The Professional Services Market

The view from 2023

It's a new year, and it's time for a new snapshot of the professional services industry. Service Performance Insight's annual **Professional Services Maturity Benchmark**™ - now in its 16th year - is the leading analysis of the sector. Here's some of the most important topline findings from the 2023 report.

PSOs worked harder in 2022 – but not necessarily smarter

Many KPIs have deteriorated since the previous year. Although these are minor slips, they should serve as a wake up call to leadership.
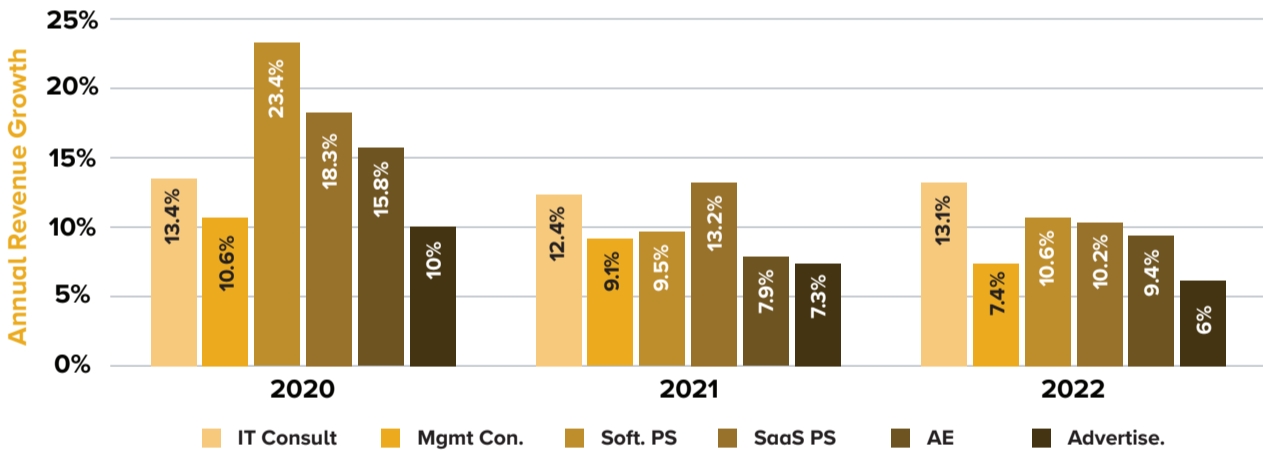
- Deal pipelines relative to bookings forecast: ↓ **21%**
- Employee billable utilization: ↓ **2.5%**
- Projects delivered on time: ↓ **4%**
- Project margin: ↓ **1.5%**
- Annual billable revenue per consultant: ↓ **1%**
- % of annual revenue target reached: ↓ **3.5%**
- % of annual margin target reached: ↓ **3.3%**

Further, the movement to remote working has stalled at around **two-thirds of billable hours.** (Although this may be the optimum balance for a highly people-focused sector.)

Revenue growth is also down across the sector

But some subsectors are performing better than others: IT consulting leads the pack. Management consulting continues its downward growth trends – and advertising agencies, which peaked in 2020, have returned to pre-pandemic growth levels.

Annual Revenue Growth chart

2020: IT Consult 13.4%, Mgmt Con. 10.6%, Soft. PS 23.4%, SaaS PS 18.3%, AE 15.8%, Advertise. 10%

2021: IT Consult 12.4%, Mgmt Con. 9.1%, Soft. PS 9.5%, SaaS PS 13.2%, AE 7.9%, Advertise. 7.3%

2022: IT Consult 13.1%, Mgmt Con. 7.4%, Soft. PS 10.6%, SaaS PS 10.2%, AE 9.4%, Advertise. 6%

Legend: IT Consult, Mgmt Con., Soft. PS, SaaS PS, AE, Advertise.

Talent is still a major challenge

Despite redundancies upping the available talent pool, it still takes **10 days longer than in 2021** to hire a new fee earner and for them to become productive.

Many firms are investing heavily in moving to a **people-centric model** to satisfy both their consultants and their clients as a result. But attrition rates still remain higher than their 5-year average baseline.

All aspects of maturity still depend on technology

The importance of **real-time information** is now generally understood throughout the industry thanks to its ability to **enable employees to perform at a higher level.**

Newer technologies are being implemented in professional services: capabilities such as collaboration tools, machine learning (ML), artificial intelligence (AI), and automation are now increasingly being used to boost operational visibility, automation efficiency, performance improvement, and goal achievement.

Want to know more?

For all of SPI's insights into how professional services businesses perform – and how to perform better – download the Professional Services Maturity Benchmark™ report below.

Click here