



# The Future of Outsourcing: Rethink Everything

The old “rules” are changing—outsourcing is an essential capability in transformation, innovation, and value creation.



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# Outsourcing's new era:

From transactions to transformations



It's hard to tell what's moving faster these days—a company's business needs or the outsourcing models that support them.

What's clear, though, is that both are changing, fast. And the organizations that understand this shift—and recalibrate how they design, contract, and manage outsourced services—may be better equipped to meet emerging challenges and prepare for what's ahead.



Indeed, outsourcing is entering a new era—one defined not just by location and labor arbitrage, but also by a more purposeful and strategic orchestration of technology, talent, and delivery models. Forward-looking organizations are now pursuing **technology-enabled transformation through outsourcing**—leveraging artificial intelligence (AI), automation, and dynamic new partnership frameworks to modernize operations, enhance productivity, and access hard-to-find talent.

At the same time, outsourcing is becoming more complex. What was once a relatively linear, transactional model—defined by “lift-and-shift” strategies—is evolving into a multidimensional service ecosystem of providers, global capability centers (GCCs), technology and automation layers, and hybrid delivery teams. This shift has been building over the past few years, driven by evolving business needs and new capabilities. But it’s now poised to redefine how companies design, manage, and extract value from outsourcing going forward.

The changes are a direct response to challenges felt across industries:

- Cost pressures and shrinking margins
- Access to in-demand talent across a growing number of essential functions
- The rise of remote work and distributed delivery
- Leveraging leading technologies—AI, automation, data and analytics—that seem to change by the minute
- Growing complexities in areas such as tax management, internal audit requirements, and regulatory activity such as tariffs
- The need to more rapidly scale innovation and transformation across the entire enterprise.

Amid these pressures, organizations are looking for more from their service providers. Per recent KPMG research, 81 percent of companies want providers to be strategic collaborators, not “vendors.”<sup>1</sup> And three out of four companies want help pursuing transformational outcomes such as new business models and technology innovation—not just transactional tasks and cost takeout.

Meeting these expectations requires more than sourcing expertise. It demands strategic alignment, cross-functional governance, and a new kind of operating mindset—one that treats outsourcing as a continuously evolving capability rather than a one-time decision.

To better understand the future of outsourcing, we need to look beyond simple cost metrics or geographic shifts. What’s emerging is a more strategic, orchestrated approach—one that spans how companies source talent, embed technology, structure contracts, and manage change.

It’s a transformation that is playing out across five key areas:

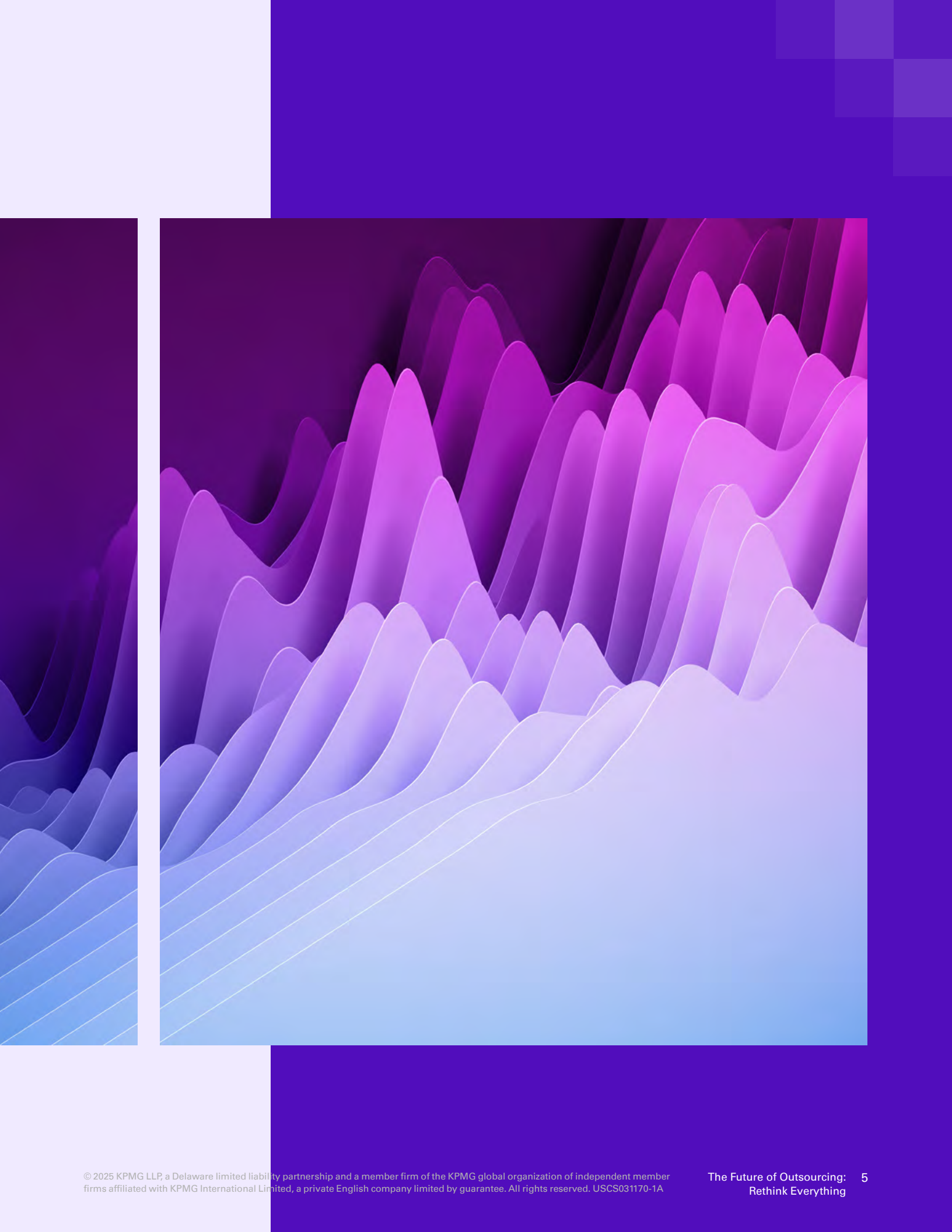
- 01** ▶ **An evolving delivery ecosystem** that’s more hybrid, distributed, and orchestration-heavy
- 02** ▶ **A new partnership ethos** that moves beyond service level agreements (SLAs) to business outcomes, collaboration, and trust
- 03** ▶ **A shifting provider mindset** that embraces AI, automation, and productized value
- 04** ▶ **The growing role of procurement** as a strategic sourcing and transformation enabler
- 05** ▶ **The rising complexity of deals** as providers and buyers adapt to these fast-moving changes.

Let’s take a closer look at each of these areas—and how organizations can navigate today’s changes while preparing for the dynamic future of outsourcing that lies ahead.

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<sup>1</sup> 2024-2025 KPMG and HFS Managed Services Outlook







# The evolving ecosystem

# 01

Companies today are navigating far more complex service delivery environments, which include a mix of third-party providers, GCCs, internal teams, and embedded automation. In many organizations, *all* of these models coexist.

The challenge is no longer whether to outsource. It's how to orchestrate across delivery models in a way that supports business goals, resilience, and continuous transformation. But, in a more complex environment, making that orchestration work requires structured frameworks and tighter governance. Outsourcing is no longer a binary, "see you in three to five years" decision.



## What's changing

While many organizations are still maturing their sourcing strategies, several clear patterns have emerged.

Most leading companies now operate in a blended environment, mixing external providers with internal delivery centers, GCCs, and shared services—alongside more flexible constructs such as build-operate-transfer models. At the same time, AI capabilities are prompting some organizations to shift select functions back in-house—particularly where they enable greater speed, control, and competitive opportunities. For others, however, doubling down on provider-led transformation is more effective for their operations.

Amid all this movement, governance models are under strain. Many were not designed for today's hybrid environments, which demand alignment across internal teams, outsourcing providers, automation platforms, and agile delivery. In many cases, companies lack a consistent framework and supporting technology to determine when to insource, outsource, automate, or restructure work.

Further complicating the conversation is the terminology itself: terms like “offshoring, GBS, shared services, GCC, captive and outsourcing” are often used interchangeably—leading to blurred expectations and design misalignment.

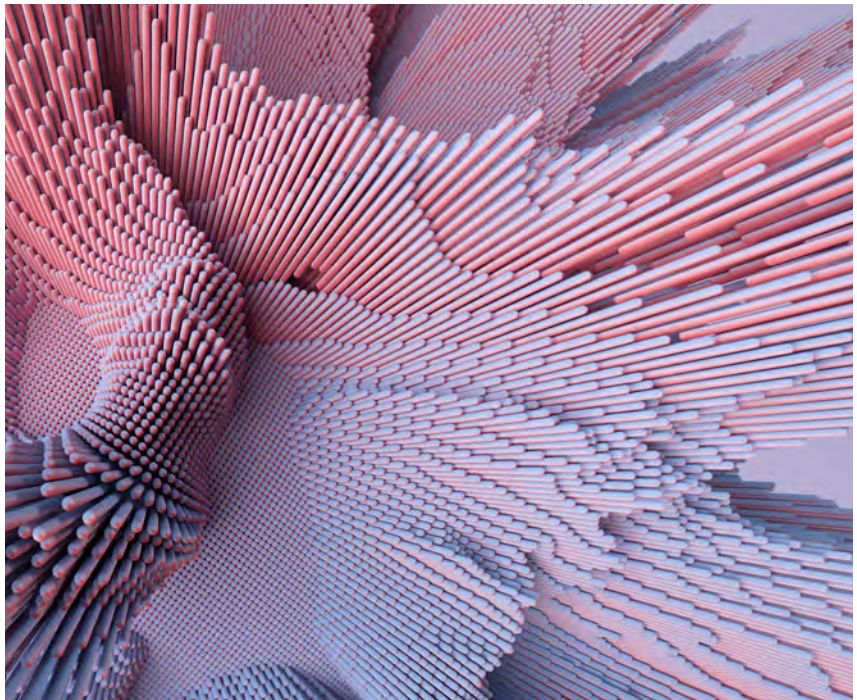
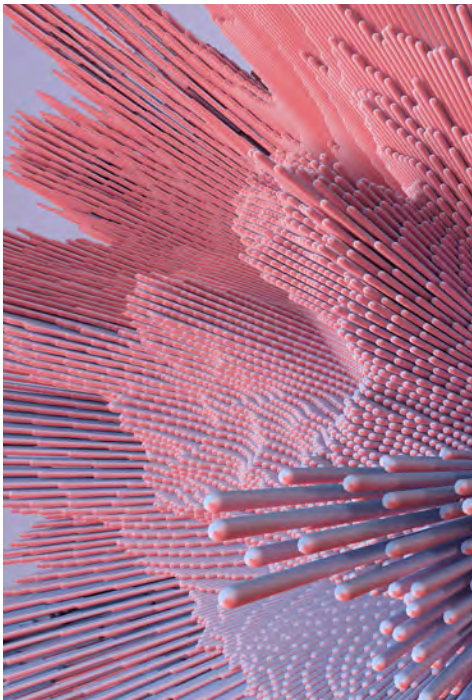


## What's ahead

As outsourcing continues to evolve, leading organizations will treat delivery model design as a core strategic capability. To prepare for what's next, companies can:

- **Build structured decision frameworks** that weigh cost, control, talent access, and innovation potential
- **Establish layered governance models** that span functions, partners, and automation
- **Clarify ownership and accountability** across delivery teams and ecosystems
- **Align delivery models** with enterprise tech maturity and transformation goals
- **Treat outsourcing as a platform** for agility and change, not just operational efficiency
- **Prioritize change management** to ensure awareness and alignment across the organization.

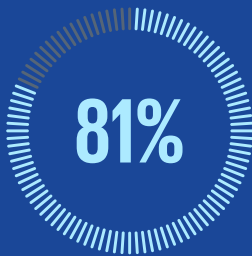
As ecosystem complexity grows, so does risk—contractual, operational, and reputational. Companies that take a more intentional, orchestrated approach to delivery design will be better positioned to scale, evolve, and create value from outsourcing as the pace of change accelerates.



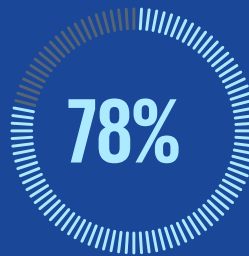


## Modern sourcing drives a transformational impact

In the next two years, companies expect high impact from modern sourcing in the following areas:



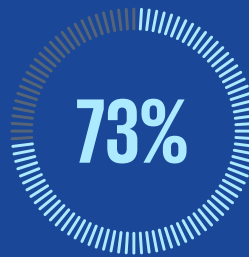
**Strategic outcomes that drive competitive advantage.**



**Business model transformation.**



**Technology innovation.**



**Operating model transformation.**

Source: KPMG and HFS Managed Services Outlook 2024-25



# Building a partnership

# 02

The expectations for outsourcing relationships are also changing. Companies no longer want providers who simply deliver against service levels—they want service providers who can help them move the business forward.

As outsourcing becomes more embedded in enterprise strategy, service providers are being invited deeper into transformation efforts, where they are expected to share accountability and deliver innovation alongside efficiency. This shift requires a different kind of relationship—one built on sharing information and objectives and a clear understanding of business context.

This evolution is prompting a rethink of what partnership looks like in a modern outsourcing environment, and in many cases, it starts with access. The providers who perform best are often the ones with greater visibility into the client's goals, challenges, and roadmaps. Performance still matters—but it's not just about SLAs anymore. It's about outcomes—delivering value through adaptability, innovation, and alignment with business impact.



## What's changing

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The best outsourcing relationships today aren't managed—they're co-led. Clients are seeking service providers who do more than execute. They want collaborators who can think alongside their teams, solve complex problems, and flex delivery models as needs evolve. Innovation funds, co-investment models, and transformation-as-a-service agreements are gaining traction, but the real differentiator is governance. Even the most promising partnership structures break down without clarity around access, accountability, and execution.

Many organizations are still evolving their supplier management models, especially as outsourcing moves from the back office to the middle and even front office. This expansion brings both opportunity and risk. Service providers are now expected to contribute to the business, not just support it—and that means partnership models must mature alongside expectations.



## What's ahead

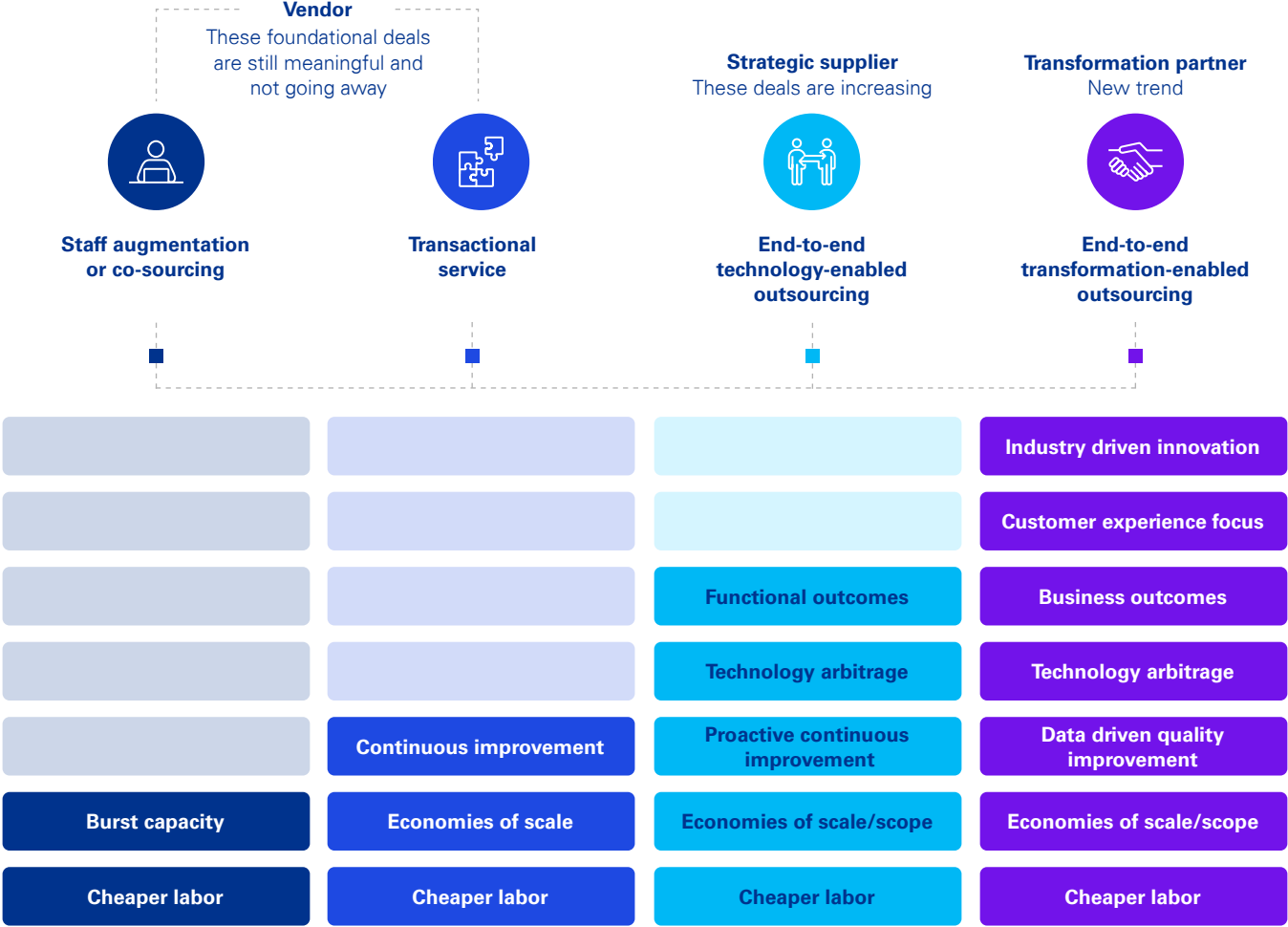
Going forward, successful partnerships will be defined by how well they align with clearly defined business outcomes, not just delivery precision. To move forward, organizations can:

- **Redesign governance frameworks** to support shared accountability and innovation
- **Invite key providers** into early-stage planning and transformation discussions
- **Establish performance measures** tied to business impact, as well as technical metrics
- **Create space for experimentation** within contracts (for example, innovation pilots or sandbox initiatives)
- **Treat strategic providers like internal teams**, ensuring transparency, continuity, and access.

As expectations evolve, the gap between “vendor” and “partner” will only grow wider. Organizations that build trust-based, business-aligned relationships with their providers will be better positioned to scale smarter, move faster, and deliver lasting value.



## Building a partnership



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# The shifting provider mindset

# 03

As expectations for outsourcing rise, providers are being forced to evolve—not just how they deliver, but also how they define value.

For decades, service providers differentiated themselves on cost, scale, and delivery efficiency. Today, clients are asking for something more—embedded technology, co-innovation, transformation support, and measurable business outcomes. Providers that can meet those demands are moving into more strategic territory. Those that can't are falling behind.

This shift is creating both opportunity and disruption across the provider landscape. Traditional service models are under pressure. New entrants—often tech-first or platform-based—are gaining traction. It's no longer about filling roles or running processes. It's about enabling change.





## What's changing

Leading service providers are moving beyond labor arbitrage and embracing technology as a primary lever of value. They're investing in automation, analytics, and AI capabilities that can be built directly into delivery, and, increasingly, into contract structures. Transformation-as-a-service is gaining traction, with providers offering prebuilt frameworks, outcome-based models, and modular solutions. While labor arbitrage still matters, the focus is shifting to *eliminating* work—not simply covering it.

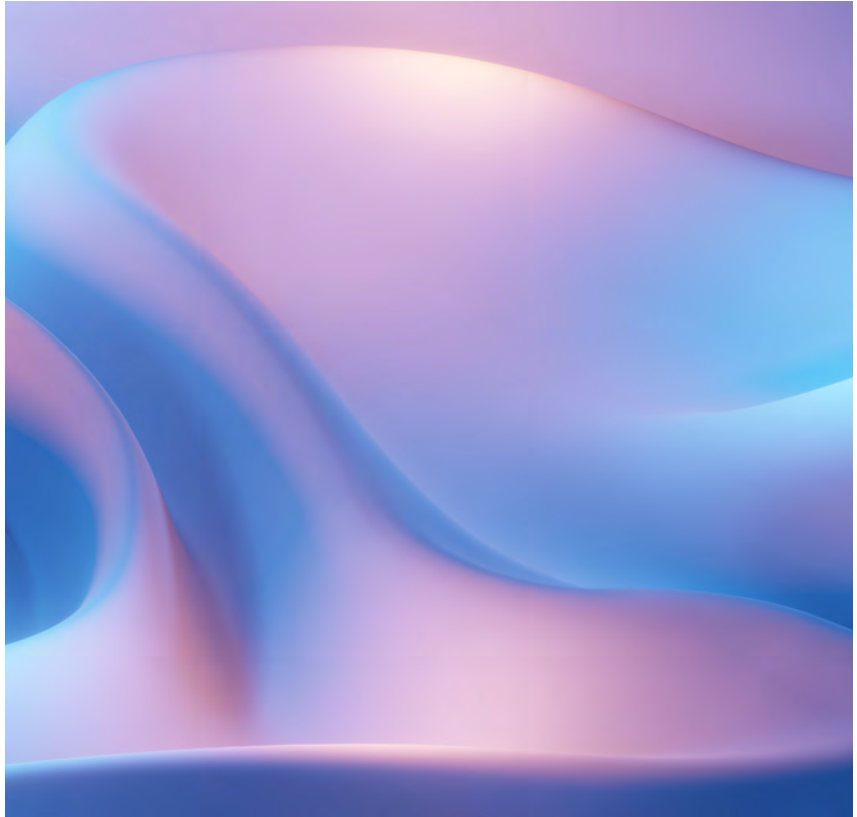
Commercial innovation is also accelerating. Clients are seeking flexible pricing, shared-risk arrangements, and service models that can scale and adapt. In response, some providers are building proprietary platforms, co-investing in digital solutions, or offering innovation funds to stay competitive. But many still struggle to transition from a transactional vendor mindset to truly becoming a strategic partner—especially when the provider's internal incentives, legacy contracts, or delivery models are still aligned to volume and efficiency instead of innovation and outcomes.

## What's ahead

The providers that succeed will be the ones who deliver measurable value. To meet client expectations and stand out in a crowded market, providers will need to:

- **Embed automation, analytics, and AI** into delivery as standard terms, rather than upsells
- **Shift pricing models** to align with outcomes, not just inputs or SLAs
- **Develop platform offerings or accelerators** that shorten time to value
- **Build governance structures** that support innovation delivery and shared accountability
- **Focus on talent and leadership** that can execute *and* advise.

As delivery shifts from labor to technology and from execution to enablement, the provider landscape will continue to fragment—and only those that evolve quickly will remain trusted partners.



## Your Roadmap to a Thriving Outsourcing Partnership

Outsourcing has evolved beyond cost-cutting, emerging as a strategic tool for doing business. At the core of this evolution is the development of **healthy supplier-client relationships** that unlock the multifaceted potential of outsourcing.

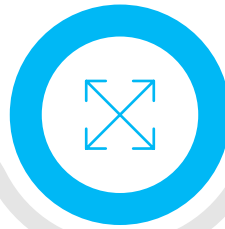
### Trust

Core to impactful outsourcing partnerships, enhancing **transparency and reliability thus propelling the suppliers to align closely with clients' business goals.**



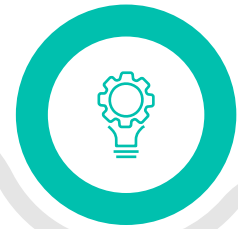
### Flexibility & adaptability

Unforeseen circumstance or changes in environment are accommodated through **adjustments and enhancements** to existing approach to service delivery.



### Innovation

Aligned vision and focus on excellence **drives continuous improvement and enhancements** to supplier capabilities to strengthen partnership and **accelerate Customer growth.**



### Collaboration

Rooted in a **shared vision**, is pivotal. It ensures that clients and suppliers **pursue strategic objectives together**, fostering **innovation and creating competitive advantages** that pave the way to new markets.



### Service quality & performance

Consistent adherence and achievement of **performance metrics to minimize disruption** and **drive efficient business outcomes.**





# The rise of procurement

# 04

Outsourcing decisions are no longer confined to individual functions. Increasingly, they are enterprise-level strategic calls. This has elevated procurement into a new role as a broker of transformation. Procurement leaders today are helping design sourcing strategies, manage cross-functional governance, and ensure that provider relationships align with business outcomes. As delivery models become more integrated, procurement becomes more essential—to negotiate the deal, but also to shape how value is defined and delivered.

Procurement's expanding responsibility goes well beyond cost control, with a new focus on building flexible frameworks, enabling innovation, and navigating complexity. In many cases, procurement is now coordinating across finance, information technology (IT), human resources (HR), and operations to ensure outsourcing aligns with broader transformation agendas. That makes sourcing a strategic capability—and procurement a key player in business model design.



## What's changing

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Procurement has moved beyond transactional buying. In leading organizations, it now operates as a centralized capability for sourcing strategy, supplier management, and value creation. Procurement teams are engaging earlier in the process—often as co-owners of the transformation roadmap, rather than just contract facilitators. Tiered provider models are becoming more common, with governance and expectations scaled to the strategic value of each provider. Procurement leaders are also being asked to coordinate more voices and manage more complexity than ever before.

Many companies are also reconsidering how procurement teams are structured and staffed. New expectations are emerging around supplier innovation, risk oversight, and business engagement. It's not enough to manage pricing and compliance—procurement must help unlock value across the lifecycle of each relationship.

## What's ahead

Procurement will continue to gain strategic importance as outsourcing becomes more transformation-focused and functionally integrated. To stay ahead, teams can:

- **Build sourcing strategies** that align to enterprise transformation goals as well as budget constraints
- **Engage across functions** early and often, especially with IT, HR, and finance
- **Develop layered governance models** that scale based on each provider's role, risk, and complexity
- **Redefine performance measures** to include outcome-based models and innovation delivery
- **Develop scorecards** that offer real-time access to critical performance indicators (CPIs), such as capabilities, performance, price, and more
- **Invest in talent development** for roles in supplier strategy, partnership management, and risk governance.

As delivery ecosystems grow more complex, the organizations with the strongest procurement capabilities will be the ones best equipped to manage change and capture long-term value.





**Offshoring is a complex undertaking.  
Understanding critical risks can be the difference  
between success and failure.**

## Culture



**Leadership support**



**Change readiness**



**Perception**



**Reputation**

## Process



**Data regulations/  
security**



**Institutional  
knowledge**



**Service quality**



**Level of control**

## Program



**Termination/Exit  
opportunity**



**Aggressive  
timelines**



**Unrealistic  
expectations**



**The Rumor-mill**



# The complexity of the deal

# 05

As outsourcing evolves into a more strategic capability, the deals themselves are becoming more complex. Traditional contracts focused on cost and volume are giving way to more dynamic structures that embed AI, define shared outcomes, enable innovation, and flex with changing needs. And the deal-making now involves more stakeholders, moving parts, and pressure to get it right.

Agreements must extend beyond service details to include governance frameworks, risk management tools, and transformation enablers—all wrapped into a single commercial structure. With so much in play, the risk-reward stakes have never been higher.



## What's changing

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Today's outsourcing deals are shorter in duration but broader in scope. Many include innovation clauses, value-sharing mechanisms, and outcome-based pricing aligned to CPIs. AI is becoming a core component of delivery, requiring new language around data rights, transparency, and performance validation. Clients are also asking for faster onboarding, modular scaling, and more flexibility to shift service lines as needs evolve.

But the real complexity often comes from within. Internal governance models haven't always kept pace with new delivery approaches. Procurement, IT, finance, operations, and legal may all weigh in—often with different goals, risk thresholds, or timelines. That makes alignment difficult and slows decision-making. Too often, companies focus on negotiating the contract while underestimating the coordinated effort that will be required to manage the partnership after the ink dries.



## What's ahead

As outsourcing deals become more strategic, flexible, and fast-moving, organizations will need to rethink how they negotiate, manage, and govern them. To prepare for this shift, leading companies can:

- **Build deal frameworks** that support agility, innovation, and shared outcomes
- **Establish cross-functional ownership** across procurement, IT, finance, and operations
- **Create safeguards and standards for AI** enablement, performance measurement, and the company's intellectual property
- **Develop contract structures** that enable optimization and evolution
- **Invest in tools and talent** to manage provider relationships postsignature across all required functions.

The outsourcing deals of the future will not be static contracts—they'll be living documents that account for different ways of working. Companies that build the right governance and alignment from the start will unlock more value, manage risk more effectively, and position themselves to transform continuously.



## Primary goals for adopting modern sourcing

01

Faster speed to market  
for new products and  
services

07

Access to scarce  
talent

02

Redeploying internal  
staff to other activities

08

Access to new  
technology

03

Predictable costs

09

Accelerated  
innovation

04

Improved stakeholder  
experience

10

Access to best  
practices

05

Cost savings and  
efficiency

11

Driving other strategic  
priorities

06

Improved stakeholder  
trust

12

Enabling operating  
model or business  
model transformation

Source: KPMG and HFS Managed Services Outlook 2024-25

# The future starts now

The future of outsourcing isn't some abstract vision—it's already taking shape. Across industries, companies are rethinking how they deliver work, manage complexity, and access the skills and technologies they need to move forward. Companies are blending internal capabilities with external partners while pushing providers to deliver more strategic value. They're leaning on outsourcing as a lever for transformation.

Success in this new era will depend on far more than outsourcing's legacy pedigree of cutting costs and offloading transactions. It will require thoughtful orchestration and governance, and the ability to continuously evolve. Companies that treat outsourcing as an adaptable, enterprise-wide capability will be better equipped to scale, modernize, and stay ahead in a market in which expanding complexity and accelerating change are the only constants.

## KPMG is recognized as a leader in Outsourcing Advisory

### Who we are

The KPMG Outsourcing Advisory practice helps clients **transform their outsourcing arrangements** to improve value, increase agility, **modernize processes and create sustainable performance**.

We help businesses to **unlock value** through strategic cost, performance and employee & customer experience transformation initiatives focused on outcomes.



### We accelerate the outcomes by using our:

- Robust repository of tools, templates, and documents
- Focused research, automated tools, proprietary data, and clear business acumen for intelligent design
- Established track record in taking a holistic view across internal support functions to drive value
- Unique user journeys tailored to your organization and industry, to speed adoption of leading practices
- Strategic alliances with many enabling technology providers to accelerate successful transformation.



## Why KPMG



### Independence:

Solution agnostic, we apply market knowledge and **unbiased objective advice** to help clients.



### Trusted partner:

For over 100 years, organizations around the world have **trusted KPMG for our business advice**.



### Proven track record:

In our increasingly complex world, firms find that taking a **holistic view** across their internal support functions can **yield the greatest return**.

Transforming these functions requires the **precision and expertise** of a market place leader.



### Research-based methodology:

KPMG continues its **ongoing relationship with HfS Research**, a leading research organization in the field of outsourcing.

The combination of the two leading firms covers the spectrum of shared services, outsourcing and transformation through **ground-breaking methodology and thought leadership**.

## KPMG Achievements

Consistently ranked as one of the **world's best outsourcing advisors** since the inception of the IAOP rankings



# How KPMG can help

KPMG LLP helps organizations navigate the new era of outsourcing—from strategy and decision frameworks to deal execution, governance, and value realization. Our teams bring deep experience across the sourcing lifecycle and understand what it takes to turn outsourcing into a transformative business capability. We support clients by:

- Developing sourcing strategies aligned to transformation goals, talent needs, and delivery models
- Designing and executing competitive deal processes, including provider evaluation, contract support, and negotiation
- Standing up governance frameworks and operating models for multivendor environments
- Embedding innovation, AI, and performance tracking into delivery oversight
- Enabling long-term value through business case design, change management, and continuous improvement.

Whether you're enhancing an existing model or designing one from the ground up, KPMG can help you build a more strategic, resilient, and future-ready approach to outsourcing.

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