

Engineering Services CXO Insights: Key Issues Report 2024

Jan 2024: Complimentary Abstract / Table of Contents



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- ▶ Payer and Provider Information Technology
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- ▶ Pricing Analytics as-a-Service
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- ▶ SAP Services
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Introduction

Background of the research

As we enter 2024, there exists great uncertainty around global macroeconomic stability. Multiple ongoing macroeconomic events and trade wars, along with an economic slowdown, are impacting 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 trends. With an ease in the gap in demand and supply of talent in conventional engineering skills, the advent of new advances in AI have yet again created a scarcity of skilled talent. More importantly, as multiple industries look forward to explore and implement generative AI across their value chain, the traditional talent requirement is expected to see a big shift. 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 2023 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 conducted in October and November of 2023 with senior stakeholders from Engineering Services (ES), to understand their thoughts as they undertook planning for 2024.

Report focus

- Top business challenges and critical business model changes in 2024
- Outlook and priorities for 2024
- 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
Engineering services

Summary of key messages



Enterprises are planning to exercise caution and control in the allocation of new budgets in Engineering, Research, and Development (ER&D).
Reallocation of ER&D budgets to areas with traction will be the strategy instead of significant changes in the entire ER&D budgets.



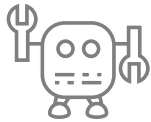
The talent demand-supply mismatch will reduce. In-house talent is expected to reduce, while offshore and nearshore talent pool may see a spike.
Focus on cost optimization of talent in engineering firms is encouraging greater reliance on offshore and nearshore locations.



Enterprises expect the providers' bill rates to remain flat, if not decline.
Cost and margin being the primary concerns for the year, enterprises expect no increase in bill rates with increase in efficiency and productivity.



Enterprises are aiming to rationalize/optimize their service providers with focus on cost, quality, and scalability.
Enterprises expect service providers to do more with less and bring in scalable innovative solutions. Vendor consolidation will be one of the key dilemmas in front of enterprises for establishing cost-effective, long-term strategic partnership with vendors.



Generative AI will serve as a big opportunity.
Multiple industries look forward to incorporating generative AI. With little developments so far in-house, enterprises expect service providers to bring expertise to explore and implement generative AI across their value chain.

This report talks about the key trends of 2024 including cost concerns, role of gen AI, key considerations in budgeting

Accelerated revenue growth is the top priority for engineering enterprises in 2024

Top business priorities going into 2024
Ranking based on percentage of enterprise and service provider respondents selecting as key priority

1	2	3	4	5	6	7
Drive accelerated revenue growth	Enhance profitability / cost optimization	Accelerated innovation across products and services	Customer experience improvement	Achieve sustainability goals	Productivity improvement	Enhance brand reputation

While enterprises are expecting a positive outlook for 2024, enhancement in profitability remains a priority; do more with less seems to be the driving force

Enterprises are looking toward service providers to help them with generative AI

Top contributions expected from providers to facilitate the successful integration of generative AI into their operations by enterprises
Ranking based on percentage of enterprise and service provider respondents selecting as key priority

Decreasing order of priority

- Thought leadership to identify innovative use cases for generative AI
- Technical expertise in implementing generative AI solutions
- Assistance with developing a robust business case for generative AI adoption
- Support overall value chain transformation through enterprise-wide generative AI implementation
- Providing training and upskilling opportunities for our workforce
- Continuous monitoring and optimization of generative AI systems

Cost and margin pressures to be the top challenge for engineering enterprises

Key business challenges expected in 2024
Ranking based on percentage of respondents selecting as highly challenging

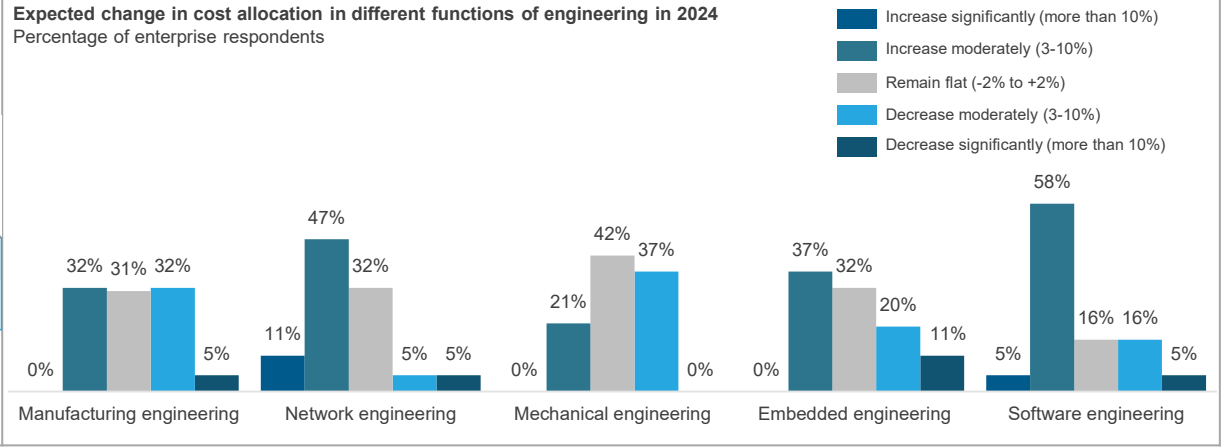
Cost and margin pressure	Increased geopolitical and location risk	Increase in competition	Regulations in key market	Adapting to new business models	Talent acquisition and management
2024 Rank	1	2	3	4	5
2023 Rank	2	11	New addition in 2024	7	4

Trade wars visible with acts from the US, China, and European countries, especially in semiconductor markets, are becoming a key concern for engineering firms

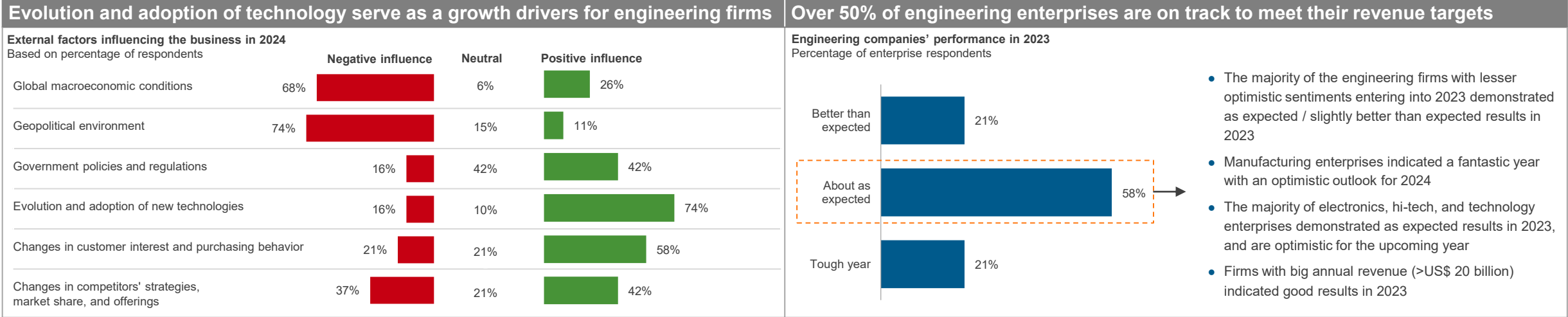
With the talent war easing, talent pressures have moved down the ladder

Geopolitical pressures gaining prominence going into 2024, owing to Russia-Ukraine war followed by Israel-Palestine conflict

Network and software engineering share in the ER&D budget pie in 2024



This report talks about the key trends of 2024 including cost concerns, role of gen AI, key considerations in budgeting



Engineering service providers can leverage 2024 as a blessing in disguise through cost-effective, innovative, and high traction technology solutions



Be prepared for doing more with less, with cost and profitability key driving areas



Seize the generative AI juggernaut



Build productivity, quality, and innovation – the key areas to drive and win deals



Leverage the reallocation of budgets through expertise in fields of demand such as cloud, cybersecurity, and generative AI



As in-house talent is expected to see a reduction and offshore and onshore outsourcing to see a spike, service providers can grab opportunities through their offshore and nearshore talent pool



Research calendar

ER&D and Software Product Engineering Services

Published Planned Current release

Reports title	Release date
5G Engineering Services PEAK Matrix® Assessment 2023: The Next Frontier in the Hyperconnected Era	June 2023
5G Engineering Services – Provider Compendium 2023	July 2023
Navigating the Path to Digital Transformation: An Enterprise Guide to Undertaking the Platform Adoption Journey	August 2023
Unlocking the Growth Frontier through Software Product Innovation	August 2023
ACES Automotive Engineering Services PEAK Matrix® Assessment 2023: Navigating the Future of Automotive Landscape	September 2023
Navigating the Enterprise Adoption of Generative AI	September 2023
Engineering Services Top 50 2023	September 2023
Aerospace and Defense State of the Market 2023	September 2023
ACES Mobility Engineering Services – Provider Compendium 2023	October 2023
Trends in the Top 200 Engineering Research & Development (ER&D) Enterprises 2023	December 2023
Engineering Research and Development (ER&D) Outlook for 2024: Key Macroeconomic and Technological Trends Shaping the ER&D Industry	January 2024
Engineering Services CXO Insights: Key Issues Report 2024	January 2024
Software Product Engineering Services PEAK Matrix® Assessment 2024	Q1 2024
5G Engineering Services State of the Market Report 2024	Q1 2024
ACES Automotive Engineering Services State of the Market 2023	Q1 2024

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