



Adoption of Hybrid Sourcing in GLCs – Driving Impact through GLC-Service Provider Collaboration

Global Sourcing
Market Report: April 2015 – Preview Deck

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Background and scope of the research

Background of the research

With increasing maturity of the Global In-house Center (GIC) model, GICs are increasingly working with service providers to deliver services (defined as hybrid sourcing in this report). Some GICs manage service providers on behalf of their parent organization. Additionally, mature GICs are involved in shaping the parent's sourcing strategy and managing the sourcing program

In this research, we analyze adoption of hybrid sourcing among GICs by assessing the following dimensions:

- | Hybrid sourcing strategy, level of adoption, and benefits realized
- | GIC maturity and experience with the hybrid sourcing model
- | Engagement models used for hybrid sourcing
- | Future outlook for both GICs and service providers

The scope of the analysis includes:

- | Primarily, offshore GICs with some level of adoption of hybrid sourcing
- | Includes all services sectors across GICs
- | Analysis of survey findings conducted across 71 GICs to showcase adoption trends of hybrid sourcing in GICs

Table of contents (page 1 of 2)

Topic	Page no.
Background and methodology	5
Background and scope of research	6
Definition of hybrid sourcing	7
Overall methodology	8
Executive summary	12
Summary of key messages	13
Section I: Hybrid sourcing strategy, level of adoption, and benefits realized	15
Summary	16
Sourcing model approach	17
Current level of hybrid sourcing adoption	18
Objective of hybrid sourcing and benefits realized by GICs	21
Section II: GIC maturity and experience with hybrid sourcing	25
Summary	26
Maturity of the hybrid model	27
Level of involvement and usage by GICs	31
Section III: Engagement models used for hybrid sourcing	35
Summary	36
Delivery constructs employed by GICs	37
Pricing structures used by GICs	39
Extent and types of service providers leveraged	41

Table of contents (page 2 of 2)

Topic	Page no.
Section IV: Future outlook	42
Summary	43
Key initiatives likely to be pursued by GICs	44
Assessment of challenges faced by GICs in increasing adoption of hybrid sourcing	46
Opportunities for service providers to work with GICs	47
Appendix	48
Glossary of key terms	49
GS research calendar	51
References	52

Overview and abbreviated summary of key messages

This report provides overview on the adoption trends of hybrid sourcing in GICs backed by findings from the survey conducted by Everest Group in collaboration with SSON and Nasscom on “Adoption trends of hybrid sourcing in GICs”. This further is validated through select examples and case studies of best-in-class GICs who have witnessed adoption of hybrid sourcing at various stages of their maturity across various dimensions as covered in this report.

Some of the findings in this report, among others, are:

Hybrid sourcing strategy, level of adoption, and benefits realized

- | Hybrid sourcing is a well established delivery model with 80% of the survey respondents adopting hybrid sourcing
- | Hybrid sourcing adoption is more evolved in IT services, compared to Business Process Services (BPS) functions
- | GICs could realize sufficient benefits (e.g., manage demand fluctuations, lower costs, and access best practices) by adoption of hybrid sourcing

GIC maturity and experience with hybrid sourcing

- | As GICs evolve in their operating models, they, typically, work with service providers to enhance the overall service delivery impact
- | GICs' involvement with service providers could be broadly classified into three components – use service provider delivery, support/implement the service provider sourcing program for the parent, and identify global sourcing opportunities and design the sourcing model strategy

Engagement models used for hybrid sourcing

- | Staff-augmentation, project-based work, and managed services delivery constructs are the three models used by GICs to engage service providers
- | Though staff augmentation is the most prevalent model, there is evidence of managed services set-ups too
- | FTE-based pricing is the dominant pricing structure used, with some GICs moving towards alternate pricing models (e.g., transaction-based pricing, outcome-based pricing, and fixed price)

Future outlook

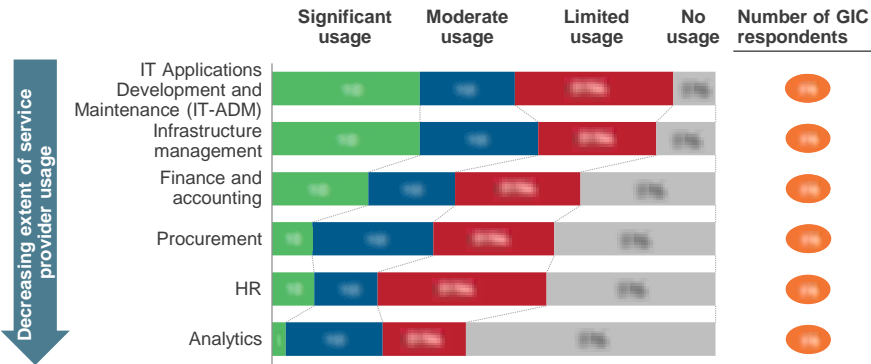
- | GICs' involvement with service providers is likely to increase with parent mandate and GIC scale being the critical enablers
- | GICs are likely to pursue multiple initiatives related to service providers; delivery improvement and governance enhancement are the top two priorities
- | Going forward, there are multiple opportunities for service providers to work with GICs beyond staff augmentation and delivering niche skills

Source: Hybrid sourcing adoption trends in GICs: 2014 survey conducted jointly by SSON, Nasscom, and Everest Group

This study offers four distinct chapters providing assessment of adoption of hybrid sourcing in GICs; below are four charts to illustrate the depth of the report

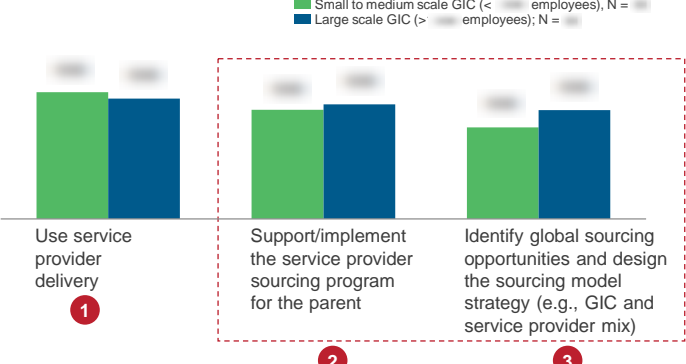
Level of adoption and benefits realized

Extent of service provider usage for functions delivered from GICs
Number of GIC respondents (N); N = 100



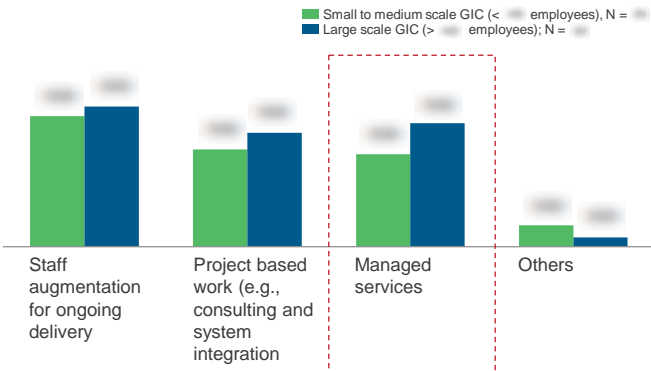
GIC maturity and experience with hybrid sourcing

Areas of involvement of GICs with service providers
Number of GIC respondents (N); N = 100



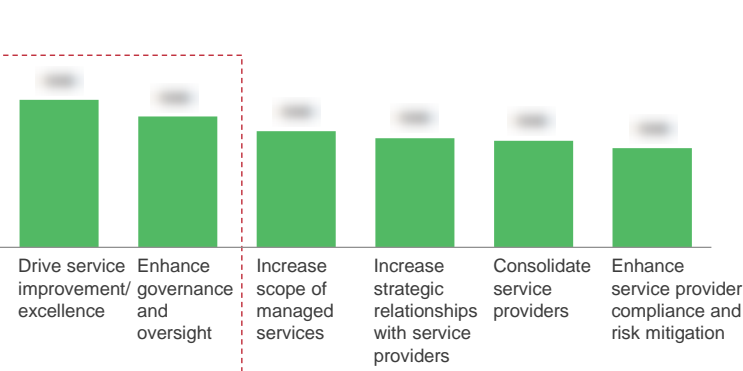
Engagement models used for hybrid sourcing

Delivery constructs where service providers are used
Number of GIC respondents (N); N = 100



Future outlook

Key initiatives that GICs are likely to pursue to improve service provider delivery
Number of GIC respondents (N); N = 71



Source: Everest Group (2015)

GS research calendar

Topic	Release date
Evolution of the GIC Model: Do GICs Really Add Value Beyond Cost Arbitrage?	October 2014
Global In-house Center (GIC) Landscape in BFSI Sector	October 2014
How Cost Competitive are Global In-house Centers (GICs)?	October 2014
Webinar Deck: The Business Case for Impact Sourcing	October 2014
Viewpoint: Economies of Scale in Global Services – Realities and Limitations	December 2014
Viewpoint: Cracking the Hybrid Code	December 2014
Viewpoint: Organizational models for governing GICs	January 2015
Global In-house Center (GIC) Landscape Annual Report 2015	March 2015
Adoption of Hybrid Sourcing in GICs – Driving Impact through GIC-Service Provider Collaboration	April 2015
Report: Analytics services in GICs	Q2 2015
Viewpoint: Global Business Services	Q2 2015
Landscape Report: GIC landscape among UK firms	Q2 2015
Landscape Report: GICs leading the way for enterprise digital transformation	Q3 2015
Landscape Report: F&A services delivery from GICs	Q3 2015

Additional research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Evolution of the GIC Model: Do GICs Really Add Value Beyond Cost Arbitrage?** ([EGR-2014-2-R-1254](#)); 2014. As GICs look to play a more strategic role within the organization, it becomes crucial to identify areas where more business impact can be created in addition to just cost arbitrage. It is also equally important to articulate, quantify, and communicate the value addition to the parent organization. This report assesses the current state of the GIC market in terms of maturity of model and aims to help GICs in their maturity journey by identifying value addition levers and providing a framework to help quantify the business impact created
2. **Global In-house Center (GIC) Landscape in BFSI Sector – High Adoption for Business Process Services, Will IT Services Follow the Trend?** ([EGR-2014-2-R-1265](#)); 2014. This report provides a deep dive into the BFSI GIC landscape and an analysis of the trends across banking, capital markets, and financial services subsectors. The research also brings out key insights about the BFSI GIC market across key delivery locations and functions and concludes with an assessment of the strategic trends observed in BFSI GICs
3. **Global In-house Center (GIC) Landscape Annual Report 2015** ([EGR-2015-2-R-1431](#)); 2015. This report provides a deep-dive into the GIC landscape and an analysis of the GIC trends in 2014, comparing them with the trends in last two years. The research also brings out key insights into the GIC market across locations, verticals, and functions. It concludes with an assessment of the hybrid sourcing constructs.

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