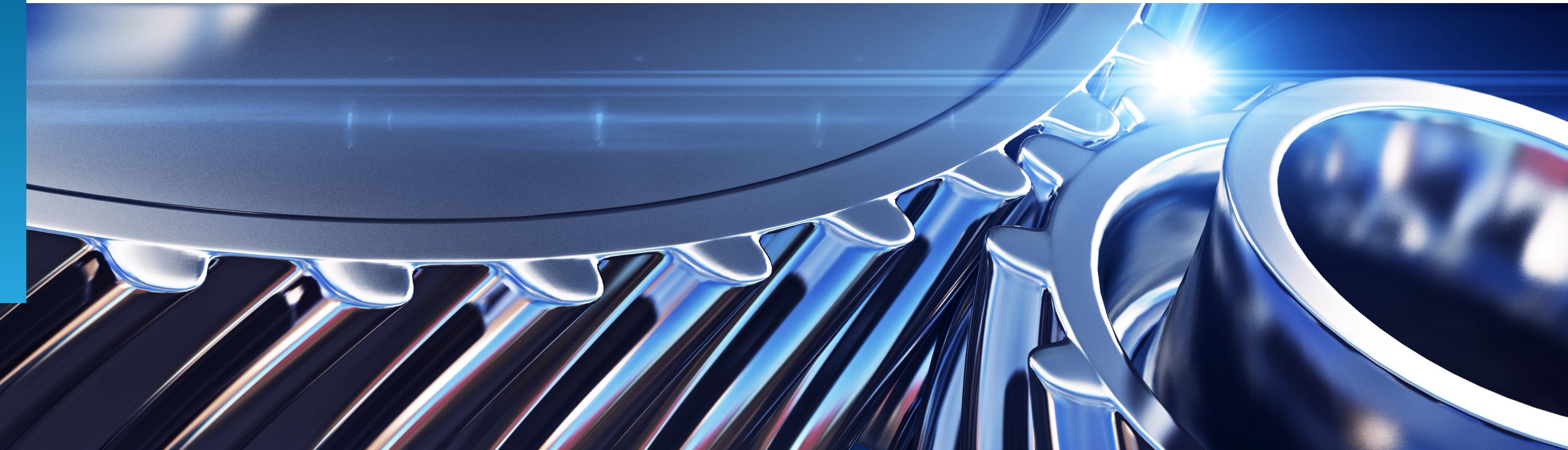


# Engineering Services CXO Insights: Key Issues Report 2023

March 2023: Complimentary Abstract / Table of Contents



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Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

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# Introduction

## Background of the research

As we enter 2023, there exists great uncertainty around global macroeconomic stability. Forecasts of a fast-approaching recession are gripping businesses across the globe and pushing them to adopt a cautious outlook toward business growth in the coming year. Most organizations are focused on minimizing cost/price pressures in the face of growing inflationary pressures, especially as providers are looking to increase bill rates. Further, what sets this recession apart from those in the past is the significant talent demand and supply gap. For the past few years, the talent demand-supply gap has been a growing concern in the engineering services industry and is expected to continue even under recessionary sentiments. More importantly, as demand for services stabilizes after the high pent-up demand in 2022, the recessionary pressures are expected to impact the industry even more. Today, the challenge is to ride out these uncertain times while managing the talent gap. This report provides perspectives on how leading global enterprises have been impacted in 2022 and are planning to develop resiliency in these uncertain times.

## Methodology

Our global services market key issues research is based on annual surveys that capture the pulse of the market on key aspects of the global sourcing industry. This report presents the results of a study we conducted in October and November of 2022 with senior stakeholders from Engineering Services (ES), to understand their thoughts as they undertook planning for 2023.

## Report focus

- Top business challenges and critical business model changes in 2022
- Outlook and priorities for 2023
- Key themes defining the ES industry during these uncertain times
- Anticipated changes to provider portfolios and key provider-related challenges and priorities

## Scope of this report



**Geography**  
Global



**Industry**  
Cross-industry



**Services**  
IT and business  
process services

## Summary of key messages



Enterprises are planning to increase their Engineering, Research, and Development (ER&D) spending despite the global slowdown.  
Be selective about areas of investment – must align with strategic needs for the enterprise while balancing short- and long-term needs



The talent demand-supply mismatch will reduce but continue to be a challenge.  
Stay focused on skill development and retention



The provider bill rates are expected to increase.  
Consider renegotiating the rate cards and leveraging low-cost countries for outsourcing



Enterprises are aiming to rationalize their vendor landscape by consolidating the vendors.  
Become strategic partners with key enterprises, while improving on technical expertise and domain knowledge



The service delivery model will continue to evolve, increase the leverage of remote and hybrid workers.  
Capitalize on service delivery model evolution and maturation across several dimensions

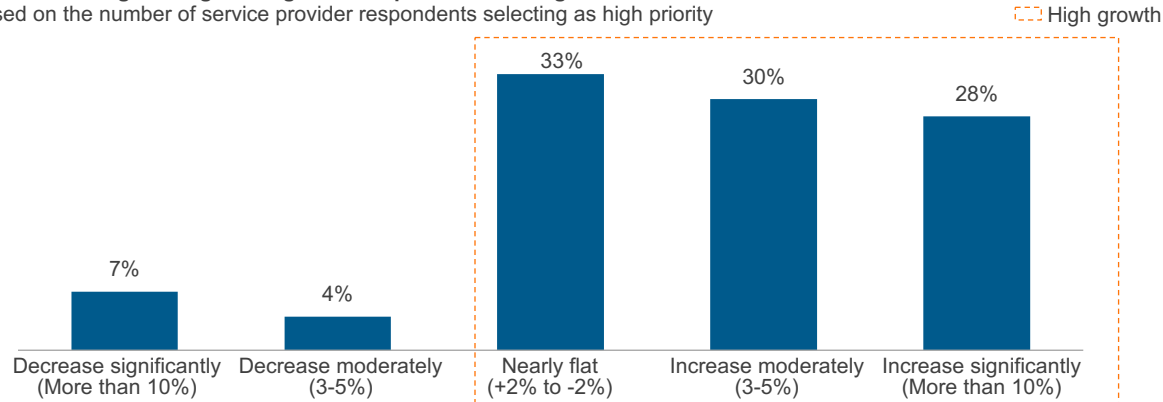


Pragmatic digital investments will be prioritized over moonshot investments, given the uncertain times.  
Take a pragmatic approach to digital investments but realize that digital/technology spending is no longer discretionary

# This report offers the key issues the Engineering services domain is going to face in the year 2023; below are four charts to illustrate the depth of the report

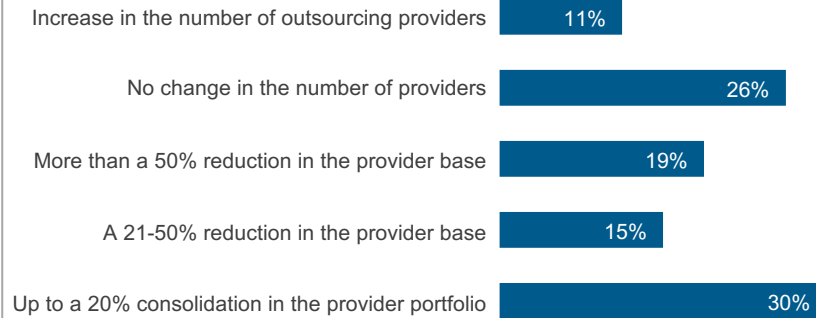
## Engineering service provider bill rates to increase in 2023

**Expected change to engineering services providers' billing rates in 2023**  
Based on the number of service provider respondents selecting as high priority



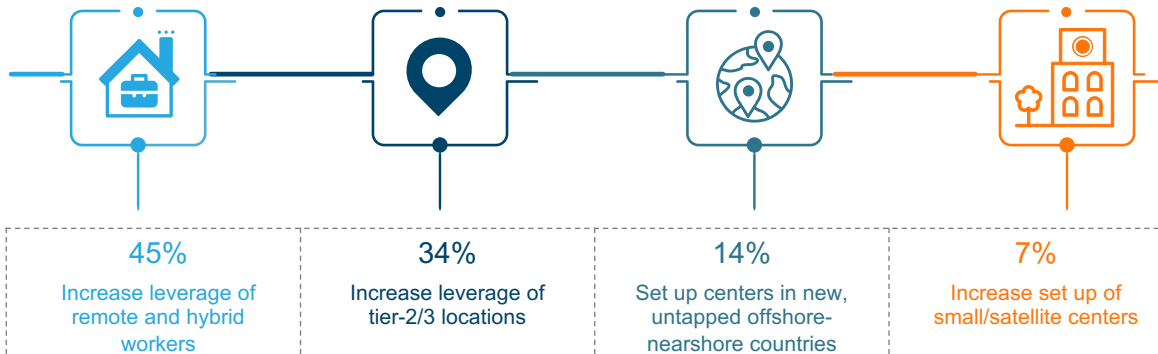
## Provider portfolio consolidation in 2023

**Expected changes in provider mix in 2023**  
Percentage of respondents



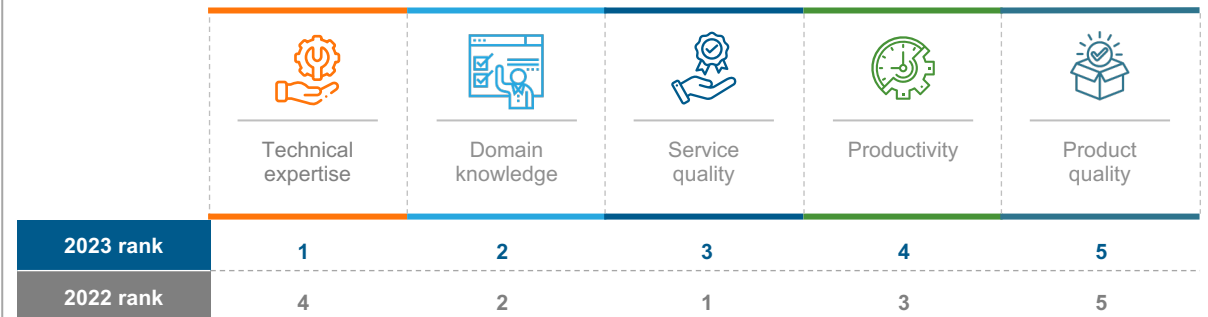
## Organizations are looking forward to leverage alternative delivery strategies

**Changes expected in future delivery center location models**  
Percentage of respondents selecting as the top priority



## Key performance parameters enterprises expect from providers

**Key performance parameters enterprises expect from providers**  
Ranking based on the percentage of enterprise respondents selecting as the highest priority



# Research calendar

## Engineering Services

Published Planned Current release

Reports title	Release date
Industry 4.0 Services PEAK Matrix® Assessment 2022: Unleashing the Era of Phygital Manufacturing	September 2022
Leading the Pack: Trends for the Top 200 Engineering Research & Development (ER&D) Enterprises 2022	September 2022
Connected Medical Device Services Provider Compendium 2022	September 2022
Industry 4.0 Service Provider Compendium 2023: Unleashing the Era of Phygital Manufacturing	October 2022
Engineering Services Top 50	November 2022
Acing the Art of Platform-driven Growth: Software Product Engineering Services PEAK Matrix® Assessment 2023	December 2022
Responsive Environments that Interact with Each Other: Smart Spaces State of the Market Report 2023	January 2023
<b>Engineering Services CXO Insights: Key Issues Report 2023</b>	<b>March 2023</b>
Digital Product Engineering Services State of the Market 2023: Bridging the Chasm between the Physical and Digital Worlds	Q1 2023
Industry 4.0 Services State of the Market 2023: Unleashing the Era of Phygital Manufacturing	Q1 2023
Acing The Art of Platform-driven Growth: Software Product Engineering Services State of the Market 2023	Q1 2023
Aerospace and Defense Engineering State of the Market 2023	Q1 2023
Engineering Trends in the Smart X.0 Industrial Market Segment 2023	Q1 2023
5G Engineering Services PEAK Matrix® Assessment 2023	Q1 2023
5G Engineering Services Provider Compendium 2023	Q1 2023

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