

TREND STUDY

# Best in class in the professional services industry – how companies achieve transparency, efficiency, and growth



Eike Bieber,  
Principal Consultant – Finance Industry  
August 2016

In partnership with



**TABLE OF CONTENTS**

**Introduction.....3**

**2- The top priorities and challenges in professional services.....4**

What are the top business priorities?..... 4

What are the top business challenges?..... 5

**3- Assessing the project value chain.....8**

Why is an integrated view required?..... 8

How is the project value chain supported in professional services companies?..... 9

Software-related aspects of importance..... 10

**4- Focus on specific areas of the project and services business..... 12**

Project management: Agility and speed of reaction..... 12

Profitability: Transparency and granularity ..... 13

Finance & accounting: Usefulness of various aspects ..... 15

Analytics: Ability of real-time management..... 16

Collaboration: Ability of real-time management..... 17

Management: Complexity due to demanding business conditions ..... 18

Marketing: The path to segment of one ..... 19

**Conclusion .....21**

About SAP ..... 23

About PAC..... 24

Disclaimer, usage rights, independence, and data protection..... 25

# INTRODUCTION

In the light of digitalization and changing market conditions, virtually every enterprise is facing intensifying competition and considerable business changes. Professional services companies are part of this development. They see their businesses being massively affected by changing customer preferences and the need to respond to these changes rapidly. In a people-centric and rather unstable business environment, agility has become the key to success and further growth. At the same time, services firms are facing pressure on prices as customers have become tough negotiators in times of increasing pricing transparency and global service availability. Profitable business takes center stage, and to achieve this, professional services companies require a robust business model that provides the right value proposition, offering, and capabilities to the right customer at the right time and place.

In answer to these challenges, professional services companies have their eye on technology and how it can support their business. Making use of the technological possibilities means seizing the opportunity to increase efficiency, transparency, and growth. The trend study at hand examines the relation between the deployment of appropriate technology and greater success in the professional services business.

To assess this topic, PAC recently conducted a survey of 300 professional services companies. PAC conducted roughly half the interviews with IT managers (45%), and the other half with C-level managers and decision makers from other business areas (55%).



Fig. 1: Basic survey data

The survey sought insights from different sub-industries including management, business, IT and tax consulting, auditing, account and legal services, market research, marketing and advertising, research and development, architecture, engineering, and construction, as well as renting, maintenance and repair. The companies included in the survey were recruited around the globe and belong to the segment of small and mid-sized firms (each with a minimum of 100 and a maximum of 1,000 employees).

# 2- THE TOP PRIORITIES AND CHALLENGES IN PROFESSIONAL SERVICES

## WHAT ARE THE TOP BUSINESS PRIORITIES?

Survey respondents were asked to take into consideration selected business topics and to evaluate the priority that they attach to each of them. The results reveal that professional services companies have a variety of topics on top of their agenda, while none of the topics clearly stood above the others.

When we only consider the aspects to which companies attach the highest priority, the need to grow business with existing and new clients stood out (with 66% of respondents confirming this as the highest priority). In the course of this question, it became evident that this is, in many cases, driven by the aim of expanding into new service areas and further geographies. However, an equally strong focus lies on enhancing their existing work. The clear majority of respondents are eager to improve current service delivery, support, and sales. Virtually every professional services company is aiming to improve its ability to acquire, retain, and develop the right talent.

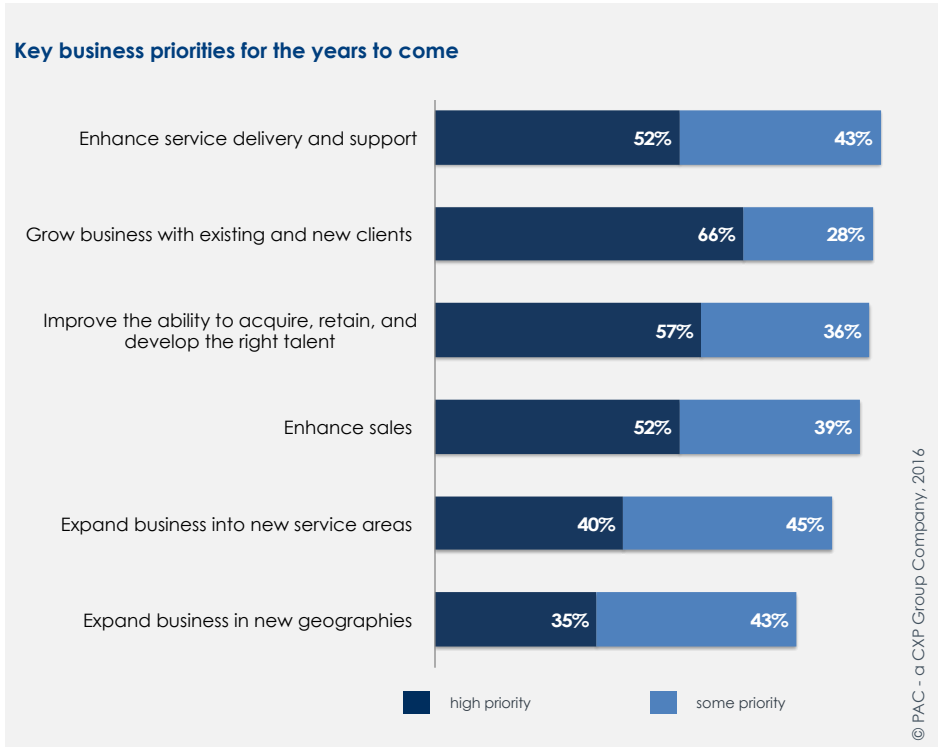


Fig. 2: Topics considered a priority by professional services firms

Considering the medium to high relevance of these topics, we get a first idea on how important technology is for professional services companies. All of these aspects reflect the need for advancements in areas such as process automation, CRM, analytics, and scalability.

## WHAT ARE THE TOP BUSINESS CHALLENGES?

### Challenges related to business processes

We first consider requirements related to business processes. In times of digitalization and a growing need to fulfill very individual customer demands, professional services companies attach high priority to the enhancement of processes, as survey respondents confirmed. The main focus lies on the enhancement of process efficiency: More than one third of the companies (38%) consider this to be a big challenge, while more than half of the respondents say that it is a moderate challenge (54%). However, the need to enhance process quality and transparency is almost of equal importance.

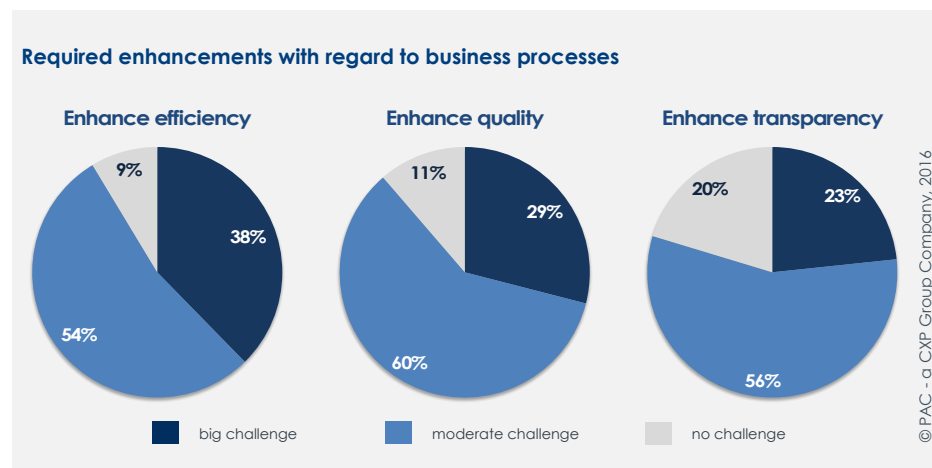


Fig. 3: Process-related challenges of professional services firms

### Strategic challenges

From a strategic perspective, business growth is an important challenge for virtually every professional services firm, as cited by over 90% of respondents. With 40% confirmation, the reduction of costs is the overriding challenge. The message is clear: Firms are seeking profitable growth. Customer centricity is taking center stage in professional services today and, according to the survey results, about one third of companies are actively prioritizing the improvement of CRM.

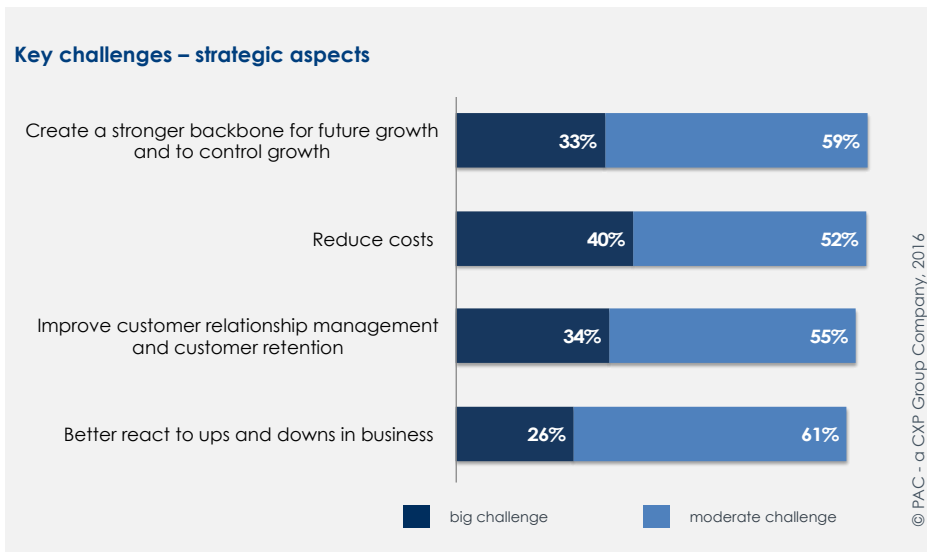


Fig. 4: Key strategic challenges of professional services firms

### Tactical challenges

With regard to business operations, the most pressing challenge is related to staff productivity and motivation and, almost equally important, the need to react to ever-changing market conditions and customer requirements in an appropriate manner. The latter strongly depends on the employees, of course, so the high percentage figure is not surprising.

Business decision-making, collaboration, and managing risk, compliance and cash flows are also considered to be challenging by the clear majority of survey respondents, although the percentage indicating them as a big challenge is slightly lower (each less than one third).

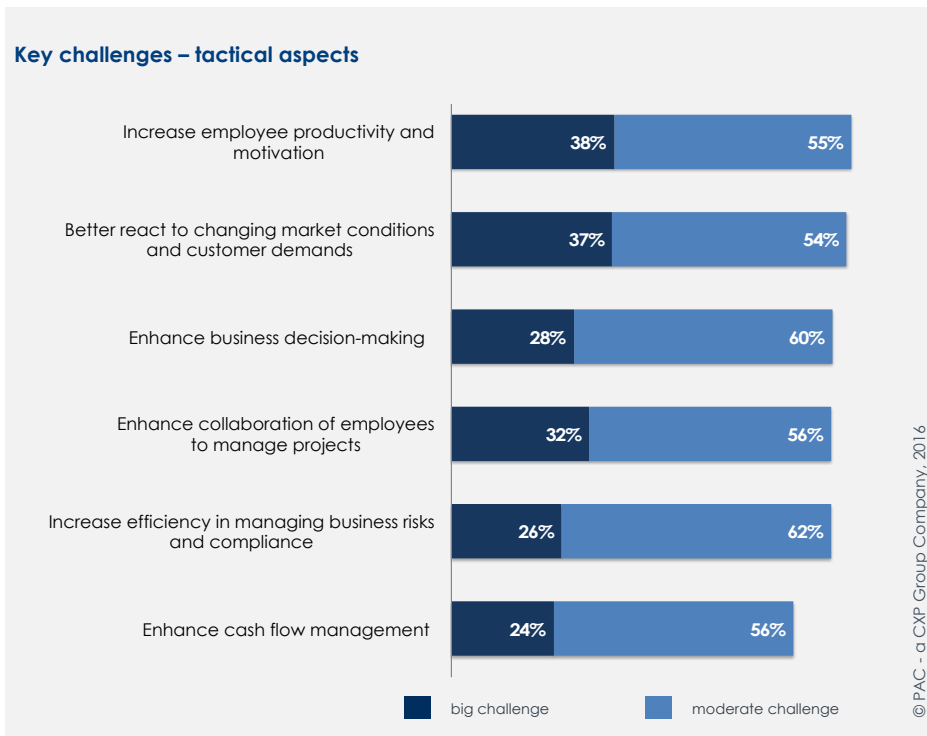


Fig. 5: Key tactical challenges of professional services firms

The survey results suggest that professional services companies are planning to invest in advanced analytics, collaboration technology, and in the automation and digitalization of back-end processes. Technology is a vital element that enables profitable business within professional services. The comprehensive set of strategic, tactical, and operational challenges, as well as their interdependencies, testify to the fact that business and IT need to work closely together in order to succeed.

# 3- ASSESSING THE PROJECT VALUE CHAIN

## WHY IS AN INTEGRATED VIEW REQUIRED?

Back in the 1980s, Michael E. Porter developed the concept of the value chain, and stated that every activity within the value chain can be a differentiator and the ultimate reason why a customer buys a product or service. The value chain concept can be applied to projects and can be used to review the competitive advantage that a company offers when delivering projects or services.

We can therefore say that the project value chain frames the professional services business. Each project or service engagement starts with the generation of a lead and the creation of an opportunity, and continues by the preparation of a quote and a project plan. After order entry, the project or service is executed, based on a more detailed project plan that allows the company to record efforts and expenses as well as document and report milestones, etc. The project service value chain ends with billing the project or service engagement, or it re-starts by up-selling or cross-selling to the client.

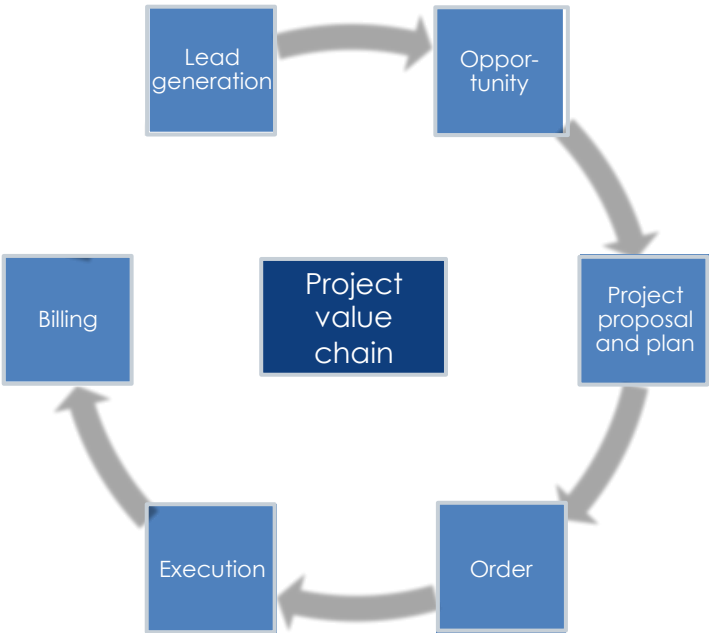


Fig. 6: Example of the project value chain

According to Porter, every building block in the project (or service) value chain creates value and can be the decisive factor behind the selection of a service provider.



Now, in the digital age, the concept is still valid but it needs to be expanded. Apart from differentiating building blocks, companies can create a competitive advantage by thinking across the building blocks of the project value chain and by integrating them. In times of transparency and 'me-too', a more holistic approach can make the difference.

In order to assess the current state, we asked the survey participants to estimate the level of integration of the project value chain that has been reached in their company. 65% of respondents say that integration is currently low (i.e. an integration level below 50%), while 35% consider it to be high (i.e. an integration level higher than 50%). Interestingly, only one respondent replied that the project value chain was 100% integrated, while 10% said it was between 0% and 10%, which indicates a very low integration level.

We can therefore conclude that there is room for improvement with regard to the integration of the project value chain and that many professional services companies are obviously still missing out on the competitive edge that a high integration level delivers.

In the following chapters, we outline why an integrated view is required and how it helps professional services companies to succeed. Moreover, we explore selected building blocks in the project value chain more deeply to uncover the requirements and potential areas of improvement.

## HOW IS THE PROJECT VALUE CHAIN SUPPORTED IN PROFESSIONAL SERVICES COMPANIES?

An integrated view of the project value chain helps professional services companies to stay competitive. Two examples:

- Integration enhances **transparency** because it, for instance, enables companies to figure out quickly which projects are running according to plan. Countermeasures can be taken rapidly in the event of deviations. When calculating a quote, an integrated view helps the salesperson to figure out whether former projects with the client were profitable or not, and why.
- An integrated view of the different building blocks also fosters **efficiency**. Based on a linkage between the different process phases, it becomes easier to predict the demand for resources, which helps to avoid bottlenecks and the need to recruit external staff for specific project tasks.

After gaining clarity on the estimated integration levels, we were keen to discover how the project value chain is organized and supported in professional services companies.

---

39%

is the average integration level as estimated by the respondents

---

## Organization of the project value chain

The project value chain is covered and supported by...

**19%**  
one business  
application or system

**66%**  
various systems that  
are not integrated

**15%**  
various integrated  
systems

© PAC - a CXP Group Company, 2016

Fig. 7: Different possibilities for supporting the project value chain

There is little surprise in finding that the majority of professional services companies (66%) today use various non-integrated applications to support the project value chain. Only 15% have their systems integrated and those companies stated that they have reached high integration levels with regard to their project value chain. 19% use one business application or system, which can be an ERP system, but could also be Excel.

---

## **98% of the survey respondents confirmed that Excel is in use to support at least some part of the project value chain**

---

Excel is in widespread use (i.e. the level of Excel use is higher than 50%) in 62% of the professional services firms, but only a few depend solely on Excel (16% stated a level of Excel use higher than 90%). The survey clearly confirms that Excel is still an important tool for organizing business, and this is particularly true for smaller companies.

### **SOFTWARE-RELATED ASPECTS OF IMPORTANCE**

The application landscape plays a key role in today's professional services business. Large parts of the business depend on it today. The clear majority of the survey respondents attached high or some relevance to being able to enhance or expand the existing systems as well as to provide mobile support for business processes and functions. These answers reflect great interest in advanced applications that provide flexibility and the possibility to respond to specific needs, which can be a way to differentiate from competitors. The availability of cloud solutions and of usage-based

payment models is only slightly less relevant. The highest priority, however, is attached to fast and easy implementation, which underlines the fact that professional services companies are highly cautious and cost sensitive when it comes to IT investments.

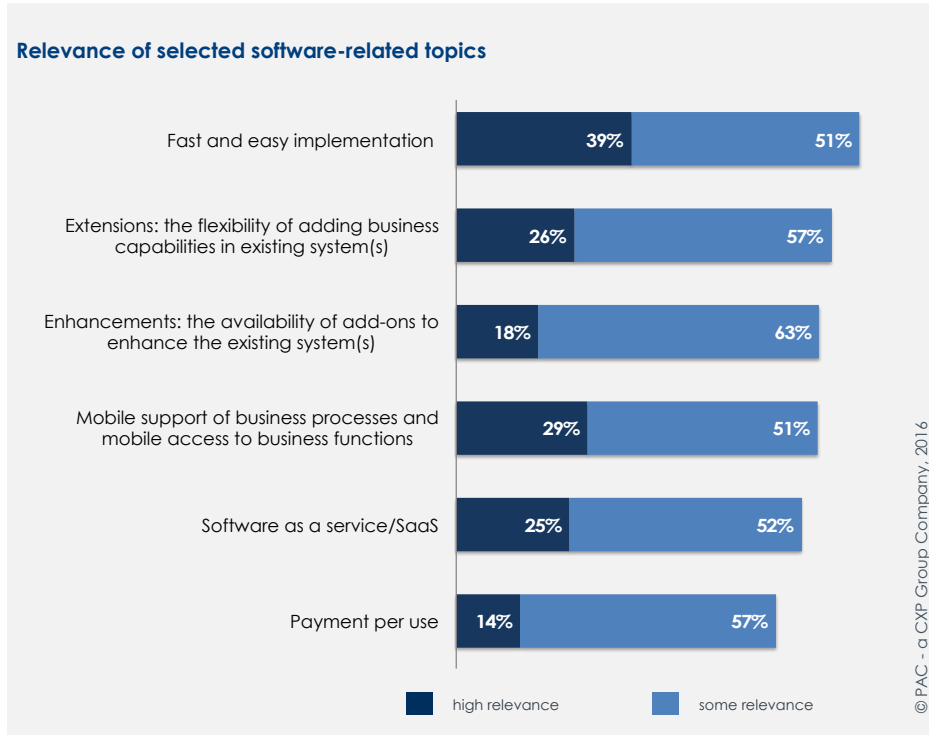


Fig. 8: Relevance of software-related topics

# 4- FOCUS ON SPECIFIC AREAS OF THE PROJECT AND SERVICES BUSINESS

## PROJECT MANAGEMENT: AGILITY AND SPEED OF REACTION

Most professional services firms recognize the importance of project management. Consistently and properly applied, it helps to control spending and improve project results. The project management discipline can make business more efficient, satisfy customers, employees, and other stakeholders, and lead to a competitive advantage as a result.

Consistent and proper project management implies that all relevant project- and customer-related information is at hand on a very granular level whenever it is needed. Only then is it possible to measure the value of a single specific project. However, in the majority of professional services companies, today's system landscape does not comply with this requirement. Only a quarter of survey respondents stated that they could check the profitability of a project with minimal effort at any time. Roughly a third of the companies (31%) admit that this – in theory – rather simple requirement is solved ineffectively. That probably includes several companies that cannot reliably check the profitability of a project at all.

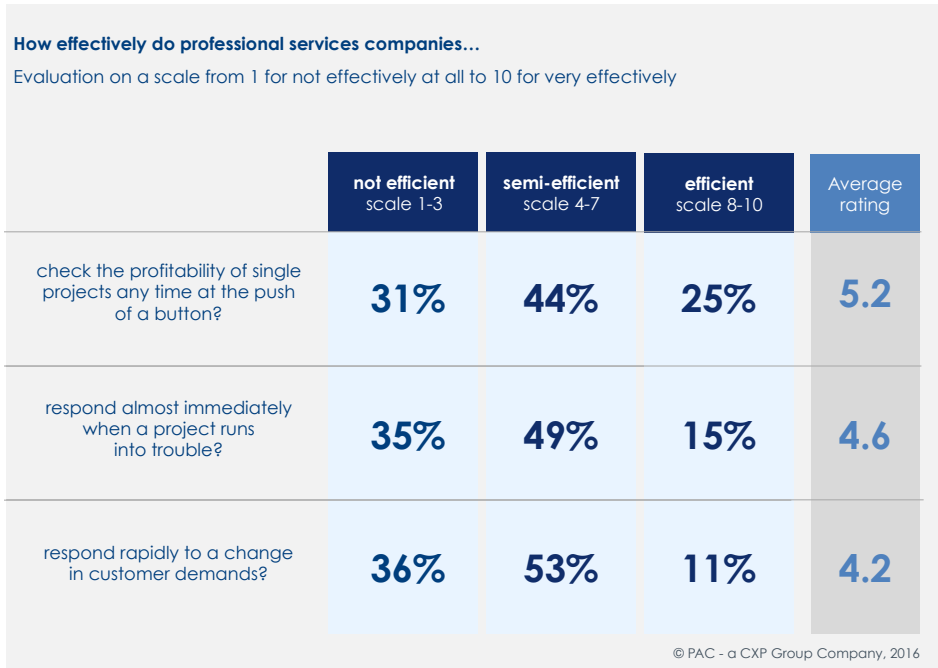


Fig. 9: Level of effectiveness with regard to project management tasks

It is not surprising that even fewer professional services companies feel that they are able to respond quickly to changes in an efficient way. Changes can either be project-related (e.g. project no longer on time or on budget) or customer-related (e.g. an ad-hoc change request during the project). In these cases, action that is obviously more challenging than simply reviewing a status, such as checking profitability, is required.

**PROFITABILITY: TRANSPARENCY AND GRANULARITY**

Predicting costs and efforts for a service or project is demanding for professional services companies because the estimation of workloads and tasks is more complex when people are involved and the level of manual work is high. Consequently, having clarity on profitability is a major concern for professional services companies, which is why we have analyzed this topic in more detail.

We asked survey respondents to rate the importance of having a high level of transparency with regard to profitability in various dimensions. Survey results underline that professional services companies require high clarity and precision with regard to profitability in general. All dimensions were rated as 'highly' or 'somewhat' important by a clear majority of survey respondents. Having a clear view on profitability by projects received the highest share of confirmation as being highly important. Knowing the profitability by region is relevant for fewer respondents as it strongly depends on whether professional services companies are doing business locally or internationally.

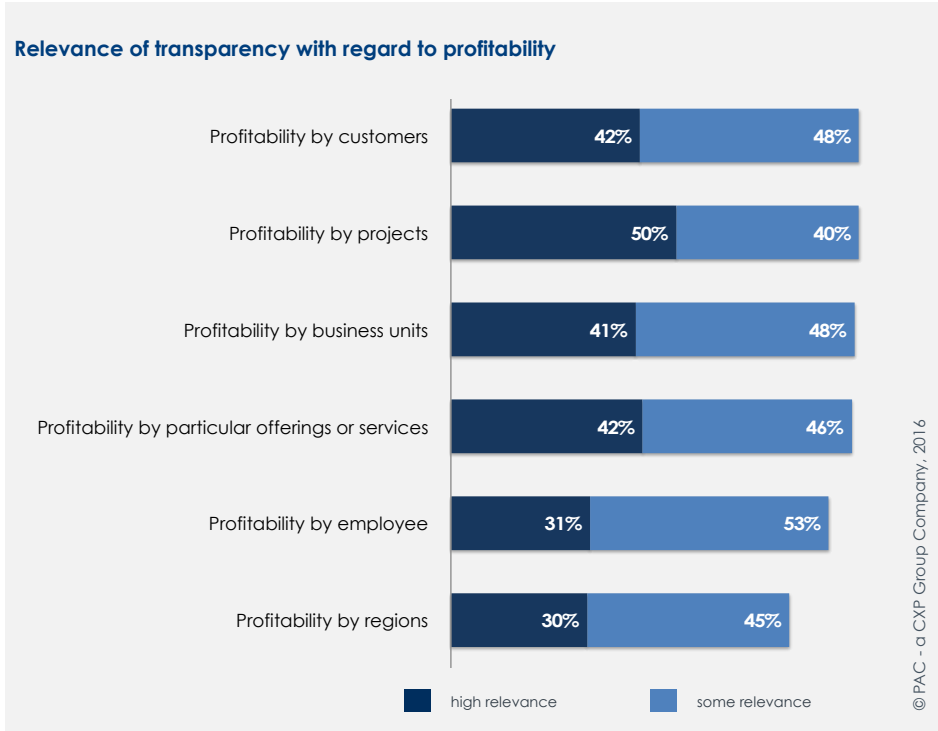


Fig. 10: Relevance of transparency with regard to profitability information

Having high transparency on profitability and being able to measure this on a high level of granularity requires a high level of integration with regard to data and systems. Professional services companies have room for improvement here. At the moment, only a small percentage of survey respondents (16%) state that they can retrieve information on profitability in real time and with a high level of automation. For most companies, more effort is required as they are either receiving the information dynamically (31%) or manually (49%). It becomes clear that there is still a wide gap between the optimal state (i.e. having high transparency on profitability in various dimensions) and the real situation (i.e. how profitability information is actually retrieved).

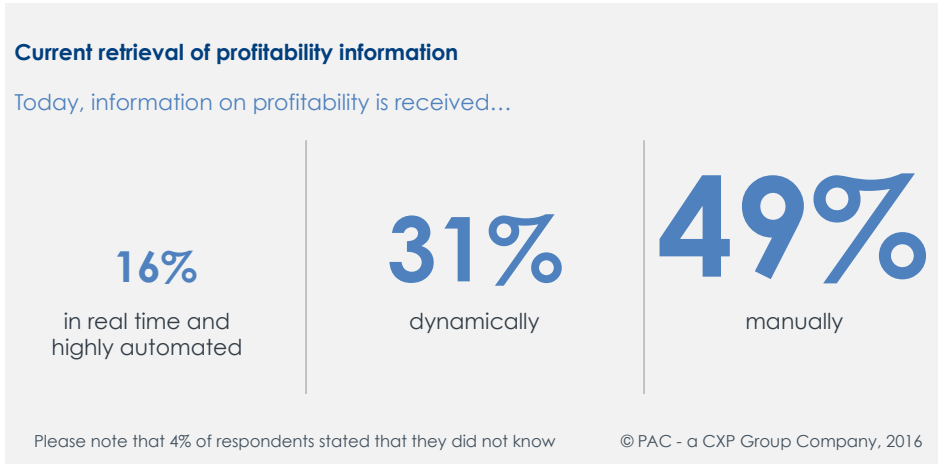


Fig. 11: Current status of the retrieval of profitability information

## FINANCE & ACCOUNTING: USEFULNESS OF VARIOUS ASPECTS

Survey respondents were asked to evaluate the usefulness of various aspects that are relevant for the finance and accounting department, and for the general management of a professional services firm. The results show that each pre-selected aspect was rated 'very useful' by the majority of respondents, while none of the topics clearly stood above the others.

The availability of detailed information and transparency on the utilization of employees was given the highest percentage of ratings as being very useful (63%). However, other aspects such as receiving cost-related information instantly or being able to close the books quickly were rated as very useful by almost as many respondents.

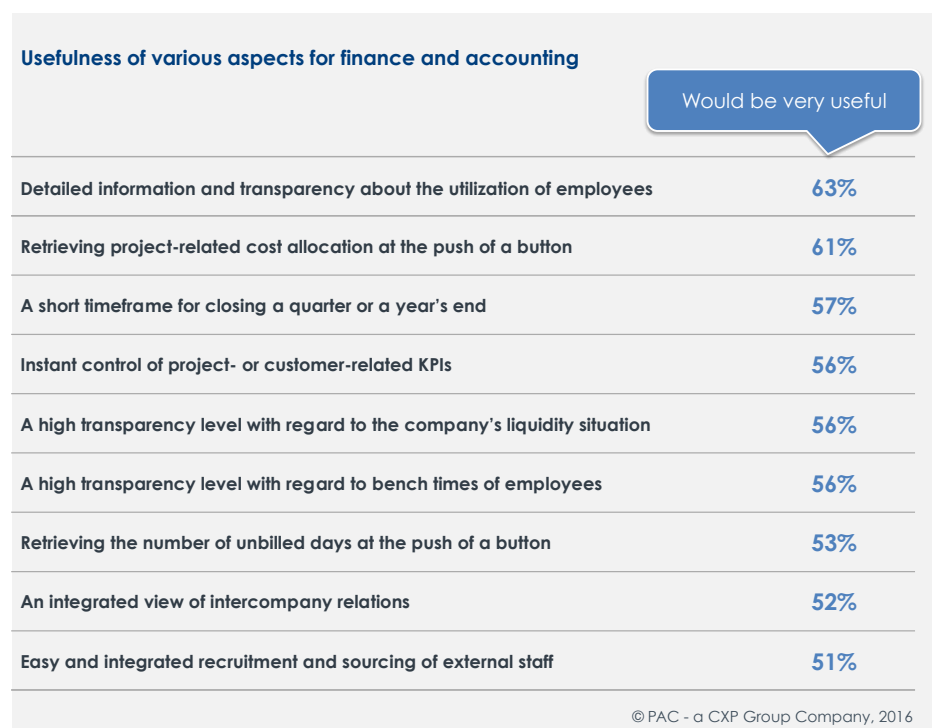


Fig. 12: Rating of usefulness of selected aspects for finance and accounting

## ANALYTICS: ABILITY OF REAL-TIME MANAGEMENT

Aspects such as the ones described above require advanced analytics. If companies are aiming to retrieve up-to-date information to support decision-making 'at the push of a button', it should ideally be available in real time. We asked the survey respondents whether their analytics systems allow for real-time management of the project value chain and if yes, whether that covers the whole project value chain or only parts of it.

The result indicates that real-time analytics has reached a certain level of maturity in professional services firms. The clear majority of these companies have the ability to analyze and manage at least some components of the project value chain in real time.

---

### 84% of survey respondents confirmed that real-time analytics is available for a few, many, or all components of the project value chain

---

However, the ability to manage the entire project value chain based on real-time data is still far from being standard (7%). A high percentage of respondents cannot do this in real time at all (13%), with an additional 3% who did not know the answer to this question. It therefore seems as if there exists a solid basis for real-time management that professional services firms can expand further.

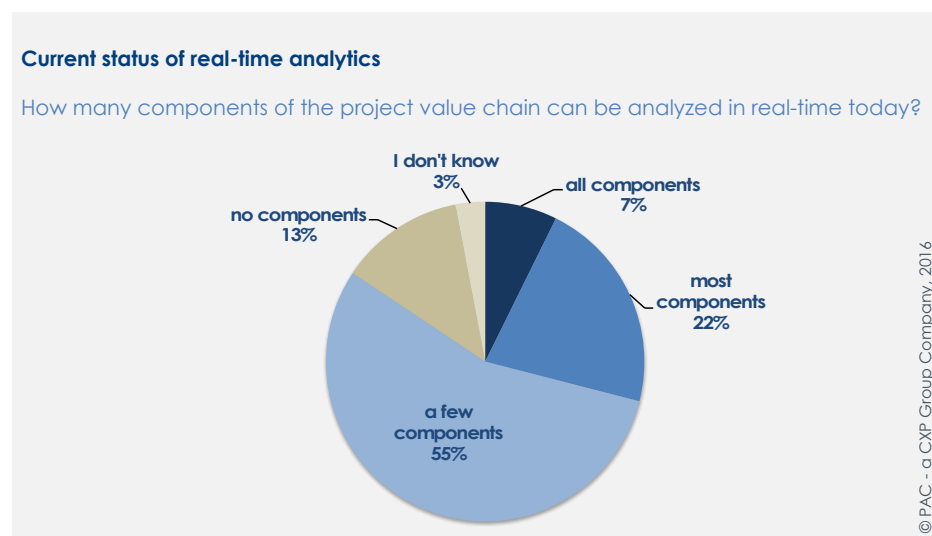


Fig. 13: Current availability of analytics that allows real-time management



## **COLLABORATION: ABILITY OF REAL-TIME MANAGEMENT**

Knowledge work – which is at the core of professional services delivery – requires collaborative working environments. This is of particular importance in times of digital transformation, with routine activities becoming increasingly automated and the time spent by employees on complex tasks and in distributed teams increasing. Consequently, technical collaboration platforms or tools are needed as a foundation that fosters teamwork and knowledge exchange.

Again, the survey underlines that professional services companies around the world have reached a certain maturity level with regard to collaboration technology. The clear majority of survey respondents (82%) confirm that collaboration platforms or tools are available and in use. These tools and platforms are fully integrated into the existing system landscape in only around a quarter of the companies (26%). So again, we see enhancement potential as a solid and integrated technical framework that could further increase the productivity of employees – and most probably their satisfaction, too.

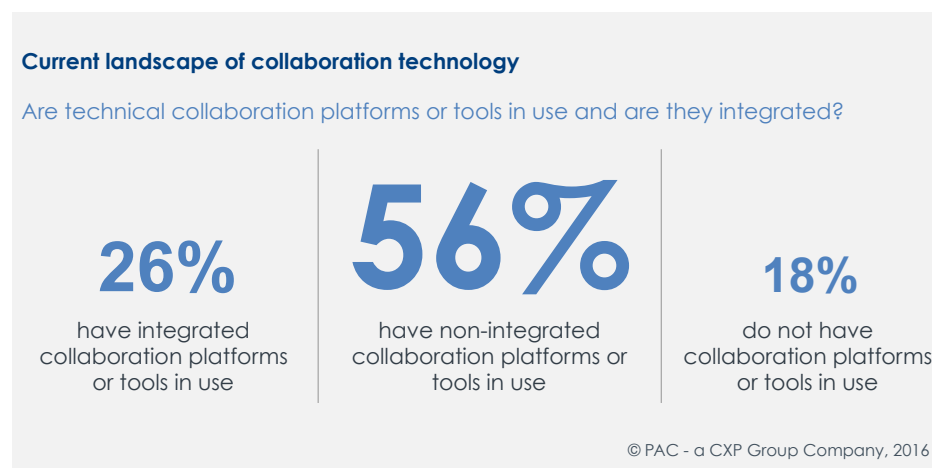


Fig. 14: Current status of collaboration technology

## **MANAGEMENT: COMPLEXITY DUE TO DEMANDING BUSINESS CONDITIONS**

Some additional survey questions were closely linked to the topic of collaboration. We asked respondents under which circumstances they accomplish their professional services business today.

### **Internal staff only, or in combination with external support?**

We first asked whether companies need internal staff only or external contracted staff to execute a project or service. We also wanted to know whether physical goods (e.g. repair parts) need to be managed or consumed in order to carry out projects or to deliver services.

---

**62% of the professional services companies include external contracted staff and 58% use some kind of physical goods to execute a project or service**

---

The fact that the majority of companies not only work with internal employees but also have to manage external people and physical goods in addition to their own people underlines the high level of complexity many professional services executives are facing today. The shortage of specific skills only adds to this. This also confirms that integrated technical collaboration platforms or tools would help to realize projects or services efficiently and smoothly.

### Is business done in different locations?

Survey respondents were also asked whether their company is doing business in a distributed environment due to nationally or internationally distributed locations, branches, or subsidiaries.

---

**63% of the professional services companies work in a nationally distributed environment and 43% operate internationally**

---

This again adds to the complexity of the business in the majority of professional services companies and of managing this business. Apart from collaboration techniques, aspects of importance include multi capabilities as well as ease of implementation and ease of use in order to support smooth business across a distributed business environment. Scalability might be another relevant aspect, in particular for the (approximately) 40% of respondents who confirmed that their company is planning to expand (further) internationally.

### Is travel required to deliver projects or services?

Last but not least, we wanted to know whether employees in the professional services companies included in the survey need to travel for their jobs or not. It is almost needless to say that – in addition to strong management – a workforce that is travelling on a regular basis requires reliable collaboration tools, easy-to-use aids to manage travel expenses or routes, and most probably mobile support of key business processes and functions.

### MARKETING: THE PATH TO SEGMENT OF ONE

The topic of digitalization is certainly not new to most marketing and communication experts and the professional services industry has been particularly quick to adopt digital techniques such as e-mail marketing to reach customers and to advertise their offering. This has been particularly helpful because professional services cannot usually present haptic products or materials to their customers.

However, in these 'always on' times, customer requirements are changing and customer centricity goes along with higher individualization levels in all areas – marketing and communication included. Marketing is at its best when a customer feels addressed in a personal and individual manner. The era of segment-of-one marketing has just begun, which requires good content, good data

---

**94%**

of respondents said that much or some travelling is needed for executing projects or services.

---

insights, and high marketing automation levels in order to manage the diversity in an efficient way.

We asked survey respondents to give an estimate of their company's current marketing performance and capabilities. The results give a mixed picture. About half of the respondents (52%) consider their marketing capabilities and performance satisfactory but not outstanding. Almost 40% seem to be more satisfied with the work that their marketing and communication department or agency is doing. From an outside perspective, however, the results imply that only 7% achieve exceptional results in marketing and communication. In times of ever-increasing competition, professional services companies should be interested in becoming the 'best in class' in marketing and communications, especially in light of the excellent progress that has been made recently with regard to the availability and functionality of tools to support the marketing discipline.

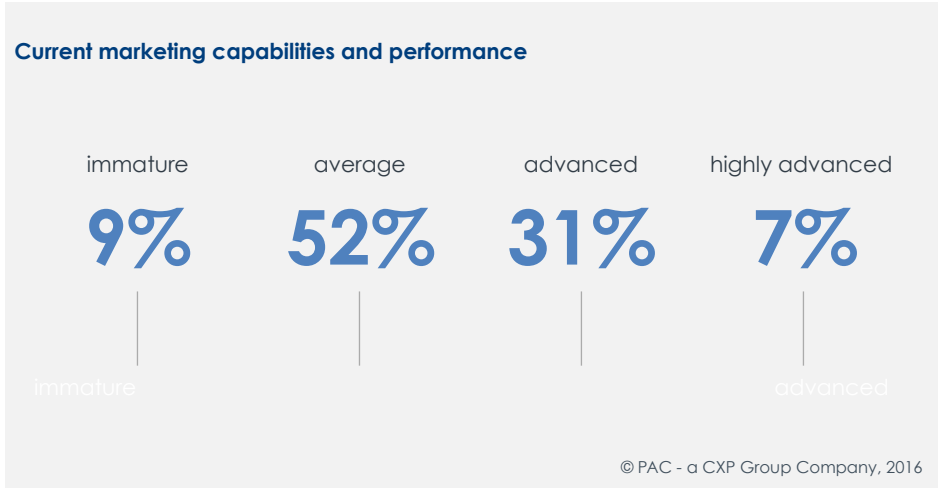


Fig. 15: Current status of marketing capabilities and performance

# CONCLUSION

The survey of 300 decision-makers from small and mid-sized professional services firms around the globe revealed that the majority of industry players have the ambition of growing and further developing their businesses. On average, they attach the highest priority to the enhancement of service delivery and to the support and growth of business, both with existing clients and new ones.

At the same time, the survey showed that professional services companies are aware of the challenges that lie ahead of them. The creation of a stronger foundation for growth and governance and the improvement of customer relationship management and retention are considered to be major challenges in times of tough competition, demanding customers, and volatile market conditions. Enhancements to business processes – including better efficiency, quality, and transparency – are of equal importance to professional services companies.

These aspects appear to be closely linked to the technological foundation of the business. However, while IT investments might help solve the most pressing issues, the reduction of costs is considered to be another major challenge. This might make companies seek solutions that require limited upfront investments (e.g. cloud solutions that are calculated on the basis of usage).

On the one hand, the analysis revealed high sensitivity among professional services companies with regard to the value that an integrated view of the project value chain, advanced marketing, or analytics can bring to business. On the other hand, however, the survey exposed significant room for improvement, and it seems as if most decision-makers who answered the survey questions have recognized and acknowledged the sub-optimal or even critical areas.

In this survey, we did not specifically ask for IT-related investment priorities because a reliable assessment would have been difficult since business and IT decision-makers from different areas were invited to take part in the survey, and all these have different interpretations and limited views on IT-related aspects as far as our experience shows. However, the survey results clearly suggest that professional services companies are aware of the progress that could be made in business with the right technology to hand.

What does this mean? There is, of course, no official definition of what the right technology foundation is for professional services companies. According to the survey, however, several characteristics received common approval, including broad functionality and high integration levels in combination with the ability to enable agility, flexibility, and speed.

**TABLE OF FIGURES**

Fig. 1: Basic survey data .....3

Fig. 2: Topics considered a priority by professional services firms ..... 4

Fig. 3: Process-related challenges of professional services firms.....5

Fig. 4: Key strategic challenges of professional services firms ..... 6

Fig. 5: Key tactical challenges of professional services firms.....7

Fig. 6: Example of the project value chain .....8

Fig. 7: Different possibilities for supporting the project value chain ..... 10

Fig. 8: Relevance of software-related topics ..... 11

Fig. 9: Level of effectiveness with regard to project management tasks ..... 12

Fig. 10: Relevance of transparency with regard to profitability information ..... 13

Fig. 11: Current status of the retrieval of profitability information ..... 14

Fig. 12: Rating of usefulness of selected aspects for finance and accounting ..... 15

Fig. 13: Current availability of analytics that allows real-time management ..... 16

Fig. 14: Current status of collaboration technology ..... 17

Fig. 15: Current status of marketing capabilities and performance..... 20

## **ABOUT SAP**

As market leader in enterprise application software, SAP (NYSE: SAP) helps companies of all sizes and industries run better. From back office to boardroom, warehouse to storefront, desktop to mobile device — SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. SAP applications and services enable approximately 320,000 business and public sector customers to operate profitably, adapt continuously, and grow sustainably.

Website: [www.sap.com](http://www.sap.com)



---

**SAP SE - Walldorf**  
Dietmar-Hopp-Allee 16  
69190 Walldorf  
Germany

---

## ABOUT PAC

Founded in 1976, Pierre Audoin Consultants (PAC) is part of CXP Group, the leading independent European research and consulting firm for the software, IT services and digital transformation industry.

CXP Group offers its customers comprehensive support services for the evaluation, selection and optimization of their software solutions and for the evaluation and selection of IT services providers, and accompanies them in optimizing their sourcing and investment strategies. As such, CXP Group supports ICT decision makers in their digital transformation journey.

Further, CXP Group assists software and IT services providers in optimizing their strategies and go-to-market approaches with quantitative and qualitative analyses as well as consulting services. Public organizations and institutions equally base the development of their IT policies on our reports.

Capitalizing on 40 years of experience, based in 8 countries (with 17 offices worldwide) and with 140 employees, CXP Group provides its expertise every year to more than 1,500 ICT decision makers and the operational divisions of large enterprises as well as mid-market companies and their providers. CXP Group consists of three branches: Le CXP, BARC (Business Application Research Center) and Pierre Audoin Consultants (PAC).

For more information please visit: [www.pac-online.com](http://www.pac-online.com)

PAC's latest news: [www.pac-online.com/blog](http://www.pac-online.com/blog)

Follow us on Twitter: [@PAC\\_Consultants](https://twitter.com/PAC_Consultants)



---

PAC - CXP Group  
Holzstr. 26  
80469 Munich, Germany  
Tel. : +49 (0)89 23 23 68 0  
Fax : +49 (0)89 71 96 265  
[info-germany@pac-online.com](mailto:info-germany@pac-online.com)  
[www.pac-online.com](http://www.pac-online.com)

---



## **DISCLAIMER, USAGE RIGHTS, INDEPENDENCE, AND DATA PROTECTION**

The creation and distribution of this study was commissioned by SAP.

For more information, please visit [www.pac-online.com](http://www.pac-online.com).

### **Disclaimer**

The contents of this study were compiled with the greatest possible care. However, no liability for their accuracy can be assumed. Analyses and evaluations reflect the state of our knowledge in July 2016 and may change at any time. This applies in particular, but not exclusively, to statements made about the future. Names and designations that appear in this study may be registered trademarks.

### **Usage rights**

This study is protected by copyright. Any reproduction or dissemination to third parties, including in part, requires the prior explicit authorization of SAP as commissioner. The publication or dissemination of tables, graphics etc. in other publications also requires prior authorization.

### **Independence and data protection**

This study was produced by Pierre Audoin Consultants (PAC) without influence from SAP as the commissioner of the study.

The participants in the study were assured that the information they provided would be treated confidentially. No statement enables conclusions to be drawn about individual companies, and no individual survey data was passed to the commissioner or other third parties. All participants in the study were selected at random. There is no connection between the production of the study and any commercial relationship between the respondents and the sponsors of this study.



A CXP GROUP COMPANY