Synthesis

From GIC to GCC
Walking the Talk to Enable the Shift to Global Capability Centers

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Global In-House Centers (GICs) are no longer just a repository for internal IT or operations functions. They have moved from cost arbitrage to being a core part of organizational strategy and objectives and have evolved into Global Capability Centers (GCCs). Today, GCCs not only drive process and productivity improvements for global corporations, but they also create new capabilities, lead cross-functional efforts, and bring new product and service offerings to the market based on innovations borne at these centers.

In addition to evolving business models, GCCs have also built a greater breadth and depth of services; they lead global vendor management, develop global sourcing strategies, and own products and platforms. This sector has the opportunity to reinvigorate itself by disrupting traditional thinking in areas such as leadership, talent development, and governance.

Over the last 20 years, Egon Zehnder has helped global Banking and Financial Services (BFS) organizations build and strengthen their GCC leadership teams in India. Based on our recent work and conversations in this sector, we have found themes that signal a shift in how these GCCs operate, as well as some suggestions for further improvement.

A Different Level of Complexity and Accountability

Global financial institutions' priorities continue to expand -- from cost and risk management to compliance, FinTech innovation, cloud, and digital. To deliver against these objectives, the overall levels of offshore Operations and Technology (O&T) activity for banks have grown to an all-time high. To give you a sense of scale, one bulge-bracket investment bank has more than half of its technology headcount spread across multiple offshore locations and across in-house, contract, and outsourced staff. And this is likely becoming the norm and is not an exception. Additionally, IT services companies, such as TCS, Infosys, and Wipro, routinely report that they get upwards of 30 percent of their revenue from this sector.

All this adds up to a huge level of investment and complexity. A budget of US $2 billion-$5 billion for offshoring or outsourcing would be a conservative estimate for some banks. It also requires management across multiple entities, locations, vendors, products, platforms, and lines of business and an "always-on" workforce with the need for collaboration and agility facilitated by the cloud.

All of this requires a different level of complexity management, capabilities and accountability.

Typically, the global CIO or COO organization is where these services are integrated and provided back to the businesses or functions, with activities such as project and vendor management being run from headquarters. However, this model is proving to be inadequate. GCCs need to demonstrate -- and be empowered to deliver -- a higher-order of ownership, which really means leadership. This leadership will need to inspire a diverse set of teams, vendors, and internal and external stakeholders with the ability to take decisions and complete ownership of all that is being delivered, including as close of a front-to-back integration as needed by the business. This will mean rewriting and co-creating the O&T playbook.

Building Enterprise Thinking at the GCC Level

Traditionally, GCCs have reflected the parent organization's silos. Often the operations and technology teams are located together -- sometimes with a common leader. However, while they are working side-by-side, they have operated quite separately. This has led to lower efficiencies, inconsistent delivery from the GCCs, and lost opportunities for the bank, making this set-up unsustainable, or at best under-performing to its full potential.

A more integrated approach is needed to help GCC leaders reflect enterprise thinking or thinking around clusters of O&T capabilities. Recently, a large global bank hired a GCC leader with a strong appreciation of how to bring different elements under one unified O&T umbrella that can deliver to different technology requirements of the enterprise. Other organisations are starting to bring agile organisation constructs of tribes and communities into the GCC.

Emergence of the Spiky GM

The shift toward a more integrated approach also means that the GCC is being tasked with driving significantly more value than in the past, with much greater use of technology. One example is a large global bank that merged its O&T organizations in India and created a leadership team more empowered to drive change across both units. This shift has led to the emergence of the "spiky" tech General Manager -- someone who can bring O&T together, automate, drive cloud strategy, and drive digital. This leader must know how to manage product, platform, and engineering teams -- muscles that previously were not well developed in most GCCs. In fact, BFS organizations could take a page or two from FinTech and software product companies, where we see many more Spiky GMs.

Engaging Outside the Four Walls

GCCs see the need for greater engagement with the ecosystem – something they must do if they want to bring in new ideas, build a stronger brand, or build products that are more relevant to emerging markets. While still nascent, financial institutions are starting to engage with the start-up community and universities through various channels, including accelerators, incubators, and hackathons, or are developing a roadmap of how to do it. Some examples are Accelerator 2030, which is a collaboration between HSBC Bank and start-up incubator T-Hub. Another example is Citi's "Hello," a relationship management tool for its high net worth customers, built by one of the start-ups that participated in their accelerator program.

Adapting to Change

How can GCCs adapt to these marketplace shifts? We believe they can do three things differently:

- **Think creatively about the talent pool**. GCCs can broaden the talent pool both internally and externally. There are currently few examples of successful succession planning within captives, and several firms often default to bringing in an external leader. GCCs must work on the development of internal leaders, also prioritizing diversity and next generation technology expertise. As firms consider what the leadership development journey could potentially look like within GCCs, they must articulate what leadership skills are required for the growth of the enterprise and be willing to explore talent from third-party providers or from product or platform companies with the required skillsets. They will have to take calibrated risks to thoughtfully bet on the individual's potential and then make him/her successful.

  Developing internal talent and being open to new skills set is essential, given that the pool of "returning Indians," once seen as a quick way to bridge leadership gaps in years past, has dropped as technology hot-spots in the West thrive. In addition, the growing FinTech and start-up ecosystem in India is adding to the competition for product and engineering talent that the GCCs need to compete with.

- **Encourage a culture of innovation and agility**. Culture plays a critical role in an organization's sustainability. With GCCs now the bedrock of technology for global banks, a culture of innovation and agility is critical. Digital technologies by default require speed, agility, flexibility, and high levels of collaboration and influencing across organizational units. Such a culture also has the additional advantage of creating an attractive employer brand, which further helps them compete. Global banks must think about how to build a sense of community based on shared purpose, values, and rules of engagement -- and combine it with capabilities that enable collaboration, discourse, debate, and experimentation. The goal is to create an environment where people are both willing and able to innovate and transform time and time again.

- **Create a 'fit-for-purpose' governance model.** A key measure of success for GCCs has been greater ownership from the businesses and "front-to-back" integration of both offshore and onshore teams. This has helped manage risk, create more compelling career paths, and provide greater control and ownership of globally dispersed teams. However, a natural outcome of this has been the re-emergence of silos and the role of a country leader primarily responsible for talent, brand, and compliance, who is relatively less engaged in driving specific business, functional, or transformational outcomes. While this structure works in a "business as usual" phase, it is not attractive to leaders, particularly engineering and product leaders, who fear losing relevance in a period of rapid business-model and technology innovation. Exploring ways to ensure that the GCC leadership and governance model is meaningful, such as roles that would combine engineering, product, and general management responsibilities, will go a long way in both attracting external talent and motivating internal talent.

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