# OFFSHORE DEVELOPMENT CENTER
## IN INDIA

# OFFSHORE DEVELOPMENT CENTER

The Covid-19 has accelerated the pace of digital transformation across sectors and industries. Irrespective of the size, companies are either building in-house capabilities or taking external support to fast-track digitization to remain effective and efficient. However, many companies are facing difficulties in executing their plans due to a shortage of talent, thus looking for alternative centers to fulfill their requirements. For such companies, India with a huge talent pool and robust infrastructure becomes the most suitable option – both in terms of cost and quality. With the ease of doing business and well-established support ecosystem, setting up an offshore development center in India is not a complex task anymore – as long as companies are clear in terms of objectives and expected outcomes from the ODC.
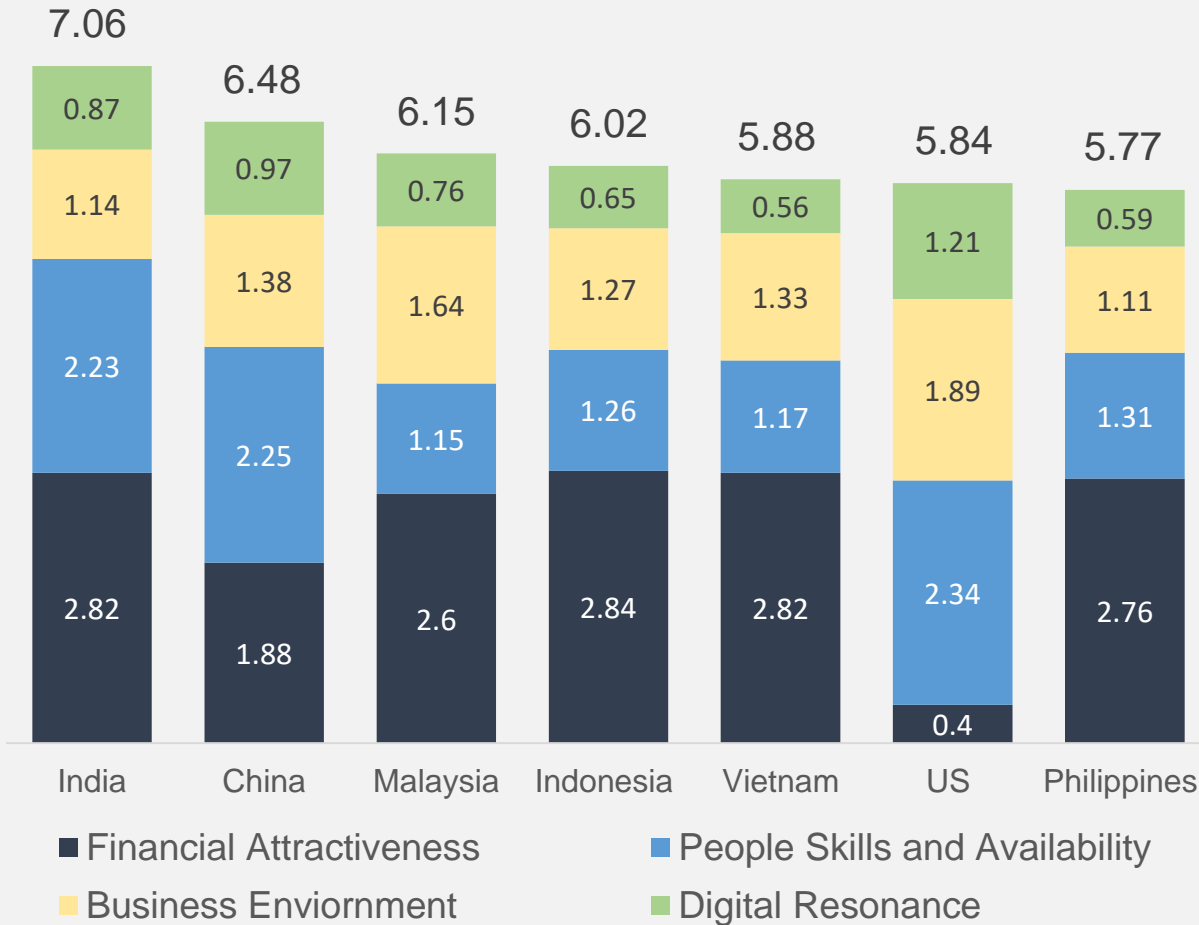
**OUTSOURCING BUSINESS IN INDIA**

**AN OVERVIEW**

India is considered among the **most attractive destination** to offshore business services

1200+ GICs that includes 25% of FTSE 2000 and 50% of fortune 500 companies from US has GICs / Captives in India

Employing ~1 million people

Up to 45% cost savings over 3-5 years

Source: Statista

Copyright@SICCI_KNAV 2021

# EVOLUTION OF INDIAN IT OUTSOURCING INDUSTRY

|  | Off shore | Captives | GICs | GCCs |
|---|---|---|---|---|
|  | (Set-up) | (Ramp-up) | (Value Addition) | (Breakthrough Innovation) |
| **Key Focus** | • Prove the concept | • Cost Arbitrage & Mature Delivery | • Business Impact & Thought leadership | • Competitive advantage for the Enterprise |
| **Value Delivered** | • Select anchor functions<br>• Multiple pilots<br>• Defined processes | • Predictable, hi-quality delivery<br>• Process efficiency<br>• Capacity augmentation | • High skill capabilities<br>• Driving process change and efficiency | • Global products and service lines<br>• New revenue channels '<br>• IP creation |
| **Operating Model** | • Often shared services | • Vertical integration | • Effective matrix organization | • Integral part of a globally networked organization<br>• GCC viewed as another business location |
| **People Model** | • Reliance on expats<br>• Different people profiles | • Development of local leaders | • Subject matter experts<br>• Part of global leadership teams | • Business focussed leaders |
| **Key Stakeholders** | • Function Heads<br>• 1-2 leaders as 'Champions' | • Regional / Global function heads | • Global function heads<br>• Select business heads | • CEO/Mgmt. Committee/Board<br>• Senior business leaders<br>• Clients |

Source: NASSCOM

# KEY TRENDS

Collaboration with start-ups and vendor engagements are on rise

Tier-2 cities are emerging as an alternative to well-established hubs

APAC based and non-English speaking multinationals are exploring GIC space in India

Long term net value has become a decision-making criteria rather than just cost advantage

## ODC ESTABLISHMENT IN INDIA

# KEY STEPS

» Business Plan Preparation

» Location Planning

» Entity Establishment

» Tax and Regulatory

» Talent Landscape

» Success Factors

Copyright@SICCI_KNAV 2021

# BUSINESS PLAN PREPARATION

# BUSINESS PLAN CREATION

It is important to develop comprehensive business plan covering strategic drivers, cost-benefit analysis and expected outcomes from the ODC initiatives.

1. Define scope and objectives of GIC

2. Estimating facility buildout and IT infrastructure cost

3. Recommending suitable legal, tax and regulatory structure

4. Indicative organization structure and talent acquisition strategy

5. Short term financial model for better decision making

6. Detailed project plan with defined roles and responsibilities of each stakeholders

# LOCATION PLANNING

# LOCATION PLANNING

**It is critical to identify most suitable location by analyzing various cost and sustainability parameters in line with organization's long-term vision**

## Cost Parameters

- Talent Acquisition Cost
- Utility Cost
- Office Rental
- Other Indirect Costs

## Sustainability Parameters

- Talent Availability and Quality
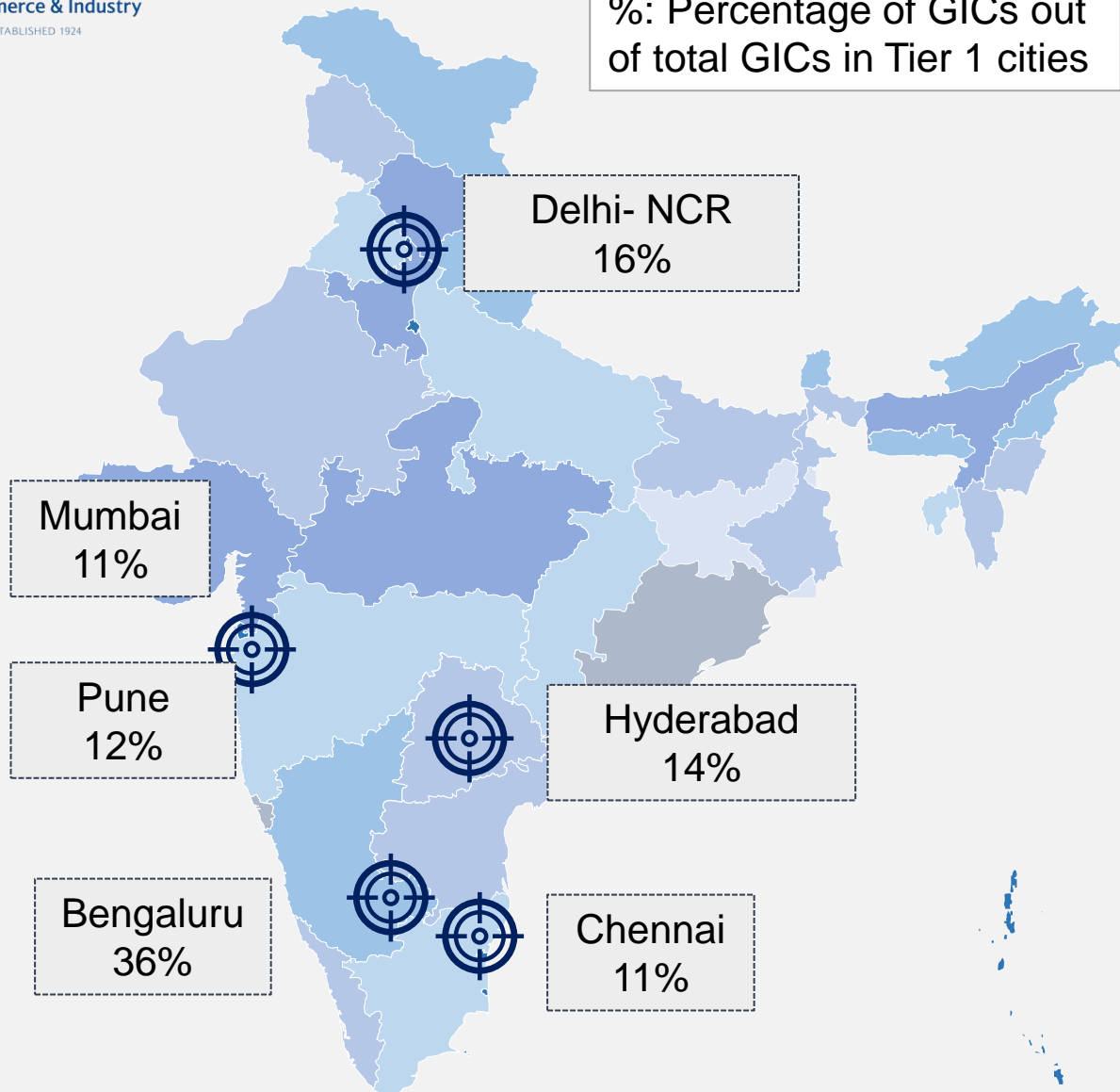- Infrastructure Scalability
- Maturity of GIC related ecosystem
- Presence of other GICs
- FDI Trends and Major Investments
- Social Infrastructure

%: Percentage of GICs out of total GICs in Tier 1 cities

Delhi- NCR
16%

Mumbai
11%

Pune
12%

Hyderabad
14%

Bengaluru
36%

Chennai
11%

**Present GICs' Location in India:**

‣ ***Bengaluru*** is the undisputed GIC capital of India. ***Delhi-NCR*** region is also a major GIC destination with the presence of corporate HQs.

‣ ***Hyderabad*** is increasingly favored by tech, Engineering R&D companies besides the traditional healthcare & pharma base.

‣ BFSI, auto/industrial, engineering & manufacturing ecosystems drive the growth of GICs in ***Chennai and Pune.***

*Over the last couple of years, many Tier 2 cities in India have also become hotspots for GIC setup:*

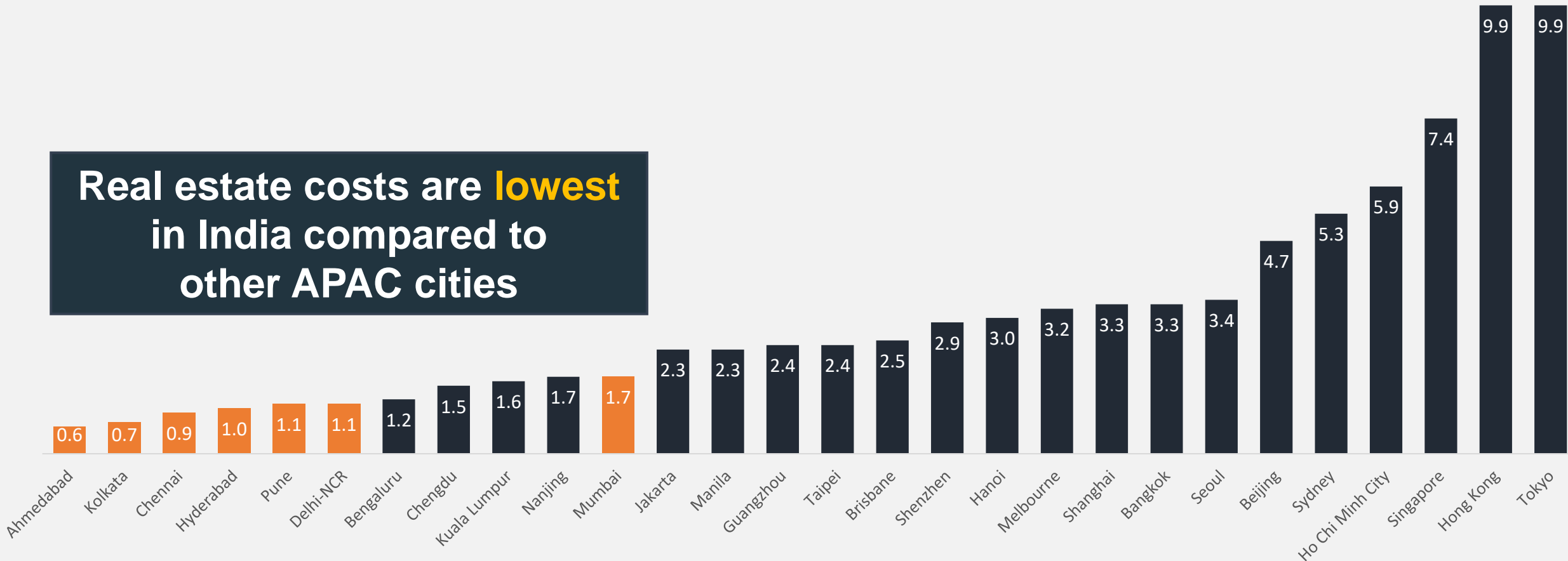| Kolkata | Chandigarh | Vadodara |
|---------|-----------|----------|

| Coimbatore | Ahmedabad |
|-----------|-----------|

| Thiruvananthapuram |
|--------------------|

Source: NASSCOM

# LOCATION PLANNING

**Real estate costs are lowest in India compared to other APAC cities**

Ahmedabad 0.6 | Kolkata 0.7 | Chennai 0.9 | Hyderabad 1.0 | Pune 1.1 | Delhi-NCR 1.1 | Bengaluru 1.2 | Chengdu 1.5 | Kuala Lumpur 1.6 | Nanjing 1.7 | Mumbai 1.7 | Jakarta 2.3 | Manila 2.3 | Guangzhou 2.4 | Taipei 2.4 | Brisbane 2.5 | Shenzhen 2.9 | Hanoi 3.0 | Melbourne 3.2 | Shanghai 3.3 | Bangkok 3.3 | Seoul 3.4 | Beijing 4.7 | Sydney 5.3 | Ho Chi Minh City 5.9 | Singapore 7.4 | Hong Kong 9.9 | Tokyo 9.9

Source: Cushman & Wakefifield

Copyright@SICCI_KNAV 2021

# TALENT LANDSCAPE

# TALENT LANDSCAPE

With **4.6 MN** IT-BPM talent pool, India is among the leading supplier of IT talent globally

Source: NASSCOM

## Fresh Talent
### (Per Annum)

Layer 1: Estimated University Enrolment Talent Pool in India
Total number of University Enrolments in 2019

**8 MN**

Layer 2: Estimated University Enrolment in Undergraduate, Postgraduate and Ph. D levels

**6 MN**
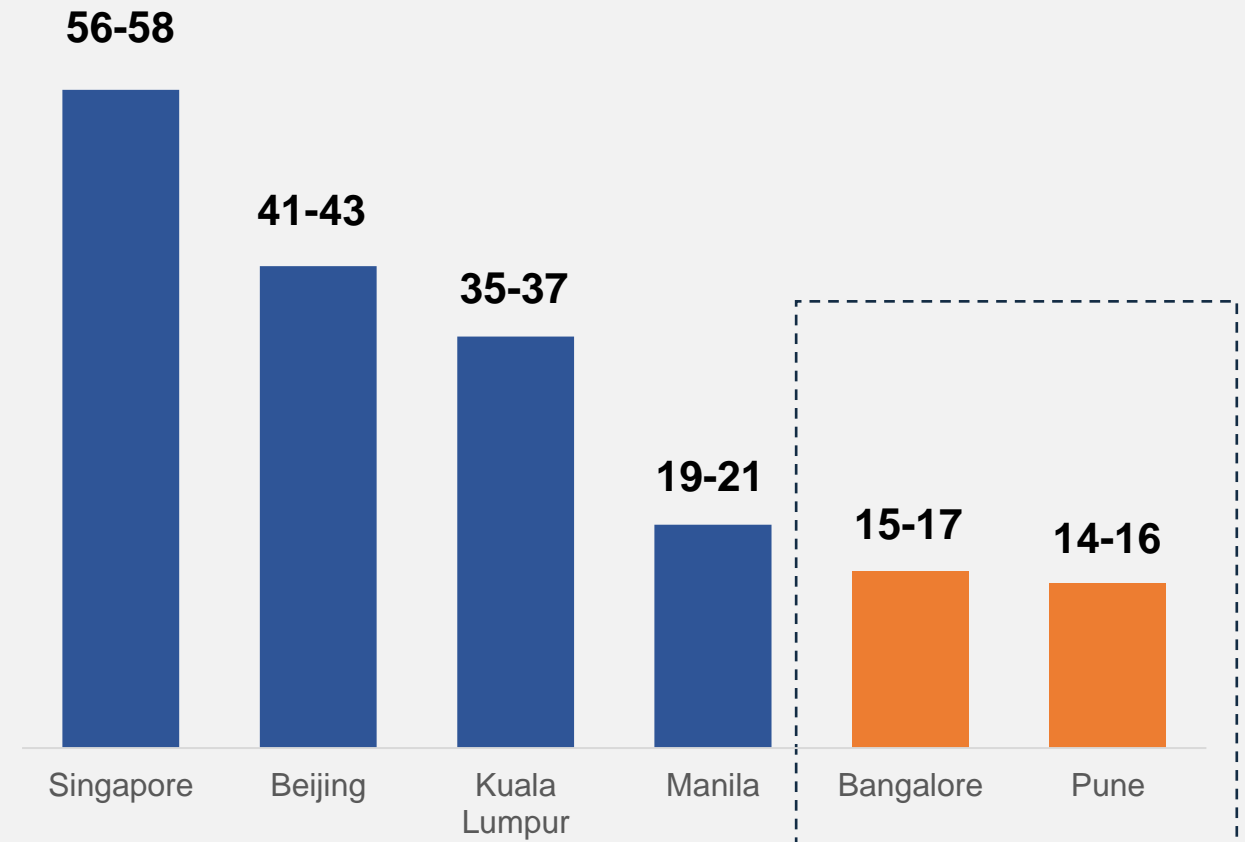
Layer 3: Estimated STEM Talent Pool

**2 MN**

Layer 4: Estimated Fresh Talent Pool that will transition to roles in IT-BPM industry

**220K+**

# TALENT LANDSCAPE

## INDIA IS AMONG THE MOST COST EFFECTIVE LOCATIONS TO SETUP OFFSHORE CENTER

**Operating Cost per FTE for ADM Services 2018; USD '000 per annum**

| Location | Cost |
|----------|------|
| Singapore | 56-58 |
| Beijing | 41-43 |
| Kuala Lumpur | 35-37 |
| Manila | 19-21 |
| Bangalore | 15-17 |
| Pune | 14-16 |

Source: NASSCOM

Copyright@SICCI_KNAV 2021

# KEY SUCCESS FACTORS

# KEY SUCCESS FACTORS

**Cultural Understanding**

**Comprehensive Business Plan with clear Goals and Objectives**

**Robust Governance Structure**

**Effective Communication**

**Alignment between Enterprise Strategy and Offshore Business Strategy**

**Hiring and Retaining Right Talent**