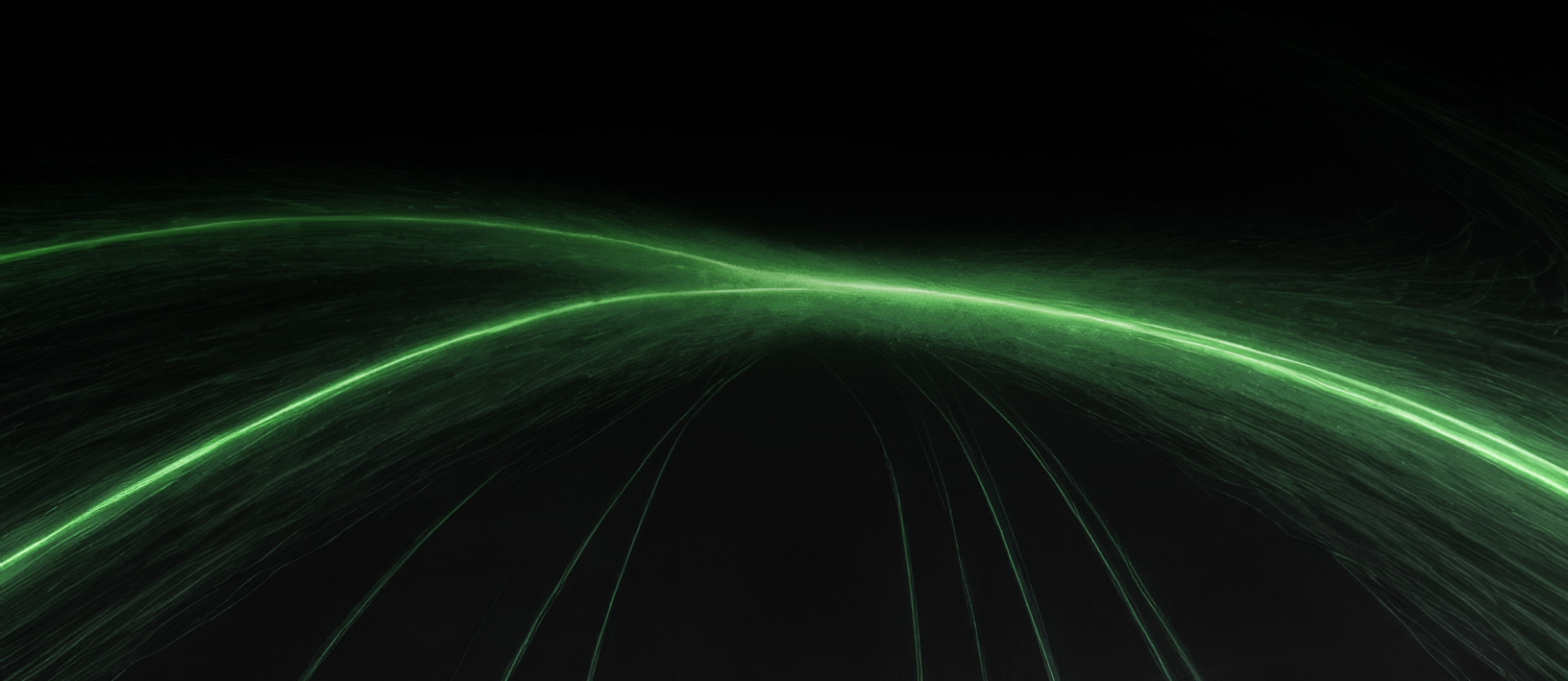# Deloitte.

Global Outsourcing Survey 2024

Multidimensional sourcing:
Orchestrating the extended workforce ecosystem

Contents

Multidimensional sourcing:
Orchestrating the extended workforce ecosystem

The talent and sourcing landscape is becoming more diverse, driven by technology advancements, evolving workforce expectations, and increasing competition for specialized skills. Organizations have a spectrum of options beyond traditional outsourcing to acquire the skills, services, and resources they need, and they are orchestrating a multidimensional sourcing ecosystem to keep pace.

Deloitte's latest survey report offers insights on multidimensional sourcing from more than 500 global business and technology leaders, including more than 150 C-suite executives across industries. Since our 2022 report, organizations are not only outsourcing at high levels but also exploring other sourcing models to achieve their objectives. New trends in 2024 reveal that the digital workforce (artificial intelligence and automation) is emerging as a new talent and sourcing model. Executives are actively deepening outsourcing relationships and uncovering new avenues for value creation. Of the survey respondents, 67% are adopting outcome-based outsourcing relationships and 50% are leveraging outsourced services for front-office capabilities (sales, marketing, R&D). In addition, organizations are leveraging insourcing and global in-house centers (GICs) to fine-tune their outsourced portfolios.

Managing this expanded sourcing ecosystem and integrating human and digital talent has become a critical organizational priority, hinting at new pathways for future growth.

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Executive summary

We examined the changing landscape of multidimensional sourcing in our 2024 survey and two new findings emerged, while others solidified.

Access to talent has emerged as the number-one driver influencing outsourcing decisions. Organizations are using multiple avenues to secure capabilities, services, and skills. These avenues include insourcing, outsourcing, global in-house centers (GICs), digital workforce, and most recently AI-powered outsourcing—all of them typically disconnected. This complexity requires an orchestrated approach to sourcing: We are in the age of multidimensional sourcing.

AI-powered outsourcing provides a glimpse of the future

The digital workforce, comprising artificial intelligence (AI)-enabled workers and automation bots, has emerged as a distinct talent model: 20% of the organizations surveyed are already developing a "digital workforce" strategy to manage such digital workers. Additionally, the integration of digital workforce in outsourced services is a key area of focus, referred to as AI-powered outsourcing. Of surveyed executives, 83% expect that third-party vendors will bring AI capabilities as part of how they deliver services.

Despite the high expectations from AI-powered outsourcing, the tangible benefits remain modest. Less than half of the organizations report productivity gains, and only 25% are seeing reduction in cost of vendor services. To get the full benefits of AI-powered outsourcing, there are material challenges to address first, such as lack of mature contracting structures and enhanced governance model to manage AI's integration into vendor relationships.

Insourcing and GICs are surging as organizations rebalance their talent ecosystem

Although insourcing and GICs are not new, these have reemerged and accelerated in the past two years as widely used strategies by organizations to rebalance their talent ecosystem and enhance service delivery. Nearly three-quarters (70%) of organizations surveyed have selectively insourced portions of their previously outsourced scope in the past five years, primarily to strengthen internal capabilities, improve service quality, regain control, and eliminate vendor markups. Even organizations that have reported high satisfaction levels from their outsourcing relationships are exercising insourcing—suggesting an organizational focus to achieve balance across sourcing models.

GICs are also seeing high interest levels as a complementary strategy to outsourcing, allowing organizations to strategically keep critical knowledge in-house while maintaining a low-cost structure. The Build, Operate, Transform, Transfer (BOTT) model

is an attractive option[1] to enable service delivery transformation through GICs in a faster, flexible, and cost-effective way. Up-front investment in strategy for GICs and evaluation of the execution approach (e.g., BOTT) can allow organizations to maximize value from this endeavor.

Outsourcing delivery models continue to mature, with a growing emphasis on value-based relationships

Despite increases in insourcing, investments in third-party outsourcing are expected to increase for 40% of survey respondents, with only 20% reporting a planned reduction. Outsourcing back-office functions continue at high rates, but as the outsourcing relationships mature, organizations are putting greater emphasis on extracting value from front-office and core capabilities. Half of the survey respondents use outsourced services for sales, marketing, and R&D capabilities. Outcome-based delivery models have increased in adoption, with executives reporting positive satisfaction response and a planned increase in investment. Based on our survey, 67% of the executives today adopt outcome-based services, continuing the trend away from traditional staff augmentation in favor of results-driven approaches. While cost reduction continues to remain a key driver for outsourcing, executives today are prioritizing skilled talent and agility in their outsourcing decisions.

Mastering the complexity in talent sourcing is imperative for future-ready organizations

Some of the top challenges organizations face today in talent sourcing include tracking value realization, managing organizational change, and integrating services—all of which are tied to the maturity of their internal governance and management capabilities. With different sources to access talent, capabilities, and skills, defining and holistically managing the "extended workforce" becomes critical for organizations. An option is to expand the remit of the Vendor Management Office (VMO) to include GICs and digital workforce, in addition to outsourcing relationships—resulting in an Extended Workforce Management Office (EWMO).

However, this journey will take time and effort as the VMO still lacks maturity for nearly 70% of surveyed organizations.

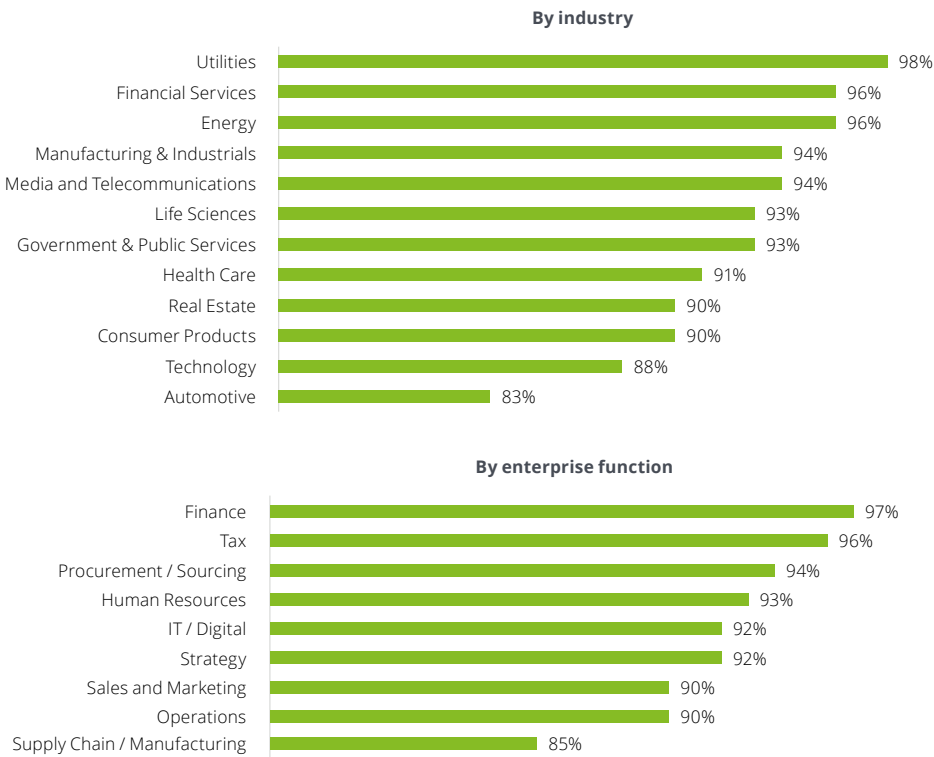# AI-powered outsourcing provides a glimpse of the future

Outsourcing and AI had been distinct choices. Today, their integration is essential, and the future points to a unified approach.

The rise of digital workforce

Today, the line between the human and digital workforce is blurred. **Digital Workforce**, defined as a combination of human talent and automated processes powered by technologies like RPA, Machine Learning, AI, and GenAI is becoming increasingly prevalent. Digital workforce has become its own talent pool that leverages autonomous software "digital workers" to augment the human abilities, enhancing efficiency, productivity, and innovation while reducing operational costs.

Of surveyed respondents, 92% of the organizations today are leveraging or planning to leverage AI in their service delivery. This widespread interest in AI is common across industries and enterprise functions.

Realized or planned adoption of AI

By industry

Industry	%
Utilities	98%
Financial Services	96%
Energy	96%
Manufacturing & Industrials	94%
Media and Telecommunications	94%
Life Sciences	93%
Government & Public Services	93%
Health Care	91%
Real Estate	90%
Consumer Products	90%
Technology	88%
Automotive	83%

By enterprise function

Function	%
Finance	97%
Tax	96%
Procurement / Sourcing	94%
Human Resources	93%
IT / Digital	92%
Strategy	92%
Sales and Marketing	90%
Operations	90%
Supply Chain / Manufacturing	85%

A **digital workforce strategy** defines the role and vision for digital workers within internal operations and outsourced services; sets productivity targets; and defines policies and procedures for data governance, AI governance, and cyber governance. The digital workforce strategy also defines the processes for quality assurance, audit, and compliance of AI outputs and prescribes approved tools and data sources—internal and external.

We expect the adoption of digital workforce strategy to increase over time as more organizations look to AI and GenAI as a means to optimize effort and even deliver new capabilities.

20%

of executives reported having a **digital workforce strategy** for their AI and automation bots
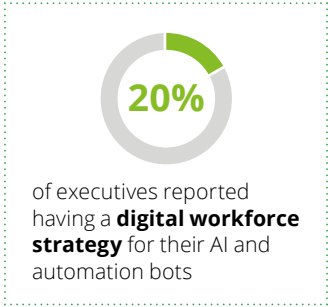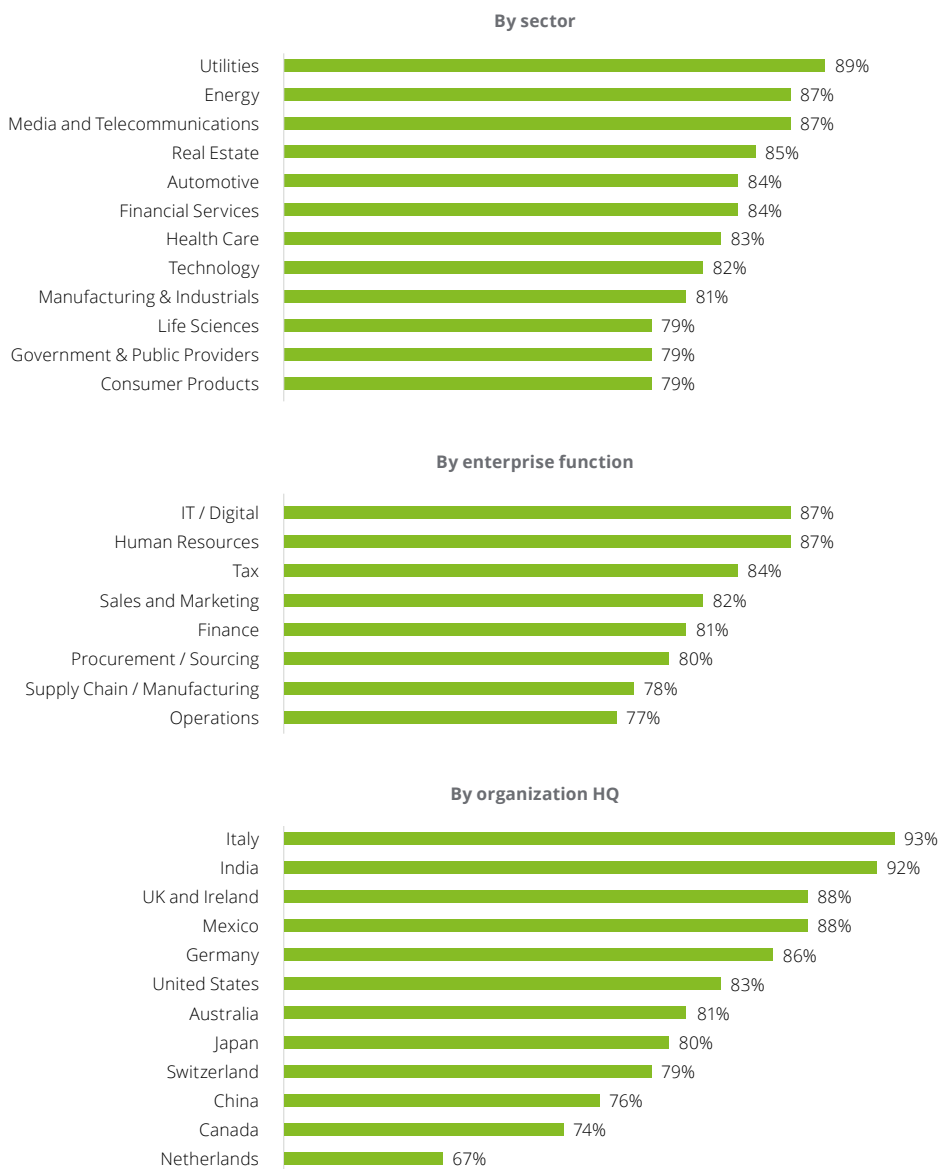
The growth of AI-powered outsourcing

Outsourcing is a key driver for the rise of the digital workforce. Based on our survey, organizations today are expecting third-party vendors to enhance their services and deliver value by embedding AI technologies and solutions. AI-powered outsourcing refers to third-party vendors reducing the human effort required to deliver outsourced services, by using AI and automation technologies. Surveyed organizations that are leveraging AI-powered outsourcing are also reporting higher satisfaction levels from their outsourced services (by 7%) relative to surveyed organizations that are not leveraging AI in their outsourced services.

The interest in and adoption of AI-powered outsourcing is high across industries, functions, and regions globally, with the highest level of interest seen within the utilities, energy, and media and telecommunications sectors, and within IT and HR functions.

Organizations adopting or planning to adopt AI as part of their outsourced services (AI-powered outsourcing)

By sector

Sector	%
Utilities	89%
Energy	87%
Media and Telecommunications	87%
Real Estate	85%
Automotive	84%
Financial Services	84%
Health Care	83%
Technology	82%
Manufacturing & Industrials	81%
Life Sciences	79%
Government & Public Providers	79%
Consumer Products	79%

By enterprise function

Function	%
IT / Digital	87%
Human Resources	87%
Tax	84%
Sales and Marketing	82%
Finance	81%
Procurement / Sourcing	80%
Supply Chain / Manufacturing	78%
Operations	77%

By organization HQ

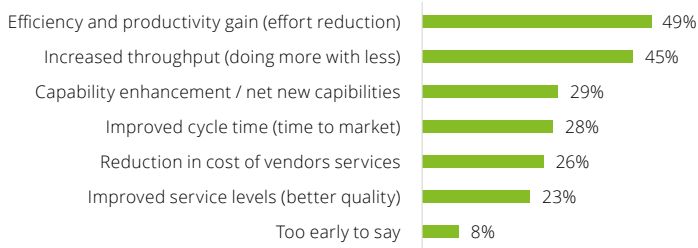| HQ	%
Italy	93%
India	92%
UK and Ireland	88%
Mexico	88%
Germany	86%
United States	83%
Australia	81%
Japan	80%
Switzerland	79%
China	76%
Canada	74%
Netherlands	67%

These trends underscore how AI-powered outsourcing is becoming a key strategy for businesses globally to enhance their operations and bolster their digital workforce.

Challenges in AI-powered outsourcing

Despite the high levels of interest for AI in outsourcing, many executives are cautious about the tangible benefits. Less than half of the organizations leveraging AI as part of their outsourced services are seeing productivity and throughput gain, and only about 25% of those surveyed are seeing reductions in vendor services cost or improvement in service quality.

Value delivered by third-party vendors through AI/GenAI

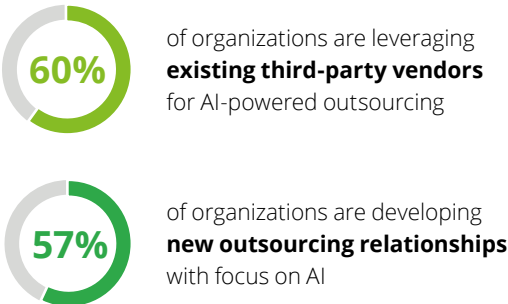| Category	Value
Efficiency and productivity gain (effort reduction)	49%
Increased throughput (doing more with less)	45%
Capability enhancement / net new capabilities	29%
Improved cycle time (time to market)	28%
Reduction in cost of vendors services	26%
Improved service levels (better quality)	23%
Too early to say	8%

Looking ahead, expectations are also modest: Of the surveyed executives, 30% anticipate more than a 20% efficiency gain over the next two years from third-party vendors using AI, and less than 1% expect efficiency gains exceeding 40%.

One reason for this caution is the lack of mature contracting models specific to AI. Less than half of the executives surveyed are seeking reductions in vendor pricing due to productivity gain. Even fewer are taking a strategic approach of incorporating contract provisions that address AI-powered services or entering relationships focused on gain-sharing or joint IP development.
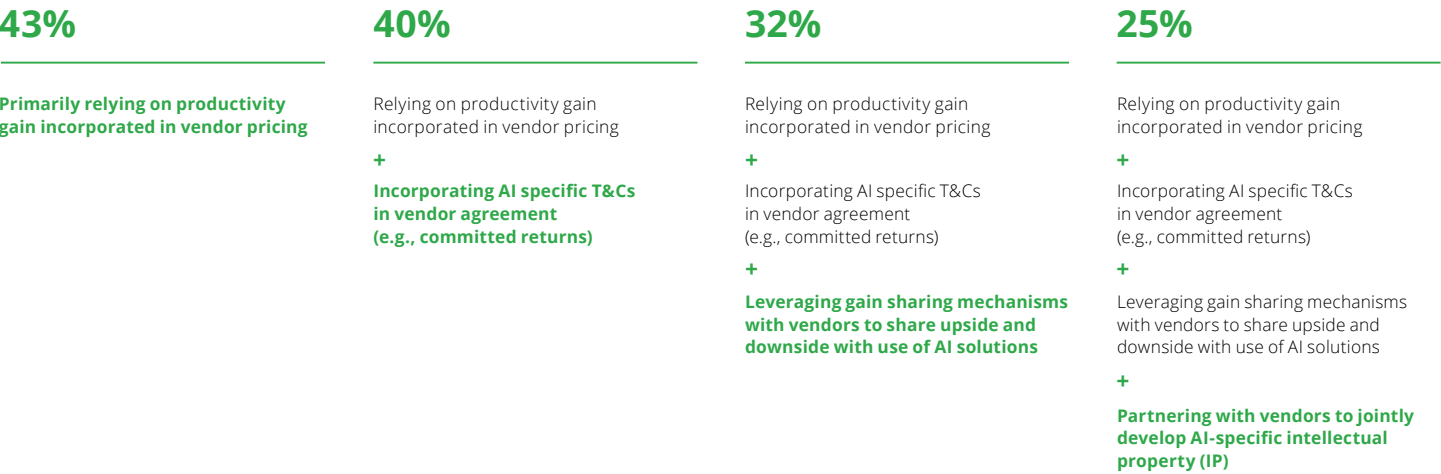
Strategic actions to unlock AI's full potential

To capture the full benefits of AI-powered outsourcing, surveyed executives suggest closer collaboration with vendors to develop joint strategic plans. These focus on identifying AI use cases, enhancing AI model development, establishing data and insights governance, and systematically managing vendor relationships to track outcomes and value. Organizations should be able to track the vendors' productivity gain through AI and negotiate for subsequent unit price or fee reductions. The digital workforce strategy should account for this.

Additionally, organizations are entering new outsourcing relationships with focus on AI. For sourcing and vendor management teams, this means refining their ability to evaluate providers' AI solutions and capabilities, and to differentiate between providers based on their ability to deliver tangible AI-driven value.

60% of organizations are leveraging **existing third-party vendors** for AI-powered outsourcing

57% of organizations are developing **new outsourcing relationships** with focus on AI

Organizations should consider developing a comprehensive digital workforce strategy and mature their vendor contracting and governance to account for it.

Organizations leveraging AI-specific requirements in outsourcing agreements

43%

Primarily relying on productivity gain incorporated in vendor pricing

40%

Relying on productivity gain incorporated in vendor pricing

+

Incorporating AI specific T&Cs in vendor agreement (e.g., committed returns)

32%

Relying on productivity gain incorporated in vendor pricing

+

Incorporating AI specific T&Cs in vendor agreement (e.g., committed returns)

+

Leveraging gain sharing mechanisms with vendors to share upside and downside with use of AI solutions

25%

Relying on productivity gain incorporated in vendor pricing

+

Incorporating AI specific T&Cs in vendor agreement (e.g., committed returns)

+

Leveraging gain sharing mechanisms with vendors to share upside and downside with use of AI solutions

+

Partnering with vendors to jointly develop AI-specific intellectual property (IP)

LESS ⟵   **maturity of AI-powered outsourcing**   ⟶ MORE

Insourcing and GICs are surging as organizations rebalance their talent ecosystem

The future of talent sourcing lies in a balanced approach across sourcing models. Insourcing and GICs have emerged as key rebalancing strategies as organizations look beyond outsourcing.

Strategic insourcing: balancing control and building capability

Insourcing (bringing service delivery, in part or whole, back in-house from a service provider) is not a new lever for organizations. However, adoption is at historic high levels.

Insourcing does not mean that organizations are moving away from outsourcing. Most of the respondents have insourced scope very selectively—pointing to rebalancing the talent ecosystem as the primary objective.

70%

of executives reported having **insourced scope** that was previously with a third-party over the past five years

Of the respondents who have insourced scope from third-parties

65% have done so very selectively (less than 25% of scope)

13% reported significant insourcing (more than 50% of scope)

Insourcing has a strong outlook with executives actively exploring more insourcing opportunities than outsourcing opportunities.

Executives actively exploring incremental opportunities for their outsourced services

7%

39%

54%

- More insourcing
- More outsourcing
- Unsure
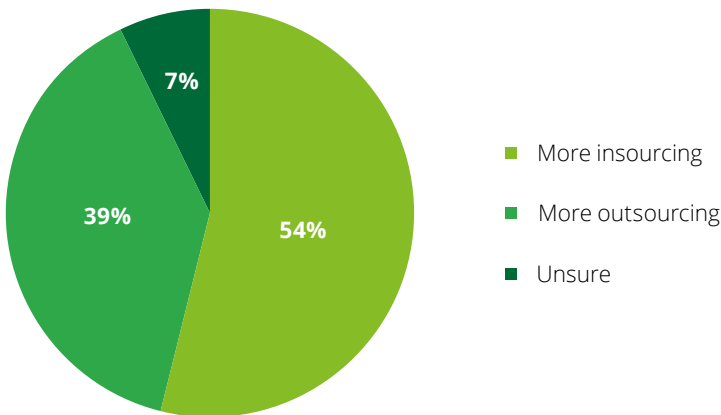
What is driving organizations' adoption of insourcing? It's not dissatisfaction with outsourced services.

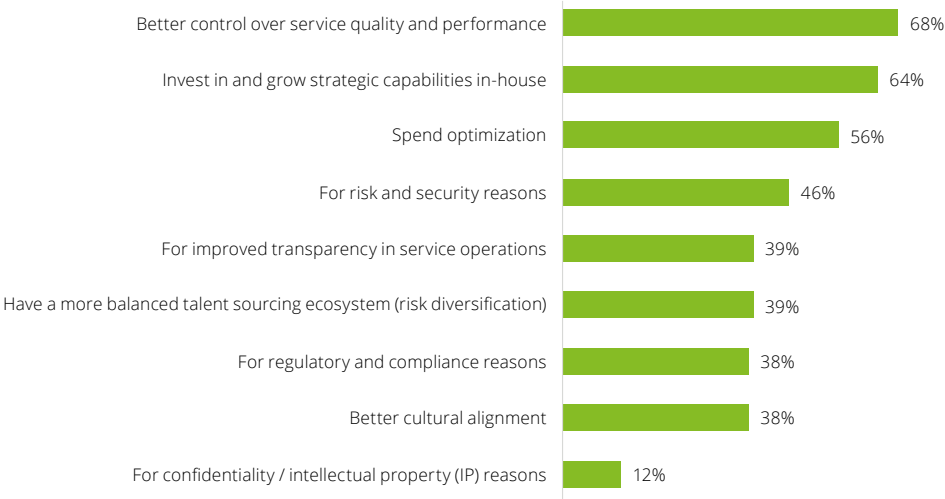**Of the respondents who are exploring more insourcing opportunities**

82% reported 'meets' or 'exceeds' expectations from their outsourced services

80% are either maintining or increasing their investment in outsourced services

The leading drivers for insourcing include gaining better control over service quality and performance (beyond what outsourcing can provide) and growing strategic capabilities in-house, while eliminating vendor markup.
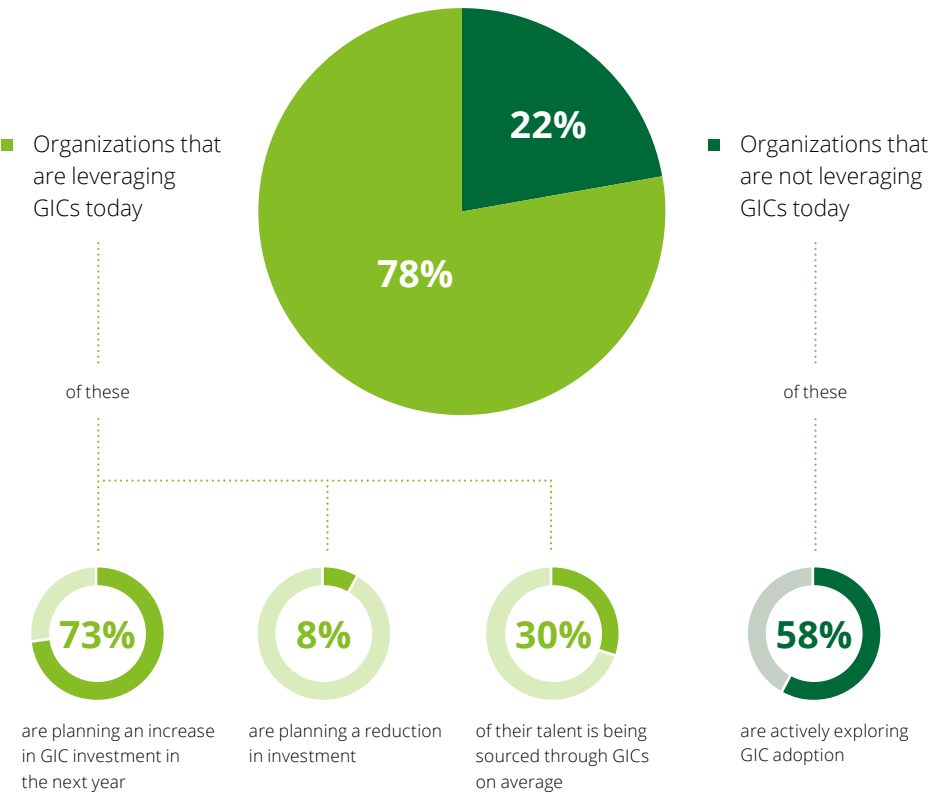
Primary drivers for insourcing scope or services

Driver	Percentage
Better control over service quality and performance	68%
Invest in and grow strategic capabilities in-house	64%
Spend optimization	56%
For risk and security reasons	46%
For improved transparency in service operations	39%
Have a more balanced talent sourcing ecosystem (risk diversification)	39%
For regulatory and compliance reasons	38%
Better cultural alignment	38%
For confidentiality / intellectual property (IP) reasons	12%

Organizations will likely continue balancing insourcing and outsourcing, making decisions about which functions to bring in-house and which to outsource. Both models will likely coexist as part of future sourcing strategies. This trend has potential implications on how organizations contract for outsourced services. Insourcing events can trigger changes to total cost of service, loss of knowledge, and change impacts to business stakeholders. Organizations should evaluate the commercial and business impact of insourcing based on current contract provisions. And by enhancing flexibility of contract provisions (e.g., changes to scope, service levels, term), organizations can be better prepared to leverage insourcing, when needed.

GICs: internal sourcing becomes mainstream

Two years ago, we reported that GICs[2] (also referred to as capability centers or captives) were a popular alternative to third-party outsourcing, focusing on building new capabilities and driving enterprise transformations. That trend continues. In 2024:

■ Organizations that are leveraging GICs today

■ Organizations that are not leveraging GICs today

of these

73%
are planning an increase in GIC investment in the next year

8%
are planning a reduction in investment

30%
of their talent is being sourced through GICs on average

of these

58%
are actively exploring GIC adoption

GIC is another balancing force for talent sourcing that allows organizations to strategically keep critical knowledge and capabilities in-house while maintaining a low-cost structure. Organizations are not choosing between GICs and outsourcing, but rather choosing both models to achieve a balanced talent ecosystem.

Since both outsourcing and GICs provide access to talent and capabilities at lower cost, it is important to consider how organizations are leveraging GICs in relation to outsourcing. Relative to third-party outsourcing, GICs have different advantages and considerations for organizations (see sidebar, "GICs have a distinct value proposition relative to outsourcing").

Yet only 40% of the surveyed organizations that leverage both GICs and outcome-based outsourcing models are adopting differentiated sourcing strategies for each model. We expect this figure to increase over time as both models mature and as the perceived value proposition of each becomes more distinct.

GICs have a distinct value proposition relative to outsourcing

- Organizations have better control over talent, cost, service quality, and ongoing investments.

- Capabilities that rely on sensitive or proprietary information can be sourced through GICs.

- Global process owners can reside within GICs to deliver end-to-end capabilities.

- GIC operations can scale to cover multiple functional areas (e.g., HR, Finance, IT).

- Extending and preserving company culture is relatively easier.

However, organizations must invest time and effort in building the capabilities in-house and setup operational processes to manage facilities, talent, governance, regulations, risk, etc. These considerations require organization management to have experience in GIC set up and operations and can reduce the speed to value relative to outsourcing.

The Build, Operate, Transform, Transfer (BOTT) model: a gateway to GIC success.
Setting up a GIC is not easy. Many organizations that are newly adopting or expanding the model do not have the resources or experience to do this on their own and turn to BOT and BOTT models as a pathway to GIC.

The Build, Operate, Transfer (BOT) model has been around for two decades. However, as reported two years ago, with the growing popularity of "remote work" and increased focus on enterprise-level transformations, the BOT model (and with Transform, the BOTT model) is quickly reemerging. It is a promising way for organizations to advance their GIC journey and adopt a balanced sourcing portfolio.

50% of the organizations surveyed have either leveraged or are leveraging a BOT/BOTT model for their GICs
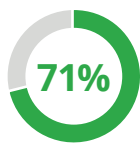
71% of the organizations that have not leveraged a BOT/BOTT model, have expressed a positive interest in exploring the model

Executives attributed this growing interest to increased speed to value, flexibility, cost-efficiency, access to talent, and at-scale transformation capability (see sidebar, "BOT model variations").

Organizations can maximize value from the BOTT model by investing up front in defining the GIC vision and strategy and evaluating vendors with BOTT experience. Organizations should also evaluate implications of key design choices, financial impact, operating model, talent strategy, tax and regulatory strategy, and future ways of working.

BOTT model variations

With the growing interest in GICs, different variations of the BOT model emerged to address varying client needs, such as:

· **Traditional BOT:** The third-party will establish the center on turnkey basis at their existing premises, with plans to later transfer resources and assets to the client.

· **Assisted BOT:** The client and third-party decide which areas each will lead, ensuring clear responsibility and avoiding overlap, with third-party typically leading the setup of facilities and enabling functions such as payroll, accounting, tax strategy, and HR operations

· **Transformational BOT (BOTT):** The third-party not only establishes the center and operations, but also transforms the operations to optimal steady state before transferring it to the client
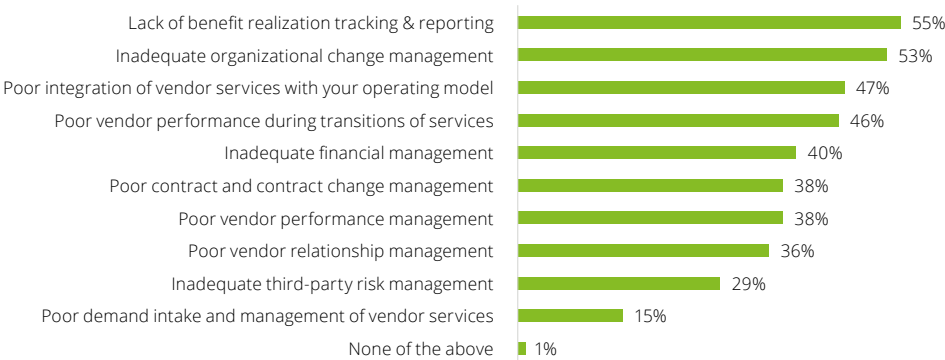
Outsourcing delivery models continue to mature, with a growing emphasis on value-based relationships

Collaboration with service providers on new areas of value is critical to maximize the impact of increased investments in third-party outsourcing.

Outsourcing challenges and success drivers

Internal management capabilities are a common cause of outsourcing challenges. Top challenges include lack of benefit realization tracking, inadequate organizational change management, and poor integration of vendor services.
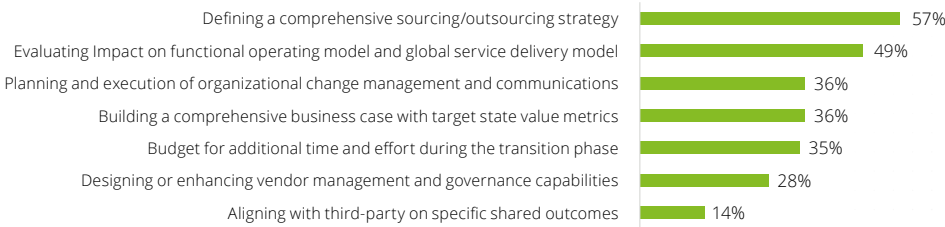
Challenges faced from outsourcing programs

Challenge	%
Lack of benefit realization tracking & reporting	55%
Inadequate organizational change management	53%
Poor integration of vendor services with your operating model	47%
Poor vendor performance during transitions of services	46%
Inadequate financial management	40%
Poor contract and contract change management	38%
Poor vendor performance management	38%
Poor vendor relationship management	36%
Inadequate third-party risk management	29%
Poor demand intake and management of vendor services	15%
None of the above	1%

To navigate these challenges and improve the maturity of sourcing programs, organizations must enhance their management capabilities and apply these capabilities to outsourced services. These capabilities include value management, organizational change management, performance management, and vendor management.
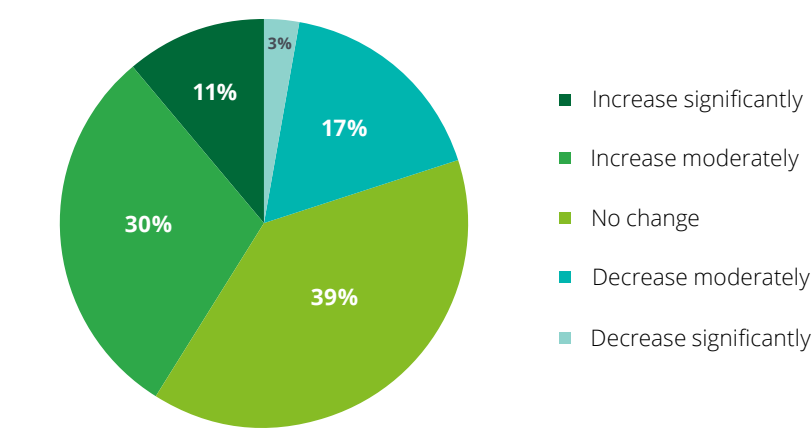
To maximize the value from their sourcing programs, organizations are adopting strategic measures —including defining a comprehensive sourcing strategy and integrating outsourcing as part of their global operating model.

Measures to create value in future outsourcing programs

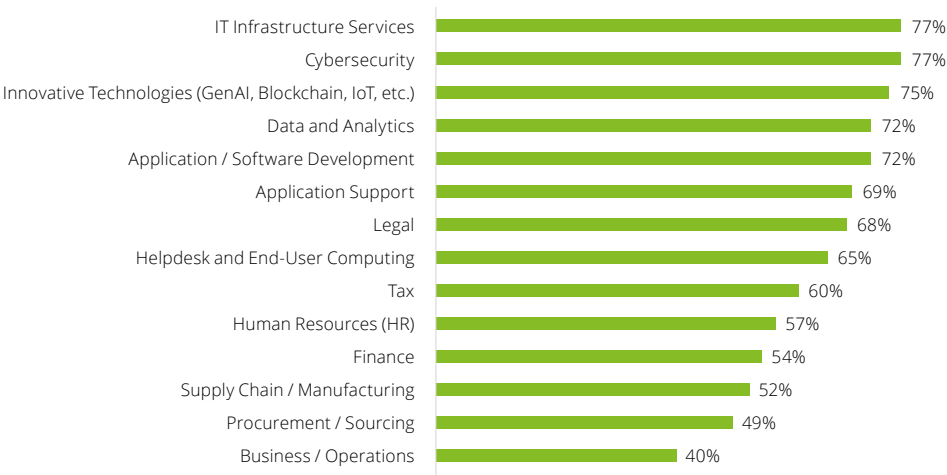| Measure	%
Defining a comprehensive sourcing/outsourcing strategy	57%
Evaluating Impact on functional operating model and global service delivery model	49%
Planning and execution of organizational change management and communications	36%
Building a comprehensive business case with target state value metrics	36%
Budget for additional time and effort during the transition phase	35%
Designing or enhancing vendor management and governance capabilities	28%
Aligning with third-party on specific shared outcomes	14%

Focus on value from outsourcing front-office and core capabilities
Investment in third-party outsourcing continues to grow, despite increased adoption of insourcing and GICs.

- Increase significantly
- Increase moderately
- No change
- Decrease moderately
- Decrease significantly

Back-office outsourcing remains a fundamental component for many organizations. These functions are being outsourced at high rates, allowing businesses to focus on their core competencies while benefiting from providers' expertise to continue driving operational efficiency.

% of organizations outsourcing by scope area

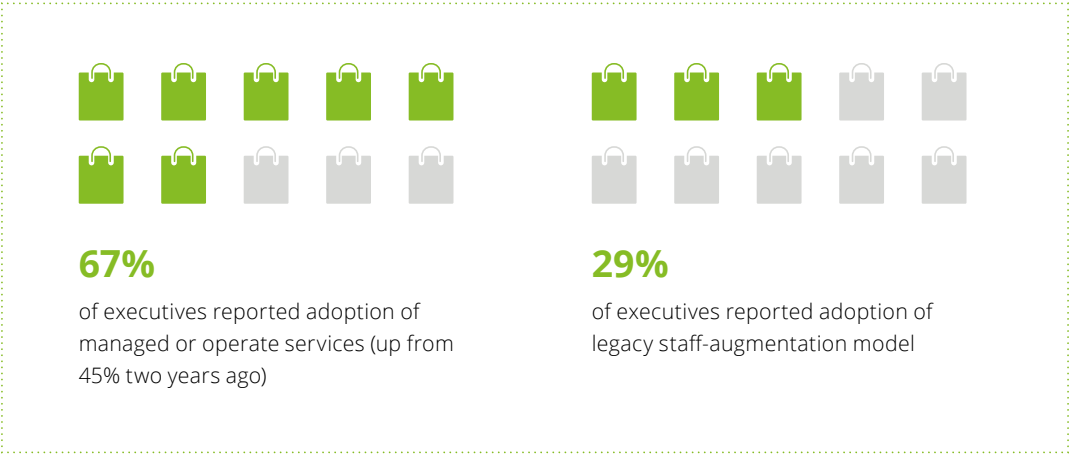| Scope area	Percentage
IT Infrastructure Services	77%
Cybersecurity	77%
Innovative Technologies (GenAI, Blockchain, IoT, etc.)	75%
Data and Analytics	72%
Application / Software Development	72%
Application Support	69%
Legal	68%
Helpdesk and End-User Computing	65%
Tax	60%
Human Resources (HR)	57%
Finance	54%
Supply Chain / Manufacturing	52%
Procurement / Sourcing	49%
Business / Operations	40%

Organizations are also outsourcing front-office and core business capabilities such as sales, marketing, customer service, and order fulfillment for additional value: 56% of organizations now outsource front-office functions, and 46% outsource research and development (R&D) activities. These figures represent an approximate 10% increase relative to our 2022 findings. The outsourcing of front-office and core capabilities is common in organizations globally and across industries—with real estate, energy, and consumer products showing the highest level of interest. This points to a continued focus on leveraging outsourced services for value creation in core business capabilities.

Success with outcome-based delivery models

A key factor in the evolution of outsourcing toward core capabilities is the growing adoption of outcome-based delivery models—for example, operate services.[3] These models prioritize business outcomes and value creation rather than simply supplementing manpower.

Two years ago, we acknowledged that the traditional staff augmentation model is giving way to outcome-based delivery models. According to recent data, this trend has gained further momentum.

67%

of executives reported adoption of managed or operate services (up from 45% two years ago)

29%

of executives reported adoption of legacy staff-augmentation model

High levels of satisfaction with managed and operate services are driving its continued adoption and increased investment across organizations.

Organizations that adopt managed or operate services

88%

47%

Organizations that do not adopt managed or operate services

71%

35%

■ Report meets or exceeds satisfaction levels from outsourced services

■ Report a planned increase in investment in outsourced services

Although the adoption of mature delivery models is expected to continue increasing, and the delivery models may evolve over time, it is evident that organizations are interested in buying capabilities and outcomes, and not hours.

Value-based relationships will define the future evolution of outsourcing

Four years ago[4], 70% of organizations cited cost savings as the main reason for outsourcing. Two years ago, this figure was in the 40% to 57% range based on the type of outsourcing. Today, this figure has dropped to 34%. Organizations that leverage outcome-based delivery models are even less focused on cost savings as the primary driver—at 30%. Cost reduction, once the primary driver of outsourcing, is no longer the central focus.
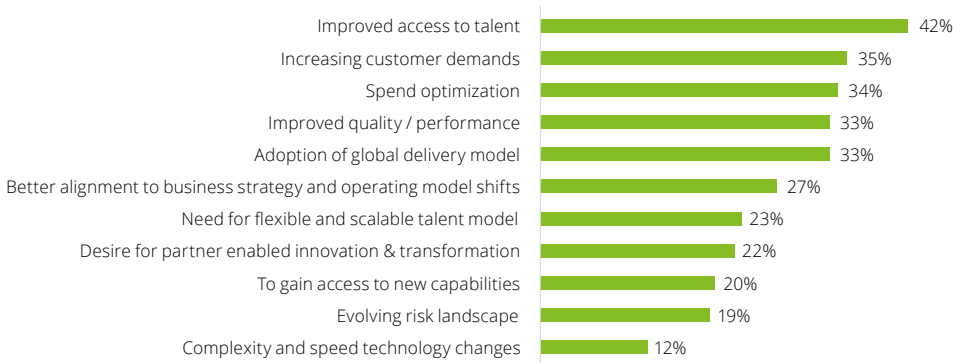
Respondents who identified 'cost reduction' as a primary outsourcing driver

70%	48%	34%
2020	2022	2024
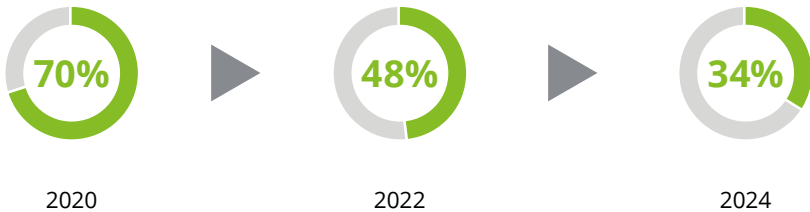
*2022 figure was in the 40% - 57% range based on type of outsourcing Source

The growing adoption of outcome-based delivery models is redefining the value proposition for outsourced services—from sourcing low-cost talent to sourcing value-added capabilities. Businesses today are prioritizing talent, service quality, global delivery, and agility, in addition to spend optimization to address the evolving business demands. In contrast, organizations that rely exclusively on legacy staff-augmentation models for outsourcing continue to prioritize spend optimization above other factors.

Primary drivers for adoption of third-party outsourced services

Driver	%
Improved access to talent	42%
Increasing customer demands	35%
Spend optimization	34%
Improved quality / performance	33%
Adoption of global delivery model	33%
Better alignment to business strategy and operating model shifts	27%
Need for flexible and scalable talent model	23%
Desire for partner enabled innovation & transformation	22%
To gain access to new capabilities	20%
Evolving risk landscape	19%
Complexity and speed technology changes	12%

Spend optimization will continue to remain a key driver for outsourcing—specially for first time outsourcers, however, finding incremental opportunities for value on an ongoing basis needs to be organizations' strategic priority. Executives must continue to collaborate with their providers to explore beyond cost—e.g., building a robust talent pipeline, leveraging AI, driving innovation, enhancing core capabilities, increasing agility.

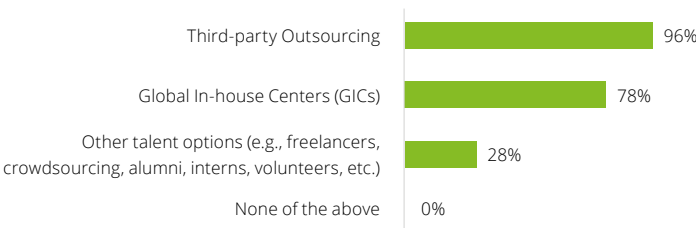# Mastering the complexity in talent sourcing is imperative for future-ready organizations

Organizations need new skills and experiences to manage the complexities of an integrated sourcing ecosystem. The Extended Workforce Management Office (EWMO) can be an effective strategy to manage complexity and deliver results.

Extended workforce: The talent pool is expanding

Organizations are adapting their approach to sourcing talent, driven by the need for flexibility, efficiency, and access to specialized skills. The extended workforce is expanding due to increased adoption across multiple talent pools (e.g., outsourced services, digital workers). None of the executives surveyed rely exclusively on their employees for talent needs.

This expansion of the talent pool necessitates organizations to invest in extended workforce management as a strategic capability.

% of Organizations Leveraging Sources of Talent

Source	%
Third-party Outsourcing	96%
Global In-house Centers (GICs)	78%
Other talent options (e.g., freelancers, crowdsourcing, alumni, interns, volunteers, etc.)	28%
None of the above	0%

> **"The extended workforce is an integral part of the service delivery as it allows us to effectively focus on our core priorities."**
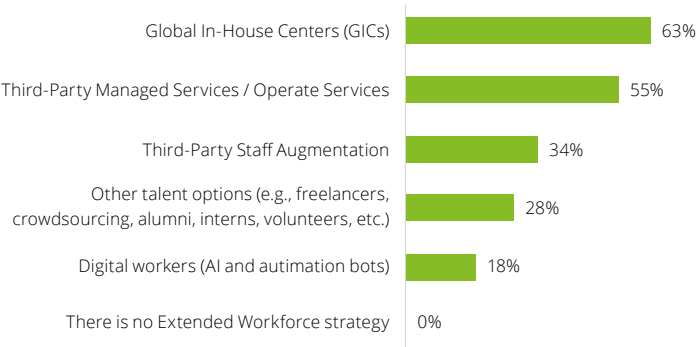>
> *—Director and global commodity lead (reports to chief procurement officer) at a global consumer products company*

The extended workforce challenge and opportunity

Many organizations today do not have an overarching strategy that includes all extended workforce talent sources. While organizations do develop independent strategies for prominent sourcing options (e.g., managed/operate services or GICs), only 17% of respondents reported having strategies for more than two talent groups.

The future talent landscape requires a cohesive extended workforce strategy that incorporates all talent groups and defines overlaps and dependencies across each group. Management of the integrated workforce requires expanding the scope of traditional vendor management capability; collaborating with internal HR, procurement, legal, risk, and finance organizations; developing new skills (e.g., digital workforce management); and potentially hiring resources with the experience of managing these diverse talent models.

% of Organization that have Extended Workforce Strategies for Below Talent Groups

Talent Group	%
Global In-House Centers (GICs)	63%
Third-Party Managed Services / Operate Services	55%
Third-Party Staff Augmentation	34%
Other talent options (e.g., freelancers, crowdsourcing, alumni, interns, volunteers, etc.)	28%
Digital workers (AI and autimation bots)	18%
There is no Extended Workforce strategy	0%

One pathway lies in transforming the traditional **Vendor Management Office (VMO)** into an **Extended Workforce Management Office (EWMO)**. This evolution will allow organizations to:

Centralize ownership of extended workforce strategy and governance.

Enhance risk management and regulatory compliance across all workforce models.

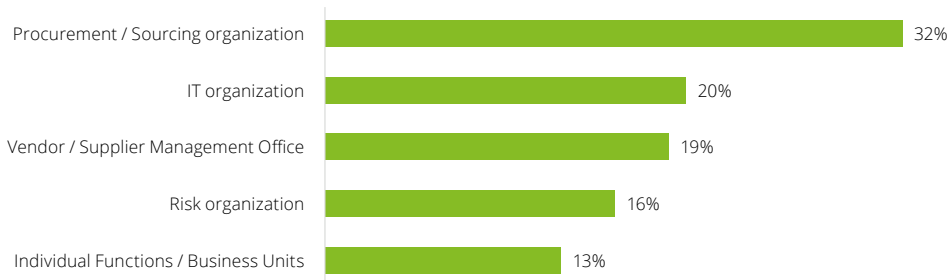Integrate all sourcing models into the organization's operating model.

Develop and implement contractual provisions for use of AI and service integration across sourcing models.

Ensure visibility and control over external labor, including spend and performance management.

Redefine how to measure service performance.

However, building and maturing the EWMO is a long-term endeavor. Currently, less than 20% of executives report that their traditional VMO owns the extended workforce strategy, and nearly 70% of organizations acknowledge that their VMO function is not fully mature.
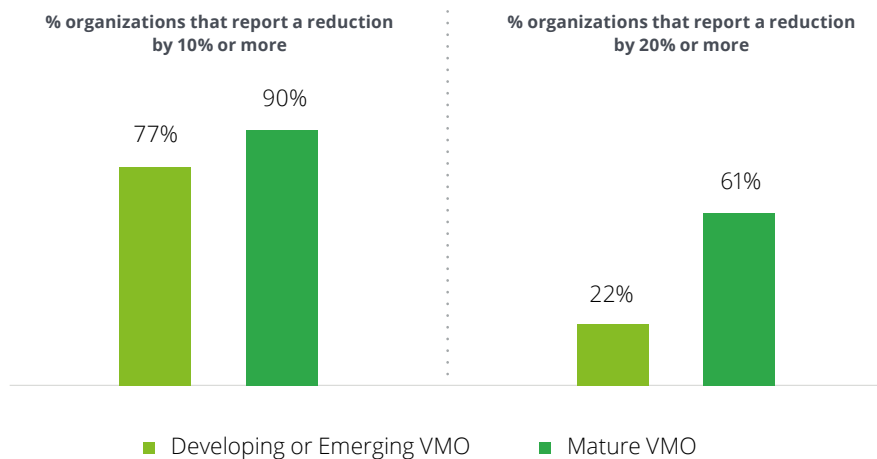
Extended Workforce Management and Governance Owner

Procurement / Sourcing organization	32%
IT organization	20%
Vendor / Supplier Management Office	19%
Risk organization	16%
Individual Functions / Business Units	13%

Maturity of Vendor Management Office (VMO) and Processes

- 31%
- 8%
- 25%
- 36%

- ■ Increase moderately
- ■ No change
- ■ Decrease moderately
- ■ Decrease significantly
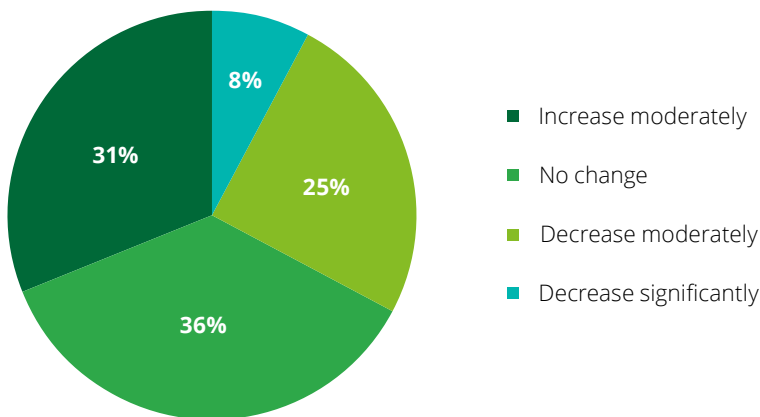
Despite the challenges and complexity of sourcing, organizations that invest in a VMO are realizing benefits. This benefit can increase as the VMO matures.

Third-party spend reduction that is directly attributed to VMO actions

% organizations that report a reduction by 10% or more

90%

77%

% organizations that report a reduction by 20% or more

61%

22%

■ Developing or Emerging VMO   ■ Mature VMO

These returns can further increase by expanding the VMO's remit to include the broader extended workforce—creating an EWMO that is responsible for managing all talent models and sourcing strategies effectively (see sidebar, "Key questions for a successful sourcing transformation").

"Effective vendor management plays a crucial role in the success of our outsourcing programs, reflecting the specialized nature of vendor management capabilities to enhance agility and responsiveness, allowing our organization to optimize its operational efficiency while adapting to evolving market demands."

—Managing director / India GIC lead, global multi-brand restaurant company

Key questions for a successful sourcing transformation

To succeed in their sourcing transformations and sustain the benefits long-term, organizations must address critical strategic questions:

1. What is our sourcing strategy, and who owns it?

2. What is the case for change? What are the strategic objectives?

3. What are the capabilities / skills of the retained and digital workforce, GICs, and outsourcing vendors?

4. How do we integrate various talent models, and who governs the extended workforce?

5. How do we align with our partners on shared outcomes, and what are the metrics for success?

6. How do we ensure technology and data systems provide visibility into our full workforce ecosystem?

7. How can we mitigate risk and drive regulatory compliance across all talent models?

8. How do we manage change and support our business partners throughout this transformation?

Answering these questions is essential for optimizing value from sourcing and extended workforce strategies, ensuring organizational resilience and adaptability while managing the sourcing complexity.

Conclusion

The future of sourcing is multidimensional—one that includes diverse sourcing models (e.g., outsourcing, insourcing, GICs, digital workforce, and others) and finds the right balance across them.

Digital workforce (i.e., AI-enabled workforce and automation) is an emerging talent model that is blurring the lines between human and digital workforce. AI-powered outsourcing presents immense opportunities for businesses, but requires careful planning, thoughtful relationships, and a comprehensive digital workforce strategy.

Organizations are revaluating areas better suited for internal management and long-term investment, in alignment with their enterprise strategy. There is a growing emphasis on insourcing and GICs as complementary strategies to outsourcing—to achieve a balanced sourcing ecosystem.

The outsourcing landscape is maturing toward a more value-driven approach where skilled talent, agility, quality, and innovation are key. A strong foundation of outcome-based outsourcing is helping by prioritizing business outcomes, resilience, and adaptability over pure cost reduction.

Access to talent continues to remain a top challenge, and the ongoing expansion of diverse talent models (extended workforce) is an attempt to address this challenge.

Organizations should consider investing in robust workforce management strategies to navigate the complexity of integrated sourcing models. Future-ready organizations will need to develop comprehensive sourcing strategies and management capabilities to drive business value, continuous improvement, and maturity uplift.

Key recommendations

- Invest in AI-powered outsourcing and focus on joint governance of the digital workforce.

- Incorporate contractual provisions with vendors to report on AI-driven productivity gain and corresponding fee reduction commitments over time.

- For insourcing, revisit outsourcing deals that are more than three years old to reevaluate scope (core to business vs. non-core).

- For GIC, rethink the offshore equation; offshore can be end-to-end capability delivery and not just lower costs.

- For outsourcing, emphasize value-based relationships to unlock new areas of business value and innovation.

- Develop a robust talent strategy that includes a balance of outsourcing, insourcing, GICs, and digital workers.

Let's talk

Future-ready organizations are leveraging multidimensional sourcing strategies and digital workforce to enhance innovation and market competitiveness. If you would like to learn more about opportunities for your organization, or to gain deeper insights into leading practices, please contact us. We would be glad to provide you a full briefing.

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Definitions

For the purpose of this report, we define the following:

Traditional Outsourcing is focused on cost reduction for simple, discrete tasks that can be automated. The relationship with vendors is transactional in nature and typically leverages a staff-augmentation model. Outsourcing tasks could be payroll, network administration, or other narrowly defined business processes.

Managed Services move beyond traditional outsourcing, combining cost reduction and discrete value-add, where vendors support complex processes, applications, or full business functional areas requiring specialized expertise. The relationship is longer term, tied to performance service levels (via a Service Level Agreement), and it is priced on outcomes and volume consumption. Examples include hosting/cloud operations, infrastructure support, or other defined, but multifaceted, processes.

Operate Services are outcome and innovation-oriented, underpinned by technology and cost optimization— and leverage automation and data insights as part of the services to drive value. Clients are given on-demand access to hard-to-source talent, experiences, skills, and leading technology. Offerings are broad and dynamic in scope, and the relationship with the vendor is highly collaborative and often viewed as an extension of the organization. Examples include foundry services, advise-as-a-service, analytics-as-a-service, cyber detect and respond, or other outcome and innovation-oriented functions.

GIC (Global In-house Center), also known as Global Capability Center (GCC) or a captive center, is a shared services unit owned and managed by an organization, typically to deliver services across its global operations. GICs are established by companies to perform functions that range from IT and business process services to R&D, finance, HR, and even customer service. They are set up in locations outside the home country of the parent company, often in regions that offer cost advantages, talent pools, and other operational benefits. Over time, GICs have evolved beyond simple cost-saving hubs to centers of innovation, delivering strategic value and supporting advanced capabilities like analytics, AI, and digital transformation.

BOTT (Build, Operate, Transform, Transfer) model, a variation of the Build, Operate, Transfer (BOT) model, is a strategic approach to establish or enhance a GIC. This approach allows organizations to leverage the expertise and experience of a trusted third party to build and operate a captive center, transforming and maturing its operations over a period of time, and eventually transferring it back to the organization as a fully operational and mature GIC. This model is designed reduce risks, lower up-front costs, and provide flexibility in scaling operations.

Extended Workforce refers to all external talent sources utilized by an organization beyond its regular employees. This includes contractors, freelancers, outsourced service providers, consultants, and gig workers. The extended workforce allows organizations to access specialized skills, scale operations flexibly, and respond quickly to market demands.

EWMO (Extended Workforce Management Office) is an evolved form of the traditional Vendor Management Office (VMO). The EWMO oversees the strategy and governance of an organization's extended workforce, integrating various talent sources—such as outsourcing vendors, GICs, freelancers, and digital workers—into the operating model. It ensures visibility, control, and risk management across all external labor sources.

Digital Worker / Digital Workforce is a software-based entity that performs tasks traditionally carried out by humans. This includes AI-powered bots, RPA, and other intelligent automation tools. Digital workers handle repetitive or rule-based tasks, enhancing efficiency and allowing human employees to focus on more strategic activities.

Insourcing involves bringing previously outsourced services or functions back in-house to be performed by the organization's own employees. This strategy allows companies to regain control over critical operations, enhance service quality, and build internal capabilities.

Endnotes

1. Mike Stoler et al., "The next wave of build-operate-transfer, driven by talent access," Deloitte's CIO Journal for The Wall Street Journal, April 2, 2024.

2. Juan Coronado and Mike Stoler, Deloitte Global Outsourcing Survey 2022, Deloitte, 2022.

3. Deloitte, Operate services homepage, accessed November 2024.

4. Mike Stoler and Miles Underwood, Deloitte Global Outsourcing Survey 2020, Deloitte, 2020.

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