Deloitte.

The outsourcing compass:
Decoding strategies of today

February 2025

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Foreword

India's outsourcing journey has been defined by operational efficiency, adaptability, and resilience. However, as global businesses navigate technological disruption and shifting economic dynamics, expectations from service providers are evolving rapidly. Clients now demand outsourcing partners to harness AI and machine learning, enhance cybersecurity, and deliver innovation-driven value—all while reducing costs. This marks a shift from traditional headcount-based commercial models to value-driven, innovation-centric approaches. This transition necessitates a fresh perspective on talent, operations and contracting mechanisms for service providers.

In light of this transition, we recognised the need to understand how these changes have reshaped organisations' sourcing priorities and expectations. Our survey attempts to understand the nuances of this evolution, gathering responses from over 170 business and functional leaders based in India, supplemented with insights from interviews with senior stakeholders from organisations across industries. This report comprehensively analyses the latest trends shaping India's outsourcing landscape and highlights how outsourcing models transform.

The report highlights outsourcing priorities and their alignment with broader business strategies as organisations progress in their outsourcing journey. It also provides a glimpse of how an organisation's tenure with outsourcing influences key sourcing decisions, preferred commercial constructs, vendor management strategies and technologies adopted, reflecting a maturity-driven evolution in outsourcing strategies. It also provides an in-depth perspective on the future growth outlook for India's outsourcing industry.

We would like to acknowledge all the participants of the survey and the leaders whose insights were instrumental in creating this report. We hope you find this report insightful.

Yatin Patil
Leader, Enterprise
Technology & Performance

Deepak Mowdhgalya
Leader,
Finance Transformation

Saurabh Mathur
Leader,
GBS & Outsourcing
advisory

Insights at a glance

Outsourcing as a cornerstone of organisational operating models

Outsourcing has become an essential part of the operating model for global organisations, rapidly expanding in-depth and the breadth of services being entrusted to external partners:

- As organisations gain proficiency in managing third-party relationships, they are outsourcing larger portions of their operations, often exceeding 50% of the overall scope.

- Organisations are increasingly outsourcing both core and specialized functions such as product design, R&D, supply chain management, and network security. This is further enabled by partnerships with non-traditional providers, including niche firms, hyperscalers, and start-ups, allowing organisations to access unique expertise and deliver greater value.

Outsourcing and GBS achieving equilibrium in organisational strategies

Outsourcing and GBS have established distinct yet complementary roles within organisational operating models:

- A dominant trend is the rise of hybrid sourcing models that leverage the combined strengths of GBS and third-party service providers.

- Organisations increasingly rely on GBS to drive outcomes, oversee governance, and manage delivery, while entrusting execution and efficiency optimisation to third-party service providers.

Outsourcing delivers on the promise of cost savings

Optimised supplier strategies have enabled organisations to achieve significant cost reductions, delivering on the business case for outsourcing:

- By effectively managing a diverse supplier portfolio, organisations have realised average annual cost savings of 15–25%.

- Some organisations have achieved even higher savings of 25–35% by adopting a single strategic partner model, leveraging economies of scale and volume-based discounts for better pricing.

Outsourcing as a gateway to next-generation technologies

Outsourcing has become a critical enabler for organisations to adopt and scale next-generation technologies:

- Over 98% of organisations rely heavily on their existing service provider networks to develop capabilities in advanced technologies such as AI and Gen AI.

- Approximately 65% of organisations now embed AI and Gen AI-specific clauses in their contracts, resulting in faster cycle times, increased throughput, and significant cost savings.

Vendor Management Organisations (VMOs) driving transformation & innovation in outsourcing relationships

VMOs have demonstrated value by effectively managing vendor ecosystems and driving transformation in outsourcing relationships:

- Mature outsourcers now manage over 50% of their spend through centralised VMOs, streamlining supplier oversight and ensuring consistency across the organisation.

- There is an increasing focus on using VMOs to drive value creation and transformation. VMOs enable this by using advanced metrics, such as innovation indexes and time-to-market improvements, to measure success beyond traditional KPIs.

Outsourcing growth amidst evolving risks and strategic priorities

Outsourcing is set to grow as organisations balance growth opportunities and risk exposure:

- About 81% of organisations expect to increase their outsourcing efforts over the next 3–5 years, driven by cost pressures, the adoption of advanced technologies, and the need for specialised expertise.

- Early outsourcers view service quality and knowledge retention as primary outsourcing risks, while more mature outsourcers are concerned about innovation stagnation and business continuity.

Evolution of outsourcing organisation archetypes with tenure of outsourcing

First gen outsourcers
(<5 years of outsourcing)

Fourth gen outsourcers
(15+ years of outsourcing)

	Objectives of outsourcing	
Improved access to talent is the primary objective of outsourcing as they seek to outsource work to service providers who have the right capabilities and experience.		Focus shifts to **better alignment to business strategy and operating model,** indicating a preference to have a collaborative, long-term outsourcing relationship that aligns with the organisational goals.

	Scope and extent of outsourcing	
Majority of organisations outsource **<50 percent of the scope,** and most of them **outsource only traditional functions** such as F&A, HR and IT.		As tenured outsourcers become more comfortable with third-party service providers, they start to outsource **over 50 percent** of the scope and begin to **include core and end-to-end functions** as they progress in this journey.

	Commercial constructs preferred	
Managed services are the preferred choice, as the delivery ownership rests entirely with the supplier, governed by a set of predefined process metrics.		**Outcome-based contracts** are preferred as they encourage suppliers to take greater accountability. This approach also fosters innovation and drives measurable business impact.

	Vendor management ownership	
Vendor management activities are housed as **part of the procurement/sourcing organisation.**		Vendor management activities are majorly carried out as **part of a dedicated vendor management office.**

First gen outsourcers
(<5 years of outsourcing)

Fourth gen outsourcers
(15+ years of outsourcing)

Key risks perceived in outsourcing

Quality of service and knowledge retention is perceived as the key risk among first-gen outsourcers.

Innovation stagnation tops the list of key risks perceived by tenured outsourcers.

Success factors influencing outsourcing relationships

Communication and cultural fit are identified as critical factors that influence the success of outsourcing relationships.

Continuous improvement and communication are identified as crucial for success in outsourcing.

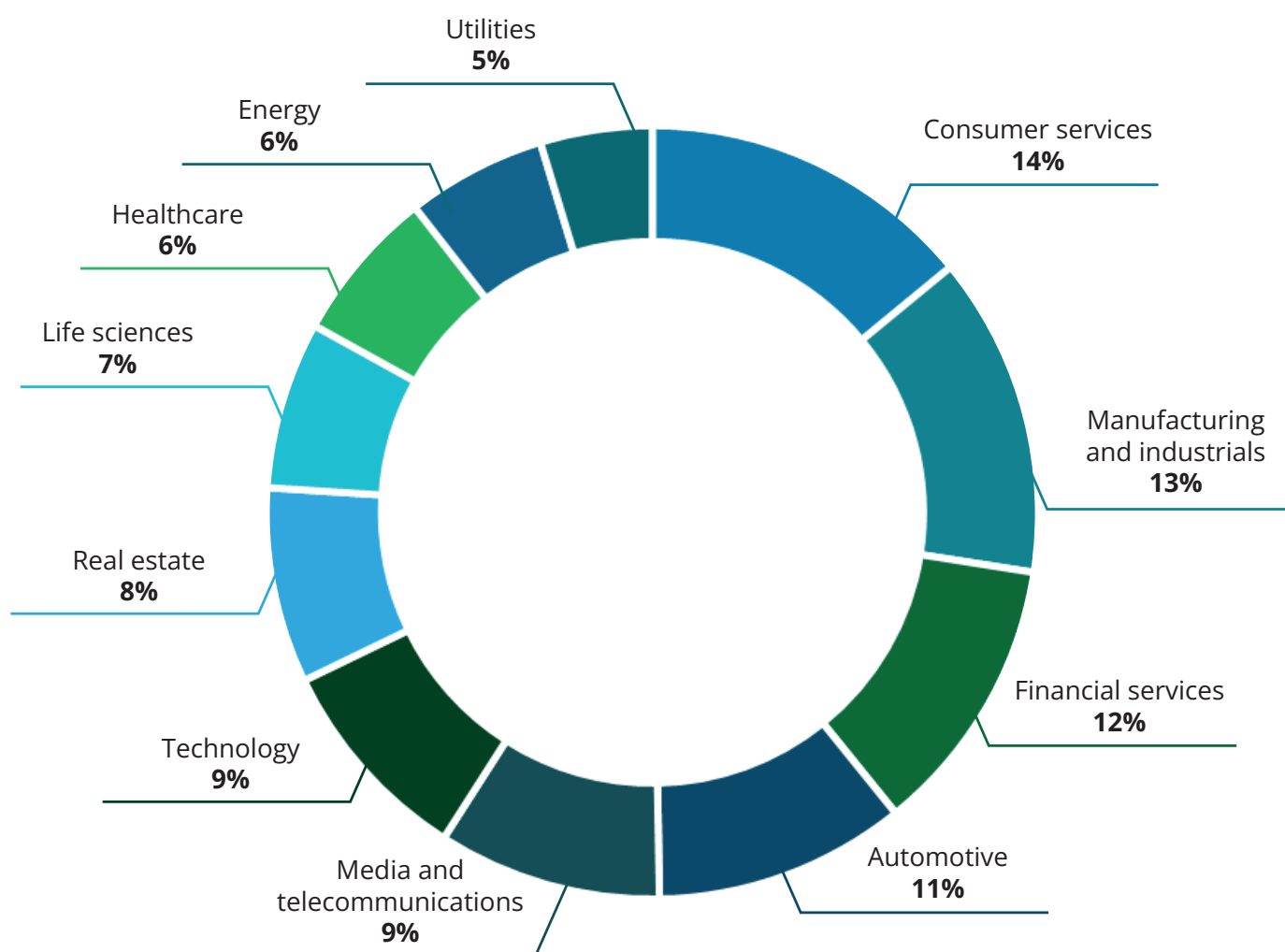# Understanding our respondent profiles

The 2024 outsourcing trends survey received responses from ~170 organisations. Participants comprised business and functional leaders based in India, representing 8 functions across 11 industries.
In addition to the survey responses, expert interviews were conducted to gain insights into the outsourcing trends and practices followed by industry leaders.

Primary industry of the respondents
The survey encompasses responses from about 11 industries, with the largest share of contributions coming from the consumer services, manufacturing and industrials and financial services sectors, collectively accounting for 40 percent of the total responses.

Utilities
5%

Energy
6%

Healthcare
6%

Life sciences
7%

Real estate
8%

Technology
9%

Media and
telecommunications
9%

Consumer services
14%

Manufacturing
and industrials
13%

Financial services
12%

Automotive
11%

Respondent's functions within the organisations

Responses have been gathered from individuals across various organisational functions, such as procurement, Finance & Accounting, IT and HR, ensuring a broad range of perspectives and insights on outsourcing.

Legal and tax
5%

Procurement/
Sourcing
16%

Supply chain
7%

Engineering/R&D/
product
development,
14%

Finance & Accounting
15%

Sales and marketing
14%

Human Resources
14%

Information
Technology/Digital,
15%
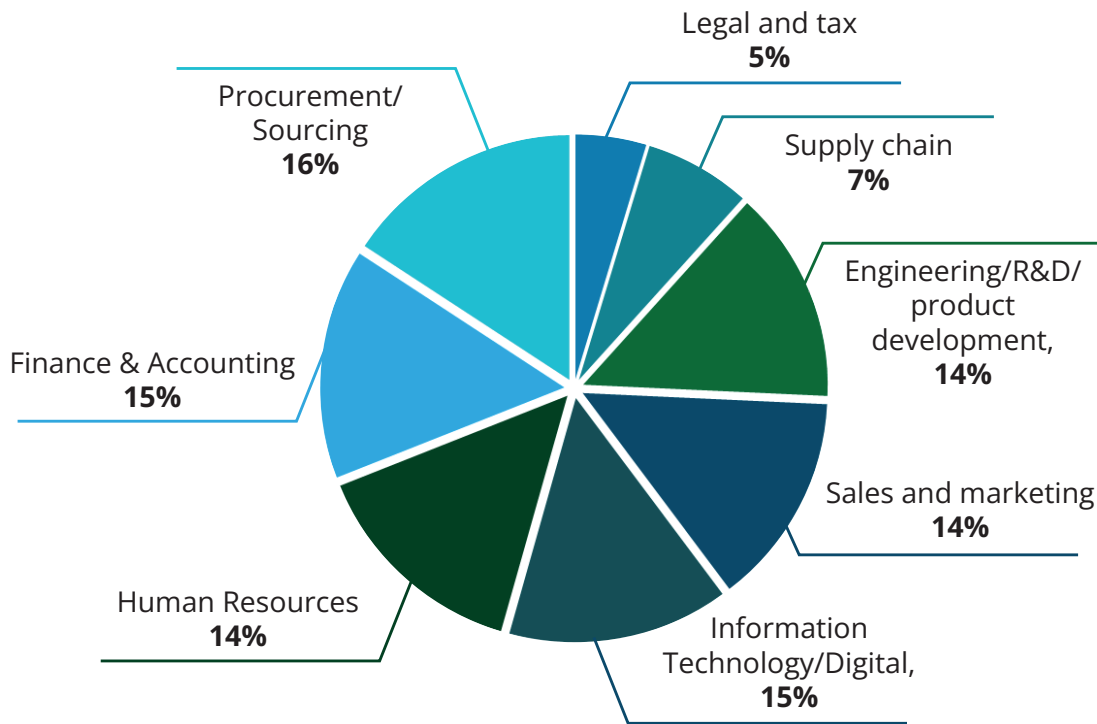
Geographic distribution of company headquarters of respondents

Rest of EU region
(Netherlands, Italy,Ireland)
21%

Germany
10%

United States and
North America
54%

United
Kingdom
8%

Asia (India, Japan,
China and Singapore)
6%

Australia
1%
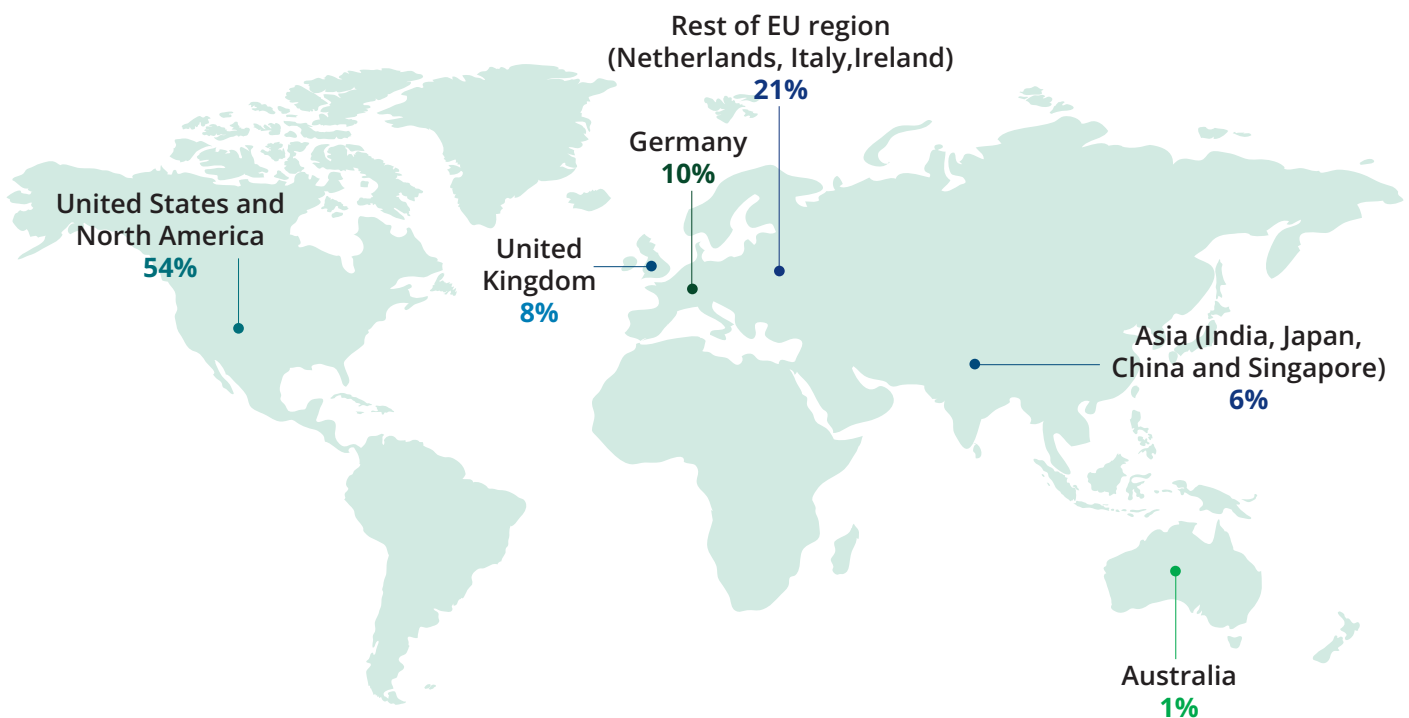
Annual revenue (in US $) of the respondent organisations

60%

21%

18%

1%

>US$25 billion

US$10 billion to
US$25 billion

US$1 billion to
US$10 billion

<US$1 billion
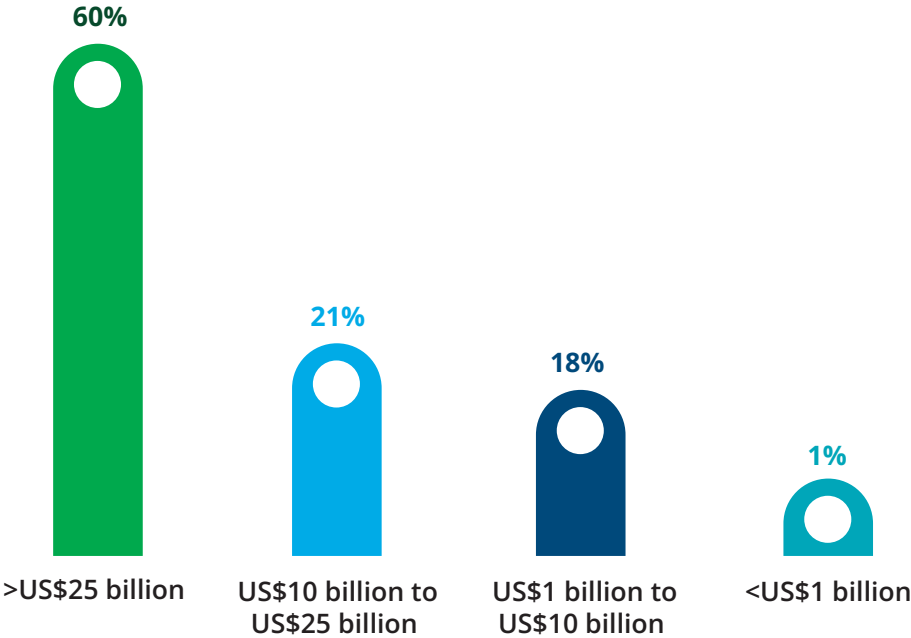
Note: All analyses, graphs and
tables in this report are based on
the data collected through the
above survey, unless stated.

Evolving paradigm of outsourcing amidst shifting market dynamics

A.   Evolving priorities of outsourcing
The objectives of outsourcing are evolving as it becomes core to the global delivery construct for multinational organisations
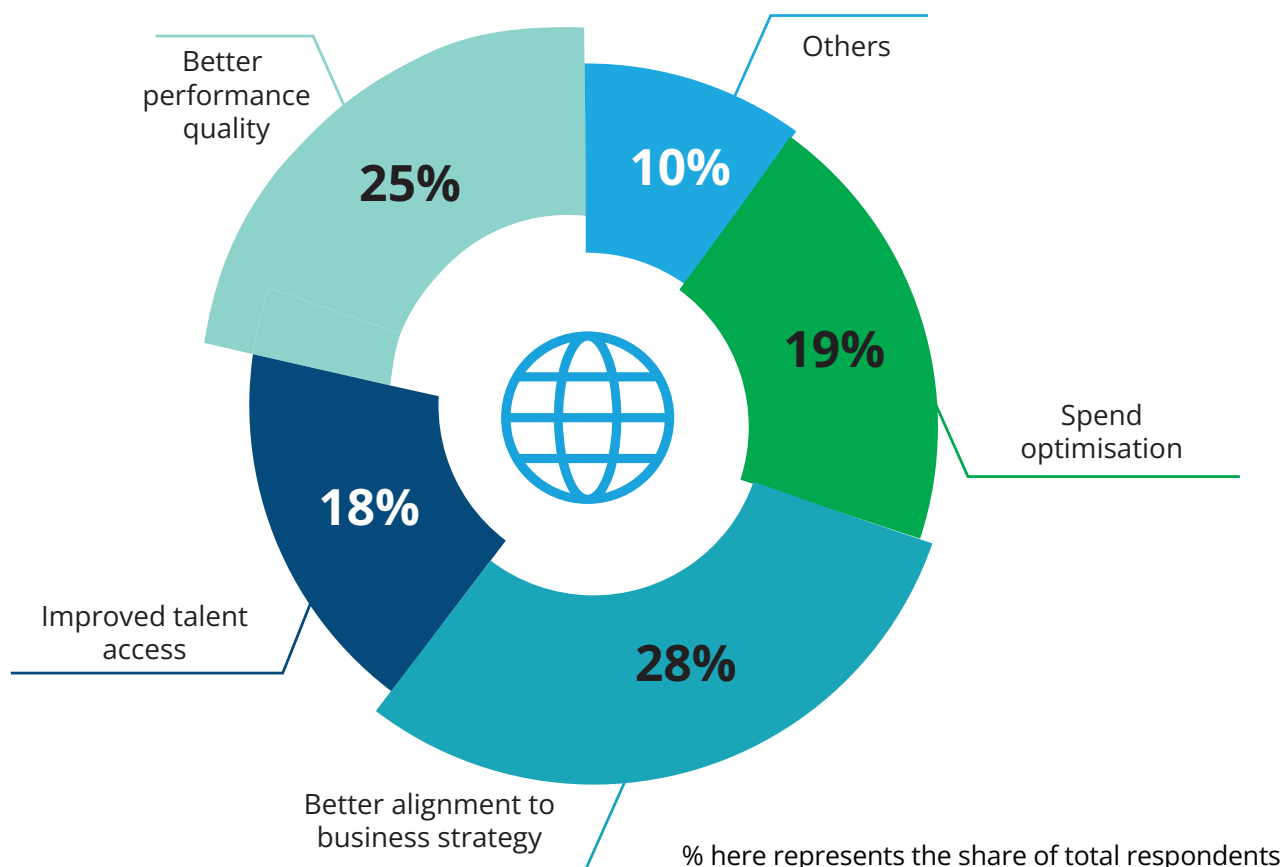
In today's business landscape, organisations continue to use outsourcing as a strategic tool to achieve various objectives. While cost reduction used to be the primary motivation, the reasons for outsourcing have diversified over time.

Companies are increasingly seeking collaboration that helps elevate their operational standards and deliver long-term value, with a focus on capabilities that can directly support their strategic and business goals. This shift reflects a broader transformation in how organisations view outsourcing as a critical lever for growth and agility.

> "Outsourcing decisions are fundamentally driven by two key factors: strategic alignment and cost optimisation. When organisations prioritise a strategic approach to outsourcing, they often reap sustained benefits over the long term."
>
> **- Procurement leader, Global Electronics company**
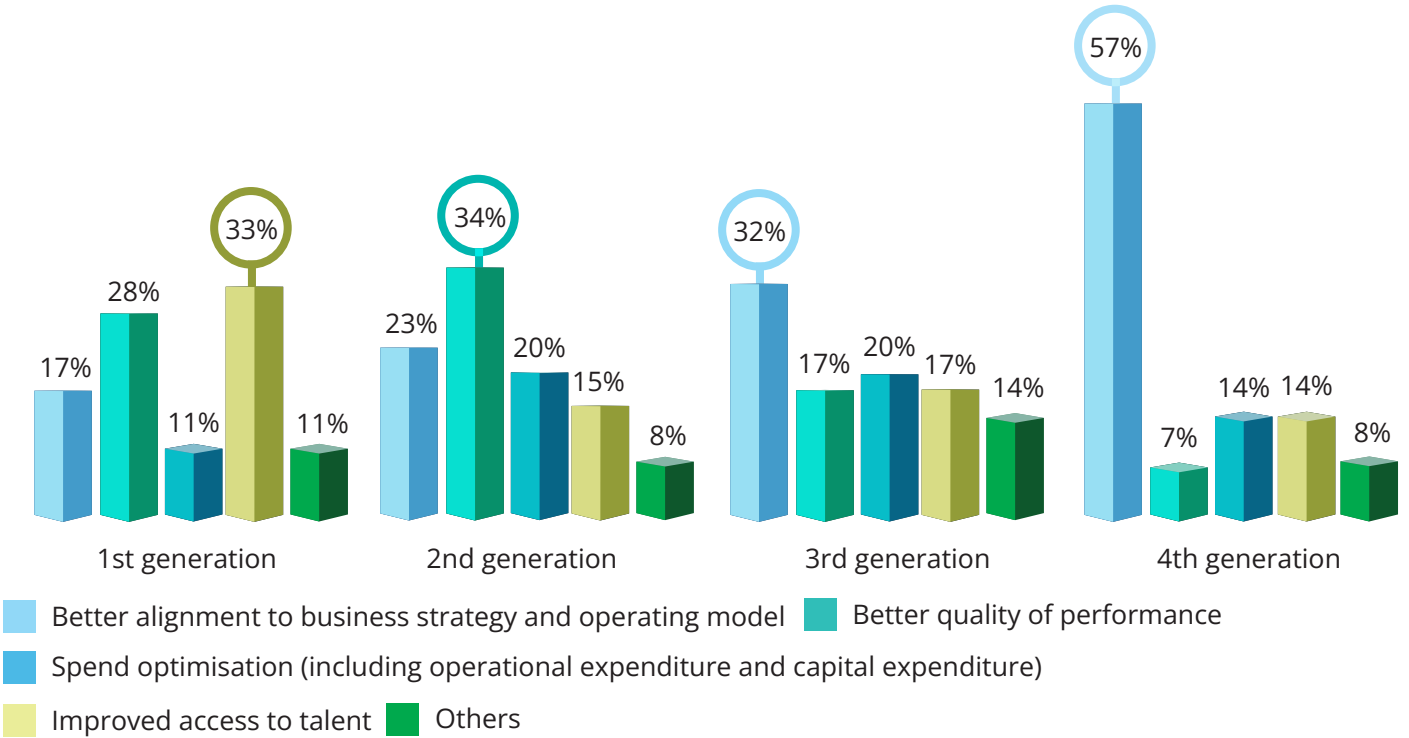
2024 outsourcing priorities

Better performance quality — 25%
Others — 10%
Spend optimisation — 19%
Better alignment to business strategy — 28%
Improved talent access — 18%

% here represents the share of total respondents

Evolution of outsourcing priorities over the years

	2020	**2022**	**2024**
1	Cost	Cost	Better alignment to business strategy and operating model
2	Flexibility	Business strategy and operating model shifts	Better quality of performance
3	Speed to Market	Access to new capabilities	Spend optimisation

Source: Deloitte Global Outsourcing survey 2020 and 2022 edition

Evolving priorities by outsourcing tenure

As the outsourcing maturity of organisations increases, the priority for outsourcing shifts from **"improved access to talent"** to **"alignment with business strategy and operating model."**

1st generation
- Better alignment to business strategy and operating model: 17%
- Better quality of performance: 28%
- Spend optimisation: 11%
- Improved access to talent: 33%
- Others: 11%

2nd generation
- Better alignment to business strategy and operating model: 23%
- Better quality of performance: 34%
- Spend optimisation: 20%
- Improved access to talent: 15%
- Others: 8%

3rd generation
- Better alignment to business strategy and operating model: 32%
- Better quality of performance: 17%
- Spend optimisation: 20%
- Improved access to talent: 17%
- Others: 14%

4th generation
- Better alignment to business strategy and operating model: 57%
- Better quality of performance: 7%
- Spend optimisation: 14%
- Improved access to talent: 14%
- Others: 8%

Legend:
- Better alignment to business strategy and operating model
- Better quality of performance
- Spend optimisation (including operational expenditure and capital expenditure)
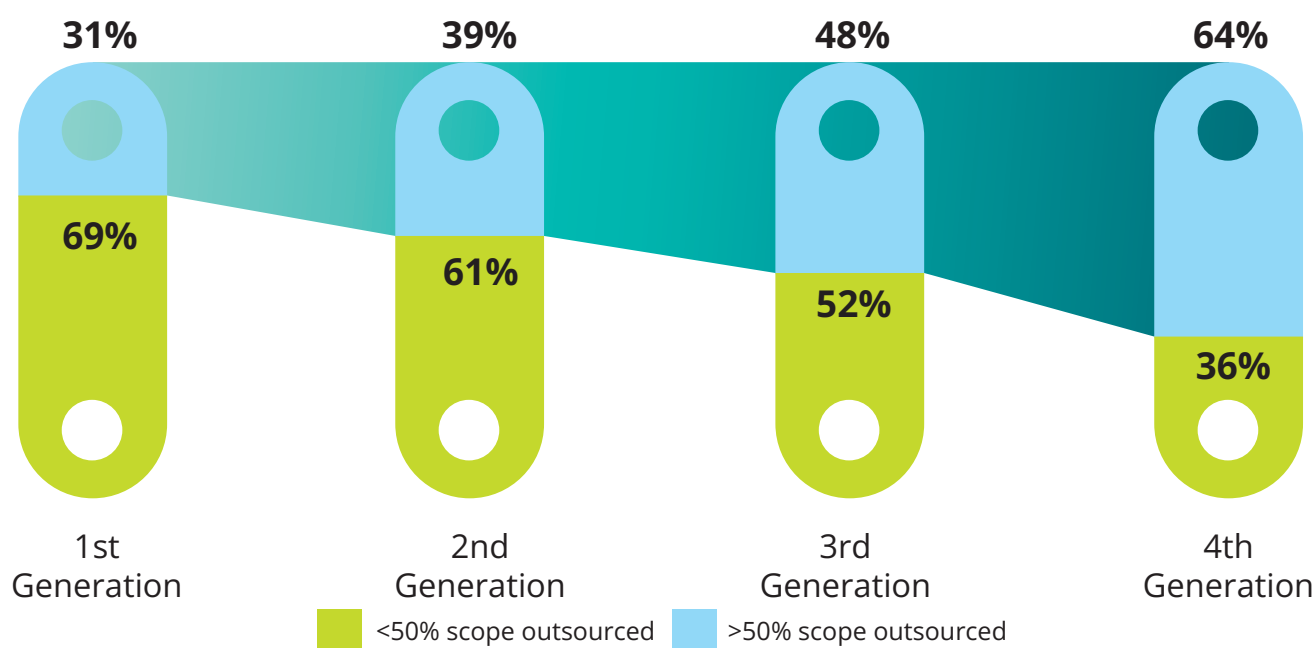- Improved access to talent
- Others

B. Scope of outsourcing

Organisations deepen trust in service providers, outsource more end-to-end work as the relationship matures

Nearly half of the organisations surveyed outsource **over 50 percent of the scope** within the functions they choose to outsource. This trend is most pronounced in ER&D and F&A functions. The **extent of outsourcing exceeds 75 percent in a few organisations**, such as IT and procurement. As organisations grow more comfortable with their service providers and the relationship matures, they are increasingly entrusting greater portions of their operational scope to external service providers.
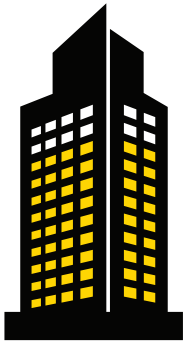
Scope outsourced with tenure of outsourcing

31%	39%	48%	64%
69%	61%	52%	36%
1st Generation	2nd Generation	3rd Generation	4th Generation

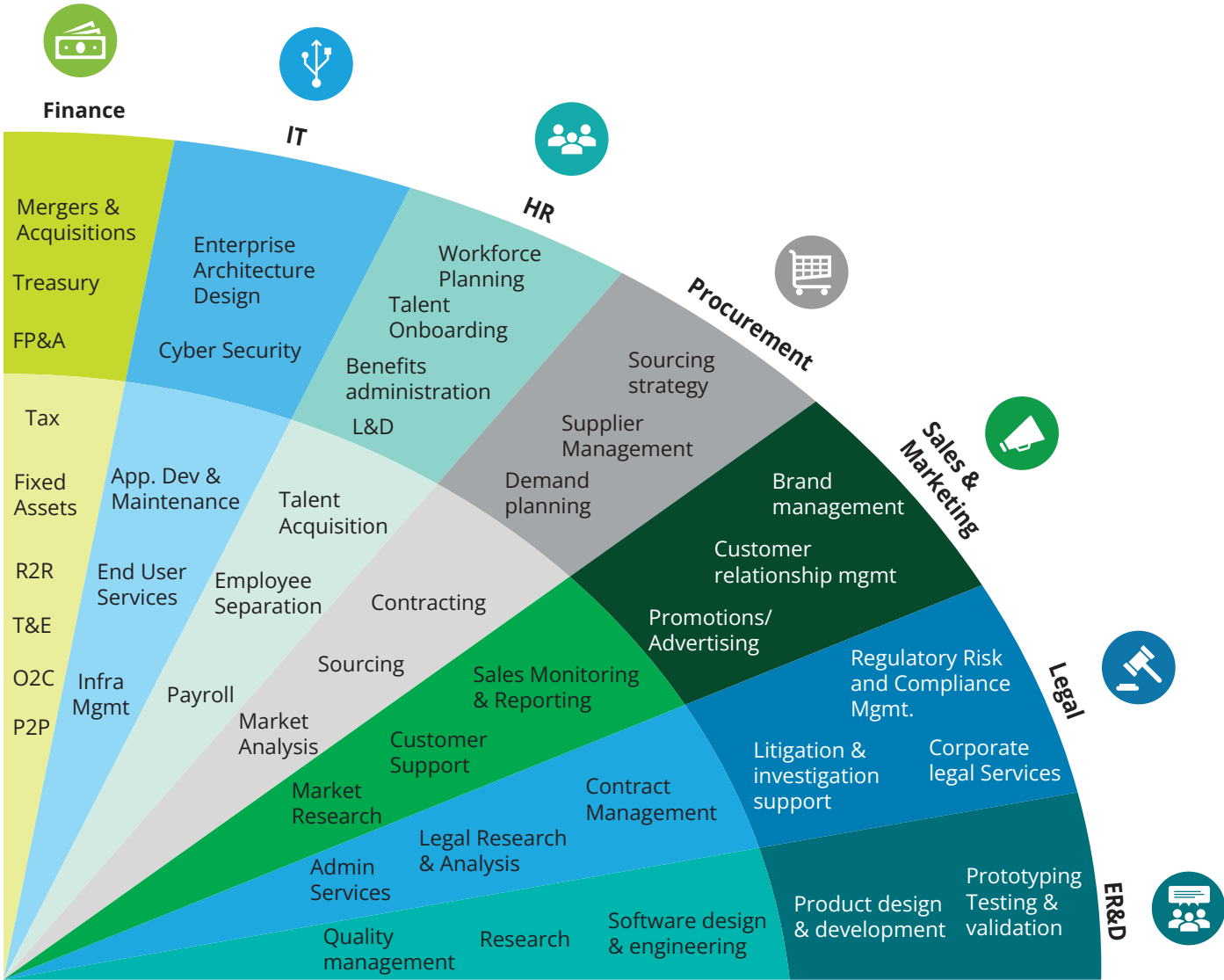■ <50% scope outsourced   ■ >50% scope outsourced

% here represents the share of respondents within each generation

Organisations have now started to outsource some portions of core areas that were traditionally not outsourced to service providers.

As outsourcing tenure and maturity increase, organisations become more comfortable outsourcing one or more core areas within each function to service providers.

82%
Organisations outsourcing some portions of the core areas now

Finance
- Mergers & Acquisitions
- Treasury
- FP&A
- Tax
- Fixed Assets
- R2R
- T&E
- O2C
- P2P

IT
- Enterprise Architecture Design
- Cyber Security
- App. Dev & Maintenance
- End User Services
- Infra Mgmt

HR
- Workforce Planning
- Talent Onboarding
- Benefits administration
- L&D
- Talent Acquisition
- Employee Separation
- Payroll

Procurement
- Sourcing strategy
- Supplier Management
- Demand planning
- Contracting
- Sourcing
- Market Analysis

Sales & Marketing
- Brand management
- Customer relationship mgmt
- Promotions/ Advertising
- Sales Monitoring & Reporting
- Customer Support
- Market Research

Legal
- Regulatory Risk and Compliance Mgmt.
- Litigation & investigation support
- Corporate legal Services
- Contract Management
- Legal Research & Analysis
- Admin Services

ER&D
- Prototyping Testing & validation
- Product design & development
- Software design & engineering
- Research
- Quality management

Typically outsourced

Emerging areas being outsourced

Source: Market dynamics and Opportunity for GBS, 2024 Deloitte report

Percentage of respondents outsourcing 1 or more core areas within their functions

Function	Percentage
Legal & Tax	90%
Engineering/R&D/product development	90%
Information Technology/Digital	88%
SupplyChain/Manufacturing/production/operations	83%
Procurement/Sourcing	81%
Finance & Accounting	77%
Human Resources	76%
Sales & Marketing	67%

"In the airline industry, we have outsourced core processes such as Customer Relationship Analytics (CRA) and Passenger Revenue Accounting (PRA) to tap into specialised capabilities and efficiently manage high-volume tasks. Meanwhile, despite a tendency in the engineering sector to keep core capabilities in-house, essential functions such as design continue to be outsourced, reflecting a strategic approach to harness external expertise where needed."

- Finance leader, Global Aviation company

C. Hybrid talent models

Organisations embrace an integrated workforce ecosystem, where external and internal workforces collaborate to meet evolving skill demands.
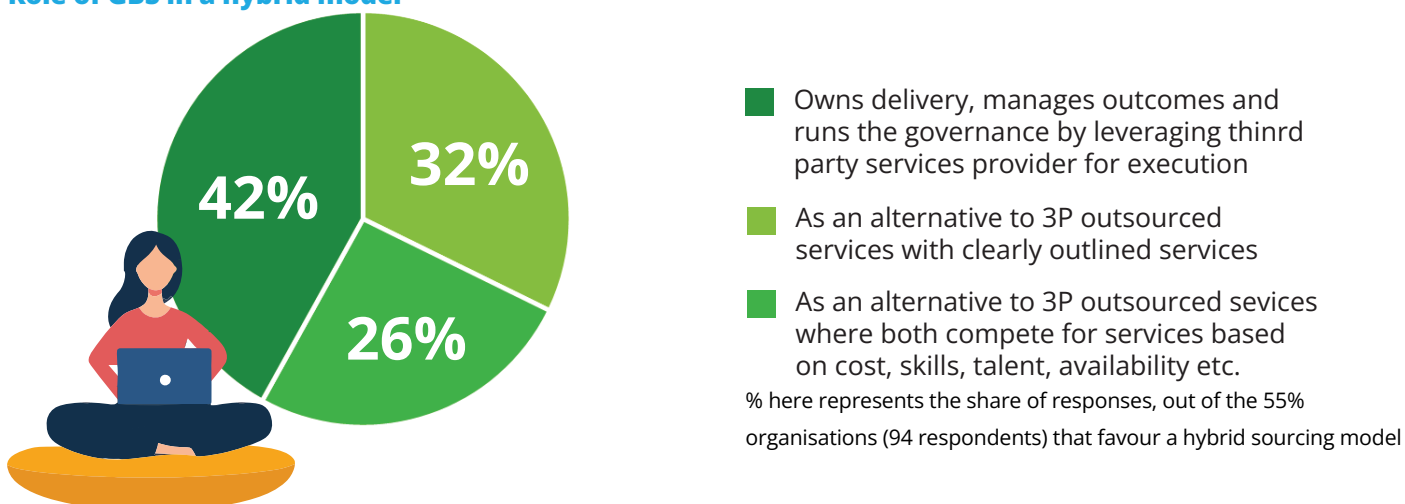
Today's leaders recognise that sourcing is not a choice between standalone options but an integrated approach combining outsourcing, GBS and flexible talent models. This hybrid strategy enhances agility, cost-efficiency and access to specialised expertise, allowing organisations to adapt to evolving business demands effectively.

Talent model used by organisations

82%	**56%**	**54%**	**8%**
Third party outsourced services	Third party staff augmentation	Inhouse capability centers or GBS	Other talent options (e.g., freelancers, crowdsourcing, alumni, interns, volunteers etc.)
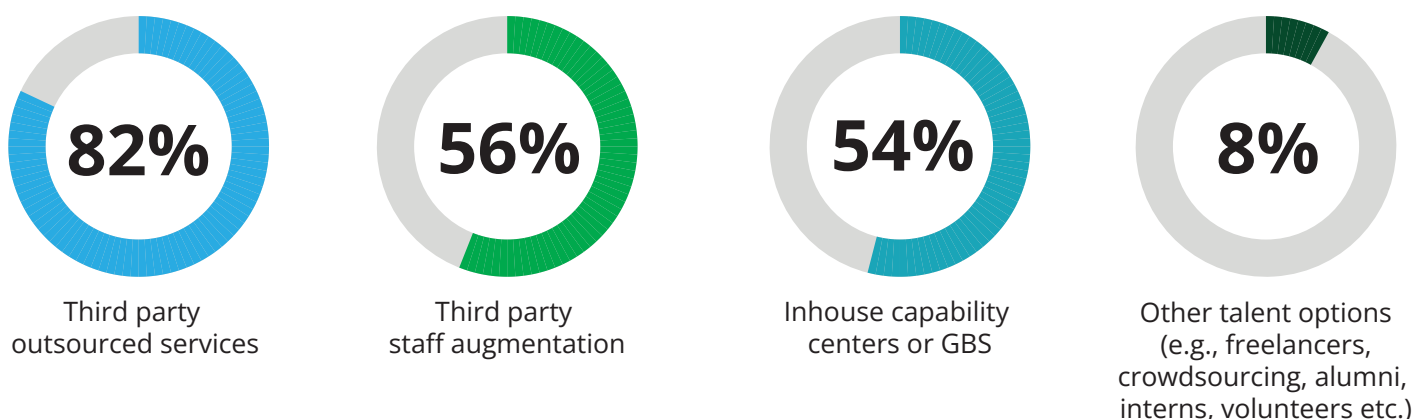
About 55 percent of organisations now favour a hybrid sourcing model (GBS + outsourcing), with most using GBS to lead delivery, manage outcomes and oversee governance, while third-party service providers handle service execution.

Role of GBS in a hybrid model

42%
32%
26%

■ Owns delivery, manages outcomes and runs the governance by leveraging thinrd party services provider for execution

■ As an alternative to 3P outsourced services with clearly outlined services

■ As an alternative to 3P outsourced sevices where both compete for services based on cost, skills, talent, availability etc.

% here represents the share of responses, out of the 55% organisations (94 respondents) that favour a hybrid sourcing model

"The shift towards a hybrid model that integrates outsourced providers with in-house GBS operations signals an adaptive strategy. This blend allows organisations to optimise operational efficiency and cost-effectiveness while maintaining the flexibility to scale and manage business functions effectively."
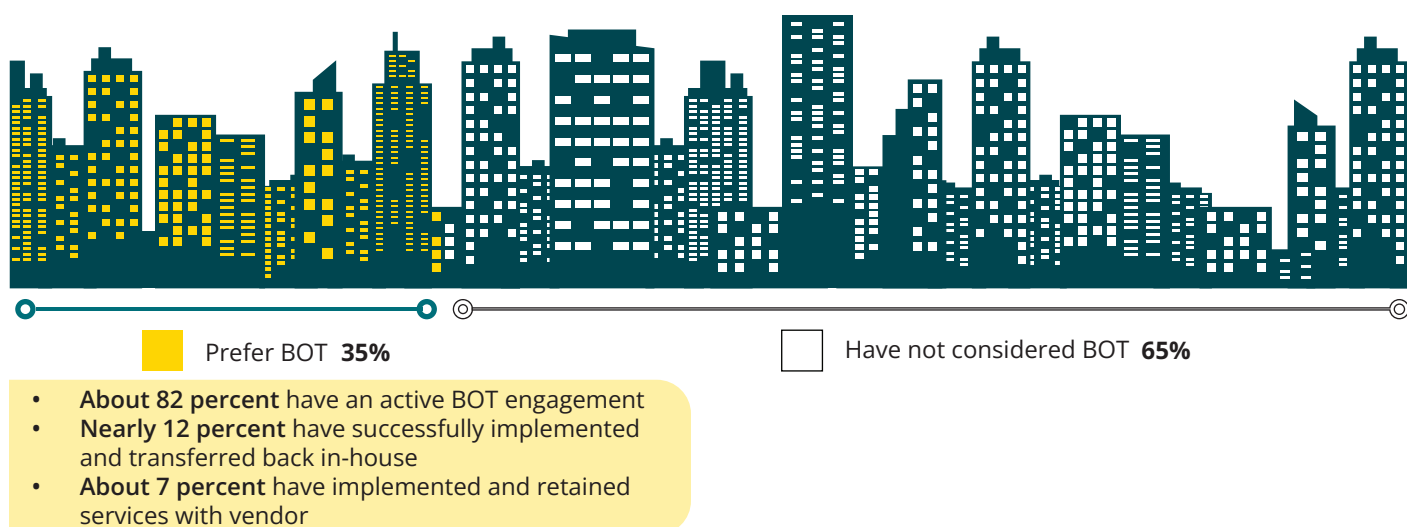
- Finance leader, Global Aviation company

D. Build-Operate-Transfer (BOT) models for capability centres

As organisations become more comfortable with outsourcing, using service providers to establish GBSs through the BOT model is gaining prominence.
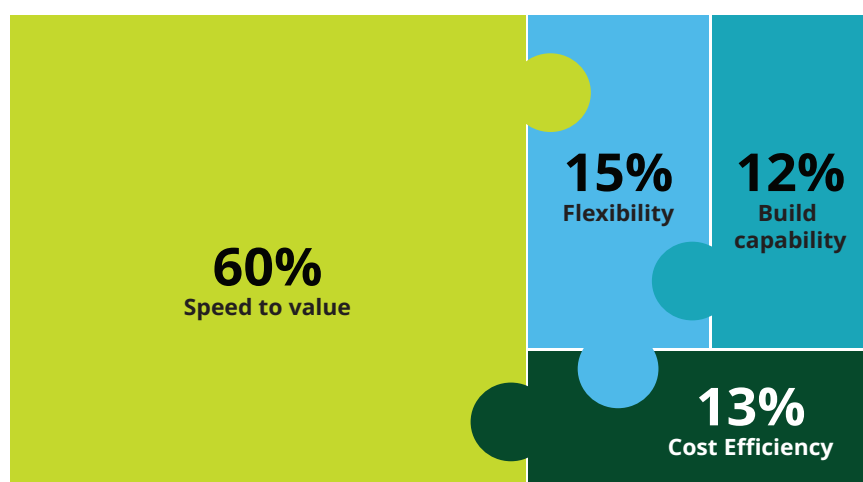
As organisations grow familiar with outsourcing and develop deeper, more strategic relationships with service providers, we are witnessing a greater acceptance of setting up GBSs through the BOT model. This model allows businesses to quickly operationalise critical functions while retaining the flexibility to take ownership once the operations reach maturity and stability.

> "Our company is currently engaging with a service provider in a Build-Operate-Transfer (BOT) model to accelerate capability building, ensure operational continuity and secure skilled expertise. With 30–35 FTEs in place, we anticipate that around 50 percent of these employees will transition to us within 2–3 years, facilitating a smooth handover and aligning with our long-term growth and operational goals."
>
> **- GBS head, Paint Manufacturing Multinational company**

Prefer BOT **35%**   Have not considered BOT **65%**

- **About 82 percent** have an active BOT engagement
- **Nearly 12 percent** have successfully implemented and transferred back in-house
- **About 7 percent** have implemented and retained services with vendor

Accelerating speed to value is the top reason organisations use the BOT model...

60%
Speed to value

15%
Flexibility

12%
Build capability

13%
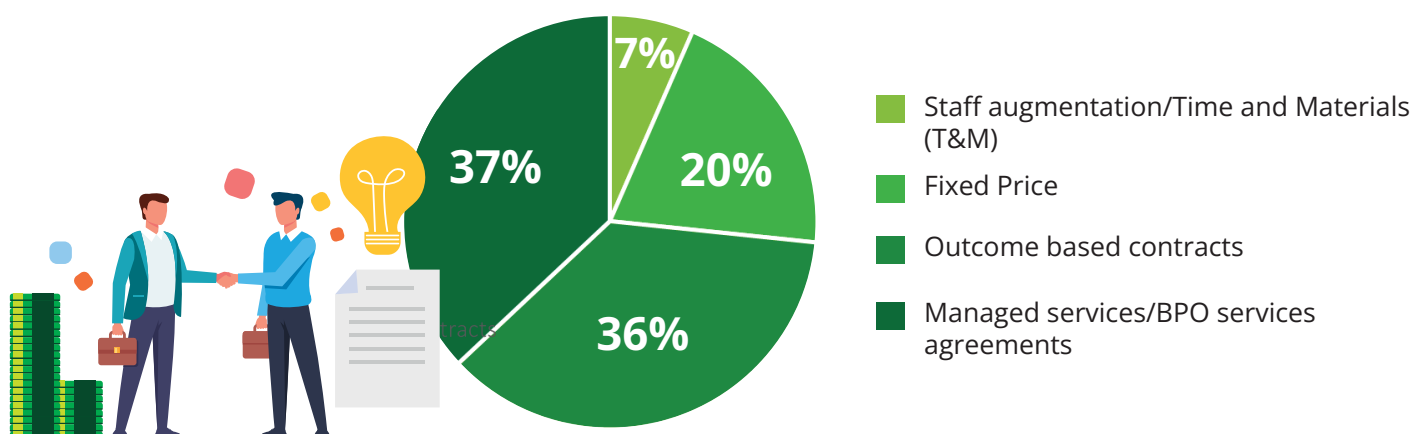Cost Efficiency

% here represents share of respondents

E. Evolving commercial constructs
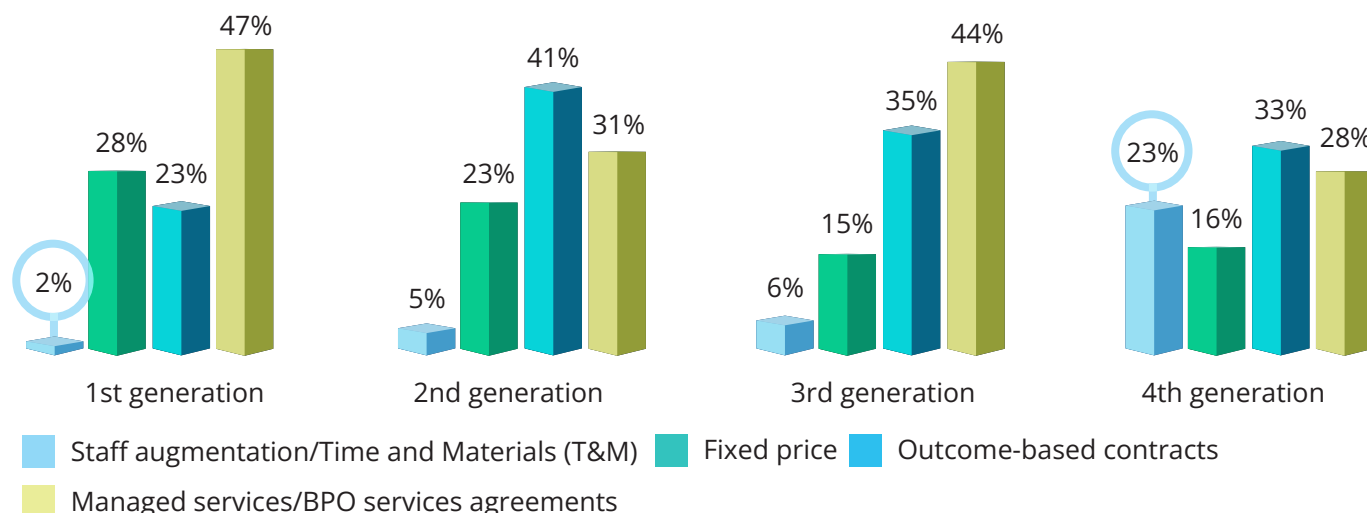## Commercial constructs

In 2020, many outsourcing leaders indicated that FTE-based models dominated due to their simplicity and ease of management. Shifting away from these models required a more complex and mature governance structure, which was a barrier for many organisations. However, we now see a significant shift towards outcome-based and managed services models. These constructs offer greater flexibility and alignment with strategic objectives, allowing organisations to focus on value-driven outcomes rather than resource-based metrics. This evolution reflects the growing maturity in outsourcing relationships and the increasing demand for performance-based engagements.

> " Today, most of our new contracts are outcome-based as we shift away from focusing on headcount or resources. In areas with predictable workloads, transaction-based contracts are more suitable."
>
> **- VMO lead, Global CPG company**

Pie chart:
- Staff augmentation/Time and Materials (T&M): 7%
- Fixed Price: 20%
- Outcome based contracts: 36%
- Managed services/BPO services agreements: 37%

Although Managed services and Outcome based contracts are the most preferred commercial constructs, staff augmentation is used largely by organisations that are mature in their outsourcing journey and has a strong GBS to manage and drive the desired outcomes through service providers.

Bar chart:

	Staff augmentation/Time and Materials (T&M)	Fixed price	Outcome-based contracts	Managed services/BPO services agreements
1st generation	2%	28%	23%	47%
2nd generation	5%	23%	41%	31%
3rd generation	6%	15%	35%	44%
4th generation	23%	16%	33%	28%

Preference of commercial constructs across functions....

Across different functions, respondents prefer outcome-based and managed services models, especially in areas such as F&A, HR and procurement, where organisations are keen to align service delivery with specific performance outcomes. However, in functions such as sales and marketing, ER&D and IT, there has also been a notable adoption of fixed-price models. This is often due to the predictable nature of certain projects and the desire for cost certainty.

HR
Managed services

F&A
Outcome-based contracts

Supply chain
Managed services

IT
Managed services

Legal & Tax
Outcome-based contracts

Procurement
Outcome-based contracts

Sales & Mktg.
Managed services

ER&D
Managed services
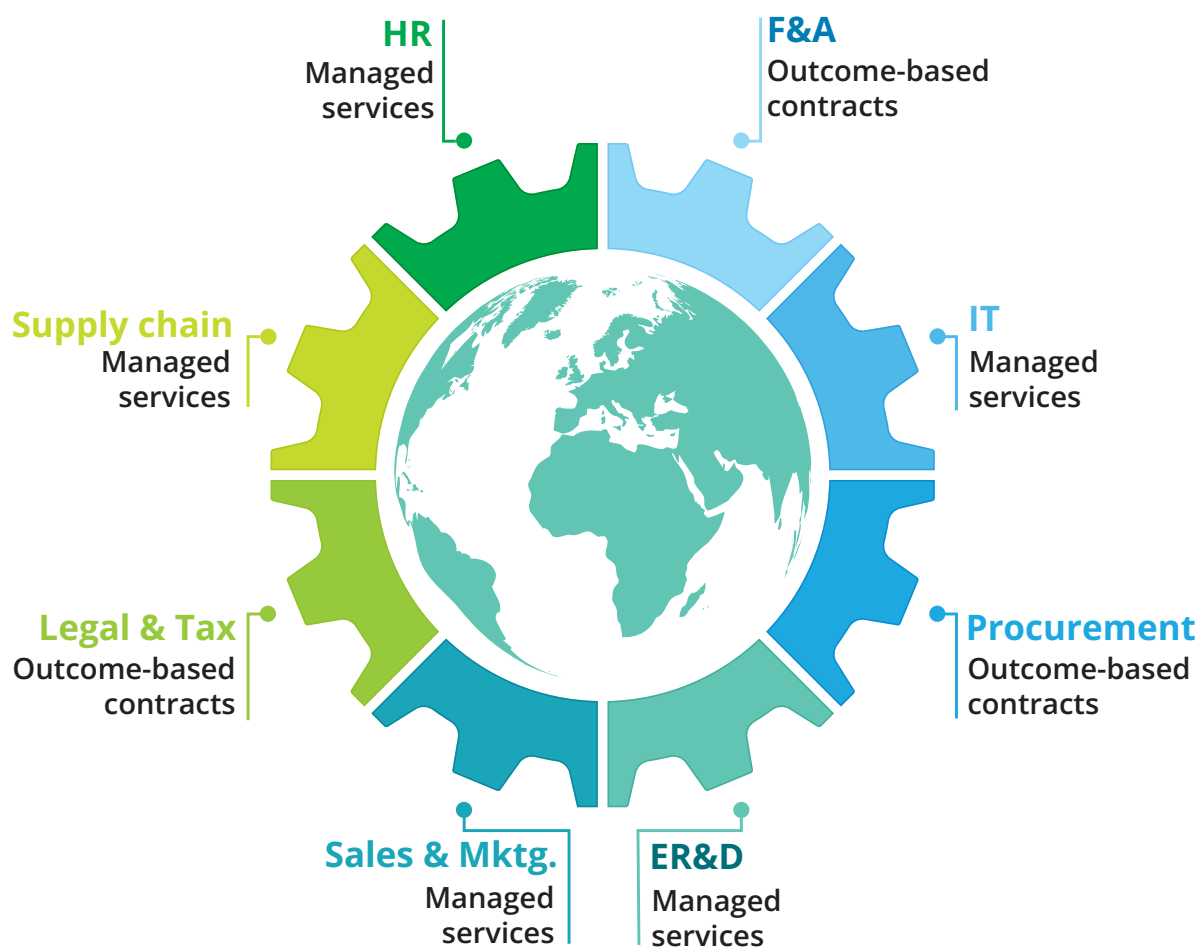
Tailoring multi-vendor models to align with business objectives

A. Service provider mix adopted

Approach to service provider mix strategy in an outsourced ecosystem has evolved

Flexible service provider sourcing mix reflects the need for organisations to stay competitive and nimble. About 42 percent of organisations prefer to have a balanced mix of both strategic and non-traditional service providers (start-ups, niche service providers, hyperscalers, etc.), and the strategy varies across generations of outsourcing.

> "We engage with a consortium of collaborators across different areas, tailored to meet specific demands and requirements. This model facilitates a diversified approach, ensuring that the organisation can use the best available expertise and resources across various domains."
>
> **- VMO lead, Global CPG company**

Legend:
- Single strategic service providers
- Multiple strategic service providers and some non-traditional service providers
- Balanced mix of strategic and non-traditional suppliers
- Primarily non-traditional suppliers
- No formal strategy

(Pie chart values: 6%, 24%, 5%, 23%, 42%)
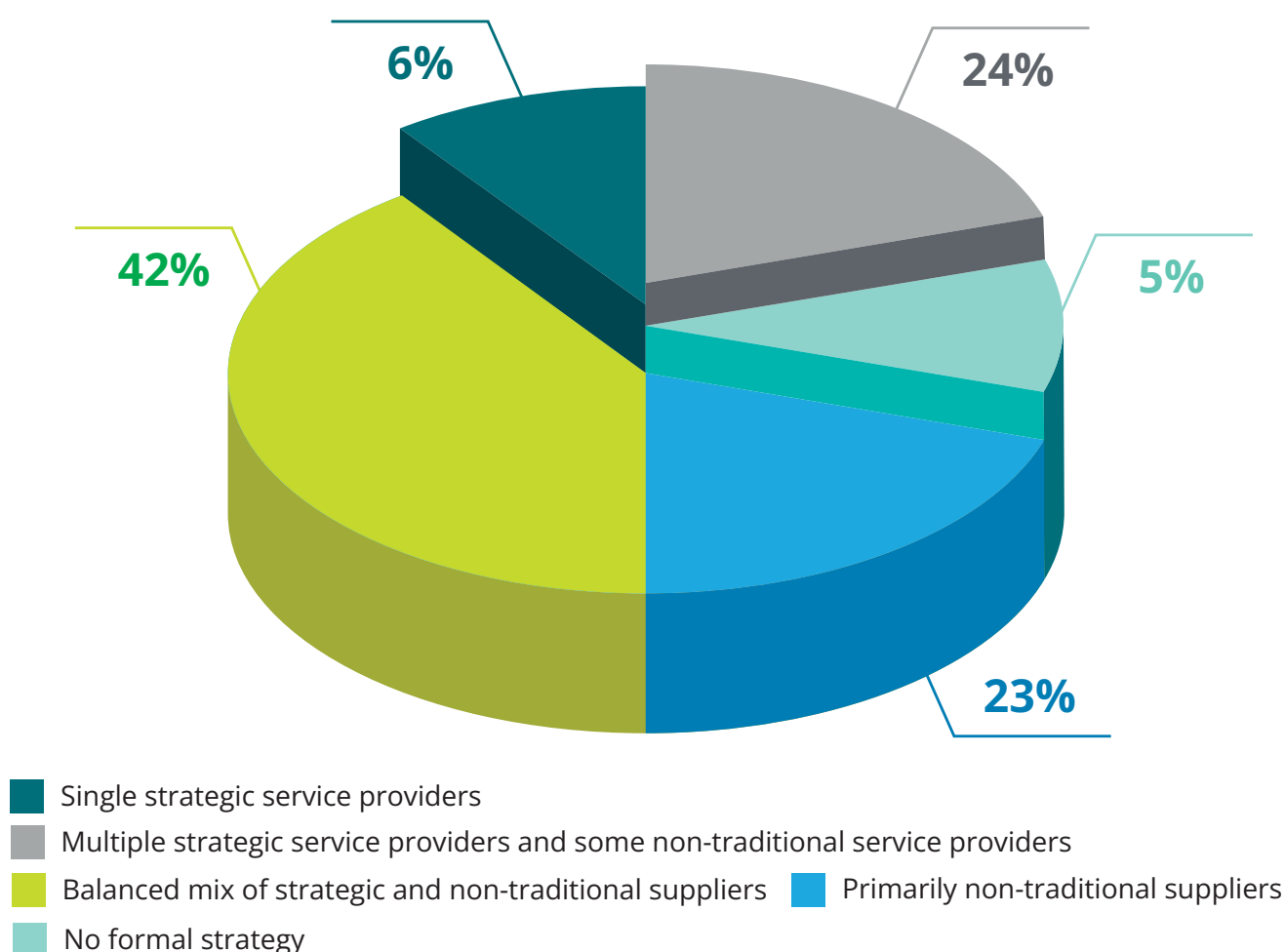
Service provider mix preference between first time and tenured outsourcer

About 50 percent of the organisations without a defined service provider strategy are first-time outsourcers, indicating Beginner's syndrome in understanding and maximising value from their service provider ecosystem.

Mature outsourcers tend to prioritise strategic service providers primarily in their service provider mix, indicating a preference for long-term, value-driven relationships that provide scalable, tried and tested solutions that align with their business goals.

45% — Balanced mix of strategic service providers and niche/commodity service provider
22%
11%
0%
22%
1st generation
14%
57%
▼ **0%**
▲ **29%**
▼ **0%**
4th generation

- Balanced mix of strategic service providers and niche/commodity service provider
- Multiple strategic service providers with some niche and commodity service provider
- Primarily niche and commodity service providers without a strategic service providers
- Single strategic service providers with some niche and commodity service provider
- No formal strategy

Functional view

Organisations are increasingly turning to non-traditional service providers such as start-ups and niche service providers to optimise costs and operations while gaining access to innovative products and solutions powered by cutting-edge technology. This strategic shift reflects a growing willingness to move away from big, established service providers and experiment with smaller, specialised service providers. India's booming technology start-up ecosystem and academic institutions are further enhancing the development of digital, future-ready capabilities for organisations.

	Human Resources	Legal & Tax	Procurement/ Sourcing	Sales & Marketing	Information Technology/ Digital	Supply chain/ manufacturing/ production/ operations	Engineering/ R&D/product development	Finance & Accounting
Primarily non-traditional	20%	13%	19%	25%	32%	25%	21%	23%
Mix of strategic and non-traditional service providers	68%	74%	81%	67%	68%	75%	75%	69%
No formal strategy	12%	13%		8%			4%	8%

- No formal strategy
- Mix of strategic and non-traditional service providers
- Primarily non-traditional

B.   Role of non-traditional service providers

Growing adoption of non-traditional service providers due to the availability of ready-to-use technologies

While diving deep into reasons why organisations engage with non-traditional service providers, 40 percent of the respondents cited the availability of ready-to-use tools/technology as a key reason, followed by 30 percent who cited building capabilities in a shorter duration. This reflects that organisations want to quickly adopt new capabilities without lengthy development cycles and accelerate time-to-market where real-time solutions are critical.

> "While traditional outsourcing partners provide stability and incremental innovation, they often fall short in fostering disruptive innovation. We actively seek collaboration with agile providers that offer specialised skills and niche capabilities aligned with our ecosystem."
>
> **- GBS Head, Food and Beverages company**

Reasons organisations prefer to engage with non-traditional service providers

Reason	Percentage
Availability of ready-to-use tools/technology with these service providers	**38%**
Can be engaged for shorter duration to build capabilities	**28%**
Innovation at speed	**16%**
Agility and flexibility to experiment	**9%**
Current Incumbents are not able to provide the niche skills set or capabilities	**9%**
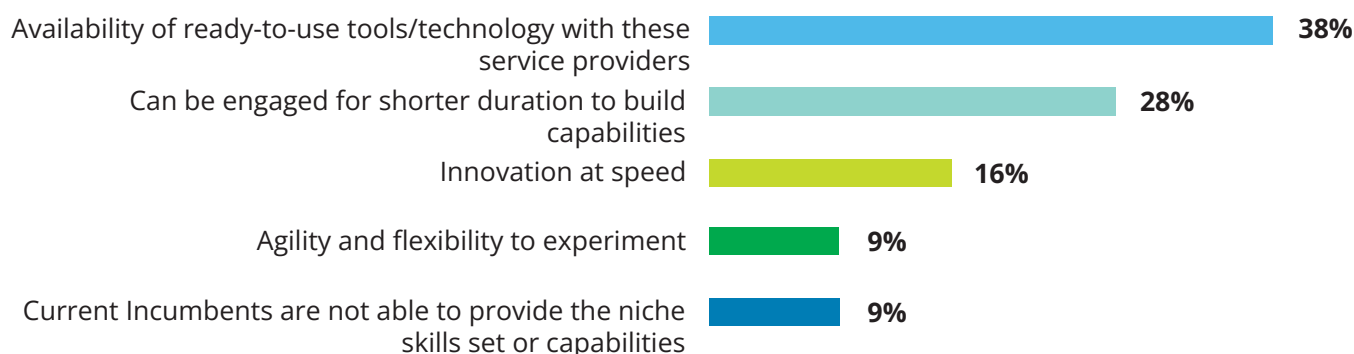
>50 percent of organisations in most of the functions have engaged with non-traditional service providers to outsource their core areas.

Apart from ready-to-use tools and technology, first-time outsourcers focus on building capabilities; tenured outsourcers prioritise agility and flexibility as reasons to engage with non-traditional service providers.

1st generation: 38%, 31%, 13%, 12%, 6%

4th generation: 27%, 18%, 9%, 28%, 18%

- Availability of ready-to-use tools/technology with these service providers
- Can be engaged for shorter duration to build capabilities
- Innovation at speed
- Agility and flexibility to experiment
- Current Incumbents are not able to provide the niche skill set or capabilities
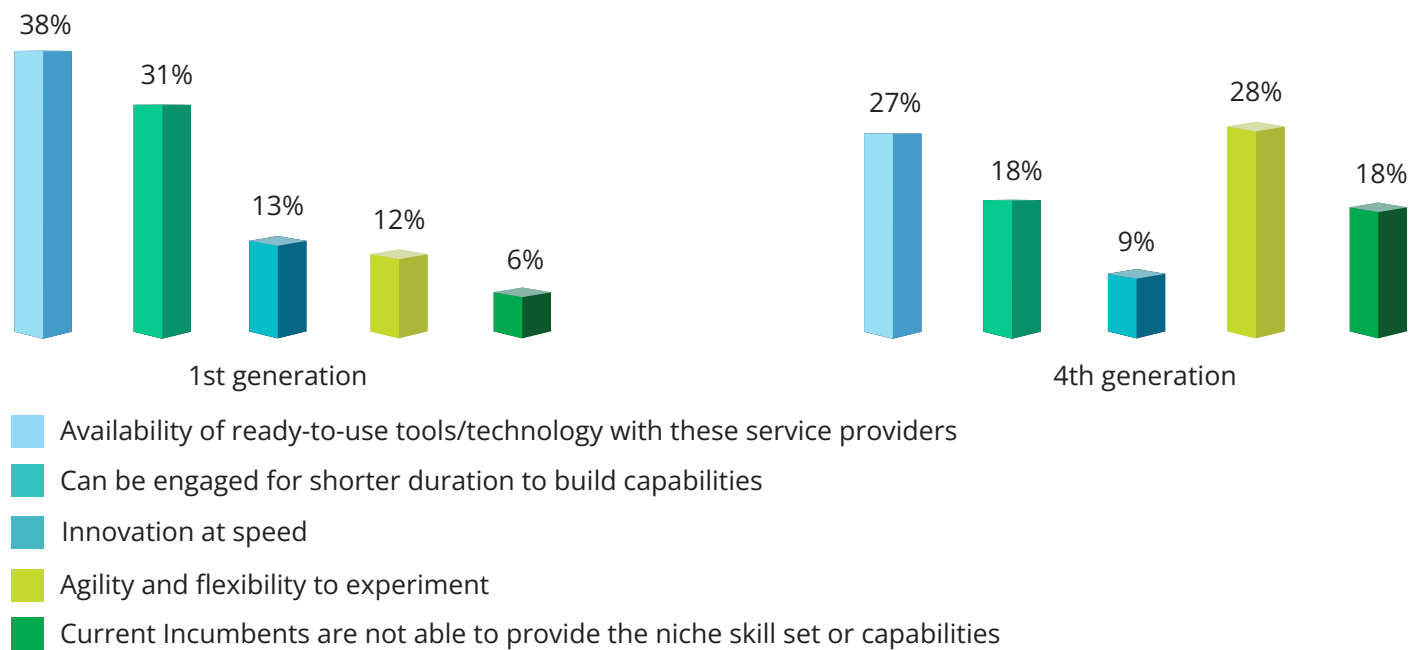
C.   Bundling of value-added services in contracts
The practice of bundling value-added offerings in outsourcing contracts is becoming less common

Nearly 3/4th of the organisations do not use bundled value-added offerings in their outsourced contracts, and the adoption decreases as the tenure of outsourcing increases. This can be attributed to the lack of customisation, complexity in managing multiple contractual components and flexibility limitations associated with bundled products, which are attributable to increased dependence on service providers. There is also an inherent risk of under-usage where the bundled products/value-adds are not used to their full potential, resulting in value leakage.

71%
Do not use bundled value-added products

29%
Prefer using bundled value-added products
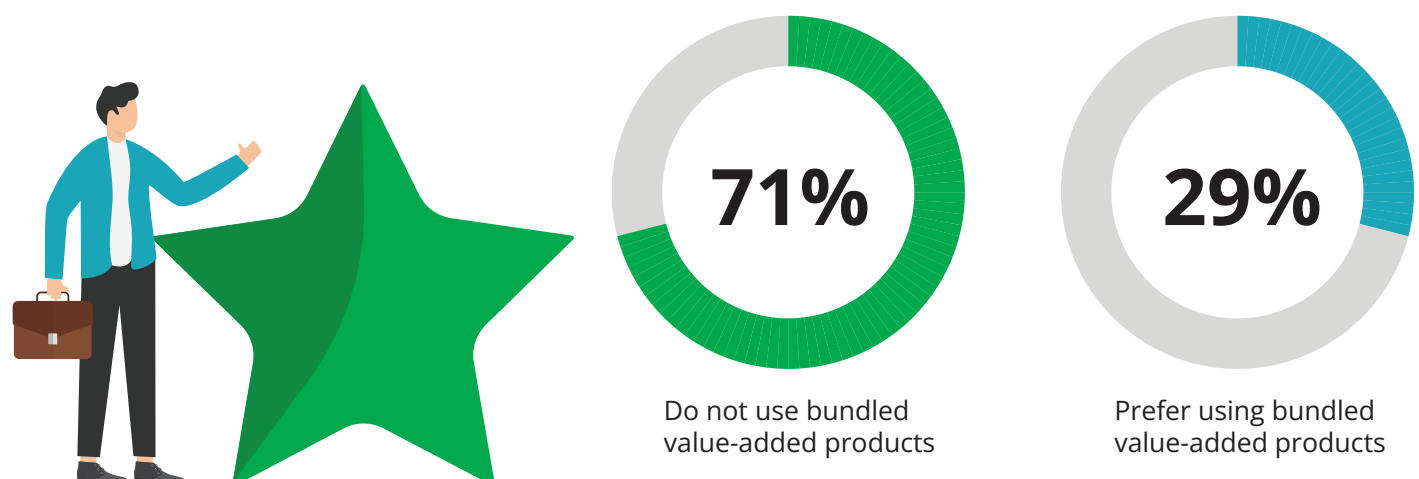
"We strategically bundle value-added products and services to enhance our overall offering. However, challenges in adopting these products include:
    Lack of tailored solutions: Inadequate customisation often prevents solutions from meeting the organisation's specific needs.
    Insufficient internal support: A lack of dedicated internal teams hinders effective engagement with service providers and proper initiative monitoring.
Ensure provisions allow for individual termination or amendment to avoid inflexibility in such arrangements"

- Global GBS Head, Chemical company

Mature outsourcers tend to not prefer value-added products

1st generation	61%	39%
2nd generation	74%	26%
3rd generation	66%	34%
4th generation	86%	14%

■ Do not use bundled value-added products   ■ Prefer to use bundled value added offerings
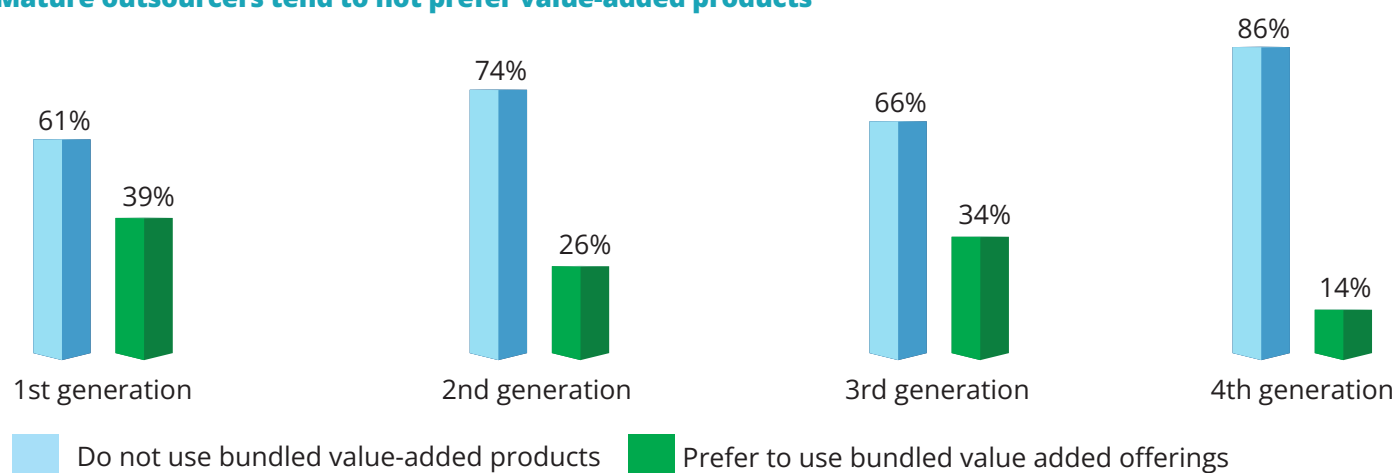
Top value-added offerings bundled with outsourcing contracts

Analytics and reporting platforms are the top value-added offering, as access to detailed analytics allows organisations to track performance metrics, assess the effectiveness of outsourced services and make data-driven adjustments to optimise the outcomes.

Analytic and reporting platforms	27%
Automation and optimisation tools	16%
Enterprise solutions	10%
Service management solutions	9%
Cybersecurity and compliance	7%
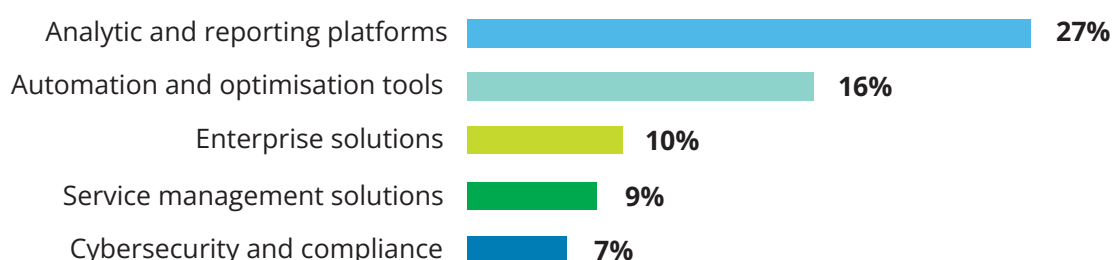
% of respondents utilizing the bundled value offerings in their outsourced contracts

Top 5 Value added offerings have been mentioned here

Functional view

While over 50 percent of organisations across various functions prefer not to use value-added offerings, those in Engineering Research & Development (ER&D) demonstrate a higher adoption rate. This increased usage can be attributed to the critical nature of product development in this field, which necessitates additional value-added services such as testing, maintenance and support, often uniquely provided by specialised service providers.

Preference for value-added products across functions and examples

HR
20%
Talent acquisition platforms, candidate assessment and analytics platforms

F&A
27%
Automated reporting, automated invoice processing and analytics platforms

Supply chain
25%
Advanced analytics, optimisation platforms and testing solutions

IT
32%
Cloud optimisation solutions, service desk and automated reporting

Legal & Tax
25%
Advanced analytics, optimisation platforms and testing solutions

Procurement
33%
Predictive analytics and supplier collaboration tools

Sales & Mktg.
25%
Advanced analytics, optimisation platforms and testing solutions

ER&D
42%
Advanced analytics, optimisation platforms and testing solutions

D. Savings achieved from outsourcing

Outsourcing continues to deliver the spend optimisation priorities of organisations

Nearly 90 percent of organisations have realised annual savings of 10–25 percent from their outsourced contracts, and half anticipate an increase of 25–35 percent over the next five years. This expected growth is driven by an expanded outsourcing footprint bolstered by enhanced technological advancements, strategic capabilities and cost efficiencies from outsourced vendors.

> **>50 percent of the organisations** using a **balanced mix** of strategic service providers and niche/commodity suppliers have **achieved the highest savings** of **15 percent–35 percent** from their outsourced contracts.

Average annual savings achieved

- 4%
- 9%
- 40%
- 47%

Legend:
- 0-10%
- 15-25%
- 10-15%
- 25-35%
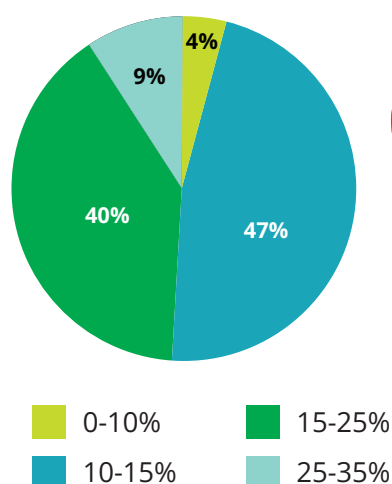
Average annual savings anticipated

- 1%
- 15%
- 47%
- 49%

Legend:
- 10-15%
- 25-35%
- 15-25%
- >35%
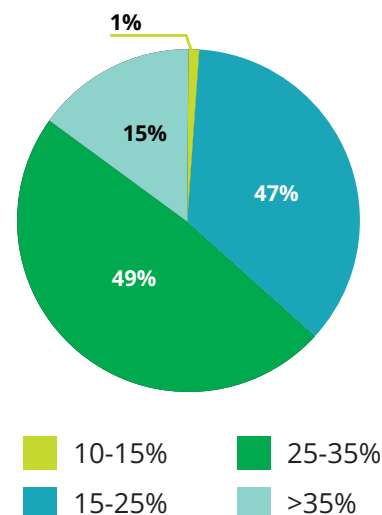
Mature outsourcers anticipate a higher increase in savings over the next 5 years.

Savings are anticipated to increase with outsourcing maturity, as fourth-gen outsourcers aim for over 35 percent savings, compared with 15–25 percent savings projected by first-gen outsourcers. Notably, all fourth-gen outsourcers expect a substantial increase in their outsourcing footprint, while only 28 percent of first-generation outsourcers share this outlook. As the outsourcing footprint expands, organisations can capitalise on greater savings from their contracts due to increased negotiating power and gaining access to advanced technologies.

1st generation
- 5%
- 67%
- 22%
- 6%

2nd generation
- 0%
- 47%
- 44%
- 9%

3rd generation
- 2%
- 15%
- 68%
- 15%

4th generation
- 0%
- 14%
- 29%
- 57%

Legend:
- 10-15% savings anticipated
- 15-25% savings anticipated
- 25-35% savings anticipated
- >35% savings anticipated

31
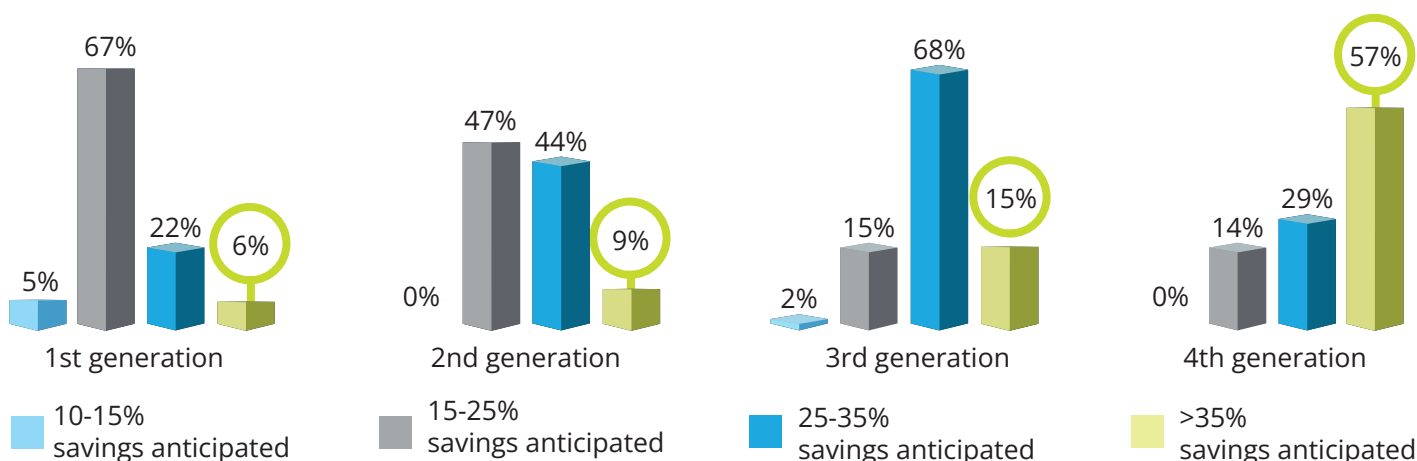
Accelerating next-gen technology adoption through partner ecosystems

A. Using outsourcing for AI and next-generation technology needs

AI and next-gen technology needs through current service providers

About

98%

of organisations **rely on their current service providers for their AI and next-generation technology needs.** This reliance creates opportunities for these service providers to capitalise on the growing demand in these areas.

Developing in-house AI and next-gen technology capabilities demands substantial infrastructure investment and specialised skills. Current service providers possess a deep understanding of the organisation's landscape, allowing them to implement these advanced solutions quickly and on a large scale.

46%
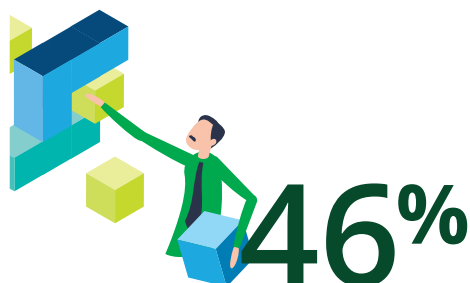
Respondents said, "My current service provider(s) are investing significantly in infrastructure and capabilities to support/enable my organisation's next-gen technology adoption."

20%

Have said, "Vendor's AI capabilities are crucial and play a critical part in my service provider selection criteria."

10%
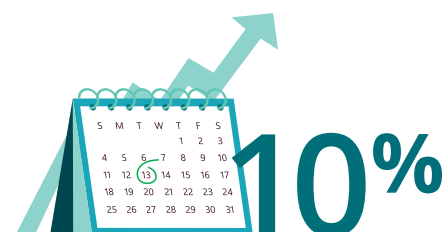
Have mentioned, "I have a clear roadmap to scale AI and next-gen capabilities with my current service provider(s)."

Methods of incorporating AI/GenAI in outsourcing engagements across functions

As organisations integrate AI and GenAI into outsourcing, a primary preference emerges to define clear, AI-specific terms in agreements, ensuring compliance and clear expectations around technological use and performance returns. This structured approach reflects a priority on risk management and transparency. Other organisations use gain-sharing mechanisms to align incentives and share potential gains and risks with providers, particularly where innovation is closely tied to outcomes. Meanwhile, some rely on productivity-based pricing, emphasizing traditional efficiencies. These approaches highlight the diverse strategies companies adopt to balance innovation with accountability in AI-driven engagements.

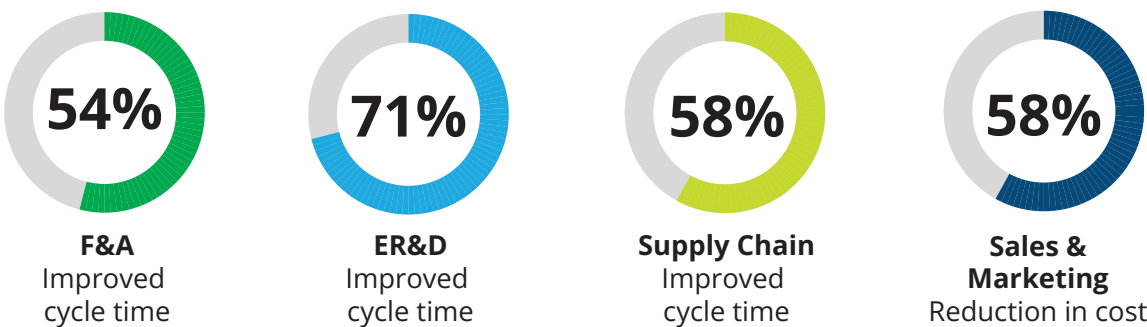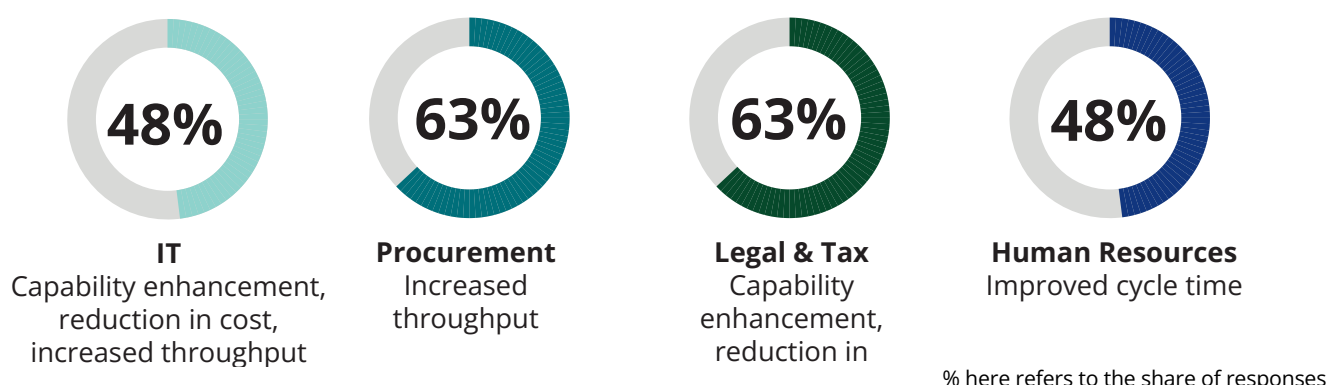## How are organisations incorporating AI/GenAI in their outsourcing engagements

Including AI and GenAI-specific Terms and Conditions (T&Cs) in the agreement tied to the use of technologies, processes and committed returns — **67%**

Using gain-sharing mechanisms to share potential gains and risks — **28%**

Primarily relying on efficiency or productivity gain incorporated in vendor pricing — **25%**
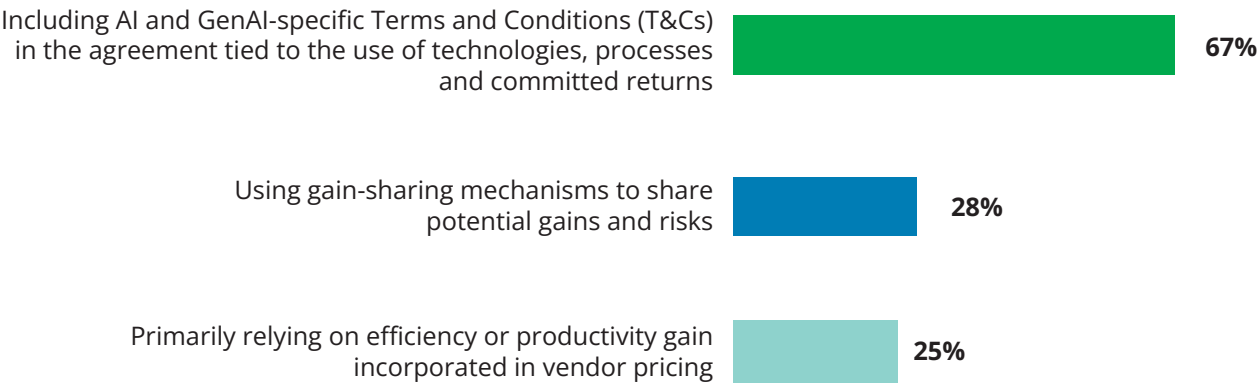
Following are responses regarding the benefits achieved by using GenAI from outsourced vendors

Improved cycle time (time to market) — **57%**

Increased throughput (doing more with less) — **50%**

Reduction in cost of services to you — **40%**

Efficiency and productivity gain (effort reduction) — **40%**

Improved service levels (better quality) — **33%**

Capability enhancement/Net new capabilities — **33%**

Too early to say — **1%**

% here refers to the share of respondents
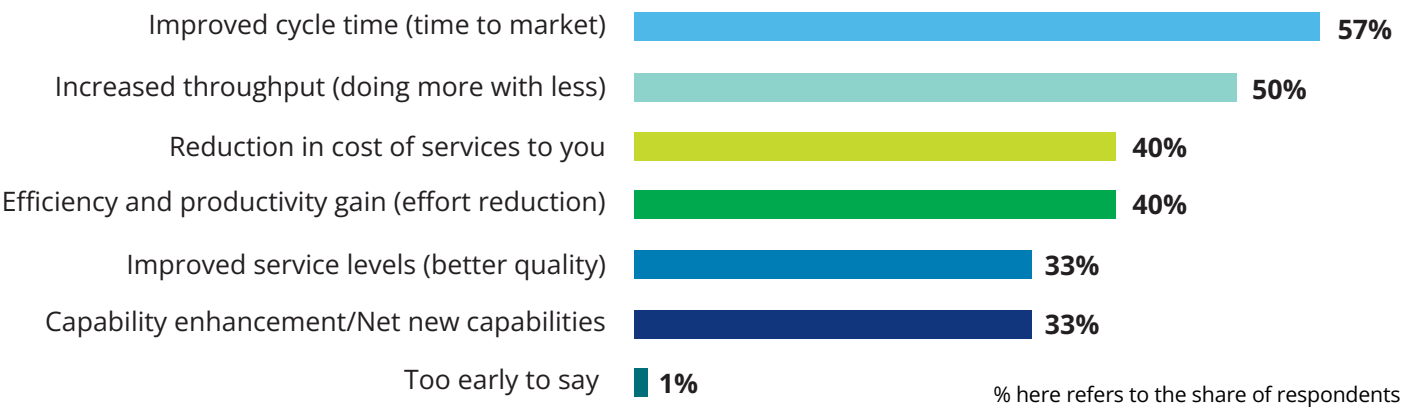
Across functions, organisations are reaping distinct benefits from GenAI solutions, tailored by each function's unique priorities and operational demands. Improved cycle times emerge as a prevalent advantage in areas with high-volume, repetitive tasks such as finance, HR and supply chain. At the same time, functions such as IT and Legal emphasize capability enhancements to handle complex and specialised needs. Functions with strong customer and market interaction, such as Sales & Marketing, prioritise GenAI for cost efficiencies that enable more competitive pricing and targeted investment. Throughput gains are prioritised in procurement for optimised processing capacity. This differentiation reflects the strategic alignment of GenAI capabilities with each function's core objectives and evolving value drivers.

Top benefits achieved through usage of Gen AI across functions

54%
F&A
Improved cycle time

71%
ER&D
Improved cycle time

58%
Supply Chain
Improved cycle time

58%
Sales & Marketing
Reduction in cost

48%

IT
Capability enhancement,
reduction in cost,
increased throughput

63%

Procurement
Increased
throughput

63%

Legal & Tax
Capability
enhancement,
reduction in

48%

Human Resources
Improved cycle time

% here refers to the share of responses

B.   Adoption of tools to manage the service provider ecosystem

Adopting tools and technology to manage the outsourced vendor ecosystem is gaining traction, with over one-third of organisations using these solutions across the S2P cycle. Many organisations favour a single-suite approach over best-of-breed systems, aiming to ensure seamless integration, optimise efficiency and streamline vendor management processes. This shift reflects a growing recognition of the benefits of unified platforms in enhancing oversight and operational control.

"Legacy contracts and manual inefficiencies prompted us to implement a tech-driven, end-to-end CLM solution. Today, all commercial contracts are managed through a comprehensive platform, providing leadership with real-time insights, streamlined executive reports, enhanced process control and robust governance and compliance. Effective change management remains key to successfully deploying and adopting CLM tools."

- GBS head, Paint Manufacturing Multinational company

"We use a single-suite approach to streamline supplier management, ensuring seamless integration, improved visibility and operational efficiency at every step."

- Finance leader, Global Aviation company

29%

8%

63%

■ No tools/tech. implemented

■ Single suite solution

■ Best of breed approach
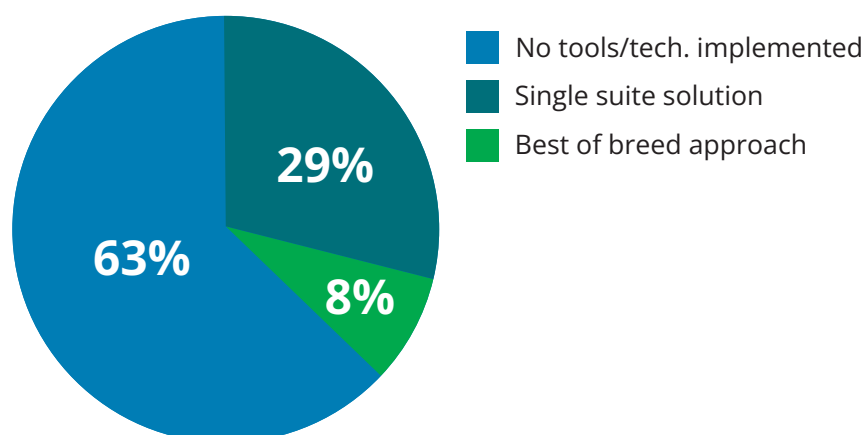
As the maturity of outsourcing increases, we see an increasing adoption of tools to manage the vendor ecosystem.

| | No tools/tech. implemented | Best of breed approach | Single suite solution |

1st generation: 83%, 0%, 17%
2nd generation: 66%, 10%, 24%
3rd generation: 55%, 8%, 37%
4th generation: 50%, 7%, 43%
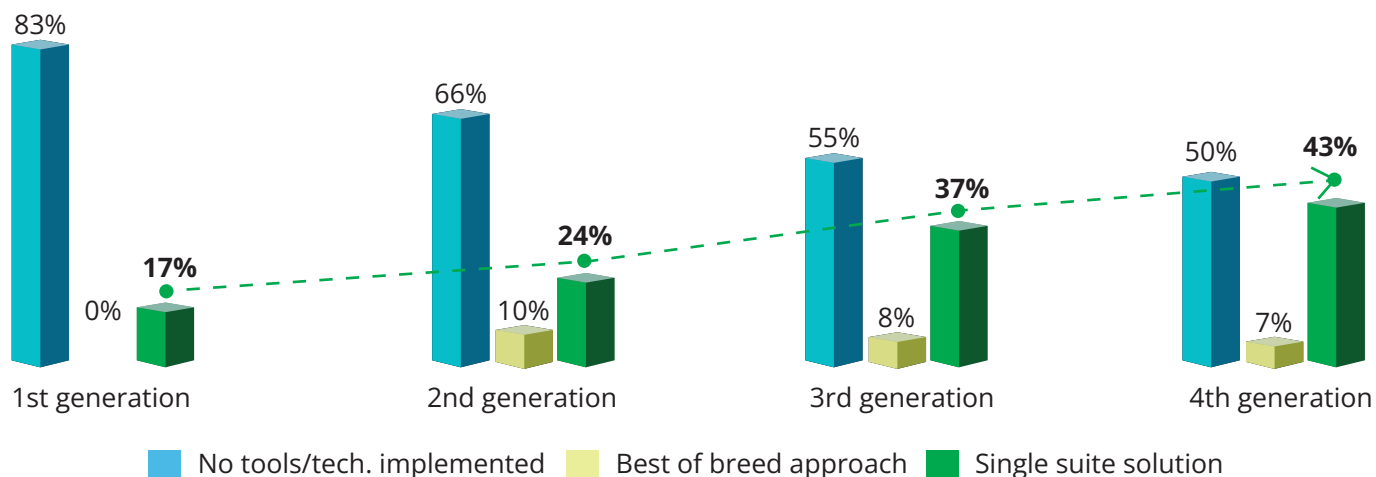
SAP and Coupa are emerging as the most prominent tools used across various stages. Majority of organisations have responded that the tools are owned by the organisation and not by the service providers to maintain control over data and processes .

1

Sourcing
• SAP Ariba
• Coupa
• Zycus

2

Contracting
• SAP Ariba
• Coupa contract management
• Conga

3

Supplier onboarding and MDM
• SAP Ariba
• Coupa Supplier Management
• Oracle Supplier Management

4

PO/PR/GRN
• Coupa
• Oracle
• SAP ECC

5

Invoicing
• SAP Ariba
• Coupa
• Oracle
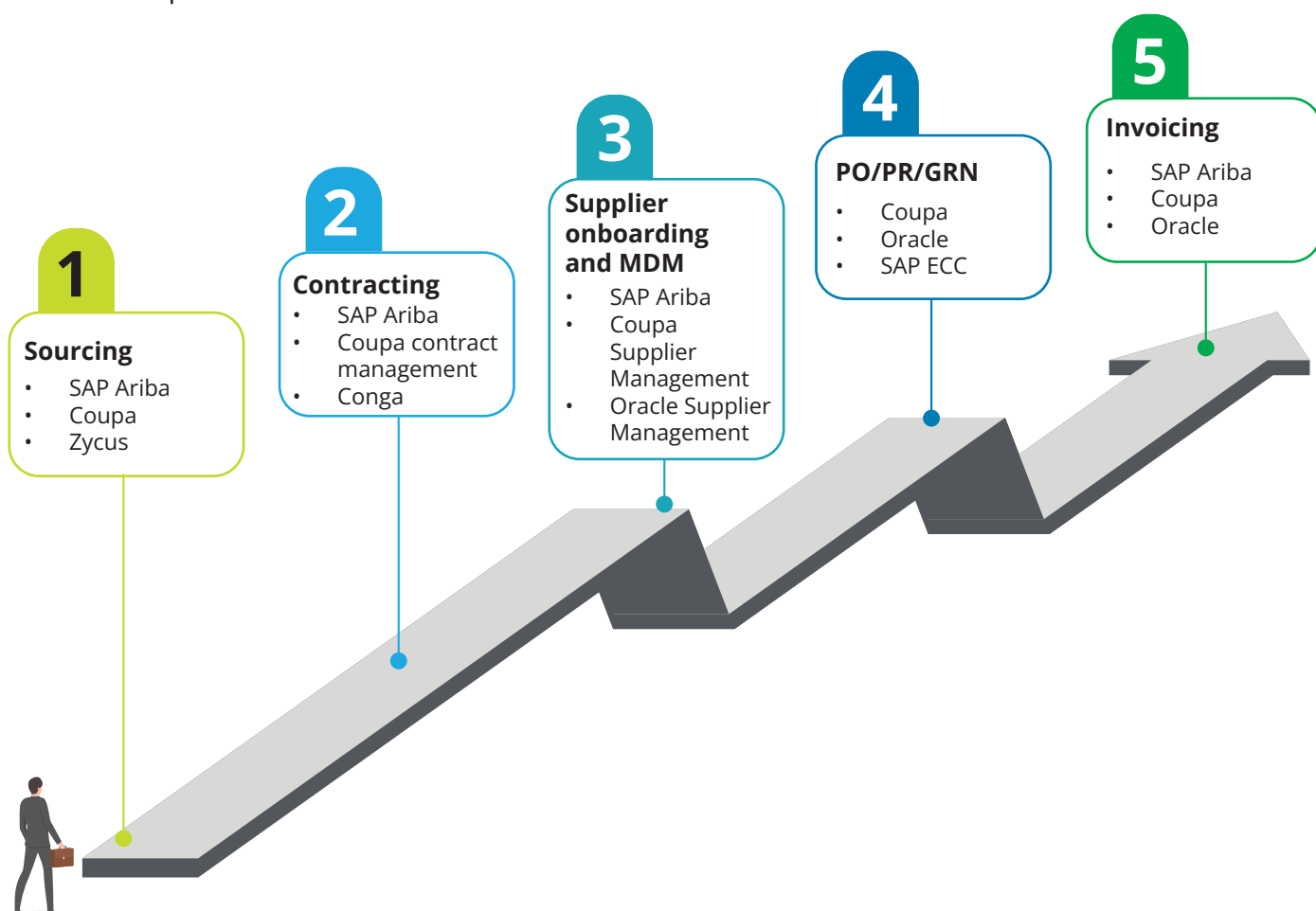
C.   Preference for "as-a-service" offering

The adoption of as-a-service offerings from third-party providers is still relatively low, with many organisations remaining in the exploratory phase due to various inherent limitations. Key concerns include data security and privacy risks, integration challenges between as-a-service platforms and existing software systems and limited control over service quality. Additionally, organisations feel that embracing as-a-service models may lead to a loss of control over critical business processes and services, creating an over-reliance on third-party vendors and reducing internal oversight and flexibility.

Adoption of as-a-service offering

Types of as-a-service offering adopted

- 54% SaaS
- 21% PaaS
- 20% IaaS
- 5% BpaaS

Pie chart: 43% No, 35% Exploring, 22% Yes

Legend: No | Exploring | Yes
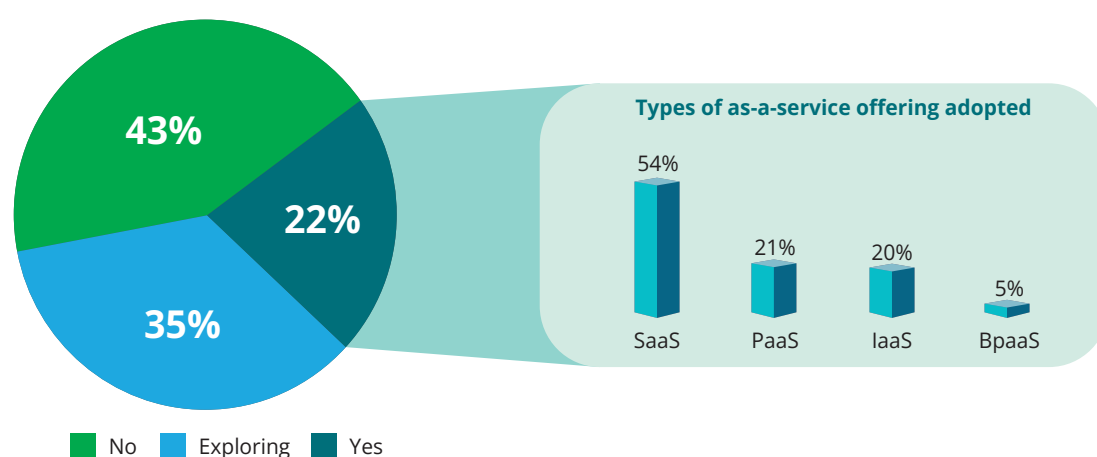
The preference for "as-a-service" offerings is declining with the increasing maturity of outsourcing

39% 33% 28% | 31% 49% 20% | 44% 31% 25% | 7% 79% 14%

Legend: Exploring | No | Yes
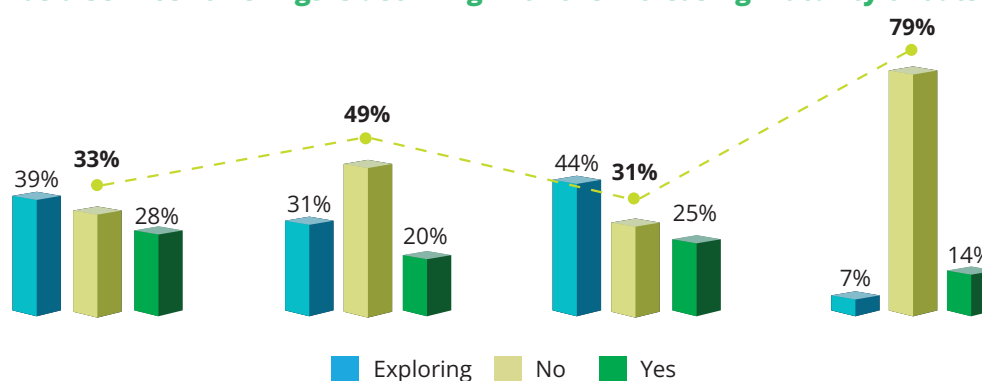
Functions that are using as-a-service offerings predominantly

IT (44%)
Areas: IT infrastructure services, application development and ERP management
Predominant type of services: IAAS, SAAS

HR (36%)
Areas: Recruitment, T&E and talent acquisition platforms
Predominant type of services: SAAS, PAAS

F&A (31%)
Areas: P2P, O2C and R2R
Predominant type of services: SAAS and BPAAS
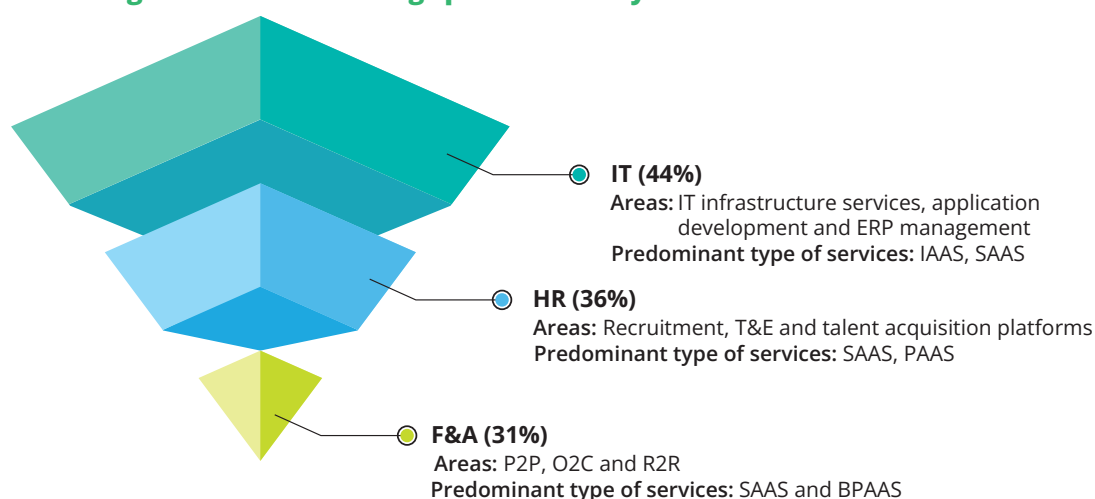
Orchestrating supplier relationships to drive business outcomes

A. Shifts in vendor management ownership
Vendor management ownership and reporting structure

Many organisations traditionally have procurement teams overseeing vendor management and governance. However, this landscape is evolving, with organisations preferring to have a dedicated vendor management office. This can be attributed to better performance monitoring, cost optimisation, better vendor relationship management and the maximisation of the value outsourced service providers provide.
Almost all organisations with a dedicated VMO have a centralised reporting structure to enable improved oversight and facilitate strategic decision-making.

Vendor management ownership

- **51%** Part of the procurement /Sourcing organisation
- **19%** Part of individual functions/BUs
- **30%** Dedicated VMO
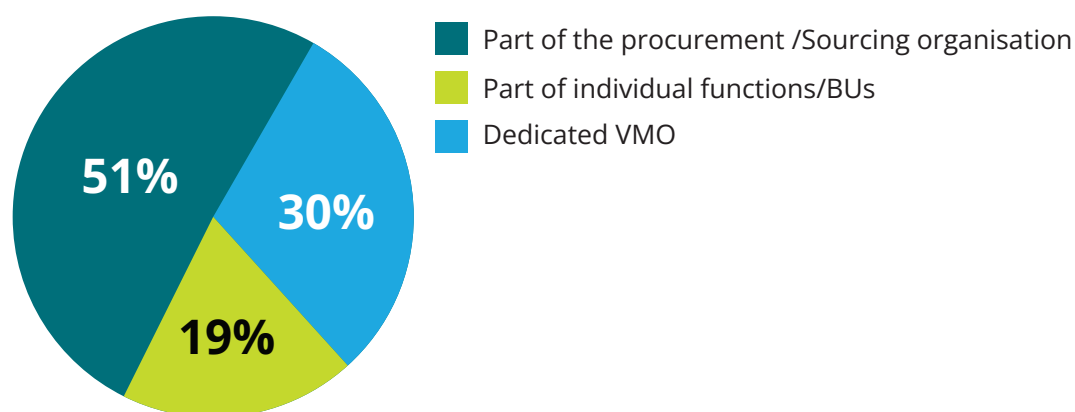
> "Our Vendor Management Office (VMO), centrally located within our GBS, provides a structured approach to managing vendor relationships. This centralised model ensures consistency and control over all service provider interactions, enabling greater oversight and streamlined operations across our global vendor ecosystem."
>
> **- Finance leader, Global Aviation company**

Mature organisations prefer a dedicated VMO for managing vendors due to the complex scope of services provided by multiple outsourced service providers.

	1st generation	2nd generation	3rd generation	4th generation
Dedicated VMO	11%	35%	40%	45%
Part of individual functions/BUs	6%	21%	21%	23%
Part of the procurement /Sourcing organisation	83%	44%	39%	32%

▲72%   ▼13%
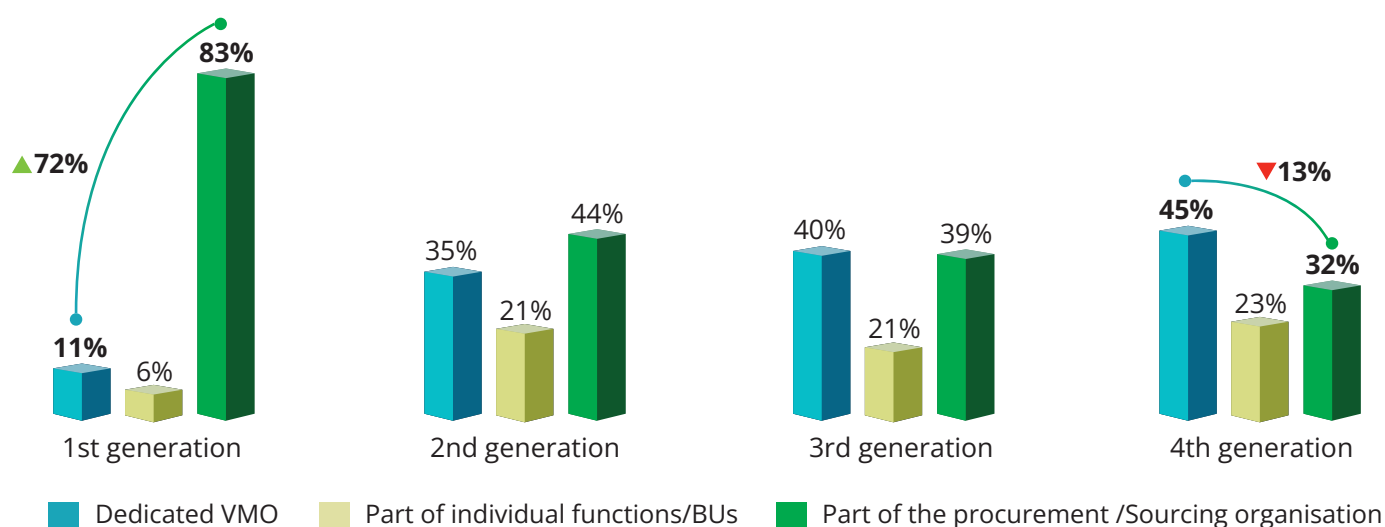
Functional view

While many organisations integrate vendor management within their procurement functions, over 50 percent of those in F&A have established dedicated VMOs. This shift is largely driven by the complexity of financial services, stringent regulatory compliance requirements and the critical importance of data security in outsourced collaborations. A dedicated VMO enables organisations to ensure financial accuracy, mitigate vendor-related risks and optimise the value delivered by external service providers. In contrast, functions such as Legal & Tax typically manage vendor relationships internally, given their distinct operational needs and specialised requirements.

B. Outsourcing spend managed via dedicated VMOs
One-third of organisations manage more than 50 percent of their outsourcing spend through VMO

Among organisations that have a dedicated VMO to manage the outsourced vendors, 33 percent of them manage more than 50 percent of the outsourced spend through VMO. This trend is more prominent among mature outsourcers, who want to gain better control, improve cost efficiency, mitigate risks, ensure alignment with strategic goals and optimise vendor relationships.

Outsourced spend managed by dedicated VMO

Legend:
- 0-25%
- 26-50%
- 51-75%
- 76-100%

Pie chart values: 8%, 12%, 25%, 55%
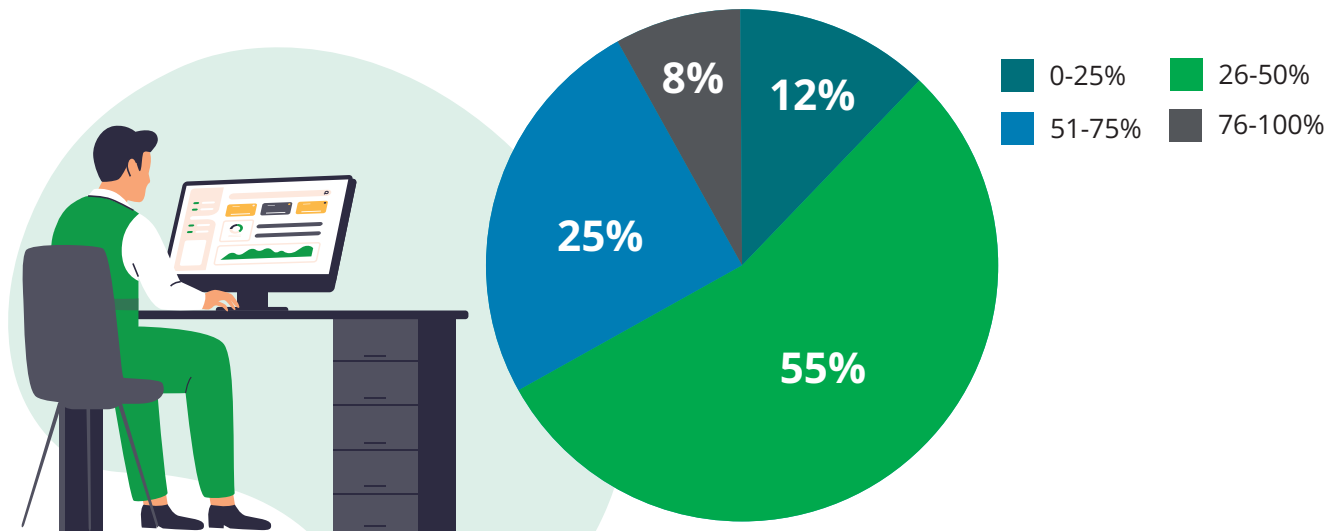
Functional view

Across most functions, organisations prefer to manage 26–50 percent of the spend through the dedicated VMO. In contrast, one-third of the organisations in some functions such as IT, HR and ER&D manage an even higher amount through the dedicated VMO. The top priority for outsourcing in these functions is to obtain better alignment with the business strategy and operating model.

Function	0-25%	26-50%	51-75%	76-100%
Supply chain/ Manufacturing/ production/ operations	50%	50%		
Sales & Marketing	20%	80%		
Procurement/Sourcing	12%	63%	25%	
Legal & Tax		100%		
Information Technology/Digital	37%	25%	38%	
Human Resources		33%	33%	34%
Finance & Accounting		69%	23%	8%
Engineering/R&D/product development		43%	43%	14%

Legend: ■ 0-25% ■ 26-50% ■ 51-75% ■ 76-100%
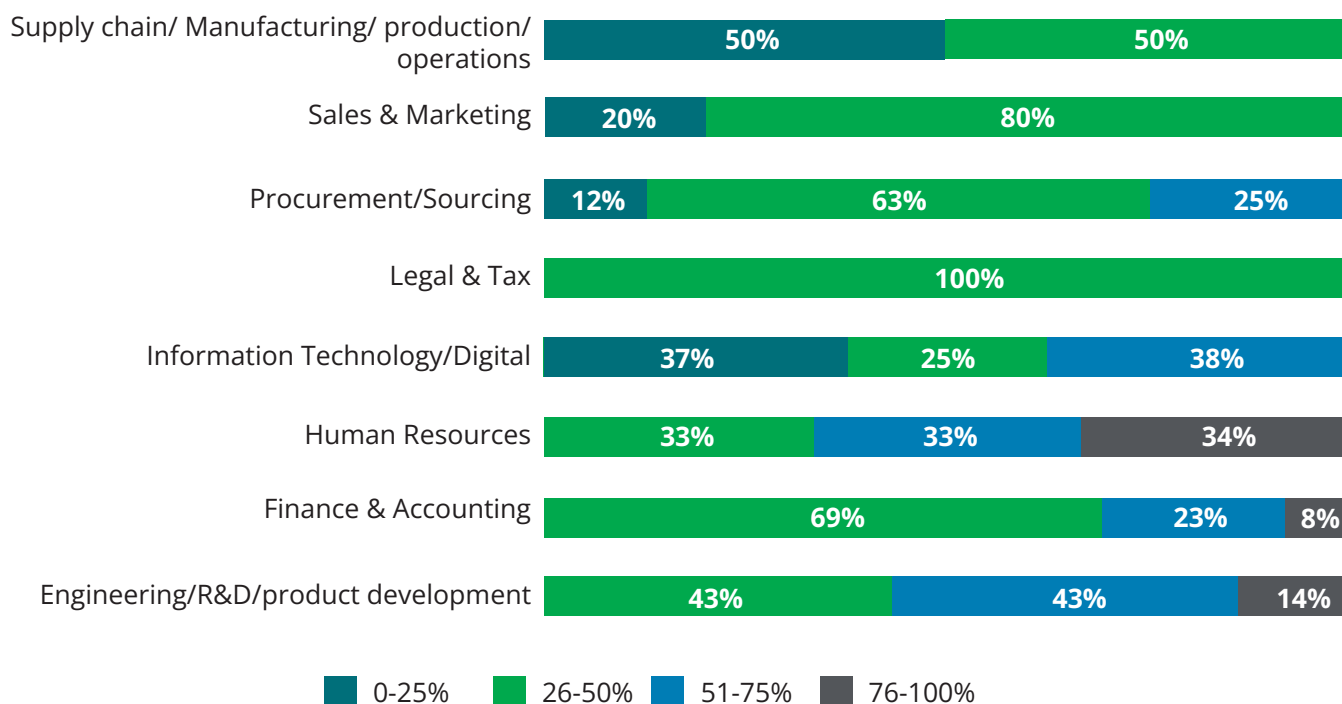
C.   Scope of services provided by VMOs

Top three services managed by VMO across industries

Vendor performance management

Contract management

Risk and compliance management

As organisations mature, the function of commercial management is gaining traction, increasing from 0 percent to 27 percent. This shift is largely due to the growing complexity of outsourcing arrangements, which typically leads to higher spending with outsourced service providers as the organisation scales. By centralising commercial management within a dedicated VMO, organisations can better optimise their outsourcing spend, ensuring a stronger focus on value maximisation and more effective management of vendor relationships.

Pie chart legend:
- Performance management
- Risk and compliance management
- Commercial management
- Contract management
- Demand management
- Others
- Strategy negotiation

Pie chart values: 12%, 24%, 15%, 10%, 19%, 12%, 8%
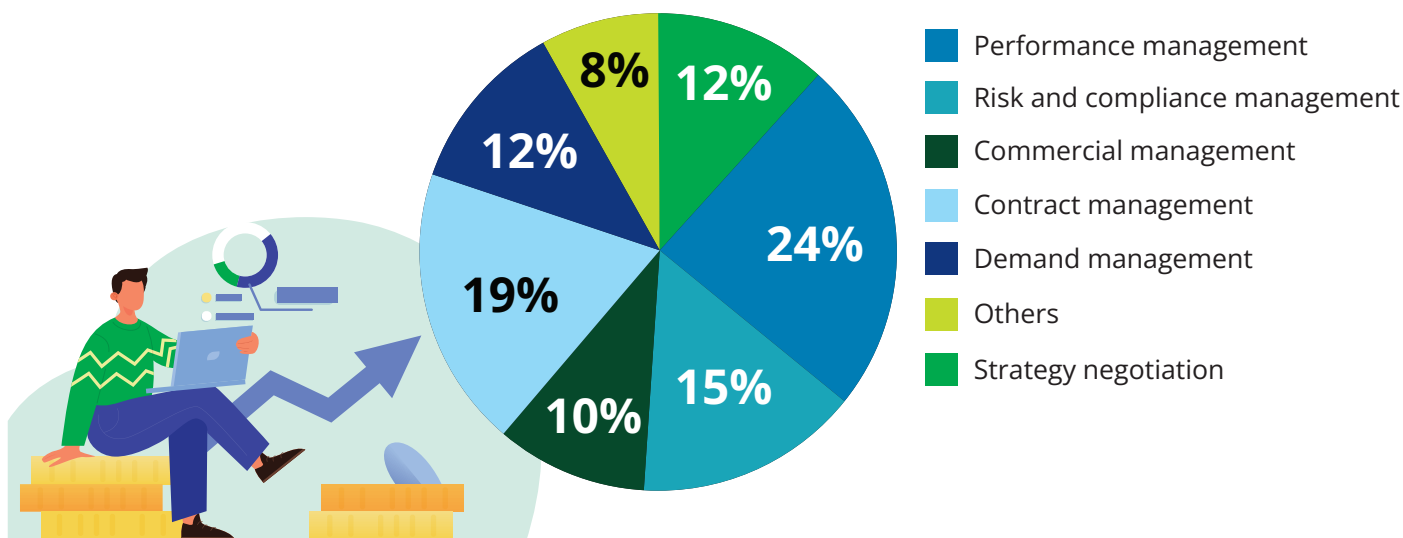
Top services managed by VMO by outsourcing generations

1st generation outsourcers	2nd generation outsourcers	3rd generation outsourcers	4th generation outsourcers
1 Risk and compliance management	1 Performance management	1 Contract management	1 Commercial management
2 Demand management	2 Risk and compliance management	2 Performance management	2 Strategy negotiation
3 Contract management	3 Demand management	3 Commercial management	3 Contract management

D. Moving beyond process KPIs in managing supplier performance

Performance measurement beyond KPIs and contractual commitments are the top two mechanisms to measure transformation and innovation from outsourcing service providers

Organisations are increasingly focused on understanding how outsourced vendors contribute meaningfully to business goals, deliver value and drive long-term success. To achieve this, they implement a range of mechanisms designed to ensure the committed delivery of transformation and innovation from their service providers, extending beyond traditional KPIs to include performance management, contractual commitments and other strategic measures.

Pie chart legend:
- Collaborative governance forums
- Performance measurement beyond KPI/SLA
- Contractual commitments
- Dedicated transformation management office
- Risk and rewards

Pie chart values: 5%, 19%, 20%, 30%, 26%
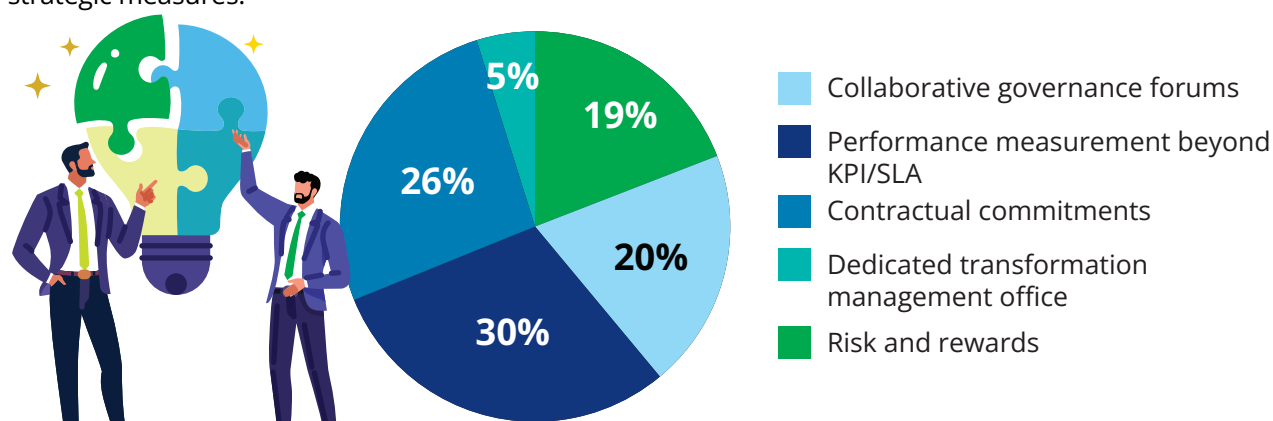
As outsourcing matures, organisations have shifted from relying on performance measurement beyond KPIs/SLAs to using contractual mechanisms such as gain sharing and outcome-based fees to measure transformation and innovation. This trend is observed as organisations increasingly focus on driving transformation and innovation; contractual mechanisms ensure that both parties are incentivised to deliver tangible results that align with long-term business goals, fostering greater accountability, flexibility and value creation.

Collaborative governance forums
Dedicated transformation management office
Contractual commitments
Performance measurement beyond KPI/SLA
Risk and rewards
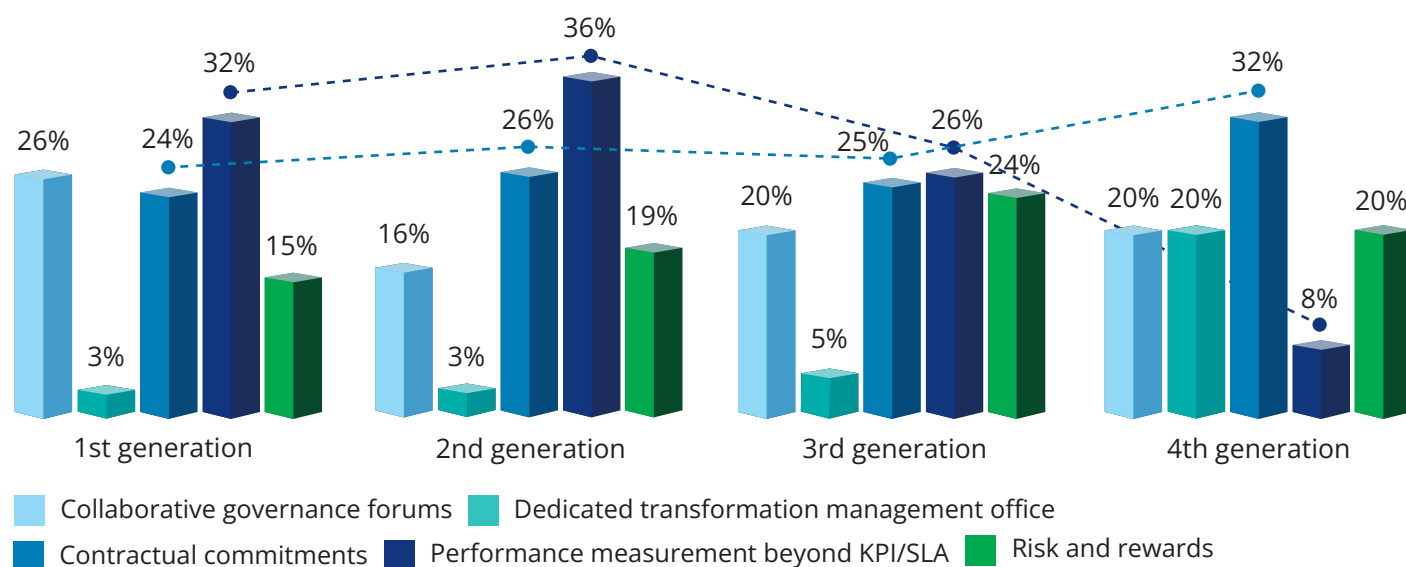
Metrics used to measure transformation and innovation from outsourced vendors

The top two metrics organisations use to measure innovation and transformation on the outsourced scope of services are innovation metrics and process improvement KPIs, with 15 percent and 13 percent of the organisations using these metrics, respectively. These metrics help organisations align the outsourced vendor's contribution with strategic goals, ensure continuous improvement and assess long-term ROI achieved through innovation and transformation initiatives. By establishing these measurable indicators, organisations can track progress and foster stronger, more strategic collaboration with outsourcing vendors.

Process improvement KPIS
Service level uptime, downtime

Adaptability, service quality, performance
Metrics to measure quality of deliverables & services provided

Innovation metrics
Adoption rate, Innovation index

Optimal cost reduction
Return On Investment, cost avoidance
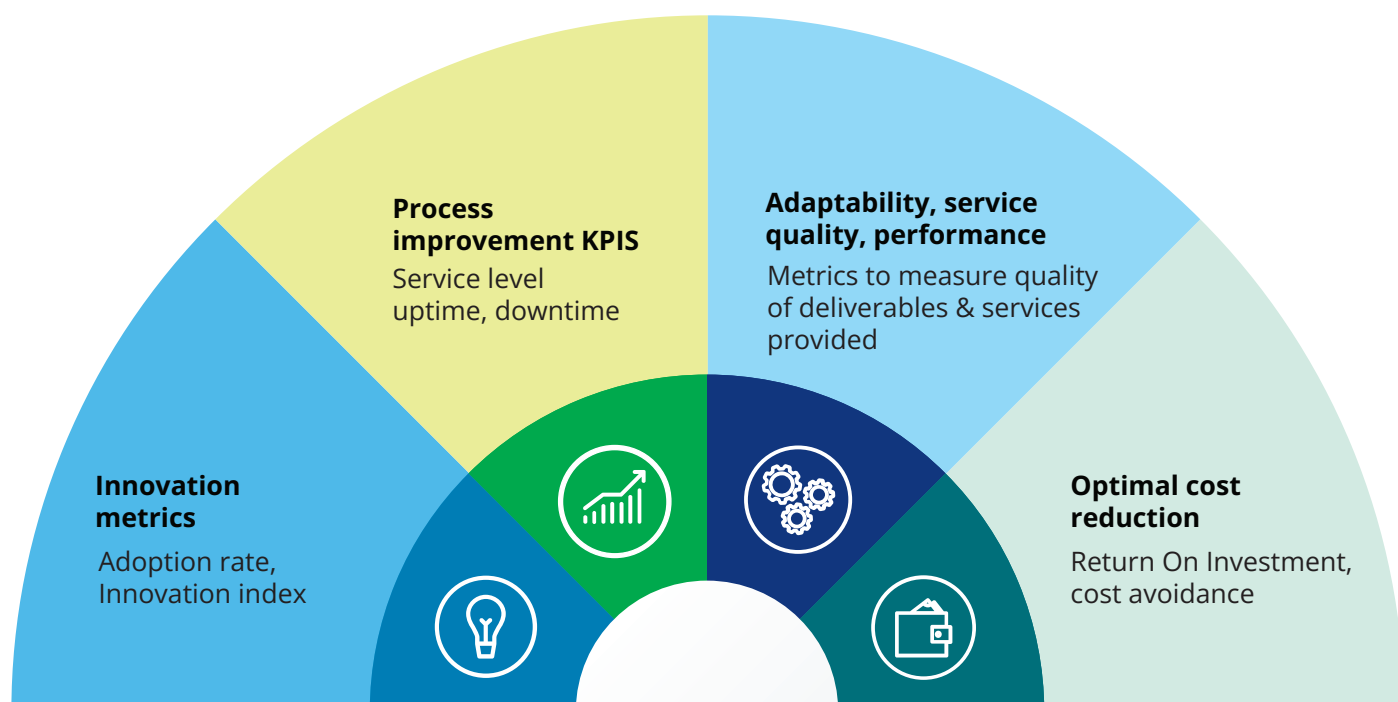
Decoding the strategic trajectory and risk contours of outsourcing

A. Expected growth in outsourcing and capability centres

Organisations are anticipating an increase in investment in third-party outsourced services and capability centres in the next 3–5 years

As businesses navigate an increasingly complex and competitive landscape, 81 percent of organisations expect to expand their investment in third-party outsourcing services and capability centres over the next 3–5 years. Notably, this trend is even more pronounced among mature outsourcing organisations, which have progressed through multiple generations of outsourcing. Their deep understanding of how to use outsourcing as a strategic tool enables them to pursue collaborations that go beyond transactional benefits, positioning outsourcing as a key enabler of long-term growth and adaptability.

- Anticipate an increase
- No Change
- Anticipate a Decrease
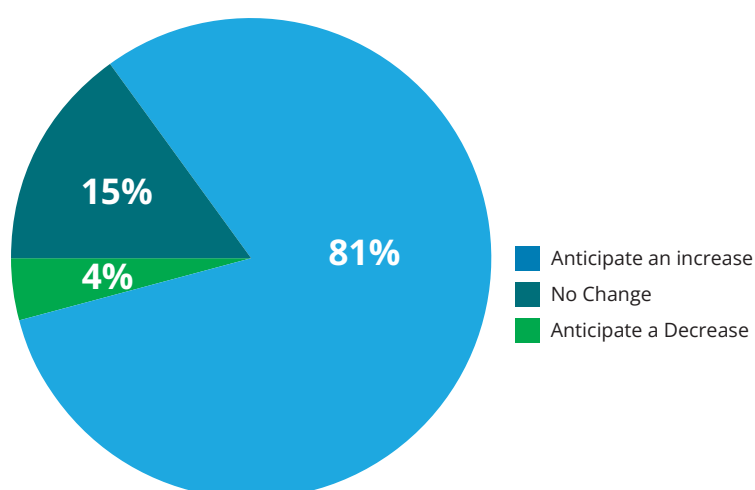
Organisations report that several key factors are propelling the increase in third-party outsourcing services, including:

- **Increased operational cost pressures**
  With rising costs, organisations are turning to outsourcing to manage expenses while maintaining service quality.
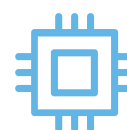
- **Availability of advanced technology at scale**
  Access to cutting-edge technology through outsourced providers enables companies to keep pace with rapid technological advancements without hefty in-house investments.

- **Innovative solutions**
  Outsourcing provides access to specialised providers who offer new, innovative approaches that enhance the organisation's competitive edge.

- **Access to specialised expertise**
  Professionals with specialised skills are more easily accessible through third-party vendors. This allows organisations to use expert knowledge while developing their internal capabilities without facing internal limitations.

Here are some excerpts from leaders discussing their reasons for a positive outlook on outsourcing

Finance & Accounting

We are looking for ways to manage costs more effectively, and increasing our use of third-party services will help us do that without sacrificing quality. We want to focus on our core competencies, such as financial advisory and strategy, and outsource routine back-office operations.

IT/Digital

The pressure to reduce operational costs while maintaining high service quality is leading us to greater reliance on outsourced services. Third-party providers frequently offer specialised expertise in areas such as IT, cybersecurity and data analytics, allowing us to obtain capabilities that are difficult to locate in-house.

Legal & Tax

Third-party providers with regulatory compliance experience can guarantee adherence to legal and industry standards. Outsourcing compliance-related work to professionals allows businesses to navigate these obstacles more effectively while lowering the risk of non-compliance.

Procurement/Sourcing

Outsourcing allows businesses to scale services up or down depending on demand. The demand for sustainability is driving businesses to outsource to suppliers who specialise in environmentally friendly operations, allowing them to accomplish their sustainability goals more effectively.

Supply chain/ Manufacturing

The need to enhance supply chain visibility and transparency is driving us to rely on and invest more in third-party providers. Outsourcing can help organisations reduce their environmental impact and improve their sustainability practices.

Engineering/R&D

With the pressure to innovate and stay at the technological forefront, Engineering and R&D outsource to gain enhanced technological and strategic capabilities that fuel innovation without heavy internal resource demands. External providers supply effective process management solutions that streamline operations, which is crucial to drive future investments.

Sales & Marketing

Outsourcing collaborators often bring advanced technologies and innovative solutions. Companies are investing in these third-party services to use digital tools, data analytics and market insights for more effective customer engagement.

Human Resources

Outsourcing can help me achieve significant cost savings compared to maintaining functions such as payroll, talent acquisition and in-house. It can also introduce new ideas and innovative techniques that improve organisational skills and performance.

About 80 percent of the organisations also anticipate an increase in GBS footprint in the next 3–5 years. Organisations believe that GBS will help them in the following areas:

- **Improving operational efficiency:**
  Capability centres enhance internal efficiencies by consolidating operations and streamlining processes.

- **Promoting innovation and new technologies:**
  Organisations use these centres to experiment with and deploy innovative technologies that may not yet be available through third parties.

- **Expanding skills and expertise:**
  Capability centres serve as hubs for specialised skills, allowing organisations to build and retain expertise in critical areas.

- **Specialised capability centres such as Centres of Excellence:**
  These centres focus on particular areas of expertise, enabling organisations to strengthen strategic competencies in specific functions.

B.   Risks impacting outsourcing engagements
What are the key risks organisations perceive in outsourcing engagements?

In the evolving landscape of outsourcing, organisations face varied risks that can impact the success of their collaborations. Across all sectors, quality of service and knowledge retention stand out as the most significant concerns. Additionally, as organisations mature in their outsourcing journeys, we observe a shift in perceived risks. Earlier generations prioritise knowledge retention and quality of service, and more mature organisations increasingly view innovation stagnation and business continuity as critical concerns. This suggests that as outsourcing relationships deepen, companies focus less on immediate operational risks and more on maintaining competitive advantage and resilience over the long term.

Top risks impacting outsourcing engagements

Legend:
- Data privacy and compliance
- Challenges in transition of services
- Benefit realisation
- Performance management
- Service quality assurance
- Innovation stagnation
- Geopolitical risks
- Knowledge retention
- Quality of service
- Cost overruns
- Business continuity
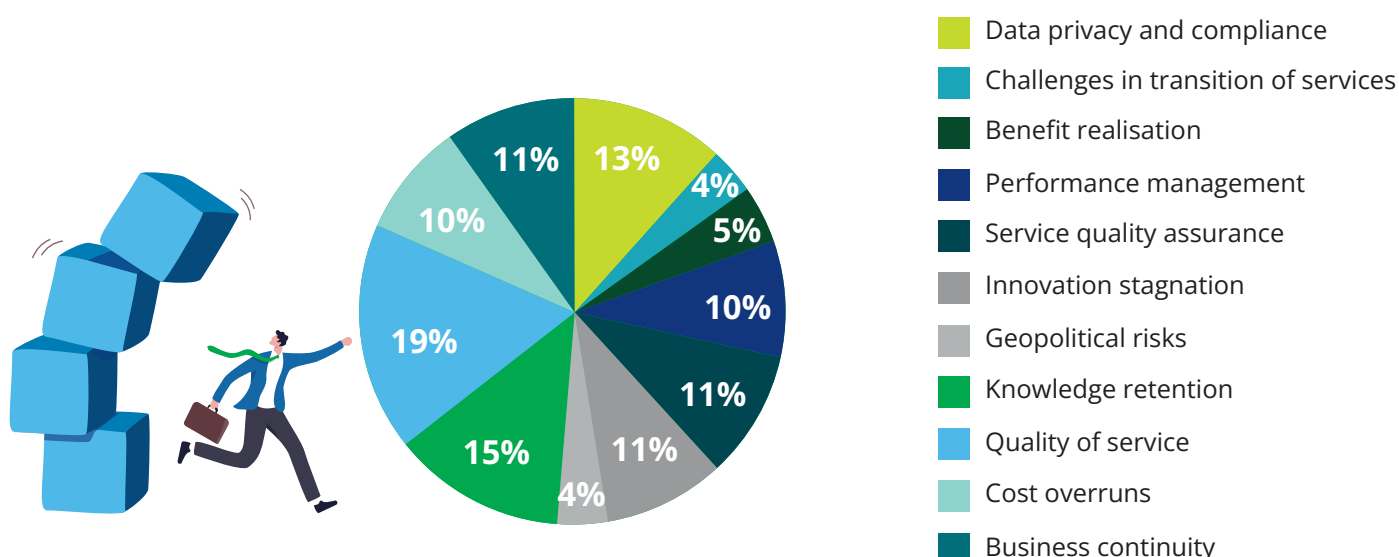
"We have established a structured approach to risk management within our outsourcing operations, assigning specific teams to own and address distinct risk elements. This targeted framework enables focused expertise across risk areas, particularly in cybersecurity and data protection, where a dedicated team enforces stringent measures for data security and resilience. Additionally, clear ownership of service delivery and operational risks—distributed across service lines and vendors—ensures that each party is aligned and accountable in mitigating potential risks across our outsourcing engagements."

- VMO leader, Global CPG company

As organisations become more established in outsourcing, innovation stagnation and business continuity emerge as primary risks. This shift highlights an evolved focus on ensuring ongoing innovation and safeguarding business operations against potential disruptions in an increasingly complex global environment

Perceived risks in outsourcing by various generations of outsourcers

Legend:
- Data privacy and compliance
- Performance management
- Service quality assurance
- Innovation stagnation
- Knowledge retention
- Quality of service
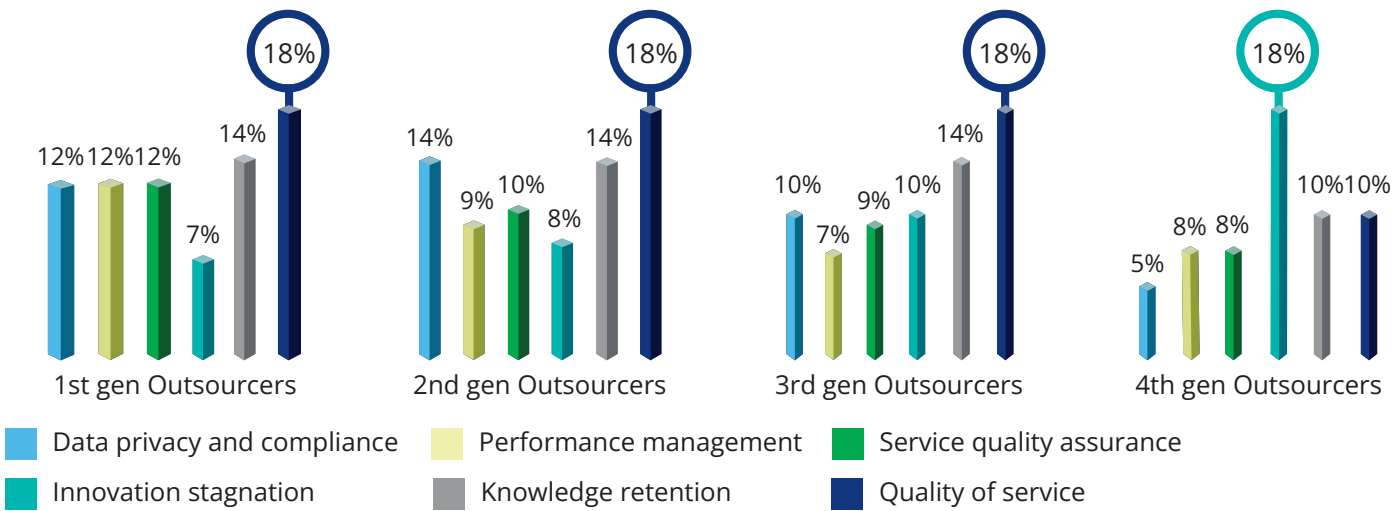
Only Top 6 risks shown in the visualization

When considering functions that heavily depend on sensitive information, such as IT and data services, it is crucial to prioritise data privacy and compliance to ensure data integrity and security. In supply chain and customer support, where uninterrupted service is crucial, service quality assurance and performance management take precedence to ensure seamless operations and maintain customer trust.

C.   Factors influencing the success of an outsourcing contract/ relationship

To ensure a sustainable and productive outsourcing collaboration, organisations emphasize certain critical factors that drive contract success. Across the board, continuous and transparent communication and alignment with strategic objectives emerge as top priorities, highlighting the importance of open dialogue and shared vision in achieving cohesive, long-term outcomes. Continuous improvement and cultural fit also feature prominently, reflecting a shift towards more adaptive and aligned collaborations. While operational success metrics are essential, these factors underscore that underlying relational dynamics can be equally influential.

Factors influencing success of outsourcing relationship

Factor	Value
Communication	**15%**
Alignment with strategic objectives	**13%**
Cultural fit	**11%**
Continuous improvement	**11%**
Performance management	**10%**
Flexibility and adaptability	**10%**
Innovation and cost management	**9%**
Clear and well-defined terms	**9%**
Governance and oversight	**7%**
Risk management	**5%**

1st gen outsourcers
Focus heavily on **communication and cultural fit**, recognising the foundational role these factors play in establishing a new outsourced relationship.

2nd and 3rd gen outsourcers
Alignment with long-term strategic objectives gains prominence as the relationship matures, and deeper integration with the organisation's goals becomes essential.

4th gen outsourcers
Prioritise **continuous improvement alongside communication**, underscoring the need for continuous value creation as outsourcing models scale further.

Examining the success factors cited by the leaders as critical to the success of outsourcing relationships reveals a distinct correlation with the objectives of outsourcing for these functions.

Outsourcing objectives	Critical factors cited for successful outsourcing relationships
Quality of performance	**Communication** Organisations that outsourced to achieve high-quality performance cited clear, transparent communication to minimise errors and enhance efficiency as critical to successful outsourcing relationships
Better alignment to business strategy and operating model	**Alignment with strategic objectives and culture fit** Stronger integration of internal and external supplier teams to drive competitive advantage in core operations was crucial to organisations that wanted to drive better alignment to business strategy
Spend optimisation	**Performance management, innovation and cost management** Robust performance metrics to track the streamlining of operations, innovation and cost management to achieve operational efficiencies were cited as critical by organisations that outsourced to optimise spend

Conclusion

India is poised to become the third-largest economy by 2027, strengthening its position as a key hub for outsourcing and next-gen technology capabilities. Industry leaders emphasize that India's appeal extends beyond cost advantages to include strategic benefits underpinned by its robust growth across manufacturing and services sectors. This balanced development solidifies India's role as a comprehensive outsourcing destination for global organisations.

Outsourcing preferences are evolving, with organisations shifting from traditional transactional and back-office services to higher-value, strategic services. Advancements in AI and digital capabilities are enabling India to manage critical functions such as product development, supplier evaluation and strategic brand management. This broadening scope reflects a deeper integration of outsourcing into strategic business operations, supported by specialised providers such as start-ups and niche firms.

Geopolitical stability remains a pivotal consideration for outsourcing decisions, and India stands out as a reliable collaborator amid global uncertainties. While recent geopolitical conflicts have prompted organisations to reassess outsourcing strategies, India's stable environment and improving business ecosystem make it a preferred location for scalable and secure operations.

There is also a growing focus on redefining India's value proposition beyond cost arbitrage. Leaders advocate for upskilling local talent to meet global benchmarks and expanding the strategic impact of India-based centres in areas such as vendor management, digital transformation and governance.

As organisations increasingly invest in India's capabilities, the country is set to play an even more pivotal role in global strategies. With its unique combination of economic growth, evolving outsourcing practices, global talent pool and geopolitical resilience, India is firmly positioned as a cornerstone in the global outsourcing landscape.

> "India remains a cornerstone in the global outsourcing landscape, and with sustained geopolitical stability, it is positioned for continued growth. As demand for outsourcing services expands, addressing the current gap in supply becomes crucial. The future of outsourcing will rely on clear ownership of service delivery and operational risks, with responsibilities assigned to specific vendors to ensure accountability and effective risk management. Success will also depend on strong vendor management teams that drive outcomes and foster long-term, meaningful relationships."
>
> **-A procurement leader, Global CPG company**

Glossary

Important terms and definitions

1. **Outsourcing generation:** Indicates tenure of outsourcing: 0–5 years (first-generation), 5–10 years (second-generation), 10–15 years (third-generation), over 15 years (fourth-generation).

2. **Core functions:** Functions which are typically retained due to strategic importance and are critical to drive competitive differentiation and impact top-line revenue.

3. **Insourcing:** Bringing back the functions or processes that were previously outsourced to third-party vendors to in-house to be managed by the organisation itself.

4. **Non-traditional service providers:** Service providers are characterised by their ability to provide outsourcing services using non-standard innovative methods. Examples include start-ups, hyperscalers and niche service providers.

5. **Outcome-based contracts:** Contracts in which organisations are paid/compensated based on accomplishing specific, well-defined outcomes rather than the time spent on the activities.

6. **Managed services:** Contracts in which vendors take ownership of end-to-end support or operational capabilities with services tied to outcomes (Service Level Agreements). Clients define the work and outcomes, and vendors manage resources and delivery of work.

7. **Full-time Equivalent (FTE)-based contracts:** FTE is a pricing model that calculates the time and resources required for the outsourced service provider to deliver a specific engagement/project to the client.

8. **Build Operate Transfer (BOT) model:** In this model, clients use the vendor's help to set up the operations, perform the services as an outsourcer and even transform/mature them. Clients have the right (not an obligation) to insource the entire centre as a capability centre/captive after a pre-determined duration.

9. **Single suite:** The single suite approach is where an organisation purchases a product suite from a single vendor that provides a wide range of functionalities for the end-to-end process.

10. **Best-of-breed:** The best-of-breed strategy is where an organisation purchases technology/tools from different vendors for specific areas. It means purchasing specialised solutions from many vendors and integrating them to cover the end-to-end process functionality.

11. **As-a-service offerings:** A delivery model where services and resources are provided on a subscription basis by third-party providers using cloud-based infrastructure.

Abbreviations

GBS	Global Business Services
BOT	Build-Operate-Transfer
ER&D	Engineering Research & Development
F&A	Finance & Accounting
IT	Information Technology
HR	Human Resource
T&M	Time & Material
AI	Aritificial Intelligence
VMO	Vendor Management Office
O2C	Order to Cash
R2R	Record to Report
P2P	Procure to Pay
ERP	Enterprise Resource Planning
3P	3rd Party
GenAI	Generative AI
SaaS	Software as a service
PaaS	Platform as a service
IaaS	Infrastructure as a service
KPIs	Key Performance Indicators

Connect with us

Amit Tandon
Partner, GBS & Outsourcing advisory
amtandon@deloitte.com

Avinash Chandra
Partner, GBS & Outsourcing advisory
avinashc@deloitte.com

Ganeshji Awasthi
Partner, GBS & Outsourcing advisory
gawasthi@deloitte.com

Keerthi Kumar
Partner, GBS & Outsourcing advisory
keekumar@deloitte.com

Nishant Mathur
Partner, GBS & Outsourcing advisory
mathurn@deloitte.com

Nisheeth Varma
Partner, GBS & Outsourcing advisory
nisvarma@deloitte.com

Punish Mishra
Partner, GBS & Outsourcing advisory
punishmishra@deloitte.com

Rahul Palwe
Partner, GBS & Outsourcing advisory
rpalwe@deloitte.com

Ravi Mehta
Partner, GBS & Outsourcing advisory
ravmehta@deloitte.com

Saurabh Mathur
Partner, GBS & Outsourcing advisory
saurabhmathur@deloitte.com

Virag Shah
Partner, GBS & Outsourcing advisory
shahvirag@deloitte.com

Yash Makharia
Partner, GBS & Outsourcing advisory
ymakharia@deloitte.com

Sudhi H
Executive director, GBS & Outsourcing advisory
hsudhi@deloitte.com

Contributors

Karan Sharma

Sanchit Gupta

Suhasini GK

Kaashyap N

Vishnu Vijayan

Akshay Dalvi

Deloitte.