Global Business Services - Are you making a difference by being different?

EY Point of View

The better the question. The better the answer. The better the world works.
India - #1 GIC Destination
India is the No.1 destination for Global In House centres, with over a 1000 centres across the country

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>World’s fastest growing and 7th largest economy</td>
<td></td>
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<tr>
<td>One of the Most attractive FDI destinations in the world</td>
<td></td>
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<tr>
<td>Youngest country in the world by 2020 with median age of 29</td>
<td></td>
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<td>Second largest pool of English speakers in the world</td>
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Source: Planning Commission of India, NASSCOM Strategic Review 2017
Business Process Management/Outsourcing
The Indian GIC landscape has been evolving over years

GIC set up has accelerated in recent past. More than 220 firms have setup GICs in India since last 7 years

IT and R&D GICs have grown revenues at 9-10% annually

A number of factors have contributed to this, including
- Human capital
- Cost leadership
- Robust enabling environment
- Presence of other GICs/SI centers

ADM remains the main focus area for IT GICs; However, the scale and scope of work managed by GICs is now expanding to support the parent company’s digital initiatives

R&D GICs are evolving from basic engineering services to providing digital engineering services (creation of smart products and platforms)

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**GIC Market in India**

<table>
<thead>
<tr>
<th>Year</th>
<th>IT</th>
<th>BPM</th>
<th>R&amp;D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>11.8</td>
<td>4.7</td>
<td>5</td>
<td>11.8</td>
</tr>
<tr>
<td>FY17</td>
<td>12.9</td>
<td>5.3</td>
<td>5.8</td>
<td>12.9</td>
</tr>
<tr>
<td>FY18E</td>
<td>14.2</td>
<td>5.7</td>
<td>6.2</td>
<td>14.2</td>
</tr>
</tbody>
</table>

As on 2017:

<table>
<thead>
<tr>
<th>Category</th>
<th>R&amp;D</th>
<th>BPM</th>
<th>ITO</th>
</tr>
</thead>
<tbody>
<tr>
<td># GICs</td>
<td>900+</td>
<td>500+</td>
<td>380+</td>
</tr>
<tr>
<td># Talent of GICs</td>
<td>~326,000</td>
<td>~350,000</td>
<td>~200,000</td>
</tr>
</tbody>
</table>

Source: NASSCOM Strategic Review
India - #1 GIC Destination (contd.)
Over half of the global GICs are in India, accounting for 79% of global GIC employees

- 50% of the global GICs are in India, accounting for 79% of global GIC employees
- BFSI leads in terms of employees with a median size of over 850 people
- GICs exploring Tier II/III locations like Ahmedabad, Coimbatore, Vadodara, due to proximity to manufacturing, access to niche or low cost talent, etc.
- Business models shifting from ‘Cost plus’ to 'Transaction based'
- GICs evolving as Centres of Excellence (CoEs); India home to more than 100 CoEs

Source: Ernst & Young Research, Nasscom
India - #1 GIC Destination (contd.)

India is likely to continue to remain the most attractive offshoring location in the coming years.

**Offshoring attractiveness (by country)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Financial Attractiveness</th>
<th>People skills &amp; availability</th>
<th>Business Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>3.23</td>
<td>1.54</td>
<td>1.22</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.34</td>
<td>2.07</td>
<td>1.59</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.75</td>
<td>1.42</td>
<td>1.89</td>
</tr>
<tr>
<td>China</td>
<td>2.28</td>
<td>2.71</td>
<td>1.51</td>
</tr>
<tr>
<td>India</td>
<td>3.22</td>
<td>2.55</td>
<td>1.19</td>
</tr>
</tbody>
</table>

**Top offshoring destinations (cities)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bangalore</td>
<td>India</td>
</tr>
<tr>
<td>2</td>
<td>Manila (NCR)</td>
<td>Philippines</td>
</tr>
<tr>
<td>3</td>
<td>Mumbai</td>
<td>India</td>
</tr>
<tr>
<td>4</td>
<td>Delhi (NCR)</td>
<td>India</td>
</tr>
<tr>
<td>5</td>
<td>Chennai</td>
<td>India</td>
</tr>
</tbody>
</table>

Source: 2016 Tholons Top 100 Outsourcing Destinations, A.T. Kearney Global Services Location Index, 2016
**Evolution of GICs**
The focus of today's GICs is ‘value creation’ through increased emphasis on the digital agenda and right sourcing models...

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Individual functions managed in discrete country/regional Shared Services centers</th>
<th>Each shared center reporting directly to a functional or regional lead</th>
</tr>
</thead>
</table>
| 1. Functional Shared Services | ![Graph](image)

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Two or more classic functions combined in regional Shared Services centers</th>
</tr>
</thead>
</table>
| 2. Multifunctional Shared Services | ![Graph](image)

<table>
<thead>
<tr>
<th>Maturity</th>
<th>All functions integrated in one global service organization with a global consistent service management framework</th>
</tr>
</thead>
</table>
| 3. Global Business Services (GBS) | ![Graph](image)

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Wide range of fully integrated value and services defined the way the enterprise understand them</th>
</tr>
</thead>
</table>
| 4. Advanced Global Business Services | ![Graph](image)
Trends in GICs
Tomorrow’s GICs, will focus on optimizing service delivery, leveraging digital & automation, data analytics & reporting, customer service and evolving talent & skills

The future of GBS is a…..

1. multi-functional organization with a diverse set of service offerings – or even solutions …

2. …managed through a global governance structure…

3. …leveraging a mix of delivery model options …

4. …enabled by latest “state-of-the-art” technology…

5. … in order to become a trusted partner of the enterprise …

6. …and drive value to the organization.
High level operating model of an IT GIC

Corporate IT Teams

Center Strategy

Operations (Core Service and Project Delivery)

Internal Customers

COMPETENCIES
- PMO/Transition
- CoE
- Innovation

KEY PROJECTS
- Digital & Cloud
- Service Mgmt
- Automation
- App. Portfolio Mgmt.

ENABLER FUNCTIONS
- Talent
- Finance
- Procurement/Outsourcing
- Quality Management

Vendors
Seven major trends playing out in IT GICs
Revisit the center strategy and align with broader changes in global IT driven by Digital and other forces.

- Major changes in technology, regulations, competitive landscape and broader economy are creating constant flux in the overall strategy of the organization.
- This is leading to high volatility in the global IT function.
- The IT GICs are continuously fine-tuning their strategy to remain relevant in the new environment.
Build competencies and capacity around new age solutions/technologies and position as driver of change

• Global organizations are focusing on transforming the Enterprise IT with various types of projects in areas such as Digital, Cloud, Software Defined Infrastructure, Automation and Application Portfolio Management

• IT GICs are proactively building skills, PoC and thought leadership to lead (or at least be part of) these transformation projects
Streamline the core activities and harmonise the operations

Due to the boot strapping nature of the way GICs evolved, the core operations of the centers remain disparate and inharmonious

GICs are now looking at streamlining the operations, focusing on service management (e.g. defining the service catalogues) and preparing the ground work for Automation
In partnership with service providers, GICs are actively deploying RPA and ITPA technologies.

They are also enabling cross-functional automation in partnership with other functions (e.g. HR on-boarding leading to access right authorization).

The main objective for automation in GICs is service improvement and capability building (and not cost).
There is a major attempt to reposition the GICs from capacity oriented hubs to innovation hubs.

To drive the innovations, the GICs are partnering with the external ecosystem consisting of start-ups, universities and research organizations.

The next frontier is to monetize the innovation attempts into more tangible outcomes.
Focus on transforming the skill sets of the talent base and improving people supply chain

➢ In many cases, the GICs have not been able to fully service the parent organization due to lack of (or delay in hiring) the right talent

➢ Leading GICs are focusing on special training programs for new age competencies such as Analytics, cloud, Big data and IoT

➢ They are also focusing on improving their overall people supply chain
Building strong capabilities around procurement and vendor management

- IT service providers bring capabilities (like scale, platforms and deep technical knowledge) that GICs will find difficult to replicate
- The best GICs find the right balance between internal and external capabilities
- GICs are focusing on how best they can act as procurement specialist for global IT and manage the vendor relationship after the contracts are in place
India Global Business Services (GBS) Advisory
Leading dedicated independent Global Business Services (GBS) Advisory practise in India

Leading dedicated independent Global Business Services (GBS) Advisory practise in India

Why EY’s GBS Advisory Services

1. Breadth and depth of experience
   - Supported 200+ Global Business Services & finance transformation engagements, covering over 30 countries
   - Dedicated multi-disciplinary team of 150+ professionals, with significant outsourcing/captive and lean six sigma experience

2. Leading dedicated GBS Advisory practice
   - Highest ranking amongst the Advisors in 2015, 2016 & 2017 at the IAOP* annual “World’s Best Outsourcing Advisors list

3. Extensive industry insights & knowledge
   - EY India has been conducting a cost and operations benchmarking study across GICs for the past 10 years
   - Our commitment to the industry - EY India GIC Leadership Forum

4. Robotics Centre of Excellence
   - We have 140+ strong RPA practice globally who has delivered 50+ Proof of Concepts and 5+ engagements in RPA

5. Industry Connect – EY GIC Leadership Forum
   - EY India GIC Leadership Forum, a dedicated platform for industry players to focus on best practices

Global reach, established methodologies and cross functional expertise: EY is one of the most globally integrated GBS practise with established and time-tested methodologies enabling us provide a one-stop sourcing SSC/BPM solution

150+ practitioners
Over 200 clients
#1 in IAOP World’s Best Outsourcing Advisors
300+ GIC & BPM engagements delivered
Breadth and depth of experience (contd.)

Our Global Business Service engagements have covered, multiple industries and service offerings.

- **Telecom**
- **Technology**
- **IT/ITeS**
- **Retail & FMCG**
- **Pharmaceutical**
- **Manufacturing**
- **BFSI**
- **Others**
The better the question. The better the answer.
The better the world works.

Thank You

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