



How Global Capability Centers are Redefining Service Provider Relationships

ISG THOUGHT LEADERSHIP PAPER | OCTOBER 2025

Table of Contents

| | |
|---|----|
| Executive Summary | 01 |
| A Dual Mandate: Cost-out and Innovation Now | 02 |
| The New Playbook: Using an Ecosystem to Unlock Scale and Drive Innovation | 03 |
| Five Moves GCC Leaders Should Consider Making Now | 05 |
| The GCC Mandate: Co-create or Fall Behind | 06 |
| Empowering the Next Generation of GCCs: Tech Mahindra's Vision | 07 |
| About this Research | 08 |

Executive Summary

Global Capability Centers (GCCs) are undergoing a profound transformation. Once primarily designed for cost arbitrage, they are now evolving into cognitive cores of enterprises — responsible for innovation, data-led decision-making, and AI-enabled delivery. At the same time, GCCs face rising pressure from headquarters to reduce costs while accelerating innovation — **a dual mandate that cannot be met by internal capacity alone.**

This is where IT **service** providers become critical. ISG is observing a trend where service providers are increasingly becoming strategic partners in GCC growth. ISG research shows that **over 80% of**

India-based GCC leaders are open to engaging new service providers in the next two years — significantly higher than their corporate HQ peers. Moreover, **60% of GCCs plan to increase their use of IT services** over the same period. In response, service providers are creating offerings specifically tailored to GCCs.

To thrive, GCCs should consider a **co-creation operating model** with their providers. By shifting to outcome-based commercial models, adopting a portfolio view of build vs. buy, and embedding providers into AI and data programs, GCCs can unlock speed, scale, and resilience – for both themselves, and for the broader enterprise.



A Dual Mandate: Cost-out and Innovation Now

The global business environment is uncertain. Forecasts point to declining global GDP through 2026, rising tariffs, and persistent productivity stalls. At the enterprise level, cost pressures remain acute, even as boards demand innovation and faster digital transformation.

It's these dual mandates – **simultaneous cost optimization and innovation** – that are driving demand for global capability centers. And it's increasingly India where these GCCs are being established. Today, India hosts 3,000+ GCCs contributing over \$40B to global enterprises. And for most enterprises, India is the preferred location due to its deep talent pool, strong IP protection laws and continued

government support.

However, establishing and scaling a GCC is difficult. Enterprise success rates are mixed. And often these challenges stem from **misalignment of priorities**, as can be seen in the Top GCC Priorities by Role data below:

For example, India-based GCC leaders are broadly aligned with their counterparts at corporate that improving productivity is a top priority, however, when it comes to innovation, the priorities can vary significantly. This misalignment can have a significant impact on a GCC, even if it's performing at a high-level.

Figure 1: Top GCC Priorities by Role



The New Playbook: Using an Ecosystem to Unlock Scale and Drive Innovation

GCC leaders need tools to help them solve for **both sides of the equation**. A way to continually optimize costs as AI-driven productivity increases, and a way to continually drive innovation into the business through advanced technologies. ISG increasingly sees GCCs turning to service providers as a key tool to accomplish both stakeholder needs.

Play 1: Using Smart Outsourcing to Unlock Capacity

For years, outsourcing was synonymous with labor arbitrage, and even as a preferred alternative to setting up or scaling a GCC. Today, it is becoming a lever to unlock internal capacity for innovation and IP creation. ISG data shows that **60% of GCCs plan to increase their use of IT services in the next two years**.

Instead of displacing GCCs, outsourcing frees them up:

- Non-core activities like support, infrastructure management, or transactional processes can be outsourced.
- GCCs then redeploy their own talent toward AI engineering, digital products, and customer experience innovation.

This shift reframes outsourcing as a **capacity release valve** — enabling GCCs to do more with the same budget envelope.

Play 2: Leveraging New GCC Ecosystem Offerings

Beyond specific functions, GCC leaders and corporate leaders responsible for GCCs now have access to a **structured GCC services ecosystem** designed specifically for them. ISG Provider Lens® research highlights two major categories of provider services:

- **Design and Setup Services** – advisory on operating models, location strategy, tax/regulatory compliance, BOT/assisted captive models, and building cloud- and AI-ready infrastructures.
- **Optimization and Enhancement Services** – automation and analytics, process reengineering, workforce upskilling, governance frameworks, and continuous digital transformation.

GCCs – especially ones started or transformed within the last two years – are **plugging into modular service portfolios** that allow them to scale faster, reduce risk, and embed innovation from day one.

Play 3: Turning to Providers for AI and Analytics Firepower

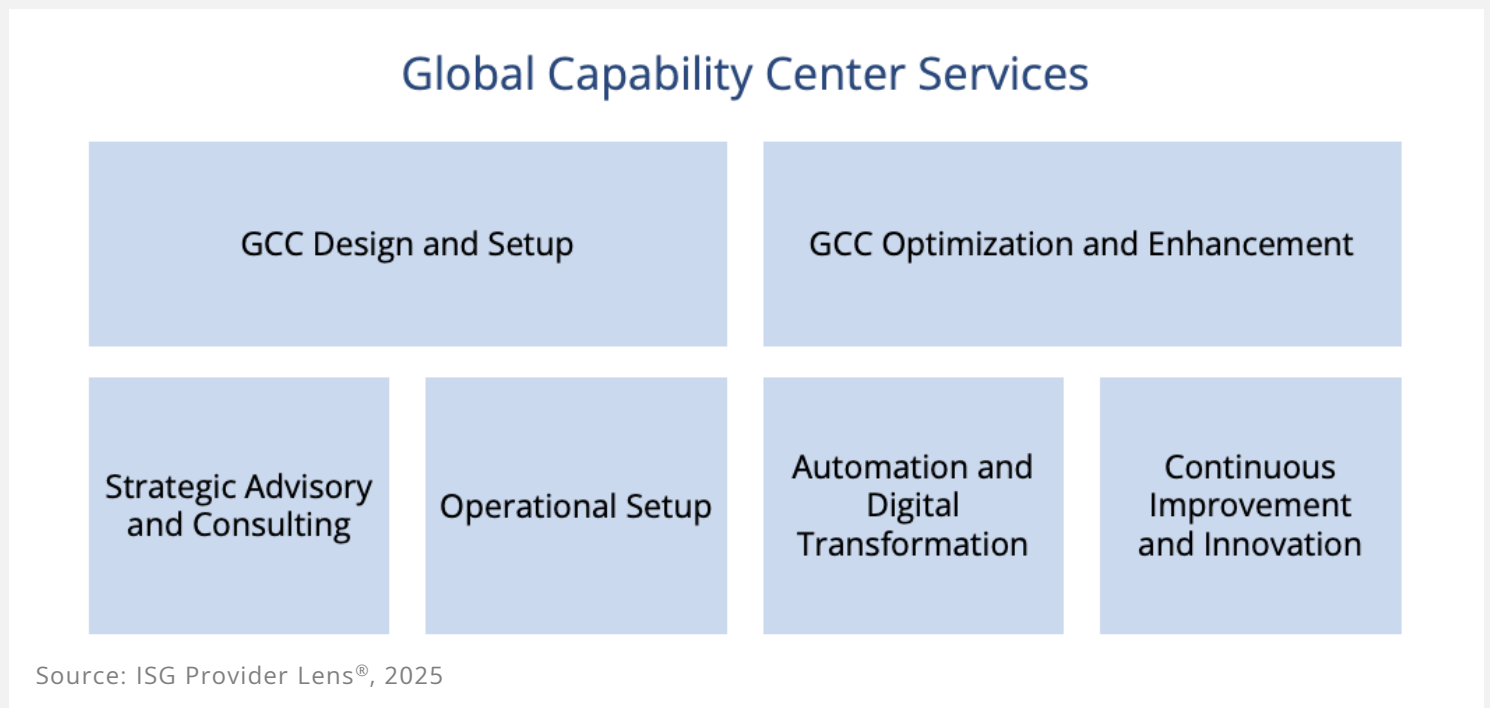
GCCs are increasingly turning to providers for advanced skills and next-generation capabilities. According to ISG research, **50% of enterprises will expand their GCC portfolios into AI and analytics over the next two years**.

To make this shift possible, GCCs are leaning on providers to:

- **Access Advanced Talent:** AI, ML, data science, and analytics skills are scarce and expensive; providers help bridge these gaps at scale.
- **Stand Up Next-Gen CoEs:** Providers are co-developing AI-first Centers of Excellence, embedding analytics, automation, and digital engineering into GCC delivery models.
- **Deliver Productivity Outcomes:** Nearly half of GCCs expect a 10%+ productivity boost from GenAI by the end of 2025, even as budgets stay flat — a gap that providers can help to close.



Figure 2: Global Capability Center Services



Five Moves GCC Leaders should Consider Making Now

The dual mandate of cost reduction and innovation leaves GCCs little room for incremental change. To succeed, leaders should take a long look at their operating models and ecosystems. The following five moves translate the dual mandate into actionable steps GCCs can take today.

Move 1: Recast Providers as Innovation Partners

Providers should be treated as co-creators of value, not task-takers. GCCs can form agile pods that blend internal talent, provider expertise, and business stakeholders to co-develop IP and digital products. Success requires **shared KPIs tied to enterprise outcomes** such as faster releases, cost-to-serve reductions, or improved customer experience.

Move 2: Continuously Calibrate Build vs. Buy

Build vs. buy is no longer a one-time decision. GCCs should adopt a portfolio mindset: **insource for control and IP retention, outsource for scale and speed**. Regular reviews — every 6 to 12 months — allow leaders to rebalance workloads as talent markets, technologies, and business priorities shift.

Move 3: Shift to Outcome-Based Commercial Models

Legacy FTE-based contracts misalign incentives.

GCCs should move toward commercial models tied directly to business outcomes rather than effort or headcount. Piloting smaller output and outcome-based contracts first helps build confidence before scaling across larger portfolios.

Move 4: Embed Providers in AI and Data Journeys

AI success depends on supply — talent and data — not just demand. Providers can accelerate GCC-led AI programs by bringing accelerators, domain-specific models, and scaled delivery. GCCs should **retain ownership of governance and strategy, while leveraging providers for scaled build and run**.

Move 5: Leverage the Full Services Spectrum

Providers now offer structured portfolios for GCCs, from **Design and Setup** (e.g., greenfield advisory, compliance, talent) to **Optimization and Enhancement** (automation, analytics, workforce upskilling). GCCs should use this spectrum proactively, embedding innovation into daily operations rather than treating outsourcing as a stopgap.



The GCC Mandate: Co-create or Fall Behind

By 2028, **as much as 40% of today's GCC roles will disappear due to AI and automation.** GCCs that continue to operate as isolated, cost-driven centers will struggle to remain relevant. The winners will be those that embrace an ecosystem-led approach, using providers not only to cut costs but also to co-create IP, accelerate AI adoption, and embed innovation at scale.

The path forward is clear. GCC leaders should audit current roles and contracts, map GCC-provider portfolios and launch pilots that test outcome-based and AI-driven engagements. GCCs that take these steps have the opportunity to evolve from cost centers into strategic orchestrators of value — resilient, innovative, and indispensable to enterprise transformation.



Empowering the Next Generation of GCCs: Tech Mahindra's Vision

Tech Mahindra believes the next era of GCC will be defined by their ability to orchestrate innovation, agility, and resilience at scale. As GCCs transition from traditional cost centres to cognitive cores of the enterprise, the imperative is clear: embrace an ecosystem-led approach that leverages the full spectrum of provider capabilities.

Tech Mahindra partners with GCCs to co-create value — embedding AI, automation, and digital engineering into every facet of operations. Their experience shows that outcome-based models, agile talent pods, and continuous upskilling are essential to unlocking productivity and accelerating transformation. Tech Mahindra advocates for a build-and-buy portfolio mindset, enabling GCCs to retain strategic control while scaling rapidly through trusted partnerships.

"We are proud to support GCC leaders as they build the strategic hubs of tomorrow. Our hub-and-spoke model leverages global reach and local expertise, delivering both consistency and market relevance for every client. With a vast network of specialized professionals, robust innovation labs to nurture Smart, Intelligent and secure use cases, and a deep commitment to ESG priorities, Tech Mahindra empowers GCCs to unlock new business opportunities, catalyze peer collaboration, and deliver sustainable value." **Santosh Jha**, Senior Vice President and Head of the GCC SBU, Tech Mahindra

Tech Mahindra's promises to be the partner in growth — dedicated to helping GCCs in India become the cornerstone of enterprise transformation, innovation, and profitable growth. To redefine the full potential of next-gen GCC-provider relationship and set new benchmarks for global excellence.



About this Research

The insights in this paper are derived from ISG's ongoing primary research into global capability centers, our ongoing work with global 2000 firms as they execute on their GCC strategies, and insights from a recent roundtable held in India with 30+ GCC leaders. **ISG would like to thank Tech Mahindra for being a Knowledge Partner in support of this research.**

About ISG Research

ISG Research provides subscription research, advisory, consulting and executive event services focused on market trends and disruptive technologies. ISG Research delivers guidance that helps businesses accelerate growth and create more value. For further information about ISG Research subscriptions, please visit research.isg-one.com.

About ISG

ISG (Nasdaq: III) is a global *AI-centered* technology research and advisory firm. A trusted partner to more than 900 clients, including 75 of the world's top 100 enterprises, ISG is a long-time leader in technology and business services that is now at the forefront of leveraging AI to help organizations achieve operational excellence and faster growth. The firm, founded in 2006, is known for its proprietary market data, in-depth knowledge of provider ecosystems, and the expertise of its 1,600 professionals worldwide working together to help clients maximize the value of their technology investments.

For more information, visit www.isg-one.com.

