

THE STRATEGIC GCC RESET: FROM COST ARBITRAGE TO CAPABILITY ADVANTAGE

A Clear Shift towards Building Innovation Centers



August 2023. The CEO of a Fortune 500 airline walks into a board meeting with an unusual request. He wants to move the company's entire flight operations platform development to India. Not to save money, but to access engineers they couldn't hire in Seattle.

Of course, there was pushback, but the CEO had come prepared with numbers that spoke the unvarnished truth. A 12-month search had yielded three qualified candidates in the US. The India center had 47 applicants in the first week, including former engineers from Boeing, Airbus, and SpaceX. Six months later, the India team owned the engineering innovation roadmap. The India office was no longer an offshore support center. Instead, it was the engineering hub for the parent.

This scenario is a synthesis of meetings playing out in boardrooms across the world. As boards discuss the raison d'être for Global Capability Centres (GCCs) and the architecture of these centers, the overarching message is the need to build innovation teams. Goldman Sachs wasn't seeking cheaper labor when it moved AI development and supply chain optimization to its India center¹. Similarly, when Microsoft's India Development Center took ownership of Windows, Office Suite, and Azure engineering,² it wasn't about cost reduction. A third case in point is Lufthansa Group, that collaborated with Infosys to accelerate their digital transformation via their GCC in India³. These organizations understood something fundamental that the economics of global delivery had changed forever.

Enterprises now plan and build out their GCCs with the expectation that these centers will own business outcomes and extend enterprise capabilities end-to-end. The shift is structural, not incremental. Worldwide, GCCs are projected to grow to over 5,000 centers by 2030⁴. The value of the sector is set to double from \$150 billion in 2024 to over \$300 billion by 2030⁵.



FORCES DRIVING THE TRANSFORMATION

Leading industry commentators point to six particular forces that are driving the buildout of GCCs in particular geographies.

#1 Talent scarcity in core business functions

Many countries in the west, particularly, the United States, United Kingdom, Germany, and France face acute shortages in AI, engineering, and product talent⁶. Korn Ferry projects a global tech talent shortage of 85.2 million workers by 2030. GCCs worldwide are all set to tap into talent in different pockets of the world where the talent lives, to fill this gap⁷.

#2 Domain expertise meets tech talent concentration

For innovation to become a reality, GCCs must operate in mature ecosystems that have multi-dimensional talent. A construction consulting firm or a children's education content provider needs multifarious talent that a simple back office just cannot provide.

Such ecosystems are discernable in India (a prime GCC destination), where a robust airline, pharmaceuticals, engineering, construction, and professional services⁸ ecosystem supports GCCs from different sectors, in Eastern Europe's specialization in software development and fintech, or in the Philippines' particular talent for Business Process Outsourcing (BPO) and healthcare IT blooms⁹. Similarly, China's manufacturing and Research and Development (R&D)¹⁰ is strong, as is Latin America's advantage in providing nearshore engineering for US firms¹¹.

Such a serendipitous co-location of talent can help GCCs access both deep domain knowledge and modern technical expertise in one location. As an added incentive to the talent pool availability in these countries, national and state Governments are laying out the red carpet with packages and incentives to welcome multinationals setting up GCCs.^{12 13}

#3 Strategic work requires specialists

Unlike routine back-office functions vulnerable to commoditization, engineering and product development demand ongoing innovation and specialized expertise. Innovation hubs require high-end product design, platform engineering, or engineering design talent.

GCCs centered on these activities offer strategic resilience to the parent company by adding newer, innovative offerings to the enterprise product line. Industry reports show organizations achieving significantly faster time-to-market via GCC-led product development¹⁴.

¹ <https://www.goldmansachs.com/what-we-do/goldman-sachs-global-institute/articles/will-india-capitalize-on-the-ai-opportunity>

² <https://news.microsoft.com/en-in/microsoft-idc-celebrates-25-years-of-technological-innovation-and-excellence/>

³ <https://www.infosys.com/newsroom/press-releases/2025/accelerate-digital-innovation-aviation-industry.html>

⁴ https://www.financialexpress.com/business/industry-ai-pushes-gccs-beyond-back-office-role-3970859/?utm_term=Autofeed&utm_medium=Echobox&utm_source=Facebook&fbclid=IwY2xjawPdPrNleHRuA2FibQIxMABicmlkETFGeVks5V2F3OExEdnZLaVZ3c3J0YwZhcHBfaWQOMjlyMDM5MTC4ODlwMDg5MgABH0JGxWYyq9leBQ8bXHjmaxll17QoIHypmhO7G7gMZD8P7FwuEXk77C4_8G51_aem_vDCUpA30nkECU4aQB7qZw#Echobox=1757353876

⁵ <https://maxicus.com/the-complete-guide-to-global-capability-centers-gccs/>

⁶ <https://www.kornferry.com/insights/this-week-in-leadership/talent-crunch-future-of-work>

⁷ <https://www.kornferry.com/insights/this-week-in-leadership/talent-crunch-future-of-work>

⁸ <https://zinnov.com/centers-of-excellence/how-6-indian-cities-made-india-the-gcc-capital-blog/>

⁹ <https://www.payoneer.com/resources/business/why-the-philippines-is-becoming-a-global-health-technology-outsourcing-powerhouse/>

¹⁰ https://realtynxt.com/wp-content/uploads/2020/12/GCC_Report_V6_Digital-compressed-1.49-MB_compressed.pdf

¹¹ <https://ansr.com/blog/rise-of-nearshore-software-development-firms-in-latam/>

¹² https://eitbt.karnataka.gov.in/uploads/media_to_upload1732030878.pdf

¹³ <https://www.deloitte.com/in/en/Industries/global-gcc/about/india-strengthens-its-position-as-the-global-epicentre-for-gccs.html>

¹⁴ <https://community.nasscom.in/communities/global-capability-centers/dynamic-shift-global-capability-centers-fueling-business>

#4 Fail-fast innovation economics

The fail-fast philosophy, foundational to modern product development, becomes economically viable at scale only when failure doesn't break the bank. The mathematics of innovation are unforgiving. Building new products or scaling engineering is expensive everywhere. According to industry data, global R&D spending exceeds USD 2.8 trillion,¹⁵ with companies under increasing pressure to convert research into commercially viable final products more quickly. Yet, a majority of products that reach the market fail¹⁶.

Innovation that fails costs less when it happens at a lower cost base. This enables faster iteration and experimentation without compromising on quality. This is where an innovation-focused GCC with a lower cost base can alter the calculus in fundamental ways. They serve as test beds that help the parent build a functional or technical arm at a low cost. Toward this end, nano or micro GCCs¹⁷ are sprouting, with small focused teams and specialized skillsets.

#5 Artificial Intelligence (AI) enables complex remote work

AI is often introduced into engineering and R&D workflows as a driver of productivity, efficiency, and cost reduction. The other dimension where AI plays an outsize role is in its usage for insights and innovation.

AI-driven capabilities such as predictive analytics and agentification now make it viable to execute complex engineering work at scale. Design, development, and platform engineering can happen remotely with real-time collaboration. This shift from labor arbitrage to capability access changes the entire equation.

#6 Alignment with business strategy

These new GCCs are aligned with core business strategy, not peripheral cost optimization. Product engineering has transformed into a core driver of global competitive advantage, far beyond its origins as a support function.

This is underscored by the rapid expansion of global leadership roles in this domain. McKinsey reports that over 60% of enterprises view software as a competitive advantage. Engineering has emerged as a driving force across categories, speeding up time to market, enhancing user and customer experiences, and driving market-wide innovation.



A DIFFERENT OPERATING MODEL FOR ENGINEERING GCCs

A back-office GCC cannot be retrofitted into an innovation hub. Rather, the centers must be redesigned to contribute to the global organization's innovation agenda. This means that high-end specialists replace commoditized labor, requiring market-rate compensation. The organization's culture must foster autonomy and co-innovation. Architecture needs cloud and AI embedded from day one, designed for velocity. Needless to say, the success of the GCC will depend on readiness on both sides, the parent and the GCC.

Essentials for Engineering GCCs

Engineering GCCs must be redesigned for velocity, autonomy and capability. These are some of the essentials that the GCCs must embed into their DNA.

Talent Requirements

- ▶ High-end specialists, including AI-trained talent. e.g., power programmers
- ▶ Market-rate compensation
- ▶ Domain expertise, technical depth, and continuous learning mindset
- ▶ Clear progression pathways for retention

Architectural Approach

- ▶ Centers built from scratch with modernization (cloud, AI, advanced tools) embedded from day one
- ▶ Architecture designed for innovation velocity and scale
- ▶ Fresh perspective on role structures and workflows, with agentification built into design
- ▶ Collaborative structures enabling real-time sync with onshore product/engineering teams

Organizational Readiness

- ▶ Business teams understand and advocate for high-end talent investment
- ▶ Procurement teams need to reframe from "cost center" to "strategic capability center"
- ▶ Compensation and career structures that compete for top engineering talent
- ▶ Organizational culture that supports autonomy, ownership, and innovation (not just task execution)
- ▶ Organizational transformation awareness building and education with customers

¹⁵ <https://www.wipo.int/en/web/global-innovation-index/w/blogs/2025/end-of-year-edition>

¹⁶ <https://help.lets highlight.com/help/what-percentage-of-new-products-fail>

¹⁷ <https://community.nasscom.in/communities/gcc/micro-gcc>



THE AGENTIFICATION OPPORTUNITY

The advantage of building with innovation in the DNA is that the next-gen GCC isn't just engineering-led but will be AI-native. When a GCC is built from scratch, leaders can design workflows for human-AI collaboration from day one.

Some of the industries leveraging this early include EPC (Engineering, Procurement, Construction), where design and environmental engineering roles are increasingly augmented by AI¹⁸. Airlines are redesigning operations, engineering, and support functions for human-AI collaboration. Professional services firms are building agents for routine audit work, tax compliance, and risk assessment¹⁹.

The shift is from *labor-and-process optimization to capability-and-workflow optimization*. Rather than automated junior auditors, GCCs house reimagined audit centers with senior auditors focused on complex strategy and AI-generated work review, while AI-driven systems take care of the statutory work and analytics. Rather than offshore tax processing, we see intelligent tax centers where domain experts guide AI systems.

¹⁸ <https://www.mintmesh.ai/blog/leveraging-generative-ai-for-process-innovation-and-epc-project-delivery>

¹⁹ <https://hexaware.com/blogs/ai-in-global-capability-centers-navigating-people-challenges-in-adoption/>

OTHER RESOURCES

¹ <https://www.linkedin.com/pulse/beyond-cost-arbitrage-how-indias-gccs-deliver-strategic-thorat-jsh9f>

² <https://www.kornferry.com/insights/this-week-in-leadership/talent-crunch-future-of-work>

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THE RIGHT PARTNER TO ENABLE THE SHIFT

The GCC model is poised at a defining moment. The question buzzing in boardrooms around the world is not how much can we save, it's, what capability can we seize. So, the imperative has now shifted to how to architect a GCC that delivers strategic advantage rather than operational efficiency.

The companies that will lead their industries in the next decade are making bold choices today. They're investing in engineering talent where it exists, not where headquarters happens to be located. They're building AI-native workflows from day one, not retrofitting legacy processes. They're treating their GCCs as innovation engines, not support functions.

This transformation requires more than geographic expansion. It demands a fundamental reimagining of how global organizations build, scale, and sustain competitive advantage. The right partners bring more than talent pipelines and infrastructure. They deliver the cultural translation, organizational change expertise, and platform capabilities that turn a presence into a powerhouse.

With GCCs exploding to over 5,000 centers valued at \$300 billion by 2030, the competitive imperative to establish an innovation ready GCC isn't on its way. It's already here. The only question is whether your organization will lead this transformation or be disrupted by those who do.

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