



**Drivers of Today's Wave of  
"Build-Operate-Transfer"**

# Executive summary

Historically, the Build-Operate-Transfer (BOT) model supported companies entering new markets and geographies, primarily for labor arbitrage. The first wave of BOT interest occurred in the mid-to-late 2000s and early 2010s, when companies were looking to establish operations overseas, primarily in India. The model fell out of favor once many organizations established a global delivery footprint, either via Global In-house Centers (GICs) or service provider relationships. Today, there is a renewed interest in the BOT model, focused on facilitating access to global talent and tech transformation.

## BOT Wave 1—Market Entry

In the mid-to-late 1990s, US-based companies began to establish offshore captive centers, also referred to as offshore delivery centers. India was the most popular destination, but other locations such as the Philippines and elsewhere saw favor, each for its own relative strengths. By the early 2000s, with the surge of interest in nearshore locations like Mexico and Costa Rica, some companies had established multi-location models. The promise of captive centers was clear: cost reduction via labor arbitrage, and work delivered across multiple time zones (“follow the sun” coverage) without paying service provider margins. Companies also gained the benefits of control, data protection, and cultural fit.<sup>1</sup>

Despite the benefits, setting up a captive operation in a new geography proved challenging.<sup>2</sup> Many organizations didn't have the experience dealing with issues in new jurisdictions such as legal entity setup, location selection and real estate acquisition, facilities management, hire-to-retain talent processes, taxation, and local labor laws and regulation.

With both a compelling business case to establish a captive center and the challenges inherent in its establishment, the Build-Operate-Transfer (BOT) model emerged.

Under the BOT model, a service provider—often domiciled in the destination country—would perform the necessary activities to set up and operationalize the Global In-house Center. The service provider would provide the practical experience and coordination to build and staff the center (the “Build” part of BOT). Then, the service provider would run the processes on an outsourced basis for a mutually agreed period (the “Operate” part of BOT). Finally, at the end of the term, the client had the opportunity to take over operations (the “Transfer” part of the BOT), usually for a fee. This transfer may include the people, the real office space and physical infrastructure, and supporting functions and third-party contracts. Essentially the BOT model could be thought of as a services contract with a call option to take over the entire operation.

However, *interest* in BOT deals seems to have exceeded *execution* of them. While the promise was clear, the mechanics were complicated. In the best case, when the service relationship was working well, clients could simply retain the services relationship and

avoid a challenging transfer. And, over time, many organizations were independently globalizing and setting up operations in typical BOT-destination countries. As such, interest in BOT deals waned by the early to mid-2010s.

**In summary, from the 1990s into the early 2010s, this first wave of BOT was focused on supporting market entry and the establishment of operation in new locations.**

## BOT Wave 2—Talent Access

In recent years, and accelerated by the COVID-19 lockdowns, the war for acquiring talent with new skills such as analytics, AI, cyber, and cloud at scale has resurfaced as the primary challenge in meeting strategic objectives.<sup>3</sup> With this, the BOT model has reemerged but with a new driver: **access to talent**.<sup>4</sup>

Several factors prompted this revisitation.

- **Remote access:** Technology supporting remote work improved, and its viability was demonstrated during the COVID-19 lockdowns. Organizations learned to adopt the virtual way of working.
- **Redefinition of core:** The definition of “core” has evolved, with once-sourced capabilities increasingly returning under in-house control (e.g., master data management, cybersecurity, development of certain business applications).<sup>5</sup>
- **Location capability:** Many lower-cost locations have proven their ability to deliver tech talent at scale—India, Mexico and LATAM, Eastern Europe and beyond.<sup>6</sup>
- **Demand for skills/war for talent:** Demand for skills in areas such as data, cyber, artificial intelligence and machine learning (AI/ML), and certain software platforms outpaced supply, and technology functions struggled to meet their demand.<sup>7</sup> As organizations look globally to source talent, not all have the brand strength (e.g., on campus) and know-how to effectively source such talent.

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The current challenge is not market entry. Rather, it is twofold. First, an organization's ability to recruit, hire, develop, and retain the right talent. Second, an organization's ability to get the best out of a highly skilled, diverse team (for example, of data scientists) by creating an environment in which these individuals thrive both collectively and individually. These forces have led to the current wave of BOT interest, "BOT Wave 2," focused on talent access.

Like BOT Wave 1, the service partner builds and optimizes a team with the option to transfer back to the client at the end of term. Unlike BOT Wave 1, BOT Wave 2 typically centers on talent versus infrastructure, and on high-value services and capabilities versus cost reduction. Typically, the client organization already has physical infrastructure to receive the transferred team at the end of term.

- At Deloitte, we have taken the concept further to introduce BOTT: Build-Operate-*Transform*-Transfer. In a BOTT model, the operating model is designed upfront, in alignment with business and technology strategic decisions. The team is built and optimized with new ways of working, and the end-to-end processes are transformed during the operate phase.<sup>8</sup> This can take on different archetypes such as a digital transformation, a cloud transformation, process reengineering, or a platform modernization.<sup>9</sup> When the team is transferred to the client, they are operating a transformed capability. As a bonus, that team—having undergone and executed the transformation—brings not only a technical capability but also a transformational mindset.<sup>10</sup>

## The future of BOTT Wave 2

It is too early to know if BOTT and BOT Wave 2 will culminate with capability transfers (as envisioned) or the continuation of high-value services relationships (as we saw in Wave 1). In either case, however, there are some success factors unique to a Build-Operate-Transform-Transfer or BOTT model:<sup>11</sup>

- **Partner on talent decisions:** The client and service provider must set guardrails for talent acquisition, development, and rules and protocols for the transfer.
- **Without overstepping:** Avoid managing each other's processes in a way that triggers an unacceptable level of co-employment or anti-trust risk.
- **Double down on culture:** When selecting your BOTT partner, increase focus on "soft" factors like cultural fit; their people will be your people.
- **Transformation partner, not recruiter:** BOTT is a flightpath to establish an in-house and high-powered capability. For rapid access to people, look into a recruiting agency or a non-BOTT type of services relationship.
- **Generate value during the term:** Regardless of whether you transfer back your BOTT Wave 2 capability, craft the deal in a way that provides value during the term. Having generated value from the services relationship, you will have true optionality at the end of term—on calling back or leaving the "operate" as is.

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# Conclusion

The shift from captives and GICs to BOT and BOTT highlights the evolving business priorities in our globalized world. As talent access becomes paramount, the BOTT model offers a strategic solution, emphasizing collaboration, process clarity, new ways of working, and value derivation throughout the partnership.

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## Endnotes

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