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A KNOWLEDGE PAPER BY SSF RESEARCH DESK

Navigating Talent Challenges
in the Growing Offshoring and
GCC Landscape in India

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ACKNOWLEDGMENT

This research paper, “Navigating Talent Challenges in the Growing Offshoring and GCC Landscape in India,” is the culmination of experiential insights and innovative perspectives shared by distinguished leaders in the business services domain. The guiding principles presented herein emerged from insightful brainstorming sessions with these experts, whose invaluable contributions have shaped the direction of this work. We extend our heartfelt gratitude to Arun Mehra, Anup Kapoor, Arushi Gupta, Deepak Kumbhat, Pankaj Gupta, Puneet Singh, Rahul Agrawal, Rakesh Sinha, Sameer Madan, Sudhir Dasamantharao, Anand Maheshwari, Sunil Sayal, Vishal Chowdhry, and Abhinav Goel. Your collective wisdom and thought leadership have been instrumental in driving the success of this research.

EXECUTIVE SUMMARY

India's Global Capability Centers (GCCs) and offshoring industry is on a significant growth trajectory, with a projected compound annual growth rate (CAGR) of 8-10% ¹. Over recent years, GCCs have transformed from basic back-office support for multinational corporations to crucial innovation hubs and Centers of Excellence (CoEs) that drive complex, high-value processes for global corporations, spanning the entire value chain, showcasing India's evolution as a global leader in this sector. With India recognized as the "GCC Capital of the World" the industry has generated \$64.6 billion ² in export revenue, with GCC workforce growing by an average of 24% ² since FY 2019. By 2030, the Indian GCC landscape is expected to expand significantly, reaching an estimated \$99-105 billion ² in market value, with the number of GCCs reaching 2100-2200 ², and the workforce potentially rising to 2.5-2.8 million.

However, this rapid growth has brought forth significant talent challenges. Even though the digitization wave has transformed the offshoring and GCC landscape in India, the demand for skilled professionals to support and drive automation, digitization, and operational transformation remains high, and organizations struggle to meet these requirements. Over the past several years, the industry has continued to grow at a rapid pace despite the key ongoing challenges such as talent scarcity, high resource costs, and limited skilling programs have hindered the industry's ability to adapt to the evolving demands. This knowledge paper delves into these talent-related challenges and offers strategic guidance to bridge skills gaps, ensuring that India's GCCs continue their trajectory as global leaders in innovation and high-value services. The paper has rich contribution from a group of high-impact senior leaders from within the industry and its eco-system, obtained from a recently hosted Round Table by SSF Global on "Navigating Talent Challenges in the Offshoring and GCC Landscape in India" and from our continued research work within the offshoring and GCC industry.

The Leaders who were a part of the Round Table conversation collectively agreed that the talent related challenges faced by offshoring and GCC organizations need to be addressed by adopting newer ways. Some of these solutions and guidance can be implemented at a company level while a few others require broader industry collaboration and influence.

1. *McKinsey Global Institute*

2. *Fortune India*

KEY CHALLENGES AND STRATEGIC SOLUTIONS



1. Hiring for Today Vs Hiring for the Future

There is a scarcity of talent with the necessary combination of technical and functional skills. Industry associations such as SSF Global and organizations like Everest offer **Skill Mapping Frameworks, Skill Forecasting and Benchmarking** that can proactively help organizations anticipate future skill needs and invest in developing in-house talent. For India's GCC and offshoring industry to retain its leadership position globally, it is imperative that organizations start investing in the talent and skill that will be required in the future **As per the insights from SSF Global's Leadership Interaction in August 2024 and some insights from other research firms, approximately 40% of Indian GCCs have reported challenges in sourcing talent with the right mix of technical and functional skills. Moreover, industry surveys show that only 15% of these organizations are engaged in robust skill forecasting exercises, leaving a significant gap between**

the current workforce and future needs. Most GCCs in India have not suitably invested in structured process of **Skill Forecasting** leading to inadequate estimation of future skill requirements. Strategic planning and strong leadership mandate is essential to create a culture and process of a well-organized skill forecasting program. Industry skill-mapping frameworks can reduce this gap. Companies that implemented skill forecasting frameworks saw a 30%³ improvement in workforce planning accuracy over three years. This requires the functional leadership team to work closely with Human Resource and Talent Acquisition teams



3. McKinsey Study, 2023

Skill forecasting is a direct offshoot of the overall industry forecast estimates. How will the future pan out; what new avenues will open up; how will the service industry gear-up to face new challenges? These and several other questions are pondered upon continuously by the industry experts, thought leaders and professional guidance bodies, such as SSF Global.

Inbuilt within the questions and possible solutions will be the estimations of the future skill requirements. Organizations will do well to keep their engagements with such bodies and thought leaders deep and meaningful. A steady and focused dialogue about new developments and their impact can keep the cutting-edge service units abreast and well prepared for what's to come around the corner.



2. Industry-Wide Collaboration for Talent Readiness

While lack of skills in the entry level workforce has been a challenge for a long time, most organizations continue to solve it by building in-house learning programs. **Academia-Industry Collaboration** has been identified as a key need to help address this challenge. The industry is already behind on this important feature. There is an inherent need to partner with academia to develop new-age, industry relevant, accredited and certifiable academic programs, such as BBA/MBA-BPM. These programs should be BPM service industry specific with flexible milestones, industry-led content, and certifications tailored to the GCC/ Offshoring sector.



As per our research and industry insights, there is an estimated shortfall of over 200,000 skilled professionals in India's GCC sector. The data points highlight that while 85% of GCCs agree on the importance of academia-industry collaboration, only 25% have successfully established such partnerships. Academic programs that align with industry needs can reduce this skills gap by up to 40% in five years³. Initiatives such as BBA/MBA-BPM programs, which blend functional and technology skills, are critical to producing industry-ready talent.

The academic programs need to go beyond short-term certifications and interventions to becoming full-scale education and must include an optimum mix of functional, process and technology skills. The learning methodology should include classroom and self-paced learning with a strong element of practical, industry integrated approach.

3. Peak Matrix ,2023

3. Skilling and development – from Baseline to Benchmark

Current programs are often ineffective and fail to produce the desired skill enhancements. The focus of in-house training programs needs to shift from purely process-centric training to include key emerging aspects such as business, transformation and technology. A 2023 Talent Readiness Report states that:

- **65% of mid-level managers in GCCs struggle with adopting transformational roles due to a lack of leadership and soft skills.**
- **Only 20% of organizations provide leadership development programs focused on business and technology integration.**

In the previous version of industry growth, sufficient knowledge of the process along with essentials of customer centricity sufficed as the baseline skill set. However, the geographical evolution of the GCC landscape to multiple locations beyond India and the emergence of newer category of work and technology has changed the benchmarks. Limited global leadership capabilities among Indian professionals hinder the country's competitive edge. This is considered true more specifically for the mid-management level. Most GCCs are grappling with the challenge of 'lack of movement' at the tenured, mid-manager level - what we call 'the frozen middle'. Studies show that organizations with dedicated mid-management leadership development programs reported a

The leaders in the SSF Global Roundtable had a consensus towards the need for soft skills and business training and coaching with a strong focus on enabling mid-managers to take up high impact roles. The efficacy of these training programs needs to be established and frequently validated. Limited global leadership capabilities among Indian professionals hinder the country's competitive edge. This is considered true more specifically for the mid-management level. Most GCCs are grappling with the challenge of 'lack of movement' at the tenured, mid-manager level - what we call 'the frozen middle'.

Studies show that organizations with dedicated **mid-management leadership development programs reported a 25% increase in operational efficiency³ and faster decision-making cycles**. This level of the organization has either failed to adapt to the changing times and needs or are unequipped to be moved to other roles, especially the business facing roles.

4. Transactional to Transformational Talent



Our study brings to light that almost **75% of GCCs are now driving digital innovation and transformative roles**, and they have started to actively implement structured learning and reskilling programs to bridge skill gaps, especially with the rapid adoption of technologies like AI and automation. For instance, many of these centers have dedicated training programs to enable their workforce to adapt to more strategic roles, aiding a steady shift towards high-value functions, as they fast realize that the future workforce must be equipped to handle business-facing, value-driven roles.



Difficulty in transitioning talent from routine tasks to transformational roles has always been a sore point. Traditionally, GCCs/ outsourcing service centers have had a strong focus on process delivery and as such, talent development has been centered around developing process delivery skills. However, with the changing times, it is becoming imperative that talent across levels must be attuned to understand that change itself is not only inescapable, but also continuous and rapid. In the modern day and time, processes are created with almost zero stickiness and full flexibility



With businesses becoming embedded with transformational technologies, process and business managers should be taught to be adaptive towards outcomes, not processes. For this acceptance of both technology and transformation is a must. **With India fast emerging as a "Innovation Hub" for the service industry**, the expectation is that the talent which already has a deep understanding and global ownership of the process and systems will become the best set of resources to develop cutting edge innovations. This itself is leading to the ask for a new category of talent, with almost full freedom and flexibility.

A swath of Gen Z talent is now entering the job market in India. There is a need for ensuing **Job Enrichment** for Gen Z as the newer workforce is more critical and expressive, thus indicating a significant cultural change from the past. Organizations are struggling to offer enriched roles beyond basic processing tasks to attract and retain younger talent. Job enrichment needs to expand beyond mere task or process management to impact and outcome management. Organizations that successfully transitioned from a process-centric to an outcome-driven workforce reported a **35% improvement in business outcomes, according to industry benchmarks**. Organizations must offer the younger employees a clear pathway towards learning, mobility and growth. There is a need to shift from process-centric operations to value creation, requiring workforce engagement in business impact.



5. Hum-Bot Conundrum

Not long ago, technology (read computers) was being implemented as supplements to the human workforce. Technologies such as RPA and other bots were brought in simple to replace the routine and repeatable tasks. Machines were more reliable, made fewer errors, worked tirelessly and never complained. Humans were required to manage the machines and work on exceptions. These changes lead to changing job profiles in a big way.

SSF Global survey reports highlights that automation is displacing more than 60% of current jobs in Indian GCCs over the next five years. However, this shift opens new opportunities for techno-functional roles, which combine domain expertise with systems management. Current estimates show that almost 70% of GCCs lack sufficient in-house talent for these roles.

The world today is very different. Modern computer systems, especially the new-age technologies, are capable of intelligent, cognitive work. The need for human intervention is changing rapidly. More and more people that are being hired are being deployed in systems management. Domain and systems expertise are becoming co-joined at the hip. The same report also highlighted that investing in techno-functional training has shown to increase workforce efficiency by up to 50% within two years. Such techno-functional skills have to be more in-house developed than hired outright – largely due to the fact that functional requirements are very product specific, and technologies are fine-tuned to suit its specified output. Organizations need to invest rather heavily into creating teams of super specialists.

6. Value – Worth Balance

India was once considered as a service destination due to its relatively lower cost structure. While some of that is still true, acquiring the right talent is becoming quite a challenge due to the escalating costs of hires. The average cost of hiring skilled talent in India's top-tier cities has increased by 12-15% annually, making cost management a significant concern for GCCs. However, technology deployments can offset these costs, with automation reducing human resource dependency by up to 20% in repetitive processes. Since then, employee compensation has spiraled, especially for skills which are in high demand. At times, this feature can become a concern.

Most organizations follow a two-pronged approach to tackle this. Under both the approaches, technology saves the day. One, the cost of overall technology is reducing by each passing day, offsetting some of the employee costs. Two, deployment of even simple technologies reduces the need of hiring humans.



Engaging with smaller universities in India's tier 2 and tier 3 cities, combined with a focus on automation, can lead to cost savings of 10-12% annually⁴. To find the right balance between costs and value, organizations need to explore newer avenues for hiring such as reaching out to the hinterland and hiring directly from the universities that are working towards developing industry centric curriculum and pedagogy.

4. Peak Matrix

7. Physical and Environmental – Beyond Perquisites

An important aspect of talent management is the vagaries of physically managing people, especially the demanding youth. Requests for remote work, increased off time, more facilities at the workplace, and interhuman issues take up a significant mind share of the leadership. As highlighted during the leadership round table, flexible working conditions and enhanced workplace facilities are now top considerations for 60% of new Gen Z entrants in the Indian job market. Meanwhile, only 35% of organizations have effectively addressed these preferences.

Organizations that have embraced flexible working environments reported a 20% improvement in employee retention and satisfaction rates. Business leadership and people management leaders need to be professionally trained to handle these issues of human interaction.

Workplace facilities are becoming a critical aspect for the employee retention/ motivation for instance, companies are offering app enabled loyalty programs such as discounted taxi rides or food, gift vouchers on physical attendance etc. Facilities like Gym, Creche, library, sports centers, are now becoming a compulsory requirement. Environmental initiatives and social responsibility initiatives are more and more getting broader & deeper to engage talent in their choice of areas and not remain just tick in the box actions.



CONCLUSION

Bridging the skill gap in India's offshoring and GCC landscape necessitates a strategic approach towards the following key aspects

1

Industry-academia collaboration

Highly focused academia initiatives sponsored by Industry, going beyond certificate courses to degree programs. SSF Global is leading this movement and working towards launching work-integrated degree programs meant for GCC/ Offshoring requirements which will produce industry specific ready talent with skills enabling faster growth



2

Realistic approach to skilling & development programs

Ensuring baselining of the existing initiatives and benchmarking with the industry best in class talent initiatives. Melt the frozen middle with newer initiatives and ensuring it provides exposure to the world outside.



3

Proactive skill forecasting

Continuous skill forecasting linked to future (3-5 years) and linking it to the business plan



4

Conscious shift from process-driven to value-driven talent development

Transactional to Transformational Mindset shift from just the process orientation to business domain, the new-age technology and tangible value delivery focus.



Organizations that can implement these solutions are predicted to see improvements like – a 30% increase in workforce readiness and a 25% boost in operational efficiency.

- By building a milestone and outcome linked plan around these aspects, GCC and third-party outsourcing organizations can cultivate talent capable of managing automation and driving business success, maintaining their competitive edge in the global market.

SSF Global believes that long-term talent development strategies will go a long way so that India-based GCCs can retain their competitive advantage on the global stage, positioning themselves as innovation hubs for future growth.

SSF Global works with GCCs and Third-Party Organizations to curate specific Talent initiatives, baseline to benchmark people practices and develop futuristic (2 to 3 years down the line) strategic action plan for effectively converting talent from mere capacity to long-term capability.



References

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- McKinsey & Company: Talent and Workforce Transformation in GCCs (2023)
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✉ Email: info@ssfglobal.com

🌐 Website: www.ssfglobal.com

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