Outsourcing to India:
Everything you wanted to know but were afraid to ask.
Executive Summary

India has established itself as the outsourcing destination of choice for most major USA, UK and European companies seeking to lower costs and increase productivity. Recent years have seen an increase in the number of functions that shared service providers offer; they are not confined to discreet functions such as accounting and technology but now incorporate complex functions such as design, analytics and research.

Odgers Berndtson conducted a survey to establish the benefits and challenges of outsourcing to India. We asked 100 leaders in the shared services industry to answer ten questions about the intricacies of either establishing a global-in-house Centre (GIC) or selecting a Third Party Service Provider (TPSP).

Their answers revealed fascinating insights into the factors that make outsourcing to India attractive, and the details to consider when choosing where, what and how to outsource:

Amplify the benefits
Amplify the benefits of outsourcing by managing the process well. There are long-term benefits to be gained – revenue uplift, access to a huge pool of specialists and redirecting of company energies onto core functions. Preparation is the key. Conduct due diligence before the relationship begins and regularly monitor your TPSP or GIC.

Mitigate the risks
Know what you are up against. Become familiar with the cultural and working-style differences that prevail in India. To mitigate risks, engage with and invest in your India team from the outset.

Choose your location
Pune and Hyderabad are emerging as the preferred shared service destinations in India, beating bigger cities like Delhi, Mumbai and Bangalore. Quality of life, climate and cost of living make these locations attractive.

Choose your model
Choose a Global In-house Centre for critical functions, and where greater control is required, data security is an issue or a high degree of industry regulation prevails. Choose a third party model where flexibility of scale and low costs are a priority. A hybrid is also possible – reap the benefits of both models.

Know the talent advantage
Know the skills you are looking for in your shared service operator. Most companies value three talents above all others: The ability to influence and build trust with overseas stakeholders, cross-cultural fluency and the strategic thinking skills that a well-chose shared service operator provides. Hire the right team and regard it as a strategic partner in the business.

Navigate for success
As the outsourcing industry has matured, shared service centres have become more capable and complex. With the right talent in place, such centres can grow into strategic business units and move up the value chain by taking on functions previously assumed by the investing firm.

“India is till the world’s preferred outsourcing destination... despite the emergence of other low-cost outsourcing spots in Eastern Europe, North Africa and South East Asia” (Nasscom).
Lower costs, higher productivity

Lower costs, higher productivity and the flexibility to scale up or down are some of the immediate benefits of outsourcing to India. There are more. We asked 100 leaders in the outsourcing industry ten questions regarding the benefits and intricacies of outsourcing to either a Global In-house Centre (GIC) or Third Party Service provider (TPSP) in India. Their responses provide valuable insights for companies considering a move to outsourcing:

1. India still the most attractive outsourcing destination in the world

Low costs, diverse talent and proficiency in English are some of the factors that make India the top outsourcing destination in the world.

India’s unique value rests on five pillars:
- Connected economy and digital-ready market
- Maturity – excellence in business delivery
- Highest volume of diverse, employable talent
- World’s fastest growing hub for employees digitally skilled in analytics, cloud, mobility and social media
- Innovation across products, business and processes

*Nasscom 2016 Report*

2. Mitigate risks – know the people you hire

The shared services industry has matured into a well-oiled machine that offers high quality services at low cost. It is prudent, however, to mitigate risks by knowing the challenges:

- Research and if possible visit your destination country
- Hire people the way you would at home
- Treat local employees as part of your team

“Culturally, Indians have a high need to experience promotions more frequently. This leads to some attrition if this need is not met.” *Head HR - US financial services GIC*
3. Clear benefits of outsourcing to India

There are clear long-term benefits to outsourcing to India, going beyond the known, immediate benefits of lower labour costs and improved productivity.

“Indians have good leadership caliber and are well-travelled around the world. This reduces the need to seed the operations with a large number of international assignees/expats.”

Head HR - German GIC

4. ‘Sweet spots’ for outsourcing

As the industry matures, shared service centres are taking on more strategic functions and becoming valuable business partners to their investing firms. Nonetheless, certain functions lend themselves more readily to outsourcing.

“Given the large pool of talent available with English language and basic analytics skills and a large pool of engineering talent, these functions represent the biggest share of the outsourcing pie currently.”

Head HR - US financial services GIC

5. When is a Third-Party Service Provider the best choice?

Flexibility, cost and avoidance of capital expenditure are among the chief reasons to opt for a TPSP.

“When the GIC is too small, talent mobility, cross skilling and retention can be a challenge. In such cases, a TPSP is the best choice.”

Head HR - German financial services GIC
6. When is establishing a Global In-House Centre preferable?

A GIC is preferable when the function is central to the business, when there is a greater need for control, when privacy is an issue and where there is a high degree of industrial regulation.

“The GIC enables much better integration of the offshore team with the onshore team, which leads to better engagement, lower turnover and higher value-add.”

CEO - US Financial Services GIC

7. Best locations

The shared service industry is dynamic and new cities are emerging as favored destinations.

“Costs in Mumbai are prohibitive. Bangalore is becoming saturated. Delhi, Kolkata and Chennai present climate, security and infrastructure challenges. Pune and Hyderabad have become the preferred locations.”

CEO - Global Consulting firm GIC

8. The right person for the job

Recruiting the right person to lead a Global In-house Centre or Third Party Service Provider is critical. An Indian person with international experience is most likely to have the exposure to global best practice and the sensitivity to Indian markets that a leader in India requires.

“Local expertise and market knowledge definitely help. With today's business environment becoming increasingly global and matrixed, international exposure provides a competitive edge.”

Head HR - US financial services GIC

Who leads an Indian shared service provider best?

- A returning Indian
- An expatriate from within the business
- An Indian who has worked overseas/with international stakeholders
- An Indian without any international exposure
9. Critical skills for local leadership

Leaders of shared service providers in India add most value to an investing firm when they combine six critical skills; look for a person whose skills most closely match the ideal, as identified by the survey.

“...The GIC’s leadership must understand the business and be able to provide strategic direction and transformative ideas, not be focused solely on operations excellence.”

*Head HR - German financial GIC*

10. Make the most of your outsourcing experience

A good outsourcing arrangement starts with hiring the right team. For the team to move up the value chain, there are nine factors to monitor, ensure and invest in. Build trust, encourage engagement, keep an eye on costs and focus on staff retention. An outsourcing relationship, properly invested in, will yield tremendous benefits.

“The key is to keep costs down while maintaining the quality of deliverables in a sustainable manner. There is no point in setting up high-quality operations that become unviable in a few years due to high cost.”

*Business Leader – Global TPSP*
Challenges
Respondents to Odgers Berndtson survey noted a number of challenges when it comes to hiring the right team to lead shared services operations in India. As in many industries, there is a talent surplus and a leadership deficit. The result is a complex jigsaw puzzle that can be difficult to navigate.

Awareness of the challenges better prepares a company to handle the process:

**Right mix of skills**

“It’s tough to find a good mix of operating and strategic experience. You either find resources that are strong in operations or want to focus on strategy only.”  
*Country Head - UK financial services GIC*

**Matching needs with candidate strengths**

“As in any leadership hiring process, we look for evidence of a candidate’s prior success and evaluate candidates against the competencies and skills demonstrated by successful executives. The placement process must match the company’s needs with candidates’ strengths.”  
*Head HR – Indian TPSP*

**Leadership costs**

“There is a dearth of internationally compatible talent in the Indian market and to that extent leadership is expensive. People of that caliber are paid on par with their global counterparts and the leadership costs are therefore seen as a dampener on the cost arbitrage story.”  
*Head HR – German retail GIC*

**People Skills**

“We’re looking for leaders with great people skills and the ability to build a high degree of trust with global leadership. Someone who is comfortable working across different cultures.”  
*Head HR – UK telecom GIC*

**Vision and ability**

“The right mix of domain knowledge and skills to be able to re-imagine operations in a new digital and technical world and the ability to strategically move up the value chain and truly be part of the global organization are critical”  
*CEO – UK financial services GIC*

**Cultural fit**

“One of the most important criteria for hiring at the leadership level is cultural fit. This is unique to each organization. Although talent is available, making an assessment on this criterion is one of the biggest challenges in leadership hiring.”  
*CEO – US financial GIC*

Find the best outsourcing partner
At Odgers Berndtson, we fit the pieces of the puzzle together thanks to our knowledge of the shared services industry, experience in sourcing key talent and rigorous assessment process.

We look forward to partnering with you as you navigate your path to success in India’s shared services sector.
Odgers Berndtson India

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