Everest Group
RESEARCH

Topic: Delivering Value Beyond Savings in the GIC Model

A Survey of Organizations with GIC Operations

Global Sourcing (GS)
Survey Report: June 2013 – Preview Deck

EGR-2013-2-PD-0891

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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies

Terminology | Global In-house Center (GIC) replacing "captive"

Context

- Historically, the term "captive" has referred to service delivery operations in lower cost geographies, which are owned and operated by the same company receiving the services (i.e., not third-party outsourcing)
- Although the term has become widely used, it has a perceived negative tone and is not self-explanatory, causing confusion for those new to the global services space
- Furthermore, many organizations, for which captive is intended to describe, do not use the term themselves

What has changed

- Everest Group has adopted "Global In-house Center" or "GIC" as the preferred term to replace "captive"
- This will appear in all of our reports and content beginning in July 2012

Growing industry-wide shift

Both NASSCOM (India) and BPAP (Philippines) are championing the change in terminology

NASSCOM®

BPAP® Business Processing Association PHILIPPINES

Background and scope of the research

Background of the research

- GIC/captive operations have become a significant portion of the global sourcing landscape
- As the GIC model matures, GICs are exploring different mechanisms to deliver value beyond cost savings to their parent organizations
- In order to effectively focus future efforts and investments on delivering value beyond cost savings, there is a need to build common understanding within the enterprise on the sources of value and the capabilities required to deliver more

This research was undertaken to gather perspectives from GIC and parent stakeholders across a wide cross-section of organizations on the following

- Current performance of GICs on cost savings and service levels
- Permission to deliver value beyond cost savings
- Focus of future delivery (prioritization of value adds)
- Key capabilities required to deliver enhanced value
- Key elements of a healthy parent-GIC relationship

The scope and methodology of this research include

- **Primary research:** Everest Group conducted survey with stakeholders from both GICs and parent organization on various dimensions (e.g., current performance and future expectations). This information forms the basis of the analysis. We also compared current results with results of a similar survey done in 2007
- **Services scope:** BPO (voice and non-voice), ITO (applications development and maintenance), KPO (e.g., reporting and analytics), and engineering services
- **Geographic focus:** Global, including Americas (North America and Latin America), Western Europe, Central and Eastern Europe (CEE), Middle East and Africa (MEA), and Asia Pacific (APAC)

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Abbreviated summary of key messages

Global In-house Center (GIC) operations have become a significant part of the global sourcing landscape. As the GIC model matures, GICs are exploring different mechanisms to deliver value beyond savings to their parent organizations. Everest Group conducted this survey-led research to gather perspectives on GICs' issues related to value beyond savings.

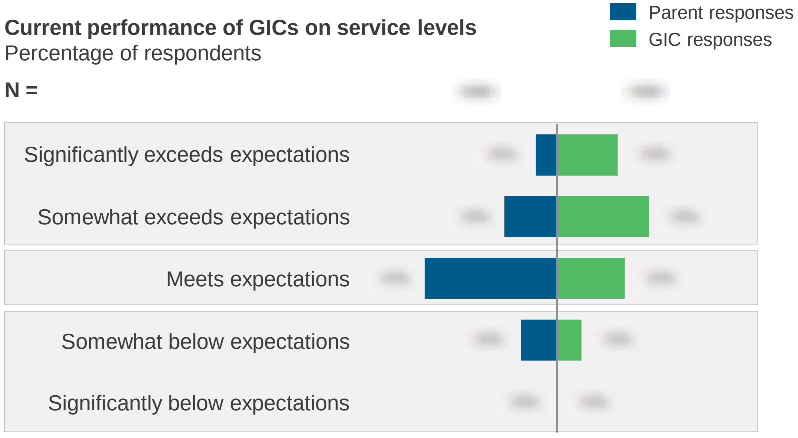
Some of the findings in this report, among others, are:

Current performance	• Compared to 2007, there is a stronger acceptance among parent stakeholders for GICs' performance on cost savings and service levels. More than 85% of parent stakeholders believe that GICs are currently delivering well on cost savings and service levels.
Permission to deliver enhanced value	• Compared to five years ago, there is stronger permission for GICs to deliver value beyond cost savings, however, the value addition is not a substitute for savings • GIC and parent stakeholders' future expectations are largely aligned on prioritization of process-related value additions, these value adds are synergistic with GICs' current performance on value additions
Capabilities needed to deliver value	• Strong parent-GIC collaboration is a critical enabler to deliver value and considered as more important than "hard" skills to deliver value • The emphasis on importance of parent-GIC relationship elements to delivery value addition is higher from parent stakeholders compared to GIC stakeholders

This study offers 3 distinct chapters providing a deep dive into parent and GIC alignment on value beyond savings; below are four charts to illustrate the depth of the report

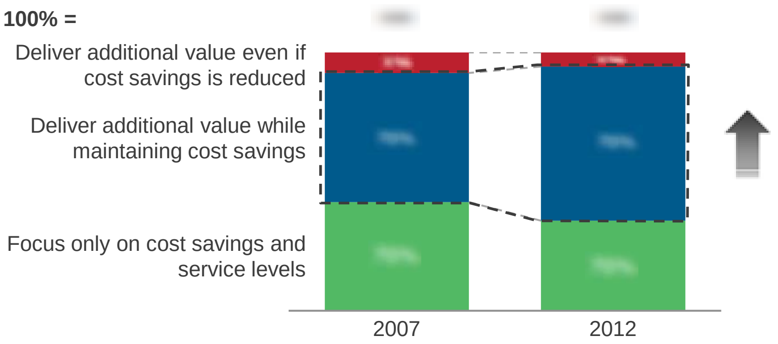
Current performance of GICs

Current performance of GICs on service levels
Percentage of respondents

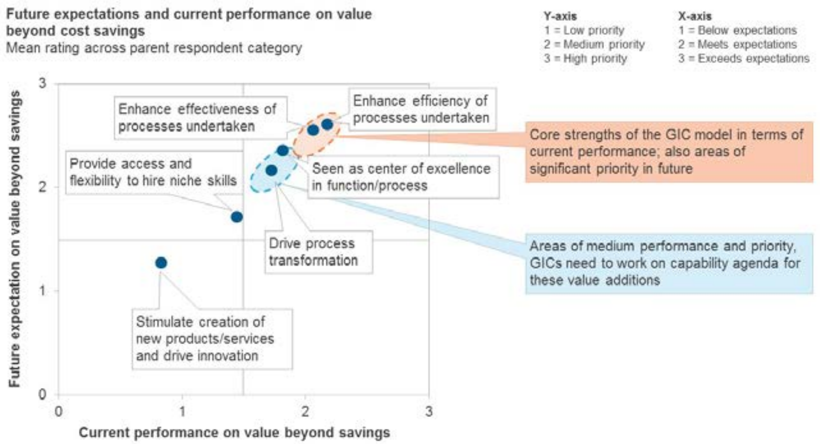


Future expectations from GIC

Future expectations from GIC
Percentage of parent responses



Types of value beyond savings



Importance of capabilities

Importance of capabilities required to deliver value beyond cost savings
Mean rating across respondents

Capability element	Importance of capabilities: GIC respondents	Importance of capabilities: Parent respondents
Leadership capability		
Functional expertise		
Technology		
Industry expertise		
Build scale to leverage learnings and drive economies		
Process reengineering knowledge and skills		

Source: Everest Group (2013)

Global Sourcing research calendar

Published | Current

Topic	Release date
Global Sourcing Trends in the U.S. Mortgage Industry	*October-2012*
Global Locations Compass – Brazil	*November-2012*
Eight Habits of Highly Ineffective Contact Center Outsourcing Relationships	*November-2012*
Webinar Deck: Global In-house Centers vs. Service Providers: Who is Winning?	*December-2012*
Webinar Deck: Global Services Developments in Q4 2012 and 2012 Year in Review	*February-2013*
Global In-house Center (GIC) Landscape in Costa Rica and Trends in Offshore GIC Market	*April-2013*
Viewpoint on Sourcing Model Strategy – GIC (Internal) vs. Third-party (External Service Provider)	*May-2013*
Delivering Value Beyond Savings in the GIC Model	*June-2013*
Global Locations Compass: Poland	*Q2-2013*
Viewpoint on GIC cost competitiveness	*Q2-2013*
GS Webinar: topic TBD	*Q2-2013*
Outsourcing and Offshoring Trends in Select Verticals	*Q2-2013*
GS Webinar: topic TBD	*Q3-2013*
Global Locations Compass: Mexico	*Q3-2013*
Global Trends in the Captive Landscape. Focus geography – Malaysia	*Q3-2013*
Viewpoint (Emerging locations in APAC)	*Q3-2013*

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Additional research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details on the topic or provide complementary content that may be of interest

1. **The Classic Sourcing Model Conundrum - Global In-house Center (GIC) vs. Third-party Provider** (EGR-2013-2-R-0875); 2013. This report discusses the considerations involved in making a sourcing model (GIC vs. third-party provider) decision and provides pointers for a robust comparison of the two models. It also covers prevalent sourcing model configurations and their applicability to various buyer situations

2. **Driving Impact through Collaboration: Collaboration in the GIC-Parent, GIC-Vendor, and GIC-GIC Ecosystem** (EGR-2013-2-R-0862); 2013. This report focuses on how GICs are collaborating with the ecosystem to drive impact and value creation. Specifically, exploring how GICs collaborate with four components of the ecosystem, namely, the parent, other GICs within the company, GICs across companies, and vendors

3. **Achieving Next Generation Excellence in the Captive Model** (EGR-2012-2-R-0660); 2012. This report provides insights on next level of value addition by captives using the Centers of Excellence (COE) model and also elaborates on commonly deployed types of COEs

For more information on this and other research published by Everest Group, please contact us:

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