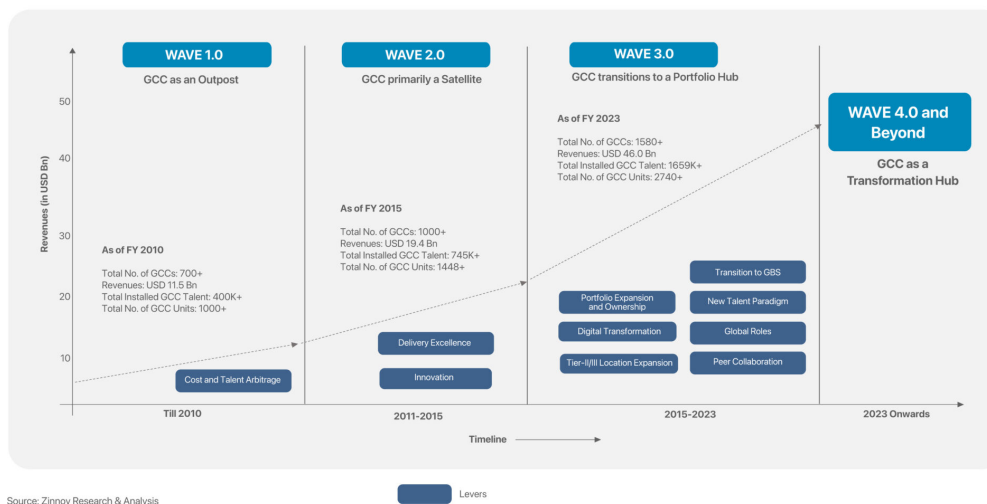


HOW TO INCREASE GLOBAL CAPABILITY CENTER MATURITY: 3 KEY CONSIDERATIONS FOR GCC LEADERS

Back in the 1990s, when the world was just beginning to explore the potential of offshoring, India emerged as a shining star on the global business horizon. Multinational corporations (MNCs) recognized India as the perfect destination to establish their offshore captive centers. Fast forward to the present day – India's GCCs have witnessed a remarkable evolution. Fueled by advancements in digital technologies, these centers have not only increased their output but have also enhanced their value proposition from being mere cost arbitrage centers to driving innovation and enabling business continuity. In FY 2023, India's Global Capability Centers (GCCs) have surged, with over 1600 centers employing ~1.66 Mn professionals, amounting to an impressive market size of USD 46.0 Bn.

With over two decades of industry experience, Zinnov has developed a robust Maturity Framework that encapsulates the evolution of [Global Capability Centers \(GCCs\)](#) across four distinct waves of maturity: Outpost, Satellite, Portfolio Hub, and Transformation Hub.

Indian GCC Industry Evolution – Scale, Innovation, Delivery Excellence, and Leadership have been at the core of Indian GCCs' evolution in the last two decades



As GCCs continue to evolve, there is a need for site heads to identify and leverage critical distinguishing factors that will propel sustained competitive advantage. **Governance, Succession Planning, and Value Metrics** are three such levers of center transformation. These often overlooked and underutilized facets are pivotal drivers of maturity; helping organizations mould into transformation hubs.

Mitigating Risk Through Effective Governance

For GCCs, effective governance is the linchpin that bolsters the reputation and sustainability. It involves a vigilant stance against risk violations—be it within internal processes or in relation to customer interactions.

The challenge lies in the intricate web of checks and controls that operate at different levels. While responsible teams handle these intricacies, the mantle of accountability rests upon the shoulders of leadership, many of whom may not be governance specialists.

Poor governance can manifest in the form of procedural errors (ex-data breaches), compliance errors (ex-fines incurred from vendor/partner negligence) and/or employee incidents (ex-sexual harassment). All these have large-scale reputational and financial implications for both the center and its management.

Take an example of a large multinational organization (MNC) in the **BFSI sector** that has entrusted 40,000 jobs to India, contributing to 20% of global revenues. Any misstep or breach of customer data or labor law violation could have devastating top and bottom-line repercussions.

Therefore, cultivating a culture of compliance is paramount to keep both individuals and the center out of trouble. Global HQs need assurance that each of their center operations is protected from risks that could jeopardize profitability.

The dividends of staying out of harm's way extend beyond mere reputation; they ensure that the benefits of outsourced cost arbitrage remain untarnished.

The Path to Proactive Governance

At present, centers often lean towards reactive rather than proactive governance. While Center Heads and GCC leaders prioritize seamless operations and risk minimization, there is room for a more strategic approach to risk assessment and prevention.

For proactive control management, GCCs should foster interdepartmental cooperation, implement checks and balances, and adopt a strategic approach to risk management. This entails adhering to industry and local laws, strengthening cybersecurity protocols, developing a robust **talent** pipeline, redefining value creation, and ensuring compliance with labor regulations. A comprehensive governance framework, therefore, becomes critical. This should encompass policies, procedures, and controls for information security, business processes, and industry-specific regulations. Proactive identification and addressing of control weaknesses allow organizations to stay ahead of potential risks and adapt to evolving regulatory landscapes.

Additionally, modernizing control functions is crucial. Utilizing analytics, AI, and Generative AI enhances monitoring and reduces reliance on manual processes. While human expertise remains vital, technology empowers professionals to concentrate on high-value tasks.

Succession Planning: Building A Multigenerational Institution

Another critical challenge faced by leaders of Global Capability Centers (GCCs) is ensuring smooth leadership transitions through effective succession planning. This necessitates reducing dependency on key individuals and cultivating a strong leadership pipeline by embracing a collaborative approach over a 'hero culture'. In the current GCC landscape, the shift from "I" to "We" is not just a semantic preference—it's a strategic imperative. Leaders steering GCCs must work hand in hand with HR professionals to craft a seamless succession plan that

transcends hero-centric models. The goal is to create a robust leadership pipeline comprising not just a single key leader, but a collective force that propels growth and innovation.

A seamless transition of critical knowledge and skills can be facilitated through comprehensive knowledge transfer programs. GCCs can retain valuable expertise by capturing and documenting tacit knowledge. Fostering a culture of continuous learning, offering growth opportunities, and promoting talent retention and employee engagement reduces dependency and ensures smooth leadership transitions.

Leaders must actively champion the development of at least three layers beneath them. This isn't merely about filling positions; it's about cultivating legacy institutions where checks and balances thrive. The right reporting structures for successors are pivotal; they should foster assertiveness while remaining democratic, communicative yet respectful. Mastering leadership skills becomes essential to navigate this collaborative leadership terrain.

The succession planning process can be further enhanced through regular talent assessments, performance evaluations, and leadership development opportunities for emerging leaders. By leveraging the expertise of HR professionals, GCC leaders can design and implement comprehensive talent development programs that equip high-potential employees with the necessary tools for leadership roles.

Aligning Value Outcomes to Business Goals

The question ‘what is value?’ is a diabolical one. For starters, value means different things for different organizations. Furthermore, it is dependent on multiple variables including, stage of maturity, nature of business, and business objectives to name a few. Visualize organization value comparable to an individual’s growth journey. When one is younger, measures of value are polarizingly different to when you get older. Similarly, as organizations change (both internally and due to dynamic market conditions), adaptability and resilience will require newer measures of value creation.

The concept of value goes beyond mere ownership. This requires a deep dive into what constitutes value and how one ascends the value chain. Ownership, although crucial, isn’t the only dimension. It’s about discerning where ownership is truly valuable, especially in core business areas. In some scenarios, part ownership of core functions might yield more than complete ownership of peripheral ones. This nuanced understanding of value adds depth and maturity to the GCC landscape.

To enhance value creation, GCCs should invest in training programs, knowledge-sharing sessions, and opportunities for employees to expand their skills beyond their core responsibilities. Constant upskilling ensures adaptability and value delivery in a changing business landscape.

Engaging with external stakeholders, such as industry associations and research organizations, strengthens GCCs’ value creation. By tapping

into external knowledge networks and forging collaborations, GCCs bring new ideas, technologies, and practices to the parent organization, fostering continuous improvement and growth.

The journey to GCC excellence is a symphony of these elements—governance that safeguards, succession planning that empowers, and a nuanced approach to value creation. GCCs that master this harmonious interplay are poised to not just thrive within their own realms but to steer their parent organizations into a future of enduring growth and transformation.

Proactive governance, nurturing collective leadership, and finding the right value metrics not only propel centers to a heightened level of agility and innovation but also establish a foundation of trust, garner higher executive buy-in, foster empowered and transparent teams, enhance operational efficiency, and fortify the brand's resilience against dynamic market fluctuations. Each decision made today is a step toward building a legacy of trust, innovation, and resilience that will resonate through the dynamic currents of tomorrow's GCC landscape.

Ready to take your GCC to the next level? Get in touch with us at

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