

State of automotive global capability centres (GCCs) in India

December 2023



Contents

1.

Executive summary

03

2.

Automotive GCC
landscape in India

04

3.

Challenges faced by
automotive GCCs in India

13

4.

Key leading practices

16

5.

Way forward

19

6.

Conclusion

22





1. Executive summary

The global automotive industry is transforming rapidly and witnessing a sea change with emerging trends such as electric vehicles (EVs), autonomous driving, connected car technology, safety, sustainability and innovative customer ownership models. To navigate these changes, adapt to market demands and sustain profitability, automakers and their suppliers are increasingly investing in innovation, research and development (R&D), and product development. In this dynamic landscape, Indian automotive GCCs have emerged as vital players to support their headquarters (HQs). Over the last two decades, automotive GCCs in India have grown from seven centres in the early 2000s to 60+ centers today, with a revenue contribution of over USD 3 billion in FY23. These centres are significant contributors to employment generation with an estimated workforce of 1,10,000 individuals.¹

Initially established as cost-arbitrage entities for their HQs, these centres are now playing a pivotal role in driving innovation, expanding their roles to include a full-spectrum of capabilities and offer end-to-end solutions. The evolution of GCCs from cost arbitrage to value arbitrage centres signifies India's growing prominence as a strategic partner to global automotive players.

In the last decade, automotive GCCs in India have built a strong foundation based on trust and agility while adhering to cost and delivery commitments to their global headquarters. In the coming decade, we foresee automotive GCCs increasing their operations in India. However, automotive GCC leaders in India will need to overcome key challenges pertaining to global stakeholder management, talent pool stickiness and creating a sound operating infrastructure. The leaders need to re-orient their value proposition to their HQ's, collaborate with the larger ecosystem – government, startups, academia – and proactively support India's highly capable talent pool to build and deliver cutting edge solutions.

The automotive sector is poised for a significant change in the coming years and the road ahead for Indian automotive GCCs is both promising and demanding. It is time to embrace this opportunity, actively contribute to innovation and make the most of the emerging advancements in the industry.

1. PwC analysis

2.

Automotive GCC landscape in India



Tech-savvy consumers and cutting-edge technologies are reshaping the global automotive industry.

Technological advancements along with an increase in digitalisation has changed the trajectory of the automotive industry. Some of the factors which influence the changing landscape of the global automotive industry are:

1. Informed customers

Advancements in technology has made customers across the globe more tech-savvy and informed. They also have an enhanced spending capacity and greater bargaining power due to the intense competition within the automotive industry. Customers now seek personalised experiences which cater to their unique needs, pushing OEMs to adapt and customise their offerings.

2. Disruptive technologies

The focus on artificial intelligence (AI) and machine learning (ML) is driving the development of cutting-edge software for vehicles. Deep learning techniques are also being leveraged to create autonomous vehicles, while cloud computing and cybersecurity is being adopted to safeguard these innovations. Augmented and virtual reality (VR) is also being used by some automotive companies to facilitate collaboration among the developers and to enhance customer experience.

3. Evolving business models

Businesses are becoming more customer-centric and adopting direct-to-customer sales models and offering pay-per-use, subscription and leasing options to cater to consumer preferences.

4. Changing face of mobility

The mobility landscape is also being impacted by the interplay of the following factors:

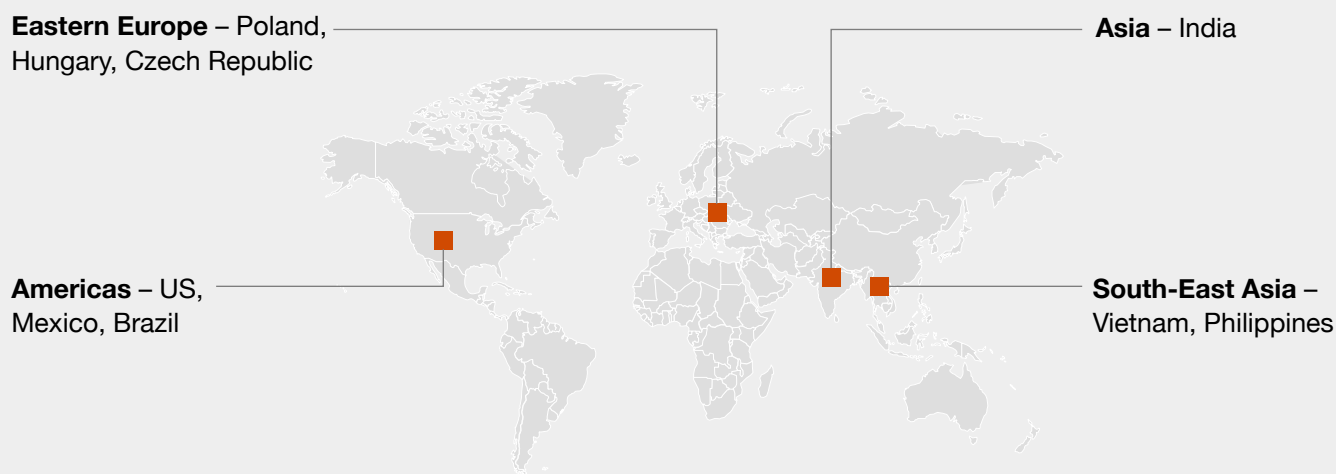
- **Infrastructure:** Shift in customer expectations for new experiences, advanced technology and focus on sustainability is fueling the growth of smart cities, growing the investments in road and connected infrastructure.
- **Shared mobility:** The rise of smart cities has encouraged shared mobility solutions with integrated multi-modal transportation, offering convenient alternatives to traditional ways through ride-hailing, micromobility and more.
- **Green energy:** Many developed and developing countries are committed to reduce their emissions in the transport sector. As a result, new-age consumers are keen on exploring eco-friendly transportation options. High investments in building electric vehicle infrastructure by the governments of these countries is further paving the way for electric mobility.

5. Dynamic regulatory environment

Governments are increasingly working towards releasing regulatory policies towards enhanced passenger safety (e.g. New Car Assessment Program) and sustainability (e.g. emission norms, ESG declarations). Changes in the regulatory environment is pushing automotive players to innovate and adapt to the changing business landscape and be future-ready by developing new-age solutions through their GCCs.

Rapid transformation in the automotive sector has created a demand for automotive engineering, R&D and innovation which is driving global automotive players to set up their GCCs and keep up with the changing needs of the industry.

Figure 1: Global presence of automotive GCCs



Source: PwC analysis

Automotive GCCs play a unique role for their HQs, based on their location, cost, talent's strength and capabilities, scalability, and agility.

India is often called the **GCC capital of the world**, constituting over 50% of GCCs in the world. Indian GCCs are transforming from support centres to strategic innovation hubs harnessing a vast and skilled English-speaking workforce along with cost efficiencies.² India's scale and capabilities allow automotive GCCs to be multifunctional and advance in areas such as electric vehicles (EVs) and connected technologies and hydrogen vehicles, driving the global automotive industry towards a future where India is not just participating in, but leading the development process.

In **Eastern Europe**, countries like **Poland, Hungary and the Czech Republic** have a highly skilled talent pool with deep expertise in the automotive domain. These regions primarily engage in pioneering work related to emerging and disruptive technologies such as autonomous driving, development of hydrogen fuel cell, electric vehicles and 3D printed components.

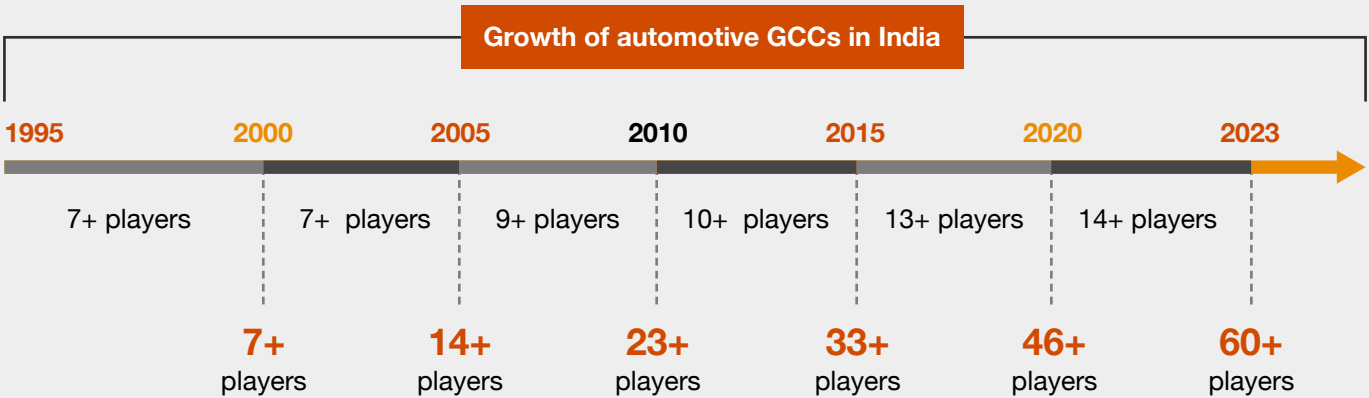
In **the Americas**, **Mexico and Brazil** serve as crucial hubs for American players due to their close proximity, time zones and cultural similarities. The presence of American automotive manufacturers in Mexico facilitates rapid support for their ongoing programmes and initiatives due to proximity and operational synergy.

On the other hand, **Vietnam, the Philippines and Thailand** are emerging GCC hubs for **South-East Asia and are a key hub for shared services (human resources, finance, etc.)**. These countries are highly competitive in terms of cost and are rapidly enhancing their engineering and innovation by leveraging their flourishing startup ecosystem in their country and establishing themselves as GCC hubs.

2. PwC analysis

Automotive GCCs are expanding at a rapid pace in India and play a vital role in the development and innovation of their HQs.

Figure 2: The Indian automotive GCC landscape has been growing rapidly, 20% of which have been established in the last three years.



Source: PwC analysis

Figure 3: Market distribution of automotive GCCs in India

Split of 60+ automotive GCCs in India

Auto component 50%	OEM 31%	Auto tech 19%
Automotive component GCCs are developing brakes, suspension, ECU, BMS, etc.	OEM GCCs are developing passenger vehicles, commercial vehicles, agricultural and earth moving vehicles	Pure technology GCCs are focused on in-vehicle automotive and simulation software

Number of players

30+	20+	10+
Total 60+ players		

Number of employees

55–60k	40–45k	5–10k
Total ~110k employees		

Source: PwC analysis



Figure 4: Growth forecast of automotive GCCs in India

Automotive GCC growth – 2030 outlook

Particular	FY23	FY26 (projected)	FY30 (projected)
Number of employees in automotive GCCs	~100k	~180k	~300k
Automotive GCC revenue (in USD)	~3 billion	~5 billion	~9 billion

Note: These numbers do not include IT service providers

Source: PwC analysis

The following drivers will fuel this growth:

- Automotive GCCs which are established in India, have won the trust of their global stakeholders. There is a greater willingness to collaborate and an increased transfer of marquee work to India which enhances the role Indian GCCs have to play in the HQ's operations. This has also resulted an increase the number of GCCs in India.
- Innovations in the automotive industry is driving organisations to have faster development cycles and continuous engineering support from the GCCs due to which the HQs are investing more in Indian GCCs.
- New virtual collaborative technological tools like VR and digital twins are enabling easier and faster collaboration between Indian GCCs and their global counterparts.



Indian automotive GCCs are building and delivering end-to-end services to their HQ across the automotive value chain.

Traditionally, the core offerings of automotive GCCs in India were engineering research and development (ER&D services). Over a period of time, these centres were able to identify additional opportunities for remote delivery and support. Due to the vast talent pool of skilled information technology professionals, integrated systems and information technology (ISIT) became one of the significant contributors of automotive GCC services. Organisations are increasingly investing in setting up shared services centres of excellence (CoE) for finance, tax and customer support, to streamline their global operations. Emerging opportunities related to software and data-led innovation is also gaining popularity in Indian GCCs and drawing investors from across the globe.

Figure 5: Split of the number of automotive GCCs contributing to ER&D, ISIT, innovation and shared services (non-exclusive coverage of services)

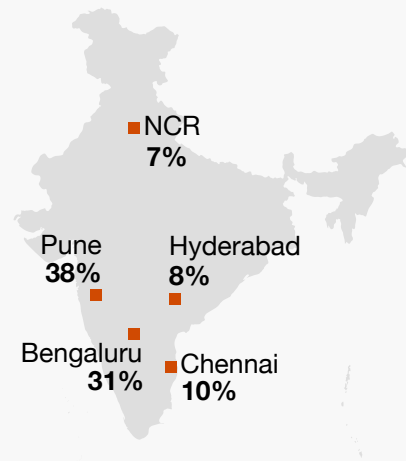


Presence of automotive GCCs in India: Metros and Tier-I cities lead while Tier-II and III cities emerge as support hubs.

Figure 6: The presence of automotive GCCs in India

94% of automotive GCCs are present in **metro/Tier I** cities with the remaining **6%** in **Tier II** cities.

41% of automotive GCCs have their **presence** in **more than one location**.



Source: PwC analysis

Metropolitan and Tier I cities are fueling the growth of GCCs in India, while Tier-II cities are playing their part in supporting development in areas such as remote testing and validation.

Metros and Tier-I cities are the primary choice for automotive GCCs due to:

1. Availability of technical talent pool

The availability of a large talent pool with technical and engineering expertise, particularly in renowned IT hubs like Bengaluru, Pune and Hyderabad. Additionally, these cities are home to some of the top engineering institutions in India which ensure a continuous supply of graduates in technical subjects.

2. Connectivity and flexibility

Enhanced connectivity, including the presence of airports, well-connected road and rail network, and the adoption of hybrid work models enhances both employee flexibility and provides quick access to their hometowns.

3. Real estate facilities

GCCs are usually located in IT parks in cities which offer state-of-the-art facilities which appeals to the employees. Growing residential infrastructure with all-inclusive facilities further enhances the standard of living in these cities and makes it easier to retain employees who come from various parts of the country.

4. Scale

Ease in setting up operations through satellite offices in metros and Tier-I cities due to the availability of outsourcing vendors, co-working spaces and IT parks which enables the GCCs to set up their operations and scale business at a rapid pace.

5. Testing facilities

The availability of automotive testing labs such as Global Automotive Research Centre (GARC), International Centre for Automotive Technology (ICAT), National Automotive Test Tracks (NATRAX), National Institute of Automotive Inspection, Maintenance and Training (NIAIMT), and Automotive Research Association of India (ARAI) further augment ER&D and drive innovation for automotive GCCs in India.

6. Networking and growth

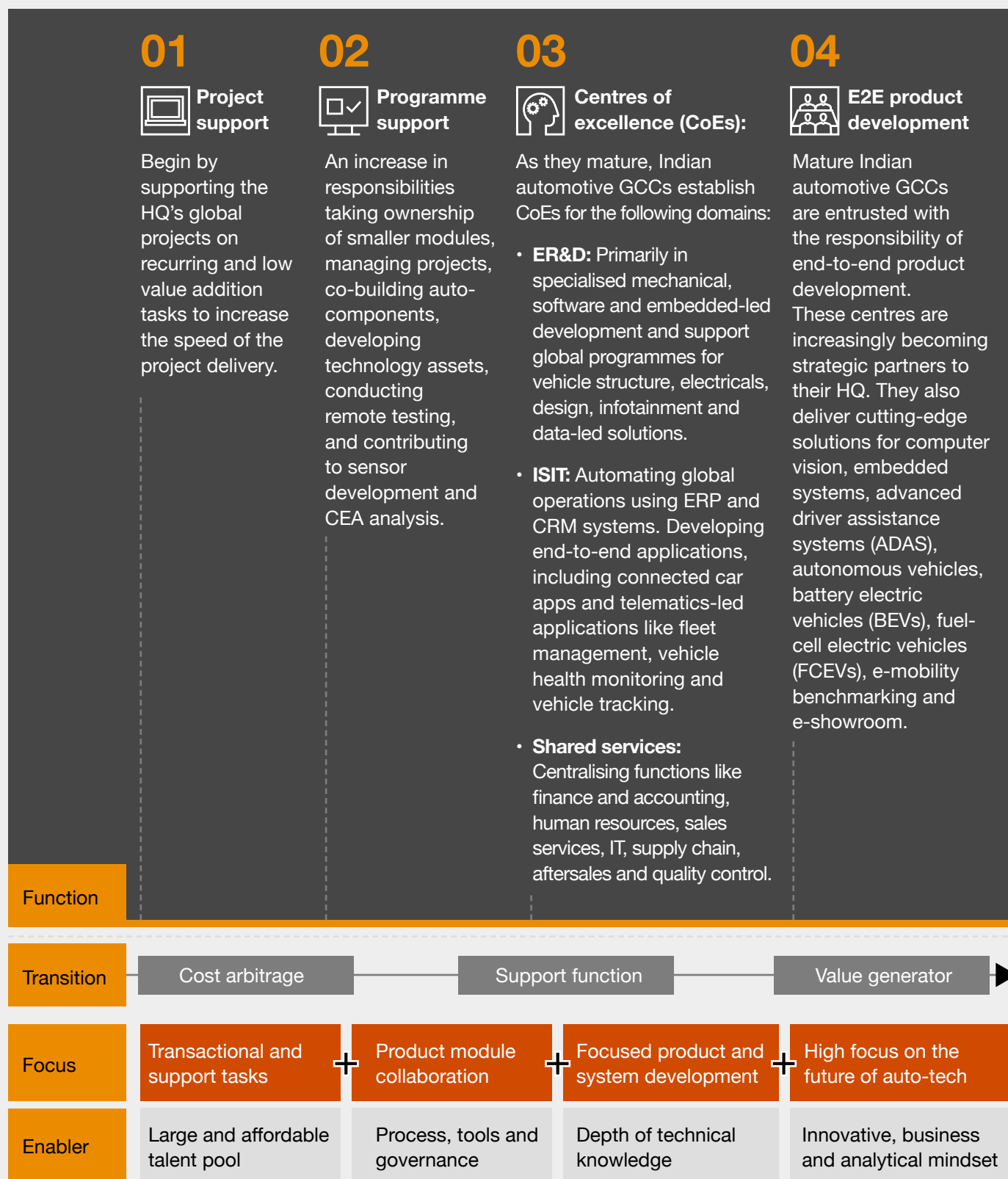
These cities nurture innovation and growth by connecting highly skilled professionals through multiple events and creating a sound platform for networking opportunities across the ecosystem.

The differentiation between metro and Tier-I and Tier-II and III cities is becoming less about capability and more about strategic positioning. While metro and Tier-I cities continue to lead in terms of established corporate ecosystems, Tier-II and III cities are carving out a niche for themselves by offering cost-effectiveness, alternative workforce, and the availability of large portions of land to set up the operations making them preferred destinations for the next geographic expansion for automotive GCCs.

Indian automotive GCCs have evolved from traditionally providing back-end support to their HQ, to being at the forefront of automotive innovation.

Figure 7: The evolution of the role of automotive GCCs in India

Indian automotive GCCs are no longer considered offshore support service centres but are playing a greater role in the complete lifecycle management of their HQ's operations. The traditional stages of the evolution of the role of Indian automotive GCCs is given below:



Given below are some of the strategies which have been adopted by automotive GCCs to scale up and transform themselves into valuable contributors for their HQs' operations:

1. Transition from global support to global transformation

Most automotive GCCs adopted the strategy of providing support to global operations to prove their capabilities and eventually gain an opportunity to provide end-to-end development solutions. Typically, a journey of 4–5 years begins by actively supporting projects through **execution of simpler and smaller tasks** (e.g. individual parts design and support, testing, prototyping), **transitioning to building CoEs** (e.g. embedded systems, cybersecurity, vehicle design) and participating in large complex global projects.

2. Single focus to multifunctional focus

Embarking on their journey by **initially focusing on one core function** (e.g. ER&D, ISIT, shared services), strengthening the competency and then scaling up their operations by adding other functions. The typical duration for this transition is 2–3 years.

3. Prove locally, move globally

In this strategy, GCCs **demonstrate their competency** to global stakeholders by **building strong capabilities** tailored for the **local market** (India) to secure global end-to-end (E2E) projects. The duration for the transition to global market is usually 5–7 years.

4. End-to-end development

Most automotive GCCs who have established their operations in India in the last 4–5 years, focus on **value generation and working on end-to-end services** instead of being a cost arbitrage centre. Their strategy is clear and aligned with their HQ, to focus on core innovation and are actively building new-age technology competencies. The duration for this transition is typically 3–5 years.

Indian automotive GCCs have enhanced their global competitiveness by developing their capabilities in the following areas:



Digitalisation and tech design

Digitalisation is at the core of automotive GCCs in India as they develop cutting-edge technologies to transform **product design processes, enhance cybersecurity, implement blockchain solutions, leverage advanced analytics** and improve manufacturing, maintenance, operations, and sales and marketing. For example, many automotive manufacturers are developing mobile applications integrated with the vehicle electronics and infotainment systems.

01



Embedded systems

Indian automotive GCCs specialise in the development of vehicle technologies like active and **passive safety systems, software-defined vehicles, autonomous vehicles, sensors, connected cars and e-powertrain management** leverage the power of the IoT to seamlessly incorporate hardware components. For example, auto-component GCCs are developing sensory ecosystems to detect low speed impacts, vandalism, road conditions, driver voice identification.

02



AI and ML

Automotive GCCs in India are harnessing AI/ML to **enhance in-vehicle customer experience** through voice or gesture activated commands and controls. OEM GCCs are developing in-vehicle application for their EVs, to optimise navigation routes and reduce range anxiety.

03



Product design and development

Automotive GCCs in India are developing end-to-end processes, technologies and products for global use taking **responsibility for the entire product lifecycle right** from conceptualisation to end-of-life management. Certain auto-component GCCs are developing end-to-end passive safety systems in India.

04

India advantage in the automotive GCC industry

India is rapidly emerging as a hub for automotive GCCs as HQs are leveraging its vast and dynamic talent pool, advanced technological capabilities, strategic locations and the supportive ecosystem for innovation and growth.



Scale

India leads the way in scalability, surpassing Eastern Europe, North America, and Southeast Asia. With over **eight lakh engineering and technology graduates** annually, India's vast talent pool is a driving force in global technological innovation and industry growth.³

The centre head of a German OEM states that India has limited competition when it comes to scaling up. Development centres in other regions can grow at a rate of a maximum of 100 employees a year while in India they can scale up more than a 1,000 employees a year.



Cost

Although GCCs in South-East Asia are gaining in terms of cost competitiveness, **India** continues to be the **most cost-effective choice for GCCs** globally across the cost of land, operations, manufacturing and talent.

According to the centre head of a Japanese OEM, India is better positioned from a cost perspective compared to North America, Europe and Japan, but when compared to South-East Asia, India is almost at par.



Skilled workforce

With a large talent pool specialising in software, embedded systems, electronics and electric mobility, Indian GCCs are enhancing their capabilities with the support of technological innovations. This agile workforce is known for rapid prototyping and utilises technologies like AR, digital twins, 5G connectivity and cloud computing to collaborate remotely. Strong data analytics teams enable OEMs to understand and engage with customers more effectively.

The strategy head of an auto-component GCC says that while India may be slow to adopt, it is fast to adapt to changes and keep up with global trends.



Attractive locations

Major metro cities along with Tier I, II and III cities provide **state-of-the-art infrastructure, connectivity and skilled workforce** from across the country. For example, Gujarat's GIFT City and the Telangana Mobility Valley are welcoming GCCs by offering modern facilities and incentives to GCCs.^{4, 5}



Startup and service ecosystem

Ranking third globally, India thrives on its **startup ecosystem** and numerous incubation platforms which fuels the growth of a tech-driven innovation ecosystem. As of October 2023, there are over **one lakh startups** and over **100 unicorn companies** with a total valuation of **USD 350 billion**. Additionally, the **IT service provider ecosystem** offers immense support to GCCs for augmenting staff quickly and increasing scale.⁶

3. <https://facilities.aicte-india.org/dashboard/pages/dashboardsaicte.php>

4. <https://www.giftgujarat.in/business#businessSectors>

5. <https://telangana.gov.in/PDFDocuments/Telangana-Industries-Dept-Annual-Report-2022-23.pdf>

6. <https://www.investindia.gov.in/indian-unicorn-landscape#:~:text=Startup%20Ecosystem%20in%20India,as%20of%2003rd%20October%202023.>

3.

Challenges faced by automotive GCCs in India



Figure 8: Challenges of automotive GCCs in India

Though there is a rise in the number of automotive GCCs in India, they are encountering a range of challenges such as maintaining synergy with headquarters, nurturing and retaining talent, and adapting to shifts in the operations. Figure 8 highlights some of the challenges of the automotive GCCs in India:



Stakeholder management at the HQ

It is important to manage the stakeholders both at the GCC as well as the HQ since a coordination between both is necessary for the smooth operations of the GCC. Some of the challenges GCCs face when it comes to stakeholder management are:

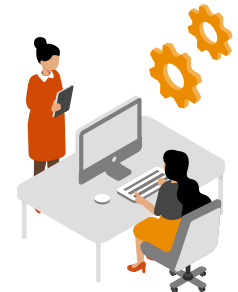
- **Perception of the HQ:** Most HQs tend to perceive Indian GCCs as a support function for cost arbitrage rather than an E2E project delivery hub. They also have concerns related to delivering solutions from a remote location.

The centre head for a North American OEM observed that global stakeholders still look at India as a cost arbitrage centre and that Indian GCCs are constantly in the race to prove their capabilities to win end-to-end ownership of project.

- **High dependence on relationship with the global sponsor:** The success of a GCC is dependent on the relationship and alignment of goals between the HQ sponsor and the Indian GCC head. Many automotive GCCs do not have the required support from their board members at the HQ and in many cases HQs are hesitant to scale up their operations in India due to a lack of confidence in the growth and delivery potential of the GCCs. Since the decision-making power lies with the HQ, it becomes difficult for automotive GCCs to expedite investments, procure budgets and take decisions related to recruitment.

The centre head of a Japanese OEM GCC believes that alignment with top management is key in winning the right kind of business and not having to justify the cost vs the cost of an outsourced partner.

- **Low collaboration:** HQs are often hesitant to delegate the ownership of flagship projects to GCCs due to job insecurity, fear of losing project control, utilisation and career development of the employees at the HQ. They are also reluctant to share the knowledge gained from projects with its offshore centres due to the fear of losing projects.





Nurturing and retaining talent

Many GCCs also face the problem of upskilling the workforce and retaining talent within the industry as they face tough competition from new players and emerging startups. Some of the challenges related to the workforce are:



- **Low expertise in advanced automotive tech:** There is a gap in curriculums across the automotive engineering institutions in India along with a lack of courses which are specific to new-age automotive technology such as electric mobility, autonomous vehicles and hydrogen vehicles. There is also a lack of availability of trained workforce with low practical experience even if they are qualified.
- **Retaining talent:** Automotive GCCs have an average attrition of 15–20% primarily due to the following reasons:
 - Well-funded startups and pure-tech players provide opportunities to work on cutting-edge technologies which appeals to the workforce.
 - Since the growth opportunities of the engineers are generally not well-defined, they often seem dissatisfied and seek to change their employers in order to find better opportunities.

According to the centre head of a Japanese OEM, automotive GCCs are witnessing attrition at an average of 15% due to the lack of high-quality work, job dissatisfaction and competition from pureplay technology players.



Operational challenges

Automotive GCCs also face various operational challenges due to the shift in work dynamics and employee preferences. Some of these challenges are:



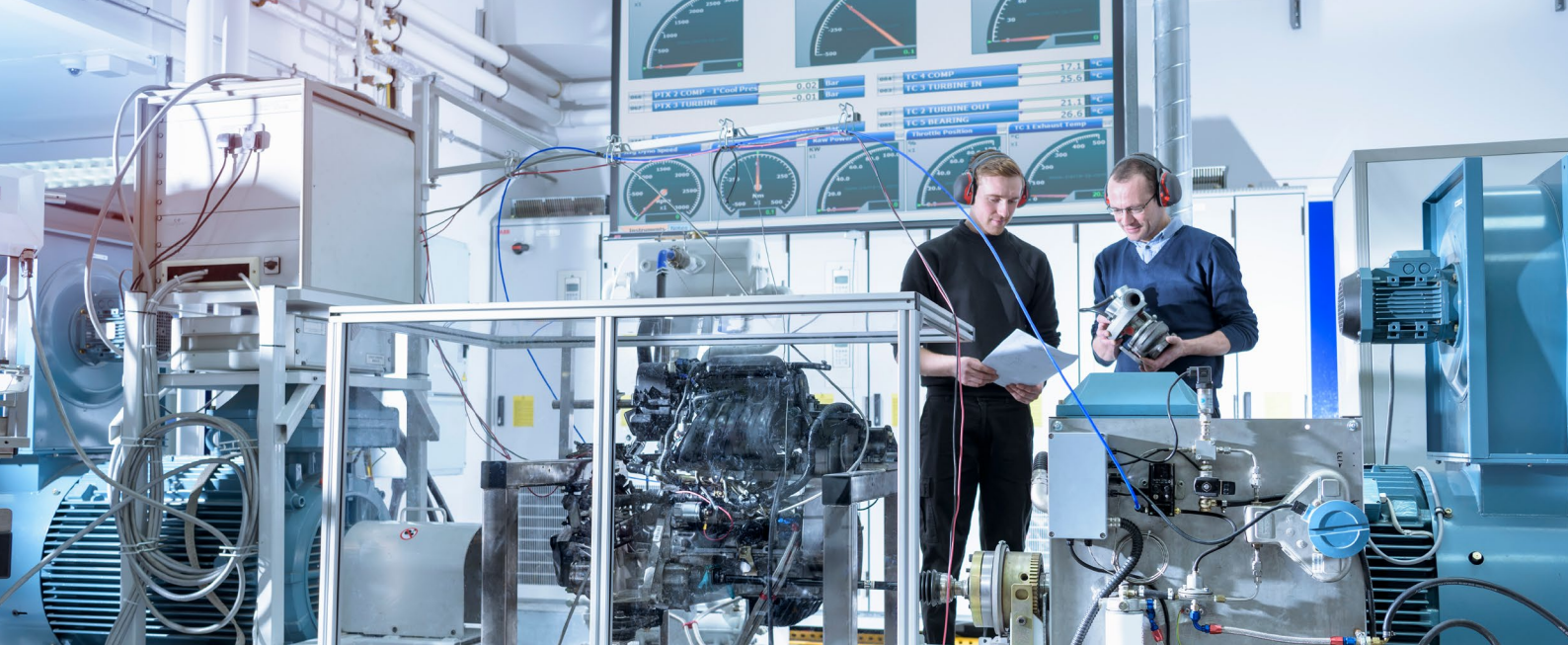
- **New ways of working:** The shift to hybrid and work from home working models after the COVID-19 pandemic poses a challenge to retain talent as automotive GCCs are often required to work on-site to foster increased collaboration.

According to the centre head of a North American OEM, bringing talent back to working on-site has been a huge challenge since COVID-19.

- **Difficulty in selecting the right location:** People from metros and Tier-I cities are often unwilling to move to Tier-II and III cities and prefer employment opportunities in their own cities. Therefore, many GCCs face the challenge of the high cost of running operations in these cities, particularly for large shared-services centres.

Another centre head of a Japanese OEM also noted that his organisation faced huge attrition in the last two years, primarily because their centre is located in a Tier-II city, and they were unable to provide the flexibility of work which the employees ask for today.

- **Building infrastructural capabilities:** Insufficient budget allocations and long-drawn processes for approvals from the HQ often hinders innovation in the GCCs. Insufficient funds for testing also prevents the GCCs from developing new-age technologies.



Shortfalls against other nations

While Indian automotive GCCs are adapting to global transformation and making strides in the automotive industry, they must acknowledge and work towards the gaps in their offerings as compared to their global counterparts.

- **Deep automotive capabilities:** Eastern European nations emerge as the top choice for setting up ER&D and innovation hubs due to the deep automotive knowledge of their talent pool. Institutions in Eastern European countries have practical industry experience in addition to technical education which results in a workforce which is skilled in the practical aspects of automotive innovation.



The centre head of a German OEM GCC insists that India needs to invest in capability building, prove its competence and become a reliable partner rather than being a need-based partner.

- **Proximity and culture:** The geographical distance between India and the automotive hubs makes it difficult for HQs to offshore marquee projects. Automotive players in the US prefer Mexico as their offshore hub owing to presence of the manufacturing operations, convenient time zones and similarities in culture. Similarly, automotive players the UK and Europe prefer Eastern Europe for vehicle design due to their talent's deep understanding of global customers.

The centre head of an OEM GCC believes that it is important to understand the global way of working and training employees on topics related to product, people and the global culture.

- **Regulatory environment:** GCCs often find it difficult to navigate the Indian tax laws particularly related to the ambiguities on transfer pricing, and incentives available to them through special economic zones (SEZs) and software technology parks of India (STPI). Governments of certain countries like Mexico, actively encourage GCCs by subsidising a portion of salaries and providing financial support for research projects.
- **Ambiguity on data privacy laws:** Though GCCs abide by the global standards of data privacy and security, India's Digital Personal Data Protection (DPDP) Act 2023 also needs to be considered for their India operations. However, the complete implications of the DPDP Act on GCCs is yet to be determined as the organisations are trying to understand the nuances of the Act and modifying their approach as the framework evolves.

To strengthen their position as contributors and not as a support functions, Indian automotive GCCs need to work towards mitigating these challenges by devising remedial strategies in collaboration with the HQs, local academic institutions and the government.

4.

Leading practices



As automotive GCCs in India seek ways to enhance their role in the global market and gain autonomy for their operations, their focus should be on establishing a vision which focuses on quality deliveries, forging relationships with the key stakeholders and becoming a valuable contributor for their HQs. Below are the key leading practices GCCs can focus on:

Figure 9: The leading practices for automotive GCCs in India



Source: PwC analysis



Well-designed strategy and vision aligned to the HQ's goals

For the successful establishment and growth of an automotive GCC, it is important to have the right strategy and vision with a thorough evaluation of the areas where GCC can complement the HQ. Some of the areas GCCs can focus on are:

- **Developing a five-year roadmap** to scale up and optimise their operations.
- **Selecting the ideal location** based on factors such as talent availability, real estate opportunities and proximity to key partners and markets.
- **Developing a well-defined talent strategy** with a stable mix of in-house and outsourced resources.
- **Building a strong base by hiring experienced and motivated talent** which ensures high-quality delivery during the developmental years of the automotive GCC.

According to the centre head of a German OEM, their centre's initial strategy was to work on cutting-edge technology. After proving their capabilities in this work and gaining the trust of their HQ, they expanded their role to become a multifunctional GCC and diversified their scope to other functions like shared services and ISIT.





Building strong relationships with the stakeholders at the HQ

For a successful collaboration between newly established automotive GCCs and the HQ, automotive GCCs must look at the following elements while building their foundation:

- **Build trust** by delivering consistently and focusing on high quality deliverables.
- **Continuous engagement with the HQ** along with frequent face-to face interactions.
- **Showcase their capabilities** by delivering successful projects for the domestic markets to win transformational projects for global markets.
- **Collaborate with the global teams and adapt** to their style of working being agile, flexible and cooperative.
- **Represent themselves at the HQ** by continuous engagement between the GCC and the HQ's senior members and establishing their presence at the HQ.

The centre head of a German OEM noted that having presence at the HQ premises is important as it played a crucial role for the centre in building trust with global stakeholders.

Centre head at an American OEM states how they have built trust with their HQ, and do not always wait for direction from them. Instead, they go to the HQ on how they can add value on specific areas.



Focusing on delivery quality and consistency

To ensure operational excellence with their organisation, automotive GCCs in India need to look at:

- **building a strong operational foundation** by building their own processes, key performance indicators (KPIs) and standard operating procedures (SOPs) which are suitable to their functional operations.
- **enabling high delivery output** by investing in world class technology and software, testing and prototyping facilities, and ensuring seamless delivery of projects.
- **focusing on building strong in-house teams creating a collective vision**, differentiating themselves from service providers.

According to the centre head of an American OEM. GCCs must not over-commit on deliverables, but must evaluate their capabilities and focus on high quality rather than high quantity of their deliverables.

The centre head for a German OEM notes how they prioritise innovation-based targets over numeric targets, instilling a spirit of innovation and value creation within their teams.



Creating opportunities which nurture talent

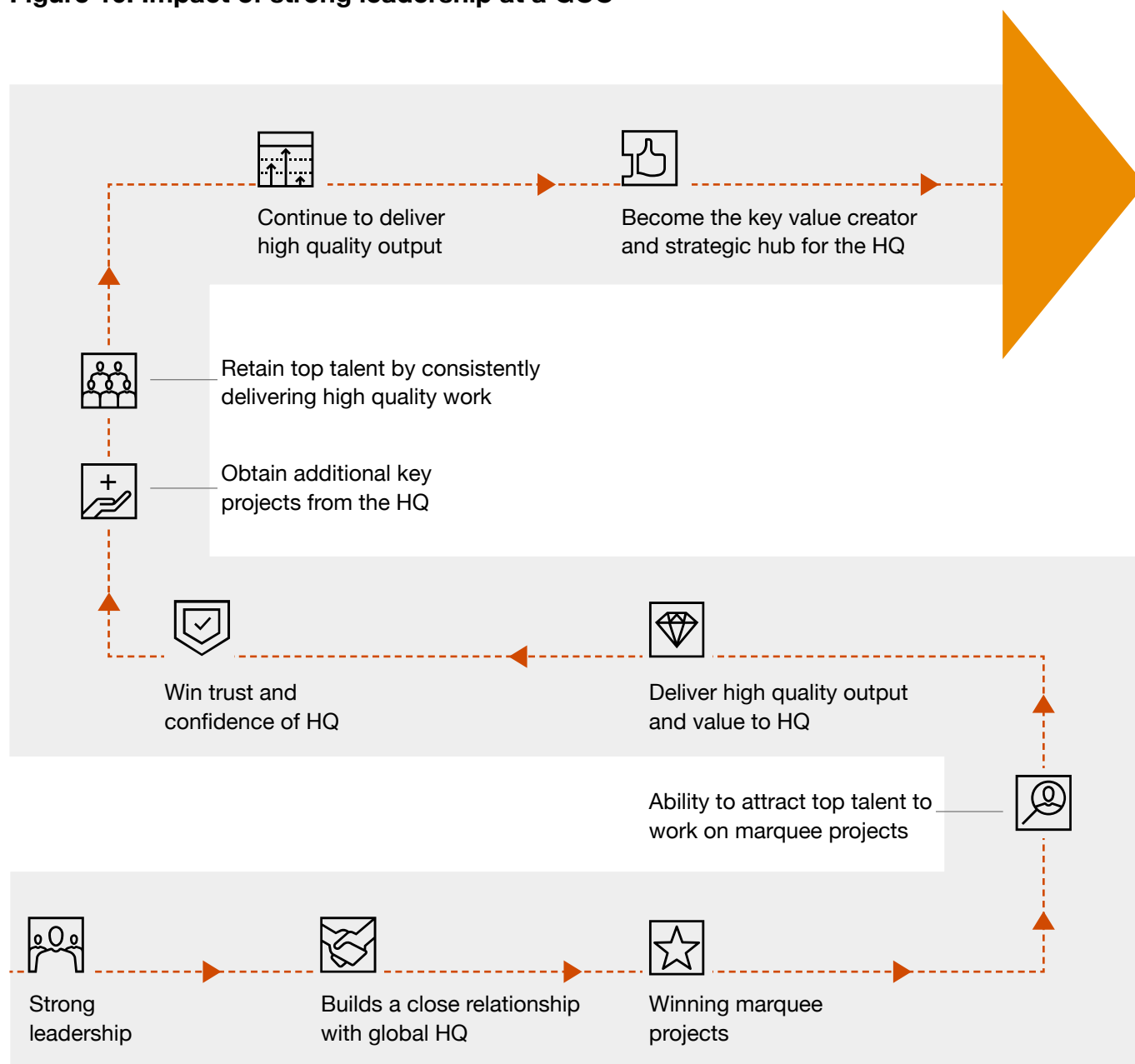
To build a culture which fosters talent GCCs must:

- **invest in holistic training and development which enables** them to innovate and build IP, increase collaboration within the GCC and the HQ, and provide training sessions with subject matter experts (SMEs) for competency building.
- **provide flexibility** by establishing a hybrid-working model, providing job rotations and freedom in choosing career paths.
- **introduce** appropriate rewards and recognition programmes which encourages employees to take more initiative and perform better.
- **look after the employees' physical and mental wellness** by introducing global best practices in HR policies such as inclusive policies, engagement and networking opportunities, sufficient downtime from work, providing counsellors for mental and emotional support, and encourage activities for physical wellbeing.

The centre head of a German automotive component company suggested that giving job rotations to employees increases their exposure, builds new capabilities, and reduces job saturation and attrition.

The leadership at a GCC is one of the most crucial elements in ensuring success and in driving the evolution of the GCC to becoming a value creator for their HQ.

Figure 10: Impact of strong leadership at a GCC



The success of an automotive GCC hinges on the leadership's ability to forge a robust bond with the HQ by communicating their vision for the GCC and setting up the path for success. Figure 10 illustrates how leadership plays an integral role at each step of the operations and can enhance the role of the GCCs within the HQ and the greater GCC ecosystem. High output with low supervision helps the GCCs in earning the trust of their HQs and cement their role as a vital contributor to the HQ's operations. This trust can then help the GCCs in securing flagship projects, attract better investments and help them in retaining talent.

5. Way forward



Automotive GCCs are expanding their presence and the next decade will witness the scaling up of these GCCs in India. However, in order to grow successfully, it is imperative for the GCCs to build the right capabilities and re-orient their value proposition by considering the following points:

Figure 11: Way forward for automotive GCCs in India



 Building capabilities	Automotive GCCs must be up-to-date with current and upcoming automotive trends and identify capabilities which need to be developed to have an edge against the other players in the sector. Some areas where GCCs can focus on are: • Build capabilities on disruptive automotive technology such as ADAS, autonomous electric and hydrogen vehicles, software defined vehicles, telematics and vision-based technology. • Digitisation of systems and use of technological tools such as generative AI, ML, deep learning, digital manufacturing, cloud, CRM, ERP, RPA, document management system (DMS), warehouse management systems (WMS), transportation management systems (TMS) and over-the-air (OTA) updates. • Enhanced R&D of sustainable materials for manufacturing operations to achieve ESG targets – bioplastics, biomaterial, vegan leather. • Enhancing core automotive capabilities – vehicle aerodynamics, vehicle architecture, chassis and body in white (BIW) design.
---	--





Integrate GCCs with their HQs

Many automotive GCCs work in silos and often wait for the HQ's decisions which restricts them from operating independently. To gain the trust of the HQs, GCCs must focus on:

- enabling **cross representation** by conducting employee exchange programmes between the HQ and the GCCs.
- prove their competence as a **problem solver** and become the **first responder**, and shift the cycle of internal problem solving at the HQ to consulting the GCCs at the first stage.
- promoting a **one-team culture** and increase collaboration between the senior managers of HQs and GCCs.



Measure and drive value

It is imperative for GCCs to identify value metrics in addition to the existing traditional KPIs to highlight their long-term value to the HQ which will enable them to become a transformation centre in the long run. Key areas where the metrics should be appended are:

- **financial metrics** – revenue contribution, industry growth, R&D investment, patents filed, IP creation.
- **non-financial metrics** – stakeholder satisfaction, energy efficiency, carbon emissions, waste reduction, diversity and inclusion, fair labour practices, compliance and transparency.



Focus on innovation

It is important for GCCs to innovate to keep up with the rapidly changing automotive landscape. Indian GCCs have an advantage due to the large startup ecosystem of the country along with reputed academic institutions which generates a vast pool of skilled workforce. Some initiatives which the Indian GCCs can take to focus on innovation are:

- set up an **incubation programme** within the GCC.
- introduce **rewards and recognition programmes** for transformational ideas with allocated budgets to run pilots.
- **collaborate with startups** to build upon existing and upcoming R&D initiatives.
- conduct **hackathons and innovation programmes** with academic institutions.



Collaboration with the local government and academia

Driving the growth of the sector further will require collaborative efforts of the government as well as the academia of the country. By collaborating with the Government and the academia GCCs can seek enhanced inclusion in the automotive industry and build a talent pool with strong domain expertise. Some ways in which the GCCs can collaborate with these institutions are:

- **Academia:** Engage with institutions and provide insights for developing the curriculum which is aligned to the latest technological developments in the automotive industry, and provide internship opportunities to the learners. Organisations can also conduct training sessions and set up innovation hubs for the learners to encourage innovation, collaboration and hone their practical skills.
- **Government:** Automotive GCCs can with government bodies to define GCC-specific trade policies, tax structures and incentives. The government can support the GCCs by building modern facilities and improve the connectivity to technology hubs to facilitate the setting up of these centres.



Transform their impact on the end-customer

Given India's proximity to global automotive hubs and cultural differences, it is imperative for Indian GCCs to showcase their knowledge and understanding of global markets and end-customers. This will empower the automotive GCCs to build end-to-end products for global markets. Automotive GCCs should invest in technology and trainings with a focus on:

- **big data** to capture data and gather customer insights.
- **generative AI** to understand the main trends in the datasets and provide insights.
- **digital twins** to collaborate with stakeholders and colleagues across the world to develop products and design remotely.
- **conduct customer interaction programmes** with end customers across regions to identify nuances in customer preferences.



Build talent for the future

Building and nurturing talent should be a priority for Indian automotive GCCs. This can be achieved by developing a training plan which covers:

- **training and development** by investing in upskilling programmes to ensure that talent is up-to date with the current automotive trends.
- **introducing talent management KPIs** talent sourcing and assignment, performance management, employee retention, skill mapping and growth, delivery quality metrics.
- **collaboration with institutions** to provide internship opportunities and practical training to students.
- **Implementing culture and wellness programmes which focuses** on employee wellness and ensures that the employees are motivated.



Tax implications and incentives

Automotive GCCs should have a deep understanding on navigating the tax laws in India, being mindful of tax implications and leverage the incentives available to them:

- Aligning **transfer pricing (TP)** outcomes with value creation to assess issues relating to intangibles being created in India.
- Ensuring that current tax policy remains **compliant with local tax laws and regulations** including potential inter-company remuneration structure for various category of services undertaken by GCC.
- **Evaluating state benefits** (stamp duty benefit, tariff benefit, etc.) based on the location envisaged and a strong business case to avail the same.

6. Conclusion

The rapid transformation in the automotive industry has led to an increase in the demand for round-the-clock engineering, R&D and support services. Indian GCCs can be a strategic asset to meet these requirements for global automotive organisations to deliver high value to their HQs at optimised costs without compromising on quality and profitability. As automotive organisations look at setting up and expanding their GCC operations in India, they must consider the following levers:



Set a clear vision and strategy for growth based on the emerging technologies and the services which Indian GCCs can offer.



Deploy the right operational enablers (e.g. organisational structure, governance mechanism, infrastructure, digital tools) to ensure coordination with the HQ and other global centres.



Ensure that the GCC's roadmap for talent acquisition, development and retention is well-defined to meet the expectations of the HQ.



Identify ways to enhance workforce productivity through opportunities to collaborate with their peers across the globe, working on challenging projects and aligning the value metrics and KPIs to the HQ's goals.



Ensure enhanced regulatory compliance by setting up strong internal processes, governance structures and risk mitigation mechanisms.

The road ahead is full of opportunities, and it is up to the Indian automotive GCCs and their HQs to devise a strategy which can benefit them equally, foster collaboration and build the trust in their capabilities.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with over 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2023 PwC. All rights reserved

Contact us:



Kavan Mukhtyar
Partner and Leader – Automotive
PwC India
kavan.mukhtyar@pwc.com



Rajesh Ojha
Partner and Leader – GCC Markets
PwC India
rajesh.ojha@pwc.com

Authors

Yogesh Thakar
Director, Automotive Sector – Advisory
PwC India
yogesh.thakar@pwc.com

Manan Tolat
Senior Manager, Markets
PwC India
Manan.tolat@pwc.com

Anshul Vanvaria
Associate, Automotive Sector – Advisory
PwC India
anshul.vanvaria@pwc.com

Joel Patel
Specialist, Automotive Sector – Advisory
PwC India
joel.patel@pwc.com

Editorial

Rubina Malhotra

Design

Harshpal Singh



pwc.in

Data Classification: DC0 (Public)

In this document, PwC refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2023 PricewaterhouseCoopers Private Limited. All rights reserved.

HS/December 2023 - M&C 33699