Seize the opportunity in global capability centres

- *Amitabh Kant*

The emergence of Global Capability Centres (GCCs) as centres of innovation and technology has been a remarkable feature of India's recent growth story. Initially seen as offshore captives handling routine tasks, GCCs have evolved into strategic hubs driving core business functions, innovation, and R&D for multinational corporations. With estimates placing the number of Indian professionals employed in these centres at of 3.2 million, with an estimated contribution of $121 billion in revenue, GCCs have transformed India into a vital node in the global business ecosystem. This shift underscores India's growing reputation for its immense value addition to company manufacturing, culture, and technological advancement, marking a new wave of this unique "Make in India" initiative.

The rise of GCCs has catalysed India's transition from a service provider to a global innovation leader. These centres are not just back-office support units but pivotal to the strategic vision of their parent companies, spearheading advancements in AI, software as a service (SaaS), and cutting-edge engineering solutions. The movement of technical jobs to India, driven by a shortage of STEM graduates in the West and bolstered by India producing approximately 2.3 million STEM graduates annually, has turned the country into a global brainpower hub. This evolution reflects the broader trends of globalisation, where India's ability to provide high-quality, cost-effective, and innovative solutions has become indispensable to multinational companies navigating the complexities of the modern global market.

Unlike traditional outsourced offices, GCCs are fully integrated extensions of their global counterparts, mirroring and often surpassing the capabilities of their headquarters.

The numbers reflect this transformation. In 2023 alone, India boasted over 1,580 GCCs,concentrated in major tech hubs like Bengaluru, Hyderabad, Pune, and Gurgaon. A recent Nasscom-KPMG report puts 60 percent of these centres as specialising in

engineering, research and development (R&D), data analytics, information technology (IT) services, and business process management, with a significant focus on emerging technologies such as AI, machine learning, blockchain, and end-to-end product development.

The same year, India saw 10 new GCCs entering the market, with the presence of key multinational corporations such as Edge Cortix, M31 Technology Corporation, and Signature IP highlighting the country's growing appeal as a destination for GCCs.

Interestingly, nearly one-third of new GCCs established in the quarter were focused on the semiconductor sector—a strategic move aligning with India's ambitions to emerge as a key player in the semiconductor industry. As the backbone of the modern digital economy, the semiconductor industry is projected to reach $1 trillion by 2030.

It's not just tech companies that are tapping into India's talent pool.Today, global retailers like Tesco and Target are increasingly recognizing the value of consolidating operations in India. Tesco's GCC in Bengaluru, established in 2004, has evolved from focusing on core technical skills to encompassing a wide range of functions, including AI, data analytics, and customer service. As GCCs expand, there is a noticeable shift towards Tier-II and Tier-III cities, which offer economical living, affordable real estate, local knowledge, and a burgeoning reservoir of skilled professionals. To fully capitalise on this trend, it is crucial to make all cities in India GCC-ready by enhancing educational platforms, digital infrastructure, and local incentives, fostering a nationwide ecosystem of innovation and growth.

GCCs also play a pivotal role in fostering a culture of continuous improvement and strategic alignment with their parent organizations. They offer a competitive edge through cost-effectiveness, high-quality output, and the ability to adapt quickly to market changes. This rise of GCCs is attributed primarily to India's demographic dividend, with a young and growing workforce offering a vast pool of digitally skilled talent. Additionally, the COVID-19 pandemic has accelerated the shift towards remote work, reducing the significance of geographical boundaries.

To sustain this momentum, India must address certain challenges and leverage its demographic dividend effectively. Talent management, strategic technology adoption, regulatory compliance, and concentration concerns remain key priorities for the rapid expansion of GCCs. Investing in education, fostering innovation, and ensuring regulatory compliance are essential steps to solidify India's position as a global hub for business and innovation.

Maintaining Momentum

To continue thriving, India must invest in primary and secondary education, moving from a rote-based to a creative and analytical thinking-based education system. Schools and universities should encourage innovation and entrepreneurship through dedicated programs and incubators. India's leading educational institutions, including the IITs, IIMs, and various engineering colleges, must continue to feed into the startup movement by cultivating talent and instilling an entrepreneurial mindset in their students.

This shift is crucial to developing a workforce capable of handling complex and innovative tasks.Additionally, bridging the gender divide in tech and STEM fields is essential. Encouraging more women to pursue careers in these areas will not only address talent shortages but also foster a diverse and inclusive work environment.This approach will help harness the creative potential of the youth and drive the development of homegrown startups, contributing to the broader ecosystem

Ensuring regulatory compliance and effective corporate governance is key for the smooth operation of GCCs. Identified areas such as transfer pricing, SEZ regulations, and labour laws necessitate clarity and streamlined processes, despite government initiatives to enhance the ease of doing business. Additionally, GCCs will benefit immensely if they leverage existing and emerging technologies like the India AI Stack to become strategic transformation hubs.

By investing in education, fostering innovation, and ensuring regulatory compliance, India can solidify its position as a global hub for business and innovation, building upon

its success since the late 1900s as the foremost marketplace for end-to-end service delivery in the world.