

GCCs – Turning the COVID challenge into meaningful change

Looking beyond COVID



Summary

Change is sometimes so vast, so fast, and so dislocating that it is hard to tell disaster from opportunity. COVID-19 has ushered in such a situation in the world. The point is, how do enterprises turn these challenges into meaningful change?

The COVID-19 pandemic is an unprecedented public health emergency affecting every sector across every industry. While some industries may boast stronger defenses, others will struggle to reset to a normal that is constantly being redefined — and redesigned.

Sample this: Consumer demand patterns will shift if not pivot; global supply chains will be re-routed if not re-designed, governments and institutions will make even more significant interventions; and companies will have to continuously adapt to new and uncertain market conditions.

In this White Paper, we look at the Global Capability Center (GCC), the effect of the pandemic upon its business, the future scenario, and specific advice on what GCC leaders should consider now and going ahead. These experiences and findings have been derived based on our ongoing engagement with GCC clients.



Focus shifts to Restoration & Relevance post COVID breakout

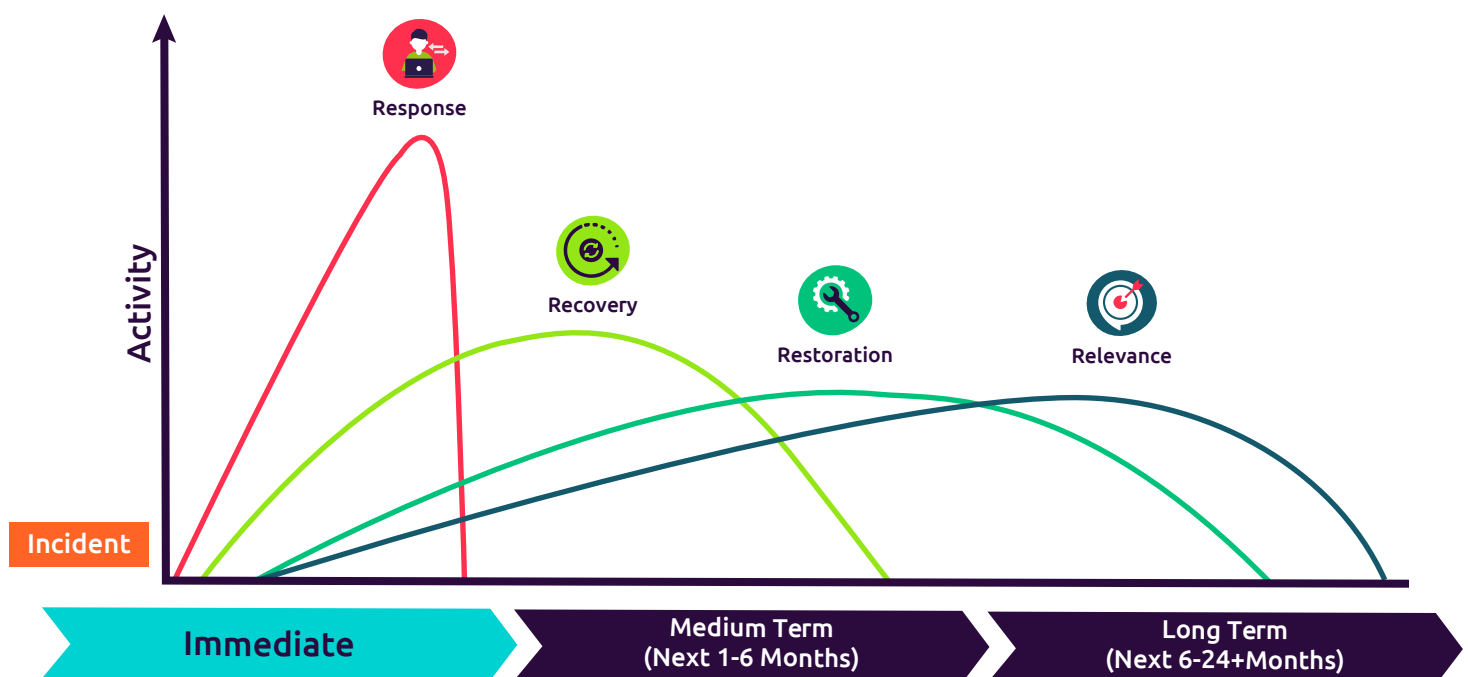
While most of the GCCs have been busy with an immediate “Response” to COVID initially and then with “Recovery” in terms of their business operations, the focus has now truly shifted to future models and sustenance in the form of “Restoration of growth” and “Relevance for the future.”

The Response constitutes a key element of this solutioning. A high 95% of the GCC industry has shown phenomenal resilience in continuity of critical services to clients while ensuring employee safety. GCCs with robust BCP/DR plans, practiced during BAU with flexible WFH approaches, have responded seamlessly.

Restoration and future Relevance would look different for GCCs across different sectors, but there are some common themes.

Restoration is pointed towards fixing the high impact areas within the GCC to mitigate business risks and improving stakeholders’ (business or client) experience. This involves re-defining the IT and Operations model, shared services model and partner engagement. The agenda of cloud adoption, automation, user experience improvements and agility are prime, and headquarters will look to GCC leaders to lead this initiative.

Future Relevance means aligning to the Global Enterprise agenda of a larger transformation, which involves futurist models around Everything-as-a-Service, re-defining Enterprise Global Business hub and spoke, building intelligent self-sensing supply chain and the manufacturing ecosystems. All these transformations are akin to changing the very core of business in full motion. GCCs are expected to align and play a pivotal role in effecting this coming change.



Sectoral GCC case studies

The Financial Services (FS) GCC saw unplanned call volumes with spikes in credit refunds, card dispute collections and direct debit and decreased volume for new business requests. The call center operations, which were never enabled for WFH due to client data security and infrastructure limitations, saw 40–60% idle time.

From a Restoration perspective, these GCCs are looking at load balancing through cross-training and automation of business operations, implementing operational workarounds to render service digitally, triage customer enquiry by optimizing chatbots and inducing scenario-based stress test and customer action plan.

For Future Relevance, the FS GCCs will build systems to close channel gaps and optimize sales/service pathways for digital touchpoints; improve personalization in customer

interaction, and build product flexibility with the ability to expand or contract based on changing requirements.

Finally, the FS GCCs will have to partner with their global enterprise to create new digital capabilities than to digitize existing process; adopt cloud native approach to reduce startup and runtime costs; and deploy API-based, microservices-based infrastructure to deliver heightened flexibility and agility delivering to market changes.



The Hi-Tech, Retail and Manufacturing GCCs using multiple tier 2/3 third party for customer facing processes, technical support center have struggled to issue laptops and giving remote access as vendor employees were never equipped to access client servers from home. Work has stopped where global clients have expressed issues with data security and are not comfortable with work from home for small third party vendor employees.

For Restoration, these GCCs are looking at consolidating with Tier 1 service providers with secure customer support center, lab set-up and business continuity in a managed services model to overcome these challenges. This theme also augurs well with their long-term strategy of sticking to the core and leveraging partners for adjacent work.

For Future Relevance in creating superior customer experience, GCCs will have to move from the current

model of “Respond & React” to “Predict & Prevent.” Most of the current operations based on the ITIL process and platform will have to move to automation-driven cognitive target models. The answer to “What will happen” will become more important than “What happened” and “How did it happen.”

The impact on GCCs focused on Engineering, Research & Development (ER&D) activities specially in Hi-Tech and Manufacturing segments is glaring. COVID has induced reduced engineering with a strain on engineering capacity due to WFH in a centralized and controlled R&D setting. There is loss of efficiency due to lack of effective collaboration, inadequate tools environment, and secure networks for extended periods of time.

The first step towards Restoration is moving to a WFH environment that will require virtualizing the ER&D experience – not an easy thing to do as R&D has traditionally been conducted in controlled settings. This entails creation of “home labs,” with the requisite hardware infrastructure and workstations to ensure that critical projects are not disrupted. Some GCCs are already virtualizing embedded work for select customers, with backup power systems and office workstations supplied to engineers at home.

For future Relevance, ER&D GCCs will have to adapt an agile engineering model of low buffers, MVPs, and distributed responsibility. They will have to deal with uncertain demand and disruptions in the global supply chain.



The future of “Experience Economy” gains acceleration

“Everything-as-a-Service” driving post-COVID digital innovation

Many of the outcomes from COVID-19 are trends that were already in motion, and the virus is acting as a catalyst to accelerate the digital change and bring rapid consensus among key stakeholders across the value chain – employees, suppliers, dealers, and customers.

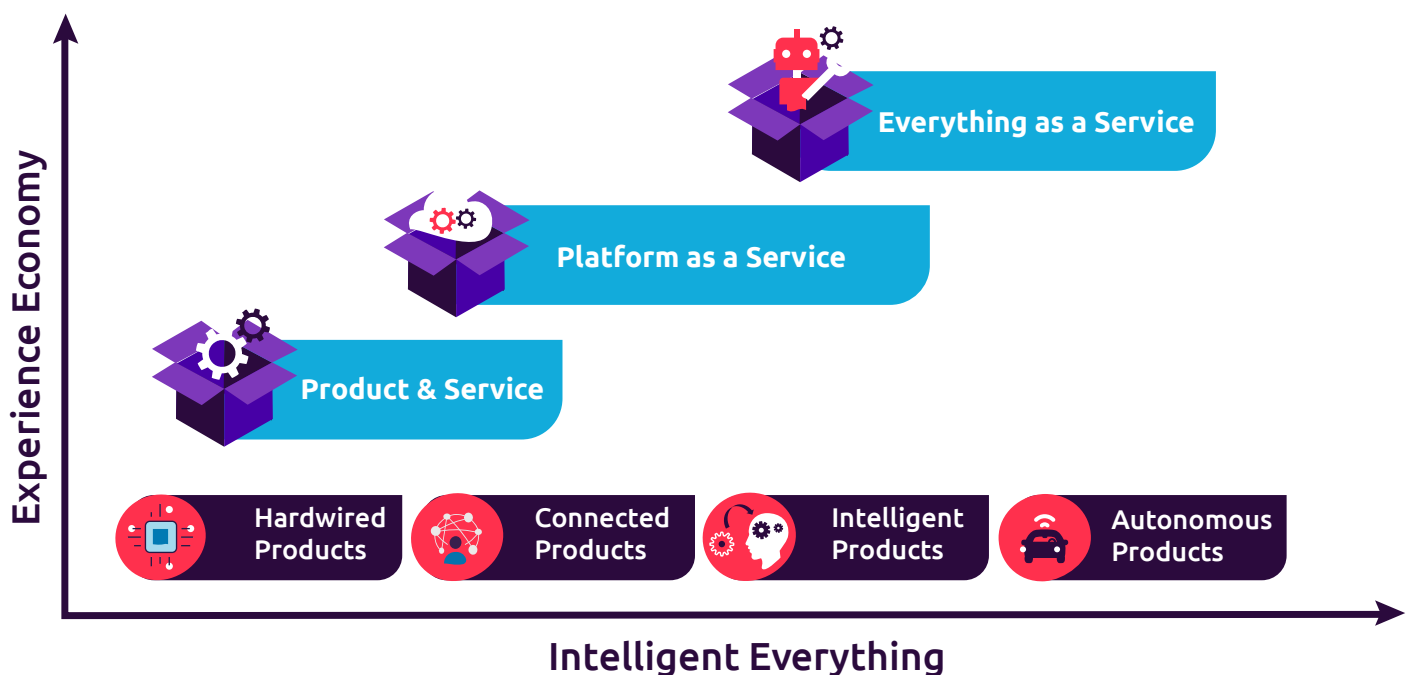
It isn't that enterprises have not been innovating already. The perspective, however, will change to continuity and future relevance. This idea of continuity and relevance is powerful and will accelerate the speed of innovation.

Digital innovation is rapidly changing how products will be conceived, created, sold and supported. Compounded by the trend toward smart, connected and AI-powered products, this digital upheaval is driving a major pivot to “as-a-service” and other new business models.

Digital innovation will be a combination of reinventing the core business while simultaneously scaling new business models

– both at the core and at the edge. It means rethinking products and services offerings, delivering them across a digital supply chain, and infusing operations with AI and human-machine collaboration. It's also about building a workforce that is empowered with the right digital tools accompanied with a culture of constant innovation.

When revenue is at best stagnant and there is a need to accelerate innovation, and spend more on Technology, Engineering R&D for future relevance, enterprises are increasingly leveraging their global GCCs to play a central role in digital innovation and helping enterprises adopt new technologies such as advanced analytics, machine learning, robotic process automation, blockchain, IoT and artificial intelligence. Enterprise leadership is challenged with re-imagining their global hub and spoke models as supply chain gets disrupted and displaced, and new opportunities are created in the Experience Economy with Everything-as-a-Service backbone.



Enclosed is an illustrative case study on How a Global Enterprise is leveraging its GCC capability to transform. Over a three-year horizon, the aspiration is to increase sales in new value space, improve the Operating margin to 8%, up 110 bps from current, while accelerating R&D and innovation. To reach the goal the enterprise needs to:

New Tech R&D and Innovation

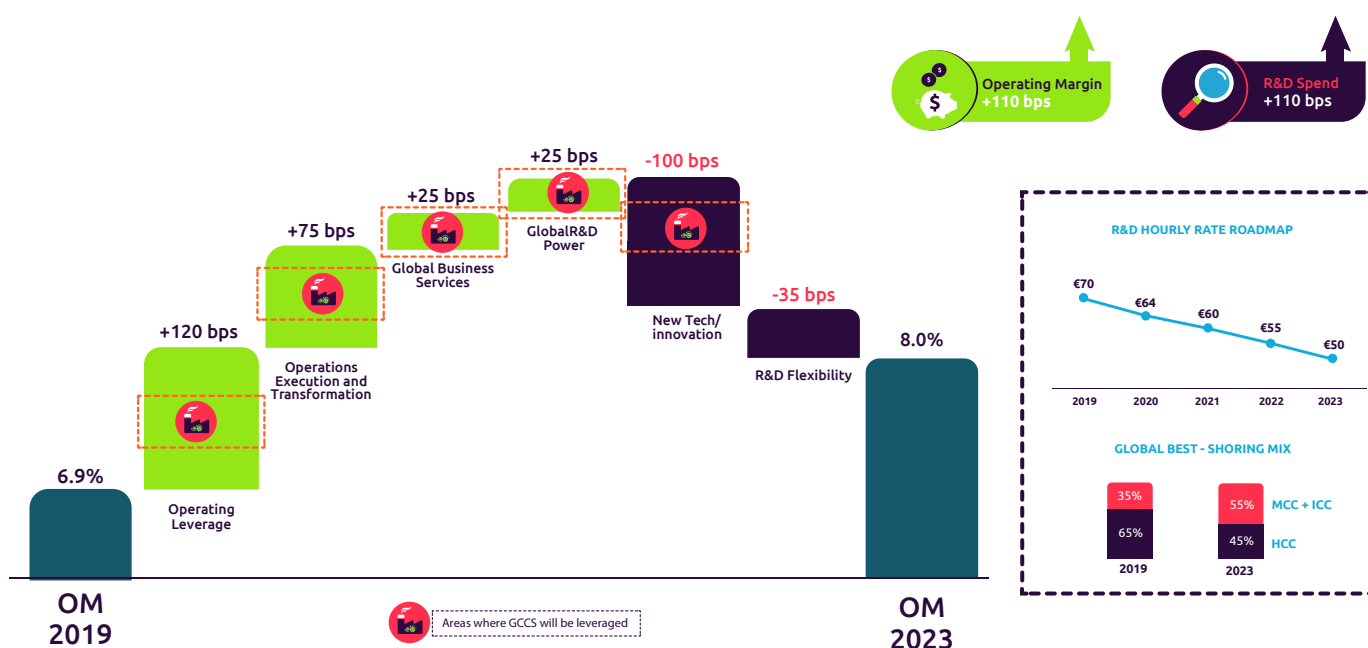
Spending on new capabilities to become global R&D power and implement Blockchain for Program Management to improve overall engineering efficiency. This will be achieved by 30% reduction in hourly rate through bestshoring to their GCC; reduction in 20% hour/application through digital productivity (AI for design to cost), and reducing development time from current 36 months to 22 months using blockchain technology. The global bestshoring mix will change for Low Cost Location (LCC): High Cost Location (HCC) from the current 35:65 to 55:45.

Operating Leverage & Transformation

Operation Execution & Transformation to increase industrial efficiency. The acceleration will come from Tooling automation, and redefining the manufacturing and logistics hub and spoke model with the anticipated disruption in the global supply chain.

Re-imagine Global Business Services

Leaner cost structure for Global Business Services. Centralization of five support functions (Finance, Purchase, Sales MIS, HR and IT) from primary 26 HCC locations to 4–5 main regional operations centers in LCC.



Almost every global enterprise will go through a similar journey in some shape and form, and GCCs will be at the center of their strategy. Among enterprises that already have large GCC capability, the focus will be to re-define the GCC playbook; yet, new Digital GCCs will be created to drive this transformation.

Conclusion

COVID-19 has clearly accelerated the need for enterprises to pivot business models, unlock potential to optimize their costs in every possible operational process, and ultimately unleash the pent-up need for digital innovation at scale. These are no more choices in front of the enterprise but more of a sustenance imperative!

The GCC leadership has an opportunity of a lifetime to be more relevant to their parent MNCs!

On the theme of Restore, they must make traditional IT ready for digital; continue to be the center of efficiency by infusing productivity enhancement through automation, AI, and cognitive; and adopt to agile ways of working to increase collaboration and value creation.

The GCC will need to redefine their operating model at various levels:

- Building a distributed organization rather than a co-located shared services structure. Re-define how would remote work @ scale look like in the new normal.

- Physical to virtual talent on-boarding experience and engagement for new hires and existing employees.
- Re-define Productivity / SLAs with new digital touchpoints and reset productivity definitions for individual contributors and mid-management.

For future Relevance, GCCs must be equitable stakeholders in enterprise sustenance and transformation. This is a journey that needs tremendous ideation and perseverance in execution.

- GCC maturity will entail leapfrogging and being relevant at the core of the business, letting go of adjacent programs to partners, elevating the conversation with HQ stakeholders and putting their skin in the transformation.
- The GCC should be known as not only a technology hub but also gain deep domain expertise as they will be required to re-imagine all global business process at an atomic level.
- Ultimately, GCC should aspire to be a global value hub and move away from being a cost or resource center.



Ananth Chandramouli

Managing Director, Capgemini India Market Unit

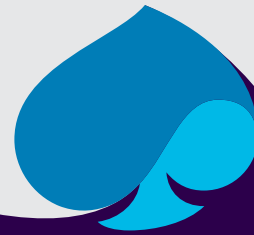
As the Head of India Market unit, Ananth is responsible for formulating go-to-market strategy, driving revenue growth, managing client relationships, collaborating with partners, developing talent and orienting teams towards execution. Ananth's key expertise lies in identifying market trends and opportunities, championing the evolution of right solution offerings aligned with the market needs. He helps transform clients' businesses through the right application of evolving technologies and business models.



Ajesh Chandra

Senior Director,
Capgemini India Market Unit

As head for Hi-Tech & Telecom portfolio for India Market unit, Ajesh is responsible for P&L, client success and building relevant team capability. His expertise lies in GCC Build, Execute and Transform journey. He works closely with GCC leadership to help them meet their head quarter agenda of Run, Transform and Change.



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www.capgemini.com

For more information please contact

imumarketing.in@capgemini.com

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