: Why?

According to AT Kearney's 2019 Global Services Location Index[13], India ranks no 1 in the world for services outsourcing. Why, therefore, are we witnessing such a rapid growth of GCCs in an environment where outsourcing to India based third party services providers (Vendors) is an established mechanism adopted by organizations overseas? Answering this question is central to this research.

1.2. EXISTING RESEARCH

Outsourcing and offshoring have both attracted a fair amount of management treatise as well as research. Examples are Davis et al., 2006 and King, 2001. Additional resources are listed in the bibliography.

GCCs per se, started to garner research interest in the late 2000s. Oshri & Van Uhm, 2012, were some of the earlier researchers on this topic and published a historical perspective. Some of the earlier work done classified GCCs into 4 types (Oshri et al., 2008) – the Hybrid GCC, where some work is done by a GCC and some by TPPs; the Shared GCC, where work is done for both the parent as well as for external customers; the Divested GCC, which is one that is sold off; and finally the Terminated GCC, which is one that has been shut down. This treatise focused more on these classifications and the circumstances around each.

Balaji et al, 2012, did case-study based research on what enables a GCC to contribute to a firm beyond economic advantages. They concluded that a GCC's capabilities were driven primarily by headquarters assignment of responsibilities and the GCC's own choice of activities. They further stated that these choices could determine whether a GCC would be a cost center or a strategic one. Further, the study asserted that it was the hierarchical nature of the relationship between the subsidiary and the parent that drove what type of GCC would emerge. Birkinshaw & Hood, 1998, also wrote about "Head-Office assignment of responsibilities" in the context of subsidiaries and have stressed on the importance of relationship building between the offshore entity and headquarters as being determinants of effectiveness of the subsidiary.

Penter et al., 2009, developed a management framework for BPOs (Business Process Outsourcing) based upon case studies of two firms. They highlighted that success factors in offshore BPOs were a combination of savings, technical service quality and strategic issues. Though relevant to GCCs overall, their study was limited to Business Process Operations and not to GCCs that provided both IT as well as ITES (IT Enabled Services)[14] services.

[13] A.T. Kearney's 2019 Global Services Location Index (GSLI) Resonates with Digital Change (prnewswire.com)

[14] Business Processes when offshored are also referred to as IT Enabled Services

There is abundant research around R&D activities in GCCs and considerations that drive the balance between R&D work being outsourced and that being sent to a GCC – essentially what goes into make or buy decisions. Other research on R&D units of MNCs show the evolution of these GCC units to drive value over and above cost-savings and their emergence as innovation centers. Jha et al., 2018, Patra & Krishna, 2015, Srikanth et al., 2020, Steinberg et al., 2017, are examples of authors that have delved into this aspect.

There is fecund material around topics related to how to make a subsidiary more effective, governance, the role of headquarter relationships and building MNE Centers of Excellence as a value-added evolution of existing centers. Much of this has been in the context of subsidiaries that have been set up to garner local market share. Birkinshaw et al., have, over the years, provided ample research material in these areas.

Being an evolving and emergent strategy, several consulting organizations have done their own research and have been publishing their findings. Examples are McKinsey, Deloitte and Zinnov. They have provided a temporal view on the evolution of GCCs from being third party alternatives to providers of greater value. This evolution has been chronicled through "stages" or as evolving "maturity" frameworks.

1.3. THE GAP

The recent proliferation of GCCs (over the past 10 to 15 years) shows the need to have a deeper understanding of why this phenomenon is on the rise, what considerations are driving this trend and what are the success enablers, keeping in perspective traditional offshore outsourcing to third party providers.

Studies like Penter et al., 2009, yield some insights – but that is in the context of BPOs only.

Existing research by consulting organizations like Deloitte throws light on the evolution of capabilities of GCCs – the possibilities – but still does not wholistically answer the question "why". Their research points towards the development of capability centers as strategic global assets as part of the "why", yet we seek a more grounded response through the eyes of GCCs and Industry experts to see what else there is. What is it that companies are seeking to derive from the GCC that they cannot, or can do, in a limited way from TPPs? Further, in the backdrop of the why and through the experiences of GCCs, we seek to put together an answer to the "how".

In summary therefore, there is abundant material (see bibliography) that delve into specific aspects like governance, hierarchy, relationship building, role of headquarters, evolution of R&D centers, considerations driving make or buy decisions etc., – each of which yields some insight, but not a complete picture of "why" and "how". There is, therefore, a need for research to construct a ground up view on the "why" and a gestalt view of how a GCC strategy can be enabled successfully.

1.4. MOTIVATION FOR THE STUDY

In a 2021 study[15] Deloitte indicated that the employment with GCCs had increased from about 750,000 in FY 2015 to about 1.3 million by FY 2020. In the same period the number of GCCs increased from about 1000+ to over 1300, while the annual revenue reported by this sector increased from USD 19.4 billion to 33.8 billion.

While this represents a significant direct economic impact, Deloitte also estimated the combined direct and indirect economic impact at about USD 99 – 103 billion, taxes paid at about USD 5.4 – 5.6 billion and employment generated at between 5.2 and 5.5 million people as of FY 2020.

There has been a significant impact of GCCs at the global level as well. Diana Farrell of the McKinsey Global Institute in her 2005 paper titled "Offshoring: Value Creation through Economic Change", has drawn attention to the global impact of offshoring in general. She has averred that offshoring has created value over and above cost savings, and has cited several aspects of this, such as lower costs resulting in the ability to re-invest in value-adding opportunities thereby arming companies with higher flexibility to respond to market changes, exporting goods and services to countries where offshoring is taking place and also earnings repatriation to the parent company, to name some. Job losses in the companies' home countries arising out of offshoring are compensated for through higher value-adding jobs being created in the parent organizations' country. While her treatise is on offshoring in general, establishing GCCs is one form of it.

I derive my motivation to do this study from the larger potential impact this phenomenon has across the globe. Adding to my interest is the little-over-decade old prediction in some quarters (refer to IBEF report and VC Circle report mentioned in Chapter 1.0 Introduction, above) that GCC as a strategy is unlikely to sustain itself. However, quite the opposite has happened, and therefore studying and understanding this is of great interest especially when viewed in the context that only 25% of Fortune Global 500 companies have established GCCs[16] – the potential for more to do so is therefore very large.

With this backdrop, I feel this research would be of great relevance and interest to the following audiences and players:

- Organizations considering or evaluating the establishment of a GCC. These organisations would be keen to understand the value creation potential, success enablers and possible pitfalls to guard against.
- Likewise, existing GCCs and their Parent organizations too would be keen to understand and benchmark against the value creation potential, success enablers and possible pitfalls.

[15] NASSCOM-Deloitte research, GCC Value Proposition for India, 2021
[16] NASSCOM-Deloitte research, GCC Value Proposition for India, 2021

- Potential hires for the position of Country Head/other senior leadership positions would welcome this research as it enables them to gain a deeper understanding of what is needed to lead and implement successful GCC strategies.
- Third party providers would also be interested in learning how this competing model works so they can configure appropriate responses.
- There are several consulting outfits that are assisting and advising overseas corporations with their GCC strategy. A well-researched understanding of this area adds more value to their consulting offerings.
- Leadership development organizations and OD consultants would welcome this study as it enables the development of training material and programs aimed at developing leaders for this business model.
- *For the same reason, Institutes like ISB too would be keenly interested*, as this offers them an opportunity to design and develop curriculum to support the needs of such organizations.
- Additionally, it is fertile ground for future and additional research in areas that span disciplines like Business Models, Strategy, Organization Design, HR etc.

Aside from these, this area is of personal interest to me as I have worked with GCCs over the past two decades and would like to further my understanding of the subject area and the potential it offers.

2. RESEARCH DESIGN

2.1. RESEARCH QUESTION

The proposed research seeks to answer the questions: *Why are overseas firms or MNEs (Multinational Enterprises) setting up GCCs? What new tensions/challenges does this create for the parent company and how do they define success? What processes enable the successful establishment and continuation of the GCC as an integral part of the value delivery mechanism.*

The Research Question is stated as follows:

What drives MNE internalization decision? (By internalization we are referring to work being done internal to the company as contrasted with outsourcing it)[17].

Once the GCC is established, how is it to be managed to generate the envisaged value?

The additional sub-questions that arise from this are:

- In making this shift, what organizational challenges arise and how do organizations address them?
- Is this internalization strategy more effective: how do we gauge performance?
- What are the implications of this shift to the economic landscape in a country such as India?

2.2. PROPOSITIONS OFFERED

The author of this thesis has extensive experience in establishing and running GCCs, having personally led 4 of them. He has developed, under the guidance of Prof S. Ramnarayan of the Indian School of Business, a case study on the establishment of a GCC by Anthem Inc[18] (Seth et al. 2022) a leading US based healthcare insurance provider.

In looking at the specifics of the Anthem case study as well as papers authored by leading consulting organizations[19], the following propositions are offered to provide an explanation as to what organizational challenges need to be addressed to ensure the successful establishment of a GCC:

P1: Internalization enables MNEs to leverage the lower-cost talent pool to derive value in areas like enhancing process efficiencies, IP protection and driving transformation agendas more effectively than a pure outsourcing arrangement.

[17] This is described more fully in Chapter 4 on Internalization Theory

[18] Anthem is now called Elevance, and its subsidiary Legato has been renamed as Carelon

[19] See Literature Review Section

P2: Aligning a guiding coalition around a clear vision and strategy for the subsidiary enables a strong foundation for the GCC strategy.

P3: Leadership plays a critical enabling role in enabling and driving stakeholders to mitigate the challenges the new strategy would give rise to.

P4: Attention to ongoing learning of perspectives and knowledge to pursue vision and strategy through effective GCC voice and collaborative processes would contribute to refining and strengthening the overall strategy on an ongoing basis.

2.3. METHODOLOGY

2.3.1 Choice of Case Study Method

The case study is a research method which focuses on understanding the dynamics present within single settings (Eisenhardt, 1989). This applies well when we are looking at understanding a phenomenon which has little treatise in academic research or is an emergent area. The rise of GCCs is a more recent and contemporary phenomenon and therefore rigorous research focused on this strategy is yet to gather momentum.

The nature of our Research Question – the understanding of the "why" and "how" of internalization requires us to analyse individual company settings. A consolidation of these findings across these different settings enables us to use replication logic (Yin, 1981, 1984) to consolidate findings and yield insights backed by external validity through inductive research, that can further our understanding of what is going on.

We had commenced the research process when we did a detailed case study on Anthem's GCC Unit in 2022[20]. This, as well as my own experience of having led four GCCs (one of which was sold to a Third-Party Provider during my tenure) enabled us to put forward the propositions enumerated in section 2.2.

However, to strengthen the rigor of the inductive case study process, we felt it was important to interview additional GCCs to validate these propositions in other settings, while also unearthing newer ones to put forth our conclusions and theories. Our case study approach is therefore a combination "inductive-deductive" approach and the use of this mixed method is described by Newman, 2000.

[20] https://hbsp.harvard.edu/product/ISB288-PDF-ENG

2.3.2 Choice of Interviewees

In order to eliminate any specific influence of an industry vertical or size of a GCC, it was decided to approach GCCs across industries of varying sizes.

Additionally, to enable cross views of both GCCs that have continued and grown once established, as well as those that were sold off, it was decided to include some GCCs that were sold off as well. This would also enable data triangulation as it would include perspectives of a GCC strategy that was not pursued.

In talking to GCCs, it became apparent that most GCC leaders were hesitant to participate in the research on account of confidentiality reasons. Hence the choice of the GCCs and those that were sold off were therefore further narrowed down based upon convenience sampling (namely where we would invite respondents through our industry connects and network) – while keeping in view the cross-section specified above.

Further, it was decided that in order to further strengthen the data triangulation, we would include industry experts in our interviews. To this end, we included experts from the leading Industry association – NASSCOM, as well as views from leading consulting organizations in the field.

The following is the list of GCCs, GCCs that were sold as well as Industry Experts that were interviewed.

As can be seen from the list, we have included GCCs of different sizes, industries as well as those with parent organizations in both the US as well as Europe – both geographies that constitute the large majority of the GCCs established in India-about 91%[21].

To ensure that specific views are not attributed to specific individuals, a descriptor has been used for each GCC or industry expert.

[21] GCCs: India's Magnet for MNCs | BusinessBar | Find stories where business meets casual and numbers meet narratives!

The following is a list of GCCs interviewed[22] for both established GCCs as well as those that were shut down or sold off:

GCC DESCRIPTOR	DESCRIPTION OF PARENT	WHEN ESTABLISHED	GCC HEADCOUNT AT TIME OF INTERVIEW[23]	WHEN SOLD OR SHUT, IF APPLICABLE	INTERVIEWEE
"EURTAIL"	Europe headquartered retail MNC	~ 2019	900-1,000 including those managed in Europe, China and the US	N/A	Ex Country Head
"EURBANKSOLD"	Europe headquartered investment bank	~ 2005	2,000-2,500 when sold to a third-party vendor	~ 2009	Ex Country Head
"EURBANKRESTART"[24]	Europe headquartered investment bank	~ 2015		N/A	Ex Country Head
"USELEV"	US headquartered manufacturer of elevators and escalators	~1995	450 when sold to a third-party vendor	~2014	Ex Country Head
"USMED"	US headquartered manufacturer of medical equipment	~2011	600 when sold to a third-party vendor	~2020	Ex Country Head
"USENERGY"	US headquartered tech MNC providing solutions in the energy industry	~2007	3,500-4,000	N/A	Ex Country Head
"USGROCERY"	US headquartered grocery retail and supply chain organization	~2007	600	~2010	Ex Functional/Departmental heads - 4

[22] All interviews were conducted in the second half of calendar 2022 except for "USHEALTHINS" which involved a series of interviews conducted over 2020 and 2021.

[23] Estimates

[24] EURBANKRESTART was the same bank that sold its earlier GCC/Captive, EURBANKSOLD in 2005

"USHEALTHINS"	US headquartered health insurance provider	~2018	12,000	N/A	US based President of offshore subsidiaries + US process heads + India based departmental heads – 11 executives
"USCOLLABTECH"	US headquartered services led provider of technology driven collaboration solutions	~2023	Yet to commence	N/A	US based Sr VP

Profile of industry experts interviewed:

EXPERT DESCRIPTOR	PROFILE
"NASSEXP1"	Ex Regional Head, NASSCOM[25]
"NASSEXP2"	Ex Regional Head, GCCs, NASSCOM
"CONSULTCO1"[26]	VP @ leading research firm with a GCC practice
"CONSULTCO2"	Director @ leading research firm with a GCC practice
"GCCCONSULTCO"	CMO @ Leading technology research firm with a GCC practice

[25] National Association of Software Companies

[26] CONSULTCO1 AND CONSULTCO2 are from the same organization and were interviewed together. Hence their individual responses are consolidated as a single response on the data capture and codification sheet (Exhibit 2)

The interviews were conducted in two phases.

Phase 1 (Jan 2021 – March 2022)

- Interview driven case development (Seth et al., 2022)
- Reflection of own journey as Country Head of Anthem's GCC, Legato

Phase 2 (May 2022 onwards)

In Phase 2, the following three sets of audiences described in section 2.3.2 were interviewed:

- Leaders of established GCCs.
- Leaders of GCCs that were sold.
- Industry experts.

Leaders of established GCCs would be able to provide insights as to why the GCC was set up in the first place, the challenges they encountered while establishing the GCC, and what in their experience contributed to the successful establishment of the GCC.

The leaders of the GCCs that were shut down or sold off would be able to provide insights as to what events/rationale led to the final action with respect to those GCCs.

The third set, the industry experts, were interviewed to provide an independent view of the "why", the "how" and the challenges associated with this strategy.

Aside from this, these audiences would also be able to opine on how the GCCs phenomenon would affect the future of TPPs, as well as on the nature of impact on the Indian landscape in general.

Questionnaires were constructed for each of these audiences (see **Exhibit 1**) and were sent to the identified respondents in advance of the interviewees which were themselves recorded and transcribed for further analysis.

2.4. DATA CAPTURE AND CODIFICATION

As described by Gioia et al., 2013, a key question that reviewers typically have is "Where is evidence for your assertions?". The challenge that is required to be overcome is to ensure that the overtones of what we are asserting or proposing is not unduly impressionistic and is backed by not just insightful observations, but by the derivation of those insights through a combination of both the interviewee's voice as well as that of the researcher.

This requires a two stepped approach to the data capture and presentation. This two stepped approach is referred to as the 1st order and the 2nd order analysis (Gioia et al., 2013). The 1st order analysis entails the collection of the interviewees' data and the 2nd order analysis represents a consolidation of these 1st order inputs by the researcher.

Based upon this approach, the following steps were adopted for data capture and codification:

<u>Step 1</u>: The interviewees were sent the questionnaires in advance.

<u>Step 2</u>: A video call was scheduled to conduct the interviews (note that in the case of "GCCCONSULTCO", a written response to the questionnaire was received). A total of 13 interviews were conducted. All the interviews were recorded (total recording time - about 490 minutes).

<u>Step 3</u>: All the recorded interviews were transcribed using the Microsoft Teams built in transcribing function. The total number of pages transcribed was 281. This, along with the 5 pages of written response received from "GCCCONSULTCO" and 15 pages from the Anthem case study yielded 301 pages of material to analyse.

<u>Step 4</u>: The transcribed material was then reviewed manually to list or codify the relevant responses against each question.

These responses were grouped under the following headers:

- Rationale for setting up the GCC
- Challenges to the model
- Success enablers
- How is success measured
- Why was the GCC shut down or sold off, OR why do GCCs fail to evolve
- Advice for companies setting up GCCs
- What are the implications on Vendors/Third Party Providers of proliferation of GCCs
- What is the impact on India in general

This is the first order analysis that is referred to in this section above.

A tally mark of "1" was noted against each response received in consonance with the need for capturing replication logic referred to in section 2.3.1 above. This tabulation labelled "1st Order" is the first tab in the Data Capture and Codification Sheet which is appended as **Exhibit 2**. This is the capture of the interviewee's (or informants') data as described above.

Step 5: The responses under each of the headers listed in Step 4 were further grouped under common themes. This process is referred to as 2nd Order codification and is shown in tab 2 titled "2nd Order" in **Exhibit 2**. This represents the researcher centric consolidation derived from the informants' data.

For example, under the header "Rationale for setting up the GCC", the responses were grouped under the following themes:

- Access to talent pools
- Strategic Value: India Ecosystem Fascicle
- Offshoring to Rightshoring: Vendor Risk Diversification

Each of these themes has a list of responses grouped under it. For example, under the theme "Access to Talent Pools" we have the following responses:

Access to talent pools at an attractive cost point/savings
Availability of talent with diverse and contemporary skills sets due to robust ecosystem
High attrition rates in parent due to the Great Resignation
Save cost to enable investment in diverse technologies

Wherever a respondent had affirmed a response against one of these, a tally of "1" is inserted into the table. As an example, against the response "Access to talent pools at an attractive cost point/savings" we have 12 responses. This score of 12, or response frequency, is taken as an indication of the importance the respondents place on this item.

The frequencies against each item under a theme were then totalled and sorted from highest to lowest to indicate which response under a particular theme had the most responses from the respondents. Staying with the example of the theme titled "Access to talent pools", the item "Access to talent pools at an attractive cost point / savings" has a response frequency of 12 and is shown at the top of this theme, whereas the item "Save cost (due to lower cost talent) to enable investment in diverse technologies" has a response frequency of 1, thereby positioning it at the bottom. This frequency sorting is used to determine the importance respondents place on that item based upon the response score.

It needs to be mentioned that a level of "clubbing" of items was also done prior to inclusion under a theme, wherever such clubbing made sense without losing any underlying detail – for example under the heading "Success enablers", the following two items were clubbed together:

"Learn from NASSCOM and others in the India market",

and

"India GCC brand"

These were clubbed together as:

"Adopt best practices from NASSCOM & other GCCs in the India market: India GCC brand is established".

Step 6: The next step was to identify which **theme** under a given header was accorded the highest importance based upon the frequency of response. This was done by inserting a tally of "1" against the theme wherever an affirmative response was provided against an item within the theme. A tally of "1" was inserted against the theme even if there were multiple items within the same theme affirmed by a respondent. To exemplify, under the theme "Access to talent pools", "NASSEXP1" has provided a response against 4 items – but since each of these is a part of the overall them of "Access to talent pools" it is accorded a tally of "1" at the theme level. These totals against each theme are used to indicate the importance of that theme. In the example of the three themes under "Rationale for setting up the GCC", each of the themes received a score of 12 responses, representing an equal weight being accorded to each theme by the respondents.

As an additional example, under the heading "Success Enablers", the theme titled "Enabling the Voice of the India GCC leader", has a score of 11 tallies – the largest under this header, and therefore appears at the top of the themes in this section. Within this theme, the response *"Hiring the right GCC leader is crucial"* has appeared in the highest number of responses – 9, indicating the importance the respondents place on this.

The frequency totalling and sorting of 2nd Order responses is the logical continuation of the replication process mentioned in section 2.3.1, and supports the derivation of conclusions, which is captured in subsequent chapters.

3. PROLIFERATION OF GCCS: SHIFTING LANDSCAPES

> *"Global In-House centers (GICs) are no longer a repository for internal IT or operations functions. They have moved from cost arbitrage to being a core part of organizational strategy and objectives and have evolved into Global Capability Centers (GCCs)"* (Gupta & Leader, n.d.)

> *"GCCs coordinate with internal stakeholders (the parent and other capability centers) to drive organic innovation for the parent organization"* (Mehta et al., 2021)

> *"Many companies have begun to insource their teams that were previously being outsourced. And the reason for that is quality, bringing the core expertise in-house, reducing the reliance on third-party providers, and data privacy in IP"*[27]

The above statements are a testimony to the shifting landscapes that signify the importance of GCCs to the parent organization.

As the rapidly growing number of GCCs indicate (Nasscom estimates over 1900 by 2025), there is an increased realization that this is a strategy that has come to stay and grow.

What value, therefore, do parent companies see in setting up owned GCCs – to internalize vs relying on pure outsourcing? **What drives MNE internalization decisions?**

A compilation of the responses during the interviews shows the following three categorizations/themes (from **Exhibit 2**) emerging as a response to this:

- Access to Talent Pools
- Strategic Value: India Ecosystem Fascicle
- Offshoring to Rightshoring: Vendor Risk Diversification

Each of these themes received 12 responses out of 13, indicating the equal importance that the interviewees placed on them.

[27] Zinnov, written response to interview questionnaire, 2022

3.1. THEME 1: ACCESS TO TALENT POOLS

Within this theme, the highest weightage was accorded to "Access to talent pools at an attractive cost point/saving".

Many companies have already realized the cost-efficiencies of offshoring by outsourcing to Third Party Providers in India. However, the savings that accrue from the establishment of owned centers enables these companies to "stretch their dollars" further, to invest in creating capabilities that result in strategic value (see Theme 2 below).

Anthem Inc (now Elevance), for instance, established a business case that highlighted substantial savings by insourcing from existing offshore TPPs (Seth et al., 2022).

Once the GCC was established, the stakeholders began realizing value over and above just cost savings. In the words of one of the stakeholders:

> *"When we started, we were naturally cautious, but today we simply depend upon the Legato teams. We would consider giving the high-volume easy work to vendors, but with our Legato tams, we have gone way up the value ladder and are leveraging them for core work"*[28]

The following were the reasons listed under this theme along with their frequency scores (the number of times a particular reason/response was recorded):

	Frequency score
Access to Talent Pools	12
Access to talent pools at an attractive cost point/savings	12
Availability of talent with diverse and contemporary skills sets due to robust ecosystem	2
High attrition rates in parent due to the Great Resignation	1
Save cost (due to lower cost talent) to enable investment in diverse technologies	1

While the key driver is access to talent pools at an attractive cost point/saving, this needs to be viewed in combination with the other driver – namely availability of talent with diverse and contemporary skills sets, which is due to the existence of a robust ecosystem. This robust ecosystem comprises talent in the large third-party providers, internal IT teams of companies, government organizations, GCCs and the startup ecosystem,[29] [30] to name some.

Access to Talent at attractive price points, therefore, becomes foundational to the ability to derive strategic value from the GCC (Theme 2 below).

The factor of high attrition rates in the parent due to the great resignation needs to be viewed in the context of the resignations taking place during and immediately post pandemic. However, at the time of writing this, there have been significant

[28] Vice President, National Experience, Anthem

[29] NASSCOM estimates a workforce of 5.5 million working directly with GCCs and other companies in India

[30] India now has the third largest startup ecosystem in the world ([India becomes third largest startup ecosystem in the world - Times of India (indiatimes.com)])

layoffs that have taken place in the tech world globally, and this, as a reason, may not apply at this point in time.

3.2. THEME 2: STRATEGIC VALUE - THE INDIA ECOSYSTEM FASCICLE

According to the Cambridge Dictionary, one of the meanings of the word "Fascicle" is "a group of muscle or nerve fibers". In order to describe the Strategic Value that organizations see in the establishment of GCCs, we take recourse to using this word as it appropriately signifies the grouping, or "bundle" of value that companies are now deriving or seeking to derive.

The responses received from the respondents amply highlight this point. The bundle of value that GCCs or GCCs offer is summed up in the responses below as reproduced from Exhibit 2:

	Frequency score
Enable Tranformation(eg digital and mobility)/re-eng processes/data & analytics/automation	6
Support India/other geos as a market/for market expansion/Prod dev for markets	6
IP development, innovation, protection	4
Provide leadership to other GCC entities around the globe (leadership consolidation)	4
Retain/leverage domain knowledge/build domain specific capability	4
Pressure to set up GCC as competition has done so/emulating others	2
Starting point: "core focus" : eg engineering R&D	2
As part of a BCP (Business Continuity Planning) plan	2
Through acquisition of a business in India which had an internal GCC capability	2
Driven by investors/PE firms - lower bottom line, higher efficiency, better top line	1

The top 5 reasons are discussed below:

Enable Transformation (e.g., digital and mobility)/re-engineering processes/data analytics/automation -

This received the highest score of 6 (out of 13 respondents) and is tied as the topmost driver for setting up GCCs along with the need to support India and other geographies for market expansion and product development.

Deloitte, in their paper titled "Building your digital DNA" refer to digitalization as a "Zeitgeist" topic and clearly call out the need for companies to find ways of either acquiring and/or retraining their workforce. This needs to be viewed in juxtaposition with the two top reasons given in Theme 1 above, viz., access to talent pools at an attractive cost point, and the availability of diverse and contemporary skills, since "Access to talent pools" is clearly an enabler for this. Combined, these factors call out the ability of organizations to enable their transformation agendas, and by this the respondents imply a move to digitalization, reengineering of processes, data analytics and even automation, to name some.

From our respondent pool, "EURTAIL", "EURBANKRESTART", "USGROCERY" and "USHEALTHINS" were all organizations that ranked this as a top driver for setting up the GCC. The parent organizations have been around for many years, and from a technology perspective have built up a large IT legacy core. They now find it imperative to embark on a digitalization agenda. Two of these are Europe headquartered organizations and two of them are US headquartered – showing that this need is spread across diverse geographies.

It needs to be highlighted here, that "EURBANKRESTART" represents a GCC that was re-started in 2015 after it was originally started in 2005 and sold in 2009 ("EURBANKSOLD"). At the time it was originally set up in 2005, transformation as an objective was not cited as a driver for the establishment of the GCC. However, in 2015 it was - demonstrating the emergent need of the bank of embarking on a transformational/digitalization agenda.

Support India/other geos as a market/for market expansion/product development for markets -

Both "USMED" and "USELEV" are manufacturers of products that are sold in the Indian market (medical diagnostic equipment and elevators/escalators respectively). For them, a key objective for the GCC was to be able to support their local product development and support needs, with the intent of expanding their market. This became the fulcrum around which they built their GCC strategy.

"EURTAIL", a European headquartered retail organization, with retail operations in India, established its GCC with multiple objectives – one of which was to support their local business. For them, while this wasn't the fulcrum around which the GCC strategy was implemented, it was one of the factors.

Industry experts "NASSEXP1", and "CONSULTCOs" both agree that for the earlier product manufacturers that had set up businesses to sell in India and neighboring markets, the ability to support their local business was a key driver for establishing the GCC.

IP development, innovation, protection –

With a diverse talent pool, GCCs such as "EURTAIL" and "USENERGY" developed the ability to help the parent organization with innovation initiatives. Additionally, being housed within their own subsidiary meant that the talent could be used to develop their own IP.

"USENERGY"'s business was based upon delivering services in the energy domain based upon proprietary algorithms that run on proprietary data analytical techniques. For them this was core IP that could not be outsourced to any Third-Party Provider and became the primary motivator for the establishment of the GCC.

"CONSULTCOs" highlighted the instance of a manufacturer of laptops that used the India GCC to develop an RPA (robotic process automation) product that would target service renewals for their lower value customers – a process that was earlier neglected as the costs were not justifying the returns. With the new RPA driven process, they were able to increase renewals significantly while keeping costs low.

According to, "GCCCONSULTCO", "*traditional industries such as Industrial Engineering and Automotive are all at a stage where there's a need for them to digitize faster and* *keep pace with the rapid technological advancements in their industries. In such cases, they set up GCCs to speed up the process*".

Yet others look to leverage the larger ecosystem through startup engagement programs. As reported by Zinnov in their India GCC Trends, Feb 2023, companies like Ericsson and Cisco have set up accelerator programs for startups to encourage innovation in their respective industries.

Provide leadership to other GCC entities around the globe –

Over time, several parent organizations set up GCCs across the globe. For instance, "EURTAIL" had established its presence in Poland and China. Likewise, "EURBANKRESTART" had established a presence in Singapore. "USENERGY" too had other global locations (aside from India) that it had set up.

To better leverage the diverse capabilities and the leadership the talent in India had to offer, these GCCs decided to consolidate the overall leadership of one or more of these centers under the India leadership. This enabled better utilization of resources based upon their capabilities, the ability to drive more integrated outcomes while also ensuring the ability to manage outsourced vendor headcount, and therefore costs, across geographic locations.

Retain/leverage domain knowledge/build domain capability -

To reap the benefit of transformation, there was a need to look at business processes and the supporting software around it wholistically, and not split work into silos to outsource work to Third Party Providers. This integrated view (of processes and IT systems) would lend itself to effectively reengineering the process based upon business needs, and then enable any software development or changes. This required deeper domain knowledge and expertise than was generally available with Third Party Providers and hence drove companies like "EURBANKSOLD", and "USGROCERY" to move several of these outsourced pieces to the GCC. In the case of "USENERGY" since their entire business model rested on their proprietary algorithms (which required deep domain understanding), outsourcing these core pieces was never an option.

The remaining components of the Fascicle are –

- Pressure to set up GCCs as competition has done so / emulating others: An example of this is "USGROCERY" which set up its GCC, by emulating another retail organization that had done so.
- Starting point: "core focus": e.g., engineering R&D: This has been described above, where manufacturing companies like "USELEV" and "USMED" used the core product development / engineering R&D teams in India as a starting point and later grew the GCC with additional capabilities.
- As part of a BCP (Business Continuity Planning) plan: This was woven into the overall objectives of establishing a GCC by "USHEALTHINS", a health insurance

company and was leveraged very effectively during the pandemic when the GCC kept the processes running for the parent organization in the US.

- Through acquisition of a business in India which had an internal GCC capability: Both "USELEV" and "USMED" are examples of GCCs that came into their portfolio through business acquisitions in the country. The companies that they had acquired already had in-house capabilities, and these therefore simply continued as GCCs.
- Driven by investors/PE firms. "GCCCONSULTCO" felt that PE equity companies set up GCCs for their portfolio companies for value creation, to reduce the bottom line, increase efficiencies and the top line.

In examining the components of the Strategic Value that companies are seeking to derive from the GCC, it is evident in looking at Exhibit 2 that all GCCs may not have the same emphasis or focus as the others. For example, "USRETAIL", enumerated the first 4 components of the value bundle, viz., transformation, local market support, IP and global GCC consolidation as key value drivers, while "USENERGY" detailed components 3, 4, 5, 7 and 9, indicating IP development, protection, GCC consolidation and domain knowledge as key value drivers. Likewise, from the industry consultants, "NASSEXP1" indicated the first four components plus the sixth – namely pressure arising from looking at competing firms that have set up GCCs, while "GCCCONSULTCO" listed a different combination of factors that included the Private Equity influence on companies to set up GCCs.

Regardless of what components of value parent companies seek to derive, the end benefit is a "bundle of value" or fascicle that is relevant to them.

3.3. THEME 3: OFFSHORING TO RIGHTSHORING – VENDOR RISK DIVERSIFICATION

This last theme is related to diversifying away from Vendors. It must be noted that none of the GCCs or Industry Experts interviewed spoke of this diversification as an alternative to outsourcing. The context has always been "in addition to outsourcing".

These GCCs were therefore set up to enable a "hybrid" strategy – one where both the GCC and Vendors co-exist and where there are distinct areas that are outsourced and distinct areas that are retained in the GCC. This rationale received the highest frequency score of 8 in this theme.

The second most frequently cited reason to diversify away from Vendors is that of ensuring Data Privacy. For "EURTAIL, "EURBANKRESTART" and even "USHEALTHINS", the very nature of their businesses requires dealing with very large volumes of customer data. Protection of this data is paramount and therefore processes that involve customer data, exposes the companies to data privacy risks and are therefore reserved for the GCC.

Aside from enabling this "hybrid" strategy, the local presence of "EURTAIL", "EURBANKRESTART" and "USELEV" is also leveraged to provide local oversight with vendor engagements. This provides appropriate governance for managing the vendors while ensuring a single point of consolidation for all offshore engagements. Such an arrangement also ensures that an uncontrolled proliferation of vendor engagements does not take place in isolation – a phenomenon that can result in increased costs and supply chain risks.

Finally, another reason cited by the respondents is that of dissatisfaction with TPPs arising out of their inability to deliver to the standards required by the parent companies.

3.4. SUMMING IT UP

With digitalization and the need for data-driven business insights, IT is no longer considered a fringe function.

Hence in consonance with King's (2001) views that outsourcing does not make sense when dealing with core activities, more and more companies are setting up their own GCCs.

With access to talent pools at attractive price points contributing to India becoming the GCC Hub of the world, companies are now realizing a bundle of benefits – and are able to construct a "Strategic Value Fascicle" by leveraging the capabilities and potential of the Indian Ecosystem.

This includes employing a "hybrid model" which allows them to manage their overall needs in a "rightshored" manner that combines their internal capabilities with those of Third-Party Providers.

An estimated 25% of Fortune Global 500 companies and 15% of Forbes Global 2000 companies have a GCC established in India[31]. Likewise, over 40 Global Unicorns have established their platform engineering centers in India[32].

In the shifting landscapes of our contemporary digital world, while these numbers in themselves are not small, they are indicative of the strong potential for many more companies to set up their centers in India in the not-too-distant future.

[31] GCC Value Proposition for India, Deloitte, 2001
[32] GCC Value Proposition for India, Deloitte, 2001

4. OWNERSHIP SHIFT – INTERNALIZATION THEORY

"In a supply chain system, by definition, there must a "product" that is created by the "points of origin" and delivered at the "the points of consumption". This "product" can be a tangible physical product or a service product" (Wang et al., 2015).

With this definition, a GCC (and any TPPs) are all "points of origin" that contribute to the development of the final product – be it a physical one or a service. A bank's GCC, for instance is contributing to the delivery of financial services to customers while a manufacturing GCC would be delivering a physical product – accompanied with a host of services such as warranty, after sales service, customer support etc. GCCs are therefore an integral part of the firm's supply chain.

The decision regarding the establishment of a GCC can be viewed through various lenses to analyze and assess the development of supply chain capabilities.

For example, The Contingency Theory states that "*organizational effectiveness results from fitting characteristics of the organization, such as its structure, to contingencies that reflect the situation of the organization*" (Lex Donaldson, 2014). Technological changes (such as Digitalization) are an example of such a contingency that can prompt a company's response to create a capability or leverage TPPs or both. However, as a lens to analyze the rationale behind the establishment of GCCs, this is incomplete as contingency theory focuses on a company fitting its existing characteristics to the response. A GCC does not fall under the ambit of existing characteristics as it involves the establishment of a completely new entity. It therefore cannot provide a complete analysis of the decision-making process itself – which must consider other aspects as well, such as costs and risks.

The Resource Based View[33]of the firm talks about companies drawing up strategies that are based on developing specific competencies through resources – such as talent. One of the key drivers (see section on Proliferation of GCCs, Shifting Landscapes) of setting up GCCs is indeed access to a talent pool and to this extent the RBV of the firm supports the establishment of a GCC. However, it does not adequately detail the challenges of firstly establishing a separate unit in a different country and then integrating these resources into the common collective to create various competencies.

Likewise, in the extension of Porter's Diamond Model Network Model (Dhanaraj et al., 2009) the postulation is that the MNE generates its competitive advantage by using dispersed competencies to access complementary diamond elements in different countries. One such element, based upon the host country – in this case India's competitiveness - is a GCC. This is therefore a relevant framework that points to the "why" of the decision – namely leveraging India's CSA or Country Specific Advantage of low-cost talent. Yet it primarily focuses on gaining market share as one of the nodes of the diamond is "demand" conditions – which is to do with the market itself.

[33] Birger Wernerfelt, 1984

A TCE (Transaction Cost Economics) approach is one that focuses on the transaction as the basic unit of analysis and the evaluation of alternative structures of governance that arise (Williamson, 1981). This serves as inputs to facilitate a make or buy decision. This can be viewed in the backdrop of companies and their outsourced relationships with TPPs. According to Mahoney et al, 2020, a firm will decide what to do in-house and what to outsource based on considerations of its relative competence and overall economics. This aspect is well brought out in Theme 3: "Offshoring to Rightshoring: Vendor Risk Diversification", in the previous section. With a tight focus on governance and economizing, TCE offers a useful analytical lens to the make or buy decision relating to the establishment of GCCs.

According to Dunning, 2010, the OLI (Ownership, Location, Internalization) is a powerful framework to understand global MNE (multi-national enterprise) activity. However, it must be kept in mind that this is used primarily to understand firm's decisions relating to entering overseas geographies with an intent to sell their products and/or services.

These lenses point to some of the considerations involved in the decision to set up a GCC. The technological changes (Contingency Theory), talent pools (Resource Based View), host country advantage (India) and vendor risk diversification (TCE) all are pointers to several drivers.

However, we require a lens that enables seeing this in a more wholistic light – one that effectively pulls considerations viewed through these lenses, adds some of its own, and provides a more gestalt view – one that looks at both the "why" and the "how" of establishing owned units or GCCs.

For this we turn to the lens of internalization.

4.1. WHAT IS INTERNALIZATION?

Buckley and Casson, 1976, and later Rugman, 1981, expounded the internalization theory as one that explains why an MNE will favor ownership. This choice of ownership or doing it internally within the firm is referred to as Internalization.

According to Buckley and Strange, 2011, Internalization Theory is founded on the premise that the exploitation of firms' knowledge-based assets across national boundaries is often most efficiently undertaken internally within the hierarchical structure of the multinational enterprise. They argue that internalization needs to be viewed with a focus on the internal transaction costs associated with the governance and organization of the activities within the MNE. For this they call out specifically the costs of information acquisition and transmission, the costs of coordination and the costs of aligning interests of different stakeholders.

The additional dimension they offer is one of understanding the risk propensity of the MNE as different attitudes to risk can have an impact upon the preferred governance structure for international transactions.

Alan Rugman[34] is renowned for his contribution to the study of internalization. In his work on a "new theory of the multinational enterprise, internationalization vs internalization" he stated that internalization is to be considered a dynamic process – that requires ongoing changes and adjustments by the enterprise. Specifically, he highlighted the importance of including strategic, organizational and institutional factors in the internalization decisions over time. This points to internalization as being a decision in a point in time, which can evolve or change.

Grogaard and Verbeke, 2012, summarized Rugman's position on internalization theory as follows:

> *"Institutions of Capitalism such as MNEs will choose (and retain) comparatively more efficient governance mechanisms over less efficient ones to conduct economic activities whose main purpose is to develop, deploy, exploit and further augment firm-specific advantages (FSAs) across borders. FSAs are company strengths relative to those held by relevant rivals that allow survival, profitability, and growth. FSAs are the raison de'etre for the presence of firms and determine the scope (level of product diversification, vertical integration, and geographic diversification) of the economic activities the firm will involve itself in. The most critical selection and retention decisions on governance mechanisms are related to: 1. Choosing to use the external market or internal organization (buy or make) for each economic activity, resulting in the boundaries of the firm; 2. Organizing the interface with the external environment for activities not performed internally (e.g., choice of short term contracts versus long term ones vs cooperative alliances); 3. Organizing the economic activities performed internally, inside the firm (e.g. choice of organizational structure and internal incentive systems). "*

In viewing internalization, Rugman's treatise highlighted the following:

- Governance choices were driven by intermediate-knowledge dissipation risks and transaction costs. This drove the choice between outsourcing and establishing owned subsidiaries, for example.
- Production costs: Costs of factors of production, such as labor, would drive location decisions.
- An analysis is required of internal MNE functions - such as Headquarters-Subsidiary Interactions, the role of intrapreneurship and subsidiary specific advantages, regional (rather than global) strategies to create and capture value from the MNE's FSAs.

Rugman's treatise therefore integrated transaction cost economics with the resource-based view while acknowledging the importance of choices being made in the face of uncertainty. For him it wasn't about minimizing the costs of production and

[34] Alan Rugman (1945-2014) was a leading scholar in international business. His notable contribution is to internalization theory centered around Firm Specific Advantages and Country Specific Advantages (Alan M. Rugman - Wikipedia)

transaction costs, but a more wholistic view that focused effectively on NPV, which could change temporally.

The above backdrop allows us to apply this treatise to the establishment of GCCs / GCCs, which is an internalization strategy that enables the creation of FSAs (Grogaard and Verbeke, 2012). FSAs are *"company strengths relative to those held by relevant rivals that allow survival, profitability and growth"*. This can provide a significant competitive advantage, if the right strategies are put together for its successful establishment with an intent to create a value fascicle (section 3.2 above)

The lens of internalization therefore offers us a set of considerations that will drive the successful establishment of, and value addition from, a GCC. These are:

- The costs of production
- Risk propensity of the enterprise
  - Risks of insourcing
- Governance (costs)
  - Cost of information and acquisition
  - Cost of coordination
  - Cost of aligning interests of different stakeholders
- Headquarters – subsidiary relationships
- Location advantages
- Role of intrapreneurship

The work of Banalieva and Dhanaraj, 2019, focuses on the impact of digitalization on two FSA types: technology FSAs and human capital FSAs. They have defined Digitalization as *"the process of transforming the essence of an organization's products, services and processes into Internet-compatible data packages that can be created, stored and transferred in bit and bytes along with the information associated with them, for marketing, sales and distribution"*.

While the authors have focused on SMNCs, (service multinational corporations), in the context of capability subsidiaries we apply this to GCCs / GCCs in general. There are a host of organizations that are seeking to "digitalize" - which means create the ability to digitalize offerings and reach out to existing and prospective customers with enhanced offerings and services, regardless of whether they are manufacturing companies, brick and mortar retail companies or services companies, or any other type. These companies need to create, acquire, or outsource core capabilities in digital technologies to do so. An example is Walmart. Traditionally with brick-and-mortar stores around the globe, Walmart has created an omni channel retail reach out to its customers enabling them to choose and buy products online or offline through a variety of devices such as the mobile phone, laptops, and tablets. To our list above, we therefore add the need to digitalize, or more generally, the need to develop core technology competence. Our list then expands to:

- The costs of production
- Risk propensity of the enterprise
- Governance (costs)

    - Cost of information and acquisition
    - Cost of coordination
    - Cost of aligning interests of different stakeholders
- Headquarters – subsidiary relationships
- Location advantages
- Role of intrapreneurship
- Development of core technology capabilities

Banalieva & Dhanaraj, 2019, proposed a model to show the effect of digitalization on governance choice predictions of internalization theory for digital SMNCs. This is reproduced[35] below:

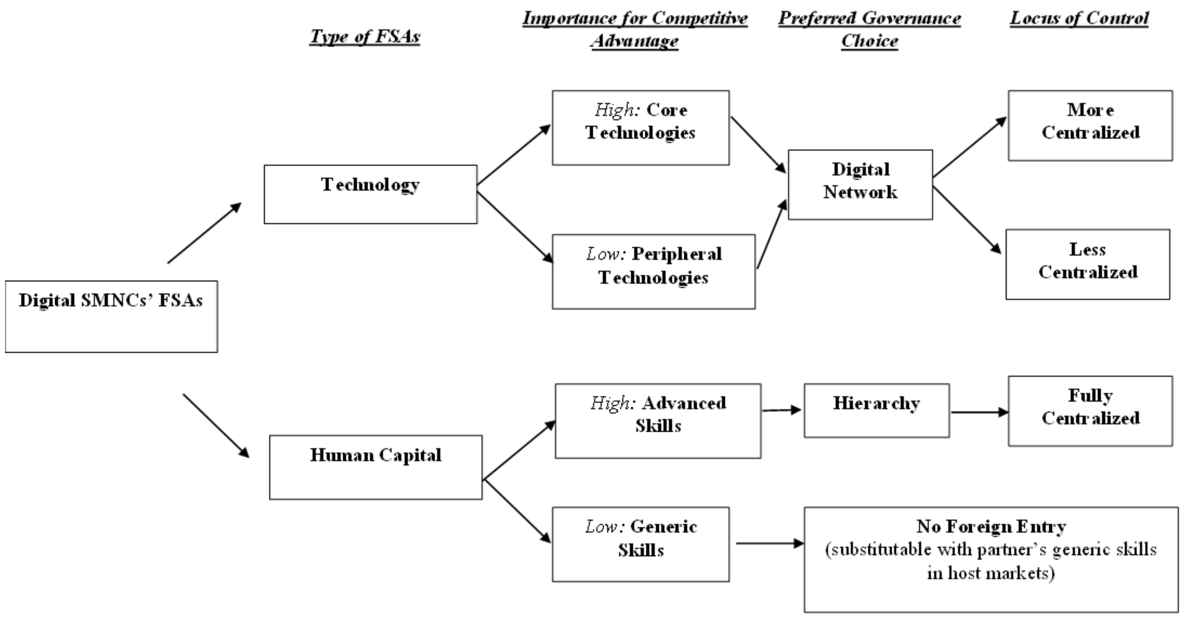

Figure 1

While the context here is of digital SMNCs we apply this to our context of GCCs.

The technology FSA, for instance, shows a preferred governance choice of Digital Network. This network is a combination of digital technology capabilities that could be internal, external, geographically dispersed or a combination thereof. Considering the importance of having digital technology skills to digitalize, an important node in this network is a potential GCC.

[35] Reproduced with permission from Banalieva and Dhanaraj, 2019

In other words, where digitalization is a critical need for the enterprise to either differentiate itself or catch up with competition, and where the need is for advanced skills, the governance choice is potentially a GCC.

It must be emphasized that what are considered to be advanced skills today may be par for the course tomorrow. Therefore, over time, enterprises may look at what they consider core technologies and advanced human capital skills and make changes to their governance choice by shuffling their portfolio of work between GCCs and Third-Party Providers.

This ties in well with Rugman's approach where he effectively propagated an NPV approach to internalization where the components of the digital network need to be continuously evaluated and the portfolio of work may need to be shuffled across the nodes.

We now correlate our research findings through this lens of Internalization.

4.2. RESEARCH FINDINGS – VIEWED THROUGH LENS OF INTERNALIZATION

In section 4.1 above we had specified a set of considerations that go into the "why" and "how" of establishing a GCC as viewed through the lens of internalization. We divide this set into two subsets: First, the considerations that go into taking a decision to set up a GCC. Second, those that drive the successful establishment of the GCC – or the creation of FSAs – as a part of the value chain of the firm, and how this must be evaluated over time.

Subset 1: Considerations for establishing the GCC – Here we club the following:

- The costs of production
- Risk propensity of the enterprise
- Location advantages
- Development of core competencies

Subset 2: What are the success enablers - Here we club the following:

- Governance (costs)
    - Cost of information and acquisition
    - Cost of coordination
    - Cost of aligning interests of different stakeholders
- Headquarters – subsidiary relationships

Let us view subset 1 in the context of the discussion from our previous section (3.0 Proliferation of GCCs: shifting landscapes) where we highlighted the three primary driving themes that prompted the establishment of an owned subsidiary. These were:

1. Access to Talent Pools
2. Strategic Value: India Ecosystem Fascicle
3. Offshoring to Rightshoring: Vendor Risk Diversification

Access to Talent Pools: This combines the considerations of costs of production and location advantage. India is a source of lower-cost talent, and while our study did not focus on quantifying savings vis-à-vis TPPs, it did highlight the importance of India as a low-cost source of talent that could be used to develop capabilities – which would have been difficult to do in the home country due to the higher cost of talent (resulting in a higher cost of production). This needs to be viewed in juxtaposition with the other drivers and not in isolation (as may be prompted by a TCE approach) since a third-party outsourced route also represents a lower cost of production when compared with the home country.

Strategic Value: India Ecosystem Fascicle: The India location advantage expands significantly when viewed as a potential bundle of benefits. This is a consideration that enables the creation of several FSAs – such as digitalization capability, innovation capability and even research capability.

Offshoring to Rightshoring: Vendor Risk Diversification. The "risk" propensity of the enterprise will drive what and how much they outsource to vendors. The establishment of an owned subsidiary enables a tighter control on unbridled proliferation of outsourcing costs on the one hand as well as the ability to provide stricter data security and privacy coverage. IP considerations in the development of core competencies also drive companies to diversify away from Vendors.

As already mentioned above, these are not to be viewed separately, but as a concatenation of factors that drive the decision. However, these factors may change over time, and therefore tie in well with Rugman's position about the dynamic nature of the internalization process. In doing our research it became clear that this dynamism could result in two possibilities – the first is the decision to exit the subsidiary completely. The second could be the ongoing evaluation of what is internalized vs what is outsourced to a third party. This is consistent with Rugman's approach (mentioned in section 4.1 above) of continuously evaluating the internalized portfolio over time.

We will discuss the second subset – namely the success enablers – in the subsequent chapter on "Winners vs Losers".

5. PERFORMANCE OF GCCs / GCCS – WINNERS VS LOSERS

With over 1500 GCCs in India what makes for a successful one? What challenges do they have to face, and to overcome them, what are the success enablers? Is there a measure of success? What lessons can we learn from those that were sold off or shut down?

5.1. INTERNALIZATION CHALLENGES

In our context of internalization – that of establishing owned subsidiaries – our respondents have listed the following challenges that need to be overcome or mitigated to successfully establish a GCC:

		Frequency score
External influences		8
	Events such as an acquistion/global financial crisis/parent compansy split into several cos	6
	Vendor pressure (competition from vendors)	3
	Vendor keeps knocking at parent door with alternative/additional options	2
	Competition from countries like Philippines for certain type of work	1
	Vendors attempt to capitalize on GCC lapses - reinforce their message that outsourcing is better	1
Parent company structure/leadership/mindset		7
	Decentralized business units with independent purchasing/vendor decision making	4
	Sponsor leadership change during the journey	3
	Ability of India leadership to work in a highly matrixed structure	1
Expectations and change management		5
	Mindset (our way of working/processes/tools is right)	2
	Positioning the GCC incorrectly - as a mere *back office*	1
	Sending an expat to replicate parent processes	1
	Mindset of Indian diaspora in GCC (feel they understand India tho it has changed over the yrs)	1
	Fear of job loss in Parent	1
Operating challenges		5
	Quality Talent hiring/retaining challenges - competitive market (includes startups), parent level RIFs	2
	Salary increases/Cost creep	2
	Longer hiring times in India	1
	Attrition/perception of lower productivity from India	1

a. <u>External influences:</u>

The subprime mortgage crisis of 2008 that triggered a global financial meltdown, is an example of an external influence that has had an impact on GCCs. Both "USGROCERY" and "EURBANKSOLD" are examples of subsidiaries that were sold in the wake of this crisis. Both entities were sold to TPPs, who simply took over the subsidiary and moved the financials off the balance sheet of the parent company. Proponents of internalization can argue that this may have been a knee jerk reaction, however this requires further analysis and offers itself as an area for further research. Nevertheless, it is pertinent to point out that in the interview with "EURBANKRESTART", which was the re-establishment of the GCC a few years after it was sold, the interviewee did state that many executives in the firm felt it should not have been sold in the first place.

The other significant external influence is potentially from TPPs. The establishment of a GCC may very well herald insourcing some of the work already being outsourced. This represents a loss of business for incumbent vendors, and they would continuously look at means of re-capturing lost revenue and find ways to grow the account. This may be in the form of offering new capabilities with an attractive introductory financial proposition, thereby prompting a re-think by the firm on the portfolio to be internalized.

Over the years the TPPs have established close relationships with senior executives in the parent companies. This proximity enables them to highlight perceived or real lapses on the part of the subsidiary and gives them an opportunity to continuously hammer their point of view that working with a vendor makes more sense than internalizing. This is especially important if this proximity is to senior executives who may be resisting the idea of the GCC in the first place. An example is "USELEV" which decided to sell its GCC to a third-party vendor – an event that the interviewee mentioned was influenced by vendor pressure.

The third external influence is competition from other countries. While India clearly has a competitive advantage on account of having a large low-cost base of talent (see figure below)[36], other low-cost locations like the Philippines offer competition for specific types of work. For instance, there is a preference for having voice related processes being moved to the Philippines. The Indian accent is one that many international customers find difficult to comprehend, and the Philippines is considered a better location for such voice-based processes.

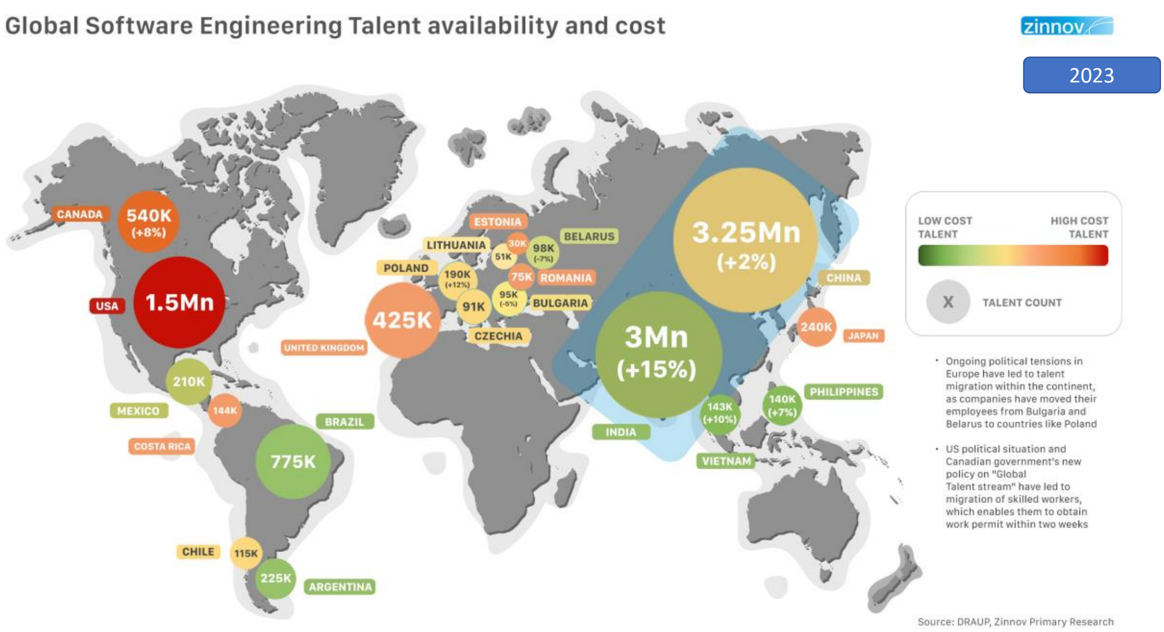

Figure 2

Yet other companies may decide to move some of the work to these locations to leverage the local language capability that may be important to them. Carelon (a part of Elevance - formerly known as Anthem Inc) for instance has recently announced the

[36] Reproduced with permission from Zinnov

establishment of a subsidiary in Puerto Rico[37] - the population of which is largely Spanish speaking.

Competition from other countries must also be viewed in the context of risk diversification – reducing dependence on a single geography – and therefore can form a part of their overall rightshoring (discussed in section 3.3 above) strategy.

b. Parent company structure/leadership/mindset:

Four of the GCCs interviewed in our sample have indicated that a decentralized business unit structure in the parent company can be a challenge. Consider the case of "EURBANKRESTART". Here the heads of separate business units took independent decisions on not only what to outsource, but where to outsource. This resulted in several fragmented contracts – some of them in high cost-locations. Each of these fragmented contracts, when combined together, added up to a very significant cost for the organization. There was another resultant downside to this – that of not being able to synergize needs across the business units and focus on efficiency.

This was a key driver that drove the creation of a business case for "EURBANKRESTART". However, even though the business case justified it, once the GCC was set up, it didn't become productive overnight. There was a learning curve involved - the teams in India required time to understand the domain and come up to speed. In the meantime, the business units needed to find a way to ensure that their existing operations were not interrupted. There needs to be a strategy in place to mitigate this concern for any process that is started or moved to the GCC (discussed in the section on "Expectations and Change Management" below). It needs to be kept in mind that not all stakeholders automatically embrace the new strategy – for them this is a change from their regular way of doing business and there could be overt or covert resistance to the strategy. Any quality or service level hiccups from the GCC could get highlighted as a red flag, and prompt them to justify reverting to outsourcing. Hence mitigating this risk becomes a key success enabler for GCCs.

Another aspect highlighted in the interviews was that of a change of leadership in the parent company. Both "EURBANKSOLD" and "USGROCERY" reported this as a challenge. For "USGROCERY", the main sponsor was the CIO of the organization. When he left the organization, there was no clear owner for the offshore subsidiary. This coupled with the financial crisis of 2008 prompted the management to sell the GCC. "EURBANKSOLD" faced a similar situation. The question that arises from these instances is: was the strategy in both these cases driven by an individual or a narrow departmental mandate, rather than a central company strategy aimed at realizing the benefits of internalizing? From the discussion on internalization in section 4.1 above, Internalization is a company strategy – not a departmental one and therefore the decision to sell a GCC that was commenced as a narrow departmental strategy is an expected possible outcome.

[37] About Us | Carelon Global Solutions Puerto Rico (Legato)

The third challenge articulated is that of the ability of the India leadership to work in a highly matrixed structure. While only 1 respondent has highlighted this as a challenge, this needs to be viewed in concatenation with the success enabler of "Enabling the Voice of the India GCC leader", described in section 5.3 below. This brings to the fore the expectations from the role of the head of the India subsidiary. The India leader needs to build relationships with many stakeholders across functions and is therefore required to work in a highly matrixed structure, while sitting thousands of miles away in a different geography. This aspect throws light on the need to hire the right individual with certain traits and is discussed in Chapter 6.0: GCC leadership.

c. Expectations and Change Management:

Internalization means changing the way several business unit/stakeholders work. Most companies that outsourced simply relied on vendors to provide required support and if there were any lapses, the vendors were held accountable. The establishment of a wholly owned subsidiary meant a change in this way of working. The GCC meant that stakeholders would have their own teams residing in the GCC – and while the GCC leadership clearly had ownership in driving delivery excellence, the ultimate responsibility of getting the offshore teams to ramp up their productivity lay with the stakeholders owning the processes in the parent company.

This "dual" accountability is likely to create confusion in the minds of the stakeholders. While they were ultimately responsible for the output of the teams in India, could they also drive decisions around, say, promotions, hiring and firing on the India end? There are local policies, budgets and processes to adhere to, which they may not be familiar with - and equally important – may not have authority over. Implementing effective change management strategies therefore emerges as one of the success enablers for internalizing (see section 5.3 on Success Enablers).

From an Expectations and Change Management standpoint the following emerged as aspects to be addressed:

- Mindset: Parent companies may have the perception that their way of working is the right one and needs to be consistent across the globe. This applies to the use of tools, processes and even policies. For instance, "USHEALTHINS" felt that the HR tools being used by the parent company did not help them in the mass hiring that was required to establish the GCC. Unlike the United States, in India the number of applicants for a particular role could be in hundreds, if not thousands, and this required a different approach to handle, store and retrieve applicant resumes. They felt that the tools being used by the parent company for managing talent acquisition did not work in India. Likewise, policies on quantum of annual increments to be made for employees in the US would be different from what would apply in India. In the US increments were typically low single digit, while in India they were high single digit or even double-digit increments. These differences in methods of working give rise to conflict if the parent company feels theirs is the right one.

- The internalization decision is a strategic one and can drive the development of strategic FSAs for the company. However, there is a danger that the GCC may get positioned as a mere back office. "USENERGY" highlighted this as a key challenge. This means that the subsidiary would be under leveraged in areas like innovation and transformation and would focus more on cost-savings.
- In the context of "mindset" to be overcome, "USENERGY" felt that to replicate parental processes and culture in the subsidiary they needed to send an expat to India. For "USENERGY" this was a challenge as this meant trying to force fit parental processes and not leveraging the diversity on the ground.
- Many overseas companies are now staffed at senior levels with Indian diaspora. These professionals left India several years ago to seek education and careers in overseas countries and have successfully adapted to their new homes. However, they are not familiar with the changes that have taken place in the standards of living, the way of working and the mindset of the Indian professionals and feel the same milieu and culture pervades in India as did when they left the country. These professionals are usually sought out by stakeholders in the parent company for advice regarding doing business in India, and their advice may be outdated and therefore not with the times. This can create a mismatch between expectations and reality.
- Finally, the last challenge enumerated was that of fear of Job loss in the parent. Once the owned subsidiary is established, it may create the feeling in the ranks that jobs are at stake and will be moved to India. This happened in the case of "USGROCERY" and can be a cause for internal resistance to the internalization strategy.

d. Operating Challenges:

The respondents have cited several operating challenges in the successful establishment of a GCC.

The first is the ability of the GCC to attract quality talent. Many new GCCS are unknown in the India market and need to spend time and resources in building a brand which will help in attracting talent. If there are layoffs (or RIFs – reduction in force) being reported by industry, it will create an additional hurdle to overcome, as professionals may hesitate to join a GCC if there is a perception that the parent firm is reducing its workforce.

Once hired, there is a need to create appropriate talent retention strategies – especially in the wake of competition from other established GCCs, product companies, third party services providers, startups (ref Chapter 7.0).

In this backdrop, steep salary increases, as are prevalent in the Indian market, present the parent company with rising costs in the subsidiary. However, there is still an attractive arbitrage between teams set up in India and those in the US (see chart below)[38].

[38] Reproduced with permission from Zinnov

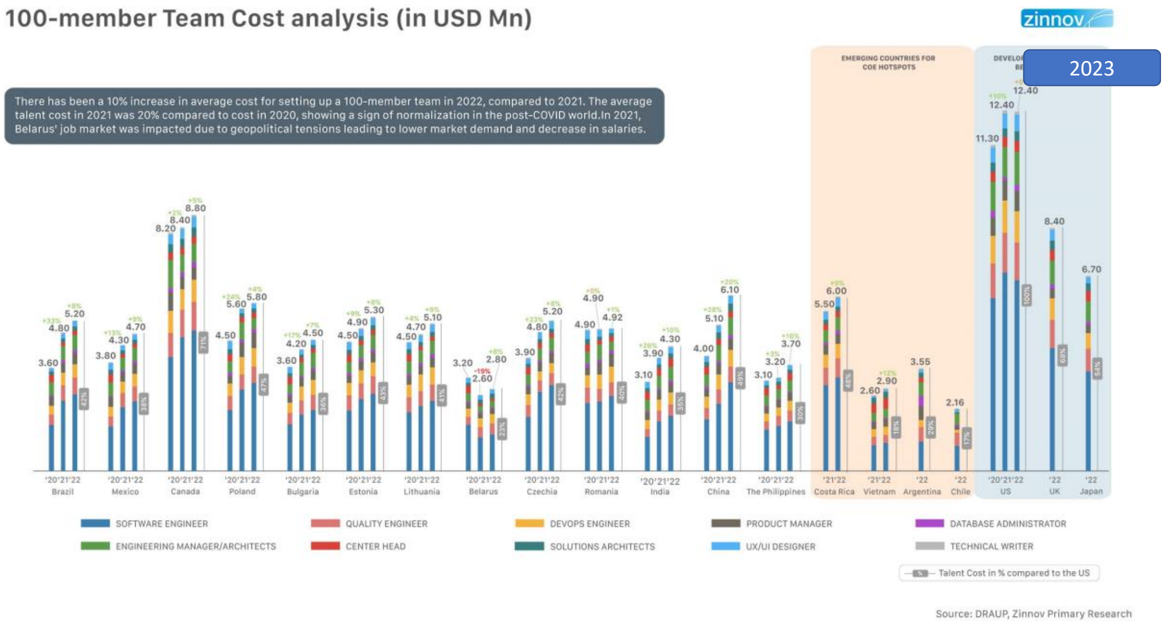

Figure 3

Further, the devaluing rupee has created an effective hedge against cost increases. To quantify, the Indian Rupee has devalued from INR 49.5 to 1 USD on Jan 31, 2012, to INR 82.04 on May 9, 2023 (source: msn.com), representing a nearly 70% reduction in value. Hence increases in salary in India have been offset by the devaluation of the Rupee, when taking into account the fact that salaries are paid in Indian rupees but payments from the parent company are received against invoices designated in foreign currencies like the US dollar. The greater risk of salary increases is that of attrition, as rising salaries may lure key talent away from the GCC. This turns focus back to the need to create and implement appropriate retention strategies.

Hiring in India poses another challenge. Typical hiring lead times in India are longer when compared with those in overseas geographies. Most companies mandate a 2-to-3-month notice period, which means that the time elapsed from making an offer to a candidate till the candidate can join, is significant. This large lead time to onboard can put at risk delivery schedules for the parent. Further, there is also a risk that after waiting for 2 or 3 months, the candidate gets lured away by another organization and the GCC is back to hiring from scratch – resulting in even further delays.

Finally, there is a perception of lower productivity of talent in India. The GCCs interviewed in our research have amply articulated the potential value from an internalization strategy (section 3.2). However, lower productivity is a valid concern during the initial days of the establishment of the GCC, when the talent is new to the company and familiarizing themselves with the systems, processes and even domain. There is therefore a lead time to attain productivity levels that needs to be factored in, and expectations need to be handled in the interim. As an example, "USHEALTHINS" decided to set aside a separate central budget for training the GCC teams and enabling them to come up to speed, while ensuring existing avenues of support from TPPs were retained and not ramped down till productivity levels kicked in.

5.2. SUCCESS ENABLERS

The approaches to mitigating the challenges described above emerge from the following success enablers detailed by the respondents:

		Frequency score
Enabling the Voice of the India GCC leader		11
	Hiring right GCC leader is crucial - enabler, cultural fit, works in matrix structures, builds relationships	9
	Create right level of sponsorship/reporting level for the GCC. Ensure it has a seat at the table	6
	India leader role to include functional resp / be thought leader, and not just a fiduciary head	3
	Ensure appropriate reporting level for India leader into the Parent	2
	Empower India leadership - enable voice of the leader, build trust in the India leadership	1
Establishing a strategic foundation		10
	Centrally driven mandate	5
	Clearly articulated vision and roadmap	5
	Adopt best practices from NASSCOM & other GCCs in the India market: India GCC brand is established	5
	Set expectations: functional leaders in the parent take ownership of their teams' progress/delays	4
	Organizational alignment around objectives and roadmap	3
	Identify and work with initial stakeholders who support the GCC strategy	1
Instituting Parent - Subsidiary collaborative practices		10
	Identify initial areas to test drive and learn from	6
	Enable communication tools across timezones	4
	Integrate Parent and GCC leadership: collaborative execution of GCC strategy	4
	Enable culture in GCC that integrates with Global culture (Blended culture)	4
	Design GCC structure to relflect a one-global team principle	2
Creating operational model to reflect vision and enable success while mitigating risks		8
	Institute cross functional periodic reviews that include Parent stakeholders	4
	Invest in skilling/upskilling - develop an agile workforce. Build an Employee Value Proposition (EVP)	2
	Include vendors in GCC ramp up strategy	2
	Hire/train talent to take ownership and not be just direction takers	1
	GCC to take ownership of programs/outcomes - not be just service level driven (like Third Parties)	1
	Hire the right leadership team in India to work with the GCC leader and the parent	1
	Hiring (Full time employees, contractors) approvals for different functions in the GCC to be set up	1
	Set up multiple GCCs across country to serve as geographically spread talent catchment areas	1
	Craft a workplace hybrid model for employees	1
	Create and review a risk mitigation plan	1
	Create & institute governance mechanism for legal compliances	1
Implementing effective change management strategies		7
	GCC is a strategic org - not just ownership shift from a third party or departmental extension	6
	Communicate strategy and ongoing progress/successes across the organization/across levels	4
	Provide clarity around roles/structures/decision making authority	1

The most frequently cited success enabler that has emerged is that of Enabling the Voice of the Inda GCC leader. Almost all the GCCs and Industry Experts interviewed have highlighted this.

Embedded within this is the need to hire the right leader in India. The India leader or the Country Head/Executive must be comfortable working with matrix structures, have the ability to build relationships with stakeholders across geographies, and time zones, be at ease working with different cultures. Their role is understood to be that of an "enabler". Someone who forms a bridge between what the organization wants and the implementation on the ground, while evaluating what additional value is possible on an ongoing basis and working collaboratively with parent leadership to continuously update the roadmap. To this end, the India leader is expected to be a thought leader – continuously evaluating and recommending the art of the possible. Several GCCs such as "EURBANKRESTART", "USMED" and "USENERGY" also added direct delivery responsibilities for specific processes to the India leader. The India leader is therefore not to be perceived as just a fiduciary or administrative head.

This means that the parent company must empower the India leader by providing them with a seat at the table with regards to local policies, rightshoring decisions and what is possible from India. This requires enabling the "voice" of the India leader by providing the right level of sponsorship to the GCC strategy in the headquarters and ensuring that Executive the India leader reports to is at a position and level that is reflective of the seriousness of the GCC strategy.

The next most frequently stated success enabler is that of Establishing a Strong Foundation. The starting point here is ensuring that the vision and roadmap is driven as a centrally driven mandate. "EURBANKSOLD, "USELEV" and "USGROCERY" are cited as GCCs that were established without strong mandates. Each of these were sold off at a later point in time.

Establishing a strong foundation includes learning from the experiences of other GCCs, and from industry bodies like NASSCOM and organizations like Zinnov that provide data and research on GCCs. This enables the MNE to learn from the mistakes of others and inculcate best practices such as setting expectations with functional leaders about their roles[39] and levels of ownership/accountability and ensuring organizational alignment and agreement around the overall objectives and the roadmap. "USHEALTHINS", for instance conducted stakeholder-wide workshops that focused on what the objectives of the strategy were, the initial roadmap, what to expect and to address concerns that would come up. These change management workshops became central to their strategy of establishing a strong foundation and were later cascaded down to various levels. Then to ensure that the strategy got the best support and visibility, they worked with an initial set of stakeholders who agreed to be the pioneering leaders to move work to the GCC.

This strong foundation needs to be buttressed with strong Parent–Subsidiary collaborative practices. This included identifying initial areas to test drive and learn from; instituting practices and tools to enable communication across time zones (for instance the use of video conferencing and other collaborative tools), create ongoing mechanisms for review and decision making with respect to the roadmap and process

[39] One of the practices adopted by "USGROCERY" and "USHEALHINS" was to delineate responsibilities between the onsite leadership and the India captive by using a RACI matrix – one that delineated who was Responsible, Accountable, Needs to be consulted, or kept Informed about day-to-day operations ranging from the work being performed to the implementation of HR practices including increments and promotions, as examples

– effectively integrating the parent and GCC leadership[40]; enabling a culture in the GCC that integrates with the global culture[41]; designing a GCC org structure that reflects a one-global team principle. This last aspect requires further explanation. In order to integrate the GCC into the overall org structure, matrix structures are developed in the India team. For "USHEALTHINS", "USGROCERY", for instance this meant a combination of local and parent company reporting. Delivery accountability rested with the parent company whereas delivery responsibility rested with the local leadership. Likewise, to integrate the India entity with the global parent, administrative and functional reporting lines were created for supporting functions as well – such as legal, tax, HR, accounting, to name some. These reporting structure may evolve and change with time, as was the case with Anthem's subsidiary, Legato, where initially functions like HR and Finance reported into the Country Head, and as the GCC matured, the reporting lines were shifted into functional leaders in the US.

The fourth success enabler reported by the respondents is creating an operational model that mitigates operational/teething challenges while keeping a steady focus on the overall objectives. This simply means putting together an operational plan that includes several aspects such as periodic reviews with parent company stakeholders, putting together a comprehensive talent strategy, leveraging vendors in the GCC ramp up strategy and also creating an overall governance and risk mitigation plan.

"USHEALTHINS" is an excellent example of a GCC that has successfully implemented these. As an example, they included third party providers in their overall GCC strategy and leveraged them to provide subject matter experts for training their own teams as they were ramping up.

Recognizing that talent is a key enabler for an effective GCC strategy, they also put in place a compelling Employee Value Proposition that focused on the twin benefits of domain and tech upskilling for their associates that would support career growth. Ongoing training would also enable them to create a "fungible" workforce that would support the career growth aspirations of their employees while also providing a hedge against attrition as this strategy would allow rapid backfills from other "fungible" teams when needed. Further they decided to set up GCCs in more than one city in India, thereby gaining access to a wider talent catchment area, while also establishing a Business Continuity Site in a different city.

"USHEALTHINS" created and reviewed on an ongoing basis an overall risk mitigation plan that included aspects of Business Continuity Planning and strategies for employee retention, such as continuous employee upskilling. Risk mitigation needs to be viewed together with instituting effective governance mechanisms for legal compliances, as highlighted by "GCCCONSULTCO".

[40] Most Captives have supported frequent travel between the India and Parent leadership to enable an on-the-ground relationship to be built and ensures there is a first-hand exposure to challenges and successes.
[41] Here too frequent travel plays an important role. Additionally, parent companies provide training on the parent companies objectives, culture, processes, and values.

Some of the other aspects mentioned by the respondents include hiring the right leadership team in India, hiring and/or training talent to take ownership and not be just direction takers (as is a trait they attribute to third-party providers) and also instituting a process for headcount hiring approval jointly with parent company stakeholders. This last aspect is especially important to ensure continuity of ownership of outcomes from parent company stakeholders while keeping a close watch on headcount cost proliferation.

Finally, the last success enabler enumerated by the interviewees is that of implementing effective change management strategies. At the end of the day, it is about ensuring everyone is on the same page and continues to be, on an ongoing basis. Instituting a GCC strategy is a big change from the regular way of doing business where stakeholders rely on internal teams or vendor teams (usually a combination of both), to provide the required support for their business functions. Establishing a GCC means that the stakeholders (and their teams) now need to contend with a shared responsibility with a GCC – and not just hold a vendor responsible for outcomes. They need to work in a different time zone more often than they needed to earlier. They may be required to be more involved with the teams' performance in India. At the same time, they have to work through role confusion that may arise around who is responsible for outcomes on the one hand, and people related decisions such as hiring, firing and promotions, on the other. They must manage expectations within their own teams in the parent company headquarters about fear of job losses. These changes compound themselves as reporting structures may change with the subsidiary as it evolves and as more and more work moves to it over time.

Many of the GCCs interviewed felt that it was important to communicate to the entire organization that the GCC strategy is a strategic one – not just a shift from a third party or creating a departmental extension. "EURBANKSOLD", "EURBANKRESTART" and "USHEALTHINS" all concurred that communicating the overall strategy and overall progress/successes across the organization and across levels was a crucial element of effective change management. This, according to "GCCCONSULTCO" also entailed providing clarity around roles, decision making authority and structure on an ongoing basis.

The above challenges are well summarized by Buckley, 1995, in his seminal paper on "The Role of Management in Internalization Theory" (Management International Review). He has presented his views on the important role that management plays in ensuring success of an internalization strategy. Although written in the 90s, we can see several parallels with GCCs.

Specifically, he stated:

- The need for coordination of various functions which requires communicating within and outside the organization and calls for a fair amount of management involvement and decision making. This gets even more accentuated in the context of GCCs, given that the unit is sitting in a location many miles away and in a different time zone, and is altogether a new way of doing business.

- Coordination is required not just across functions but also across product groups – in our context this includes across processes.

- Likewise, coordination is also required across locations – there may be multiple GCC units set up in different geographies and some with dedicated teams sitting in third party vendor locations.

- The possibility of achieving a separation of functions within the firm – some to be carried out by the parent, and some by the subsidiary. This aspect is well highlighted in the treatise by Lawrence and Lorsch, 1967, that speaks of the need for achieving both differentiation and integration in complex firms – and the GCC is an example of a complex firm. They speak of differentiation and integration (in our context between the parent and the subsidiary) as two antagonistic states for which a duality or a balance needs to exist.

In summary, Buckley propounds the case for the need to create strategies that encompass managerial capabilities to successfully internalize. This role of management is crucial in overcoming the challenges mentioned in section 5.1 through the success enablers enumerated herein.

An important aspect that emerges from the discussion in this section is that of instituting comprehensive program governance. Under the theme of "creating the right operating model" "legal" governance is mentioned as a response – yet we need to take a wider view of governance. The different responses in each of the themes mentioned in this section point to the need for effective "program" governance, of which "legal" is a subset. This wholistic view simply exemplifies the critical role that management has to play in successfully implementing an internalization strategy. The decisions made by managers are reflective of their understanding of what is going on and what needs to be done. As this and any other new model is implemented, they need to adapt (Rugman and Collinson, 2020), and this adaptation and change coupled with effective program governance is at the heart of enabling a successful internalization strategy.

5.3. MEASURING SUCCESS

After looking at the Challenges to the strategy and the Success Enablers, we now turn to understanding how companies measure success.

Here is a compilation of responses received from the interviewees.

	Frequency score
Cost goals	8
Against the roadmap - Yr 1: team/processes/structure etc/FTE, YR 2: additional value Yr 3: what strategic value	5
Cost avoidance	4
End to end process metrics improvement/take outcome ownership/efficiency gains	3
Impact top line	1
Crisis/BCP support - eg Pandemic	1
Ability to generate leaders/talent for global responsibilities	1
No of global processes run in a GCC	1
No of innovation projects undertaken	1

These success measures can be segregated into two groups:

The first group is cost/efficiency focused and includes:

- Cost
- Process improvement metrics
- Cost avoidance

The second group is milestone/capability and includes:

- Growth milestones (e.g., FTE headcount against the roadmap)
- Capability growth (e.g., no of functions/processes in the center)
- Innovation/IP contribution (e.g., no of innovation ideas generated, innovation projects undertaken, IP developed)
- Ownership growth (e.g., no of processes/functions owned globally)

The first group lists goals that are easily quantifiable in monetary terms. Cost goals could arise from the overall reduced cost of operation arising out of establishing the GCC (refer Figure 3). An example would be replacing headcount in the parent company with that in the Indian subsidiary. Another could be replacing vendor headcount with headcount in the Indian subsidiary. Cost avoidance on the other hand can be about reducing the need for headcount through other measures like automation and increased efficiency. Both, put together, yield a cost advantage that can be quantified.

It needs to be noted that cost avoidance has been indicated by both "USELEV" and "USMED" – both engineering organizations that focused on engineering R&D from the GCC. This means increasing overall efficiency through automation. The other GCCs indicated cost goals as the primary cost driver. From here we can see that the larger the GCC – like "EURTAIL", "EURBANKSOLD", EURBANKSTART", "USENERGY" and "USHEALTHINS", the more will there be a focus on cost goals. This stands to reason as a larger headcount is indicative of larger headcount driven cost-savings. "USGROCERY" appears to be an outlier in this reasoning as it had a headcount of 600

– however, the plans may have been larger but for the effect of the financial crisis that caused them to sell off the GCC very soon after it was established. "USCOLLABTECH" is new off the block, and therefore is early in its lifecycle.

The second group focuses on the value creation aspect – across several dimensions: a "value fascicle" (as discussed in Section 3.2). These are not easy to quantify in monetary terms but would contribute to bottom-line improvement – such as FTE headcount, and to the development of FSAs – such as patents – which in turn can have a topline impact.

Viewed from the lens of internalization, this supports the idea of an NPV based approach to measuring success. Some aspects of this NPV are quantifiable – like costs – yet others are difficult to measure.

This NPV approach needs to be evaluated on an ongoing basis which may include periodically reshuffling the portfolio. Note that in our context, the NPV approach is a notional one – not quantifiable – and the term is intended to depict value of the fascicle of the GCC at a point in time.

This points to an interesting outcome of this study: the smaller the size of a GCC the greater its attractiveness as a takeover candidate by a TPP. In our treatise, both "USELEV" and "USMED" were sold well after the financial crisis, and both had a headcount of less than 750. However, there is not enough data to conclude this, and lends itself as an interesting avenue for future research.

5.4. GCC FAILURES

This brings us to the question of what causes GCCs to be sold – or why do they fail to evolve. The responses to this question are tabulated below (from **Exhibit 2):**

	Frequency score
Need to continuously add value/not be an order taker/not doing something company considers non-core	8
External events - eg Financial crisis of 2009	4
Narrow departmental strategy as opposed to company strategy - if that leader changes, then it is a threat	3
Business changes (in core business of company - eg aquiring a larger entity, or parent business went under)	1
PE company pressure to re-assess its supply chain portfolio	1
Unable to move out of staff augmentation mode for parent due to uncertain charter	1
Not having the right local leader	1

Eight of the respondents felt that it was important to find ways of adding value to the parent company on an ongoing basis. This would require continuously working with headquarter stakeholders to identify opportunities and brings to the fore the important role that needs to be performed by the leadership of the India subsidiary (refer section 5.2). However, it must also be averred that there needs to be an accompanying facilitation of this role from the parent (section 5.2 above). The crucial piece here is to have a seat at the table to determine the evolution and value-add of the subsidiary, rather than be a simple order taker and do what is told. Caution must also be exercised when taking up non-core work. As already discussed, a best practice for a company is to continuously assess the composition of its value fascicle (section 5.3) from the GCC and consider making changes including potentially hiving off some pieces and handing them over to a TPP.

External events too had a significant impact in deciding the fate of some of the GCCs. "USBANKSOLD" and "USGROCERY" were both examples of organizations that were sold as a reaction to the financial crisis. "USELEV" was also driven by external factors – in this case vendor influence. The last two reasons stated, namely changes in a company's business and external pressure by a PE owned firm can also be clubbed with external events or influences here.

The next reason listed after external events, is that of having a narrow departmental strategy (as contrasted with being driven by a central mandate). "USGROCERY" is an example of this. The subsidiary strategy was more of a departmental one – being driven by the CIO, and once the CIO changed, there was no ownership for the strategy at a corporate level. The financial crisis then simply drove the company to decide to sell the subsidiary to a TPP.

The second last reason cited: that of inability to move out of staff augmentation mode, merits some explanation. "Staff augmentation" is simply adding headcount to support a parent company team – much as is done by a third-party vendor - with little or no responsibility residing in the subsidiary team aside from providing infrastructure and hiring the required talent. This results in a team being built as order-takers with very little value added to the parent (aside from being skilled headcount). This also ends up not driving enough motivation in the subsidiary teams. This will result in higher attrition, lower productivity and will be cited by headquarter stakeholders as a strategy that is not working well enough. This reason directly ties with the first one – which is the need to continuously add value and not be an order taker. Local leadership has a crucial role to play here to position the India GCC as a potential value enhancer. Not having the right local leader finds its way as a listed reason in this table.

The bottom line, therefore, is for subsidiaries to be set up under the aegis of a central mandate, and as espoused by Buckley in section 5.2, there is a crucial role to be played by Management in managing the change and giving effect to an effective operating model. This is discussed further in the next section.

5.5. SUMMING IT UP – CREATING WINNERS

At the current stage of evolution of GCCs in India, from the responses the following can be surmised as the parameters to define success:

- Longevity
- Headcount
- Ability to drive value in areas in addition to cost goals – such as IP development, digital transformation and innovation
- Ability to protect IP and ensure data security

With this, we can classify the following GCCs / GCCs from our list as winners:

- USHEALTHINS
- EURBANKRESTART
- USENERGY

Both EURTAIL and USCOLLABTECH are early in their lifecycle hence there isn't enough data to classify them.

The strategy losers are:

- USELEV
- USMED
- EURBANKSOLD
- USGROCERY

For both USGROCERY and EURBANKSOLD, the parent companies could not realize the value fascicle that would justify their continuance and growth at the time the financial crisis hit – which prompted a sale.

USELEV and USMED were sold much later, but in both cases the headquarters felt that the value derived was not strategic enough to justify their continuance.

The industry experts interviewed provided the following advice for companies setting up GCCs:

1. Clarity of objectives: There is a need to provide clarity of objectives across the organization. This helps in setting expectations and creating the right change management mechanisms. Also, internalization is a company strategy and not a departmental one - this therefore needs to be driven by a centrally driven mandate as opposed to a narrow departmental one.
2. Reduce focus on arbitrage fast and focus on value add: This is not to say that cost is not important but provides a foundation to further add value in other areas (see section 3.2).
3. Hire the right leader to head the Indi a GCC (see Chapter 6 below).
4. Create a roadmap: The mechanism must include a way for a collaborative (parent-subsidiary) ongoing review of the roadmap to make adjustments as the subsidiary evolves.
5. Executive sponsor, governance, talent strategy, change management: Once the strategy is approved, identifying the right executive sponsor, instituting an ongoing joint review and governance mechanism, putting in place an effective talent strategy for both talent attraction as well as retention and finally implementing a well-though through change management strategy are all best practices to adopt.

These aspects also set aside those GCCs that evolve and grow to become effective global capability centers and develop strategic FSAs that impact the competitiveness of the firm. There are no winners or losers – just a winning strategy vs a strategy that wasn't fully well conceived or allowed to evolve collaboratively with the GCC.

6.0 GCC LEADERSHIP

In looking at the "Success Enablers" in section 5.2 above, we see that the largest no of respondents has identified "Enabling the Voice of the India GCC leader" as an enabler.

Embedded within this response are two aspects: First is that of defining their role and hiring the right person as the GCC leader. The second is understanding what parent organization leadership must do to enable this role and make it successful.

6.1. HIRING THE RIGHT LEADER

When we look at our findings in "Rationale for setting up the GCC", we see three broad themes: 1. Access to Talent Pools; 2. Strategic Value: The India Ecosystem Fascicle"; and 3. Offshoring to Rightshoring: Vendor Risk Diversification.

Each of these provides us with insights as to how to define the role of the GCC leader and put together a set of traits/skills to look for when hiring.

GCCs that are setting up afresh (such as "USCOLLABTECH" in our set), need to establish a brand name for themselves. They are relatively unknown in the market and must therefore develop a strategy to attract talent. This amidst intense competition amongst the existing 1500+ GCCs, startup unicorns, third party providers and others competing for the same talent.

It's not just the new entrants but the existing ones too that need to continuously find ways of attracting and retaining talent. In this context, "EURBANKRESTART" presents itself as a relevant example since this was a GCC that was originally sold ("EURBANKSOLD") and then restarted. Incoming talent would want to understand why it was shut down in the first place and what vision the parent company has for the future, lest the company decide to shut it down again.

Prospective employees will be looking at who is at the helm of the ship. The brand name, network and reputation of the proposed India leader will therefore carry a lot of weight in attracting talent and becomes a key trait that GCCs will look for when hiring for this role. Anthem too considered this aspect when they started their GCC in India in 2017. A leader with an established reputation and network in the market would be able to attract the right leadership team, who in turn would play a key role in attracting their team leaders and team members. Hence having the network and reputation to attract the right leadership team in India becomes an important consideration when hiring the India Country Head.

As we have discussed in section 3.2, the value that companies are now seeking from establishing a GCC is one of value-add over and above cost-savings. This value-add could arise from various aspects – such as innovation, leveraging the Indian startup ecosystem, and transformation. At a broader level, there are two aspects of the value that can be derived. The first is operational – this includes cost savings, enhanced efficiency, hiring the right talent, to name some. Birkinshaw, et al, 2015, spoke about these operational objectives as exploitative objectives of an organization. The second is explorative. The value-add of a GCC through IP development, innovation, flexibility etc. are all examples of explorative objectives.

Birkinshaw, et al, 2015, refer to this duality of objectives as ambidexterity. They further talk about the tensions that arise with a view to managing this ambidexterity and bring to the fore the need for such organizations to create an environment and structure that enables this. In the context of GCCs, we therefore posit the following:

- The India GCC leader is one who should have the ability to create an ambidextrous culture. Since there is both an exploitative aspect as well as an explorative one to the Country Head's role, the individual would ideally be intrapreneurial in nature. Someone who may have created new capabilities or identified and addressed new opportunities in a corporate context would be a good candidate.
- The ability to create an enabling exploitative as well as explorative environment brings out the need for the Country Head to be able to work with different stakeholders in the parent company to sell possible opportunities and to get budgetary approval from. The GCC Head must be comfortable building multiple relationships with multiple stakeholders while working in a matrix structure.
- The Country Head should have an existing reputation and network that enables them to understand what others are doing to add value to the parent and consider if those areas make sense to adapt or adopt for their own GCC.
- The GCC leader needs to be comfortable working in multiple time zones and with different cultures.

It is important to highlight here that the need to be "explorative" may require a level of being different from the parent company – in terms of how the teams are structured and how outcome is determined. The need to be "exploitative" may require a tighter integration with how the parent company operates. There is therefore a need for the parent company as well as the GCC to create an environment of what may be antagonistic duality of integrating yet being different. This is not just a reflection of the type of work that is being done, but also a reflection of having some policies that mirror those of the parent, yet others that are local and very different (such as compensation structures).

This requires the GCC, and specifically the GCC leader to have traits that can create a fine balance between the two poles of integration and differentiation collaboratively to determine where that point lies, which itself may vary from time to time. In other words, there are times when the GCC needs to be an "order taker" and times when it will not. This can be a big change to manage in a country where a lot of the talent is hired from third-party providers, who are accustomed only to being order takers and not idea contributors. This ability to manage change is a key trait that is expected of the new GCC leader.

Aside from the above characteristics, the third success enabler, viz., Offshoring to Rightshoring: Vendor Risk Diversification (section 3.3 above), shows the need for the India leader to be able to continuously assess the portfolio within the GCC and make recommendations on what to outsource and what to keep within. This requires the leader to have the ability to maintain relationships with key suppliers and partners while continuously setting expectations with both the parent company stakeholders and the TPPs with regards to the extent and depth of engagement.

In summary, therefore, the following are the traits that companies should consider in a potential GCC Head. The person should have:

- Demonstrated prior intrapreneurial experience of having created new capabilities /identified and addressed new opportunities in a corporate setting – ability to nurture an Ambidextrous leadership ability.
- An understanding of and ability to collaboratively create an environment where teams understand the need to be global ideas and work contributors and not are not mere "order takers".
- The experience, reputation, and network to attract talent and position the GCC as a great values-driven employer.
- The ability to build, motivate and carry a team while navigating the uncertainties of building an organization with an emergent charter, while managing expectations with global stakeholders in a matrixed structure.
- An understanding of and having the ability to manage the parent company's brand in India while focusing on putting in place risk mitigation and robust governance practices.
- The ability to build trust and create a mechanism to refine/co-define the roadmap and charter of the GCC.
- The ability to balance and leverage relationships with Third Party Providers and parent company stakeholders to be able to derive the optimal outsourcing/internalized capabilities.

In April 2023, State Street[42] announced a position titled "Country Head, India, Executive Vice President". This is appended as **Exhibit 3**.

Combining State Street's job listing with the findings above, the following is a recommended set of qualifications for a Country Head for a GCC that is derived from the overall value proposition of a GCC. The ideal candidate would possess:

- Multiple years of experience leading a complex operational or service delivery organization (ideally within the <domain/vertical> industry), with the experience, reputation, and network to attract and nurture the right talent.
- Strong financial acumen with experience managing through multiple economic cycles.

[42] Our Company | State Street

- Proven track record in driving improvements towards an inclusive and diverse workplace.
- Strong ability to understand industry trends and learn from other GCCs and the industry in general to continuously propose ways of adding value to the parent organization.
- Demonstrated prior intrapreneurial experience of having created new capabilities /identified and addressed new opportunities in a corporate setting – ability to nurture an Ambidextrous leadership ability.
- An understanding of and ability to collaboratively create an environment where teams understand the need to be global idea and work contributors and not be mere "order takers".
- The experience, reputation, and network to attract talent and position the GCC as a great values-driven employer.
- The ability to build, motivate and grow a team while navigating the uncertainties of building an organization with an emergent charter, while managing expectations with global stakeholders in a matrixed structure.
- An understanding of and having the ability to manage the parent company's brand in India while focusing on putting in place risk mitigation and robust governance practices.
- The ability to build trust and create a mechanism to refine/co-define the roadmap and charter of the GCC.
- The ability to balance and leverage relationships with Third-Party Providers and parent company stakeholders to be able to derive the optimal outsourcing/internalized capabilities.

6.2. ENABLING THE LEADER

To successfully establish a GCC in India, it's not just about hiring the right leader, but also about setting them up for success.

We look to section 5.2 on Success Enablers to extract organizational actions that support this. Here is the respondents' summary:

Enabling the Voice of the India GCC Leader:

This includes the need for the parent company to create the right level of sponsorship/reporting level for the GCC while ensuring it has a seat at the table, and to build trust in the India leadership.

In the case of Anthem, the Country Head's reporting was to a senior leader who was assigned the responsibility of executing the overall GCC strategy. The reporting of this senior leader in the parent company shifted from their original reporting in the procurement function to the Chief Transformation Officer who in turn reported to the CEO. This gave the US leader the positioning and visibility at the CXO level to garner the support required to successfully implement the GCC strategy. This in turn provided a path to the India Country Leader to have access at the right levels and have a seat at the table when it came to making important decisions.

In looking at the State Street Country Head Job description in Exhibit 3, we see that the role is designed to report dually into the President of their Investment Services Business as well as the Head of their International Business. Both are senior level reporting structures and demonstrates the importance State Street places on enabling the India Country Head. It is interesting to note that the India Country Head has a dual reporting relationship into the parent. This calls attention to the qualification we have mentioned above, where it is incumbent upon the India Country Head to be comfortable with matrixed structures.

Creating an operational model that reflects the vision and enables success while mitigating risks:

The India GCC Leader is situated in a geography, usually thousands of miles away from the parent, and in a different time zone. The role of the parent leadership in this context is to enable the India leader. To this end, it is important to institute cross-functional periodic reviews along with parent stakeholders (refer section 5.2 on success enablers). This needs to be further supported by risk mitigating governance mechanisms and reviews that the parent company needs to put in place.

Implementing effective change management strategies:

As described in chapter 4 on Internalization, establishing a GCC is a strategic move aimed at creating and exploiting FSAs that lead to a competitive advantage. This charter needs to be accompanied with appropriate change management strategies that help to articulate the vision, show the leadership import behind the strategy while setting expectations. As already described in section 5.2, communicating the strategy and its progress on an ongoing basis across levels in the organization is a key success enabler, and is therefore incumbent upon parent company leadership. It serves to provide the required supportive platform to the India Country Head to execute effectively.

In conclusion, the role of the India Country Head will evolve to support the GCC growth and evolution, and it is important for the parent company to put in place supporting structures and strategies to support this role. The first step is to hire the right leader. This means that the job description for this position needs to be crafted that reflects this intent and purpose. A portion of the summary of the job description provided by State Street (Exhibit 3) reads: "*This role will have responsibility for overseeing State Street's workforce in India and delivery of the aforementioned processes and services in partnership with global business and corporate function leaders. The role will provide leadership and oversight across the entire footprint in India while ensuring the appropriate structures and accountability are in place with senior stakeholders in the US, Europe, and APAC. The role is also responsible for the* *governance and oversight for areas of compliance within the country regulatory framework".*

This role definition exemplifies the importance of the GCC to a parent organization like State Street.

7.0 EVOLVING ECOSYSTEM

The strategic importance of a GCC lies in being able to drive value over and above cost-savings: to create strategic FSAs that contribute to competitive advantage (refer to Chapter 4 on Internalization).

To create this value fascicle, the GCC needs to draw upon knowledge, expertise, and resources from its surrounding ecosystem. The Indian Ecosystem has, over time, evolved to create a foundation of three pillars, driven significantly by governmental policies and support. These are:

- Talent pillar
- Domain pillar
- Innovation pillar

7.1 TALENT PILLAR

According to NASSCOM[43], the Indian IT sector is expected to touch US $ 245 in FY 2023-24. Of this, US $ 194 will arise from exports of services. Direct employment from the sector is reported at 5.4 million people. This represents a large installed talent base and includes the second largest pool in the world for AI/ML talent.

Adding to this is a pool of 1.5 million engineers graduating[44] every year. With the medium of instruction being largely English, this represents a very large trainable manpower pool to upskill in contemporary technologies.

This is the foundation of India's competitive edge – availability of ready skilled or trainable talent. Combined with a cost advantage (as compared with other global economies), this represents a formidable competitive advantage. Zinnov's research (see Figure 2) ably quantifies this advantage. This shows India's leadership position when you consider the two dimensions of cost and talent availability. China is shown as having a larger pool – but India wins out on cost-advantage.

Additionally, companies are increasingly looking to further diversify their talent base by setting up facilities in Tier 2 cities in India which offer an additional cost advantage (due to lower salaries when compared with Tier 1 cities) and an existing supply of talent on account of the universities present in those locations as shown on the figure[45] below:

[43] (Nasscom: Indian IT sector to touch $245 billion in FY23: Nasscom - Times of India (indiatimes.com))
[44] (Employers want advanced skills in engineers, not just knowledge - India Today)
[45] Reproduced with permission from Zinnov

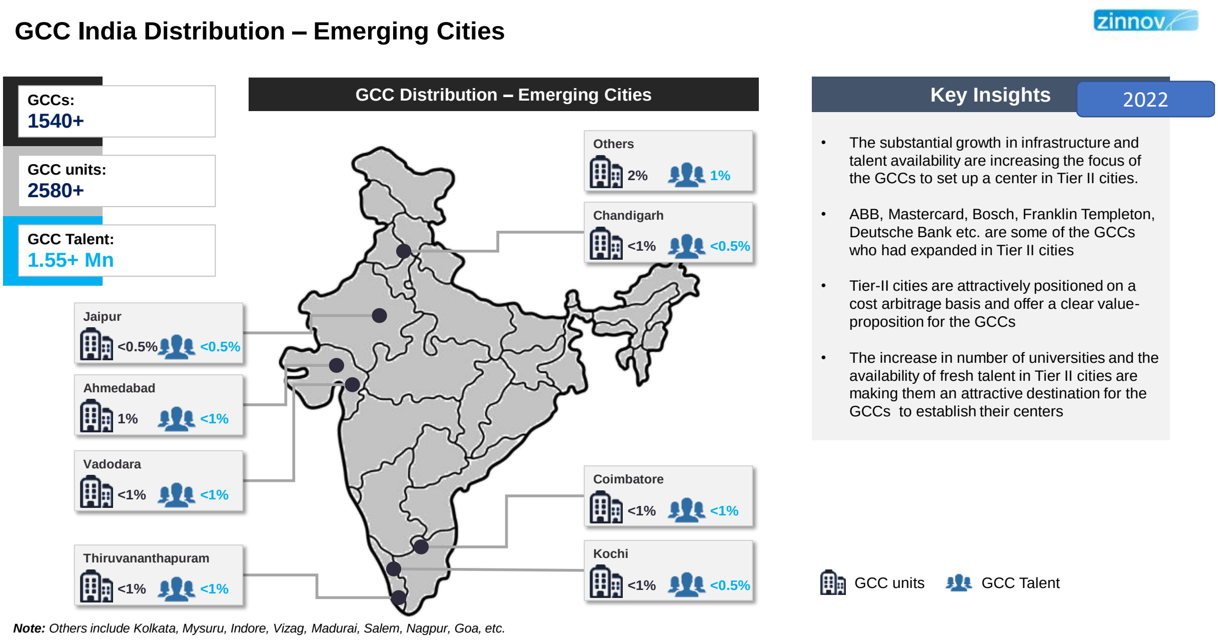

Figure 4

Talent, therefore, is foundational to India’s position as the leading destination worldwide for GCCs.

7.2 DOMAIN PILLAR

One of the drivers for internalization is to leverage domain knowledge to enhance processes and systems and drive innovation. This requires knowledge of the business or domain in which the GCC is operating.

Over the years, MNEs from various domains have set up their GCCs in India. The following chart[46] depicts this:

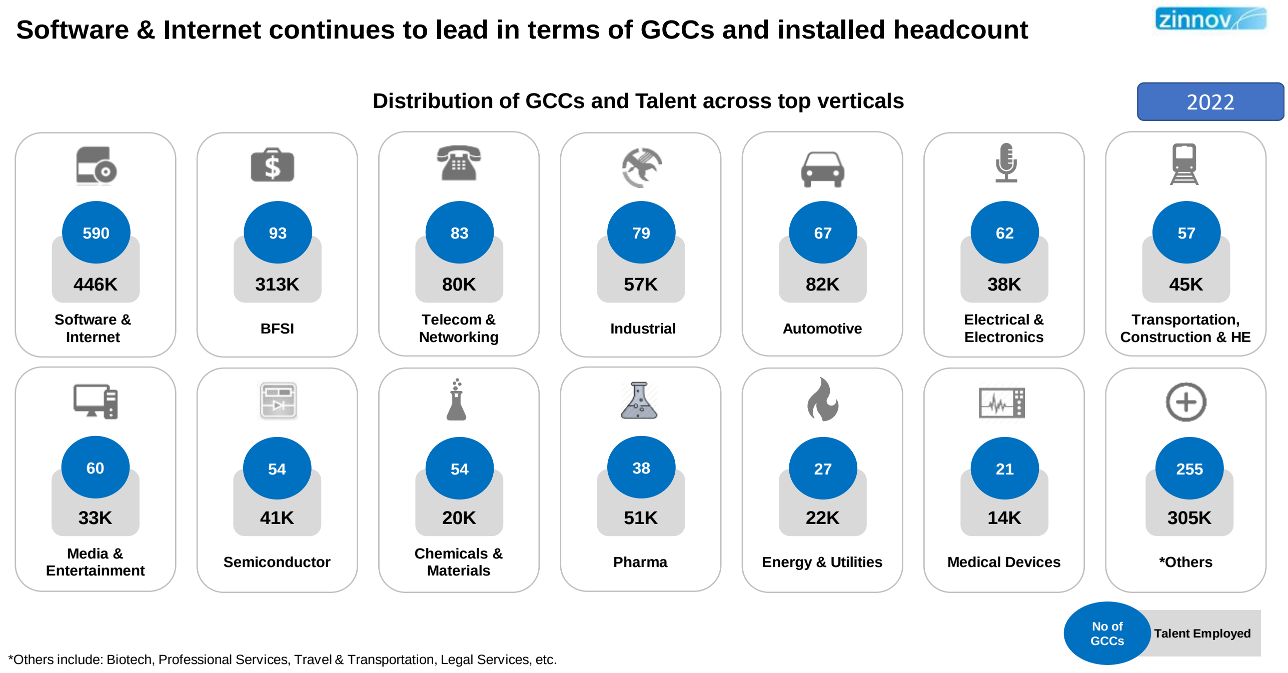

Figure 5

This proliferation of subsidiaries across different verticals or domains demonstrates an increasing domain maturity in the Indian ecosystem. An understanding of the parents' business enables teams in India to contribute more effectively to the notion of adding value. Aside from pure technology or business process skills, this domain knowledge adds another dimension of attractiveness of the talent for MNEs considering setting up a subsidiary.

[46] Reproduced with permission from Zinnov

7.3 INNOVATION PILLAR

The number of startups in India rose from 471 in 2016, to 72,993 in 2022[47]. According to a DST (Department of Science and Technology) announcement, India ranks 3rd globally in the startup ecosystem[48].

According to Bain and Co[49], VC funding in 2021 was a record year with a quantum of USD 38.5 Billion. Additional highlights from this report are:

- Investments in India grew 3.8x over 2020, faster than China's (1.3x)
- Share of VC funding in India accounted for greater than 50% of overall private equity (PE) and VC investments in the country in 2021
- 44 unicorns were minted in India, exceeding China's 42

"We believe that the Indian tech market has finally hit PMF—a perfect storm of talent, capital, infrastructure, depth in demand, and other enablers is brewing. The next decade is going to be growth." – Elevation Capital (quoted in Bain & Co's report).

This growth in India's startup ecosystem throws up several opportunities for Indian GCCs as highlighted in Deloitte's June 2021 report. They include:

- The ability to fund low-cost innovation through a partnership mode with startups.
- Establishing an in-house accelerator to solve company specific problems – through both encouraging intrapreneurship as well as working with startups.
- Acquiring startups – which presents an opportunity to acquire both IP as well as high end talent.

Many GCCs are also working in partnership with academia to help provide solutions to their business needs.

Examples of companies that have set up accelerators include SocGen, Target, Cisco and Ericsson (source Deloitte, Zinnov). According to Deloitte's June 21 report, there are over 40 accelerators/incubators run by GCCs, 5+ co-development programs run by GCCS hosting 25+ startups every year, 30+ investments made by GCCs in India in 2019 and 15+ acquisitions made by GCCs in 2019.

This strong innovation foundation and ecosystem acts as an important catalyst for companies to develop their innovation initiatives as part of the Inda Value Fascicle.

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[47] Number of startups in India grows to 72,993 in 2022 from 471 in 2016 | India News - Times of India (indiatimes.com

[48] India ranks globally 3rd in Start-Up ecosystem and also in terms of number of Unicorns: Dr Jitendra Singh | Department Of Science & Technology (dst.gov.in

[49] India Venture Capital Report 2022 | Bain & Company

7.4 GOVERNMENT SUPPORT

Looking at the potential for software and services exports, and the development of a supportive ecosystem, the Indian government has provided several impetuses to give a fillip to this sector over the years. Some of these are:

- STPI (Software Technology Parks of India[50] scheme announced in 1991. Key benefits of this includes duty free import of capital goods and eligibility for 100% foreign equity.
- SEZ (Special Economic Zone)[51] scheme came into effect in 2006. Key benefits under this scheme includes duty free import of capital goods and eligibility for 100% foreign equity. There were also tax breaks given to the subsidiary under this scheme, but this benefit has now been withdrawn by the government. A salient feature of this scheme was that the operations of a company needed to be set up in a designated duty-free enclave. Several of these were set up across the country by real estate developers like DLF and Embassy, and with many companies establishing themselves in SEZ's, these became virtual ecosystems on their own.
- Future skills PRIME[52] – this was programme initiated by MEITY (Ministry of Electronics and Information Technology) in collaboration with NASSCOM in 2018 to provide online skills training in chosen new/emerging technologies such as AI, RPA, Cloud Computing etc with an intent to upskill talent within the country.
- The government has also taken several steps to grow and accelerate startups in the country. Under the aegis of the Department for Promotion of industry and Internal Trade, the government launched the Startup India[53] initiative in 2016 which includes funding support, incentives, handholding and even incubation opportunities for startups. In the same year, the government also launched the Atal Innovation Mission[54] aimed at developing programs and policies for fostering innovation in different sectors across the economy.

Therefore, the main pillars of India's evolving ecosystem that are providing added impetus to IT and ITES software exports in general and the establishment of wholly owned GCCs in specific, are its Talent, Domain, and Innovation pillars - all three significantly buttressed by Governmental support over the years.

[50] STP Scheme | Software Technology Park of India | Ministry of Electronics & Information Technology Government of India (stpi.in)
[51] SEZ: Special Economic Zones in India (sezindia.nic.in)
[52] About FutureSkills Prime | Nasscom Learning Program
[53] Homepage (startupindia.gov.in)
[54] Atal Innovation Mission (AIM) | Government of India's flagship initiative

8.0 PULLING IT ALL TOGETHER

8.1 CONCLUSIONS

While historically cost and talent availability were the key drivers for establishing GCCs / GCCs (internalization strategy), today the emergent raison d'etre is the ability to leverage the Indian ecosystem to create FSAs that provide a competitive edge or the value "Fascicle". However, the composition of this value bundle will vary from company to company. We clearly see this in section 3.2 above where the rationale for setting up the GCC is different for different companies. The common element is, of course, leveraging a low-cost talent foundation to provide the value. For "EURTAIL", "EURBANKRESTART", "USGROCERY" and "USHEALTHINS", enabling transformation was listed as one of the components of their rationale. It is interesting to note that "EURBANKSOLD" does not have this listed as a reason, yet in their new avatar, namely "EURBANKRESTART", it is listed.

In their June '21 paper, Deloitte categorised capability centers into 4 types: 1. Transactional service centers, 2. Capability development centers, 3. Business operations centers, and, 4. R &D centers. The value bundle that the parent company seeks to derive from each of these types will be different – for instance the Business operations centers are expected to be large, such as those for banks, driven by supporting business processes which have a strong need for data protection and security.

Further, in talking to industry experts, it is clear that the evolution of GCCs over the years has been such that establishing a new one today does not entail experimentation with the idea, but with putting the right operating model in place. It's not about MNEs saying, "let's try it out and see how it works", but about creating an operating model in some initial chosen areas and refining that model as the center evolves to create the envisaged FSAs.

A key advantage of establishing a GCC is one of enabling ambidexterity. In looking at the results tabulated under "rationale for setting up the GCC" in Exhibit 1, we see a combination of exploitative drivers (cost, efficiency) and explorative drivers (innovation). For an established organization with an existing structure and hierarchy, this is difficult to achieve within the same entity. However the establishment of a GCC is a grounds-up establishment of a new center and therefore the goal of enabling ambidexterity can be achieved.

Centers that are established without a centrally driven mandate, are likely to stagnate or be sold off (case in point: "USGROCERY").

Likewise, GCCs that do not evolve to build a more encompassing value proposition for the parent company and remain small in size and scope are likely candidates for a sell-off or may have to contend with higher levels of attrition on account of limited growth opportunities for the talent.

Once a decision to establish a GCC has been taken, it is incumbent upon the leadership to put together an operating model to ensure its successful establishment. Key elements of this model include leadership support, change management, expectations management and governance.

All of these must come together successfully in collaboration with the India leader, for whom the company leadership needs to put in place mechanisms to ensure trust and provide a seat at the table ("Voice"). Finding the right leader is therefore a key imperative to success.

Finally, it is about continuously evaluating the value being derived from the GCC on an ongoing basis, developing FSAs and to reshuffle its value portfolio vis-à-vis TPPs, as may be needed in the larger context of company priorities.

With this backdrop we now evaluate the Propositions set forth in section 2.2.

P1: Internalization enables MNEs to leverage the lower-cost talent pool to derive value in areas like enhancing process efficiencies, IP protection and driving transformation agendas more effectively than a pure outsourcing arrangement.

As detailed in section 3.0 (shifting landscapes), respondents have clearly identified the low-cost talent pool, the ability to build a value fascicle and diversification away from vendors to reduce dependencies on them, as key themes that are driving the proliferation of GCCs. Hence this proposition is well supported through our research.

P2: Aligning a guiding coalition around a clear vision and strategy for the subsidiary enables a strong foundation for the GCC strategy.

Key aspects that emerged in the theme on "Establishing a strategic foundation" in section 5.2 are:

- The need for a centrally driven mandate
- Having a clearly articulated vision and roadmap
- Setting expectations with functional leaders
- Having organizational alignment around objectives and strategy

While the responses support the proposition we have offered above, we strengthen this proposition by modifying it as follows:

P2: Aligning a guiding coalition around a <u>*centrally driven*</u> *vision and strategy for the subsidiary enables a strong foundation for the GCC Strategy*

P3: Leadership plays a critical enabling role in enabling and driving stakeholders to mitigate the challenges the new strategy would give rise to.

The challenges to successfully establish a GCC are discussed in section 5.1. In section 5.2 (success enablers) we have stated the need to put into place effective change management strategies that include setting expectations, allaying fears, overcoming resistance, and putting in place an effective review and governance mechanism. The responses provided by the interviewees brings out these aspects and supports the proposition.

P4: Attention to ongoing learning of perspectives and knowledge to pursue vision and strategy through effective GCC voice and collaborative processes would contribute to refining and strengthening the overall strategy on an ongoing basis.

Enabling the voice of the India leader is the most frequently cited response in the success enablers section (5.2). This theme also calls out the need to empower the India leadership, enabling its voice and building trust. The emergent theme on Instituting parent-subsidiary collaborative practices shines focuse on the importance of this aspect. Hence our original proposition is well supported.

In addition to the above four propositions, we now offer two more, as brought out by the study.

The first is to do with the importance of hiring the right leader in India. This factor has been cited by 9 of the respondents and is key in helping the parent company assimilate and tie together the overall strategy. This is further detailed in Chapter 6.0 on GCC leadership.

Our additional proposition for this is:

P5: Hiring and integrating the right intrapreneurial leader with the reputation and network on the ground to attract talent, leverage the ecosystem and is comfortable building relationships with various stakeholders and third parties, enhances the ability of the GCC to create and assimilate FSAs.

The second additional proposition that we offer is to do with the value creation potential through the ability to develop ambidextrous abilities. For this, we offer the following proposition:

P6: An internalization strategy through the establishment of a subsidiary enables the creation of an ambidextrous culture that can catalyse the development of FSAs (Firm Specific Assets) that drive competitive advantage.

To summarize, therefore, the following are our propositions that are borne out through this study:

P1: Internalization enables MNEs to leverage the lower-cost talent pool to derive value in areas like enhancing process efficiencies, IP protection and driving transformation agendas more effectively than a pure outsourcing arrangement.

P2: Aligning a guiding coalition around a <u>centrally driven</u> vision and strategy for the subsidiary enables a strong foundation for the GCC Strategy

P3: Leadership plays a critical enabling role in enabling and driving stakeholders to mitigate the challenges the new strategy would give rise to.

P4: Attention to ongoing learning of perspectives and knowledge to pursue vision and strategy through effective GCC voice and collaborative processes would contribute to refining and strengthening the overall strategy on an ongoing basis.

P5: Hiring and integrating the right intrapreneurial leader with the reputation and network on the ground to attract talent, leverage the ecosystem and is comfortable building relationships with various stakeholders and third parties, enhances the ability of the GCC to create and assimilate FSAs.

P6: An internalization strategy through the establishment of a subsidiary enables the creation of an ambidextrous culture that can catalyse the development of FSAs (Firm Specific Assets) that drive competitive advantage.

We now bring these together in the following GCC Success Framework:

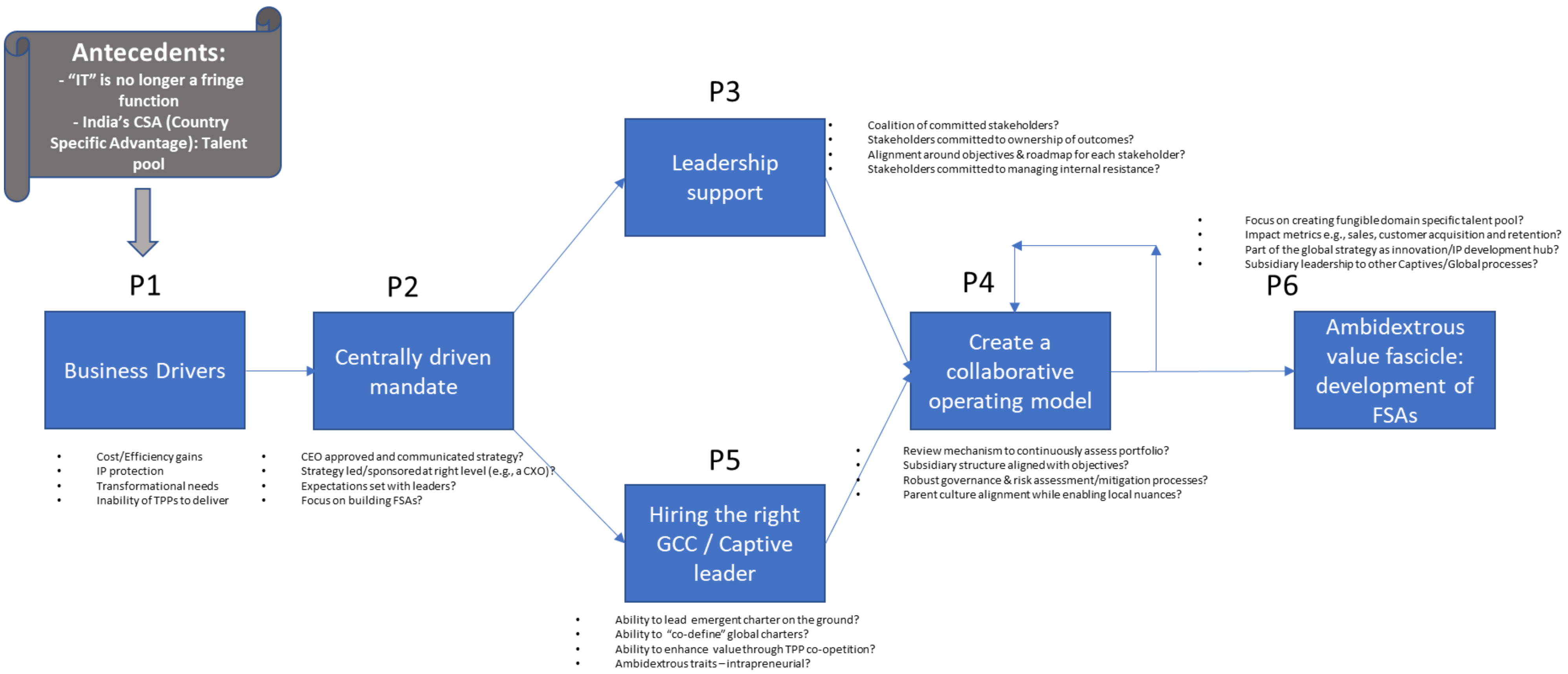

FIGURE 6: FRAMEWORK FOR SUCCESSFULLY ESTABLISHING A GCC

Additionally, we feel that existing GCCs would benefit from this research by benchmarking themselves against winning GCCs and best practices as were brought out by this study. For this we propose the following assessment framework for existing GCCs titled “The Seth GCC Diagnostic Framework”.

		NO	PARTIAL	YES
CENTRALLY DRIVEN MANDATE	• CEO approved and communicated strategy?			
	• Strategy led/sponsored at right level (e.g., a CXO)?			
	• Expectations set with leaders?			
	• Focus on building FSAs?			
LEADERSHIP SUPPORT	• Coalition of committed stakeholders?			
	• Stakeholders committed to ownership of outcomes?			
	• Alignment around objectives & roadmap for each stakeholder?			
	• Stakeholders committed to managing internal resistance?			
HIRE RIGHT CAPTIVE LEADER	• Ability to lead emergent charter on the ground?			
	• Ability to “co-define” global charters?			
	• Ability to enhance value through TPP co-opetition?			
	• Ambidextrous traits – intrapreneurial?			
COLLABORA- -TIVE OP MODEL	• Review mechanism to continuously assess portfolio?			
	• Subsidiary structure aligned with objectives?			
	• Robust governance & risk assessment/mitigation processes?			
	• Parent culture alignment while enabling local nuances?			
CREATION OF FSAs	• Focus on creating fungible domain specific talent pool?			
	• Impact metrics e.g., sales, customer acquisition and retention?			
	• Part of the global strategy as innovation/IP development hub?			
	• Subsidiary leadership to other Captives/Global processes?			

Figure 7: The Seth GCC Diagnostic Framework

To demonstrate the use of this framework, an assessment for a hypothetical GCC has been provided, using the drivers and success enablers from this study.

In this example, although the CEO has approved and communicated the strategy, the strategy sponsor perhaps needed to have been a more senior person. Expectations too appear to have not been well set with stakeholders and there doesn’t seem to be an articulated long-term objective of developing FSAs. The objective behind setting up this GCC appears to be an efficiency/cost driven one. Although a good, capable leader has been hired, the individual’s background appears to be one of driving exploitative objectives.

While a robust governance mechanism has been instituted this is not accompanied with an ongoing review mechanism to assess the internalized portfolio on an ongoing basis.

This could, for instance, be for a departmentally driven GCC mandate that has limited leadership support and may be led by a competent “exploitative” GCC leader without an accompanying mandate of putting in place robust collaborative processes. The GCC team and leadership may therefore be positioned more as order takers.

Though purely illustrative, this could fit a GCC like "USGROCERY" in our context, which as we know, was eventually sold to a TPP.

An assessment such as this would therefore indicate that the MNE either needs to re-evaluate its overall GCC strategy as the benefits from it would be limited or consider selling it off altogether.

8.2 IMPLICATIONS ON THIRD PARTY PROVIDERS (TPPs)

With the increasing number of companies adopting an internalization strategy, what are the implications on TPPs? Are they likely to gain from this proliferation or lose?

The following is a summary of the responses received (from Exhibit 1) from the interviewees:

		Frequency score
New opportunities will arise in the wake of GCC / Captive proliferation		8
	May be some rebalancing/seasonality but overall TPs will benefit or no impact (happy coexistence)	5
	TPs do well when there is a crisis - eg the financial crisis. Upcoming recession may benefits TPs	2
	Opportunistic - wait for GCC to fail; pitch offers for Parent orgs to acquire the Captive	1
	New sales opportunities of selling to Captives locally	1
TPPs will develop new capabilities to sell to Parent organizations		4
	Shift billing models to outcome based work: Agile based teams ensures headcount padding is limited	3
	Developing digital talent and capabilities; improved overall talent quality	2
	Developing/Acquiring deeper domain knowledge	2
Nature of work outsourced to TPs will change		2
	Use of TPs will be driven by ability to ramp up and down staff	2
	IP development will be retained inhouse	1
	Customer facing functions will typically remain in the Captive	1
TPPs will lose good talent		1

Most of the respondents feel that new opportunities will arise in the wake of GCC proliferation. While they do feel that MNEs may end up insourcing some of the work previously outsourced, there will be work that will continue to flow to TPPs. External factors may play a role from time to time – for instance a recessionary trend may prompt GCCs to reduce or hold steady their FTEs (Full Time Employees) and leverage the flexibility accorded by contract staffing.

Other potential upsides may present themselves to TPPs too. A parent company that is evaluating its GCC strategy may be open to selling it to a TPP – effectively taking the GCC headcount off their balance sheet and converting it into a variable cost. Deloitte, in their June 21 report mentioned that about 10% of GCCs were operating in higher value zones. While there is an opportunity for the other 90% of GCCs to move into the higher value zone, TPPs can work with their parent firms to help them assess the value-add potential (using Figure 7 above) and potentially bid to acquire those that do not cut muster.

Finally, the respondents feel TPPs will also uncover new opportunities – such as selling services to the GCCs (e.g., contract staffing) directly, on the ground in India.

This gains them entry as vendors and leveraging this entry point, they could potentially pitch to the parent firms as well for additional global business.

Aside from these, with the increasing focus on domain driven outcome-based services in contemporary areas desired by MNEs, TPPs will need to respond by looking at creating newer outcome-based billing models supported by agile[55] teams and processes, as opposed to FTE driven ones.

In doing this TPPs must keep in mind that with Internalization, the nature of the work outsourced to TPPs may undergo a change. MNEs may want to increase their reliance on TPPs for workload that is fluctuating in nature and requires scaling up or down talent at short notice– which TPPs staffing contracts lend themselves to.

IP development may reside largely within the subsidiary, as would customer facing functions. This shift in MNE outsourced priorities means that TPPs must continuously focus on upskilling talent in contemporary and emerging technologies, while developing or acquiring talent with deep domain knowledge.

Finally, the respondents feel that TPPs run the danger of losing quality talent to the GCCs that are being set up. Although not explicitly stated, the implication is on both existing talent within TPPs as well as talent to be hired from the external market. GCCs will present significant competition, and TPPs need to continuously hone their talent acquisition and retention strategies.

In summary, TPPs could consider the following responses to the proliferation of GCCs:

- Shift from being order takers to outcome-based accountability; Billing model to move from FTE basis to outcome based. Effectively work towards becoming the source of FSAs for the parent companies.
- Ability to enhance value to customer rests on dual foundation of domain and emergent tech skills: Develop deep domain expertise in chosen verticals – through training/talent acquisition.
- Proactively look for under-developed GCCs to acquire – provides both a revenue stream as well as immediate domain specific talent infusion (aqui-hire strategy).
- Look for opportunities to sell to existing GCCs on the ground in India – can be a potential route to gaining traction with the parent company too.
- Add a GCC offering to overseas parent companies seeking to set up a GCC in India. Indian TPPs have real estate, cash and talent to help a parent quickly set one up – and in the process become entrenched as a preferred service provider.

[55] Agile Model in Software Engineering (guru99.com)

- Continuously hone Talent acquisition and retention strategies to be able to effectively support a GCC agenda.

8.3 PAN-INDIA IMPACT

We now turn to considering the potential impact this proliferation of GCCs has on India, through the eyes of the respondents. It needs to be mentioned that this section is not intended to quantify the impact, such as economic growth, (which has been well documented by Deloitte in their June 21 paper), but to provide qualitative and actionable inputs from the viewpoint of the respondents.

The responses are summarized in the table below:

Will drive upskilling of talent/stronger academia-GCC tie ups
Overall helps drive Brand India - positions India as the leading "GCC" hub
Great opportunity for students in Tier 2/3 cities and Tier 2/3 colleges to work for MNCs
Recession/BREXIT, aging population, saturation of Poland: will drive more European cos to set up India GCCs
Will drive flex work
Anticipate emergence of hub and spoke model for Tier 1/2 cities - drives economic impact
Pride of working for a multinational/foreign company
Better work life balance for employees
Overall Economic growth
Grows the local startup ecosystem - e.g., GS 10K program
Parent company drive towards social goals like water conservation, renewable energy etc to percolate
More opportunities for Indian talent to move abroad/take global roles

The rapid establishment of GCCs with a focus on building FSAs for the parent will require upskilling of talent in both business domains as well as technology skills. With the strong competition for quality, lower-cost talent, colleges across the country universities and colleges in Tier 2 and Tier 3 cities will need to upgrade their academic programs. This will provide an impetus to hiring from these cities and will also serve to enhance the infrastructure in those locations as more and more GCCs consider setting up a center there, or an extension of one (through a hub and spoke model), where a city like Bangalore acts as the hub location and a Tier 2 city, as the spoke. Talent in Tier 2 and Tier 3 cities will therefore get the opportunity to directly work with an MNE through its subsidiary. This may even open opportunities for Indian talent to play a global role either in the GCC, itself or by moving to the parent company abroad. Aside from these aspects, the respondents also felt that working for these GCCs provided a better work-life balance for the employees (when compared with a TPP). Additionally, GCCs inherit the priorities and best practices from the parent, such as ESG goals like water conservation and renewable energy, and therefore become an enabler for spreading this across other parts of the country over time.

Many of the GCCs are also contributing to the development of the startup ecosystem in India. The Godman Sachs 10,000 women[56] program is one such example. This is a global initiative to promote economic growth with a dual goal of promoting diversity in the global startup ecosystem. This program has reached thousands of women from over 100 countries to date, including India. In addition, several GCCs now have their own accelerators and startup engagement programs as mentioned in section 7.3.

In summary, aside from the direct economic benefit, the proliferation of GCCs is playing a significant role in upgrading India's competitive edge through talent upskilling, improved infrastructure, startup engagement, reach to remote cities and contribution to ESG and diversity initiatives. The actionables that emerge from the above for GCCs / GCCs, Academia and Policy makers in India are:

For GCCs / GCCs:
- Establish startup engagement programs
- Institute/enhance diversity charters
- Institute/enhance social impact charters
- Establish centers in Tier 2, 3 cities

For Academia:
- Enhance curriculum in Tier 2/3 cities - include domain & contemporary skills
- Expand to Tier 2, 3 cities

For Policy makers:
- Create incentives for establishing centers in Tier 2, 3 cities, such as income tax breaks for training and upskilling

8.4 CONSTRAINTS & FUTURE RESEARCH

8.4.1 CONSTRAINTS

We note the following constraints in our research:

- This research has been from the point of view of Industry Experts and GCCs in India. While it does consider some MNE parent views (the Anthem case study and "USCOLLABTECH), there is a need to further understand the rationale and success enablers from the standpoint of the parent, and to assimilate those findings with those presented here to provide a more rounded perspective.
- We have not made our study sector specific or geography specific. While our study did cover organizations from both Europe as well as the United States, the examples chosen had companies whose primary language of working is English. Our study did not include companies that are based out of Korea or Japan, for instance. Nor did we make it sector specific – say manufacturing companies vs retail organizations. A manufacturing company may lay a

[56] Goldman Sachs | 10,000 Women | An Initiative to Provide Business & Management Education to Female Entrepreneurs in Emerging Markets

greater emphasis on say product R&D whereas a retail organization may be focused more on building omnichannel capabilities.
- We have not included the flip side of this study – namely incorporate views of companies that have evaluated the internalization decision and have decided *not* to do so. It would be of interest and relevance to understand their drivers.
- Our study did not distinguish between the sizes of GCCs. The driver for a very large GCC may, for instance be largely cost savings while for a smaller set up it may be product development. As we have already stated, the composition for the value fascicle may vary from company to company, but our study has not factored this aspect in.

8.4.2 SUGGESTED FUTURE RESEARCH

Each of our study constraints listed above lend themselves to further research, namely:

- Incorporating views from parent companies that have established GCCs.
- Incorporating views from parent companies that have established and sold or shut down GCCs.
- Doing a study based upon size of the GCC: a headcount of, say, sub 500 full-time employees.
- Doing a study for GCCs with parent organizations in non-English speaking countries like Korea or Japan.

Aside from these, the following also offer themselves as fecund areas for future research:

- Understanding the nature and type of FSAs created for different industry verticals.
- Understanding how the portfolio for GCCs has undergone a temporal change over time. Look at understanding the rationale behind specific instances of a GCC divesting part of its portfolio to a TPP.
- Doing a study to understand the nature and level of global roles created in GCCs. By global roles we mean where a process has both responsibility as well as ownership residing with a GCC leader. This study could also include understanding the overseas opportunities that may be thrown up for the subsidiary employees which entailed relocating them to the parent.
- Doing a study on understanding the alignment of the sub 500 headcount GCCs with overall parental strategy – is there scope for improvement or does it make sense for the parent to consider selling these to TPPs?
- Through our study we have determined that getting the right support and enabling the voice of the GCC leader is critical to success. Hence it would be relevant to further research the correlation between success of the GCC and the reporting level in the parent organization.
- It would also be of interest to understand the limits of internalization. Is there a point beyond which internalization doesn't work? What is the role of TPPs in an

internalization strategy and what value do they provide in combination with or as contrasted with the internal team?

Exhibit 1: Questionnaires sent to the interviewees

Questionnaire 1: Interview questions sent to established GCCs

Interview questions
established GCCs.xlsx

Questionnaire 2: Interview questions sent to GCCs that were sold or shut

Interview questions
GCCs that shut down.:

Questionnaire 3: Interview questions sent to Industry Experts

Interview questions
industry experts_cons

Exhibit 2: Data Capture and Codification Sheet

Data capture and
codification sheet.xlsx

Exhibit 3: State Street's Linked in job post for a Country Head, India

Country Head, India, Executive Vice President

About the job:

Position Overview
The Country Head - India has overall responsibility for the management of all operations in our in-house centers across Bangalore, Hyderabad, and Mumbai as well as our two joint ventures with HCL and Syntel. Collectively, these entities have over 20,000 employees located across India and support business critical services and processes across our asset servicing and asset management businesses including within our Global Delivery and Global Technology Services organizations, as well as corporate functions (e.g., Finance, Global Human Resources, Global Marketing, Risk Management, Compliance, Audit).

This role will have responsibility for overseeing State Street's workforce in India and delivery of the aforementioned processes and services in partnership with global business and corporate function leaders. The role will provide leadership and oversight across the entire footprint in India while ensuring the appropriate structures and accountability are in place with senior stakeholders in the US, Europe, and APAC. The role is also responsible for the governance and oversight for areas of compliance within the country regulatory framework. The role can be based either in Bangalore or Hyderabad and will report dually to State Street's President and head of the Investment Services business Lou Maiuri and the Head of International, Andrew Erickson.

Primary Responsibilities

- Execution and monitoring of execution of service delivery across Operations, Technology and Corporate functions. This role will also be responsible ensuring that services delivered across business units and corporate functions are executed in line with service level requirements while leveraging local leadership and developing global and regional best practice solutions for clients.
- Examine existing operating models and make recommendations where improvements can be made to further advance service levels productivity, and resiliency objectives across business areas and corporate functions.
- Partner with leadership in our joint ventures to review the effectiveness of the operating model and building strategies for transformational change which are aimed at creating synergies and driving return on investments including enhanced client outcomes.

- Ensure appropriate risk and compliance frameworks are established across all business areas and corporate functions operating in India.
- Organize resources to improve efficiency and effectiveness across the areas of responsibility and look to improve overall resiliency.
- Provide leadership for staff on the ground through the establishment of governance, management routines and strong partnerships with global business and corporate function leaders.
- Drive effective resource planning across all areas operating in India Partner with global business and corporate function leaders to optimize current budgets and planned investments in India.
- Role model State Street's culture traits in support of our purpose and strategy. Partner with Global Human Resources to attract, engage, develop, and retain a high performing and diverse workforce that supports culture of accountability, innovation, and continuous improvement.
- Partner with the client service organization to ensure that we remain the best partner, innovator, and collaborator for the clients we serve and understand client issues we face while finding ways to improve service delivery.
- Evaluate and track the success of State Street India in reaching its goals leveraging the Objectives and Key Results (OKR) methodology.

Qualifications

- Multiple years of experience leading a complex operational or service delivery organization ideally within the financial services industry.
- Demonstrated ability to successfully operate in a global, matrixed organization and partner with colleagues across g multiple lines of business and corporate functions with particular emphasis on technology, operations, risk, and compliance.
- Strong ability to drive performance improvement within a complex local/global organizational environment.
- Strong financial acumen with experience managing through multiple economic cycles.
- Proven track record in driving improvements towards an inclusive and diverse workplace.

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