

MANAGEMENT SUMMARY

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



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August 2016

In partnership with



INTRODUCTION

Digitalization, along with shifting customer preferences, has changed the professional services business. In this people-centric field, companies' ability to respond flexibly to changes has become the key to success and further growth. At the same time, services firms are facing pressure on prices, and profitability takes center stage.

In answer to these challenges, professional services companies have their eye on technology and on how it can support their business. Making use of the technological possibilities means seizing the opportunity to increase efficiency, transparency, and growth. In a trend study PAC, as commissioned by SAP, examined the relation between the deployment of appropriate technology and greater success in the professional services business.

Basic survey data

In June 2016, PAC conducted a survey of 300 small and mid-sized professional services companies (100 to 1,000 employees) from different sub-industries from around the globe. PAC realized roughly half the interviews with IT managers (45%) and the other half with C-level managers and decision-makers from other business areas (55%). The survey is the basis for the trend study at hand.



The document at hand summarizes the main findings of the trend study. Please [click here to access the complete PAC Study](#).



300 people surveyed from around the globe	From professional services 100 to 1,000 employees	JUNE Survey conducted in June 2016
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SUMMARY OF FINDINGS

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

At the same time, the survey revealed 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 the major challenges in times of tough competition, demanding customers, and volatile market conditions. Enhancements with regard to business processes – including higher efficiency, quality, and transparency – are of equal importance to professional services companies.

Such aspects are closely linked to the technological foundation of the business. However, while IT investments might help to solve the most pressing issues, the reduction of costs is considered to be another major challenge.

On one hand, the analysis revealed high awareness among professional services companies with regard to the value that an integrated view on the project value chain, as well as an advanced approach to project management, marketing, collaboration, and analytics, can bring to business. On the other hand, however, the survey exposed significant room for improvement, and it appears that most of the decision-makers who responded to the survey have already recognized and acknowledged the critical areas.

The survey results clearly suggest that professional services companies are aware of the progress that could be made in business with the right technology at hand.

However, 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.

300

survey
respondents from
professional
services
companies around
the globe

SELECTED RESULTS FROM THE TREND STUDY

TOP PRIORITIES AND CHALLENGES IN PROFESSIONAL SERVICES

Professional services companies have a variety of topics on top of their agendas, with none clearly standing out:

- Be it the enhancement of the service delivery, of sales and talent management, or the growth of business and the expansion of the business scope, more than 90% attach high or some priority to each of these topics.
- 92% consider reducing costs and creating a strong foundation for business growth and cost control to be a challenge.

The message is clear. Firms are seeking profitable growth. Additionally, customer centricity is taking center stage: 34% of companies are actively prioritizing the improvement of CRM.

Another main focus for professional services companies lies on process efficiency: 92% consider its enhancement to be a big or moderate challenge. The need to enhance process quality and transparency is of almost equal importance.

Considering the high relevance of these topics, we get an initial idea of how important technology is for professional services companies. Most aspects reflect the need for advancements, for example with regard to process automation, CRM, collaboration, analytics, and scalability.

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, which can be applied to traditional manufacturing processes as well as to the delivery of projects and services. According to Porter, every building block in the project (or service) value chain creates value and can represent a competitive advantage for a specific provider.

95%

attach high or some priority to enhancing the service delivery and support

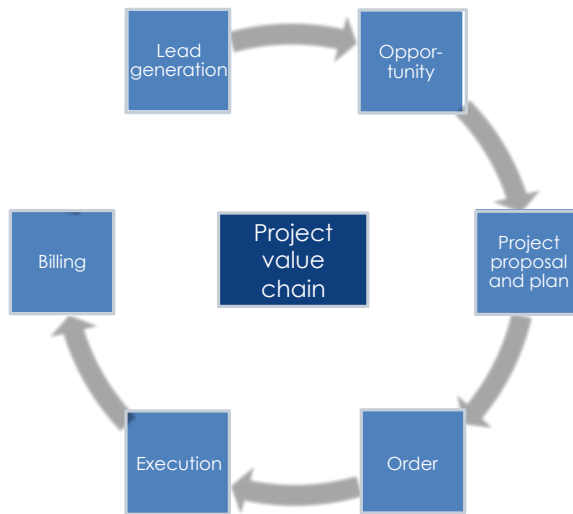
92%

consider creating a stronger foundation for business growth and cost control a challenge

92%

feel that enhancing process efficiency is a challenge

Illustration of the project value chain



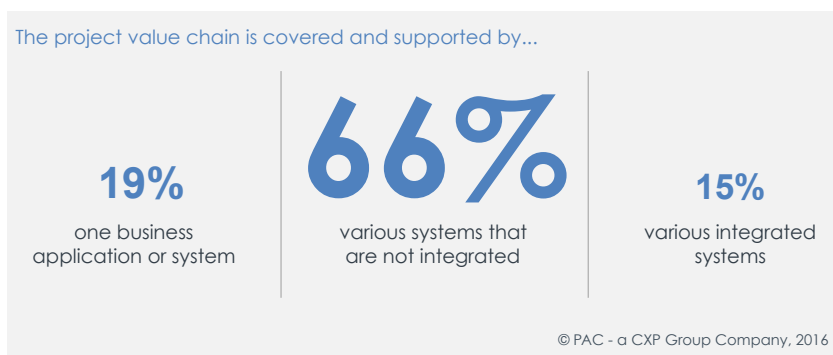
In the digital age, the concept needs to be expanded. Apart from differentiating building blocks, companies can create a competitive advantage **by thinking across the building blocks** and integrating them.

In the trend study, we were keen to know more about the current integration levels of the project value chain in professional services companies. The results show that it is low in most companies.

It is evident that a large number of professional services companies are still missing out on the competitive edge that a high integration level delivers.

How is the project value chain organized?

We also asked professional services companies how they currently support the project value chain from a technology perspective. The following image illustrates the results:



Despite the use of business applications, Excel is still widely used: 98% of the companies use Excel to support at least parts of the project value chain.

65%

currently have a low integration level of their project value chain

FOCUS ON SPECIFIC AREAS OF THE PROJECT AND SERVICES BUSINESS

Project management requires transparency regarding profitability:

Consistent and effective project management requires all relevant project- and customer-related information to be available on a very granular level whenever needed. A significant majority confirmed that having a clear view on profitability by projects, by customers, by business units, and by particular offerings would be very or at least somewhat important.

However, current system landscapes do not meet these requirements. Only 25% stated that they were able to check the profitability of a project with minimal effort at any time. 31% admitted that this – in theory – rather simple requirement is only ineffectively fulfilled. And only 16% stated that they were able to retrieve information on profitability in real time and with a high level of automation.

Various aspects support the finance & accounting function:

Having high transparency and availability of data supports finance and accounting as well as the general management of a professional services company. At 63%, the availability of detailed information and transparency about the utilization of employees received the highest share of approval as being very useful. Other aspects such as receiving cost-related information instantly or being able to close the books quickly are considered useful by almost as many respondents.

The ability of real-time analytics:

We wanted to know whether their analytics systems allow for real-time management of the project value chain and if so, whether that covered the whole project value chain or only parts of it. The results indicate that the ability to manage the entire project value chain based on real-time data is still far from being standard, with only 7% able to do this.

Technical collaboration supports knowledge work:

Technical collaboration platforms or tools are needed as a foundation that fosters teamwork and knowledge exchange. The survey again underlines potential for enhancement because these tools and platforms are only fully integrated into the existing system landscape in around a quarter of companies.

The path to segment-of-one marketing:

The professional services industry was quick to adopt digital techniques in marketing, but we have now entered the era of segment-of-one marketing. The results give a mixed picture of current marketing performance and capabilities: 52% of the respondents consider their marketing capabilities and performance to be satisfactory but not outstanding, while only 7% consider them to be highly advanced.

90%

would like to have a clear view on profitability by projects and customers

93%

cannot manage the entire project value chain based on real-time analytics

26%

have fully integrated collaboration tools and platforms

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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.

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