

WHITE PAPER

From Outsourcing to Ownership

Why Mid-Market Enterprises Are Rethinking the Build-versus-Buy Equation for Global Capability

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Executive Summary

A structural shift is under way in how mid-market enterprises build operational capability. The third-party outsourcing model that dominated the 2000s is being actively reconsidered, not because of dissatisfaction with their outsourced vendors, but because the conditions that made outsourcing attractive in 2006 no longer hold in the same way in 2026. Knowledge retention, speed of response, the underlying cost mathematics and ownership of innovation have all moved in favour of owned capability.

The data reflects this. While the global IT services outsourcing market continues to grow, valued at approximately USD 612 billion in 2024 and projected to exceed USD 1.3 trillion by 2034,¹ enterprises are simultaneously building in-house global capacity at scale. Deloitte's 2024 Global Outsourcing Survey found that 78 percent of surveyed organisations now leverage global in-house centres,² and that only 34 percent cite cost as the primary driver of sourcing decisions, down from 70 percent in 2020.³ India, the principal destination for global capability, hosts 2,117 Global Capability Centers as of FY2026, generating USD 98.4 billion in revenue and employing 2.36 million professionals, with GCC count up 32 percent since FY2021.⁴

This paper looks at four things: why outsourcing no longer serves the capabilities that set a business apart; how talent shortages and rising costs in developed markets are speeding up the shift; what the Global Capability Center (GCC) model offers instead, including its newer roles as an innovation test bed and a sourcing hub; and how enablement platforms have removed the setup complexity that once kept this model out of reach for mid-market firms. The point is not that outsourcing is dead. It is that outsourcing suits transactional work, while innovation needs ownership, and each enterprise should choose based on what it is trying to build.

1. Introduction: A Quiet Reconsideration

For two decades, the default answer to the question of how a mid-sized enterprise should handle non-core operational work was to outsource it. The logic was sound for its time: reduce headcount, eliminate overhead, convert fixed costs to variable, and let specialised providers deliver scale economies and process expertise under performance guarantees. For many functions, the model delivered exactly what it promised.

Yet a growing number of organisations have observed the same pattern: savings plateau while friction increases. Contract renewals become negotiations over scope rather than conversations about value. Process improvements developed on their account appear, in time, in the provider's offerings to competitors. Institutional knowledge accumulates somewhere other than inside the enterprise.

The reconsideration now under way is not a rejection of outsourcing. It is a structural realisation that the benefits that drove outsourcing adoption look different in 2026 than they

did in 2006, and that an alternative model, once available only to the largest corporations, is now accessible to the mid-market.

2. The Outsourcing Market: Growth Alongside Doubt

By volume, outsourcing remains a thriving industry. The global IT services outsourcing market was valued at approximately USD 612 billion in 2024 and is forecast to reach USD 1,345 billion by 2034, a compound annual growth rate of 8.2 percent.¹ Eighty percent of executives surveyed by Deloitte in 2024 planned to maintain or increase their investment in third-party outsourcing.²

Beneath the headline growth, however, the composition of demand is changing in two telling ways. First, the rationale has shifted. In 2020, 70 percent of organisations cited cost savings as their primary driver for outsourcing; by 2024 that figure had fallen to 34 percent, with access to skilled talent and agility rising in its place.³ Second, satisfaction with the cost outcome itself is thin: only 25 percent of executives in the same survey reported actually seeing reductions in vendor service costs or improvements in service quality.²

Most striking is what enterprises are doing in parallel. Deloitte found that 78 percent of surveyed organisations now operate global in-house centres, the same owned-capability structure this paper refers to as a GCC, even as they continue to use third-party providers for defined scopes.² The market is not choosing between the models so much as re-sorting work between them: commodity scope to vendors, strategic capability in-house.

3. The Demand-Side Squeeze: Three Market Dynamics

Before examining what changed inside the sourcing model itself, it is worth naming the external pressures that have made the question urgent. Three demand-side dynamics now bear on every mid-market enterprise simultaneously, and each points away from renting capability and toward owning it.

3.1 Differentiation now runs through technology, and leakage is expensive

Mid-market enterprises face an uncomfortable combination: sustained cost pressure on one side, and on the other a market in which customer experience has become the primary battleground, delivered almost entirely through technology. Personalisation engines, intelligent supply chains, AI-assisted service, data-driven merchandising: these are no longer back-office tooling but the product itself. The pressure to invest is not optional; the question is where that investment can safely live.

Building differentiated customer experience through a shared vendor creates a structural exposure. The same provider, the same delivery teams and frequently the same accelerators serve direct competitors. Capability built on common rails is capability rented, and an advantage the vendor can generalise is not an advantage for long. Enterprises increasingly need an environment in which they can leverage technology aggressively without the resulting

know-how being at risk of competitive loss. That requirement is, by definition, an ownership requirement; Section 4.4 returns to its structural mechanics.

3.2 The talent is not available where the enterprise is

The second dynamic is simpler: in developed geographies the talent needed for this technology agenda does not exist in sufficient quantity at any price. A 2025 United States government assessment of the AI talent pipeline found that 36 percent of AI-related roles in the US remain unfilled, with job postings requiring AI skills having grown 257 percent between 2015 and 2023 against 52 percent growth in overall postings.⁶ Industry analyses project roughly 1.3 million US AI job openings over the coming two years against a qualified supply of fewer than half that number.⁷

The supply sits elsewhere. India holds approximately 16 percent of the global AI talent pool, projected to reach 1.25 million AI professionals by 2027,⁸ and ranks first globally in AI hiring intensity, with the GCC ecosystem alone employing more than 250,000 AI professionals across over 1,200 centres with AI and machine learning capability.⁴ For a mid-market enterprise, the practical question is therefore not whether to access global talent, but through which structure: a vendor's bench, or its own.

3.3 Where niche talent does exist onshore, it is priced for scarcity

The third dynamic compounds the second. Niche skills in developed markets carry scarcity pricing: US labour-market analyses find that adding AI skills to a role raises offered pay by roughly 28 percent on average, the median US AI engineering salary stands near USD 160,000, and specialised capabilities such as model fine-tuning command a further 25 to 40 percent premium above that median.⁷ Mid-market enterprises bidding for this talent compete directly with large technology firms whose compensation structures they cannot match.

The consequence is subtle but corrosive: even when an onshore team can be assembled, scarcity pricing makes every initiative expensive, which biases the organisation toward fewer, safer technology bets at precisely the moment the market demands more experimentation. Section 7 returns to this point, because it is where the GCC delivers one of its least appreciated advantages.

4. What Changed: Four Structural Shifts

4.1 Knowledge retention became more valuable

In an outsourced arrangement, institutional knowledge lives with the provider. Vendor delivery teams typically rotate across accounts every 18 to 24 months, and when they rotate, accumulated context walks out with them. Practitioner experience consistently indicates that owned teams retain the large majority of their institutional knowledge year over year, while outsourced arrangements lose a substantial share of it to attrition and rotation. As enterprises embed more judgment-intensive work, data, analytics, regulatory interpretation, customer insight, the cost of that leakage has risen sharply.

The pattern has played out publicly at the largest scale. In 2004, JPMorgan Chase terminated a USD 5 billion, seven-year IT outsourcing agreement with IBM only two years into its term and brought roughly 4,000 transferred staff back in-house, concluding that technology was too central to the bank's competitiveness to sit outside it. In 2012, General Motors reversed two decades of near-total IT outsourcing, moving from approximately 90 percent outsourced to approximately 90 percent in-house and hiring close to 10,000 technologists, citing speed, innovation ownership and the rebuilding of internal knowledge as the rationale.⁹ Both organisations had discovered the same thing: after years of outsourcing, the understanding of how their own systems and processes worked no longer resided inside the company. The reversals were, in effect, expensive programmes to repurchase organisational knowledge that had quietly migrated to vendors. Few mid-market enterprises could absorb a correction of that scale, which makes avoiding the drift cheaper than reversing it.

4.2 Speed became more important

When an issue arises, a company with an internal team mobilises through a conversation. An outsourced function mobilises through a ticket, an escalation path, an account manager and a scope verification, a sequence measured in days rather than hours. The disruptions of recent years, from the pandemic through ongoing supply chain and geopolitical shocks, demonstrated repeatedly that organisations with owned capability centres adapted faster than those dependent on contractual intermediaries, because authority and execution sat inside the same organisation.

4.3 The cost mathematics changed

Outsourcing pricing necessarily carries the provider's margin, account management overhead and contract administration on top of the underlying cost of delivery. Industry practitioners commonly estimate that 25 to 40 percent of mid-market outsourcing spend goes to these layers rather than to the work itself. At the same time, the cost of standing up owned capability has fallen steeply: cloud infrastructure, SaaS tooling and managed platforms have removed much of the capital expenditure that once justified paying a vendor premium to avoid it. The arbitrage that favoured outsourcing has narrowed from both directions.

4.4 Innovation ownership became a competitive advantage

Companies with owned capability centres control their innovations, from AI models to process improvements to proprietary analytics. Outsourced functions, by design, operate across multiple clients; an optimisation developed on one account frequently becomes vendor intellectual property deployed for others, including direct competitors. Organisations with owned teams therefore build advantage through proprietary capability, while those relying on outsourced partners implement shared solutions available to every client of the same vendor. As AI-enabled operations become a primary source of differentiation, this distinction has moved from a contractual footnote to a board-level concern.

5. The Global Capability Center Model

A GCC is not outsourcing under a different label. It is a fundamentally different approach: building and owning operational capability in a location that offers both deep talent availability and structural cost advantage, with the team employed by, loyal to and accumulating knowledge for the enterprise itself.

The model is mature. Fortune 500 companies pioneered it decades ago, and India has become its centre of gravity. As of FY2026, India hosts 2,117 GCCs operating 3,728 individual centres, employing 2.36 million professionals and generating USD 98.4 billion in revenue. GCC count has grown 32 percent since FY2021, with revenue compounding at approximately 9.9 percent annually over the same period, and India now ranks first globally in AI hiring intensity.⁴ The ecosystem has also matured qualitatively: 46 percent of India's GCCs now operate at Portfolio Hub or Transformation Hub maturity, owning end-to-end charters rather than executing delegated scope, and 96 percent of newly established GCCs launch with an engineering, R&D or product mandate from day one.⁵

What has changed is accessibility, not validity. A GCC historically required USD 5 to 10 million in setup investment and an 18 to 24 month payback horizon, which placed it beyond the reach of most mid-market enterprises. That barrier has now largely dissolved, as Section 8 describes. The mid-market is already arriving: 583 mid-market GCCs operate in India as of FY2026, alongside 506 centres belonging to Forbes Global 2000 corporations and 504 backed by private equity owners.⁴ Yet by Bhartiya Converge's analysis those 583 represent fewer than one in ten of the mid-market enterprises for which the model is economically eligible, a gap that constitutes the next major phase of the market's growth.

The compression of the maturity curve reinforces the case for moving now rather than later. The FY2026 report finds that 27 percent of GCCs reach Portfolio Hub maturity within five years of establishment, a journey that historically took a decade, because new entrants inherit a playbook, an ecosystem and a talent market that earlier entrants had to build.⁵

6. Comparative Value Creation

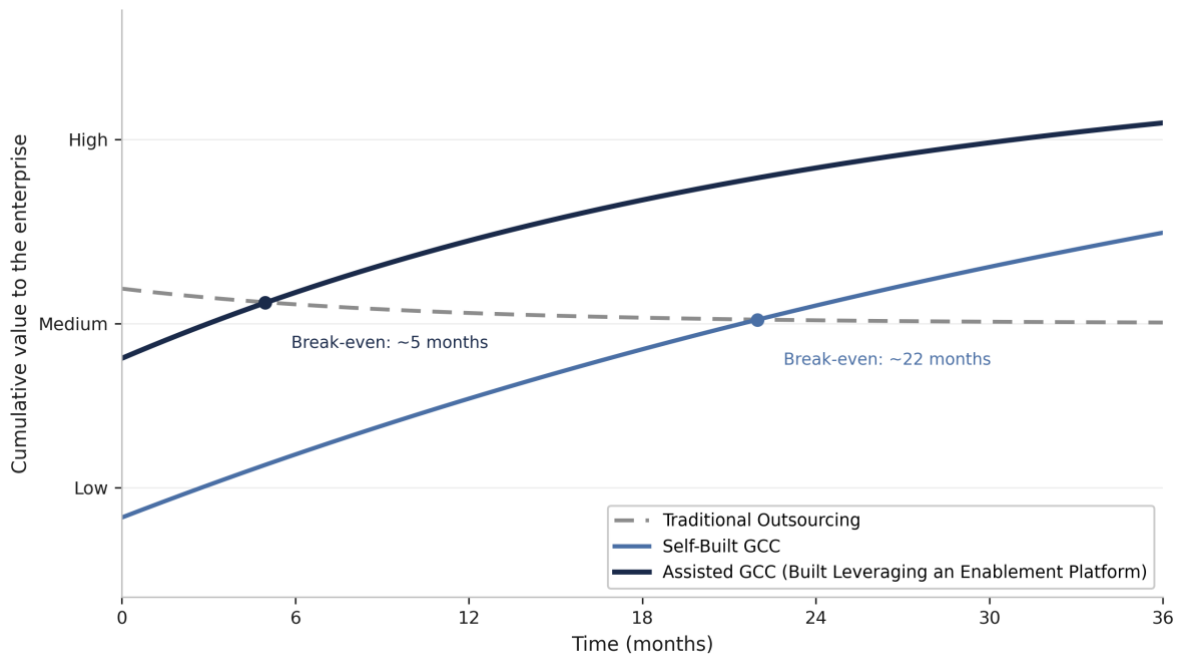
The GCC advantage is frequently framed in cost terms, and the cost case is real: enterprises typically realise savings of 40 to 60 percent against onshore teams and 25 to 40 percent against traditional outsourcing once vendor margin layers are removed. But the more durable advantage is structural. Table 1 compares the three paths available to a mid-market enterprise: renting capability through a traditional outsourcing contract, building a GCC entirely alone, or establishing an assisted GCC through an enablement platform. The critical observation is that the second and third paths are the same ownership model; an assisted GCC delivers every structural advantage of a self-built one, because the enterprise employs the team, owns the knowledge and retains the intellectual property in both cases. What the assisted route changes is who absorbs the setup burden.

Table 1. Structural comparison: traditional outsourcing, self-built GCC and assisted GCC

Dimension	Traditional Outsourcing	Self-Built GCC	Assisted GCC (Built Leveraging an Enablement Platform)
Team employment	Provider employs the team; staff rotate across client accounts	Enterprise employs the team directly; tenure builds within the organisation	Enterprise employs and directs its own team; platform handles HR administration
Institutional knowledge	Resides with the vendor; eroded by account rotation and contract resets	Accumulates inside the enterprise and compounds over time	Accumulates inside the enterprise from day one, on a faster start
Responsiveness	Mediated by tickets, escalation paths and scope verification	Direct mobilisation through internal lines of authority	Direct mobilisation; the platform sits outside the line of command
Intellectual property	Process improvements often become vendor IP, deployed across clients	Innovations, models and analytics remain proprietary to the enterprise	All work product and innovation remain proprietary to the enterprise
Setup burden	None; capability is rented, not built	Entity, real estate, compliance, IT and hiring borne by the enterprise	Absorbed by the platform; centre operational in weeks
Cost structure	Includes vendor margin, account management and contract administration	Direct cost of talent and infrastructure; full overhead carried alone	Direct cost of talent plus a platform fee; shared infrastructure economics
Value over time	Resets with each contract renewal	Appreciates as capability deepens	Appreciates identically; ownership is the same, only the on-ramp differs

Source: Bhartiya Converge analysis.

The models also differ in how value develops over time. Traditional outsourcing provides immediate capability but plateaus quickly and delivers diminishing returns as renewals reset the relationship. A self-built GCC starts slowly, absorbed in setup, but compounds significantly after 18 to 24 months as knowledge, tenure and proprietary capability accumulate. The assisted GCC combines the two trajectories: faster time-to-value than building alone, with the same long-term compounding as owned capability. Figure 1 illustrates the three trajectories, and Table 2 summarises the underlying phases.

Figure 1. Value creation over time across three capability models (illustrative)

Source: Bhartiya Converge analysis. Curves are illustrative of relative value trajectories; break-even timing varies by function, scale and engagement model.

Table 2. Value trajectory across three capability models

Phase	Traditional Outsourcing	Self-Built GCC	Assisted GCC (Built Leveraging an Enablement Platform)
Months 0 to 6	Immediate capability; rapid transition of defined scope	Entity setup, real estate, compliance and hiring absorb most effort	Operational in weeks on pre-built infrastructure; hiring begins immediately
Months 6 to 18	Value plateaus; savings stabilise, friction in change requests grows	Teams form; knowledge accumulation begins from a delayed start	Teams productive early; knowledge accumulation already under way
Months 18 onward	Diminishing returns; relationship resets at each renewal	Capability compounds; proprietary advantage builds	Same compounding trajectory, reached 12 to 18 months sooner

Source: Bhartiya Converge analysis.

The essential distinction is the direction of travel after the initial period. Outsourcing relationships reset with each renewal. Owned capability appreciates.

7. Beyond Delivery: Two Strategic Roles for the GCC

The comparative case in Section 6 treats the GCC as a delivery structure. Two further roles, both visible in how mature GCCs actually operate, extend the argument beyond delivery economics.

7.1 A cost-effective innovation test bed

Section 3.3 described the bind created by scarcity-priced onshore talent: every experiment is expensive, so organisations run fewer of them and favour the safe ones. The GCC inverts that arithmetic. When the cost per skilled engineer falls to a fraction of onshore rates, the cost per experiment falls with it, and the enterprise can run more parallel bets, kill failures cheaply and scale only what works. The centre becomes a contained environment for piloting AI use cases, process redesigns and new digital products before committing them to the global organisation, with every result, including the failures and what they taught, remaining proprietary.

The ecosystem data shows this is already the dominant pattern rather than a theoretical possibility: 96 percent of newly established GCCs launch with an engineering, R&D or product mandate, and nearly half of new centres are AI-first from day one.⁵ New entrants are not setting up cost centres that might one day earn an innovation charter; they are setting up the test bed directly.

7.2 The GCC as the enterprise's sourcing hub

The second role inverts the traditional outsourcing relationship rather than replacing it. Instead of headquarters issuing outsourcing contracts at arm's length, across time zones, to vendors it understands mostly through their sales teams, the enterprise routes its third-party sourcing through the GCC. The centre becomes the orchestration layer: it selects vendors, governs delivery and integrates the output, while transactional work continues to flow to external providers.

The logic rests on an information asymmetry. India hosts delivery operations of effectively every major global and regional service provider, and a GCC sits inside that ecosystem: it knows local vendor capabilities, real pricing levels and delivery reputations in a way a procurement team eight to twelve time zones away cannot. The enterprise becomes an informed buyer rather than a dependent one. Governance happens in the vendor's working day, not at its margins. And critically, the integration knowledge, the understanding of how outsourced components fit the enterprise's systems, stays in-house, which means vendors can be switched or rebalanced without the knowledge loss described in Section 4.1.

This role also dissolves the apparent binary running through the sourcing debate. The choice is not outsourcing or GCC; in the mature pattern, the GCC owns the outsourcing. Transactional scope still goes to vendors, where Section 9 argues it belongs, but the contracts, the knowledge and the leverage belong to the enterprise.

8. How Setup Complexity Gets Solved

The traditional barrier to the GCC model was never the economics; it was the complexity. Establishing an owned centre meant navigating real estate, legal entity structures, HR and payroll, statutory compliance, IT and security infrastructure, and talent acquisition in an unfamiliar market, all while maintaining focus on the core business. For a Fortune 500 corporation with a global shared-services function, this was absorbable. For a USD 500 million to 5 billion enterprise, it rarely was.

The market has evolved in response. A new category of GCC enablement platforms has emerged to provide the infrastructure mid-market enterprises need without the complexity they cannot absorb:

- **Plug-and-play infrastructure.** Pre-built facilities with technology, security and operational systems in place. Centres become operational in weeks rather than quarters.
- **Talent access without acquisition burden.** Established recruitment, onboarding and HR administration. Companies hire their own employees while leveraging existing infrastructure to find and manage them.
- **Operational support without distraction.** Finance, HR, IT and compliance handled through the platform. The enterprise retains control of the work while avoiding the administrative overhead of running a foreign operation.
- **Single accountability.** One integrated platform in place of separate vendors for real estate, IT, security, HR and compliance.

The result is owned capability with outsourced complexity. What once required USD 5 to 10 million of upfront investment can now be established with minimal capital commitment and materially faster payback, because the enabling infrastructure already exists and is shared across the platform. Engagement structures have matured accordingly, ranging from employer-of-record arrangements through build-operate-transfer models to full captive entity setup, allowing an enterprise to enter at the level of commitment that matches its stage and scale.

9. The Strategic Question

The choice between outsourcing and owned capability is not about which model is better in the abstract. It is about what the enterprise is building.

If the objective is to reduce this year's operating costs for a well-defined, commodity scope with minimal implementation effort, outsourcing remains a viable and often sensible answer. The market's continued growth reflects exactly this use case. The honest framing is that outsourcing is a structure for transactional activity, work that is stable, specifiable and undifferentiating, and not a structure for innovation, which requires accumulated context, proprietary ownership and tolerance for iteration that the vendor model is not built to provide.

If the objective is to build institutional capability that compounds over time, to create competitive advantage through execution speed, to own rather than rent the innovations that differentiate the business, and to reduce structural dependency on external parties, then owned capability through a GCC deserves serious consideration. And as Section 7 argued, the two answers combine: the enterprise that routes its transactional outsourcing through its own GCC keeps vendor economics where they work while keeping knowledge, integration and leverage where they belong.

The market is moving: the in-house share of global sourcing is rising even as outsourcing grows. The infrastructure exists: enablement platforms have removed the historical setup barrier. The economics work: the cost advantage now favours ownership for sustained, strategic scope. The remaining question for any mid-market leadership team is whether the model fits its strategic priorities, and, given that fewer than one in ten eligible mid-market enterprises have yet acted, whether moving early is itself a source of advantage.

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8. ETS, CII, AICTE, AIU and Taggd, India Skills Report 2026: India holds approximately 16 percent of the global AI talent pool, projected to reach 1.25 million AI professionals by 2027. Corroborated by Deloitte and Nasscom, Advancing India's AI Skills (2024), which projects Indian AI talent demand growing from approximately 600,000 to 650,000 to more than 1.25 million over 2022 to 2027.
9. Both reversals were extensively documented in the contemporary business and technology press. JPMorgan Chase announced in September 2004 the termination of its USD 5 billion, seven-year IT outsourcing agreement with IBM, returning approximately 4,000 staff in-house. General Motors announced its IT insourcing programme in 2012 under CIO Randy Mott, shifting from approximately 90 percent outsourced to approximately 90 percent in-house and hiring close to 10,000 IT professionals.

A note on figures. Figures attributed to named sources above reflect published research as of mid-2026. Figures described as practitioner or industry estimates, including knowledge retention rates, the share of outsourcing spend absorbed by vendor margin and administration, and comparative savings ranges, reflect Bhartiya Converge's analysis and experience across mid-market GCC engagements, and will vary by function, scale and engagement model.