



UNLOCKING INNOVATION: HOW GLOBAL CAPABILITY CENTERS ARE ACTING AS STRATEGIC HUBS REVOLUTIONIZING SOURCING AND PROCUREMENT

Abstract

The concept of GCCs (Global Capability Centers) in India emerged in the late 1990s and early 2000s when multinational corporations from the US and Europe recognized India's cost efficiency due to its skilled yet inexpensive workforce. Initially focused on cost-saving, GCCs have evolved into strategic reinvention engines. They foster innovation, digital transformation, and value creation through AI-based solutions.

In today's rapidly evolving global business environment, GCCs have emerged as essential catalysts for innovation and efficiency. These capability centers help centralize operations and concentrate knowledge, talent and capacity in a single location.

The market is projected to reach US\$413 billion by 2030, according to

EY. Procurement and Supply Chain in Global Capability Centers are expected to grow from US\$46 billion in 2023 to US\$208 billion by 2032, with a CAGR of approximately 17% from 2024 to 2032 (SNS Insider).

At the heart of strategic transformation are the business process outsourcing service providers as they tend to provide

a wide array of specialized services, with access to talent ranging from IT, finance, human resources, procurement, R&D etc. This makes outsourcing service providers indispensable in a quest for competitive advantage.

Strategic Role of GCCs

Global Capability Centers have become strategic reinvention engines, driving digital transformation, innovation, and decision-making agility for multinational corporations. By leveraging advanced technologies, GCCs empower organizations to stay competitive in a rapidly evolving market. These centers

focus on strategic initiatives that can transform entire business models and create new value streams. If GCCs create a hub with skilled professionals proficient in cutting-edge technologies like artificial intelligence (AI), machine learning (ML), cloud computing, and data analytics, they can accelerate an

organization's ability to adapt to digital shifts. Their role as innovation hubs allows companies to experiment with new digital tools and methodologies, providing flexibility to create and scale solutions quickly.



Impact on Sourcing and Procurement

GCCs are emerging as vital hubs for effectively managing procurement operations and supply chains. They have evolved from traditional back-office operations to strategic hubs, providing access to key talent and the capability to manage complex, high-

skilled areas such as procurement analytics, risk management, category management, strategic sourcing, and vendor negotiations. By consolidating procurement activities within GCCs, organizations can streamline processes, achieve significant cost savings, and

improve supplier relationships. This centralization allows for better compliance to global standards and enables companies to make data-driven decisions, optimizing procurement strategies in real-time.

GCCs enable rapid scalability in response to business needs, supporting multiple geographies and time zones while enhancing responsiveness. As centers of excellence, they help enforce

procurement policies and best practices across regions. Centralized governance reduces maverick spending, ensures compliance, and improves audit readiness. Efficient procurement processes, driven

by e-procurement solutions and data analytics, are becoming pivotal in addressing challenges such as rising costs and supply chain disruptions.

Technological Advancements

GCCs are now integral in operations such as supply chain modeling, global sourcing regulations, vendor management, and procurement analytics, moving beyond cost-saving to centers of excellence to help innovate and create value. Innovative procurement systems using GenAI, agentic AI, machine learning, and other AI solutions enhance sourcing and

procurement efficiency with real-time data insights. These technologies enable predictive sourcing, effective tail spend management, improve data quality, drive compliance, enable autonomous sourcing, and provide advanced tools for spend analysis, supplier performance tracking, and risk monitoring. Approximately 80% of new capability

centers focus on building advanced AI capabilities, positioning them at the forefront of digital transformation. GCCs experiment with innovative technologies such as self-sourcing platforms and contract management software, while also managing automation and system integration projects.

Benefits of GCCs

Reports indicate that organizations can achieve measurable benefits throughout the sourcing and procurement value chain. Here’s a glimpse into this.

| Metric | Reduction/Increase | Opportunity |
|------------------------------------------|--------------------|-------------------------------------------------------------|
| Operational procurement costs | 30-50% reduction | Labor arbitrage and process efficiencies |
| Cycle times for sourcing and contracting | 40-60% faster | Standardized workflows |
| Total spend savings | 10-15% | Improved sourcing strategic and analytics -led negotiations |
| Transactional procurement processes | ~80% savings | Automation and centralization |
| Spend visibility | 95%+ | Centralized analytics and dashboards |
| Maverick or off-contract spending | 20-30% decrease | Spend optimization |
| Sourcing projects supported per FTE | 2-3 times increase | Offloading tactical tasks to GCCs |
| Procurement staff time reallocated | ~50% | Transactional work to strategic initiatives |
| Supplier base | 15-20% reduction | Supplier rationalization efforts |
| Contract lifecycle times | 20-30% faster | Centralized contract lifecycle management |

GCCs Fostering Sustainable Growth

Sustainability is also a key focus, with companies incorporating environmental, social, and governance (ESG) factors into their procurement strategies. GCCs are adopting sustainable practices and leveraging technology to create more efficient and eco-friendly operations. This multifaceted approach positions the global capability centers market for sustained growth, emphasizing the importance of agility, technology adoption, and strategic sourcing

in procurement and supply chain management.

In conclusion, Global Capability Centers (GCCs) have evolved from their initial role as cost-saving entities to become strategic hubs of innovation and efficiency for multinational companies. By leveraging advanced technologies and fostering a culture of continuous improvement, GCCs now play a pivotal role in driving digital transformation and creating substantial value. Their integration with sourcing and

procurement processes enhances control, consistency, and efficiency, leading to improved supplier relationships.

Recognizing GCCs as strategic sourcing powerhouses will unlock substantial cost savings and position organizations for sustained growth and success in a competitive global market. Embracing this shift will transform GCCs into engines of strategic value creation, propelling businesses towards a future of sustained growth and success.

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Avinash has around 20 years of experience in the BPO industry, across various aspects of client life cycle in the source to pay realm, from pre-sales activities, developing innovative solutions, fostering client relationships, account management, to leading shared service operations and transformation efforts.

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