



# SHARED SERVICE CENTERS

A Business Case

A long-term, one million jobs, business opportunity

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# Executive Summary

**The Indian Shared Service Centers industry, estimated to be US \$26.93 billion in revenue as of FY2018, is likely to create an estimated 575K jobs over the next 5 years and presents a lucrative opportunity for TeamLease to tap into.**

- Global Inhouse Centers (GICs) garner US \$25 billion of this revenue (growing at 10.3% CAGR) and employs an estimated 900K people.
- Indian Shared Services clocks about US \$1.93 billion in revenue (growing at 24.6% CAGR) and employs an estimated 30K people.

**Insourcing versus Outsourcing: India Inc expects Cost and Quality benefits, better efficiency and control from SSCs / GICs; and expertise, skills and innovation from Third Party Outsourcing.**

- Better focus and cost savings are the prime objectives for businesses to outsource; India's reputation for cost savings, quality of process and talent, and productivity attracts outsourcers.
- Labor and Cost Arbitrage are the key benefits of Outsourcing operations to India. Technology and BPO are the Sweet Spots.

**GICs are preferable when the function is central to the business, there is a greater need for control, privacy is an issue and where there is a high degree of industrial regulation.**

**Flexibility, Cost and Avoidance of capital expenditure are the considerations from Third party Service Providers.**

**Bangalore houses 44% of all GICs in India and the NCR is home to 21%. Software commands a lion's share of 37% across SSCs, followed by Telecom and Manufacturing at 8%. Indian SSCs are mainly set up in Tier cities like Bangalore, Chennai, Hyderabad and Delhi.**

**GICs perform substantially better than Indian SSCs on Cost and Productivity with 91% of GIC respondents, and 61% of Indian SSC respondents, indicating Cost and Productivity expectations were met or exceeded.**

**Primary Benefits of the two SSC types are –**

- GICs: Cost arbitrage and Access to talent pool
- Indian SSCs: Process Standardization

**Survey respondents attributed the relatively lower levels of performance of Indian SSCs to the following main causes -**

- Lack of labor arbitrage (83% of respondents)
- High attrition rates (53% of respondents)
- Leadership inadequacy (50% of respondents)

**Growth drivers for the SSC business model were reported by survey respondents to be –**

- GICs: Cost advantage (90% of respondents), Efficient talent pool (82% of respondents), Ease of operating business (65% of respondents)
- Indian SSCs: Process standardization and Compliance (73% of respondents), Delivery Efficiency (64% of respondents)

**GICs have many strong and diverse reasons to set up shop in India, while Indian SSCs are mainly looking to achieve efficiency and control**

- GICs: Cost reduction (90% of respondents), Access to talent pool (84% of respondents), Standardize / Optimize processes and technologies (80% of respondents)

- Indian SSCs: Process standardization (90% of respondents), Compliance (81% of respondents) and Cost reduction (72% of respondents)

**Parent organizations are beset with a variety of complex hurdles in their growth path that prompt them to dismantle the existing model in favour of setting up SSCs**

- Lack of standardization / duplication of efforts (91% of respondents), Goal conflicts (82% of respondents), Problem of control (82% of respondents).

# Executive Summary

## Cost savings and bottom-line benefits from SSCs were reported to be as follows:

- GICs: TCO savings of setting up GIC in India, compared to their source market: 60% - 70%; Cost Savings from SSCs compared to working with 3rd party service providers: 35% (as of 2017).
- Indian SSCs: 65% of respondents reported cost savings of at least 10% and up to more than 30% (as of 2017).

## Contributions to cost and bottom-line of the parent were of the following order:

- GIC:- Best in class GICs deliver 6-8x incremental business impact through Arbitrage (10% - 15%), Cost improvement (~ 60%), Risk reduction (3% - 5%), and Revenue increase(25% - 30%).

- Indian SSCs:- Deliver incremental business impact through Delivery Efficiency, Cost improvement, risk reduction, and revenue increase

**The functions in an Indian GIC are IT, BPM and Software Product Development (SPD) / Engineering R&D (ERD). Whereas the major functions in Indian SSCs are Finance & Accounting, HR, IT,**

## Customer Service, SCM, Logistics & Procurement

- 35% of IT GICs carry out Application Development and Maintenance, 33% carry out Infrastructure Management Services and 28% carry out System Integration.
- 30% of BPM GICs carry out Knowledge-based Services, 25% carry out Technical Support and 21% carry out Finance and Accounting projects.
- 55% of SPD/ER&D GICs carry out Software Product Development, 19% carry out Engineering Services and 17% carry out Embedded Systems related projects.

## Choice of Technology:

- 90% of the Indian SSCs and GICs use ERP tools, 85% make use of Project Management tools and 78% use CRM / Analytics tools.
- Most SSCs have embarked on the digital journey. 40% of GICs and 26% of Indian SSCs are enabling Digitization – Mobile, Social Media, Cloud Computing, Digital Payments, etc.

## Success of the SSC model:

- 92% of GIC respondents say their SSC model has been a complete / partial success; and at least 59% of the successful GICs foresee the scope expanding in the next 2 – 3 years.
- The proportion of complete successes among Indian SSCs is substantially lower (68%) than among GICs, although the proportion of failures is significantly lower (8%) as well.

## Factors that dictate HR Outsourcing / Subcontracting:

- Access to domain expertise (78% of respondents), Rising labour costs (73% of respondents) and Improving service quality (66% of respondents).

## The impact of regulations on growth of Outsourcing / Subcontracting requirements is positive.

- Savings from 80JJAA over a period of 2 years is estimated to be 22% to 30%, and a partial passing on of these savings could propel demand for Outsourcing.
- Cost Arbitrage for Transactional process oriented job profiles could be 20% - 25% and Cost Arbitrage for Transformational process oriented job profiles could be 16% to 19%.

## HR Service delivery by SSCs:

- 30% of the respondents reported that HR delivery is taken care by HR Shared Services.
- Over 65% indicated that shared services have met or exceeded desired objectives
- 46% reported quality improvement to be the main benefit.

## SSCs supporting manpower/staffing/HR requirements have not delivered intended benefits & financial performance to the parent organisation for the following reasons:

- Inefficient leadership (84% of respondents), attrition (73% of respondents) and lack of control of activities (51% of respondents)

**Drivers for GICs and Indian Shared Services working with outsourcing partner for their HR requirements are Cost Arbitrage, Efficiency Gains, Effectiveness, Risk Mitigation and Driving Business Value**

**Around two third of the talent requirements of GICs and Indian Shared Services are met by the service providers.**

#### **Overall Assessment:**

- Our recommendation: TeamLease's Outsourcing Value Proposition for SSCS [GICs and Indian SSCs]  
Inherent cost arbitrage advantage of sourcing / talent aggregation, supplemented with 80JJAA benefits at the volume end; robust best practices based on extensive experience underpinning execution; processes and technologies cross-pollinated from across sectors and demographics.
- The Net incremental value-add by a specialized HR Outsourcing service provider to GICs is estimated to be up to 9% and to Indian SSCs is estimated to be up to 14%.

#### **Business Plan inputs:**

- The business case for TeamLease is a value triangulation opportunity in a 930K headcount industry growing at 9.8% CAGR. This translates to a gross total job creation opportunity of 1 million over the next 8 years.
- TeamLease needs to leverage its labour cost arbitrage capabilities and its HR process, systems and technology expertise to address the following: a growing global market of SSCs, clear need-gap in the HR SSC market and cost arbitrage / innovation.

#### **Business Plan inputs:**

- The sweet spots for TeamLease are in the
  - Software/Internet space across North American and European principals and in the SPD and ITO functions,
  - the Automotive space across European and Japanese principals in the ER&D function,
  - the BFSI space in the BPM and ITO functions, and
  - the Research & Consulting space in the BPM function.

**Conversation starter: Cost arbitrage is, indeed, the fundamental value expectation from the SSC market from an outsourcing service provider. However, expertise and technology that translate into robust support and innovation that can drive SSC revenue form a great conversational mix.**

# Glossary, Context and Assumptions

**1**

Insourcing: Insourcing is the business practice of delegating the business function within the company. Shared services and captive centers are two insourcing options that many organizations create to source their own IT and BP services.

**2**

Outsourcing to India: Business functions outsourced to India either by setting up own shared services or delegating the function fully or partly to a third party vendor.

**3**

Third Party Outsourcing / Business Process Outsourcing: Delegating the processes to a third party vendor.

**4**

Global In House Centers( GICs) or Captives: Wholly-owned subsidiaries located in an offshore location that perform work for the parent company.

**5**

IT – BPM (Information Technology & Business Process Management) –

1. IT GICs include application development & maintenance, consulting, systems integration, IT outsourcing/managed services/hosting services, infrastructure management, training, and support/maintenance for the global enterprise.
2. BPM GICs Includes processes that may be IT-enabled, do not necessitate on-shore presence and are hence, offshore-able. They are responsible for processes that include finance & accounting, human resources, sales & marketing, procurement & logistics, technical support, knowledge based services (market research, analytics), etc

**6**

Indian Shared Services: Shared Service Centers of India-based organizations. They are responsible for processes including Finance & Accounting, Human Resources, Sales & Marketing, Customer Service, SCM, Procurement & Logistics etc.,

# Glossary, Context and Assumptions

7

ER & D Services (Engineering, Research & Development Services):

1. **Engineering Services** are associated with the creation of a product or service as well as those associated with maintenance of the product.
2. **Research & Development** involves research and development for hardware and software technologies, and development of software running on embedded systems.

8

Software Product Development(SPD): Development of product or services across various stages of product development lifecycle - R&D, design, prototyping, development, testing, maintenance, support and development of next generation of the products.

9

Cost Arbitrage: Cost advantage available in different markets (countries) for similar infrastructure, technology and labour.

10

Labor Arbitrage: Low labour cost available offshore for similar expertise and skill sets.

11

Process Standardization: Setting rules and standards to carry out a process and making sure the entire organization follows it. Standardization aims to maximize efficiency and quality improvement.

12

Process Optimisation: Process Optimisation means implementing the best approach to improve the resources, material efficiency and productivity of a business's processes. The objective of process optimisation is to reduce process cycle times, reduce wastage, improve the quality of products or services, and reduce costs.

# Glossary, Context and Assumptions

13

Process Compliance: Process compliance means abiding by the rules, standards, specification set by the organisation pertaining to similar functions it carries out.

14

Process Maturity: in an organisation means, all processes and/or procedures carried out in a documented manner, everyone knowing what is expected of them and performed accordingly rather than as ad hoc or random activities. It gives an indication of how close a developing process is to completion and capable for continual improvement.

15

Economies of Scale: Economies of Scale are cost advantages that companies obtain due to their scale of operation (measured by amount of output produced with cost per unit of output decreasing with increasing scale).

16

Functional Maturity: Maturity of the performance of a particular function in the organization after many years practice.

17

India Inc: India Inc. is a common term used by the Indian media to refer to the formal sector (comprising government, domestic and multinational corporate entities) of the nation.

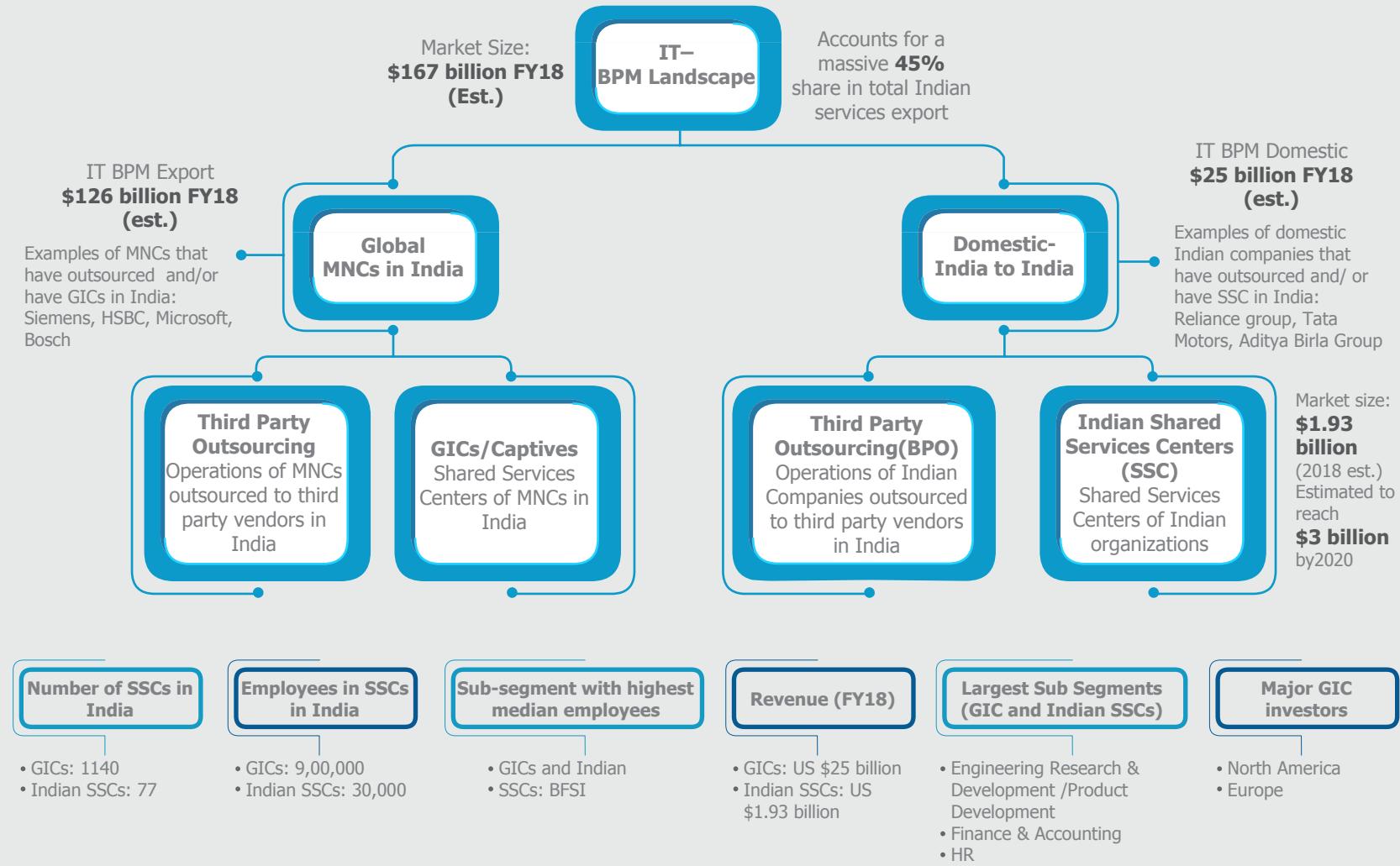
Context

**Shared Service Centers** are becoming increasingly popular with both global and domestic businesses, and India is where the action is. Talent availability, in the long term, and the various fillips from the regime such as 80JJAA, in the immediate term, are likely to boost job creation in the sector making for an attractive case for staffing for TeamLease.

Assumptions

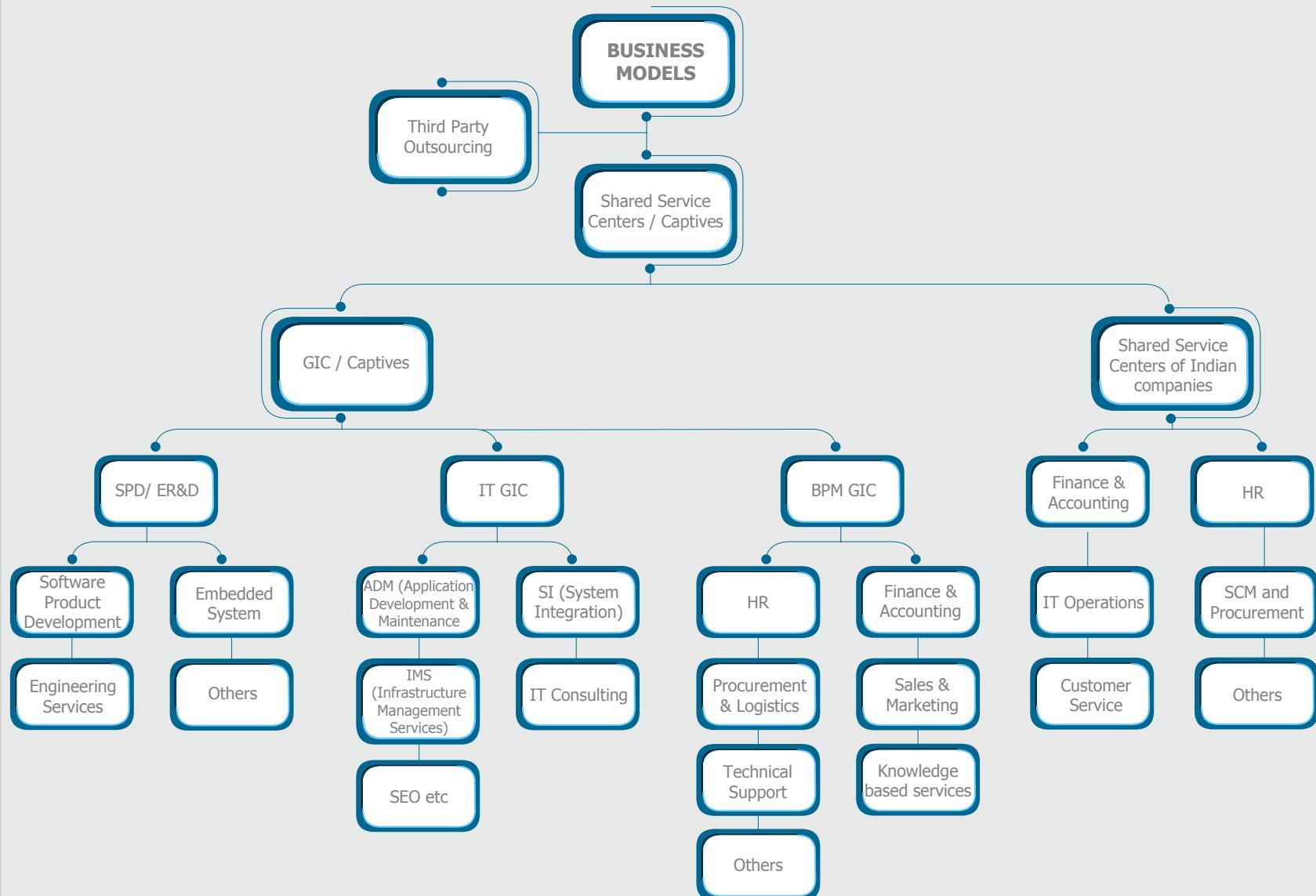
1. Respondent opinions are a reasonably accurate representation of business reality. | 2. Domestic SSC sector growth mirrors that of larger global GICs albeit at a small-scale. | 3. The SSC sector, in general, has a steady, people-linear, business model.

# The Indian IT - BPM Landscape



India accounted for approximately 55% market share of the USD 190 billion global services sourcing business in 2017-18.

Data Source: 'The IT-BPM Industry In India' 2017 NASSCOM, 'IT & ITeS' 2018, IBEF



The Scope of this report includes GICs (also known as Captives) and SSCs of Indian Companies



**GIC/ Captives:** GICs are MNC owned units that undertake work that supports the parent global organization. GICs are also known as captives



**SSCs of Indian companies:** Shared service centers of Indian based companies and functions are mostly BPM operations.



**Insourcing:** Insourcing is a business practice of delegating the business function within the company. Shared services and captive centers are two insourcing options that many organizations create to source their own IT and BP services.

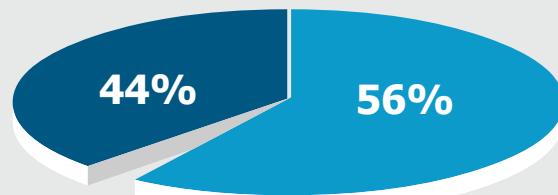


**Outsourcing:** Third Party Outsourcing – Assigning the work to a third party vendor

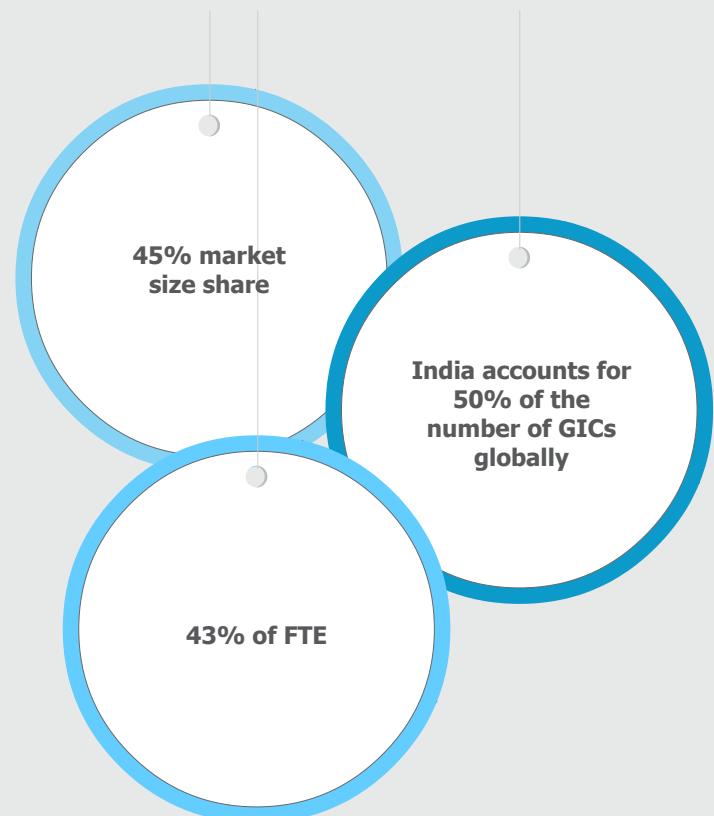


# India is a market for Global Captives

By Market Size (as of 2018)



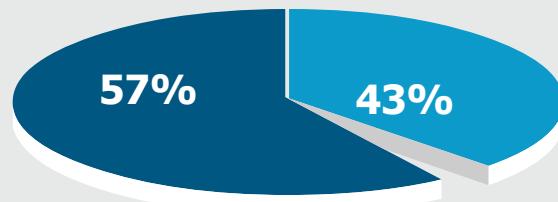
India's share in the Captive market



By Number of GICs (as of 2018)



By FTE (as of 2018)



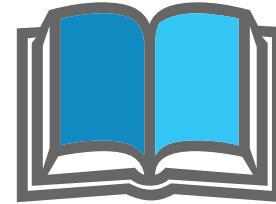
■ Rest of the world ■ India

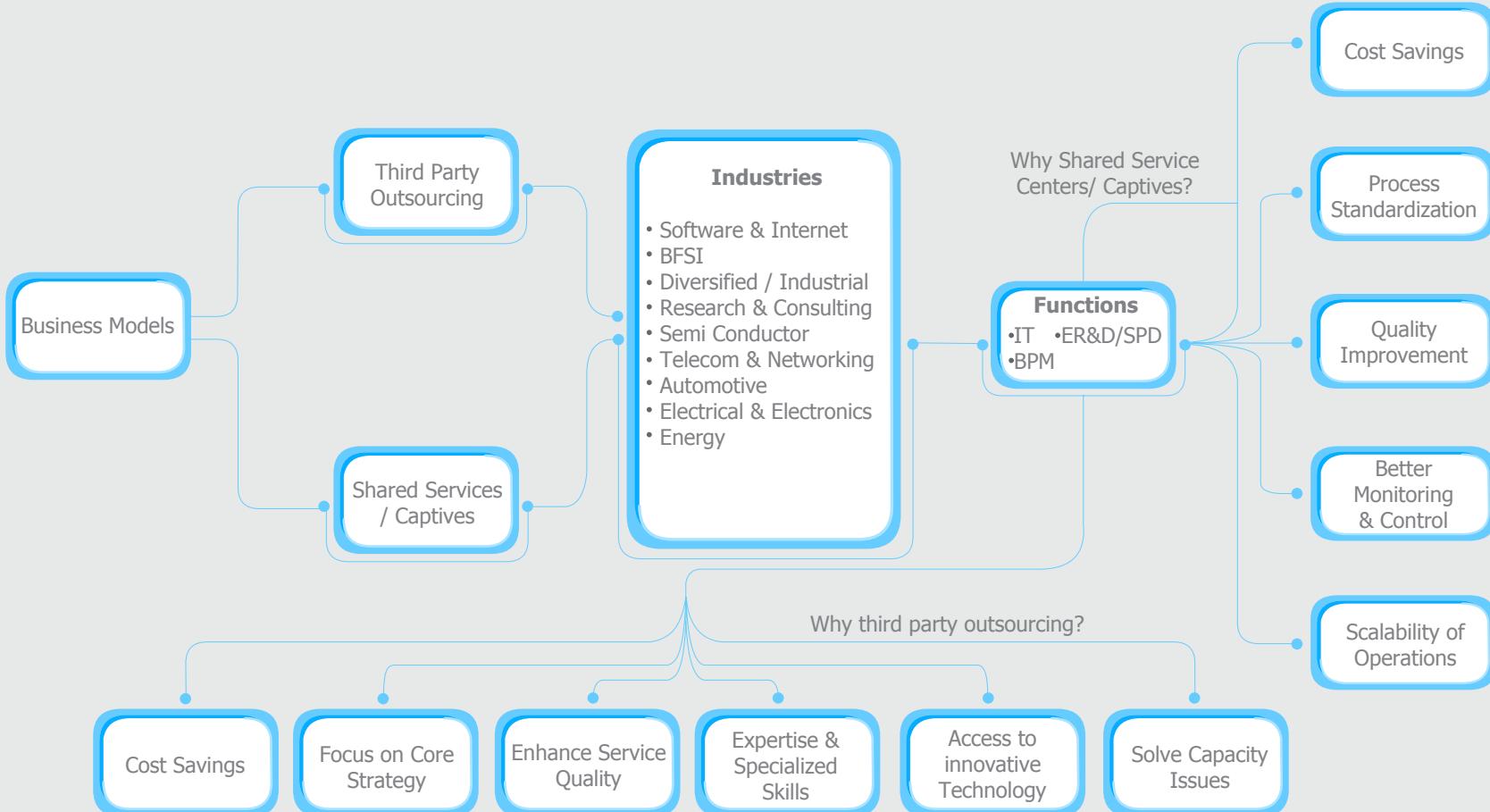
Data Source: 'Global in-house center (GIC) Landscape in India', 2018, Everest Group

01

## Insourcing versus Outsourcing

How does India Inc. look at this?

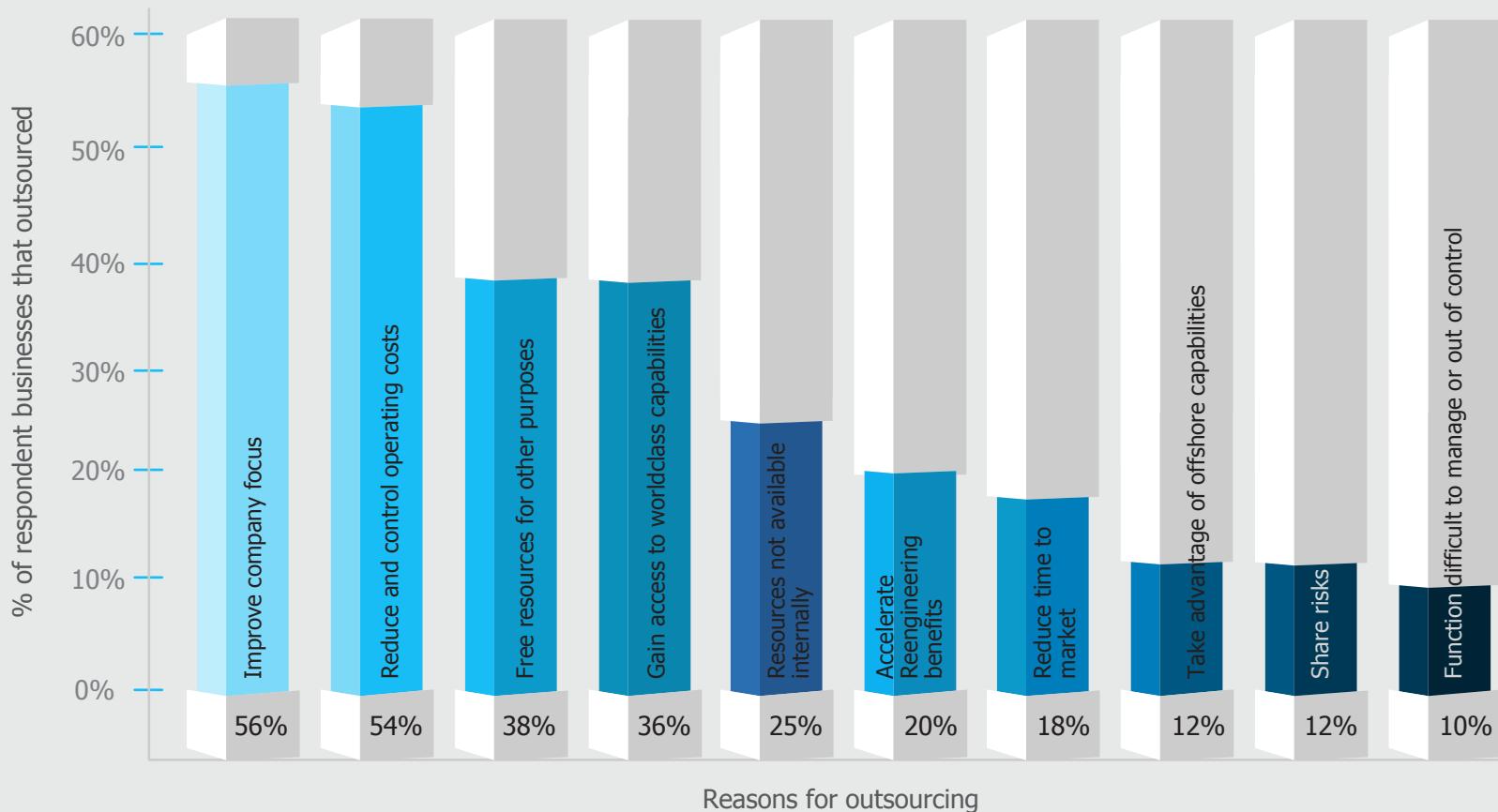




While Cost and Quality are baseline concerns India Inc expects to achieve better efficiency and control from SSCs / Captives; and expertise, skills and innovation from Third Party Outsourcing

# Drivers / Levers for Outsourcing

## Why companies outsource?



Better focus and cost savings are the prime objectives for businesses to outsource; India's reputation for cost savings, quality of process and talent, and productivity attracts outsourcers



Source: 'Understanding the impact of outsourcing of human resource in India', 2016, International Journal of Scientific & Engineering Research

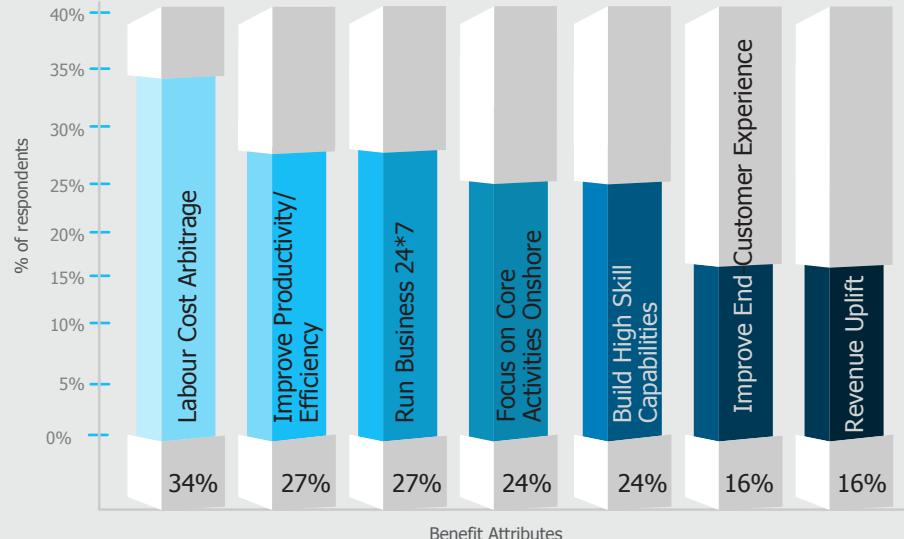
# Why Outsource to India

## Why MNCs choose to outsource to India

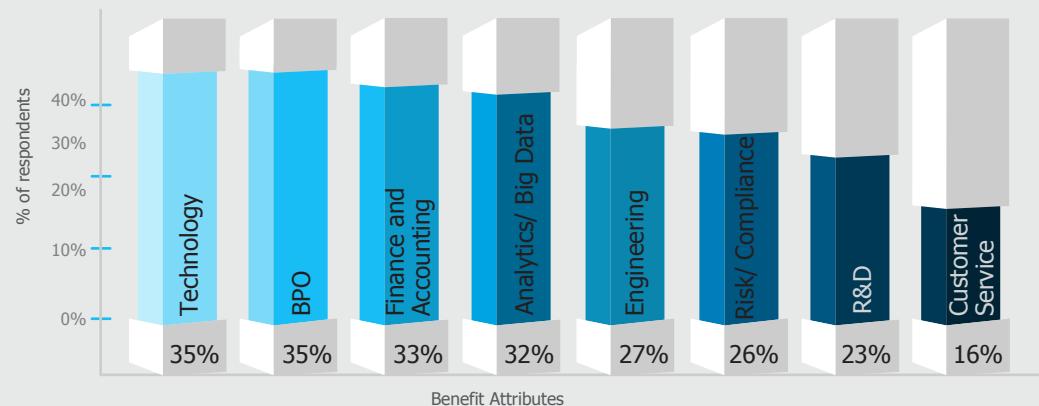
### Business Size

Large	Medium	Small/ Start-ups
35-40% cost reduction for offshore processing  Labor Cost arbitrage, the reason for cost savings will exist for next 20-25 years	Well defined quantifiable quality & process metrics  Large English Speaking population  Access to highly qualified skill pool	Faster turnaround time  Time Zone advantages  24*7 service  Scaled learning/ Experienced Effect

## Benefits of Outsourcing to India



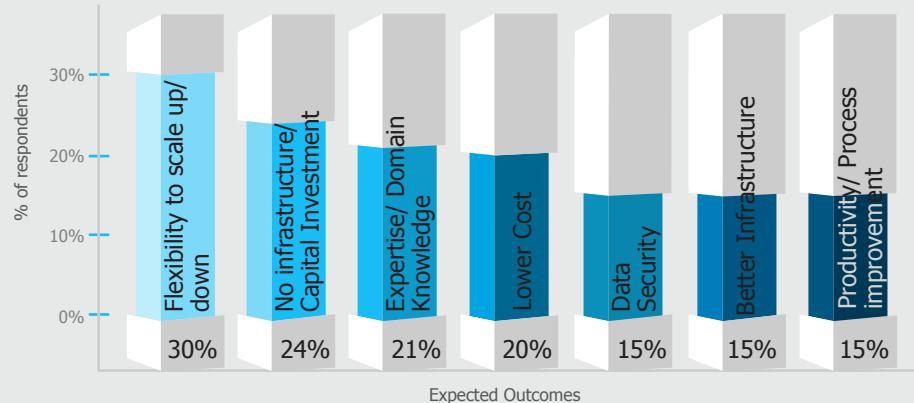
## Sweet Spots for Outsourcing



“ Labor and Cost Arbitrage are the key benefits of outsourcing operations to India. Technology and BPO are the Sweet Spots. ”

# Outsourcing Models

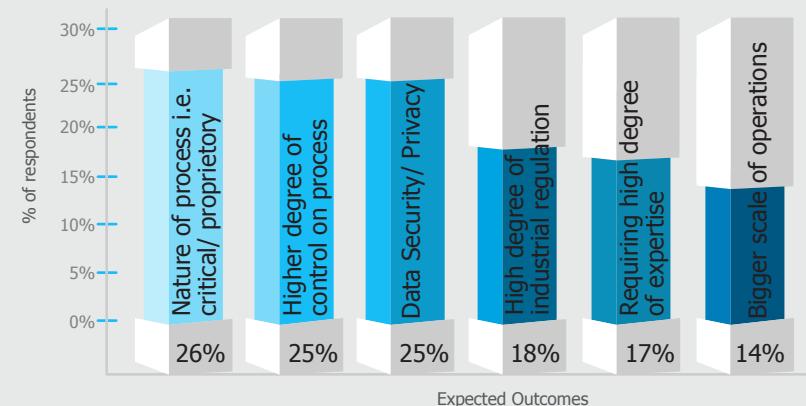
## When is Third Party Outsourcing the best Choice?



### Types of Outsourcing

- Third Party Outsourcing
- Shared Service Centers (SSC)

## When is Shared Service Centers / Captives preferred?



### Third party Service Provider:

- Flexibility
  - cost and
  - avoidance of capital expenditure
- are the considerations.

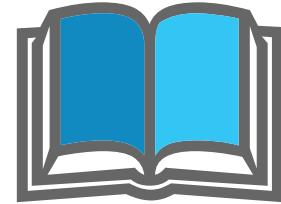
### GICs: preferable when

- function is central to the business
- there is a greater need for control
- privacy is an issue and
- where there is a high degree of industrial regulation.

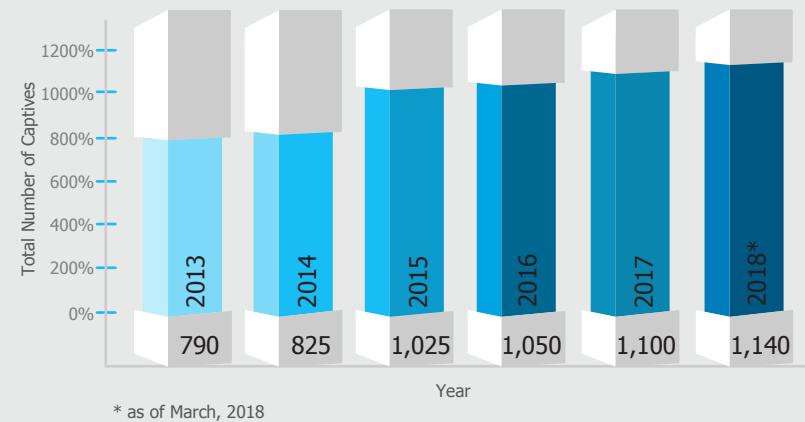
# 02

## GICs & Indian Shared Services Centers

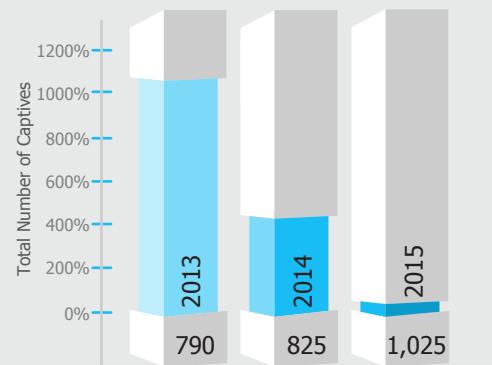
Landscape in India



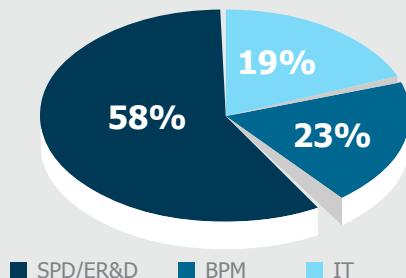
## GICs footprint in India (as of 2018)



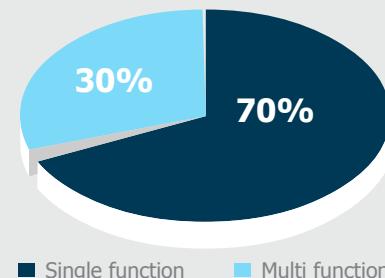
## Breakdown of GICs per organization



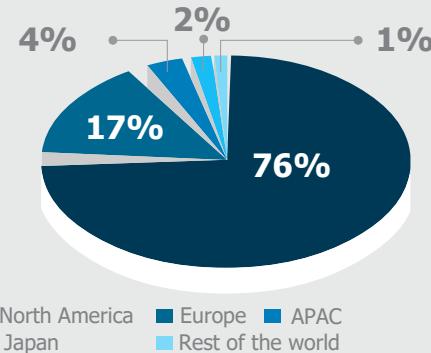
## Breakdown of GICs by function



## Breakdown of GICs based on number of functions handled



## GICs in India by HQ



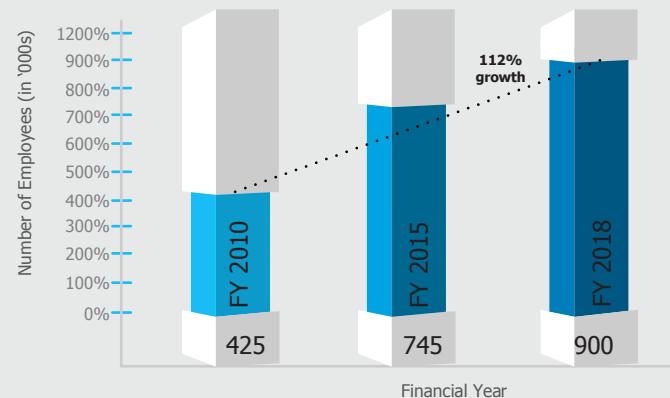
1,140 GICs in India (as of 2018), a growth of 44% from 2013; 69% of them having single-GIC footprint and 70% focused on single function

Number of Indian Shared Services Centers as of 2018: 77

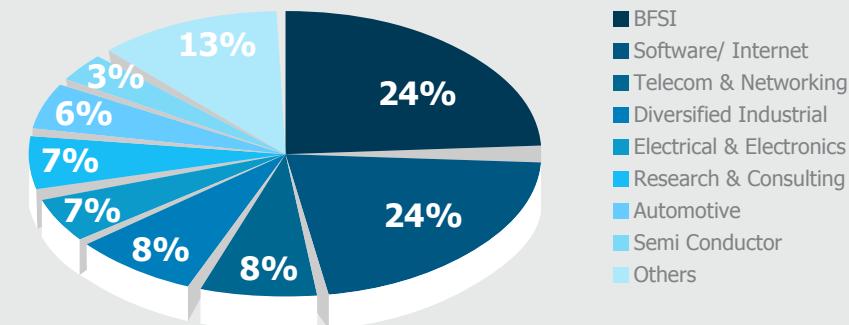
Source: 'IT&ITeS', June 2018, IBEF, 'GICs in India – Getting Ready for the Digital Wave', 2016, NASSCOM, 'Global in house (GIC) Landscape in India – Three Decades of value creation for Global Enterprises, Geared up to value more', 2014, Everest Group

Note: Reliable descriptive estimates of Indian SSCs not available

## Number of Employees in Captives (in '000s; as of 2018)



## Percentage distribution of Employees by industry vertical (as of 2016)



112% growth in employment between 2010 and 2018.

BFSI and R&D GICs constitute 48% of total employment.

~ 60% of the employment (with the exception of BFSI) focussed on technology.

Employment in Indian SSCs: 30,800 (est as of 2018)

## Key Technology Skills in Indian Captives

Software Testing & Quality Assurance

Application Support, maintenance & development

Data Warehousing

Web development

Software architectural design and deployment

Enterprise solutions & tools

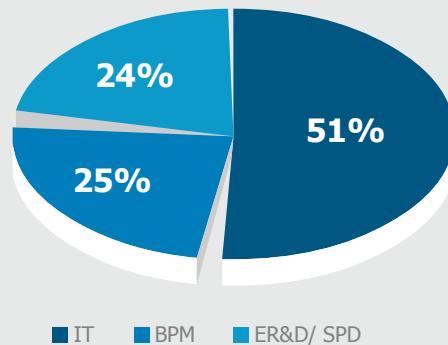
Business Intelligence & Analytics

Infrastructure services

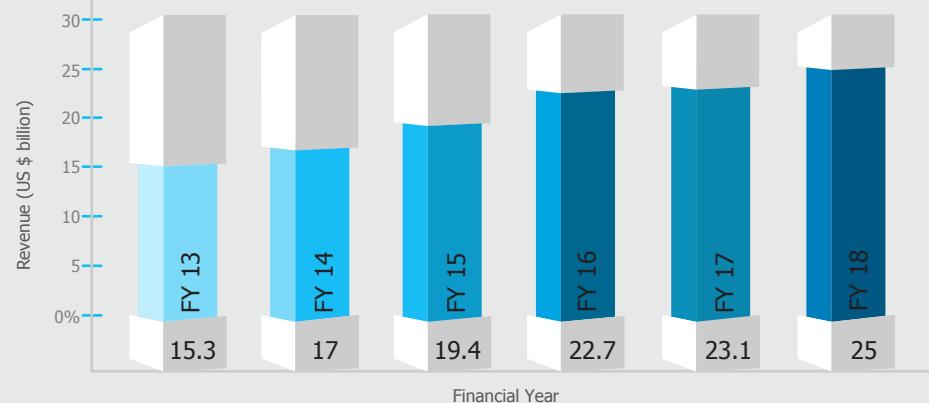
Cloud

Digital (Mobile, digital and Omni Channel)

## Revenue split by vertical (GIC)



## Revenue of GICs in India (in \$ billion) (as of 2017; FY18 estimate by valuvox)



“ GICs revenue mainly come from products developed in India, sold across global projects and in local Indian markets as well as IP creation. ”

“ GIC revenue growth (est): US **\$25 billion** in FY18 (10.3% CAGR, 2013 – 2018) ”

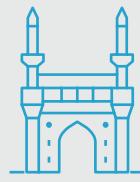
“ 51% of this revenue is generated from the IT GIC operations. ”

“ Indian SSC revenue growth (est): **\$1.93 billion** in FY18, expected to reach **\$3 billion** by FY20 ”

## Geographical spread of GICs across India



NCR **21%**



Hyderabad **7%**



Chennai **10%**



Bangalore **44%**



Mumbai **10%**



Pune **10%**



Tier II & Tier III cities **3%**



**Indian SSCs:-** Majority of the Indian Shared services are set up in Bangalore, Hyderabad, Chennai and Delhi



### **GICs:- Most number of GICs:**

Bangalore (44%)  
NCR (21%)

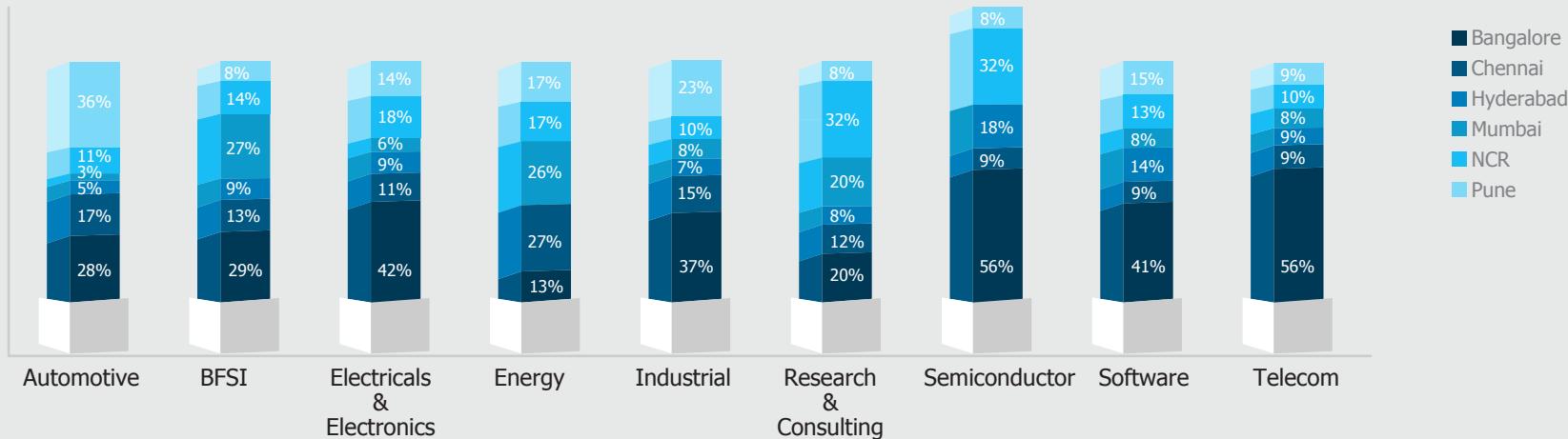


**Emerging tier-1 cities:**  
Pune and Hyderabad.

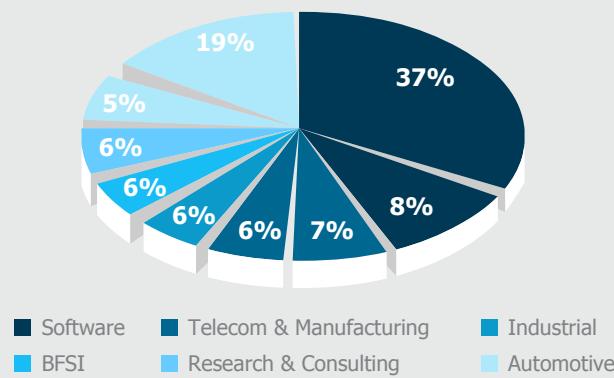
### **Emerging tier-2 cities:**

Coimbatore, Ahmedabad, Vadodara, Kolkata (proximity to manufacturing facility and access to low cost talent).

## GICs in India across Industry & Cities (as of 2016)



## GICs in India across Industry & Cities (as of 2016)



Indian SSC: Most of the Indian SSCs are for BFSI, Telecom and Manufacturing sectors

### Captives:-

37% of Captives in Software Sector

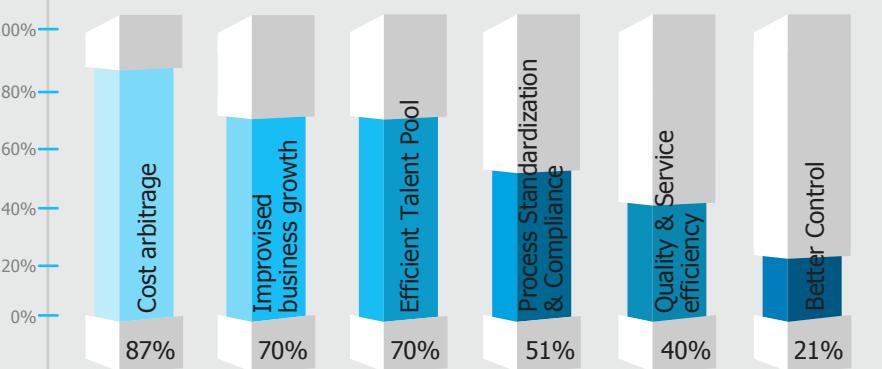
Bangalore: Leads in Software, Telecom, Semiconductor

Pune: Automotive hub (proximity to manufacturing locations)

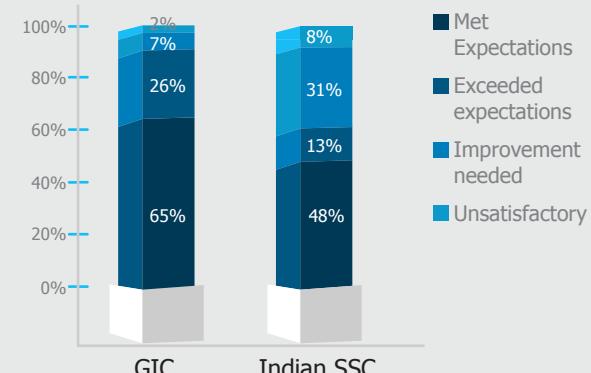
Chennai and Mumbai: Favourable ecosystem for Energy

# SSCs of Indian companies versus GICs in India

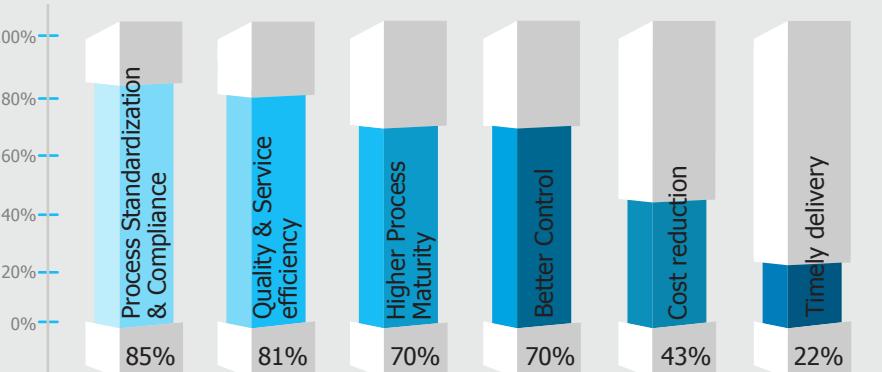
## Benefits for GICs setting up SSC in India



## Performance on Cost and Productivity



## Benefits for Indian companies setting up SSCs

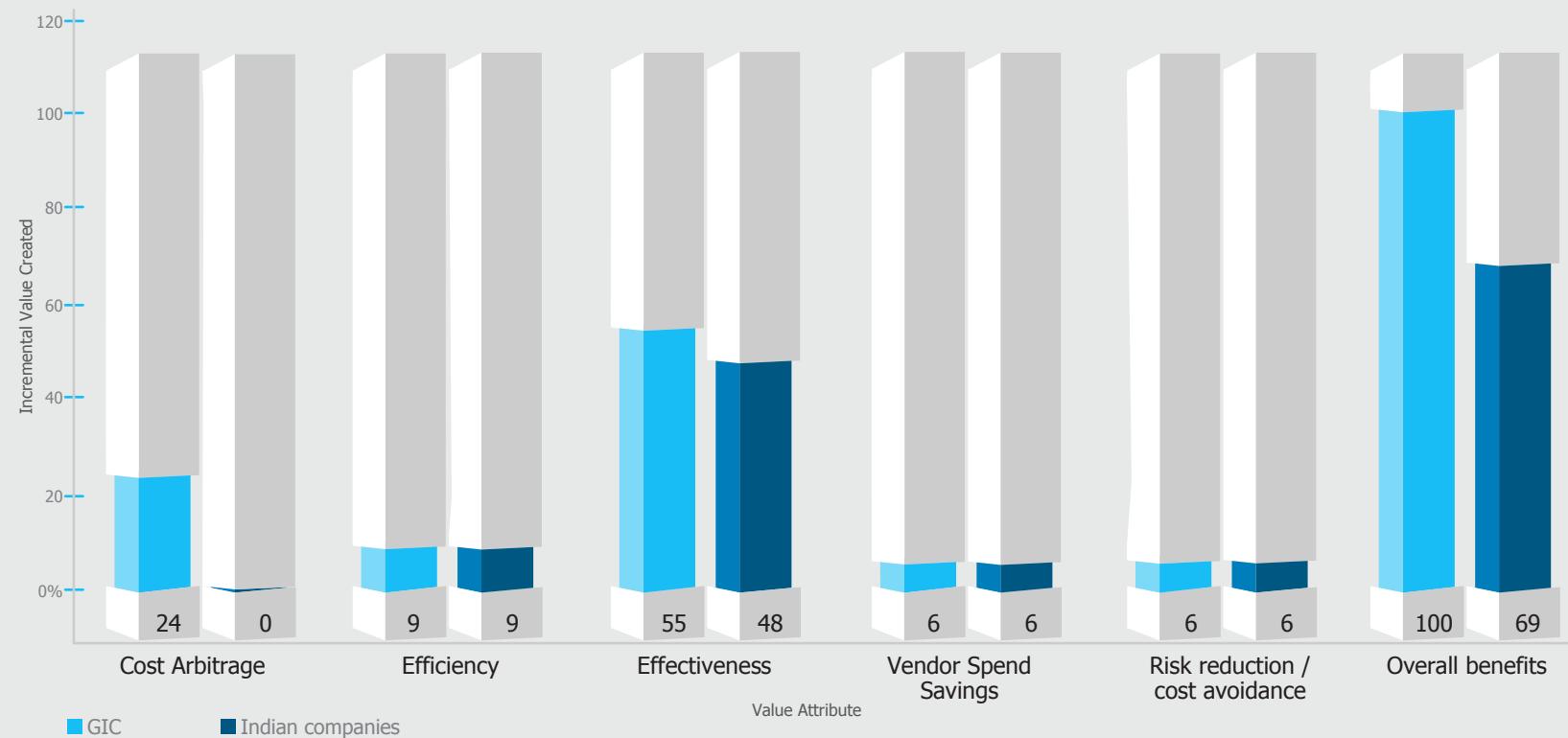


GICs perform substantially better than Indian SSCs on Cost and Productivity.

Primary Benefits:  
**GICs:** Cost arbitrage and Access to talent pool  
**Indian SSCs:** Process Standardization

# Do Indian companies benefit by setting up SSC as much as MNCs setting up GICs focusing on HR & Manpower requirements of the parent organization

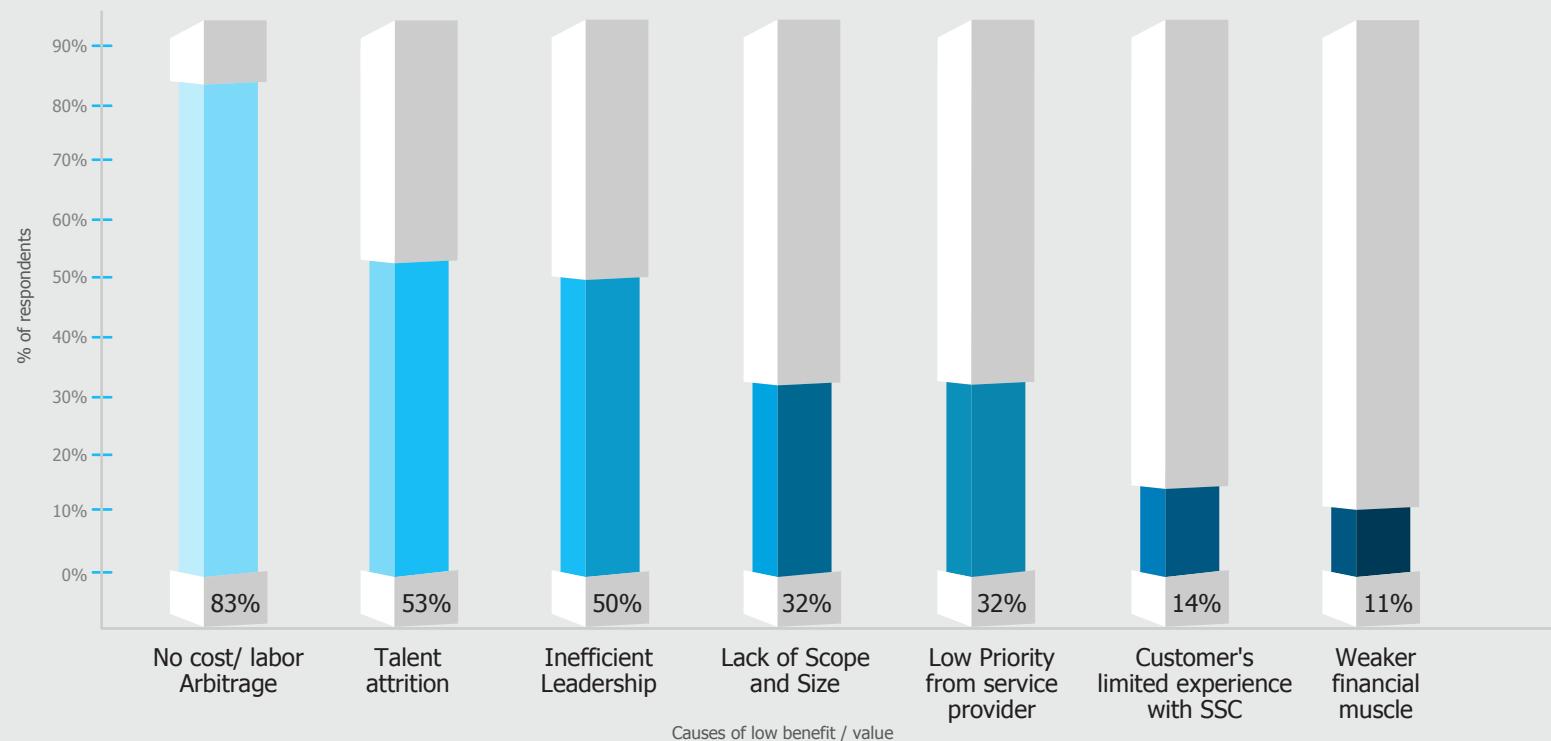
## Comparison of business of Impact of Indian SSCs vs GICs (as of 2018)



**“** GICs focusing on HR and Manpower reap significantly higher value adds from arbitrage and revenue generated from global transformational projects than the efficiency gains derived by Indian SSCs. **”**

Performance Benchmarks Computation: Based on the performance analysis of GICs from the 'Best-in-Class GICs Deliver 6-8X Incremental Business Impact | Market Insights', 2017, Everest group. Indian SSCs lack Cost Arbitrage and get to leverage the exact same talent pool they hire from themselves. This also reduces the differential effectiveness between internal talent and the SSC talent.

## Lower benefits for Indian SSCs: Causes

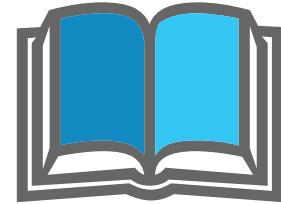


### Main causes for the relatively lower benefit:

“  
Lack of labor arbitrage  
High attrition rates  
Leadership inadequacy for Indian SSCs as compared to GICs.

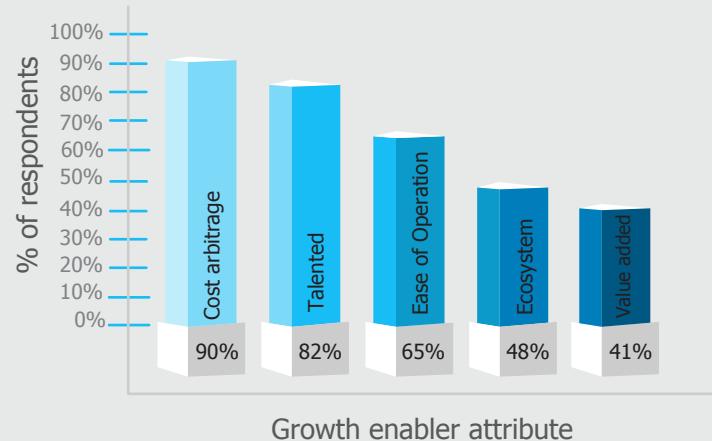
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## Growth Enablers for the SSC Business Model

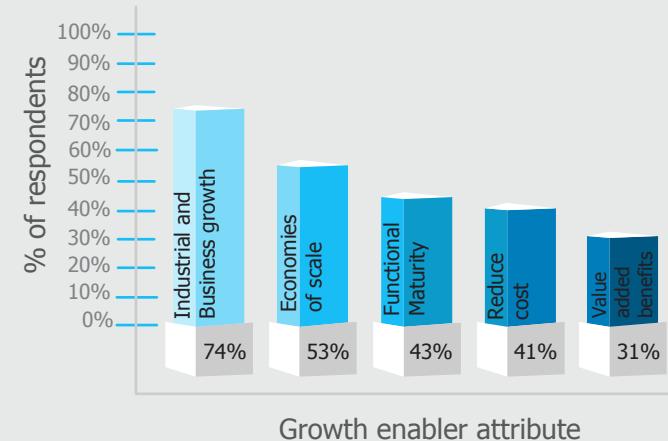


# Growth Enablers for the SSC Business Model

Growth Drivers of GICs in India



Growth Drivers of Indian Shared Services

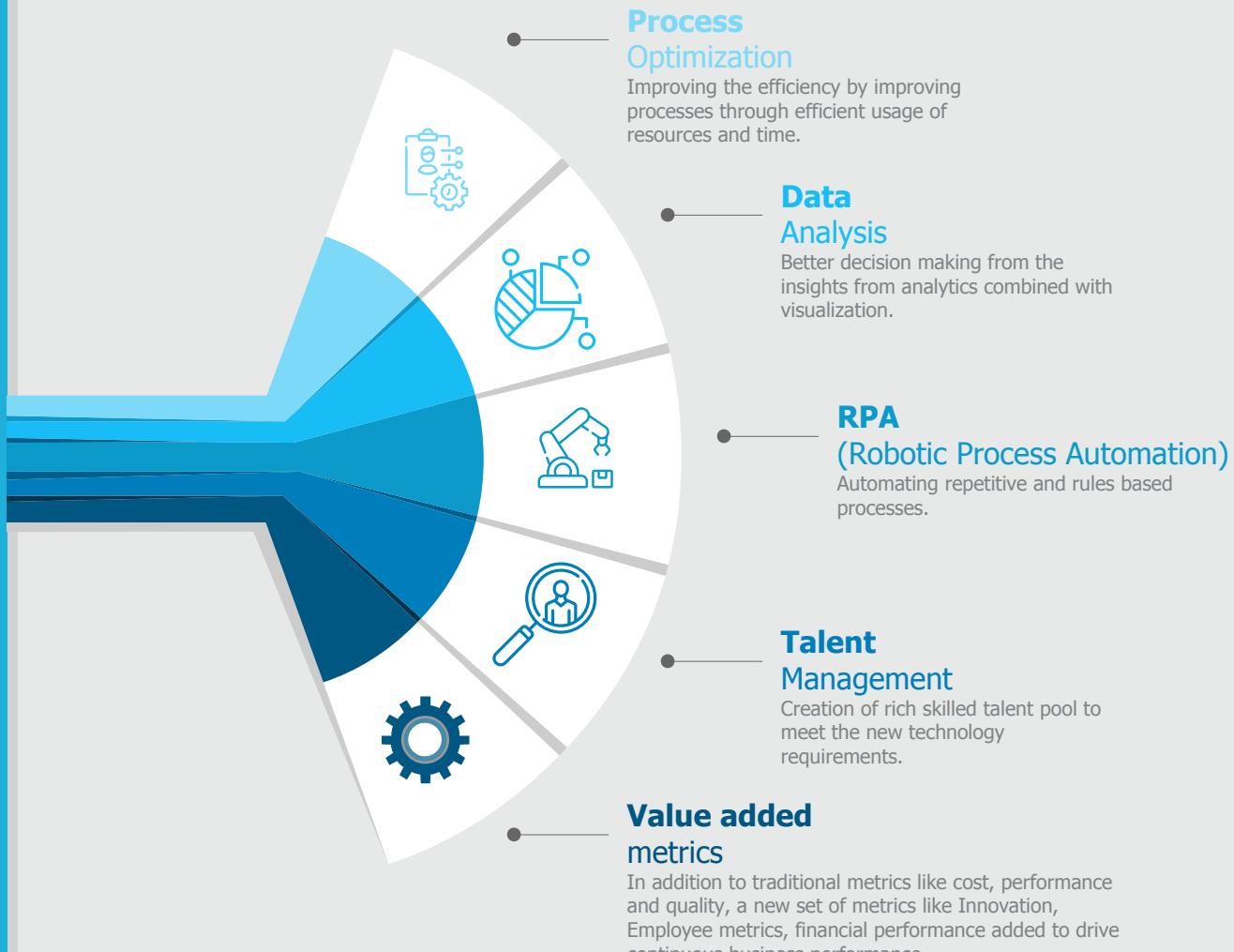


## GICs:

- Cost advantage
- Efficient talent pool
- Ease of operating business

## Indian SSCs:

- Economies of Scale
- Need for Efficiency improvement
- Functional Maturity



Source: 'Top Trends in next generation shared services',2017, Srividya Kannan

# Enablers and Challenges in the evolution of GICs



Increasing amount of work in Digital Technologies (Big Data and analytics, mobility, AI, machine learning, IoT, robotics, etc are bringing more captives to India



- Cost Arbitrage
- Operational Efficiency
- Correction in attrition

## Drivers

- Enhanced Value Addition and Innovation
- Closer to Emerging Markets

## Drivers

- Enhanced Cost to Value Proposition
- Digital Transformation
- Emerging Technology Talent
- Eco System

## Drivers

- Digital Technologies
- Access Talent pool
- Automation and Robotics

## Drivers

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

- Economic Meltdown
- Lower Productivity

- Experienced Global Leadership
- Quality of Talent Pool
- Cost Escalation
- Infrastructure

## Challenges

- Domain Specific Talent
- Measuring business impact
- Customer proximity
- Innovation Capability
- Global Leadership

## Challenges

- Lack of new digital talent pool
- Leadership Quality
- Retaining high talent



Availability of new digital talent pool is the main challenge faced by Indian GICs

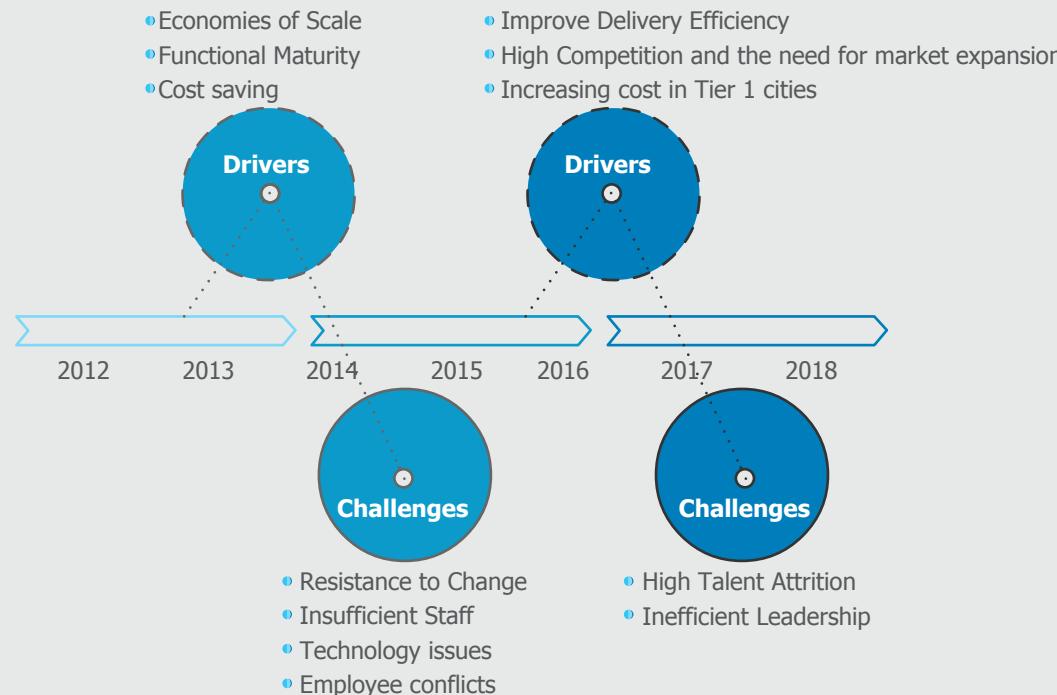


Source: 'Top Trends in next generation shared services',2017, Srividya Kannan



## Major Growth Enabler

Economies of Scale, High Competition and thereby the need to improve efficiency



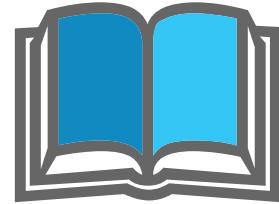
## Major Challenge

Dealing with high talent attrition and Inefficient leadership



# 04

## Rationale and Economics of setting up an SSC

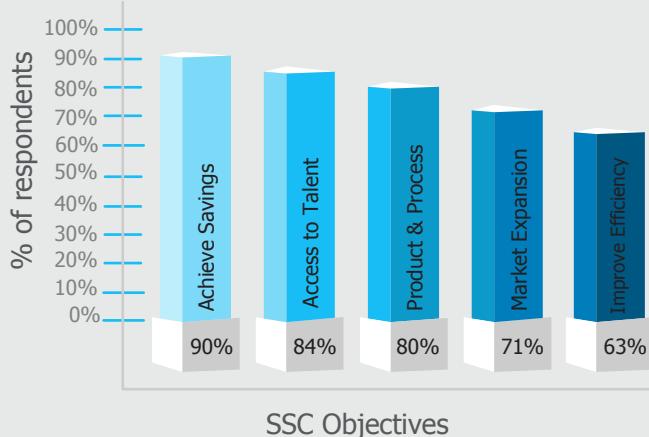


# Why set up Shared Service Centers

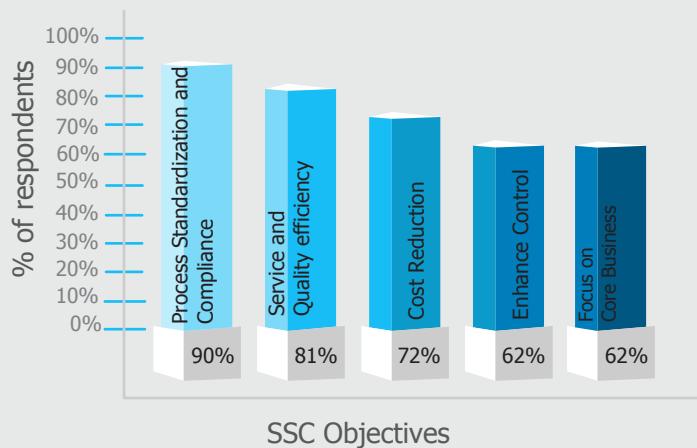
## GICs have many strong and diverse reasons to set up shop in India:

- Cost reduction
- Access to talent pool
- Standardize / Optimize processes and technologies

## Why MNCs set up GICs in India



## Why Indian Companies set up SSC

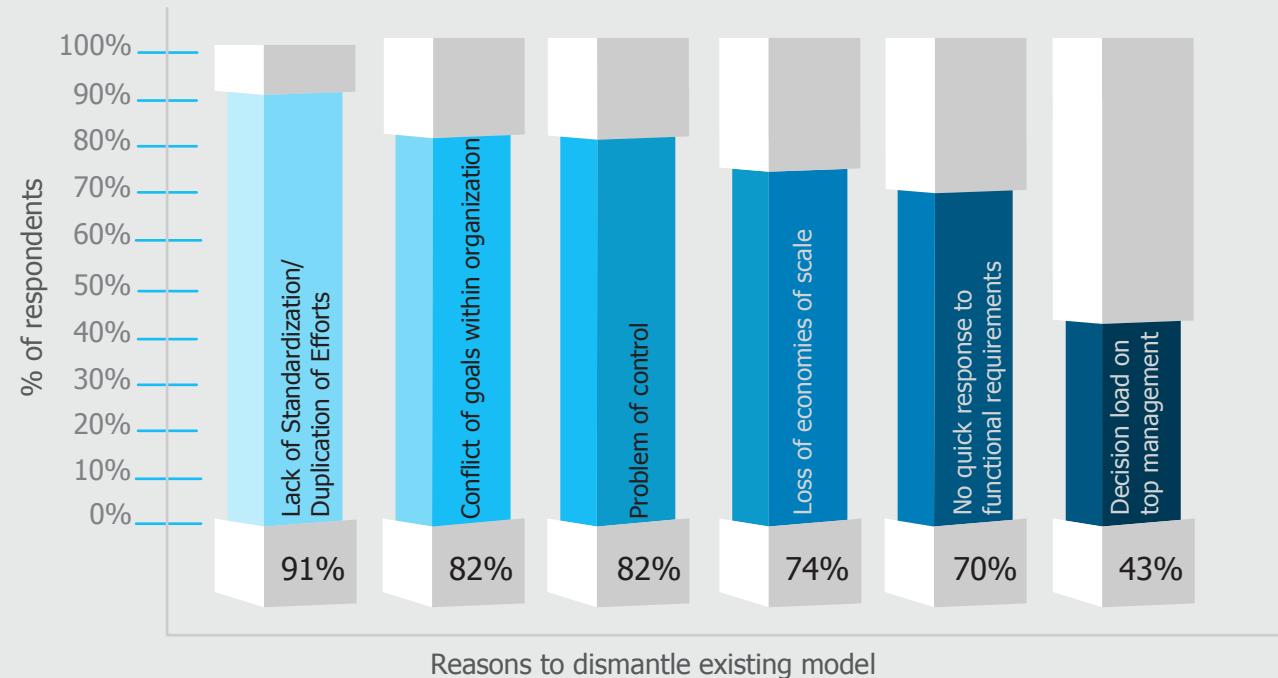


## Indian SSCs are mainly looking to achieve efficiency and control:

- Process Standardization
- Compliance
- Cost reduction

# Why dismantle existing model

## Why the parent organisation dismantled the existing model and set up SSC?



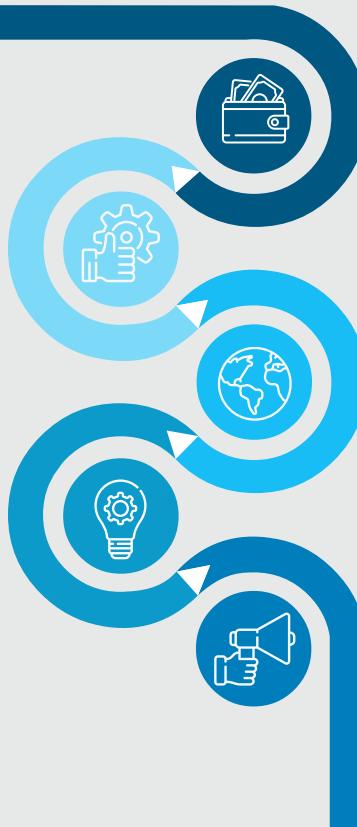
Parent organizations are beset with a variety of complex hurdles in their growth path that prompt them to dismantle the existing model



**Quality** Improvement  
The focus broadens to improving quality of products and services through Process Standardization and Optimization

**Innovation**  
Engaging into innovating for the parents business i.e, the GIC is responsible for conceptualization, design and delivery of new products

“  
SSC objectives have shifted from mere cost cutting to Process Standardization and Optimization.



## Cost / Labour Arbitrage

The primary objective was initially only to reduce cost of operations and access compliances

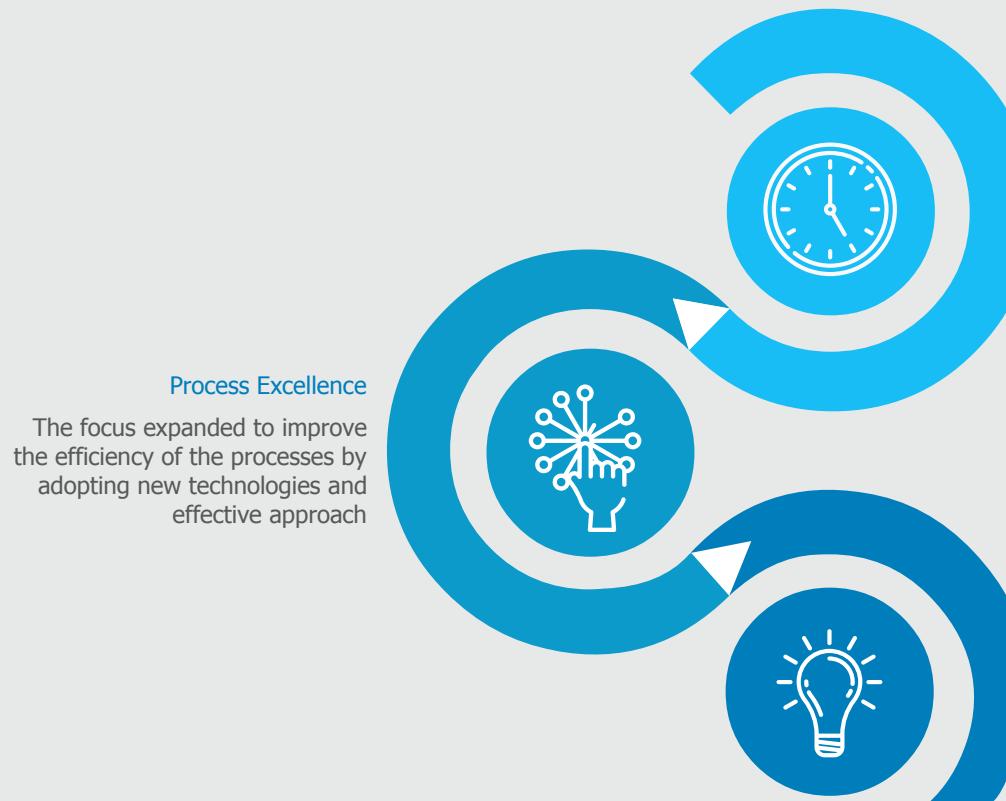
## Global Delivery

The parent leverages the captive to manage end to end delivery of Global products through improved coordination with the parent and other centers

## Market Expansion

Local market expansion and management of strategic local partnership

“  
Business Outcome and Excellence are now core to most of the shared services Centers.



## Process Standardization and Optimization

The Primary objective was to establish rules and standards to ensure that all processes associated with the function are performed within set guidelines and ensuring optimum usage of resources and time.

## Innovation

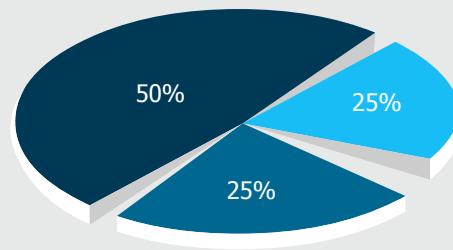
Moving Shared Services up the value chain means wrapping process work around new delivery models. The focus of shared services shifted from context to core, transforming the focus of shared service companies from cost to greater value through Innovation.

“

Indian SSC objectives have shifted from Process Standardization to Process Excellence and then to creating Business value through Innovation

”

## Typical savings from implementation of shared services



The pie-chart illustrates where savings, other than labour arbitrage are typically generated

## Total cost of ownership savings of GICs in India above source markets (as of 2017)

### SAVINGS BEYOND COST ARBITRAGE

- Efficiency
- Effectiveness
- Vendor - spend reduction

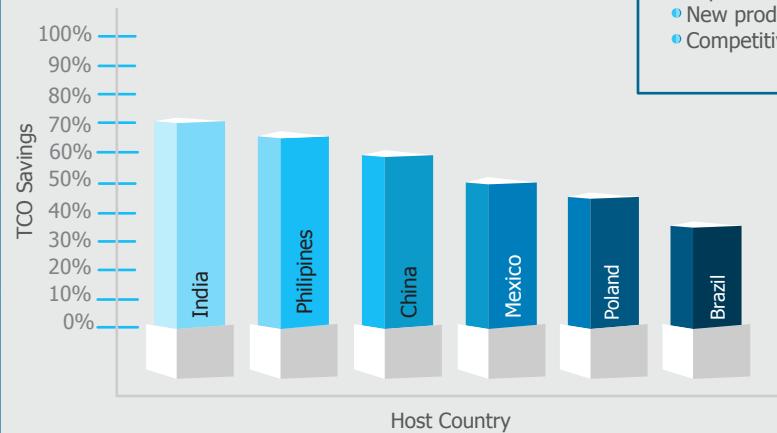
### RISK MITIGATION

- Loss reduction and cost avoidance
- Enterprise business continuity

### REVENUE IMPACT

- Expand coverage of services
- New products / services and customer segments
- Competitive pricing and preventing revenue leakage

## Total cost of ownership savings of GICs in India above source markets (as of 2017)



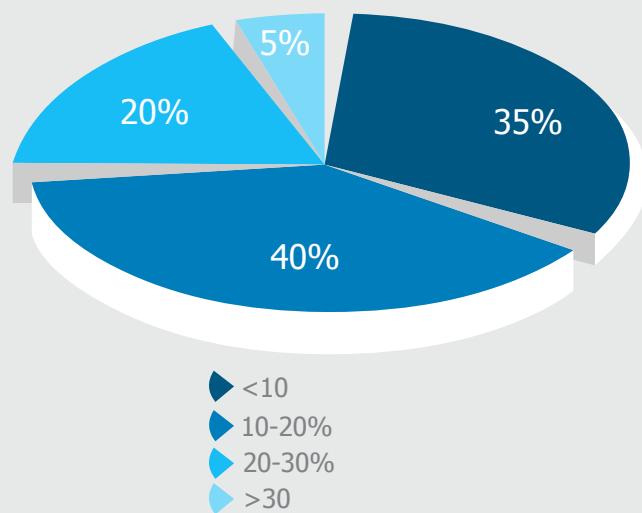
- Standardise process and policies
- Implement best practices
- Minimize number of systems

- Consolidate organization and streamline
- Reduce physical locations and head count

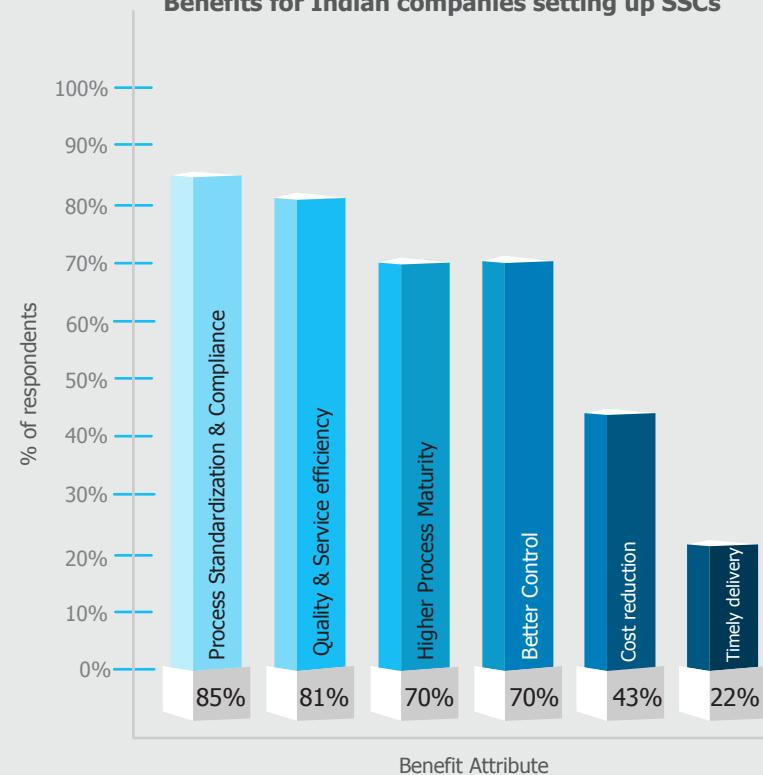
- Reengineer new organization
- Organize around end to end process
- Innovative uses of technology
- Outsourcing and Insourcing

TCO savings of setting up GIC in India, compared to their source market: **60% - 70%** (as of 2017). Cost Arbitrage is likely to sustain for at least 8-11 years. Cost Savings from SSCs compared to working with 3rd party service providers: **35%**

## Cost Savings for Indian companies by setting up of SSC



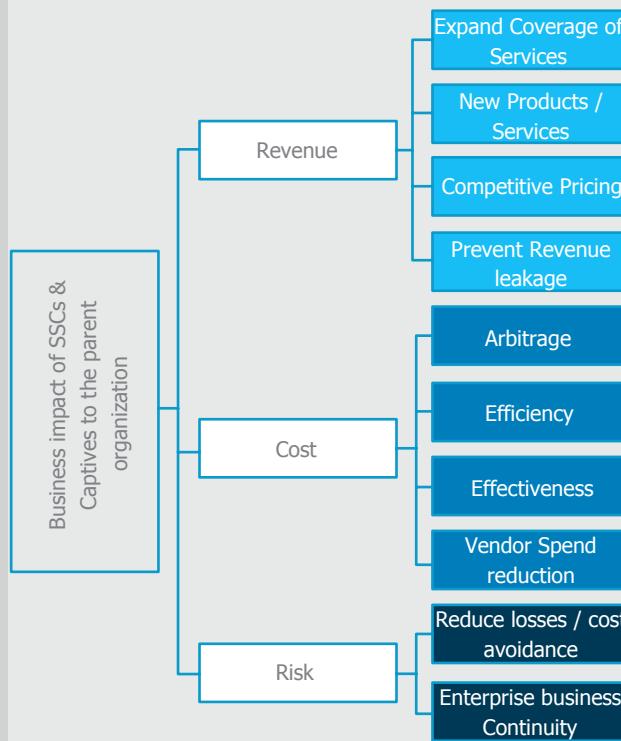
## Benefits for Indian companies setting up SSCs



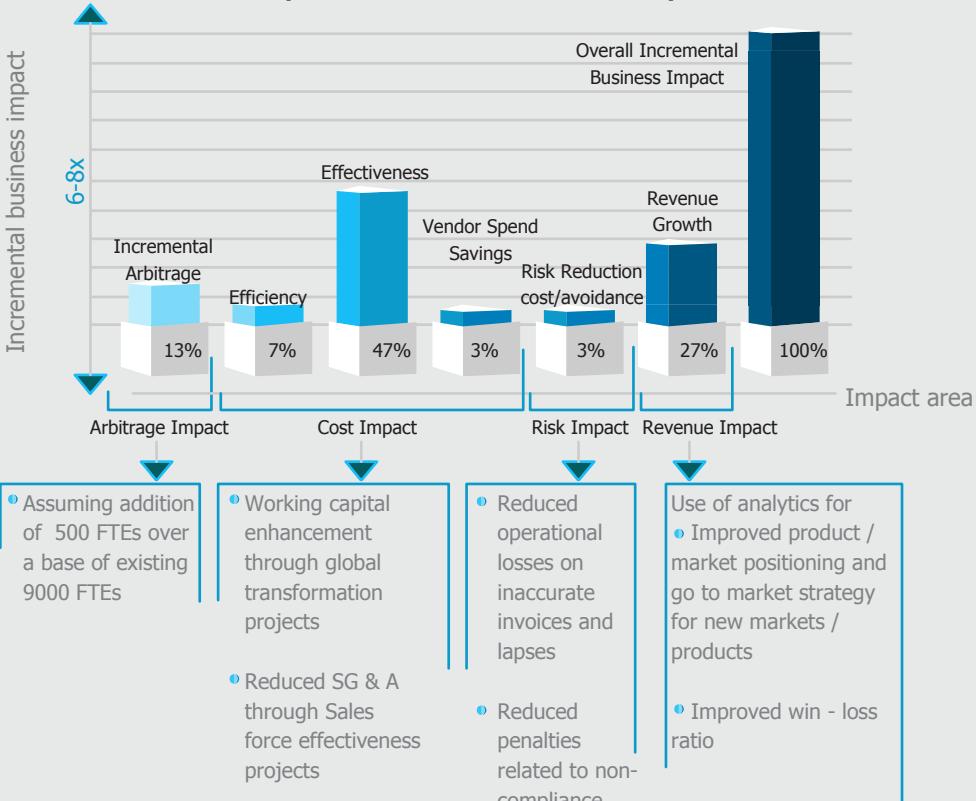
65% of respondents reported cost savings of at least **10%** and up to more than **30%**. Indian SSCs primarily benefit from Standardization of Process, Quality and Service efficiency and Better monitoring & control.



## Value Drivers for GICs



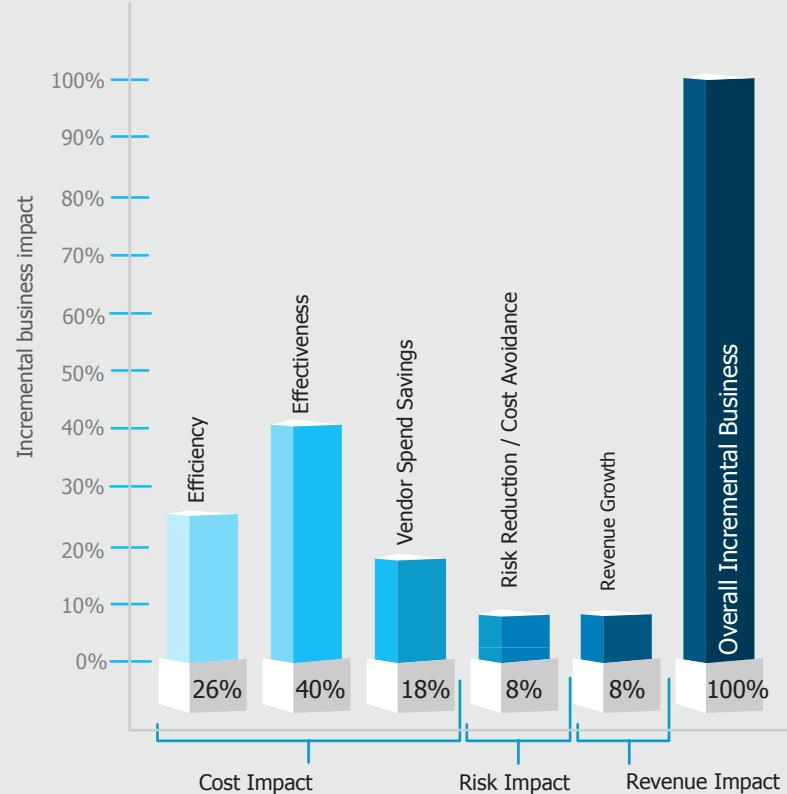
## Captives Incremental Business Impact



Best in class GICs deliver 6-8X incremental business impact through arbitrage (10% - 15%), cost improvement (~ 60%), risk reduction (3% - 5%), and revenue increase(25% - 30%).



## Indian SSCs Business Impact



Several Cost reducing / improvement measure are adopted by SSCs to increase the business bottom line.

**Efficiency:-** Standardizing the processes and policies, which will in turn minimize the resource and systems requirements leading to cost improvement.

**Effectiveness:-** Effective usage of talent and infrastructure will help in reducing the cost.

**Vendor Spend savings:-** Cost improvement by changing to cost effective supplier, Eliminating multiple sources of suppliers to reap the benefits of economies of scale.

**Risk Reduction / Cost avoidance:-** Avoiding or adopting less risky decisions and avoiding additional costs wherever possible.



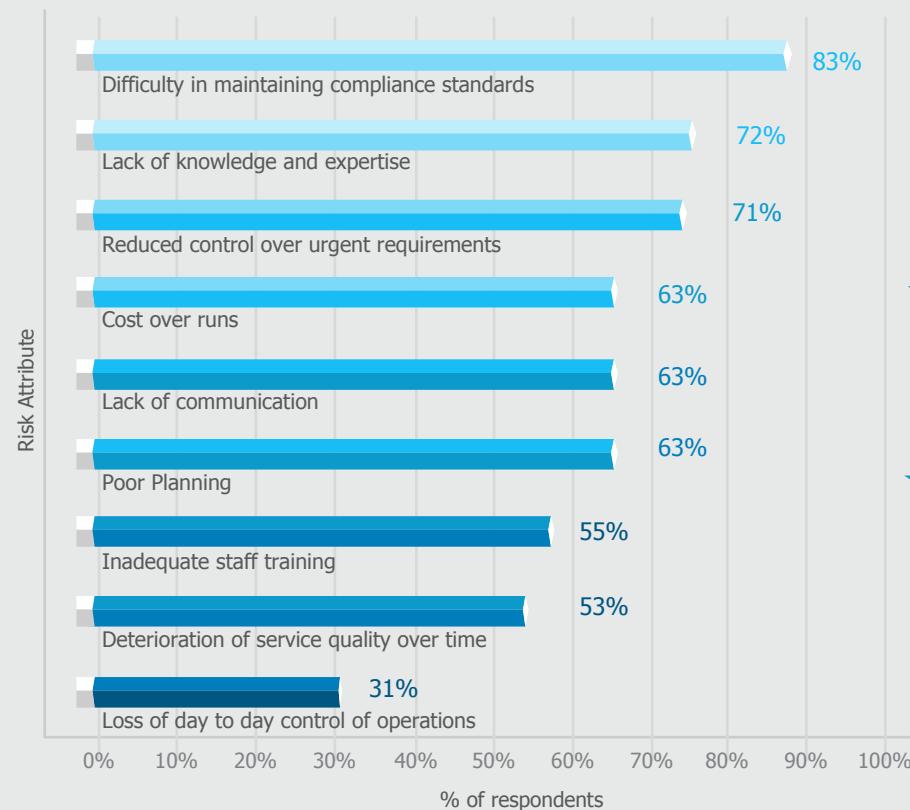
Best in class SSCs deliver incremental business impact through Delivery Efficiency, Cost improvement, risk reduction, and revenue increase.



valuvox estimates based on key assumption that Indian SSCs do not gain from labour arbitrage and benefits from substantially lower revenue growth.

# Risks involved in hiving critical functions to SSCs

## Risks involved while transferring critical functions to SSC



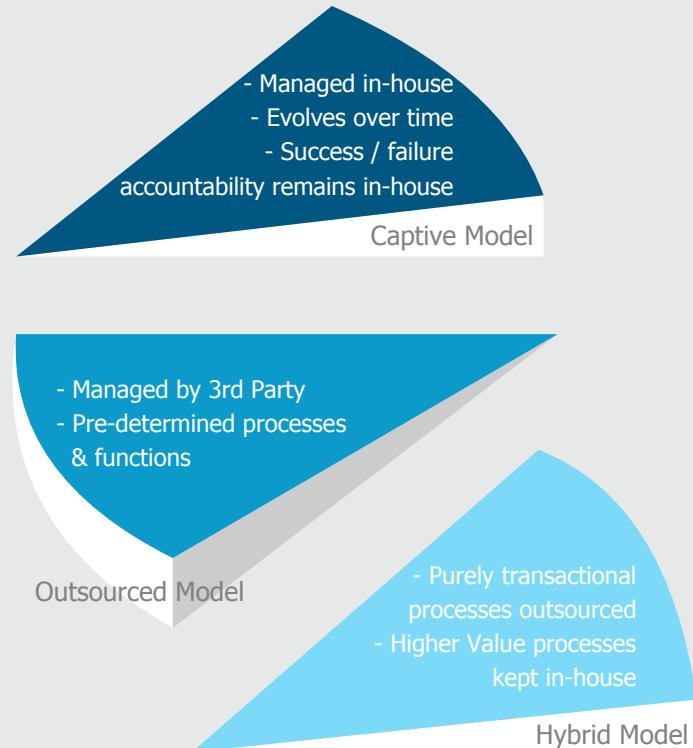
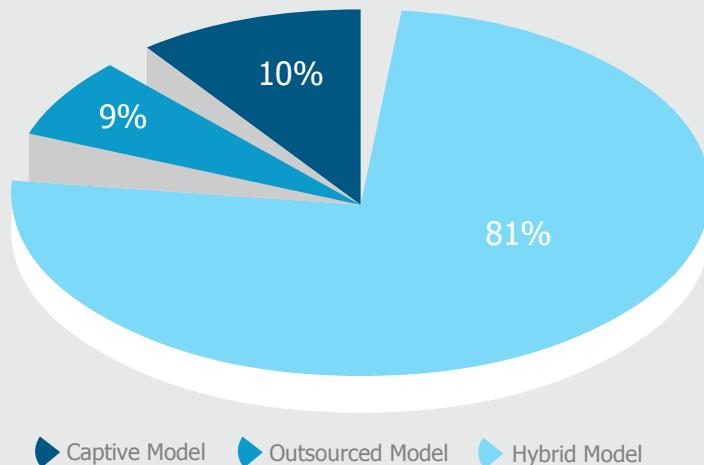
Parent organizations run a series of risks in transferring critical functions to SSCs.

Prominent amongst these risks are related to governance, compliance, knowledge and expertise needed for successful implementation.

# Operating models of Shared Services in India

Majority of the Indian Shared Services and GICs have adopted a hybrid operating model

Adoption of operating models in Indian Shared Services / GICs



81% of the Indian Shared Service Centers and GIC respondents adopted a hybrid model. 80% of them say service providers are meeting or exceeding their expectations.



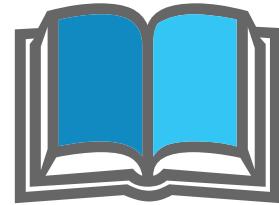
Source: valuvox survey of SSC Operations, Oct-Nov, 2018

Findings from valuvox survey of SSC Operations, Oct-Nov, 2018

Above analysis is based on a combined analysis of Indian Shared Services & GICs survey results.

# 05

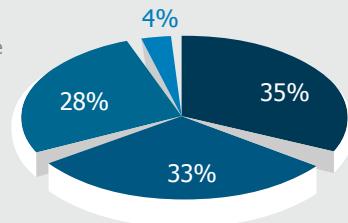
## Building out an SSC



# Functions in GICs & Indian Shared Services

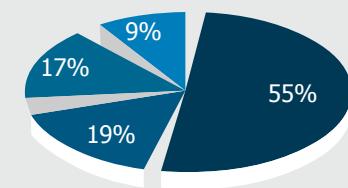
## Breakdown of IT GICs Across Categories FY2015

- Application Development and Maintenance
- Infrastructure Management Services
- System Integration
- Others (IT consulting, SEO, etc)



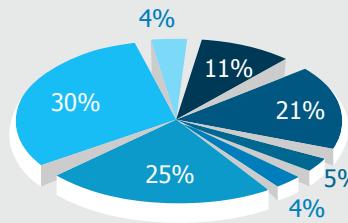
## Breakdown of SPD/ER&D GICs Across Categories FY2015

- Software Product Development
- Engineering Services
- Embedded Systems
- Others



## Breakdown of BPM GICs Across Categories FY2015

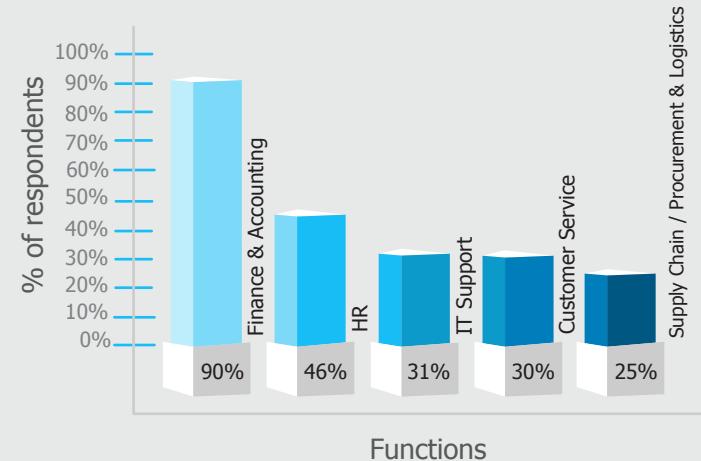
- HR
- Finance & Accounting
- Procurement & Logistics
- Sales & Marketing
- Technical Support
- Knowledge Based Services
- Others



## Functions in Indian GICs:

- IT
- BPM
- SPD / ER&D

## Major functions in Indian SSCs



More than 50% GICs as well as Indian SSCs, within each segment, tend to be dominated by one or two major functional areas of focus.

Source: valuvox survey of SSC Operations, Oct-Nov, 2018

# Cost structures of Indian Shared Services and GICs in India

## Major Costs involved in setting up SSCs

### Manpower

- Salary and benefits
- Training costs
- Recruitment channel costs

### Facilities

- Rental Costs
- Building running costs
- Electricity Costs
- Housekeeping/Security costs

### Travel and Transport

- Local Transport costs
- Vendor Cost
- Business travel cost
- Airfare, allowance, accommodation, visa costs

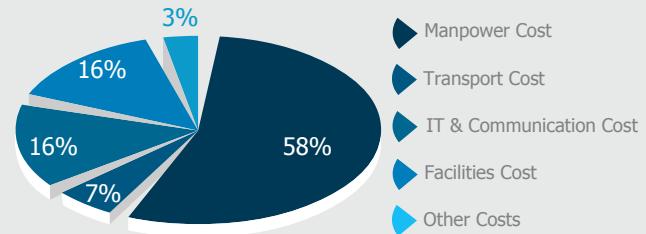
### IT

- IT and communication costs
- Hardware costs
- Software costs
- IT support Costs
- Network & Communication reimbursement costs.

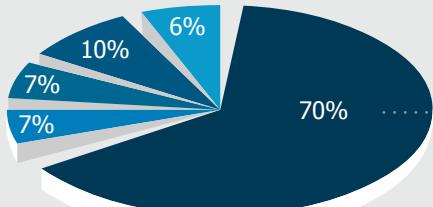
### Other Costs

- Consultancy/Outsourcing costs
- Administration and Miscellaneous

## Indian SSC - % cost /production headcount



## GIC - % cost per production headcount



Cost Category	FY 14-FY 16 CAGR
Manpower Cost	12% ↑
Transport Cost	↓ 3%
IT and Communication Cost	↓ 12%
Facilities Cost	3% ↑
<b>Total % increase</b>	<b>8%</b>

GIC:- With the overall cost structure increasing by a CAGR of **8%**, GICs are looking to optimize costs..

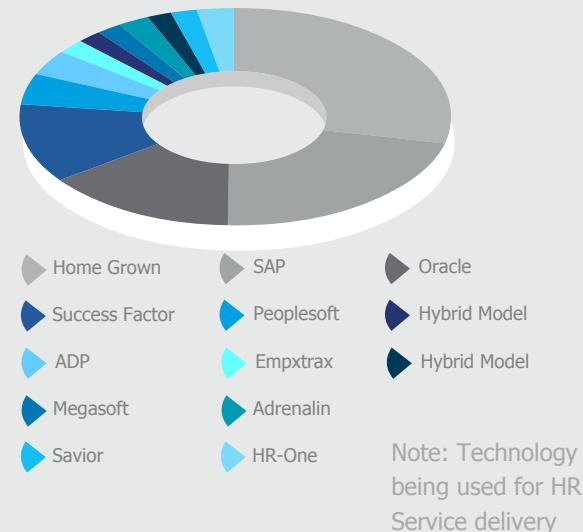
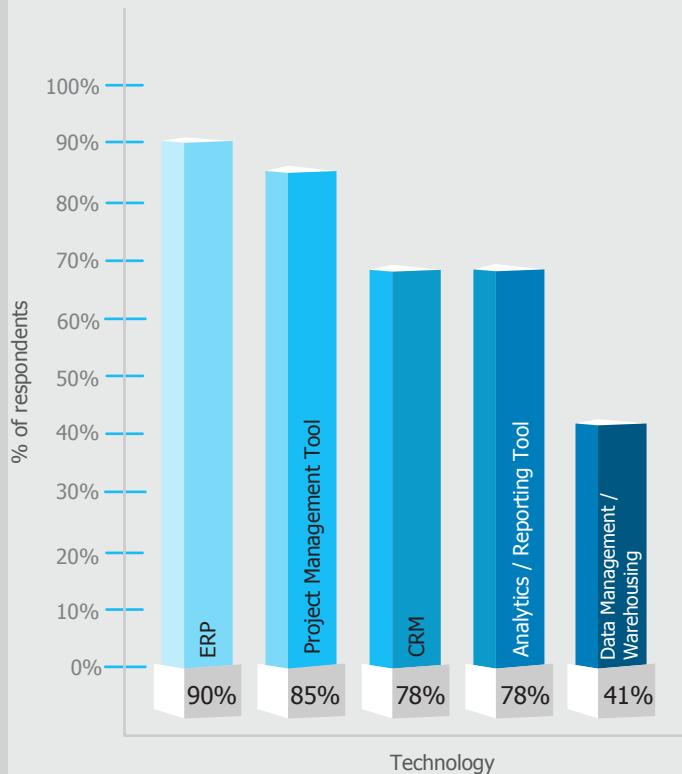
The major drivers for this rising cost are Manpower and IT and Communication costs which have increased by a CAGR of **12%**.

Indian SSC:- Manpower, IT & Communication and Facilities cost are the major cost contributors of Indian SSCs

Source: " India GIC Cost and Operations Benchmarking Study'2017,

# Choice of Technology

## Technological tools implemented in Shared Services Centers / Captives



Source: 'GICs in India – Getting Ready for the Digital Wave', 2016, NASSCOM; 'Human Resource Transformation: What's next? ', 2016, Deloitte



ERP is the major tool used in Shared services center / Captives in India



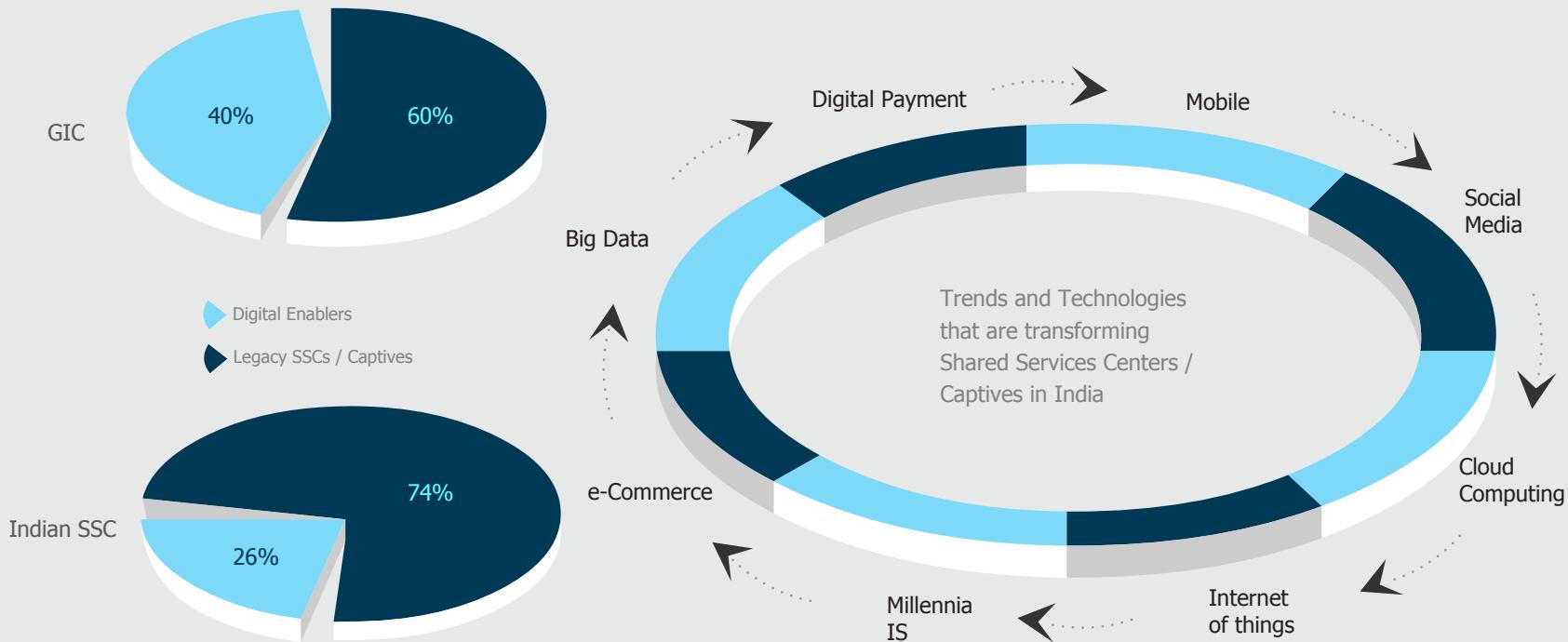
Almost 50 percent of the organizations use major ERP packages including SAP (21%), Oracle (14%), Success Factors (12%), and PeopleSoft (5%)



Source: valuvox survey of SSC Operations, Oct-Nov, 2018

Findings from valuvox survey of SSC Operations, Oct-Nov, 2018  
Above analysis is based on a combined analysis of Indian Shared Services & GICs survey results.

## Digital Enablers of Indian SSC & GICs



Most of the SSCs and Captives have moved beyond modernizing IT infrastructure and embarked on the digital journey. 40% of GICs and 26% of Indian SSCs are enabling Digitization – Mobile, Social Media, Cloud Computing, Digital Payments etc.



## Customer Engagement

### THEN...

- Broad Segmentation
- Competitive Benchmarking
- Reacting to market changes nimbly
- One time pricing

## Operations and Process

### NOW...

- Micro targeting 'segment of one'
- Identifying the next disruptive competitor
- Predicting demand changes
- Dynamic real time pricing

## Analytics and Data

- Agile led implementation
- Straight through processing

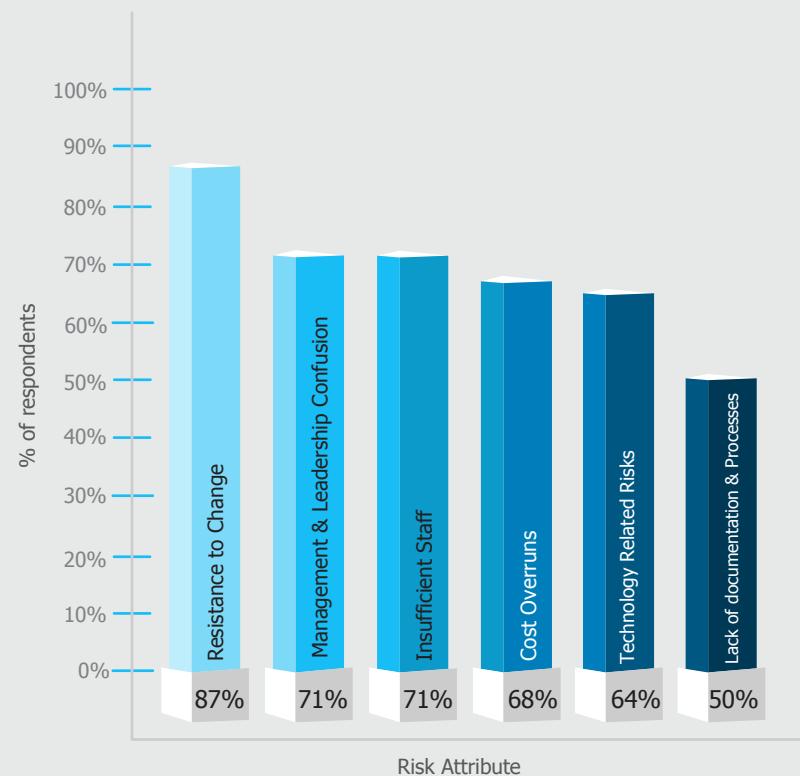
## Hardware and Software infrastructure

- Real time Customer feedback
- Predictive Analytics
- Key decisions based on Big Data Analytics

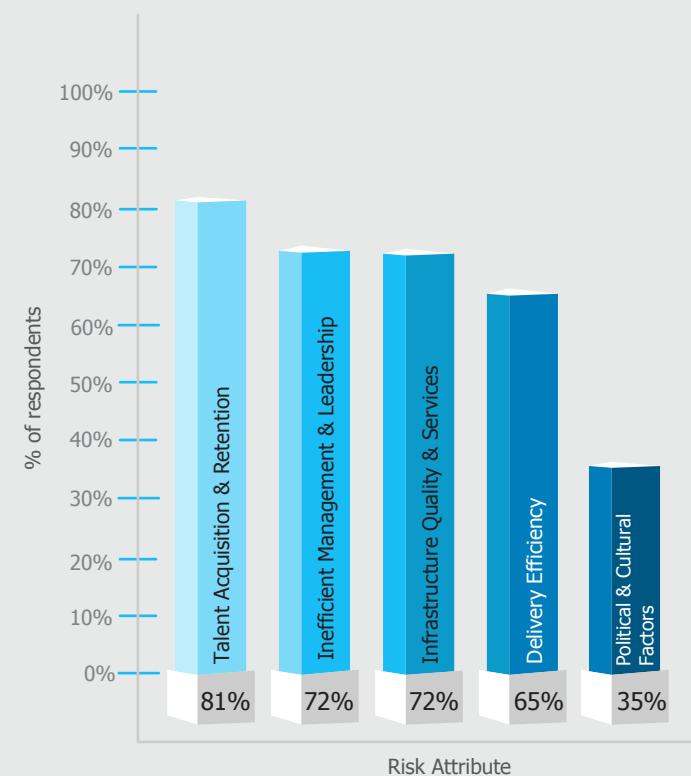
- Variable costs due to on demand tech solutions
- Building best of breed with domain expertise

Intelligent, data driven, processes that deliver transformational / revenue value have gained precedence over the conventional, transactional, processes.

## Risks involved in setting up SSC



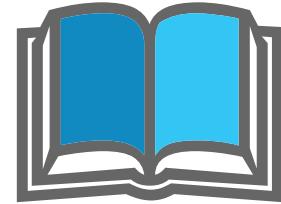
## Risks involved in building GICs in India



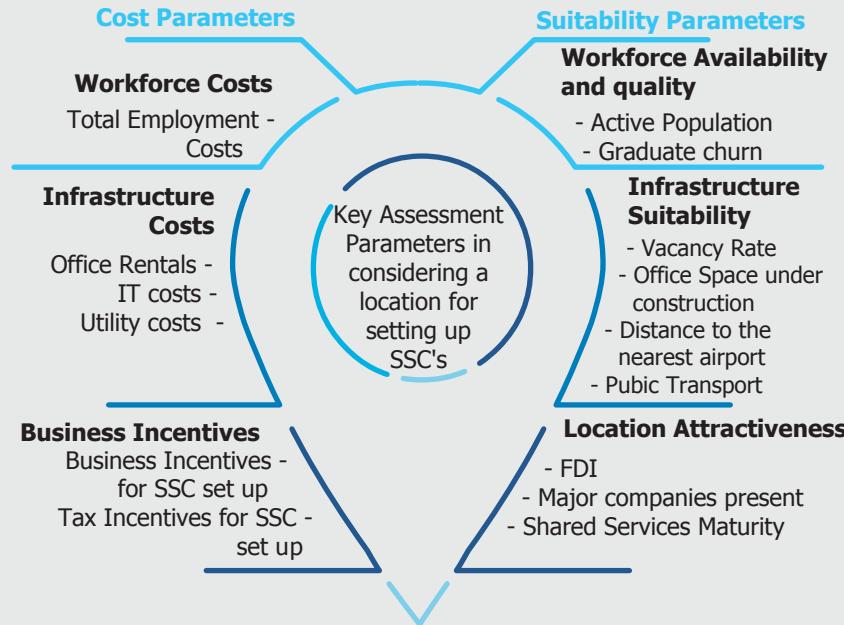
Risks concerned with people and leadership are associated with the setting up of GICs in India; Indian SSCs face risks related to change, management caliber and adequate staffing.

# 06

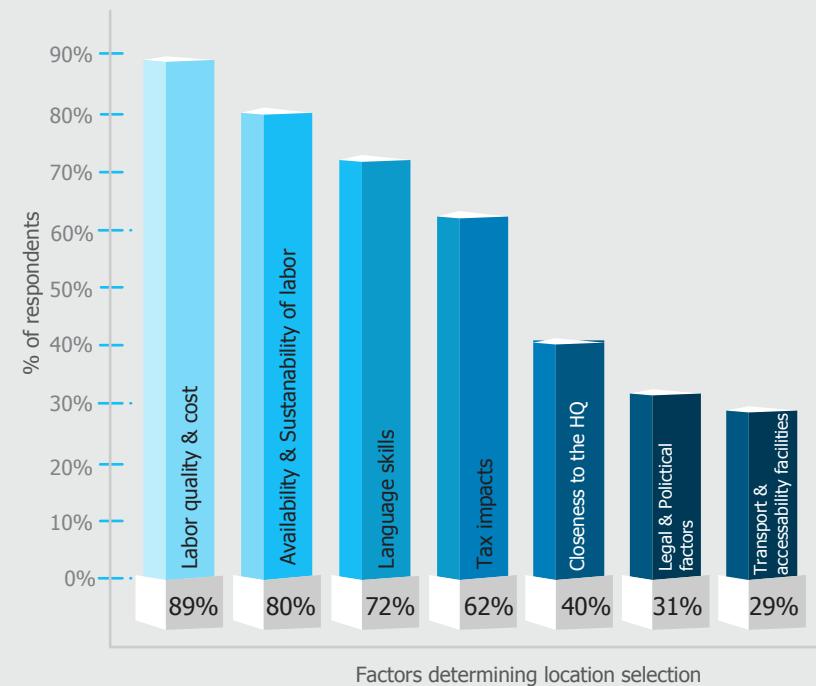
## Operating an SSC



# Location consideration for setting up an SSC



**Key Factors for the selection of location for Shared Services Centers / GICs in India**

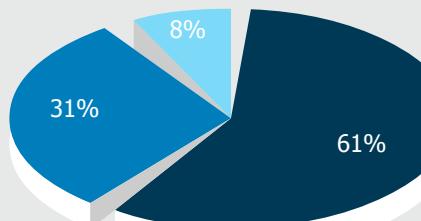


**Labor related factors are the key consideration while selecting the location for the SSC**

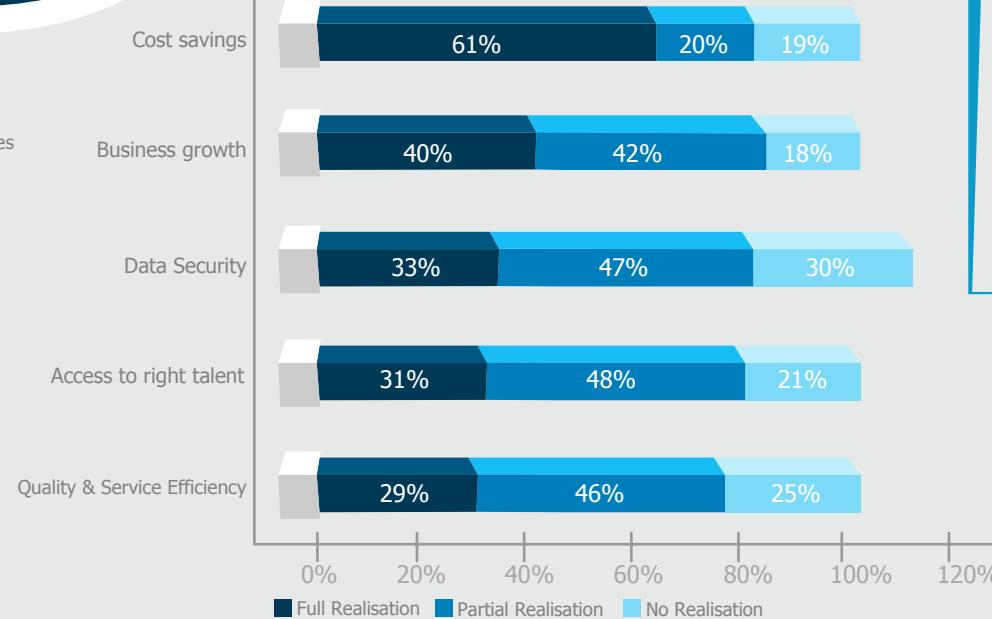
Source: valuvox survey of SSC Operations, Oct-Nov, 2018

Findings from valuvox survey of SSC Operations, Oct-Nov, 2018  
Above analysis is based on a combined analysis of Indian Shared Services & GICs survey results.

## Realization of Objectives by GICs in India



### Extend to which the objectives are met



### Reasons for the failure to realize the objectives

- Inefficient Talent Pool
- Lack of support from parent organization
- Inefficient Leadership
- Difficulty in establishing brand recognition
- Cultural Indifferences
- Political Issues
- Immatured Governance

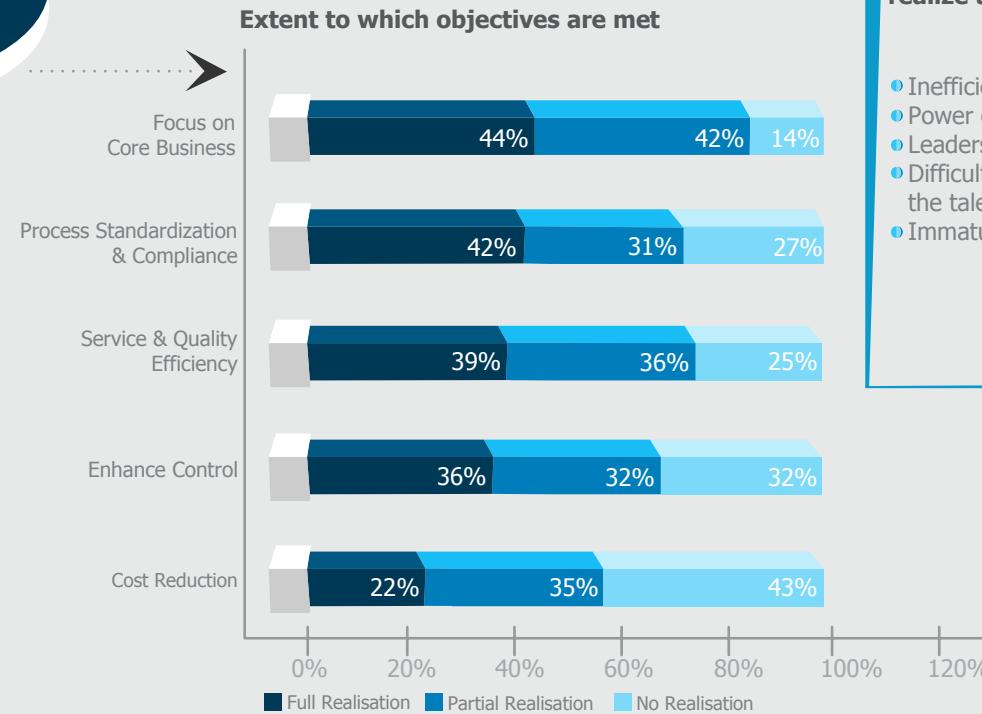
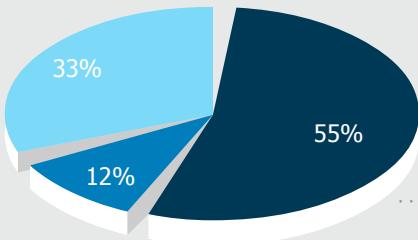


**92%** of the GICs have met the objectives of their parent organization. Some small and mid sized GICs especially in product development, performed far below their potential.



# Success of the SSC model of Indian companies | Have parent organizations met stated goals

## Realization of Objectives by Indian SSCs



## Reasons for the failure to realize the objectives

- Inefficient Talent Pool
- Power conflicts
- Leadership Inefficiency
- Difficulty in retaining the talent
- Immature Governance

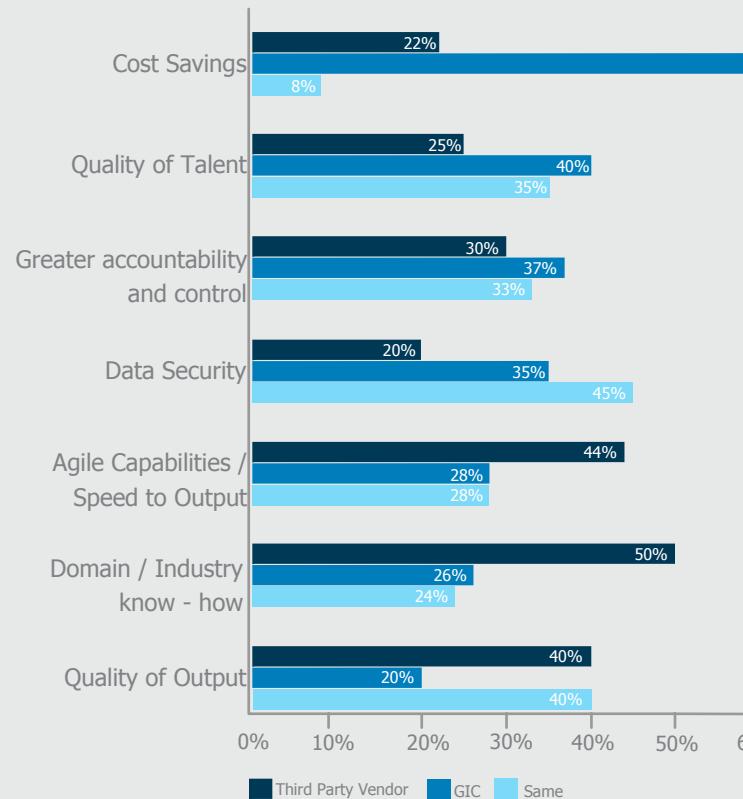


**67%** of the Indian SSCs have met or exceeded the objectives of their parent organization. Indian companies mainly set up SSCs to Standardize the processes, improve efficiency and to have a better control over their activities.

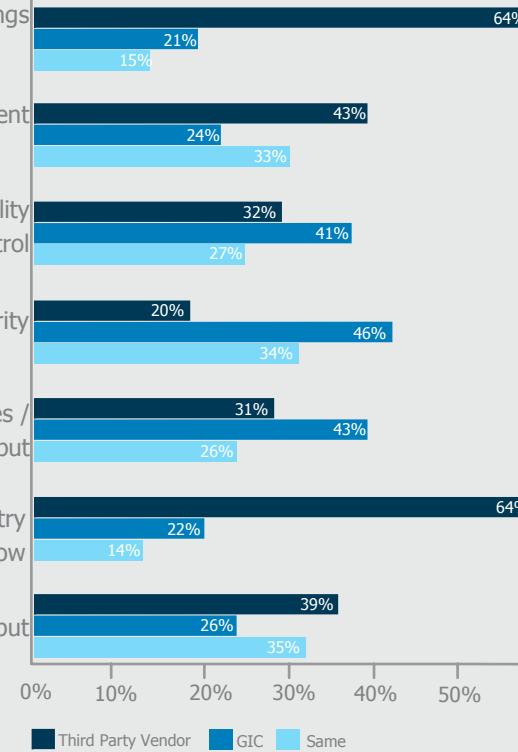


## Performance of GICs vs Third Party Vendor

(as of 2017)



## Performance of Indian SSCs vs Third Party Vendor



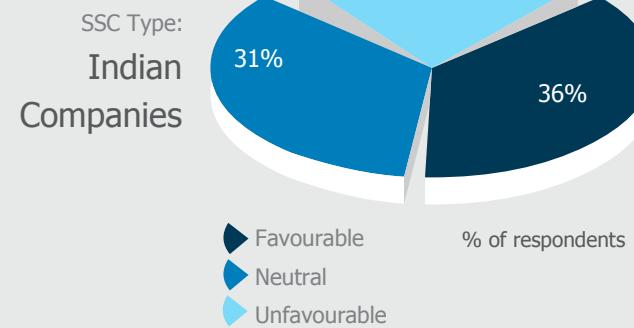
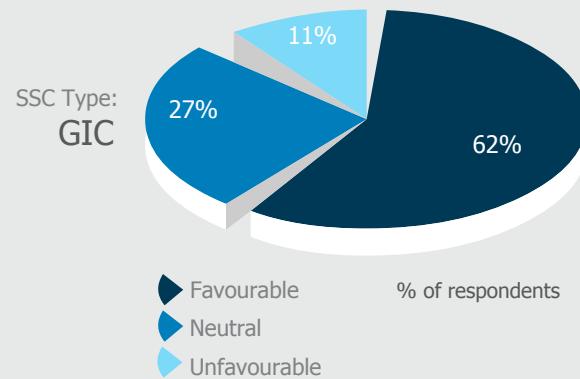
**GIC:-** Cost Savings, Quality of Talent and Greater accountability and Control are the main advantages of GICs over third party vendors



**Indian SSC:-** Data Security, Greater accountability and Control and Speed of output are the main advantages of GICs over third party vendors

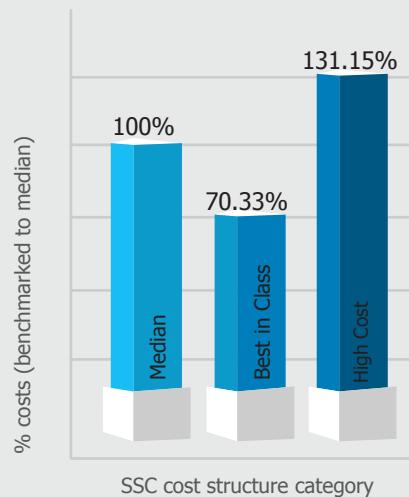


## Cost Structure - Favourable or Unfavourable



62% of the GIC respondents indicate that they have a favorable cost structure; Just 36% of the Indian companies report having a favorable cost structure.

### Variations in cost between Best in class, Median and High cost Centers



GICs were looking to optimize cost as the cost structure was increasing by a CAGR of 8%. The major drivers for this rising cost are manpower and IT and communication costs which are increasing by a CAGR of 12% respectively.

The high cost Centers operate at ~30-35% above the median cost

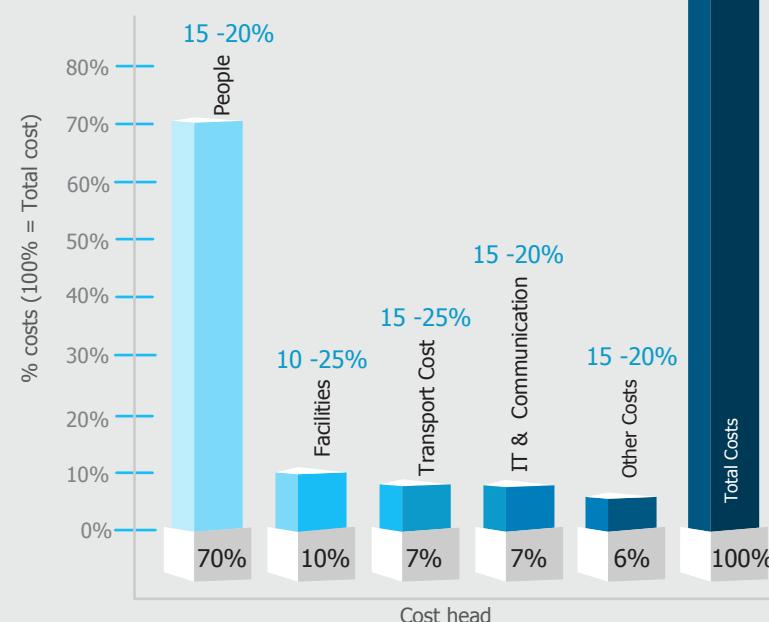
There were several GICs operating with overall cost structures that were ~25-30% lower than the median. The practices adopted by these cost effective Centers have been compiled to form the leading practices across facilities, talent management & sourcing, transportation etc.

### Efficiency tools utilized by Captives for additional cost Savings

- Increasing percentage of hiring through employee referrals
- Increasing retention by implementing a early warning system
- Robotic process automation(RPA) is discussed and adopted
- Leverage low cost location
- Indirect costs such as travel and transport are being targeted as quick wins
- Recruitment and training spends have been significantly reduced through deployment of newer channels such as web/social media based training and hiring, outsourcing non core activities

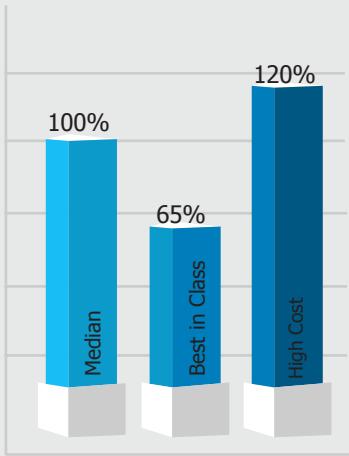
15-25% additional savings can be realized through multiple levers

### Total cost breakdown and Typical cost saving opportunities





### Variations in cost between Best in class, Median and High cost Centers



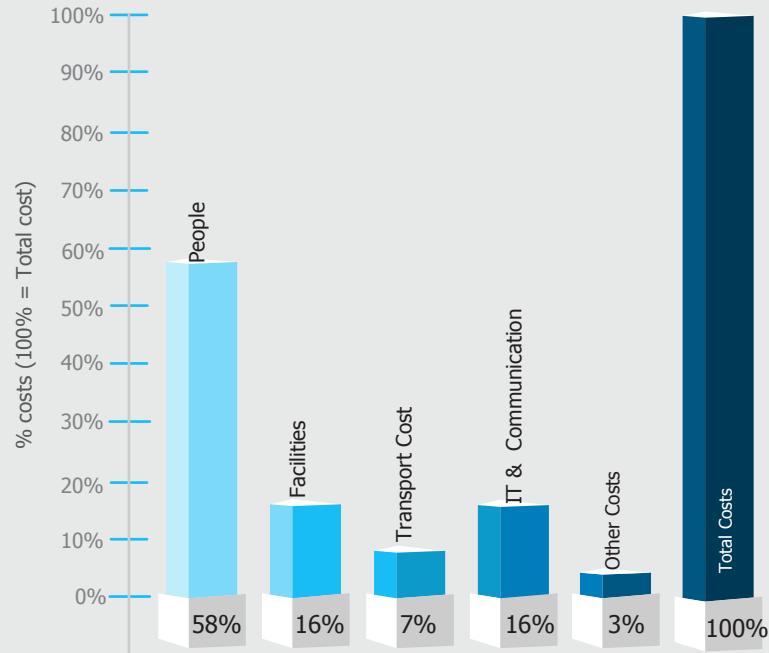
Majority of Indian SSCs have optimised cost structure and operate at 35-40% lower than the median. While there are SSCs of large organizations that operate 20% above the median.

**10-25% additional savings can be realized by adopting cost effective approaches**

### Efficiency tools utilized by Indian SSCs for additional cost Savings

- Hiring through employee referrals
- Digital Transformation and Automation
- Leverage low cost location
- Indirect costs such as travel and transport
- Cost improvement by changing to cost effective supplier, Eliminating multiple sources of suppliers to reap the benefits of economies of scale.

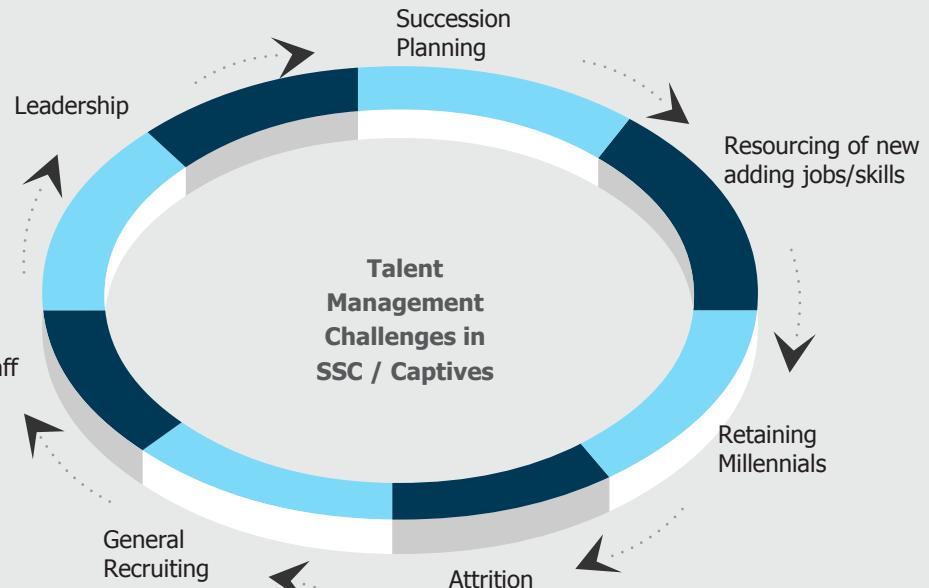
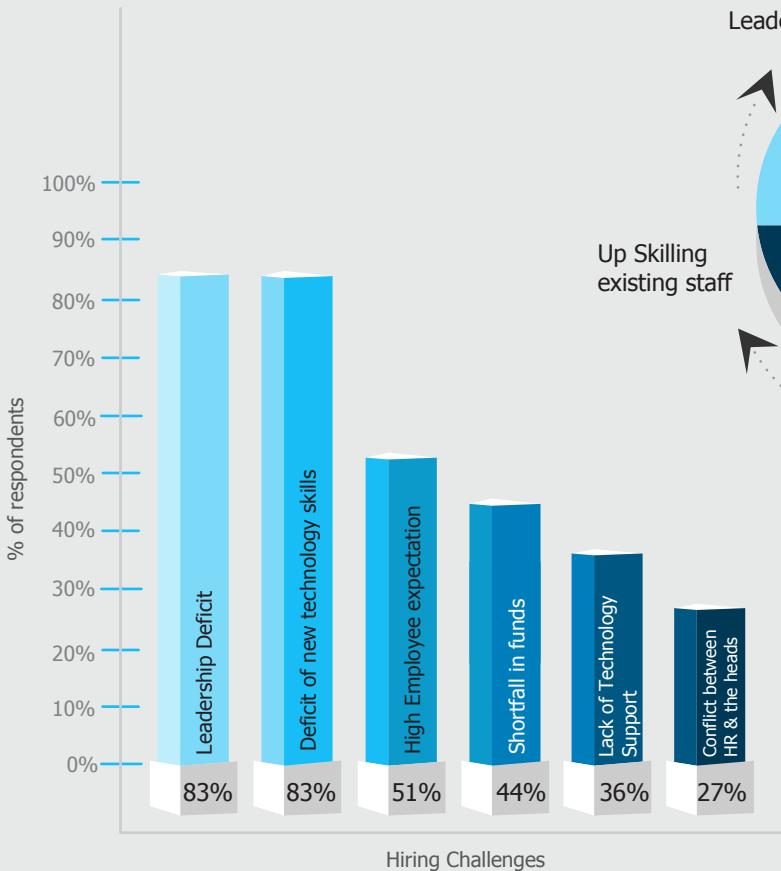
### Total Cost break up of Indian SSC



Note: valuvox estimates based on key assumptions that Indian SSCs derive no labour arbitrage advantage, have relatively lower Transportation and Others Costs compared with GICs.

# Hiring challenges for GICs & SSCs

## Hiring Challenges of Shared Services centers and Captives in India

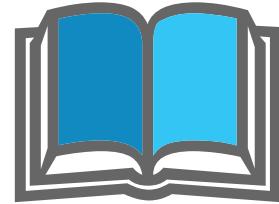


The right leadership capability and tapping new resources / skill sets required to deliver more value are top concerns around attracting talent.

# 07

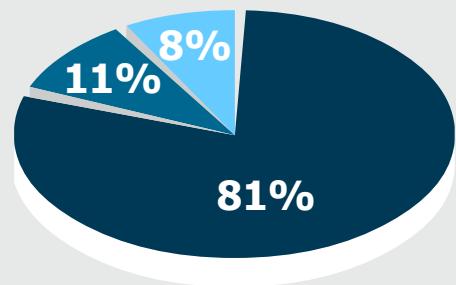
## Success / Failure of the SSC model

Has the model worked and for which functions?

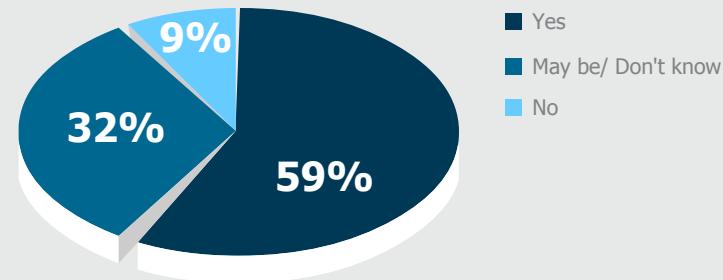


# Success of the SSC model – GIC

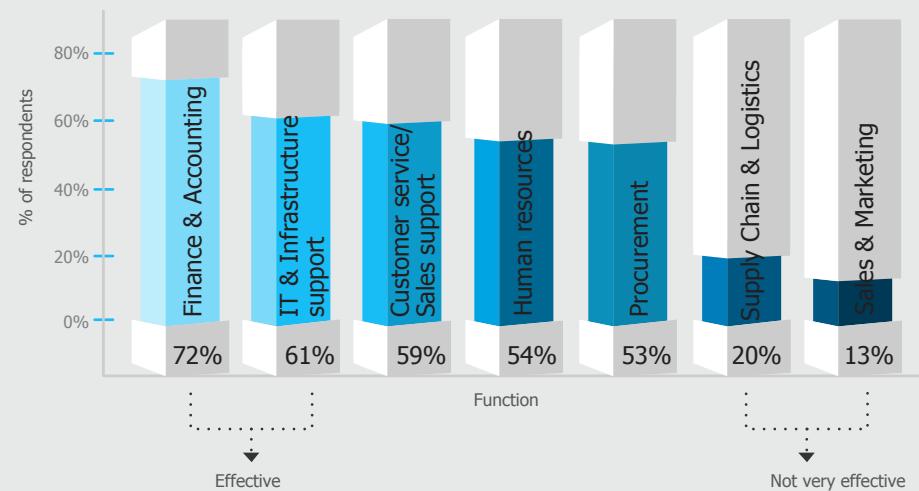
## Success of GIC Model in India



## Scope of work in next 2-3 years



## Most successful function in the Shared Services Centers (GICs)

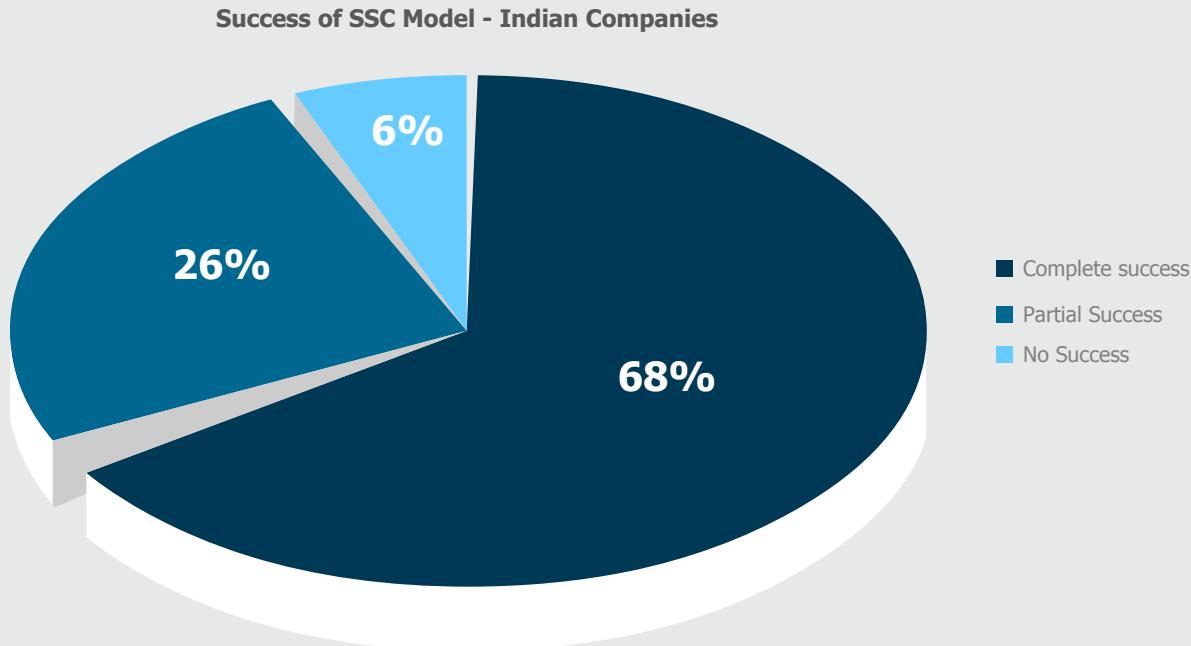


“ 75-80% of work done in GICs are transactional ”

“ ‘Finance & Accounting’ and ‘IT and Infrastructure support’ are effective functions for GICs ”

“ 92% of GIC respondents say their SSC model has been a complete / partial success and at least 59% of the successful GICs foresee scope expanding in the next 2 – 3 years. ”

## Success of the SSC model – Indian companies



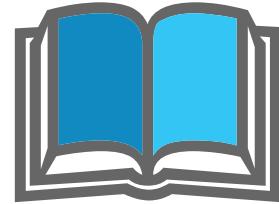
“ The proportion of complete successes among Indian SSCs is substantially lower than among GICs, although the proportion of failures is significantly lower as well. ”

“ ‘Finance and Accounting’ gets an overwhelming vote as a successful process, and HR is a distant second. ‘Customer contact centers’ and ‘Engineering services’ are the not so effective functions among Indian SSCs. ”

# 08

## Spotlight / Focus

Outsourcing / Subcontracting  
Manpower/Staffing requirements and  
HR Processes



# Major HR Challenges faced by the Indian Companies and the barriers in the current HR service delivery

## HR Challenges in Organizations

### Leadership Challenge

Inefficient leadership is the major issue in most of the organizations. Building leaders remains the major challenge and is the priority for the organizations in India

### Performance and Productivity

Improving the performance and productivity of HR deliveries is the another important challenge.

### Robust Reporting & Analytics

For the HR team to be more effective, there is the need for robust data analytics and reporting. Most of companies have data analytics embedded with the ERP systems for analysis.

### Employee Attrition

Handling employee attrition is an issue faced by organizations. Retaining them is a challenge which companies are trying hard to tackle it with monetary and non monetary benefits.

## Barriers in the current HR service delivery

**Insufficient Talent Pool:-** Unable to effectively scale to meet the needs of organization

**Degree of Complexity-** Difficulty in managing because of high complexity in the process

**Lack of efficiency:** Efficiency in the HR delivery not up to the expectations

**Cost of Operations:-** Higher costs involved in the processes than expected

Poor service provided by third party vendors

## Major initiatives taken to overcome the challenges and barriers of HR service delivery

Outsourcing HR activities to a third party vendor

Implementing Shared Services Model

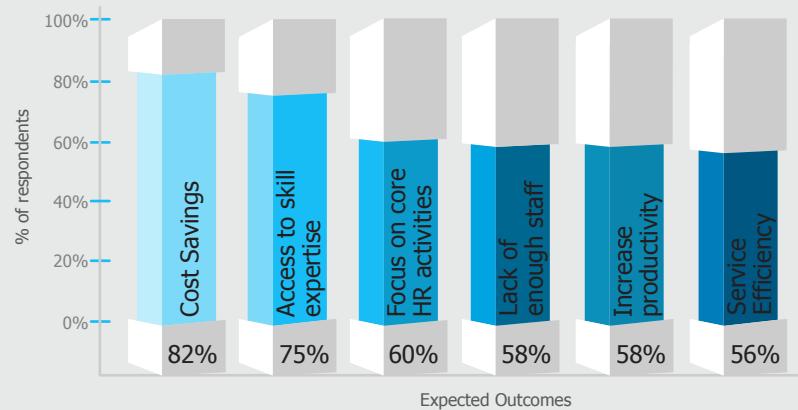
Reengineering key HR processes along with building line manager's people management capabilities

Outsourcing and Shared Service centers can be the most effective initiative to overcome the barriers of current HR model.



# HR process Outsourcing: Use Cases

## Why do companies outsource HR Processes



### HR processes

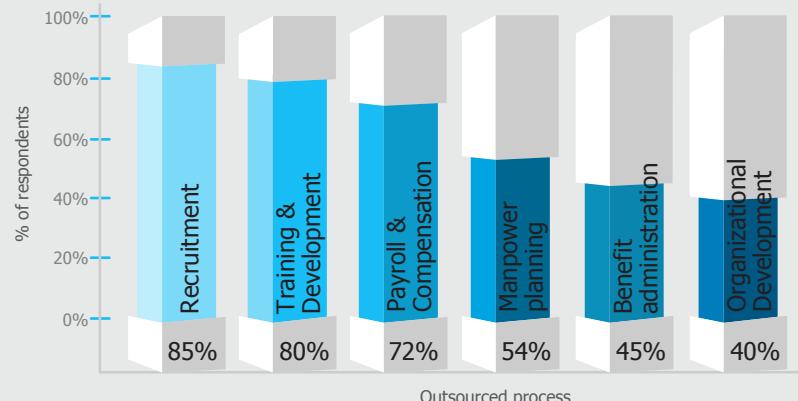


Cost Savings



access to skill expertise are the main reasons for outsourcing

## Main HR Processes outsourced or subcontracted



### Main processes outsourced:



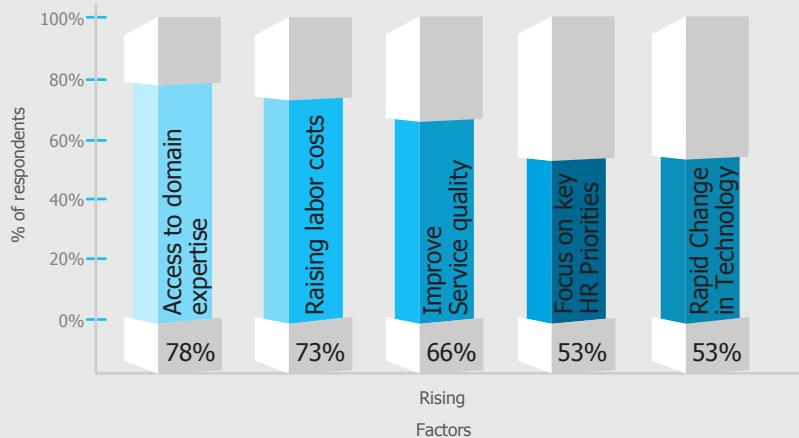
Recruitment and



Training & Development

# Factors that dictate HR Manpower Requirement Outsourcing / Subcontracting: Use Cases

## Factors that dictate HR outsourcing or Subcontracting



“ HR Outsourcing and Subcontracting is seen to be adding value but riddled with unknowns and the perception of rendering the function impersonal.

## HR Outsourcing / Subcontracting – Trade offs involved

### The Positives

**Cost Efficiency** – Outsourcing allows you to lower expenditure on fixed costs and control variable costs that can result in significant savings

**Focus on core tasks** :- The company by outsourcing back end HR operations, can focus on most prioritized decision making activities.

**Staffing flexibility**:- Outsourcers will have skilled talents with multi functional capabilities. The companies can benefit with these resources.

**Expertise** :- Outsourcing will provide with top class domain expertise that can ensure better achievement of results

**Risk Reduction**:- Outsourcing helps mitigating risk factors for the company by dividing and delegating operations

### The Negatives

**Hidden costs**:- Hidden costs and legal problems may arise if the outsourcing terms and conditions are not clearly defined.

**Loss of control**:- Losing of control mean that you may no longer be able to control operations and deliverables of activities that you outsource

**Threat to Data security**:- When an organization outsources HR, Payroll and Recruitment services, it involves a risk if exposing confidential company information to a third-party

**Lack of Quality**:- Problems with quality can arise if the outsourcing provider doesn't have proper processes and/ or is inexperienced in working in an outsourcing relationship.

**Dependency**:- Because of complete dependency on outsourcer, the company may not be able to control risks such as bankruptcy and financial loss

## Factors considered while selecting outsourcing partner / Vendor



**HR Outsourcing:** Clients have a laundry list of expectations that tantamount to the Outsourcing vendor being a formidable partner who matches the client organization in terms of pedigree, scale and stability, while sharing in the risks and delivering skills and expertise clients lack.

# Impact of Regulations on growth of Outsourcing / Subcontracting requirements

## Payouts in GICs (CTC in INR lac /annum)

	Transactional Profiles			Transformational Profiles		
	WORK EXPERIENCE					
	0-3 years	3-8 years	8+ years	0-3 years	3-8 years	8+ years
GIC Payout (a)	5	7.5	10	6.5	11	14
Outsourcer Payout (b)	2.5	6.6	9	3	10	12.5
Cost Arbitrage (a) -(b)	2.5	0.9	1	3.5	1	1.5
Savings as per 80JJAA (for payout <3 lakh)	<b>*0.75</b>	NIL	NIL	<b>*1.05</b>	NIL	NIL

Savings from 80JJAA over a period of 2 years - **22%**

Cost Arbitrage – Transactional -**20%**;  
Transformational – **19%**

Average salary in GICs and Indian shared services: INR 3 to 7 lacs per annum for transactional and transformational profiles.

SSCs / GICs are not significantly benefited from 80JJAA act, as majority of the employees are paid substantially more than INR 3 lac per annum

An outsourcing service provider is in a unique position of advantage to aggregate lower cost talent and avail of 80JJAA. The benefit could be either retained or partly shared with the client

## Payouts in Indian SSC's (CTC in INR lac /annum)

	Transactional Profiles			Transformational Profiles		
	WORK EXPERIENCE					
(Values in INR lac /annum)	0-3 years	3-8 years	8+ years	0-3 years	3-8 years	8+ years
SSC Payout (a)	3	6.5	8.5	3.6	9.5	12.5
Outsourcer Payout (b)	1.6	4.8	7	2.4	8	11
Cost Arbitrage (a) -(b)	1.4	1.7	1.5	1.2	1.5	1.5
Savings as per 80JJAA	<b>*0.48</b>	NIL	NIL	<b>*0.72</b>	NIL	NIL

Savings from 80JJAA over a period of 2 years - **30%**

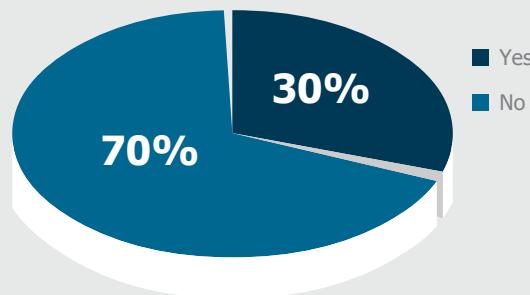
Cost Arbitrage – Transactional -**25%**;  
Transformational – **16%**

\*Savings from 80JJAA goes to the outsourcing service provider because of the lower levels of payout.

\*SSCs/Captives mainly benefit from Cost arbitrage across different experience levels – this value-add is much higher than the savings from 80JJAA.

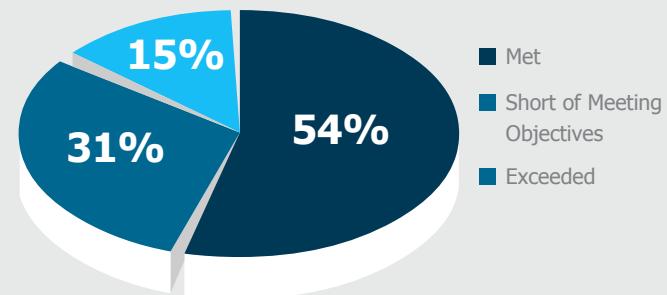
# HR SSCs: Use Cases

HR Service delivery by Shared Service (as of 2016)



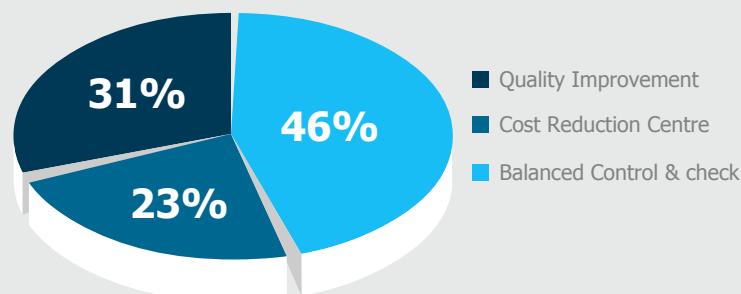
30% of the respondents reported that HR delivery is taken care by HR Shared Services

Degree to which it has met the objectives (as of 2016)



Over 65% indicated that shared services have met or exceeded desired objectives.

Benefits from HR Shared Service (as of 2016)



46% reported quality improvement to be the main benefit

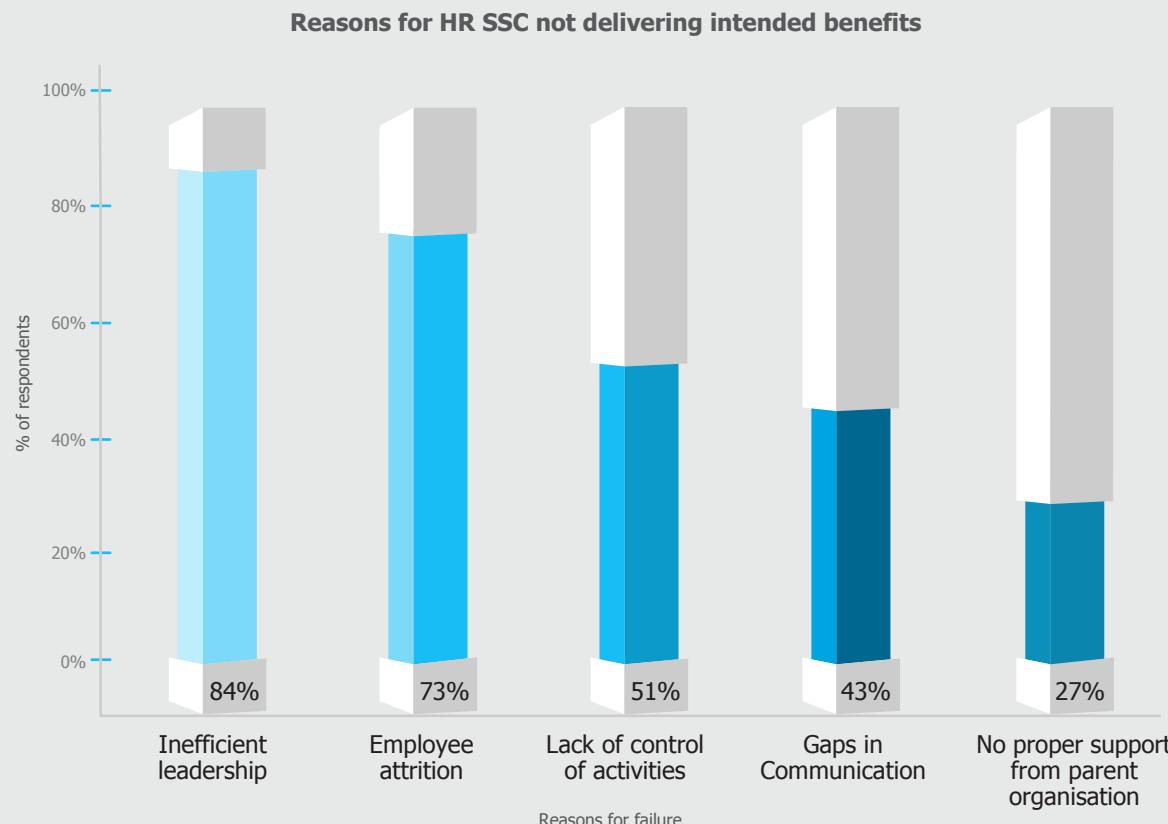
## Drivers for the success in meeting objectives

- Better Resources
- Stronger Governance
- Faster Decision making
- Increased Change Management

## Drivers for the failure to meet objectives

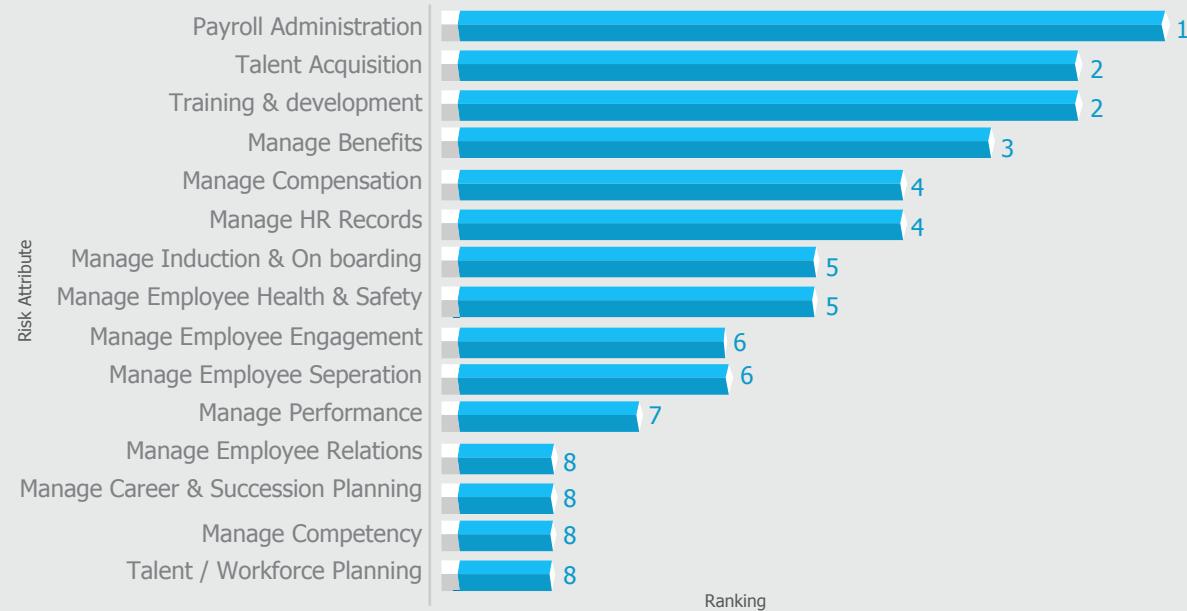
- Increased degree of complexity in setting up a SSC
- Inefficiencies around the current model
- Inability to effectively scale to meet the needs of their organization led to lower satisfaction levels

Although the success rate is reported to be significantly high HR Service delivery by SSCs runs the risk of low client satisfaction levels because of the complexity and inadequacy of current models.



Leadership and attrition, followed by other execution related issues are reported to be the main causes of the failure of SSCs supporting HR requirements to deliver intended benefits.

## Top HR Processes outsourced (as of 2016)

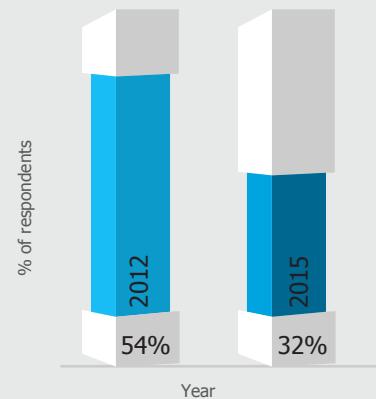


“ Payroll administration continues to be the key HR process outsourced. ”

“ Manage Shared Service Customer Delivery, Manage Time & Attendance, Establish and Maintain HR Processes and Policies, and Manage Global Employment are the four new processes outsourced. ”

“ As a result of the problems faced from the outsourcing vendors, organizations that are currently in a full outsourcing contract are reconsidering their strategy and investigating alternatives of outsourcing selective administrative tasks while building capability for other processes in-house. ”

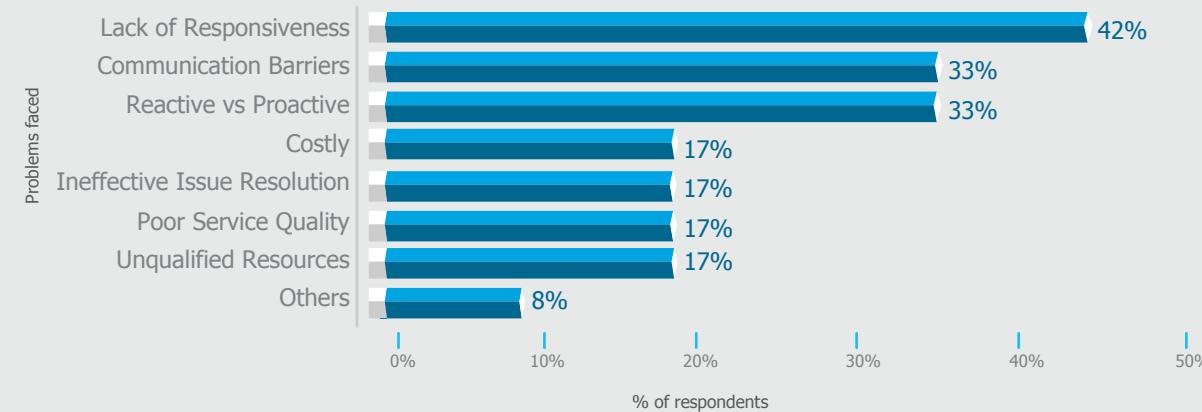
## HR Processes outsourced selectively or completely (as of 2016)



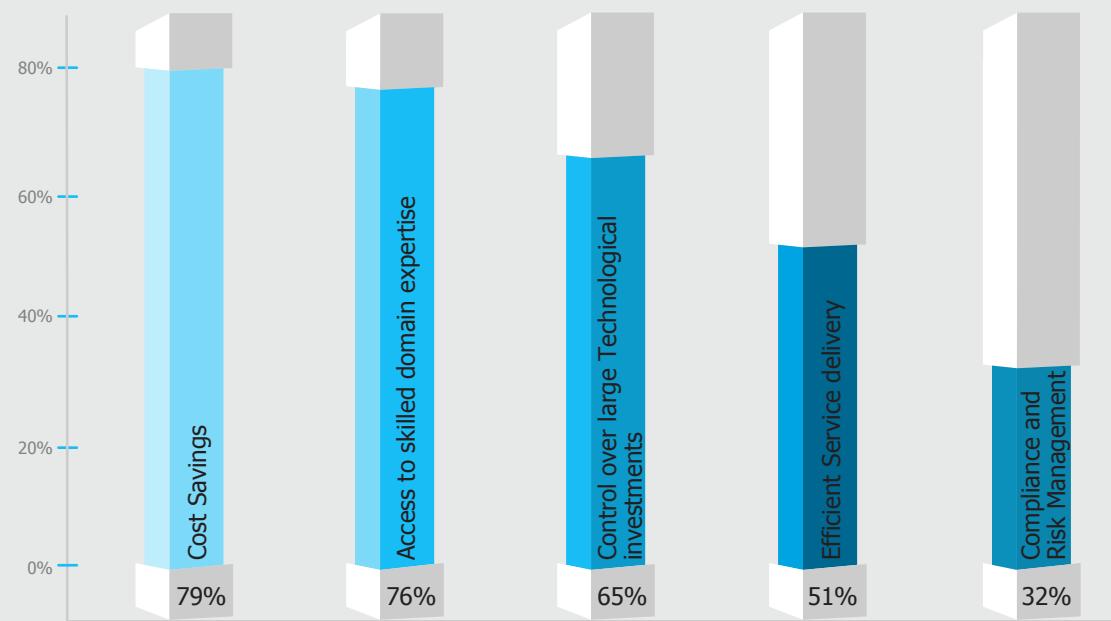
42 percent of the respondents consider lack of responsiveness of the outsourcing provider as a major inhibitor to seamlessly execute their outsourcing contracts.

36% of respondents have selectively or completely outsourced their HR Processes in 2015 compared to 54% in 2012 survey. The drop in percentages could be due to various reasons .

## Problems faced in Third Party Outsourcing partners / Providers (as of 2016)



## Short and Long term benefits of outsourcing compared to Shared services centers



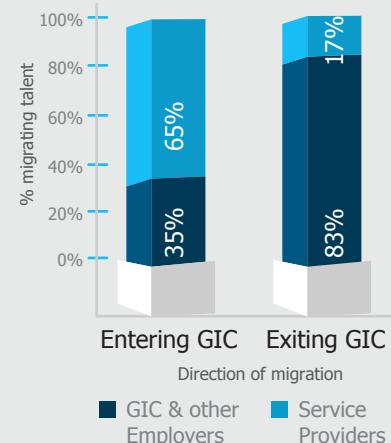
Outsourcing / Subcontracting is perceived to provide access to expertise and efficiency at costs lower than an SSC, while letting the parent organization control technology investments.

Why does it make financial sense for the GICs and Indian Shared Services Center to work with an Outsourcing partner for HR services/manpower requirements as compared to doing its own?

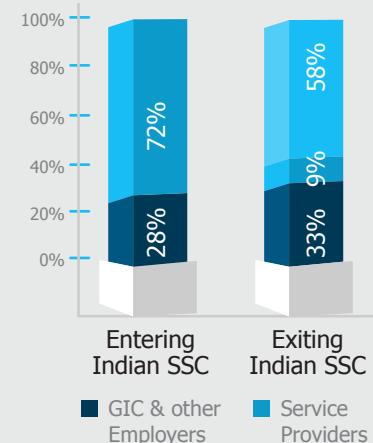
### Drivers for GICs and Indian Shared Services working with outsourcing partner for their HR requirements



### Incoming and Outgoing Talent in GICs in India (%) (as of 2016)



### Incoming and Outgoing Talent in Indian SSCs in India (%)



Service Providers are a big source of talent in GICs and Indian Shared Services. While GICs lose most of their talent to other GICs and the industry, Indian Shared services lose their talent majorly to GICs rather than to other Indian SSCs and service provider

Indian Shared Services Centers and GICs mainly depend on the service provider for higher cost savings and to improve the efficiency in the service delivery.

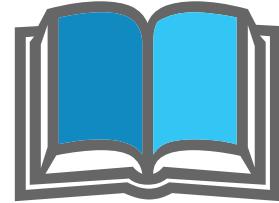
Close to Two-thirds of the talent requirements of Indian SSCs and GICs are met by service provider talent.

The pay scales at GICs are higher than service providers (nearly 15-20%) and GICs hire more experienced resources and do more skill-based hiring compared to service providers. Even the Indian Shared Services pays higher than the service providers, so they mostly hire only efficient experienced candidates while depending on service providers for their low level requirements.

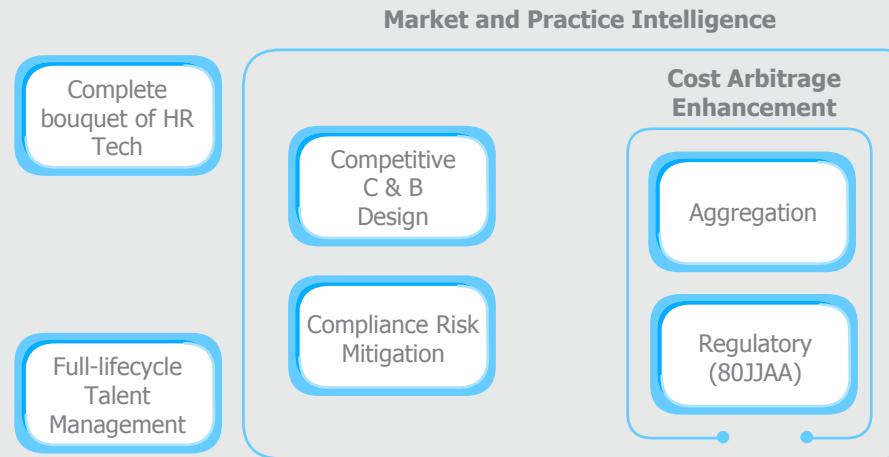
09

## Overall assessment

Business Value Proposition of Outsourcing



## Domain Expertise-led HR technology leverage



### The TeamLease Outsourcing Value Proposition for SSCS [GICs and Indian SSCs]

Inherent cost arbitrage advantage of sourcing / talent aggregation, supplemented with 80JJAA benefits at the volume end; robust best practices based on extensive experience underpinning execution; processes and technologies cross-pollinated from across sectors and demographics.



## Illustrated Value-add benefit of Outsourcing over a 3 – 5 year horizon

Model	Incremental Value-add Attribute						Total Value-add
	Cost Arbitrage	Efficiency	Effectiveness	Vendor spend savings	Risk reduction/ Cost avoidance	Revenue Growth	
GIC	13%	7%	47%	3%	3%	27%	100%
Indian SSC	0%	7%	41%	3%	3%	10%	64%
GIC + Outsourcing	11%	9%	51%	3%	7%	28%	109%
Indian SSC + Outsourcing	2%	9%	45%	3%	7%	12%	78%
NET INCREMENTAL VALUE-ADD BY SPECIALIZED HR OUTSOURCING PROVIDER TO <b>GICs</b>							<b>Up to 9%</b>
NET INCREMENTAL VALUE-ADD BY SPECIALIZED HR OUTSOURCING PROVIDER TO INDIAN <b>SSCs</b>							<b>Up to 14%</b>



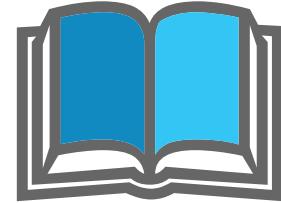
Outsourcing / Subcontracting is perceived to provide access to expertise and efficiency at costs lower than an SSC, while letting the parent organization control technology investments.

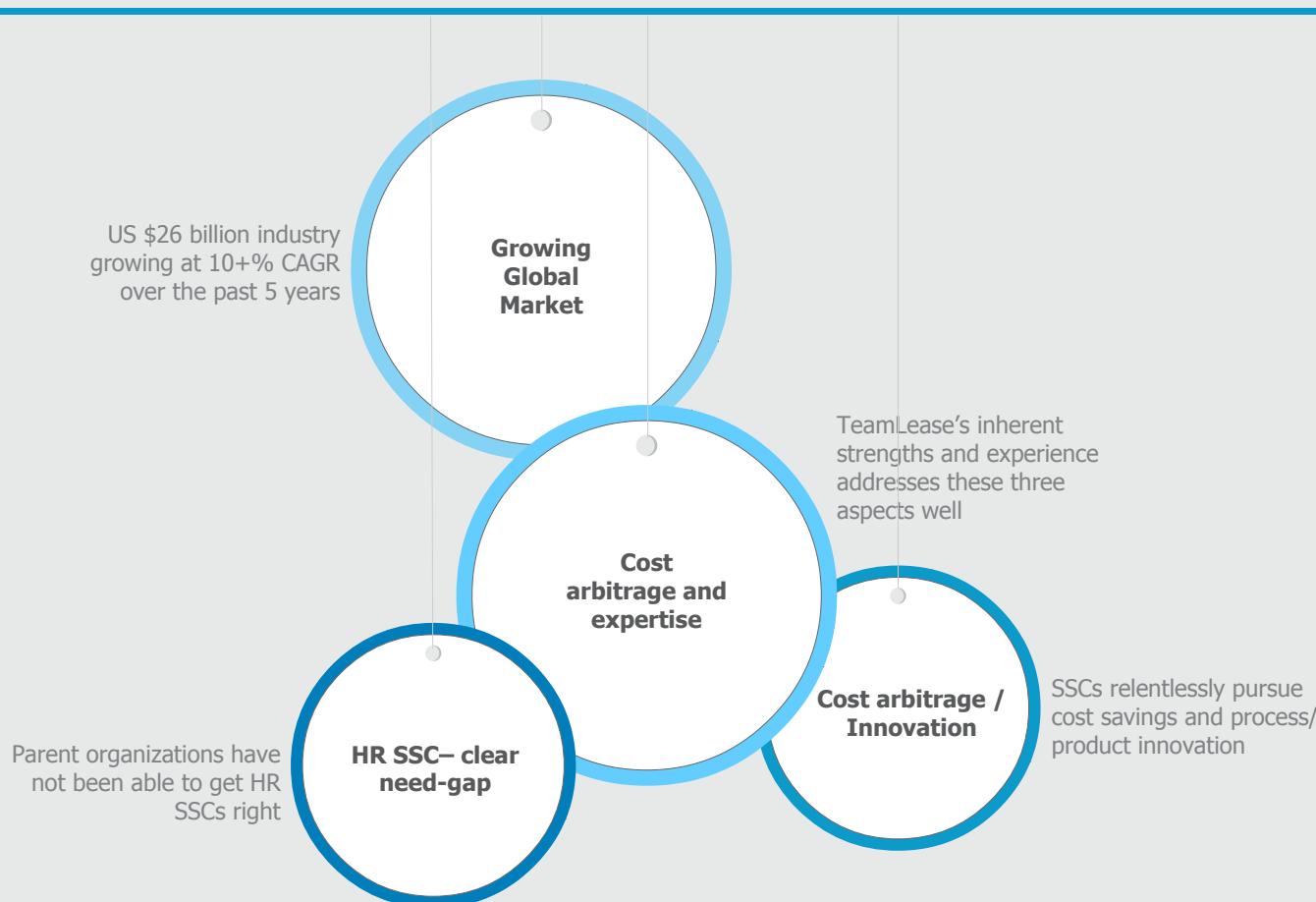


# 10

## Business Plan Inputs

GTM insights for TeamLease

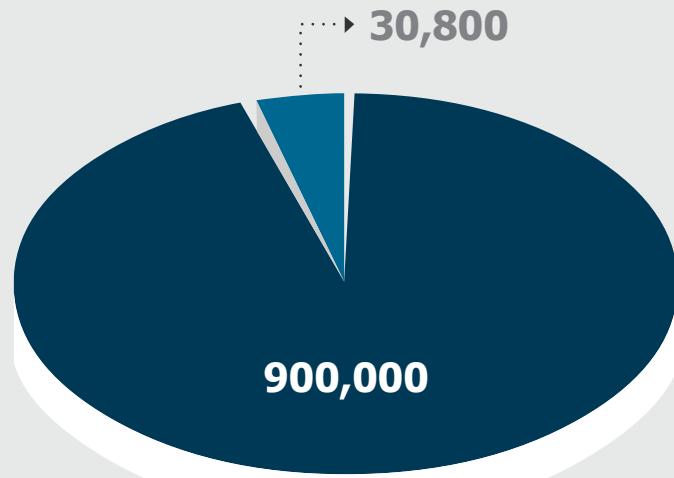




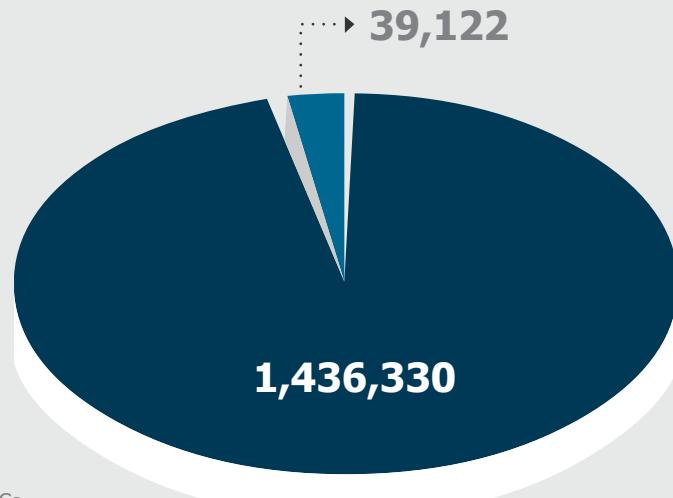
TeamLease has a value triangulation opportunity in a 930K headcount industry growing at 9.8% CAGR. This translates to a gross total job creation opportunity of 1 million over the next 8 years.



Market Size (Number of employees), 2018



Market Size (Number of employees – estimates), 2023



### Key assumptions:-

- Indian SSCs have a per SSC headcount which is 0.5 times that of GICs  
• Employment in Indian SSCs will grow at 5% CAGR over the next 5 years

SSCs will create an estimated 575K jobs over the next 5 years taking the total employment to 1.47 million by 2023.

## Top verticals contributing to GICs in India across regions

North America 696		Europe 247	Japan 40		
Software/Internet	5%	Software/Internet	5%	Electrical & Electronics	12%
44%		21%		23%	
Telecom & Networking	3%	Automotive	4%	Diversified & Industrial	6%
9%		13%		20%	
Electrical & Electronics	7%	Diversified & Industrial	6%	Automotive	15%
8%		10%		15%	
Research & Consulting	2%	BFSI	2%	Software/Internet	20%
7%		9%		13%	
Semiconductors	4%	Chemicals & Materials	6%	Semiconductors	25%
6%		6%		8%	

## GIC revenue split by functions across verticals (US \$ billion)

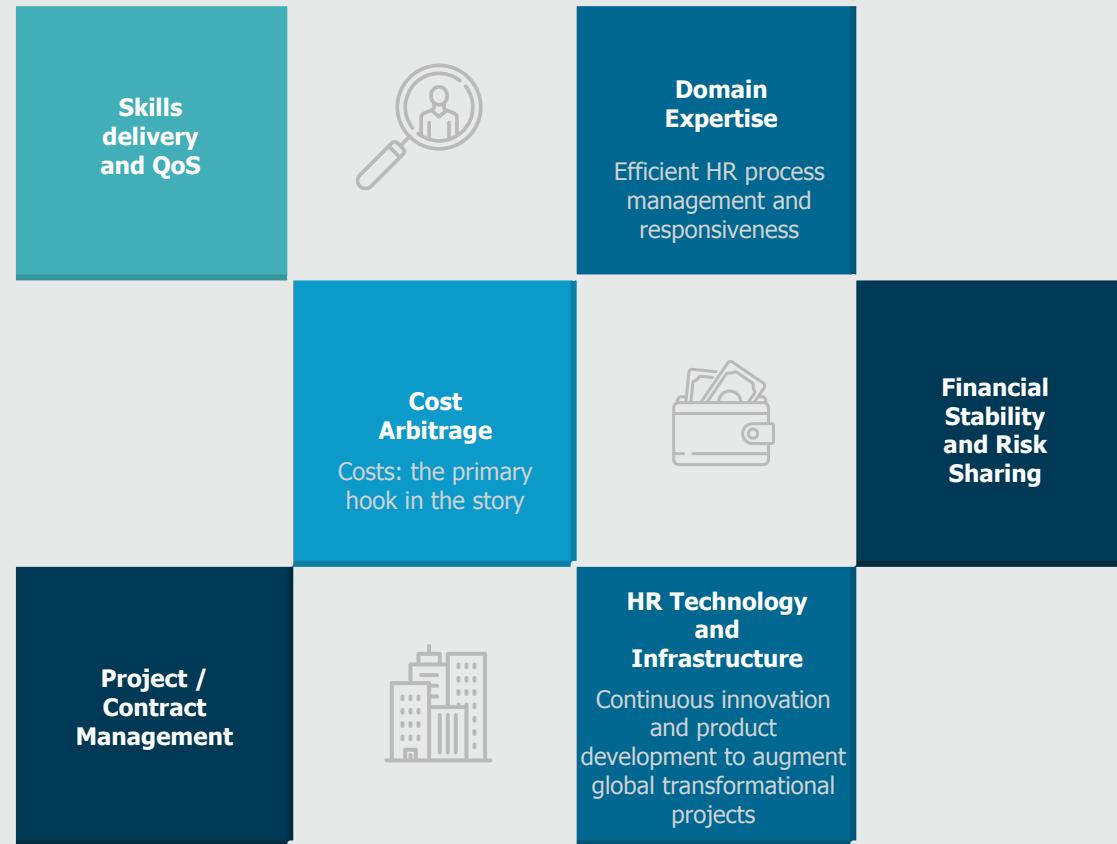
SPD 5.8	ER&D 4.2	BPM 4.9	ITO 4.4
Software/Internet	Diversified & Industrial	BFSI	BFSI
59%	23%	42%	36%
Electrical & Electronics	Automotive	Research & Consulting	Software/Internet
12%	20%	21%	15%
Telecom & Networking	Semiconductors	Software/Internet	Telecom & Networking
10%	11%	12%	14%
Diversified & Industrial	Electrical & Electronics	Electrical & Electronics	Automotive
7%	8%	6%	7%
Semiconductors	Telecom & Networking	Media & Ent.*	Diversified & Industrial
6%	7%	3%	7%
Automotive	Energy	Telecom & Networking	Electrical & Electronics
3%	6%	3%	4%

**The sweet spots for TeamLease are in -**

- the Software/Internet space across North American and European principals and in the SPD and ITO functions,
- the Automotive space across European and Japanese principals in the ER&D function,
- the BFSI space in the BPM and ITO functions, and
- the Research & Consulting space in the BPM function.

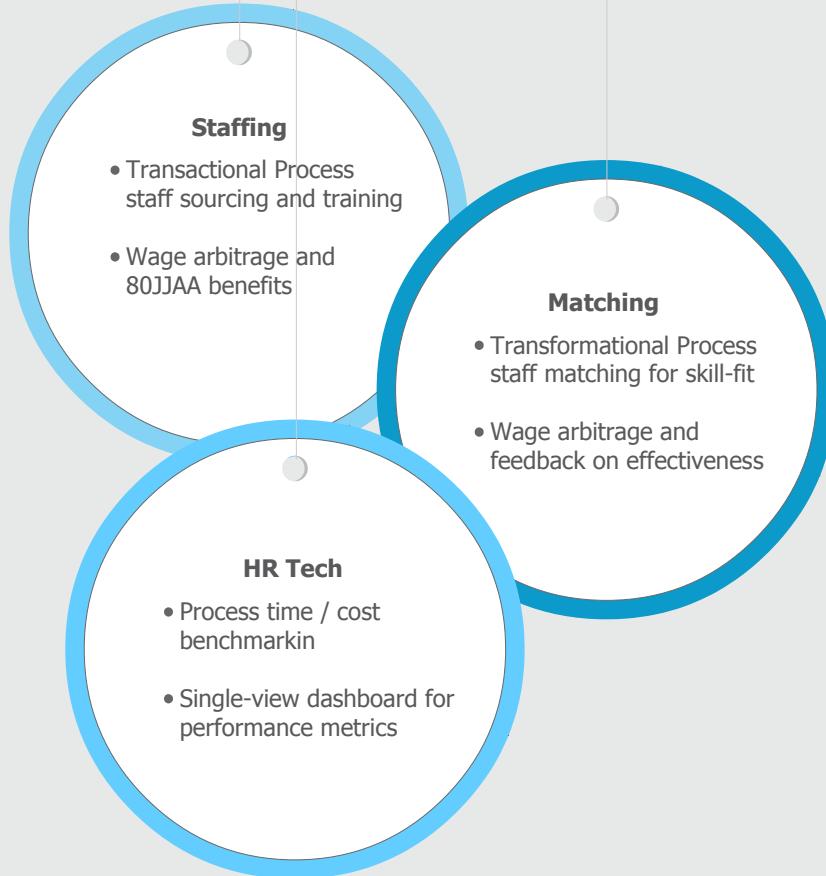


Source: valuvox analysis, Oct-Nov, 2018

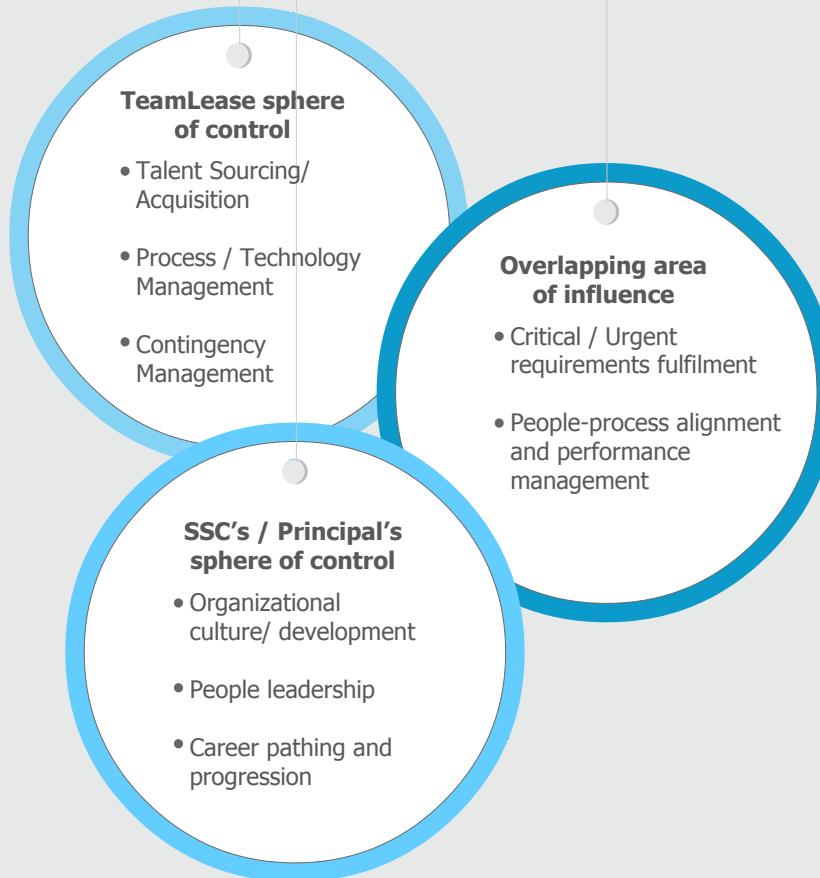


Cost arbitrage is, indeed, the fundamental value expectation from the SSC market from an outsourcing service provider. However, expertise and technology that translate into robust support and innovation that can drive SSC revenue form a great conversational mix.





**YY** Getting staffing requirements right and, therefore, delivering on cost arbitrage is the first step to building efficiency. Tuning technology tools for high-performance processes would be key to client satisfaction. **YY**



**YY** The fundamental trade-off involves a judicious negotiation of the spheres of control on either side, and dynamic management of the overlapping area to ensure client satisfaction. **YY**

Model	Incremental Value-add Attribute					Tolerance limits for margin: .25% - 1%
	Cost Arbitrage	Efficiency	Effectiveness	Risk reduction/ Cost avoidance	Revenue Growth	
GIC	2%	2%	4%	4%	1%	
Margin	0.25%	0.5%	1%	0.25%	0.5%	
Indian SSC	2%	2%	4%	4%	2%	
Margin	0.25%	0.5%	1%	0.25%	0.5%	



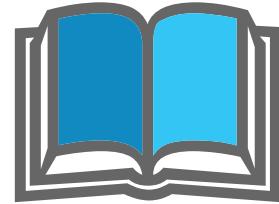
Lower tolerance may be permissible with value-add attributes that are critical to SSC success, and on such attributes that enhance SSC performance marginally higher tolerance may be permissible.



<b>SURVEY SAMPLE DESIGN</b>	
<b>Total Sample Size</b>	Domestic – 17, MNC - 51
<b>Target Profile</b>	Finance, HR, SCM, IT, Customer Service, Engineering Services
<b>Category of Respondents</b>	VP / Head of Operations (Finance, HR, IT), Head of Shared Services Center, Director / Senior Manager
<b>Geography</b>	Bangalore, Mumbai, Delhi, Hyderabad, Chennai

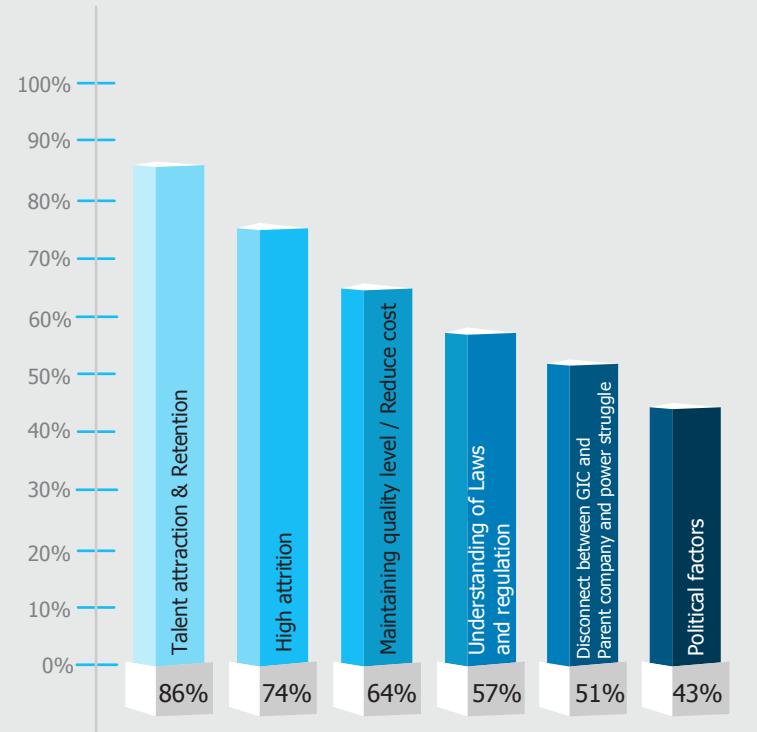
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## Annexure

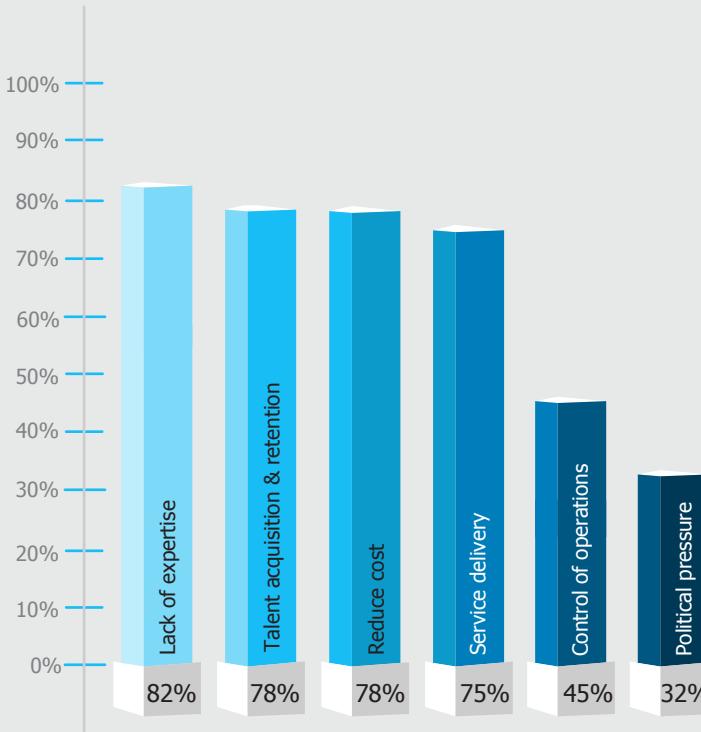


# Operating challenges of SSCs in India

Operating Challenges of GICs in India

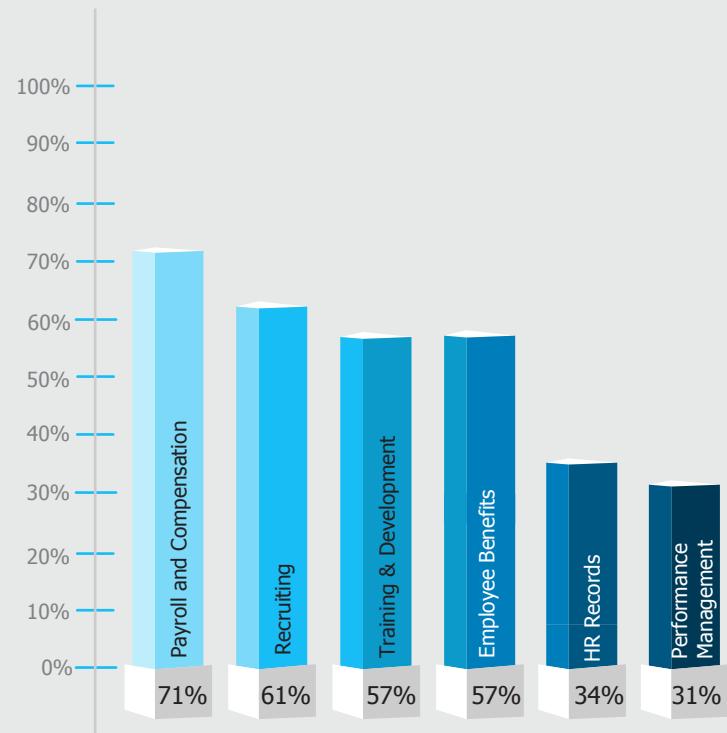


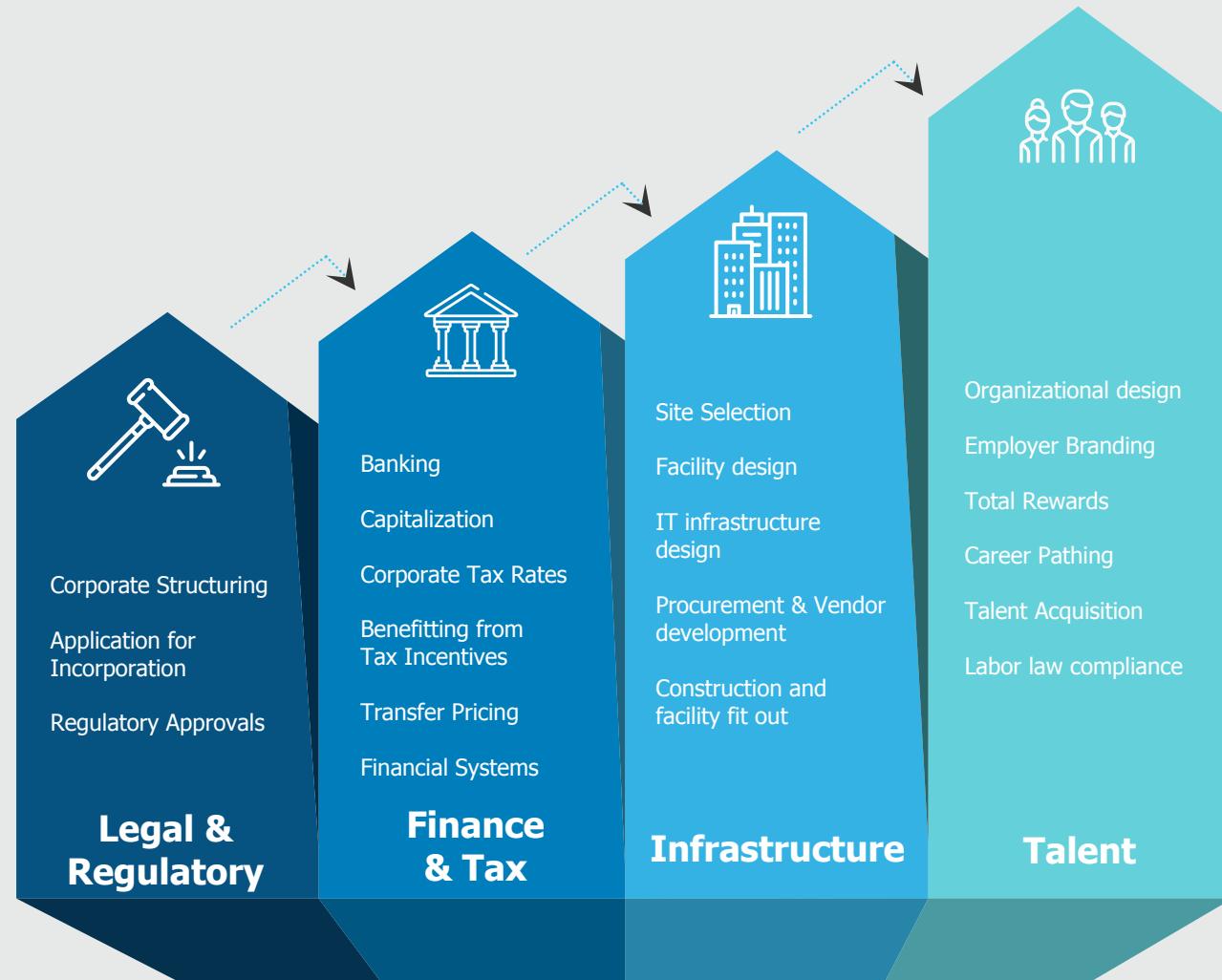
Operating Challenges of Indian SSCs



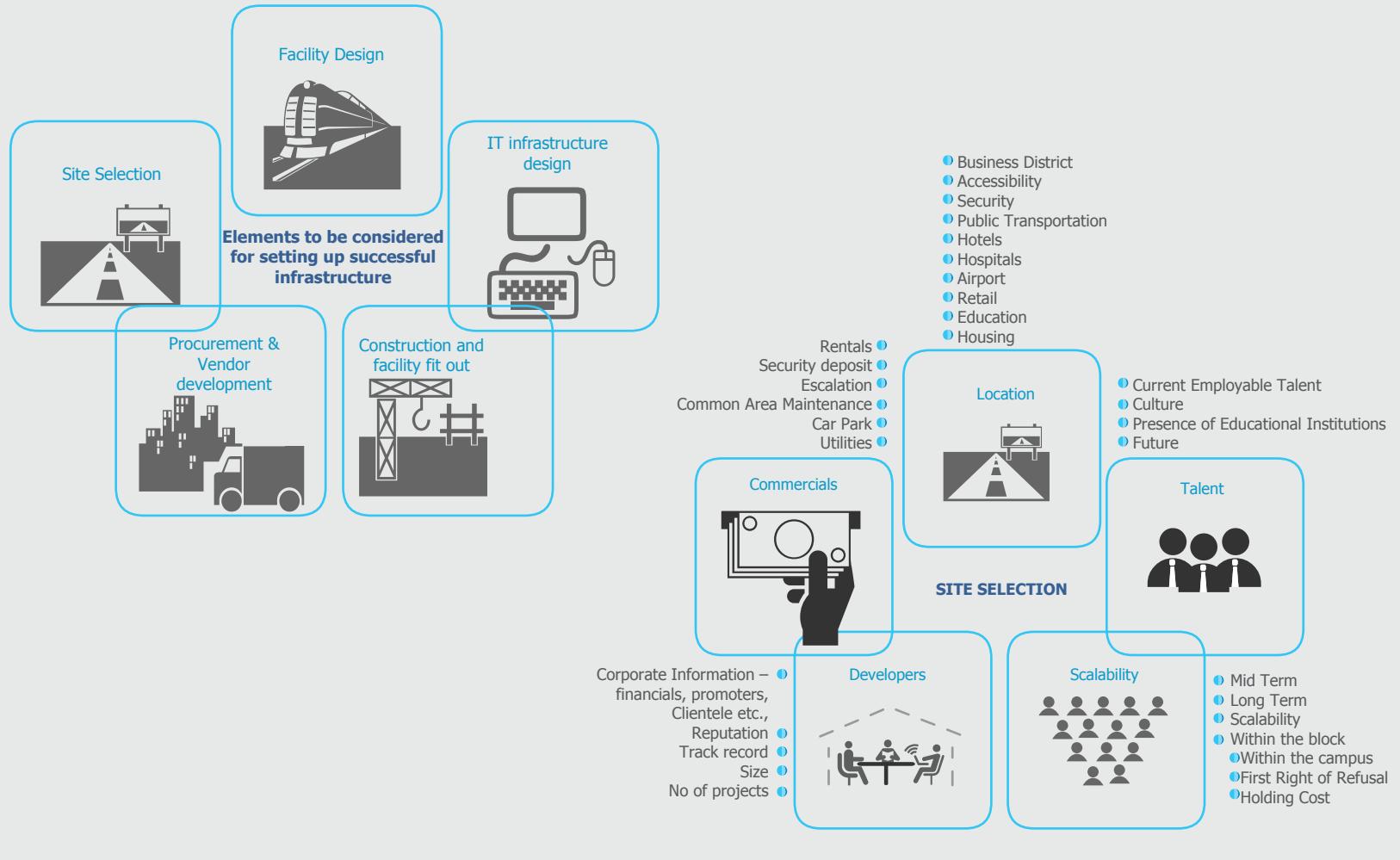
Source: valuvox survey of SSC Operations, Oct-Nov, 2018

Major functions outsourced or in Shared services centers





# Infrastructure set up



## Key Criteria considered during site selection process

Source: 'The GIC Cookbook', 2016, NASSCOM

# Infrastructure set up

## Facility Design

Creating an open, exciting, professional and approachable environment are key imperatives of the design exercise.

### Key parameters for the facility design

#### Branding



#### Cultural & Business Alignment



#### GIC Best Practices



Branding is a vital part of setting up SSC and determines how the company is perceived.

The facility needs to be culturally & professionally aligned with optimal mix of collaboration workspaces, meeting rooms, workstations and cabins

Leveraging best practices at existing successful GICs can lead to the optimal spend on facility design and higher productivity.

## IT Infrastructure

Robust IT Infrastructure is mandatory to ensure that cross-office teams can collaborate seamlessly and efficiently.

#### Data & IT Security



#### Collaboration



#### Standards & Specifications



#### Connectivity



#### Business Continuity



### Key focus areas for IT infrastructure set up

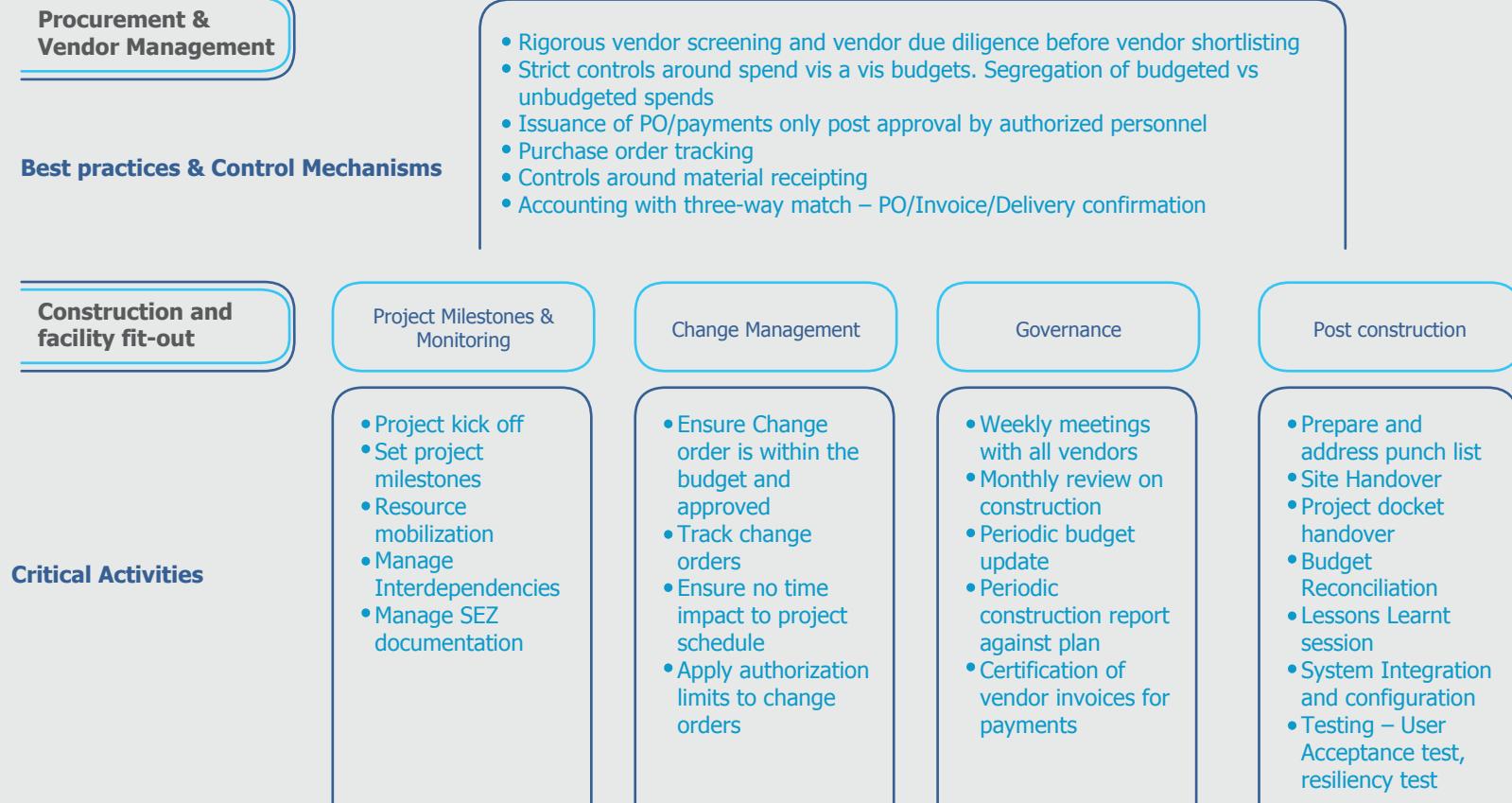
Enterprises prefer to recreate their home – office infrastructure and frameworks to protect data and reproduce business induced requirements.

While facility design leads to development of spaces for collaboration the voice and AV infrastructure/ technology facilitates seamless cross office communication leading to higher productivity

It is recommended to implement standards and specifications, similar to those enforced in the home office. This will lead to higher productivity, uniform IT infrastructure and an increased sense of ownership amongst the employees.

Need to assess and identify the connectivity requirements on the basis on number of users and business requirements.

IT infrastructure should remain operational, fully functional and self sustaining even during outages.



- 'GICs in India – Emerging Centers of Excellence', 2016, NASSCOM
- 'GICs in India – India getting ready for the digital wave', 2016, NASSCOM
- 'GICs – Onward & Beyond – Delivering Excellence', 2016, NASSCOM
- 'Global In-House Centers in India, 2017, Bain & Company, Inc
- 'The GIC Cookbook', 2016, NASSCOM
- 'Human Resource Transformation: What's next? 'Nov 2016, Deloitte
- 'BPM & Shared Services Landscape in Global India', 2015, Shared Services forum
- 'Shared Services adoption by Indian Organizations' 2012, Shared Services forum
- ' India GIC Cost and Operations Benchmarking Study',2017, EY
- 'Taking global in-house centers to the next level',2015, Deloitte
- 'Indian GICs Talent Report', 2017, Peepal Consulting
- 'The Shared Services Handbook' Deloitte
- Everest research reports, 2014
- NDTV , Economic times news articles



Analytics Solution Provider



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