The Macro Technology Shift Impacting the Professional Services Industry

Commissioned by

KANTATA™

Table of contents

Introduction

Professional services (PS) firms and those working in internal PS teams in various industries have their own unique set of challenges and customer requirements that aren't well served by general SaaS applications, legacy industry applications or common systems of record. The professional services industry is like other industries in that regard; many are being impacted by the trend away from general technology products toward more consolidated and industry-specific ones. PS teams are increasingly looking for capabilities that match their specific needs — those focused on granular resource management and planning, streamlining project accounting, estimating and delivering client-facing projects, accessing business intelligence to inform rapid decision-making, and having the right technology integrations with their other core industry applications. Making the right technology choices has never been more important for PS firms given the intense macroeconomic, digital transformation and specific industry pressures that are transforming both customer and employee expectations.

Methodology

This report was commissioned by Kantata and written by S&P Global Market Intelligence. It references data from a survey conducted by S&P Global Market Intelligence in May and June 2023 of 213 individuals at director level or above working either in professional services (PS) firms (74%) or in PS teams within other industries (26%) such as financial services or software firms. We asked a range of questions about how they manage their projects. All these respondents were familiar with the technologies used by their teams to manage PS projects, and all were senior enough to be heavily involved in setting spending plans and budgets around those technologies. They came from organizations in the United States, United Kingdom and Germany. A more detailed breakdown of the firmographics and respondent demographics from the survey can be found at the end of the report.

State of the professional services industry

Compounding industry stressors require significant change

The PS industry is navigating seismic changes. Economic uncertainty continues to cause customers to look carefully at how they scope projects and manage the associated costs. In turn, they are demanding greater pricing transparency from their PS partners. At the same time, customers are looking for new engagement models with their partners that allow for more flexible service packaging and more predictable outcomes.

PS firms also need to respond to a growing range of workforce challenges. Adapting to more remote and asynchronous working, talent recruitment and retention, and accessing contractors are significant obstacles to the effective operation of many PS businesses (see Figure 1). The increase in remote working, especially, should not be underestimated. According to survey results, many employees are finding it harder to build trusted relationships with their colleagues compared to three years ago. They are also struggling with focus and are finding it more difficult to establish clarity regarding their own goals and responsibilities. Not only is customer value being redefined in the industry, but also the experience of those working in PS.

Figure 1: The biggest obstacles facing professional services firms

Obstacle	Percentage
Adapting to more remote and asynchronous working	51%
Pricing transparency and margin pressure	49%
Challenges recruiting and retaining talent	46%
Securing access to the contract workforce	44%
Rapidly shifting client needs	36%
Volatile customer demand	33%

Q. When it comes to your organization as a whole, which of the following, if any, are the hardest challenges you currently face?
Base: All respondents (n=213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

In aggregate, these stressors point to the biggest functional transformation over the shortest time that the professional services industry has experienced, and teams are certainly under strain as they try to adjust to this change. A fifth of PS leaders say that less than half of their projects are meeting budget, quality and timeline goals, and under half (47%) report that more than 70% of their projects are meeting those goals.

Leadership lacks the tools and data to lead effectively

Overcoming these obstacles requires more than piecemeal change — a couple of things need to happen. First, a stronger partnership is needed between leadership, delivery, finance and operations teams to create an effective vision for how to navigate new ways of remote selling, marketing and service packaging, as well as team building, collaboration and remote service delivery. However, only 42% of survey respondents believe their organization's leadership really understands the strain that delivery teams are under. And only 47% of PS respondents strongly believe their tools provide the data that leadership, delivery and finance teams need to make good decisions about how the organization can improve.

Indeed, in many organizations, according to survey results, leadership wants change but doesn't know how to lead change. After three years of volatility, the general perception is that leadership is not being as considerate of the general well-being of their teams as employees would like, according to our employee research. Leadership is also struggling to distribute work appropriately across teams, and it isn't providing enough clarity about goals and responsibilities. This shortfall in credibility has the potential to further corrode productivity and engagement, and, consequently, it also risks damaging the customer experience.

Professional services leadership needs to find a more effective way to lead the necessary change, and a significant part of that process is thinking through what the right technologies are to support their teams' day-to-day work. The right technologies and culture are essential to better address the specific challenges the industry faces.
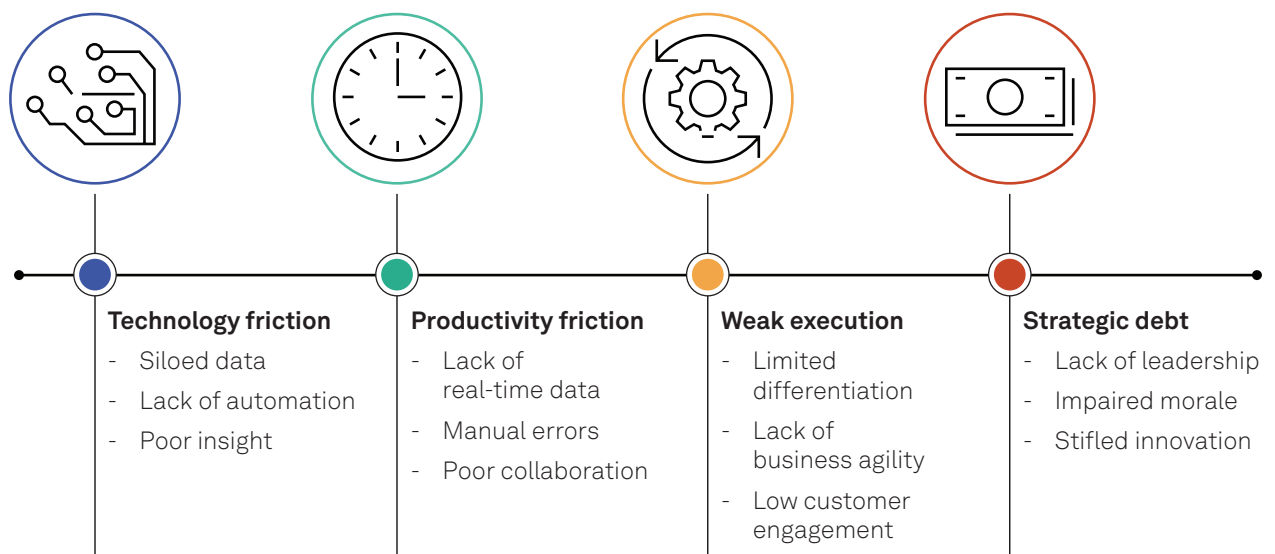
Understanding the macro technology shift

In fact, it has never been more important for the industry to assess the technology it uses. The survey shows that for 85% of PS leaders, the applications and technologies they use greatly influence the quality of their day-to-day work experience. For 36%, it is the single most important factor, more important than factors such as company culture, colleagues and compensation.

The reality is that after 20 years of SaaS and the explosion of apps it has brought, many organizations across industries are struggling because so many teams are working in technology silos that limit the valuable context and data-driven intelligence that would otherwise improve how work happens. As the enterprise technology landscape has become more complex, pervasive friction across work has grown.

The survey data shows that there is a clear desire among PS teams to break down collaboration barriers (41%), manage resources better across project life cycles (40%), and increase their agility and responsiveness to changes and scenarios based on data (39%), yet PS leaders say technology challenges are the very things preventing them from achieving those goals. They cite siloed information (42%), security and compliance requirements that limit their apps' usefulness (35%), lack of clarity on how work progress relates to goals (31%), poor app user experiences (29%) and having to use too many apps (27%) as top challenges. It's unsurprising, then, that only about half (54%) really know what to prioritize each day. As Figure 2 shows, this level of friction can easily aggregate into significant organizational dysfunction.

Figure 2: Pervasive technology friction from a growing landscape of apps creates serious operational challenges

Technology friction
- Siloed data
- Lack of automation
- Poor insight

Productivity friction
- Lack of real-time data
- Manual errors
- Poor collaboration

Weak execution
- Limited differentiation
- Lack of business agility
- Low customer engagement

Strategic debt
- Lack of leadership
- Impaired morale
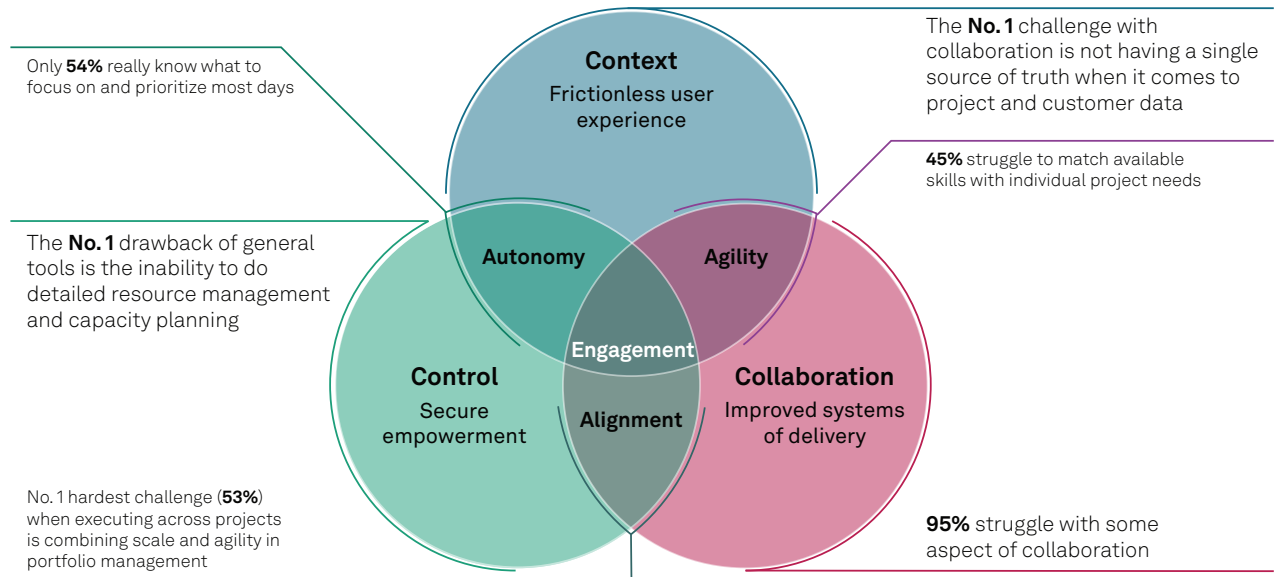- Stifled innovation

Source: S&P Global Market Intelligence.

New technology purchasing drivers

This fragmented technology environment, as well as the challenges it creates, is causing a significant shift across the business application landscape that stretches beyond the PS industry. Technology silos are the main obstacles to the more agile operating models that organizations need to compete in the experience economy where success is increasingly defined by the ability to generate and monetize emotional engagement among consumers and, increasingly, among employees. More synthesis of information, data and people across those silos is needed, but APIs connecting niche apps won't provide that on their own. Instead, businesses are beginning to allocate resources to more consolidated and customizable applications built for their specific industry domains. This is important because each industry requires certain capabilities, integration into specific back-end platforms and, increasingly, specific data models and necessary training algorithms for AI, machine learning and newer generative AI initiatives.

Businesses are funneling investments into those technologies that provide industry-specific experiences based on having more context, collaboration and control for their users, whether those users are employees or customers. The race for relevance means organizations must measure and align those investments to ensure greater organizational agility, employee autonomy and corporate alignment. In the PS industry, this manifests as resourcing and delivery teams wanting maximum flexibility around the "how" of work, with tight consensus on the "what" and "why" as they manage their different projects.

Figure 3: Businesses are funneling investments into applications that deliver a more seamless experience

Only **54%** really know what to focus on and prioritize most days

The **No. 1** drawback of general tools is the inability to do detailed resource management and capacity planning

No. 1 hardest challenge (**53%**) when executing across projects is combining scale and agility in portfolio management

Context
Frictionless user experience

Autonomy

Agility

Engagement

Control
Secure empowerment

Alignment

Collaboration
Improved systems of delivery

The **No. 1** challenge with collaboration is not having a single source of truth when it comes to project and customer data

45% struggle to match available skills with individual project needs

95% struggle with some aspect of collaboration

Q. When it comes to how you and your team execute, working across different projects, which of the following, if any, are the hardest challenges you face?
Q. Which of the following, if any, do you commonly struggle with when it comes to collaborating with others?
Q. What are the key challenges you face when it comes to making sure you have the right skills across your teams?
Base: All respondents (n=213).
Q. Please rank the following challenges you experience with your Collaborative Work Management (CWM) tool from biggest challenge first to the smallest one last?
Base: All respondents who use collaborative work management tools to manage their professional services projects (n= 193).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

Managing complex PS project life cycles

More specifically, what does this mean in terms of the kinds of technology PS teams are looking for? The reality is that PS delivery teams may be working on hundreds of concurrent billable projects. The delta between the scope and reality of each project likely requires constant and contextualized coordination across the project life cycle — forecasting, sales, staffing, billing, delivery and analysis.

That coordination needs to happen against the common background of fluctuating staffing levels and client needs. At the same time, intelligence from individual projects needs to be rolled up so that resourcing and other decisions can be made at the portfolio level. This is fundamentally difficult to achieve. Figure 4 illustrates the high levels of friction that exist across various stages of that life cycle.

Figure 4: PS teams struggle with considerable friction while working across their project life cycles
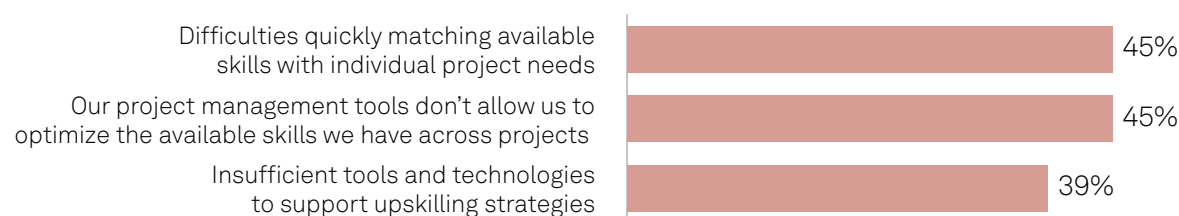
Top five challenges when executing across projects

Challenge	%
Combining scale and agility in portfolio management	53%
Standardizing the delivery methodologies	44%
Adapting to fluctuating client needs	39%
Managing project margins	39%
On-time project delivery	39%

Top three collaboration challenges

Challenge	%
Not having the single source of truth when it comes to project and customer data	44%
Unclear accountability around goals, next steps and progress	43%
Not knowing what the best ways are to do it	41%

Top three challenges across skilling strategies

Challenge	%
Difficulties quickly matching available skills with individual project needs	45%
Our project management tools don't allow us to optimize the available skills we have across projects	45%
Insufficient tools and technologies to support upskilling strategies	39%

Q. When it comes to how you and your team execute, working across different projects, which of the following, if any, are the hardest challenges you face?
Q. Which of the following, if any, do you commonly struggle with when it comes to collaborating with others?
Q. What are the key challenges you face when it comes to making sure you have the right skills across your teams?
Base: All respondents (n= 213).
Source: &P Global Market Intelligence custom survey conducted for Kantata.

High-performing PS teams want technologies that allow them to make data-driven decisions, with the integrated information, visibility and process maturity to ensure they can align with other internal stakeholders and with customers across the project life cycle. It's not simply about project management; it's quote-to-cash financial management and granular resource management capabilities, including the ability to forecast resource needs and plan for capacity at both the individual project and portfolio levels. It's also about having the business intelligence for metrics such as bid-to-win ratios, project profitability, on-time delivery and customer engagement to inform project planning, portfolio management and account management decisions.

Importantly, these different capabilities need to work in synergy, underpinned by workflow capabilities, security and governance controls and effective data management. Data-driven initiatives in organizations have typically evolved separately across the employee and customer experiences, but businesses are increasingly looking for investments in one to beget a return in the other. Capturing and unifying different streams of data for delivery teams to work optimally across their projects is a prelude to engaging clients with updates, insights and results. As it stands, only 42% of PS leaders think they do a really good job of being client-inclusive as they move through project life cycles.

This requires a well-planned approach bringing technology and business model innovation together to address customer demand for more prescriptive insight and intelligent automation. The result should be deeper engagement between clients and their PS partners, and ultimately higher project profitability and customer retention rates for the PS firm. This data-driven engagement can only come from having different capabilities supporting the project life cycle working together. Figure 5 shows how in demand these different specialist capabilities are.

Figure 5: PS teams need a distinct set of capabilities to optimally manage their project and portfolio delivery

Capability	Percentage
Quote-to-cash financial management supporting project profitability and general financial oversight	52%
Resource management features helping you manage your teams across projects	48%
Business intelligence to examine which projects generate the most revenue and client satisfaction	48%
Project management features to keep projects on track	43%
Team collaboration connecting people, resources and projects	39%
Designed specifically with professional services teams in mind	38%
Strong integration capabilities with other business systems	34%

Q. Please rank the following benefits you experience in managing your projects from the tools you use, from biggest benefit first to the smallest benefit last.
Base: All respondents (n=213).
Note: Percentages represent the proportion of respondents who cite the given feature as one of the top three benefits.
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

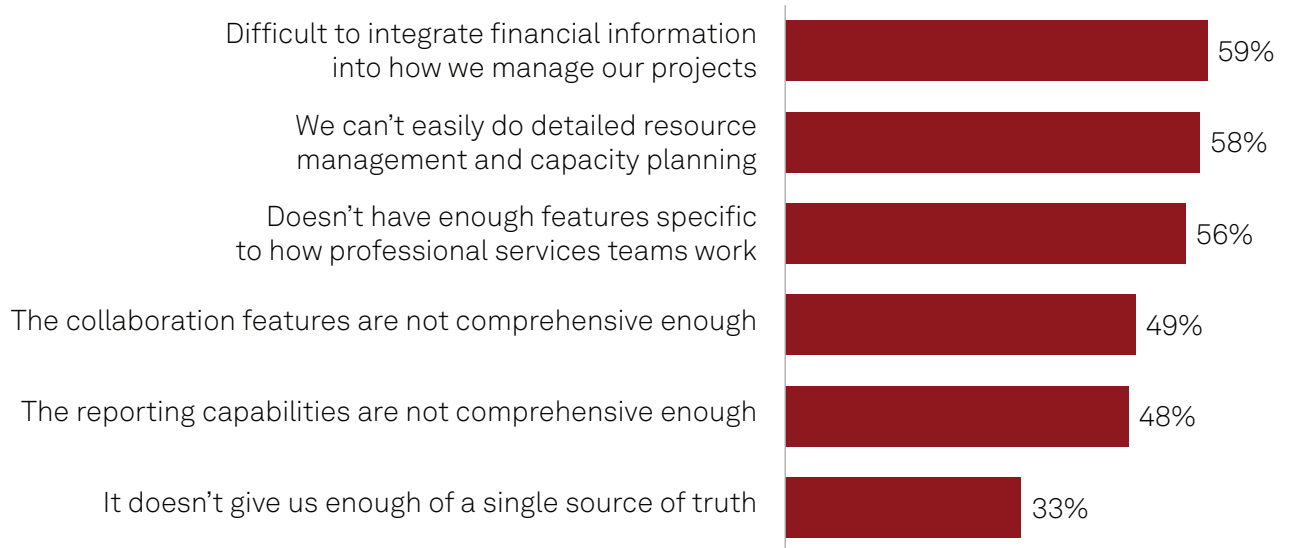# The challenge of general technology products

Many of these core capabilities are hard to achieve in more generalized tooling or patchworks of niche applications, especially in larger PS organizations. Many industries are encountering the same issue — needing more specific kinds of tooling as their customer requirements become more complex to satisfy. Businesses are increasingly competing in an experience economy where success is defined by the ability to generate and monetize emotional engagement among consumers. This increasingly applies to B2B businesses, not just B2C ones. Delivering the experiences that will drive that engagement, with the levels of precision and velocity needed to do so at scale, clearly raises the bar for how PS businesses need to operate.

Efforts to achieve that goal are causing a radical rethinking of how work happens, and, consequently, as mentioned earlier in the report, businesses are beginning to allocate resources to more consolidated and customizable applications for their specific industry domains. The challenges inherent in using non-specialized tools for professional services work are illustrated in the survey data.

Collaborative work management (CWM) technologies are highly flexible tools used by many different business domains to manage tasks and projects. In the survey, they were the second-most-mentioned primary category of tools used by PS teams, after the more dedicated category of professional services automation. However, among those in the survey who use a CWM tool, a range of deficiencies was evident. It's uncommon, for example, for CWM tools to have specific features supporting the financial management of projects, and to have specific integrations into financial software systems. And they don't all have deep resource management and capacity-planning capabilities. Each PS business needs to make the right choice about which tools best suit their own purpose, but as the data shows, there is a clear set of trade-offs in having general versus more specific kinds of tooling.

Figure 6: CWM tools struggle to provide the specific capabilities PS teams need

Challenge	Percentage
Difficult to integrate financial information into how we manage our projects	59%
We can't easily do detailed resource management and capacity planning	58%
Doesn't have enough features specific to how professional services teams work	56%
The collaboration features are not comprehensive enough	49%
The reporting capabilities are not comprehensive enough	48%
It doesn't give us enough of a single source of truth	33%

Q. Please rank the following challenges you experience with your collaborative work management (CWM) tool from biggest challenge first to the smallest one last.
Base: Respondents using CWM tools to manage projects (n=193).
Note: Percentages represent the proportion of respondents who cite the given challenge as one of the top three challenges.
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

Conclusion

Like many industries, professional services is going through a transformation, both in the expectations of customers and of those that work in the industry. Professional services businesses are increasingly competing in an experience economy that is drastically raising the bar when it comes to ensuring that a vision for engaging customers translates into their actual experience. So, what do businesses need to do?

– First, identify the experience-centric innovations that will engage customers and drive business growth.

– Second, in an era of growing software consolidation, there needs to be more strategic architecting of platform and ecosystem technologies to deliver those experiences to customers.

– Third, PS firms need to create new data-driven operational cultures that focus on persistently aligning teams toward their targeted outcomes.

This is a pivotal time. There is an abundance of choice when it comes to project management tools, but as the definition of value creation in the professional services industry changes, fewer of those options will meet the high bar set by customers and employees. Businesses need to think very carefully about what combination of technologies, experiences and outcomes puts them in the best standing to compete.

KANTATA™

Kantata takes professional services technology to a new level, giving people-powered businesses the clarity, control, and confidence they need to optimize resource planning and elevate business performance.

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Appendix: survey respondent profile

Figure 7: Country breakdown of respondent organizations

- United States — 48%
- United Kingdom — 28%
- Germany — 24%
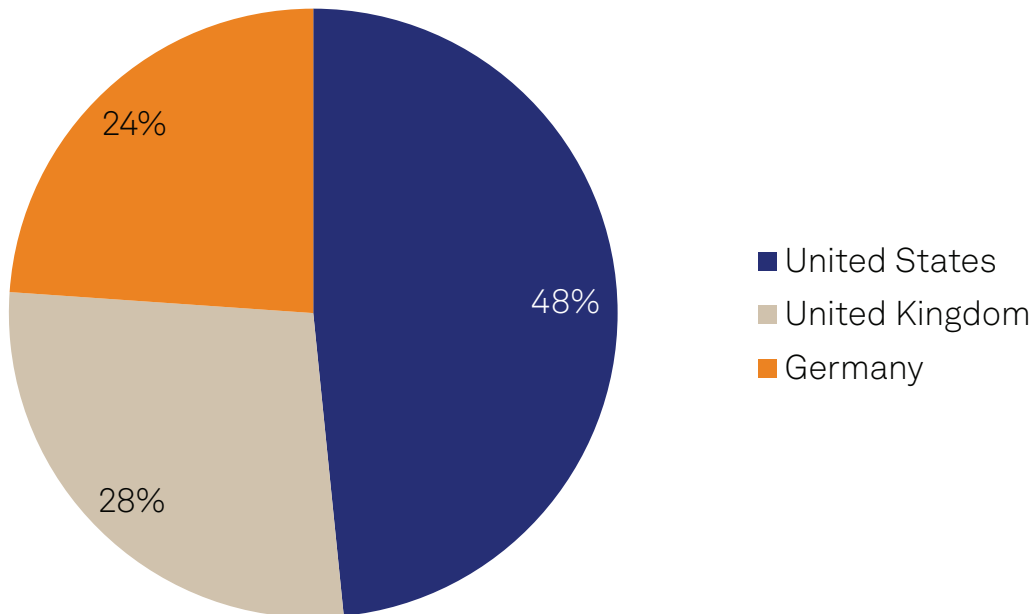
Q. In which country are you located?
Base: All respondents (n= 213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.
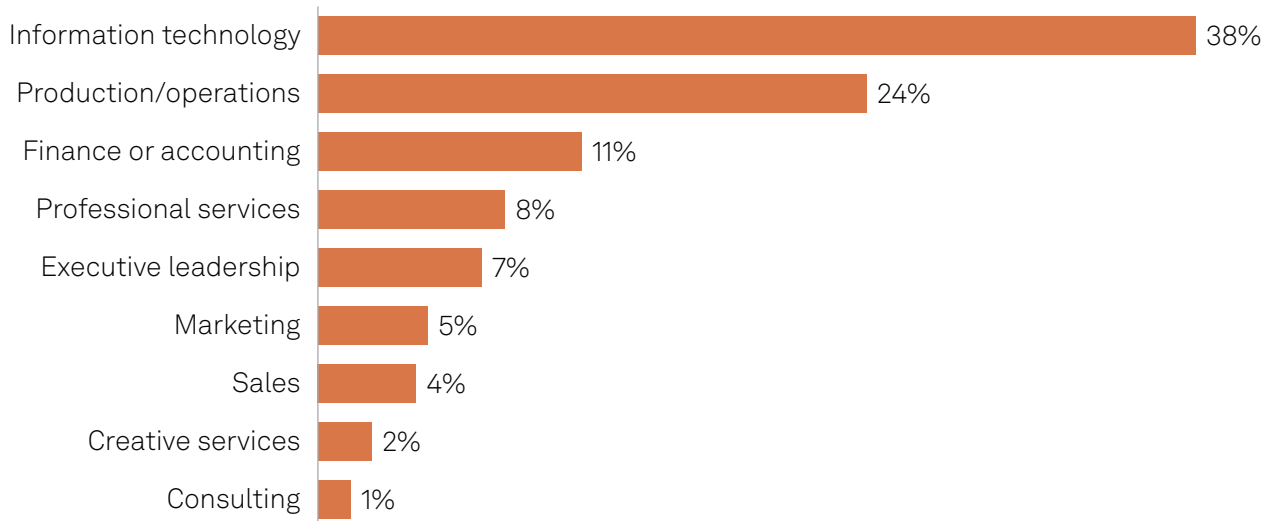
Figure 8: Respondent organization industries
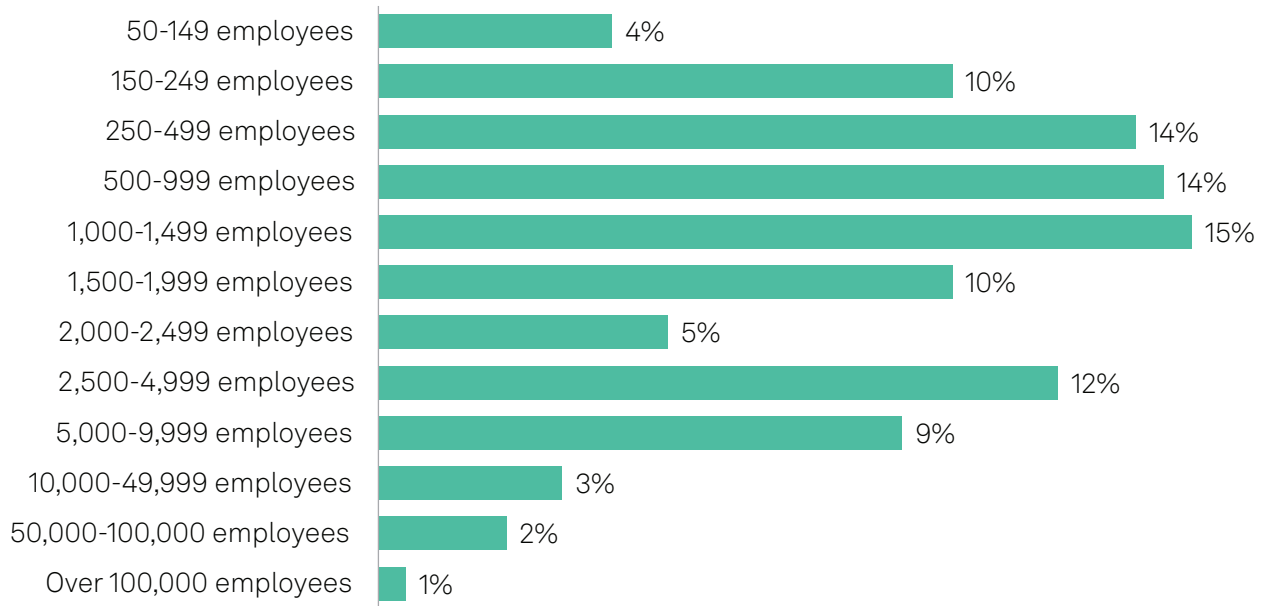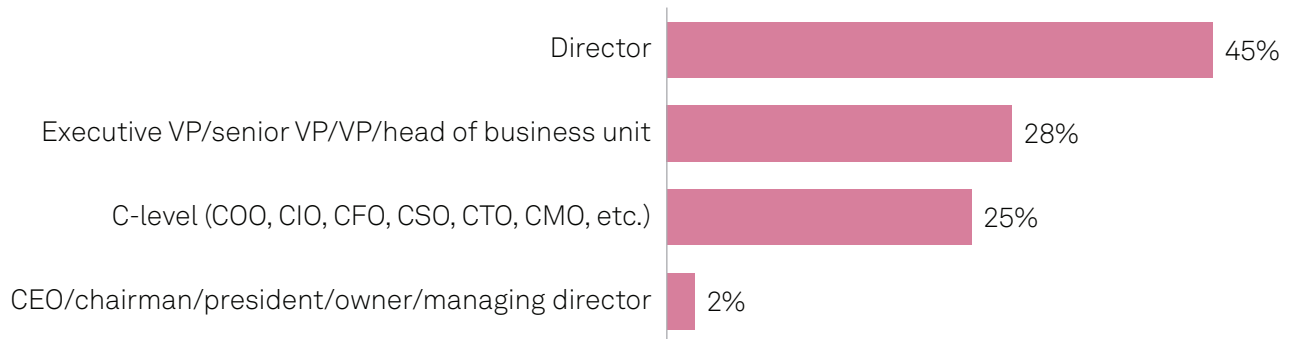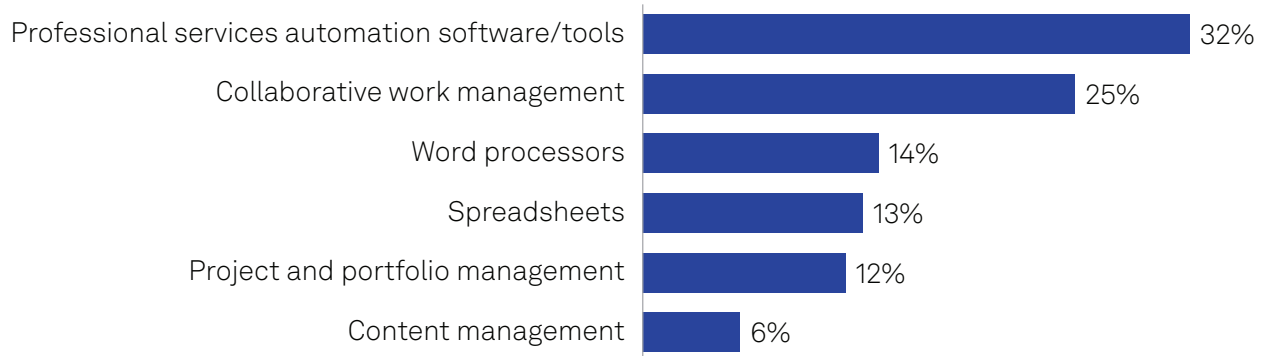

Industry	Percentage
Professional services/consulting	74%
Financial services	7%
Information technology (hardware and equipment)	4%
Media	4%
Legal	4%
Information technology (software and services)	4%
Healthcare	3%
Telecommunications	1%
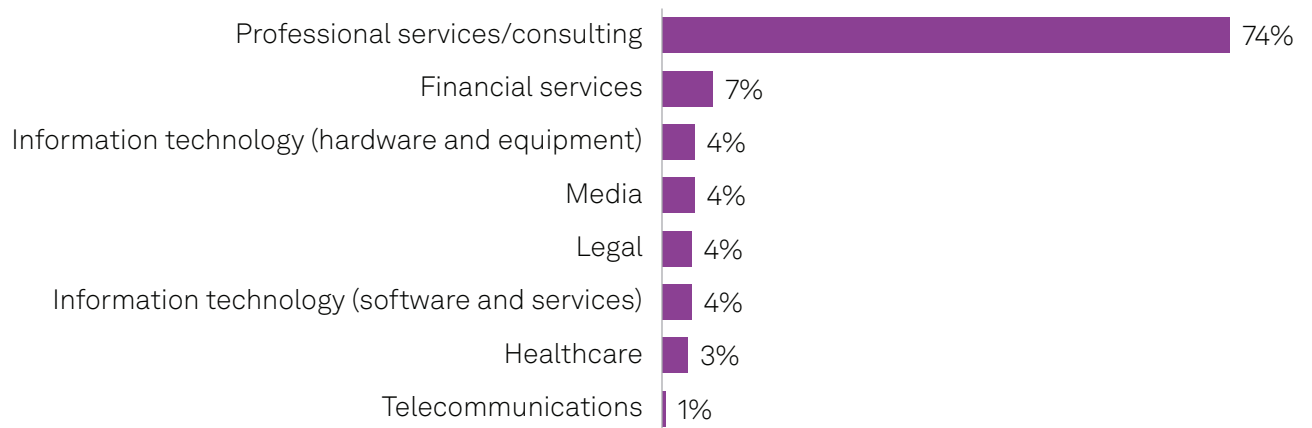
Q. Which of the following best describes your organization's industry?
Base: All respondents (n= 213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

Figure 9: Types of professional services provided

Service	Percentage
Business services/management consulting	64%
Human Resources	18%
Marketing/advertising	16%
IT services	8%
Financial	7%
Media/content	5%
Legal	4%
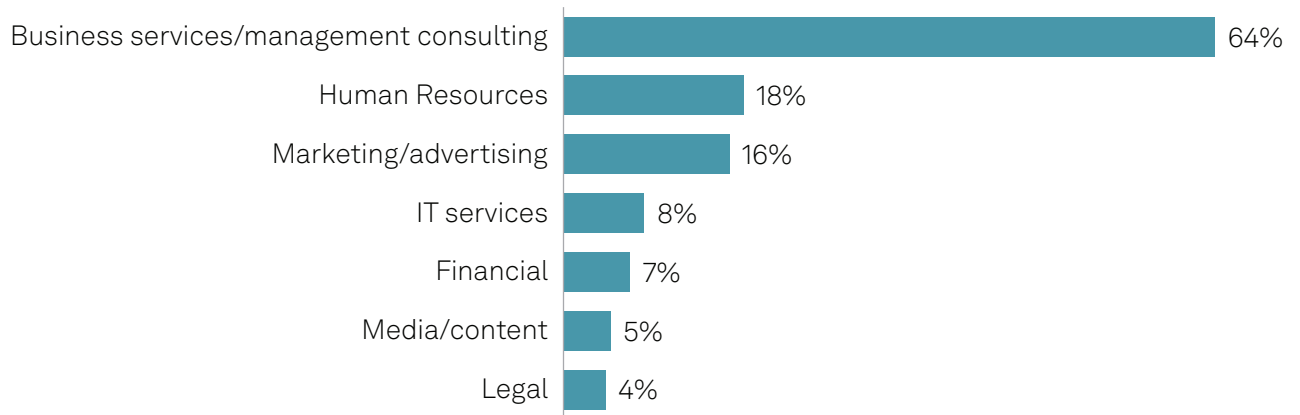
Q. Which types of professional services or consulting does your organization provide?
Base: All respondents (n=213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

Figure 10: Respondent business departments

Department	Percentage
Information technology	38%
Production/operations	24%
Finance or accounting	11%
Professional services	8%
Executive leadership	7%
Marketing	5%
Sales	4%
Creative services	2%
Consulting	1%

Q. Which business department do you work in?
Base: All respondents (n=213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

Figure 11: Number of employees at respondent organizations

Employee range	Percentage
50-149 employees	4%
150-249 employees	10%
250-499 employees	14%
500-999 employees	14%
1,000-1,499 employees	15%
1,500-1,999 employees	10%
2,000-2,499 employees	5%
2,500-4,999 employees	12%
5,000-9,999 employees	9%
10,000-49,999 employees	3%
50,000-100,000 employees	2%
Over 100,000 employees	1%

Q. Please provide your best estimate of the total employees at your organization worldwide. Please include all subsidiaries, divisions and branches worldwide.
Base: All respondents (n= 213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

Figure 12: Respondent seniority level

Seniority level	Percentage
Director	45%
Executive VP/senior VP/VP/head of business unit	28%
C-level (COO, CIO, CFO, CSO, CTO, CMO, etc.)	25%
CEO/chairman/president/owner/managing director	2%

Q. Which of the following best matches your seniority level within your organization?
Base: All respondents (n=213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

Figure 13: Primary tool for managing professional services/consulting projects

Tool	Percentage
Professional services automation software/tools	32%
Collaborative work management	25%
Word processors	14%
Spreadsheets	13%
Project and portfolio management	12%
Content management	6%

Q. Which of the following tools is your primary tool for managing professional services/consulting projects?
Base: All respondents (n=213).
Source: S&P Global Market Intelligence custom survey conducted for Kantata.

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As Research Director, Chris Marsh sets the vision for and manages the Workforce Productivity and Collaboration practice at S&P Global Market Intelligence. The WPC practice focuses on a broad range of enterprise software including technologies supporting workforce planning, project and work management, collaboration, content and innovation management, learning and skilling and content creation. The team also covers the full spectrum of HR technologies from candidate marketing and recruitment through core HR processes and out to new types of employee engagement tool.

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About this report

A Discovery report is a study based on primary research survey data that assesses the market dynamics of a key enterprise technology segment through the lens of the "on the ground" experience and opinions of real practitioners — what they are doing, and why they are doing it.

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