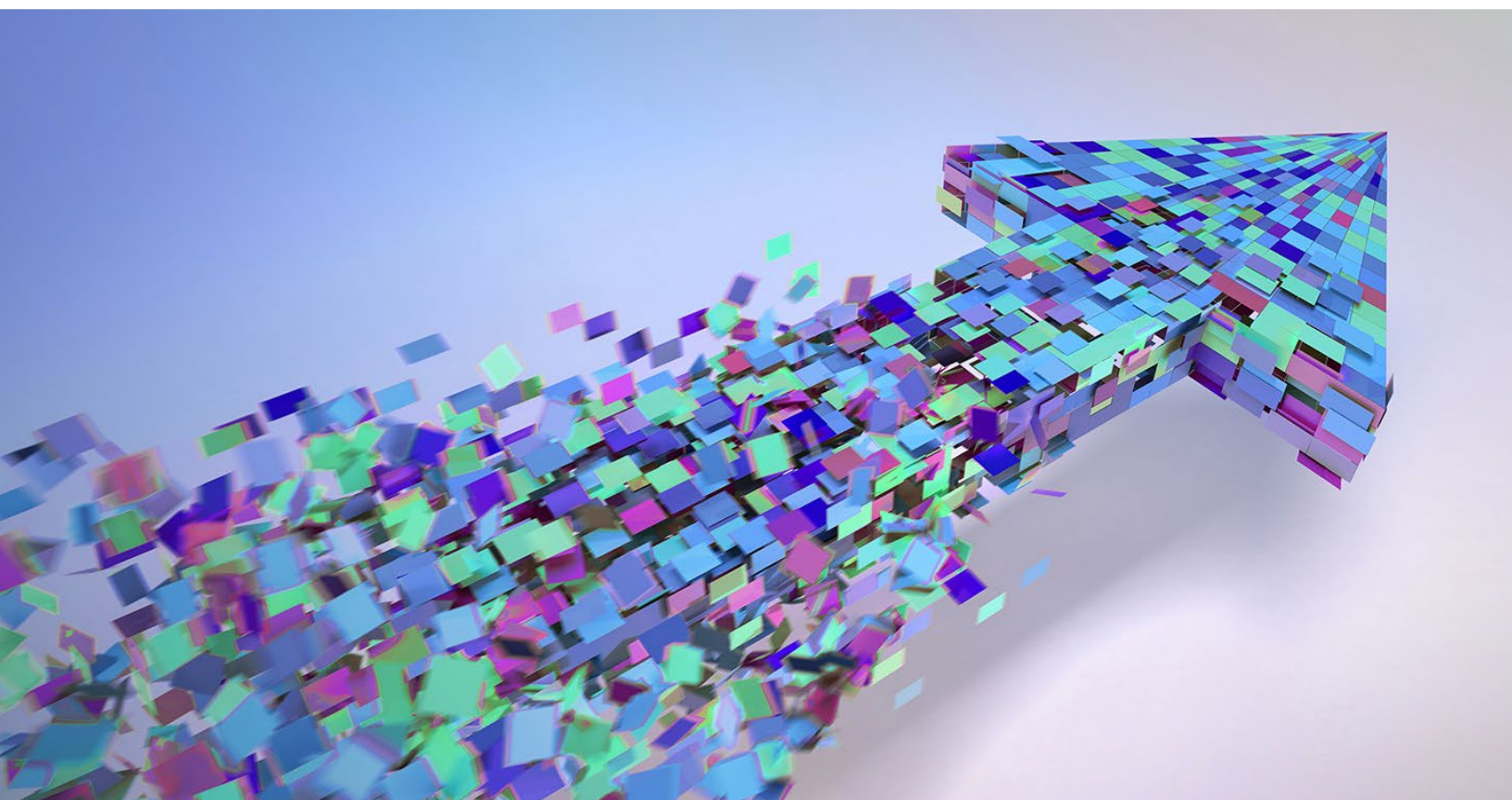


McKinsey Direct

The future of global centers

Centralizing business activities in global centers has transformed the efficiency of big enterprises. Next, these talent HQs have the power to become key sources of strategic competitive advantage.

*by Indy Banerjee and Namrata Dubashi
with Arshinder Singh and Avinash Chandra Das*



Over the past three decades, global centers have become the preferred way for big companies to perform an increasing range of core work tasks and business processes. Concentrating the organization's knowledge, talent, and capacity for specific business activities in one place provides multiple benefits: improving cost efficiency, aiding the dissemination and adoption of best practices, and ensuring every business unit has access to the resources and capabilities it needs.

The shape of global centers has changed significantly over this time. Moving from shared-service centers focused on simple transactional tasks, many have evolved to become their organization's primary resource for foundational support functions from finance to product development.

Leading global centers have achieved that shift in three phases. First, they earned the “right to play” in more and more complex business activities by demonstrating the ability to deliver high levels of service, quality, and cost efficiency. Second, they earned the “right to partner” by demonstrating the ability to help the wider enterprise develop better processes and adopt new technologies. Third, they earned to “the right to lead” by demonstrating that they can consistently deliver the best solution available.

Now leading global centers are poised to take the next evolutionary step—becoming a source of strategic competitive advantage for their enterprises by driving talent growth, customer experience, leadership, and innovation. Here's how:

The talent headquarters

Global talent shortages, particularly in areas such as digital technologies, AI, and risk management, have led many companies to extend their search for skilled professionals to high-value global locations. For instance, while the US faces a shortage of 15,000 tech roles, India boasts a surplus of over three million digitally skilled workers.¹ More than half of this talent is focused on next-generation

capabilities such as AI. To put this in perspective, India already has twice the software engineering talent as the US.

One in five Fortune 2000 companies now have global centers in India, and this number is expected to double by 2030. India is increasingly becoming the second headquarters for many global enterprises, such as major investment banks and global technology firms, serving as a hub for critical functions like transaction banking and infrastructure leadership.

Apart from India, the Philippines, Latin America, and Eastern Europe have also emerged as preferred geographies for global centers. The Philippines hosts global centers for 40 Fortune 500 companies, with around 200,000 people employed in the sector.² Similarly, Mexico is benefiting from its proximity to the US to emerge as a nearshoring hub for services such as software development.

The owner and integrator of customer experience

Global centers are positioned to take on greater responsibility for integrating customer experience across enterprises, managing end-to-end customer journeys with consolidated ownership of operations, technology, and risk. This enables them to deliver and track real improvements in customer satisfaction. At one major shipping company, centralizing customer service and support at a single global center helped to boost the customer satisfaction score by 10 to 15 percent.

Global centers also provide the opportunity to standardize and consolidate underlying processes, laying the foundation for automation. With the right combination of talent and technology collaboration, global centers can drive transformations that may even exceed the capabilities of headquarters. Co-located advanced analytics and AI talent can help integrate innovations such as embedded AI into operations, creating a self-sustaining business case by reinvesting a share of the savings generated by automation.

¹2019 Gartner Emerging Risk Report; Great Place to Work, 2020; LinkedIn.

²Information Technology and Business Process Association of the Philippines (IBPAP); The Philippine IT-BPM Industry Roadmap 2028.

The leadership incubator

High-quality global centers serve as fertile grounds for cultivating the next generation of global leaders. As talent pools mature, we expect that 10 to 20 percent of global enterprise leaders will be based in these locations, making global centers platform hubs for global leadership. Many leaders in these centers are already taking on enterprise-wide roles, and early adopters in industries such as consumer goods have established global mobility programs to support leadership development.

The innovation epicenter

Global centers are becoming launch pads for enterprise innovation, particularly in specialized areas such as risk analytics. McKinsey estimates that these centers could generate more than half of all enterprise patents in the future, up from a quarter today. Top-quartile centers are also partnering with start-ups, particularly in regions like India—which has the world's third-largest start-up ecosystem—to incubate innovation capabilities such as building customized large language models (LLMs) for enterprises.

Are global centers ready?

While it is true that top-performing global centers could become a “second headquarters” for the enterprise, the next evolutionary step is not a given. As in the past, global centers must earn the trust of their organizations if they are to take on these new roles. There are signs that many are not ready. A McKinsey survey of seven global center CEOs³ indicates four key challenges facing many of these organizations:

1. **Mindset and leadership.** Many global center leaders have yet to embrace the broader transformative potential of their roles. Fewer than 20 percent of the CEOs in our survey believe their primary responsibility is to lead transformation or turnaround efforts. Moreover, 60 percent of them feel their top leadership

team needs significant mindset changes to achieve higher aspirations.

2. **Talent attraction and retention.** Global centers are struggling to be seen as innovation hubs by the talent they seek to attract. There is wide variation in employee expectations and experiences across centers, with bottom-quartile facilities reporting seven times lower employee satisfaction than top-quartile centers. Across all centers, frontline employees are notably less satisfied than their senior leadership.
3. **Balancing growth and continuous improvement.** As inflation erodes their traditional cost advantages, global centers must balance innovation and future growth with continuous productivity improvement to provide ongoing value to their organizations.
4. **Leveraging external partnerships.** Less than 20 percent of surveyed CEOs feel adequately prepared for significant external disruptions, yet few are developing the external relationships that could help them navigate shocks and market shifts. Many global centers still rely on internal resources alone, with only 30 percent of leaders spending time cultivating external partnerships that could drive innovation and efficiency.

Building the global center of the future

To overcome these challenges and build the next generation of global centers, enterprises need to focus on four key areas:

Redefine the North Star and secure an executive mandate. Global centers must redefine their long-term aspirations in alignment with enterprise-wide goals. These ambitions should reflect the priorities of all stakeholders, including customers, shareholders, and employees, and be backed by sponsorship from the enterprise's executive committee.

³ Data collected October–November 2023, n = 7.

Establish leadership academies. Global centers need systematic, deliberate training programs to create the next generation of enterprise leaders. Shifts in leadership mindsets and skill sets are needed to transform regional leaders into global ones, capable of navigating complex, boundary-crossing partnerships and leading through ambiguity. For future leaders, the emphasis should shift from operational to strategic leadership, fostering agility and ambition.

Enhance employee experience. Global centers should take a scientific approach to improving employee experience, focusing on key moments in the employee journey such as onboarding, training, and performance management. By identifying pain points, developing flexible work policies, and focusing on employee well-being, global centers can improve retention and attract top talent.

Build an innovation ecosystem. Leading global centers will increasingly rely on partnerships

with vendors and start-ups to drive innovation. This requires robust innovation processes that prioritize use cases with material business impact, efficient execution of these projects, and scalable models for replication across business units. A structured approach to innovation funding, like venture capital methods, will ensure that the best ideas receive adequate investment.

Global enterprises should seize the opportunity to transform their operating models by evolving their global centers into high-value talent hubs. These next-generation hubs will provide a critical lever to improve customer experience, organizational agility, speed to market, and financial performance. To shape this next-generation global operating model, enterprise and global center leaders must be prepared to navigate the complexities and bring a bold leadership mindset to drive both innovation and excellence. The time to act is now.

Indy Banerjee is a senior partner in McKinsey's Bengaluru office, where **Namrata Dubashi** is a partner and **Avinash Chandra Das** is an associate partner; **Arshinder Singh** is a senior analyst in the Gurugram office.

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