



State of the Professional Services Industry:

Technological Advancement is Key for Future Growth

Insights from 200 professional services professionals on how AI, digital transformation, and macroeconomic trends are changing customer engagement. Survey results point to an increasingly automated future.



What You'll Find in this Report

Velosio surveyed 200 seasoned professionals within the professional service industry in the US to discover:

- ➔ The technology landscape and priorities of Professional Service organizations
- ➔ How they shape their technology strategies to align with industry trends
- ➔ Key technology areas where improvement is needed

Survey Demographics

The survey was conducted to gather insights into various aspects of technology adoption, preferences, and challenges within a professional services context. Out of the 200 responses, the ages ranged from 35 - 44 (59.5%) and 45-54 (23.0%), with a smaller proportion from individuals older than 54 (17.5%). The survey gender distribution among respondents was 60.0% male and 40.0% female. Firm size ranged from small (less than \$1m) to large (over \$1b)

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Executive Summary

In 2024, the professional services industry witnessed a significant shift towards digitalization and automation, with most firms (75%) accelerating their efforts in this direction. This trend is driven by the need for enhanced efficiency and effectiveness through technology-based solutions.

Data Analytics and Project Management Software Leads Digital Transformation: Data analytics and reporting platforms are considered a top priority for professional services professionals, commanding a significant 57.50% of the vote for tools in which to invest. It's evident that professional services firms are recognizing the paramount importance of data-driven decision-making.

Project management software is close second, with nearly half of the respondents (48%) seeking to improve their project delivery and operational efficiency through these tools. The industry's billing practices are diverse, with 47% of respondents employing multiple billing methods, indicating a requirement for versatile invoicing systems.

A Changing World Shakes Up Customer Expectations: The integration of Customer Relationship Management (CRM) systems with project management tools is gaining recognition for its ability to improve customer relations and streamline project execution. More than half of the respondents (54%) have adopted CRM solutions, highlighting their role in managing client relationships and optimizing internal processes.

AI, Analytics, and Security Drive ERP Evolution for Enhanced Efficiency: There is a growing demand for Enterprise Resource Planning (ERP) systems enhancements, focusing on integration, AI-driven features, user-friendliness, real-time analytics, data security, and reliability. This underscores the vital role of ERP systems in boosting operational efficiency and aiding decision-making in professional service firms.

James Thomas

Practice Director of Professional Services



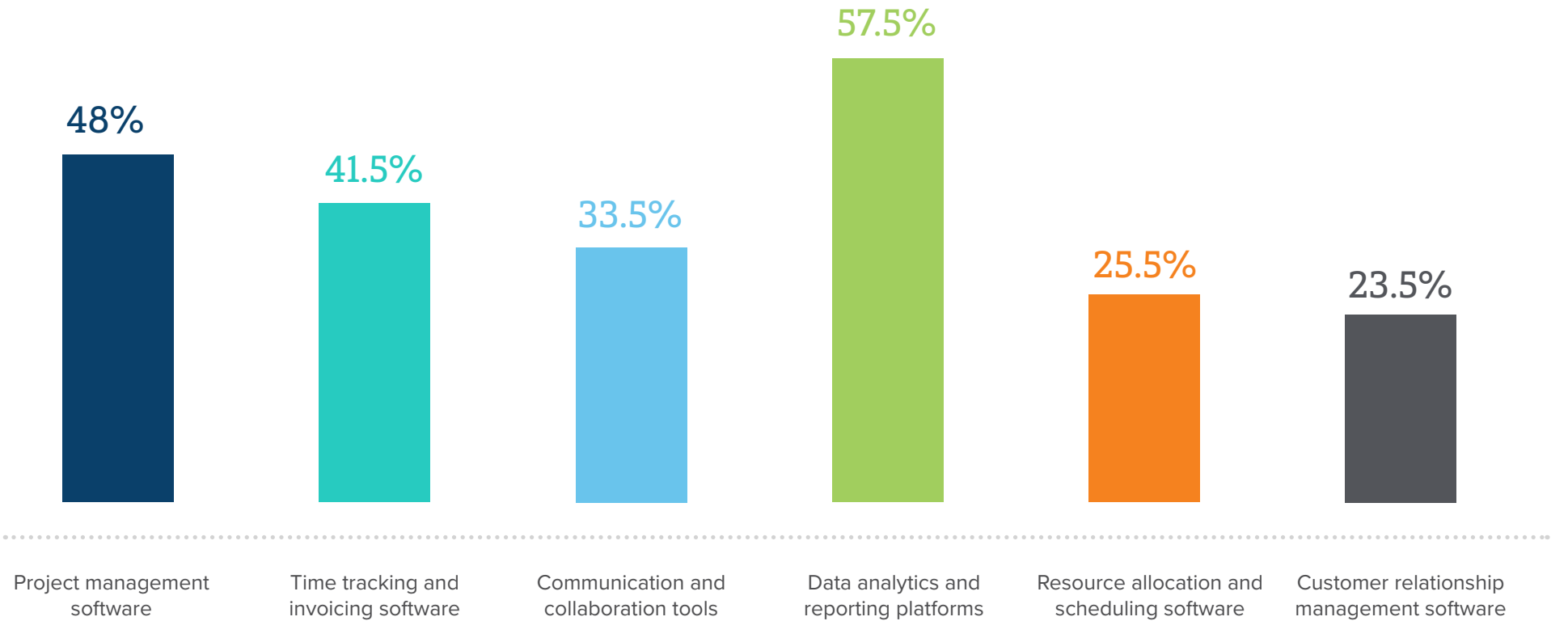
Chapter



Data Analytics and Project Management
Software Leads Digital Transformation

In the evolving landscape of professional services, the quest for efficiency and effectiveness drives firms to assess their tools and software critically. We asked respondents:

Which tool/software would you like to improve or replace to make you more effective/efficient?



At the forefront of this narrative stands data analytics and reporting platforms, commanding a significant 57.5% of the vote. It's evident that professional services firms are recognizing the paramount importance of data -driven decision-making. In this era, where data is often referred to as the new oil, firms are keen to harness its power. Companies are eager to level up their analytics game, aligning business objectives with advanced data insights. When choosing a data analytics and reporting platform, US professional service firms should consider various factors. These include aligning the platform with current and future business objectives, assessing budget and maintenance costs, ensuring a user-friendly interface and data visualization capabilities, prioritizing seamless integration with existing systems, seeking advanced analytics and robust security features, emphasizing mobility and adaptability, ensuring scalability, handling multiple data sources, securing adequate support, and training, and understanding pricing structures comprehensively. These considerations are crucial in selecting a platform that meets their specific needs and enhances operational efficiency. Closely following the data-centric response, we find project management software, with 48% of respondents yearning for improvements.

Key Insights

[Microsoft Dynamics 365 Business Central](#) allows small to mid-sized organizations to modernize ERP capabilities and scale in the cloud. This yields productivity improvements to finance and operations staff, better decision-making based on real-time information, and opportunities for more profitable operations — all while avoiding costs associated with on-premises infrastructure.

Key statistics from Forrester Consulting Group about Microsoft Dynamics 365 Business Central:

- ➔ Productivity improvement for finance and operations staff up to 18%
- ➔ Return on investment (ROI) 172%
- ➔ Net present value (NPV) \$396k

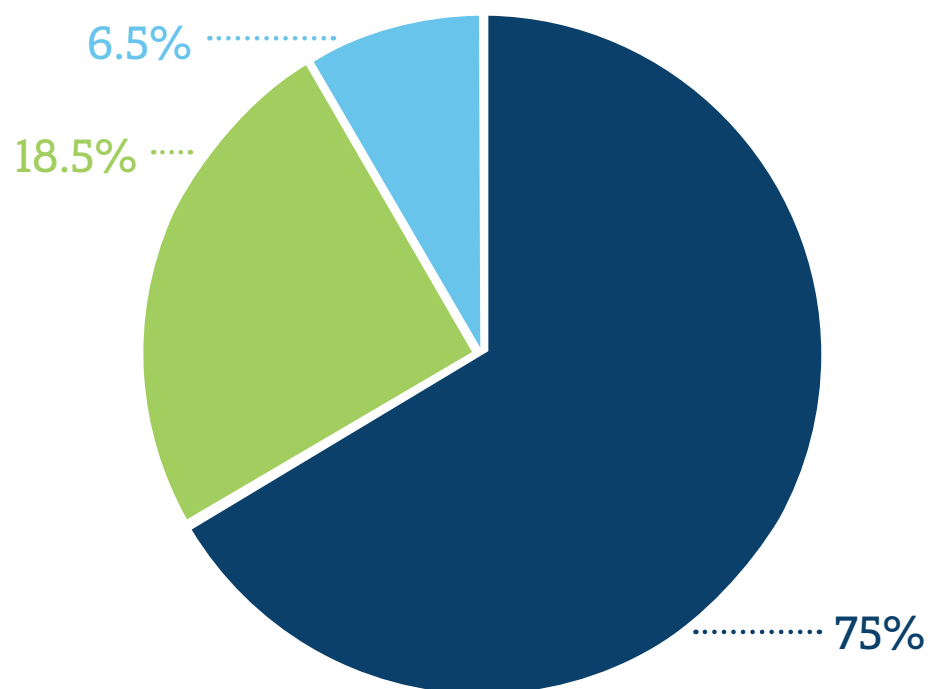
When combined with [Progressus](#), it becomes a more powerful solution for project-driven organizations. This synergy is further empowered by [Power BI](#), which brings advanced data visualization capabilities to the forefront. This combination enables businesses not only to share critical insights but also facilitates informed decision-making driven by comprehensive data analysis.

“In our Dynamics 365 cloud environment, we have the flexibility our company needs to handle continuous change.”

—Florian Bauer, Project Manager | Digital, Design Offices

The story here unfolds as firms seek to enhance their project orchestration capabilities. Efficient project management is pivotal in delivering high-quality services on time and within budget, and firms are investing to ensure that their tools match the complexity of their projects. A resounding 75% of respondents already use a professional services automation tool in some capacity.

Does your organization utilize Project Service Automation to track, manage and deliver project-based services from the initial sale to invoicing?



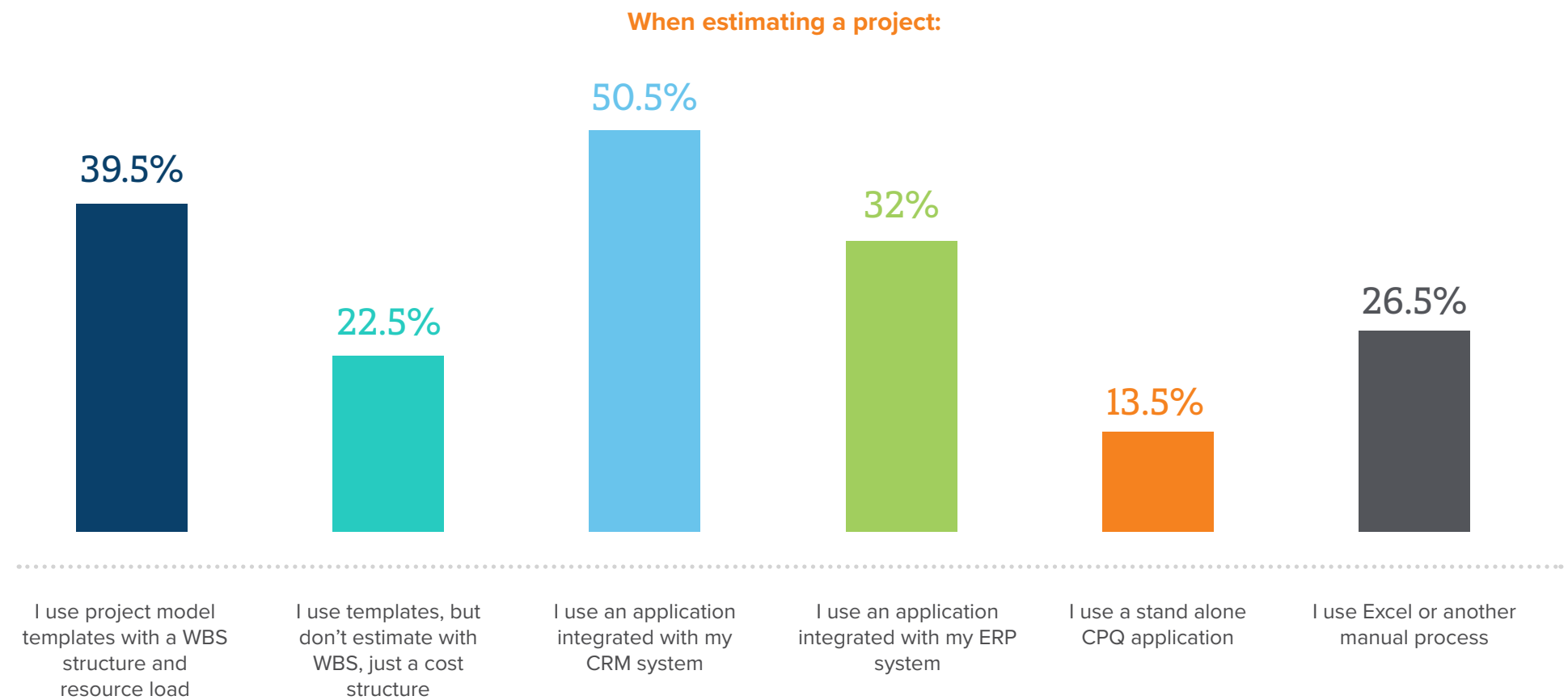
● Yes ● No ● Not Sure

Chapter



A Changing World Shakes Up
Customer Expectations

The survey results demonstrate that a significant proportion of professionals involved in project estimation have integrated customer relationship management (CRM) systems into their project management processes, with 50.5% utilizing applications integrated with their CRM systems. This integration aligns with the broader goal of enhancing project efficiency, fostering customer trust, and cultivating enduring client relationships. Moreover, client satisfaction and feedback were selected by 63% of respondents as an important factor in measuring success in the organization, which supports a strong need for CRM.



The integration of CRM and project management tools enables seamless project management by providing real-time insights into customer needs and feedback. Sales teams gain the ability to develop more effective strategies, while project delivery teams can leverage CRM data for efficient planning and execution. This synergy ensures the timely delivery of products and services, contributing to overall project success and customer satisfaction. Effective communication across teams is essential to eliminate organizational silos and data inaccessibility. CRM integration with project management tools bridges these communication gaps, enabling sales, marketing, and project delivery teams to collaborate seamlessly. This not only promotes better decision-making but also allows sales teams to monitor customer journeys and identify new opportunities, ultimately leading to more informed and strategic project management.

Key Insights

[Microsoft Dynamics 365 Business Central](#) enables sellers to close more deals and meet customer needs with the help of next-generation AI and real-time insights. Better visibility to customer and pipeline data helps sellers prioritize their efforts and engage more productively with their prospects, resulting in higher close rates. With Dynamics 365 Sales, the entire sales function works with a single reliable data set.

Key statistics from Forrester Consulting Group about Microsoft Dynamics 365 Sales:

- ➔ Productivity improvement for sellers valued at \$13.3M and for sales managers at \$4.7M
- ➔ Return on investment (ROI) 215%
- ➔ Net present value (NPV) \$48.34M

Integrating CRM with project management facilitates the connection of customer feedback with ongoing projects. This integration ensures that project delivery teams remain informed about any changes in requirements or project scope. By keeping project teams comprehensively updated on customer feedback, organizations can adapt their strategies and deliver results that align with customer expectations. The survey highlights the growing recognition of CRM as a valuable tool in optimizing project efficiency. Many respondents are actively leveraging CRM- integrated applications to streamline their project estimation processes. This reflects a commitment to delivering projects on time and nurturing positive client relationships.

Notably, the majority, at 50.5%, rely on applications integrated with their Customer Relationship Management (CRM) systems for project estimation, suggesting a preference for streamlined and integrated processes that leverage customer data. A notable portion, 32%, uses applications integrated with Enterprise Resource Planning (ERP) systems, indicating the importance of aligning project estimates with broader financial and resource planning.

“Our processes were broken. We had no holistic view of our customers or our pipeline. Data sat in spreadsheets and databases. Reports took a lot of manual effort, and no one was comfortable they were accurate since numbers from two different sources often didn’t match.”

—Senior Vice President of Data Management | Financial Services Company

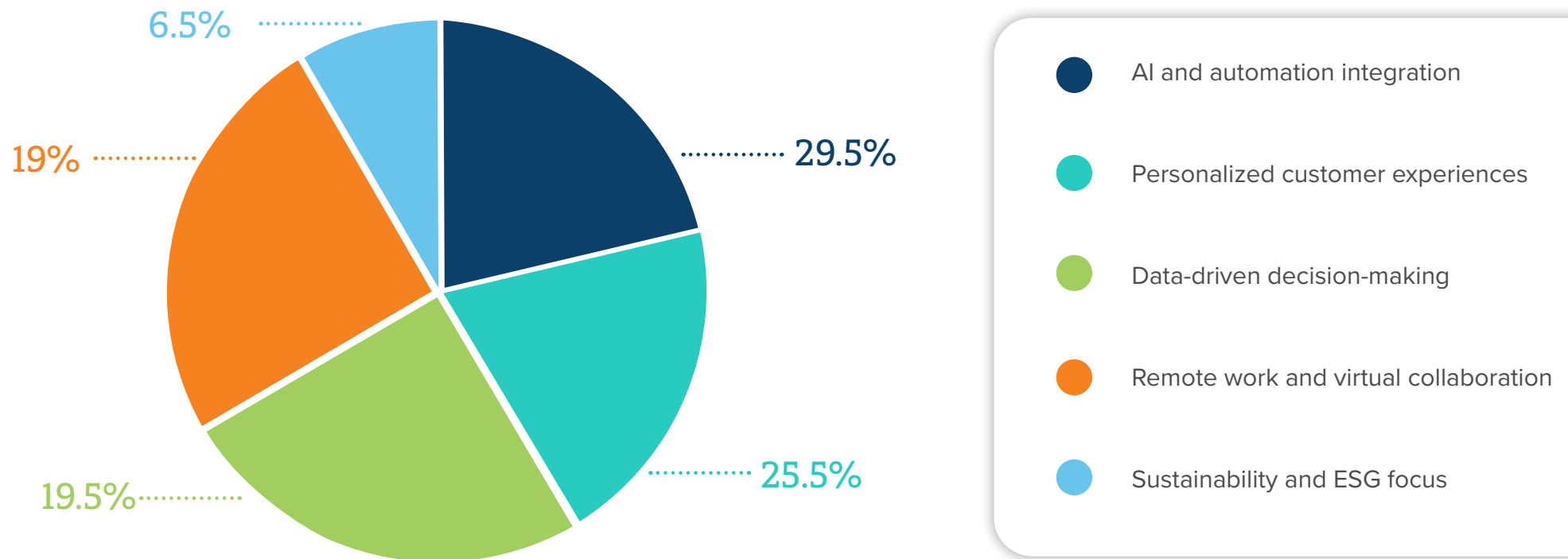
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Artificial Intelligence Drives ERP
Evolution for Enhanced Efficiency



The integration of Artificial Intelligence (AI) and automation is at the forefront of industry innovation, enabling firms to streamline processes and enhance service delivery. This transformation is expected to redefine traditional business models and elevate operational efficiency. The future implications of AI for business, particularly in relation to blue-collar jobs, remain somewhat uncertain. AI is poised to extend digital technology beyond the confines of two-dimensional screens, integrating it into the three-dimensional physical environments that individuals inhabit. Rather than replacing human intelligence and creativity, AI is viewed as a complementary tool, excelling at processing and analyzing large datasets at speeds unattainable by human cognition. AI software can subsequently provide synthesized courses of action, expediting decision-making processes.

What are the most important trends in your industry?



AI and automation integration stand out as the most prominent industry trend, with 29.5% of respondents highlighting its significance, indicating a strong drive towards leveraging advanced technologies for efficiency and innovation. Personalized customer experiences closely follow, with 25.5% emphasizing the growing importance of tailoring services to individual client needs.

Key Insights

[Microsoft Copilot](#) for [Microsoft 365](#), is an AI-powered productivity tool that integrates with Microsoft 365 applications like Word, Excel, PowerPoint, Outlook, and Teams. It significantly enhances productivity in professional services. This tool is designed to automate routine tasks, improve data analysis, and streamline communication, allowing firms to concentrate on strategic initiatives.

Data-driven decision-making (19.5%) and remote work and virtual collaboration (19%) are also noteworthy, highlighting the industry's increasing reliance on data analytics and the evolving nature of work arrangements. Conversely, sustainability and ESG focus, though receiving the lowest percentage at 6.5%, indicate a growing awareness of environmental and social responsibility, suggesting a potential shift towards more sustainable practices within the sector. Overall, these responses portray a landscape marked by technological advancement, customer-centricity, data-driven strategies, and an evolving commitment to sustainability.

“We are thrilled to be leading the early deployment of Microsoft 365 Copilot at Lumen Technologies. Giving our workforce the digital tools they need to deliver dramatically improved customer experiences with greater ease is an essential part of our company transformation. Our people are seeing immediate productivity improvements with Copilot, allowing them to focus on more value-added activities each day.”

—Kate Johnson, CEO, Lumen Technologies

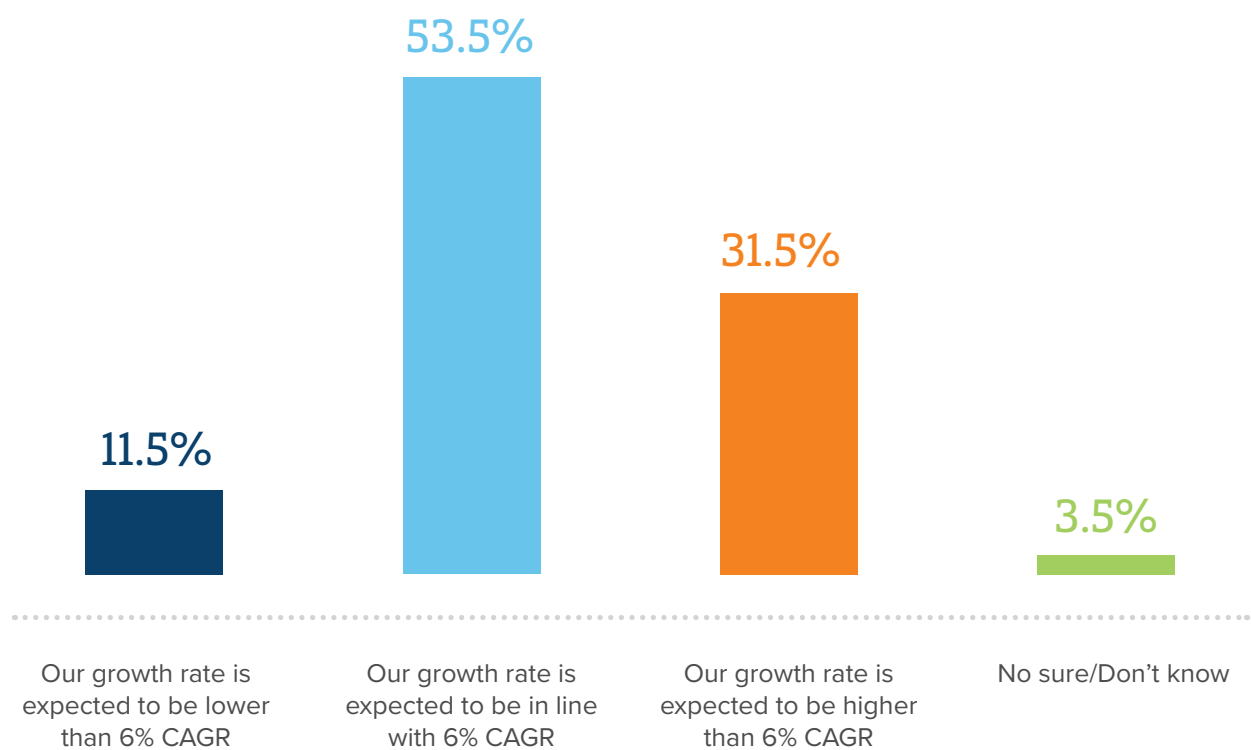
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The Professional Services Industry is
Growing Along with Automation Spending

The Professional Services sector has seen impressive increases in both earnings and revenues over the past three years. Earnings have surged annually at a rate of 24%, while revenues have expanded by 20% each year. This growth has not only resulted in increased sales but has also led to a substantial rise in profits, demonstrating a strong financial performance by these companies. The professional services industry’s compound annual growth rate (CAGR) was forecast to be 6% in 2024 and is expected to rise to 7% in 2025. A significant portion, 53.5%, anticipates growth rates in line with the industry average, indicating a sense of alignment with broader sector trends. Notably, 31.5% of respondents express optimism by expecting growth rates higher than the CAGR, suggesting that a substantial segment of companies in this sector expects to outperform the industry average in the coming year.

Projected 2024 CAGR for professional services: 6%. How does your organization’s growth rate match up with this average?



Conversely, 11.5% of respondents expect their growth rates to fall below the CAGR, which might reflect more conservative growth expectations or specific challenges within their respective organizations. The 3.5% who are unsure about their growth outlook indicate a degree of uncertainty or complexity in forecasting growth for the upcoming year. Overall, this data provides a comprehensive snapshot of how professional service companies in the United States perceive their growth prospects in relation to the industry’s expected trajectory in 2025.

Key Insights

According to [Nucleus Research](#), Microsoft Dynamics 365 Business Central users have experienced increased productivity, reduced operational expenses, and improved business flexibility. Interviews with Business Central customers revealed a 12% increase in project handling productivity, savings of up to \$15 per invoice, up to 12 saved hours per user per month, and four times faster penetration into new markets.

Along with this growth, a substantial 41.5% of respondents express plans for increased spending on automation in the coming year, indicating a strong commitment to advancing digitalization and automation initiatives. Moreover, 32% report having already made significant investments, reflecting the industry's proactive stance in adopting these technologies. Interestingly, 19% view digitalization and automation as a longer-term goal, implying that while it may not be an immediate focus, there is recognition of its importance for the future.

“The biggest advantage of Dynamics 365 Business Central is that it gives us one, cohesive system, or a single version of the truth for all of our accounts and business contacts. We now have the ability to track everything from opportunities through to projects. And Power BI has made a big difference to our business. At first, we did not fully grasp Power BI, but we recently added an in-house employee to help us build out dashboards and reports, and this has been very beneficial to the business.”

—Andrew Ho, Senior Vice President of Technology | Global Strategy Group (GSG)

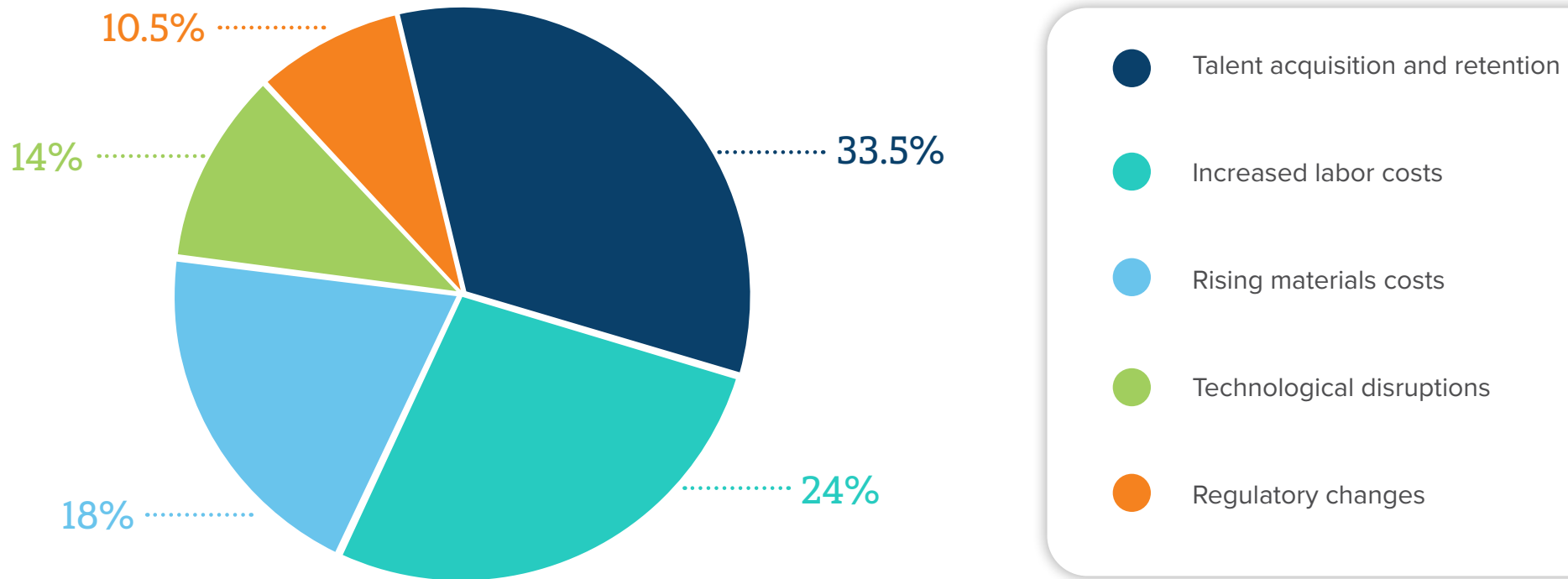
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Talent Acquisition and Increased
Labor Cost Remains a Concern



One notable challenge, expressed by **33.5% of respondents**, pertains to the **recruitment and retention of talent**. The relentless pursuit of qualified candidates and the ability to retain capable and dependable employees remain central concerns. The difficulties in talent sourcing can impede operational efficiency and disrupt workforce equilibrium, particularly in a competitive environment where the recruitment process can become chaotic. As a response to this challenge, organizations are increasingly focusing on understanding the preferences and expectations of potential candidates, devising tailored strategies to attract the right talent.

What are the biggest challenges facing your organization?



One of the most pressing concerns within the B2B sector revolves around the scarcity of skilled talent. Unfortunately, many recruitment procedures remain manual and time-intensive, resulting in employers investing more time in recruitment than is optimal. Talent acquisition encompasses not only the task of attracting and engaging talent but also the critical aspect of retaining it. However, in many organizations, talent leaders tend to overlook the retention aspect of talent acquisition, primarily because ‘retention’ often falls outside their usual purview. It’s important to recognize that the recruitment process can only exert partial influence over individuals’ decisions to remain with a company after accepting an offer.

Key Insights

Progressus' Resource Management feature is offers deep insights into resource allocation, skills, and utilization, aiding in optimal project staffing. Integrated with Dynamics 365 Business Central, it enhances project accounting and financial management, providing a comprehensive view of project performance and resource costs. This synergy streamlines operations, improves project profitability, and is essential for firms seeking efficient project delivery and resource optimization.

Heightened labor costs, cited by 24% of respondents, have garnered attention. Unit labor costs in the nonfarm business sector have risen, reflecting increased hourly compensation and productivity. The challenge of rising labor costs extends to the Professional Services industry, impacting profitability and competitiveness. A closer look at the Bureau of Labor Statistics' data reveals that labor costs have played a significant role in global inflation, with a notable impact on service sector costs. The evolving dynamics of labor preferences and compensation may necessitate a fundamental shift in how organizations approach compensation, job design, and career progression to maintain a competitive edge.

“Progressus has made our work more efficient. I love invoice suggestions; it makes the invoicing process go very quickly. Getting in and out of timesheets and expense sheets are easy, as well as entering the time and expenses. The project wizard used in conjunction with the project/task templates is a game changer. What used to take about 30 minutes now takes 5.”

—Kim Kelley, Senior Financial Advisor | J.G. Management Systems

Looking Ahead to 2025

The professional services industry is standing on the threshold of a dynamic and transformative future, underpinned by the insights gathered from our comprehensive survey. As we peer into the horizon, it becomes evident that digital transformation is poised to be the guiding force that will shape the sector's trajectory. A staggering 93.5% of respondents express their intent to accelerate digitalization and automation, setting the stage for a landscape where technology becomes intricately woven into the fabric of professional services.

This future envisions a seamless integration of cutting-edge technology, from AI-driven analytics that provide actionable insights to automated workflows that streamline operations. The industry's commitment to harnessing technology underscores its relentless pursuit of higher efficiency and superior client experiences. As professionals and organizations gear up for this journey, embracing digital transformation will be paramount in remaining competitive and relevant.

The evolution of project management practices is another hallmark of the future professional services landscape. With 48% of respondents looking to improve or replace project management software, these tools will empower organizations to optimize resource allocation, enhance project profitability, and navigate the intricacies of a dynamic project ecosystem with agility and precision.

Billing practices, as highlighted by the diverse range of approaches in use, will also witness significant adaptation. As nearly half of respondents employ 3-4 different billing types, the future heralds a landscape where billing becomes even more flexible and adaptable. Professionals will tailor billing strategies to ensure fairness, transparency, and alignment with evolving client preferences and project intricacies.

Client Relationship Management (CRM) is poised to be the heart of nurturing client relationships and fostering collaboration across teams. As integration with CRM systems becomes more pivotal, we can anticipate deeper insights, enhanced automation, and seamless connections with project management and ERP systems. These advancements will enable professionals to deliver personalized, timely, and exceptional services, fostering enduring client partnerships.

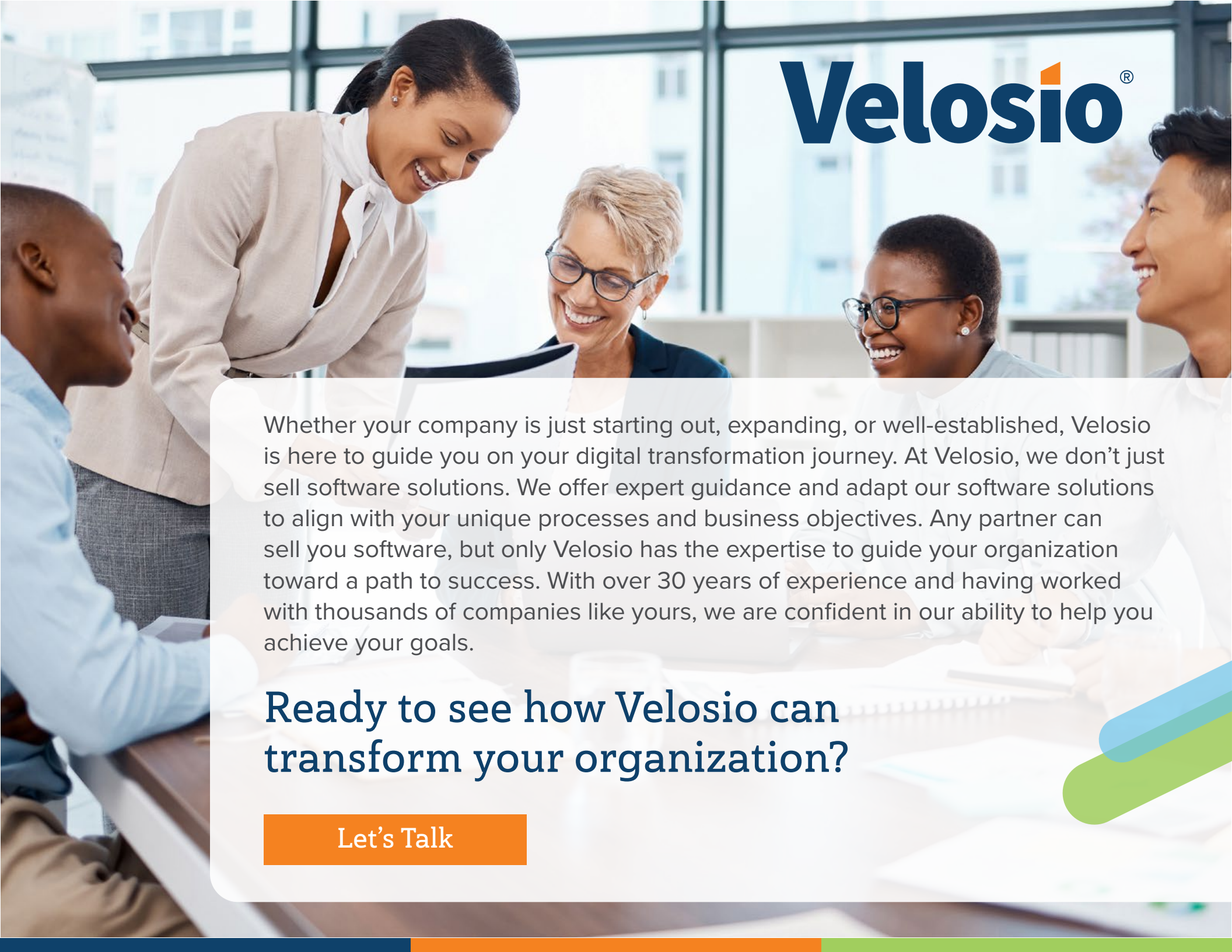
In conclusion, the professional services industry's future is characterized by an unwavering commitment to innovation, collaboration, and client-centricity.

Technology will be the enabler, propelling the sector toward greater efficiency, agility, and client satisfaction. While the journey ahead may be marked by digital transformation and technological advancements, the industry's core ethos of serving clients with excellence remains constant, guiding it toward a brighter and more technologically advanced future.

“We had worked with other organizations in the past that claimed to be familiar with the nuances of a professional services organization such as ours but in reality, clearly did not. Velosio's team's expertise in working with Professional Services organizations was evident. They clearly understood the industry and its complexity.”

—Elliot Daly, Head of Business Systems | Control Risks



The background of the entire page is a photograph of four diverse business professionals in an office setting. A woman with dark hair, wearing a light-colored blouse, is leaning over a desk, smiling and looking at a document. Three other people (two women and one man) are seated at the desk, also smiling and looking at the document. The office has large windows in the background, letting in natural light.

Whether your company is just starting out, expanding, or well-established, Velosio is here to guide you on your digital transformation journey. At Velosio, we don't just sell software solutions. We offer expert guidance and adapt our software solutions to align with your unique processes and business objectives. Any partner can sell you software, but only Velosio has the expertise to guide your organization toward a path to success. With over 30 years of experience and having worked with thousands of companies like yours, we are confident in our ability to help you achieve your goals.

**Ready to see how Velosio can
transform your organization?**

Let's Talk