McKinsey & Company

Global Capability Centers Mexico Forum

McKinsey

October 11th, 2024

Agenda

Start time	Description	Host
8:00 AM	*Arrivals and registrations*	
8:15 AM	**Breakfast (Coffee & pastries)**	
9:00 AM	**Welcome and introductions**	**Miguel Ángel Alcaraz,** Partner, Operations leader, McKinsey **Philipp Haugwitz,** Partner, Co-lead of the GCC Practice, McKinsey **Hector Goya,** General Manager, WPP Shared Services
9:15 AM	**McKinsey's Global Capability Centers (GCC) journey**	**Miguel Ángel Alcaraz,** Partner, Operations leader, McKinsey **Philipp Haugwitz,** Partner, Co-lead of the GCC Practice, McKinsey
9:45 AM	**Industry trends & survey insights**	**Amit Vashisht,** Associate Partner, Co-lead of the GCC Practice, McKinsey **Luis Aguilar,** Director, GCC Latam, McKinsey
10:30 AM	*Break*	
11:00 AM	**Panel**	**Philipp Haugwitz,** Partner, Co-lead of the GCC Practice, McKinsey **Rodrigo Reygadas,** Sr. Director McDonald's Capability Center **Brian Teper,** Lead Strategic Accounts DataArt
11:30 PM	**Round tables** (3 break out rooms to discuss one topic each)	**Talent Strategy** **GenAI and Scaling Automation** **Scaling new services / capabilities**
12:00 PM	**Round tables debrief**	One to two persons per round table presents key insights from discussion in plenary
12:15 PM	**Coffee break & network**	
1:00 PM	**Mexico's Global Capabilities Centers Vision**	
1:30 PM	*End of event*	

McKinsey’s Global Capability Centers journey

The Firm moved from global global-shore centers in India, to a more near shore model with centers in each region, migrating 6 main

This strategy was driven by the following rationale

The centers have become important talent pools for specialized services, including solutions teams, analytics resources, and research & innovation, in addition to providing classic support to consultants

Better career and development opportunities for support staff due to critical mass, easier knowledge exchange and cross-functional location of teams

Improvement of service to consultants (24/7 support model, harmonized support, visibility of best practices and driving innovations)

Since 1997, McKinsey created McKinsey Global Capability Centers in off-shored or near-shored locations, which now houses

Part of our support staff

and shifted

FTEs to Global Capability Centers

Key learnings that have helped drive the success of McKinsey's Global Capability Center

1 Stop waiting – start and be aspirational

- Generate a true-to-life success story and have early pioneers become cheerleaders for Global Capability Center
- Be aspirational in terms of the vision

2 Let talent drive the network's shape

- Talent is critical to meet current and future needs
- Identify pools of talent which match needs and aspirations of a function and let that be a key determinant for footprint

3 Invest time thinking about footprint

- Think how to architect overall footprint structure: onshore vs near shore vs global-shore
- Take time on specific location selection

4 Strong values attract valuable people

- Let your Global Capability Center be an extension of your organization rather than treating it as an arms length operation

5 Make improvements truly continuous

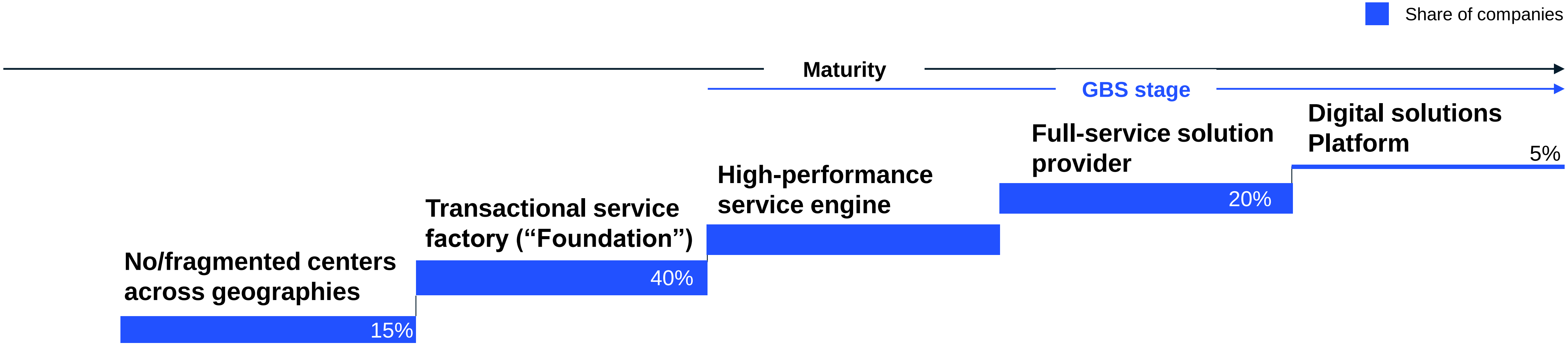
- Have a Global Capability Center culture and leaders which are committed to continuous improvement
- Improvements made through better technology (AI) workflow allocation, being customer centric, etc.

6 From administration to innovation

- Centers can become places of innovation
- This comes by centers scaling up innovation developed in other parts of a firm, or becoming a source of new innovation themselves

Industry trends shaping NextGen in Global Capability Centers

We see Global Capability Center evolving from transactional services to full-service solutions



	Transactional service factory (“Foundation”)	High-performance service engine	Full-service solution provider	Digital solutions Platform
Vision & Ambition	Unit cost	Cost of operations Quality	Satisfaction, quality, cost	Experience, speed, innovation
Scope of services	Single function by function Transactional	3-5 functions Judgmental, transactional activities	5+ functions Expert, judgmental and transactional activities	e2e process setup Specialized services through analytics
Process and technology	Extended workbench	Service catalogue; Isolated basic automation programs, e.g., for RPA	Integrated ops; Intelligent automation and capability building	Modular set-up Close alignment with tech and ERP roadmap
Governance and capabilities	Reports to function	Dual reporting line	Dedicated GBS org and governance	Dedicated GBS org and governance; Analytics Hub as incubator for NextGen talent

Next-generation Global Capability Centers are making

5 signature moves

1 Moving into higher end knowledge / digital services

2 Leveraging data for insights and analytics

3 Leveraging AI *(including generative)* and deploying automation at scale

4 Improving experience through end-to-end processes

5 Establishing the ‘Science of EX’ in hybrid working

Over the past 10 years, the role of Global Capability Centers has evolved

	From	To
Structure	Sub-scale regional centres	Global centres of scale and centres of skill
Objective	Cost focused	Value creation, experience, flexibility and compliance… and still cost
Value levers	Mainly labor arbitrage	Demand management, Process simplification, digitalization/ automation
Nature of work	Transactional	Knowledge and expertise in addition to transactional
Technology and innovation	Focus only on enterprise platforms	Process automation, Advanced analytics, self service

Where are you on this journey?

What the challenges are you facing?

What have been your biggest successes?

In April 2024, we surveyed 276 CXOs leaders across the globe on current actions, results, and future plans for transforming G&A

North America

63%

Europe

37%

5 Functions

Finance, HR, Information Technology, Operations / Customer Care and Legal functions

CxOs and functional leaders

CFOs, CHROs, CIOs, COOs and CLOs and functional/regional heads were surveyed

18 Industries

All sectors represented with technology/telecom, healthcare, retail, and retail having a slightly larger representation than others

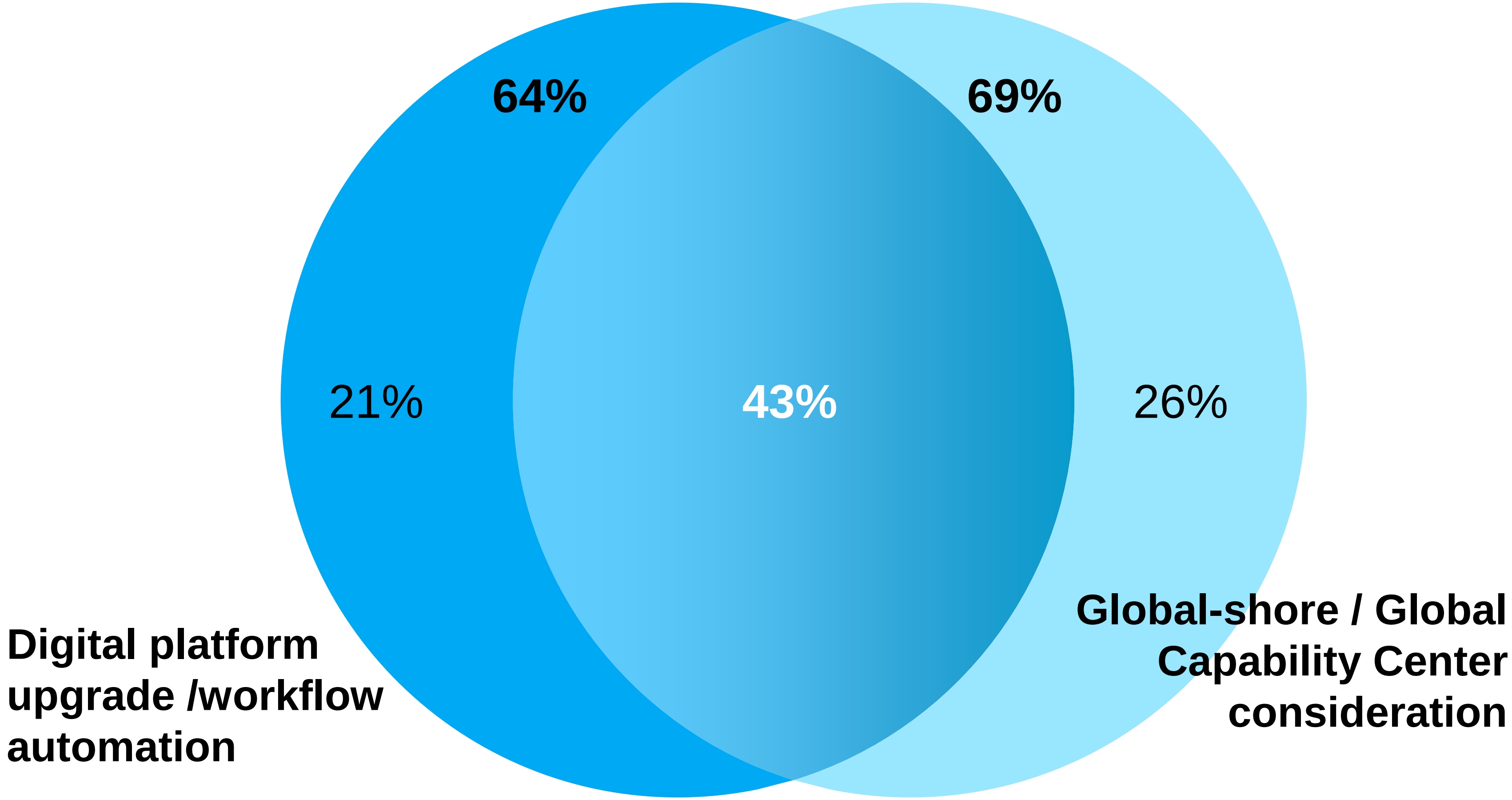
44% of companies are listed on a global index

Such as the S&P 500, STOXX Europe 600 index, FTSE 100, DAX, etc.

Source: McKinsey CBF CXO survey, 2024

Most organizations plan to invest more in Global Capability Centers along with digital upgrades

Overlap of digital investment and plans to global-shore[1] through Global Capability Center,% of overall respondents, 2024



40%+

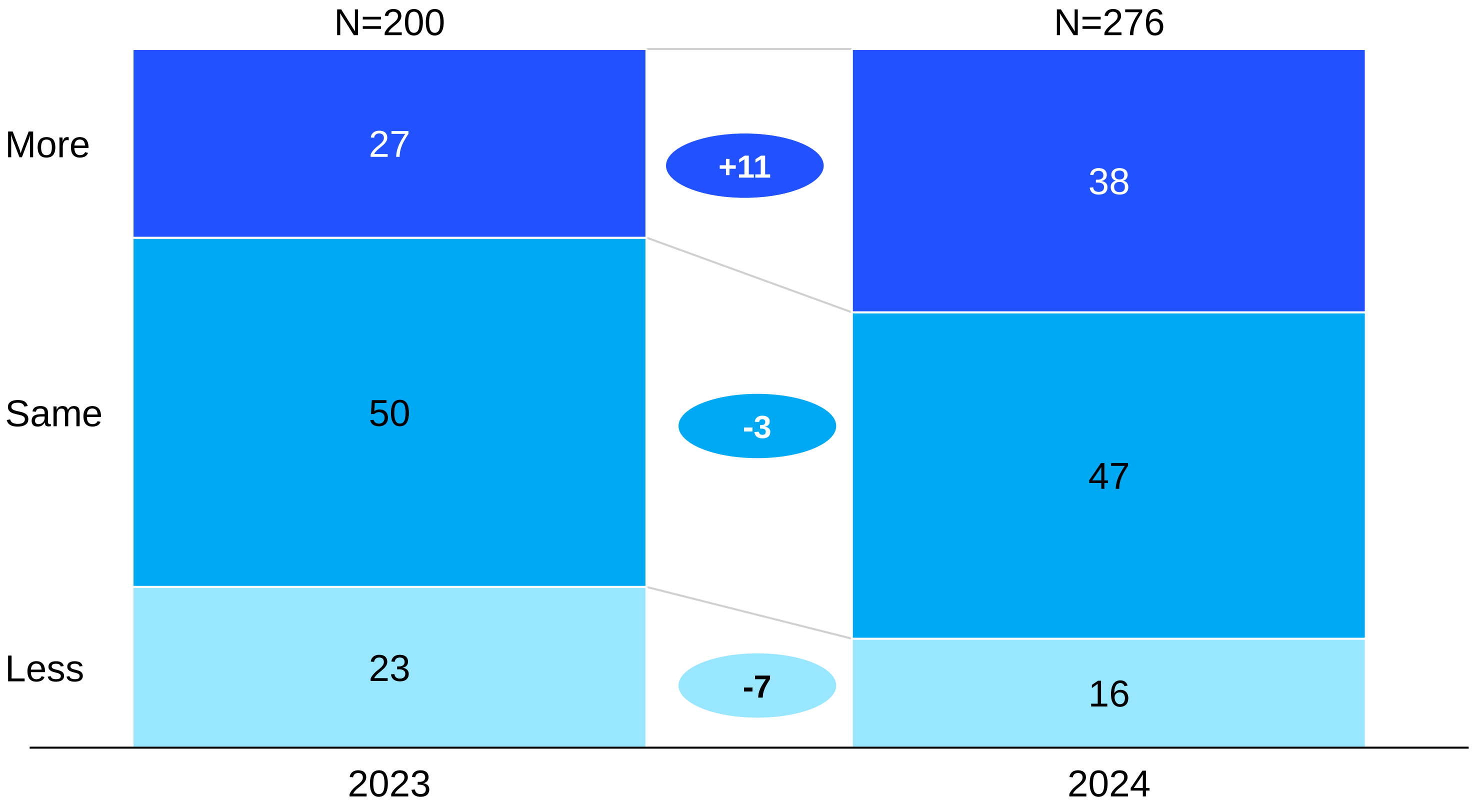
Of organizations plan to invest in digital upgrades / automation along with increasing global-shoring in the next 12 months

1. 9% of respondents did not indicate plans to invest in digital platform upgrade or workflow automation nor increase global-shore via Global Capability Centers

Source: McKinsey CBF CXO survey, 2024

More organizations are planning to global-shore in 2024 than in 2023

Global-shore plan in the next 12 month[1]
% respondents, 2023 vs. 2024, by type of offshoring



1. Evaluated against both outsource and captive investment trends for each organization. An organization is considered remaining the same level of offshoring if selected "more" for outsourcing, "less" for in-house shared services, or vice versa.

Source: McKinsey CBF CXO survey, 2023 - 2024

~50%

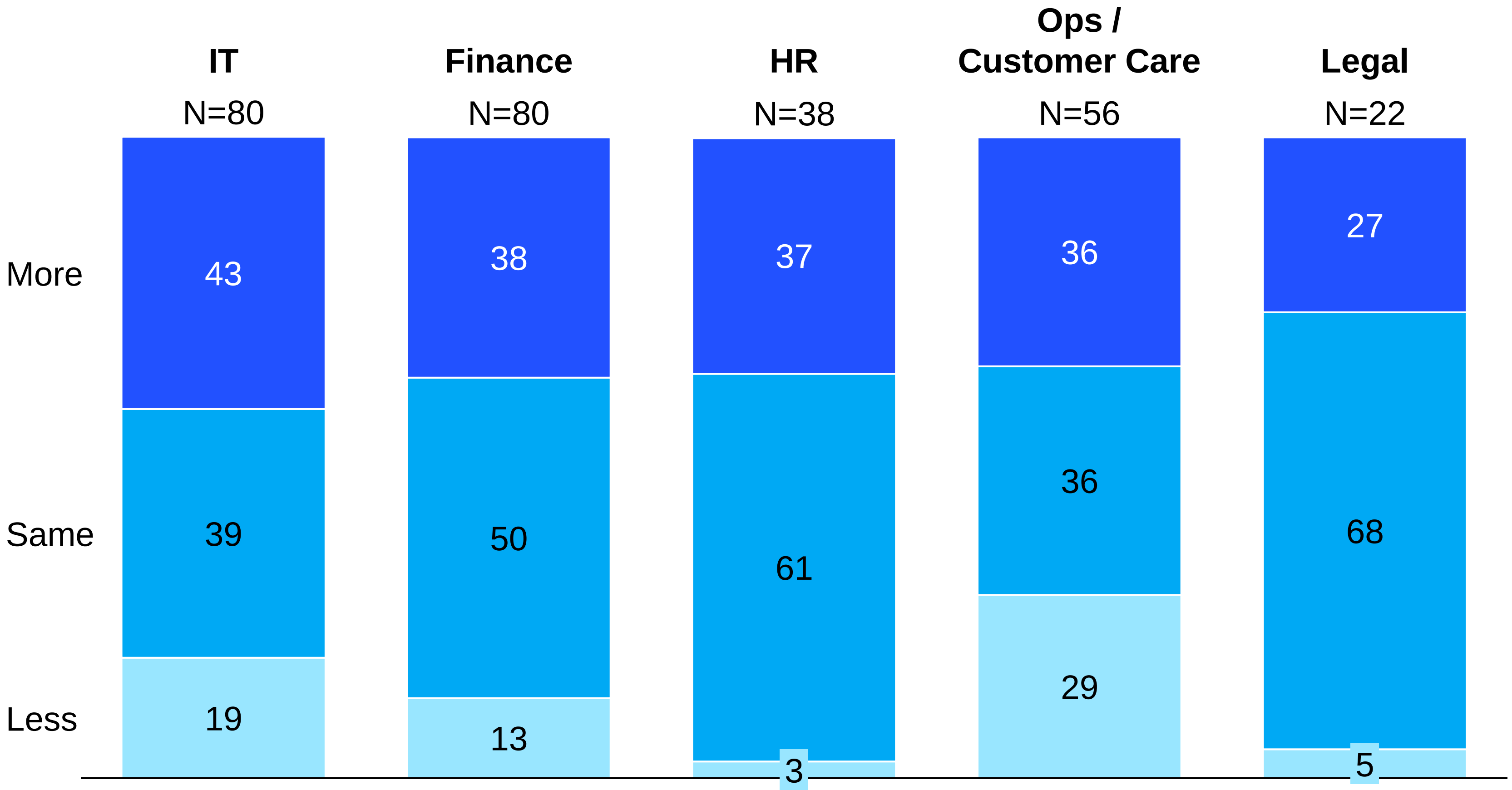
Of organizations plan to remain status quo with plans to Global Capability Center

>2x

Organizations plan to use Global Capability Center more than maintain status quo in 2024

The largest increase in global-shoring is driven by Finance and Tech functions

Changes in global-shoring corporate functions in the next 12 months[1]
% respondents, 2024, by function, ordered by functions planning to global-shore more



1. Evaluated against both outsource and captive investment trends for each organization. An organization is considered remaining the same level of offshoring if selected "more" for outsourcing, "less" for in-house shared services, or vice versa.

Source: McKinsey CBF CXO survey, 2024

More companies are increasing vs. decreasing their use of offshoring in 2024

HR and Legal functions more likely to remain status quo rather than global-shore more/less

Mexico has emerged as a prime location with several global companies …

Non-exhaustive

Mexico has emerged as a **prime location** due to its **strategic proximity to the US**, **labor force availability**[2]**, costs, and a continuously adapting infrastructure, enabling trade with the US and foreign direct investments** (above average rating in Word Economic Forum Infrastructure rating by 7 points in Latin America & Caribbean region, and 54th out of 141 countries)

Nearshoring has accelerated the manufacturing sector growth: **50% of Mexico's 2023 FDI** corresponds to the **manufacturing sector.** This trend has also **revitalized service nearshoring**, leading to an **increase in global companies establishing service hubs** in Mexico

+280 announced investments/deals in Mexico since 2022 by companies from 30+ countries

92 Bn USD announced investments/deals in Mexico since 2022

~27% increase in Mexico's Foreign Direct Investments from 2022-23

1. Excludes extraordinary movements from 2022 (Merger between Televisa and Univisión and restructuring of Aeroméxico)
2. As of 2023, ~61 M economically active population, with ~10 M people on Mexico City and Metropolitan area

Source: Press releases, McKinsey Expert, Mexican Secretary of Economy. Banxico, Ministry of Economy together with the General Directorate of Foreign Investment and the Directorate of Statistics and Economic Analysis, Regional Economies report; INEGIs National Employment Survey (ENOE,) 2023;

...due to nearshore availability of skilled talent pool at a relatively affordable cost

Unfavorable | Neutral | Favorable

Direct cost | Availability of talent pool | %working population | %Literacy | Avg age of population | %English speaking population

Guadalajara: Called Silicon Valley of Mexico, popular option for nearshoring in US

Key skills: Embedded, Web Technologies, Automotive

Globant | Luxoft | Persistent | Altran | epam | TeamViewer

Mexico City: Startup hub, Abundant talent availability

Key skills: Web Technologies, Cloud, UI/UX

Globant | Tech Mahindra | epam

Santiago: Friendly visa system, 92% of the software sector of the country is situated here

Key skills: Cloud, Front end design, Web Technologies, AI/ML, Cybersecurity

TATA CONSULTANCY SERVICES | Globant | accenture

Bogota: Fast growing Tech center, Tech headcount doubled in last 7 years.

Key skills: Cloud, Big Data, UI/UX, Cybersecurity, Software Development

Globant | Tech Mahindra | Altran | endava | accenture

Montevideo: International supplier of high quality tech solutions with ~500 Tech companies

Key skills: UI/UX, cloud, Cybersecurity, Web Technologies

TATA CONSULTANCY SERVICES | Globant | endava

La Plata: The “Boston” of Latin America, attracting students across the country

Key skills: Network, T24, Software Development

Globant | GlobalLogic

Source: Press search; Expert interviews

Key findings from the pre-forum survey

Global Capability Centers priorities for next 12+ months

Strategic priorities for next 12-18 months

% respondents, n=18

Priority		% responses rated as top 3
1	**Driving innovation in processes**	94%
2	Delivering high quality of service and enhancing stakeholder experience	89%
3	Ensuring YoY cost savings	44%
4	Hiring and retaining top quality talent	33%

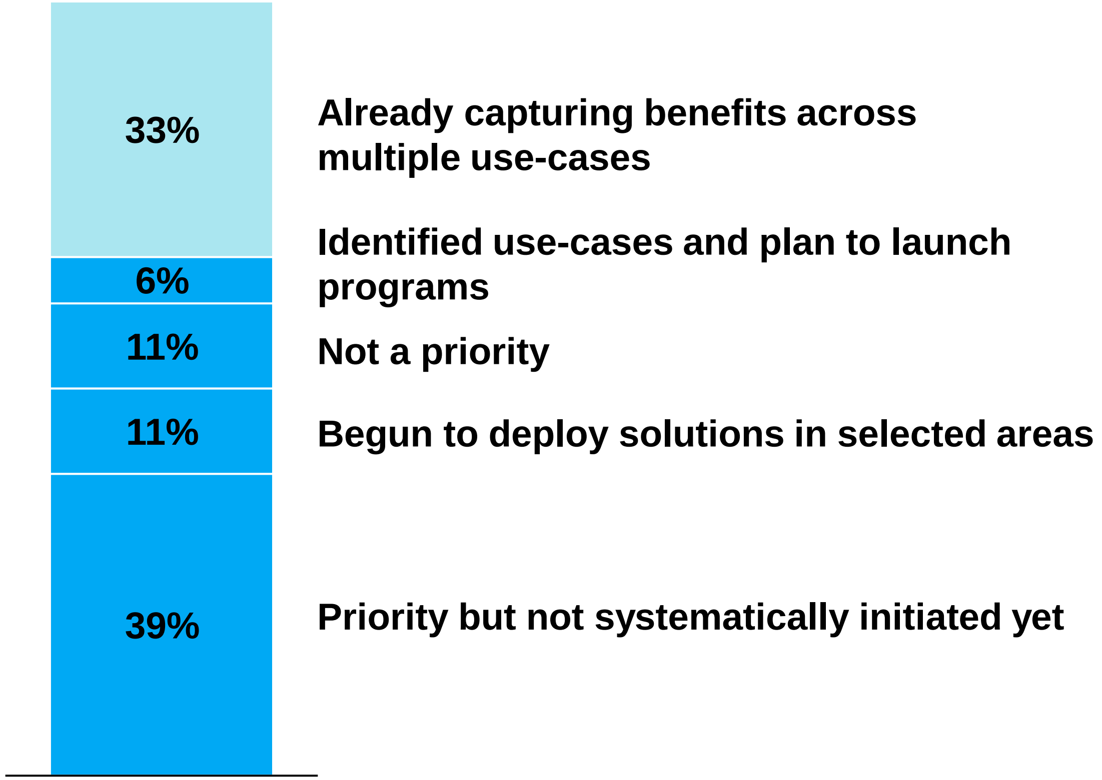
Operational priorities for next 12-18 months

% respondents, n=18

Priority		% responses rated as top 3
1	**Drive automation within in-scope processes**	89%
2	**Increase scope of complex and expert functions in Global Capability Centers**	56%
3	**Bringing more functions and activities inhouse**	56%
4	Greater consolidation into Global Capability Centers on a global scale	33%
5	Streamline E2E process journeys	28%

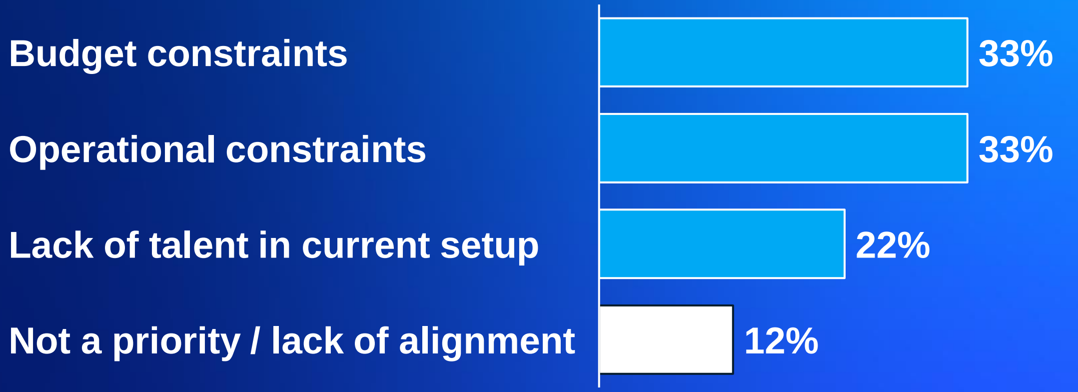
Very few Global Capability Centers capture savings through GenAI and analytics…

Are you leveraging innovative solutions such as GenAI, AI, advanced analytics into your Global Capability Center?
% respondents, n=18



…limited by operational and budget constraints

What are the major challenges in implementing innovation and transformation in your Global Capability Center?
% respondents, n=18



Not sure where to start

What are the major milestones one should think of when developing their roadmap?

IT is also a big constraint

How do you bring onboard your stakeholders?

Mexico's Global Capabilities Centers Vision

For discussion: Mexico’s Global Capabilities Centers Vision

- How can ACESCO and other organizations contribute to the development of the Global Capability Centers landscape in Mexico?
- What should be the core components of Mexico's vision for its Global Capability Centers in the next decade?
- How can Global Capabilities Centers in Mexico collaborate to enhance innovation and growth?