



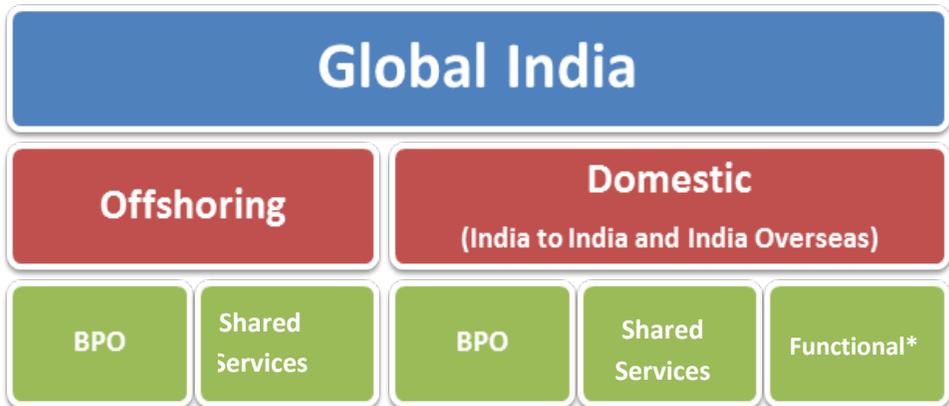
**GLOBAL INDIA:
THE POWER OF BPM**

The economic reforms and liberalization measures kick started the sea change in the way India as a country shaped itself to become the world's largest democracy and one of the rising economic giants in the world stage over the last 20+ years.

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!

by bringing best – in- class practices in all aspects of BPM. The Domestic India Organizations will stand to benefit as long as these best in class practices are suitably adapted for Indian context, better termed as 'best-in-context' practices.

- The success story of India becoming a preferred location for providing business process management services to global organizations, and looking to remain competitive, is well known. Interestingly, from an



* Functional includes centralization

Figure 09: Global India from BPM standpoint

The term **Global India** signifies a combination of two major components - **Global Off shoring**, and **Domestic (India to India & India Overseas)** as depicted in figure 09

The brief details of the above categories are as under

- Overseas Companies have either setup their in-house captive shared service centres or have outsourced to companies in India. These companies have made India the global hub for off shoring and have brought huge value

India-to-India perspective, there is limited information available on how well Indian companies are adopting similar strategies, including setting up of **Shared Service Centres (SSCs)**. Vast majority of Indian companies continue to operate within the traditional functional (distributed locations or centralized locations) set-up, However, many of the progressive companies have begun to realize the value of business process consolidation through shared services

– whether captive or outsourced. The Domestic - Functional organizations can be in private sector, public sector or even government departments.

- Yet another feature coming up on the scene is the Indian companies having vast business interests overseas, but consolidating their staff functions in India (including functions of their units overseas). We call this, India Overseas.

India’s journey as a global hub for services goes back to the mid 1980’s when Texas Instruments set up an R&D facility in India. Interestingly, the first global shared service centres in India were set up for providing services in the fields of Engineering and R&D.

Besides British Airways and Swissair initiating shared services operations, the mid-1990’s was the real launch of the evolution of India as a global destination, with two large American companies – American Express and General Electric

setting up captives in India. American Express is seen as the pioneer which consolidated its back office operations for Japan, Asia-Pacific & Australia (JAPA), by establishing its Financial Resource Centre in New Delhi. Soon thereafter, General Electric set up its India captive which was a fully owned subsidiary of GE Capital.

The success of the American Express and GE captives encouraged several global companies, particularly in the Banking, Financial Services & Insurance (BFSI) segment, to set up captives (also called as Global In-house Captives or GICs) in India between end-1990 to mid-2000. The list of companies includes HSBC, Standard Chartered Bank and Bank of America. Subsequently, global companies in manufacturing, IT and other domains commenced off shoring their back office operations. These include Daimler, Ford, Honeywell, Dell, Du Pont, Shell, Coca Cola, to name a few.

While Nasscom estimates an annual billing of US\$ 69.1 Billion from Indian companies within the IT & ITES segments to their

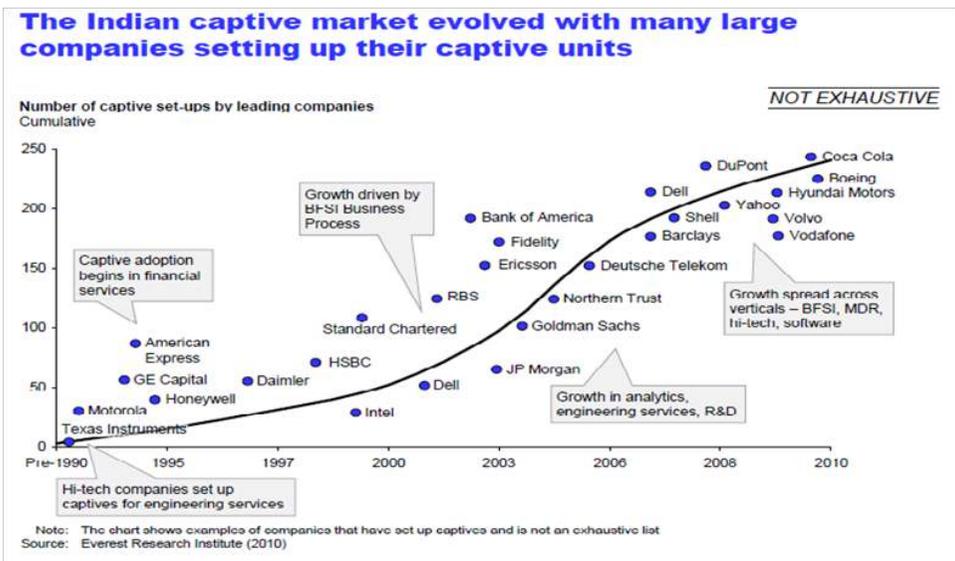


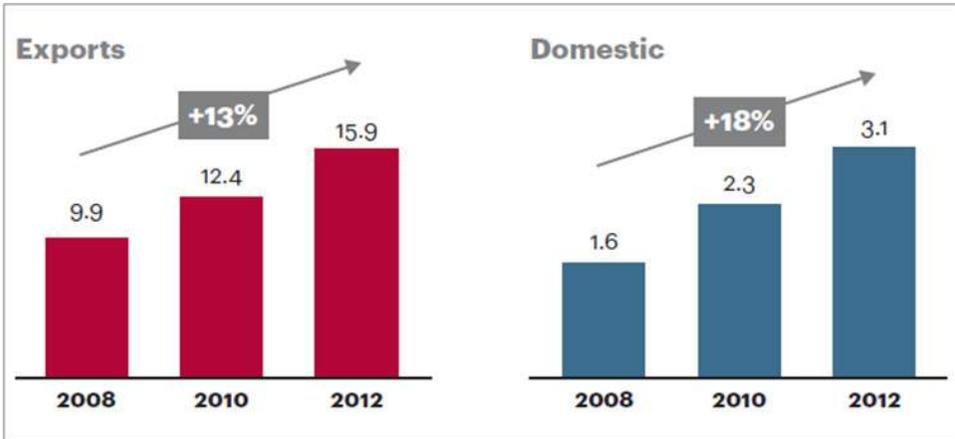
Figure 10: Growth of captives from 1990 to 2010 – Global Context

clients overseas, they estimate an amount of US\$31.7 Billion as billing to the domestic market. This does not include domestic shared services. Figure 11 provides a view of export versus domestic BPO revenues growth in India.

4.1 Private Sector

companies deal within Indian borders. Indian companies are competing with the best in the world in terms of strategy and management.

The list of Fortune 500 for the year 2013 now features eight Indian companies with Indian Oil and Reliance Industries finding a place in the top 100. One in Public



Source: NASSCOM 2011, A.T. Kearney - CII white paper, 2013
Figure 11: Export versus domestic BPO revenues in India

As a leading member of the G20 and the World Trade Organisation, India also punches its weight in multilateral fora and is consulted on key global challenges including climate change, energy security and combating international terrorism. India's large and expanding consumer market as well as its vast, young and skilled labour force makes it a magnet for foreign investors. Indian companies on the other hand have emerged as key global players and are increasing their investments across the world. India is being courted as a strategic partner by the United States, the European Union and many of its Asian neighbours.

Sector and One Private Sector, Out of 8 companies in Fortune 500, 5 are Public Sector (IOC, BP, HP, SBI & ONGC) and 3 (RIL, Tata Motors and Tata Steel) are private. All these Public Sector or Private Sector companies have leveraged BPM for their identified service function.

The RvaluE survey 2012, indicates that SSCs are gaining momentum as a strategic option for Indian organizations to improve service levels and process efficiencies. In the period 2006 to 2010, the number of SSCs set up by Indian organizations has almost tripled compared to the prior five-year period.

In the last two decades, there have been major strategic changes both in the way India and Indian companies deal with the world as well as the way Indian

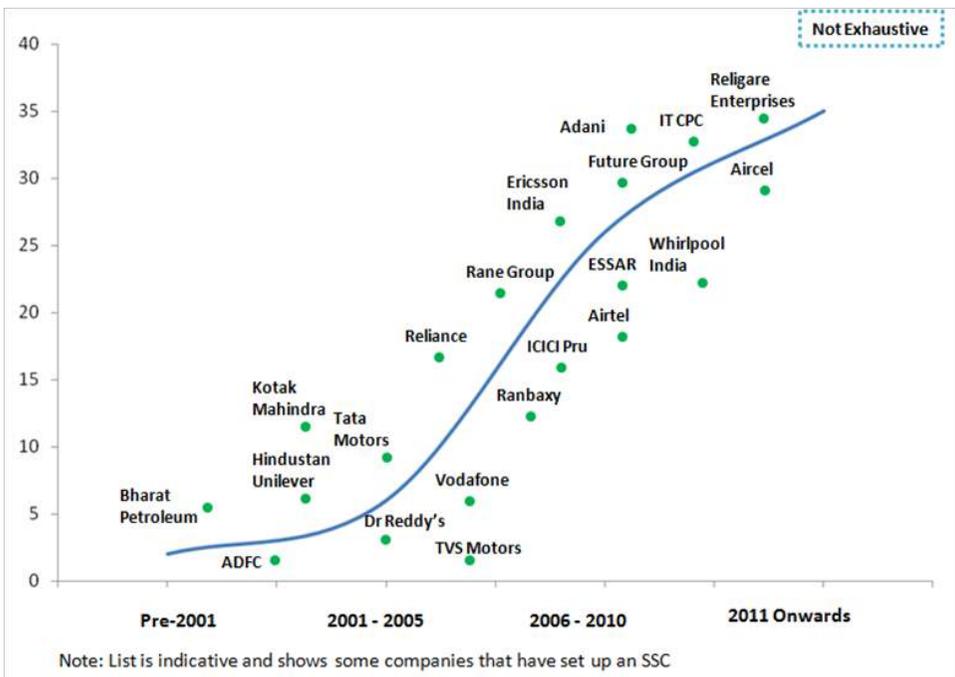
With the proliferation of India-based GICs and BPOs servicing overseas operations, several Indian organizations began considering the shared services model as

a viable strategic option for their Indian operations as well.

Indian companies like Hindustan Unilever, Dr. Reddy's, Tata Motors and Ranbaxy set up SSC's in the mid-2000's that managed business processes for their business units in India. Interestingly, all these companies started their SSCs with F&A processes. Simultaneously, the BFSI segment of India also considered multiple structuring models – SSCs, Outsourcing and Hybrid Models(In house + Outsourcing), to manage their back office operations.

The second phase started in 2003 and continued till 2006, when many Indian companies from multiple domains like HUL, Tata Motors, Dr. Reddy's and Ranbaxy set up SSCs. Hindustan Unilever is considered to be one of the pioneers to set up shared services for its India operations in line with global best practices. The HUL SSC was a separate legal entity (Indigo), operating out of Bangalore and Chennai.

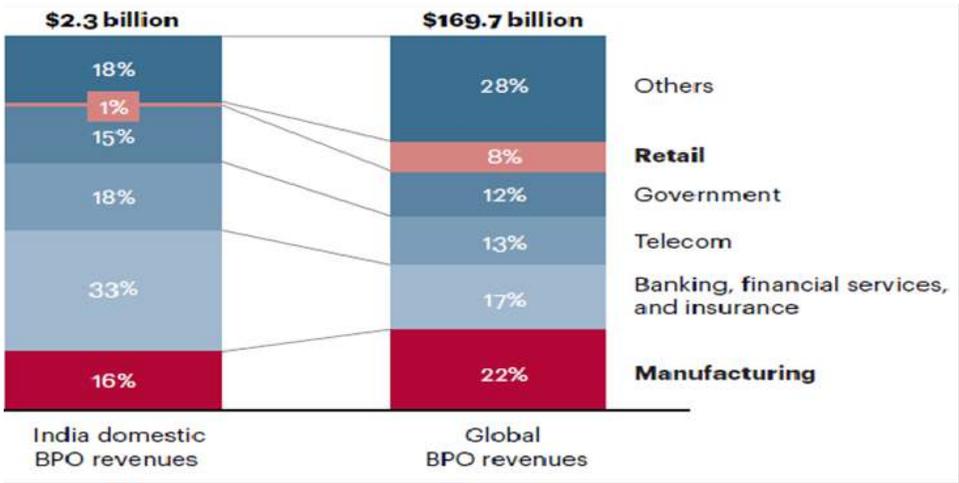
The third phase (from 2007 to 2010) saw many telecom companies and other large corporations setting up shared services.



Source: RvaluE Shared Services Survey 2012
Figure 12: Evolution of Indian SSCs

The first phase of the Indian captive market started in 1998 when several banks initiated setting up shared services. For example, HDFC set up an independent associate company (ADFC) to manage transactional activities.

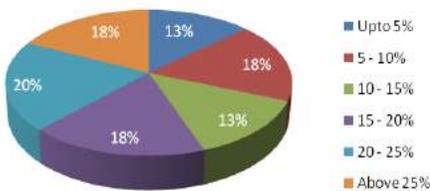
In India the major BPM adopters are BFSI& Telecom Sectors.



Source: NASSCOM 2011, A.T. Kearney - CII white paper, 2013
Figure 13: BPO revenues - Split by vertical

A significant finding of the RvaluE Survey 2012, puts at rest a matter of great debate for Indian SSCs – do they achieve cost saves or not?

- 69% of respondents said they were able to achieve at least 10% cost savings by adopting the SSC model.
- 38% were able to achieve a cost savings level of more than 20%.



Source: RvaluESurvey 2012
Figure 14: Cost Savings due to setting up SSC

Phil Taylor of the University of Strathclyde Business School admits that the IT sector is still demonstrating expansion, even though the rate of growth has now declined

from the frantic pace of a decade ago. He acknowledged that several countries such as the Philippines are strongly vying for the pie. Indian providers are extending and deepening their back-office and professional service offerings, undertaking end-to-end activities of greater complexity. In addition, an important development has been the growth of the domestic BPO market where companies are providing services for Indian customers. This signifies growth within the ambit of the Indian territory.

4.2 Public Sector

KPMG, in its report on Public Sector Enterprises, 2012 states “Despite the wave of privatisation across India, the centre and state owned enterprises control vast swaths of national GDP of India. Rising globalisation and integration of the Indian economy with global markets has opened up new opportunities and challenges for the public sector. *With the opening of the Indian economy for the private players the Central Public Sector Enterprises (CPSEs) now have to compete on a level playing field with the private sector by setting industry*

benchmarks and international standards and evaluate their performance.”

The report also highlights some areas of improvement “It is imperative for CPSEs to mobilise internal resources and assets, improve operational efficiency, invest in innovation, improve customer service in order to survive and sustain the negative fall-out of various global and Indian economic measures.”

Our studies have shown that several progressive Public Sector organisations have begun well on the journey of BPM. Almost all of them are Enterprise Systems enabled. Many have well defined strategy on setting up shared services. Some of the companies have already transferred several in-house processes to their shared services centre.

In the western world several public enterprises at the county level have established several such centres consolidating common processes starting with IT and then finance, payroll and so on. Some of these departments are as diverse as Health Care, Environment, Education, Police & Fire, and Justice.

Public sector leaders experiencing fiscal and social pressures are increasingly turning to shared services to drive reforms. As their shared services models are maturing, they are realizing the benefits of significant cost reductions, as well as improved processing time, increased transparency and a new focus on customer service.

4.3 SME Segment

Are the benefits of a shared service model sole prerogative of large organisations? Certainly not! Several companies within the Small and Medium Enterprises (SME) segment are now beginning to take advantage of common services or ‘shared

services’ which are referred as “aggregators of services”.

- Example of Justdial as an aggregator at the front end who provides market reach and penetration to thousands of businessmen, shopkeepers, traders and mechanics who would otherwise be dependent only on walk-ins.
- There are similar examples of large F&A aggregating units being run by Chartered Accountants to provide not only finance functions, but also taxation, excise and compliance.
- In the last few years, independent providers have created innovative solutions on individual and corporate tax filing using various IT tools.

In all of this, two things are common: Use of technology and adoption of best practices. None of these would have been possible had the functions remained in their small independent units. Use of technology has created faster and more accurate results with ease of record keeping. Further the service providing firms have also created robust and well established processes to ensure standardisation and adherence to controls & compliance.

Most of these centres are currently operating in smaller yet urban centres. Progressively these centres can go more rural and support the local workforce in those communities. These centres can provide services to many businesses located locally.

Pooling and sharing resources creates greater possibilities for smaller businesses to use more advanced technologies, benefit from senior professional services and gain better control over their organizations. Small businesses become stronger, more accountable, more financially sound and

