Global Service Dynamics 2024 Report - APAC Spotlight

The roadmap to professional services profitability

certinia

Services are at the core of the economy.

The most successful professional services organisations are not the most aggressive.

They are the most efficient.

Contents

Survey Methodology

Research Goals

The primary goal of this research is to understand top external and internal challenges facing services organisations over the next 12 months and their strategies to mitigate those issues. This research also investigates the strategic value of professional services organisations to achieving corporate objectives, whether companies were growing or shrinking professional services teams, and which tools are being used to manage the services business.
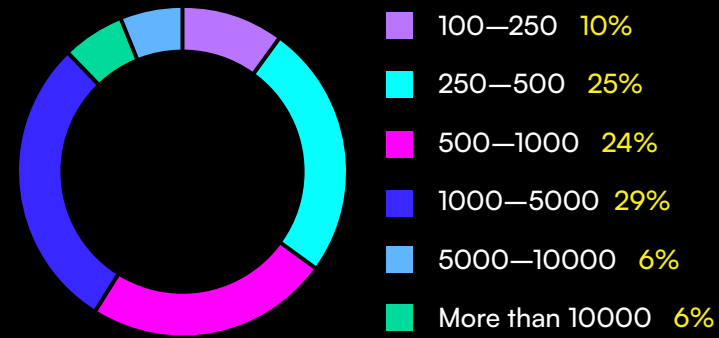
Methodology

Executive and services professionals at companies of all sizes were invited to participate in a survey on their company's key challenges and professional services (PS) strategies and practices. The survey was administered electronically by an independent market research firm, and respondents were offered a token compensation for their participation.

Participants

A total of 1,005 qualified participants across IT Services, Services Embedded within Software, and Independent PS firms completed the survey. For this report, we have segmented the data and analysis specifically for the APAC region which represented 322 (32%) of the responses. All participants had professional services responsibilities. Participants were from the US, UK, Canada, Australia, New Zealand and Singapore.
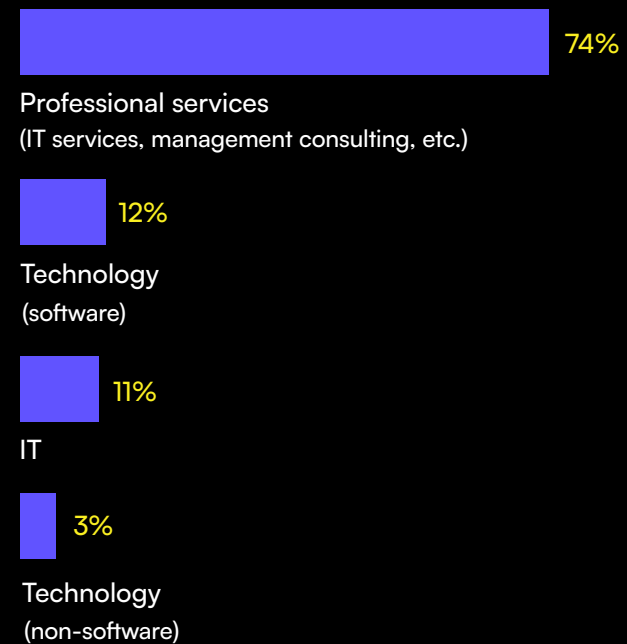
EMPLOYEES IN PROFESSIONAL SERVICES

- 100—250   10%
- 250—500   25%
- 500—1000   24%
- 1000—5000   29%
- 5000—10000   6%
- More than 10000   6%

SENIORITY

61%	Director / Manager
37%	Executive (VP, GM, C-level)
2%	Team Member

INDUSTRY

74% — Professional services (IT services, management consulting, etc.)

12% — Technology (software)

11% — IT

3% — Technology (non-software)

LOCATION

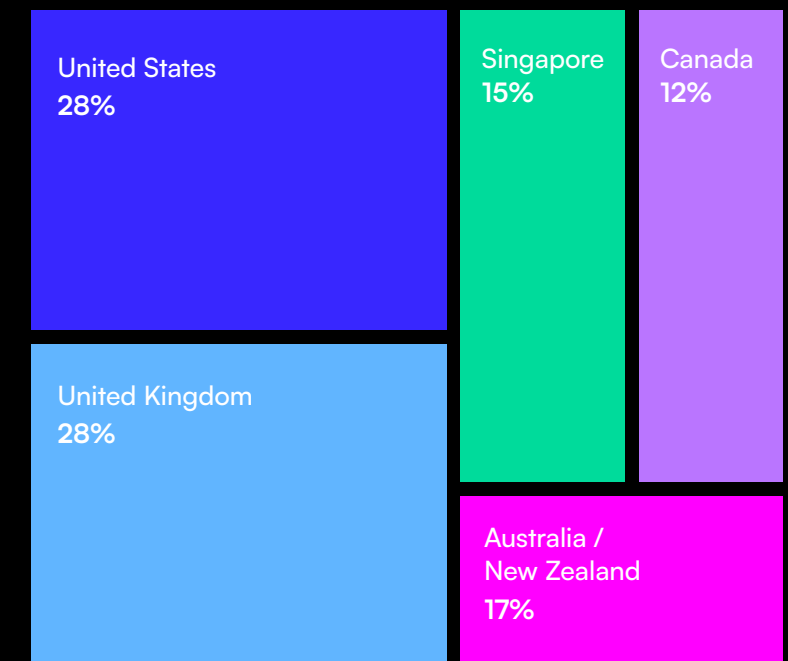| United States 28% | Singapore 15% | Canada 12% |
| United Kingdom 28% | Australia / New Zealand 17% | |

Executive Summary

Professional services organisations have become the profit centre for the majority of businesses.

This report focuses on how the APAC region compared with the results overall as well as against the UK and North America. Many issues are global issues and not defined by geographical boundaries. For example, the survey showed that the key external business concerns centre around the utilisation of AI and the state of the economy globally.

Nearly two out of three (63%) see their PSO teams as a profit centre. This led 82% of businesses to grow their PSO team size in 2023, with even more companies (85%) planning to grow their teams in 2024. The top PSO objectives in 2024 are efficiency and profit growth. Companies clearly see services as a way to grow revenue and help mitigate economic challenges.

Key internal concerns focus also on efficiency and profits, along with balancing team workloads and retaining employees. The constant and consistent focus on PSO efficiency can be immediately understood, when the top tools to manage PSO teams, projects, and financials are spreadsheets, shared documents, collabouration tools, and occasionally a repurposed productivity tool. These disaggregated tools not only are a contributor to inefficiencies but provide little visibility and fail to provide

an integrated view of the teams' utilisation or insights to optimise their operations. As one analyst shared in reflecting on the survey data, this disintegrated view "is at the root of many of the challenges professional services teams face."

To mitigate external challenges, one part of the solution is the strategic adoption of AI. When asked specifically how AI will help the professional services teams, the top answers were to increase efficiency, improve service quality, and grow profits. Interestingly, the lowest expected benefit of AI was to reduce team size, consistent with the pervasive trend on growing PSO teams in 2023 and 2024.

When asked what strategies companies were employing to mitigate internal challenges, the top two answers were to retain employees and deploy a professional services automated (PSA) solution. As companies move to proactively address internal and external challenges, they see the PSO as an engine that generates revenue combating a potentially slowing economy. While companies are growing the services teams, they need them to become more efficient which often boosts profits. **To achieve those objectives, those surveyed indicated they need to move away from an ad hoc tool approach and implement a dedicated professional services solution, and one that is powered by AI.**

Top Challenges

The economy and AI are seen as biggest challenges.
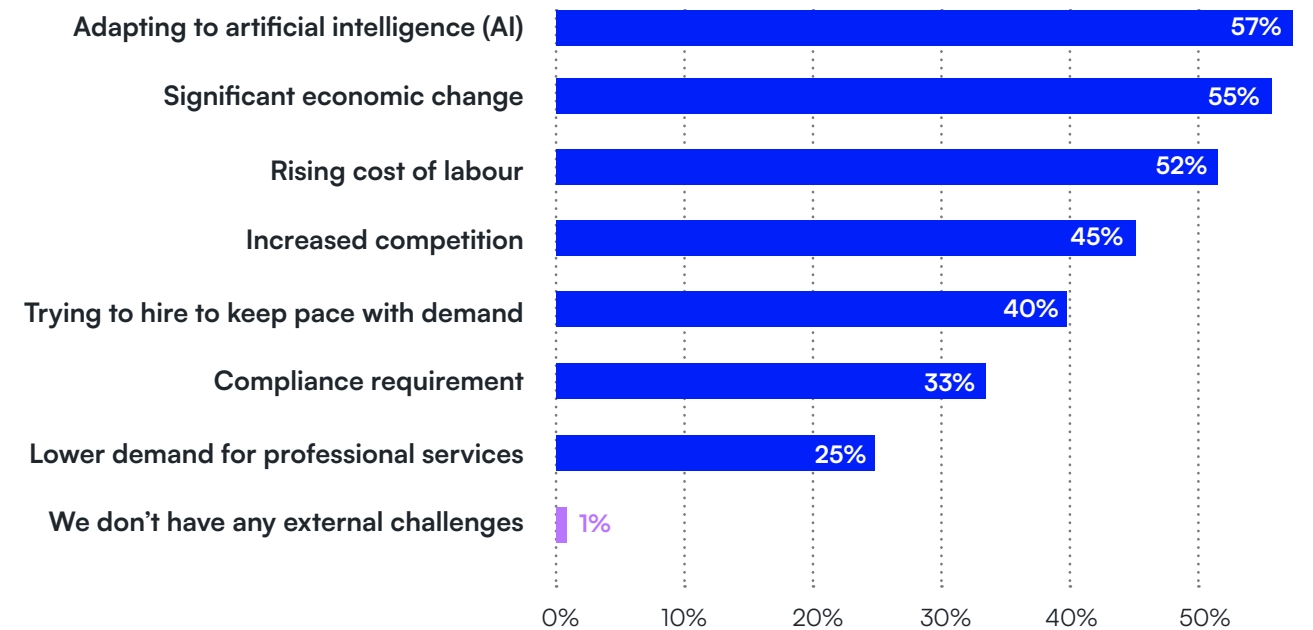## But could be biggest opportunities.

It is no surprise that core economic factors and the growing pervasiveness of AI are top of mind for services leaders. They make headlines every news cycle and are key pillars of uncertainty in the business landscape.

Interestingly, adapting to AI was the top issue in APAC (57%) compared with 53% in North America and 48% in the UK. The economy did rank number two in APAC at 55%. What was the least worrying for APAC businesses was increased competition at 45% compared to 49% in the UK and 50% in North America.

While economic uncertainty is largely out of an organisation's control, developing economic resilience can be achieved through thoughtful business design and efficient business processes. These structures and processes, however, will be put to the test as AI use cases mature.

To thrive, organisations must assess their AI maturity and identify the skills, resources, and tools needed to ensure AI is a competitive strength and not an existential threat.

What are the top external challenges that your company anticipates over the next 12 months?

Challenge	Percentage
Adapting to artificial intelligence (AI)	57%
Significant economic change	55%
Rising cost of labour	52%
Increased competition	45%
Trying to hire to keep pace with demand	40%
Compliance requirement	33%
Lower demand for professional services	25%
We don't have any external challenges	1%

What are services organisations most worried about? Efficiency, profits, and employees.
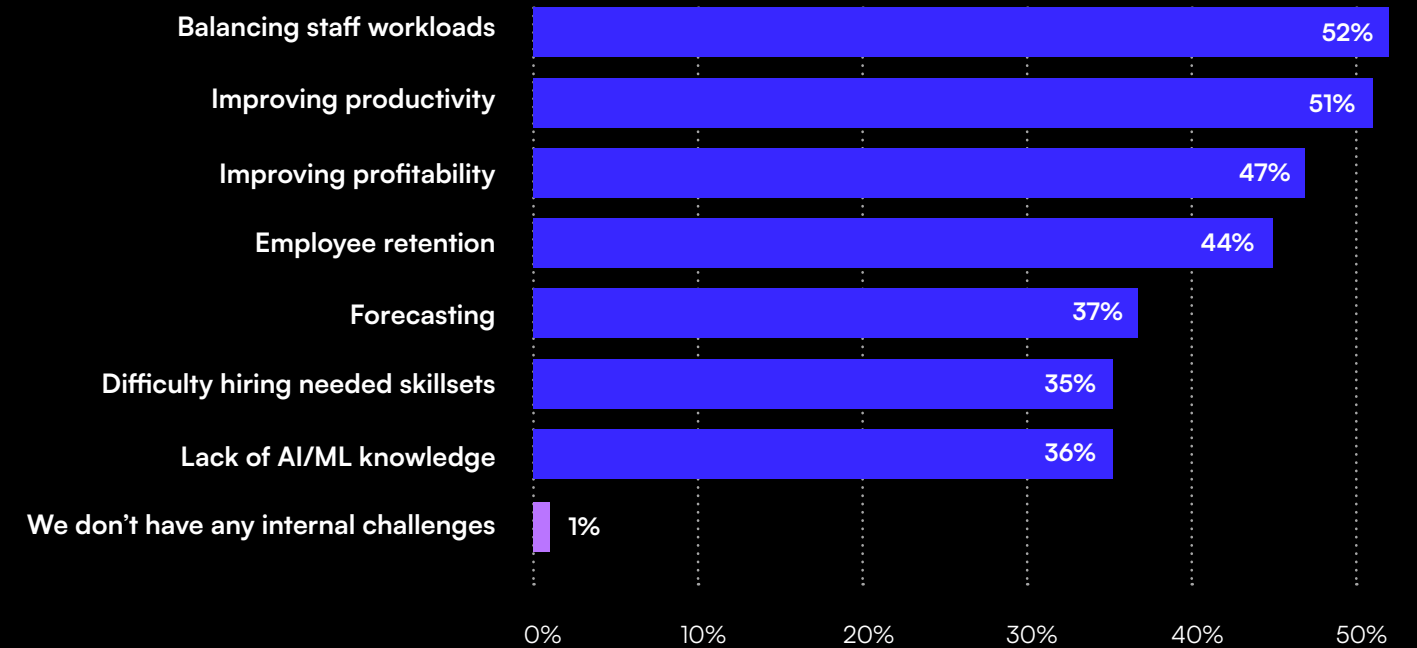
Business resilience is enhanced when organisations can run efficiently and profitably. For services businesses this is especially important as the product is the time and talent of their people. Inefficiency and confusion reduces margins at both a project-level and organisational-level.

Efficiency is a common focus for every services team, so understandably this ranked the highest issue at 51% just ahead of improving profitability at 47%. APAC took a slightly different path with balancing staff workloads the biggest issue at 52%. This was well ahead of North America at 42% and the UK at 45%.

APAC also bucked the trend on retaining employees at 44% compared to 40% in the other two jurisdictions. APAC was also more worried about a lack of AI/ ML expertise at 35% with both the UK and North America less worried at 28%.

Each of these top challenges point toward enhanced operational rigour and work together toward a common goal: balanced workloads help drive employee retention; seasoned employees tend to be more efficient; and greater efficiency underpins enterprise profitability.

What are the top internal challenges that your company anticipates over the next 12 months?

Challenge	%
Balancing staff workloads	52%
Improving productivity	51%
Improving profitability	47%
Employee retention	44%
Forecasting	37%
Difficulty hiring needed skillsets	35%
Lack of AI/ML knowledge	36%
We don't have any internal challenges	1%

Objectives & Strategy

## Big picture: Services organisations are the driving force on success.

The role of services has transformed over the years, from a necessary evil to a driving force on organisational success. 96% of those surveyed stated that professional services is important to achieving the strategic objectives of the company.

Services are the vehicle through which innovations are implemented in the market and businesses transform. An accelerated pace of change has made services mandatory for every organisation, but their primary objectives differ by industry.

The importance of profitability and efficiency are consistent across industries, but customer satisfaction falls lower on the priority list for PSOs within tech firms, as their fifth-most important objective. While delivering successful implementations that lead to happy long-term customers tends to be their charter, improving the satisfaction of customers is far from their top priority.

This is indicative of the departmental silos that traditionally exist in technology firms between professional services and customer success teams, and implies that unifying these teams could lead to better results.

How important is the role of the professional services organisation to achieving the company's strategic objectives?

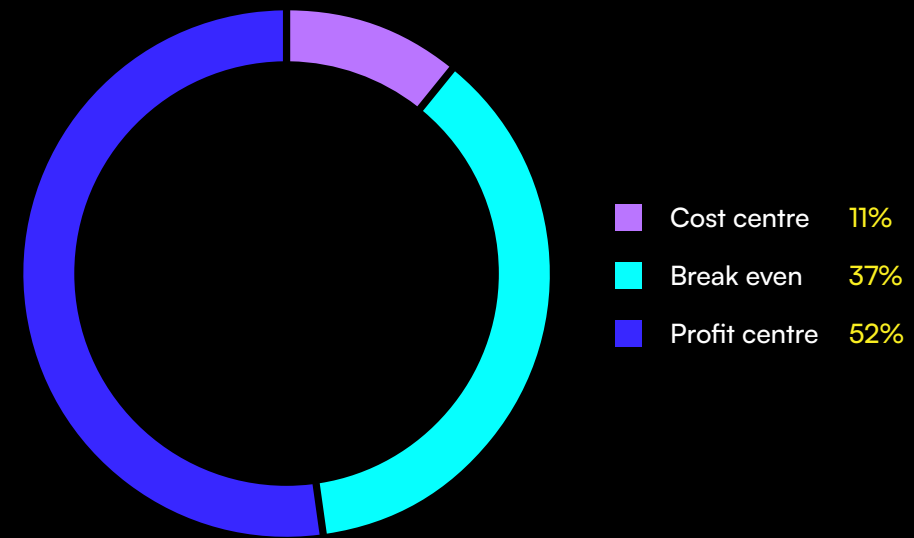|	
51%	Very important
27%	Somewhat important
18%	Important
4%	Minor importance
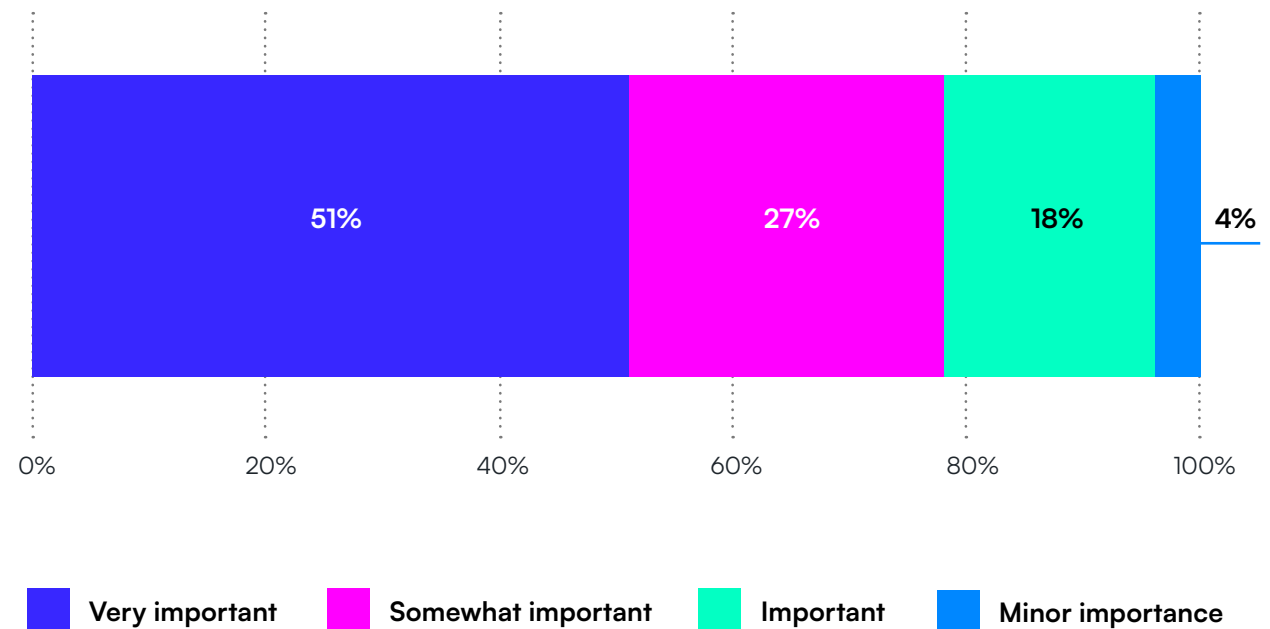
Services organisations have become a strategic profit centre.

Not only is there a clear focus on growing profitability, the perception of the role of professional services within organisations has shifted. More than 63% of organisations view services as a profit centre when looked at globally. However, APAC businesses see it less so at 51% compared with 65% in North America and 67% in the UK. That is quite a stark difference.
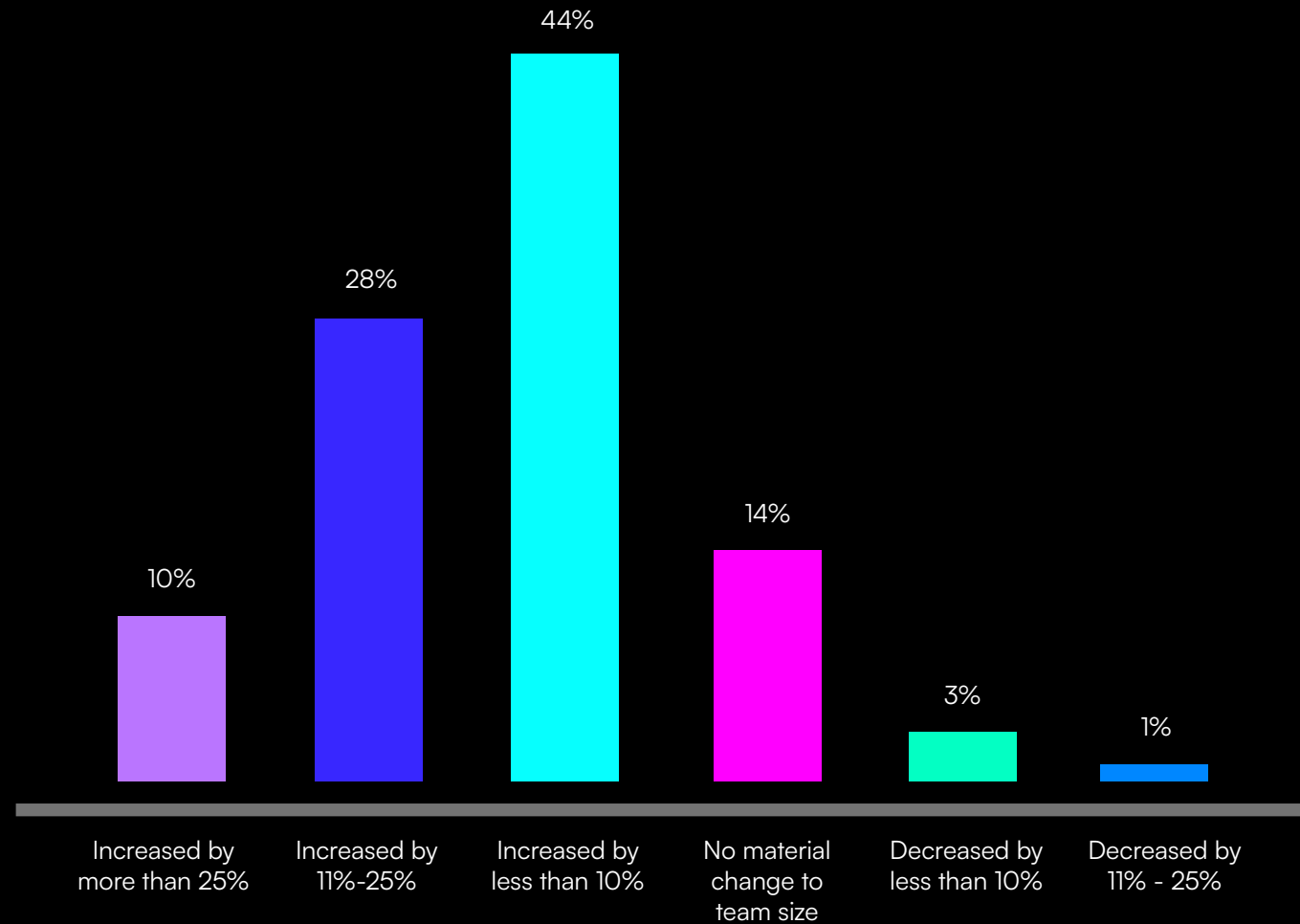
As interest rates rise and access to capital is constrained, profit is the most cost effective way to bring cash into a business. As a profit centre, professional services teams will earn a seat at the table when charting corporate growth strategies.

The unique ability of professional services teams to adjust and tailor offers positions them as a key asset in times of change. New technologies such as AI and tight economic conditions are environments that services teams can easily adapt to, assuming they have an efficient operating model.

Which of the following best describes how your company views its professional services organisation financially?

■	Cost centre	11%
■	Break even	37%
■	Profit centre	52%

Approximately by how much did your company's professional services team size change in 2023?

10%	28%	44%	14%	3%	1%
Increased by more than 25%	Increased by 11%-25%	Increased by less than 10%	No material change to team size	Decreased by less than 10%	Decreased by 11% - 25%

When the economy goes south, a focus on growth goes north.

Despite the uncertainty surrounding the economy, geopolitical landscape, and technology acceleration, services teams grew in size in 2023. In fact, nearly half of the firms surveyed grew the size of their services team by 10% or more. This is amid a backdrop of high-profile reductions in force and continued constraints around access to capital.

APAC was somewhat of a laggard with 37% of firms saying they grew the size of their professional services team compared with 41% in the UK and 49% in North America. 44% of APAC firms grew by less than 10% compared with 39% in the UK and 33% in North America.
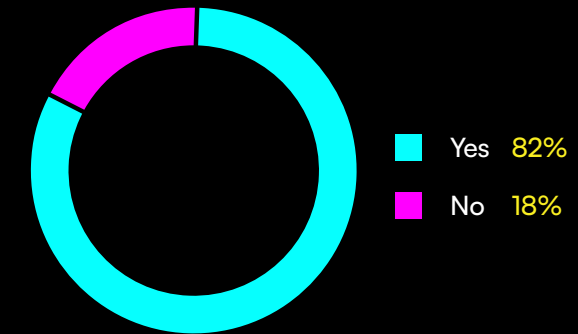
Objectives & Strategy

2024 is about keeping growth steady.

In 2024 the growth trend is projected to continue. More than 85% of firms surveyed reported that they intend to grow the size of their professional services teams in 2024. Similar to 2023, approximately 50% of firms intend to grow their professional services teams by more than 10%.
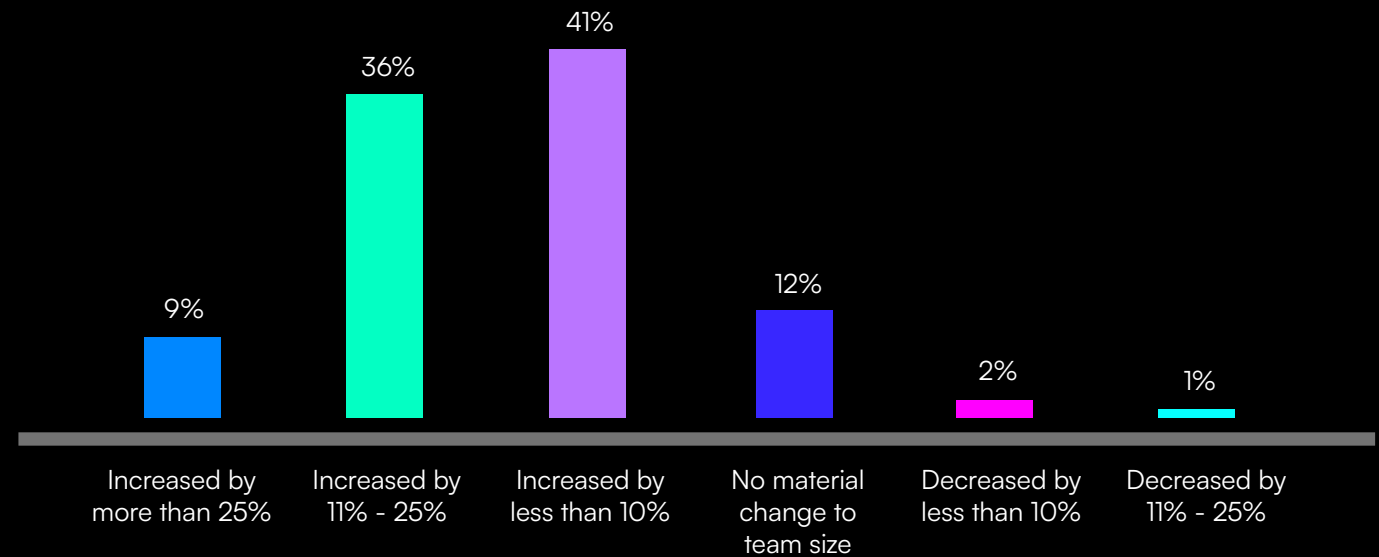
APAC firms — 81% - said they would grow in 2024 and while still high is not as bullish as North America at 87% and the UK at 89%.

As professional services teams grow, the complexity surrounding managing workloads, operating efficiently, and delivering profitably grows. The ambitious growth goals of service teams underpins their desire to improve efficiency, balance workloads, and retain their talent.

Is your company trying to grow the size of the professional services team in 2024?

Yes 82%
No 18%

Approximately by how much is your company's professional services team size expected to change in 2024?

9%	Increased by more than 25%
36%	Increased by 11% - 25%
41%	Increased by less than 10%
12%	No material change to team size
2%	Decreased by less than 10%
1%	Decreased by 11% - 25%

Which of the following represents your company's professional services hiring strategy in 2024?

- ■ We plan to hire some full-time staff and some contract (temporary, contingency, etc.) staff   55%

- ■ We plan to only contract (temporary, contingency, etc.) staff   6%

- ■ We do not have plans to add any new staff members to the professional services team   4%

- ■ We plan to reduce our services team size   2%

- ■ We didn't have a professional service hiring strategy for 2024 yet   1%

- ■ We plan to only hire full-time employees   32%

When it comes to growth, who you hire matters.

When asked the type of resource each firm intends to hire, the majority of organisations (55%) plan to hire a mix of full-time employees (FTEs) and contract workers.

The balance of FTEs to contract workers is one of the key levers professional services teams have to pull. Contract workers tend to have higher fully-loaded labour rates to comparable FTEs, but their contract nature provides flexibility around the duration of a contract. This higher cost delivers a lower margin but also decreases risk to the organisation.

High-performing and efficient services organisations are able to accurately forecast their resource demand, allowing them to utilise contractors to smooth out variability while maximising FTEs. This drives optimal profit to risk balance for the organisation.

Notably, only 5% of organisations plan to add contract-only headcount and more than a third of organisations only plan to add FTE headcount.

This indicates a favourable outlook on future growth based on a small number of firms selecting a more risk averse strategy and a considerably larger number of firms selecting a profit maximisation strategy.

When it comes to efficiency, technology matters.

" The pervasiveness of spreadsheets, disparate collabouration tools, and homegrown solutions to manage professional services delivery work in a disconnected manner is at the root of many of the challenges professional services teams face. "

John Ragsdale
Distinguished Researcher, Vice President of Technology
Ecosystems Technology Services Industry Association (TSIA)
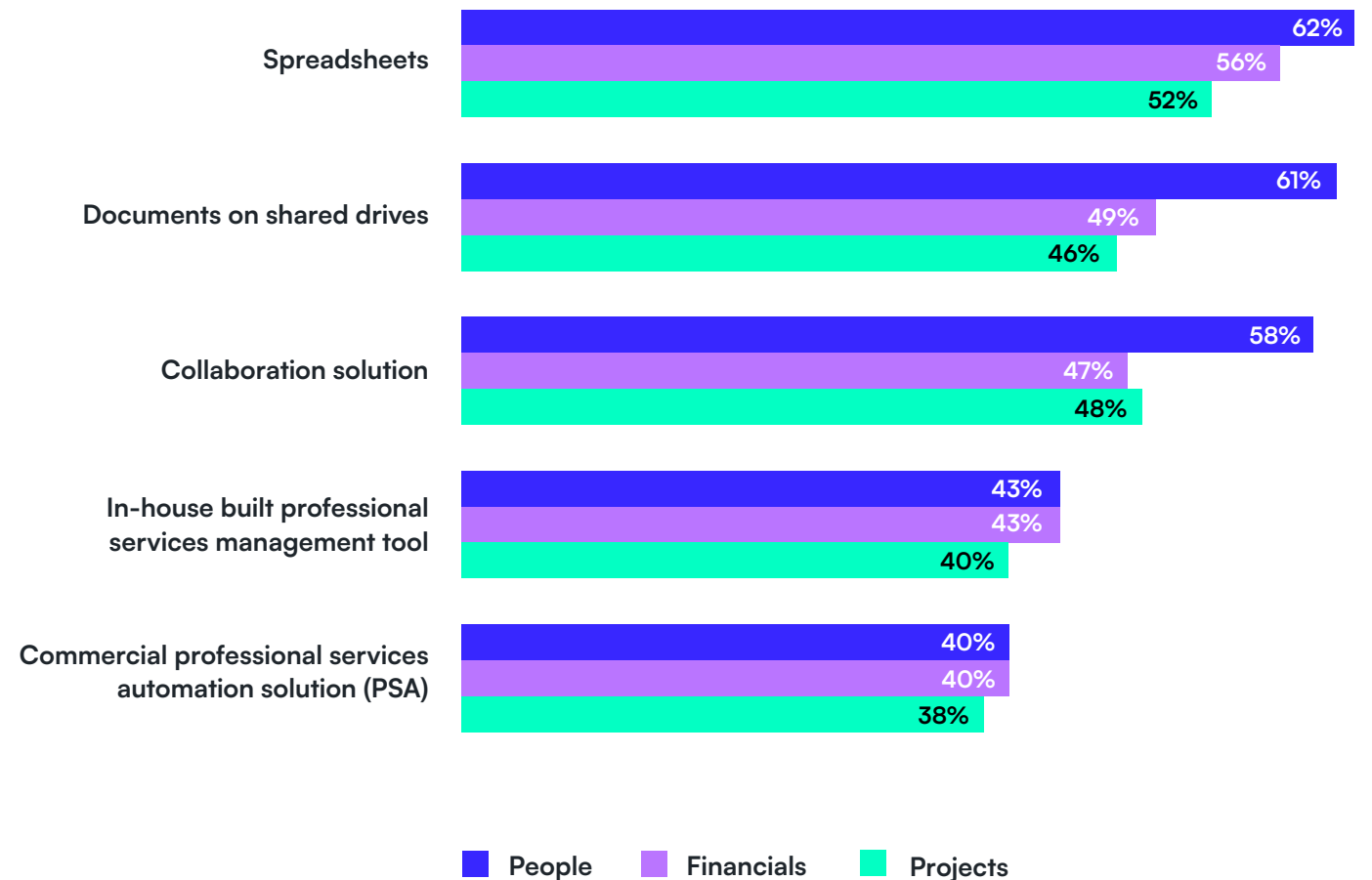
Technology Matters

Spreadsheets prevail, leading to low technical maturity among professional services teams.

The current environment — high growth, profit focus, and efficiency priority — represents a technical inflection point for the majority of professional services teams. When asked what solutions were used across the key elements of services delivery (people, projects, and profit) the dominant solution at every step of the services journey was spreadsheets — in some cases up to 62%.

Most other functional departments within organisations have high adoption of purpose-built solutions for their needs — everything from CRM applications to ERP. **But professional services teams are laggards when it comes to deploying solutions tailored precisely to their needs.**

Less than half of services organisations — and in some cases down to 34% — leverage a commercial Professional Services Automation (PSA) solution, despite the well documented impacts that PSA applications have on efficiency, profitability, workload balancing, and employee & customer satisfaction.

What tool(s) does your company use to manage your people/resource allocation, financials, and projects?

Spreadsheets
- People: 62%
- Financials: 56%
- Projects: 52%

Documents on shared drives
- People: 61%
- Financials: 49%
- Projects: 46%

Collaboration solution
- People: 58%
- Financials: 47%
- Projects: 48%

In-house built professional services management tool
- People: 43%
- Financials: 43%
- Projects: 40%

Commercial professional services automation solution (PSA)
- People: 40%
- Financials: 40%
- Projects: 38%

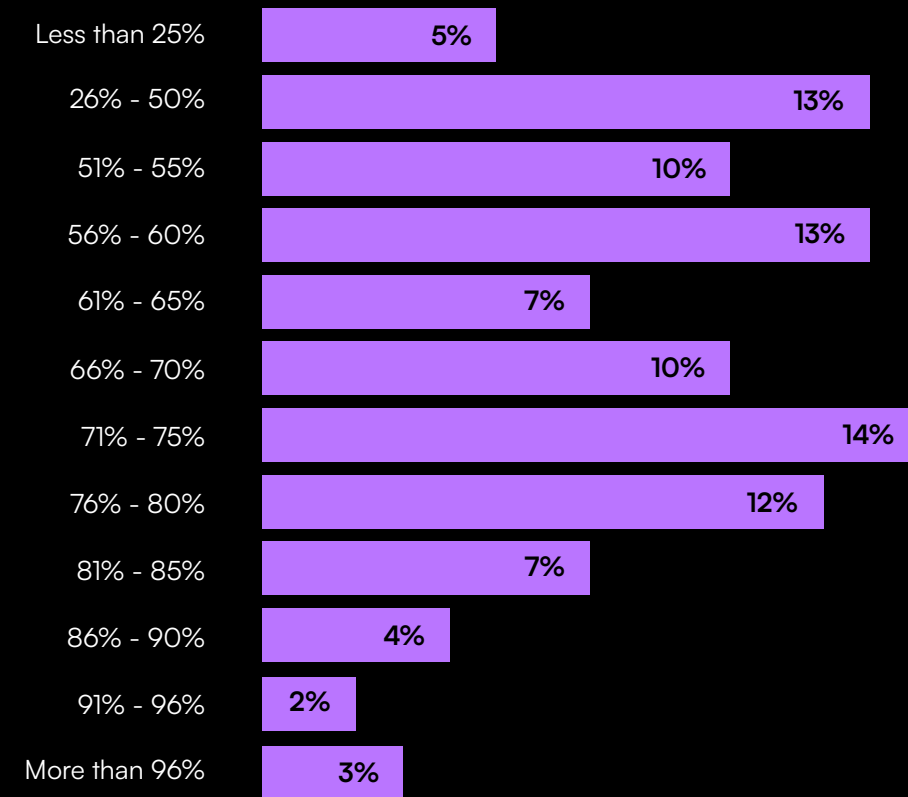Legend: People · Financials · Projects

Technology Matters

Reliance on spreadsheets correlates with low utilisation performance.

Utilisation is the measure of the percentage of time an organisation is delivering billable work. It is the core profit and efficiency metric for professional services teams.
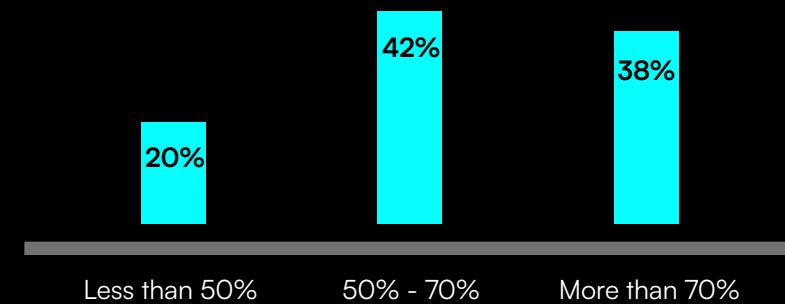
High performing teams that deliver consistent profits often have utilisation rates above 70%. Lower utilisation rates correlate with break-even performance or unprofitable delivery.

Nearly two-thirds of companies are unable to achieve utilisation performance above 70%, while approximately 60% of organisations leverage spreadsheets to measure and manage resource allocation.

For your company, what typically is the professional services team's utilisation rate?

Range	Value
Less than 25%	5%
26% - 50%	13%
51% - 55%	10%
56% - 60%	13%
61% - 65%	7%
66% - 70%	10%
71% - 75%	14%
76% - 80%	12%
81% - 85%	7%
86% - 90%	4%
91% - 96%	2%
More than 96%	3%

Consolidated View

Less than 50%	50% - 70%	More than 70%
20%	42%	38%

How do you expect AI to deliver value to the professional service organisation?

Increase efficiency	78%
Increases service quality	67%
Increase profitability	62%
Help create new service offerings	52%
Reduce staff size	33%

" ...It can be a scary place for employees thinking, "Well, is AI going to replace my role?" And it simply isn't the case. We actually see it in the other way; we want to realize the potential of our staff and those that are responsible for delivering BI, so that they can focus on the outcomes that insight provides. So we're spending a lot of time in there at the moment. "

Adam Hay
Senior Operations Director
Jellyfish Online Marketing

The AI factor: It's for efficiency, not replacement.

Is AI coming to the rescue? It might... but it doesn't look like it is coming to replace us.

More than 75% of the firms surveyed reported seeing AI as an avenue to increase efficiency while just a third feels as though AI will reduce staff size.

While AI does promise innovative new approaches to running businesses, the use cases that provide tangible benefits are still revealing themselves. Moreover, most professional services organisations are not yet technically mature enough to leverage AI.

Disconnected spreadsheets, siloed systems, and unstructured data are all impediments to deploying AI across information it can learn from to provide meaningful insight.

If AI is the answer to the efficiency concerns of professional services teams, the question will be who has the technical maturity to adopt.

Technology Matters

AI will help conquer external challenges faster and more intelligently.

When it comes to mitigating external challenges, AI may be able to deliver returns to professional services teams faster. When asked how AI might be able to help, efficiency was still front and centre (62%), but increasing skills sets across teams was a close second (60%).
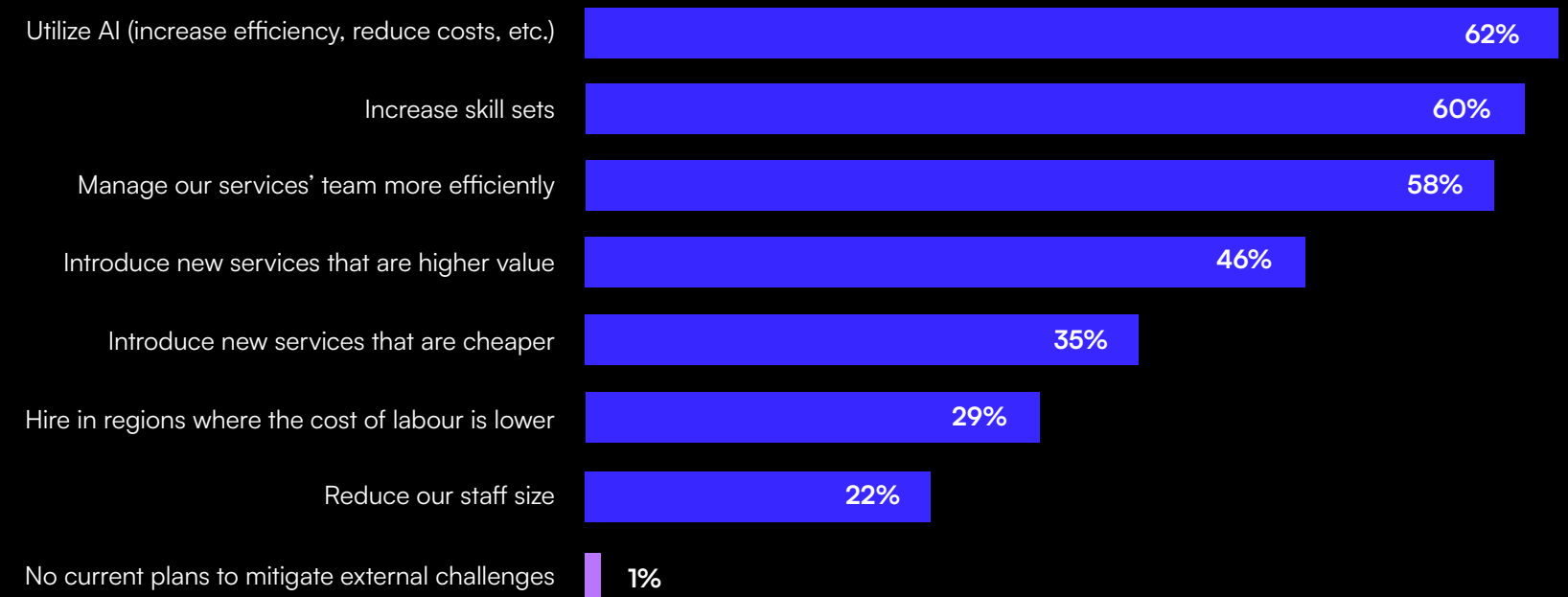
Data is at the centre, and external challenges can more easily be addressed with external information.

Generative AI technologies that help teams spot trends, learn new technologies, and fine-tune their work are becoming increasingly prevalent. Because most of these solutions are based on learning models that are trained on publicly available information, they can deliver tangible results out of the box.

As organisations mature their data architectures, private learning models that reason across proprietary information will drive more than efficiency gains—they will drive a competitive advantage.

Those who continue to manage their operations across spreadsheets and disconnected tools will fall further and further behind.

How does your business plan to mitigate the external challenges it anticipates over the next 12 months?

Category	Percentage
Utilize AI (increase efficiency, reduce costs, etc.)	62%
Increase skill sets	60%
Manage our services' team more efficiently	58%
Introduce new services that are higher value	46%
Introduce new services that are cheaper	35%
Hire in regions where the cost of labour is lower	29%
Reduce our staff size	22%
No current plans to mitigate external challenges	1%

Key Takeaways

Professional services teams are leaning into their role as profit centres - focusing on growth to deliver increased profits and mitigate economic slowing.

- Economic concerns and AI adoption lead as most pressing external challenges

- 96% state the professional services organisation is important to achieving company strategic objectives

- More than half expect professional services to deliver profits

- Numerous 2024 objectives for professional service organisations led by increasing efficiencies and profit growth

- 82% plan on growing their professional services team in 2024

Professional services teams continue to be laggards when it comes to deploying solutions tailored precisely to their needs, relying on repurposed productivity tools which drive inefficiencies.

- Top internal challenges centre on efficiency, profits, balancing team workloads, and retaining employees

- Tools used to measure professional services team efficiency are spreadsheets, collabouration tools, and shared documents

- Spreadsheets, repurposed project management tools, and shared documents lead tools used to manage professional services projects

Companies plan to adopt AI and professional services automation solutions to increase efficiencies and profits.

- Companies plan to utilise AI, increase team skills, and manage service teams more efficiently to mitigate external challenges

- AI is desired to improve efficiency, service quality, and profits, with few users expecting AI to reduce team size

- Overcoming internal challenges focuses on retaining key employees and implementing a professional services automated solution

- Those who continue to manage their operations across spreadsheets and disconnected tools will fall further and further behind

> " The numbers are mind blowing. In the last three years alone, we've integrated 10 companies, added 7000 users, **managed revenue forecasts to 1% variance** +/-, increased our billable hours by $14M and are pushing $2.5B through the professional services automation app from Certinia. "

Mark Conklin
Senior Director of Operations, Salesforce

Get Services Done

Certinia elevates business growth through a complete Services-as-a-Business solution spanning services delivery, finance, and customer success. Native to the leading cloud platform, Salesforce, Certinia enables organisations to run a connected business, deliver with intelligence, and transform potential into profit.

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