



Articles

Emerging Trends in Engineering Services Outsourcing

The major aspects that have channelized a new trend in engineering services outsourcing (ESO) are - the diversity of engineering services, the outlook of the outsourcers towards engineering KPO, and the pressing need for cost control in yet to stabilize global markets that are still running on budget austerity drives. Before we look further on the drivers that brought about a change in ESO, let's look at the three key aspects which have kept it on tenterhooks, these are –

- Being the innovation center for the company- Core engineering service is considered to be the innovation center of any company, so there is always a reluctance to outsource it to third-party providers
- More time spent- Higher turnaround time in this age of just-in-time delivery
- Quality constraint- Need for Impeccable service quality

Emerging trends in Engineering Services Outsourcing primarily rally around breaking these shackles to open up the huge potential in engineering services outsourcing.

5 Emerging ESO Trends

- Meeting Acceptance Parameters

A study by NASSCOM and Booz Allen Hamilton has found that India comprises 28% of the suitable global talent pool for offshoring services in the engineering sector.

When it came to outsourcing engineering services, there has always been a noticeable reluctance to outsource engineering related services. However, key change that is visible these days is that this reluctance is paving way to the new and sustained flow of outsourcing revenue into the engineering sector. This indicates that all the key parameters, like skill, security, manpower, quality, delivery, sustained support, etc., needed by the service providers, have been identified and accepted by the outsourcers. This is a real game changer, as this alone can open up a deluge of engineering outsourcing services to capable service markets like India.

- Covering Diverse Sectors

Another noticeable change is that apart from the key anchor sectors like Automotive, Construction, Telecom, and Aerospace, other sectors have significantly gained in terms of ESO. These sectors and operational areas include:

1. Oil and Gas
2. Product Design
3. Process Engineering
4. Plant
5. Utilities
6. R&D
7. Prototyping
8. Infrastructure Development
9. Health Care Equipment
10. Industrial Design
11. Innovation

12. Transportation and many more

- Movement from Sub-Crucial to Crucial Functions

Previously, engineering services outsourcing was exclusive only to low-level engineering functions, which were basically non-critical in nature. However, as cost implications and other factors have now improved considerably; outsourcers are also getting confidence in outsourcing critical and innovation-centric engineering services. The steady ESO movement in aerospace, defense, automotive sectors is proving this trend right.

- Geared-up Service Providers

Sensing the shift in the trend, service providers have cranked-up the ante, and are ready with all the luring factors to make this trend into a huge shift and a tremendous possibility. This evident change has made the supply side more conducive and competitive as well. This has also sparked rapid absorption of experienced engineers, competence enhancement trainings, skill showcasing at international engineering meets and seminars.

- Analyzing the Total Potential

Another indicator is the conclusion that many leading researchers have made on ESO. Most of these reports clearly state the potential for a huge leap from the fading volatile state. The report by NASSCOM and Booz Allen Hamilton says that the spending on ESO is set to rise to approximately \$1.1 trillion by 2020. Other estimates predict that the global R&D industry is expected to grow to more than \$1.4 trillion by 2020.

Challenges

However the immense potential of engineering services outsourcing could only become substantial if the challenges are overcome. The opportunity now lies with the service providers who shall focus on systematically channelizing the engineering manpower to countries like India. They also have to focus on quality services, sustenance of growth, and in-time delivery mechanisms. And a greater challenge will be to take the predictions and estimates more realistically, and be prepared for what is at offer.

Conclusion

The trend is changing for sure, and shall in all probability; move in the same direction as BPO moved in the early part of the century. So the message is clear, to be geared up and be ready to capture this huge possibility.