

Kantata

The 5 Biggest Forces of Change in Professional Services Today

And How Embracing Them Can Transform Your Operation and Give You an Edge



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Introduction

The professional services industry has undergone significant change, driven by a wide range of internal and external factors. Emerging technology solutions have led to new ways of working at every level—individual, team, and organizational. Far-reaching economic forces and increased globalization have allowed professional services companies access to a wider range of clients than ever before. And changes to both employee needs and customer expectations due to wider cultural and technological shifts have also impacted people-powered business.

Change always brings challenges. Powerful forces shaping the industry affect everything from work processes and resource pools to project strategies and margins. The market is growing and becoming more competitive, even as recession fears rise, putting pressure on businesses to act faster than ever to improve their processes, retain their best resources, and be resilient to weather the challenges coming their way. Keeping up with ever-changing technology advances can be daunting. And resource management is becoming increasingly complex as firms tap into distributed talent pools and remote work becomes the new normal.

“Many professional services organizations are still challenged with client retention (53%), lack of visibility/insights (58%), and lower-than-expected profits (55%), signaling that these organizations are finding it difficult to achieve their goals and meet their top priorities.”

Source: [Vertical SaaS For Professional Services Is Driving Material Benefits](#), September 2022. A commissioned study conducted by Forrester Consulting.

However, accommodating change and adopting new processes also opens businesses up to new opportunities. The after-effects of the global pandemic have only heightened the urgency for professional services organizations to embrace new ways of operating. It's time to keep up, or get left behind.

Let's look at the five biggest forces of change impacting the industry today, and how professional services organizations can adapt and thrive.



01

Globalized Competition

The professional services landscape has changed drastically as a result of digitization — not just the way we do things, but the market itself. Whereas 10 years ago opportunity was limited by physical location, today, firms around the world can compete for the same projects because everything from estimating to delivery is now done digitally.

This opens up new opportunities for professional services providers, but it also introduces new challenges. You're no longer just trying to outbid the firms in your area. Now you have to outbid and outperform competition across the globe. At the same time, technological advances have allowed new players to enter the field, including many from emerging markets, increasing the competition even more.

“The global professional services market size is expected to reach \$7.06 trillion in 2025 at a compound annual growth rate (CAGR) of 7%.”

Source: [The Business Research Company](#)

Putting It Into Practice

To effectively compete and maintain growth and stability in the new global market, firms need to lean in to change. Adopt new technology and connect your existing systems to gain visibility and power true agility at scale.

Replace legacy processes with new, smarter ways to work. Use the power of AI, machine learning, and automation to gain granular insight, and apply it to improve profitability. Embrace the virtual office, distributed talent networks, and globalization. Align your core strategies to the new normal. Target new markets and a wider range of clients.

02

Project Pricing and Bidding Becomes Smart

When it comes to winning business and maintaining profitability, accurate pricing is essential. In fact, rising client expectations, increased market competition, and pressures brought on by concerns about an unstable economy make smart bidding more important now than ever — especially since 80% of project profitability is determined at the bid stage, and more than half of all projects do not deliver to plan^[1].

If your bid team is still spending hours on manual project estimates, cost analysis, and resource allocation, your bids are likely leaving money on the table. Plus, sending spreadsheets back and forth at the front end but failing to inform delivery and resourcing teams exactly what's expected of them may lead to a breakdown during execution and billing. It's time to replace disparate manual processes with a modern, centralized solution.

“Clients are increasingly focused on the business outcome of an engagement rather than the effort involved, and they are negotiating prices and relationships accordingly. The key lever for firms is to adopt a superior bidding process resulting in accurate proposals that will ensure predictability and repeatability, and thus minimize delivery risks.”

Source: [SAP](#)

Putting It Into Practice

Today's leading firms are gaining a competitive advantage right out of the gates by using business intelligence (BI)-assisted pricing tools to create faster, more accurate bids. A [purpose-built professional services solution](#) with a centralized project management platform powered by AI provides the cumulative financial data you need to bid competitively while keeping in mind the income your business needs to stay on track. Win more jobs and stay in the black by tapping BI to determine the right pricing based on past projects.

Centralizing all the levers of your professional services business, from bidding to billing, provides end-to-end visibility that keeps everyone on the same page. Track direct and indirect costs, project burn rate, and margins all in one place to make smarter, data-driven decisions. Not only will this help you bid better, it will help you execute and deliver better, elevating outcomes across the board.

03

Hybrid Work and Delivery

Shifting client demands and employee expectations have brought about foundational change in the way professional services firms work. Even before the Covid-19 pandemic forced millions to leave the office behind for much of 2020, remote work was on the rise^[2]. Cloud-based technologies and a more relaxed, accommodating work culture have made it easier for employees and contractors to work from wherever they like while staying connected to their team.

“25% of all professional jobs in North America will be remote by the end of 2022, and remote opportunities will continue to increase through 2023.”

Source: [Forbes](#)

Shifting from an on-premise workforce to a hybrid or distributed one does bring some challenges. Workers can feel isolated and managers might have difficulty keeping everyone on the same page. But new

collaboration tools will help you overcome these initial roadblocks and tap into new possibilities.

Creating a tech-enabled work culture helps keep teams engaged and productive — and according to Forbes, highly engaged teams show 21% greater profitability^[3]. Project collaboration tools, connected messaging apps, and video conferencing allow for ongoing communication and information sharing. And a centralized management platform will let you track performance and costs in real time so you can keep projects on track no matter how far your team is spread.

Where do workers feel they are most productive?

28%

believe they are most productive when working from home

34%

believe they are most productive when working at the office

35%

believe they are most productive with a hybrid approach

Source: [Kantata, The Changing Dynamics of the Modern Workforce - An In-Depth Look at the Professional Services Industry](#)

Putting It Into Practice

In addition to providing your workforce with flexibility and freedom, remote work allows professional services companies access to a wider pool of resources. Rising client expectations mean firms need to offer a more extensive range of abilities to keep up with demand. Without the limitations of location, you can recruit talent from around the world.

“By 2030, the demand for remote work will increase by 30% due to Gen Z fully entering the workforce.”

Source: [Gartner](#)

Amidst the potential financial strain businesses may experience in a recession, business leaders will need to be able to maintain a delicate balance between their use of full-time employees and contract workers to meet client demand. When done right, your business will be in a position to proactively address skill and availability gaps, extend your reach, and strengthen your position by adding contractors and subcontractors to your resource lineup to prevent being forced to turn down work due to a lack of resources. The modern workforce is a hybrid workforce, not just remote and in office, but also an extended talent network of trusted internal and external resources. By tapping into the global talent pool, you can meet demand and deploy the best people for every project.

04

Targeted Digital Transformation

Digital transformation has been a buzzword and a strategic initiative driver for businesses spanning every vertical in recent years. With the proliferation of SaaS and cloud-based technologies, companies have undergone a long journey to replace legacy paper-based processes and on-premises software with agile, online, or cloud-based workflows and vertical SaaS solutions that move their company forward.

“Professional services organizations are investing in more vertical solutions to mitigate challenges associated with their unique needs, and 89% agree that vertical SaaS is the way of the future.”

Source: [Vertical SaaS For Professional Services Is Driving Material Benefits, September 2022](#). A commissioned study conducted by Forrester Consulting.

But the days of the broad approach to digital transformation are behind us. For the most part, businesses have been there and done that. The focus now is on targeted digital transformation focused on specific aspects of the organization that may still be relying on outdated processes and systems. Consider how these areas can benefit from digital transformation and emerging technologies, including AI and machine learning.

“88% of professional services companies worldwide are likely to adopt cloud computing technology by 2025, with 86% likely to adopt big data analytics and 76% likely to adopt AI and machine learning technology.”

Source: [Statista](#)



Many professional services companies still rely on legacy systems and solutions to run their operation^[4]. Some may be resistant to change because they have invested in extensive customization to make sure their solutions meet their precise needs. Or it may be a simple case of “but we’ve always done it this way.” Either way, it’s time for professional services to get up to speed. Automate and accelerate processes. Put dynamic business insights at your fingertips. And move management and communication online to keep everyone up to date and enable in-flight adaptation.

“Only 27% of business executives said their current data and analytics software solutions produce actionable insights for their business.”

Source: [Accenture](#)

Putting It Into Practice

If you’re not sure where to start, focus on the key value drivers for your business, such as resource optimization and real-time visibility. Target those processes and systems for digital transformation. The goal should be to create a single source of truth across your entire organization, including partner networks and resource pools.

Today’s leading companies are making this a reality through the use of integrated business intelligence solutions that consolidate and leverage data lakes present within their software infrastructure.

With everything you need in one place, you can uncover hidden inefficiencies, discover revenue opportunities, and maximize profits for every project.

“Through 2025, employee value metrics like well-being, burnout, and brand satisfaction will override return on investment (ROI) evaluations in 30% of successful growth investment decisions.”

Source: [Gartner](#)

When thinking about the ROI of digital transformation, don't stop at thinking about the shorter-term financial impacts of investing in technology optimization - also consider the long-term benefits targeted digital transformation initiatives will have on employee experience and client experience. In unpredictable times, the recipe to resilience is an ability to build on existing relationships with your employees and customers. Technology that puts your business in a better position to maintain those relationships long-term has the potential to deliver truly transformative results.

05

AI-Assisted Resource Optimization

Whatever service your company provides, your people are your power — and making the most of them is vital to success. But balancing the resource demands of multiple projects at scale is incredibly challenging, especially if you're relying on legacy tools. Add a distributed workforce into the mix and it's even more difficult.

Inadequate resource management can lead to all kinds of problems: poor performance, logistical errors, employee burnout, blown budgets, project failure, and loss of revenue. That's why the emergence of smart, AI-powered resource management tools is a game-changer for people-driven businesses.

“Companies using a PSA tool report a billable utilization rate of 74.2% compared to 66.0% pre-PSA for an 8.2% increase, resulting in the average consultant delivering \$32,500 more revenue annually.”

Source: [SPI's 2022 Professional Services Automation End-User Survey](#)



Putting It Into Practice

Not only does AI make it easier to dynamically manage requests and allocate resources, it allows you to integrate resource management into ongoing projects — in real time and at scale, across every project. Having access to instant insights into staffing demands lets managers match client needs to resource skill availability and costs, so you can keep projects optimally staffed, on track, and profitable. Better visibility also makes it easier to balance assignments so you don't overwork anyone. Look for a centralized platform and make the most of your team's schedules to maximize efficiency and margins.

Conclusion

The Way Forward: Don't Resist Change, Embrace It

Change isn't easy, but it is necessary. Rather than seeing these forces of change as a threat to your firm's ongoing success, view them as an opportunity to adapt and thrive.

Today's leading professional services organizations view change as an opportunity. Find out how you can stay one step ahead of the competition with the Kantata Cloud for Professional Services™, a purpose-built solution designed to help organizations adapt to the new world of work with clarity, control, and confidence.

Learn more at [Kantata.com](https://www.kantata.com) →

¹ SAP, "THE INTELLIGENT ENTERPRISE FOR THE PROFESSIONAL SERVICES INDUSTRY," 2021

² APOLLO TECHNICAL, "STATISTICS ON REMOTE WORKERS THAT WILL SURPRISE YOU," 2021

³ FORBES, "10 TIMELY STATISTICS ABOUT THE CONNECTION BETWEEN EMPLOYEE ENGAGEMENT AND WELLNESS," JANUARY, 2019

⁴ FORBES, "SOFTWARE COMPANIES STILL NEED TO ADDRESS LEGACY SYSTEMS," OCTOBER, 2020