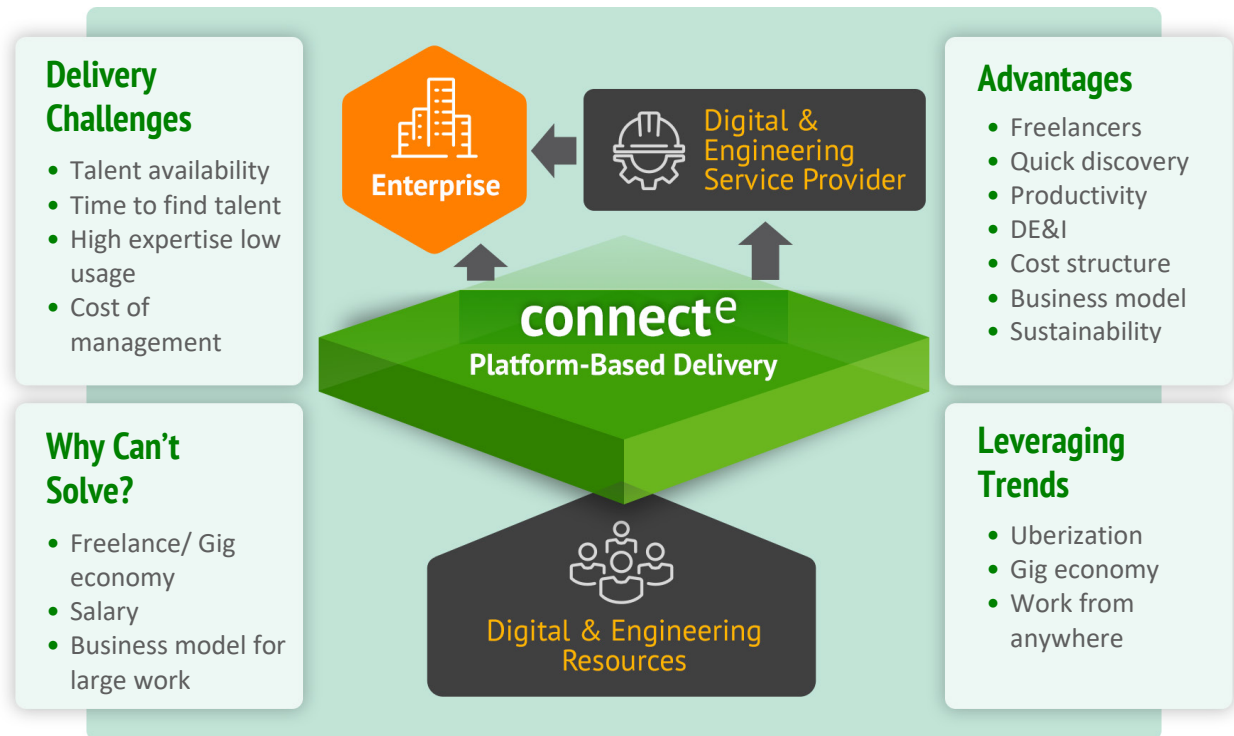


Disruption in Digital and Engineering Services: The Platform-Based Delivery Model

Authors: Pareekh Jain, CEO EIIRTrend

What could disrupt the digital and engineering services delivery model? This is the question that digital and engineering services stakeholders often ask. After all, the last major disruption in the services delivery model was offshoring. It looks like we have a new emerging trend of platform-based digital and engineering services delivery model, which has the possibility to disrupt digital and engineering services delivery. And like offshoring, it can be adopted by both enterprises and service providers. In this PoV, we look at the platform-based digital and engineering services delivery model and the example of Connecte, an emerging digital and engineering services delivery platform.

Exhibit 1: Platform-Based Delivery Model Summary: Need and Advantages



Source: EIIRTrend

Existing Digital and Engineering Delivery Models: Evolution and Challenges

Services delivery has evolved from outsourcing or onshoring to offshoring or a global delivery model in the last couple of decades. Enterprises have also evolved from onshoring to offshoring with shared service and global capability centers. When digital services appeared over the horizon in the last decade, both outsourcing and offshoring were mature delivery models and digital services were also delivered through them.

- **Outsourcing or Onshoring:** The first wave of engineering services delivery was all about technology resource availability onshore. The major winners were global firms with an onshore presence. Offshore service providers joined the party and started sending people on visas and also established delivery centers in different locations to provide labor arbitrage. Here, the driving factor was resource availability.
- **Offshoring or Global Delivery Model:** The next wave of engineering service delivery involved the scaling up of global delivery centers in different offshore locations for labor arbitrage. Seeing the success of this model of offshore service providers, global service providers also augmented their delivery presence in offshore locations. Here, the driving factor was cost along with resource availability.

The global delivery model has been very successful and has scaled up a lot in the last three decades. As it happens with any strategy or model, with time, challenges start to appear. Some of the challenges in the global delivery model are:

- **Talent Availability:** The biggest challenge is talent availability, which is turning the situation into The Great Resignation and causing atrocious attrition. It is getting difficult to identify, recruit, and retain good talent. The high attrition numbers of digital and engineering service providers in the last year are a testament to it. Many service providers have mentioned in their earning calls that they would have grown higher if attrition was under control. Even enterprise GCCs are finding it difficult to identify, recruit, and retain good talent.
- **Time to Find Talent:** Time to onboard talent is also a big concern. Many firms have up to three-month notice periods, and sometimes it takes five to six months from requirements to joining. Also, candidates have multiple offers, and when they don't join, service providers need to restart the process. There have been instances where service providers were not able to onboard talent fast, which led to lower billing and client dissatisfaction.
- **High Expertise, Low Usage:** Current delivery models are built for scale. Success is determined by the number of large deals and revenue per customer, among other things. In this model, there is less focus on low volume-high expertise critical needs of enterprises. For example, clients may want support in the patent improvement process, high-end CFD analysis, and installation or field service work for EV chargers. These types of projects are not picked up by digital and engineering service providers because of the lack of resources even though they may be critical pain points for their customers.
- **Cost of Management:** In the current delivery models, overhead and management costs constitute a big chunk, and in many cases, it is much more than the salary of the talent. That is the cost of doing business in this model. That's the reason enterprises often don't find it cost-effective to outsource or offshore, and it is one of the reasons they prefer to insource if talent is available in the market.

Why Are Current Delivery Models Finding it Difficult to Solve These Challenges?

A few noteworthy reasons why current delivery models of outsourcing or offshoring are finding it difficult to solve the challenges mentioned earlier:

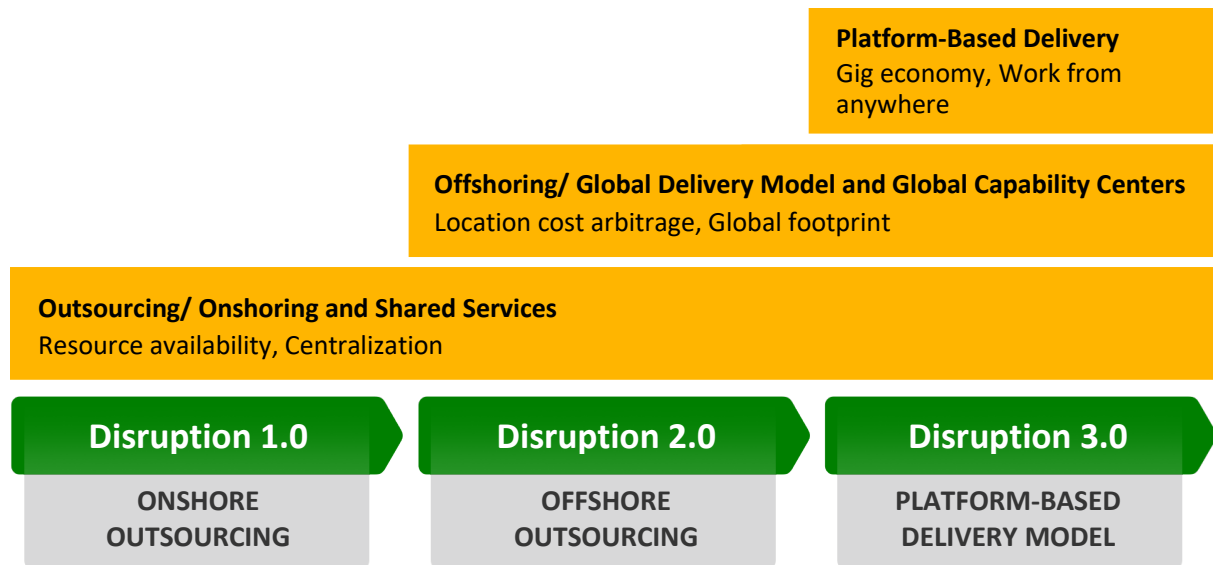
- **Freelance/Gig Economy:** Many people want flexibility in their jobs, and it is a big reason for professionals to turn to the gig economy and work as freelancers and contractors. It is estimated that out of the 25 million people who work in the IT industry, about 5-6 million are freelancers, and this number will increase further. If these people are brought to the mainstream with the right engagement model, then the talent situation will get better.

- **Salary:** This model with high management overheads is not able to match the salary expectations of a section of the talent, which is looking for higher salary on par with product companies. The salary mismatch is greater at the senior individual contributor level. They are easily replaced by less experienced people in the pyramid delivery structure.
- **Business Model for Large Work:** The delivery measurement unit of service providers is often per hour of work, but billing is mostly monthly. It's expected that project work will continue for at least a few months. In that way, resources are assigned to projects. Sometimes, client work requirements are critical, but only for a few days or even a few hours. These microtransactions are not aligned to the large-scale global delivery model.

The Platform-Based Delivery Model: Disruption, Description, and Advantages

There have been two major disruptions in service delivery in the last four decades: onshore outsourcing and offshore outsourcing. Will the platform-based delivery model be the next disruption?

Exhibit 2: Will Platform-Based Delivery Model Be the Next Disruption?



Source: EIRTrend

What is the platform-based delivery model?

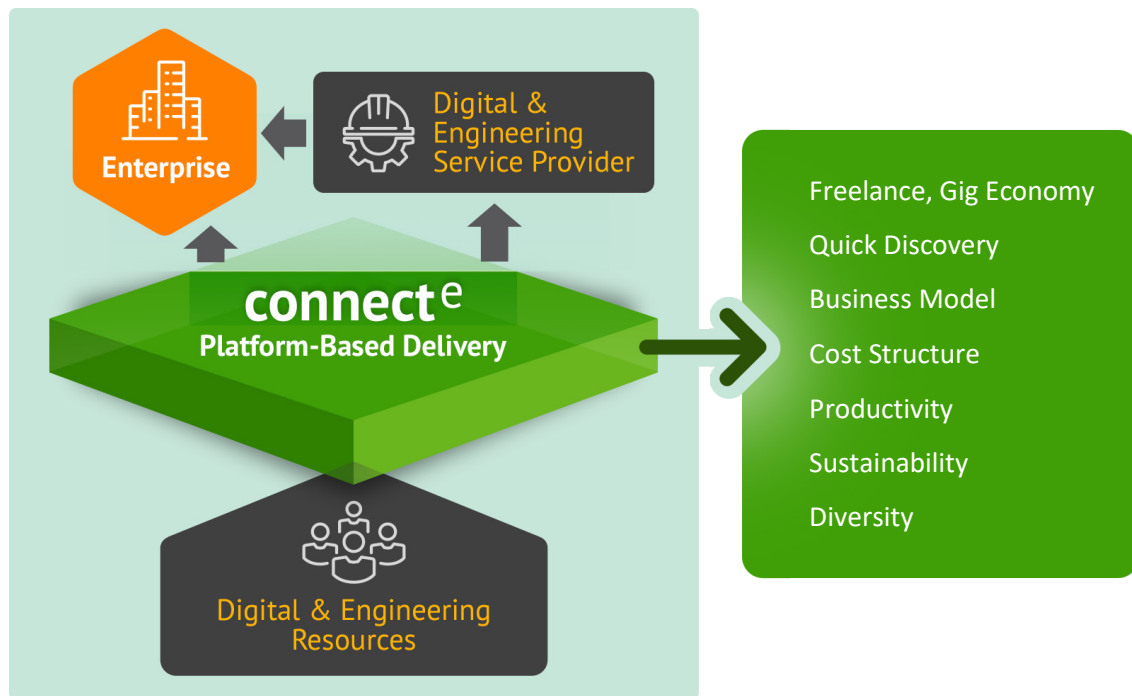
In a platform-based delivery model, enterprises engage with resources through a virtual platform in the software as a service (SaaS) model. A virtual SaaS platform enables enterprises and service providers to find talent and manage projects. Its features are:

- Digital and engineering resources are recruited through the platform. Every platform will have its strategy to identify and onboard talent in its focus areas and geographies.
- Resources and projects are managed through the platform and clients have full visibility.
- Work can be performed at specific locations or work-from-anywhere virtually.
- Billing is also done through the platform.

Advantages of the Platform-Based Delivery Model

- **Freelancers:** It brings freelancers and gig economy workers into the mainstream and enables enterprises and service providers to benefit from freelancer expertise. Some professionals become full-time freelancers or consultants by choice, and some moonlight (which is legal in many countries) for extra income. Also, talent is geographically spread across the world, and due to location constraints, sometimes this talent is left out of the onshore and offshore delivery model. The platform makes this geographically dispersed talent available to enterprises and service providers.
- **Quick Discovery:** The time required to find talent and start work is reduced on the platform as there is no notice period and no time-consuming exit and entry formalities are required. The platform-based delivery problem provides the right skilled technical professionals/consultants anywhere at the right time.
- **Productivity:** Case studies have shown that the platform-based delivery model has increased productivity due to quality of talent, performance management, and direct accountability.
- **Diversity, Equity, and Inclusion (DE&I):** Platforms don't care about gender, color, religion, race, ethnicity, or location. Thus, it helps bring diversity to work.
- **Cost Structure:** The platform-based delivery model has lower management overheads, and it passes on the higher percentage to workers while charging less to enterprises. It's a win-win for both talent and enterprises.
- **Business Model:** The platform enables all kinds of engagements, including microtransactions. A few hours of EV installation work, a few days of the patent improvement process, or a few months of product design or supply chain work can all be delivered through platforms.
- **Sustainability:** The platform-based delivery model supports sustainability both directly and indirectly. It enables sustainability-related jobs, including EV charging field service, which are difficult to execute with other delivery models. It also supports sustainability by encouraging virtual work and work-from-anywhere, thus reducing the carbon footprint of travel.

Exhibit 3: Platform-Based Delivery Model Details



Source: EIIRTrend

The platform-based delivery model leverages some of the current trends observed across industries:

- Uberization:** Since Uber came and became successful in creating a platform model for cabs, many people have thought of applying this model to many industries. Thus, the term “uberization” of the industry was created. People have been thinking about how uberization could impact digital and engineering services delivery. The platform-based delivery model is similar to the uberization of digital and engineering services delivery. Digital and engineering services resources on the platform are engaged by enterprises and service providers for a variety of their needs.
- Gig economy:** Gig economy is growing by leaps and bounds. It is impacting IT, digital, and engineering service delivery models. It is estimated that about 20% of the total workforce in IT, digital, and engineering services is composed of gig economy workers. There are many reasons for professionals to become a freelancer, including better earnings, greater flexibility, and focus on areas of their interest.
- Work from Anywhere:** After the pandemic, work-from-anywhere is the norm for services that don’t require a physical presence. The platform-based delivery model enables work-from-anywhere in a scalable way.

A summary of differences between outsourcing, offshoring, and platform-based delivery model is shown in the exhibit below.

Exhibit 4: Comparison of Three Digital and Engineering Services Delivery Models

	Outsourcing	Offshoring	Platform
Location	Onsite	Offshore	Anywhere
Worker	Full-time	Full-time	Gig Worker
Cost	High	Low	Lower
Niche/Variety	No	No	Yes
Business Model	Large Projects	Large Projects	Micro Transactions
Management	Overhead high costs	Overhead medium costs	Virtual with low cost

Source: EIRTrend

The Connecte Platform

Connecte is a meritocracy-based intelligent digital and engineering workforce management platform focused on connecting engineering or technical professionals/consultants (supply) across multiple domains with enterprises and service providers (demand). The details about Connecte are discussed in the exhibit below:

Exhibit 5: Connecte Platform Details

About	Details
Founded	2019
HQ	Cincinnati, OH
Founders	Suresh Iyer, Vijayant Singh
Mission	Transform the way technical and engineering talent is valued and utilized
Services	An industrial-grade marketplace for engineering and technical professionals serving industrial domains to support short-term, project-based, lifecycle, and turnkey solutions needs
Professionals	1,000+ professionals on board
Business Value Generated	<ul style="list-style-type: none"> – 25-30% Talent Productivity – 90% Lead Time Reduction – 35-40% Cost Optimization For Firms – 20-30% Higher Compensation to Freelancers – Broaden Talent and Services Network – CSR: DE&I and Sustainability

About	Details
Customers	<ul style="list-style-type: none"> – A major car manufacturer – A major appliance car manufacturer
Services Offered	<ul style="list-style-type: none"> – Digital services including cybersecurity, analytics, AI, cloud – Engineering services including design, analysis, testing – Engineering consulting services including process improvement, patent filing, and should costing – SCM services including inventory, logistics, and aftermarket – Field services including EV charger installation, maintenance, MRO, equipment commissioning, and decommissioning
Platform Features	<ul style="list-style-type: none"> – Software-as-a-Service: One-stop shop from requisition to payment – Dynamic skill matching using AI – Auction engine for value optimization – Meritocracy enabled by skill ratings – Compliance proficiency management – Workflow, timesheet, and intelligent project management – Dashboard for spend management – Insurance offer and coverage options – Smart analytics for quick decision-making
Value Proposition	<ul style="list-style-type: none"> – Resource availability – Quick discovery of qualified resources – The flexibility of the business model – Productivity enhancement with performance management – Cost-effective – Diversity, equity, and inclusion (DE&I) – Sustainability
Differentiation	<ul style="list-style-type: none"> – Flexibility – Smart workforce management – Better budget utilization – Faster hiring and onboarding – Mentor-led outcomes – Patent pending algorithm
Customer Testimonials	<p>“I began working with the Connecte platform earlier this year. Their team is solid and experienced, offering expertise in areas that are strategic and difficult to outsource. Their project mentor took the time to understand our value proposition and then challenged and flexed us in ways that extended our offering up and down the supply chain. He then introduced us to a consultant that is driving results.”</p> <p><i>- Tom Schwallie, SVP Operations, Cresecent Inc.</i></p> <p>“I wish to convey my thoughts about the Connecte platform and your services in general. The most significant thing to note is that through Connecte, you have brought a concept to market that did not previously exist to my knowledge. Connecte is a platform where engineers of all types can find work with companies like mine.”</p> <p><i>- Mark Schuetz, President, Replex Plastics</i></p>

Source: Connecte, EIIRTrend

Connecte has helped many clients in their digital and engineering needs to deliver tangible value. Its clients have utilized the platform for their strategic resource needs as well as project-based engagements. These examples are in different industries across the value chain. A couple of examples are discussed in the below exhibit.

Exhibit 6: Connecte Customer Engagement Examples

Customer	Area	Customer Challenges	Solution & Business Impact Delivered
A Major Car Manufacturer	Patent Filing Process	<ul style="list-style-type: none"> – In the current process, it took an average of 147 - 400 days to file a patent application. 	<ul style="list-style-type: none"> – Implement VSM to understand the bottleneck and optimize process steps – The process of patent filing now works within seven days – Triggers and visibility created
A Major Appliance Parts Manufacturer	Supply Chain and Sourcing Transformation	<ul style="list-style-type: none"> – Broken supply chain and supplier payment processes – Suppliers were not getting paid for ~180+ days leading to disruptions and stopped deliveries – No standard workaround for key supply chain processes of sourcing, pricing management, and supplier management 	<ul style="list-style-type: none"> – Connecte provided a supply chain consultant to process map 20+ supply chain and sourcing processes – The consultant was mentored by supply chain experts provided by Connecte – Key gaps and countermeasures identified for key processes helped the customer reduce its AP days by 50%. – The customer is extremely happy with the effort and is implementing the action items.

Source: EIIRTrend, Connecte

Bottom Line: Why should enterprises and service providers include a platform-based delivery model in their digital and engineering services delivery mix?

Enterprise and service providers should look for platform-based delivery for two reasons. First, it provides immediate value in talent availability, time, cost, and business model for niche skills. Second, if the platform model disrupts the digital and engineering services delivery, then early adopters will get benefits and can differentiate themselves.

Generally, disruption starts from segments that are overlooked by traditional players. By delivering a cost-effective value proposition to niche segments, players reform and scale their model and get into the mainstream. It happened similarly with the cloud. Initially, the target of cloud offerings was SMBs that couldn't afford the fixed cost of servers and storage. Slowly, value proposition improved, new players got in, and now every enterprise is looking at the cloud. A similar disruption trajectory has happened in many industries.

Only time can tell if a platform-based delivery model will disrupt digital and engineering services delivery. Exploring the model by partnering with platform companies such as Connecte will help enterprise and service providers in both the short term and the long term.

Apart from disruption in the current digital and engineering services delivery, the platform-based delivery model can enable globalization and create value for both enterprises and service providers in other adjacent services. Field services is one such example, which despite a huge customer pain point and value creation opportunity was never globalized. In the next PoV, we will explore how the platform-based delivery model will enable globalization of field services. Keep watching this space!

About the Author



Pareekh Jain

Pareekh Jain is CEO and Lead Analyst of EIIRTrend and Pareekh Consulting.

EIIRTrend is an information platform for discovering engineering, IoT, Industry 4.0 and R&D (EIIR) trends, information, insights, best practices, across 12 industry segments, 24 service segments, 50+ countries and 2500+ providers and buyers. Pareekh Consulting is a focused analyst and advisory firm for EIIR.

A seasoned EIIR professional, Pareekh has seen the EIIR industry from four perspectives: service provider, sourcing advisor, enterprise buyer, and industry analyst.

He is regularly quoted in media on EIIR trends. Some of the media publications he is quoted in include Harvard Business Review (HBR), NDTV, Times of India, Economic Times, Business Standard, Hindu, Business Line, Livemint, Indian Express, Financial Express, Deccan Herald, Bizzbuzz, Rediff, Voice of America, Moneycontrol, Quartz, and Business Insider.

Pareekh is a thought leader, having authored various publications on topics related to EIIR outsourcing. He loves business fiction writing in his free time, and has authored a novel, Who Is That Lady?

Pareekh received his MBA from the Indian Institute of Management (IIM), Bangalore and his Bachelor of Technology degree from the Indian Institute of Technology (IIT) Delhi.

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