

ESTABLISHING AND MANAGING AI ENABLED GLOBAL CAPABILITY CENTER (GCC) IN INDIA

A Sourcing and Procurement (S&P) Guide



Table of Contents

I. Executive Summary	2
II. The Strategic Imperative of GCCs in India	3
India's GCC Ecosystem: Market Dynamics, Growth, and Projections	3
Evolution of Indian GCCs: From Cost Centers to Value-Driven Innovation Hubs	3
The Rise of Tier-II/III Cities and Mid-Market GCCs	4
Key Drivers for Establishing GCCs in India	5
III. GCCs vs. Vendors: Shifting from Service Providers to Strategic Partners	6
Management Model: Collaborative vs. Transactional	6
Shifting from Transactional to Strategic Thinking	6
IV. Navigating GCC Operational Models in India	7
Overview of Dominant Models: Third-Party, Captive (COCO), BOT, Joint Venture, Managed Services (COPO)	7
Deep Dive: The Third-Party/Managed Services Model (including "GCC as a Service")	8
Comparative Analysis: Choosing the Right Model for Strategic Objectives	11
V. The AI Revolution: Reshaping India's GCC Landscape	12
AI's Pervasive Influence on GCC Operations and Efficiency	12
Key AI Use Cases in Indian GCCs (Automation, Analytics, Customer Experience, R&D across sectors)	13
AI as a Catalyst for Innovation and Strategic Value Creation	14
Challenges in AI Adoption: Data Silos, Legacy Systems, Talent Gaps, Ethical Concerns, and Change Management	14
VI. Sourcing Framework for AI-Powered GCCs	15
The Evolving Role of Sourcing and Procurement Teams in the AI Era	15
Due Diligence Best Practices	16
RFP Components for AI Capabilities	17
Key Contract Clauses and Governance Provisions	18
Governance & Operating Model	18
	19
Recommendations for S&P Teams	20
VII. Framework for Assessing Vendor AI Maturity (Strategic Alignment, Technology, Talent, Data, Process, Governance)	20
Vendor Evaluation Criteria – Evaluating for AI maturity & Governance	21
Evaluating the Vendor's AI Talent Pool: Quality, Expertise, and Scalability	21
Assessing AI Infrastructure, MLOps, and Technology Stack	22
Scrutinizing Data Security Protocols and IP Protection Mechanisms for AI	22
Verifying Commitment to Ethical AI and Responsible Implementation	23
Mitigating Risks: Vendor Lock-in and Third-Party AI Integration Challenges	23
VIII. Navigating Risks: Execution and Transition	26
Key Risk Categories & Mitigation Strategies	26
IX. Conclusion and Future Outlook	31
X. Works Cited	33
	37

I. Executive Summary

Establishing a third-party Global Capability Center (GCC) in India remains a pivotal strategic decision for large and midsize organizations seeking to harness global talent, optimize costs, and elevate operational efficiency.

India's GCC market is experiencing explosive growth, projected to reach revenues exceeding \$100 billion by 2030, driven by a rich talent pool, cost advantages, and a mature digital ecosystem. This growth is not confined to Tier-I cities; Tier-II and Tier-III locations are emerging as viable alternatives, and mid-market companies are increasingly adopting the GCC model. AI is profoundly reshaping this ecosystem, influencing everything from operational efficiency and talent acquisition to the very nature of services delivered. GCCs in India are at the forefront of AI adoption, leading global AI charters and developing sophisticated AI solutions across various sectors.



The Sourcing and Procurement teams now face a more intricate task, needing to evaluate not just traditional vendor capabilities but also their AI maturity, data security protocols, and ethical AI practices. The selection process must consider how AI can augment the GCC's output, streamline its setup, and contribute to strategic objectives, whether they are cost savings amplified by automation, talent acquisition enhanced by AI-driven sourcing, rapid establishment accelerated by AI-powered knowledge transfer, or innovation fueled by AI-driven analytics.

Misalignment between strategic intent and a vendor's AI capabilities can severely impede the success of the GCC in this intelligent era. Therefore, clarity on strategic drivers is more

critical than ever. From the initial definition of the Request for Proposal (RFP) – which must now explicitly address AI capabilities, data governance, and ethical considerations – to the structuring of contracts that outline AI-related performance metrics and responsibilities, ensuring a cohesive and effective partnership that leverages the transformative power of AI to deliver the intended results is paramount. The due diligence process must also evolve to assess a vendor's AI infrastructure, talent pool, and commitment to responsible AI implementation, ensuring that the chosen partner is equipped to navigate the intelligent future of global operations.

This guide offers a comprehensive framework for S&P professionals. It details various GCC operational models, with a deep dive into the third-party approach, outlining its advantages (e.g., accelerated ramp-up, reduced CapEx) and disadvantages (e.g., relinquished control, IP risks). Crucially, it provides actionable strategies for navigating the AI-specific challenges in vendor selection, due diligence, Request for Proposal (RFP) development, and contract structuring. Key contractual elements, including AI performance metrics, data governance clauses (especially concerning India's Digital Personal Data Protection Act), IP ownership for co-developed AI, and ethical AI audit rights, are examined.

Furthermore, the report outlines governance models essential for managing AI-enabled third-party GCCs, emphasizing collaborative frameworks, strategic alignment between client and vendor AI roadmaps, and mechanisms for managing innovation divergence. It underscores the importance of continuous performance monitoring, robust risk management, and nurturing AI talent within the vendor ecosystem.

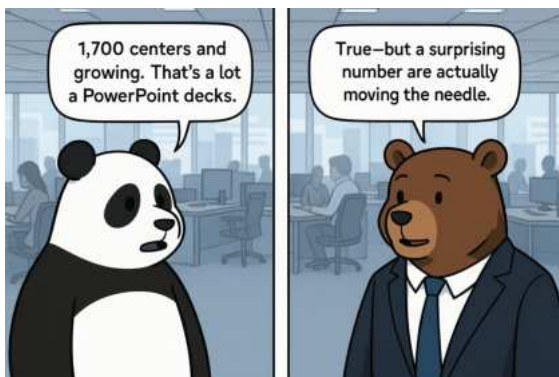
Ultimately, this report equips S&P Professionals with the strategic insights and practical tools necessary to successfully establish and manage AI-powered third-party GCCs in India, transforming them into engines of innovation and sustained competitive advantage in an increasingly intelligent global landscape.

II. The Strategic Imperative of GCCs in India

Global Capability Centers (GCCs) established in India have become indispensable components of modern international business strategy. Large & mid-size organizations are increasingly recognizing India not merely as a cost-effective outsourcing destination for Operations and IT related work but as a prime location for establishing sophisticated operating centers that perform a wide array of strategic functions. These centers allow these organizations to maintain focus on their core competencies while simultaneously leveraging India's unique combination of local skills, cost arbitrage, and burgeoning innovation ecosystems to generate new ideas, products, and services. Choosing between 3rd party IT Providers and establishing your own GCC are not always exclusive decisions. Companies continue to have a hybrid approach on their IT partnership/offshore strategy. AI has accelerated the journey to GCCs as companies look to retain core talent, IP in building the next generation of enterprises.

India's GCC Ecosystem: Market Dynamics, Growth, and Projections

For many years, India was primarily viewed as the global leader in IT outsourcing and Business Process Outsourcing (BPO) industry, a success largely attributed to its skilled human resources, cost-effectiveness, and widespread English language proficiency. However, the landscape has undergone a significant transformation. As the customer experience



(CX) domain evolved with omnichannel communications, chatbots, Artificial Intelligence (AI) and accelerating change in pace of technology, and growing corporate IT technical debt, it has fueled the exponential growth of India's GCC sector. By March 2024, the number of GCCs in India had surged to 1,700, collectively generating an impressive \$64.6 billion in export revenue and providing employment to over 1.9 million people. This represents a remarkable increase in revenue of over 40% compared to the previous year. The trajectory points towards continued robust expansion, with market forecasts predicting growth to \$105 billion by 2030, accompanied by an increase in the number of GCCs to as many as 2,200. Underscoring this maturation, the number of GCCs

generating over \$1 billion in annual revenue—termed "giga capability centers"—doubled from 12 to 24 in the five fiscal years leading up to FY24.

For Organizations, this accelerating growth signifies an increasingly competitive landscape, necessitating decisive and well-informed strategic actions for entry or expansion. The sheer scale of revenue generated by the "giga centers" further indicates that these are not merely cost-saving outposts but are deeply integrated strategic assets handling complex, revenue-generating, and mission-critical functions for their parent organizations. This provides a compelling precedent for other Companies considering the expansion of high-value operations in India, potentially leveraging third-party models capable of managing such scale and complexity.

Evolution of Indian GCCs: From Cost Centers to Value-Driven Innovation Hubs

The narrative of GCCs in India is one of profound evolution. Initially established with a primary focus on labor arbitrage and cost reduction, these centers have transcended their original mandate to become dynamic hubs of innovation and strategic value creation. They are no longer confined to back-office support but are increasingly driving core functions such as research and development (R&D), engineering, product development, and even strategic decision-making.

Deloitte observes that GCCs are transforming into innovation hubs and strategic partners by aligning with the digital strategies of their parent organizations, utilizing diverse data sources, and forging alliances within the ecosystem.

This transformation from "cost arbitrage" to "value creation" is not merely a semantic shift but reflects a fundamental change in the nature and complexity of work being entrusted to Indian GCCs. *Evidence of this lies in the increasing assumption of end-to-end ownership for critical functions like product development, data science, AI/ML, and cybersecurity.*

Industry analysts like Everest Group caution that relying solely on labor arbitrage is an unsustainable strategy; GCCs must now define their value propositions based on innovation, agility, domain depth, business impact, and resilience. This evolution compels Companies to recalibrate their strategic objectives for Indian GCCs. Consequently, any third-party vendor engaged to manage such a center must demonstrate capabilities far exceeding those of traditional IT providers.

Furthermore, the leadership role of Indian GCCs in global AI initiatives points to a bidirectional flow of innovation. Indian centers are not just implementing strategies dictated by global headquarters; they are actively shaping these strategies, particularly in emerging technologies. This is corroborated by observations that GCCs are becoming a "Global Leaders Factory," nurturing talent capable of understanding and influencing global business dynamics. For Companies, this means that when selecting a third-party vendor, it is crucial to identify partners who can cultivate this leadership and innovation culture, rather than merely managing operational tasks. The vendor's own AI maturity and capacity for co-innovation become paramount selection criteria.

The Rise of Tier-II/III Cities and Mid-Market GCCs

The expansion of India's GCC ecosystem is also characterized by geographic and company-size diversification. While traditional Tier-I cities such as Bangalore, Hyderabad, Chennai, Pune, and the National Capital Region (NCR) remain dominant hubs, there is a discernible and accelerating trend of GCCs establishing operations in Tier-II and Tier-III cities. Locations like Jaipur, Chandigarh, Coimbatore, Visakhapatnam, Vadodara, and Kochi are increasingly attracting GCC investments. These emerging locations offer compelling advantages, including lower operational costs, access to untapped talent pools, improving infrastructure, and supportive state government policies designed to attract Captive operations. The NASSCOM GCC Annual Report 2024 highlights this regional growth, noting that rising Tier-I costs and favorable policies are making Tier-II cities like Jaipur and Coimbatore GCC hotspots, although it also points to persistent infrastructure gaps and talent shortages in these regions that require attention.

This geographical diversification is a direct response to the saturation and escalating costs in established Tier-I hubs, complemented by proactive measures from state governments keen to foster local economic development. Such a distributed ecosystem enhances the overall resilience of India's GCC landscape. For Companies considering third-party GCCs, this offers a broader array of location choices that can be optimized for specific cost structures and talent requirements. However, it also necessitates more rigorous due diligence concerning the infrastructure maturity, local talent availability, and overall ecosystem support in these developing locations.

Simultaneously, the GCC model is becoming increasingly accessible to and adopted by mid-market companies (typically those with annual revenues between \$100 million and \$1 billion). This segment now constitutes 27% of the total GCC landscape in India, with a remarkable 35% of these mid-market GCCs having been established in the last two fiscal years (FY23-25E) alone. These mid-market GCCs are not merely scaled-down versions of their larger counterparts; they are reported to be 1.3 times more likely to be transformation-focused. This rapid emergence and strategic orientation are facilitated by factors such as falling entry barriers, the availability of modular operating models, and the overall maturity of India's GCC ecosystem. NASSCOM and Zinnov's research further underscores their growing influence in deep technology domains, including AI/ML. This trend signifies that the strategic benefits of the GCC model are no longer exclusive to Fortune 500 giants. Consequently, third-party vendors specializing in "GCC as a Service" offerings or catering specifically to mid-market clients, including the emerging "nano GCCs" (teams of 5-50 employees focusing on innovation), are poised to tap into a rapidly expanding market. These vendors must be prepared to offer agile, scalable, and innovation-led solutions tailored to the unique needs of this dynamic segment.

Key Drivers for Establishing GCCs in India

For a long time, the primary driver for establishing GCCs was undoubtedly cost arbitrage. Companies sought to tap into talent pools in locations like India to perform IT and business process functions at a significantly lower cost than their home countries.

However, the landscape is shifting. Several factors are driving this transition towards value and innovation:

- **The Need for Strategic Differentiation:** In today's competitive environment, simply cutting costs isn't a sustainable long-term strategy. Companies are realizing that their IT functions, particularly in areas like AI, data analytics, and cybersecurity, are core to their competitive advantage. Owning and nurturing this talent in-house allows for greater strategic alignment, faster innovation cycles, and the development of proprietary solutions that truly differentiate them in the market.
- **The Limitations of Outsourcing Innovation:** While third-party providers can offer scale and specific expertise, fostering deep innovation often requires a strong internal understanding of the business, its unique challenges, and its long-term vision. Retaining key IT talent within a GCC allows for a more integrated and collaborative approach to innovation, leading to solutions that are more closely aligned with business needs and potentially more disruptive.



- **The Battle for Top IT Talent:** The global demand for skilled IT professionals, especially in emerging technologies, is fierce. Companies are recognizing that relying solely on third-party providers exposes them to the risk of talent attrition within the vendor organization and a potential lack of deep, long-term commitment to their specific business goals. Building an internal IT team within a GCC allows companies to cultivate a strong employer brand, offer career growth opportunities, and foster a sense of ownership and loyalty, ultimately leading to better talent retention.
- **The Rise of Data Security and Intellectual Property Concerns:** As GCCs handle increasingly sensitive data and contribute to core product development, concerns around data security and intellectual property protection are growing. Maintaining critical IT functions in-house provides greater control over security protocols, data governance, and the safeguarding of proprietary information.
- **The Desire for Deeper Business Integration:** Treating IT as a

strategic function, rather than a purely operational one, necessitates closer integration with the core business. Having an in-house IT team within a GCC facilitates better communication, collaboration, and a deeper understanding of business needs, leading to IT solutions that are more impactful and aligned with overall business objectives.

While the strategic emphasis for establishing GCCs is increasingly shifting towards value creation, innovation, and building in-house IT talent for long-term competitive advantage, **cost savings continue to be a crucial and often primary initial motivator.** The ability to access a skilled workforce at a more competitive cost structure provides a tangible and often substantial return on investment, freeing up capital that can then be reinvested in innovation and strategic initiatives.

The initial business case for many GCCs still hinges on achieving significant operational efficiencies. This cost advantage allows companies to:

- **Scale operations more affordably:** Expand teams and capabilities without incurring the higher labor costs of their home countries.
- **Optimize resource allocation:** Free up expensive domestic talent to focus on higher-value, strategic activities.
- **Improve bottom-line performance:** Directly impact profitability through reduced operational expenses.

However, the key nuance is that leading companies are now viewing these cost savings not as the *sole* objective, but as a **foundation upon which to build a strategic asset for value creation and innovation**. The cost arbitrage provides the initial impetus and financial flexibility to then invest in developing a high-performing in-house team capable of driving innovation and delivering strategic value to the organization.

III. GCCs vs. Vendors: Shifting from Service Providers to Strategic Partners

To fully leverage the value of GCCs, organizations must reframe their perspective—from viewing these centers as cost arbitrage opportunities to recognizing them as **strategic business enablers**.

Management Model: Collaborative vs. Transactional

The management approach for GCCs diverges significantly from traditional vendor relationships. Unlike third-party vendors, which are often governed through contracts and service level agreements (SLAs), GCCs demand a more integrated and purpose-driven model.

Table 1: Management Model: GCC vs Vendors

Aspect	GCCs	Vendors
Management Style	Collaborative, purpose-led	Transactional, SLA-driven
Engagement Focus	Long-term strategic alignment	Operational performance and delivery
Governance Model	Embedded within enterprise oversight structures	Contractual and service-bound
Relationship Nature	Strategic business partnership	Service provider



This collaborative approach fosters innovation, agility, and long-term business alignment—qualities that are difficult to realize in purely transactional models.

Shifting from Transactional to Strategic Thinking

To fully leverage the value of GCCs, organizations must reframe their perspective—from viewing these centers as cost arbitrage opportunities to recognizing them as **strategic business enablers**.

Table 2: Traditional vs Strategic Thinking

Traditional View	Evolved Perspective
Cost reduction	Long-term value creation
Operational support	Strategic capability building
Peripheral to core operations	Integrated into core business functions
SLA-focused oversight	Purpose-aligned collaboration

This shift requires senior leadership to adopt new KPIs, governance frameworks, and engagement models that prioritize innovation, business impact, and enterprise integration.

IV. Navigating GCC Operational Models in India

Selecting the appropriate operational model is a foundational decision for Companies looking to establish a GCC in India. The choice significantly impacts control, cost, speed of setup, risk exposure, and the ability to achieve strategic objectives. Several models have gained prominence, each with distinct characteristics, advantages, and disadvantages.

Overview of Dominant Models: Third-Party, Captive (COCO), BOT, Joint Venture, Managed Services (COPO)

The spectrum of GCC operational models ranges from full ownership and control to various forms of partnership and outsourcing:

- **Captive (Company Owned, Company Operated - COCO):** In this model, the Parent Organization establishes a wholly owned subsidiary, retaining complete control over operations, strategy, workforce, technology, and intellectual property. This model is typically favored by large organizations with long-term strategic plans for their Indian operations and the resources to manage the complexities involved.
- **Third-Party/Managed Services:** This involves contracting out GCC operations to an external vendor that specializes in managing specific functions (e.g., IT, finance, HR) or entire capability centers. This model often leverages an operational expenditure (OpEx) approach, reducing upfront capital investment.
- **Build-Operate-Transfer (BOT):** A third-party partner sets up (Builds) and runs (Operates) the GCC for a predetermined period, after which the ownership and operations are Transferred to the COMPANY. This offers a phased approach to establishing a captive center.
- **Joint Venture (JV):** This model entails shared ownership and operational responsibility between the COMPANIES and a local Indian partner. It allows for risk and cost sharing and access to the local partner's market knowledge.
- **Company Owned, Partner Operated (COPO):** This is a hybrid model where the COMPANIES owns the GCC entity and retains IP, but a partner manages the operations, including regulatory compliance and talent management. It aims to combine the benefits of ownership with the operational efficiencies of a partner.



The increasing prevalence of hybrid models like COPO and the emergence of "GCC as a Service" offerings¹⁸ signify a clear market trend towards greater flexibility. Companies are seeking to balance the desire for strategic control with the need for operational agility and cost-efficiency, moving beyond a simplistic binary choice between a fully captive center and complete outsourcing. This demand for tailored solutions means that third-party providers must offer a spectrum of engagement models, including those that facilitate shared operational responsibilities or service-based consumption, particularly for advanced, AI-driven capabilities.

Furthermore, the choice of operational model is increasingly being dictated by the nature and strategic importance of the work to be performed within the GCC. Innovation-driven objectives often lead companies towards models offering greater control, such as JVs or fully owned subsidiaries. Conversely, if the primary goals are cost optimization and rapid deployment for non-core functions, BOT or managed services models may be more appropriate. ***In the context of AI-centric GCCs, which are a central theme of this report, the model selection calculus must heavily weigh the need for specialized AI talent, cutting-edge***

infrastructure, and an environment conducive to innovation. These resources might be more readily and quickly accessible through experienced third-party AI service providers or specialized COPO partners, especially for Companies aiming for rapid deployment of AI capabilities without building them entirely from scratch. Therefore, the RFP and vendor selection process must meticulously align the strategic intent of the GCC (e.g., AI-driven innovation versus cost savings for routine tasks) with the suitability of a vendor's proposed operational model.

Deep Dive: The Third-Party/Managed Services Model (including "GCC as a Service")

The third-party or managed services model, including its evolution into "GCC as a Service," offers a compelling proposition for companies seeking to leverage India's capabilities without the substantial upfront investment and operational complexities of a fully captive center.

Many companies are also strategically leveraging **third-party providers and managed services, including the evolving "GCC as a Service" model**, as a vital pathway to tap into India's capabilities, particularly during the initial transition phase.

The third-party or managed services approach offers a compelling proposition for companies seeking to access India's talent pool without the significant upfront investment and operational complexities associated with setting up a fully captive center. This model allows for rapid deployment and scalability, providing immediate access to skilled resources.



Crucially, these third-party partnerships often extend beyond simply providing manpower. Companies frequently engage providers who possess a deep understanding of their existing IT landscape and have prior experience managing outsourced functions. This familiarity becomes invaluable during the transition to a GCC model, whether captive or managed. Leveraging partners who already know the company's systems, processes, and challenges can significantly **mitigate the risks associated with knowledge transfer, operational disruptions, and potential integration issues.**

Furthermore, the "GCC as a Service" model offers a hybrid approach, allowing companies to gradually build their captive capabilities while relying on a managed service provider for certain functions or during peak demand. This phased approach can further reduce risk and provide flexibility.

Therefore, the decision to establish a GCC isn't always a direct leap to a fully captive model. Many companies strategically utilize third-party providers, especially those with existing knowledge of their IT landscape, as a lower-risk entry point or as a long-term strategic partner to complement their in-house capabilities and facilitate a smoother, more secure transition towards leveraging India's talent for both cost efficiency and strategic value.

1. Definition and Key Characteristics

In a third-party or managed services GCC model, a company entrusts the operation of specific functions or the entire capability center to an external vendor. These vendors typically possess specialized expertise in areas such as IT, finance, human resources, customer support, or, increasingly, complex domains like AI and data analytics. The scope of engagement can vary widely, from managing discrete processes to providing end-to-end operational responsibility for the GCC. This model generally operates on an operational expenditure (OpEx) basis, allowing Companies to avoid significant initial capital expenditures (CapEx) associated with setting up physical infrastructure and hiring a workforce directly.

The "GCC as a Service" concept represents a further evolution of this model, often leveraging cloud-based platforms and a service-oriented architecture. Here, providers manage the infrastructure, staffing, and operational delivery, allowing client companies to access GCC capabilities on demand, much like a utility. This approach emphasizes flexibility, scalability, and cost-efficiency, enabling businesses to scale operations up or down based on dynamic needs without being tied to long-term investments in physical assets or large permanent headcounts.

2. **Advantages:** Accelerated Ramp-Up, Cost Optimization, Access to Local Expertise & Infrastructure

The third-party/managed services model presents several distinct advantages that make it an attractive option for Companies:

- **Accelerated Ramp-Up:** Vendors often have existing infrastructure, established processes, and access to talent pools, enabling significantly faster setup and operational readiness compared to building a captive center from scratch. Some COPO models, for instance, claim operational readiness within as little as 90 days.
- **Cost Optimization:** This model typically involves lower initial capital expenditure as the vendor bears the cost of infrastructure and initial setup. Operational costs can also be optimized through the vendor's economies of scale and expertise in efficient service delivery.
- **Access to Local Expertise & Established Infrastructure:** Third-party providers bring deep local market knowledge, including navigating complex regulatory and compliance landscapes, labor laws, and hiring practices in India. They also provide access to their established physical and technological infrastructure, reducing the client's burden.
- **Scalability and Flexibility:** This model offers the ability to scale operations up or down more easily in response to changing business needs, providing greater agility.

- **Focus on Core Competencies:** By outsourcing GCC operations, the company can concentrate its internal resources and management attention on its core business activities and strategic initiatives.
- **Reduced Operational Risk:** The vendor assumes a significant portion of the operational risks associated with setting up and running the GCC, particularly in the initial phases.

The "access to local expertise" advantage becomes particularly pronounced in the context of AI. Navigating the specialized Indian AI talent market, understanding the nuances of evolving AI regulations (such as India's stance on AI governance), and effectively integrating with local AI innovation ecosystems are complex undertakings. A third-party vendor specializing in AI services within India is inherently better positioned to have pre-existing AI talent pipelines, a current understanding of the regulatory environment, and established connections within the AI ecosystem compared to a Company establishing such capabilities independently for the first time. Therefore, when sourcing for an AI-focused GCC, a vendor's specific "local AI expertise" and proven track record in delivering AI solutions become critical differentiators, extending beyond general operational knowledge.

3. **Disadvantages: Relinquished Control, Strategic Misalignment, IP & Data Risks, Vendor Lock-in**

Despite the compelling advantages, the third-party/managed services model also presents several potential disadvantages and risks that Companies must carefully consider and mitigate:

- **Relinquished Direct Control:** Contracting out operations inevitably means ceding a degree of direct control over processes, day-to-day management, and potentially quality. While SLAs are established, the client is dependent on the vendor's execution.
- **Potential for Strategic Misalignment:** The vendor's priorities may not always perfectly align with the client's evolving strategic objectives, potentially leading to a disconnect or a focus on contractual obligations rather than strategic partnership.
- **Intellectual Property (IP) and Data Security Risks:** Entrusting sensitive data and potentially valuable IP to a third party inherently increases risks related to data breaches, confidentiality, and IP leakage or misuse if not managed with extreme diligence. This is a paramount concern, especially for AI models trained on proprietary data.
- **Vendor Dependency and Long-Term Cost Implications:** Over-reliance on a single vendor can create dependency, and long-term costs may escalate if not carefully managed through the contract lifecycle.
- **Vendor Lock-in:** Switching providers can be complex, costly, and disruptive, particularly if the vendor uses proprietary platforms, tools, or, in the case of AI, specific models and data architectures. The complexity and proprietary nature of AI platforms and models developed by a third party can make future transitions incredibly difficult and costly, potentially trapping the company within a specific vendor ecosystem. The lack of transparency in the third party's AI development processes can also hinder the company's ability to understand, audit, and eventually take full ownership of its AI assets.
- **Transfer Risk:** Transitioning existing AI initiatives or core business knowledge to a third-party provider carries substantial risk. The tacit knowledge embedded within current AI models, data pipelines, and domain expertise can be challenging to articulate and transfer effectively. Incomplete knowledge transfer can lead to delays, inefficiencies, and a degradation of the AI solutions being developed or managed within the GCC. Ensuring the third party truly understands the nuances of the business and its AI ambitions is paramount, yet difficult to guarantee.
- **Talent Acquisition and Retention (Specific to AI):** While India offers a vast talent pool, securing and retaining top-tier AI specialists through a third-party vendor presents unique challenges. The most skilled AI professionals are in high demand and may be more inclined to join companies offering direct employment, a stronger sense of ownership, and clearer career progression within the AI domain. Relying on a third party introduces an additional layer, potentially diluting the employer brand and increasing the risk of talent attrition within the vendor's team working on your projects. This can lead to project delays, loss of critical expertise, and the need for continuous re-training.
- **AI and Intellectual Property (IP) Risks:** The very nature of AI development, involving proprietary algorithms, unique training datasets, and novel applications, makes IP protection exceptionally critical. Outsourcing this to a third party introduces significant risks regarding ownership, confidentiality, and potential misuse of intellectual property. While contractual safeguards are essential, enforcing them across

jurisdictions can be complex. Furthermore, the risk of the third party leveraging the knowledge gained while working on your AI projects for other clients, even inadvertently, poses a considerable threat to your competitive advantage. Clear and enforceable IP ownership clauses, coupled with stringent security protocols and audit mechanisms, are vital but may not entirely eliminate the inherent risks.

Comparative Analysis: Choosing the Right Model for Strategic Objectives

The selection of an appropriate GCC operational model is a critical strategic decision that must be tailored to the unique needs, resources, long-term ambitions, and risk appetite of the COMPANY, as well as the specific scale and scope of the intended operations. Different models are better suited to different strategic objectives. For instance, goals centered on fostering deep innovation, R&D, and maintaining tight control over proprietary technologies may lead companies to favor Joint Ventures or fully owned captive subsidiaries. Conversely, if the primary drivers are rapid deployment, cost efficiency for non-core functions, and minimizing upfront investment, then Build-Operate-Transfer (BOT) or Managed Services models often present a more attractive pathway.

A fully captive COCO (Company Owned, Company Operated) model is typically chosen by organizations that possess substantial resources, require complete autonomy over their operations, and have a long-term vision for integrating the GCC deeply into their global strategy. The COPO (Company Owned, Partner Operated) model, a hybrid approach, appeals to mid-sized firms or larger corporations seeking agile scaling, operational efficiencies provided by a partner, and reduced burdens of local compliance, while still retaining ownership of the entity and IP.

The following table provides a comparative overview of the dominant GCC operational models, highlighting key characteristics and their suitability, particularly in the context of AI-focused initiatives:

Table 3: Comparison of GCC Operational Models in India

Feature	Captive (COCO)	Third-Party/Managed Services (incl. GCCaaS)	Build-Operate-Transfer (BOT)	Joint Venture (JV)	Company Owned, Partner Operated (COPO)
Ownership	100% Parent Company	Vendor Owns Operations; Client Owns Outcomes	Initially Vendor, then Parent Company	Shared Parent Company & Local Partner	100% Parent Company
Operational Control	Full by Parent Company	Limited by Client; High by Vendor	Initially Vendor, then Full by Parent Company	Shared Control	Strategic by Client; Operational by Partner
Setup Time	Long	Short to Medium (e.g., 90 days for COPO)	Medium to Long (phased)	Medium to Long	Short to Medium
Cost Structure	High CapEx, Ongoing OpEx	Primarily OpEx; Lower CapEx	Initial OpEx (vendor), then CapEx/OpEx (client)	Shared CapEx & OpEx	Lower CapEx, Ongoing OpEx (partner managed)
Scalability	Moderate (internal constraints)	High (vendor capacity)	Moderate to High (during operate/transfer)	Moderate (partner dependent)	High (partner capacity)
Typical Use Cases	Core strategic functions, R&D,	Non-core functions, specialized services, IT,	Phased entry, risk mitigation, eventual captive	Market entry, shared risk/reward,	Scaling specific capabilities, agile operations, focus on

	IP-sensitive work	HR, Finance, AI-specific tasks		access to local networks	core while partner manages GCC
Advantages	Full control, IP protection, cultural alignment	Speed, cost (OpEx), local expertise, scalability, focus on core	Phased risk, expert setup, eventual full control	Shared risk/cost, local market knowledge, innovation synergy	Faster TTM, cost-efficiency, minimal compliance burden for client, IP ownership
Disadvantages	High cost, long setup, full operational burden	Less control, vendor dependency, IP/data risks, potential misalignment	Dependency on partner, transition risks, potential cost escalation	Complex decision-making, potential partner conflicts	Reliance on partner, less direct operational control than COCO
Degree of Control	Very High	Low to Medium	Medium (post-transfer High)	Medium to High (shared)	High (Strategic), Medium (Operational)
Typical IP/Data Control	Very High	Low to Medium (contract dependent)	Medium (post-transfer High)	Medium to High (contract dependent)	High (IP owned by client)
Suitability for AI-focus	High (for core, proprietary AI R&D, if resources & expertise exist internally)	Medium to High (esp. for accessing specialized vendor AI talent/platforms, rapid deployment of specific AI solutions; requires strong IP/data governance)	Medium (can build AI capabilities with partner expertise before transfer)	Medium to High (if JV partner has strong AI capabilities and aligned strategic interests)	High (client owns IP, partner brings operational/AI expertise; good for scaling AI teams/functions)

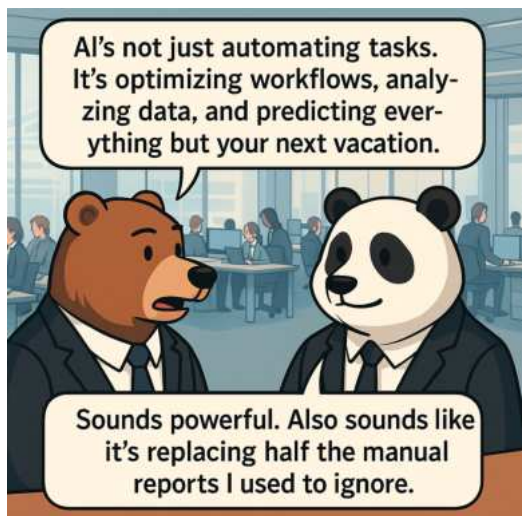
This comparative framework serves as a foundational tool for Companies. The decision process must involve a thorough assessment of the organization's strategic priorities, tolerance for risk, investment capacity, and the specific nature of the functions intended for the GCC, particularly when these functions are heavily reliant on or centered around Artificial Intelligence.

V. The AI Revolution: Reshaping India's GCC Landscape

Artificial Intelligence is no longer a futuristic concept but a present-day reality fundamentally reshaping the operational fabric and strategic potential of Global Capability Centers in India. Its influence extends across all facets of GCC activities, driving unprecedented efficiencies, fostering innovation, and creating new avenues for value generation

AI's Pervasive Influence on GCC Operations and Efficiency

AI is rapidly becoming the operational backbone of Indian GCCs, moving beyond simple task automation to the optimization of entire workflows and the enablement of sophisticated, data-driven decision-making. The integration of AI and automation technologies allows these centers to process vast amounts of information, generate real-time analytics, and execute tasks with enhanced speed and accuracy. This translates directly into tangible benefits such as significantly lower operational costs, substantial gains in productivity, and smarter execution across a multitude of functions including finance, supply chain management, regulatory compliance, and customer service. Furthermore, AI-powered automation facilitates rapid scalability of GCC operations, enabling them to adapt to fluctuating business demands more effectively.



Industry reports consistently highlight this trend. Accenture, for example, notes that Companies are increasingly leveraging their GCCs for AI-driven automation and real-time analytics capabilities. ISG research indicates that cost reduction is a primary motivator for the adoption of AI solutions within GCCs. This widespread adoption implies that AI capability is rapidly transitioning from a differentiator to a baseline expectation. GCCs, regardless of their operational model (captive or third-party), that fail to harness AI will likely find themselves at a competitive disadvantage in terms of efficiency, cost-effectiveness, and the ability to deliver advanced services. For Companies engaging third-party GCC providers, this means that a vendor's demonstrated AI capabilities and their roadmap for AI integration are becoming standard, critical evaluation criteria.

The emergence of **Agentic AI** represents the next frontier in this evolution, promising to elevate GCCs from centers of automation to hubs of intelligent orchestration and foresight. Agentic AI systems are designed to interpret high-level objectives, autonomously formulate and adapt plans in real-time, and execute complex tasks across diverse enterprise systems with minimal human micromanagement. This signifies a potential shift towards near-autonomous operations in specific GCC functions, such as end-to-end procure-to-pay lifecycle management or self-managing DevOps pipelines. As GCCs in India are identified as fertile ground for piloting and industrializing such agent-based models, sourcing and procurement strategies must begin to factor in vendors' capabilities in this advanced AI domain. Assessing a vendor's maturity in Agentic AI, the robustness of their data infrastructure to support such systems, and the sophistication of their governance models for autonomous agents will be crucial for Companies aiming to leverage this technology for a significant competitive advantage.

Key AI Use Cases in Indian GCCs (Automation, Analytics, Customer Experience, R&D across sectors)

The application of AI within Indian GCCs is diverse and spans numerous functions and industry sectors, demonstrating its versatility and transformative potential.

Routine, high-volume tasks are increasingly being automated. Robotic Process Automation (RPA) is commonly used for invoice processing, regulatory compliance checks, and report generation. Beyond RPA, more sophisticated AI and machine learning models are being deployed for predictive maintenance in manufacturing-support GCCs, sentiment analysis to enhance customer support functions, and advanced fraud detection algorithms in financial operations. AI-powered chatbots and virtual assistants are becoming standard for providing 24/7 customer support, improving response times and personalizing interactions.

The healthcare sector provides compelling examples of AI's impact. Indian GCCs are involved in developing and deploying AI solutions that aid in medical diagnostics, predict disease progression by analyzing patient histories, guide robotic imaging for more precise surgical interventions, and contribute to the creation of personalized treatment plans. For instance, Evernorth's GCC in India is working on predictive models to identify potential cancer cases significantly earlier than traditional methods, and a German healthcare provider's Indian GCC has reportedly developed over 40 GenAI-led innovations.

In financial services, GCCs are leveraging AI for sophisticated applications such as building AI-driven underwriting models, developing real-time fraud detection systems, and enhancing digital banking experiences. Other impactful use cases include AI-driven supply chain optimization, personalization of customer journeys in retail and e-commerce, and even accelerating research in areas like drug discovery within pharmaceutical GCCs. NASSCOM's "GCC AI Compendium" further illustrates this breadth, showcasing successful AI implementations by leading organizations from AstraZeneca and Novo Nordisk in pharmaceuticals to Fidelity and ANZ in finance, and Couche-Tard in retail.

The prevalence of these advanced AI use cases, particularly in highly regulated and data-sensitive sectors like healthcare and financial services, is significant. The successful deployment of AI for critical functions such as medical diagnostics, patient data analysis, financial underwriting, and fraud prevention within Indian GCCs demonstrates a growing global confidence in India's capability to manage sensitive data securely and execute complex AI projects responsibly. This capability is not only indicative of the technical prowess available but also of the maturing governance and data protection frameworks being implemented within these centers. This trend effectively counters potential concerns regarding data security and positions Indian GCCs, including well-vetted third-party providers, as highly capable partners for sophisticated, sensitive AI-driven work.

AI as a Catalyst for Innovation and Strategic Value Creation

Artificial Intelligence is serving as a powerful catalyst, transforming Indian GCCs from operational support units focused on task execution into strategic hubs that drive innovation and create significant value for their parent organizations.⁶ This evolution is marked by GCCs taking on greater strategic ownership and becoming integral to global innovation agendas. It is reported that 40% of all digital transformation projects for Companies are now being led from their India-based GCCs, underscoring their pivotal role.

These centers are increasingly involved in the co-creation of next-generation AI products, platforms, and solutions that are shaping the future of various industries. Instead of merely implementing off-the-shelf AI tools, Indian GCCs are actively participating in the development of proprietary AI capabilities. This is reflected in the prioritization of digital skills in new GCC setups, with over 78% of newly established centers in India emphasizing capabilities in AI, machine learning, and cloud computing.

The co-creation of AI products and platforms within Indian GCCs is a particularly important development. It signifies a fundamental shift where these centers are not just service providers but are becoming owners of significant intellectual property and key drivers of core business innovation for their parent Companies. This is a departure from the traditional model where GCCs might implement solutions developed elsewhere. The trend of Indian GCCs taking end-to-end ownership of product development further reinforces this. For Companies engaging third-party AI GCCs, this has profound implications. It necessitates extremely clear and robust contractual agreements regarding the ownership of intellectual property for any AI solutions that are co-developed. The capacity of a vendor for genuine R&D and co-creation, beyond mere service delivery, thus becomes a critical selection criterion for partnerships aimed at leveraging the GCC for strategic AI innovation.

Challenges in AI Adoption: Data Silos, Legacy Systems, Talent Gaps, Ethical Concerns, and Change Management

Despite the immense potential of AI, its widespread and effective adoption within GCCs is not without significant challenges. Organizations frequently grapple with **data silos** and the complexities of integrating AI with **legacy infrastructure**, which can hinder the development of comprehensive AI solutions. **Organizational inertia** and resistance to change, often stemming from **employee fears about job displacement** as routine tasks become automated, can also slow down AI adoption.

A persistent and critical challenge is the **talent gap**, particularly for specialized AI skills in areas like machine learning, natural language processing, and generative AI. The demand for such expertise often outstrips supply, leading to intense competition for skilled professionals.

Paramount among the challenges are **ethical concerns and the need for responsible AI governance**. This includes addressing potential biases in AI algorithms, ensuring compliance with evolving data privacy regulations (like India's DPDP Act and global standards like GDPR), maintaining data security, and ensuring transparency and fairness in AI-driven decision-making. The complexity of integrating AI with existing enterprise systems also poses a considerable technical and operational hurdle.

The concerns around "employee resistance" and "job displacement" are not confined to the internal dynamics of a GCC. In a third-party GCC model, these issues can extend to the client-vendor interface. If an AI solution implemented by a vendor leads to significant workforce disruption or perceived job losses within the client organization, and this is not

managed with transparent communication and a clear change management strategy (ideally supported by the vendor), it can create substantial internal resistance for the client, thereby undermining the project's success. *Therefore, vendor selection should encompass an assessment of their change management support capabilities and their experience in deploying AI in a manner that minimizes workforce disruption or actively supports workforce transition. Contractual agreements might need to include clauses outlining vendor support for such client-side change management initiatives.*



Another critical challenge, "data silos and legacy infrastructure", often presents a greater obstacle for the corporate client than for the third-party AI vendor, who may operate on more modern, digitally native platforms. This creates a crucial interdependency: the effectiveness of any AI solution provided by a vendor is heavily reliant on the quality, accessibility, and integrability of the companies own data. The success of a third-party AI GCC is thus a shared responsibility. Companies must be prepared to invest in their own data modernization, data governance, and API strategies to provide the clean, accessible data necessary for the vendor's AI models to function optimally. RFPs and subsequent contracts must clearly delineate responsibilities for data

provision, define data quality standards, and establish robust data access and security protocols between the client and the vendor.

VI. Sourcing Framework for AI-Powered GCCs

The Evolving Role of Sourcing and Procurement Teams in the AI Era

Sourcing and Procurement teams are confronted with a significantly more intricate task when engaging third-party GCCs in the age of AI. The evaluation criteria for vendors must expand beyond traditional metrics to encompass a deep assessment of their AI maturity, the robustness of their data security protocols (especially concerning AI model training and data handling), and their commitment to ethical AI practices. S&P professionals must now possess the acumen to understand how AI can genuinely augment GCC output, streamline the setup process, and contribute to overarching strategic objectives, whether these are cost savings amplified by AI-driven automation, talent acquisition enhanced by AI-driven sourcing tools, rapid GCC establishment accelerated by AI-powered knowledge transfer, or innovation fueled by AI-driven analytics.

A critical responsibility for S&P teams is to ensure alignment between the Company's strategic intent for the GCC and the chosen vendor's AI capabilities. Misalignment in this area can severely impede the success of the AI-powered GCC, leading to suboptimal outcomes, wasted investments, and potentially increased risks.



This evolving landscape demands a transformation within S&P teams themselves. They must transition from being primarily cost-focused negotiators to becoming strategic enablers of AI innovation within the organization. This necessitates developing a foundational understanding of AI technologies, the principles of AI ethics, data governance requirements for AI, and the unique risks associated with AI deployment (such as algorithmic bias, model drift, and IP complexities). Without this enhanced literacy, S&P teams will struggle to effectively engage with potential AI vendors, ask the right due diligence questions, and structure contracts that adequately protect the Company's interests. Organizations should therefore consider investing in upskilling their S&P professionals in

AI-related competencies. Enhanced collaboration between S&P, IT, legal, data science teams, and business units will be indispensable for successful AI vendor selection and management.

Furthermore, the very definition of "value" in procurement is being reshaped by AI. While achieving cost savings remains a key objective, the value equation now incorporates new dimensions. These include access to a vendor's AI innovation pipeline, the speed to market for new AI-driven solutions and services, the quality and actionability of insights generated by AI, and the effective mitigation of AI-specific risks (ethical, reputational, security, and compliance). As Everest Group suggests, the value proposition of modern GCCs must be rooted in "innovation, agility, domain depth, business impact, and resilience," moving beyond a singular focus on cost. Consequently, RFP scoring models and vendor evaluation frameworks must be redesigned to assign appropriate weight to these new AI-driven value components, potentially looking beyond traditional cost metrics to assess total value and strategic impact.

Due Diligence Best Practices

Engaging third-party GCCs in the age of AI demands a significant evolution in due diligence practices for Sourcing and Procurement (S&P) professionals. The evaluation process must now extend beyond traditional metrics to encompass a thorough assessment of a vendor's AI capabilities, ethical considerations, and data governance frameworks. Here's an updated set of best practices:

1. AI Maturity and Strategic Alignment Assessment:

- **Evaluate AI Capabilities:** Go beyond simply asking if the vendor uses AI. Conduct a deep dive into their AI maturity level. Understand the types of AI technologies they employ, their experience in deploying these technologies for similar use cases, and the demonstrable outcomes they have achieved.
- **Assess Strategic Alignment:** Critically evaluate how the vendor's AI capabilities align with your company's strategic objectives for the GCC. Can their AI truly augment output, streamline setup, and contribute to cost savings through automation, enhance talent acquisition, accelerate knowledge transfer, or fuel innovation? Request specific examples and case studies.
- **Innovation Pipeline Review:** Inquire about the vendor's AI innovation roadmap. What future AI solutions and services are they developing? How can your organization potentially benefit from their ongoing innovation? This aligns with the evolving definition of "value" that includes access to a vendor's innovation pipeline.

2. Data Security and Governance for AI:

- **Robust Data Security Protocols:** Scrutinize the vendor's data security measures with a specific focus on AI model training and data handling. Understand their data encryption methods, access controls, data residency policies, and security certifications relevant to AI.
- **AI-Specific Security Audits:** Conduct specialized security reviews or audits of the vendor's AI stack, including data pipelines, model repositories, and deployed AI applications. Consider independent penetration testing or source-code review specifically for critical AI components and data handling processes.
- **Data Governance Framework for AI:** Evaluate the vendor's data governance policies concerning AI. How do they ensure data quality, integrity, and lineage for AI model training? What processes do they have in place for data anonymization and pseudonymization?

3. Ethical AI Practices and Risk Mitigation:

- **Commitment to Ethical AI:** Assess the vendor's understanding and commitment to ethical AI principles (e.g., fairness, transparency, accountability). Do they have policies and processes in place to mitigate algorithmic bias and ensure responsible AI development and deployment?
- **Risk Assessment and Mitigation:** Understand the vendor's approach to identifying and mitigating AI-specific risks, including algorithmic bias, model drift, intellectual property complexities related to AI models and data, and compliance with evolving AI regulations.
- **Transparency and Explainability:** Inquire about the vendor's ability to provide transparency and explainability for the AI models they use or build, especially in critical decision-making processes.

4. Talent, Culture, and AI Expertise:

- **AI Talent Assessment:** Beyond general talent reviews, specifically assess the vendor's AI talent pool. Understand the expertise of their data scientists, AI engineers, and machine learning specialists. Evaluate their experience with relevant AI frameworks and tools.
- **Upskilling and Training Programs:** Inquire about the vendor's ongoing investment in upskilling their workforce in AI-related competencies. This demonstrates their commitment to staying current with the rapidly evolving AI landscape.
- **Collaborative Capabilities:** Evaluate the vendor's ability to collaborate effectively with your internal IT, legal, data science teams, and business units on AI-related initiatives.

5. Contractual and Legal Considerations for AI:

- **AI-Specific Contractual Clauses:** Ensure contracts include specific clauses addressing AI ownership, intellectual property rights for AI models and data, data usage and governance for AI training, liability for AI-driven errors or biases, and audit rights for AI systems.
- **Compliance with Evolving Regulations:** Verify the vendor's understanding and adherence to India-specific laws (DPDP Act, IT Act, SEZ rules, etc.) and emerging AI-related regulations. Include specific clauses addressing data privacy and AI governance.

RFP Components for AI Capabilities

Developing an effective RFP is a critical first step in sourcing AI-powered third-party GCC services. The RFP must be meticulously crafted to elicit responses that allow for a thorough evaluation of a vendor's AI capabilities and their alignment with the COMPANY's strategic objectives.

Defining Clear Requirements for AI Capabilities and Deliverables

RFPs for AI services must transcend generic statements of work. They need to explicitly detail the required AI



capabilities, the specific business problems the AI is intended to solve, and the expected deliverables. This involves clearly articulating the business objectives that the AI solution should help achieve. For example, instead of simply requesting "an AI solution for customer service," the RFP should specify objectives like "reduce average customer query resolution time by X% using an AI-powered virtual assistant" or "improve first-call resolution rates by Y% through AI-driven knowledge base suggestions."

The RFP should also define the specific AI functionalities required, such as predictive analytics for forecasting, natural language processing for sentiment analysis or document summarization, computer vision for image recognition, or generative AI for content creation or code generation. Crucially, expected performance levels for these AI functionalities (e.g., minimum accuracy for predictions, response latency for chatbots) and any requirements for

integration with existing enterprise systems must be clearly specified.

A significant shift in crafting RFPs for AI services involves moving from overly prescriptive technical specifications to a more outcome-focused approach. Given the rapid evolution of AI technologies, vendors may possess innovative solutions or methodologies that the client organization has not yet considered. By defining the problem statements, desired business outcomes, and key performance indicators (KPIs) with clarity, rather than dictating the specific algorithms or AI architectures to be used, Companies can empower vendors to propose their most effective and innovative AI solutions. This approach leverages the specialized expertise of AI vendors and encourages a more

collaborative, solution-oriented engagement from the outset.

Design the RFP/SOW to elicit AI-specific assurances and capabilities:

- **Technical Scope:** Require detailed descriptions of AI models, data sources, algorithmic methods, and infrastructure. Ask for performance benchmarks (latency, accuracy under various conditions) and model explainability plans.
- **Data Management:** Include questions on data lifecycle: How will data be collected, anonymized, stored, and deleted? Require diagrams of data flows and access controls. Vendors should pledge compliance with India's DPDP Act (e.g. data minimization, purpose limitation).
- **Governance & Ethics:** Ask vendors to provide their ethical AI framework. For instance, require disclosures of bias-testing procedures, model audit practices, and any previous AI impact assessments.
- **Support & SLAs:** Define service-level metrics not just for uptime but for model performance (e.g. model retraining frequency, false-positive rates, accuracy). Require availability of 24/7 AI/ML support and change management processes.
- **Exit/Transition:** Plan for vendor exit in the RFP. Specify how knowledge transfer will occur (documentation, code escrow, transition services) to avoid vendor lock-in.

Key Contract Clauses and Governance Provisions

Ensure the contract includes robust clauses on data, IP and ethical oversight:

- **Data Governance (DPDP Act compliance):** Mandate a **Data Processing Agreement (DPA)** that details all processing purposes, data categories, and safeguards. Require the vendor to notify breaches **immediately** so you can fulfill DPDP notification rules. Include clauses on data localization or cross-border transfer restrictions if applicable.
- **Information Security:** Embed stringent security obligations (encryption, access logs, incident response) and right to audit their compliance.
- **Intellectual Property:** Clarify that all AI models, code and IP developed under the contract belong to the Company. Require assignment of inventions and a license back to the parent company for any pre-existing vendor IP used in solutions.
- **Ethical AI Audit Rights:** Include the right to conduct or demand third-party audits of the AI system for bias, fairness, robustness and ethical compliance. For example, contracts could require annual testing and external audits of the models' outputs for discriminatory bias, transparency, etc., as part of compliance monitoring.
- **Compliance & Exit:** Include termination rights tied to data breaches or compliance failures, and a clear disengagement plan (e.g. data handover, support for migration). Also stipulate arbitration in the parent's home jurisdiction as needed.

In practice, companies have begun baking such clauses into GCC setups. For example, leading law firms recommend explicitly spelling out IP ownership and breach-notification duties in GCC facilitation agreements.

Governance & Operating Model

A robust governance model is the cornerstone for successfully managing an AI-powered third-party GCC. Such a model must ensure that the vendor's AI initiatives and service delivery are consistently aligned with the client's overarching enterprise strategy, risk appetite, and value realization objectives. Key components of an effective governance structure include clearly defined roles and responsibilities for both client and vendor personnel, transparent decision-making processes, regular communication protocols, and joint performance review mechanisms. AI governance also helps in ensuring compliance with evolving global data privacy and AI regulations.



In the context of a third-party AI GCC, governance cannot be a unilateral imposition by the client; it must be a *collaborative* framework. Given that the vendor often possesses deep AI technical expertise and the client holds the business context and strategic direction, a partnership approach is essential for optimal outcomes. This collaborative governance should manifest in structures such as joint steering committees or AI governance boards comprising representatives from both the client and the vendor. These bodies would be responsible for strategic AI review, joint risk assessment, performance monitoring against AI-specific SLAs, and ensuring adherence to ethical AI principles. Contractual provisions should

be drafted to support and formalize this collaborative governance structure, mandating regular joint reviews and transparent reporting from the vendor on AI development, deployment, and performance.

AI introduces a unique and complex array of risks, including algorithmic bias, data privacy violations, intellectual property concerns, and ethical dilemmas. These risks often cut across multiple functional areas within the parent organization (e.g., legal, IT, data science, business units). Appointing a dedicated AI Risk Steward or establishing a specialized AI risk management function on the client-side can provide holistic oversight of these risks across the vendor relationship. This role would be responsible for coordinating with various internal stakeholders, interpreting vendor risk reports, and ensuring that AI-related risks are managed in accordance with the organization's overall risk appetite and compliance obligations.

Managing a third-party GCC requires a structured governance framework that balances control with collaboration. Key elements include:

- **Steering Committee (Strategic Oversight):** Form an executive-level steering committee (HQ and vendor heads) meeting regularly. This body reviews **roadmaps, budgets and KPIs (OKRs)** to ensure the GCC's direction remains aligned with corporate strategy. For instance, the committee might track AI project pipelines, review vendor investment decisions, and resolve escalations.
- **RACI & Roles:** Define a RACI matrix to avoid blurred accountability. Assign a **Governance Lead/Site Director** (often dual reporting to local and global ops) to own day-to-day oversight. This leader enforces company policies, manages risks/compliance, and liaisons with HQ on escalations.
- **Performance Management:** Use outcome-focused metrics (not just activity). Recommended KPIs include delivery quality (e.g. on-time releases, model accuracy), efficiency (cost per deliverable, automation rate), and people metrics (attrition, training hours). Dashboards should regularly report these to leadership. (Avoid "vanity" metrics.)
- **Collaborative Innovation:** Encourage joint ideation and R&D. This might mean annual innovation workshops, shared labs or hackathons with the vendor. Many GCCs emulate **innovation studios** – e.g. Citi's India center runs fintech labs with startups and internal teams to drive new product ideas. Such programs keep the vendor engaged beyond routine tasks.
- **Culture & Alignment:** Foster integration by embedding vendor team members in global projects. Rotate staff between the GCC and other sites. Promote a culture of continuous improvement: hold retrospectives and "lessons learned" reviews. Align incentives so that the vendor is rewarded for innovation outcomes (e.g. successful Proof of Concepts (PoCs) or patents) as well as delivery.
- **Risk & Compliance Framework:** Ensure the GCC's operations include local compliance checks (tax, labor law, DPDP, FCPA, etc.). Implement regular audits and a register of issues. According to governance best practices, mature remote centers with defined frameworks report higher satisfaction and fewer mishaps.

By combining strategic oversight with collaborative day-to-day management, S&P teams can keep a third-party GCC tightly aligned to corporate goals while leveraging its innovative potential.

Recommendations for S&P Teams

- **Mandate Strong Contractual Safeguards:** Negotiate contracts with **DPDP-aligned DPAs, IP assignments, audit clauses and exit/transition terms**. Insist on transparency clauses (as one expert suggests, “SLAs should specify transparency and accountability around AI use”) so you retain visibility into the AI solutions. Include penalties for non-compliance with data laws or ethical breaches.
- **Vet and Monitor Vendor Rigorously:** Conduct ongoing due diligence. Periodically review the vendor’s compliance with Indian regulations and ethical standards. Use the defined KPIs and dashboards to spot deviations early. Benchmark vendor performance against peers. Prepare backup plans (e.g. alternate vendors or insourcing) in case innovation goals falter.
- **Align on Innovation Roadmap:** Make innovation a joint effort. Require the vendor to share its product/AI roadmap and integrate it with your own. Schedule quarterly roadmap alignment meetings. If the vendor has proprietary R&D or new offerings, evaluate them for possible adoption. Encourage co-funding of promising pilots. At the same time, monitor for “innovation drift” – if vendor projects veer away from your objectives, recalibrate via governance forums.
- **Balance Risk and Value:** Leverage the cost and speed advantages of third-party GCCs, but don’t sacrifice control. For example, consider a **Build-Operate-Transfer (BOT)** approach if you ultimately want ownership, or define clear milestones that trigger review of continued outsourcing. Use financial levers (performance-based payments) to ensure vendor focus on outcomes.
- **Invest in Relationship and Culture:** Treat the third-party GCC like a true strategic partner. Build trust through regular communication (site visits, workshops) and by involving vendor teams in company-wide events. Celebrate joint successes (e.g., co-developed AI features). This cultural integration will mitigate the loss-of-control concern and unlock more innovative ideas.

Key Takeaway: A well-designed third-party GCC can deliver speed and agility for AI initiatives, but only if sourcing and governance rigor keep it aligned with the parent company’s vision. By combining strict contract terms (especially on data/IP/ethics) with collaborative oversight (shared roadmaps, co-innovation programs and performance scorecards), S&P professionals can **optimize value and manage risk** in their AI-driven GCC relationships.

VII. Framework for Assessing Vendor AI Maturity (Strategic Alignment, Technology, Talent, Data, Process, Governance)

A structured framework is essential for comprehensively evaluating a vendor's AI maturity. The assessment should cover:

1. How well the vendor's AI initiatives align with their stated business goals and potentially with the client's objectives.
2. Readiness and scalability of their technology stack to support robust AI operations;
3. Availability, depth, and ongoing development of their AI expertise and talent;
4. Maturity of their data management and governance practices, ensuring data quality and readiness for AI models;
5. How seamless AI integration is in their business workflows and service delivery;
6. Robustness of their risk management frameworks, compliance protocols, and ethical considerations for AI.

Frameworks such as the Generative AI Maturity Framework by AIM Research or the dimensions outlined in NASSCOM's GCC Maturity Assessment can provide valuable starting points for developing such an evaluation. It's noteworthy that

83% of executives surveyed in Deloitte's 2024 Global Outsourcing Survey expect third-party vendors to bring AI capabilities as part of their service delivery, underscoring the increasing expectation for vendor AI proficiency.

True AI maturity, however, extends beyond merely possessing AI tools or having completed a few pilot projects. It is evidenced by a vendor's demonstrated ability to scale AI-driven operations effectively, foster a culture of continuous AI-driven innovation, and integrate AI ethically and responsibly into the core of their service delivery model for clients. Many vendors may be in the early stages of their AI journey, despite claims of advanced capabilities. Therefore, due diligence must probe deeply, seeking tangible proof of scaled AI deployments, specific client testimonials related to AI projects, and a clear, coherent roadmap for the evolution of their AI capabilities, rather than accepting isolated AI tools or features as indicators of comprehensive maturity.

The integration of Artificial Intelligence into Global Capability Centers fundamentally alters the landscape for Sourcing and Procurement (S&P) teams. The traditional focus on cost, service levels, and operational efficiency, while still important, must now be augmented by a nuanced understanding of AI capabilities, risks, and strategic implications.

Vendor Evaluation Criteria – Evaluating for AI maturity & Governance

When selecting a GCC partner, focus on **AI maturity and governance**:

- **AI Expertise & Track Record:** Does the vendor have proven AI solutions (domain use-cases, patents, industry certifications)? Can they demonstrate performance benchmarks (accuracy, scalability)?
- **Data Governance & Privacy:** The vendor must follow stringent data governance policies. Assess compliance with global standards (GDPR, etc.) and India's DPDP law. Request documentation of their data handling, retention policies and security measures. Vendors should explain how they ensure training data is high-quality and bias-mitigated.
- **Ethical AI Practices:** Require that the partner adheres to ethical AI principles (fairness, transparency, explainability). As one vendor-rating guide notes, lack of clear bias-mitigation policies or refusal to discuss fairness is a red flag.
- **Technical Security:** Demand enterprise-grade security and encryption. Vendors should supply details on encryption, access controls, and incident response protocol. Verify relevant certifications (e.g. ISO 27001, SOC 2).
- **Strategic Alignment:** Ensure the vendor's vision aligns with your goals. For example, if your GCC must drive fintech innovation, confirm the vendor has fintech domain experts and a pipeline of relevant projects.

Evaluate vendors through RFP answers, demos, and references. According to industry guidance, vet *transparency* and regulatory risk: "Assessing a vendor's regulatory compliance status, data governance policies and security measures is important to minimize legal and operational risk".

Evaluating the Vendor's AI Talent Pool: Quality, Expertise, and Scalability

The quality and depth of a vendor's AI talent are direct determinants of the quality of the AI solutions they can deliver. Assessment should focus on the skills and experience of their AI professionals in relevant domains such as machine learning (ML), natural language processing (NLP), generative AI (GenAI), and data science. Equally important is the vendor's demonstrated ability to scale their AI team to meet client demands while maintaining quality. This involves scrutinizing their strategies for talent acquisition and more important, talent retention in a highly competitive AI market, their internal training and upskilling programs to keep pace with rapid technological advancements.



Evaluating a vendor's AI talent pool should not be limited to reviewing resumes and certifications or counting the number of data scientists on their payroll. It requires a more qualitative assessment of their team's problem-solving capabilities, their understanding of the client's business context, their practical experience with real-world AI deployment challenges (such as managing data drift, mitigating algorithmic bias, and ensuring model explainability), and their commitment to continuous learning in the fast-evolving field of AI. AI is not merely about coding algorithms; it involves a deep understanding of data nuances, contextual factors, ethical implications, and the translation of technical outputs into tangible business impact. Due diligence activities in this area could include requesting detailed case studies of past AI projects (with a focus on the roles and contributions of key personnel), presenting hypothetical problem statements to gauge the vendor team's approach, and in-depth discussions about their AI development methodologies, quality assurance

processes, and ethical review frameworks.

Assessing AI Infrastructure, MLOps, and Technology Stack

A vendor's underlying AI infrastructure, their Machine Learning Operations (MLOps) practices, and their overall technology stack are critical enablers for developing, deploying, and maintaining reliable and scalable AI solutions. The due diligence process should evaluate the robustness of their cloud capabilities (e.g., expertise with AWS, Azure, GCP), their data processing and storage capacity, and the suitability of their chosen AI development tools and platforms for the client's specific needs.

A vendor's MLOps maturity is a particularly strong indicator of their ability to deliver enterprise-grade AI solutions that go beyond one-off models and can be reliably maintained, monitored, and scaled over time. MLOps encompasses the entire lifecycle of an AI model, including data management, model training, validation, deployment, monitoring, and retraining. A vendor with weak MLOps practices may struggle with issues like model drift (where model performance degrades as real-world data changes), scalability challenges, and difficulties in ensuring consistent AI performance. S&P teams should therefore specifically inquire about the vendor's MLOps tools (e.g., for version control, automated testing, continuous integration/continuous deployment (CI/CD) for AI models), their documented MLOps processes, the expertise of their MLOps team, and how they ensure continuous model monitoring, governance, and improvement as part of their service offering.

Scrutinizing Data Security Protocols and IP Protection Mechanisms for AI

AI models are intrinsically linked to data; they are trained on vast datasets and process significant amounts of information, often of a sensitive or proprietary nature. Consequently, a vendor's data security measures and IP protection mechanisms are of paramount importance during due diligence. This scrutiny must cover the entire data lifecycle, from ingestion and processing to storage and disposal. Key areas include assessing the vendor's adherence to robust encryption standards, access control policies, data anonymization or pseudonymization techniques (where applicable), and incident response plans for data breaches. Compliance with relevant data protection regulations, such as the EU's GDPR and India's Digital Personal Data Protection Act (DPDPA), 2023, must be verified. It's concerning that fewer than 10% of GCCs currently focus on privacy-related functions, which may indicate a broader gap in the ecosystem that diligent vendor selection must address.

Intellectual property protection is another critical facet, covering both the client's data used for training or processed by the AI, and the AI models, algorithms, and outputs themselves.³¹ A significant point of concern and potential risk is the common vendor practice of using client data (even if purportedly anonymized or aggregated) to train or improve their

general AI models, which could then benefit other clients, including competitors.⁵⁴ Research indicates that a high percentage of AI vendors (92% in one study) claim broad data usage rights that extend beyond what is strictly necessary for service delivery, including for retraining their core models.⁷⁴ This practice, if not explicitly prohibited or strictly governed by contractual terms, can lead to the inadvertent leakage of proprietary information or the erosion of a client's competitive advantage derived from their unique data assets. Therefore, contracts must meticulously define data usage rights, particularly concerning model training. Clients should advocate for clauses that prevent their data from being used to train general vendor models that could benefit competitors, or, if such use is permitted, ensure clear IP ownership or favorable licensing terms for any resulting improvements or derivative models.

The ownership of intellectual property created in the context of AI development and deployment is a complex and critical area that must be explicitly addressed in contracts with third-party GCC vendors. This includes clarifying IP rights related to pre-existing AI models, any AI models customized or co-developed during the engagement, the data used for training these models (both client-provided and vendor-provided), and, crucially, the outputs generated by the AI systems. The contract must clearly define each party's rights to use, modify, distribute, and create derivative works from these various IP assets. Sample clauses exist that address different ownership scenarios, such as joint ownership for co-developed IP or clear assignment of newly created IP to the client.

The default legal position regarding IP in AI-generated works often presents ambiguities, as traditional copyright and patent laws typically require human authorship or inventorship for protection. Works generated purely by AI may not automatically qualify for copyright protection in the name of the AI itself, and determining human authorship in AI-assisted creations can be challenging. This legal uncertainty makes contractual clarity paramount. Parties cannot assume that standard IP laws will neatly apply to AI-generated outputs. Therefore, contracts must include explicit provisions that assign ownership or grant specific licenses for AI-generated content and innovations to ensure commercial usability and legal protection. For instance, a clause might state, "All AI Output generated by the AI system in the performance of the Services for the Client shall be the sole and exclusive property of the Client." The allocation of these rights should reflect the contributions of each party, including the provision of data, the development of prompts, the customization of models, and the human oversight involved in refining AI outputs.

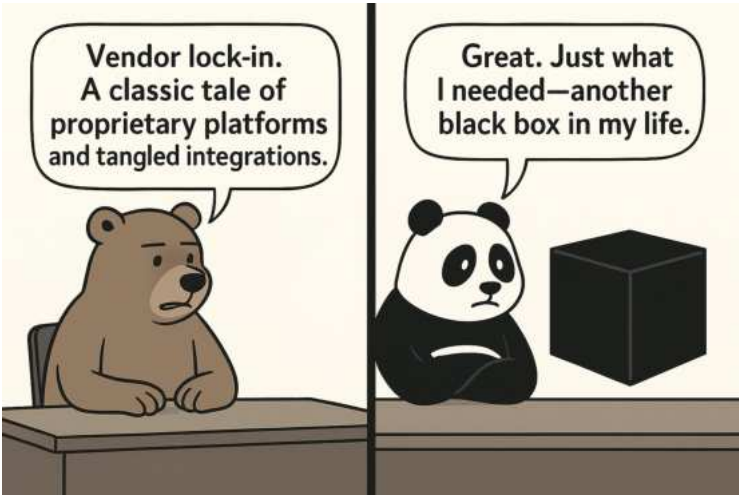
Verifying Commitment to Ethical AI and Responsible Implementation

The ethical implications of AI are profound, and a vendor's commitment to responsible AI practices is a non-negotiable aspect of due diligence. This involves assessing the vendor's documented ethical AI framework, their policies and procedures for identifying and mitigating algorithmic bias, their approach to ensuring transparency and explainability in AI decision-making, and their overall commitment to the responsible development and deployment of AI technologies. Adherence to recognized standards, such as ISO 42001 for AI management systems, can be a positive indicator.

A vendor's commitment to "Responsible AI" must be substantiated by concrete practices, robust governance structures, and the use of appropriate tools, rather than being limited to aspirational policy statements or marketing collateral. This includes having established processes for conducting AI ethics audits, employing tools for bias detection and fairness assessment in AI models, and providing features that enhance the explainability of AI outputs, particularly for high-stakes decisions.⁷⁸ Due diligence should involve probing for tangible evidence of these responsible AI practices. This can be achieved by requesting documentation of their ethical review processes, seeking examples of how they have addressed and mitigated bias in past projects, and requiring transparency in how their AI models arrive at decisions or classifications.

Mitigating Risks: Vendor Lock-in and Third-Party AI Integration Challenges

The risk of vendor lock-in is a significant concern when engaging third-party AI providers, often stemming from the use of proprietary AI platforms, specific data formats, or unique model architectures that are not easily transferable. Due diligence should assess the degree to which a vendor's solutions rely on open standards versus proprietary technologies and evaluate the ease (or difficulty) of migrating data and models should a change in vendor become necessary. The challenges of integrating the vendor's AI solutions with the client's existing enterprise systems and legacy applications also need careful evaluation to ensure seamless operation and avoid creating new data silos.



The risk of vendor lock-in is particularly amplified with "black box" AI solutions, where the underlying algorithms, data dependencies, and decision-making logic are opaque to the client.³² This lack of transparency makes it exceedingly difficult to understand the AI's behavior, troubleshoot issues, independently validate its outputs, or integrate it effectively with other systems. If such a black-box solution becomes deeply embedded in critical business processes, disengaging from that vendor can pose a major operational, technical, and financial challenge. To mitigate this, organizations should prioritize vendors who offer greater transparency in their AI models (e.g., through explainability features and access to model documentation), demonstrate support

for open standards and interoperability, and provide clear, contractually guaranteed data and model export capabilities. Contractual clauses that ensure data portability, model transferability (where feasible), and vendor assistance during any transition period are crucial safeguards.

Table 4: AI Vendor Evaluation Checklist (Key Criteria)

Category	Key Evaluation Questions	Desired Vendor Attributes/Green Flags	Potential Red Flags
AI Maturity & Strategy	- How does the vendor define their AI strategy and roadmap? - How do their AI initiatives align with their core business and client value proposition? - What is their track record of scaled AI deployments and demonstrable ROI for clients? - How do they measure AI maturity internally and for their solutions?	- Clear, well-articulated AI strategy integrated with business goals. - Proven scaled deployments with client testimonials. - Commitment to continuous AI innovation and R&D investment. - Use of structured AI maturity frameworks.	- Vague or purely aspirational AI strategy. - Limited to pilot projects or internal use cases. - Lack of clear metrics for AI success. - Over-reliance on marketing buzzwords without substance.
AI Talent & Expertise	- What is the size, structure, and experience of their AI/data science team? - What are their processes for AI talent acquisition, training, and retention?	- Deep bench of experienced AI professionals with relevant domain expertise. - Robust internal training and continuous	- Small or inexperienced AI team. - Heavy reliance on contractors without core internal expertise. - No clear strategy for AI talent development.

	• Can they demonstrate expertise in specific AI domains relevant to our needs (e.g., GenAI, NLP, computer vision)? • How do they ensure business context understanding within their AI teams?	learning programs for AI skills. • Low attrition rates for key AI talent. • Case studies showcasing problem-solving with AI.	• Inability to articulate how AI solutions solve specific business problems.
AI Infrastructure & MLOps	• What is their AI development and deployment infrastructure (cloud, on-prem, hybrid)? • How mature are their MLOps practices (model versioning, CI/CD, monitoring, retraining)? • What tools and platforms do they use for AI development and lifecycle management? • How do they ensure scalability and reliability of their AI solutions?	• Scalable, secure, and modern AI infrastructure. • Well-defined and automated MLOps processes. • Use of industry-standard MLOps tools and platforms. • Clear protocols for model monitoring, drift detection, and retraining.	• Outdated or inadequate infrastructure. • Manual or ad-hoc MLOps practices. • Lack of transparency in their tech stack. • No clear plan for managing AI model lifecycle.
Data Security & IP Protection (AI-Specific)	• What are their specific data handling policies for AI model training and inference? • How do they ensure client data used for AI is protected, anonymized (if applicable), and segregated? • What is their stance on using client data to train general vendor models? • How is IP ownership of AI models, training data, and AI-generated outputs addressed? • Compliance with DPDPA, GDPR?	• Strong data encryption, access controls, and segregation for AI data. • Transparent policies on data usage for model training, with client consent. • Clear contractual terms for IP ownership favoring the client or clearly defining rights. • Certifications (ISO 27001, SOC 2).	• Vague data handling policies for AI. • Use of client data for general model training without explicit consent or benefit to client. • Ambiguous IP clauses. • Lack of relevant security certifications or poor audit results.
Ethical & Responsible AI	• Does the vendor have a documented ethical AI framework and governance process? • How do they address and mitigate algorithmic bias in their AI solutions? • How do they ensure transparency and explainability of their AI models?	• Public commitment to responsible AI principles. • Documented processes for bias detection, mitigation, and fairness testing. • Tools and methods for AI model explainability. • Regular ethical reviews and impact assessments.	• No formal ethical AI framework or governance. • Dismissive attitude towards bias or ethical concerns. • "Black box" AI solutions with no explainability. • Lack of evidence of ethical audits or responsible AI practices.

	- Do they conduct ethical AI audits or impact assessments? - Adherence to standards like ISO 42001?	Transparent reporting on AI ethics practices.	
Integration & Lock-in Risk	- How easily can their AI solutions be integrated with our existing systems? - Do they use open standards and APIs to facilitate interoperability? - What are the data and model portability options if we decide to switch vendors? - What is the level of dependency on proprietary vendor technology?	- Support for open standards and APIs. - Clear data and model export capabilities. - Documented integration processes and support. - Flexible contractual terms for termination and transition.	- Highly proprietary, closed systems. - No clear path for data/model portability. - History of difficult client transitions. - Onerous contract terms regarding exit.

VIII. Navigating Risks: Execution and Transition

Engaging a third-party vendor for GCC operations shifts, but does not eliminate, risk. Proactive identification, assessment, and mitigation planning are crucial throughout the GCC lifecycle, from transition to steady-state execution. A comprehensive risk management framework is vital for protecting the client organization's interests.

Key Risk Categories & Mitigation Strategies

Risks can be categorized, but it's important to recognize their interconnected nature. Failure in one area often cascades into others.

- Operational Risks:**
 - Talent Attrition & Skill Gaps:* The highly competitive Indian talent market, especially for niche digital skills (AI, data science), leads to significant attrition risk (potentially >15% annually in tech roles). This causes knowledge loss, service inconsistency, increased recruitment costs, and pressure on remaining staff.
 - Mitigation:** Rigorous evaluation of vendor's retention metrics and strategies during selection; contractual clauses specifying minimum experience levels or retention targets for key roles; robust knowledge management protocols mandated in the contract; potentially leveraging vendor capabilities in Tier-2/3 cities with lower competition strong governance to monitor vendor performance in talent management.
 - Wage Inflation:* Rapidly rising salaries, driven by talent competition, can erode the initial cost advantage faster than anticipated (potentially within 3-5 years).
 - Mitigation:** Demand transparent pricing in the RFP/contract with clearly defined Cost of Living Adjustment (COLA) mechanisms, not open-ended pass-throughs; link some cost elements to vendor productivity gains or automation benefits; conduct regular market benchmarking (with contractual rights to adjust pricing if significantly out of line).
 - Infrastructure Issues:* Particularly relevant outside major Tier-1 hubs or in less developed areas, unreliable power, inconsistent internet connectivity, or poor transport links can disrupt operations and impact productivity

- *Mitigation:* Thorough DD on the vendor's chosen facility infrastructure, including power backup systems, multiple network providers, and physical security; validation of BCP testing results; potentially favoring vendors operating within well-equipped SEZs or technology parks.
- *Service Quality Degradation:* Vendor failure to meet agreed SLAs due to poor execution, inadequate staffing (quantity or quality), weak process adherence, or ineffective management.
 - *Mitigation:* Implement a robust SLA framework with meaningful financial credits/penalties ; establish a strong governance structure with regular performance reviews (daily, weekly, monthly as appropriate); define clear escalation paths for issues; retain audit rights to inspect vendor processes and controls.
- **Strategic & Governance Risks:**
 - *Misalignment with Business Objectives:* The GCC, managed by a third party focused on contractual deliverables, may remain a transactional cost center, failing to evolve into a strategic partner or innovation hub, thus limiting ROI.
 - *Mitigation:* Clearly define the strategic intent for the GCC upfront and communicate it to the vendor; build strategic objectives (beyond basic SLAs) into the governance framework and performance reviews; ensure business stakeholders are actively involved in governance.
 - *Lack of Control & Visibility:* Outsourcing inherently reduces direct control compared to a captive model, potentially leading to a lack of transparency into operations.
 - *Mitigation:* Mandate detailed, frequent, and transparent reporting requirements in the contract; secure comprehensive audit rights (operational, financial, security, compliance); design a governance structure with clear client oversight and decision rights at appropriate levels.
 - *Innovation Stagnation:* The vendor may focus solely on meeting baseline SLAs ("order-taking culture") and lack the incentive or capability to drive process improvements, automation, or innovation. Less than 10% of GCCs reach top maturity tiers.
 - *Mitigation:* Evaluate vendor's innovation capabilities and culture during selection; include specific KPIs related to continuous improvement, automation adoption, or innovation initiatives in the contract; establish joint client-vendor forums dedicated to improvement and innovation.
- **Financial & Cost Risks:**
 - *Hidden Costs:* Initial cost savings projections can be eroded by unanticipated expenses related to compliance overhead, cybersecurity investments, operational inefficiencies, or underestimated real estate/utility costs.
 - *Mitigation:* Demand absolute transparency in the vendor's pricing model during the RFP stage; scrutinize all potential pass-through costs; conduct thorough financial DD to understand the vendor's cost structure; clearly define cost responsibilities in the contract.
 - *Cost Escalation:* Costs increasing beyond contractually agreed mechanisms due to vendor inefficiency, scope creep, or unexpected market pressures.
 - *Mitigation:* Include benchmarking clauses allowing for price reviews against the market; build in mechanisms for sharing productivity gains; implement strong change control processes to manage scope creep.
 - *Economic Factors:* Broader Indian economic conditions, such as high inflation or significant currency fluctuations, can impact the vendor's costs and potentially flow through to the client.
 - *Mitigation:* Understand the vendor's exposure to local economic factors; negotiate clear contractual terms for handling currency fluctuations or extraordinary inflation; consider financial hedging strategies if exposure is significant.
- **Security & Compliance Risks:**
 - *Data Breaches & Privacy Violations:* Failure by the vendor (or their sub-contractors) to adequately protect data or comply with regulations like DPDPA can lead to severe financial penalties, legal action, operational disruptions, and significant reputational damage.
 - *Mitigation:* Conduct rigorous security and compliance DD; mandate specific security controls (technical and organizational) and DPDPA compliance measures in the contract (via a Data Processing Addendum); require regular security audits (internal and third-party); establish clear incident response and notification protocols; ensure vendor liability for breaches caused by their negligence is clearly defined.
 - *Regulatory Changes:* India's regulatory landscape is dynamic. Unpredictable changes in tax laws (e.g., impacting SEZ benefits), labor codes, data privacy rules, or permanent establishment norms can affect

operational viability, compliance requirements, and costs.⁴

- **Mitigation:** Select vendors with demonstrable local legal and regulatory expertise; build contractual flexibility to adapt to mandatory legal changes; maintain ongoing monitoring of the Indian regulatory environment (potentially through vendor updates or independent advisors); ensure clear allocation of responsibility for managing compliance changes.

- **Geopolitical & Macroeconomic Risks:**

- **Political Instability & Policy Shifts:** While generally stable, India, like any nation, is subject to political shifts. Changes in government policy, social unrest, or regional geopolitical tensions (e.g., involving neighboring countries) could potentially impact the business environment, security, or workforce mobility. India's integration into global markets makes it sensitive to external shocks.
 - **Mitigation:** Choose vendors with a strong, established local presence and experience navigating the Indian environment; maintain awareness of the geopolitical landscape; ensure vendor BCP plans account for potential civil disturbances or restrictions. Diversification across locations is a key mitigation but less feasible when relying on a single third-party provider for one GCC.
- **Supply Chain Disruptions (Indirect):** Global events impacting the client's primary business (e.g., economic downturns, trade wars affecting specific industries) can indirectly affect the GCC by altering demand for its services.
 - **Mitigation:** Build flexibility into the contract regarding service volumes and staffing levels (ramp-up/ramp-down clauses); conduct scenario planning with the vendor.

- **Transition-Specific Risks:**

- **Knowledge Transfer Failure:** Incomplete, inaccurate, or poorly documented transfer of processes, procedures, and tacit knowledge from the incumbent team (internal or prior vendor) to the new vendor, leading to errors, productivity dips, and delays during stabilization.
 - **Mitigation:** Mandate a detailed Knowledge Transfer (KT) plan in the contract; utilize structured KT methodologies including checklists, process walkthroughs, Q&A sessions, and validation steps; employ playback sessions where the vendor demonstrates understanding; record KT sessions where permissible and appropriate; ensure sufficient time and resources are allocated for shadowing and reverse shadowing phases.
- **Delays & Budget Overruns:** Transition activities taking longer or costing more than planned due to inadequate planning, poor project management, unforeseen complexities, or lack of cooperation from incumbents.
 - **Mitigation:** Insist on a detailed, realistic transition plan embedded in the contract, potentially with milestone-based payments linked to successful completion of key phases; establish strong transition governance with clear roles, responsibilities, and issue resolution mechanisms; secure commitment for necessary support from incumbent teams.
- **Staffing Issues:** The vendor failing to recruit, onboard, and train the required number of qualified personnel according to the agreed transition timeline, particularly for critical roles needed during KT and shadowing phases.
 - **Mitigation:** Contractually define minimum vendor staffing levels required at each transition phase (e.g., >50% during KT, >75% during shadowing, 100% before reverse shadowing starts) ; clearly define and secure commitment for key vendor personnel involved in the transition; monitor vendor staffing ramp-up closely through governance.

A crucial realization for effective risk management is the high degree of interconnectedness between different risk categories. These risks do not exist in isolation. For example, the operational risk of high talent attrition directly fuels the financial risk of wage inflation as vendors compete for scarce talent. This attrition also degrades service quality (operational risk) as experienced staff leave and are replaced by less knowledgeable personnel, potentially hindering the GCC's ability to move up the value chain towards innovation (strategic risk). Similarly, a failure in compliance, such as a data breach under DPDPA, immediately triggers financial risks (fines, remediation costs) and severe reputational risk (strategic risk). Treating these risks independently during vendor evaluation or mitigation planning is insufficient. A vendor might appear attractive based on low initial pricing (financial), but if they exhibit poor talent retention metrics

(operational risk identified during DD), this will inevitably impact long-term costs and service quality. Therefore, Sourcing and Procurement teams must adopt a holistic perspective, analyzing how risks interact and influence one another. Evaluation criteria should reflect this systemic view (e.g., giving significant weight to talent retention alongside cost), and mitigation strategies should address root causes and potential ripple effects across different risk domains. Robust governance, for instance, can simultaneously mitigate operational risks (performance monitoring), financial risks (cost control), and strategic risks (alignment).

Table 5: Risk Assessment Matrix for Third-Party GCC in India

Risk Category	Specific Risk	Potential Impact	Likelihood (H/M/L)	Mitigation Strategy (Linked to Process Step)
Operational	High Talent Attrition (>15%)	Service Quality, Cost Increase, Knowledge Loss	H	- Evaluate Vendor Retention Strategy/Metrics (Eval) - Contractual Clauses on Key Roles/Skills (Contract) - Robust Knowledge Management Requirements (Contract) - Strong Governance Monitoring Talent Metrics (Execution)
	Wage Inflation	Cost Advantage Erosion	H	- Transparent COLA/FX Clauses (RFP/Contract) - Productivity Gain Sharing Mechanisms (Contract) - Regular Market Benchmarking (Contract/Execution)
	Infrastructure Failure (Power/Network)	Operational Disruption, Productivity Loss	M (Tier-1) / H (Tier-2/3)	- DD on Facility Resilience & BCP (DD) - Site Visit (DD) - Contractual Uptime SLAs (Contract)
	Service Quality Degradation	Failure to Meet Business Needs, Penalties	M	- Strong, Measurable SLAs with Penalties (Contract) - Robust Governance & Performance Reporting (Contract/Execution) - Audit Rights (Contract)
Strategic/ Governance	Misalignment / Underutilization	Limited ROI, Failure to meet strategic goals	M	- Clear Strategic Objectives in RFP (RFP) - Governance includes Business Stakeholders (Execution) - Regular Strategic Reviews with Vendor (Execution)
	Lack of Control/Visibility	Inability to Steer/Monitor Effectively	M	- Detailed Reporting Requirements (Contract) - Comprehensive Audit Rights (Contract) - Defined Governance Structure (Contract/Execution)
	Innovation Stagnation	GCC remains cost center, misses value potential	M	- Evaluate Vendor Innovation Capability (Eval) - Continuous Improvement KPIs (Contract) - Joint Innovation Forums (Execution)

Financial/Cost	Hidden Costs	Budget Overruns, Reduced Savings	M	- Demand Full Cost Transparency (RFP) - Scrutinize Pass-Through Costs (Eval/Contract) - Thorough Financial DD (DD)
	Uncontrolled Cost Escalation	Eroding Business Case	M	- Benchmarking Clauses (Contract) - Gainsharing Mechanisms (Contract) - Strong Change Control (Execution)
Security/Compliance	Data Breach / DPDPA Violation	Fines, Legal Action, Reputational Damage	M	- Rigorous Security & DPDPA DD (DD) - Specific Security/DPDPA Clauses in Contract (Contract) - Regular Audits (Contract/Execution) - Clear Incident Response Plan (Contract)
	Labor Law Non-Compliance	Fines, Legal Action, Principal Employer Liability	M	- Rigorous Labor Law DD (PF/ESI/CLRA checks) (DD) - Contractual Obligation for Compliance (Contract) - Vendor Indemnification (Contract) - Audit Rights (Contract)
	Regulatory Changes (Tax, Labor, etc.)	Increased Costs, Compliance Burden	M	- Vendor Local Expertise Evaluation (Eval) - Contractual Flexibility for Legal Changes (Contract) - Ongoing Regulatory Monitoring (Execution)
Geopolitical	Political Instability / Policy Shifts	Operational Disruption, Safety Concerns	L/M	- Vendor Local Experience/Presence (Eval) - BCP includes Civil Unrest Scenarios (DD/Contract) - Geopolitical Monitoring (Execution)
Transition	Knowledge Transfer Failure	Performance Dips, Errors, Delays	H	- Detailed KT Plan Requirement (RFP/Contract) - KT Validation Methods (Playback, Checklists) (Contract) - Shadowing/Reverse Shadowing Periods (Contract)
	Transition Delays / Budget Overruns	Delayed Benefits, Increased Cost	M	- Detailed Transition Plan & Milestones (Contract) - Milestone-Based Payments (Optional - Contract) - Strong Transition Governance (Execution)
	Vendor Staffing Shortfalls	Inability to Execute KT/Shadowing	M	- Contractual Minimum Staffing Levels per Phase (Contract) - Monitor Staffing Ramp-up (Execution)

IX. Conclusion and Future Outlook

The establishment and management of AI-powered third-party Global Capability Centers (GCCs) in India represents a complex, yet strategically important, undertaking for multinational corporations seeking to leverage global talent, optimize costs, and drive innovation. The transformative power of AI is fundamentally reshaping the GCC landscape, presenting Sourcing and Procurement (S&P) professionals with both unprecedented opportunities and new, intricate challenges.

A. Key Strategic Considerations for S&P in the AI-Powered GCC Era

To effectively navigate this evolving terrain, S&P teams must adopt a multifaceted strategic approach. Several key considerations have emerged as critical for S&P success:

- **Strategic Alignment:** S&P must ensure that the objectives for the AI-powered GCC are unequivocally aligned with the broader enterprise strategy. This requires moving beyond a traditional cost-centric view to a strategic approach that emphasizes value creation, innovation, and capability building, with AI as a core enabler. The choice of operational model, vendor, and specific AI initiatives should be driven by these strategic objectives.
- **Rigorous AI-Focused Vendor Due Diligence:** The selection of the right third-party partner is paramount, and this responsibility falls squarely on S&P. S&P teams must evolve their due diligence processes to meticulously evaluate not only traditional vendor competencies but, crucially, their AI maturity, the quality and scalability of their AI talent pool, the robustness of their AI infrastructure and MLOps practices, their data security and IP protection mechanisms specific to AI, and their demonstrable commitment to ethical and responsible AI implementation.
- **Robust AI-Centric Contracting:** Standard outsourcing contracts are insufficient for AI engagements, placing a greater burden on S&P to adapt. S&P professionals must ensure that agreements incorporate AI-specific clauses addressing performance metrics (accuracy, bias, drift), detailed data governance (including usage rights for training data and compliance with regulations like India's DPDPA), clear intellectual property ownership for AI models and outputs, and provisions for ethical AI audits and compliance.
- **Collaborative Governance and Management:** S&P plays a crucial role in establishing and maintaining effective governance of AI-powered third-party GCCs. This requires fostering a collaborative framework between the company and vendor, encompassing joint strategic planning, ongoing alignment of AI roadmaps, transparent performance monitoring (potentially leveraging AI-driven analytics), proactive risk management, and mechanisms for managing innovation divergence.
- **Emphasis on Ethical AI and Continuous Learning:** S&P must champion a culture of responsible AI development and deployment. This includes prioritizing ethical awareness and ensuring that both the company and the vendor are committed to continuous learning to keep pace with the rapid evolution of AI technologies and the changing regulatory environment.

B. Emerging Trends and the Future of AI Sourcing and Procurement

The future of AI in global operations and sourcing presents several key trends that will directly impact S&P's role:

- **The Rise of Agentic AI:** The increasing prevalence of more advanced Agentic AI systems capable of autonomous decision-making and complex task orchestration will require S&P to evaluate vendors not just on their current AI capabilities but also on their readiness for this next wave of AI-driven automation.
- **Data as a Strategic Asset:** The strategic importance of data as the fuel for AI will intensify. S&P will need to incorporate data governance and data quality considerations into vendor selection and contract negotiations to an even greater degree.
- **Evolving AI Regulations:** The regulatory landscape for AI is expected to mature, both globally and in India. S&P must stay abreast of these changes and ensure that contracts and vendor relationships are flexible enough to adapt to new compliance mandates related to AI ethics, transparency, and accountability.

- **Hyper automation and End-to-End Process Transformation:** The convergence of AI with other automation technologies (hyper automation) will drive end-to-end process transformation within GCCs. S&P will need to identify vendors capable of supporting these complex, integrated solutions.

These trends will continue to reshape GCC strategies and significantly influence how companies source AI capabilities. The emphasis will be on vendors who can act as strategic partners, guiding S&P and the broader organization through this complex and rapidly evolving technological landscape.

C. Final Recommendations for Sourcing and Procurement Professionals

To effectively navigate the AI-powered GCC journey, S&P teams should adhere to the following high-level guidelines:



- **Champion a Holistic and Strategic Approach:** S&P must advocate for viewing the establishment of an AI-powered GCC as more than a sourcing transaction; it is a strategic imperative that must be integrated into the enterprise's global digital and AI strategy. S&P should collaborate with executive leadership and cross-functional teams to ensure alignment from the outset.
- **Lead AI-Specific Due Diligence and Contracting:** S&P must take ownership of the specialized requirements of AI sourcing. This includes dedicating sufficient time and resources to thoroughly vet potential third-party vendors for their AI capabilities, ethical frameworks, and data security practices. Furthermore, S&P must drive the development of AI-centric contracts that clearly define performance expectations, data rights, IP ownership, and governance mechanisms.
- **Drive a Collaborative Partnership Model:** S&P must foster a shift away from purely transactional client-vendor relationships. Instead, they should champion a collaborative partnership with the chosen GCC provider, emphasizing joint strategic planning, transparent communication, and shared responsibility for achieving AI-driven business outcomes.
- **Enable Internal AI Literacy and Governance Capacity:** While leveraging third-party expertise is essential, S&P must also work to build internal understanding of AI within the organization. This will empower the company to effectively manage vendors, oversee AI risks, and integrate AI-driven insights into core operations.
- **Champion Adaptability and Continuous Improvement:** S&P must recognize that the AI field is in constant flux. Therefore, they should advocate for designing GCC operating models, vendor relationships, and governance structures with built-in flexibility to adapt to new technologies, evolving business needs, and the dynamic regulatory landscape. S&P should also promote the implementation of robust monitoring and feedback loops to ensure continuous improvement and maximize value realization from AI initiatives.

By embracing these strategic considerations and recommendations, S&P professionals can play a pivotal role in enabling their organizations to successfully harness the transformative power of AI through third-party Global Capability Centers in India, establishing them as resilient, innovative, and value-generating extensions of their global enterprise.

X. Works Cited

1. India is the world's hub for global capability centers | Orange Business, , <https://www.orange-business.com/en/magazine/much-more-cost-savings-india-now-worlds-hub-global-capability-centers>
2. India's GCCs Are Evolving – Market Size to Cross USD 105 Billion by 2030 - GCC RISE, , <https://gccrise.com/indias-gccs-are-evolving-market-size-to-cross-usd-105-billion-by-2030/>
3. India's GCC sector surges: 24 centers cross \$1 bn revenue, on path for further growth, , <https://m.economictimes.com/news/india/indias-gcc-sector-surges-24-centres-cross-1-bn-revenue-on-path-for-further-growth/articleshow/118529182.cms>
4. Growth of India's energy GCCs - EY India Latest Insights | EY - India, , https://www.ey.com/en_in/insights/consulting/global-capability-centers/harnessing-the-growth-of-india-s-energy-gcc-s-in-the-global-energy-transition
5. How India is gearing up for a US\$110b GCC industry by 2030 | EY ..., , https://www.ey.com/en_in/insights/consulting/global-capability-centers/how-india-is-gearing-up-for-a-us-110b-dollars-gcc-industry-by-2030
6. 8 Reasons Why Global Companies Setup GCCs in India | Zinnov, , <https://zinnov.com/centers-of-excellence/8-reasons-why-global-companies-set-up-global-capability-centers-gccs-in-india-blog/>
7. Office of GCC - Deloitte, , <https://www.deloitte.com/in/en/what-we-do/gcc-office.html>
8. The Rise of the 'New' GCC: Trends, Risks and Opportunities, ET CIO, , <https://cio.economictimes.indiatimes.com/news/corporate-news/the-rise-of-the-new-gcc-trends-risks-and-opportunities/117733646>
9. The AI and GCC Revolution: A Defining Moment for India's Tech ..., , <https://nasscom.in/voices/ai-and-gcc-revolution-defining-moment-indias-tech-leadership>
10. Why So Many GCCs Lose Their Way - And How To Stop The Slide | Blog - Everest Group, , <https://www.everestgrp.com/blog/why-so-many-gccs-in-india-lose-their-way-and-how-to-stop-the-slide-blog.html>
11. The Rise of Global Capability Centers (GCCs) in India - GS Consulting, , <https://gsconsulting.in/blog/the-rise-of-global-capability-centers-gcc-in-india/>
12. Global Capability Center (GCC) Services - Accenture, , <https://www.accenture.com/content/dam/accenture/final/accenture-com/document-3/Accenture-Global-Capability-Center-GCC-Services-2025.pdf>
13. ISG Provider Lens™ Global Capability Center (GCC) Services - GCC Design and Setup - ISG Executive Insights, , <https://ei.isg-one.com/Research/MarketingPage?dashboardID=201a11ca-c115-4a33-a9f7-941eceeefbbd1&documentId=cPDuQ0FaQL>
14. GCC Annual Report 2024 | nasscom | The Official Community of ..., , <https://community.nasscom.in/communities/global-capability-centers/gcc-annual-report-2024>
15. Why the World Should Invest in India GCCs | Zinnov, , <https://zinnov.com/centers-of-excellence/why-the-world-should-invest-in-india-global-capability-centers-gccs-blog/>
16. Zinnov-nasscom Mid-Market Global Capability Centers (GCCs) ..., , <https://zinnov.com/centers-of-excellence/zinnov-nasscom-mid-market-global-capability-centers-gccs-2025-report/>
17. Nasscom Zinnov India's GCC Leap – Powering Global Mid-Market Momentum, , <https://community.nasscom.in/communities/nasscom-insights/nasscom-indias-gcc-leap-powering-global-mid-market-momentum>
18. GCC Enablers Pave the Way for India's \$50 Billion Economic Output ..., , <https://bestfirm.aimresearch.co/gcc-enablers-pave-the-way-for-indias-50-billion-economic-output-goal/>
19. Strategic Models for GCC Excellence: A Deep Dive | Daily Host News, , <https://www.dailyhostnews.com/strategic-models-for-gcc-excellence-a-deep-dive>
20. Understand these Partnership Models Before Kicking off your Indian GCC - Gadgeon, , <https://www.gadgeon.com/blog/understand-these-partnership-models-before-kicking-off-your-indian-gcc/>
21. Global Capability Centers (GCC) and Their Role in Outsourcing | Talowiz Blog, , <https://www.talowiz.ai/post/global-capability-centers>
22. KPMG GCC India leader unveils big shifts & billion-dollar opportunities - The Finance Story, , <https://thefinancestory.com/kpmg-india-gcc-leader-on-india-gcc-trends-and-opportunities>
23. Global Capability Centers: Transforming business operations and driving success, , <https://www.torryharris.com/knowledge-zone/global-capability-center>
24. Understanding Global Capability Center (GCC) as a Service ..., , <https://community.nasscom.in/communities/gcc/understanding-global-capability-center-gcc-service>
25. Strategic Models for GCC Excellence: A Deep Dive - NASSCOM Community, , <https://community.nasscom.in/communities/global-capability-centers/strategic-models-gcc-excellence-deep-dive>
26. A 2025 Guide to Setting Up a GCC in India - Inductus GCC, , <https://inductusgcc.com/a-2025-guide-to-setting-up-a-gcc-in-india/>
27. Global Capability Centres - KPMG International, , <https://kpmg.com/in/en/insights/global-capability-centres.html>

28. Will India's AI Regulations Stunt GCCs' Growth? - Analytics India Magazine, , <https://analyticsindiamag.com/gcc/will-indias-ai-regulations-stunt-gccs-growth/>
29. Global Capability Centers | The Future of Strategic Offshoring - Zinnov, , <https://zinnov.com/centers-of-excellence/what-makes-global-capability-centers-gccs-the-preferred-offshoring-model-blog/>
30. Redefining global privacy: The critical role of India's GCCs - EY, , https://www.ey.com/en_in/insights/cybersecurity/redefining-global-privacy-the-critical-role-of-india-s-gccs
31. Global Capability Centers in 2025: Key Legal and Strategic ..., , <https://www.pillsburylaw.com/en/news-and-insights/global-capability-centers-2025-legal-strategic-considerations.html>
32. How to Avoid Cloud Vendor Lock-In - Cloudficient, , <https://www.cloudficient.com/blog/how-to-avoid-cloud-vendor-lock-in>
33. What Is Cloud Vendor Lock-In (And How To Break Free)? - Cast AI, , <https://cast.ai/blog/vendor-lock-in-and-how-to-break-free/>
34. Indian GCCs vs. Traditional Outsourcing : What to Know? - Inductus GCC, , <https://inductusgcc.com/indian-gccs-vs-traditional-outsourcing-how-top-gccs-in-india-are-redefining-global-operations/>
35. Global Capability Center - KNM India, , <https://knmindia.com/global-capability-centers/>
36. AI in GCCs: Powering Automation & Workforce Transformation, , <https://gsconsulting.in/blog/ai-and-automation-in-gccs-transforming-operations-workforce-strategy/>
37. Index Insider: Are GCCs Expected to Do More with Less? | ISG, , <https://isg-one.com/research/articles/full-article/index-insider--are-gccs-expected-to-do-more-with-less>
38. The Rise of Agentic AI in Indian GCCs in 2025 - Inductus GCC, , <https://inductusgcc.com/the-rise-of-agentic-ai-in-indian-gccs-a-detailed-overview/>
39. The AI-Driven Evolution of Indian GCCs: Pioneering Innovation, Efficiency, and Growth, , <https://cxotoday.com/interviews/the-ai-driven-evolution-of-indian-gccs-pioneering-innovation-efficiency-and-growth/>
40. Global Capability Centers: Redefining Business Strategy with AI, Automation, and More, , <https://hexaware.com/blogs/global-capability-centers-redefining-business-strategy-with-ai-automation-and-more/>
41. Why India's GCC ecosystem is becoming the world's AI sandbox ..., , <https://etedge-insights.com/technology/why-indias-gcc-ecosystem-is-becoming-the-worlds-ai-sandbox/>
42. How India's GCCs Are Transforming Healthcare with AI? - NASSCOM Community, , <https://community.nasscom.in/communities/global-capability-centers/how-indias-gccs-are-transforming-healthcare-ai>
43. AI Revolution in GCCs: Empowering Human Potential - ANSR, , <https://ansr.com/blog/global-capability-centers-shaping-the-next-era-of-human-ai-partnerships/>
44. VendorAI: Comprehensive AI Vendor Database with Detailed Capabilities & Insights - AIM Research, , <https://aimresearch.co/product/vendorai-comprehensive-ai-vendor-database-with-detailed-capabilities-insights>
45. GCC AI Compendium – Vol. II | nasscom | The Official Community of Indian IT Industry, , <https://community.nasscom.in/index.php/communities/gcc/gcc-ai-compendium-vol-ii>
46. GCC AI Compendium – Vol. II | nasscom | The Official Community of ..., , <https://community.nasscom.in/communities/gcc/gcc-ai-compendium-vol-ii?page=1>
47. GCC AI Compendium – Vol. II | nasscom | The Official Community of Indian IT Industry, , <https://community.nasscom.in/communities/gcc/gcc-ai-compendium-vol-ii?page=64>
48. GCC AI Compendium – Vol. II | nasscom | The Official Community of Indian IT Industry, , <https://community.nasscom.in/communities/gcc/gcc-ai-compendium-vol-ii>
49. NASSCOM 2025 — Year Of Global Capability Centers, AI, And ..., , <https://www.forrester.com/blogs/nasscom-2025-year-of-gccs-ai-and-workforce-transformation/>
50. The Generative AI Maturity Framework - By AIM Research & Hansa ..., , <https://aimresearch.co/generative-ai/the-generative-ai-maturity-framework-by-aim-research-hansa-cequity>
51. AI Implementation Strategy: Benefits, Challenges | SaM Solutions, , <https://sam-solutions.com/blog/ai-implementation-strategy/>
52. Generative AI and its impact on CGSR GCCs - NASSCOM Community, , <https://community.nasscom.in/communities/ai/generative-ai-and-its-impact-cgsr-gccs>
53. Driving Excellence: A Strategic Perspective on GCC Maturity Assessment | nasscom | The Official Community of Indian IT Industry, , <https://community.nasscom.in/communities/gcc/driving-excellence-strategic-perspective-gcc-maturity-assessment>
54. www2.deloitte.com, , <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consulting/us-global-outsourcing-survey-2024-report.pdf>
55. Global Capability Centers' (Gen)AI agenda - Boston Consulting Group, , <https://media-publications.bcg.com/Global-Capability-Centers-Cautiously-Advancing-Gen-AI.pdf>
56. The GCC AI Pulse: Mapping the Region's Readiness for an AI-Driven Future | BCG, , <https://www.bcg.com/publications/2025/the-gcc-ai-pulse-mapping-the-regions-readiness-for-an-ai-driven-future>

57. Index Insider: GCCs Want AI, Too - ISG , <https://isg-one.com/research/articles/full-article/index-insider--gccs-want-ai--too>
58. AI Talent in India Sees Salary Surge as GCCs Invest in Generative ..., <https://gccrise.com/ai-talent-in-india-sees-salary-surge-as-gccs-invest-in-generative-ai-skills/>
59. What GenAI Means for India's GCC Workforce in 2025 and Beyond - YourStory.com, <https://yourstory.com/2025/04/genai-impact-india-gcc-jobs-future>
60. Rise of AI in Learning and Development: A GCC Leadership Blueprint | Zinnov, <https://zinnov.com/global-talent/rise-of-ai-in-learning-and-development-a-gcc-leadership-blueprint-blog/>
61. The Real Remedy: Maximizing the Value of Skills and AI with PwC - Phenom, <https://www.phenom.com/blog/real-remedy-maximizing-value-skills>
62. AI Vendor Contracts: Negotiation Tactics and Comprehensive Due Diligence, , <https://www.foley.com/insights/events/2025/03/ai-vendor-contracts-negotiation-tactics-due-diligence/>
63. New resource: Tool for Assessing AI Vendors - MERL Tech, <https://merltech.org/new-resource-tool-for-assessing-ai-vendors/>
64. The AI Vendor Evaluation Checklist Every Leader Needs - Reworked, <https://www.reworked.co/digital-workplace/the-ai-vendor-evaluation-checklist-every-leader-needs/>
65. AI vendor due diligence: Free checklist - Cobrief, <https://www.cobrief.app/resources/business-checklist-library/ai-vendor-due-diligence-free-checklist/>
66. Machine Learning Operations with Impact | Deloitte US, <https://www2.deloitte.com/us/en/pages/consulting/articles/edge-ai-and-machine-learning-operations-case-studies.html>
67. Mastering GCC Operations in India: Strategies for Scalable Growth - Supersourcing, <https://supersourcing.com/blog/mastering-gcc-operations-in-india/>
68. All-Inclusive Enterprise AI Agents Development Guide - Veraqor, <https://veraqor.io/blog/enterprise-ai-agents-for-gcc/>
69. IDC MarketScape: Worldwide Artificial Intelligence Services 2023 Vendor Assessment - Deloitte, <https://www2.deloitte.com/content/dam/Deloitte/mx/Documents/operate/idc-marketscape-worldwide-artificial-intelligence-services-2023-vendor-assessment.pdf>
70. Keeping pace with ARTIFICIAL INTELLIGENCE: Third-party risk management, <https://www.wolterskluwer.com/en/expert-insights/keeping-pace-with-artificial-intelligence-third-party-risk-management>
71. Third-party Risks: Assessing and Securing External Dependencies in AI Pipelines, https://www.researchgate.net/publication/391399435_Third-party_Risks_Assessing_and_Securing_External_Dependencies_in_AI_Pipelines/download
72. Beyond The Hype: Unpacking The Risks Associated With Global ..., <https://www.everestgrp.com/blog/beyond-the-hype-unpacking-the-risks-associated-with-global-capability-centers-gccs-blog.html>
73. What fintech and payments firms must know to ensure data privacy | EY - India, https://www.ey.com/en_in/insights/cybersecurity/what-fintech-and-payments-firms-must-know-to-ensure-data-privacy
74. Navigating AI Vendor Contracts and the Future of Law: A Guide for Legal Tech Innovators, <https://law.stanford.edu/2025/03/21/navigating-ai-vendor-contracts-and-the-future-of-law-a-guide-for-legal-tech-innovators/>
75. AI Considerations in Software Agreements: Key Clauses for the Age of Generative AI, <https://www.chiplawgroup.com/ai-considerations-in-software-agreements-key-clauses-for-the-age-of-generative-ai/>
76. Mastering the complexities of AI risk and compliance: Trends ..., <https://kpmg.com/ch/en/insights/artificial-intelligence/risk-compliance-trusted-ai.html>
77. The AI Vendor Evaluation Checklist Every Leader Needs - VKTR.com, <https://www.vktr.com/digital-workplace/the-ai-vendor-evaluation-checklist-every-leader-needs/>
78. www.ey.com, <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/services/ai/documents/ey-how-to-ask-corporate-vendors-the-right-questions-when-it-comes-to-rai.pdf>
79. Spotting red flags: How to evaluate AI vendors and avoid costly mistakes - TrustPath, <https://www.trustpath.ai/blog/spotting-red-flags-how-to-evaluate-ai-vendors-and-avoid-costly-mistakes>
80. ISO 42001: paving the way for ethical AI | EY - US, https://www.ey.com/en_us/insights/ai/iso-42001-paving-the-way-for-ethical-ai
81. Adopting a holistic end-to-end responsible AI strategy | EY - US, https://www.ey.com/en_us/cro-risk/adopting-a-holistic-end-to-end-responsible-ai-strategy
82. Model Contractual Clauses for AI Procurement in the EU: Key Takeaways for AI Companies, <https://cdp.cooley.com/model-contractual-clauses-for-ai-procurement-in-the-eu-key-takeaways-for-ai-companies/>
83. EU's Community of Practice Publishes Updated AI Model Contractual Clauses, <https://www.insideglobaltech.com/2025/04/07/eus-community-of-practice-publishes-updated-ai-model-contractual-clauses/>

84. EY announces AI integration into global Assurance technology platform - Accountancy Age, , <https://www.accountancyage.com/2025/04/09/ey-announces-ai-integration-into-global-assurance-technology-platform/>
85. How AI transforms third-party risk management | EY - Global, , https://www.ey.com/en_gl/insights/consulting/how-ai-navigates-third-party-risk-in-a-rapidly-changing-risk-landscape
86. Checklist for assessing AI solutions - Dentons, , <https://www.dentons.com/en/insights/articles/2025/february/12/checklist-for-assessing-ai-solutions>
87. Key Considerations When Evaluating an AI Vendor - Morgan Lewis, , <https://www.morganlewis.com/blogs/sourcingatmorganlewis/2024/01/key-considerations-when-evaluating-an-ai-vendor>
88. AI Vendor Checklist: Find the Right Agentic AI Seller - Outreach, , <https://www.outreach.io/resources/tools/ai-agentic-seller-checklist>
89. Vendor Due Diligence Checklist - Association of Corporate Counsel, , <https://www.acc.com/sites/default/files/2024-08/AI---Vendor-Due-Diligence-Checklist-525861.1-.docx>
90. Agentic AI in the Request for Proposal (RFP) Process - XenonStack, , <https://www.xenonstack.com/blog/agentic-ai-request-for-proposal>
91. AI-powered & Next-gen RFP Tools Transforming Procurement | GEP ..., , <https://www.gep.com/blog/strategy/ai-powered-next-gen-rfp-tools-transforming-procurement>
92. Performance and accuracy service level agreements - Auto Finance News, , <https://www.autofinancenews.net/allposts/technology/performance-and-accuracy-service-level-agreements/>
93. How to Measure AI Performance: Metrics That Matter for Business Impact - Neontri, , <https://neontri.com/blog/measure-ai-performance/>
94. OMB Issues First Trump 2.0-Era Requirements for AI Use and Procurement by Federal Agencies | Global Policy Watch, , <https://www.globalpolicywatch.com/2025/04/omb-issues-first-trump-2-0-era-requirements-for-ai-use-and-procurement-by-federal-agencies/>
95. AI-Powered Contract Performance Management Unlocking Values ..., , <https://www.gep.com/blog/strategy/ai-powered-contract-performance-management-values>
96. AI in procurement from theory to practice: the example drafting a SLA - Altesia, , <https://www.altesia.be/post/ai-in-procurement-from-theory-to-practice-the-example-drafting-a-sla>
97. Performance Metrics @ Shared Services, GBSS & GCCs | nasscom | The Official Community of Indian IT Industry, , <https://community.nasscom.in/communities/global-capability-centers/performance-metrics-shared-services-gbss-gccs>
98. Response Time Service Level Agreement - Qatar - Genie AI, , <https://www.genieai.co/en-qa/template/response-time-service-level-agreement>
99. Drift Platform Service Level Agreement - Salesloft, , <https://www.salesloft.com/legal/drift/drift-platform-service-level-agreement>
100. How to avoid AI model drift with monitoring and management | Building successful AI that's grounded in trust and transparency | IBM, , <https://www.ibm.com/resources/guides/predict/trustworthy-ai/avoid-drift/>
101. Outsourcing and Technology 2025: Key Takeaways – Tech ..., , <https://www.morganlewis.com/blogs/sourcingatmorganlewis/2025/01/outsourcing-and-technology-2025-key-takeaways>
102. AI and Data Processing Agreements: What You Need - Formiti, , <https://formiti.com/ai-data-processing-agreements/>
103. Data Use Agreement for Open AI Model Development Annotated-Template - Microsoft, , <https://cdn-dynmedia-1.microsoft.com/is/content/microsoftcorp/microsoft/msc/documents/presentations/CSR/DUA-OAI-1-1.pdf>
104. Navigating AI Training Data Acquisition and IP Implications - The Rapacke Law Group, , <https://arapackelaw.com/patents/ai-training-data-acquisition-ip/>
105. AI and intellectual property rights - Dentons, , <https://www.dentons.com/en/insights/articles/2025/january/28/ai-and-intellectual-property-rights>
106. Best Practices For Companies Integrating Existing IP With AI, , <https://www.pryorcashman.com/publications/best-practices-for-companies-integrating-existing-ip-with-ai>
107. In Contracts, Identify Ownership of AI-Generated Work | Gordon ..., , <https://www.gfrlaw.com/what-we-do/insights/contracts-identify-ownership-ai-generated-work>
108. AI compliance: important legal aspects at a glance - KPMG-Law, , <https://kpmg-law.de/en/ai-compliance-important-legal-aspects-at-a-glance/>
109. Intellectual Property Newsletter Edition 04 | 2023 - KPMG LLP, , <https://assets.kpmg.com/content/dam/kpmg/vn/pdf/publication/2023/11/ip-newsletter-04-2023.pdf>
110. Intellectual Property Clause Examples - Spellbook, , <https://www.spellbook.legal/clauses/intellectual-property>
111. Intellectual property rights clause: Copy, customize, and use instantly, , <https://www.cobrief.app/resources/contract-clause-library/intellectual-property-rights-clause-copy-customize-and-use-instantly/>
112. Intellectual Property (IP) Clauses: Ownership, Licensing, and Protection - Sirion, , <https://www.sirion.ai/library/contract-clauses/intellectual-property-clause/>

113. Joint ownership clause: Copy, customize, and use instantly - Cobrief, , <https://www.cobrief.app/resources/contract-clause-library/joint-ownership-clause-copy-customize-and-use-instantly/>
114. Practical Contractual Considerations in Licensing Third-Party AI Applications and Solutions, , <https://www.hannessneman.com/news-and-views/blog/practical-contractual-considerations-in-licensing-third-party-ai-applications-and-solutions/>
115. The American Trust in AI Paradox: Adoption Outpaces Governance - KPMG International, , <https://kpmg.com/us/en/media/news/trust-in-ai-2025.html>
116. The Dynamic Shift in Global Capability Centers: Fueling Business Innovation | nasscom, , <https://community.nasscom.in/communities/global-capability-centers/dynamic-shift-global-capability-centers-fueling-business>
117. EU's Community of Practice Publishes Updated AI Model Contractual Clauses, , <https://www.insideprivacy.com/artificial-intelligence/eus-community-of-practice-publishes-updated-ai-model-contractual-clauses/>
118. www2.deloitte.com, , <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/center-for-board-effectiveness/ai-governance-roadmap.pdf>
119. AI Governance 360 - Swiss Cyber Institute, , <https://swisscyberinstitute.com/artificial-intelligence-governance-360/>
120. Accenture Launches Week-Long Series on Data and Gen AI Innovation, , <https://analyticsindiamag.com/ai-highlights/accenture-launches-week-long-series-on-data-and-gen-ai-innovation/>
121. How a Strategy Realization Office (SRO) Can Benefit GCC Setup - ISG, , [https://isg-one.com/research/articles/full-article/how-a-strategy-realization-office-\(sro\)-can-benefit-gcc-setup](https://isg-one.com/research/articles/full-article/how-a-strategy-realization-office-(sro)-can-benefit-gcc-setup)
122. Global capability centers or GCCs drives innovation | EY - US, , https://www.ey.com/en_us/insights/industrial-products/global-capability-centers-or-gccs-drives-innovation
123. Major expansion of EY-Parthenon strengthens EY position in global strategy and transactions market, , https://www.ey.com/en_kw/newsroom/2025/03/major-expansion-of-ey-parthenon-strengthens-ey-position-in-global-strategy-and-transactions-market
124. Generative AI and cybersecurity - Roland Berger, , <https://www.rolandberger.com/en/Insights/Publications/Generative-AI-and-cybersecurity.html>
125. Unlocking Gen AI's Potential in the GCC: Strategies for Scaling Success, , <https://www.mitsloanme.com/article/unlocking-gen-ais-potential-in-the-gcc-strategies-for-scaling-success/>
126. Impact of AI on Software Outsourcing: Opportunity or Threat - Shift Asia, , <https://shiftasia.com/column/impact-of-ai-on-software-outsourcing-opportunity-or-threat/>
127. 2025 AI Business Predictions - PwC, , <https://www.pwc.com/us/en/tech-effect/ai-analytics/ai-predictions.html>