



BPM & Shared Services Landscape in Global India



Shared Services Forum TM *Enabling Process Edge and
Competitive Advantage*

Survey 2015 - Executive Summary



About the Survey

In the last 2 decades, India has become one of the preferred destinations for business process services for the world. These services have come to be most commonly known as Business Process Outsourcing (BPO) or Shared Services (SSC) and now, these services collectively come under the umbrella of Business Process Management (BPM). In order to reap the benefits of BPM, recently Indian companies have also started to set up their own captive centers or outsourced to independent third party providers. Shared Services Forum (SSF) describes this evolution as ‘Global India’, combining both global and Indian organizations.

SSF has been very keenly supporting and following the development of the industry right from the beginning, with the conviction that sharing of information and knowledge is the only way to grow and sustain the competitive advantage of ‘Global India’ and thereby leveraging strengths collectively of global and Indian organizations.

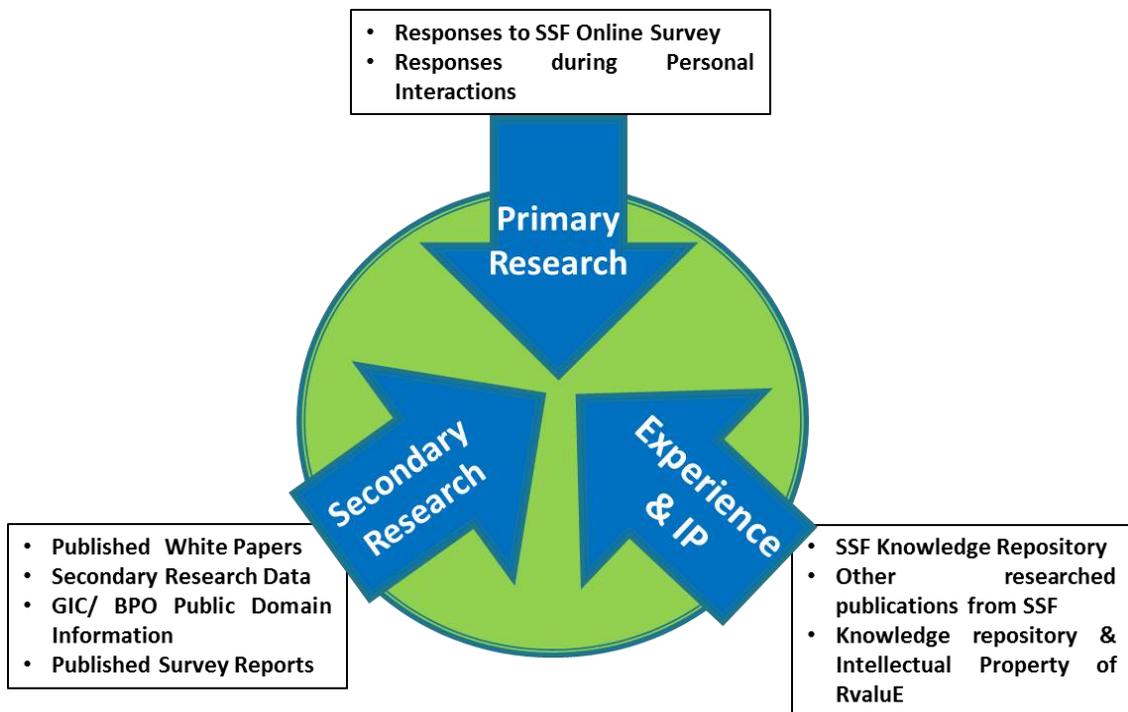
SSF has conducted first of its kind Survey on: ‘BPM & Shared Services Landscape in Global India’ to capture, disseminate and expand, awareness and implementation of BPM in Global India by fully leveraging and exchanging best practices between global and domestic organizations and services.

By this survey, SSF has tried to capture the current state of BPM adoption in Global India by:

- Indian organizations whether in Shared Services model or otherwise – their drivers, requirements, challenges, functions, processes, practices, technologies used, value realized, emerging trends etc.,
- Global Captive Centers or Global in House Centres (GICs) and the best practices adopted by them in the context of Global India
- Business Process Services Providers – their unique approach to be a differentiator in this competitive space as well as provide insights on their current focus and capabilities, and
- Indian companies which are yet to launch BPM strategy formally – their current plans, their requirements and risks foreseen, etc.

Research Approach:

The research approach followed for the Survey was:



Analyst Panel:

Sanjay Gupta
Chief Architect,
Shared Services Forum



Sanjay is currently the Chief Architect of the Shared Services Forum. He has around 28 years of work experience in the fields of Management, Business Processes, Finance and Human Resources, having been part of EXL Service Holdings, American Express, Indian Oil Corporation and Living Media. In this role, he has pioneered and published research papers on BPM & Shared Services since 2013.

In his last role, he was the Global HR Head for EXL Service Holdings. He comes with a blend of experience in global and domestic corporations, in private sector and public sector organisations in various capacities, strategic as well as operations roles, covering various domains in Off-shoring, Financial Services, Insurance, Oil & Energy and Media. Sanjay is a qualified Chartered Accountant.

Rakesh Sinha
Vice President &
Business Leader, RvaluE



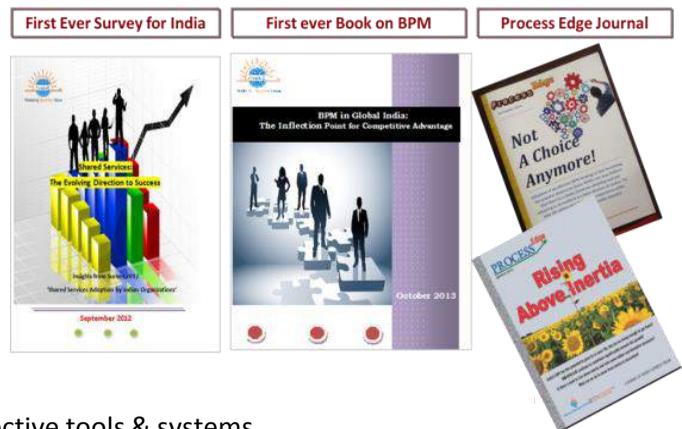
Rakesh is Vice President & Business Leader of RvaluE and has 15+ years of work experience, with strategic leadership and execution capabilities in business consulting. He has played vital leadership roles including Sourcing Advisory, Strategy Leadership, Program Management, RFP/ Deal Management, Service Delivery and Leadership Development across F&A, HR, SCM, Direct Marketing and CLM. He has successfully led many strategic initiatives such as Business process transformation, location strategy, sourcing model strategy, benchmarking etc. He has pioneered/ published research papers on BPM & Shared Services since 2012. He is actively engaged in forums to share Industry Trends in Business Services in Indian context.

Rakesh is certified as an 'Authorized Evaluator' by ITSqc of Carnegie Mellon University, USA and has carried out several assessments and evaluations of eSCM across the globe. Rakesh is a Bachelor of Information Technology and acquired business management skills from IIM Calcutta.

Shared Services Forum:

Shared Services Forum (SSF), initiated in 2011, is an interactive platform for Global India i.e. Off shoring (Overseas to India) and Domestic (India to India) where industry experts from diverse business domains and support functions, ideate and synthesize the 'best-in-class' to evolve the 'best-in-context' for organizations and therefore, excel in eventual BPM adoption.

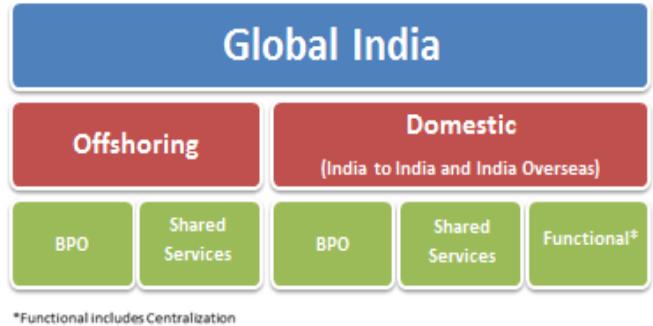
SSF focuses on BPM excellence through leadership, consolidation, transformation, and effective tools & systems.



Executive Summary

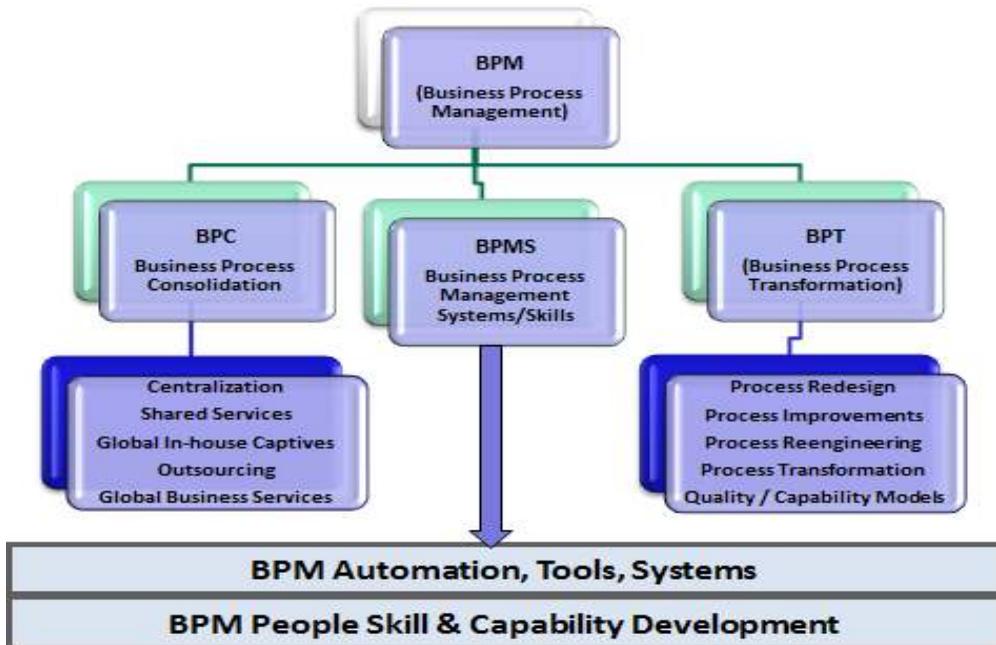
I. Global India and BPM – Holistic View

Offerings of world class services in the field of IT and IT Enabled Services have also marked the success story of the country in this same period. The resultant economic growths truly made India emerge as the 'Global India' and this term is here to stay! **The term 'Global India' signifies combining of two major components - Off shoring and Domestic (India to India & India Overseas).**



The success story of India becoming a preferred location for providing business process management services to global organizations, Global In-house Centers and IT/BPOs and looking to remain competitive, is well known. The Domestic - Functional organizations can be in private sector, public sector or even government departments. Indian companies are competing with the best in the world in terms of strategy and management. Indian companies like Hindustan Unilever, Dr. Reddy's, Tata Motors and Ranbaxy set up SSCs in the mid-2000's that managed business processes for their business units in India. Studies have shown that several progressive Public Sector organisations have begun well on the journey of BPM. **IRCTC** and its ticketing system is one such solid example.

Business Process Management (BPM) can be classified as under:

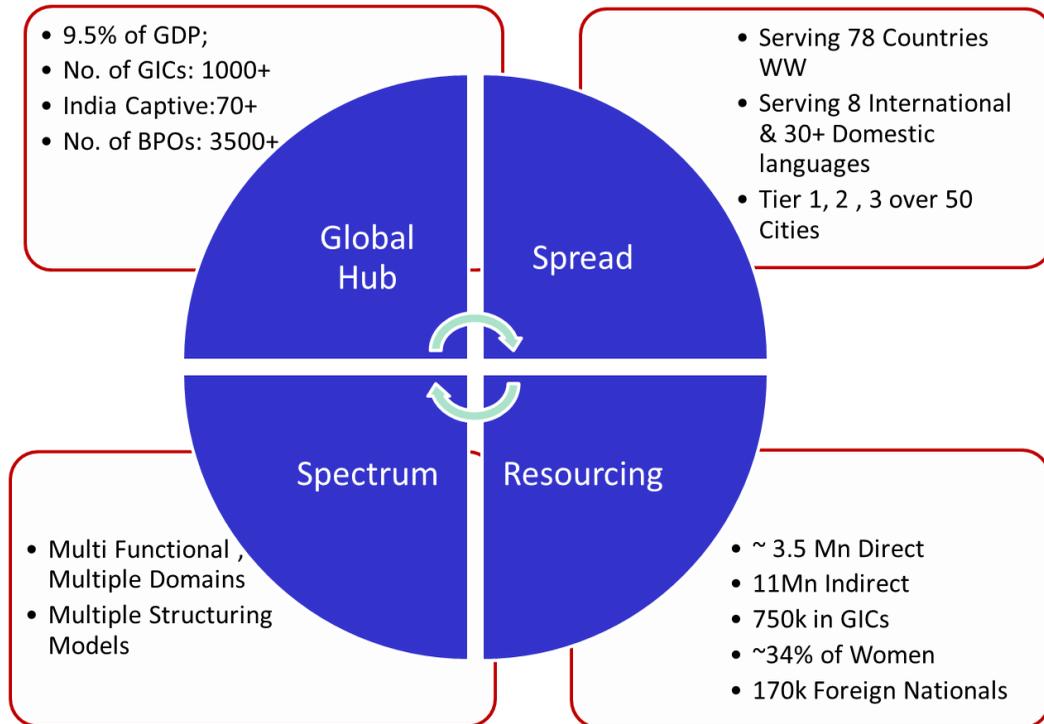


* Source: BPM in Global India: The Inflection Point for Competitive Advantage by RvaluE

The above three dimensions provide a holistic view of implementing the BPM Strategy in Indian Organizations.

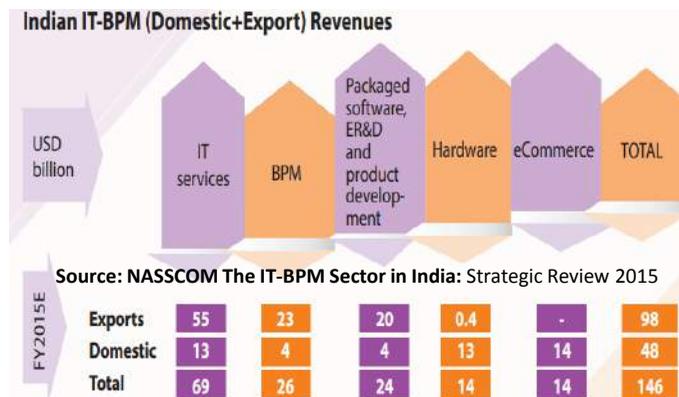
Global India IT-BPM Revenue: The Global Sourcing Market rose to ~US\$151 bn in 2014-15 with 23 to 27% **Global In-house Centres (GICs)** and 73 to 77% third party operations.

The Key highlights of Global India 2015 are as under:



Global Spend: As per Nasscom, **Current Global spend is around \$2.3 Trillion, as compared to the current Off-shoring Global Services of just \$151Bn!** Given this Global Spend, the potential for growth is quite huge. Thus, India needs to ‘sustain and innovate’ Value Proposition to nurture and grow its share!

The Global India carved out off-shoring revenues of US\$ 98Bn, and along with domestic, achieved revenues of USD 146Bn, as per details given below:

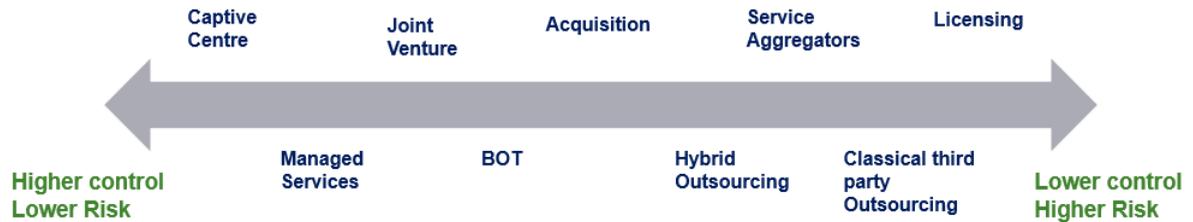


Domestic Shared Services: Interestingly, the Indian companies who have set up shared services and have the potential to set up shared services may not form part of the Nasscom BPM revenues. This is primarily because these companies track shared services operations more as a ‘cost’ than as ‘revenue’. **Based on current estimates, the indicative value of such BPM services can be over USD 1 Bn as of today and there is a huge potential of about USD 2-3 Bn for future SSCs.**

BPO in Global India: Out of 3000+ BPO companies, we identified and analysed 844 companies on the basis of their size, geographic presence and services offered in order to draw insight about the BPO market in India. Bangalore leads with a count of 155 companies located followed by Delhi/NCR and Mumbai.

Our analysis reveals that with large number of BPO companies particularly small to medium size, there has been stiff competition/ unhealthy price wars directly impacting their viability and margins. **Hence, we expect that India will be experiencing consolidation of many BPO companies in the near future** to make them consolidate their position, enhance scale and provide improved services to their clients in India and overseas.

Structuring Models: There are many upcoming and accepted Sourcing & Structuring models that are being used in setting up Shared Service Centers.



II. GIC Landscape

India as an Offshore Destination – The Great Beginning: What was successfully demonstrated by two large global corporations – Amex & GE, catapulted other MNCs across the globe, starting largely with US, to make India to become a success story. Today there are 1025 GICs with revenue contribution of US\$ 20 Bn. Almost all the GIC survey respondents have stated that there will be an increase in their company’s India BPM services growth

The GICs have matured over the last two decades, and it has been observed that every GIC has to pass through its **development journey** from two distinct and important perspectives- Business as well as Business Process.

This pioneering research based on leadership interactions with several GICs in India highlights the **seven stages of the journey** from each of these two perspectives and the survey report summarizes the analysis.

Four Levels of Arbitrage: GICs have succeeded to sustain the value through four levels of arbitrage – Cost, Skill, Talent and Expertise. Beyond the **Cost Arbitrage**, there are **three other dimensions:**

- **Skill Arbitrage** is arising out of ‘deskilling’ the process relative to the overseas location during or post transition, by moving judgment based processes to either rule based or knowledge based.

| | FY10 | FY15 | Growth |
|-----------------------|------|-------|--------|
| Number of GICs | 750 | 1,025 | ~1.4X |
| Revenue (USD billion) | 11.5 | 19.4 | ~1.7X |
| Employees ('000 nos.) | 425 | 745 | ~1.7X |

Source: Zinnov Consulting: GIC in India

| Business | Business Process |
|------------------------|--------------------------|
| ◆ Start Up | ◆ Migration |
| ◆ Ramp Up | ◆ Stabilization |
| ◆ Consolidate | ◆ Optimization |
| ◆ Grow | ◆ Augmentation |
| ◆ Expand | ◆ Standardization |
| ◆ Structural Alignment | ◆ Globalization |
| ◆ Value Recognition | ◆ Digital Transformation |

- **Talent Arbitrage** is up-skilling existing people to perform higher roles through talent development initiatives
- **Expertise Arbitrage** is arising due to GICs becoming CoEs – Centres of Excellence or Centres of Expertise, by which the knowledge transfer and acquisition is across the value chain and end to end, thereby, enabling strategic inputs and ‘seat at the table’ right from the Business Planning stage

Leveraging the survey output as well as some of the major insights culled out from various personal interactions with senior leadership of GICs, the best practices & differentiators are as under:

| Differentiators | Best Practices |
|--|--|
| Single Function to Multi-Function and BPM to IT-BPM | Increasing Global COEs |
| Changing Reporting & Governance Structure | Global Project Leadership |
| Zero Based and End-to-End Enterprise Control Services | Structured Focus on Knowledge Management |
| Four Level Framework to move up the Relationship Value Chain | Truly becoming GBS |

Some of the **key growth & emerging trends are:** Increasing number of GICs of corporations below revenue of US\$ 5Bn, then outcome based performance model, expanding oversight on outsourced operations, GIC oriented leadership development, the role of innovation and digitization.

In terms of challenges in managing a GIC in India, the people related dimensions of Talent Acquisition & Talent retention were considered the most critical besides managing the stake holders.

eSourcing Capability Model: eSCM is possibly **the only model that is meant for GICs** (and even domestic SSCs or BPOs) as there is no other comprehensive model applicable for BPM. **This model has been developed by the Carnegie Mellon University, USA under the leadership of ITSqc.**

One structured approach that will soon become “the best or the next practice” for GICs is adoption of the eSCM. ITSqc has developed a capability model for the client organisations as well.

eSCM has been designed to complement existing quality models so that Companies and service providers can capitalize on their previous improvement efforts. Most quality models focus only on design and delivery capabilities, but eSCM extends end to end – from start to finish of the sourcing life cycle. It comprises 84 Best Practices grouped along three dimensions: Sourcing Life-cycle, Capability Area, and Capability Level. It is essential to create structured road map to be evolved for strategic execution.



Challenges faced in managing GIC in India

5 Levels. 10 Capabilities. 84 Best Practices.

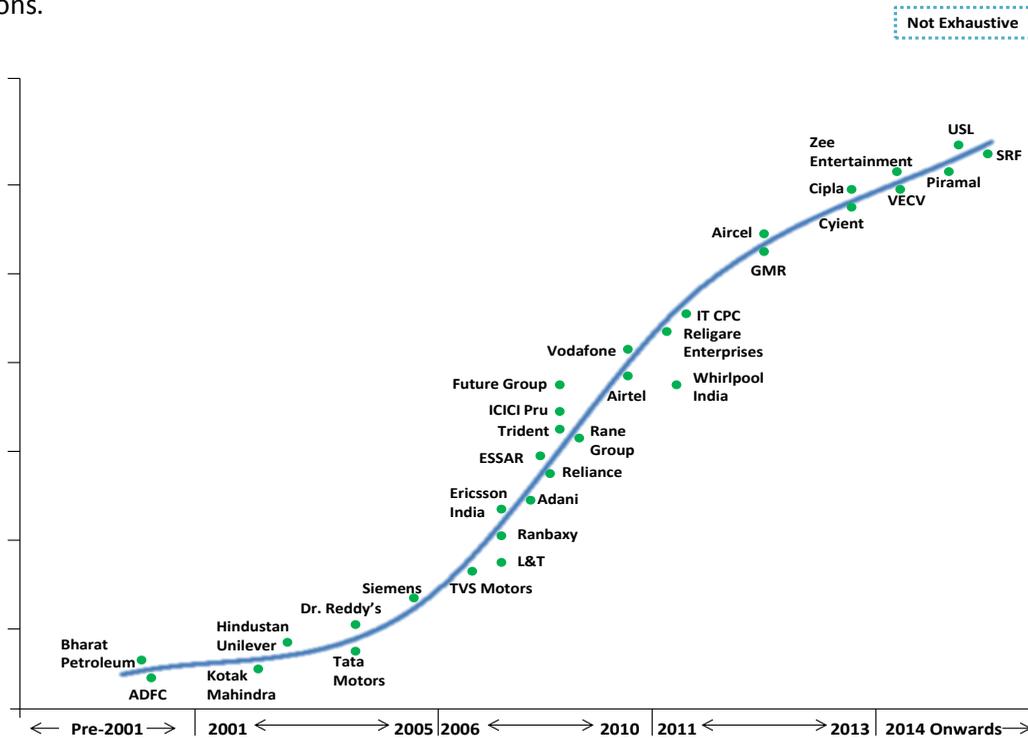
| Phase | Capability Area | Capability Level | | | Totals |
|---------------|-------------------------------|------------------|----|----|--------|
| | | 2 | 3 | 4 | |
| 51 Ongoing | Knowledge Management | 3 | 4 | 1 | 8 |
| | People Management | 3 | 7 | 1 | 11 |
| | Performance Management | 3 | 3 | 5 | 11 |
| | Relationship Management | 3 | 4 | 1 | 8 |
| | Technology Management | 4 | 1 | 1 | 6 |
| | Threat Management | 6 | 1 | | 7 |
| 21 Initiation | Contracting | 9 | 2 | | 11 |
| | Service Design and Deployment | 6 | 2 | | 8 |
| | Service Transfer (in) | 2 | | | 2 |
| 8 Delivery | Service Delivery | 7 | 1 | | 8 |
| 4 Completion | Service Transfer (out) | 2 | 1 | 1 | 4 |
| TOTALS | | 48 | 26 | 10 | 84 |

Source: ITSqc, USA

III. Shared Services Landscape in India

Evolution of Indian SSCs:

With the proliferation of India-based GICs and BPOs servicing overseas operations, several Indian organizations too began considering the shared services model as a viable strategic option for their Indian operations.



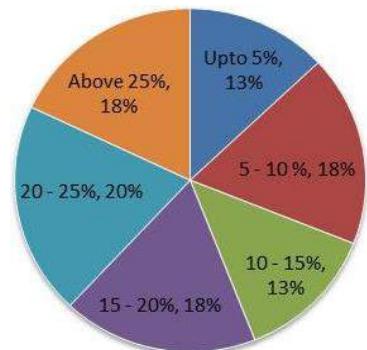
Note: List is indicative and shows some companies that have set up an SSC

The business case for India Shared Services is not a myth but is real!

Organizations that treat their Shared Services as a strategic service or a business partner are realizing the most value in terms of both tangible and intangible benefits. Shared Services provides enterprises a different strategic and economic value proposition.

The successful implementation and application of SSCs enables companies to improve service quality, reduce operation cost and enhance core competency.

From a Financial standpoint, the survey confirms that the business case for India Shared Services is not a myth but is real. 38% were able to achieve a cost savings of more than 20% and a further 31% achieved cost saving of over 10%. This empirical research dispels the notion that SSCs catering to customers in India do not have positive cost benefits, as the wage arbitrage equations are not available.



Level of cost savings achieved by setting up SSC

While there is no cost arbitrage, a **Positive Business Case** does come through for India to India Shared Services operations, through 7 elements as described in the box:

- **Consolidation Effect,**
- **Right Fit,**
- **Right Level Mix,**
- **Right Span of Control,**
- **Process & Metrics Orientation,**
- **Automation,**
- **Increased production through up-skilling**

The survey revealed that the **three primary reasons** for setting up SSCs are Process Standardization, Process Compliance and Performance Improvements.



The top benefits (in addition to cost savings) are improved quality, process standardization, better monitoring and control, ability to scale up operations and improved efficiency.

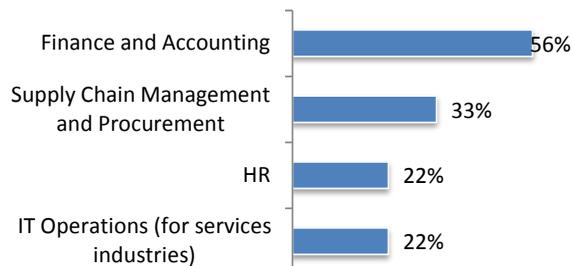
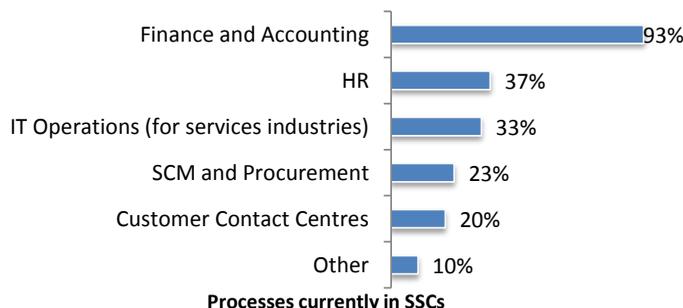


Majority of the respondents said that they were actually able to achieve their stated objectives such as process standardization by setting up their Shared Services Centres. Beyond the expected benefits of better process performance and management, SSCs are also seen as a facilitator for cultural change (58%) in staff functions and improved financial management (33 %).

Among the many challenges while setting up an SSC, the top 3 challenges are:

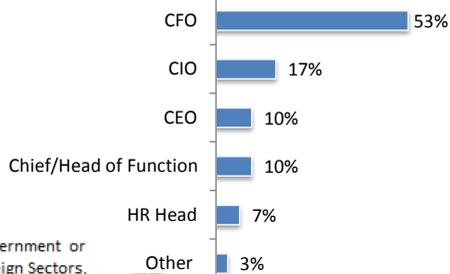
- Existing staff not oriented to SSC culture,
- Orientation towards Process/ Service/ Customer mind set and
- Managing the new organization structure

F&A is the most preferred function to initiate adoption of Shared Services, followed by HR processes. Having said, for outsourcing, while F&A continues the most preferred function, respondents have reported that Supply Chain/ Procurement processes would go ahead as the next favorite before HR.



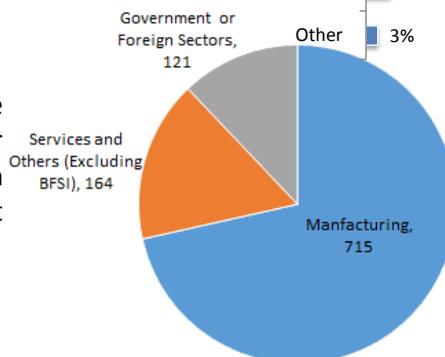
Processes being considered for outsourcing

Currently over half the SSCs report to the CFO since F&A is a primary function. Having said, a trend is evolving where more and more CIOs are championing the Business Process Transformation journey as they have an advantage of IT being a horizontal function cutting across service functions.



India - Future Potential

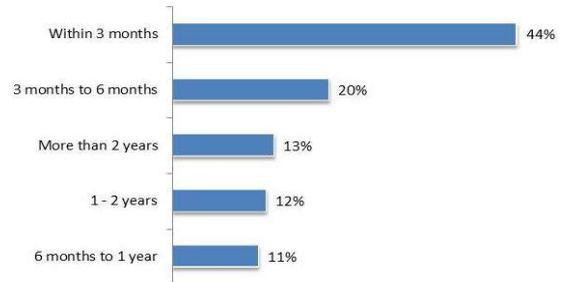
In India, BFSI is quite an evolved segment in the BPM space and hence the study is focused on Non BFSI segments for analysis. Based on the review of BS1000, (which by design excludes BFSI) 879 companies are private sector and rest 121 fall in either government or foreign sectors.



Out of 879 private sector companies; 715 can be classified into manufacturing and rest 164 companies are services and others (excluding BFSI). Based on our industry database, just about 10% of the companies (90+ companies of the 879 private companies) within the BS 1000 have formally adopted BPM, either in the form of SSC or outsourcing.

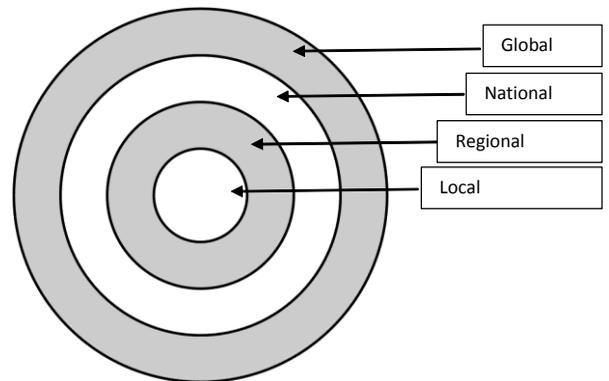
Hence, remaining 789 listed companies (~ 90%) have the potential to join the next BPM wave and this growth is expected to primarily come from the Manufacturing and non BFSI service companies.

Expected Timeline for Decision Making: A vast majority of the respondents have clearly mentioned that their timelines for migrations is either one year or less. The surprise is that in spite of the buzz around BPM, a third of the respondents mentioned that their decisions would take over two years to fructify



IV. Service Provider Landscape

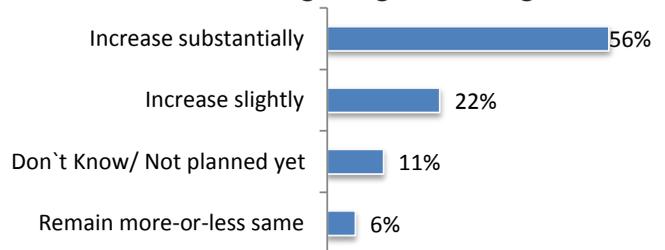
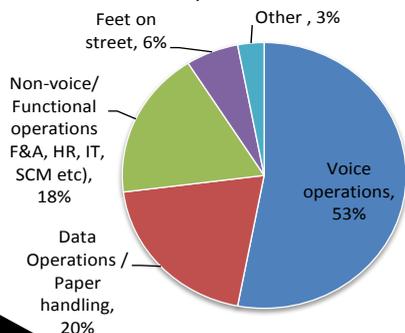
In the past, BPOs have been classified according to revenues and/ or No. of FTEs. Since several examples exist of regional or local players in India having long term engagements with both Indian as well as Overseas clients, **SSF has classified the Service Providers from a geographical delivery footprint point of view, in four large buckets:**



- Global – Usually Large Providers having a substantial delivery presence in India as well as overseas. This is the most well-known section of the industry
- National – Providers which may have grown from single location to multiple locations, taking the best advantage of local talent, wherever available
- Regional – Similar to National except that these are usually mid-sized players providing either niche services or are specialised in language specific products
- Local – Small, mostly individual driven providers isolated to one or a few centres in a localised geography. These usually have a fixed set of clients and usually offer professional specialised service

An overwhelming majority of 56% respondents have viewed that BPM landscape is bound to increase in the next 3 years. However, low revenue and high expectations remains the single largest challenge.

Voice operations constitute 53% of the outsourcing market. The non-voice and data operations are expected to grow in the future, as below.



The top 5 domains looking forward to a service partner are **Media, Financial Services, Travel & Logistics, Banking and Manufacturing. An upcoming domain is ecommerce.**

FoCap™ Framework

Several publications and Models (like Magic Quadrant of Gartner, PEAK Matrix of Everest, NEAT of Nelson Hall) exist to understand the global provider landscape in India. However, these publications have addressed only the global market serviced from India, and not the India to India market.

The India domestic landscape, with several global majors and Indian companies, needs an independent assessment, first on a holistic basis for outsourcing services in the Indian market, and gradually, expand to look at domain specific assessments like the global market. **FoCap™** matrix combines the power of ‘strategic execution’ required for Providers in India to consider them as choices for outsourcing their processes.

RvalueE, the leading and niche BPM advisory and operational consulting services organization in India, and **Shared Service Forum (SSF)** have jointly developed a methodology called **Focus & Capability Framework (FoCap™)** specifically designed to fill this gap and address the need for the Indian Market. This is a landmark insight from SSF for the benefit of the Industry – both Clients and Service Providers!

FoCap™ Framework is a **7 x 7 Matrix** providing professional insights to the leaders and practitioners in the BPM space. The biggest challenge in collating this data is the very low level of information available in the India market. Practically very minimal public information is available even with established associations, consulting companies and research bodies.

Focus is defined as the strategic and tactical attention that the Service Providers and their leadership invest, on an on-going basis, to the market/ business development and sustenance of its Service Offerings to India client companies (current and prospects).

Capability is defined as the ‘capacity and ability’ of the organization to showcase its commitment to deliver best-in-context India operations and the skill/ knowledge required to be thought leaders in India Outsourcing Operations.

Both Focus and Capability are reviewed under 7 parameters as herein outlined.

The matrix organises the players in the industry into three broad categories: **Possibles**, **Probables**, and **Preferred**, each indicating the inclination of the client towards selecting the said partner.

The **FoCap™** framework has been utilized to assess the extent & depth of Focus and Capability on a sample set of 8 BPO providers. These providers have been classified (besides few others) as Preferred, Probable or Possible. The Study is a combination of primary research as well as market information available with RvalueE/ SSF over the last several years.

The framework clearly demonstrates that the **Business Value = Strategic Focus + Operational Capability**. This **FoCap™** matrix when applied to a larger number of providers will provide greater insights to the leaders & practitioners in the BPM space.

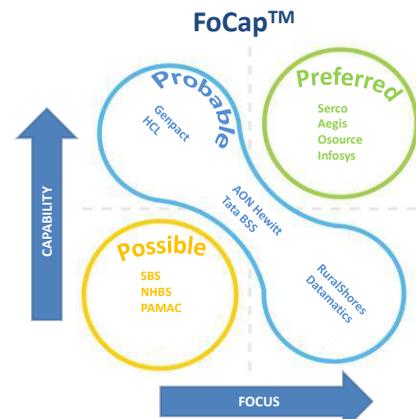
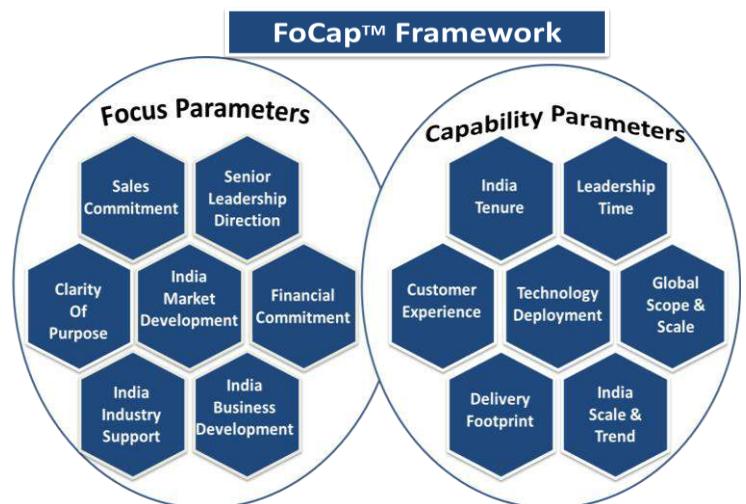


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