Beyond the Tip of the Iceberg: What a GCC-Only Strategy Leaves Submerged

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For over a decade, establishing a **Global Capability Center (GCC)** in a location like India has been the corporate equivalent of hitting the "Easy Button" for IT talent acquisition and cost reduction. Faced with deep talent scarcity and rising costs in the US, executives understandably sought immediate relief. And to a certain extent, it works: GCCs do provide access to bulk talent, and they can deliver baseline payroll savings relatively quickly.

However, simply standing up a GCC alone may not optimize talent, operational effectiveness, and most importantly, true enterprise value. While cost take out modeling may show immediate baseline savings, the reality is that organizations relying **solely** on a standalone GCC could be missing out on substantial hidden savings.

Best-in-class companies do not view GCCs as standalone, cost-cutting islands. Instead, they utilize them as just one foundational component of a holistic, overarching strategy: **The Self-Funding IT Model**. By pairing a traditional GCC with a strategically located Digital Center of Excellence (Digital COE), these organizations transition from simply *saving* money on labor costs to actively *monetizing* their digital value creation.

The GCC Reality: Good for Baseline, Not Optimal for Precision

There is a reason GCCs are ubiquitous: they are undeniably effective tools for accessing vast pools of IT talent and reducing immediate operational costs. But a strategy that stops there is inherently sub-optimized.

Despite the initial spreadsheet math, the aspirational cost savings of a standalone GCC are routinely eroded by structural and operational realities:

Innate Productivity Drops

A significant hidden drag on ROI is the simple reality of the clock. There are zero shared normal business hours between the US and any city in India. This invariably leads to fragmented communication, project bottlenecks, and a practical reduction in overall delivery speed.

Operational Isolation

Too many companies treat their GCC like a third-party outsourced "island" rather than integrating it deeply into the corporate culture. Failing to build robust cultural infrastructure or provide long-term career growth inevitably results in a high-attrition model that constantly drains the very talent it was built to acquire.

Single-Geography Risk

Relying entirely on one location to power your enterprise IT limits your access to broader talent pools—particularly certain specialized talent that may be harder to source in India. Furthermore, it overexposes the company to geopolitical risks, localized wage inflation, and other systemic vulnerabilities endemic to a single-source strategy.

Companies that try to solve their IT talent and cost challenges solely by implementing a GCC miss the broader strategic point. They sacrifice robust, long-term enterprise value for short-term cash, focusing entirely on cost reduction rather than value creation.

The North Star: The 3 Pillars of a Self-Funding IT Organization

If your actual priorities are acquiring elite talent, maximizing operational effectiveness, and achieving true financial optimization, your goal cannot just be "cheaper IT." Your North Star should be building a globally integrated, Self-Funding IT Organization.

As outlined in our previous discussions on modern IT structures, a true Self-Funding IT Organization rests on three indispensable pillars:

1. **Optimized Talent and Cost:** Accessing the right skills at the right price point with high operational productivity.

2. **Government Funding and Incentives:** Strategically leveraging global jurisdictions that actively pay you to innovate and create high-value jobs in their country.

3. **Monetizing Digital Value:** Aligning the corporate tax and Intellectual Property (IP) models to financially capture the value of the capabilities being built.

A standalone GCC addresses only Pillar 1—and as noted above, it often does so imperfectly. Even within Pillar 1, best-in-class models strategically combine the benefits of a GCC or outsourced labor with other levers to enhance quality or reduce cost, or both. For example, an increasingly common tool in the toolbox is to retain your GCC (perhaps with fewer bodies) and move the non-automated transactional and maintenance of automations to managed service providers to free-up capacity. To unlock the full potential of your IT organization, you need a multiplier."

The Multiplier Effect: Adding a Digital COE

To fully activate all three pillars and maximize ROI, organizations must evolve beyond the one-office model. By pairing a traditional GCC with a Digital COE located in a strategic hub like Ireland, you create a "multi-hub" model that is truly fit for purpose.

Integrating a Digital COE into your global footprint doesn't just add a new location; it structurally repairs the shortcomings of the standalone GCC while unlocking the remaining pillars of the self-funding model:

Fixing Pillar 1 (Talent & Productivity):

A COE in a location like Ireland serves as a critical geographic and operational bridge. It offers normal crossover business hours with both the US and India, immediately smoothing communication and boosting the productivity of the entire global team. Furthermore, it provides access to a completely different, highly specialized talent pool. Beyond Ireland's highly-skilled local IT workforce, it opens the door to broader EU talent, providing vital access to scarce, high-end roles in data science, ML, and GenAI. Simultaneously, it de-risks the enterprise by diversifying the talent pipeline away from a single source.

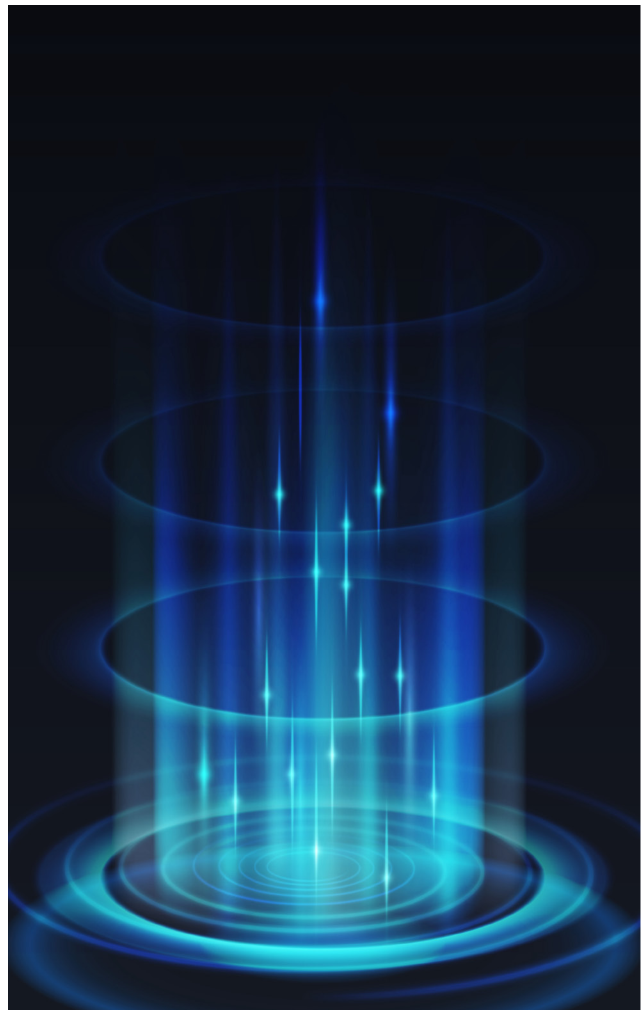
Activating Pillar 2 (Government Funding):

While traditional GCC jurisdictions may offer some incentives, a properly designed Digital COE in a hub like Ireland unlocks an entirely different tier of government support. Companies can maximize government funding through aggressive employment grants, R&D credits, innovation grants, and strategic government collaborations. This funding acts as a direct, structural offset to IT operating costs.

Mastering Pillar 3 (Monetizing Value - The Biggest Missed Opportunity):

This is where the most significant cash is left on the table. When setting up a standard GCC, the vast majority of advisors focus their tax assessment entirely on Indian transfer pricing (i.e., getting the right cost-plus for their transfer pricing), avoiding Permanent Establishment (PE) risks, and basic cash management.

Make no mistake: these compliance issues are important. But to use a culinary analogy, these issues is merely the celery on your dinner plate. It is not the steak, or even the potatoes.



The "steak" is monetizing the enterprise value of the technology your IT organization is creating. By establishing a Digital COE, you can align your overarching operating, tax and IP models to monetize newly created digital capabilities. Establishing a GCC without a corresponding Digital COE strategy to capture this value is like playing roulette but only betting on red numbers—you are structurally, artificially capping your own financial gains from day one.

What Should You Do Now?

Transitioning to a Self-Funding IT model requires strategic intent. Depending on where you are on your global IT journey, your next steps will differ:

If you are exploring, or mid-stream in setting up, a GCC:

You need to pause and ask your advisors why they haven't presented a holistic strategy. Add someone with significant, real-world experience to the team. Do not settle for a pure cost-plus compliance strategy. And don't settle for advice that is not focused on your best interests.

If you are making the strategic choice to build a Self-Funding IT model:

Focus heavily on your diligence. Many attorneys and consultants dabble around the edges of global IT strategy, but very few have successfully built these holistic models over and over. You need to dig deep into their experiences. Ask them directly: How do you build models that align across the commercial business, IT, and finance? How does your team specifically deliver across all three pillars? How do you build a model that is business first and achieves key business objectives while also delivering specific tax results?

If you already have a GCC functioning as a standalone cost-cutting measure:

Do not view your model as the end of your journey. Instead, leverage your existing GCC as the first step in a larger globally integrated, self-funding model journey. Many of the most successful enterprise models today were not built in a single action. They started with a GCC to solve immediate needs, but those executives didn't hang up their spurs. They continued out on the range, designing overarching COE structures to finish the voyage. Your existing GCC is just step one in a greater journey...now is the time to take the next step.

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Paul Glunt is a Tax Principal who leads the KPMG LLP Value Chain Management practice, advising C-suite leaders on the financial and operational mechanics of digital transformation. He specializes in architecting self-funding digital models, digital COEs, and global operating models that turn technology investments into sustainable cash flow. Paul bridges the critical gap between tax objectives and IT execution, helping to ensure that every digital journey is financially focused and firmly anchored to a company's Strategic North.