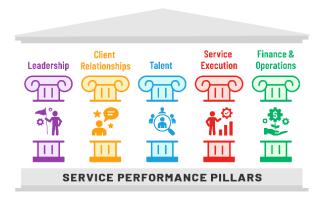


#### **Service Performance Insight**

Service Performance Insight, LLC (SPI Research) is a global research, consulting, and training organization dedicated to helping professional service organizations (PSOs) make quantum improvements in productivity and profit. In 2007, SPI developed the PS Maturity Model™ as a strategic planning and management framework. It is now the industry-leading performance improvement tool over 50,000 service- and project-oriented organizations use to chart their course to service excellence.

The core tenet of the PS Maturity Model™ is that PSOs achieve success through the optimization of five Service Performance Pillars™:

- Leadership
- Client Relationship
- Talent
- Service Execution
- Finance & Operations



# The SPI Advantage – Research

Service Performance Insight provides clients and industry audiences with an informed and actionable third-party perspective. Our market research and reporting help buyers and sellers of information technology-based solutions maximize the effectiveness of solution development, selection, deployment, and use.

#### The SPI Advantage - Consulting and Scorecards

The PS Maturity™ Scorecard benchmarks PSOs against industry peers across 165+ critical metrics, providing a data-driven framework and roadmap and to achieve Level 5 maturity within each of the Service Performance Pillars™. In 2024, firms at Level 5 saw, on average, a 739% increase in revenue growth, 537% boost in profit margins, and a 71% improvement in billable utilization over Level 1 organizations.

For more information on how the scorecard can benefit you or to share your feedback on this research, please email:

info@spiresearch.com

For more information on Service Performance Insight, please visit:

# www.spiresearch.com

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# **Executive Summary**

This year's benchmark of 403 firms highlights mounting profitability pressures, the critical role of operational efficiency, and Al's growing impact in separating leaders from laggards. Following 2024's economic volatility, geopolitical tensions, and regulatory shifts, **firms faced declining revenue (4.6%)**, **utilization struggles (68.9%)**, and eroding margins (9.8%).

#### **Key Findings: 2024 in Review**

- Revenue Growth Stalls: Year-over-year revenue growth dropped to 4.6%, down from 7.8% in 2023 and well below the five-year average of 8.7%.
- Declining Utilization: Billable utilization fell to 68.9%, below the optimal 75%, impacting revenue per consultant.
- Talent Constraints:
   Headcount growth slowed to
   1.9%, driving increased
   reliance on subcontractors
   (now 10.9% of revenue).

Table 1: What Changed from 2023 to 2024? KPI Comparison

Key Performance Indicator (KPI)	2023	2024	% ↑↓
Year-over-year change in PS revenue	7.8%	4.6%	-41%
Year-over-year change in PS headcount	5.2%	1.9%	-63%
New clients	31.3%	29.3%	-6%
Deal pipeline / quarterly bookings forecast	154%	166%	8%
Project duration (man months)	29.6	28.1	-5%
Projects delivered on-time	75.7%	73.4%	-3%
Project overrun	9.6%	11.3%	18%
% of annual revenue target achieved	90.6%	87.9%	-3%
% of annual margin target achieved	87.7%	86.9%	-1%
Profit (EBITDA %)	15.4%	9.8%	-36%

Source: SPI Research, February 2025

- Operational Inefficiencies:
   On-time project delivery slipped to 73.4%, reflecting execution challenges and project overruns.
- Profitability Under Pressure: EBITDA declined from 15.4% in 2023 to 9.8% in 2024, its lowest in five years (Table 1).

Despite these struggles, deal pipelines grew by 8%, signaling pent-up demand—if firms can convert it.

#### **Performance Trends: Where Firms Are Gaining & Losing Ground**

The data below highlights a widening gap between high-performing firms and those struggling to adapt:

- Revenue growth is at its weakest point in five years, but deal pipelines remain strong (166% of quarterly bookings forecast)—the challenge is converting demand into realized revenue.
- Utilization rates have been in decline the past 3 years, with firms unable to match capacity planning with shifting client priorities.
- Profitability is under pressure, with EBITDA margins falling to single digits (9.8%) for the first time
  in years—efficiency improvements are now a survival necessity, not an optimization strategy.

 Data-backed, Al-driven decision-making is proving to be a competitive advantage. Yet, many firms still operate in data silos, limiting real-time visibility into project profitability and client health.

**Table 2: Key Performance Metrics 5-Year Trends** 

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Number of firms surveyed	558	561	540	709	575	403
Year-over-year change in PS revenue	8.7%	8.7%	10.6%	10.4%	7.8%	4.6%
Deal pipeline relative to qtr. bookings forecast	168%	179%	183%	162%	154%	166%
Total attrition	12.8%	11.6%	14.0%	13.8%	12.5%	11.7%
Employee billable utilization	70.8%	71.4%	73.2%	70.7%	69.3%	68.9%
Onsite service delivery	37.0%	40.8%	33.9%	35.4%	41.5%	32.1%
Projects delivered on time	77.2%	79.7%	80.2%	76.2%	75.7%	73.4%
Project margin	35.5%	36.0%	36.5%	35.0%	34.4%	35.9%
Annual revenue per billable consultant (k)	\$204	\$203	\$206	\$204	\$207	\$199
Percentage of annual revenue target achieved	92.1%	92.1%	96.2%	92.7%	90.6%	87.9%
Percentage of annual margin target achieved	89.3%	90.3%	92.1%	88.8%	87.7%	86.9%
Profit (EBITDA %)	14.9%	15.6%	15.7%	16.1%	15.4%	9.8%

Source: SPI Research, February 2025

# 2025 Playbook: Five Moves for Future-Ready Firms

For firms seeking to navigate the shifting tides of 2025, five strategic imperatives stand out:

- 1. **Reimagine Pricing & Value Delivery** Clients are scrutinizing spending more than ever; outcome-based pricing models will become a key differentiator.
- 2. **Deploy AI with Purpose** Early adopters gain an edge, while laggards risk falling behind. AI must move from experimentation to enterprise-wide adoption.
- 3. **Turn Utilization into a Competitive Advantage** Resource optimization will define profitability—firms that align skills with demand in real time will outperform their peers.
- 4. **Deepen Client Engagement Through Execution Excellence** Flawless delivery defends against volatility. Firms that execute well will capture market share from those that don't.
- 5. **Recalibrate the Workforce Model** Workforce agility is now a core competency. Firms must blend internal talent, subcontractors, and Al-assisted workforces seamlessly for margin growth.

# **Looking Ahead: A Year of Opportunity**

The professional services industry thrives on resilience. In 2025, firms embracing data-driven transformation and workforce optimization will lead. This benchmark serves as both a mirror and roadmap, helping PSOs turn challenges into growth. Decisive execution strategies will unlock opportunities ahead.

# **About the Professional Service Maturity™ Benchmark**

The Professional Services Maturity™ Benchmark is designed to give professional service organizations (PSOs) a reliable basis for evaluating their performance relative to a well-established benchmark of peers. It provides visibility into critical business processes and key performance metrics. PSOs can easily compare their performance against these findings to understand, analyze, and improve business outcomes.



# Introduction to the five Service Performance Pillars™



**Leadership** – Examines where and how PS executives most effectively offer a clear and compelling strategy to provide a unifying focus for organization and action.



Client Relationships – Concentrates on sales, marketing, and partner relationship development effectiveness.



**Talent** – Focuses on recruiting, hiring, compensation, and retention of people, which is the core asset in every project- or service–driven organization.



**Service Execution** – Details all aspects of project delivery from planning through resource management, project management, delivery methods & tools, time and expense capture, and collaboration.

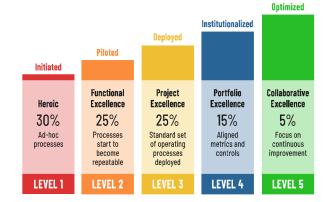


**Finance & Operations** – Considers managing all financial information – revenue, margin, billing, and collections.

This report reflects SPI Research's working premise that the business outcomes of all billable professional services organizations are based on five fundamental Service Performance Pillars $^{\text{TM}}$ . Together, they form the foundation of this benchmark study, which explores each pillar.

# **Introduction to the five PS Maturity Levels**

Within each of the five service performance pillars, SPI Research determines the relative operational effectiveness of each pillar with *five maturity levels* as follows:



- Initiated "Heroic": The PSO is in an early stage of development, so operating processes are ad hoc and fluid. The business environment is opportunistic and primarily focused on new client acquisition and reference building. Employees wear many hats and perform multiple roles.
- Piloted "Functional Excellence": Core operating processes are repeatable but unenforced. The company may demonstrate best practices in some functional areas or geographies, but those practices are not documented or codified for the entire firm.
- Deployed "Project Excellence": The PSO has standard processes and operating principles for all central service performance pillars. However, renegades, holdouts, and outliers are tolerated where they persist.
- Institutionalized "Portfolio Excellence": Management uses precise measurements, metrics, and controls to manage the PSO effectively. Detailed operating principles, tools, and measurements support each performance pillar.
- Optimized "Collaborative": The PSO focuses on continually improving all five performance pillars. A disciplined, controlled process measures and optimizes performance through incremental and innovative technological improvements. Management has established quantitative and qualitative process improvement objectives and continually revises them to reflect changing business targets.

# **Report Organization**

Organized by Service Performance Pillars, the report compares **165 key performance measurements** by organization type and size. It defines maturity levels and provides practical steps to optimize business processes. As industry standards evolve, SPI Research continuously refines the benchmark with new data and insights.

The 2025 Benchmark, based on our Fall 2024 survey with **403 firms, adds to data from nearly 3,500** participant firms over the past five years. While this year's submissions reflect a shift from 575 responses in 2024, due to changes in survey tooling that impacted deliverability, the respondent profile remains consistent with prior years. This ensures statistical significance, five-year comparability, and a robust dataset that enables SPI Research to track industry trends and provide high-quality, prescriptive guidance.

The report delivers **comprehensive industry benchmarks**, offering a clear view of overall performance trends. In addition, it delves deeper into **individual markets**, **regions**, **and organization sizes**, providing even greater insight for PSOs looking to refine their strategies. SPI Research also offers scorecard services, based on the latest benchmark data, to help PSOs assess their performance and improvement initiatives.

Since its introduction in 2008, SPI Research's Professional Services Maturity Model has guided over **50,000 organizations**, offering a framework to assess maturity and implement strategies for improvement. By evaluating each pillar's maturity, PS executives can pinpoint opportunities to accelerate performance and profit.

Each year, the report expands its coverage across key professional service segments:

- 1. IT Consulting
- 2. Management Consulting
- 3. PS w/in SaaS firms

- 4. PS w/in Software firms
- 5. Architecture & Engineering
- Agencies

7. Other PS organizations

It also categorizes firms by six organizational size segments:

- Under 10 employees
- 10 30
- 31 100
- 101 300

**301 - 700** 

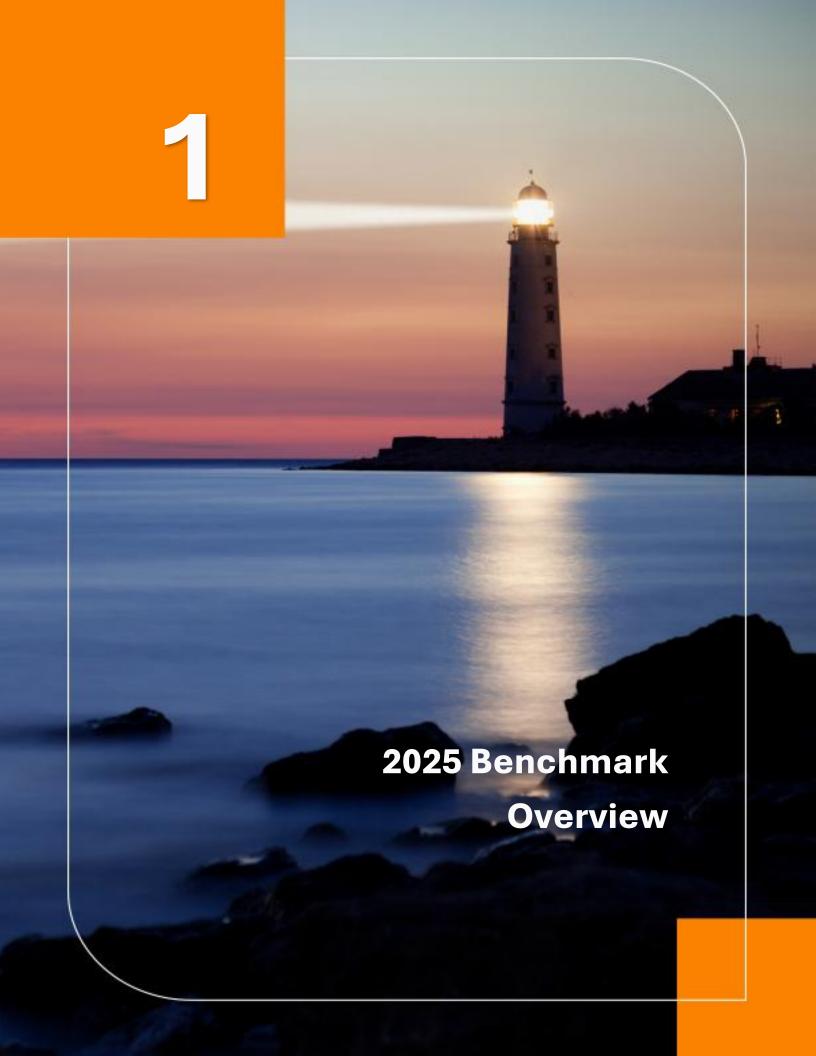
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The benchmark enjoys significant global participation, cementing its status as the industry standard for professional services benchmarks over many years.

A special mention to our Partner, The 1801 Consulting Group (1801.ai), for their contribution to editing this year's report. Their hands-on PSO delivery expertise introduced fresh perspectives and valuable additions.

Contact SPI Research (info@spiresearch.com) to learn more.

Thank you for 18 years of support! Your role in professional services is critical, and we hope this report equips you with the insights needed to navigate the road ahead.



#### **Foreword**

The professional services industry is entering a pivotal era shaped by the dual forces of transformation and opportunity. Against economic recalibration, technological advancements, and shifting client demands, this year's 2025 Professional Services Maturity™ Benchmark Report provides a compass for navigating these complexities.

Rooted in insights from 403 organizations spanning seven industries, this report captures the global challenges and triumphs faced by Professional Services Organizations (PSOs). It highlights declining utilization rates and operational inefficiencies and underscores the immense potential for firms that embrace innovation, deepen client engagement, and optimize workforce strategies.

Since its inception, the **Professional Services Maturity™ Model** has been a trusted framework, guiding over 50,000 organizations in elevating their operational excellence. By benchmarking against the five core Service Performance Pillars™—Leadership, Client Relationships, Talent, Service Execution, and Finance & Operations—this report empowers PSOs to identify their strengths and uncover areas for growth.

In 2025, the industry stands at the intersection of resilience and reinvention. This benchmark is more than a snapshot of performance metrics—it is a roadmap to actionable insights and strategic direction. Whether you are a leader aiming to accelerate profitability or a team striving to align with industry best practices, this report equips you with the tools to achieve sustainable growth in a competitive landscape.

We invite you to delve into the findings, explore the opportunities, and use this benchmark to propel your organization forward. Together, we can transform today's challenges into tomorrow's achievements.

Enjoy Reading,

The SPI Research Team

#### 2024 in Review: A Year of Lessons

Key performance indicators reveal a sector grappling with adversity:

- **Revenue Growth**: Year-over-year revenue growth plummeted to 4.6%, a significant drop from 7.8% in 2023 and well below the five-year average of 8.7%.
- Utilization Declines: Billable utilization fell to 68.9%, below the optimal threshold of 75%, reducing revenue productivity and eroding profitability.
- ◆ Talent Constraints: With headcount growth stagnating at 1.9%, reliance on subcontractors increased to 10.9% of revenue, signaling a shift toward flexible staffing.
- Operational Strains: On-time project delivery dropped to 73.4%, reflecting execution inefficiencies that impact client satisfaction and loyalty.

The data paints a picture of an industry under strain, but not without hope. 2024 was a year of recalibration, where resilience was tested, operational gaps were exposed, and organizations were forced

to adapt to unpredictable market conditions. These metrics reflect not just challenges but also the starting point for transformation.

# A Bridge to the Future: Learning from 2024

While 2024 revealed systemic challenges, it also highlighted areas ripe for improvement. The decline in ontime delivery and utilization signals the need for a sharper focus on execution efficiency and resource management. At the same time, the robust growth in deal pipelines (up 8% from 2023) underscores significant untapped potential. This duality—challenges alongside opportunities—reflects a broader narrative of the last five years, setting the stage for organizations to recalibrate and accelerate in 2025.

# Five-Year Trends: Lessons from the Past, Opportunities for the Future

Over the past five years, the professional services industry has undergone significant transformation, shaped by evolving market dynamics, technological advancements, and external disruptions. The 2025 Professional Services Maturity™ Benchmark provides a rich dataset that captures the progression of key performance indicators (KPIs), highlighting both areas of growth and persistent challenges. These trends offer a lens through which PSOs can assess their trajectory and recalibrate strategies for success.

#### **Revenue and Growth: A Slowing Momentum**

- **Revenue Growth Decline**: Five years ago, the industry enjoyed peak annual revenue growth of 10.6% (2021), but by 2024, this had dropped to 4.6%, the lowest in the period. The decline reflects global economic volatility and a reduction in client spending.
- ◆ **Backlog Health**: Despite the decrease in realized revenue, deal pipelines remained robust, with quarterly bookings forecasts reaching 166% in 2024. This suggests that while demand exists, inefficiencies in converting opportunities into revenue remain a critical barrier.

#### **Operational Challenges: Efficiency Under Pressure**

- ◆ **Billable Utilization**: Employee utilization declined steadily, dropping from 73.2% in 2021 to 68.9% in 2024. Falling below the 75% threshold directly impacted revenue per consultant, which slipped from \$207K in 2023 to \$199K in 2024.
- Project Delivery: On-time project delivery rates also fell, from 80.2% in 2021 to 73.4% in 2024, indicating increasing challenges in resource management and execution efficiency.

# **Talent Trends: Stability Amid Strain**

- Attrition Rates: While total attrition remained relatively stable at 11.7% in 2024 (below the five-year average of 12.8%), headcount growth slowed dramatically to 1.9% in 2024, down from 5.2% in 2023. Persistent talent shortages and hiring freezes have constrained PSOs' ability to scale.
- Hybrid Workforce Models: The reliance on subcontractors to meet demand has grown, with thirdparty contributions to revenue increasing to 10.9% in 2024, but still below its 10-year average of

11.2%. This reflects a strategic pivot towards flexible workforce solutions to counteract talent constraints.

# **Client Relationship Dynamics**

- New Client Acquisition: The percentage of new clients fell to 29.3% in 2024, down from 31.3% in 2023. This signals a tightening market where client retention and expanding existing accounts are becoming increasingly important.
- Client Satisfaction Metrics: Declining on-time delivery rates and project overruns (11.3% in 2024, up from 9.6% in 2023) suggest a need to enhance client relationship management and ensure consistent delivery quality.

## **Profitability and Margins: The Cost of Inefficiency**

- Profit Margins Under Pressure: Profitability metrics tell a stark story, with EBITDA falling from a
  peak of 16.1% in 2022 to 9.8% in 2024. Margins increased slightly but were hurt by rising
  operational inefficiencies and organizational costs, have put financial performance under strain.
- Project Margins Holding Steady: Despite overall profitability challenges, project margins
  remained consistent, averaging 35% over the five years. This suggests that while projects are
  profitable, systemic inefficiencies in delivery and overhead management are eroding bottom-line
  performance.

# **Adoption of Technology and Innovation**

- Artificial Intelligence: The role of AI has evolved significantly, moving from a conceptual
  opportunity to a tangible differentiator. By 2024, early adopters demonstrated improved resource
  management and client engagement outcomes, underscoring AI's transformative potential.
- Integrated Systems: The adoption of PSA, CRM, and ERP solutions has grown, yet the lack of
  integration across platforms remains a barrier to achieving the real-time visibility necessary for
  proactive decision-making.

**Table 3: Key Performance Metrics 5-Year Trends** 

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Number of firms surveyed	558	561	540	709	575	403
Year-over-year change in PS revenue	8.7%	8.7%	10.6%	10.4%	7.8%	4.6%
Deal pipeline relative to qtr. bookings forecast	168%	179%	183%	162%	154%	166%
Total attrition	12.8%	11.6%	14.0%	13.8%	12.5%	11.7%
Employee billable utilization	70.8%	71.4%	73.2%	70.7%	69.3%	68.9%
Onsite service delivery	37.0%	40.8%	33.9%	35.4%	41.5%	32.1%
Projects delivered on time	77.2%	79.7%	80.2%	76.2%	75.7%	73.4%
Project margin	35.5%	36.0%	36.5%	35.0%	34.4%	35.9%

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Annual revenue per billable consultant (k)	\$204	\$203	\$206	\$204	\$207	\$199
Percentage of annual revenue target achieved	92.1%	92.1%	96.2%	92.7%	90.6%	87.9%
Percentage of annual margin target achieved	89.3%	90.3%	92.1%	88.8%	87.7%	86.9%
Profit (EBITDA %)	14.9%	15.6%	15.7%	16.1%	15.4%	9.8%

# 2025, A Year of Action

The road to recovery and growth is paved with opportunities. Emerging technologies, particularly Artificial Intelligence, present transformative potential. From resource management to client engagement, AI adoption offers PSOs a means to streamline operations and deliver exceptional client value. However, technology alone is not the solution—it must be paired with deliberate, data-driven strategies that prioritize talent development, operational excellence, and client-centric innovation.

Table 4: What Changed from 2023 to 2024? KPI Comparison

Key Performance Indicator (KPI)	2023	2024	% ↑↓
Year-over-year change in PS revenue	7.8%	4.6%	-41%
Year-over-year change in PS headcount	5.2%	1.9%	-63%
New clients	31.3%	29.3%	-6%
Deal pipeline / quarterly bookings forecast	154%	166%	8%
Project duration (man months)	29.6	28.1	-5%
Projects delivered on-time	75.7%	73.4%	-3%
Project overrun	9.6%	11.3%	18%
% of annual revenue target achieved	90.6%	87.9%	-3%
% of annual margin target achieved	87.7%	86.9%	-1%
Profit (EBITDA %)	15.4%	9.8%	-36%

Source: SPI Research, February 2025

# **2025 Strategic Focus for Industry Leaders**

Drawing from the insights of this year's report, five focus areas emerge as critical for PSO leaders in 2025:

- Focus on Conversion: While pipelines are healthy, improving conversion rates from opportunities to revenue is critical.
- Strengthen Client Relationships: Prioritize on-time delivery and client satisfaction to drive retention and long-term profitability.
- Invest in Talent: Retention strategies, flexible workforce models, and career development programs will be essential to scaling operations sustainably.
- Optimize Utilization: Address underutilization through advanced scheduling tools and resource alignment strategies.
- Leverage Technology: Integrating AI and real-time systems across service pillars can unlock efficiency gains and improve decision-making.

By understanding these trends and implementing targeted strategies, PSOs can move beyond survival and position themselves as leaders in the evolving professional services landscape.

## **Headwinds & Tailwinds Applied to 2024 Results**

The 2024 Professional Services Maturity™ Benchmark reveals a mix of headwinds and tailwinds shaping the industry. Persistent challenges such as declining revenue growth (4.6%) and rising project overruns (11.3%) are straining profitability. Talent constraints, with headcount growth at just 1.9%, further amplify operational inefficiencies.

On the other hand, tailwinds include an 8% increase in deal pipelines, signalling untapped market demand, and growing investment in automation and AI, which are unlocking operational efficiencies for forward-looking firms. These trends highlight opportunities for PSOs to navigate current complexities and position themselves for sustainable growth.

#### **Macroeconomic Stability as a Catalyst for Growth**

- **Economic Context**: After a year of inflationary pressures and rising interest rates, many global economies are showing signs of stabilization. Reduced market volatility and renewed investment confidence are creating a more favourable business environment.
- ◆ Impact on PSOs: The report's findings on declining revenue growth (4.6% in 2024, down from 7.8% in 2023) and slower headcount expansion (+1.9% in 2024) underscore the effects of economic uncertainty on PSOs. Stabilizing interest rates and improving economic conditions present an opportunity to reverse these trends, with PSOs positioned to support client investments in consulting, technology, and transformation initiatives. Firms that pivot towards efficiency-focused services and growth strategies can capture renewed client spending.

## **Workforce Dynamics and the Talent Crunch**

- ◆ Labor Market Context: Labor shortages and shifts in workforce expectations have created intense competition for top talent. Flexible work models and increased focus on employee experience have become essential for retaining and attracting skilled professionals.
- Impact on PSOs: Findings on stagnant headcount growth (+1.9%) and rising reliance on subcontractors (10.9% of revenue) mirror this trend. PSOs must prioritize employee retention strategies, career development programs, and hybrid workforce solutions to address talent constraints.

# **Technology Adoption as a Differentiator**

- ◆ Technology Trends: The rapid adoption of digital tools, automation, and AI has become a key driver of competitive advantage. These technologies enable organizations to optimize processes, reduce inefficiencies, and deliver consistent value to clients.
- Impact on PSOs: Declines in on-time delivery (73.4%) and increases in project overruns (+18%)
   highlight inefficiencies that can be addressed through advanced technology. PSOs that adopt AI for

project management and resource planning can improve delivery accuracy and gain a competitive edge.

## **Industry Specialization and Tailored Solutions**

- Client Expectations: Clients are increasingly seeking providers who deeply understand their unique industry challenges while also delivering measurable outcomes and transparent processes. Economic uncertainty has heightened client caution, leading to more scrutiny of service proposals and deliverables.
- Impact on PSOs: The report highlights a drop in new client acquisition (29.3%) and a rise in project overruns (11.3%), indicating dissatisfaction with generalized offerings and missed delivery expectations. At the same time, high-performing verticals like Architecture & Engineering and IT Consulting demonstrate the benefits of specialization and tailored solutions.

# **Mergers and Acquisitions: Unlocking Opportunities for PSOs**

- Market Dynamics: With renewed business optimism under the current U.S. administration, coupled with stabilizing global markets, mergers and acquisitions (M&A) are expected to surge in 2025. Companies are leveraging M&A to expand capabilities, access new markets, and strengthen their competitive positioning.
- Impact on PSOs: While the report highlights operational challenges, such as rising project overruns (11.3%) and integration delays, the robust deal pipelines (166% of quarterly bookings forecast) suggest heightened acquisition activity. These findings align with the broader excitement surrounding M&A, as companies look to PSOs for expertise in pre-deal due diligence, post-deal integration, and organizational transformation.

# **Looking Ahead**

The professional services industry has always thrived on its ability to adapt and evolve. As we embark on 2025, we encourage leaders to use the insights within this report as both a mirror and a guide—reflecting on past performance while charting a course for a stronger, more agile future.

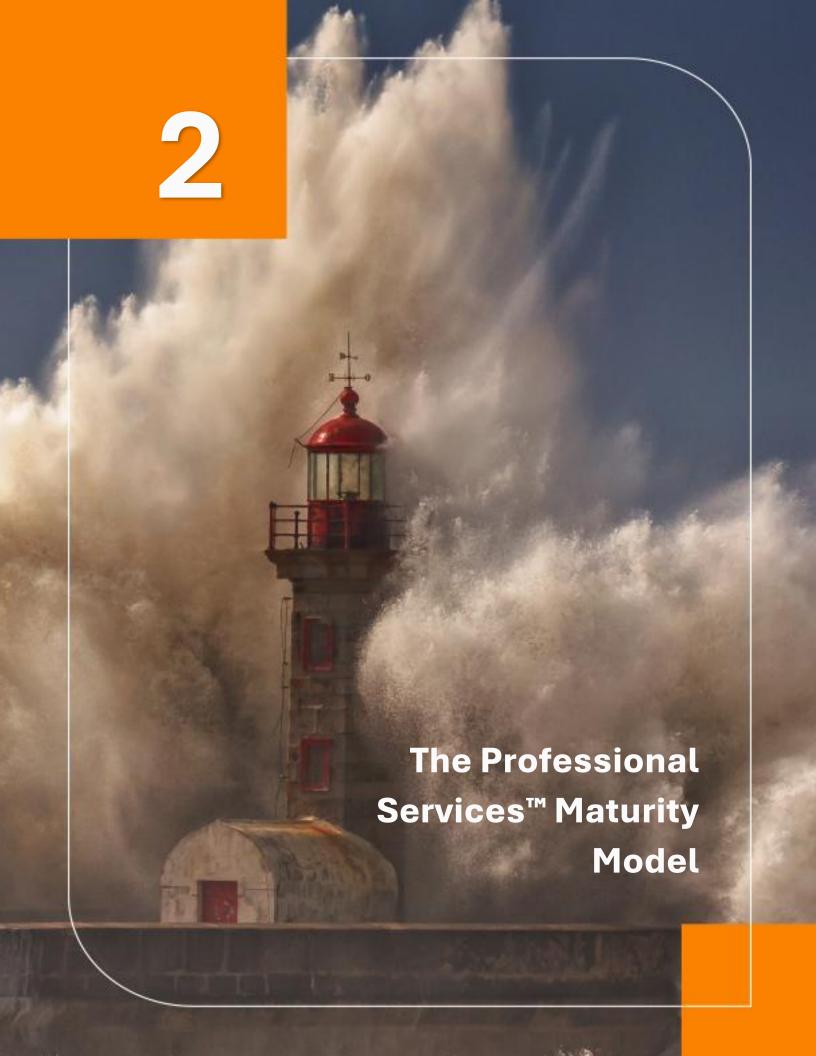
This is a time for bold leadership, data-driven decisions, and a commitment to continuous improvement. Together, we can navigate the complexities of this evolving landscape and ensure the professional services industry not only recovers but leads the charge into a new era of growth and prosperity.

The new "Roaring 20s" may have started quietly, but they're poised to roar louder if PSOs rise to meet the moment.

Here's to a year of opportunity and success.

Warm regards,

The SPI Research Team



#### THE PROFESSIONAL SERVICES MATURITY™ MODEL

#### Service Performance Pillars™

SPI Research developed a model that segments and analyzes PSOs into five distinct performance areas that are logical and functional. SPI calls the five underpinning elements Service Performance Pillars™ because they form the foundation for all professional services organizations (Figure 1):

1. **LEADERSHIP**: (CEO) a unique view of the future and the service organization's role in shaping it. A clear and compelling strategy provides a focus for the organization and galvanizes action. Effective strategies bring together target

Client Service Finance & **Talent** Leadership Execution **Operations** Relationships

SERVICE PERFORMANCE PILLARS

Figure 1: Service Performance Pillars™

Source: SPI Research, February 2025

customers, their business problems, and value proposition (how a solution solves problems differently, uniquely, or better than its competitors). For a service strategy to be effective, the role and charter of the service organization must be defined, embraced, supported, and communicated throughout the company. Service organization goals and measurements will vary depending on whether the service strategy primarily endorses the sale of products or drives service revenue and profit. Leadership skills and competencies must mature as the organization matures. Culture is the unwritten customs, behaviors, and beliefs that define the "rules of the game" for decision-making, structure, and power. The core leadership pillar processes include setting strategy, business planning, goal setting, and management.

- 2. CLIENT RELATIONSHIPS: (Marketing and Sales) The ability to communicate effectively with employees, partners, and customers to generate and close business – to win deals. Effective client management involves developing a clear and compelling go-to-market strategy that defines target buyers, their requirements, and how the solution solves those challenges in a differentiated way. This pillar encompasses all aspects of marketing, lead generation, quoting, selling solutions, contract management, and partnering. The core business processes in the client relationships pillar include marketing, selling, and the quote-to-cash business process.
- 3. TALENT: (Human Resources) the ability to attract, hire, retain, and motivate high-quality consulting staff. With changing workforce demographics, talent management has increased in importance. Highcaliber employees represent the essence, brand, and reputation of the firm. PSOs have adopted a hybrid on-, near-, and off-shore staffing model. This approach puts increased pressure on customerfacing staff to develop client relationships and more carefully define client requirements. Demands for

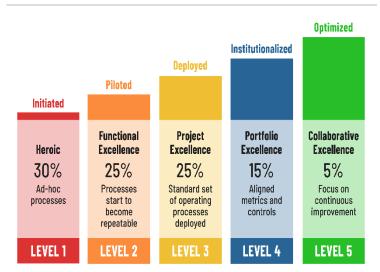
- career planning, skill development, and flexible work options have intensified. The core talent management processes include recruiting, hiring, onboarding, training, compensation, performance, and career management.
- 4. **SERVICE EXECUTION**: (*Engagement/Delivery*) the methodologies, processes, and tools to effectively schedule, deploy, and measure the quality of the service delivery process. Service execution involves several factors, including resource management, delivering projects in a predictable and acceptable time frame, reducing cost while improving project quality, and harvesting knowledge. Processes include resource management, capacity planning, project planning, quality control, knowledge management, methodology, and tool development.
- 5. **FINANCE & OPERATIONS**: (*CFO*) the ability to manage services profit and loss—to generate revenue and profit while developing repeatable operating processes. The finance and operations pillar focuses on revenue, margin, cost, and the financial, contractual, and IT operating processes and controls required to run a profitable and predictable business.

# **Professional Services Maturity™ Model Benchmark Levels**

The model, built on the same foundation as the Capability Maturity Model (CMM) for software development, is designed explicitly for billable PSOs. It is aimed at those who either exclusively sell and deliver professional services or complement the sale of products with services.

LEVEL 1 — INITIATED "HEROIC": (APPROXIMATELY 30% OF PSOS) At maturity level 1, processes are ad hoc and fluid. The business environment is chaotic and opportunistic, and the focus for a PSO is primarily on new client acquisition and reference building. Success at this level depends on the competence and heroics of people in the organization, including the audience. Their individual experience and aptitude contribute to the quality of the organization. Level 1 organizations are often characterized as "reactive" and "heroic," but they

Figure 2: Services Maturity™ Model Levels



Source: SPI Research, February 2025

can transition into proactive and strategic entities with the audience's efforts.

◆ LEVEL 2 — PILOTED "FUNCTIONAL EXCELLENCE": (APPROXIMATELY 25% OF PSOS) AT maturity level 2, processes have become repeatable. Best practices may be demonstrated in

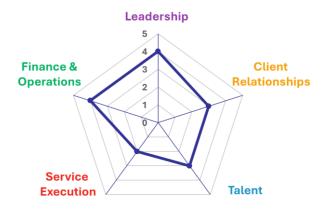
discrete functional areas or geographies but are not yet documented and codified for the organization. Basic processes have been established for the five Professional Services Performance Pillars but are not yet universally embraced. Operational excellence and best practices may be discerned within but not across functions. By Level 2, individual Functional Excellence should have emerged in key areas.

- ◆ LEVEL 3 DEPLOYED "PROJECT EXCELLENCE": (APPROXIMATELY 25% OF PSOS) At maturity level 3, the PSO has created a set of standard processes and operating principles for all central service performance pillars, but renegades and "holdouts" may still exist. Management has established -- and started to enforce -- financial and quality objectives globally. Processes have been established to focus on effective execution, and alignment between and across functions has been spotlighted. By level 3, project delivery methodologies and quality measurements are in place and enforced across the organization. Level 3 organizations should exhibit "Project Excellence" with a consistent, repeatable project delivery methodology.
- ◆ LEVEL 4 INSTITUTIONALIZED "PORTFOLIO EXCELLENCE": (APPROXIMATELY 15% OF PSOS) At maturity level 4, management uses precise measurements, metrics, and controls to manage the PSO effectively. Each service performance pillar contains detailed operating principles, tools, and measurements. Organizations at this level set quantitative and qualitative goals for customer acquisition, retention, and account penetration, in addition to a complete set of financial and quality operating controls and measurements. Processes are aligned to achieve leverage. The portfolio is balanced with a focus on project selection and execution. Level 4 organizations should exhibit "Portfolio Excellence."
- ◆ LEVEL 5 OPTIMIZED "COLLABORATIVE": (APPROXIMATELY 5% OF PSOS) At maturity level 5, executives focus on continual improvement of all elements of the five performance pillars. A disciplined, controlled process is in place to measure and optimize performance through both incremental and innovative technological improvements. Quantitative process-improvement objectives for the organization are established. They are continually revised to reflect changing business objectives and are used as criteria for managing process improvement. Initiatives are in

place to ensure quality, cost control, and client acquisition. The rough edges between disciplines, functions, and specialties have been smoothed to ensure unique problems can be addressed quickly without excessive bureaucracy or functional silos. Level 5 organizations are visionary and collaborate internally with clients and external business partners.

Over the past 18 years, more than 50,000 PSOs have studied the PS Maturity Model ™ and now use the concepts and key performance measurements to pinpoint their organization's current maturity.

Figure 3: Service Performance Pillar Maturity™



Source: SPI Research, February 2025

They develop improvement plans to advance lagging areas. SPI Research summarizes individual PSO client performance in a SPIder chart (Figure 3). The maturity scorecard measures each organization compared to the benchmark maturity definitions and peer organizations. It provides an invaluable tool to analyze current performance and prioritize future improvement initiatives. This graphical depiction of the Service Performance Pillars™ by maturity level enables PS executives to quickly scorecard their organization's performance and diagnose areas of relative strength and weakness.

# **Professional Services Maturity™ Model Construction**

With core benchmark information across all primary business functions, SPI Research built the Professional Services Maturity™ Model, which characterizes organizational maturity pillar by pillar and provides guidance for advancing to the next level (Table 5).

Table 5: Performance Pillars Mapped Against Service

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institutionalized	Level 5 Optimized
Leadership	The initial strategy is to support product sales and provide reference customers while providing workarounds to complete immature products. Leaders are "doers".	PS has become a profit center but is subordinate to product sales. The strategy is to drive customer adoption and references profitably. Leaders focus on P&L and client relationships.	PS is a significant revenue and margin source, but channel conflict still exists. Services differentiate products. Leadership development plans are in place. Leaders have strong backgrounds & skills in all pillars.	Service leads products. PS is a vital part of the company. Solution selling is a way of life. PS is included in all strategy decisions. Succession plans are in place for critical leadership roles.	PS is critical to the company. The service strategy is clear. Complementary goals and measurements are in place for all functions. Leaders have a global vision and continually focus on renewal & expansion.
Client Relationships	Opportunistic. No defined solution sets or Go to Market plan. The focus is on new customers and reference building. Individual heroics, no consistent sales, marketing, or partnering plan or methodology. No consistent estimating, quoting, or contract management processes. Ad hoc, one-off projects.	Start using marketing to drive leads—multiple sales models. Start investing in sales training, CRM, and sales methodology. Start measuring sales effectiveness and client satisfaction. Start developing partners and partner programs—some level of proposal reviews and pricing control.	Marketing, inside sales, and solution sales with defined solution sets. CRM integrated with financials and PSA. Deal, pricing, and contract reviews. Partner plan and scorecard. Tight pricing and contract management controls. High levels of customer satisfaction.	CRM, PSA, ERP/CFM integration provides a 360-degree view of client relationships. Business process, vertical and horizontal solutions. Vertical client centers of excellence. Top client and partner programs. Global contract and pricing management. Key partner relationships. Strong customer reference programs.	Executive relationships. Thought leadership. Brand building and awareness. High customer satisfaction. Integrated sales, marketing, and partnering programs. Consistent, high-quality marketing, sales, contract management, pricing processes, systems, and measurements. High- quality references.

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institutionalized	Level 5 Optimized
Talent	Hire as needed. Generalist skills. Chameleons, Jack of all Trades. Individual heroics. May perform presales, consulting delivery, and project management.	Begin forecasting workload. Start developing job and skill descriptions and compensation plans—rudimentary career paths. Start measuring employee satisfaction.	Resource, skill, and career management. Employee satisfaction and engagement surveys. Training plans. Aligned goals and measurements with compensation. Attrition <15%	Business process and vertical skills in addition to technical and project skills. Career ladder and mentoring programs. Training investments to support career. Low attrition, high satisfaction	Continually staff and train to meet future needs—highly skilled, motivated workforce. Outsource commodity skills or peak demand—sophisticated variable on and offshore workforce models.
Service Execution	No scheduling. Reactive. Ad hoc. Heroic. Scheduling by spreadsheet. No consistent project delivery methods. No project quality controls or knowledge management.	Bare-bones methodology in place. Centralized resource management. Initiating project management and technical skills. Starting to measure project satisfaction and harvest knowledge.	PSA deployed for resource and project management. Collaborative portal. Earned Value Analysis. Project dashboard. Global Project Mgmt. Office, project quality reviews, and measurements. Effective change management.	Integrated project and resource management. Effective scheduling. Using portfolio management. Global PMO. Global project dashboard. Global Knowledge Management. Global resource management.	Integrated solutions. Continual checks and balances are needed to ensure superior utilization and bill rates. Complete visibility to global project quality. Multi-disciplinary resource management.
Finance & Operations	The PSO has been created but is not yet profitable. Rudimentary time & expense capture. Limited financial visibility and control. Unpredictable financial performance. Rudimentary contract and risk management.	5 to 15% margin. PS is becoming a profit center but still has immature finance and operating processes. Investment in CFM and PSA to provide financial visibility. It may not have real-time visibility or BI. Standard Library of Contracts and Statements of Work.	15 to 25% margin. PS operates as a tightly managed P&L. Standard methods for planning, resource mgmt., time & expense mgmt., cost control & billing. Indepth knowledge of all costs at the employee, subcontractor & project level. Processes are in place for contract management and legal and pricing decisions.	PS generates > 20% of overall company revenue & contributes > 30% margin. Well-developed finance and operations processes and controls. Systems have been implemented for CRM, PSA, CFM, and BI. IT integration and real-time visibility. Systems have been implemented for contract management and legal and pricing decisions.	> 30% margin. Continuous improvement and enhancement. High profit. Integrated systems. Global with disciplined process controls and optimization. Completely integrated financial, CRM, resource management, contracts, pricing systems, processes, and controls.

# **Does Professional Services Maturity Matter?**

SPI Research has spent the past 18 years benchmarking varying levels of operational performance and control or "maturity" to determine the characteristics and behaviors appropriate for PSOs based on their organizational lifecycle stage. The primary questions SPI Research's Professional Services Maturity Model Benchmark addresses are:

- What are the most critical focus areas for PSOs as business processes mature?
- What is the optimum level of maturity or control at each phase of an organization's lifecycle?
- How can diagnostic tools determine and assess the health of key business processes according to an organization's level of maturity?
- What are the key business characteristics and behaviors that spell the difference between success and failure? How do they change depending on the maturity of the company or industry?
- How does the Professional Services Maturity Model Benchmark operate within the broader context of the technology maturity model?

The original concept behind SPI Research's Professional Services Maturity Model was to investigate the impact of increasing levels of standardization in operating processes and management controls on financial performance. It is based on the correlation of all KPIs and how each can and does influence others (Figure 4).

Leadership Confidence

Client Satisfaction

Employee Attrition

Resource Hanagement

Delivery

Employee Comp.

Resource Hanagement

Bid-to-win Ratio

Employee Ramping

Rates

Employee Comp.

On-time Hanagement

Delivery

Overhead

Overhead

Figure 4: Performance in One Area Impact Others Performance

#### SPI Research's 2025

Professional Services Maturity Benchmark demonstrates that increasing levels of business process maturity do result in significant performance improvements. This quantifiable finding is based on in-depth surveys of 403 service organizations over the past year. Figure 5 highlights major key performance measurements by maturity level. These numbers alone are reasons for PS executives investigating using it to increase profits.

Figure 5: Professional Services Maturity™ Progression

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
	400	404	404	22	0.1
Firms	120	101	101	60	21
Year-over-year change in PS revenue	0.1%	2.7%	6.4%	9.3%	14.4%
Deal pipeline / quarterly bookings forecast	108%	140%	174%	208%	248%
Total attrition	10.0%	10.0%	12.8%	13.9%	11.2%
Employee billable utilization	59.6%	61.3%	70.4%	78.0%	83.6%
Projects delivered on-time	60.2%	68.8%	75.4%	79.7%	84.8%
Project margin	16.5%	24.1%	36.8%	48.7%	55.8%
Annual revenue per billable consultant (k)	\$105	\$149	\$224	\$267	\$294
Annual revenue per employee (k)	\$86	\$117	\$176	\$208	\$257
Profit (EBITDA %)	2.7%	5.7%	9.1%	11.8%	20.8%

An aspect that sets the Professional Services Maturity™ Model apart from others is its holistic approach to measuring performance. *Maturity is determined through alignment and focus both within and across functions*. For example, although financial measurements are of primary importance, they are equally weighted and correlated with leadership sales and quality measurements in this model. This weighting ensures that organizations can improve across all dimensions, not just in terms of financial performance. However, if the organization is profit-motivated (which most are), *increasing maturity levels correlate strongly with significant bottom-line profit.* 

# Pillar Importance and Organizational Maturity

The results and insights gained over seventeen years confirm SPI Research's original hypothesis that service organizations must develop a balanced and holistic approach to improving all aspects of their business as they mature. SPI Research has discovered that the emphasis on

Table 6: Service Pillar Importance by Organizational Maturity Level

Pillar	Initiated	Piloted	Deploy.	Inst.	Opt.
Leadership	•	•			
Client Relationships		•	•	•	•
Talent	•				
Service Execution	•	•	•		
Finance & Operations	•		•		

Source: SPI Research, February 2025

individual service pillar performance shifts as organizations mature. Excellence in only one specific service performance pillar does not create overall organizational success – rather *the appropriate balance and alignment within and across performance pillars leads to sustainable success*.

Table 6 depicts the importance of the relative service performance pillar by organizational maturity level. Many professional services organizations are established without an initial focus on optimizing performance. They begin with the goal of establishing a client and reference base. They may be operated as a cost center or as an adjunct to the product function to establish alpha and beta customers and to provide early product feedback. Initially, they often perform presales, training, quality assurance, and service delivery tasks. They hope to deliver services that are both profitable to them and valued by their clients. They believe "just about any deal is a good deal." The emphasis at Level 1 maturity is on building client references and recruiting highly skilled generalist consultants who are experienced and flexible enough to perform heroic feats to ensure early customer success.

By Level 2, although the primary focus is to create reference customers, more emphasis is placed on human capital alignment for recruiting and ramping skilled employees, partners, and contractors. Service execution focuses on developing repeatable project delivery methods and quality processes. At these early stages, many embedded professional services organizations have a strong product-driven focus, and the role of the service organization is subordinate to products. Conflicts between service profit, client success, and driving product revenue are often characteristic of Level 2 embedded service organizations.

By Level 3, the organization must move toward a more balanced focus on all elements of the business by investing in systems, operating processes, and repeatable methods to sustain growth and ensure quality. Level 3 maturity should be the aspirational target of all PS organizations because it is at Level 3 that an ongoing, profitable, and sustainable business is established. At Level 3, the charter of the PS organization is clear. Suppose it is an embedded PS organization within a product company. In that case, PS has a seat at the executive table and is seen as adding value that transcends product implementation, integration, and customization. Increasingly, embedded PS has become a critical component of ensuring customer adoption and may play a leading role in driving product management direction and strategy. Independent Level 3 PSOs are financially and operationally strong, clearly focusing on target markets, sustainable, repeatable business processes, and quality controls. They have built a compelling, differentiated portfolio brought to life by specialized, knowledgeable consultants. At Level 3, heroics and firefighting are no longer the standard way of doing business, as disciplined management systems, controls, and integrated systems ensure predictability and repeatability.

At **Level 4**, the organization has implemented structured business processes and utilizes integrated information systems to ensure there is "one view of the business". Level 4 organizations are seen as true industry leaders in their target markets. They have developed a unique and differentiated culture, which attracts industry-leading consultants and clients. More than average firms, Level 4 organizations are very transparent. They typically have strong management controls and visibility into all facets of the business by providing dynamic, real-time access to empowered team members. Level 4

organizations continually expand their horizons and boundaries – whether it is through geographic, vertical market, or technology platform expansion.

Finally, at **Level 5**, the organization runs very efficiently. The focus is on continual improvement and innovation. Level 5 firms are the Best of the Best. They are excellent in all functional areas but have transcended functional excellence with a collaborative, knowledge—and intellectual property-centric focus. Very few firms achieve sustained Level 5 performance. Figure 6 highlights some of the critical areas PSOs should continually monitor to achieve higher levels of maturity. And there are many more! This report highlights over 165 important metrics to capture, analyze, and improve, as well as the tools that leading firms use to run their businesses.

# **Key Metrics for Sustainable Growth**

The Service Performance Pillars™ framework reveals how key metrics

Figure 6: PS Performance Pillars - Core KPIs



Source: SPI Research, February 2025

interact to drive profitability and scalability across an organization. Among the many metrics identified, five stand out for their strong correlation to success: **billable utilization**, **project overrun**, **project margin**, **revenue per billable consultant**, and **revenue leakage**.

These metrics not only reflect performance within individual pillars but also highlight their interdependence. For example, billable utilization connects Talent with Finance & Operations, balancing workforce efficiency and revenue generation. Project overrun, if exceeding 10%, undermines Service Execution and risks damaging Client Relationships. Similarly, maintaining project margins above 35% signals pricing and delivery excellence, critical for profitability. Firms achieving \$200K+ revenue per billable consultant create reinvestment opportunities, while those reducing revenue leakage below 5% secure financial predictability. These metrics are part of a broader set of 165+ indicators, enabling firms to track performance across all pillars, ensuring balanced and scalable growth. This holistic view reinforces that success lies in managing not just isolated metrics but their interplay across the organization.



#### **SURVEY DEMOGRAPHICS**

Professional Services continue to be one of the fastest-growing segments of the global economy, mainly because companies in all other vertical industries are increasingly outsourcing and out-tasking their non-core business functions, processes, and technology to specialized service providers.

In the United States alone, over 2.5 million firms have over 40 million employees. Revenue topped \$5 trillion. The market is also highly fragmented, as the top 500 largest firms (each with more than 5,000 workers) account for less than 5% of that revenue. This finding has positive implications for the growth potential of professional services firms. There is room for innovative and effective newcomers who can harness skilled talent to provide specialized insights, knowledge, and client outcomes.

Firms in the professional service industry provide accounting, agency (advertising and marketing), architectural, management consulting, engineering, IT, legal, and research services. These companies provide the knowledge and skills of their employees, typically on a project basis, where an individual or team is responsible for delivering high-value services to the client.

Unlike other industries, Professional Services is nearly a 100% knowledge—and people-based industry. The developed North America, Europe, and Asia-Pacific regions are prosperous in this resource. Growth in this segment depends on concentrated efforts to attract and deploy skilled talent in the most proven, efficient, and profitable ways to sharpen the business performance of professional services firms.

SPI Research surveyed 403 billable Professional Services Organizations (PSOs) for this benchmark from September through early December 2024. The following sections outline the key markets that comprise the global professional services industry and break down the 2024 survey demographics in several vital areas (market, organization size, and geographic region) to help PS firms compare their results to the benchmark.

## **The North American Professional Services Market**

SPI Research uses the North American Industry Classification System (NAICS) to analyze the U.S. services market. The primary Professional Services designation is NAICS 54xx, which defines PS sub-verticals as follows: "Those in this subsector engage in business processes where human capital is the major input. These establishments provide the knowledge and skills of their employees, often on an assignment basis, where an individual or team is responsible for delivering high-value services to the client. The individual industries of this subsector are defined based on the services provider's expertise, training, and credentials (Table 7)".

Table 7: Vertical PS Markets — the North American Industry Classification System

Code	Market	Description
5112	Software	Software publishing, both public and private software companies. Total revenue is reported. PS typically represents ~ 20% of revenues.
518	Data Services	Data processing, hosting, and related services
5411	Legal	This industry comprises legal practitioners known as lawyers or attorneys (i.e., counselors-at-law) primarily engaged in law practice. Firms in this industry may provide a range of expertise or specialize in specific areas of law, such as criminal law, corporate law, family and estate planning, patent law, real estate law, or tax law.
5412	Accounting/ Tax Prep/ Bookkeeping / Payroll	This industry comprises establishments primarily providing services such as auditing and accounting, designing accounting systems, preparing financial statements, developing budgets, preparing tax returns, processing payrolls, bookkeeping, and billing. Accountants are certified to ensure they have and maintain competency in their field.
5413	Architectural, Engineering, and Related Services	This industry comprises establishments primarily planning and designing residential, institutional, leisure, commercial, and industrial buildings and structures by applying knowledge of design, construction procedures, zoning regulations, building codes, and building materials.
5414	Specialized Design Services	This industry group comprises establishments providing specialized design services (except architectural, engineering, and computer systems design).
5415	Computer Systems Design Services Related Services	(IT Consulting) – This industry comprises establishments primarily engaged in providing expertise in the field of information technologies through one or more of the following activities: (1) writing, modifying, testing, and supporting software to meet the needs of a particular customer; (2) planning and designing computer systems that integrate computer hardware, software, and communication technologies; (3) on-site management and operation of clients' computer systems and/or data processing facilities; and (4) other professional and technical computer-related advice and services.
5416	Management Science and Technical Consulting Services	(Management Consulting) – This industry comprises establishments advising businesses and other organizations on management issues, such as strategy and organizational planning; financial planning and budgeting; marketing objectives and policies; human resource policies, practices, and planning; production scheduling; and control planning.
5417	Scientific Research and Development. Services	This industry group comprises establishments conducting original investigations systematically to gain new knowledge (research) and/or the application of research findings or other scientific knowledge to create new or significantly improved products or processes (experimental development). The industries within this industry group are defined based on the domain of research, that is, on the scientific expertise of the establishment.
5418	Advertising and Related Services	(Marketing and Communications) – This industry comprises establishments primarily creating advertising or public relations campaigns and advertising in periodicals, newspapers, radio and television, or other media. These firms are organized to provide a full range of services (i.e., through in-house capabilities or subcontracting), including advice, creative services, account management, production of advertising material, media planning, and buying (i.e., placing advertising).
5419	Other Professional, Scientific, Tech. Serv.	(Other PS) – This industry group comprises establishments engaged in professional, scientific, and technical services not listed above.
5613	Employment Services	Staffing, temporary employment, placement, and employment search services.

Source: US Census and SPI Research, February 2025

Tables 8 and 9 provide a 2021 US Census data rollup for these NAICS codes. There are 2.4mm firms in these market segments; only 88,160 (3.7%) employ more than 20 people, and the remaining 96.3% employ

less than 20 people. In other words, the industry is dominated by tiny firms, particularly in accounting, legal, management consulting, and staffing.

Table 8: 2021 NAICS Services Rollup (Number of Firms)

NAICS	Market	Firms	Firms with over 20 employees	Employees in firms with over 20 emp.	% of total emp. in firms with over 20 emp.
5412	Accounting	185,175	3,353	780,020	58.3%
5418	Advertising/Marketing/PR	76,365	5,387	2,165,590	89.1%
5413	Architecture/Engineering	340,647	16,425	4,614,425	80.8%
5415	IT Consulting	232,663	17,146	5,662,225	88.0%
5411	Legal	352,130	9,486	1,708,380	60.9%
5191	Managed Services/Hosting	29,076	2,195	1,768,550	94.9%
5416	Management Consulting	717,002	16,554	5,105,630	72.6%
4234	PS within HW & Networking	18,338	2,774	1,731,740	95.7%
5112	PS within Software & SaaS Company	24,414	2,939	2,954,120	97.2%
5417	Research & Development	43,674	3,210	1,445,085	90.2%
5613	Staffing	80,911	6,987	4,933,715	94.5%
	Other PS	311,990	1,660	346,430	32.9%
	Total / Average	2,412,385	88,116	33,215,910	82.3%

Source: US Census and SPI Research, February 2025

Table 9: 2021 NAICS Services Rollup (Employees and Revenue)

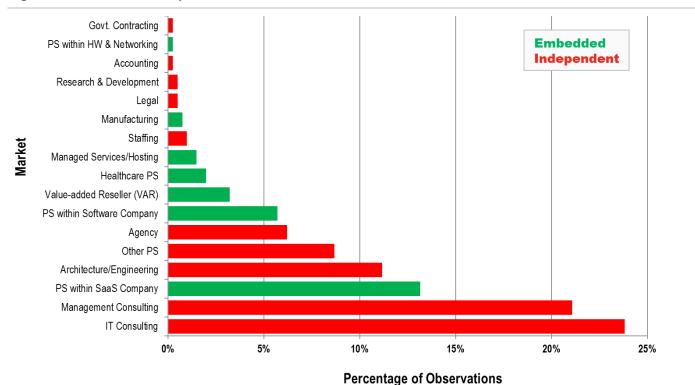
NAICS	Market	Employees	Revenue (mm)	Rev/Emp	Rev/Consult
5412	Accounting	1,337,733	\$163,017	\$121,860	\$152,325
5418	Advertising/Marketing/PR	2,430,245	\$298,563	\$122,853	\$166,703
5413	Architecture/Engineering	5,708,513	\$694,211	\$121,610	\$174,507
5415	IT Consulting	6,436,343	\$844,751	\$131,247	\$181,360
5411	Legal	2,806,404	\$268,279	\$95,595	\$119,494
5191	Managed Services/Hosting	1,864,387	\$262,935	\$141,030	\$245,270
5416	Management Consulting	7,029,799	\$801,415	\$114,002	\$164,128
4234	PS within HW & Networking	1,809,124	\$519,746	\$287,292	\$366,755
5112	PS within Software & SaaS	3,040,397	\$458,146	\$150,686	\$202,069
5417	Research & Development	1,602,023	\$230,536	\$143,903	\$191,871
5613	Staffing	5,221,916	\$370,113	\$70,877	\$109,041
	Other PS	1,052,190	\$116,480	\$110,702	\$155,372
	Total / Average	40,339,074	\$5,028,190	\$124,648	\$174,444

Source: <u>US Census</u> and SPI Research, February 2025

# **PS Maturity™ Benchmark Vertical Market Demographics**

Figure 7 and Table 10 show the PS markets of the 403 survey participants by PS vertical market. As usual, the IT and Management Consulting markets provide approximately 45% of the surveys.

Figure 7: Benchmark Participant Vertical Market Distribution



Source: SPI Research, February 2025

Table 10: 2025 Professional Services Maturity™ Benchmark Vertical Market Participation

Market	Surveys	Percent	Consultants
IT Consulting	96	23.8%	28,490
Management Consulting	85	21.1%	25,640
PS within SaaS Company	53	13.2%	13,980
Architecture/Engineering	45	11.2%	15,060
Other PS	31	7.7%	25,850
Agency	25	6.2%	1,820
PS within Software Company	23	5.7%	11,045
Value-added Reseller (VAR)	13	3.2%	6,415
Healthcare/Medical/Pharma/Biotech	8	2.0%	9,950
Managed Services/Hosting	6	1.5%	8,590
Staffing	4	1.0%	1,565
Construction	4	1.0%	80

Market	Surveys	Percent	Consultants
Manufacturing	3	0.7%	1,365
Legal	2	0.5%	70
Research & Development	2	0.5%	265
Accounting	1	0.2%	1,100
PS within HW & Networking	1	0.2%	200
Govt. Contracting	1	0.2%	65
Total/Average	403	100.0%	151,550

Table 11: Number of Participating Firms by Vertical Market (2007 through 2024)

Market	Туре	2007-11	2012-16	2017-21	2022	2023	2024	Total
IT Consulting	PSO	215	593	677	173	132	96	1,886
Software PS	ESO	302	283	309	84	47	23	1,048
Mgmt. Consulting	PSO	89	199	374	106	74	85	927
Other PS	PSO	80	135	336	97	99	49	796
Arch./Engr.	PSO	17	109	373	67	59	45	670
SaaS PS	ESO	63	136	274	73	69	53	668
Agency	PSO	16	42	94	46	52	25	275
HW/Net PS	ESO	35	39	68	19	12	1	174
VAR	ESO	0	28	66	10	8	13	125
Accounting	PSO	8	32	42	6	1	1	90
Managed Services	ESO	0	25	31	11	5	6	78
Staffing	PSO	0	14	23	12	14	4	67
Research & Dev.	PSO	0	22	25	5	3	2	57
Total		825	1,657	2,692	709	575	403	6,861

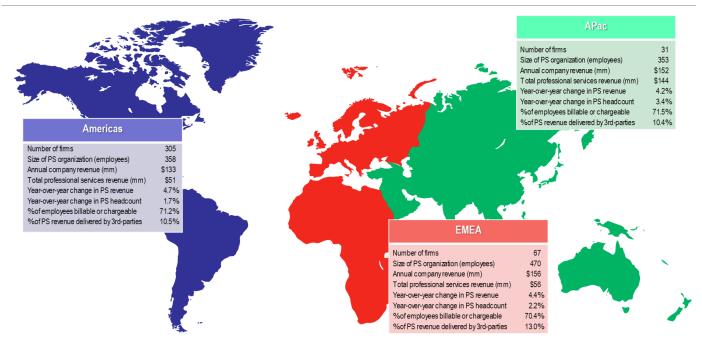
Source: SPI Research, February 2025

Table 11 shows participant demographics for the past 18 years. Historically, IT consultancies have been the largest participating market. The number of software PS organizations has decreased in the past few years as most have moved to delivering SaaS-based solutions. This benchmark's popularity continues to grow, averaging more than 500 participating firms for the past five years, making this **the most comprehensive global Professional Services benchmark**.

Figure 8 highlights key regional demographics, and Table 12 shows 287 surveys came from independent firms, while 116 came from ESOs (Embedded Service Organizations within product companies). North American-headquartered firms dominated the study with 305 surveys, while 67 came from EMEA-

headquartered firms and 31 came from Asia Pacific (predominantly Australia and New Zealand). The average size organization this year employs 376 employees.

Figure 8: Regional Demographics



Source: SPI Research, February 2025

Table 12: Survey Participant Demographics by Organization Type and Geographic Region

Key Demographic	2023	2024	ESO	PSO	Amer.	EMEA	APac
Surveys	575	403	116	287	305	67	31
Size of PS org. (employees)	494	376	573	297	358	470	353
Annual company revenue (mm)	\$153.5	\$138.5	\$256.4	\$92.3	\$133.5	\$155.7	\$151.9
Total PS revenue (mm)	\$72.4	\$58.5	\$65.3	\$55.7	\$50.5	\$55.7	\$143.7
YoY change in PS revenue	7.8%	4.6%	4.7%	4.5%	4.7%	4.4%	4.2%
YoY change in PS headcount	5.2%	1.9%	1.6%	2.0%	1.7%	2.2%	3.4%
% of employees billable	71.5%	71.1%	67.5%	72.5%	71.2%	70.4%	71.5%
% of PS rev. delivered by 3rd-parties	10.2%	10.9%	10.0%	11.3%	10.5%	13.0%	10.4%

Source: SPI Research, February 2025

Headcount growth was only 1.9%, down from 5.2% in 2023 and the lowest increase SPI has seen in a long time. Inflation, elections, rate hikes, and geopolitical tensions slowed growth again in 2024. Finding and retaining talent is still difficult.

In 2024 the larger PSOs grew the fastest, and the larger firms added the most headcount (Table 13). They also relied heavily on subcontractors to generate incremental revenue. In the high-growth professional

services world, mergers and acquisitions are increasingly seen as one of the fastest ways to augment growth and expand into hot new service and technology segments such as Artificial Intelligence.

**Table 13: Survey Participant Demographics by Organization Size** 

Demographic	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Surveys	71	71	125	84	19	33
Size of PS organization (employees)	5	20	65	200	500	3,495
Annual company revenue (mm)	\$5.5	\$13.7	\$49.8	\$228.4	\$246.7	\$810.0
Total professional services revenue (mm)	\$3.0	\$3.6	\$15.6	\$43.5	\$219.1	\$416.0
Year-over-year change in PS revenue	0.1%	6.6%	4.0%	7.6%	3.3%	5.0%
Year-over-year change in PS headcount	-1.6%	2.3%	1.9%	3.9%	1.7%	3.5%
% of employees billable or chargeable	69.8%	72.6%	72.2%	71.5%	65.3%	68.3%
% of PS revenue delivered by 3rd-parties	10.4%	10.7%	10.5%	10.5%	8.9%	16.7%

Source: SPI Research, February 2025

Table 14: Survey Participant Demographics by Vertical Market

Demographic	IT Con	Mgmt Con	SaaS	Software	Arch/Engr	Agency
Surveys	96	85	53	23	45	25
Size of PS org. (employees)	297	302	264	480	335	73
Annual company revenue (mm)	\$129.7	\$9.4	\$313.9	\$376.3	\$54.2	\$17.2
Total PS revenue (mm)	\$79.9	\$43.4	\$28.8	\$75.1	\$53.7	\$14.3
YoY change in PS revenue	6.8%	-0.9%	4.5%	5.1%	9.3%	4.1%
YoY change in PS headcount	3.8%	-2.5%	-0.5%	1.5%	5.8%	2.5%
% of employees billable	74.3%	69.3%	66.2%	73.1%	74.1%	72.5%
3rd-party PS revenue	11.9%	10.1%	8.5%	7.5%	11.5%	14.0%

Source: SPI Research, February 2025

Table 14 further analyzes the survey demographics by vertical market, highlighting the markets surveyed. According to this year's survey, Architecture & Engineering firms and IT consultancies grew the fastest, while management consultancies experienced negative growth.

#### **Type of Work Sold**

SPI Research analyzed the type of work sold (Table 15). In 2024, the numbers were like those of 2023. Business and IT consulting represent nearly 50% of the work Embedded Services Organizations sell, whereas independents sell 66%. The percentage of managed service recurring revenue has risen over the past five years, although it dropped from 12.2% in 2023 to 10.9% in 2024.

Table 15: Type of Work Sold by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2023	2024	ESO	PSO	Amer.	EMEA	APac
Business/management consulting	30.5%	34.2%	18.4%	40.2%	33.7%	40.3%	26.9%
Technology or IT consulting	31.2%	27.4%	30.8%	26.1%	25.7%	31.5%	35.7%
Subscription services	7.0%	7.8%	14.3%	5.3%	8.2%	7.2%	5.0%
Managed services	12.2%	10.9%	15.1%	9.3%	11.4%	11.3%	4.9%
Staff Augmentation	5.3%	5.8%	5.8%	5.8%	6.1%	5.1%	4.7%
Hardware, software, or equipment	3.0%	3.7%	4.2%	3.5%	3.9%	1.4%	5.7%
Other	10.9%	10.3%	11.4%	9.9%	11.1%	3.3%	17.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 16: Type of Work Sold by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Business/management consulting	60.9%	43.1%	26.9%	20.7%	18.1%	25.2%
Technology or IT consulting	14.0%	25.1%	26.8%	40.8%	34.1%	26.3%
Subscription services	10.2%	6.5%	8.9%	4.5%	9.8%	7.5%
Managed services	5.6%	5.9%	12.6%	13.7%	14.9%	19.6%
Staff Augmentation	2.8%	3.9%	5.8%	7.8%	10.3%	9.7%
Hardware, software, or equipment	0.4%	4.7%	3.0%	3.8%	11.1%	7.8%
Other	6.1%	10.9%	16.0%	8.7%	1.7%	3.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SPI Research, February 2025

# **PSO Type**

Many of the concepts and uses of professional services described in this report also exist within product-driven organizations. Thus, SPI Research uses the term "embedded service organization" (ESO) to describe the rapidly expanding market for service organizations within product companies. Within professional services, the fastest-growing segment is software and IT services.

More than 70,000 software, hardware, IT, and managed services companies are in the United States; more than 99% are small and medium-sized firms (i.e., under 500 employees). This includes software publishers, custom computer programming services suppliers, computer systems design firms, and Managed Services providers. This segment of the PS industry draws on a highly educated and skilled US-based workforce of over 6.4 million people. SPI Research analyzes billable PSOs in several ways with a focus on two macro segments – independents and embedded PS organizations:

Independent Professional Services Organizations (PSOs): Independent PSOs sell, deliver, and invoice for professional services to external clients. Clients hire systems integrators, IT consultancies (SIs), Value-Added Resellers (VARs), and Managed Service providers (MSPs) to implement or integrate technology based on their strategic competence or specialized industry or product knowledge. Clients hire management consultants to provide strategic insight, guidance, facilitation, and coaching. Independent PSOs typically offer expertise, knowledge, skills, and business practices that are more specialized than those found within internal organizations. In this study, most of the independent PSOs were IT consultancies, Systems Integrators (SIs), or VARs, with the remainder representing Management Consultancies (MCs), Accountants, Marketing and Advertising firms, and Architects and Engineers. Healthcare services, including staffing, management consulting, technology, and business process consulting, represent one of the fastest-growing sectors as the healthcare industry is forced to automate and improve patient reporting. The participating PSOs represented a broad spectrum from some of the largest independent service providers in the world to extremely small, independent regional and specialty service providers. The vast majority of responding independent PSOs are privately held.

**Embedded Services Organizations (ESOs)**: ESOs operate like PSOs but are part of a product-driven organization. Most ESO participants focus exclusively on their company's technology, but many of the largest ESOs, like IBM and HP services, provide global IT consulting, managed services, and outsourcing not associated with their company's products. The primary charter for small- to mid-size ESOs is to implement their company's products successfully. The charter of embedded PS has increasingly expanded to include client adoption, focusing on reducing time to value. While they are focused on professional service revenue and profit, they are often asked to perform non-billable presales, proof of concept, and customer satisfaction services at little to no charge. They enable external clients but must also support internal sales, support, and engineering constituencies. At maturity levels 1 and 2, their primary focus is project delivery and building a reference base.

For ESOs, the product sales organization primarily provides lead generation, marketing, and sales. However, as they mature, many develop their own "sales selling service" organizations. In this survey, most ESOs were part of software and cloud solution vendors (ISVs). The embedded PS organizations in this study provide PS for some of the largest and best-known cloud vendors. Over time, the charter for embedded cloud PS has shifted from a cost center to a profit center. Cloud PS organizations are now measured on implementation, packaged subscription services, adoption, expansion, churn, and recurring revenue. Almost all legacy on-premise software providers are moving to the cloud. SPI Research shows both on-premise and SaaS results.

SPI Research uses this segmentation because independent consultancies must fund sales, marketing, and back-office operations for finance, operations, facilities, IT, and recruiting in a way embedded organizations generally do not. Independents incur higher costs of operation than captive (embedded) organizations. However, the following chapters will demonstrate that independent PSOs outperform their embedded counterparts because they focus on delivering high-quality services at a profit. Independents focus typically on client delight, service revenue, and profit growth versus embedded, where the goals of

providing profitable services may be subordinate to product adoption and driving incremental product sales.

403 firms are represented in this year's survey, however, not every firm answered every question. Therefore, if a firm did not answer a specific question no analysis will be conducted on its impact. The following table shows the correlation of EBITDA (profit) and annual revenue growth. This table compares all the surveys with those that answered this specific question. SPI Research will eliminate the 11 firms that did not complete this question; therefore, the EBITDA is 9.9% vs. the actual survey average of 9.8%. This elimination is done because showing blank answers does not really provide value to the reader (unless there is a high percentage of blanks).

Annual Revenue Growth	Surveys	Comp. %	EBITDA w/ Blanks	EBITDA w/o Blanks
Blank	11	2.7%	7.0%	
Under -10%	61	15.1%	6.0%	6.0%
-10% - 0%	54	13.4%	6.5%	6.5%
0% - 5%	77	19.1%	10.9%	10.9%
5% - 10%	80	19.9%	14.1%	14.1%
10% - 15%	32	7.9%	8.6%	8.6%
15% - 25%	55	13.6%	9.4%	9.4%
Over 25%	33	8.2%	12.3%	12.3%
Total / Average	403	100.0%	9.8%	9.9%

## **Organization Size**

The average size of the organization in the Professional Services Maturity™ Benchmark was 376 PS employees, down from 494 in 2023. This year's survey is based on firms that employ over 150,000 consultants worldwide, continuing to make it the most comprehensive study of the Professional Services.

Table 17: Key KPIs by Organization Size

Size of PS organization (employees)	Survey %	Revenue growth	Billable utilization	On-time project. delivery	% of ann. rev. target	% of ann. margin target
Under 10	17.6%	0.1%	64.3%	80.3%	82.4%	84.9%
10 - 30	17.6%	6.6%	65.4%	70.8%	87.1%	84.4%
31 - 100	31.0%	4.0%	69.2%	71.2%	87.0%	85.5%
101 - 300	20.8%	7.6%	72.4%	75.9%	92.2%	90.1%
301 - 700	4.7%	3.3%	73.7%	64.6%	92.1%	91.4%
701 - 1,500	4.0%	3.0%	69.4%	73.3%	90.6%	92.1%
1,501 - 5,000	1.7%	7.9%	73.0%	57.0%	100.0%	106.0%
Over 5,000	2.5%	6.6%	78.3%	81.7%	88.3%	84.2%
Total/Average	100.0%	4.6%	68.9%	73.5%	87.9%	87.1%

Source: SPI Research, February 2025

Table 17 highlights the survey distribution by PS headcount. The most significant percentage of firms have between 31 and 100 employees annually. Embedded services organizations averaged 573 PS employees, whereas independents averaged 297.

Firms headquartered in the Americas averaged 358 PS employees per firm, EMEA 470, and APac 353. Software PS organizations averaged 480 PS employees, and SaaS averaged 264, underscoring the importance of embedded PS within these organizations. IT consultancies (297 employees) and

management consultancies (302) also had a substantial PS workforce. Architecture and engineering firms averaged 335 employees, while agencies (marketing and advertising) averaged 73 PS employees.

Table 18: Annual change size of PSO (employees)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	494	376	-24%	Under 10	5	5	0%	IT Consult.	681	297	-56%
ESO	621	573	-8%	10 - 30	20	20	0%	Mgmt. Cons.	127	302	137%
PSO	441	297	-33%	31 - 100	65	65	0%	SaaS PS	585	264	-55%
Amer	472	358	-24%	101 - 300	200	200	0%	Software PS	507	480	-5%
EMEA	367	470	28%	301 - 700	500	500	0%	Arch. / Engr.	154	335	117%
APac	963	353	-63%	Over 700	3,510	3,495	0%	Agency	373	73	-80%

Source: SPI Research, February 2025

# **Headquarters Location**

SPI Research encourages professional services organizations worldwide to participate in the annual benchmark survey. Survey participation from firms headquartered outside of North America (Europe, Middle East, Africa (EMEA), and Asia-Pacific (APac)) represented over 25% of the survey (Table 19).

Table 19: Key KPIs by Headquarters Location

Headquarters Location	Survey %	Revenue growth	Billable utilization	On-time project. delivery	Ann. rev./ consult. (k)	Profit (EBITDA)
North America	73.9%	4.6%	69.4%	74.9%	\$205	9.4%
Western Europe	15.6%	4.6%	68.5%	72.3%	\$171	16.8%
E. Asia (China, Japan)	0.7%	-1.7%	61.7%	38.3%	\$158	NA
Central Asia (India, Pakistan)	1.2%	8.0%	81.7%	71.7%	\$231	-2.5%
Australia/New Zealand	5.7%	4.1%	68.6%	70.3%	\$218	11.0%
South/Central America	1.7%	6.1%	54.3%	59.3%	\$90	8.0%
Eastern Europe	0.5%	-8.8%	55.0%	50.0%	\$50	-6.0%
Africa	0.2%	2.5%	65.0%	65.0%	\$225	-5.0%
Middle East	0.2%	20.0%	75.0%	75.0%	\$125	NA
Total/Average	100.0%	4.6%	69.0%	73.5%	\$198	10.2%

Source: SPI Research, February 2025

It is important to note that regardless of where the organization has its headquarters, many employees reside outside of the headquarters location. This distribution is especially true for larger organizations. Therefore, the benchmark does reflect global organizations with a worldwide PS workforce.

## **Total Company Revenue**

Many ESOs are part of a larger enterprise that sells various other products and services. Many independent professional service providers also sell products, or the responding group is an individual practice within a more prominent firm. Most technology service organizations have multiple business lines, including management consulting, managed services, outsourcing and staffing. Therefore, it is essential to note the total annual company revenue. In this year's survey, the average organization generated \$139 million in total revenue, including \$59 million in PS revenue. The percentage of total revenue produced by PS represented 42% this year. The overall PS revenue contribution rate has steadily increased over the years, reflecting the importance of the new "everything as a service" economy.

Table 20: Key KPIs by Total Company Revenue

Annual company revenue (mm)	Survey %	Revenue growth	Headcount growth	% of emp. billable	New clients	Profit (EBITDA)
Under \$5mm	28.2%	2.2%	0.3%	72.4%	31.5%	8.8%
\$5mm - \$10mm	16.5%	4.4%	2.5%	74.1%	25.6%	11.0%
\$10mm - \$50mm	28.7%	5.8%	2.2%	71.1%	28.4%	9.4%
\$50mm - \$100mm	11.1%	6.6%	2.8%	65.3%	33.8%	14.6%
\$100mm - \$200mm	3.4%	2.9%	-2.3%	71.5%	28.6%	5.0%
\$200mm - \$500mm	2.8%	3.4%	4.5%	72.7%	26.3%	12.8%
\$500mm - \$1bn	4.7%	8.5%	6.8%	72.5%	34.7%	7.7%
Over \$1bn	4.7%	5.6%	4.9%	66.5%	25.4%	8.5%
Total/Average	100.0%	4.6%	2.1%	71.2%	29.5%	9.9%

Source: SPI Research, February 2025

Annual company revenue (mm) decreased by 10% from \$153 mm in 2023 to \$139 mm in 2024. Larger firms (over 100 employees) had a greater increase in annual company revenue (mm) than smaller firms. Architecture and engineering firms showed the largest increase in annual company revenue, while management consultancies decreased by 83%.

Table 21: Annual change annual company revenue (mm)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$153	\$139	-10%	Under 10	\$23	\$6	-76%	IT Consult.	\$143	\$130	-10%
ESO	\$241	\$256	6%	10 - 30	\$25	\$14	-44%	Mgmt. Cons.	\$55	\$9	-83%
PSO	\$118	\$92	-22%	31 - 100	\$64	\$50	-22%	SaaS PS	\$347	\$314	-10%
Amer	\$149	\$133	-11%	101 - 300	\$123	\$228	85%	Software PS	\$300	\$376	26%
EMEA	\$135	\$156	16%	301 - 700	\$282	\$247	-13%	Arch. / Engr.	\$32	\$54	67%
APac	\$229	\$152	-34%	Over 700	\$705	\$810	15%	Agency	\$54	\$17	-68%

#### **Total PS Revenue**

The global PS market primarily comprises firms with less than \$50 million in revenue. Still, SPI Research works especially hard to survey larger professional service providers to understand better the dynamics impacting their business and how they can improve organizational performance. In 2024, the average PS revenue was \$58.5mm, with ESOs averaging \$65.3mm and independents averaging \$55.7mm. APac led the way with \$144mm in PS revenue per firm, while the Americas averaged \$134mm. EMEA averaged \$55.7mm.

Table 22: Key KPIs by Total Professional Services Revenue

Total professional services revenue (mm)	Survey %	Billable utilization	Project duration (man-monthss)	On-time project delivery	Project margin	Ann. rev./ consult. (k)
Under \$5mm	36.5%	64.3%	21.3	73.0%	34.0%	\$176
\$5mm - \$10mm	21.8%	68.4%	23.7	75.2%	35.0%	\$202
\$10mm - \$50mm	26.6%	72.4%	31.4	73.5%	38.1%	\$212
\$50mm - \$100mm	8.4%	73.6%	50.0	72.4%	35.3%	\$233
\$100mm - \$200mm	2.0%	74.4%	83.7	63.8%	42.2%	\$267
\$200mm - \$500mm	1.8%	68.3%	26.0	78.3%	35.0%	\$225
\$500mm - \$1bn	1.3%	75.0%	96.0	75.0%	33.8%	\$133
Over \$1bn	1.5%	73.0%	156.0	75.0%	41.9%	\$238
Total/Average	100.0%	68.7%	31.3	73.5%	35.7%	\$199

Source: SPI Research, February 2025

Larger firms (over 100 employees) had a greater increase in total professional services revenue (mm) than smaller firms. AE firms showed the most significant increase in total professional services revenue (mm) by 119%, while agencies went down by 73%.

Table 23: Annual change in total professional services revenue (mm)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$72	\$58	-19%	Under 10	\$23	\$3	-87%	IT Consult.	\$100	\$80	-20%
ESO	\$76	\$65	-14%	10 - 30	\$5	\$4	-31%	Mgmt. Cons.	\$51	\$43	-15%
PSO	\$71	\$56	-21%	31 - 100	\$19	\$16	-16%	SaaS PS	\$78	\$29	-63%
Amer	\$62	\$51	-19%	101 - 300	\$44	\$43	0%	Software PS	\$83	\$75	-9%
EMEA	\$78	\$56	-28%	301 - 700	\$129	\$219	70%	Arch. / Engr.	\$25	\$54	119%
APac	\$141	\$144	2%	Over 700	\$391	\$416	7%	Agency	\$52	\$14	-73%

Source: SPI Research, February 2025

## **Year-over-year change in PS Revenue**

PS's annual revenue growth has averaged 8.7% for the past five years. In 2020, due to COVID, annual PS revenue growth declined to 8.7%, down from 10.6% in 2019. In 2021, things improved with hiring back up

to 10.6%. 2022 saw a slight decline in revenue growth (10.4%). 2023 also saw a more significant decrease in revenue growth (7.8%). SPI expected a rebound in 2024, but unfortunately, too many economic and political issues arose in 2024, and PS revenue only increased by 4.6%.

Table 24: Key KPIs by Year-over-Year Change in PS Revenue

Year-over-year change in PS revenue	Survey %	New clients	Deal Pipeline	% of bids won	Backlog	Client reference
Under -10%	1.2%	18.5%	125%	50.0%	46.3%	85.0%
-10% - 0%	16.1%	25.5%	153%	46.6%	44.0%	71.3%
0% - 5%	23.0%	30.2%	163%	49.7%	45.1%	70.9%
5% - 10%	23.9%	31.4%	154%	46.3%	44.3%	70.9%
10% - 15%	9.6%	32.0%	175%	51.7%	44.6%	68.3%
15% - 25%	16.4%	28.3%	195%	47.0%	48.6%	70.2%
Over 25%	9.9%	26.3%	176%	47.8%	45.4%	70.0%
Total/Average	100.0%	29.0%	166%	47.9%	45.3%	70.7%

Source: SPI Research, February 2025

Independent providers averaged 4.5% revenue growth, whereas embedded service providers grew 4.7%. The largest firms showed the largest growth, albeit under 10%. Architecture and engineering firms grew at 9.3%, while management consultancies saw a reduction in revenue. PSOs can absorb growth rates of 5% to 10% through efficiency gains and better management of external subcontractors without significant increases in hiring. However, when growth rates rise above 10%, they must add full-time employees.

Table 25: Annual change in total professional services revenue (mm)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	7.8%	4.6%	-41%	Under 10	9.1%	0.1%	-98%	IT Consult.	10.0%	6.8%	-32%
ESO	8.0%	4.7%	-41%	10 - 30	7.4%	6.6%	-10%	Mgmt. Cons.	9.0%	-0.9%	-110%
PSO	7.7%	4.5%	-41%	31 - 100	7.4%	4.0%	-46%	SaaS PS	9.3%	4.5%	-52%
Amer	7.1%	4.7%	-34%	101 - 300	7.4%	7.6%	2%	Software PS	8.7%	5.1%	-41%
EMEA	10.3%	4.4%	-57%	301 - 700	7.5%	3.3%	-56%	Arch. / Engr.	7.5%	9.3%	25%
APac	7.3%	4.2%	-43%	Over 700	8.8%	5.0%	-43%	Agency	-0.7%	4.1%	-709%

Source: SPI Research, February 2025

## **Year-over-year Change in PS Headcount**

Employee headcount growth in 2020 hit a low of 5.5% due to COVID. In 2021, hiring grew to its highest level at 9.1%; in 2022, it came down slightly to 8.5%. Unfortunately, in 2023, the headcount only rose 5.2%, and only 4.6% in 2024.

Table 26: Key KPIs by Year-over-year Change in PS Headcount

Year-over-year change in PS headcount	Survey %	Employee attrition	Employee attrition	Rec. to family/ friends	Billable utilization	Ann. rev./ consult. (k)
Under -10%	1.2%	15.4%	15.4%	4.25	61.3%	\$188
-10% - 0%	20.2%	11.8%	11.8%	4.25	66.1%	\$206
0% - 5%	30.2%	9.8%	9.8%	4.31	69.3%	\$205
5% - 10%	22.1%	12.3%	12.3%	4.24	68.3%	\$213
10% - 15%	13.0%	9.6%	9.6%	4.50	73.7%	\$180
15% - 25%	8.5%	15.0%	15.0%	4.46	69.1%	\$200
Over 25%	4.8%	10.1%	10.1%	4.55	72.1%	\$210
Total/Average	100.0%	11.3%	11.3%	4.33	69.0%	\$203

Both embedded (1.6%) and independents (2.0%) had similar employee headcount growth. The Americas grew at 1.7%, the lowest, while APac averaged a 3.4% increase. Europe was 2.2%. Larger firms (over 100 employees) had a greater increase in year-over-year change in PS headcount than smaller firms. All of the significant PS markets showed a decrease in head growth, with management consultancies and SaaS PS reducing the number of employees in 2024.

Table 27: Annual change year-over-year change in PS headcount

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	5.2%	1.9%	-64%	Under 10	2.6%	-1.6%	-164%	IT Consult.	6.4%	3.8%	-41%
ESO	5.2%	1.6%	-68%	10 - 30	5.7%	2.3%	-60%	Mgmt. Cons.	7.3%	-2.5%	-134%
PSO	5.2%	2.0%	-62%	31 - 100	4.3%	1.9%	-55%	SaaS PS	7.2%	-0.5%	-108%
Amer	5.0%	1.7%	-66%	101 - 300	5.7%	3.9%	-31%	Software PS	6.3%	1.5%	-76%
EMEA	5.8%	2.2%	-63%	301 - 700	7.2%	1.7%	-77%	Arch. / Engr.	4.9%	5.8%	18%
APac	6.0%	3.4%	-43%	Over 700	7.7%	3.5%	-54%	Agency	-1.3%	2.5%	-300%

Source: SPI Research, February 2025

# **Percentage of Employees Billable (or Chargeable)**

Excessive, non-billable headcount creates a top-heavy organization or is a symptom of poor sales, marketing effectiveness, and/or poor systems. But as with all things PS, a delicate balance must be maintained. A non-billable headcount is necessary for leadership and developing infrastructure, systems, and tools that support growth, consistency, and quality.

Table 28: Key KPIs by the Percentage of Employees Billable or Chargeable

% of employees billable or chargeable	Survey %	Revenue growth	Project margin	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Profit (EBITDA %)
Under 40%	7.4%	-2.8%	30.1%	\$145	\$120	-2.3%
40% - 50%	5.1%	0.6%	32.5%	\$169	\$121	9.7%
50% - 60%	9.2%	7.5%	33.5%	\$183	\$142	8.2%
60% - 70%	18.7%	2.8%	35.2%	\$213	\$164	8.0%
70% - 80%	22.3%	5.5%	34.8%	\$202	\$156	9.2%
80% - 90%	20.5%	5.9%	38.4%	\$199	\$158	10.6%
Over 90%	16.9%	6.3%	39.4%	\$217	\$185	14.3%
Total/Average	100.0%	4.5%	35.8%	\$198	\$157	9.2%

SPI Research found the percentage of billable employees decreased to 71.1% in 2024, from 71.5% in 2023, to its lowest level in five years. Larger firms (over 100 employees) had a greater decrease in the percentage of employees billable or chargeable than smaller firms. Agencies showed the largest increase, 5%, while both management consultancies and AE firms went down by -4%.

Table 29: Annual change % of employees billable or chargeable

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	71.5%	71.1%	-1%	Under 10	68.3%	69.8%	2%	IT Consult.	73.8%	74.3%	1%
ESO	68.2%	67.5%	-1%	10 - 30	72.4%	72.6%	0%	Mgmt. Cons.	72.1%	69.3%	-4%
PSO	72.9%	72.5%	0%	31 - 100	71.8%	72.2%	1%	SaaS PS	68.6%	66.2%	-3%
Amer	71.5%	71.2%	0%	101 - 300	71.2%	71.5%	1%	Software PS	73.3%	73.1%	0%
EMEA	70.2%	70.4%	0%	301 - 700	72.6%	65.3%	-10%	Arch. / Engr.	76.8%	74.1%	-4%
APac	74.1%	71.5%	-4%	Over 700	72.4%	68.3%	-6%	Agency	69.2%	72.5%	5%

Source: SPI Research, February 2025

## **Percentage of PS Revenue Delivered by Third Parties**

A viable third party (subcontractor) is essential to most PSOs, especially as they grow. They offer additional services that might not be core to the PSO or additional "bodies" when there is more work than they can manage with the internal workforce. Every year, this KPI averages between 10% and 15%.

Table 30: Key KPIs by the Percentage of PS Revenue Delivered by Third Parties

% of PS revenue delivered by 3rd- parties	Survey %	Org. size (emp)	Revenue growth	Headcount growth	Client reference	Profit (EBITDA)
None	21.2%	84	3.2%	0.0%	67.3%	13.6%
1% - 5%	19.7%	283	6.8%	2.5%	73.0%	7.7%
5% - 10%	26.6%	368	3.3%	1.9%	69.1%	8.7%
10% - 20%	12.5%	392	6.4%	2.0%	71.1%	6.8%
20% - 30%	9.5%	634	5.2%	1.5%	70.7%	10.8%
Over 30%	10.5%	532	4.6%	5.7%	70.6%	11.8%
Total/Average	100.0%	336	4.7%	2.0%	70.1%	9.8%

Table 30 shows the distribution of survey responses in terms of the revenue generated by third-party resources. The average percentage of PS revenue from subcontractors went up 7% from 10.2% in 2023 to 10.9% in 2024. ESOs used a third-party workforce to generate 10.0% of revenue, whereas independents reported 11.3%. APac used a third-party workforce to generate 10.4% of revenue; the Americas averaged 10.5% and EMEA averaged 13.0%. Agencies showed the most significant increase in PS revenue delivered by 3rd parties, 57%, while the Software PS market went down by 22%.

Table 31: Annual change in the Percentage of PS revenue delivered by 3rd-parties

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	10.2%	10.9%	7%	Under 10	8.5%	10.4%	23%	IT Consult.	10.1%	11.9%	19%
ESO	10.0%	10.0%	0%	10 - 30	9.1%	10.7%	17%	Mgmt. Cons.	11.1%	10.1%	-8%
PSO	10.3%	11.3%	9%	31 - 100	12.0%	10.5%	-12%	SaaS PS	9.2%	8.5%	-7%
Amer	10.3%	10.5%	2%	101 - 300	9.7%	10.5%	9%	Software PS	9.6%	7.5%	-22%
EMEA	9.2%	13.0%	42%	301 - 700	8.9%	8.9%	0%	Arch. / Engr.	9.8%	11.5%	17%
APac	11.8%	10.4%	-12%	Over 700	11.0%	16.7%	52%	Agency	8.9%	14.0%	57%



#### HIGH-PERFORMANCE PROFESSIONAL SERVICES ORGANIZATIONS

SPI Research annually analyzes the top 20% (in terms of overall performance maturity score) of benchmark participants to uncover the reasons for their superlative performance. This chapter focuses on these High-Performance PSOs (Level 4 and 5 performers). They have all executed very well, but not with targets so high that other PSOs cannot aspire to operate like them.

SPI Research analyzed the top 80 firms (20% of 403) according to aggregate PS Maturity™ scores. Each of the 403 participating organizations is scored across all five service performance pillars to determine an individual score and overall maturity ranking. The following sections highlight some findings comparing the highperformance organizations to the rest of the survey participants.

2024 was a challenging year in most industries, including professional services. With so many geopolitical and economic challenges, PSOs did not grow at their accustomed level. Table 32 highlights the differences between the highest-performing organizations in 2023 and those in 2024 to show how differently these organizations operated.

The table shows the degradation of KPIs from 2023 to 2024. As stated earlier in

Table 32: High-Perf. PSO Comparison - 2023 vs. 2024

Key Performance Indicator (KPI)	2023	2024	% ↑↓
Number of firms	115	80	
Size of PS organization (employees)	756	477	-37%
Year-over-year change in PS revenue	13.6%	9.4%	-31%
New clients	33.0%	27.9%	-15%
Backlog	51.4%	55.8%	9%
Service discount given	8.9%	6.7%	25%
Employee attrition	13.6%	11.9%	12%
Billable utilization	75.4%	76.2%	1%
Use a standardized delivery methodology	77.8%	69.5%	-11%
Projects delivered on-time	85.3%	81.5%	-5%
Project overrun	7.6%	8.6%	-13%
Project margin	34.4%	35.9%	4%
Annual revenue per billable consultant (k)	\$253	\$250	-1%
Annual revenue per employee (k)	\$220	\$207	-6%
Percent of annual revenue target achieved	97.2%	96.8%	0%
Percent of annual margin target achieved	94.6%	96.8%	2%
Profit (EBITDA %)	20.3%	13.3%	-35%

Source: SPI Research, February 2025

this document, given all the external factors, 2024 was challenging. SPI Research expects improvement in 2025 as the economy moves forward and more clarity is provided for the direction of regulations and interest rates.

#### **Demographics**

Table 33 compares the 80 High-Performance PSOs (HPOs) to the other 323. 81% were independents, while 19% were embedded services organizations (ESOs). IT consultancies represented 36% of the highest performers, followed by Management consultancies at 21%.

HPOs averaged 36% more employees than the fewer employees than the others, at 477 employees. They also averaged 2% more annual revenue than the others, at \$141 mm, and 184% more annual PS revenue than the others, at \$102mm.

While the numbers are down from a year ago, the high-performing organizations did much better in growing revenue than their counterparts. They had relatively few non-billable employees and did not take advantage of third-party deliveries as much as their peers.

Table 33: High-Perf. PSO Comparison - Demographics

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Number of firms	80	323	
Size of PS organization (employees)	477	351	36%
Annual company revenue (mm)	\$141	\$138	2%
Total professional services revenue (mm)	\$102	\$47	114%
Year-over-year change in PS revenue	9.4%	3.3%	184%
Year-over-year change in PS headcount	5.5%	1.0%	472%
% of employees billable or chargeable	78.4%	69.3%	13%
% of PS revenue delivered by 3rd-parties	10.4%	11.1%	-6%

Source: SPI Research, February 2025

## Artificial Intelligence

Artificial Intelligence (AI) plays a more significant role in HPOs, just like in all PSOs. Table 34 highlights leaders' opinions on how AI will impact them. The leaders and the others have around 13% of their consultants dedicated to AI. Still, the main difference is that HPO's leadership has more substantial support for AI and believes it can achieve higher returns on investment over the next year. The numbers in this table are similar, as AI is starting to take off in professional services.

Table 34: High-Performance Al Concentration Comparison (1-5 Scale)

High-Performance Al Comparison	НРО	Rest	% ↑↓
Percentage of consultants specifically dedicated to Al practice	13.5%	13.5%	0%
The percentage of organization's projects currently utilizing Generative Al	18.8%	19.5%	-4%
PS leadership supports adopting and integrating Generative AI (1-5 Scale)	4.23	3.86	9%
Generative AI has impacted the organization's productivity and efficiency (1-5 Scale)	3.63	3.52	3%
Estimated ROI PS can achieve from implementing Generative AI technologies in 12 months	10.6%	9.8%	8%
Length of time for PS see a positive ROI after adopting Generative AI (months)	12.1	13.5	10%
How concerned is PS of the security regarding the use of Generative AI (1-5 Scale)	3.85	3.74	-3%

Source: SPI Research, February 2025

HPOs also believe they can use Gen AI to help increase organizational efficiency. The market is just beginning to experience AI's rebirth. Each year, SPI Research expects greater use and sale of AI-related services.

#### Leadership

This year's leaders were more heavily concentrated on consultancies, which grow faster and more efficiently than embedded organizations. The leading firms tend to be highly specialized and focus on specific high-growth technology or IT segments or vertical industries. The executives of high-performing organizations are seasoned professionals – often with a track

**Table 35: High-Performance Planning Comparison** 

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Forecasted revenue growth in 2025 (over 2024)	13.1%	11.0%	19%
Plan to embark on any significant performance initiatives in 2025	55.3%	44.2%	25%
Have a documented methodology for quantifying value added to clients	61.3%	46.1%	33%
Planned geographic expansion in 2025	29.5%	27.2%	8%
Have initiated outcome-based billing models	34.0%	27.7%	23%

Source: SPI Research, February 2025

record of founding and growing multiple prior consulting organizations. Early-stage organizations tend to "chase shiny objects" with dramatic strategic shifts that are not necessarily backed by analysis or investments. Although high-performing leaders are competitive and consistently searching for new growth opportunities, they are more balanced in their investments to ensure rapid payback to expand recurring revenues.

Leaders at HPOs foster a fair and well-managed work environment with ample rewards and career progression. Because employees understand and share in these organizations' success, the atmosphere is collaboration, trust, and loyalty.

Leadership is among the most critical factors driving success in the professional services market. In

today's virtual work environment, maintaining a personal connection while fostering collaboration, "fun," and personal growth are essential leadership roles. Increasingly, leading firms are focused on promoting from within, investing in skill and career building to ensure young workers stay with the firm and are continually presented with growth opportunities.

Table 36 compares the leadership metrics of the highest-performing organizations with the remainder of the survey. The highest differential score was "ease of getting things"

Table 36: High-Performance PSO Comparison - Leadership

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Well understood vision, mission, and strategy	4.13	3.66	13%
Confidence in PS leadership	4.28	3.85	11%
Ease of getting things done	4.04	3.51	15%
Goals and measurement alignment	4.20	3.60	17%
Employees have confidence in PSO's future	4.24	3.66	16%
Effectively communicates w/employees	4.21	3.78	11%
Embraces change - nimble and flexible	4.18	3.69	13%
Innovation focused	3.86	3.47	11%
Data-driven	3.86	3.38	14%
Total	37.00	32.60	13%

done," while the second was "Goals and measurement alignment." These numbers change somewhat yearly but are almost always at least 10% higher for high-performance organizations. Leadership correlates with all positive attributes in professional services, so PSOs must ensure their organization is well-led.

#### **Client Relationships**

SPI found it interesting that the high performers averaged nearly 40% of their revenue from IT consulting. Most high-performing firms push management consulting with higher bill rates. The high performers sold about 28% of services to new clients, but this number was like the others at 80%.

Table 37: High-Performance PSO Comparison – Client Structure

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Current clients - Existing services	60.4%	57.0%	-6%
Current clients - New services (less than 1 year)	11.7%	13.2%	11%
New logo clients - Existing services	19.1%	21.7%	-12%
New logo clients - New services (less than 1 year)	8.8%	8.1%	8%
Total	100.0%	100.0%	

Source: SPI Research, February 2025

2024, like 2023, was somewhat of a down year in professional services, and these firms showed success can still be achieved through persistence and hard work. The high-performance firms also sold contracts for over double the price compared to the other 80%. Their focus on sales helped them to drive superior results.

The high-performing firms were more productive at sales because their clients were satisfied and more

referenceable (Table 38). Leaders kept a significantly larger pipeline and more considerable backlog and won more bids. Sales success does help eliminate issues in other areas of firms, as growing PSOs tend to have happier consultants and make more money. It is always imperative for all professional service organizations to succeed in the sales process, with better and more targeted marketing combined with value-based selling. Client references tend to go a long way in driving growth, profit, and employee satisfaction. Many firms

Table 38: High-Perf. PSO Comparison – Client Relationships

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Deal pipeline / quarterly bookings forecast	202%	154%	31%
Percentage of bids won	54.8%	44.8%	22%
% of the quarterly revenue target in the backlog	55.8%	38.3%	46%
Service discount given	6.7%	9.9%	33%
Percentage of referenceable clients	76.7%	68.0%	13%
The technology infrastructure supports growth	3.86	3.56	9%
Solution development effectiveness	3.80	3.33	14%
Service sales effectiveness	3.88	3.33	16%
Service marketing effectiveness	3.45	3.05	13%
Efficiency of quoting service engagements	3.94	3.47	13%

Source: SPI Research, February 2025

have implemented client success programs to ensure their clients are satisfied with the work, and if not, they rapidly work to fix it.

SPI Research found it interesting that highperformance firms sold a much higher percentage of time and materials-based work (51% vs. 36%) than the others. With consultants in short supply, there is little wonder why they can sell more T&M work.

Table 39: High-Perf. PSO Comparison - Bill Structure

Key Performance Indicator (KPI)	НРО	Rest
Time & materials % of work sold	51.2%	35.7%
Fixed time / fixed fee % of work sold	27.4%	42.7%
Shared risk / performance-based % of work sold	4.5%	2.9%
Subscription % of work sold	9.5%	7.8%
Managed Services % of work sold	7.1%	8.8%
None of the above % of work sold	0.4%	2.1%
Total	100.0%	100.0%

Source: SPI Research, February 2025

**Talent** 

Talent is central to all PSOs and is always a hot topic. In a hyper-competitive talent market, HPOs are laser-focused on their employment brand. Organizations embrace technology to help reinvent the workplace, with knowledge-sharing, team building, transparency, and collaboration at the core of their continuous learning cultures. Support for a virtual workforce includes using the best virtual tools and technologies with an emphasis on productivity, knowledge sharing, and collaboration.

Table 40 compares Talent Pillar KPIs between the High-Performance PSOs and the others. Total employee attrition was about the same for HPOs and the rest. Two areas in this year's study stood out for high-performance organizations. First, billable utilization was roughly 15% higher on a relative basis, and on-site delivery was about 18% lower on a relative basis. Both are related as consultants can be more efficient and productive when working most of their time off-site. They can serve multiple clients on the same day without missing a beat.

Table 40: High-Performance PSO Comparison - Talent

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Average tenure at the firm of consultants (yrs.)	6.26	6.44	-3%
Employee annual attrition - voluntary	7.4%	6.8%	-9%
Employee annual attrition - involuntary	4.5%	4.9%	7%
Days to recruit and hire for standard positions	77.4	79.3	2%
Days for a new hire to become productive	57.6	62.1	7%
Guaranteed annual training days / employee	9.3	9.1	2%
Employee billable utilization	76.2%	66.3%	15%
Annual fully loaded cost per consultant (k)	\$148	\$126	17%
Recommend company to friends/family	4.58	4.17	10%
Well-understood career path for all emp.	3.81	3.44	11%
Employees have the tools they need to deliver quality services efficiently and effectively	4.24	3.90	9%

Source: SPI Research, February 2025

While COVID drove most consultants to work remotely, post-COVID years have shown an increase in on-site work periods. SPI Research recommends that consultancies balance their on-site and off-site delivery, with roughly two-thirds remote and one-third at the client's site.

Table 41: High-Performance PSO Comparison – Hours Worked

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Vacation / personal / holiday hours	176	183	-4%
Education/training hours	80	70	13%
Administrative hours	125	201	-38%
Non-billable business development/sales support	85	120	-30%
Non-billable project hours	66	150	-56%
Total non-billable hours	531	726	-27%
Billable hours on-site	366	477	-23%
Billable hours off-site	1,156	853	36%
Total billable hours	1,522	1,330	14%
Total hours	2,054	2,055	0%
Percentage of remote delivery hours	75.9%	64.1%	18%

#### Service Execution

Solid sales growth and a motivated and talented workforce are critical to success. However, if the firm cannot deliver efficiently and effectively, it doesn't matter how much is sold or the quality of the people. Table 42 compares Service Execution pillar metrics between high-performance organizations and the rest. Quality service execution is what really sets top-performing organizations apart. They tend to be highly disciplined in all facets of service execution.

The table points out leaders tackling more significant, more missioncritical projects. They have larger project team sizes, but what separates them is that consultants work on fewer projects simultaneously, which strengthens their focus. Given the scale and complexity of their projects, they can deliver most of them on time and budget remarkably. They deliver projects with quality and integrity and are far more likely to use a standardized delivery methodology, resulting in more projects delivered on time, fewer project overruns, and fewer project cancellations.

Table 42: High-Performance PSO Comparison – Service Execution

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
Revenue per project (k)	\$324	\$141	130%
Project staff (people)	4.79	3.73	28%
Project duration (months)	7.91	6.71	18%
Projects a <b>project manager</b> manages at a time	5.67	5.70	-1%
Projects a consultant works on at a time	3.54	4.10	-14%
Our firm uses a project management office (PMO)	46.5%	30.5%	52%
Use a standardized delivery methodology	69.5%	60.5%	15%
The frequency on a project the contract needs to be modified due to scope change	1.62	1.65	1.65
Projects delivered on-time	81.5%	70.6%	15%
Project overrun	8.6%	12.3%	30%
Project margin for time & materials projects	46.8%	30.2%	55%
Project margin for fixed price projects	47.2%	30.1%	57%
Project margin — subs, offshore	38.3%	25.3%	51%
Resource management process effectiveness	3.83	3.29	16%
Estimating processes and review effectiveness	3.79	3.34	13%
Change control process effectiveness	3.69	3.29	12%
Project quality process effectiveness	3.85	3.46	11%
Knowledge management processes effectiveness	3.66	3.29	11%
Onsite delivery	24.1%	35.9%	-33%
Employee billable utilization	76.2%	66.3%	15%
Use a commercial PSA solution	78.8%	69.4%	14%

Source: SPI Research, February 2025

The table shows that 14% more PSOs use a commercial PSA solution in high-performance firms. Because the best firms deploy the best consultants and effectively use PSA solutions to exceed client expectations, every facet of their projects is more profitable. The table also shows improvement in virtually every Service Execution pillar metric. High performers did an excellent job generating much more revenue per project, utilizing standard delivery methodologies, minimizing scope creep, and delivering services on time and budget at much higher margins. This success is what one would expect from the top-performing firms.

#### Finance & Operations

High performers generate a lot of profit! They are focused on financial success as a means of growth. The Professional Services Maturity Model™ scoring overweight's financial success, meaning leaders in this survey were much more profitable than their peers.

Table 43 shows the desirable financial results from this year's HPOs. They had significantly higher revenue per billable and overall employee. They were much more successful at reaching both target revenue and margin goals. Proper planning with talented employees and a met schedule tends to drive these figures much higher. The high performers had somewhat higher day sales outstanding (DSO) but did better at meeting forecasts, emphasizing the need for superior planning tools. Profitability for the high performers was 67% higher than the others. At 13.3%, compared to 8.0% for the others, the profitability of these

Table 43: High-Perf. PSO Comparison – Finance and Operations

Key Performance Indicator (KPI)	НРО	Rest	% ↑↓
EBITDA	13.3%	8.0%	67%
Annual revenue per billable consultant (k)	\$250	\$182	37%
Annual revenue per employee (k)	\$207	\$141	46%
Percent of annual revenue target achieved	96.8%	84.9%	14%
Percent of annual margin target achieved	96.8%	83.6%	16%
Revenue leakage	3.1%	6.0%	49%
% of inv. redone due to error/client rejections	1.4%	2.3%	37%
Days sales outstanding (DSO)	43.3	43.2	0%
Quarterly non-billable expense per employee	\$1,263	\$1,421	11%
Length of time to incorporate a new acquisition	178	191	7%
Executive real-time wide visibility	4.13	3.47	19%
PS can accurately forecast revenue and skills	3.94	3.10	27%
Direct labor as a percent of direct revenue	61.1%	63.6%	4%

Source: SPI Research, February 2025

organizations goes a long way to fueling future growth. PS leaders at top-performing firms always have their eyes on the bottom line. While the KPIs were not as large as they were a year ago, it just shows that PSOs performing well can out-deliver others in the same economic environment.

#### The High-Performance PSOs Use PS Applications

As noted in the prior section, high-performance PSOs have better information visibility than lower-performing firms. The adjacent table highlights business solutions to run the business better. High-performance PSOs use the five core information solutions to improve their performance:

- △ Corporate Financial Management (CFM)
- △ Client Relationship Management (CRM)
- △ Professional Services Automation (PSA)
- ∆ Human Capital Management (HCM)
- $\triangle$  Planning (PL)

In Professional Services, PSA is the core solution for driving operational success. As noted from the table, nearly 80% of HPOs use PSA, and almost over half integrate it with the core financial management solution, allowing executives to understand project-related data in real time.

Table 44 depicts the level of commercial business application use and integration for top-performing organizations versus the rest. In all core business application categories, top performers invested more in business applications. They are much more satisfied with their application infrastructure because they use these applications to run the business.

In this year's survey, the HPOs integrated the core business solutions more than their peers. This integration is essential because the two groups directly interacting with clients – sales and delivery – must have consistent information to coordinate the best way to plan, sell, staff, and deliver professional services. SPI Research often discusses the importance of

Table 44: High-Perf. PSO Comparison – Business Applications

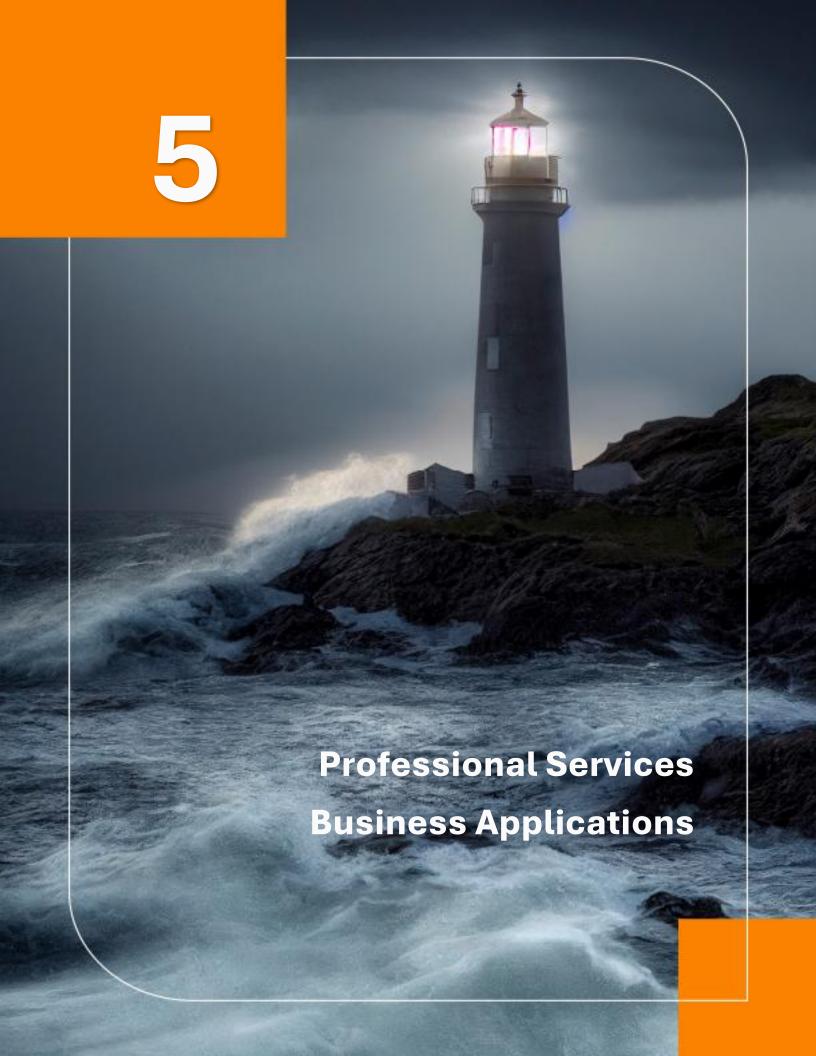
Solution	НРО	Rest	% ↑↓
Corporate financial mgmt. solution (CFM)	96.3%	90.2%	7%
Satisfaction with a financial solution	3.92	3.67	7%
Commercial CRM solution	92.5%	81.6%	13%
Satisfaction with CRM solution	3.99	3.66	9%
CRM is integrated with CFM	40.1%	36.4%	10%
Commercial PSA	78.8%	69.4%	14%
Satisfaction with the PSA solution	3.71	3.51	6%
PSA is integrated with CFM	45.2%	40.7%	11%
Level of CRM and PSA Integration	51.3%	37.0%	39%
Commercial HCM solution	72.5%	68.2%	6%
Satisfaction with the HCM solution	3.66	3.45	6%
HCM is integrated with CFM	27.6%	25.0%	11%
Commercial Planning solution	62.8%	43.9%	43%
Satisfaction with Planning solution	3.68	3.29	12%
Planning is integrated with CFM	37.0%	24.0%	54%

Source: SPI Research, February 2025

information integration. Visibility throughout the PSO ensures everyone is operating with the same information to achieve organizational goals.

#### **High-Performance Conclusions**

2024 was a challenging year for most professional services organizations. Even the high performers did not achieve the same results as in the past few years. Economic conditions and other factors can impact the company's ability to grow and prosper. The critical point is that the high-performing firms did very well compared to the others; their focus on growth, profitability, client satisfaction and employee optimization helped them achieve results in such a challenging environment. Each year, the KPIs change, but regardless of economic conditions, competition, or other geopolitical issues, HPOs figure out a way to succeed. SPI Research has worked with many of these firms to improve performance. As SPI Research likes to say, "Like the game of golf, a great score in one year doesn't necessarily mean a great score the next. Focus is the key, and high performers always look for improvements, utilizing information to drive superior results."



## PROFESSIONAL SERVICES BUSINESS APPLICATIONS

In a business climate driven by technology, disruption, and skilled talent shortages, professional services organizations must and have become more technology enabled. PS technology has become mandatory, extending virtual workspaces, enhancing collaboration and knowledge sharing, providing the basis for effective recruiting, hiring, training and employee engagement, and furnishing the tools to plan, budget, forecast, and analyze. Top-performing services organizations have deployed integrated business applications across all aspects of the business, giving them unprecedented visibility and control to see and take advantage of business changes in real-time.

Understanding and using technology has become a strategic imperative to exploit globalization and drive market growth, because they are increasingly compelled to quantify the value of their work to justify the premium prices that fuel growth. The PSO mandate is to demonstrate a quantifiable return for work they deliver in foreshortened time cycles. The information tools must support the five phases of organizational execution that SPI Research has identified as the critical success disciplines for PSOs of all sizes:

- 1. **Analysis and Business Planning**: Establish annual plans with the knowledge that change (organizational, geopolitical, etc.) can force PSOs to adapt to their unfamiliar environment without deterring their mission, goals, and performance.
- 2. *Client Acquisition*: Create, package, market, and sell unique, in-demand, and quantifiable-value services and products.
- 3. *Talent Optimization*: Build a "talent portfolio" by recruiting, hiring, training, and keeping the best and brightest people with strong professional and personal skills.
- 4. **Service Delivery**: Innovate, add quality, collaborate, maximize utilization, and collect project information.
- 5. *Financial Performance*: Assurance that the organization optimizes its inflow and outflow of capital, maintains healthy cash flow and margins, invoices wholly and accurately, and collects promptly.

Based on this year's benchmark survey, this chapter provides PS executives and software application providers with insight into market adoption, integration, and satisfaction with core Professional Services business applications. The solutions highlighted in this chapter help PSOs optimize operational effectiveness through increased visibility, streamlined business processes, and cost management.

This study is not intended to be an overall application market adoption survey and should not be relied on as such.

The primary business applications used by Professional Services organizations include:

Planning (BL)



Planning (PL) / Business Intelligence (BI): The assembly and use of information to improve decision-making, extensively used to plan and analyze. In prior reports, SPI Research termed this application Business Intelligence (BI), but the market has moved to be more planning oriented.

Client Relationship Management (CRM)



*Client Relationship Management (CRM)*: Automating client relationship processes to improve sales and marketing efficiency and effectiveness.

Human Capital Management (HCM



**Human Capital Management (HCM)**: Talent management solutions for recruiting, hiring, compensation, goal setting, and career and performance management rely on integration with and extracts from the employee database.

Professional Services Automation (PSA)



**Professional Services Automation (PSA)**: The initiation, plan, execution, closing, and control of projects and services through the management and scheduling of resources that include people (both internal and partners), materials, and

Corporate Financial Management (CFM)

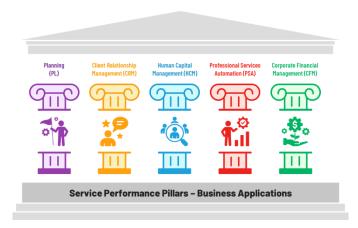


**Corporate Financial Management (CFM)**: The fundamental solution required to collect and report financial transactions while meeting regulatory requirements accurately.

Both embedded and independent professional services organizations require similar functionality. The service industry's use of technology has typically lagged the manufacturing sector. Still, today's service businesses' global size, complexity, and growth have accentuated the need for specialized applications and an increased demand for real-time information.

Figure 9 highlights the Importance of these solutions to optimize operations from annual planning through achieving high levels of profit, what SPI Research calls the **Plan-to-Profit (P2P)** process.

Figure 9: Primary PS Business Applications



#### **Core Business Processes**

Professional Services solutions are designed to integrate core business processes across the organization so that each department clearly understands its specific goals and measurements and how they impact the organization's ability to succeed (Figure 10). Success can be defined in many terms, such as growth, profit, quality, streamlined operations, or reduced administration and rework. Regardless, results tend to improve when everyone works with the same information set and is focused on the critical path to completing project-based work.

Figure 10: Primary Business Processes Cross Multiple Departments for P2P



Source: SPI Research, 2025

The importance of business applications supporting the Plan-to-Profit process is that information in one phase (for example, Plan) must be passed on to the next phase (Sell) so that the individuals responsible for marketing and sales understand what is expected of them. They can create plans and tools to sell professional services more efficiently and effectively.

Figure 11: Applications Must Support the Plan-to-Profit Business Process



Likewise, sales plans don't work well without qualified people. Therefore, information must then be passed on to the group responsible for hiring talent, so they understand the skills required and the cost of those skills. This process continues as with the optimal talent pool, PSOs can staff and deliver projects at a price that meets both timeliness, quality, *and* margin requirements. Finally, PSOs can invoice and collect from their clients. This process is complex enough to begin with, and without the necessary real-time information, it is extremely hard for PSOs to meet revenue and margin requirements.

The following sections highlight the five major business applications PSOs use to improve productivity and profit.

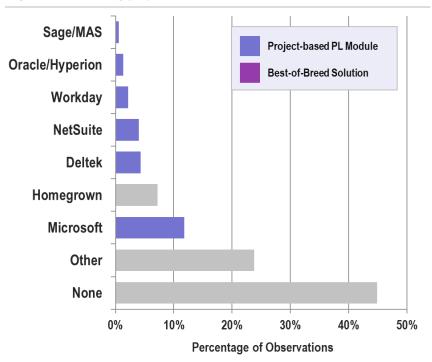
# **Planning**



Planning (and Business Intelligence [BI]) integrates information from core business applications to improve strategic analysis, demand and capacity planning, budgeting, forecasting, and financial planning. Planning (PL) and BI solutions continue to increase adoption in PSOs, whether offered as stand-alone tools or part of integrated business applications for reporting and analysis. As professional services organizations mature, PL/BI becomes a more critical

tool to provide real-time visibility to all aspects of the operation — allowing executives to spot trends and take corrective action early. It is an essential solution for annual planning, as PS executives try to uncover areas where additional growth and profit can be extracted.

Figure 12: Planning (PL) Solution Used



# Planning / Business Intelligence (BI)

- Activity Based Management
- Balanced Scorecard
- · Business Intelligence
- Demand PlanningFinancial Analysis

Source: SPI Research, February 2025

Figure 12 shows relatively low Planning adoption levels in this year's survey. Like prior surveys, no solution, Microsoft, other, and homegrown are the most prevalent PL solutions. Of the Project-based ERP (suite) providers, NetSuite/Oracle/ Hyperion, SAP/ Business Objects, Deltek, and Workday Adaptive Planning each have a broad following. SPI Research found it interesting that most of the solutions in this survey were part of a Project-based ERP suite.

The results in Table 45 highlight some of the core benefits that organizations have achieved from using BI solutions. While each improvement is impressive, growth in revenue, headcount, and the size of the deal pipeline stand out. PL is a strategic tool that helps PSOs plan, budget, and forecast their business. Its powerful "what if" analysis tools help PSOs model capacity and resource plans to achieve optimal results.

Surprisingly, SPI Research found 50% of the organizations surveyed fully integrate PL solutions with the core financial application. Where

Table 45: Impact - Planning (PL) Use

Key Performance Indicator (KPI)	PL Used	PL Not Used	% ↑↓
Survey %	47.9%	52.1%	
Year-over-year change in PS revenue	7.3%	2.4%	209%
Year-over-year change in PS headcount	3.4%	1.9%	83%
Deal pipeline / quarterly bookings forecast	178%	156%	15%
% of the qtr. revenue target in the backlog	45.5%	39.5%	15%
Project duration (man-months)	37.7	25.8	46%
Project margin	36.5%	35.4%	3%
Annual revenue per billable consultant (k)	\$212	\$186	14%
Annual revenue per employee (k)	\$167	\$148	13%
Profit %	10.6%	9.2%	15%

Source: SPI Research, February 2025

there is no integration, it suggests that those organizations are not taking advantage of the integrated capabilities Project-based ERP offers.

Solution satisfaction tends to be highly correlated with performance. Table 46 highlights how several critical KPIs improve as satisfaction with the planning solution increases. With better planning, PSOs can operate more efficiently, driving higher client and employee satisfaction while improving their financial position.

Table 46: Impact – Key KPIs based on Planning solution satisfaction

Satisfaction with a Planning solution	Survey %	% of emp. billable	Client reference	Rec. to family/ friends	Project overrun	Ann. rev./ emp. (k)
Very Dissatisfied	2.6%	63.8%	64.4%	3.38	16.1%	\$184
Dissatisfied	8.5%	71.7%	68.0%	4.10	11.5%	\$135
Neither satisfied nor dissatisfied	46.4%	68.8%	68.8%	4.14	11.4%	\$140
Satisfied	33.3%	71.8%	69.3%	4.43	9.7%	\$177
Very Satisfied	9.2%	80.4%	76.6%	4.79	9.5%	\$187
Total / Average	100.0%	71.0%	69.5%	4.27	10.8%	\$158

Source: SPI Research, February 2025

Satisfaction with the planning solution decreased by 8%, from 3.68 in 2023 to 3.38 in 2024. Larger firms (over 100 employees) experienced a greater decrease than smaller firms. Agencies showed the most significant increase in satisfaction with the planning solution, 9%, while the other PS markets declined.

Table 47: Annual change satisfaction with PL solution

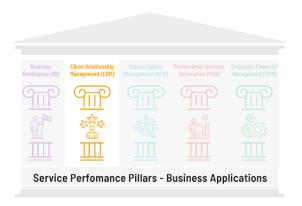
	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.68	3.38	-8%	Under 10	3.50	3.40	-3%	IT Consult.	3.88	3.58	-8%
ESO	3.65	3.33	-9%	10 - 30	3.69	3.37	-9%	Mgmt. Cons.	3.60	3.17	-12%
PSO	3.69	3.40	-8%	31 - 100	3.64	3.33	-9%	SaaS PS	3.64	3.29	-10%
Amer	3.64	3.36	-8%	101 - 300	3.77	3.46	-8%	Software PS	3.61	3.42	-5%
EMEA	3.73	3.47	-7%	301 - 700	3.69	3.47	-6%	Arch. / Engr.	3.67	3.29	-10%
APac	3.88	3.34	-14%	Over 700	3.67	3.25	-12%	Agency	3.35	3.65	9%

Table 48 shows some of the benefits of integrating Planning with the Corporate Financial Management solution. With a greater understanding of operations, PSOs can more effectively sell and build backlog with the right resources.

Table 48: Impact - Key KPIs based on Planning solution integration

PL integration	Survey %	New clients	Deal Pipeline	Backlog	Rec. to family/ friends	On-time project. delivery
No	62.9%	31.6%	162%	39.3%	4.19	72.4%
Partially	20.4%	29.7%	175%	46.1%	4.24	74.7%
Yes	16.6%	27.7%	183%	47.8%	4.47	76.2%
Total / Average	100.0%	30.5%	168%	42.1%	4.25	73.5%

# **Client Relationship Management (CRM)**



CRM supports the management of client relationships and is designed to improve sales and marketing effectiveness. CRM automates lead, contact, campaign management, sales pipeline, territory, and contract management. Many CRM applications also provide powerful call center functionality for issue management, call handling, trouble ticketing, and problem resolution. It allows PSOs to track clients through engagement and to specifically target customer segments and offers by understanding the details of the relationship. CRM supports analysis by sales

representative, client, geography, and portfolio. CRM is the system of record for client contacts, relationships, and contracts.

**Client Relationship** Homegrown Management (CRM) Project-based CRM Module Zoho · Client Analytics **Best-of-Breed Solution** Marketing **NetSuite** Partner Relationship Mgmt. **Proposals** Sales **Deltek** Service Ouote-to-Cash **Microsoft Dynamics** None Hubspot Other Salesforce.com 0% 5% 10% 15% 20% 25% 30% 35%

Figure 13: Client Relationship Management (CRM) Solution Used

Source: SPI Research, February 2025

Figure 13 shows Salesforce.com leads survey participation again, with 33.2% (128) of the organizations surveyed using it. HubSpot moved into second place, followed by Microsoft, Deltek, and NetSuite. Salesforce's dominance continues to erode in the PS market, having slipped from a 60% market share four years ago.

Percentage of Observations

Table 49 compares organizations using a commercial CRM solution to those that do not. 16.1% of the organizations surveyed do not use a commercial CRM solution. As the table shows, CRM benefits organizations in terms of growth. CRM users experienced significantly more significant revenue and headcount growth. They have larger sales pipelines, more revenue from new clients, and more backlog. CRM users report larger, more profitable projects, resulting in significantly more revenue per consultant and

Table 49: Impact - Client Relationship Management (CRM) Use

Key Performance Indicator (KPI)	CRM Used	CRM Not Used	% ↑↓
Survey %	83.9%	16.1%	
Year-over-year change in PS revenue	5.5%	1.3%	324%
Year-over-year change in PS headcount	2.2%	1.9%	17%
Deal pipeline / quarterly bookings forecast	172%	134%	28%
% of the qtr. revenue target in the backlog	43.6%	38.5%	13%
Project margin	36.6%	32.5%	12%
Annual revenue per billable consultant (k)	\$205	\$164	25%
Annual revenue per employee (k)	\$163	\$131	25%
Profit %	10.6%	4.8%	122%

Source: SPI Research, February 2025

employee. Improved sales effectiveness leads to a more efficient use of resources down the line. Profitability is enhanced when CRM is integrated with PSA and the CFM application.

Table 50 shows that over 65% of the organizations surveyed are satisfied with CRM. The table highlights improvements in sales and profitability metrics as satisfaction increases. Satisfaction typically means "uses," as those organizations that like their solutions tend to use them more and reap their benefits. Solution satisfaction tends to come from people not only using the solution but embracing all its benefits, less about data input.

Table 50: Impact – Key KPIs based on CRM satisfaction

Satisfaction with CRM	Survey %	New clients	Deal pipeline	% of bids won	Backlog	Client reference
Very Dissatisfied	2.2%	36.0%	156%	42.5%	41.9%	66.3%
Dissatisfied	7.3%	26.2%	158%	45.8%	42.9%	67.3%
Neither	23.6%	30.7%	158%	44.2%	35.2%	71.3%
Satisfied	49.5%	29.3%	178%	46.5%	43.4%	68.5%
Very Satisfied	17.4%	30.3%	164%	51.0%	51.3%	72.2%
Total / Average	100.0%	29.7%	169%	46.6%	42.8%	69.7%

Source: SPI Research, February 2025

CRM solution satisfaction decreased by 2% from 3.79 in 2023 to 3.73 in 2024, which is not significant but still concerning (Table 51). Larger firms (over 100 employees) experienced a more substantial decrease in CRM satisfaction than smaller firms.

Table 51: Annual change satisfaction with CRM solution

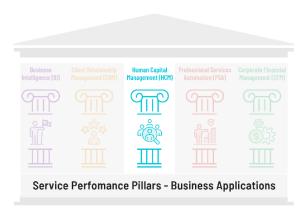
	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.79	3.73	-2%	Under 10	3.57	3.55	-1%	IT Consult.	3.85	3.79	-2%
ESO	3.87	3.84	-1%	10 - 30	3.73	3.55	-5%	Mgmt. Cons.	3.83	3.70	-4%
PSO	3.76	3.68	-2%	31 - 100	3.76	3.76	0%	SaaS PS	3.90	3.75	-4%
Amer	3.78	3.75	-1%	101 - 300	3.93	4.00	2%	Software PS	4.14	3.86	-7%
EMEA	3.76	3.67	-2%	301 - 700	3.79	3.67	-3%	Arch. / Engr.	3.31	3.45	4%
APac	3.97	3.66	-8%	Over 700	3.85	3.68	-4%	Agency	3.39	3.48	2%

Table 52 highlights the benefits organizations receive from nonintegrated CRM to integrated CRM with a significant pipeline and the ability to land new clients. With a more substantial sales pipeline, revenue yields soar for billable consultants because of a predictable and steady work stream. PSOs have greater financial success as the selling process is more efficient.

Table 52: Impact - Key KPIs based on CRM integration

CRM integration	Survey %	Backlog	% of ann. revenue target	% of ann. margin target	Exec real-time visibility	Profit (EBITDA)
No	48.6%	41.1%	85.6%	85.8%	3.55	7.1%
Partially	28.4%	42.7%	91.2%	89.5%	3.69	11.5%
Yes	23.0%	48.1%	88.7%	87.2%	3.85	11.8%
Total / Average	100.0%	43.2%	87.9%	87.1%	3.66	9.4%

# **Human Capital Management (HCM)**

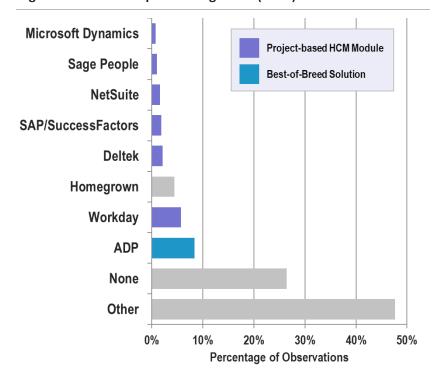


Human Capital Management (HCM) solutions (also known as Talent Management solutions) give employers the tools to effectively recruit, hire, onboard, train, evaluate, and compensate employees. HCM helps PSOs create and maintain a high-performance workforce by tracking performance, skills, and progression.

HCM benefits PSOs by maintaining a database of skills, benefits, and pay rate information for resource scheduling, recruiting performance, and career management. HCM solutions provide rich applications

that allow consultants to manage their own careers and skill development (training) and bid on the projects of most significant interest to them. They may also include workforce management functionality for time capture, time off, and time and attendance tracking, including workforce forecasting, budgeting, and scheduling. Employee and manager self-service are now embedded roles in HCM business processes. Mobile access has become a fundamental component of HCM that supports virtual operations, approvals, and reporting.

Figure 14: Human Capital Management (HCM) Solution Used



Source: SPI Research, February 2025

# Human Capital Management (HCM)

- · Workforce Planning
- Recruitment
- · Skills Tracking
- Compliance
- Payroll
- Rewards
- Career Development
- Performance Management
- · Workforce Management
- Reporting and Analytics

Figure 14 highlights that while over 30% of the firms do not use HCM or use a homegrown solution, a majority use HCM as part of a Project-based ERP solution. Of the Project-based ERP solution providers, Workday,

Deltek, SAP, and NetSuite had the largest number of users.

HCM solutions, in conjunction with PSA, drive greater billable utilization, which results in higher revenue and profit per employee. Most cloud-based HCM applications offer mobile access from anywhere, making it easy for employees to keep their profiles and time-off requests up to date. Several vendors have added rich predictive analytics, providing visibility into levels of employee engagement to provide early warning for employees who are likely to quit. Their recruiting tools are very powerful with out-of-thebox integration to all the top job sites.

Table 53: Impact - Human Capital Management (HCM) Use

Key Performance Indicator (KPI)	HCM Used	HCM Not Used	% ↑↓
Survey %	69.1%	30.9%	
Size of PS organization (employees)	393	154	156%
Year-over-year change in PS revenue	6.2%	1.5%	315%
Year-over-year change in PS headcount	3.3%	1.9%	72%
Onsite service delivery	30.3%	36.9%	-18%
Employee billable utilization	69.7%	66.7%	4%
Project duration (man-months)	34.4	23.9	44%
Projects delivered on-time	72.2%	76.8%	6%
Project overrun	11.9%	9.5%	25%
Project margin	36.9%	33.8%	9%
Annual revenue per billable consultant (k)	\$207	\$181	15%
Annual revenue per employee (k)	\$162	\$149	9%

Source: SPI Research, February 2025

Table 53 highlights how the PSOs using HCM in this year's benchmark are much larger in size but also are growing faster and have much higher financial KPIs as well.

Table 54: Impact – Key KPIs based on HCM satisfaction

Satisfaction with PSA	Survey %	Rec. to family/ friends	Billable utilization	On-time proj. delivery	Ann. rev./ emp. (k)	Exec real-time visibility
Very Dissatisfied	2.9%	3.22	57.2%	55.0%	\$181	3.00
Dissatisfied	9.0%	4.14	68.8%	70.5%	\$133	3.05
Neither	35.7%	4.06	67.2%	76.3%	\$151	3.56
Satisfied	40.9%	4.43	70.7%	71.4%	\$165	3.78
Very Satisfied	11.6%	4.49	70.3%	74.2%	\$172	3.94
Total / Average	100.0%	4.24	68.9%	72.9%	\$158	3.63

Source: SPI Research, February 2025

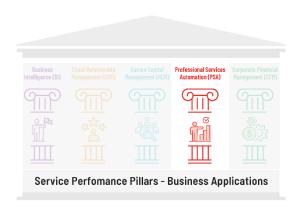
Table 55 shows HCM benefits are amplified with better integration with the core financial management solution. This integration drives higher billable utilization, resulting in significantly higher revenue per consultant and employee, which in turn produces better net Profit (EBITDA). Although HCM satisfaction lags behind other core PS business applications, the benefits are significant for those organizations that fully exploit HCM to enhance recruiting, skill-building, and compensation. Increased user satisfaction is

also correlated with a higher percentage of employees in billable roles. These more engaged workers would strongly recommend their company as a great place to work, with higher performance in completing projects on time and meeting annual revenue goals.

Table 55: Impact - Key KPIs based on HCM integration

PSA integration	Survey %	Revenue growth	Headcount growth	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Exec real-time visibility
No	61.3%	4.4%	1.0%	\$196	\$155	3.58
Partially	26.3%	6.4%	2.5%	\$207	\$164	3.74
Yes	12.4%	7.2%	6.3%	\$221	\$176	3.88
Total / Average	100.0%	5.2%	2.1%	\$202	\$160	3.66

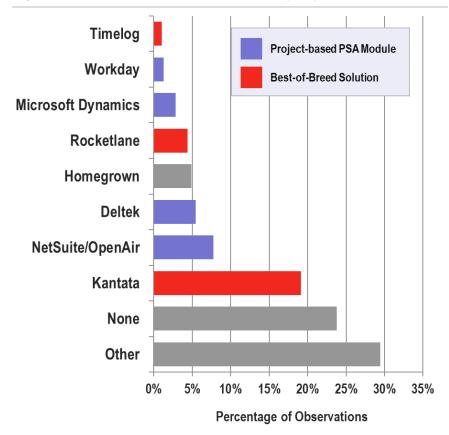
# **Professional Services Automation (PSA)**



Professional Services Automation (PSA) provides the systems basis for initiation, planning, resource management, scheduling, execution, closing, and control of projects and services. PSA provides a resource and project dashboard that includes the demand forecast. It helps manage service delivery by overseeing opportunities, staffing, project management, and collaboration. PSA is typically the system of record for resource skills, competencies, and preferences, which are integrated into the employee and contractor database. It is used to collect

time and expense by project and resource down to the task level, so it is the system of record for resource utilization and project cost and estimating.

Figure 15: Professional Services Automation (PSA) Solution Used



Source: SPI Research, February 2025

# Professional Services Automation (PSA)

- Collaboration
- Invoicing
- Practice Management
- Project Accounting
- · Project Analytics
- · Project Costing
- Project Management
- Resource Management
- Time & Expense

Figure 15 shows that this year, Kantata was the most adopted PSA solution in the survey, with 19.1% (74 firms). NetSuite was the second-most prevalent solution, with 7.8% (30 firms). Deltek was third, with 5.4% (21 firms).

PSA solutions provide accurate time and expense capture, and

most offer billing modules with some level of revenue recognition by type of billing method – time and materials, work in process or fixed price. PSA extensions for the construction industry include modules for material costs and procurement. Although PSA is still focused on enabling project- and services-driven

organizations to better plan, staff, execute and collect all relevant project information, it has become much more than that. It has become a core solution for business planning with a view of the best services, best projects, best clients, and the best people to translate the business plan into reality.

Go to the 2022 PSA End-User Survey Report for more information on the benefits and ROI of PSA.

This year, the adoption of a commercial PSA solution decreased from 74.3% to 71.3%. PSA satisfaction decreased slightly this year from 3.72 out of 5 to 3.55. However, most of the key metrics improve with the use of PSA.

Table 56 compares PSOs using PSA solutions to those that do not. The results in this table are very powerful. Professional Services Automation solutions continue to drive significant operational performance benefits, yielding higher revenue and profit for professional services organizations. The trend in the use of PSA is on the rise due to a more virtual workforce and the need to better manage projects and resources, especially in more technical disciplines, as it has

Table 56: Impact - Professional Services Automation (PSA) Use

Key Performance Indicator (KPI)	PSA Used	PSA Not Used	% ↑↓
Survey %	71.3%	28.7%	
Year-over-year change in PS revenue	6.1%	1.6%	288%
Year-over-year change in PS headcount	2.6%	1.9%	40%
Employee billable utilization	70.2%	65.0%	8%
Project duration (man-months)	34.2	23.6	45%
Projects delivered on-time	72.6%	75.4%	4%
Project overrun	12.3%	8.7%	41%
Project margin	36.9%	33.3%	11%
Profit (EBITDA %)	11.7%	5.4%	117%

Source: SPI Research, February 2025

become increasingly difficult to find, hire, retain, and deploy talent. PSA solutions help match the right resources with the right skills at the right time for the right projects.

PSA solutions yield several core benefits to PSOs. Still, most executives only need to look to the relative 8% (from 65.0% to 70.2%) increase in billable utilization as a primary reason to select PSA. For a 100-person PS organization, 5.2% translates to 10,400 more billable hours per year. With average bill rates of \$200 per hour, the PSO can produce \$2.1mm in incremental revenue!

Almost all key metrics improve with PSA adoption. PSA pays for itself with substantially higher consultant revenue yields, better project margins, and more bottom-line EBITDA profit. Table 57 highlights the correlation between PSA satisfaction and performance. It is one thing to use PSA; it is another to embrace what PSA can do for PSOs and use it to its maximum capabilities. Satisfaction comes from seeing PSA's benefits, and satisfied users tend to drive better results.

Table 57: Impact - Key KPIs based on PSA satisfaction

Satisfaction with PSA	Survey %	Revenue growth	Billable utilization	Project margin	Exec real-time visibility	Profit (EBITDA)
Very Dissatisfied	3.4%	-1.0%	60.5%	37.6%	3.10	9.6%
Dissatisfied	7.7%	3.8%	71.2%	33.2%	3.18	9.0%
Neither satisfied nor dissatisfied	32.9%	3.5%	67.2%	34.0%	3.39	8.8%
Satisfied	42.6%	7.3%	70.9%	37.8%	3.80	11.2%
Very Satisfied	13.4%	5.6%	67.8%	38.9%	4.11	12.9%
Total / Average	100.0%	5.3%	68.9%	36.3%	3.63	10.4%

Table 58 highlights the benefits of integrated PSA versus standalone PSA. Again, the results demonstrate that integrated PSA enables organizations to operate at higher levels of efficiency.

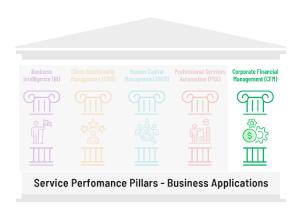
Table 58: Impact - Key KPIs based on PSA integration

PSA integration	Survey %	% of emp. billable	On-time project delivery	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Exec real-time visibility
No	45.5%	69.7%	72.1%	\$177	\$140	3.50
Partially	25.9%	70.4%	73.8%	\$216	\$176	3.67
Yes	28.7%	74.0%	75.9%	\$217	\$172	3.85
Total / Average	100.0%	71.1%	73.6%	\$199	\$158	3.64

Source: SPI Research, February 2025

Because the delivery of services is where PSOs make their money, and because PSA is the primary solution used by project managers and others responsible for service delivery, it is easy to understand why the operational and financial benefits are so significant. SPI Research has always recommended that organizations with over 20 employees use PSA. With the affordable cloud-based solutions now available, PSA should also be considered by even smaller organizations.

# **Corporate Financial Management (CFM)**

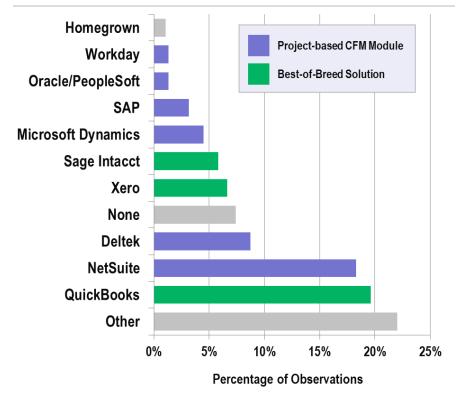


Corporate Financial Management (CFM) [Finance and Accounting, or ERP, is the primary application required to accurately collect, invoice, and report financial transactions. CFM collects and manages all financial information (expenses, invoices, etc.) to provide management reporting and visibility into total service revenue, cost, and profitability.

Project-driven, human capital-intensive businesses, like professional services, have unique financial management requirements, including support for complex contract types

and billing arrangements, and this is one reason why so many PSOs have moved to Project-based ERP. Revenue recognition is also complex and must conform to local accounting and taxation rules while providing support for multicurrency, multilingual transactions for global firms. Seamless integration between the system of record (PSA) for managing resources and projects and the financial management solution for payroll, expense management, invoicing, revenue recognition, and project accounting is critical. Whether the PSO looks for a Project-based ERP solution or a Best-of-breed, the financial management solution is the first solution PSOs must choose before any other applications are selected.

Figure 16: Corporate Financial Management (CFM) Solution Used



Source: SPI Research, February 2025

# Corporate Financial Management (CFM)

- · Activity Based Management
- Asset Management
- Cash Management
- · Collection Management
- Contract Management
- Financial Analytics
- · General Ledger
- · Internal Controls
- · Lease Management
- Payables
- · Planning and Budgeting
- · Property Management
- · Receivables
- Revenue Management
- · Risk Management
- Treasury

This year's survey included responses from 74 QuickBooks, 69 NetSuite, 33 Deltek, 25 Xero, and 22 Sage Intacct financials customers. QuickBooks is perennially the leading financial solution for small and medium-sized PSOs, with 20% of survey respondents using it. QuickBooks' market share has not declined despite the plethora of cost-effective low-end solutions that have come to market with the project accounting and resource management functionality needed by PS firms (Figure 16).

Project- and service-based extensions to enterprise ERP applications started to appear in the late 1990s. At the same time, stand-alone Professional Service Automation (PSA) solutions supporting resource scheduling and time capture and billing became available. Over the past 25 years, project accounting, resource management, and time capture and billing modules have been added to many ERP applications. Now, most project-based ERP providers also offer Human Capital Management (HCM) or talent management extensions to accentuate the critical role of talented workforce recruitment and engagement in today's economy.

Every organization surveyed with over 20 employees uses a CFM solution. Many PSOs now use Project-based ERP, and most are cloud-based. Cloud-based financials provide significant benefits compared to legacy on-premise solutions. They make it easier and less expensive to stay current on new releases; they offer greater adoption and ease of use; they provide support for new digital capabilities, including artificial intelligence, machine learning, and robotic process automation; and faster introduction for advanced billing, revenue recognition; multi-entity; multi-lingual and multi-currency accounting and taxation. They also provide much greater security for PSO information, becoming a more significant concern every year.

SPI Research did not calculate benefits associated with the core financial management solution, as every PSO with more than 20 employees utilizes it. SPI investigated the solution satisfaction of CFM and found that over 65% of the organizations surveyed were satisfied with it. Again, satisfaction correlates with greater use, and the organizations showing high satisfaction levels delivered more projects on time and with fewer overruns. Project margins tended to increase as satisfaction levels did. Approximately 10% of the PSO's were dissatisfied with their core financial management solution.

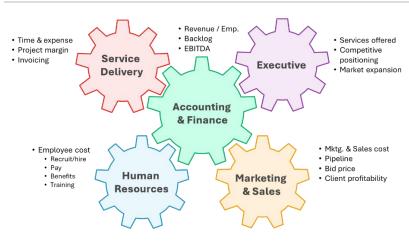
Table 59: Impact – Key KPIs based on CFM satisfaction

Satisfaction with CFM	Survey %	On-time proj. delivery	Project overrun	Project margin	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)
Very Dissatisfied	1.9%	66.4%	17.9%	38.5%	\$182	\$168
Dissatisfied	8.6%	72.4%	9.7%	38.7%	\$208	\$178
Neither sat. or dissat.	24.3%	72.1%	12.3%	32.8%	\$170	\$132
Satisfied	45.7%	72.2%	12.0%	36.1%	\$206	\$161
Very Satisfied	19.5%	79.5%	7.7%	38.4%	\$222	\$175
Total / Average	100.0%	73.5%	11.1%	36.0%	\$200	\$158

# **Application Integration with the Corporate Financial Management Solution**

While the core business solutions support individual departments in their efforts to become more productive and profitable, when these solutions are integrated with the core financial management solution (CFM), they create additional insight and value (Figure 17). For instance, CRM integrated with CFM provides sales executives with the insight necessary to develop a pricing strategy, supporting the highest probability of winning the bid with maximum

Figure 17: Success Depends on Inter-departmental Cooperation



Source: SPI Research, February 2025

profitability. Without this integration, conducting this analysis would be much more challenging. Today's PSOs cannot operate with functional silos as the lines between sales, talent, delivery and finance become blurred. Table 60 shows a three-year trend on the solution's integration with core financials.

It is also important for applications to communicate with each other. PSA, integrated with CRM, provides visibility from the sales pipeline to the resource schedule, ensuring the right resources are available when needed. With integrated HCM, human resources, recruiting and resource management all benefit from visibility into in-demand skills,

Table 60: Solution Integration with Core Financials Trend

Solution	2022	2023	2024
Professional Services Automation (PSA)	54.1%	49.6%	41.6%
Client Relationship Management (CRM)	45.7%	51.1%	37.2%
Planning (PL)	49.2%	52.4%	26.8%
Human Capital Management (HCM)	39.5%	58.8%	25.6%

Source: SPI Research, February 2025

consultant preferences and career aspirations.

Each year SPI Research's Professional Services Maturity™ Benchmark quantifies the benefits achieved by services organizations with solutions that integrate Client Relationship Management and financial processes, Human Capital Management and financial processes, and Professional Services Automation and financial processes. Of course, the systems themselves are only part of a broader firm-wide commitment to behavioral change that fosters collaboration and enhanced communication, coordination, and quality management.

#### **Solution Satisfaction**

Table 61 shows application satisfaction (1: very dissatisfied to 5: very satisfied). Satisfaction with CRM tops the list followed by CFM and PSA. PSOs continue to exploit the functionality of HCM more fully beyond payroll for recruiting, learning management, career management and skill building and certification.

Table 61: Solution Satisfaction Trend

Key Performance Indicator (KPI)	2022	2023	2024
Client Relationship Management (CRM)	3.89	3.79	3.73
Planning (PL)	3.89	3.68	3.38
Corporate Financial Management (CFM)	3.82	3.76	3.72
Professional Services Automation (PSA)	3.79	3.77	3.55
Human Capital Management (HCM)	3.62	3.54	3.49

Source: SPI Research, February 2025

#### **CRM / PSA Integration**

CRM and PSA solutions are used by both client-facing groups – sales and service delivery. It is essential these two groups communicate and collaborate effectively. Integrated CRM and PSA help sales and service delivery collaborate better to ensure sales are selling what the service delivery team can deliver. Table 62 shows just a few of the benefits achieved when PSO integrates CRM and PSA. Increased backlog and much higher financial metrics are achieved when these two solutions are integrated.

Table 62: Impact – Key KPIs based on CRM / PSA integration

CRM / PSA integration	Survey %	Revenue growth	New clients	Project margin	Ann. rev./ consult. (k)	Profit (EBITDA)
No	48.7%	4.4%	30.4%	34.8%	\$178	8.2%
Partially	22.3%	5.8%	29.4%	36.6%	\$212	10.2%
Yes	29.0%	5.0%	28.4%	38.1%	\$222	11.1%
Total / Average	100.0%	4.9%	29.6%	36.2%	\$198	9.5%

Source: SPI Research, February 2025

# **Project-based Enterprise Resource Planning (ERP)**

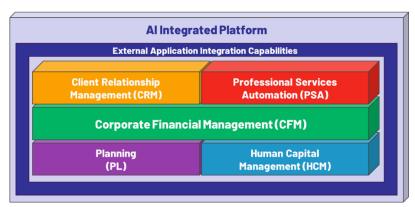
Enterprise Resource Planning (ERP) solutions have been around for decades. Some of the leading vendors provide project-based capabilities for their clients. Over the past decade, the market has demanded that ERP be built around projects and service delivery, thus the recent birth of Project-based ERP. SPI Research has tracked this market since its inception, and finally, there is sufficient data to show the true benefits of Project-based ERP.

SPI Research defines Project-based ERP as a solution specifically designed for project-based businesses where people are the primary input and organizational goals can be attained by optimizing people and projects. Ideally, Project-based ERP includes the five core solutions that PS uses to run its business efficiently and effectively. They include: 1) Planning (PL), 2) Client Relationship Management (CRM), 3) Human Capital Management (HCM), 4) Professional Services Automation (PSA), and 5) Corporate Financial Management (CFM).

A point to note is that **Project-based ERP must include financial management, as it is the first and most important solution that** PS executives implement. Several providers offer a platform that includes

the core solutions in professional services besides financials, such as Client Relationship Management (CRM), Human Capital Management (HCM), Professional Services Automation (PSA), and Planning (PL). These five make up the base of Project-based ERP (Figure 18). But there are so many other solutions developed by independent software vendors that must be able to be integrated with a Project-based ERP solution. Therefore, the platform is

Figure 18: Project-based Enterprise Resource Planning Platform



Source: SPI Research, February 2025

critical when decision-makers go to make a purchase.

Table 63 shows that for the first time, ever, more firms in the survey used product-baked ERP solutions

than did not. The situation does not necessarily mean PSOs are using project-based ERP for everything, but at least they are for their financials and, in most cases, planning solutions. In many instances, CRM, PSA, and HCM can be the best of breed. The bottom line is performance with a project-based ERP financial solution shine brightly. The organizations surveyed grew revenue much faster, had higher billable utilization, greater

Table 63: Impact - Project-based ERP Use

Key Performance Indicator (KPI)	PBE Used	PBE Not Used	% ↑↓
Survey %	52.9%	47.1%	
Year-over-year change in PS revenue	5.6%	3.2%	74%
Year-over-year change in PS headcount	3.1%	0.3%	1006%
Quarterly revenue target in backlog	45.4%	40.4%	13%
Employee billable utilization	71.7%	66.0%	9%
Revenue per project (k)	\$231	\$140	65%
Annual revenue per billable consultant (k)	\$214	\$180	19%
Profit (EBITDA %)	10.5%	9.5%	11%

revenue per project and consultant, and a higher profit figure than those organizations that did not use project-based ERP. This trend will be necessary as we advance, as the project-based ERP vendors are offering so much more than just financials.

# **PS Solution Adoption**

In this year's survey, commercial adoption decreased in all the primary business applications except for Planning / Business Intelligence (Table 64). SPI's clients emphasized the importance of business and capacity planning tools to help them navigate a challenging year. HCM usage went up in 2024 and continues an upward trend in use as more and more firms realize the benefits of integrating payroll with

recruiting and skill building. The integration of HCM and PSA gives employers and employees visibility to upcoming projects and the skills they need to be part of them. The abundance of high quality, affordable cloud-based solutions has enabled greater numbers of PSOs to adopt commercial business applications, yet a surprisingly large number of firms

**Table 64: Commercial Solution Adoption** 

Solution	2022	2023	2024
Planning (PL) / Business Intelligence (BI)	53.1%	54.1%	47.9%
Client Relationship Management (CRM)	85.1%	79.6%	83.9%
Human Capital Management (HCM)	70.5%	67.8%	69.0%
Professional Services Automation (PSA)	78.4%	74.3%	71.3%
Corporate Financial Management (CFM)	95.5%	94.7%	91.5%

Source: SPI Research, February 2025

still rely on antiquated homegrown applications and spreadsheets. Excel remains the most-used business application.

Figure 19: Commercial Solution Adoption

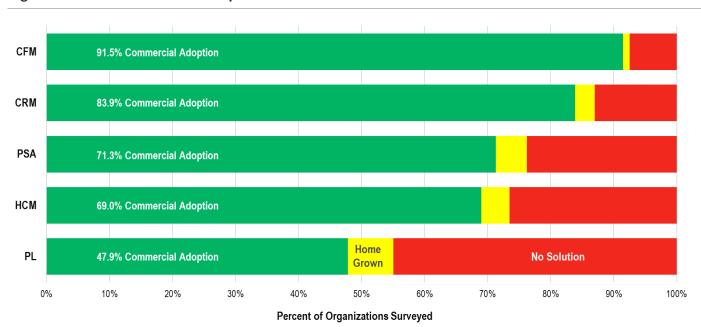


Figure 19 shows that over 90% of the organizations surveyed use a financial management solution. Those firms that do not tend to be very small and either have no solution or a homegrown (Excel) solution. The percentages change every year, and the adoption of the CFM solution is always followed by CRM, PSA, HCM, and the planning solution, in that order. SPI Research sees a broader adoption of HCM going forward. This figure has risen for over a decade and has become increasingly important as workforce management (cost, skills, availability) becomes more critical than ever.

Table 65: Business Application Use by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2024	ESO	PSO	Americas	EMEA	APac
Commercial CFM solution used	91.5%	95.2%	90.1%	91.3%	91.4%	93.3%
Satisfaction with CFM solution	3.72	3.66	3.75	3.74	3.58	3.86
Commercial CRM solution	83.9%	88.2%	82.2%	83.7%	83.3%	86.7%
Satisfaction with CRM solution	3.73	3.84	3.68	3.75	3.67	3.66
CRM is integrated	37.2%	44.8%	34.1%	39.4%	26.2%	38.5%
Commercial PSA solution	71.3%	80.7%	67.6%	70.2%	74.2%	76.7%
Satisfaction with PSA solution	3.72	3.75	3.71	3.77	3.48	3.80
PSA is integrated	52.7%	44.3%	56.9%	54.9%	43.3%	52.3%
Commercial HCM solution	69.1%	79.4%	65.1%	70.1%	67.2%	63.3%
Satisfaction with HCM solution	3.49	3.49	3.49	3.53	3.34	3.44
HCM is integrated	25.6%	26.3%	25.3%	26.2%	21.4%	28.0%
Commercial PL solution	47.9%	47.6%	48.0%	46.8%	55.0%	43.3%
Satisfaction with PL solution	3.38	3.33	3.40	3.36	3.47	3.34
PL is integrated	26.8%	25.3%	27.4%	29.4%	21.6%	16.7%
CRM / PSA integration	40.1%	50.5%	36.3%	41.6%	34.7%	37.9%

Source: SPI Research, February 2025

Table 65 compares business solution adoption and satisfaction along with the financial management (CFM) integration level. APac's usage of CFM surpasses that of EMEA and the Americas. Recently, European and Asia Pacific-headquartered firms have made big investments in PSA. HCM continues to receive the lowest overall satisfaction ratings because SPI's research shows that much of HCM's functionality has not been fully deployed or adopted. Effective HCM usage requires effective talent management processes, including change management, along with leadership training and development.

The level of solution adoption is much higher within embedded PS organizations. The table shows CRM, HCM, PL, and PSA are significantly more prevalent in embedded service organizations than in independents. This is to be expected because embedded service organizations (ESOs) tend to be larger and have a strong product-oriented sales force responsible for bringing services into deals. Product companies tend to value and invest more in IT than independent service providers.

Table 66 shows higher levels of solution adoption as organizations grow. Most importantly, greater solution integration with core financials increases as organizations get more prominent. Even with the proliferation of affordable and easy-to-use cloud solutions, the smallest organizations will always lag in their adoption rates. SPI Research has seen an increase in adoption in organizations of all sizes. This table highlights the importance professional services organizations have placed on building a strong financial application infrastructure to enhance visibility and management control, resulting in higher productivity and profit.

**Table 66: Business Application Use by Organization Size** 

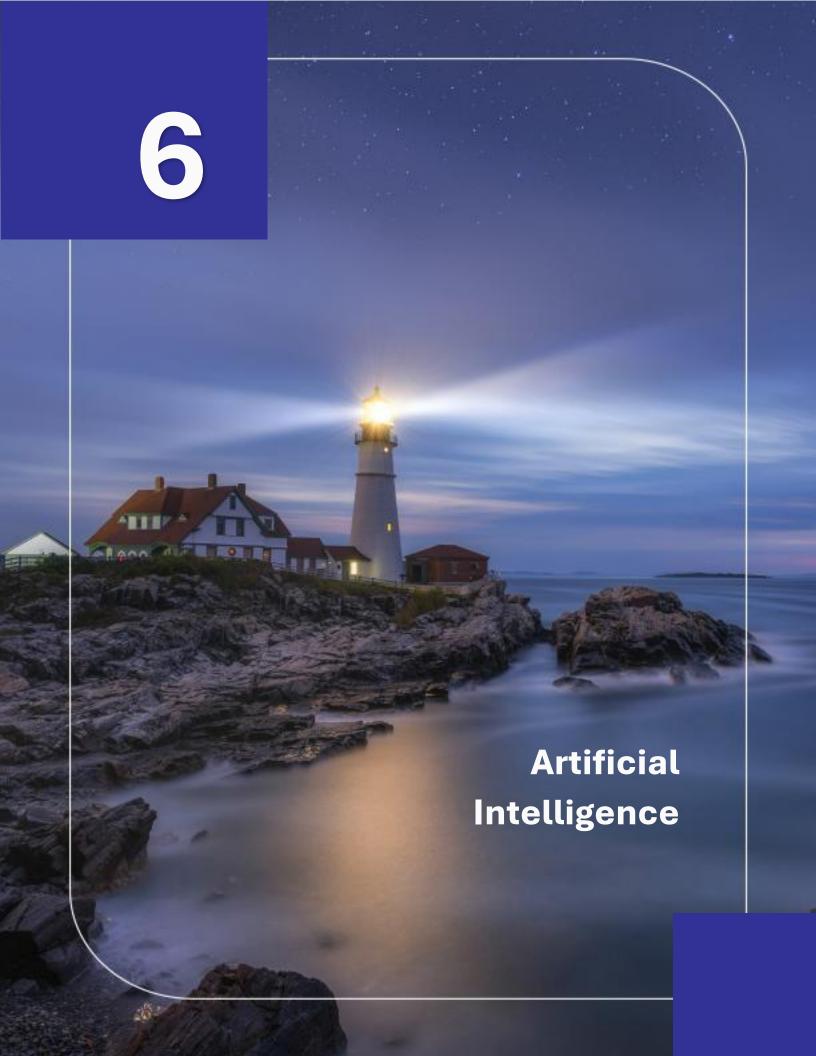
Key Performance Indicator (KPI)	Under 10	10 - 30	31 - 100	101 - 300	301 - 700	Over 700
Commercial CFM solution used	68.2%	90.8%	96.7%	98.8%	100.0%	100.0%
Satisfaction with CFM solution	3.64	3.67	3.81	3.84	3.67	3.41
Commercial CRM solution	62.3%	86.6%	81.1%	98.8%	100.0%	89.3%
Satisfaction with CRM solution	3.55	3.55	3.76	4.00	3.67	3.68
CRM is integrated	15.9%	33.1%	34.5%	53.1%	41.7%	57.1%
Commercial PSA solution	43.5%	63.8%	73.8%	90.1%	83.3%	85.7%
Satisfaction with PSA solution	3.71	3.98	3.66	3.71	3.50	3.69
PSA is integrated	40.0%	45.2%	50.0%	59.3%	50.0%	70.8%
Commercial HCM solution	32.4%	58.2%	74.6%	91.3%	88.9%	85.2%
Satisfaction with HCM solution	3.38	3.40	3.64	3.52	3.71	3.12
HCM is integrated	16.7%	28.0%	21.9%	30.8%	23.5%	42.3%
Commercial PL solution	29.9%	46.2%	43.2%	60.0%	72.2%	65.4%
Satisfaction with PL solution	3.40	3.37	3.33	3.46	3.47	3.25
PL is integrated	18.6%	19.8%	23.9%	39.6%	31.3%	35.4%
CRM / PSA integration	15.6%	34.6%	37.9%	59.0%	41.7%	64.0%

Source: SPI Research, February 2025

Table 67 shows embedded services organizations (Software & SaaS PS) have higher CRM and PSA adoption rates than independents in almost all solution categories. Generally, these organizations are part of a larger technology-focused product organization, and larger organizations tend to rely more heavily on business applications to improve performance. Architects, engineers, and management consultancies reported lower application usage levels across most categories except core financials, which they rely on to run the business.

**Table 67: Business Application Use by Market** 

Key Performance Indicator (KPI)	IT Consult	Mgmt Cons	SaaS PS	Soft PS	Arch/Engr	Agency
Commercial CFM solution used	98.9%	79.5%	93.6%	95.2%	95.5%	75.0%
Satisfaction with CFM solution	3.77	3.73	3.45	3.81	3.81	3.74
Commercial CRM solution	91.2%	74.7%	94.1%	100.0%	72.1%	80.0%
Satisfaction with CRM solution	3.79	3.70	3.75	3.86	3.45	3.48
CRM is integrated	40.0%	18.8%	51.0%	57.5%	43.9%	30.4%
Commercial PSA solution	88.2%	49.4%	86.3%	81.0%	56.8%	62.5%
Satisfaction with the PSA solution	3.72	3.57	3.95	3.89	3.76	3.80
PSA is integrated	49.4%	52.8%	35.2%	61.8%	83.3%	60.0%
Commercial HCM solution	73.9%	45.8%	83.7%	71.4%	69.0%	79.2%
Satisfaction with the HCM solution	3.52	3.62	3.48	3.21	3.35	3.45
HCM is integrated	27.9%	18.1%	24.4%	27.5%	28.4%	19.6%
Commercial PL solution	55.1%	31.7%	50.0%	66.7%	47.6%	54.2%
Satisfaction with PL solution	3.58	3.17	3.29	3.42	3.29	3.65
PL is integrated	27.2%	15.6%	21.3%	42.1%	37.5%	36.4%
CRM / PSA integration	47.2%	21.3%	56.4%	64.3%	30.8%	29.2%



#### **ARTIFICIAL INTELLIGENCE**

SPI Research has just begun to introduce Artificial Intelligence to the Professional Services Maturity™
Benchmark. In the future, it could be an essential aspect of it. Al has taken the market by storm over the past two years, influencing businesses everywhere. Most would agree that it will be important in the professional services market. PSOs will use it to improve performance and sell it as a new strategic service in their professional services portfolio. Al will impact industries, companies, and individuals to be more productive. It will work with people to solve both micro and macro problems. In 2024, everyone knew this reborn Al was in its infancy as a technological change agent. 2025 should see much more.

Al has been around for decades. Some trace it back to the late 1950s, and others back over 100 years. Regardless, very little was discussed about Al other than in academic arenas or high-end technology services areas until a few years ago. Then, due to Generative Al (Gen Al) and ChatGPT, it seemed the world exploded with interest in this technology and how it could positively and negatively impact everyone. Al is still in its infancy. Last year, people heard about the hundreds of uses of Al. Next year, it will be thousands, and within a few years, millions. The Al revolution is here!

Al will hit professional services organizations both internally and externally. For instance, in each of the service performance pillars, Al will have both high and low-level impacts, including:

- Leadership: Market analysis as strategy creation
- Client Relationships: Marketing, sales, innovation and creativity
- Talent: Hiring, training, and career management
- Service Execution: Planning, scheduling, process optimization and issue resolution
- Finance & Operations: Audit and financial optimization

## What is AI?

There are many definitions of Artificial Intelligence on the Internet. One SPI found interesting and valuable is "Artificial Intelligence is theory and development of computer systems able to perform tasks that usually require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages."

Artificial Intelligence helps with problem-solving by replacing people with specific functions. It is created through machine learning, when the computer receives a significant amount of data, learns to interpret it, and then forms human responses. Al involves pattern recognition, and computers will then learn from this data and teach themselves how to respond. Of course, incorrect data will yield incorrect responses. New Al systems require significant quality control.

Al cannot become truly human in the sense of having consciousness, emotions, and subjective experiences. But it will continue to get smarter and handle a greater variety of questions. The solutions are nearly limitless in terms of what they could potentially do. Some fear that Al will replace human beings in the workplace. While that statement is somewhat correct, it doesn't reflect that the market is more

competitive than ever, and there are not enough people with the prerequisite skills to compete. Also, virtually every new technology thought to replace humans turns out to need more humans as its capabilities increase.

Artificial Intelligence will help organizations become more efficient and effective, and like every technology before it, it will only add workers with different skills. The population is aging, and not enough people are entering the workforce to replace all the lost skills. Al will add to companies' productivity to ensure they can sustain long-term success. It will require oversight, collaboration, and control. People will always be responsible for making the final decision, but Al will help them make the best possible choice. Regulations related to workers are increasing alarmingly, and Al can continually sort through the new policies to alert organizations of their existence.

# Why AI has Suddenly Become so Important

Artificial intelligence has been discussed in technology circles for decades. So, what changed? With the advent of ChatGPT, professionals in the technology world and outside realized this was something new and vital. Large Language Models (LLMs) must help create an environment for organizations in every market that can become more efficient and effective, automating tasks and improving decision-making. As the world changes and it feels like there are not enough employees, Gen AI will help. Customer support can be made so users don't always scream into their telephone, "Representative!" AI works 24\*7 and doesn't need a break. The cost of implementation can be high, which is why the Professional Services market is there to help. Many firms have implemented the Chief Data Officer (CDO) role and expanded it to include managing analytics and AI innovation within their purview.

#### **The Societal Benefits Could Be Endless**

Al will create innovations and new business models. Think about past technological shifts. Workers were not replaced in industries; they just gained new skills. Al will create a new market, and educational systems worldwide will adapt. Jobs will change, but people will be more productive and more satisfied with what they can do. Everyone will be using Al at some point to do several activities. The companies that get ahead will succeed over the long term. Again, this is the area professional services firms will use to help their clients become more efficient and effective. However, they will also use Al internally to drive their performance.

#### **Gen Al Industry Use Cases**

Artificial intelligence offers transformative opportunities across various industries by enhancing efficiency, productivity, and profitability. Below are just some of the examples (and markets) where AI will drive productivity (and profitability:

- Defense: Threat detection, mission planning, cybersecurity, and intelligence analysis.
- **Education**: Automated tutoring, grading, personalized learning, content creation, and performance prediction.
- Energy: Forecasting demand, preventive maintenance, and optimizing energy.

- **Entertainment**: Content recommendation, personalized advertising, and video and audio content creation.
- Agriculture: Farm management, crop monitoring, and yield prediction.
- Finance: Fraud detection, risk management, trading algorithms, compliance, and credit scoring.
- **Healthcare**: Disease diagnosis, drug discovery, patient monitoring, and medical research.
- Manufacturing: Robotics automation, quality control, supply chain management, and predictive maintenance.
- Retail: Customer support, marketing personalization, demand forecasting, visual search, and inventory management.
- **Transportation**: Autonomous vehicles, traffic prediction and optimization, and logistics.

Each of these uses demonstrates the broad impact AI is expected to have, driving significant changes across industries. The key is that these markets will need help deploying AI. Professional services firms with market-specific expertise will drive adoption. This new revenue stream will be significant; many firms' services will potentially employ AI capabilities.

For instance, if a PSO has a Request for Proposal (RFP), AI could generate a response with an approximate timeline and cost, plus build out the corresponding references and key consultant biographies. It could also go into the *Professional Services Automation* (PSA) solution and build a project plan with specific consultants. The consultants' costs and skills would come from the *Human Capital Management* (HCM) solution, and then AI would make a *project financial analysis*. It could analyze the project team to ensure the people work well together and not include any conflicts among schedules.

# **Gen Al's Impact on the Professional Services Market**

Gen AI has become essential to the technology industry, particularly the Professional Services market. Research associated with AI is highly technical and specialized. The core problems it helps with include programming computers for specific traits, such as:

- 1. *Knowledge*: The representation of knowledge about the world.
- 2. **Reasoning**: The rules of logic to reach approximate or definite conclusions.
- 3. **Problem-solving:** The capability to solve problems through logical deduction.
- 4. **Perception**: The ability to interpret images, sounds, and other sensory inputs.
- 5. **Learning**: Al systems must learn from experience and adjust to new inputs.

Gen AI can transform the professional services market by automating tasks, enhancing data analysis, personalizing services, improving risk management, enhancing customer experience, increasing efficiency, enabling predictive analytics, and providing compliance and regulatory support. Professionals who embrace AI technologies can gain a competitive edge, deliver higher-quality services, and better meet their clients' evolving needs. Below is a list of just some of the ways Gen AI will impact on the Professional Services market:

- 1. **Automation of Routine Tasks**: Automate repetitive and time-consuming tasks in various professional services, such as data entry, document analysis, and report generation. This allows professionals to focus on more strategic and high-value activities.
- 2. **Enhanced Data Analysis**: Analyze large volumes of data quickly and accurately, providing professionals with valuable insights for decision-making. This can improve the quality of services and help professionals make more informed recommendations to clients.
- 3. **Personalization of Services**: Help professionals personalize their services to meet each client's needs. Professionals can tailor their services and recommendations by analyzing client data and preferences, improving client satisfaction and loyalty.
- 4. *Improved Risk Management*: Help professionals manage risk by analyzing data and identifying potential dangers before they escalate. This proactive approach can help professionals mitigate risks more effectively and protect their clients' interests.
- 5. **Enhanced Client Experience**: Al-powered chatbots and virtual assistants can provide round-the-clock customer support, answer frequently asked questions, and assist clients with basic inquiries. This enhances the overall customer experience and improves client satisfaction.
- 6. **Efficiency and Cost Reduction**: Automating tasks and streamlining processes can help professional services firms increase efficiency and reduce operational costs. This can lead to improved profitability and a competitive advantage in the market.
- 7. Predictive Analytics: Analyze historical data to predict future trends and outcomes. In professional services, predictive analytics can help firms anticipate client needs, market trends, and potential risks, enabling them to make proactive decisions and provide more strategic advice to clients.
- 8. **Compliance and Regulatory Support**: Monitor changes in legislation, analyze compliance requirements, and flag potential issues to assist professionals in staying up to date with complex laws and regulations. This can help professionals meet regulatory standards and avoid costly compliance violations.

The Professional Services technology market is already ahead in Al. Most leading solution providers have built Al into their solutions for years. From SPI Research's perspective, there will be several different capabilities. Al will be provided in each of the five core business models:

- Analysis & Planning: Al will allow annual planners to conduct simulations and scenario analyses.
   Perhaps more importantly, Al will provide real-time updates on how strategies and service offerings
   might change as conditions change. Of course, this will drive a greater need for employee training
   and hiring practices.
- 2. Client Relationships: PSOs will utilize AI to create marketing campaigns that use relevant content, such as visual graphics, marketing messages, emails, and other areas within the web, to help promote new products and services. It won't be perfect initially, but it will provide an advantage to organizations creating fresh content.

- 3. Talent Optimization: Professional services executives must continually look at their talent pool to ensure they have the right balance of resources. This is especially important in professional services, where employees have a much higher cost than the average industry. Al will help the organization balance supply and demand, enabling them to keep the bench strength at an adequate level and not over and under. Satisfied employees stay with the organization, and those overworked or underworked are more likely to leave. It will also help with training new and existing employees. In the professional services market, individuals constantly work to gain knowledge to make them more valuable in their careers. Al will help the organization steer the employees to the suitable courses and training necessary to achieve their career goals. This situation, of course, will help lower employee costs.
- 4. Service Execution: Service delivery is where the rubber meets the road in professional services. It is where PSOs make or lose money. Organizational strategies, sales, and hiring go to waste if PSOs cannot efficiently deliver high-quality services. Al will help in this area. It will help continually look at staffing resources, with the attempt to optimize the cost, margin, and timeliness of service delivery. Professional Services is a market that depends on people, and people change. It could be termination, projects that are delayed or canceled, or another reason that an ideally delayed schedule on one day is wildly inaccurate just a few days later. It will continually examine the makeup of services and individuals to ensure the PSO can optimize billable utilization, cost, and margin.
- 5. *Finance and Operations*: Most PSOs are in the business to make money, and if not, to be productive and serve more clients with the same number of (human and financial) resources. Al will add a business analyst who never stops working to ensure sufficient cash flow, manage costs across the organization, and maximize profitability. For years, different individuals in PSO have done this work, but not in every PSO; AI is just like having a new employee who never stops.

# **Organizational Concerns with Al**

Of course, with all the potential benefits AI could produce, skeptics rightfully warn organizations not to let this new technology go in the wrong direction. Some of the risks discussed include:

- △ **Unemployment**: Because AI could take over workers' jobs.
- Δ **Bias and discrimination**: All is built on existing intelligence, and inherent biases could lead PSOs to discriminate in hiring and training.
- △ **Lack of Accountability**: Who is accountable when a tool makes the decisions? Critical decisions must always fall on the individuals responsible.
- Δ **Privacy**: Al collects and analyzes significant data, potentially leading to breaches and other data security issues. PSOs must make sure they do not misuse sensitive information:
- Δ **Hacking and Cybersecurity Risks**: Al systems can be vulnerable to cyberattacks and exploitation by malicious actors, leading to data breaches, disruptions, and potential harm to individuals and organizations.

△ **Ethical Dilemmas**: Al raises ethical dilemmas related to treating Al systems, privacy considerations, transparency in decision-making, and accountability for Al-generated outcomes.

These are just a few of the areas that are causing concern about AI. As with any new technology over the past 150 years, automobiles, computers, Internet, etc., AI should never make the final decision but should provide all the relevant facts, pros and cons of a decision, even helping to advise on the decision, but people must always be in control. The goal is for the right amount of regulation to allow the benefits of AI to bear fruit. Very few people want a weaponized AI where deepfakes and repulsive and inaccurate social mediation creation divide people. PSOs must address these potential dangers with proactive measures, including robust regulations, ethical guidelines, transparency in AI systems, accountability mechanisms, and ongoing research into AI's societal impacts.

## Percentage of consultants dedicated explicitly to AI practice

There is not one firm SPI Research has spoken with in the past year that has not discussed AI and how they plan to approach it. Most firms have either created practices specifically for AI or trained their consultants on AI so that they are ready to discuss it with clients and sell services built around it. There is little doubt this will be an enormous market over the next decade. SPI Research asked what percentage of the consultants in the firm are dedicated to the AI practice. These results showed that nearly 90% of the organizations surveyed have less than 20% of their consultants devoted to AI, but the number is growing.

## **Percentage of projects currently utilizing Generative AI**

Use cases for AI are expanding exponentially. Every day, new ways and approaches to artificial intelligence are being used. Many of these will help differentiate one professional services firm from the rest. Right now, this technology is not commodified, so everyone who innovates has a much better chance of winning.

SPI Research asked the percentage of projects that currently utilize Gen AI. Table 68 highlights that most PSOs are early in their use of AI on projects, but those that do are expanding to new clients and have a higher reference percentage. Most are efficient and complete projects on time. This bodes well for long-term growth and client satisfaction, driving profits and employee satisfaction.

Table 68: Impact - Percentage of organization's projects currently utilizing Generative AI

Percentage of PSO's projects currently utilizing Generative Al	Survey %	Revenue growth	New clients	Client reference	On-time project. delivery	Ann. rev./ consult. (k)
0%-20%	75.4%	4.7%	29.1%	69.8%	73.3%	\$203
21%-40%	14.8%	5.2%	29.3%	69.8%	73.4%	\$198
41%-60%	6.4%	10.1%	28.6%	69.5%	70.7%	\$210
61%-80%	3.4%	-0.8%	29.1%	72.9%	71.4%	\$180
81%-100%	2.5%	8.6%	43.6%	73.8%	86.7%	\$192
Total / Average	100.0%	5.0%	29.1%	69.9%	73.1%	\$202

# PS leadership supports adopting and integrating Generative Al

PSOs continue their discussions on Gen AI; the question is, "How accepting is PS leadership of it?" As with any new technology, some fear AI is on the bleeding edge, not the leading edge. Each leader and each PSO have the right to their opinion. SPI Research wanted to ask how supportive the leaders of Gen AI are.

Table 69 shows that nearly 75% of the organizations surveyed are supportive of Gen AI. These organizations are focused on growth, and the numbers bear it out. SPI Research believes there will be continued and growing support for Gen AI as more benefits become known and clients begin to demand AI capabilities.

Table 69: Impact – PS leadership supports adopting and integrating Generative AI

PS leadership supports adopting and integrating Generative Al	Survey %	New clients	Deal pipeline	% of bids won	Backlog	Project duration (man-months)
1 - Very unsupportive	5.4%	29.3%	184%	38.8%	30.3%	37.0
2 - Unsupportive	1.4%	40.0%	130%	46.0%	16.7%	63.0
3 - Neutral	19.3%	28.2%	141%	53.6%	38.5%	28.2
4 - Supportive	41.3%	28.7%	178%	45.9%	44.0%	28.9
5 - Very supportive	32.6%	30.4%	164%	47.5%	46.3%	34.5
Total / Average	100.0%	29.4%	166%	47.5%	42.6%	31.5

Source: SPI Research, February 2025

#### Generative AI has impacted on the organization's productivity and efficiency.

One of the benefits of Gen AI is internal use. All the leading application vendors are incorporating AI into their solutions. This will help create greater visibility and provide more significant support in planning, selling, hiring, delivery, and accounting for services. However, there are also many other ways Gen AI can be used in professional services. Creating proposals, assisting with writing and editing, preparing documents for new hires, and the list goes on and on. Gen AI is just beginning to impact on the professional services market significantly.

Table 70 highlights the firms where Gen AI has impacted on their ability to be more productive and efficient. The results show that firms utilizing Gen AI are performing at a much higher level in terms of growth, billable utilization, on-time project delivery, and revenue. And this is just the beginning.

Table 70: Impact - Generative AI has impacted the organization's productivity and efficiency

Gen Al has impacted the PSO's productivity and efficiency	Survey %	Revenue growth	Headcount growth	Billable utilization	On-time project. delivery	Annual revenue/ consultant (k)
1 - Significantly decreased	1.2%	-6.3%	-16.3%	52.5%	65.0%	\$242
2 - Decreased	0.9%	-3.3%	-2.5%	40.0%	95.0%	\$50
3 - No change	49.6%	5.3%	1.6%	70.5%	73.0%	\$199
4 - Increased	48.4%	5.4%	3.1%	67.4%	73.4%	\$206
5 - Significantly increased	6.4%	4.3%	2.5%	73.6%	75.0%	\$188
Total / Average	100.0%	5.1%	2.1%	68.5%	73.3%	\$202

# 12-month estimated ROI PS can be achieved by implementing Generative AI

The question has been asked repeatedly: is generative AI delivering value in the professional services market and the overall economy? SPI Research is particularly interested in how Gen AI will impact PSOs internally. The benefits have been described in prior sections, and the question is, what is the return on investment of Gen AI?

Table 71 highlights the current responses. Of course, the technology is new, and SPI Research expects it to be much higher over the next few years. But it's good to understand today what the market is facing and how it can improve.

Table 71: Impact – 12-month estimated ROI PS can be achieved by implementing Gen AI

Estimated ROI PS can achieve from implementing Generative AI technologies in 12 months.	Survey %	Org. size (emp)	Revenue growth	Headcount growth	Employee attrition	Profit (EBITDA)
Negative ROI	2.3%	111	-4.1%	-3.5%	7.6%	7.3%
0%-10%	26.5%	347	5.0%	1.8%	11.7%	10.7%
11%-20%	13.5%	240	4.2%	2.9%	11.9%	10.1%
21%-30%	3.4%	376	4.6%	1.9%	11.7%	9.8%
Over 30%	54.3%	179	8.7%	5.3%	12.0%	7.4%
Total / Average	100.0%	237	6.7%	3.7%	11.8%	8.7%

Source: SPI Research, February 2025

# Length of time for PS to see a positive ROI after adopting Generative AI

Most PSOs see Gen AI as having a positive impact and return on investment (ROI) over the next year. The sooner, the better for PSOs and, more importantly, for their clients. The market is just determining new ways to measure and calculate ROI for this technology. SPI Research expects that there will be more standardized approaches to evaluating its benefits and costs over the next few years.

Table 72 shows the survey results and highlights the benefits SPI Research believes are achieved for these firms. It's important to note that the firms that capture this type of information generally are more data-driven than others.

Table 72: Impact - Length of time for PS to see a positive ROI after adopting Generative AI

Length of time for PS to see a positive ROI after adopting Generative AI	Survey %	Org. size (emp)	Revenue growth	% of emp. billable	On-time delivery	Profit (EBITDA)
More than 2 years	10.3%	805	3.5%	67.0%	71.5%	13.8%
1-2 years	37.8%	370	4.9%	71.0%	72.4%	9.6%
6-12 months	28.6%	223	4.4%	71.5%	74.2%	10.2%
Less than 6 months	23.3%	115	5.5%	72.6%	74.6%	10.6%
Total / Average	100.0%	313	4.8%	71.1%	73.4%	10.4%

Source: SPI Research, February 2025

# Security concerns regarding the use of Generative Al

Like every new major technology introduced, there are concerns about the safety and security of Gen AI. News organizations have reported plagiarism, and of course, the US and other elections showed how using images can create false narratives. Security will always be necessary, and professional services organizations should drive safety and security in all their client organizations and internally.

Table 73 analyzes the opinions of generative AI associated with security. Most PSOs have concerns about AI, especially as they grow larger. Most will use AI, but always with an eye toward safety and security.

Table 73: Impact - How concerned is PS of the security regarding the use of Generative AI

How concerned is PS of the security regarding the use of Generative Al	Survey %	Org. size (emp)	Employee attrition	Rec. to family/ friends	Billable utilization	% of ann. margin target
1 - Very unconcerned	3.1%	167	7.5%	4.00	58.6%	87.0%
2 - Unconcerned	5.0%	68	10.0%	3.82	70.0%	88.1%
3 - Neutral	28.1%	277	11.9%	4.34	67.5%	87.7%
4 - Concerned	39.8%	275	12.3%	4.30	69.9%	88.6%
5 - Very concerned	24.0%	437	11.7%	4.26	69.4%	85.3%
Total / Average	100.0%	301	11.8%	4.27	68.8%	87.4%

Source: SPI Research, February 2025

## The importance of Generative AI for PS improvement

SPI Research believes Gen AI will significantly impact professional services internally and externally to all clients. Use cases show that organizations using Gen AI are slowly but surely improving overall efficiency. Given the talent shortage in professional services, having a Gen AI assistant will help PSOs become more efficient.

Table 74 shows PSOs expect Gen AI to mainly increase their organizations' overall efficiency. This figure is consistent in both embedded and independent organizations. It is also deemed important across the different regions. Second is cost reduction, which is another driver of profitability growth. Embedded service organizations have a slightly higher optimism on Gen AI to reduce cost, but nonetheless, most organizations feel that it will. The lowest score on this table is business planning, which SPI Research believes Gen AI will help but not be a driving force.

Table 74: The importance of Generative AI for PS improvement

Areas for Gen Al for improvement	2024	ESO	PSO	Amer.	EMEA	APac
Business planning	3.12	3.25	3.07	3.14	3.17	2.90
Increase efficiency	3.93	3.92	3.93	3.91	4.00	4.00
Enhance client engagement	3.48	3.68	3.40	3.47	3.43	3.62
Innovate service offerings	3.57	3.65	3.53	3.54	3.66	3.62
Reduce costs	3.65	3.72	3.62	3.65	3.72	3.48
Improve decision-making	3.42	3.58	3.35	3.42	3.47	3.28
Average	3.53	3.63	3.49	3.52	3.58	3.48

Source: SPI Research, February 2025

Table 75 mirrors the overall opinions as most markets perceive Gen AI as improving efficiency first, followed by reducing costs.

Table 75: The importance of Generative AI for PS improvement by Market

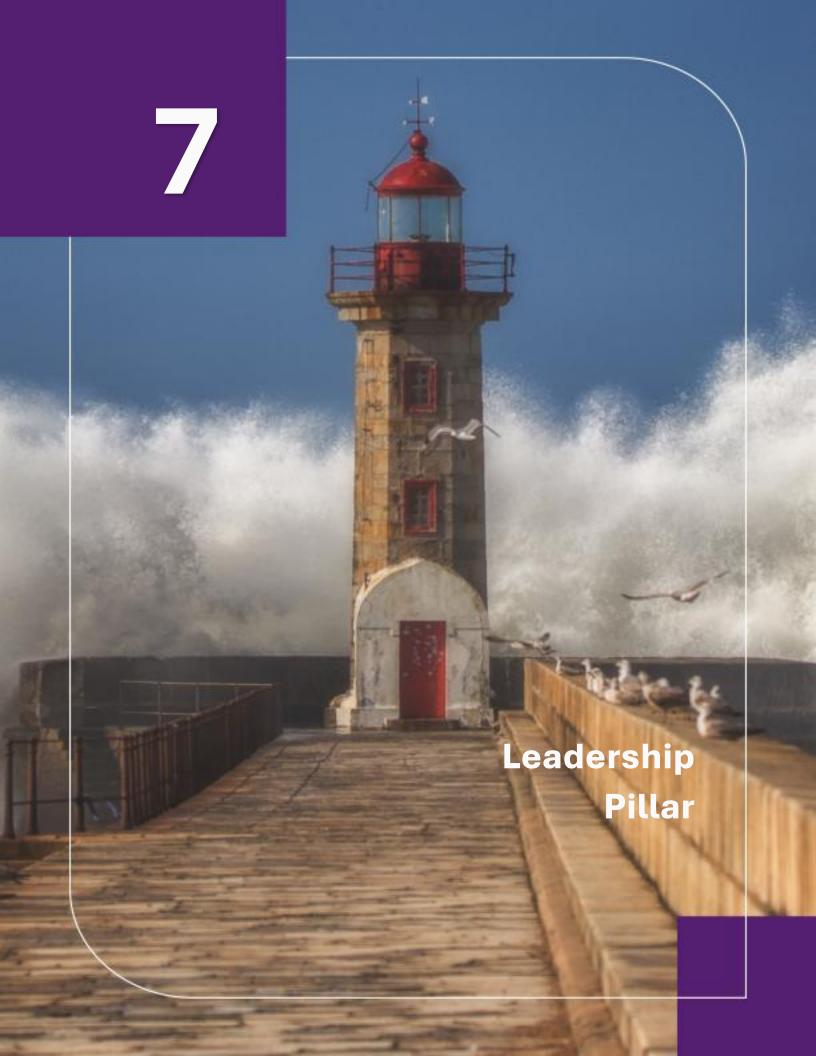
Areas for Gen Al for improvement	IT Cons	Mgmt Cons	SaaS PS	Soft. PS	Arch/Engr	Agency
Business planning	3.15	3.01	3.17	3.06	2.95	3.08
Increase efficiency	3.96	3.97	3.74	3.94	3.73	3.96
Enhance client engagement	3.53	3.42	3.70	3.39	3.08	3.24
Innovate service offerings	3.65	3.53	3.57	3.50	3.16	3.56
Reduce costs	3.60	3.65	3.65	3.89	3.51	3.60
Improve decision-making	3.60	3.23	3.35	3.50	2.92	3.28
Average	3.58	3.47	3.53	3.55	3.22	3.45

Source: SPI Research, February 2025

Smaller firms believe in the overall efficiency gains from Gen AI, but as they get larger, PSO's also see cost reduction and improved decision making as major drivers of AI adoption. SPI Research will be interested to see how this progresses over the next few years.

Table 76: The importance of Generative AI for PS improvement by Organization Size (employees)

Areas for Gen Al for improvement	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Business planning	3.25	2.92	3.03	3.03	3.67	3.70
Increase efficiency	3.94	3.92	3.89	3.89	4.28	4.00
Enhance client engagement	3.54	3.40	3.44	3.44	3.72	3.65
Innovate service offerings	3.68	3.44	3.52	3.50	3.78	3.87
Reduce costs	3.57	3.63	3.62	3.59	4.18	3.86
Improve decision-making	3.33	3.38	3.34	3.39	4.11	3.70
Average	3.55	3.45	3.47	3.47	3.96	3.80



## **LEADERSHIP PILLAR**

It's nearly impossible to read about leadership and conclude that it does not matter. Most people already acknowledge its importance, but few studies have been able to quantify its benefits. This study does just that. Service Performance Insight has developed a Leadership index that focuses on the most critical aspects of leadership to measure its impact. SPI Research believes readers will be as astounded as we were to discover that great or poor leadership permeates every facet of PSO performance.

In the 2025 PS Maturity™ survey, SPI Research asked a series of questions regarding various aspects of professional services vision, strategy, and leadership, including confidence, clarity, and alignment. Strategic decisions set the direction and tone for the PSO and affect all functions because vision and strategy dictate the goals and objectives for the organization, the types of clients to pursue, the types of services to offer, and the interrelationship between functions.



# **Leadership Maturity**

Grow and prosper! Each year, SPI Research finds a direct correlation between growth and success in Professional services. Given that the PS industry is built on the application of unique knowledge and domain expertise, it is sometimes hard to understand why the growth dynamic is so important, but it is. Leading firms create dominant market positions in professional services and the broader world of technology. There is a compounding effect of how clients make decisions, the networks and ecosystems created, and the ability to scale as a firm, which means there is a significant advantage for the companies that grow the fastest. By establishing market-leading positions, premium PS firms can win the best deals and turn those deals into wildly satisfied clients who continue to buy and provide referrals. They become known as innovators in their markets. They produce tangible results and harvest the knowledge gained to do an even better job the next time. They build a culture that embodies their values, attracting prospective consultants and clients who identify with those attributes.

But growth comes with a price. A consulting leader's unique knowledge, vision, and passion for founding a hot new firm must be nurtured and continuously kindled within new employees. The leader must simultaneously learn to let go and grow at the same time. Micro-managing does not work in PS; cultivating a reputation and repeatable skills, competencies, and processes does. Most independent consulting firms can quickly grow from 20 to 50 consultants, but things get more interesting afterward. This is when firms must move from heroic to repeatable, and founders must move from doers and firefighters who wear all the hats to leaders and visionaries. The leaders who can't make this transition must have the courage to bring in new talent who can take the firm to the next level.

As professional services organizations grow, leadership challenges intensify. SPI's research into this topic over the past twelve years has shown a robust correlation between financial success and confidence in

leadership. In small organizations, leadership by walking around can work. However, communication and alignment become issues as the organization grows, as well as scope, complexity, and geographic dispersion. PSOs must implement policies to ensure communication, collaboration, and alignment do not suffer from expansion. Systems and processes must be implemented to provide visibility and management control.

Leadership development, succession planning, and funding growth are significant challenges for independent PSOs. Many consider mergers and acquisitions to augment organic growth. Employee ownership is a viable option as the founder nears retirement. A chief concern is "How best to monetize value while building a firm for the future?" Table 77 shows the Leadership Maturity model and the best leadership style for each level of maturity.

**Table 77: The Leadership Maturity Model** 

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institutionalized	Level 5 Optimized
Leadership	Initial strategy is to support product sales and provide reference customers while providing workarounds to complete immature products. Leaders are "doers".	PS has become a profit center but is subordinate to product sales. The strategy is to profitably drive customer adoption and references. Leaders focus on P&L and client relationships.	PS is a significant revenue and margin source, but channel conflict still exists. Services differentiate products. Leadership development plans are in place. Leaders have strong backgrounds and skills in all pillars.	Service leads products. PS is a vital part of the company. Solution selling is a way of life. PS is included in all strategy decisions. Succession plans are in place for critical leadership roles.	PS is critical to the company. The service strategy is clear. Complimentary goals and measurements are in place for all functions. Leaders have a global vision and continually focus on renewal and expansion.
Leadership Styles by Maturity Stage	The Entrepreneur. Leaders are "doers". In small companies, PS leaders are technically competent and directly perform engagement activities in addition to recruiting and ramping up new consultants. Typically, they possess more substantial technical than business or leadership skills.	The Generalist. The emerging PS leader must start focusing on HR, Finance, and Operations while nurturing close relationships with clients and partners. At this stage, setting a strategic vision and strategy is less important than strong operational management skills.	The General Manager. By the deployed stage, the PS leader must focus on setting a vision and strategy and forging strong partnerships with clients and the cross-functional leadership team. The PS leader must exhibit strong operational and process management skills and have a strong background in sales, finance, and operations. The focus at this stage is on recruiting strong functional leaders to scale the organization.	The Strategist. By the institutionalized phase, the PS leader has developed a strong leadership team and institutionalized operating processes in all five service performance pillars. His primary focus is strategy, business planning and establishing strategic partnerships and alliances. At this stage, he must "lead", "inspire" and "communicate". He must be able to attract and retain high quality functional leaders.	The Leadership Team. As the PS organization matures, the leader becomes more strategic and able to communicate and inspire effectively. All functional areas have strong, sustainable operating processes. He focuses on ensuring alignment within the organization while continually forging new business partnerships. The leadership team constantly focuses on innovation and operational excellence.

Source: SPI Research, February 2025

Leadership challenges are much the same but also very different in embedded PSOs. These organizations exist to ensure the successful implementation, adoption, and expansion of the company's products. They are not given the latitude to develop services for service's sake but rather must serve the best interests of the company's products, even if those interests undermine PS productivity and profitability. The primary

leadership challenges in embedded PSOs are charter conflict and forging cross-functional relationships. Embedded PS executives are tasked with developing a high-quality consulting business, but consulting is subordinate to product proliferation and adoption. A new, more strategic role is emerging to drive client adoption, optimization, and renewals. This role requires significantly greater alignment with sales, support, and product development, so collaboration and team-building skills are paramount.

# **5-Year Leadership Trends**

Figure 20 shows the degradation of three important leadership KPIs over the past five years. What makes this figure noteworthy is the deterioration. Leadership is by far the most critical aspect of success in professional services. As employees lose faith in leadership and it becomes harder to move forward, the professional services firm will suffer. SPI Research hopes PS leaders take heed of these figures and graphs and begin to help reestablish confidence and communication.



Figure 20: Leadership Trends of Note

Source: SPI Research, February 2025

Table 78 shows the five-year trend of all the leadership KPIs in tabular form. Like those in the figure above, most have regressed over the past five years and sit below their five-year average. Few would doubt that PSO employees are not working hard. However, taking a step back occasionally to communicate and rebuild the culture, trust, and agility will help drive PSOs forward. The stress of COVID, coupled with geopolitical and economic tensions, has most likely hurt employees in every industry. But the Professional Services market is the leader and, therefore, must be a beacon across industries.

Table 78: Leadership Pillar 5-year Trends

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Well understood vision, mission, and strategy	3.86	3.99	3.97	3.89	3.81	3.77
Confidence in PS leadership	4.04	4.21	4.17	4.08	3.95	3.94
Ease of getting things done	3.73	3.88	3.85	3.72	3.70	3.63
Goals and measurement alignment	3.74	3.84	3.81	3.68	3.75	3.73
Employees have confidence in PSO's future	3.91	4.07	4.08	3.93	3.80	3.78

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Effectively communicates w/employees	3.91	4.03	4.01	3.92	3.83	3.88
Embraces change - nimble and flexible	3.86	3.97	4.03	3.87	3.74	3.80
Innovation focused	3.69	3.85	3.87	3.69	3.60	3.56
Data-driven	3.50				3.51	3.49

Table 79: Leadership Pillar Results by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2023	2024	ESO	PSO	Amer.	EMEA	APac
Well understood vision, mission and strategy	3.81	3.77	3.59	3.84	3.77	3.65	4.00
Confidence in PS leadership	3.95	3.94	3.89	3.96	3.96	3.84	3.97
Ease of getting things done	3.70	3.63	3.45	3.70	3.66	3.37	3.82
Goals and measurement alignment	3.75	3.73	3.74	3.73	3.76	3.49	3.93
Employees have confidence in PSO's future	3.80	3.78	3.58	3.87	3.80	3.64	3.96
Effectively communicates w/employees	3.83	3.88	3.71	3.94	3.89	3.72	4.00
Embraces change - nimble and flexible	3.74	3.80	3.73	3.82	3.80	3.73	3.86
Innovation focused	3.60	3.56	3.52	3.58	3.57	3.36	3.89
Data-driven	3.51	3.49	3.39	3.53	3.53	3.24	3.57

Source: SPI Research, February 2025

Table 80: Leadership Pillar Results by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 - 100	101 - 300	301 - 700	Over 700
Well understood vision, mission and strategy	3.95	3.68	3.72	3.80	3.78	3.59
Confidence in PS leadership	4.06	3.94	3.95	3.93	3.78	3.78
Ease of getting things done	3.89	3.62	3.65	3.53	3.39	3.35
Goals and measurement alignment	3.75	3.79	3.70	3.69	4.00	3.61
Employees have confidence in PSO's future	3.78	3.75	3.95	3.71	3.50	3.59
Effectively communicates w/employees	4.16	3.83	3.87	3.84	3.44	3.74
Embraces change - nimble and flexible	3.94	3.76	3.82	3.69	3.94	3.65
Innovation focused	3.62	3.57	3.53	3.54	3.67	3.52
Data-driven	3.42	3.43	3.55	3.53	3.39	3.52

Table 81: Leadership Pillar Results by Market

Key Performance Indicator (KPI)	IT Consult.	Mgmt. Con	SaaS PS	Soft. PS	Arch/Engr	Agency
Well understood vision, mission and strategy	3.72	4.10	3.43	3.72	3.53	3.91
Confidence in PS leadership	3.97	4.04	3.90	4.06	3.82	3.78

Key Performance Indicator (KPI)	IT Consult.	Mgmt. Con	SaaS PS	Soft. PS	Arch/Engr	Agency
Ease of getting things done	3.65	3.75	3.56	3.78	3.61	3.61
Goals and measurement alignment	3.82	3.69	3.90	3.89	3.59	3.45
Employees have confidence in PSO's future	3.91	3.77	3.58	3.94	3.95	3.78
Effectively communicates w/employees	3.84	4.09	3.81	4.00	3.76	3.91
Embraces change - nimble and flexible	3.84	3.76	3.63	4.11	3.76	3.70
Innovation focused	3.68	3.58	3.35	3.67	3.43	3.26
Data-driven	3.60	3.53	3.48	3.67	3.46	3.35

# **Survey Results**

For this year's survey, SPI Research also added questions in the Leadership Pillar designed to assess growth plans and leaders focusing on AI for internal use and consulting AI to clients. The questions associated with growth plans in 2025 are listed below in Table 82.

- Forecasted revenue growth in 2025 (over 2024).
- Do you plan to embark on any significant performance initiatives in 2024?
- Do you have a documented methodology for quantifying value added to your clients?
- Planned geographic expansion in 2024.
- Have you initiated Outcome-based billing models?

The responses were very telling. Anticipated growth appears north of 10% in 2025 for both embedded and independent service organizations. The Americas had the least forecasted growth, but it was still over 10%. As one might expect, as the PSOs grow, there is better documentation for value and planned geographic expansion. Larger organizations can take on more significant strategic initiatives.

Table 82: Leadership Pillar Expectations by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2023	2024	ESO	PSO	Amer.	EMEA	APac
Forecasted revenue growth in 2024 (over 2023)	11.4%	11.5%	12.7%	11.0%	11.2%	11.2%	14.5%
Do you plan to embark on any major performance initiatives in 2024?	58.7%	46.6%	43.7%	47.8%	45.7%	51.3%	46.9%
Do you have a documented methodology for quantifying value added to your clients	52.9%	49.5%	57.6%	46.3%	50.3%	49.3%	41.4%
Planned geographic expansion in 2024	35.5%	27.7%	33.5%	25.5%	24.8%	36.1%	39.3%
Have you initiated outcome-based billing models	32.6%	29.1%	27.3%	29.9%	26.2%	36.7%	42.8%

Table 83: Leadership Pillar Expectations by Market

Key Performance Indicator (KPI)	IT Con	Mgmt Con	SaaS	Software	Arch/ Engr	Agency
Forecasted revenue growth in 2024 (over 2023)	12.7%	10.5%	9.7%	13.9%	8.1%	8.6%
Do you plan to embark on any major performance initiatives in 2024?	43.3%	51.0%	33.3%	47.4%	40.0%	54.8%
Do you have a documented methodology for quantifying value added to your clients	44.0%	44.9%	60.0%	56.8%	38.4%	60.9%
Planned geographic expansion in 2024	34.3%	17.2%	34.2%	34.7%	20.0%	19.1%
Have you initiated outcome-based billing models	34.4%	26.1%	25.8%	37.9%	18.9%	34.8%

Table 84: Leadership Pillar Expectations by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Forecasted revenue growth in 2024 (over 2023)	11.2%	13.2%	10.7%	11.5%	13.6%	9.3%
Do you plan to embark on any major performance initiatives in 2024?	37.8%	57.5%	51.1%	36.6%	51.1%	53.0%
Do you have a documented methodology for quantifying value added to your clients	42.5%	53.0%	44.5%	52.8%	60.0%	63.6%
Planned geographic expansion in 2024	15.1%	24.8%	27.7%	27.8%	50.0%	53.9%
Have you initiated outcome-based billing models	29.2%	26.8%	22.2%	31.8%	30.0%	59.1%

Source: SPI Research, February 2025

## Forecasted revenue growth in 2025 (over 2024)

Table 85 shows forecasted revenue growth in 2024 (over 2023) increased by 1%, from 11.4% in 2023 to 11.5% in 2024. Larger firms (over 100 employees) had a greater increase in forecasted revenue growth in 2024 (over 2023) than smaller firms. The Software PS market showed the largest increase in forecasted revenue growth in 2024 (over 2023): 21%, while the SaaS PS market went down by 32%. These results are counter to the results over the past five years in SaaS and Software PS.

Table 85: Annual change in PS forecasted revenue growth in 2024 (over 2023)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	11.4%	11.5%	1%	Under 10	12.2%	11.2%	-8%	IT Consult.	12.9%	12.7%	-1%
ESO	12.3%	12.7%	3%	10 - 30	11.9%	13.2%	11%	Mgmt. Cons.	11.7%	10.5%	-11%
PSO	11.1%	11.0%	-1%	31 - 100	11.6%	10.7%	-8%	SaaS PS	14.2%	9.7%	-32%
Amer	11.0%	11.2%	2%	101 - 300	12.0%	11.5%	-4%	Software PS	11.5%	13.9%	21%
EMEA	12.4%	11.2%	-10%	301 - 700	8.7%	13.6%	56%	Arch. / Engr.	7.7%	8.1%	5%
APac	12.0%	14.5%	21%	Over 700	10.4%	9.3%	-10%	Agency	8.8%	8.6%	-2%

# 2025 major performance initiatives

Table 86 shows that the annual plans to embark on significant performance initiatives in 2024 fell by 20%, from 58.7% in 2023 to 46.6% in 2024. Larger firms (over 100 employees) decreased their plans more than smaller firms, and agencies showed a minor decrease in intends to embark on any significant performance initiatives. In contrast, SaaS PS organizations decreased it by 49%.

Table 86: Annual change to PS embarking on major performance initiatives in 2024

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	58.7%	46.6%	-20%	Under 10	43.1%	37.8%	-12%	IT Consult.	60.6%	43.3%	-29%
ESO	59.5%	43.7%	-27%	10 - 30	66.9%	57.5%	-14%	Mgmt. Cons.	56.5%	51.0%	-10%
PSO	58.3%	47.8%	-18%	31 - 100	58.5%	51.1%	-13%	SaaS PS	65.5%	33.3%	-49%
Amer	60.4%	45.7%	-24%	101 - 300	57.9%	36.6%	-37%	Software PS	76.2%	47.4%	-38%
EMEA	51.5%	51.3%	0%	301 - 700	63.8%	51.1%	-20%	Arch. / Engr.	44.7%	40.0%	-11%
APac	61.6%	46.9%	-24%	Over 700	61.9%	53.0%	-14%	Agency	56.5%	54.8%	-3%

Source: SPI Research, February 2025

#### Documented methodology for quantifying value added to clients

Table 87 shows the percentage of firms with a documented method for quantifying value added to clients went down by 6% from 52.9% in 2023 to 49.5% in 2024. Larger firms (over 100 employees) experienced a more significant increase, and AE firms increased it by 32%. SPI Research found it interesting that management consultancies reacted to 23%.

Table 87: Annual change in PS having a documented methodology for quantifying value to clients

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	52.9%	49.5%	-6%	Under 10	45.0%	42.5%	-6%	IT Consult.	49.7%	44.0%	-11%
ESO	56.9%	57.6%	1%	10 - 30	52.6%	53.0%	1%	Mgmt. Cons.	58.4%	44.9%	-23%
PSO	51.2%	46.3%	-10%	31 - 100	50.8%	44.5%	-12%	SaaS PS	72.2%	60.0%	-17%
Amer	54.5%	50.3%	-8%	101 - 300	48.4%	52.8%	9%	Software PS	52.8%	56.8%	8%
EMEA	48.0%	49.3%	3%	301 - 700	64.2%	60.0%	-7%	Arch. / Engr.	29.2%	38.4%	32%
APac	51.0%	41.4%	-19%	Over 700	67.0%	63.6%	-5%	Agency	61.2%	60.9%	0%

Source: SPI Research, February 2025

## Planned geographic expansion in 2025

Given some of the economic challenges of 2024, firms reduced their plans for geographic expansion. This impacted both embedded and independent firms and was particularly noteworthy in the Americas. Smaller firms significantly reduced plans, while the largest increased theirs. SPI Research found it interesting that software providers had significant plans to expand geographic expansion while

management consultancies, architects, and engineers reduced theirs. 2025 will bring about a new economic reality, and SPI Research expects these numbers to increase.

Table 88: Annual change in PS planned geographic expansion in 2024

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	35.5%	27.7%	-22%	Under 10	22.3%	15.1%	-32%	IT Consult.	44.1%	34.3%	-22%
ESO	38.8%	33.5%	-14%	10 - 30	32.3%	24.8%	-23%	Mgmt. Cons.	30.0%	17.2%	-43%
PSO	34.1%	25.5%	-25%	31 - 100	36.0%	27.7%	-23%	SaaS PS	39.7%	34.2%	-14%
Amer	35.1%	24.8%	-29%	101 - 300	38.1%	27.8%	-27%	Software PS	26.0%	34.7%	34%
EMEA	32.1%	36.1%	12%	301 - 700	39.2%	50.0%	27%	Arch. / Engr.	31.2%	20.0%	-36%
APac	46.7%	39.3%	-16%	Over 700	46.0%	53.9%	17%	Agency	23.5%	19.1%	-18%

Source: SPI Research, February 2025

# **Outcome-based Billing Models**

Over the past few years, SPI Research has seen more firms initiating outcome-based billing models. However, the percentage that did in 2024 dropped significantly, especially in the Americas. However, both the most minor and most prominent firms surveyed showed an increase. IT consultancies and software professional services also increased their use of outcome-based billing models. SPI Research expects a longer-term rise in this, but it will take time as organizations develop better methodologies and tools for determining overall outcomes.

Table 89: Annual change in the initiation of outcome-based billing models for PS

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	32.6%	29.1%	-11%	Under 10	23.4%	29.2%	25%	IT Consult.	29.7%	34.4%	16%
ESO	33.3%	27.3%	-18%	10 - 30	28.7%	26.8%	-7%	Mgmt. Cons.	39.2%	26.1%	-34%
PSO	32.3%	29.9%	-7%	31 - 100	29.7%	22.2%	-25%	SaaS PS	36.8%	25.8%	-30%
Amer	31.2%	26.2%	-16%	101 - 300	36.3%	31.8%	-13%	Software PS	31.1%	37.9%	22%
EMEA	34.5%	36.7%	6%	301 - 700	40.0%	30.0%	-25%	Arch. / Engr.	20.7%	18.9%	-9%
APac	39.6%	42.8%	8%	Over 700	44.1%	59.1%	34%	Agency	35.8%	34.8%	-3%

Source: SPI Research, February 2025

#### **Areas of Emphasis to Improve Performance in 2025**

SPI Research asked PS leaders to rate the importance of some of the more significant concerns to their organization over the next year, with 1: very unimportant to 5: very important. The results are listed below and summarized in Table 90.

- Business development (creating and implementing new services and campaigns, finding new clients, etc.)
- Talent management (finding, hiring, training, managing, and retaining employees)

- Resource utilization (working to optimize skill levels, increasing billable hours per consultant)
- Profitability growth (delivering more efficiently and effectively, manage cost, reduce revenue leakage)
- Inflation (managing cost increases in people, tools, travel, and other expenses)

As one might expect, PS executives are more focused on business development in 2025 after a year of slow growth, and inflation is the least of their concerns entering the new year.

Table 90: Areas of Emphasis to Improve Performance by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2024	ESO	PSO	Amer.	EMEA	APac
Business development	4.57	4.46	4.61	4.54	4.68	4.62
Talent management	4.29	4.34	4.27	4.27	4.46	4.14
Resource utilization	4.38	4.42	4.36	4.38	4.46	4.14
Profitability growth	4.47	4.50	4.46	4.49	4.46	4.31
Inflation	3.98	4.00	3.97	4.02	3.85	3.79

Source: SPI Research, February 2025

Tables 91 – 92 further break down the results by organization size and PS market.

Table 91: Areas of Emphasis to Improve Performance by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 - 100	101 - 300	301 - 700	Over 700
Business development	4.38	4.59	4.65	4.62	4.67	4.43
Talent management	3.94	4.29	4.37	4.47	4.39	4.13
Resource utilization	4.06	4.48	4.41	4.51	4.33	4.35
Profitability growth	4.31	4.45	4.49	4.54	4.61	4.52
Inflation	3.91	3.94	3.88	4.05	4.39	4.17

Source: SPI Research, February 2025

Table 92: Areas of Emphasis to Improve Performance by Market

Key Performance Indicator (KPI)	IT Cons	Mgmt Cons	Soft PS	SaaS PS	Arch/ Engr	Agency
Business development	4.64	4.59	4.48	4.56	4.62	4.78
Talent management	4.26	4.18	4.13	4.22	4.55	4.00
Resource utilization	4.35	4.27	4.45	4.56	4.39	4.30
Profitability growth	4.46	4.44	4.47	4.50	4.45	4.39
Inflation	3.99	3.86	3.87	4.11	4.13	3.74

Source: SPI Research, February 2025

As revenue growth slowed in 2024, most PSOs began creating and implementing services and campaigns to help new clients — which many felt was not enough. They averaged about a 4% increased commitment, with larger firms showing the most significant change in business development. Management

consultancies reduced theirs, while agencies, still suffering from the post-COVID slowdown, increased theirs significantly (Table 93).

Table 93: Annual change PS business development efforts

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	4.38	4.57	4%	Under 10	4.29	4.38	2%	IT Consult.	4.39	4.64	6%
ESO	4.34	4.46	3%	10 - 30	4.53	4.59	1%	Mgmt. Cons.	4.63	4.59	-1%
PSO	4.40	4.61	5%	31 - 100	4.41	4.65	5%	SaaS PS	4.39	4.48	2%
Amer	4.41	4.54	3%	101 - 300	4.43	4.62	4%	Software PS	4.49	4.56	1%
EMEA	4.37	4.68	7%	301 - 700	4.28	4.67	9%	Arch. / Engr.	4.24	4.62	9%
APac	4.16	4.62	11%	Over 700	4.16	4.43	7%	Agency	4.31	4.78	11%

Source: SPI Research, February 2025

The professional services market is changing, so PSOs must continue to adapt to the changing needs of clients and consultants. SPI Research saw this change across the board, especially in EMEA. Smaller firms have changed their talent management practices, especially considering AI is becoming increasingly important. The same could be said for agencies (Table 94).

Table 94: Annual change the importance of talent management

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	4.14	4.29	4%	Under 10	3.58	3.94	10%	IT Consult.	4.27	4.26	0%
ESO	4.09	4.34	6%	10 - 30	4.19	4.29	2%	Mgmt. Cons.	4.30	4.18	-3%
PSO	4.16	4.27	3%	31 - 100	4.28	4.37	2%	SaaS PS	4.13	4.13	0%
Amer	4.18	4.27	2%	101 - 300	4.29	4.47	4%	Software PS	4.17	4.22	1%
EMEA	4.08	4.46	10%	301 - 700	4.22	4.39	4%	Arch. / Engr.	4.27	4.55	7%
APac	4.00	4.14	3%	Over 700	3.98	4.13	4%	Agency	3.62	4.00	11%

Source: SPI Research, February 2025

Table 95 shows that the focus on improving resource utilization (work to optimize skill levels and increase billable hours per consultant) went up by 3% from 4.26 in 2023 to 4.38 in 2024. Larger firms (over 100 employees) had a more significant decrease in resource utilization (work to optimize skill levels and increase billable hours per consultant) than smaller firms. Architecture & Engineering firms showed the largest increase (7%), while management consultancies went down by 2%.

Table 95: Annual change in the importance of resource utilization

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	4.26	4.38	3%	Under 10	3.68	4.06	10%	IT Consult.	4.29	4.35	1%
ESO	4.19	4.42	5%	10 - 30	4.40	4.48	2%	Mgmt. Cons.	4.34	4.27	-2%
PSO	4.30	4.36	1%	31 - 100	4.30	4.41	3%	SaaS PS	4.28	4.45	4%

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Amer	4.28	4.38	2%	101 - 300	4.37	4.51	3%	Software PS	4.62	4.56	-1%
EMEA	4.23	4.46	6%	301 - 700	4.46	4.33	-3%	Arch. / Engr.	4.10	4.39	7%
APac	4.25	4.14	-3%	Over 700	4.27	4.35	2%	Agency	4.21	4.30	2%

Table 96 shows PSOs commitment to improving profits (delivering more efficiently, effectively, manage cost, reduce rev. leakage) went up by 3% from 4.32 in 2023 to 4.47 in 2024. Larger firms (over 100 employees) did not show as much commitment, while independent ones showed an increase. Profits matter, and the independents tend to be more profit-driven than the embedded services organizations.

Table 96: Annual change in the importance of profitability growth

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	4.32	4.47	3%	Under 10	3.86	4.31	12%	IT Consult.	4.27	4.46	5%
ESO	4.31	4.50	5%	10 - 30	4.36	4.45	2%	Mgmt. Cons.	4.30	4.44	3%
PSO	4.32	4.46	3%	31 - 100	4.34	4.49	3%	SaaS PS	4.39	4.47	2%
Amer	4.35	4.49	3%	101 - 300	4.37	4.54	4%	Software PS	4.70	4.50	-4%
EMEA	4.23	4.46	6%	301 - 700	4.54	4.61	2%	Arch. / Engr.	4.22	4.45	5%
APac	4.29	4.31	0%	Over 700	4.46	4.52	1%	Agency	4.31	4.39	2%

Source: SPI Research, February 2025

2024 showed continual inflation concerns in PS, although they subsided towards the end of the year. The importance of this is shown in Table 97, which went up by 8% from 3.68 in 2023 to 3.98 in 2024. Architecture and engineering firms and management consultancies showed the largest increase in concern, by over 10%, while the agencies only went up by 2%.

Table 97: Annual change in the importance of cost inflation

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.68	3.98	8%	Under 10	3.32	3.91	18%	IT Consult.	3.73	3.99	7%
ESO	3.63	4.00	10%	10 - 30	3.66	3.94	8%	Mgmt. Cons.	3.51	3.86	10%
PSO	3.71	3.97	7%	31 - 100	3.62	3.88	7%	SaaS PS	3.68	3.87	5%
Amer	3.72	4.02	8%	101 - 300	3.83	4.05	6%	Software PS	3.87	4.11	6%
EMEA	3.56	3.85	8%	301 - 700	3.88	4.39	13%	Arch. / Engr.	3.71	4.13	11%
APac	3.65	3.79	4%	Over 700	3.89	4.17	7%	Agency	3.65	3.74	2%

Source: SPI Research, February 2025

#### Well-understood vision, mission, and strategy.

Clear leadership direction and effective bi-directional communication are critical success factors. Employees who lack an understanding of the vision, mission, and strategy cannot work toward realizing it. In contrast, those who comprehend and support the organization's mission will work tirelessly to realize it. In this year's survey, clarity of vision, mission, and strategy directly correlated with revenue and headcount growth, on-time service delivery, the propensity to recommend a great workplace, and revenue per consultant and employee (Table 98).

Table 98: Impact – Well-understood vision, mission, and strategy

Well-understood vision, mission, and strategy	Survey	% of bids won	Recommend company to friends/family	On-time delivery	Project margin	Annual revenue/ emp. (k)
1: Very ineffective	0.6%	40.0%	3.00	57.5%	25.0%	NA
2: Ineffective	6.7%	45.7%	3.55	59.5%	32.9%	\$135
3: Neither	25.2%	45.7%	4.11	67.4%	33.4%	\$141
4: Effective	50.4%	47.4%	4.32	75.2%	36.8%	\$167
5: Very effective	17.1%	51.1%	4.73	83.5%	39.0%	\$181
Total / Average	100.0%	47.4%	4.28	73.5%	36.0%	\$161

Source: SPI Research, February 2025

Table 99 shows a minor decrease in whether leaders expose a well-understood vision, mission, and strategy, going down by 1% from 3.81 in 2023 to 3.77 in 2024. Agencies showed a 10% increase, while SaaS PS organizations showed a 12% reduction.

Table 99: Annual change to communicating a well-understood vision, mission, and strategy

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.81	3.77	-1%	Under 10	3.76	3.95	5%	IT Consult.	3.89	3.72	-4%
ESO	3.75	3.59	-4%	10 - 30	3.85	3.68	-5%	Mgmt. Cons.	4.03	4.10	2%
PSO	3.83	3.84	0%	31 - 100	3.74	3.72	-1%	SaaS PS	3.91	3.43	-12%
Amer	3.81	3.77	-1%	101 - 300	3.90	3.80	-2%	Software PS	3.87	3.72	-4%
EMEA	3.76	3.65	-3%	301 - 700	3.77	3.78	0%	Arch. / Engr.	3.68	3.53	-4%
APac	3.92	4.00	2%	Over 700	3.86	3.59	-7%	Agency	3.55	3.91	10%

Source: SPI Research, February 2025

# **Confidence in PS leadership**

All service organizations have the tools for effective leadership, clarity of purpose, and alignment. By investing in these critical aspects, PSOs can manage their own destiny. SPI Research discovered that every critical KPI worsens as confidence in leadership diminishes.

According to the survey results, no other factor has the same profound impact on the overall health and well-being of the service organization. SPI discovered poor leadership creates a negative spiral effect — poor human capital results (high attrition, low morale, poor employee satisfaction), leading to lackluster financial performance. Because professional service organizations are primarily based on the quality and commitment of the consulting staff, poor leadership produces an immediate and long-lasting downward

effect. Fortunately, once effective new leadership is established, professional service organizations exhibit excellent resilience and can heal and regenerate themselves rapidly. Extremely rapid turnarounds are a hallmark of changes in professional service leadership.

Poor leadership creates a negative spiral effect — high attrition, low morale, poor employee engagement — which in turn leads to low levels of client satisfaction and poor financial results. Leadership plays a critical role in growth. As millennials dominate the workforce, effective leadership is more critical than ever. Younger workers need more guidance, handholding, and constructive feedback to hone their technical and interpersonal skills.

As shown in Table 100, a key aspect of confidence in leadership is clarifying the growth strategy, which translates to pursuing the right opportunities and having the right resources to deliver effectively. Alignment leads to success, cementing the firm's value proposition.

Table 100: Impact - Confidence in PS Leadership

Confidence in PS leadership	Survey	Revenue growth	% of emp. billable	% of ann. rev. target	% of ann. margin target	Exec real-time visibility
1: Very ineffective	1.4%	-6.0%	63.0%	76.3%	76.3%	1.50
2: Ineffective	3.6%	4.2%	75.0%	83.3%	85.0%	2.75
3: Neither	17.2%	4.7%	66.2%	88.5%	85.7%	3.24
4: Effective	55.0%	4.8%	71.2%	88.4%	87.8%	3.68
5: Very effective	22.8%	6.4%	76.6%	90.2%	89.8%	4.16
Total / Average	100.0%	5.0%	71.6%	88.5%	87.6%	3.65

Source: SPI Research, February 2025

Table 101 shows that the annual change in confidence in PS leadership remained virtually the same from 2023 to 2024. Both embedded and independent firms stayed the same. Smaller firms showed an increase in confidence in leadership, while SaaS PS firms showed a minor decrease.

Table 101: Annual change confidence in PS leadership

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.95	3.94	0%	Under 10	3.92	4.06	4%	IT Consult.	3.99	3.97	-1%
ESO	3.89	3.89	0%	10 - 30	4.02	3.94	-2%	Mgmt. Cons.	4.12	4.04	-2%
PSO	3.98	3.96	0%	31 - 100	3.98	3.95	-1%	SaaS PS	4.06	3.90	-4%
Amer	3.96	3.96	0%	101 - 300	3.93	3.93	0%	Software PS	4.04	4.06	0%
EMEA	3.91	3.84	-2%	301 - 700	3.87	3.78	-2%	Arch. / Engr.	3.95	3.82	-3%
APac	3.92	3.97	1%	Over 700	3.89	3.78	-3%	Agency	3.73	3.78	2%

# **Ease of getting things done**

The ease with which work gets done directly impacts productivity and morale. SPI Research asked participants whether it was easy to get things done within their organization, meaning minimal red tape, the ability to assign qualified resources quickly and easily, and with limited bureaucracy. PSOs that provide an infrastructure supporting employee productivity enhance employee satisfaction and financial success. Table 102 shows that most firms report that it is relatively easy to get things done. As the ease of getting things done improves, less overhead is needed, and PSOs operate more efficiently, leading to higher margins and profit.

Table 102: Impact – Ease of getting things done

Ease of getting things done	Survey %	Org. size (emp)	Deal pipeline	% of bids won	Client reference	On-time project. delivery
1: Very ineffective	0.8%	2,573	50%	40.0%	65.0%	65.0%
2: Ineffective	9.2%	485	141%	42.1%	65.5%	65.6%
3: Neither	28.3%	340	166%	44.0%	69.8%	70.6%
4: Effective	49.6%	248	170%	49.2%	70.7%	74.3%
5: Very effective	12.0%	136	176%	52.4%	73.9%	82.7%
Total / Average	100.0%	302	166%	47.4%	70.3%	73.4%

Source: SPI Research, February 2025

PS leaders found getting things done in 2024 a little more difficult than the previous year. Obviously, economic circumstances impacted their ability to incorporate new ideas and pay for tools to help them become more efficient and effective. SPI Research expects the situation to change in 2025. Larger firms had more difficulty getting things done as they lacked the nimbleness to make change. Likewise, consultancies also had challenges as introducing AI practices took the focus away from many other areas.

Table 103: Annual change ease of getting things done

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.70	3.63	-2%	Under 10	3.86	3.89	1%	IT Consult.	3.88	3.65	-6%
ESO	3.59	3.45	-4%	10 - 30	3.69	3.62	-2%	Mgmt. Cons.	3.80	3.75	-1%
PSO	3.74	3.70	-1%	31 - 100	3.75	3.65	-3%	SaaS PS	3.74	3.56	-5%
Amer	3.68	3.66	-1%	101 - 300	3.68	3.53	-4%	Software PS	3.60	3.78	5%
EMEA	3.73	3.37	-10%	301 - 700	3.54	3.39	-4%	Arch. / Engr.	3.58	3.61	1%
APac	3.73	3.82	3%	Over 700	3.52	3.35	-5%	Agency	3.53	3.61	2%

Source: SPI Research, February 2025

# **Goals and measurement alignment**

Alignment speaks to an articulated strategy with goals and measurements reinforcing the organization's purpose and stimulating action. Alignment, or lack thereof, has a significant impact on bottom-line

performance. Lack of alignment emanates from clarity, conflict, or too many priorities. Low levels of employee engagement and functional silos or factions characterize it. The highest-performing service organizations exhibit clarity of purpose and alignment around a succinct set of core values and initiatives. Practical measurements and compensation reinforce those values, linking strategy to execution.

Table 104: Impact - Goals and measurement alignment

Goals and measurement alignment	Survey %	Billable utilization	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	% of ann. rev. target	% of ann. margin target
1: Very ineffective	0.6%	40.0%	\$50	\$50	70.0%	70.0%
2: Ineffective	9.2%	66.1%	\$192	\$138	82.5%	83.3%
3: Neither	22.4%	66.9%	\$188	\$141	87.5%	86.7%
4: Effective	51.8%	70.2%	\$209	\$166	89.5%	88.3%
5: Very effective	16.0%	70.5%	\$213	\$187	90.0%	89.1%
Total / Average	100.0%	68.9%	\$203	\$161	88.4%	87.5%

Source: SPI Research, February 2025

Table 105 shows PS executives felt about the same in 2024 as they did in 2023 in terms of ensuring their goals and measurements were aligned. Europe had more difficulties than the Asia Pacific region, which improved. There was no significant difference when comparing the size of organizations and the markets.

Table 105: Annual change goals and measurement alignment

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.75	3.73	0%	Under 10	3.76	3.75	0%	IT Consult.	3.79	3.82	1%
ESO	3.82	3.74	-2%	10 - 30	3.68	3.79	3%	Mgmt. Cons.	3.80	3.69	-3%
PSO	3.71	3.73	0%	31 - 100	3.75	3.70	-1%	SaaS PS	4.01	3.90	-3%
Amer	3.74	3.76	1%	101 - 300	3.75	3.69	-2%	Software PS	3.83	3.89	2%
EMEA	3.82	3.49	-9%	301 - 700	3.79	4.00	6%	Arch. / Engr.	3.45	3.59	4%
APac	3.64	3.93	8%	Over 700	3.76	3.61	-4%	Agency	3.49	3.45	-1%

Source: SPI Research, February 2025

### **Employees have confidence in PSO's future**

Employee confidence in the PS organization's future significantly impacts every key performance measurement. Firms with the highest levels of employee confidence experienced the highest revenue growth, were more often seen as a great place to work, and experienced lower attrition and higher utilization (Table 106). To top it all off, they were also more profitable.

"The world loves a winner" seems to be an appropriate description for the positive results of the organizations with the highest employee confidence levels. A key "chicken or egg question" always arises around "confidence in the future" as typically the highest performing and fastest growing organizations propel employees to have confidence in the future. In contrast, low confidence indicates organizations are

in turmoil or going through massive change as they reposition themselves to take better advantage of the future. A key consideration for firms that experience low to no growth is how to reposition themselves onto a growth path while maintaining employee commitment.

Table 106: Impact – Employees have confidence in PSO's future

Employees have confidence in PSO's future	Survey %	Employee attrition	Rec. to family/ friends	Billable utilization	% of ann. rev. target	% of ann. margin target
1: Very ineffective	1.1%	28.9%	4.00	75.0%	76.3%	82.5%
2: Ineffective	5.6%	11.4%	3.12	68.3%	85.0%	84.1%
3: Neither	20.9%	10.9%	3.89	66.5%	87.8%	86.8%
4: Effective	58.4%	12.3%	4.36	68.4%	87.7%	87.0%
5: Very effective	14.0%	9.0%	4.91	73.6%	93.9%	92.6%
Total / Average	100.0%	11.7%	4.26	68.8%	88.3%	87.5%

Source: SPI Research, February 2025

Employees' confidence in the PSO's future remained unchanged from 2023 to 2024. However, Europeans felt more challenged than other regions, and Asia Pacific employees were much more confident. Larger organizations also felt as though there might be challenges in 2025, and SaaS PS organizations also had concerns.

Table 107: Annual change employees have confidence in PSO's future

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.80	3.78	0%	Under 10	3.62	3.78	5%	IT Consult.	3.91	3.91	0%
ESO	3.74	3.58	-4%	10 - 30	3.90	3.75	-4%	Mgmt. Cons.	3.81	3.77	-1%
PSO	3.82	3.87	1%	31 - 100	3.80	3.95	4%	SaaS PS	3.83	3.58	-6%
Amer	3.82	3.80	-1%	101 - 300	3.88	3.71	-4%	Software PS	3.89	3.94	1%
EMEA	3.83	3.64	-5%	301 - 700	3.71	3.50	-6%	Arch. / Engr.	3.83	3.95	3%
APac	3.59	3.96	10%	Over 700	3.78	3.59	-5%	Agency	3.53	3.78	7%

Source: SPI Research, February 2025

## **Effectively communicates w/employees**

Organizational communication helps align organizations to achieve common goals and objectives. It becomes increasingly difficult as the PSO grows and expands into new geographies. Respondents were asked to rate how effectively the organization communicates with employees. Talk may be cheap, but employees quickly become disenfranchised without bidirectional communication. Creating an effective communication plan should be part of any improvement plan. Poor or no communication profoundly impacts marketing sales and service delivery (Table 108). Low project margins are exacerbated by poor communication.

Table 108: Impact - Effectively communicates with employees

Effectively communicates w/employees	Survey %	Rec. to family/ friends	Billable utilization	Project overrun	Project margin	Ann. rev./ consult. (k)
1: Very ineffective	0.8%	2.67	61.7%	26.7%	32.0%	\$225
2: Ineffective	3.6%	2.89	75.0%	17.5%	38.8%	\$236
3: Neither	20.4%	4.03	67.9%	14.0%	32.5%	\$190
4: Effective	57.1%	4.31	67.5%	10.9%	36.2%	\$194
5: Very effective	17.9%	4.71	73.9%	7.7%	39.3%	\$238
Total / Average	100.0%	4.26	68.9%	11.3%	36.1%	\$202

Table 109 shows PS leaders feeling slightly better about their ability to communicate effectively with their employees. Embedded service organizations saw a slight decrease, while independents showed a slight increase. SPI found it interesting that the smallest organizations did a much better job in 2024, whereas larger organizations had concerns.

Table 109: Annual change effective communication with employees

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.83	3.88	1%	Under 10	3.72	4.16	12%	IT Consult.	3.90	3.84	-1%
ESO	3.81	3.71	-3%	10 - 30	3.93	3.83	-3%	Mgmt. Cons.	3.93	4.09	4%
PSO	3.84	3.94	3%	31 - 100	3.88	3.87	0%	SaaS PS	3.96	3.81	-4%
Amer	3.85	3.89	1%	101 - 300	3.78	3.84	1%	Software PS	3.98	4.00	1%
EMEA	3.86	3.72	-4%	301 - 700	3.79	3.44	-9%	Arch. / Engr.	3.73	3.76	1%
APac	3.69	4.00	9%	Over 700	3.84	3.74	-3%	Agency	3.65	3.91	7%

Source: SPI Research, February 2025

### **Embraces change - nimble and flexible**

Change is never easy, and most people and organizations struggle with it. One of the primary reasons why more and more companies out-task IT, accounting, law, architecture, strategy, and marketing to specialized PS organizations is that the pace and amount of change and technical complexity are impossible to keep up with, so they must rely on external consultants and specialists. Each leadership dimension impacts all other leadership dimensions. Agile organizations can quickly adapt to change, have more billable employees, and are considered better workplaces (Table 110). The survey shows nimbleness and adaptability diminish as organizations grow. However, these organizations expand their client base and win more bids as they embrace change. They also show better service delivery and project profitability as they embrace change and are incredibly agile and flexible.

Table 110: Impact - Embraces change - nimble and flexible

Embraces change - nimble and flexible	Survey %	Rec. to family/ friends	Billable utilization	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Profit (EBITDA)
1: Very ineffective	0.3%	4.00	85.0%	\$350	\$225	NA
2: Ineffective	7.8%	3.67	68.4%	\$196	\$142	12.1%
3: Neither	24.6%	4.16	66.8%	\$195	\$149	9.3%
4: Effective	46.6%	4.24	68.6%	\$203	\$162	9.6%
5: Very effective	20.7%	4.66	71.7%	\$211	\$180	12.4%
Total / Average	100.0%	4.26	68.8%	\$202	\$161	10.3%

Table 111 shows the annual change in how PSOs perceive their ability to embrace change. Overall, the numbers did not change much, except in the Asia Pacific region where they improved. Likewise, they also improved in larger organizations and for architects and engineers.

Table 111: Annual change embraces change - nimble and flexible

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.74	3.80	2%	Under 10	3.79	3.94	4%	IT Consult.	3.87	3.84	-1%
ESO	3.77	3.73	-1%	10 - 30	3.85	3.76	-2%	Mgmt. Cons.	3.77	3.76	0%
PSO	3.72	3.82	3%	31 - 100	3.82	3.82	0%	SaaS PS	3.88	3.63	-7%
Amer	3.74	3.80	2%	101 - 300	3.60	3.69	2%	Software PS	3.94	4.11	4%
EMEA	3.82	3.73	-2%	301 - 700	3.54	3.94	11%	Arch. / Engr.	3.41	3.76	10%
APac	3.53	3.86	9%	Over 700	3.68	3.65	-1%	Agency	3.45	3.70	7%

Source: SPI Research, February 2025

### **Leadership is Innovation focused**

Innovation is critical to the long-term growth and success of PSOs. In many cases, firms that create new services and products have a growth path built for them. In professional services, innovation comes from exploring and embracing new business models, processes, and technologies to improve productivity and quality. To the extent thought leadership can be considered a component of innovation, PSOs excel at innovation. The benchmark results depict the importance of striving for new and innovative solutions to problems. Innovative organizations provide employees with the confidence to know the organization will be around for years to come, and they will be continually challenged and personally grow as the organization expands (Table 112). Innovation focus is not organization size dependent. High-performance PSOs report a core belief that "great ideas come from anywhere." They build a culture of empowerment, embracing innovation.

Any employee with a great idea, at any level, can build a business case and receive funding and support to tackle internal problems or create new solutions. Approximately 57% of survey participants gave high

marks for innovation. With innovation, revenues grow, and clients are pleased. Those that did grow much faster and made much more money than those with lower levels of innovation. They also had greater engagement from their workforce, coupled with greater efficiency.

Table 112: Impact - Innovation focused

Innovation focused	Survey	Project duration (man-months)	Std. del. method. used	On-time proj. delivery	Ann. rev./ emp. (k)	Exec real-time visibility
1: Very ineffective	0.6%	14.6	50.0%	90.0%	\$138	3.00
2: Ineffective	10.6%	25.2	59.0%	68.2%	\$139	3.03
3: Neither	31.8%	30.2	59.6%	73.1%	\$153	3.46
4: Effective	46.1%	33.5	65.2%	73.2%	\$168	3.76
5: Very effective	10.9%	34.7	67.1%	78.4%	\$182	4.30
Total / Average	100.0%	31.6	62.9%	73.3%	\$161	3.64

Source: SPI Research, February 2025

Table 113 shows a slight decrease in the annual change where PSOs were innovation-focused. Larger firms (over 100 employees) declined, as did SaaS PS organizations.

Table 113: Annual change innovation focused

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.60	3.56	-1%	Under 10	3.61	3.62	0%	IT Consult.	3.68	3.68	0%
ESO	3.68	3.52	-4%	10 - 30	3.54	3.57	1%	Mgmt. Cons.	3.73	3.58	-4%
PSO	3.57	3.58	0%	31 - 100	3.62	3.53	-2%	SaaS PS	3.80	3.35	-12%
Amer	3.60	3.57	-1%	101 - 300	3.52	3.54	1%	Software PS	3.45	3.67	6%
EMEA	3.63	3.36	-7%	301 - 700	3.60	3.67	2%	Arch. / Engr.	3.29	3.43	4%
APac	3.55	3.89	10%	Over 700	3.78	3.52	-7%	Agency	3.33	3.26	-2%

Source: SPI Research, February 2025

#### **Data-driven**

Businesses in every industry are moving to take a more data-driven approach to operations. It is no different in the professional services market. Over the past 25 years, SPI Research has seen leaders in the PS market adopt technology to plan and run their businesses better. But the data must not be kept in silos; it must be shared across the organization to ensure each decision-maker has the information necessary to make changes to improve performance.

Table 114 shows that PSOs with a more substantial data focus succeed in revenue growth and achieve significantly higher revenue. As one might expect, those organizations with a strong data focus run more efficiently than those without. The results also show up in more outstanding financial achievement. SPI Research expects this issue to become increasingly crucial as PSOs use data and AI to drive better business results.

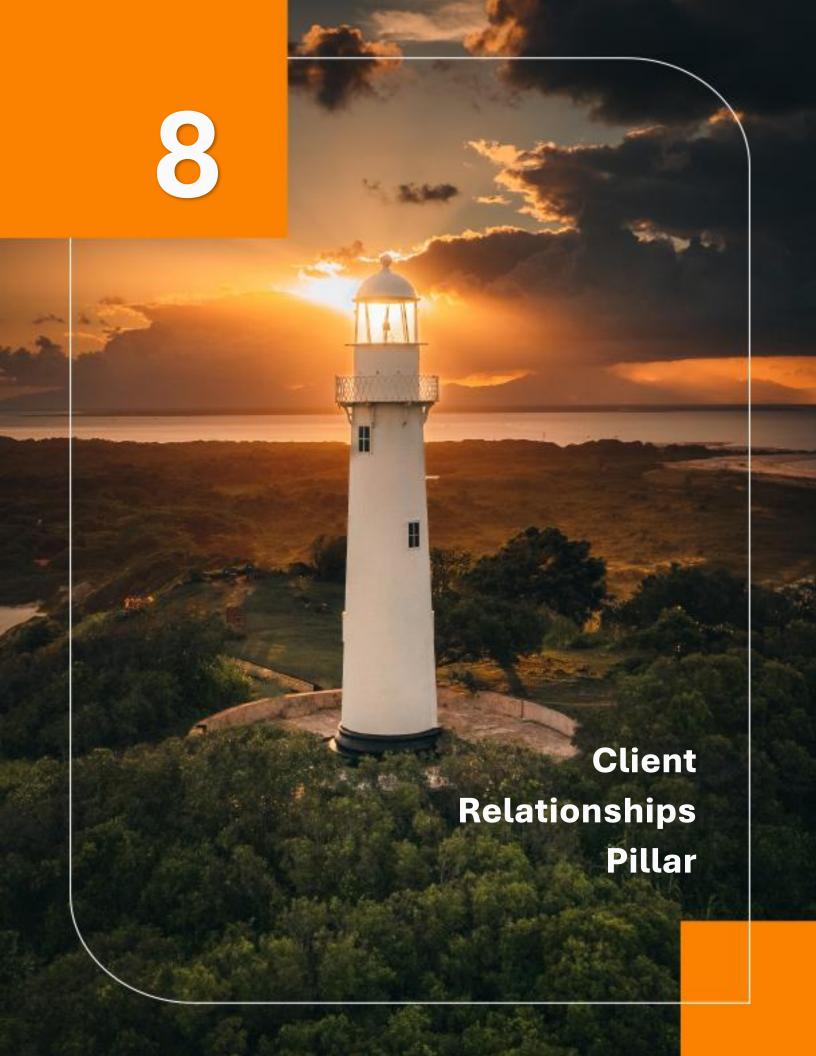
Table 114: Impact - Data-driven

Data-driven	Survey %	On-time project. delivery	Project overrun	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Exec real-time visibility
1: Very ineffective	2.8%	67.0%	11.0%	\$185	\$135	2.60
2: Ineffective	11.5%	70.0%	14.4%	\$196	\$147	3.06
3: Neither	31.0%	69.9%	12.4%	\$196	\$149	3.53
4: Effective	43.6%	74.8%	10.5%	\$203	\$166	3.74
5: Very effective	11.2%	82.2%	8.6%	\$230	\$198	4.48
Total / Average	100.0%	73.4%	11.3%	\$203	\$161	3.65

SPI Research believes productivity and profitability will improve as firms become more data driven. This year's survey showed a slight dip. While independents had the same score as last year, embedded organizations decreased by merely 2%. Larger firms also reduced, and architecture engineering firms showed a significant increase. However, the numbers aren't dramatically different statistically speaking. However, it is essential to monitor, as the more the professional services market embraces data-driven, the more productive and profitable they will be.

Table 115: Annual change data-driven

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.51	3.49	-1%	Under 10	3.27	3.42	5%	IT Consult.	3.66	3.60	-2%
ESO	3.47	3.39	-2%	10 - 30	3.39	3.43	1%	Mgmt. Cons.	3.53	3.53	0%
PSO	3.53	3.53	0%	31 - 100	3.58	3.55	-1%	SaaS PS	3.61	3.48	-4%
Amer	3.54	3.53	0%	101 - 300	3.52	3.53	0%	Software PS	3.68	3.67	0%
EMEA	3.43	3.24	-6%	301 - 700	3.60	3.39	-6%	Arch. / Engr.	3.20	3.46	8%
APac	3.49	3.57	2%	Over 700	3.68	3.52	-4%	Agency	3.37	3.35	-1%



## **CLIENT RELATIONSHIPS PILLAR**

The Client Relationships Pillar focuses on the activities associated with business development and client management. PSOs spend significant time and capital finding and retaining clients, which is a primary means of growing business and is always one of the top challenges for PS firms.

Cultivating new and repeat clients is the lifeblood of the service industry. Professional services organizations are in business to provide knowledge, expertise, and guidance. Their sales and marketing organizations must define target markets and solutions by understanding key client challenges. The service sales and marketing job generates awareness and identifies and closes opportunities. Services are intangible, so service sales and marketing must demonstrate concrete proof of the firm's knowledge, experience, differentiation, and quality.



In 2024, most of the Client Relationship KPIs went down, except the deal pipeline. SPI Research expects a significant effort in 2025 to grow revenue. While the KPIs went down, they weren't much lower than the prior year. 2024, like 2023, was a year of uncertainty, especially with inflation, interest rates, and AI taking center stage. After the elections in the US, things began to settle down, and PSOs could get back to selling.

# **Client Relationships Maturity**

Table 16 describes the five levels of maturity in the Client Relationships pillar. As sales and service delivery processes mature, organizations move from selling anything and everything to anyone to a more careful and selective approach to client selection, solution creation, deal capture, contract and pricing management, reference building, and partnering.

Table 116: PS Sales and Marketing Maturity Model™

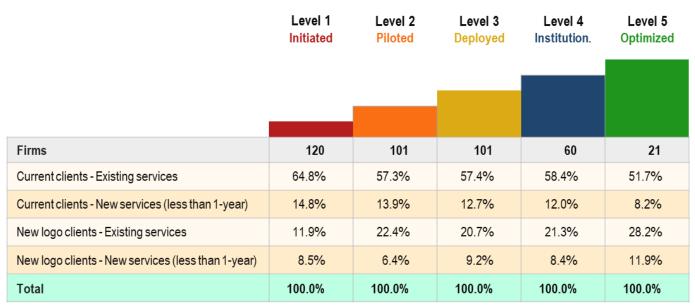
	Level 1	Level 2	Level 3	Level 4	Level 5
Client Relationships	Opportunistic. No defined solution sets or go-to-market plan. The focus is on closing deals and reference building. Individual heroics, no consistent sales, marketing, or partnering plan or methodology. Ad hoc, one-off projects.	Start to use marketing to generate leads—multiple sales models. Start investing in sales training, CRM & sales methodology—manual integration with PSA. Start measuring sales effectiveness & customer satisfaction. Start developing partners and partner programs—some level of proposal and contract reviews and pricing control.	Marketing, inside sales, and solution sales with defined solution sets. CRM integrated with PSA. Deal, pricing, and contract reviews. Partner plan and scorecard. Tight pricing and contract mgmt. Controls. High levels of customer satisfaction.	CRM, PSA, and CFM integration provides a 360-degree view of client relationships. Business process, vertical and horizontal solutions. Vertical centers of excellence. Top client and partner programs. Global contract and pricing management. Key partner relationships. Strong customer reference programs.	Executive relationships and client advisory board. Thought leadership. Brand building and awareness. High customer satisfaction. Integrated sales, marketing, and partnering programs. High-quality references.

Source: SPI Research, February 2025

The effectiveness of the organization's sales and marketing efforts determines the quality and size of the pipeline, win ratios, discounts, client satisfaction and reference ability, and the length of the sales cycle.

Effective sales and marketing organizations continually uncover new opportunities while ensuring existing customers continue to buy and refer. Today's successful PSO, whether embedded or independent, is increasingly taking charge of its destiny by investing in sales, marketing, and service packaging.

Figure 21: PS revenue breakdown by new vs. existing clients and services (under 1-year)



Source: SPI Research, February 2025

Improvements in sales and marketing performance, often referred to as "maturity" by SPI Research, lead to outstanding results for professional services organizations. Establishing strong client relationships translates into significant growth as PSOs expand their deal pipelines, secure more contracts, and build up their backlog. With robust sales and market demand, PSOs can be more selective about the deals they pursue and the clients they serve. This allows them to confidently reject unfavorable terms and conditions or excessive discounting that could jeopardize the firm's stability and profitability.

In today's virtual sales and delivery environment, organizations across all industries are eager to select and implement cloud-based business applications. The shift toward online self-service applications has created a high demand for IT and management consulting services. As illustrated in Figure 22, as PSOs enhance their sales, marketing, service packaging, and client reference-building strategies, they can achieve powerful results.

Enhancing client relationship maturity brings significant benefits, such as increased market expansion (reflected in a higher percentage of revenue from new clients), improved win ratios, a larger sales pipeline, and reduced discounting. More mature organizations report significantly better client references and net promoter scores, leading to increased referrals, a broader client base, and larger projects. Additionally, more mature PSOs require fewer salespeople, who are, however, tasked with higher quotas and win ratios.

Enhanced sales effectiveness also leads to lower indirect costs and improved marketing efficiency, yielding better results with higher bill rates and reduced discounts. High-performing organizations recognize that sales and marketing effectiveness is interdependent; a strategic alignment between

marketing, sales, and service delivery is crucial for success. Leading organizations ensure that all elements of the business work together seamlessly from strategy to execution, ultimately aiming to delight their clients.

Figure 22: Client Relationships Maturity Matters

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
Firms	120	101	101	60	21
Deal pipeline / quarterly bookings forecast	108%	140%	174%	208%	248%
Percentage of bids won	31.1%	44.7%	48.4%	56.3%	57.6%
Quarterly revenue target in backlog	20.3%	27.8%	48.4%	59.3%	70.0%
Service discount given	6.8%	9.9%	9.1%	9.5%	8.3%
Percentage of referenceable clients	64.5%	68.4%	68.4%	76.3%	79.3%
The technology infrastructure supports growth	3.64	3.59	3.54	3.83	3.67
Solution development effectiveness	3.29	3.38	3.45	3.67	3.52
Service sales effectiveness	3.24	3.29	3.47	3.78	3.86
Service marketing effectiveness	3.17	3.12	3.09	3.25	3.33
Efficiency of quoting service engagements	3.27	3.50	3.57	3.85	3.95
Profit (EBITDA %)	2.7%	5.7%	9.1%	11.8%	20.8%

Source: SPI Research, February 2025

An examination of the type of work sold (Figure 23) indicates that high-performing firms are increasingly engaging in time and materials work as the market for professional services expands and talent becomes harder to find. This shift is giving more power to PSOs, which is expected to result in higher billing rates and profits in the future. In this benchmark study, firms predominantly utilize time and materials pricing demonstrate significantly greater profitability compared to those relying more on fixed pricing.

In today's extremely competitive talent market, firms face risks with fixed pricing, as they may struggle to secure the necessary resources to deliver projects on time. More service providers are now offering subscription and managed services under monthly, quarterly, or annual contracts to generate predictable, recurring revenue. Buyers prefer predetermined monthly costs, which places the responsibility on service providers to effectively package, price, and fulfill these contracts. While shared risk contracts are becoming more popular, they still have a long way to go before they become the preferred approach.

Figure 23: Bill Type of Work Sold by Maturity Level

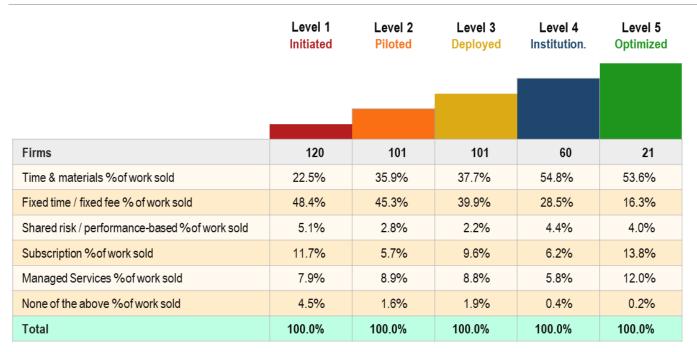


Figure 24: Sales KPIs by Maturity Level

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
F*	400	404	404	00	24
Firms	120	101	101	60	21
The number of full-time equivalent (FTE) employees dedicated to service sales	5.7	8.7	10.9	10.3	6.6
Annual service sales revenue quota per person (mm)	\$1.1	\$1.2	\$1.7	\$2.1	\$2.4
Deal size (contract value) (k)	\$84.0	\$112.2	\$203.9	\$292.9	\$353.6
Length of sales cycle from qualified lead to contract signing (days)	94.49	78.37	99.57	92.29	100.24
What is you overall Net Promoter Score?	53	64	59	72	74

Source: SPI Research, February 2025

This year, SPI Research conducted a survey that included several questions about services sales. Figure 24 illustrates the results based on maturity levels. While the maturity chart may not reveal many apparent trends, it indicates that organizations with higher maturity levels set higher revenue quotas for service sales. This suggests that the quality of individuals in these organizations is superior. Additionally, these mature organizations tend to secure much larger professional services engagements, resulting in

increased revenue and profit margins. This is the first year SPI Research has analyzed maturity levels concerning these specific questions, so we can expect even more data in the next year.

# **5-Year Client Relationships Trends**

SPI Research identified three key trends in client relationships, as shown in Figure 25, which are critical performance indicators for the Client Relationships pillar. While it's encouraging that over 30% of the clients for the PSOs in this study were new, there was a decline in annual PS revenue growth in 2024, accompanied by increased discounts. Professional services experienced year-over-year revenue growth exceeding 10% for many years, but there have been challenges following the COVID-19 pandemic. It's essential to monitor these two KPI trends to prevent further deterioration in performance.

Year-over-year Change in PS Revenue Percentage of New Clients Service discount given 12% 32% 10% 9% 31% 10% 10.4% 8% 8.0% **30**% **7**% 7.6% 8% 6% 7.8% 6.6% 29% 29.39 6% 5% 28% 28.2% 4% 4% 3% **27.5**% 27% 2% 2% 26% 1% 0% 25% 0% 2020

Figure 25: Client Relationships Trends of Note

Source: SPI Research, February 2025

Table 117 provides an overview of benchmark surveys conducted over the past five years. It reveals that most Client Relationship metrics reached their peak performance in 2021. During this time, the market began to improve as PSOs adapted their marketing and sales strategies in response to the pandemic, which led to a surge in consulting demand.

However, in 2023 and 2024, the market faced challenges due to economic uncertainty, the upcoming U.S. elections, and their potential impact on the country. While the deal pipeline showed improvement in 2024, indicating positive prospects for 2025, the percentage of deals won and the backlog at the start of the quarter declined. This suggests that Professional Services has not fully recovered in the market yet.

Table 117: Client Relationships Pillar 5-year Trend

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Year-over-year change in PS revenue	8.7%	8.7%	10.6%	10.4%	7.8%	4.6%
Current clients - existing services	55.5%	56.2%	58.9%	53.7%	52.3%	57.9%
Current clients - new services	15.3%	15.6%	13.6%	17.0%	16.4%	12.8%
New logo clients - existing services	19.3%	18.1%	18.1%	19.0%	20.6%	21.0%

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
New logo clients - new services	9.9%	10.0%	9.4%	10.3%	10.7%	8.3%
Deal pipeline relative to qtr. bookings forecast	168%	179%	183%	162%	154%	166%
Percentage of bids won	48.1%	47.0%	47.0%	50.2%	48.1%	47.3%
% of quarterly revenue target in backlog	44.0%	43.0%	45.5%	44.6%	43.8%	42.8%
Average service discount given	7.8%	7.6%	6.6%	8.0%	8.1%	9.1%
Percentage of referenceable clients	71.6%	72.7%	74.8%	71.3%	68.7%	70.1%
Solution development effectiveness	3.64	3.69	3.71	3.65	3.62	3.45
Service sales effectiveness	3.57	3.56	3.64	3.60	3.54	3.47
Service marketing effectiveness	3.19	3.12	3.24	3.22	3.15	3.15
Efficiency of quoting service engagements	3.48				3.40	3.59

# **Survey Results**

The following sections analyze Key Performance Indicators (KPIs) related to Client Relationships, their influence on overall performance, and the changes observed over the past year. The professional services market is dynamic, and agile firms are more likely to experience growth and success.

# Service revenue breakdown by new vs. existing clients and new vs. existing services

The breakdown of sales by new logo clients (less than one year) vs. existing and new services (offered for less than one year) vs. existing (over one year).

Tables 118-120 indicate a slight decrease in the number of new logo clients in 2024. Embedded service organizations, mainly those driven by software and SaaS companies, experienced significant growth in acquiring new clients. In contrast, architecture and engineering firms did not see similar success. Approximately 30% of services were sold to new clients in the Americas and EMEA regions, while the APac region had around 27%. PSOS needs to focus on acquiring new clients, especially for newly launched services (less than one year old), as these clients and services are essential for driving growth.

Table 118: Service Revenue Breakdown

Revenue & Client Source	2023	2024	ESO	PSO	Americas	EMEA	APac
Current clients - existing services	52.3%	57.9%	54.3%	59.1%	58.6%	54.5%	57.4%
Current clients - new services	16.4%	12.8%	13.7%	12.5%	12.1%	15.0%	15.8%
New logo clients - existing services	20.6%	21.0%	25.1%	19.7%	21.1%	22.0%	18.7%
New logo clients - new services	10.7%	8.3%	6.9%	8.7%	8.3%	8.5%	8.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 119: Service Revenue Breakdown by Market

Revenue & Client Source	IT Con	Mgmt Con	SaaS	Software	Arch/Engr	Agency	IT Con
Current clients - existing services	59.5%	56.2%	48.1%	44.1%	70.9%	63.9%	59.5%
Current clients - new services	14.2%	12.1%	14.5%	17.8%	7.8%	8.9%	14.2%
New logo clients - existing serv.	18.2%	21.9%	30.7%	25.1%	15.8%	20.9%	18.2%
New logo clients - new services	8.2%	9.8%	6.7%	13.1%	5.5%	6.2%	8.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 120: Service Revenue Breakdown by Organization Size

Revenue & Client Source	Under 10	10 - 30	31 - 100	101 - 300	301 - 700	Over 700
Current clients - existing services	48.5%	60.1%	62.9%	61.0%	49.1%	49.3%
Current clients - new services	15.1%	12.5%	10.5%	10.3%	18.9%	24.4%
New logo clients - existing services	21.3%	22.7%	21.1%	21.4%	18.8%	14.4%
New logo clients - new services	15.1%	4.8%	5.5%	7.3%	13.2%	11.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SPI Research, February 2025

Table 121 shows an increase in the percentage of current clients with existing services. This increase limits the organization's ability to grow but does provide some safety and security for margins. Embedded service organizations relied much more heavily in 2024 on their existing client base and service portfolio than independents.

Table 121: Annual change current clients - existing services

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	52.3%	57.9%	11%	Under 10	54.4%	48.5%	-11%	IT Consult.	55.5%	59.5%	7%
ESO	46.2%	54.3%	18%	10 - 30	52.3%	60.1%	15%	Mgmt. Cons.	54.3%	56.2%	3%
PSO	54.8%	59.1%	8%	31 - 100	54.0%	62.9%	17%	SaaS PS	36.3%	48.1%	32%
Amer	52.7%	58.6%	11%	101 - 300	50.4%	61.0%	21%	Software PS	40.7%	44.1%	8%
EMEA	51.0%	54.5%	7%	301 - 700	54.0%	49.1%	-9%	Arch. / Engr.	64.8%	70.9%	9%
APac	51.6%	57.4%	11%	Over 700	46.9%	49.3%	5%	Agency	60.9%	63.9%	5%

Source: SPI Research, February 2025

Table 122 shows that the percentage of current clients with new services dropped by 22% relative. Both embedded and independents suffered in this category, with the Americas driving it down the furthest. Larger firms increased the percentage of current clients with new services as AI-related services took hold.

Table 122: Annual change current clients - new services (less than 1 year)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	16.4%	12.8%	-22%	Under 10	14.6%	15.1%	3%	IT Consult.	15.9%	14.2%	-11%
ESO	16.7%	13.7%	-18%	10 - 30	15.9%	12.5%	-21%	Mgmt. Cons.	15.8%	12.1%	-23%
PSO	16.3%	12.5%	-23%	31 - 100	16.4%	10.5%	-36%	SaaS PS	16.7%	14.5%	-13%
Amer	16.1%	12.1%	-25%	101 - 300	16.1%	10.3%	-36%	Software PS	19.2%	17.8%	-8%
EMEA	16.9%	15.0%	-11%	301 - 700	16.5%	18.9%	15%	Arch. / Engr.	14.7%	7.8%	-47%
APac	18.5%	15.8%	-14%	Over 700	20.2%	24.4%	21%	Agency	16.2%	8.9%	-45%

Table 123 shows the new logo clients with the existing service portfolio increased slightly in 2024. Embedded service organizations showed a significant increase while independents remained the same. The Asia-Pacific region grew this area significantly while the most prominent firms reduced it equally. Agencies also depended on new client penetration with their existing service portfolio to drive revenue.

Table 123: Annual change new logo clients - existing services

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	20.6%	21.0%	2%	Under 10	22.0%	21.3%	-3%	IT Consult.	19.0%	18.2%	-5%
ESO	23.0%	25.1%	9%	10 - 30	22.1%	22.7%	2%	Mgmt. Cons.	20.9%	21.9%	5%
PSO	19.6%	19.7%	0%	31 - 100	19.9%	21.1%	6%	SaaS PS	28.3%	30.7%	8%
Amer	20.4%	21.1%	3%	101 - 300	21.4%	21.4%	0%	Software PS	27.0%	25.1%	-7%
EMEA	22.8%	22.0%	-4%	301 - 700	18.9%	18.8%	0%	Arch. / Engr.	14.0%	15.8%	13%
APac	17.3%	18.7%	8%	Over 700	18.6%	14.4%	-22%	Agency	16.4%	20.9%	27%

Source: SPI Research, February 2025

Table 124 shows that the percentage of PSOs selling new services to new logo clients decreased significantly in 2024. This could be one of the reasons why the revenue increase overall for PS suffered during the year. The table shows embedded service organizations are stuck with their existing client base and service portfolio to drive sales. SaaS PS limited their sale of new services to new clients, which is odd because they typically drive new client penetration. 2024 was a problematic year selling, and in 2025, SPI Research expects new logo clients with new services to increase.

Table 124: Annual change new logo clients - new services (less than 1 year)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	10.7%	8.3%	-23%	Under 10	9.0%	15.1%	68%	IT Consult.	9.5%	8.2%	-14%
ESO	14.1%	6.9%	-51%	10 - 30	9.7%	4.8%	-51%	Mgmt. Cons.	9.0%	9.8%	10%
PSO	9.3%	8.7%	-6%	31 - 100	9.7%	5.5%	-44%	SaaS PS	18.7%	6.7%	-64%
Amer	10.9%	8.3%	-24%	101 - 300	12.1%	7.3%	-40%	Software PS	13.1%	13.1%	0%

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
EMEA	9.3%	8.5%	-8%	301 - 700	10.7%	13.2%	24%	Arch. / Engr.	6.5%	5.5%	-16%
APac	12.7%	8.1%	-36%	Over 700	14.4%	11.9%	-17%	Agency	6.5%	6.2%	-4%

# The primary growth strategy

2024, like 2023, was a challenging year to sell professional services. Few would doubt that the economic turmoil and political uncertainties weighed in on decision-makers plans to purchase professional services. Regardless, PSOs still grew and are now positioned for what is perceived to be a more business-friendly economic environment in 2025. SPI expects mergers and acquisitions to pick up and new service offerings, as AI has exploded in decision-makers' minds. SPI Research asked professional Services organizations what their primary growth strategy was, and Table 125 highlights the results.

As one might expect, most organizations have multiple growth strategies. This is especially true in smaller organizations, as larger ones typically have a corporate plan. SPI Research found it interesting that Management consultancies had many strategies to employ to grow. Both software and SaaS professional services look to add new services to their portfolio. Many come from artificial intelligence.

**Table 125: Summary of Organizational Growth Strategy** 

	M&A	New services	Add headcount	Multiple strategies	No current strategy
Survey Total	3.5%	24.4%	7.0%	57.0%	8.1%
Organization Type - ESO	6.6%	14.0%	18.1%	56.4%	4.9%
Organization Type - PSO	5.8%	16.7%	15.2%	56.5%	5.8%
Region - Americas	5.5%	16.5%	13.0%	58.3%	6.7%
Region - EMEA	8.2%	14.3%	22.4%	51.0%	4.1%
Region - APac	3.8%	23.1%	23.1%	50.0%	0.0%
Employees - Under 10	3.2%	17.7%	6.5%	69.4%	3.2%
Employees - 10 - 30	0.0%	20.3%	25.4%	42.4%	11.9%
Employees - 31 - 100	4.1%	12.2%	15.3%	62.2%	6.1%
Employees - 101 - 300	7.8%	16.9%	18.2%	51.9%	5.2%
Employees - 301 - 700	25.0%	12.5%	0.0%	62.5%	0.0%
Employees - Over 700	17.6%	29.4%	11.8%	41.2%	0.0%
Market - IT Consulting	8.0%	12.6%	17.2%	59.8%	2.3%
Market - Mgmt. Consulting	5.5%	9.6%	13.7%	65.8%	5.5%
Market - SaaS PS	2.4%	24.4%	4.9%	56.1%	12.2%
Market - Software PS	11.1%	33.3%	11.1%	38.9%	5.6%
Market – Arch. & Engr.	2.9%	8.8%	38.2%	38.2%	11.8%

	M&A	New services	Add headcount	Multiple strategies	No current strategy
Market - Agencies	10.0%	25.0%	5.0%	55.0%	5.0%

2024 was a more difficult year than normal for selling professional services. PS leaders continue to develop new ways to sell and new services to drive revenue growth. For the second year in a row, SPI Research asked PS executives what their primary strategy for growth would be in 2025. These strategies include:

- Mergers & Acquisitions
- New services offerings
- Adding headcount
- Multiple strategies
- No current strategy

Table 126 shows that most firms have multiple strategies for adding headcount, offering new services, and becoming involved with M&A activity. Smaller firms focused on adding new services, whereas IT consultants and AE firms looked to add headcount.

Table 126: Impact - The primary growth strategy

The primary growth strategy	Survey %	Revenue growth	New clients	Deal pipeline	% of bids won	Backlog
Mergers & Acquisitions	5.8%	4.1%	28.7%	169%	43.3%	36.8%
New services offerings	16.7%	5.6%	30.4%	152%	47.0%	39.1%
Adding headcount	15.2%	8.9%	24.6%	177%	50.0%	53.0%
Multiple strategies	56.5%	4.1%	30.4%	170%	47.4%	42.1%
No current strategy	5.8%	4.5%	28.7%	137%	43.7%	37.9%
Total	100.0%	5.1%	29.3%	166%	47.3%	42.7%

Source: SPI Research, February 2025

## Size of deal pipeline in comparison to quarterly bookings forecast

The size of the pipeline (in dollars) is divided by the forecasted revenue. **Only** include the quarter's pipeline revenue for potential engagements spanning multiple quarters.

The size of the deal pipeline shows a direct correlation to all major growth indicators – revenue growth, new clients, backlog, revenue per billable employee, percentage achievement of annual revenue and margin targets, and billable utilization.

A sign of caution and continued market turbulence is that 49.3% of benchmark participants reported their deal pipeline was less than two times the size of their forecast. Table 127 illustrates the positive impact of a strong sales pipeline on revenue growth, backlog, billable utilization, and real-time visibility.

2024 saw an increase in the deal pipeline compared to the quarterly bookings forecast. This bodes well for professional services organizations; a more extensive pipeline means less pressure on discounting, which results in higher margins. Those organizations with the highest pipelines showed superior financial results to those with smaller pipelines. The results of this table highlight the importance of deal pipelines, and PS executives should ensure their organization reaches at least 2X of their forecast.

Table 127: Impact - Size of deal pipeline in comparison to quarterly bookings forecast

Size of deal pipeline in comparison to quarterly bookings forecast	Survey %	Revenue growth	Project margin	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	% of ann. Rev. target
Less than forecast	17.8%	2.3%	32.7%	\$175	\$140	82.1%
Same as forecast	31.5%	5.0%	33.8%	\$199	\$151	89.0%
2X forecast	31.5%	6.0%	39.9%	\$208	\$168	92.0%
3X forecast	14.6%	6.2%	34.3%	\$224	\$179	89.1%
4X forecast	4.7%	8.2%	43.2%	\$264	\$221	90.4%
Total / Average	100.0%	5.1%	36.1%	\$204	\$162	88.8%

Source: SPI Research, February 2025

Table 128 shows that the average size of the deal pipeline increased to 166% from 154% in 2023. Both ESOs and PSOs increased their pipelines by 8% over 2023. The table shows that the Asia-Pacific region increased significantly, albeit with fewer observations. Large and small PSOs increased their pipelines, while agencies and SaaS PSOs decreased theirs. Architecture and engineering firms increased significantly.

Table 128: Annual change deal pipeline / quarterly bookings forecast

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	154%	166%	8%	Under 10	115%	128%	11%	IT Consult.	175%	172%	-1%
ESO	161%	174%	8%	10 - 30	149%	172%	16%	Mgmt. Cons.	149%	158%	6%
PSO	152%	163%	8%	31 - 100	158%	165%	5%	SaaS PS	167%	164%	-2%
Amer	158%	167%	5%	101 - 300	166%	187%	13%	Software PS	190%	203%	6%
EMEA	138%	147%	6%	301 - 700	164%	173%	6%	Arch. / Engr.	130%	162%	20%
APac	160%	192%	20%	Over 700	169%	188%	11%	Agency	109%	103%	-6%

# Percentage of bids won

## The percentage of client bids submitted that are awarded with contracts.

The percentage of bids won is a culmination of good marketing, sales, and pricing. If the percentage of bids won is too high, it may indicate that the organization is not aggressive enough in targeting new clients and new services (Table 129). If it is shallow, it suggests the firm is competing in a commoditized market, is not well-positioned, or is not doing an excellent job qualifying deals. The best deals do not require a bid (sole source) because the client has done business with the firm before and knows they will do a good job, or they are so clearly the premium supplier that no other providers need to be considered

Table 129: Impact - Percentage of Bids Won

Percentage of Bids Won	Survey %	New clients	Deal pipeline	Backlog	Client reference	Project margin
Under 20%	8.5%	31.0%	163%	30.2%	61.1%	29.5%
20% - 40%	27.7%	30.5%	157%	35.9%	66.2%	36.0%
40% - 60%	39.0%	29.7%	183%	47.4%	70.7%	37.6%
60% - 80%	18.6%	28.7%	162%	48.3%	74.6%	34.9%
Over 80%	6.3%	22.0%	138%	42.3%	85.0%	35.2%
Total / Average	100.0%	29.3%	167%	42.6%	70.2%	35.8%

Source: SPI Research, February 2025

While the deal pipeline increased in 2024, the winning bid percentage decreased by 2%. This was especially prevalent in embedded service organizations and the Asia-Pacific region. SaaS PSOs saw the percentage of bids won go down significantly from 50.9% to 43.5%. However, software PS organizations grew their percentage of bids won to 54.4%, a healthy increase for the year.

Table 130: Annual change percentage of bids won

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	48.1%	47.3%	-2%	Under 10	54.2%	51.3%	-5%	IT Consult.	48.6%	46.6%	-4%
ESO	49.8%	43.3%	-13%	10 - 30	51.3%	47.2%	-8%	Mgmt. Cons.	52.7%	51.6%	-2%
PSO	47.4%	48.7%	3%	31 - 100	47.7%	46.9%	-2%	SaaS PS	50.9%	43.5%	-15%
Amer	47.4%	47.2%	0%	101 - 300	47.9%	46.9%	-2%	Software PS	44.9%	54.4%	21%
EMEA	49.1%	48.3%	-2%	301 - 700	40.6%	41.3%	2%	Arch. / Engr.	49.0%	47.1%	-4%
APac	51.2%	46.2%	-10%	Over 700	43.7%	42.5%	-3%	Agency	39.0%	44.0%	13%

# **Quarterly Revenue Target in Backlog**

Quarterly revenue backlog is the amount of already sold (booked) business in backlog (ready to execute) divided by forecasted quarterly revenue.

The backlog represents "fuel in the tank." It improves an organization's ability to grow and increases the accuracy of financial forecasts. Some PSOs measure quarterly backlog as the amount of work already sold plus the amount of work from a factored sales forecast.

Declining backlog is a clear indication of slowing growth. Backlog is one of the most powerful leading indicators. Product-focused organizations have more problems with the backlog as they frequently sell a "bank of hours" with the product sale, which may never be consumed. It is a good idea to often "scrub" backlog to determine whether booked deals can be delivered in the current quarter. This "shadow" backlog should not be counted if they cannot. If the backlog is not consumed (delivered) within a year, it should be written off or removed from the revenue forecast as the client will unlikely use the consulting time they have been sold.

Table 131 shows how other key performance indicators change as PSOs increase their backlog. A more extensive pipeline and higher win ratios drive the backlog. An increase in new clients contributes to this success, but PSOs also perform well, as evidenced by the achievement of annual revenue and margin goals.

Table 131: Impact - Quarterly revenue target in backlog at the beginning of the quarter

Percentage of the quarterly revenue target in backlog at the beginning of the quarter	Survey %	Revenue growth	New clients	Deal pipeline	% of bids won	Client reference
Under 20%	21.3%	-2.3%	33.4%	140%	42.6%	66.9%
20% - 40%	25.6%	5.2%	25.9%	162%	44.6%	68.1%
40% - 50%	14.4%	10.6%	36.9%	184%	48.2%	66.1%
50% - 60%	11.8%	8.5%	27.9%	169%	50.0%	72.6%
60% - 70%	10.2%	4.7%	28.3%	177%	52.7%	74.2%
Over 70%	16.7%	7.4%	25.5%	191%	53.9%	76.6%
Total / Average	100.0%	5.1%	29.5%	168%	47.7%	70.1%

Source: SPI Research, February 2025

Table 132 shows that the percentage of the quarterly revenue target in backlog at the beginning of the quarter decreased by 2%, from 43.8% in 2023 to 42.8% in 2024. The largest firms (over 700 employees) had a more significant increase in the percentage of the quarterly revenue target in backlog at the beginning of the quarter than smaller firms. Agencies showed the most significant increase in backlog at the beginning of the quarter at 21%, while management consultancies went down by 15%.

Table 132: Annual change percentage of the quarterly revenue target in backlog

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	43.8%	42.8%	-2%	Under 10	38.3%	33.4%	-13%	IT Consult.	44.6%	45.6%	2%
ESO	42.0%	41.3%	-2%	10 - 30	43.1%	40.1%	-7%	Mgmt. Cons.	43.0%	36.8%	-15%
PSO	44.5%	43.3%	-3%	31 - 100	44.5%	47.6%	7%	SaaS PS	45.0%	43.7%	-3%
Amer	44.8%	44.1%	-2%	101 - 300	46.8%	45.7%	-2%	Software PS	53.6%	47.5%	-11%
EMEA	41.5%	38.2%	-8%	301 - 700	48.4%	44.0%	-9%	Arch. / Engr.	49.4%	47.3%	-4%
APac	41.0%	38.8%	-5%	Over 700	39.4%	45.6%	16%	Agency	37.1%	45.0%	21%

### **Service Discount Given Clients**

## The average discount or price concession from the list price for a proposed service.

The average discount percentage highlights how much off the standard price the organization must discount its services to win bids. This percentage is noteworthy as it cuts right into PS margins. Professional services organizations build, sometimes elaborate, pricing models to optimize revenue and profitability. As competition heats up in services, differentiation is not enough to win the bid, and PS executives must discount their services.

Developing a pricing strategy in professional services is far more challenging than in product-based organizations. It is easy to do comparative shopping at a grocery store or for products online. In professional services, pricing is more art than science, with wider cost variability, estimates, proposals, and pricing. Professional services executives cannot just look at expected project costs, sales forecasts, or other key metrics to set pricing. Supply and demand come into play. The more unique the offering, the more demonstrable the return on investment, the larger the reference base, the harder it is to find the required skills, and the more premium pricing is warranted. Table 133 shows over 70% of organizations discount less than 10%. Those organizations that discount heavily (greater than 20%) have significantly higher employee attrition and fewer client references.

Table 133: Impact - Service discount given to clients

Percentage of Service discount	Survey %	Revenue growth	New clients	Client reference	Rec. to family/ friends	Ann. rev./ emp. (k)
None	24.4%	6.0%	28.7%	76.8%	4.36	\$172
Under 5%	18.4%	1.6%	23.6%	71.8%	4.38	\$165
5% - 10%	27.5%	6.3%	29.5%	69.2%	4.26	\$168
10% - 20%	16.1%	5.0%	30.4%	67.7%	4.24	\$166
20% - 30%	8.5%	7.9%	32.9%	64.4%	4.17	\$135
Over 30%	5.1%	1.1%	38.1%	57.5%	3.60	\$105
Total / Average	100.0%	5.0%	29.1%	70.3%	4.26	\$162

Past win percentages are critical but must be viewed with past and projected project margins to determine the optimal pricing strategy. Professional services executives should not mind losing bids when they hurt margin because "bargain basement" pricing rarely results in win-win partnerships. If firms are continually asked to discount pricing, it is a sure sign that something is wrong. Either they have not adequately demonstrated their value, are moving into a commodity market, or have not done a good job of differentiating their services. There is no way service organizations can make up in volume the amount they lose per deal because margins are too thin, and there is no way to recoup hours worked at cheap rates.

Although limiting discounting might impact growth, it enhances win ratios, billable utilization, on-time project delivery and client references. Firms that refrain from discounting do a better job of using standardized methods and tools, resulting in fewer project overruns. Profit is the fuel that drives expansion. While not every project achieves its desired profitability goal, one or two money-losing projects can quickly undermine all profit.

When creating a large bid, all costs including sales costs should be measured. Very few projects are delivered precisely on time and on budget, so change control is an important element of pricing. If a client demands pricing concessions, scope must be contained, but the client must also understand and accept the risks. Best practices in pricing include creating a dedicated proposal center to ensure all proposals are of the highest quality. Bid, estimate, pricing and contract reviews are all good investments which pay dividends by improving project margins and reducing the risk of overruns and losses. Table 134 shows increases in discounting across the survey. The service discount increased by 12% from 8.1% in 2023 to 9.1% in 2024. Only firms in the Asia Pacific region reduced their discounts year-over-year, and by market; most had significant increases, except for agencies, and architects and engineers. Ideally, there would be no discounting, but most firms must discount occasionally.

Table 134: Annual change service discount given

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	8.1%	9.1%	12%	Under 10	4.6%	7.8%	70%	IT Consult.	8.4%	9.1%	8%
ESO	9.4%	13.4%	43%	10 - 30	6.4%	9.5%	50%	Mgmt. Cons.	5.9%	6.6%	11%
PSO	7.6%	7.6%	0%	31 - 100	8.7%	7.6%	-13%	SaaS PS	14.6%	19.0%	30%
Amer	8.3%	8.8%	6%	101 - 300	8.6%	10.4%	21%	Software PS	10.9%	13.6%	25%
EMEA	7.1%	11.4%	62%	301 - 700	8.8%	11.4%	30%	Arch. / Engr.	4.7%	3.0%	-37%
APac	9.0%	7.7%	-15%	Over 700	11.5%	13.3%	16%	Agency	8.5%	4.9%	-43%

# **Percentage of Referenceable Clients**

The percentage of customers providing a reference to help the PSO sell more services. Ideally, this KPI would be captured by an outside service.

The percentage of reference clients is considered one of the most important KPIs in the professional services market. Client references strongly correlate with service sales effectiveness, the length of the sales cycle, ease of getting things done, and whether employees would recommend the PSO as a great place to work. The relationship between client and employee satisfaction is irrefutable.

Client references are a leading indicator of organizational success. As the percentage increases, so does the probability of high levels of growth, better win ratios, and lower sales costs. Any maturity improvement plan must address measuring and improving client satisfaction and building references. Best practices include post-project engagement interviews and surveys, acquiring client references and testimonials as part of the project close-out process, and frequent and consistent project quality reviews. Executive teams should review the project dashboard at weekly meetings and immediately assign resources to intervene with troubled projects. Table 135 shows higher references yield higher sales win rates and revenue per consultant and employee. Referenceable clients also help PSOs meet revenue and margin targets.

**Table 135: Impact – Client references** 

Percentage of referenceable clients	Survey %	% of emp. billable	New clients	Deal pipeline	% of bids won	Billable utilization
Under 50%	17.2%	69.5%	31.7%	166%	41.1%	65.9%
50% - 60%	13.8%	62.7%	32.2%	178%	36.8%	67.1%
60% - 70%	12.5%	71.6%	34.8%	137%	41.6%	69.4%
70% - 80%	22.9%	70.4%	27.7%	167%	51.1%	66.5%
80% - 90%	15.4%	78.3%	26.2%	177%	55.3%	71.3%
Over 90%	18.2%	76.2%	26.4%	171%	53.1%	72.1%
Total / Average	100.0%	71.6%	29.4%	167%	47.2%	68.6%

Source: SPI Research, February 2025

Client references went up slightly in 2024. Independents showed an increase, while the embedded service organizations had a reduced percentage of referenceable clients. All three regions showed a slight increase. Larger firms improved their referenceable client percentage, as did management consultancies and agencies.

Table 136: Annual change percentage of referenceable clients

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	68.7%	70.1%	2%	Under 10	76.9%	72.6%	-6%	IT Consult.	69.2%	70.0%	1%
ESO	67.0%	65.0%	-3%	10 - 30	70.8%	70.2%	-1%	Mgmt. Cons.	73.8%	77.5%	5%
PSO	69.5%	71.9%	4%	31 - 100	69.3%	71.4%	3%	SaaS PS	64.4%	59.7%	-7%

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Amer	70.0%	71.1%	2%	101 - 300	65.6%	68.3%	4%	Software PS	62.7%	63.3%	1%
EMEA	65.9%	67.1%	2%	301 - 700	63.7%	62.3%	-2%	Arch. / Engr.	75.2%	70.5%	-6%
APac	64.9%	66.7%	3%	Over 700	64.8%	68.1%	5%	Agency	66.0%	69.7%	6%

# **The Technology Infrastructure Supports Growth**

The SPI Research principals have spent over 25 years analyzing technology in the Professional Services market. CRM solutions have been around for decades, and PSOs integrating it with PSA have generally delivered superior results. SPI Research asked this year for the first time, "Does the organization's technology infrastructure support the firm's growth?" The results highlighted in Table 137 show that over 50% of the respondents believe that the technology infrastructure supports growth. The results are impressive in helping the organization grow revenue, build pipelines, and win more bids.

Table 137: Impact – The technology infrastructure supports growth

Technology Infrastructure Supports Growth	Survey %	Revenue growth	Deal pipeline	Client reference	Billable utilization	On-time proj. delivery
Very ineffective	1.5%	7.5%	180%	65.0%	60.0%	78.0%
Ineffective	9.3%	5.5%	142%	68.7%	69.6%	70.5%
Neither ineffective nor effective	32.5%	4.7%	160%	69.0%	67.1%	72.7%
Effective	37.8%	5.6%	168%	69.2%	69.5%	73.1%
Very effective	18.9%	4.2%	185%	75.0%	70.3%	76.2%
Total / Average	100.0%	5.0%	166%	70.1%	68.7%	73.4%

Source: SPI Research, February 2025

Table 138 highlights the effectiveness of how technology supports growth within PSOs and the processes associated with service development, marketing, and sales.

Some of the more noteworthy changes include:

- ◆ The technology infrastructure supports growth went up by 4% from 3.49 in 2023 to 3.63 in 2024.
- ◆ The solution development effectiveness went down by 5% from 3.62 in 2023 to 3.45 in 2024.
- ◆ The service sales effectiveness went down by 2% from 3.54 in 2023 to 3.47 in 2024.
- ◆ The service marketing effectiveness went up by 0% from 3.15 in 2023 to 3.15 in 2024.
- ◆ The efficiency of quoting service engagements (1 poor 5 great) went up by 6% from 3.40 in 2023 to 3.59 in 2024.

2023 2024 % ↑↓ Org. Size 2023 2024 % ↑↓ Market 2023 2024 % ↑↓ 4% Under 10 10% IT Consult. 5% Total 3.49 3.63 3.18 3.50 3.65 3.83 10 - 30 **ESO** 3.54 3.58 1% 3.47 3.56 2% Mgmt. Cons. 3.34 3.51 -5% **PSO** 3.48 3.65 5% 31 - 100 3.58 3.68 3% SaaS PS 3.56 3.33 7% Amer 3.57 3.63 2% 101 - 300 3.41 3.65 7% Software PS 3.46 3.89 -11% **EMEA** 3.25 3.57 10% 301 - 700 3.78 3.75 -1% Arch. / Engr. 3.36 3.55 -5%

3.88

10%

Agency

Table 138: Annual change the technology infrastructure supports growth (1 poor - 5 great)

Source: SPI Research, February 2025

3.40

-1%

3.36

# **Effectiveness of Service Development, Marketing and Sales Processes**

Over 700

The effectiveness of solution development, service marketing, and sales on a 1-5 scale, with 1=very ineffective and 5=very effective.

To successfully create, market and sell professional services, PSOs must go through a process of analyzing market trends, past and future services commitments and understanding client needs and translating them into solutions. The following sections analyze how effective PSOs are in solution development, marketing and sales.

3.53

### **Solution Development Effectiveness**

APac

3.46

3.77

9%

Solution development effectiveness requires consistent PS and Sales executive funding and support. Ad hoc teams of benched consultants cannot be effective in developing a compelling and meaningful solution development strategy and program. Based on the Service Lifecycle Management Maturity Model™

Benchmark, very few organizations are effective at service productization. Creating an effective and efficient solution development process is a difficult undertaking. Most firms are struggling to do this because solution development crosses over traditional functional boundaries and requires crossorganizational collaboration and change management. The work of having all the constituent groups − professional services, sales, marketing, product management and channel partners − on the same page to create compelling solutions for targeted markets is a tough but worthwhile task.

Solution development requires significant leadership, organizational commitment, funding and on-going change management. SPI Research believes that the following are critical success factors for instantiating and sustaining a successful solution development program:

- Articulated and well-understood services strategy
- Service productization program vision
- Executive sponsorship
- Market-driven focus
- Global company adoption of program
- On-going resource commitment
- Cross-functional participation; and

Repeatable sales and delivery methods, tools, and templates.

SPI Research asked how effective solution development was on a scale of 1 to 5, with 5 representing very effective (Table 139). Solution Development effectiveness has traditionally been given a lower score than sales effectiveness but higher marks than marketing effectiveness. This year's overall sales effectiveness of 3.57 was higher than the 3.45 for solution development effectiveness and 3.15 for marketing effectiveness. Both solution development and sales effectiveness decreased from the 2023 survey. For 48.4% of firms who gave their solution development efforts a good score of 4 or 5, solution development positively impacted several of the Client Relationships KPIs and the ability to meet annual goals.

Table 139: Impact - Solution Development Effectiveness

Solution Development Effectiveness	Survey %	Revenue growth	New clients	Deal pipeline	% of ann. rev. target	% of ann. margin target
1 - Very ineffective	1.3%	-1.9%	15.3%	100%	82.5%	82.5%
2 - Ineffective	10.1%	6.9%	27.8%	161%	86.9%	83.3%
3 - Neither	40.2%	4.8%	28.5%	164%	86.7%	87.0%
4 - Effective	38.9%	4.5%	32.1%	172%	90.3%	88.6%
5 - Very effective	9.5%	6.7%	26.5%	174%	92.3%	93.4%
Total / Average	100.0%	5.0%	29.5%	167%	88.6%	87.8%

Source: SPI Research, February 2025

Table 140: Annual change solution development effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.62	3.45	-5%	Under 10	3.52	3.54	1%	IT Consult.	3.62	3.57	-1%
ESO	3.69	3.27	-11%	10 - 30	3.66	3.28	-10%	Mgmt. Cons.	3.72	3.48	-6%
PSO	3.59	3.52	-2%	31 - 100	3.60	3.47	-4%	SaaS PS	3.74	3.26	-13%
Amer	3.66	3.47	-5%	101 - 300	3.62	3.44	-5%	Software PS	3.48	3.59	3%
EMEA	3.44	3.33	-3%	301 - 700	3.69	3.50	-5%	Arch. / Engr.	3.41	3.45	1%
APac	3.69	3.54	-4%	Over 700	3.66	3.65	0%	Agency	3.51	3.53	0%

Source: SPI Research, February 2025

### Service Marketing Effectiveness

Service marketing must develop an effective online presence, thought leadership, lead generation campaigns, sales tools, and sales enablement to amplify the firm's brand awareness and showcase thought leadership while nurturing qualified leads. The most successful PS marketing efforts require a strategic focus to ensure they augment and enhance the firm's strategy.

Marketing should bring the firm's vision and strategy to life through effective positioning. Without a seat at the executive table, marketing will be relegated to tactical lead generation and sales support activities.

Effective marketing requires dedicated, skilled personnel and sustained funding to support ongoing campaigns.

SPI Research asked the effectiveness of service marketing was on a scale of 1 to 5, with 5 representing very effective (Table 141). Marketing effectiveness has consistently been given an even lower score than sales effectiveness. For 38.8% of firms that gave their marketing efforts a strong score of 4 or 5, marketing positively impacts revenue growth, size of the sales pipeline, and project margins. Marketing is worth the expense – if it is well-staffed, fully funded, and strategically positioned.

Table 141: Impact - Service Marketing Effectiveness

Service Marketing Effectiveness	Survey %	Revenue growth	New clients	Deal pipeline	% of ann. rev. target	% of ann. margin target
1 - Very ineffective	4.1%	2.5%	22.8%	165%	81.9%	83.5%
2 - Ineffective	19.6%	4.7%	29.0%	161%	87.4%	87.1%
3 - Neither	37.5%	5.6%	28.1%	157%	89.1%	88.3%
4 - Effective	34.4%	4.5%	31.4%	182%	88.8%	88.3%
5 - Very effective	4.4%	12.3%	35.0%	179%	97.1%	91.3%
Total / Average	100.0%	5.2%	29.5%	168%	88.7%	88.0%

Source: SPI Research, February 2025

Table 142: Annual change service marketing effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.15	3.15	0%	Under 10	3.02	3.22	7%	IT Consult.	3.05	3.19	5%
ESO	3.03	2.92	-4%	10 - 30	3.08	2.76	-10%	Mgmt. Cons.	3.27	3.20	-2%
PSO	3.19	3.24	1%	31 - 100	3.05	3.27	7%	SaaS PS	2.90	2.64	-9%
Amer	3.16	3.15	0%	101 - 300	3.32	3.26	-2%	Software PS	2.96	3.06	3%
EMEA	3.00	3.11	4%	301 - 700	3.31	3.06	-8%	Arch. / Engr.	3.23	3.50	8%
APac	3.37	3.27	-3%	Over 700	3.23	3.29	2%	Agency	3.48	3.37	-3%

Source: SPI Research, February 2025

### Service Sales Effectiveness

SPI Research asked respondents to rank the effectiveness of the service sales organization on a scale from 1 to 5, with 5 representing very effective (Table 143). Sales effectiveness has a profound impact on all aspects of PS, but unfortunately, 12.9% of respondents give sales effectiveness a failing grade of 1 or 2; 32.0% give sales effectiveness an "OK" score of 3; but 55.2% give sales effectiveness high marks. This year's average rating of sales effectiveness decreased from 3.54 (72.0%) to 3.47%.

**Table 143: Impact - Service Sales Effectiveness** 

Service Sales Effectiveness	Survey %	Revenue growth	% of ann. rev. target	% of ann. margin target	Exec real-time visibility	Profit (EBITDA)
1 - Very ineffective	1.6%	-3.5%	82.0%	80.0%	2.75	9.0%
2 - Ineffective	11.3%	2.2%	84.7%	83.9%	3.24	7.4%
3 - Neither	32.0%	4.6%	87.7%	86.2%	3.42	11.5%
4 - Effective	48.9%	6.3%	89.9%	89.4%	3.79	10.2%
5 - Very effective	6.3%	5.4%	92.4%	93.3%	4.53	9.5%
Total / Average	100.0%	5.1%	88.7%	87.9%	3.64	10.3%

Table 144: Annual change service sales effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.54	3.47	-2%	Under 10	3.28	3.41	4%	IT Consult.	3.55	3.59	1%
ESO	3.49	3.25	-7%	10 - 30	3.51	3.36	-4%	Mgmt. Cons.	3.61	3.52	-2%
PSO	3.56	3.55	0%	31 - 100	3.51	3.59	2%	SaaS PS	3.60	3.03	-16%
Amer	3.59	3.48	-3%	101 - 300	3.70	3.44	-7%	Software PS	3.43	3.53	3%
EMEA	3.32	3.28	-1%	301 - 700	3.67	3.31	-10%	Arch. / Engr.	3.54	3.59	1%
APac	3.67	3.73	2%	Over 700	3.54	3.71	5%	Agency	3.56	3.32	-7%

Source: SPI Research, February 2025

# **Efficiency of Quoting Service Engagements**

PSOs work to generate accurate quotes, provide sufficient margins, and become more efficient in the process. This process continually creates additional time and cost; if not done so promptly, the PSO will not win the bid. Table 145 highlights that approximately 62% of the organizations surveyed did an adequate job of efficiently quoting. The results show higher revenue growth and on-time delivery. Success in the quoting phase helps drive financial results.

Table 145: Impact – Efficiency of quoting service engagements

Efficiency of quoting service engagements	Survey %	Org. size (emp)	Revenue growth	% of ann. rev. target	% of ann. margin target	Profit (EBITDA)
1 - Very ineffective	0.9%	30	1.7%	75.0%	70.0%	9.0%
2 - Ineffective	10.4%	122	2.7%	84.0%	80.7%	8.0%
3 - Neither	26.7%	248	2.4%	85.9%	86.0%	10.2%
4 - Effective	52.8%	287	6.1%	90.5%	89.4%	10.3%
5 - Very effective	9.1%	386	8.6%	91.4%	93.2%	13.1%
Total / Average	100.0%	266	5.0%	88.6%	87.7%	10.3%

**Table 146: Annual change efficiency of quoting service engagements** 

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.40	3.59	6%	Under 10	3.16	3.61	14%	IT Consult.	3.35	3.78	13%
ESO	3.43	3.48	2%	10 - 30	3.52	3.44	-2%	Mgmt. Cons.	3.38	3.53	5%
PSO	3.38	3.63	7%	31 - 100	3.31	3.53	7%	SaaS PS	3.46	3.31	-4%
Amer	3.47	3.60	4%	101 - 300	3.44	3.76	9%	Software PS	3.48	3.31	-5%
EMEA	3.08	3.46	12%	301 - 700	3.57	3.56	0%	Arch. / Engr.	3.38	3.69	9%
APac	3.56	3.73	5%	Over 700	3.50	3.71	6%	Agency	3.41	3.45	1%

# **Pricing and Deal Structure**

Pricing structure refers to the percentage of work sold by deal structure: time and materials, fixed fee, performance-based, subscription, managed services, or other.

SPI Research has seen a shift in pricing and deal structure every year. As clients have become increasingly concerned about risk and cost overruns, they have pushed for more accountability to PSOs through fixed-fee and shared-risk contracts. Until 2014, the percentage of fixed-fee work steadily increased from 35.5% in 2009 to 44.7% in 2022. In 2023, it was 36.5%, and 48.1% of all contracts were priced as time and materials. In 2024, SPI Research found fixed fee work went back up to 38.9%.

Time and materials-based pricing emphasizes accurate resource management, time collection, and reporting. Fixed-price pricing emphasizes accurate estimates, project costing, and change management. Regardless of pricing strategy, PSA and now CPQ (Configuration, Pricing, and Quoting) applications are critical to support accurate estimates, time and cost capture, and billing.

Table 147 compares billing models for embedded and independent PSOs. ESOs have steadily shifted away from fixed-fee contracts, favoring subscription and managed service pricing. Independents have always preferred time and materials contracts; with increased demand, they are moving away from fixed-price work due to the cost and time overruns inherent in fixed-price contracts. Geography, time, and materials are the prevalent pricing structures. EMEA predominantly sells time and materials contracts, although they are often "daily" contracts far less favorable for the service provider than hourly contracts.

Table 147: Percentage of work sold

Pricing structure	2023	2024	ESO	PSO	Amer	EMEA	APac
Time & Materials	39.3%	39.6%	34.0%	41.6%	40.4%	33.6%	42.6%
Fixed time / fixed fee	36.5%	38.9%	39.2%	38.7%	38.2%	45.6%	32.9%
Shared risk / performance-based	2.4%	3.3%	3.7%	3.1%	2.9%	5.0%	3.4%
Subscription	8.5%	8.2%	12.7%	6.6%	8.3%	7.8%	8.3%
Managed Services	9.8%	8.3%	9.8%	7.8%	8.6%	5.4%	11.5%
Other	3.4%	1.7%	0.6%	2.1%	1.6%	2.6%	1.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

By vertical, architects, agencies, and consultancies rely on fixed-price contracts approximately 45% of the time (Table 148). IT consultancies favor time and materials contracts. As the SaaS market has matured, a greater emphasis is being placed on customer adoption, so SaaS firms focus on "time to value" with subscription pricing, which includes the cost of software and implementation services. Net profit is not necessarily tied to pricing structure as it is possible to make good service margins with any contract if costs, deliverables, and client expectations are correctly set. Accurate estimating, excellent project management, good communication, and change control are essential in ensuring quality services are delivered at planned margins.

Table 148: Percentage of work sold by Market

Pricing structure	IT Con	Mgmt Con	SaaS	Software	Arch/Engr	Agency
Time & Materials	53.1%	37.8%	22.1%	33.1%	39.2%	18.3%
Fixed time / fixed fee	26.8%	42.3%	48.1%	38.3%	51.4%	60.4%
Shared risk / performance-based	5.0%	3.3%	2.1%	1.1%	1.0%	0.5%
Subscription	4.4%	7.7%	18.2%	14.7%	2.1%	10.4%
Managed Services	9.1%	7.9%	9.2%	9.5%	2.5%	5.5%
Other	1.5%	1.0%	0.3%	3.3%	3.9%	5.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 149: Percentage of work sold by Organization Size

Pricing structure	Under 10	10 - 30	31 - 100	101 - 300	301 - 700	Over 700
Time & Materials	32.5%	34.2%	42.2%	47.4%	43.9%	30.8%
Fixed time / fixed fee	41.4%	46.7%	38.1%	30.8%	29.0%	50.3%
Shared risk / performance-based	4.1%	4.6%	0.9%	4.2%	5.1%	3.9%
Subscription	10.3%	6.8%	8.8%	7.8%	8.4%	3.8%

Pricing structure	Under 10	10 - 30	31 - 100	101 - 300	301 - 700	Over 700
Managed Services	10.4%	5.5%	7.1%	9.5%	12.3%	10.0%
Other	1.3%	2.2%	2.9%	0.2%	1.3%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Tables 150 – 155 highlight changes in the pricing structure for Professional Services bids. The tables show a slight increase in time and materials work, which has been increasing for some time, and a deterioration in fixed-time bids, which was becoming more prevalent prior to COVID. COVID and the lack of consulting talent have enabled PSOs to do more time and materials work. Shared risk pricing has begun to rise. SPI's discussions with leading PS executives have shown this pricing model becoming increasingly important.

Table 150: Annual change time & materials % of work sold

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	39.3%	39.6%	1%	Under 10	42.1%	32.5%	-23%	IT Consult.	52.3%	53.1%	2%
ESO	34.3%	34.0%	-1%	10 - 30	37.3%	34.2%	-8%	Mgmt. Cons.	35.2%	37.8%	7%
PSO	41.4%	41.6%	0%	31 - 100	43.0%	42.2%	-2%	SaaS PS	33.3%	22.1%	-34%
Amer	38.6%	40.4%	5%	101 - 300	39.6%	47.4%	20%	Software PS	39.1%	33.1%	-16%
EMEA	43.9%	33.6%	-23%	301 - 700	38.8%	43.9%	13%	Arch. / Engr.	44.7%	39.2%	-12%
APac	34.9%	42.6%	22%	Over 700	28.6%	30.8%	8%	Agency	27.0%	18.3%	-32%

Source: SPI Research, February 2025

Table 151: Annual change fixed time / fixed fee % of work sold

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	36.5%	38.9%	-6%	Under 10	40.4%	41.4%	-2%	IT Consult.	26.2%	26.8%	-2%
ESO	34.4%	39.2%	-12%	10 - 30	42.0%	46.7%	-10%	Mgmt. Cons.	48.9%	42.3%	16%
PSO	37.3%	38.7%	-4%	31 - 100	37.1%	38.1%	-3%	SaaS PS	38.4%	48.1%	-20%
Amer	38.6%	38.2%	1%	101 - 300	35.5%	30.8%	15%	Software PS	37.8%	38.3%	-1%
EMEA	30.5%	45.6%	-33%	301 - 700	28.7%	29.0%	-1%	Arch. / Engr.	45.0%	51.4%	-12%
APac	33.2%	32.9%	1%	Over 700	30.1%	50.3%	-40%	Agency	43.7%	60.4%	-28%

Table 152: Annual change shared risk / performance-based % of work sold

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	2.4%	3.3%	33%	Under 10	1.6%	4.1%	151%	IT Consult.	1.7%	5.0%	190%
ESO	2.3%	3.7%	60%	10 - 30	0.7%	4.6%	514%	Mgmt. Cons.	2.6%	3.3%	25%
PSO	2.5%	3.1%	24%	31 - 100	2.2%	0.9%	-58%	SaaS PS	1.2%	2.1%	82%
Amer	2.3%	2.9%	30%	101 - 300	2.4%	4.2%	75%	Software PS	1.6%	1.1%	-30%

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
EMEA	1.2%	5.0%	308%	301 - 700	3.8%	5.1%	32%	Arch. / Engr.	0.9%	1.0%	7%
APac	6.8%	3.4%	-50%	Over 700	5.6%	3.9%	-31%	Agency	4.6%	0.5%	-89%

Table 153: Annual change subscription % of work sold

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	8.5%	8.2%	-3%	Under 10	9.2%	10.3%	13%	IT Consult.	6.3%	4.4%	-29%
ESO	13.7%	12.7%	-7%	10 - 30	8.8%	6.8%	-23%	Mgmt. Cons.	4.9%	7.7%	58%
PSO	6.3%	6.6%	5%	31 - 100	5.7%	8.8%	56%	SaaS PS	17.9%	18.2%	2%
Amer	8.9%	8.3%	-7%	101 - 300	5.8%	7.8%	35%	Software PS	10.9%	14.7%	35%
EMEA	8.3%	7.8%	-5%	301 - 700	14.5%	8.4%	-42%	Arch. / Engr.	1.0%	2.1%	113%
APac	5.9%	8.3%	40%	Over 700	15.5%	3.8%	-75%	Agency	6.3%	10.4%	65%

Source: SPI Research, February 2025

Table 154: Annual change managed services % of work sold

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	9.8%	8.3%	-15%	Under 10	2.9%	10.4%	257%	IT Consult.	10.5%	9.1%	-14%
ESO	9.5%	9.8%	3%	10 - 30	9.4%	5.5%	-42%	Mgmt. Cons.	6.5%	7.9%	23%
PSO	10.0%	7.8%	-22%	31 - 100	8.9%	7.1%	-21%	SaaS PS	8.8%	9.2%	4%
Amer	8.8%	8.6%	-3%	101 - 300	11.9%	9.5%	-20%	Software PS	9.9%	9.5%	-4%
EMEA	11.3%	5.4%	-52%	301 - 700	11.9%	12.3%	3%	Arch. / Engr.	5.8%	2.5%	-57%
APac	14.9%	11.5%	-23%	Over 700	15.6%	10.0%	-36%	Agency	16.3%	5.5%	-66%

Source: SPI Research, February 2025

Table 155: Annual change none of the above % of work sold

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.4%	1.7%	-50%	Under 10	3.8%	1.3%	-66%	IT Consult.	3.0%	1.5%	-49%
ESO	5.8%	0.6%	-90%	10 - 30	1.8%	2.2%	28%	Mgmt. Cons.	1.9%	1.0%	-49%
PSO	2.4%	2.1%	-13%	31 - 100	3.2%	2.9%	-9%	SaaS PS	0.4%	0.3%	-39%
Amer	2.9%	1.6%	-46%	101 - 300	4.8%	0.2%	-97%	Software PS	0.6%	3.3%	422%
EMEA	4.8%	2.6%	-46%	301 - 700	2.2%	1.3%	-40%	Arch. / Engr.	2.5%	3.9%	55%
APac	4.3%	1.2%	-71%	Over 700	4.6%	1.3%	-73%	Agency	2.2%	5.0%	126%

# Status of Client/Customer Experience (CX) Program

Customer (or Client) Experience (CX) is becoming more important in PSOs, as efforts around it can significantly improve client loyalty, increase sales, reduce customer churn, enhance brand reputation, and drive greater profitability by focusing on delivering positive interactions throughout the customer journey. This leads to repeat business and positive word-of-mouth recommendations. Key benefits include increased client retention, a higher client lifetime value, improved brand loyalty, reduced client acquisition costs, and enhanced brand perception.

Table 156 shows that over 40% of the firms surveyed are implementing or operating a CX program. The benefits show up in better sales and ultimately higher profits.

Table 156: Impact - Status of Client/Customer Experience (CX) Program

Status of Client / Customer Experience (CX) Program	Survey %	New clients	Deal pipeline	Backlog	Client reference	Profit (EBITDA)
No program yet	48.0%	30.7%	146%	42.6%	71.3%	11.4%
Evaluating CX	10.9%	28.5%	171%	40.4%	64.4%	5.1%
Implementing CX	14.6%	28.8%	189%	41.6%	66.4%	9.3%
Operating a CX program	26.5%	27.2%	190%	44.9%	71.5%	10.5%
Total / Average	100.0%	29.2%	166%	42.8%	69.9%	10.2%

Source: SPI Research, February 2025

# Full-time equivalent (FTE) employees dedicated to service sales

SPI also wanted to know how many full-time equivalent (FTE) employees were dedicated to service sales in the PS organization, as well as what their annual service sales revenue quota was, the deal size of the contract, and how long it took from qualified lead to signing of a contract.

The number of salespeople is directly related to the size of the organization. Still, across the entire benchmark, the average number of salespeople is 9.1 with an average sales quote of \$1.6mm. Sixty-five firms reported they do not employ service salespeople as they rely on PS leaders to generate revenue. Table 157 shows total PS revenue, sales quotas, and realized bill rates based on the number of dedicated salespeople. In all scenarios, a sizable percentage of total revenue is not generated by dedicated salespeople.

Table 157: Impact - The number of full-time equivalent (FTE) employees dedicated to service sales

FTE employees dedicated to service sales	Survey %	Revenue growth	Deal pipeline	Project margin	% of ann. rev. target	% of ann. margin target
None	20.1%	4.7%	131%	31.8%	87.0%	85.3%
1 - 5 FTE	46.4%	6.8%	169%	37.3%	87.7%	87.4%
6 - 10 FTE	15.5%	10.0%	181%	37.9%	89.6%	90.0%
11 - 20 FTE	5.6%	4.9%	158%	35.4%	93.1%	93.3%
21 - 50 FTE	7.1%	13.2%	204%	37.1%	91.4%	85.7%
Over 50 FTE	5.3%	5.1%	191%	32.7%	93.3%	91.8%
Total / Average	100.0%	4.7%	166%	35.9%	88.7%	87.8%

Leading PS executives realize they need more employees dedicated to service sales. 2023 and 2024 taught them that an increased emphasis on selling will become more critical as economic conditions change. Table 158 highlights how PSOs have increased the number of full-time equivalent employees dedicated to service sales. While this number might not jump as much over 2025, it has become increasingly crucial for PSO's higher dedicated sales employees.

Table 158: Annual change in the number of FTE employees dedicated to service sales

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	7.5	9.1	21%	Under 10	0.0	2.6	NA	IT Consult.	8.3	9.6	15%
ESO	9.0	12.5	39%	10 - 30	2.2	4.2	89%	Mgmt. Cons.	2.8	4.8	70%
PSO	6.9	7.9	15%	31 - 100	3.0	7.9	166%	SaaS PS	10.6	13.6	28%
Amer	7.7	8.8	15%	101 - 300	6.1	14.0	131%	Software PS	10.4	17.4	68%
EMEA	6.6	7.9	20%	301 - 700	9.0	9.7	7%	Arch. / Engr.	4.5	7.3	62%
APac	8.8	13.9	59%	Over 700	31.2	35.1	13%	Agency	6.9	4.7	-31%

Source: SPI Research, February 2025

# Annual service sales revenue quota per person

For two years in a row, SPI asked, "What is the annual service sales revenue quota per person?" Surprisingly, 34.8% of the 403 organizations in the survey reported anemic sales quotas of less than \$1m. The average PS sales quota is \$1.60mm. Higher sales quotas yield superior revenues per consultant and employee and much higher project margins.

Table 159: Impact – Annual service sales revenue quota per person

Annual service sales revenue quota per person	Survey %	Client reference	Employee attrition	Project margin	% of ann. rev. target	% of ann. margin target
Under \$1mm	34.8%	69.1%	8.6%	33.1%	85.7%	85.6%
\$1mm - \$1.5mm	18.1%	70.4%	12.9%	35.5%	87.7%	86.0%
\$1.5mm - \$2.0mm	12.3%	72.3%	13.3%	40.2%	91.1%	88.9%
\$2.0mm - \$2.5mm	15.9%	65.8%	11.6%	36.8%	93.2%	91.9%
\$2.5mm - \$3.0mm	4.8%	73.2%	15.2%	40.2%	82.5%	89.5%
Over \$3mm	14.1%	73.9%	16.3%	41.1%	91.1%	91.4%
Total / Average	100.0%	70.1%	11.8%	36.5%	88.5%	88.1%

PSOs also increased quotas for service sales representatives by 12% on average. They grew significantly in embedded service organizations and, most prominently, in the largest PSOs. The European region showed a very high increase of 33% over the 2023 levels. Agencies lowered the annual quota, which could be due to limited observations.

Table 160: Annual change annual service sales revenue quota per person

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$1.43	\$1.60	12%	Under 10	\$0.60	\$0.64	7%	IT Consult.	\$1.74	\$1.96	12%
ESO	\$1.33	\$1.79	34%	10 - 30	\$1.08	\$1.26	16%	Mgmt. Cons.	\$1.12	\$1.30	16%
PSO	\$1.46	\$1.53	5%	31 - 100	\$1.48	\$1.79	20%	SaaS PS	\$1.33	\$1.37	3%
Amer	\$1.55	\$1.64	5%	101 - 300	\$1.76	\$2.17	23%	Software PS	\$1.47	\$1.54	5%
EMEA	\$1.04	\$1.38	33%	301 - 700	\$2.09	\$2.56	23%	Arch. / Engr.	\$1.21	\$1.28	6%
APac	\$1.46	\$1.68	15%	Over 700	\$1.81	\$2.15	19%	Agency	\$1.47	\$0.78	-47%

Source: SPI Research, February 2025

#### **Contracted Deal Size**

The contacted deal size impacts PSOs in a variety of ways. Smaller deals mean more deals must be sold. It also means there is a greater chance of consultants "sitting on the bench" waiting for the next project. Ideally, PSOs sell long (duration and staff) deals to ensure cash flow is met. The largest firms build the largest pipeline and backlog of large projects, which drive much higher levels of revenue (Table 161).

Table 161: Impact – Deal size (contract value) (k)

Deal size (contract value) (k)	Survey %	Org. size (emp)	Deal pipeline	% of bids won	Backlog	Ann. rev./ emp. (k)
Under \$50k	28.6%	151	152%	48.0%	35.9%	\$135
\$50k - \$100k	29.2%	75	152%	46.9%	42.9%	\$156
\$100k - \$250k	23.2%	358	182%	48.3%	46.7%	\$177
\$250k - \$500k	11.7%	363	192%	46.8%	50.3%	\$196
\$500k - \$1mm	4.8%	901	163%	46.0%	41.0%	\$175
Over \$1mm	2.5%	1,188	263%	45.0%	55.0%	\$216
Total / Average	100.0%	264	167%	47.4%	42.9%	\$162

Table 162 shows the deal size (contract value) went down by 22% from \$239k in 2023 to \$187k in 2024. Professional services organizations were particularly hit hard, causing them to sell more deals at reduced prices. Both the Americas and the Asia Pacific region showed significant decreases as did the largest organizations in the study. Virtually every market showed a decline in the average deal size again, making 2024 a challenging year in sales.

Table 162: Annual change deal size (contract value) (k)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$239	\$187	-22%	Under 10	\$64	\$75	17%	IT Consult.	\$309	\$196	-37%
ESO	\$205	\$248	21%	10 - 30	\$104	\$116	12%	Mgmt. Cons.	\$161	\$124	-23%
PSO	\$254	\$167	-34%	31 - 100	\$212	\$164	-23%	SaaS PS	\$221	\$144	-35%
Amer	\$246	\$180	-27%	101 - 300	\$312	\$284	-9%	Software PS	\$222	\$200	-10%
EMEA	\$203	\$236	16%	301 - 700	\$338	\$445	31%	Arch. / Engr.	\$244	\$197	-19%
APac	\$269	\$172	-36%	Over 700	\$483	\$344	-29%	Agency	\$247	\$136	-45%

Source: SPI Research, February 2025

# **Sales Cycle Length**

PSO's strive to keep the sales cycle under 60 days, but as Table 163 shows, only about 23% of the organizations surveyed have low sales cycles. It is interesting that the quicker sales come to new clients. Unfortunately, the new clients show lower margins and make it more difficult for PSO's to make their revenue and margin targets. The bottom line is that even though ideally the sales cycle is quick, leading firms take the time to sell larger more profitable work to their client base.

Table 163: Impact - Length of sales cycle from qualified lead to contract signing

Length of sales cycle from qualified lead to contract signing (days)	Survey %	New clients	Project margin	Ann. rev./ emp. (k)	% of ann. rev. target	% of ann. margin target
Under 30 days	6.4%	49.5%	25.3%	\$139	87.0%	86.1%
30 - 60 days	16.7%	30.5%	35.8%	\$183	87.4%	88.0%
60 - 90 days	30.5%	27.9%	36.8%	\$176	90.2%	88.6%
90 - 120 days	24.1%	27.1%	35.2%	\$152	86.7%	86.0%
120 - 150 days	11.6%	21.5%	37.0%	\$138	88.3%	87.3%
Over 150 days	10.6%	34.4%	40.0%	\$149	91.8%	91.4%
Total / Average	100.0%	29.5%	35.9%	\$162	88.6%	87.9%

Table 164 shows the sales cycle length from qualified lead to contract signing went up by 3% from 88.2 in 2023 to 90.9 in 2024. Independents had no actual increase, so embedded service organizations took the brunt of it. This table is interesting to SPI as it shows that most firms take at least three months to close a deal, if not more. PS executives should continue efforts to drive faster sales using AI, greater tools, and quantified benefits for their clients.

Table 164: Annual change length of sales cycle from qualified lead to contract signing (days)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	88.2	90.9	3%	Under 10	66.6	76.0	14%	IT Consult.	87.2	89.6	3%
ESO	87.7	98.5	12%	10 - 30	80.8	98.6	22%	Mgmt. Cons.	78.0	81.0	4%
PSO	88.4	88.3	0%	31 - 100	90.6	88.3	-3%	SaaS PS	97.5	106.1	9%
Amer	91.1	92.6	2%	101 - 300	91.9	97.2	6%	Software PS	110.0	105.0	-5%
EMEA	81.0	89.3	10%	301 - 700	101.7	93.6	-8%	Arch. / Engr.	93.3	82.3	-12%
APac	80.6	77.5	-4%	Over 700	98.8	106.3	8%	Agency	82.5	90.5	10%

Source: SPI Research, February 2025

## **Net Promoter Score (NPS)**

Over the years SPI Research has asked PSOs what their Net Promoter Score (NPS) is. There is still a lot of confusion in this area, and many firms did not answer the question. A higher Net Promoter Score means the organization has higher references, and of course, the references come from delivering work on time and on budget at acceptable levels of quality. So, regardless of whether PSOs use the NPS, the true goal is client satisfaction and profitability, which will drive growth going forward.

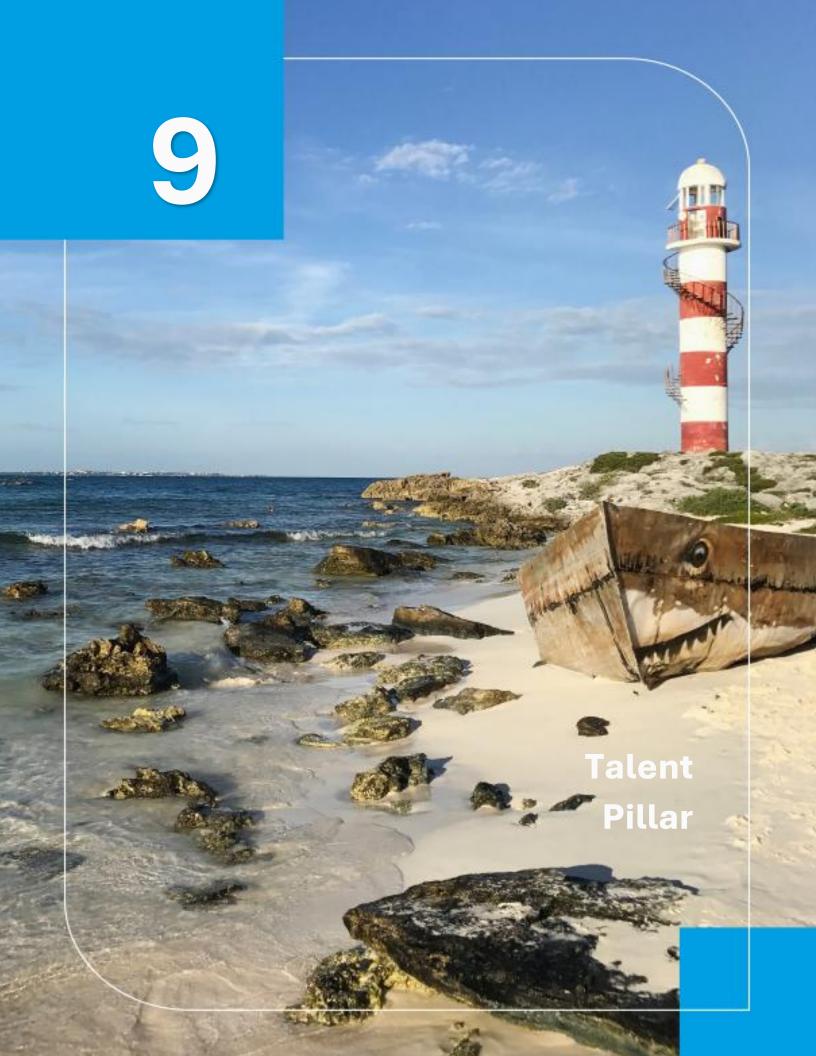
Table 165: Impact - Net Promoter Score (NPS)

Net Promoter Score (NPS)	Survey %	Revenue growth	Billable utilization	On-time proj. delivery	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)
Negative	2.1%	3.8%	65.0%	62.5%	\$144	\$81
0 - 25	9.5%	0.8%	66.9%	65.0%	\$168	\$125
26 - 50	19.0%	2.2%	64.6%	72.1%	\$210	\$168
51 - 75	30.2%	5.3%	69.8%	76.9%	\$211	\$161
Over 75	39.2%	5.6%	69.0%	75.1%	\$215	\$167
Total / Average	100.0%	4.4%	68.1%	73.9%	\$207	\$159

The results in Table 166 show the numbers did not change dramatically over the year, and therefore, the firms that answered the question must have a better idea of what it means and calculate it. SaaS PS organizations use NPS a lot as do agencies, so, interestingly, their scores deteriorated in 2024. However, much more work must be done to ensure better NPS is a valuable tool for PSOs.

Table 166: Annual change to overall net promoter score (NPS)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	64.0	63.5	-1%	Under 10	68.9	65.6	-5%	IT Consult.	64.4	67.8	5%
ESO	61.6	55.6	-10%	10 - 30	60.8	59.1	-3%	Mgmt. Cons.	67.5	70.1	4%
PSO	65.1	66.7	2%	31 - 100	61.4	63.6	4%	SaaS PS	57.1	47.9	-16%
Amer	64.6	64.4	0%	101 - 300	65.3	66.0	1%	Software PS	57.6	66.1	15%
EMEA	61.3	59.9	-2%	301 - 700	71.0	61.8	-13%	Arch. / Engr.	63.0	58.5	-7%
APac	66.1	62.3	-6%	Over 700	63.8	62.2	-3%	Agency	67.5	60.0	-11%



#### **TALENT PILLAR**

The Talent Pillar is the central element in Service Performance Insight's Professional Services Maturity™ Model. It encompasses all Professional Services Organization (PSO) workforce strategy aspects. This pillar focuses on the people, processes, and systems needed to recruit, attract, train, motivate, and retain a high-quality consulting workforce. Given the changing dynamics of the workforce, it requires more attention than ever.

Talent remains a key challenge and a primary area for improvement in professional services. In 2024, factors such as rising inflation, high interest rates, global conflicts, and uncertainties surrounding the US election have impacted the global economy.



Additionally, the skills required due to the emergence of AI in both professional and personal environments have transformed the workplace. A significant portion of the consulting workforce operates virtually, with 68% of consulting hours delivered off-site, up from 58% in 2023. Today's consulting work relies on a multilingual, multigenerational, multicultural, technically skilled, and project-based workforce. The demand for horizontal applications and technical skills remains high while emphasis is shifting toward business processes and vertical expertise due to technological advancements.

The key takeaway from the Talent Pillar is that implementing best practices—such as providing clear roles and job descriptions, timely performance reviews, fair compensation, career planning, and skill development—results in significant benefits for employee satisfaction, billable utilization, and on-time project completion. A well-executed talent strategy can lead to lasting advantages, so creating a focused list for any maturity improvement plans is essential.



Figure 26: Talent Trends of Note

Source: SPI Research, February 2025

Figure 26 highlights some of the trends associated with talent. At the same time, the numbers aren't significantly different from 2023. They do show a lengthened recruiting cycle and increased cost per consultant. These two KPIs are correlated, and PS executives must plan for the additional time and expense as talent becomes scarce. This change is especially true considering artificial intelligence, and PSOs will need the best consultants available to drive revenue. SPI Research was also concerned with the

reduction in employee billable utilization. Ideally, billable utilization is over 75%, meaning the average consultant bills over 1,500 hours annually. While senior consultants may bill 500 hours or less annually, it is made up for junior-level consultants, who are both greater in number and many bill over 2,000 hours annually.

One of the most critical challenges for today's Professional Service leaders is competing for top talent. Some of the professional services challenges include:

- Attract, compensate, train, motivate, and retain top talent.
- Manage through a technical labor shortage.
- Manage a global, multi-lingual, multi-cultural workforce.
- Manage a variable and/or contingent workforce.
- Prepare consultants for the new world of AI.

Professional services organizations are judged by the quality of the people within the firm and its subcontractors and partners. All PSOs must place a premium on the consultant workforce's attraction, motivation, and retention. Regardless of an organization's size and performance maturity level, the firm's people are the essence of the organization. They determine financial viability, brand quality, and client satisfaction. They define the effectiveness of service marketing, sales, and delivery. From inception, all PSOs must intently focus on their people.

# **Talent Maturity**

SPI Research's "Talent" pillar includes all aspects of workforce strategy for Professional Services. It emphasizes the necessary processes and systems for recruiting, hiring, onboarding, retaining, and motivating a high-quality consulting workforce. Table 167 illustrates how PSOs progress in the Talent pillar.

**Table 167: Talent Maturity Model** 

	Level 1	Level 2	Level 3	Level 4	Level 5
	Initiated	Piloted	Deployed	Institutionalized	Optimized
Talent	Hire as needed. Generalist skills. Chameleons, Jack of all Trades. Individual heroics. May perform presales as well as consulting delivery.	Begin forecasting workload. Start developing job and skill descriptions and compensation plans. Develop rudimentary career paths. Start measuring employee satisfaction.	Resource, skill and career management. Employee satisfaction surveys. Training plans. Goals and measurements aligned with compensation. Attrition <15%	Business process and vertical skills in addition to technical and project skills. Career ladder and mentoring programs. Training investments to support career. Low attrition, high satisfaction	Continually staff and train to meet future needs—highly skilled, motivated workforce. Outsource commodity skills or peak demand—sophisticated variable on and offshore workforce model.

Source: SPI Research, February 2025

SPI's Professional Services Maturity™ research conducted over the past 18 years shows that only a small fraction (less than 20%) of Professional Services Organizations reaches a high level of excellence. These leading organizations can swiftly capitalize on market opportunities and achieve best-in-class performance by leveraging technology, along with progressive management and workforce practices

(Figure 27). Enhancing talent maturity is the most effective and quickest method to improve overall results and should always be a top priority.

Figure 27: Talent Maturity Matters

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
Firms	120	101	101	60	21
The average tenure at the firm of consultants	5.57	6.37	6.21	6.90	7.36
Employee annual attrition - voluntary	7.4%	5.4%	7.6%	8.4%	6.4%
Employee annual attrition - involuntary	2.6%	4.6%	5.2%	5.5%	4.8%
Days to recruit and hire for standard positions	83.3	77.9	77.7	84.3	67.1
Days for a new hire to become productive	83.2	69.5	54.6	52.3	42.1
Guaranteed annual training days / employee	9.67	9.42	8.45	8.69	11.79
Employee billable utilization	59.6%	61.3%	70.4%	78.0%	83.6%
Annual fully loaded cost per consultant (k)	\$109	\$126	\$130	\$147	\$154
Recommend company to friends/family	3.85	3.95	4.44	4.63	4.62
Well-understood career path for all emp.	3.15	3.24	3.61	3.88	4.14
Employees have the tools they need to deliver quality services efficiently and effectively	3.45	3.80	4.17	4.22	4.19
Profit (EBITDA %)	2.7%	5.7%	9.1%	11.8%	20.8%

Source: SPI Research, February 2025

Figure 28 highlights the disparity in hours by how employees spend them. While organizations at Level 5 take many more personal / vacation hours than their peers at lower levels, they all have about the same number of training hours. Administrative hours decrease as the organization becomes more efficient and effective, and less time is spent on non-billable activities (sales, non-billable project hours).

The key is to reduce non-billable time. What SPI Research found very interesting was that Level 5 organizations average about 470 more billable hours annually than those at Level 1. At \$200 an hour, this revenue is significant (almost \$100,000) per consultant. Level 5 employees work more hours overall, but at the end of the day, there are not so many employees as to burn them out.

Figure 28: Maturity Matters in Annual Hours Worked

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
Firms	120	101	101	60	21
Vacation / personal / holiday hours	136	191	180	177	196
Education / training hours	87	75	67	70	86
Administrative hours	210	229	188	132	76
Non-billable business development/sales support	122	164	97	84	35
Non-billable project hours	308	183	101	70	42
Total non-billable hours	863	843	633	533	435
Billable hours on-site	332	447	437	410	648
Billable hours off-site	875	753	970	1,124	1,032
Total billable hours	1,206	1,200	1,406	1,534	1,680
Total hours	2,069	2,043	2,039	2,068	2,115
Percentage of remote delivery hours	72.5%	62.7%	68.9%	73.3%	61.4%
Reported billable utilization	58.3%	58.7%	69.0%	74.2%	79.4%

# **5-Year Talent Trends**

The war for talent continued in 2024, with high levels of attrition, a record number of vacancies in hard-to-fill roles, huge consulting demand, and wage growth. Talent must take center stage as the number one priority for all service providers.

Table 168: Talent Pillar Results by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2023	2024	ESO	PSO	Amer.	EMEA	APac
Consultant tenure at the firm (yrs.)	6.20	6.39	5.82	6.61	6.53	5.85	5.91
Employee annual attrition - voluntary	7.3%	6.9%	7.9%	6.6%	6.7%	7.6%	7.8%
Employee annual attrition - involuntary	5.1%	4.8%	5.3%	4.6%	4.9%	3.7%	5.8%
Days to recruit and hire for standard positions	65.9	78.8	76.3	79.8	79.6	77.5	73.8
Days for a new hire to become productive	62.5	61.0	74.6	55.9	61.6	60.3	55.6
Guaranteed annual training days/employee	10.0	9.2	9.9	8.9	9.0	9.4	10.0
Employee billable utilization	69.3%	68.9%	69.0%	68.8%	68.9%	68.3%	69.4%

Key Performance Indicator (KPI)	2023	2024	ES0	PS0	Amer.	EMEA	APac
Annual fully loaded cost per consultant (k)	\$128	\$132	\$132	\$132	\$133	\$120	\$135
Recommend company to friends/family	4.09	4.27	4.07	4.34	4.30	4.16	4.13
Well-understood career path for all emp.	3.55	3.53	3.30	3.62	3.53	3.47	3.63
Employees have the tools they need to deliver quality services efficiently and effectively	3.93	3.99	3.84	4.04	4.01	3.86	4.00

Tables 169 and 170 break down the Talent KPIs by organization market and size. By market, as expected, IT consultancies had the highest billable utilization in the survey. They also had the lowest consultant tenure at under six years. SaaS and IT consultancies had relatively high annual attrition, whereas management consultancies had the lowest. Regarding organization size, the larger PSOs had much higher billable utilization than the smaller, supposedly more nimble consulting firms. Many larger firms have structured or standardized delivery methodologies, which assisted them in raising billable utilization.

Table 169: Talent Pillar Results by Market

Key Performance Indicator (KPI)	IT Consult	Mgmt. Consult	SaaS PS	Soft PS	Arch / Engr	Agency
Consultant tenure at the firm (yrs.)	5.43	6.81	5.96	6.94	9.04	7.28
Employee annual attrition - voluntary	6.7%	5.7%	7.2%	6.9%	7.0%	6.5%
Employee annual attrition - involuntary	5.9%	3.9%	5.5%	4.9%	3.4%	3.5%
Days to recruit and hire for std. positions	86.3	83.0	74.6	65.0	76.5	63.3
Days for a new hire to become productive	48.2	58.2	86.7	73.3	63.8	53.3
Guaranteed annual training days/emp.	9.3	7.6	11.2	11.3	8.6	7.9
Employee billable utilization	71.0%	67.4%	66.4%	61.8%	70.3%	64.4%
Annual fully loaded cost per consultant (k)	\$135	\$137	\$126	\$133	\$115	\$113
Recommend company to friends/family	4.36	4.20	3.76	4.56	4.44	4.33
Well-understood career path for all emp.	3.70	3.42	2.95	4.06	3.71	3.17
Employees have the tools they need to deliver quality services efficiently and effectively	4.13	3.98	3.66	3.94	4.09	3.78

Table 170: Talent Pillar Results by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Consultant tenure at the firm (yrs.)	7.62	6.55	5.97	6.16	6.03	5.79
Employee annual attrition - voluntary	4.9%	6.1%	7.7%	6.9%	8.1%	11.1%
Employee annual attrition - involuntary	2.8%	5.2%	5.0%	4.7%	7.2%	6.2%
Days to recruit and hire for standard positions	90.3	76.5	74.5	75.6	72.0	96.2

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Days for a new hire to become productive	60.9	71.8	57.1	58.6	55.0	60.0
Guaranteed annual training days/employee	8.2	9.7	8.7	9.2	8.7	12.8
Employee billable utilization	64.3%	65.4%	69.2%	72.4%	73.7%	72.1%
Annual fully loaded cost per consultant (k)	\$127	\$139	\$126	\$136	\$131	\$135
Recommend company to friends/family	4.09	4.10	4.44	4.30	4.33	4.24
Well-understood career path for all emp.	3.56	3.31	3.54	3.64	3.67	3.59
Employees have the tools they need to deliver quality services efficiently and effectively	3.91	3.95	4.04	4.03	3.93	3.94

# **Survey Results**

Today's Professional Services leaders must squarely confront the realities of attracting and retaining a younger workforce against a technical labor shortage, especially with AI dominating boardrooms worldwide. Globalization has significantly impacted workforce strategies, with many service providers providing hybrid on and off-site resources via regional and global competency centers. Based on technological advances, consulting emphasis is shifting toward business process and vertical industry expertise; however, demand for horizontal application and technical know-how remains high. SPI Research found talent metrics contain some of the highest performance indicators with robust correlation to success — meaning, employees, and how they perform once onboard determine success or failure.

SPI Research analyzed 19 Talent key performance measurements critical to attaining superior employee performance. Table 171 portrays trends in human capital alignment. The chief issues facing PS employers are recruiting and retention. Billable utilization has dropped over the past four years, which means less revenue and at a time when consultant costs continue to rise. Skilled employees have more career choices than ever, resulting in high voluntary attrition levels. This year, the number of employees who would recommend their company as a great workplace increased slightly.

Table 171: Talent KPI Trends

Key Performance Indicator (KPI)	Avg.	2020	2021	2022	2023	2024
The average tenure at the firm of consultants (yrs.)	6.28	NA	NA	NA	6.20	6.39
Employee annual attrition - voluntary	8.2%	6.9%	9.8%	9.3%	7.3%	6.9%
Employee annual attrition - involuntary	4.6%	4.7%	4.2%	4.4%	5.1%	4.8%
Days to recruit and hire for standard positions	66.6	62.6	64.9	64.5	65.9	78.8
Days for a new hire to become productive	60.8	58.0	59.1	62.7	62.5	61.0
Guaranteed annual training days/employee	9.8	9.8	9.1	10.3	10.0	9.2
Employee billable utilization	70.8%	71.4%	73.2%	70.7%	69.3%	68.9%
Annual fully loaded cost per consultant (k)	\$128	\$124	\$127	\$129	\$128	\$132

Key Performance Indicator (KPI)	Avg.	2020	2021	2022	2023	2024
Recommend company to friends/family	4.33	4.42	4.43	4.40	4.09	4.27
Well-understood career path for all employees	3.44	3.31	3.28	3.51	3.55	3.53
Employees have the tools they need to deliver quality services efficiently and effectively	NA	NA	NA	NA	NA	3.99
Vacation / personal / holiday hours	177	177	170	180	177	181
Education/training hours	77	75	72	86	76	73
Administrative hours	155	142	154	154	152	179
Non-billable business development/sales support	114	113	129	109	109	110
Non-billable project hours	133	151	129	130	129	126
Billable hours on-site	520	573	480	497	586	445
Billable hours off-site	886	833	937	907	826	940

# The primary reason employees leave

Employees leave for various reasons, but typically, there is a primary catalyst for moving on.

Turnover will always be an essential issue for PS executives. Employees leave for a variety of reasons. In many cases, there is a primary catalyst, which is the reason for moving on. Table 172 shows the top reasons why employees leave. The number one rationale (38.6%) is "better opportunity," which translates to a better work environment, better compensation, a better boss, or more opportunities for advancement.

Table 172: Impact - Why employees leave

Why employees leave	Survey %	Revenue growth	Client reference	Employee attrition	Project margin	Profit (EBITDA)
Better opportunity	38.6%	5.5%	71.5%	12.4%	37.5%	9.2%
Money	16.6%	6.8%	68.6%	12.7%	32.9%	10.4%
Management dissatisfaction	5.5%	4.1%	67.9%	14.0%	29.8%	13.7%
Travel	1.0%	15.8%	65.0%	23.5%	42.9%	10.8%
Stress	5.5%	0.3%	71.3%	7.5%	29.8%	0.7%
Lack of career advancement	14.9%	3.2%	67.9%	14.0%	36.3%	8.2%
Other	17.9%	5.6%	70.4%	7.9%	37.5%	16.5%
Total / Average	100.0%	5.1%	70.0%	11.8%	35.8%	10.4%

Source: SPI Research, February 2025

Money ranks second, accounting for 16.6%. Younger, less traditional workers seek engaging projects, exposure to cutting-edge technologies, and high-profile clients. They also prioritize training, communication, and teamwork to stay motivated, making compensation important. Management

dissatisfaction stands at 5.5%. The workforce today is different from what it was 20 or 30 years ago; younger employees do not tolerate management that is overly authoritative or ego-driven.

#### **Consultant Tenure**

#### Consultant tenure is the average number of years each billable consultant has worked.

SPI Research surveyed the average tenure of consultants. Due to increasing employee attrition rates, achieving high performance has become more challenging. Many consultants remain at their firms for only a few years before moving on. In this year's survey, SPI Research found that over 55% of consultants reported an average tenure of less than five years at their firm. Longer tenures are associated with better client references and higher on-time delivery rates (Table 173).

Table 173: Impact – The average tenure at the firm of consultants

The average tenure at the firm of consultants	Survey %	% of emp. billable	Client reference	Employee attrition	Rec. to family/ friends	On-time project. delivery
Under 3 years	17.5%	68.0%	67.0%	10.8%	4.06	72.5%
3 - 5 years	37.8%	72.5%	68.9%	14.3%	4.19	70.2%
5 - 10 years	31.7%	72.5%	72.2%	11.7%	4.43	74.7%
10 - 20 years	10.2%	69.7%	75.2%	5.4%	4.38	79.1%
Over 20 years	2.9%	79.4%	67.8%	3.5%	4.33	83.9%
Total / Average	100.0%	71.6%	70.2%	11.7%	4.27	73.3%

Source: SPI Research, February 2025

SPI Research found that the average tenure of consultants is 6.39 years, which is only about 3% longer than in 2023. The Asia Pacific region exhibited a notable increase in consultant tenure. However, with fewer than 50 observations, this data may not be statistically valid.

Table 174: Annual change in the average tenure at the firm of consultants

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	6.20	6.39	3%	Under 10	9.40	7.62	-19%	IT Consult.	5.73	5.43	-5%
ESO	5.70	5.82	2%	10 - 30	6.10	6.55	7%	Mgmt. Cons.	6.41	6.81	6%
PSO	6.41	6.61	3%	31 - 100	5.25	5.97	14%	SaaS PS	4.63	5.96	29%
Amer	6.44	6.53	1%	101 - 300	6.01	6.16	3%	Software PS	6.40	6.94	8%
EMEA	6.06	5.85	-3%	301 - 700	5.32	6.03	13%	Arch. / Engr.	9.40	9.04	-4%
APac	4.59	5.91	29%	Over 700	6.40	5.79	-10%	Agency	5.87	7.28	24%

## **Employee Attrition**

Employee attrition is defined as the number of employees who left the company, voluntarily or involuntarily, over the past year divided by the weighted average number of employees. (Attrition Rate = Number of Attritions/Weighted Average Number of Employees \* 100).

## **Employee Annual Attrition - Voluntary**

Voluntary attrition occurs when employees leave on their own accord without being asked to do so and is a critical key performance indicator in the professional services market. Employees are an organization's most valuable asset, and high voluntary attrition can have significant costs that affect all business areas.

Lower employee engagement can hinder a firm's ability to attract top talent. On average, it takes about 140 days to find, recruit, hire, and onboard new consultants after an employee departs. This timeframe only reflects the surface costs, as it does not account for lost productivity among recruiters and managers, the burden placed on remaining employees who must take on additional responsibilities, or the time spent mentoring and ramping up new hires.

According to SPI Research, the actual cost of replacing a valuable consultant exceeds \$150,000. This substantially negatively impacts profits, making it challenging for firms to boost revenue and profit margins while simultaneously needing to replace departing employees.

Table 175: Impact – Employee annual attrition - voluntary

Employee annual attrition - voluntary	Survey %	Revenue growth	Project overrun	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Profit (EBITDA)
None	17.0%	4.0%	9.4%	\$195	\$163	15.2%
1% - 5%	30.2%	4.5%	11.2%	\$205	\$157	10.0%
5% - 10%	29.9%	9.0%	11.5%	\$225	\$175	9.8%
10% - 15%	12.5%	1.2%	12.8%	\$205	\$168	6.2%
15% - 25%	8.7%	4.6%	11.6%	\$203	\$162	11.9%
Over 25%	1.6%	-12.5%	14.5%	\$156	\$131	3.9%
Total / Average	100.0%	5.1%	11.3%	\$208	\$165	10.4%

Source: SPI Research, February 2025

In 2024, voluntary employee attrition decreased; however, it was notably higher in embedded service organizations and lower in independent firms. Europe saw a significant increase in voluntary attrition, particularly among the smallest and most prominent companies. SPI Research found it noteworthy that both IT and management consultancies managed to significantly reduce their voluntary attrition rates. However, with the economy expected to strengthen in 2025, as predicted by SPI, this attrition rate may rise again. In 2024, voluntary employee attrition decreased overall, but it was notably higher in embedded service organizations and lower in independent firms. Europe experienced a significant increase in voluntary attrition, particularly among both the smallest and the largest firms. SPI Research found it

interesting that both IT and management consultancies significantly reduced their voluntary attrition rates. However, as the economy is expected to heat up in 2025, as predicted by SPI, this rate could rise again.

Table 176: Annual change employee annual attrition - voluntary

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	7.3%	6.9%	-5%	Under 10	4.1%	4.9%	17%	IT Consult.	8.7%	6.7%	-23%
ESO	6.9%	7.9%	16%	10 - 30	6.0%	6.1%	1%	Mgmt. Cons.	7.2%	5.7%	-20%
PSO	7.5%	6.6%	-13%	31 - 100	7.6%	7.7%	2%	SaaS PS	5.7%	7.2%	27%
Amer	7.2%	6.7%	-7%	101 - 300	8.9%	6.9%	-23%	Software PS	6.1%	6.9%	12%
EMEA	6.2%	7.6%	22%	301 - 700	8.4%	8.1%	-3%	Arch. / Engr.	6.1%	7.0%	15%
APac	10.8%	7.8%	-28%	Over 700	8.6%	11.1%	30%	Agency	7.8%	6.5%	-16%

Source: SPI Research, February 2025

## **Employee involuntary annual attrition**

Involuntary attrition, such as layoffs, can temporarily increase revenue per consultant and utilization rates, as there are fewer employees available to manage the existing workload. However, the long-term effects of involuntary attrition typically result in lower top-line growth and decreased employee engagement. Interestingly, voluntary attrition often rises in response to involuntary layoffs, as remaining employees may fear they will be next or feel disillusioned about their long-term career prospects. Table 177 illustrates the correlation between involuntary attrition and performance across several key areas.

Table 177: Impact – Employee annual attrition - involuntary

Employee annual attrition - involuntary	Survey %	Revenue growth	% of emp. billable	Billable utilization	Project overrun	Project margin
None	22.2%	2.4%	72.7%	64.3%	10.1%	35.1%
1% - 5%	45.3%	6.6%	70.7%	70.3%	10.6%	34.8%
5% - 10%	22.5%	5.9%	75.6%	69.1%	12.3%	39.4%
10% - 15%	5.5%	6.8%	67.6%	71.8%	13.9%	36.0%
15% - 25%	2.9%	-0.3%	64.4%	66.7%	19.4%	29.0%
Over 25%	1.6%	-9.5%	50.0%	75.0%	6.9%	36.9%
Total / Average	100.0%	5.1%	71.6%	68.7%	11.3%	35.8%

Source: SPI Research, February 2025

Table 178 indicates that annual employee involuntary attrition decreased in 2024. The most notable improvement came from independent PSOs, whereas embedded service organizations experienced an increase in involuntary attrition. Additionally, smaller firms and SaaS PSOs saw a significant relative rise in involuntary attrition rates.

Table 178: Annual change employee annual attrition - involuntary

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	5.1%	4.8%	-7%	Under 10	1.8%	2.8%	56%	IT Consult.	6.5%	5.9%	-9%
ESO	4.3%	5.3%	24%	10 - 30	5.1%	5.2%	2%	Mgmt. Cons.	5.0%	3.9%	-23%
PSO	5.5%	4.6%	-16%	31 - 100	5.4%	5.0%	-8%	SaaS PS	3.8%	5.5%	44%
Amer	5.5%	4.9%	-12%	101 - 300	5.3%	4.7%	-11%	Software PS	4.6%	4.9%	5%
EMEA	3.5%	3.7%	6%	301 - 700	6.4%	7.2%	12%	Arch. / Engr.	3.7%	3.4%	-8%
APac	5.8%	5.8%	1%	Over 700	6.9%	6.2%	-10%	Agency	6.7%	3.5%	-48%

## **Length of Time to Recruit and Hire for Standard Positions**

SPI Research considers the duration it takes to recruit and onboard new employees to be a crucial factor in overall performance and sustainable growth. The ramp-up period is vital because it aims to make employees productive more quickly, thereby reducing non-billable time and minimizing the costs associated with hiring and onboarding support.

Many firms do not track recruiting and hiring costs, yet these costs can be substantial, often exceeding 50% of a new hire's first-year base salary. This year, the average price of recruiting accounts for 1.0% of total revenue. The most successful firms establish dedicated recruiting functions, including detailed skill and personality profiles for targeted positions. Given the ongoing talent shortage in professional services, firms should focus on improving their recruiting, onboarding, and training processes. Recruiting efforts must align closely with the sales pipeline and resource management plan.

Table 179: Impact – Days to recruit and hire for standard positions

Days to recruit and hire for standard positions	Survey %	Revenue growth	Employee attrition	Rec. to family/ friends	Billable utilization	Project margin
1 - 30 days	12.6%	0.8%	12.0%	4.51	71.8%	36.1%
30 - 60 days	38.5%	6.8%	11.4%	4.34	69.5%	37.5%
60 - 90 days	33.0%	5.8%	12.6%	4.19	69.0%	33.9%
90 - 120 days	13.3%	3.2%	11.6%	4.13	64.5%	38.4%
Over 120 days	2.6%	-1.9%	7.7%	3.63	65.0%	32.0%
Total / Average	100.0%	5.0%	11.8%	4.26	68.8%	36.1%

Source: SPI Research, February 2025

Table 179 compares the time required to recruit standard positions, such as consultants, with other key performance indicators. As recruitment and hiring take longer, it becomes essential for billable utilization to improve. This is because current employees must spend more time assisting with the recruitment process, which limits their availability for billable work. Additionally, on-time delivery suffers as experienced employees are diverted into the hiring process, leaving new hires unavailable for essential

roles. It is also important to recognize that new hires may require additional support to overcome their inexperience. Organizations with lengthy recruitment processes need to better define roles and begin recruiting early to meet critical resource needs. Maintaining a "warm pool" of candidates is a beneficial practice.

In 2024, the recruitment and hiring process took significantly longer than in 2023, averaging 139.8 days compared to 128.4 days. This delay can be attributed to a shortage of qualified consulting resources, particularly in the AI skills that PSOs are seeking. This trend was observed across all geographic regions and sizes of organizations. However, there was a 9% decrease in the time required to recruit and hire for standard positions in fields such as architecture, engineering, and software professional services.

Table 180: Annual change days to recruit and hire for standard positions

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	65.9	78.8	20%	Under 10	59.1	90.3	53%	IT Consult.	58.6	86.3	47%
ESO	66.2	76.3	15%	10 - 30	66.9	76.5	14%	Mgmt. Cons.	65.4	83.0	27%
PSO	65.7	79.8	21%	31 - 100	65.7	74.5	13%	SaaS PS	66.5	74.6	12%
Amer	68.0	79.6	17%	101 - 300	68.9	75.6	10%	Software PS	71.2	65.0	-9%
EMEA	62.5	77.5	24%	301 - 700	65.9	72.0	9%	Arch. / Engr.	83.9	76.5	-9%
APac	56.2	73.8	31%	Over 700	66.8	96.2	44%	Agency	64.7	63.3	-2%

Source: SPI Research, February 2025

#### **Days For a New Hire to Become Productive**

Effective onboarding and mentoring programs are essential for PSOs that anticipate significant growth—in 2024, the average time for a new hire to become productive decreased from 62.5% to 61%. PSOs have been monitoring this metric for some time, and while it had increased in recent years due to talent competition, it was encouraging to see it decline in 2024.

Table 181: Impact – Days for a new hire to become productive

Days for a new hire to become productive	Survey %	Employee attrition	Rec. to family/ friends	Billable utilization	On-time proj. delivery	Project overrun
1 - 30 days	25.9%	12.6%	4.54	73.7%	76.8%	10.5%
30 - 60 days	25.9%	11.4%	4.19	70.7%	75.1%	10.4%
60 - 90 days	26.5%	12.0%	4.18	67.4%	69.7%	10.7%
90 - 120 days	15.7%	9.9%	4.18	63.1%	68.2%	14.1%
Over 120 days	6.1%	13.8%	3.94	62.5%	78.8%	15.6%
Total / Average	100.0%	11.8%	4.26	68.9%	73.3%	11.4%

In 2024, the time required for new consultants to become productive after their hiring decreased. There was a balance between an increase in embedded service organizations and a decrease in independent professional services organizations.

Table 182: Annual change days for a new hire to become productive

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	62.5	61.0	-2%	Under 10	62.8	60.9	-3%	IT Consult.	52.8	48.2	-9%
ESO	69.9	74.6	7%	10 - 30	70.1	71.8	2%	Mgmt. Cons.	66.6	58.2	-13%
PSO	59.4	55.9	-6%	31 - 100	61.7	57.1	-7%	SaaS PS	84.3	86.7	3%
Amer	62.3	61.6	-1%	101 - 300	58.2	58.6	1%	Software PS	76.6	73.3	-4%
EMEA	65.1	60.3	-7%	301 - 700	59.7	55.0	-8%	Arch. / Engr.	57.1	63.8	12%
APac	57.6	55.6	-3%	Over 700	63.3	60.0	-5%	Agency	51.6	53.3	3%

Source: SPI Research, February 2025

## **Guaranteed Annual Training Days Per Employee**

The guaranteed number of training days per employee per year is the average number of training days budgeted each year per employee.

Access to high-quality training is a significant driver of attraction for many firms. Numerous organizations report that they gather their entire consulting team twice a year for skill-building sessions, which reinforce the company's direction and enhance collaboration and team building. These team meetings provide road warriors with a break and the opportunity to establish new friendships and partnerships while rejuvenating. In several high-performance PSOs, significant others and spouses are included in annual events to express gratitude for their support while the road-warrior partners serve their clients.

Table 183: Impact - Guaranteed annual training days/employee

Guaranteed annual training days/employee	Survey %	Revenue growth	Headcount growth	Billable utilization	% of ann. rev. target	% of ann. margin target
None	3.9%	-1.9%	-2.7%	60.5%	85.5%	83.0%
Under 5 days	23.0%	3.6%	1.4%	69.6%	88.6%	88.9%
5 - 10 days	42.1%	4.9%	2.5%	70.7%	88.5%	86.0%
10 - 15 days	13.9%	8.8%	3.3%	68.7%	90.0%	90.7%
15 - 20 days	8.1%	8.7%	3.3%	63.6%	91.7%	91.8%
Over 20 days	9.1%	3.8%	1.2%	66.6%	92.9%	92.8%
Total / Average	100.0%	5.1%	2.1%	68.8%	89.3%	88.3%

Source: SPI Research, February 2025

Like the annual training budget, this aspect, although promised to employees, could be utilized more effectively. It reflects the organization's commitment to employee development and demonstrates that it invests in its employees' futures. Across the benchmark, the average cost of training is approximately 1.0%

of total revenue. Leading organizations typically require more than two weeks of training per year; however, only 10% of firms provide three weeks or more of training annually. Some leaders implement intensive three-month scenario-based training programs for new hires, where they collaborate as a team to develop requirements and architect and implement real-world solutions. PSO leaders find that technical and interpersonal skill development investments yield significant dividends. In this year's benchmark, a higher number of guaranteed training days positively correlates with project durations and profit margins (Table 183).

The annual guaranteed training days decreased from 10 days in 2023 to just over 9 days in 2024. Europe had no change, but the Americas and the Asia Pacific region experienced a reduction. Only the largest firms saw the most significant increase in training days.

Table 184: Annual change guaranteed annual training days/employee

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	10.0	9.2	-9%	Under 10	8.6	8.2	-4%	IT Consult.	9.5	9.3	-2%
ESO	11.3	9.9	-13%	10 - 30	10.9	9.7	-11%	Mgmt. Cons.	8.2	7.6	-7%
PSO	9.5	8.9	-7%	31 - 100	9.9	8.7	-12%	SaaS PS	13.2	11.2	-15%
Amer	10.0	9.0	-10%	101 - 300	9.9	9.2	-7%	Software PS	12.5	11.3	-9%
EMEA	9.4	9.4	0%	301 - 700	10.3	8.7	-16%	Arch. / Engr.	8.7	8.6	-1%
APac	11.7	10.0	-14%	Over 700	11.0	12.8	17%	Agency	10.4	7.9	-24%

Source: SPI Research, February 2025

# **Employee Billable Utilization**

SPI Research defines employee utilization as 2,000 hours per year. Employee billable utilization is calculated by dividing the total annual billable hours by 2,000.

Employee billable utilization is crucial for organizational profitability, making it one of the most commonly measured key performance indicators. However, to gain meaningful insights, utilization must be assessed alongside overall revenue and profit per person, as well as leading indicators such as backlog and the size of the sales pipeline. Utilization is an essential indicator of opportunity and workload balance, offering valuable insights for decisions regarding workforce expansion or contraction.

To enhance profit margins, professional services (PS) executives should focus on increasing both employee billable utilization and the percentage of billable staff. The primary benefit of improved utilization is a significant boost in net profit. Table 185 shows the advantages firms have gained this year from increasing employee utilization. Organizations achieving billable utilization rates over 80% tend to fare the best. Understandably, firms with high utilization levels also undertake more significant projects, which helps maintain high utilization without the frequent turnover associated with shorter projects.

Operating a growing professional services organization with over 80% utilization can lead to substantial profits; however, this may not be sustainable in the long term due to the risk of employee burnout and

attrition. Conversely, organizations with utilization rates below 50% typically report the worst metrics across all categories. The key to success lies in achieving the right balance of meaningful work while allowing sufficient time for skill development and building client relationships.

Table 185: Impact - Employee billable utilization

Employee billable utilization	Survey %	Revenue growth	% of emp. billable	Client reference	% of ann. margin target	Exec real-time visibility
Under 50%	8.4%	0.3%	49.8%	61.7%	82.8%	3.48
50% - 60%	14.5%	4.4%	65.9%	69.8%	85.9%	3.57
60% - 70%	27.1%	3.9%	71.5%	73.1%	86.1%	3.71
70% - 80%	30.3%	6.3%	74.8%	65.6%	89.1%	3.60
80% - 90%	15.2%	8.9%	79.9%	75.9%	94.2%	3.67
Over 90%	4.5%	2.5%	80.0%	80.8%	92.9%	3.92
Total / Average	100.0%	5.1%	71.5%	70.2%	88.2%	3.64

Source: SPI Research, February 2025

Billable utilization has declined for several consecutive years. There was a slight drop in 2024, but this remains an issue that PS executives should actively monitor and address to reverse the trend. In Europe, billable utilization increased; however, it decreased slightly in the Americas and the Asia Pacific region. Larger firms experienced a minor increase in utilization. The software professional services sector experienced the most significant decline, dropping billable utilization from 68.8% to 61.8%.

Table 186: Annual change employee billable utilization

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	69.3%	68.9%	-1%	Under 10	61.1%	64.3%	5%	IT Consult.	72.2%	71.0%	-2%
ESO	68.8%	69.0%	0%	10 - 30	69.8%	65.4%	-6%	Mgmt. Cons.	67.7%	67.4%	0%
PSO	69.5%	68.8%	-1%	31 - 100	69.2%	69.2%	0%	SaaS PS	68.9%	66.4%	-4%
Amer	70.0%	68.9%	-2%	101 - 300	71.9%	72.4%	1%	Software PS	68.8%	61.8%	-10%
EMEA	66.4%	68.3%	3%	301 - 700	70.7%	73.7%	4%	Arch. / Engr.	71.0%	70.3%	-1%
APac	70.2%	69.4%	-1%	Over 700	71.9%	72.1%	0%	Agency	68.5%	64.4%	-6%

Source: SPI Research, February 2025

#### **Annual Fully Loaded Cost Per Consultant**

Fully loaded costs include base and variable compensation, fringe benefits, and healthcare costs.

The annual fully loaded cost per consultant was initially viewed as a negative key performance indicator (KPI), if higher consultant payments would lead to lower profits. However, this assumption has been proven incorrect. Studies by SPI have consistently shown that as the fully loaded cost increases, performance maturity also improves. Over 55% of firms reported a fully loaded cost between \$100,000 and

\$150,000 (Table 187), while only 4% paid more than \$200,000. Notably, the firms that invest the most in consultant costs tend to be larger organizations and often achieve some of the best financial results.

Table 187: Impact – Annual fully loaded cost per consultant (k)

Annual fully loaded cost per consultant (k)	Survey %	Billable utilization	Project margin	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Exec real-time visibility
Under \$100k	17.7%	62.1%	32.5%	\$136	\$108	3.40
\$100k - \$120k	27.7%	68.6%	33.8%	\$189	\$150	3.53
\$120k - \$150k	28.7%	70.6%	38.2%	\$225	\$178	3.60
\$150k - \$200k	22.0%	71.1%	39.2%	\$254	\$208	3.92
Over \$200k	4.0%	67.9%	30.7%	\$298	\$203	4.00
Total / Average	100.0%	68.5%	35.9%	\$209	\$165	3.63

Source: SPI Research, February 2025

In 2024, the annual fully loaded cost per consultant increased by more than 3%, reaching \$132,000. The demand for senior-level consultants is rising, and PSOs should anticipate higher costs. Additionally, IT consultancies experienced an 8% growth, primarily driven by the evolving skill sets needed to address the anticipated increase in artificial intelligence over the next decade.

Table 188: Annual change annual fully loaded cost per consultant (k)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$128	\$132	3%	Under 10	\$122	\$127	4%	IT Consult.	\$126	\$135	8%
ESO	\$128	\$132	3%	10 - 30	\$123	\$139	13%	Mgmt. Cons.	\$135	\$137	2%
PSO	\$128	\$132	3%	31 - 100	\$127	\$126	-1%	SaaS PS	\$132	\$126	-4%
Amer	\$132	\$133	1%	101 - 300	\$132	\$136	2%	Software PS	\$131	\$133	2%
EMEA	\$111	\$120	8%	301 - 700	\$137	\$131	-4%	Arch. / Engr.	\$119	\$115	-3%
APac	\$133	\$135	1%	Over 700	\$130	\$135	4%	Agency	\$123	\$113	-8%

Source: SPI Research, February 2025

#### **Recommend Company to Friends and Family**

Recommending one's company to family and friends as a "great place to work" is an essential measure of employee engagement.

Recommending a company to others is a strong indicator of employee satisfaction. Table 189 illustrates the significant impact of workplace satisfaction. The positive news is that 46% of the organizations surveyed would strongly recommend their firms. Great workplaces are characterized by high employee engagement, a strong culture of achievement, and confidence in the future.

Table 189: Impact - Recommend company to friends/family

Recommend company to friends/family	Survey %	Revenue growth	New clients	On-time project delivery	Project overrun	Profit (EBITDA)
1 - Strongly disagree	1.0%	2.5%	15.0%	66.7%	26.7%	NA
2 - Disagree	1.9%	-2.1%	22.0%	65.8%	19.6%	NA
3 - Neither agree nor disagree	12.4%	-0.2%	27.8%	67.4%	11.7%	5.5%
4 - Agree	38.7%	5.4%	29.1%	72.6%	11.6%	9.7%
5 - Strongly agree	46.0%	6.5%	29.5%	76.3%	10.1%	11.6%
Total / Average	100.0%	5.1%	28.8%	73.5%	11.2%	9.8%

## **Well-Understood Career Path for All Employees**

A well-understood career path is an important KPI for measuring PSO commitment, employee motivation, and retention.

The survey inquired whether the organization offers a clear employee career path, which includes opportunities for employees to transition into different roles and a well-defined next step for their career progression (Table 190). This KPI highlights the organization's commitment to employee skill development and career advancement. Although the question is subjective and responses come from PS executives, who may exhibit bias, the results underscore the significance of career development within the company.

Table 190: Impact – Well-understood career path for all emp.

Well-understood career path for all emp.	Survey %	Client reference	Employee attrition	Rec. to family/ friends	On-time project delivery	Project overrun
1 - Strongly disagree	3.2%	63.5%	13.8%	2.50	69.5%	21.0%
2 - Disagree	10.8%	67.7%	12.5%	3.59	74.0%	11.5%
3 - Neither agree nor disagree	31.2%	73.7%	10.3%	4.22	65.3%	13.4%
4 - Agree	39.2%	68.4%	12.9%	4.41	76.2%	10.6%
5 - Strongly agree	15.6%	71.0%	10.7%	4.84	83.0%	6.4%
Total / Average	100.0%	70.2%	11.7%	4.27	73.4%	11.3%

Source: SPI Research, February 2025

An important indicator of employee satisfaction is the availability of a clearly defined career path for all employees. In 2024, this indicator saw a slight decline, particularly in embedded service organizations. Both management consultancies and SaaS professional services experienced a decrease in the clarity of their career pathways.

Table 191: Annual change is a well-understood career path for all employees.

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.55	3.53	0%	Under 10	3.39	3.56	5%	IT Consult.	3.68	3.70	0%
ESO	3.51	3.30	-6%	10 - 30	3.68	3.31	-10%	Mgmt. Cons.	3.65	3.42	-6%
PSO	3.56	3.62	2%	31 - 100	3.47	3.54	2%	SaaS PS	3.54	2.95	-17%
Amer	3.55	3.53	-1%	101 - 300	3.63	3.64	1%	Software PS	3.26	4.06	25%
EMEA	3.50	3.47	-1%	301 - 700	3.45	3.67	6%	Arch. / Engr.	3.57	3.71	4%
APac	3.59	3.63	1%	Over 700	3.65	3.59	-2%	Agency	3.31	3.17	-4%

# **Employees Have the Tools They Need to Deliver Quality Services More Efficiently and Effectively**

SPI Research posed a new question about whether employees have the necessary tools to deliver quality services efficiently and effectively. This question strongly correlates with several crucial KPIs, as Table 192 illustrates. Companies, where employees are equipped with the right tools to grow faster, are more likely to recommend their firm to others and achieve higher levels of billable utilization and on-time delivery. This, in turn, leads to increased profit margins. This KPI is vital for enhancing productivity and profitability in the professional services sector.

Table 192: Impact - Employees have the tools they need

Employees have the tools they need	Survey %	Headcount growth	% of emp. billable	Employee attrition	Rec. to family/ friends	Billable utilization
1 - Strongly disagree	0.3%	-20.0%	95.0%	20.0%	1.00	75.0%
2 - Disagree	5.4%	-3.4%	60.3%	8.6%	3.12	62.1%
3 - Neither agree nor disagree	13.1%	2.4%	69.9%	12.0%	3.88	68.5%
4 - Agree	57.6%	3.3%	71.8%	11.6%	4.29	69.5%
5 - Strongly agree	23.6%	0.2%	75.4%	12.7%	4.74	68.8%
Total / Average	100.0%	2.0%	71.8%	11.8%	4.27	68.8%

Source: SPI Research, February 2025

In today's rapidly changing technological environment, employees need practical tools to deliver high-quality services efficiently. Independent PSOs reported improvements in this area; however, embedded service organizations experienced a slight decline. A notable difference is observed between software and SaaS providers, who reported decreased available tools, while software PS organizations showed an increase. Additionally, as the industry shifts towards artificial intelligence, both these organizations and IT consultancies will need to keep up with new tools and technologies.

Table 193: Annual change employees have the tools they need

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.93	3.99	2%	Under 10	3.74	3.91	4%	IT Consult.	4.08	4.13	1%
ESO	3.91	3.84	-2%	10 - 30	4.02	3.95	-2%	Mgmt. Cons.	3.99	3.98	0%
PSO	3.93	4.04	3%	31 - 100	3.97	4.04	2%	SaaS PS	4.00	3.66	-9%
Amer	3.94	4.01	2%	101 - 300	3.97	4.03	1%	Software PS	3.66	3.94	8%
EMEA	3.82	3.86	1%	301 - 700	3.79	3.93	4%	Arch. / Engr.	4.11	4.09	0%
APac	4.10	4.00	-2%	Over 700	3.90	3.94	1%	Agency	3.65	3.78	3%

#### **Annual Hours**

SPI Research frequently receives inquiries about how professional services consultants allocate their time. Many executives aim for their team members to be billable for at least 75% of the available annual hours, which total around 1,500 hours. For senior consultants, who often have additional responsibilities beyond billing, utilization rates can drop below 25%. In contrast, new or junior consultants may exceed 100% utilization, reaching over 2,000 hours annually.

Annual hours remain among the most sought-after metrics from the annual PS Maturity™ benchmark survey. Organizations typically focus on the time consultants spend on billable and non-billable tasks. According to the benchmark data, billable hours slightly decreased from 1,413 in 2023 to 1,385 in 2024 (Table 194). Larger PSOs tend to provide more training and allocate fewer hours to non-billable administrative tasks while ensuring ample training hours.

Table 194: Annual Hours by Organization Type and Geographic Region

Annual Hours	2023	2024	ESO	PSO	Amer.	EMEA	APac
Vacation / personal / holiday hours	177	181	175	183	175	205	199
Education/training hours	76	73	61	77	70	79	93
Administrative hours	152	179	206	170	176	184	206
Non-billable business dev./sales support	109	110	108	111	107	132	99
Non-billable project hours	129	126	141	121	118	165	144
Total non-billable hours	643	670	692	662	646	764	742
Billable hours on-site	586	445	411	456	413	518	626
Billable hours off-site	826	940	939	940	1,003	788	606
Total billable hours	1,413	1,385	1,351	1,397	1,416	1,306	1,232
Total hours	2,056	2,055	2,043	2,059	2,061	2,069	1,974
Percentage of remote delivery hours	58.5%	67.9%	69.5%	67.3%	70.8%	60.3%	49.2%

Table 195: Annual Hours by PS Market

Annual Hours	IT Cons	Mgmt. Cons	SaaS PS	Soft PS	Arch./ Engr.	Agency
Vacation / personal / holiday hours	184	181	179	187	184	186
Education/training hours	84	61	60	131	56	74
Administrative hours	133	194	168	187	190	209
Non-billable business dev./sales support	99	105	128	132	125	166
Non-billable project hours	110	135	194	160	112	115
Total non-billable hours	610	676	729	796	667	750
Billable hours on-site	406	439	312	177	761	265
Billable hours off-site	1,032	959	985	1,020	685	967
Total billable hours	1,438	1,398	1,297	1,197	1,446	1,232
Total hours	2,048	2,074	2,026	1,994	2,113	1,982
Percentage of remote delivery hours	71.7%	68.6%	75.9%	85.2%	47.4%	78.5%

**Table 196: Annual Hours by Organization Size** 

Annual Hours	Under 10	10 - 30	31 - 100	101 - 300	301 - 700	Over 700
Vacation / personal / holiday hours	163	177	185	186	173	195
Education/training hours	77	61	67	79	70	119
Administrative hours	160	213	202	155	142	104
Non-billable business dev./sales support	173	121	96	100	71	95
Non-billable project hours	151	137	126	124	91	66
Total non-billable hours	724	709	676	643	547	578
Billable hours on-site	568	448	452	379	400	451
Billable hours off-site	778	890	929	1,035	1,205	903
Total billable hours	1,346	1,338	1,381	1,414	1,605	1,354
Total hours	2,070	2,047	2,057	2,057	2,152	1,933
Percentage of remote delivery hours	57.8%	66.5%	67.3%	73.2%	75.1%	66.7%

Source: SPI Research, February 2025

While the hours spent in the various categories remained constant, annual administrative hours increased by over 18%, from 152 hours per year to 179. This significantly increased and impacted independent firms more than embedded service organizations. Europe also saw a very large increase, from 134 hours to 176. The largest firms showed decreased administrative hours, which bodes well for them. Software professional services also significantly increased administrative hours, from 115 annually to 187.

#### **Billable Hours**

The following sections highlight how the market has changed over the past year regarding delivering services remotely. PS executives realize this trend will continue for some time. In fact, most consultants favor remote, or hybrid working and will probably leave firms that mandate returning to on-site work. Having the right tools and infrastructure to support remote employees will be more critical than ever. Firms would be well-advised not to force a "return to work" policy without continuing to offer more flexibility.

#### **Billable Hours On-site**

The number of hours worked on-site decreased from 586 to 445, reflecting a reversal in the trend toward "back to the office." The COVID era brought in a significant number of billable hours served remotely. As COVID eased and the market returned to business as usual, more consultants returned onsite. However, over the past year, many PSOs realized their most efficient and happy employees spent most of their billable hours working remotely, with fewer disturbances and bureaucracies. The total number of onsite billable hours per consultancy went from 586 in 2023 to 445 in 2024. This was across the board, while embedded service organizations only decreased their hours by 10%. Organizations of all sizes reduced onsite billable hours, as did each vertical market.

Table 197: Annual change billable hours on-site

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	586	445	-24%	Under 10	666	568	-15%	IT Consult.	462	406	-12%
ESO	457	411	-10%	10 - 30	550	448	-19%	Mgmt. Cons.	638	439	-31%
PSO	639	456	-29%	31 - 100	605	452	-25%	SaaS PS	322	312	-3%
Amer	523	413	-21%	101 - 300	551	379	-31%	Software PS	485	177	-63%
EMEA	785	518	-34%	301 - 700	484	400	-17%	Arch. / Engr.	1,020	761	-25%
APac	688	626	-9%	Over 700	647	451	-30%	Agency	783	265	-66%

Source: SPI Research, February 2025

#### **Billable Hours Off-site**

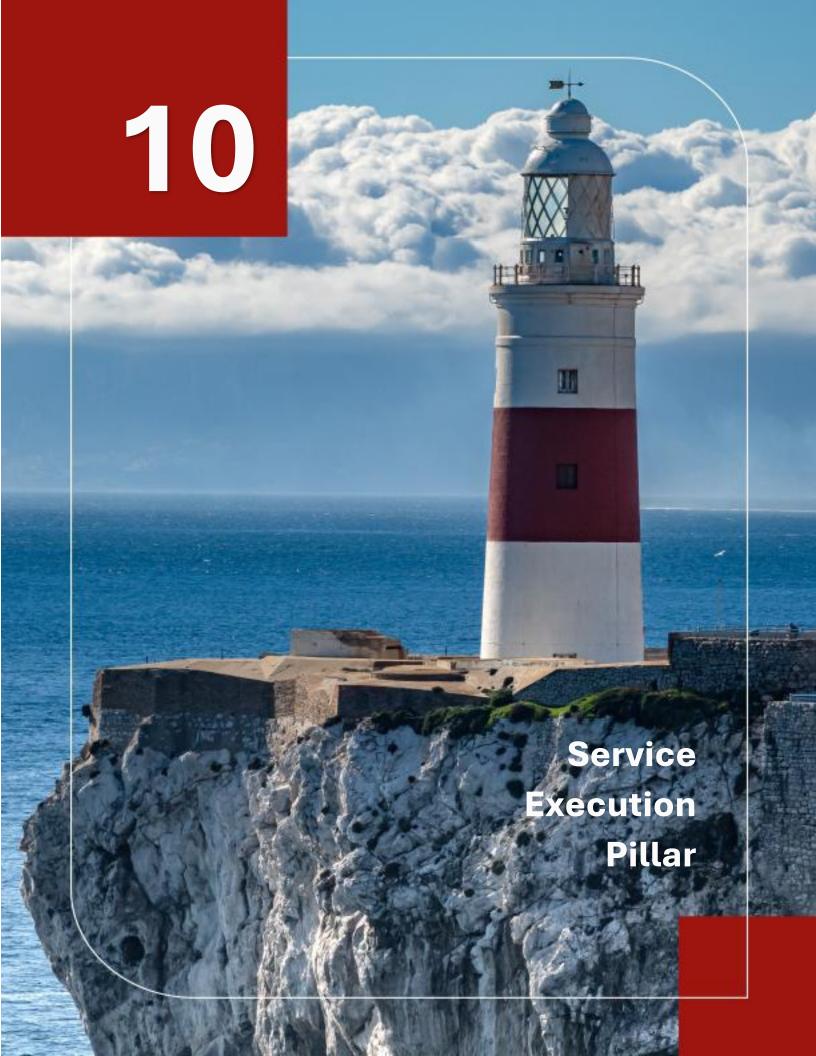
Most PSOs have thoroughly reexamined their operations for onsite versus offsite delivery. They have invested in mobility (through laptops, VPNs, videoconferencing, and "virtualization" tools) but are also wary of "Zoom" fatigue and scheduling too many meetings. SPI's experience is that PSOs have used the past four years wisely to invest in streamlining business processes and eliminating the annoying tasks that alienate workers. Timely, relevant communication with remote workers and customers is critical. One source of truth regarding upcoming projects, available resources, and project status has become necessary, which is why a surge in demand for project-based ERP and standalone PSA applications has increased.

The total hours consultants billed moved from on-site to off-site in 2024, reversing a trend. The Asia Pacific region reduced their billable hours off-site, but every sized organization and every vertical market except SaaS PS increased remote services. It is paramount that consultants have the tools they need to be

efficient and productive, and SPI Research expects AI to play a significant role in helping these consultants be more productive.

Table 198: Annual change billable hours off-site

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	826	940	14%	Under 10	732	778	6%	IT Consult.	1,004	1,032	3%
ESO	919	939	2%	10 - 30	839	890	6%	Mgmt. Cons.	765	959	25%
PSO	789	940	19%	31 - 100	816	929	14%	SaaS PS	996	985	-1%
Amer	915	1,003	10%	101 - 300	888	1,035	17%	Software PS	890	1,020	15%
EMEA	556	788	42%	301 - 700	837	1,205	44%	Arch. / Engr.	479	685	43%
APac	669	606	-9%	Over 700	824	903	10%	Agency	589	967	64%



#### **SERVICE EXECUTION PILLAR**

The Service Execution Pillar assesses the quality, efficiency, and repeatability of service delivery. It emphasizes the core activities involved in planning, scheduling, and executing service engagements. Regardless of how mature other areas of the PSO may be, success hinges on the ability to deliver services effectively and profitably, with a strong focus on quality, timeliness, and customer value.

The Service Execution pillar is essential for generating revenue in professional services. To maximize project margins, work must be scoped, priced, sold, delivered, and invoiced. Critical to this process is the alignment of sales, human resources, service, and finance functions. Capturing all project-related information—such as time, expenses, project details, and knowledge—is vital for proper invoicing and for enhancing future service delivery.

Service Execution

SPI Research has identified key trends within the Service Execution pillar, as shown in Figure 29, which are crucial for successful project delivery. As previously mentioned, billable utilization is one of the most critical Key Performance Indicators (KPIs) in professional services. Unfortunately, recent data shows a decline in billable utilization, on-time project delivery, and project margins. These downward trends could adversely affect the PSO's growth potential in 2025.

Figure 29: Service Execution Trends of Note



Source: SPI Research, February 2025

In an increasingly competitive consulting landscape, operational excellence often determines success. PSOs must implement visibility and management controls to ensure effective resource and project management. When done correctly, gross project margins exceeding 60% are achievable. Conversely, poor execution can lead to project margins in the single digits or even negative figures.

For decades, SPI has analyzed various aspects of service delivery, and this area has seen significant improvements as firms recognize the importance of resource specialization and comprehensive visibility in project delivery. PSOs have integrated automation, virtualization, analytics, and cohesive business applications into their service delivery operations. Advances in technology have played a significant role in

enhancing areas such as resource management, project management, collaboration, time and expense tracking, and billing, thanks to a range of cloud-based tools.

Additionally, the nature of the work itself has evolved. Today, few firms focus on resolving basic operational issues before streamlining business processes. Agile delivery methods have become standard, alongside advanced workflows, reporting, process automation, and the incorporation of artificial intelligence. Every aspect of service execution has benefited from these technological advancements, making consulting a more enjoyable profession. The growing acceptance of remote service delivery, especially since the pandemic, has alleviated some travel-related stress and allowed consultants to work from home.

# **Service Execution Maturity**

Table 199 illustrates the maturity levels within the Service Execution pillar as the PSO transitions from a basic, reactive approach of "all hands-on deck" project delivery to a more efficient, repeatable, and higher-quality service execution.

Table 199: Service Execution Performance Pillar Mapped Against Service Maturity

	Level 1	Level 2	Level 3	Level 4	Level 5
	Initiated	Piloted	Deployed	Institutionalized	Optimized
Service Execution	No scheduling. Reactive. Ad hoc. Heroic. Scheduling by spreadsheet. No consistent project delivery methods. No project quality controls or knowledge management.	Skeleton methodology in place. Centralized resource mgmt. Initiating project mgmt. and technical skill development. Starting to measure project satisfaction and harvest knowledge.	PSA deployed for resource and project management. Collaborative portal. Earned Value Analysis. Project dashboard. Global Project Management Office, project quality reviews and measurements. Effective change management.	Integrated project and resource management. Effective scheduling. Using portfolio management. Global PMO. Global project dashboard. Global Knowledge Management. Global resource management.	Integrated solutions. Continual checks and balances are needed to ensure superior utilization and bill rates. Complete visibility to global project quality. Multi-disciplinary resource management.

Source: SPI Research, February 2025

Figure 30 emphasizes the significance of performance maturity in the Service Execution pillar. It highlights the importance of securing larger projects and implementing effective resource management processes. Firms that adopt a standardized (repeatable) delivery methodology experience improved on-time delivery, better project margins, and increased profit.

Figure 30: Service Execution Maturity Matters

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
Firms	120	101	101	60	21
Revenue per project (k)	\$42	\$113	\$213	\$238	\$462
Project staff (people)	3.40	3.43	4.24	4.16	5.95
Project duration (months)	6.53	6.89	6.59	7.14	10.02
No.of projects a project manager manages at a time	5.93	6.32	5.56	5.50	3.57
Number of projects a consultant works on at a time	5.24	4.54	3.67	3.22	2.81
Our firm uses a project management office (PMO)	20.7%	27.5%	42.3%	42.7%	28.6%
Use a standardized delivery methodology	50.7%	62.7%	63.3%	64.7%	72.9%
The frequency on a project the contract need to be modified due to scope change	1.63	1.67	1.58	1.86	1.24
Projects delivered on-time	60.2%	68.8%	75.4%	79.7%	84.8%
Project overrun	14.1%	13.1%	11.0%	9.4%	6.2%
Project margin for time & materials projects	14.2%	24.6%	36.3%	47.3%	55.7%
Project margin for fixed price projects	15.3%	23.2%	37.0%	48.0%	55.7%
Project margin — subs, offshore	12.2%	19.9%	30.8%	37.3%	50.5%
Resource management process effectiveness	2.64	3.46	3.43	3.45	4.19
Estimating processes and review effectiveness	3.00	3.33	3.53	3.55	3.95
Change control process effectiveness	2.58	3.46	3.48	3.28	4.00
Project quality process effectiveness	2.83	3.58	3.58	3.57	4.19
Knowledge management processes effectiveness	2.96	3.52	3.27	3.35	3.90
Profit (EBITDA %)	2.7%	5.7%	9.1%	11.8%	20.8%

## **5-Year Service Execution Trends**

In 2024, SPI Research discovered that the average revenue per project had increased slightly and noted an interesting trend: fewer people were assigned to projects, but the projects lasted longer. Additionally, the number of projects project managers handled concurrently decreased slightly, as did the number of simultaneous projects consultants managed. While there can be advantages to overseeing multiple projects simultaneously, many consultants and project managers tend to lose focus when juggling too many tasks (Table 200).

Table 200: Service Execution Pillar 5-year Trend

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Revenue per project (k)	\$183	\$154	\$181	\$203	\$183	\$189
Project staff (people)	4.27	4.09	4.16	4.51	4.42	4.00
Project duration (months)	6.16	5.55	6.23	6.44	5.76	7.02
No. of projects a <b>project manager</b> manages at a time	5.75				5.79	5.69
No. of projects a <b>consultant</b> works on at a time	4.11				4.21	3.95
Our firm uses a project management office (PMO)	35.5%				36.2%	34.6%
Use a standardized delivery methodology	65.2%	65.9%	69.2%	63.3%	64.9%	62.8%
The frequency of a project the contract needs to be modified due to scope change	1.55				1.48	1.65
Projects delivered on-time	77.2%	79.7%	80.2%	76.2%	75.7%	73.4%
Project overrun	9.4%	8.3%	8.1%	9.9%	9.6%	11.3%
Project margin for time & materials projects	34.7%	35.3%	35.9%	34.3%	33.6%	34.7%
Project margin for fixed-price projects	34.8%	35.4%	36.0%	34.2%	34.0%	34.6%
Project margin — subs, offshore	28.3%	29.3%	28.3%	27.6%	27.6%	28.9%
Resource management process effectiveness	3.57	3.65	3.62	3.56	3.54	3.43
Estimating processes and review effectiveness	3.55	3.60	3.61	3.54	3.50	3.46
Change control process effectiveness	3.44	3.51	3.45	3.42	3.43	3.40
Project quality process effectiveness	3.65	3.69	3.69	3.60	3.67	3.56
Knowledge management processes effectiveness	3.42	3.43	3.43	3.39	3.47	3.39

Overall, service execution performance significantly declined from its peak in 2021. In the post-COVID era, PSOs worked harder and were more successful in delivering projects on time and within budget. Unfortunately, these metrics have worsened in recent years, with a decline in on-time deliveries and an increase in project overruns. Although project margins increased slightly in 2024, most firms reported a decrease in the effectiveness of their service delivery processes.

# **Survey Results**

Table 201 highlights the differences in performance metrics related to service execution for embedded versus independent professional services across various geographic regions. SPI Research found it noteworthy that most KPIs did not vary significantly from one region to another. However, all reflect a lower level of performance throughout the professional services market. Professional services executives should pay close attention to these figures and initiate measures to enhance service delivery performance. This area is crucial for professional services, as it drives both revenue and profit, while also influencing client

and employee satisfaction. Poor performance in the Service Execution pillar can lead professional services organizations to experience slower growth and reduced profits moving forward.

Table 201: Service Execution Pillar Results by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2023	2024	ES0	PSO	Amer.	EMEA	APac
Revenue per project (k)	\$183	\$189	\$172	\$188	\$186	\$177	\$174
Project staff (people)	4.42	4.00	4.11	4.36	4.26	4.42	4.23
Project duration (months)	5.76	7.02	5.62	6.37	6.27	6.13	5.12
No. of projects a PM manages at a time	5.79	5.69	6.90	5.29	6.14	4.28	5.35
No. of projects a <b>consultant</b> works on at a time	4.21	3.95	5.12	3.72	4.32	3.59	3.49
Our firm uses a project mgmt. office (PMO)	36.2%	34.6%	39.6%	34.0%	35.7%	34.8%	36.6%
Use a standardized delivery methodology	64.9%	62.8%	69.5%	63.3%	66.2%	61.8%	61.7%
Scope change frequency forcing contract mod.	1.48	1.65	1.42	1.59	1.50	1.75	1.48
Projects delivered on-time	75.7%	73.4%	74.1%	78.2%	77.2%	77.3%	75.2%
Project overrun	9.6%	11.3%	10.3%	9.1%	9.3%	9.6%	10.1%
Project margin for time & materials projects	33.6%	34.7%	33.9%	35.0%	34.5%	35.6%	34.4%
Project margin for fixed price projects	34.0%	34.6%	33.1%	35.4%	34.8%	34.5%	34.7%
Project margin — subs, offshore	27.6%	28.9%	28.7%	28.0%	28.9%	25.8%	27.2%
Resource management process effectiveness	3.54	3.43	3.50	3.59	3.57	3.54	3.60
Estimating processes and review effectiveness	3.50	3.46	3.45	3.58	3.55	3.50	3.59
Change control process effectiveness	3.43	3.40	3.43	3.44	3.46	3.36	3.48
Project quality process effectiveness	3.67	3.56	3.56	3.68	3.67	3.55	3.58
Knowledge mgmt. processes effectiveness	3.47	3.39	3.41	3.42	3.45	3.35	3.33

Source: SPI Research, February 2025

Smaller PSOs generally performed better in completing projects on time and within budget, resulting in fewer overruns. As the size of the firm increased, the use of Project Management Offices (PMOs) became more common.

Table 202: Service Execution Pillar Results by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Revenue per project (k)	\$69	\$122	\$164	\$229	\$287	\$333
Project staff (people)	2.20	3.36	4.11	5.05	5.82	6.46
Project duration (months)	5.44	5.86	5.97	6.57	6.92	6.72
No. of projects a PM manages at a time	4.70	6.68	6.08	5.46	5.48	5.42
No. of projects a <b>consultant</b> works on at a time	3.98	5.09	4.18	3.71	3.68	3.63
Our firm uses a project mgmt. office (PMO)	15.8%	29.9%	32.7%	43.0%	50.8%	56.6%

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Use a standardized delivery methodology	60.7%	66.4%	66.1%	64.4%	66.3%	65.8%
Scope change frequency forcing contract mod.	1.15	1.39	1.51	1.71	1.73	1.93
Projects delivered on-time	82.2%	77.8%	76.2%	76.0%	75.4%	74.7%
Project overrun	7.2%	9.5%	9.3%	10.1%	10.3%	10.5%
Project margin for time & materials projects	34.2%	33.3%	34.8%	35.7%	36.3%	33.6%
Project margin for fixed price projects	34.9%	33.7%	34.1%	36.0%	35.8%	34.3%
Project margin — subs, offshore	25.8%	28.7%	28.0%	28.4%	29.5%	29.7%
Resource management process effectiveness	3.62	3.61	3.50	3.55	3.51	3.69
Estimating processes and review effectiveness	3.63	3.59	3.51	3.48	3.46	3.64
Change control process effectiveness	3.57	3.42	3.37	3.41	3.48	3.60
Project quality process effectiveness	3.79	3.65	3.61	3.57	3.66	3.70
Knowledge mgmt. processes effectiveness	3.61	3.42	3.37	3.37	3.39	3.49

## **Resource Management Process**

The resource management process shows how organizations staff projects, moving from a centralized management process to a local, account-based, horizontal, or center of excellence.

SPI's research shows there may not be a "one magic bullet" resourcing strategy that is clearly superior to all others. The five strategies that follow enable PSOs to manage talent and fulfill client demands. Although centralized resource management is the most prevalent strategy, each organization must create a resourcing strategy that works best for their business to increase utilization *and* client and employee satisfaction.

- 1. Centrally managed Most resource management pundits favor "centralized" resource management. It provides superior management visibility into the entire project backlog and level of skills required both today and in the future. In centralized resource management, a dedicated resource management team is responsible for managing the master resource schedule and making staffing decisions based on skills, availability, location, cost, preference, etc. Centralized management is the most efficient way to manage a large workforce. In this year's benchmark, centralized management produced some of the best results with fewer project overruns and the best revenue per consultant and project margins.
- 2. **Local resource management** Local resource management is the preferred form of resourcing for young organizations where the workforce is small enough to foster real esprit de corps, and employees wear many hats. Smaller organizations can't afford the overhead of a dedicated resource management function, as relationships and roles are fluid, requiring more local control and finesse. Staffing locally also provides the benefit of closer client relationships and less travel.

- 3. **Account-based** Resource management by account may be a good strategy for very large accounts where there is a strong backlog of projects, but account-based resourcing can cause big issues if account revenue dries up. The other drawback to account-based resourcing is that it narrows consultant range of experience as teams are not exposed to diverse business models and client challenges. Further teams run the risk of "going native" feeling more affinity with their clients than their employers, which may mean they cannot push back on unreasonable requests.
- 4. **By horizontal skill set** Managing resources by horizontal skill set is useful for developing best practices, repeatable processes and shared knowledge. For example, many firms have project and program managers report directly or indirectly to the Project Management Office (PMO). By building affinity around "birds of a feather," project managers or specialized consultants can more easily share best practices and standardize methodologies, templates, etc. As organizations grow, a horizontal or competency-based overlay reporting structure can help firms develop repeatable best practices and deep, shared domain expertise while still enjoying the efficiency of centralized management.
- 5. Centers of Excellence The current trend towards vertical and offshore Centers of Excellence (COE) was pioneered by Accenture over the last decades. The advantage of industry-specific "Centers of Excellence" is deep industry domain knowledge development. Each Center of Excellence is a clearinghouse for specialized knowledge, expertise, and solutions. Clients and prospects delight in seeing a "Vision of the Future" for their unique industry challenges. The downside of COE can be excessive overhead, the creation of an ivory tower mentality, and the inability to learn from emerging new horizontal and vertical trends.

To improve utilization, PSOs must improve resource management effectiveness. As Table 203 shows, there are pluses and minuses to different resource management strategies. Green shading indicates "Best" while red shading indicates "Worst" based on responses from 403 firms. This year, besides "Other", "By Horizontal Skill Set" came out with the highest "best" scores. "Other" resourcing showed some of the best and worst results because resources may be hoarded by account, prohibiting redeployment to more lucrative clients and services.

Table 203: Impact – Resource management process

Resource management process	Survey %	Revenue growth	Std. del. method. used	On-time proj. delivery	Project overrun	Project margin
Centrally Managed	53.4%	5.7%	66.1%	74.4%	11.7%	36.4%
Locally Managed	18.2%	7.2%	60.4%	72.7%	11.3%	33.7%
Center of Excellence	8.0%	1.4%	58.0%	68.0%	13.2%	35.7%
By Account	7.7%	4.3%	58.3%	73.8%	11.3%	37.8%
By Horizontal Skill Set	7.0%	7.8%	55.5%	71.8%	9.1%	41.3%
Other	5.8%	-4.7%	63.3%	79.2%	6.8%	30.3%
Total / Average	100.0%	5.1%	62.9%	73.6%	11.2%	35.9%

The table shows differences and what SPI Research finds interesting is that "Other" had some of the best and worst performance KPI's. Other tends to mean a hybrid of various resource management processes.

## Revenue per project

The average revenue per project is calculated by dividing the service organization's total revenue by the total number of projects delivered. This KPI provides insight into project size, scope, and duration.

PSOs complete many small projects and a few larger ones, which may skew revenue per project. Wide variability in project size stresses resource management predictability and may make project management unaffordable. Most financial metrics improve with project size as it is easier to forecast them. Larger organizations build "rapid response" teams to handle short, unpredictable projects. The 5-year average revenue per project is \$183k and has been going up annually.

Table 204: Impact – Revenue per project (k)

Revenue per project (k)	Survey %	Revenue growth	Std. del. method. used	Project margin	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)
Under \$25k	14.4%	0.4%	55.5%	28.3%	\$145	\$122
\$25k - \$50k	22.0%	4.3%	62.8%	36.0%	\$200	\$152
\$50k - \$100k	22.3%	6.1%	62.9%	32.6%	\$206	\$160
\$100k - \$250k	20.7%	7.3%	66.4%	38.6%	\$227	\$185
\$250k - \$500k	11.8%	3.8%	64.4%	39.5%	\$232	\$187
\$500k - \$1mm	5.2%	8.4%	67.5%	41.8%	\$235	\$183
Over \$1mm	3.6%	8.4%	68.2%	40.6%	\$261	\$220
Total / Average	100.0%	5.0%	63.2%	35.6%	\$207	\$164

Source: SPI Research, February 2025

Average revenue per project is calculated by dividing the total revenue of the service organizations by the total number of projects. This KPI provides insight into the size, number of employees involved, and duration of projects. Over the past five years' Service Performance Insight has seen this figure increase.

Average revenue per project is important from a planning and execution perspective. PS executives would naturally prefer large projects with many billable consultants and for extended durations. This format is much preferable to forecasting personnel and revenue. Unfortunately, the market is changing and PS executives now, more than ever, must do a much better job of planning to meet revenue and profitability targets.

The good news for the professional services market is that the average revenue per project increased by 3%, from \$183k to \$189k. Embedded organizations showed a significant increase in pricing, while the independents showed a lower price year over year. The gains were all found in Europe, as the average price increased by 45%. The largest firms showed the most significant price increases. While most vertical markets highlighted in the table below show lower annual prices, architects and engineers increased theirs. All the other professional services markets showed an increase in prices.

Table 205: Annual change revenue per project (k)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$183	\$189	3%	Under 10	\$91	\$66	-28%	IT Consult.	\$229	\$225	-2%
ESO	\$147	\$221	50%	10 - 30	\$94	\$132	41%	Mgmt. Cons.	\$204	\$132	-35%
PSO	\$199	\$178	-11%	31 - 100	\$166	\$153	-8%	SaaS PS	\$119	\$97	-19%
Amer	\$178	\$178	0%	101 - 300	\$216	\$256	18%	Software PS	\$179	\$111	-38%
EMEA	\$158	\$230	45%	301 - 700	\$276	\$538	95%	Arch. / Engr.	\$129	\$150	16%
APac	\$274	\$220	-20%	Over 700	\$331	\$395	19%	Agency	\$193	\$110	-43%

## **Project staff size**

The project staff size is the FTE number of resources dedicated to projects. Shorter, more iterative, "agile" projects cause more scheduling issues but may result in improved project value and ROI.

Table 206 shows projects with a larger staff have the highest project margin and lowest employee attrition, making them more desirable. However, it is more difficult to sell large projects, and they tend to be the most prevalent for larger PSOs that can handle global scale and complexity.

Table 206: Impact - Project staff (people)

Project staff (people)	Survey %	Project duration (man-months)	On-time proj. delivery	Project overrun	Project margin	Ann. rev./ consult. (k)
1 - 2 people	31.0%	8.8	78.2%	9.1%	33.0%	\$200
3 - 5 people	51.3%	27.7	70.8%	12.0%	37.1%	\$208
6 - 8 people	12.3%	56.4	70.3%	12.3%	34.5%	\$211
9 - 11 people	3.5%	107.7	79.5%	12.5%	40.3%	\$183
Over 11 people	1.9%	199.5	65.8%	19.6%	49.9%	\$263
Total / Average	100.0%	31.5	73.3%	11.3%	35.9%	\$206

Source: SPI Research, February 2025

The average number of people working on a project decreased by 10%, mostly felt in the independent professional services organizations. Europe showed a significant increase, as did some of the larger firms. Both IT and management consultancies ran their projects with fewer people in 2024.

Table 207: Annual change project staff (people)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	4.42	4.00	-10%	Under 10	2.13	2.25	5%	IT Consult.	5.07	4.68	-8%
ESO	3.82	3.90	2%	10 - 30	3.16	3.21	1%	Mgmt. Cons.	3.54	2.95	-17%
PSO	4.68	4.04	-14%	31 - 100	4.29	4.10	-4%	SaaS PS	3.31	3.30	0%
Amer	4.42	3.78	-14%	101 - 300	5.11	4.75	-7%	Software PS	4.55	4.50	-1%

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
EMEA	4.17	4.99	20%	301 - 700	5.44	6.71	23%	Arch. / Engr.	4.19	3.82	-9%
APac	4.97	4.52	-9%	Over 700	7.02	6.26	-11%	Agency	6.00	4.78	-20%

#### **Project duration**

The average project duration, expressed in months, pertains to how long it takes to deliver projects. The average project duration, like the average project staff size, is important because it shows the project length and scale. Longer projects and staff may be easier to forecast but are not necessarily more profitable because they may entail more risk and complexity.

Unlike project staff size, project duration went up, averaging 6.16 months over the past five years. Table 208 shows that larger projects increase billable utilization but may cause more attrition as employees finitize more with their clients and less with their employers. Larger projects help with predictability but may also involve greater complexity and risk, resulting in more project overruns. Projects under three months in duration stress resource scheduling, resulting in poor billable utilization.

Table 208: Impact - Project duration (months)

Project duration (months)	Survey %	Billable utilization	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	% of ann. rev. target	% of ann. margin target
Under 1 month	0.6%	57.5%	\$113	\$113	82.5%	70.0%
1 - 3 months	16.5%	65.7%	\$173	\$140	85.3%	86.8%
3 - 6 months	36.6%	68.3%	\$206	\$161	88.3%	87.9%
6 - 9 months	16.2%	69.4%	\$217	\$171	88.6%	87.6%
9 - 12 months	15.2%	70.1%	\$228	\$181	92.2%	91.9%
Over 12 months	14.9%	72.5%	\$212	\$172	93.2%	89.0%
Total / Average	100.0%	68.9%	\$206	\$164	89.1%	88.3%

Source: SPI Research, February 2025

While fewer people worked on projects in 2024, the duration was slightly over seven months. The overall net benefit was larger man months per project, which helps with revenue planning. Embedded service organizations significantly increased the length of their projects, as did the largest firms in the study. SaaS PS contributed to this growth, and SPI Research expects these numbers to grow with the advent of artificial intelligence.

Table 209: Annual change project duration (months)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	5.76	7.02	22%	Under 10	5.51	6.83	24%	IT Consult.	5.26	6.99	33%
ESO	4.92	6.77	38%	10 - 30	5.52	7.01	27%	Mgmt. Cons.	5.63	6.86	22%
PSO	6.12	7.11	16%	31 - 100	5.45	6.57	21%	SaaS PS	3.57	6.14	72%

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Amer	5.71	6.92	21%	101 - 300	6.33	6.97	10%	Software PS	6.01	6.59	10%
EMEA	6.07	8.46	40%	301 - 700	6.41	8.32	30%	Arch. / Engr.	8.12	8.06	-1%
APac	5.52	5.65	2%	Over 700	5.72	9.29	62%	Agency	6.82	5.31	-22%

### Number of projects a project manager manages at a time

A project manager who manages several projects concurrently could help lower costs. However, as they manage many projects concurrently, overall performance suffers, and projects come in late and over budget. There is a balance here, and SPI Research is working to find the best combination.

Table 210: Impact - Number of projects a project manager manages at a time

Projects a project manager manages at a time	Survey %	Std. del. method. used	On-time proj. delivery	Project overrun	Project margin	Ann. rev./ consult. (k)
1 project	5.5%	57.1%	86.5%	6.0%	40.0%	\$200
2 projects	14.0%	55.1%	74.3%	10.0%	37.0%	\$191
3 - 5 projects	42.5%	64.0%	72.4%	12.1%	35.9%	\$201
6 - 10 projects	23.1%	63.2%	72.0%	12.6%	35.7%	\$221
over 10 projects	14.9%	70.0%	71.3%	9.8%	33.9%	\$227
Total / Average	100.0%	63.1%	73.2%	11.3%	35.9%	\$208

Source: SPI Research, February 2025

In 2023, SPI Research started asking how many projects a project manager manages simultaneously. It helps when they manage multiple projects, but project managers managing too many projects create situations where performance suffers. The changes from 2023 to 2024 are insignificant. However, larger firms had project managers managing more projects in the architecture engineering market. Again, this is a new KPI for SPI Research to track, so it will be interesting going forward to better understand the optimal level of projects managed by each project manager.

Table 211: Annual change in the number of projects a project manager manages at a time

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	5.79	5.69	-2%	Under 10	4.85	4.51	-7%	IT Consult.	4.64	4.71	1%
ESO	6.88	6.93	1%	10 - 30	6.80	6.49	-5%	Mgmt. Cons.	4.60	4.42	-4%
PSO	5.32	5.25	-1%	31 - 100	5.98	6.26	5%	SaaS PS	6.93	7.40	7%
Amer	6.20	6.04	-3%	101 - 300	5.73	5.07	-12%	Software PS	6.45	6.38	-1%
EMEA	4.41	3.95	-10%	301 - 700	5.50	5.43	-1%	Arch. / Engr.	7.23	8.00	11%
APac	5.41	5.22	-4%	Over 700	5.11	6.63	30%	Agency	5.27	5.28	0%

### Number of projects a consultant works on at a time

The number of projects a consultant works on at the same time is important. Having responsibilities on a few projects makes sense, as delays in one don't overall negatively impact billable utilization or overall employee costs. However, as the number of projects rises, quality issues will most certainly arise, causing increased cost and frustrated clients and consultants. Like the number of projects a project manager manages concurrently, this is a relatively new KPI for SPI Research and much more has to be done on it.

Table 212: Impact - Number of projects a consultant works on at a time

Projects a consultant works on at a time	Survey %	Billable utilization	On-time proj. delivery	Project overrun	Project margin	Ann. rev./ consult. (k)
1 project	11.6%	78.8%	79.3%	6.9%	38.9%	\$213
2 projects	21.2%	68.2%	75.4%	10.8%	34.9%	\$207
3 - 5 projects	46.9%	68.0%	70.6%	12.2%	36.8%	\$203
6 - 10 projects	14.8%	65.9%	73.2%	11.7%	33.8%	\$217
over 10 projects	5.5%	66.5%	78.2%	13.2%	30.4%	\$200
Total / Average	100.0%	68.9%	73.4%	11.3%	35.8%	\$207

Source: SPI Research, February 2025

For the second year in a row, SPI Research asked how many projects a consultant works on at a time. One project would be a problem just because there are always stoppages due to scope changes or individuals not being available. Over the past couple years, the average has been around four projects a consultant works on simultaneously. The number went down in 2024 across all regions and sizes of organizations. However, it did go up somewhat in SaaS professional services. SPI Research will continue to gather data on this KPI to help professional services organizations with scheduling better.

Table 213: Annual change in the number of projects a consultant works on at a time

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	4.21	3.95	-6%	Under 10	4.05	3.89	-4%	IT Consult.	2.92	2.84	-3%
ESO	5.15	5.05	-2%	10 - 30	5.12	5.05	-1%	Mgmt. Cons.	3.93	3.78	-4%
PSO	3.82	3.56	-7%	31 - 100	4.21	4.13	-2%	SaaS PS	5.79	6.78	17%
Amer	4.39	4.21	-4%	101 - 300	4.01	3.27	-18%	Software PS	4.91	3.29	-33%
EMEA	3.78	3.12	-17%	301 - 700	3.86	3.00	-22%	Arch. / Engr.	5.05	4.19	-17%
APac	3.82	2.79	-27%	Over 700	3.75	3.18	-15%	Agency	3.51	4.17	19%

Source: SPI Research, February 2025

## **Project Management Office (PMO)**

To try to drive greater quality into the projects delivered, many PSOs have incorporated a project management office. SPI Research shows how some of the KPI's improve as PSOs utilize project

management offices. Typically, PMOs are used for larger more complex projects. But in many cases, they are also used for repetitive projects to ensure quality is built in and achieved as the project is delivered.

Table 214: Impact – The firm uses a project management office (PMO)

The firm uses a project management office (PMO)	Survey %	Billable utilization	Std. del. method. used	On-time proj. delivery	Project overrun	Project margin
Never	46.4%	66.1%	58.2%	73.9%	10.9%	35.3%
Sometimes	20.1%	72.3%	61.0%	71.7%	11.1%	37.3%
Most of the time	15.6%	69.2%	67.1%	72.8%	12.3%	35.4%
Always	17.9%	71.6%	72.6%	74.6%	11.3%	36.6%
Total / Average	100.0%	68.8%	62.7%	73.4%	11.2%	35.9%

Source: SPI Research, February 2025

More extensive projects tend to need project management offices. Table 215 shows that while fewer firms used a PMO in 2024, they significantly increased their use of project management offices in the US and software PS, as one might expect due to the changes in technology.

Table 215: Annual change: our firm uses a project management office (PMO)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	36.2%	34.6%	-5%	Under 10	15.4%	16.2%	5%	IT Consult.	45.3%	45.8%	1%
ESO	36.4%	45.7%	26%	10 - 30	30.1%	29.7%	-1%	Mgmt. Cons.	22.0%	13.1%	-41%
PSO	36.1%	30.5%	-15%	31 - 100	35.7%	27.4%	-23%	SaaS PS	41.0%	46.3%	13%
Amer	37.4%	32.9%	-12%	101 - 300	40.2%	47.2%	18%	Software PS	51.7%	56.3%	9%
EMEA	32.0%	41.7%	30%	301 - 700	47.0%	64.3%	37%	Arch. / Engr.	19.8%	11.7%	-41%
APac	35.5%	39.1%	10%	Over 700	52.4%	73.4%	40%	Agency	40.6%	33.8%	-17%

Source: SPI Research, February 2025

# **Standardized Delivery Methodology Use**

The percentage of projects where a standardized (or structured) delivery methodology is used. It incorporates best-practices and quality into projects. These repeatable frameworks include tools, templates and knowledge.

Mature firms invest significant time and attention into methodology development to standardize delivery processes; define expectations and institutionalize quality. Using a standardized delivery methodology is a critical component of a services productization strategy. It helps improve project forecasting and resource management, thereby improving profitability. PSOs that can accurately plan and execute services in a structured way are not only more productive but also more likely to deliver with quality. There is significant effort involved in developing, implementing and adhering to standardized delivery methodologies, but the net impact for PSOs is beneficial. Table 216 shows the use of standardized delivery

methods and tools has a positive impact on revenue growth, employee satisfaction, project margin and profit.

Table 216: Impact – Use a standardized delivery methodology

Use a standardized delivery methodology	Survey %	On-time proj. delivery	Client reference	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	% of ann. rev. target
Under 20%	7.8%	76.3%	68.9%	\$154	\$138	84.8%
20% - 40%	11.7%	65.7%	68.8%	\$195	\$145	86.5%
40% - 60%	21.7%	67.0%	66.5%	\$216	\$174	89.3%
60% - 80%	26.5%	71.7%	68.4%	\$211	\$168	89.9%
Over 80%	32.4%	80.9%	75.4%	\$214	\$168	90.6%
Total / Average	100.0%	73.3%	70.3%	\$206	\$164	89.2%

Source: SPI Research, February 2025

The use of standardized delivery methodologies is essential in professional services. Less than two-thirds of the organizations surveyed use a standardized delivery methodology to run projects. This is an area where PS executives should better understand the benefits of standardized or structured delivery methodologies. The changes were not that significant year-over-year, and most markets showed a decrease, except IT consultancies.

Table 217: Annual change uses a standardized delivery methodology

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	64.9%	62.8%	-3%	Under 10	60.5%	58.3%	-4%	IT Consult.	62.0%	63.6%	3%
ESO	68.8%	69.3%	1%	10 - 30	63.7%	64.5%	1%	Mgmt. Cons.	62.2%	54.8%	-12%
PSO	63.3%	60.5%	-4%	31 - 100	65.8%	62.6%	-5%	SaaS PS	73.9%	69.5%	-6%
Amer	66.6%	63.9%	-4%	101 - 300	62.4%	64.0%	3%	Software PS	70.0%	66.5%	-5%
EMEA	60.4%	56.7%	-6%	301 - 700	69.6%	61.4%	-12%	Arch. / Engr.	68.1%	64.8%	-5%
APac	61.2%	62.5%	2%	Over 700	69.7%	68.8%	-1%	Agency	60.4%	58.9%	-3%

Source: SPI Research, February 2025

### The frequency a project the contract needs to be modified due to scope change

Very few PSOs encounter situations where projects and their associated contract don't need to be modified due to code scope change. Table 218 highlights this statistic. As projects are modified, so are schedules and costs and delivery dates. These add up to greater confusion, lower margin, and dissatisfied clients and consultants alike. Scope change and the associated contractual obligations of the PSO are a fact of life, and PSOs must consider them to keep clients happy to begin with. It's how the changes are managed that separates the great firms from the rest period clear communication and an understanding of how the changes will impact time and cost go a long way to driving client satisfaction higher.

Table 218: Impact - The frequency a project contract needs to be modified due to scope change

The frequency on a project the contract need to be modified	Survey %	Client reference	Employee attrition	On-time proj. delivery	Project overrun	Project margin
Never	13.1%	69.7%	10.0%	77.9%	7.8%	37.8%
Once	40.3%	73.6%	11.5%	76.9%	8.9%	35.1%
Twice	31.1%	67.5%	12.0%	69.2%	13.8%	37.1%
Three times	7.5%	65.7%	11.4%	70.5%	15.7%	35.7%
Over three times	7.9%	67.8%	14.1%	66.7%	15.2%	34.2%
Total / Average	100.0%	70.2%	11.7%	73.4%	11.3%	36.0%

One of the issues associated with projects is scope change or scope creep. Changes from the original schedule can cause significant issues for professional services as they must reduce schedules and juggle employees to complete the work.

### **Projects Delivered On-time**

The percentage of projects delivered on time is a measurement that divides the number of projects completed on time by the total number of projects. This KPI is critical for billable service organizations because when it decreases, both profitability and client satisfaction decline.

Only 10% of organizations reported that over 90% of their projects were delivered on time. Those organizations that could not deliver on time had much lower levels of billable utilization and client references. They also did not have visibility into resource availability, which meant they missed their annual margin targets. The bottom line is that on-time delivery is one of the most important KPIs, and success or failure impacts the overall organization. Project overruns are one of the root causes of missing on-time delivery milestones, poor communication, missed set expectations, lack of change orders, and scope creep.

Thankfully, over 40% of firms reported 80% or better on-time project delivery. In on-time, on-budget project delivery is one of the best quality measurements, as it indicates alignment and visibility across the entire quote-to-cash process. Sales is selling services that the organization can accurately estimate and staff. Resources are aligned with project requirements so they can deliver within promised timelines. The rewards for on-time delivery are ample, with the best client references, lowest employee attrition, and highest employee engagement and billable utilization. Organizations that struggle with on-time delivery must closely examine and improve their sales, estimating, contracting, and delivery processes, as the benefits of on-time delivery are significant.

Table 219: Impact - Projects delivered on-time

Projects delivered on-time	Survey %	Billable utilization	On-time proj. delivery	Project overrun	Project margin	Ann. rev./ consult. (k)
Under 40%	5.2%	64.1%	20.0%	19.2%	33.0%	\$160
40% - 60%	12.7%	70.8%	50.0%	19.5%	34.8%	\$198
60% - 70%	17.6%	64.3%	65.0%	14.9%	33.3%	\$209
70% - 80%	23.1%	67.5%	75.0%	11.1%	35.3%	\$198
80% - 90%	20.5%	70.6%	85.0%	9.6%	37.8%	\$231
Over 90%	20.8%	71.7%	95.0%	3.4%	38.2%	\$212
Total / Average	100.0%	68.7%	73.4%	11.3%	35.9%	\$208

The percentage of projects delivered on time continues to deteriorate. In 2024, the average went down by 3% on a relative basis. Virtually every region and size organization suffered during the year. Most of the markets did as well, and PS executives should concentrate on this KPI more heavily going forward, as it is one of the primary drivers of both client and employee satisfaction.

Table 220: Annual change projects delivered on time

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	75.7%	73.4%	-3%	Under 10	79.7%	80.3%	1%	IT Consult.	75.0%	71.4%	-5%
ESO	75.7%	72.6%	-4%	10 - 30	77.7%	70.8%	-9%	Mgmt. Cons.	79.6%	77.8%	-2%
PSO	75.7%	73.7%	-3%	31 - 100	75.4%	71.2%	-5%	SaaS PS	72.9%	72.7%	0%
Amer	75.8%	74.4%	-2%	101 - 300	74.8%	75.9%	1%	Software PS	73.7%	71.5%	-3%
EMEA	76.6%	71.7%	-6%	301 - 700	73.0%	64.6%	-11%	Arch. / Engr.	75.9%	66.3%	-13%
APac	72.8%	66.5%	-9%	Over 700	73.5%	70.0%	-5%	Agency	73.7%	76.7%	4%

Source: SPI Research, February 2025

# **Project Overrun**

Project overrun is the percentage of actual-to-budgeted cost or actual to budgeted time. Project overruns may be expressed in actual time/cost versus plan. This KPI is important because any time a project goes over budget in either time or cost, it cuts directly into the PSO's profitability.

Project overruns have a profoundly negative impact on almost all aspects of service execution as they put stress on service delivery and forestall new project initiation. Most KPIs suffer for the 15.8% of firms that reported greater than 20% project overruns. Client references are down, employee satisfaction suffers, and they cannot meet their annual goals. Like on-time delivery, project overruns hurt both cash flow and margins. Project overruns are most likely when delivering new services or attempting to implement unproven technologies. The first step towards minimizing project overruns is understanding where and

why the project went awry. Project reflection reviews and lessons learned will help ameliorate future overruns.

Table 221: Impact - Project overrun

Project overrun	Survey %	Client reference	Employee attrition	Billable utilization	On-time proj. delivery	% of ann. margin target
None	9.2%	77.3%	7.3%	71.8%	88.8%	91.0%
0% - 5%	18.2%	73.2%	11.6%	71.5%	84.3%	90.1%
5% - 10%	33.0%	69.3%	12.5%	69.2%	75.4%	91.2%
10% - 20%	23.8%	69.6%	10.7%	67.0%	67.6%	87.0%
20% - 30%	10.2%	69.3%	13.0%	63.7%	59.5%	86.0%
Over 30%	5.6%	60.6%	15.9%	67.2%	54.4%	73.7%
Total / Average	100.0%	70.4%	11.7%	68.7%	73.6%	88.4%

Source: SPI Research, February 2025

The average project overrun also rose significantly in 2024. This KPI is heavily correlated with on-time delivery and with other KPIs, such as standardized delivery methodologies. The annual change in project overrun impacts project margins, which, of course, impacts organizational profits. Performance in project delivery is how PSOs make money, and the degradation of this KPI yearly has much to do with why profitability went down in 2024. It also impacts client and employee satisfaction, which can hurt growth. The net result is PSOs must continue to drive better performance in the service execution pillar

Table 222: Annual change project overrun

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	9.6%	11.3%	18%	Under 10	5.7%	10.1%	79%	IT Consult.	10.6%	11.5%	8%
ESO	9.0%	13.2%	47%	10 - 30	9.5%	11.7%	24%	Mgmt. Cons.	7.2%	8.0%	11%
PSO	9.9%	10.6%	7%	31 - 100	9.9%	11.6%	17%	SaaS PS	10.0%	15.4%	55%
Amer	9.6%	10.9%	14%	101 - 300	10.8%	11.0%	2%	Software PS	12.3%	15.9%	29%
EMEA	9.1%	13.2%	44%	301 - 700	9.9%	12.1%	23%	Arch. / Engr.	10.8%	12.4%	15%
APac	10.8%	12.1%	12%	Over 700	10.9%	12.8%	17%	Agency	10.8%	11.7%	8%

Source: SPI Research, February 2025

### **Project Margin**

Project margin is the percentage of revenue that remains after accounting for the direct costs of project delivery.

Over the past few years average project margins have varied significantly but have shown a consistent upward trend year after year. This metric highlights the importance of adopting a holistic view of Professional Services (PS), as a single critical metric, such as project margin, can have a cascading effect that ultimately reduces overall net profit.

Effective resource management and achieving high billable utilization are crucial for maintaining project margins. However, factors like repeatability and the quality of project delivery also play significant roles. Regardless of the organization's size, SPI always recommends maintaining a project dashboard to track visibility from the project budget to actual performance.

Leading PSOs aim for project margins over 35%, yet only one-third of the surveyed organizations consistently achieve margins exceeding 40%. Several issues contribute to low project margins, including inaccurate estimates, scope changes, unclear project charters, poor project management, ineffective execution, and insufficiently prepared consultants. Organizations with lower project margins often struggle to meet their annual margin targets, and very few manage to make more than 30% margin on subcontractors.

Projects can be structured in various ways, including fixed price, milestone-based, time and materials, or cost-plus. Time and materials-based projects typically yield the best margins when billing rates are set appropriately. "Not to exceed" projects should be avoided because they offer none of the advantages of fixed-price projects while carrying all the associated risks. Cost-plus contracts are generally undesirable; they are often seen in government work, which tends to be short-sighted in its financial approach. Both clients and service providers should focus on paying fairly for work that delivers the promised results. If the potential project benefits are substantial, ensuring successful delivery should be the primary objective.

### Time and Materials Project Margin

Project margin is a fundamental building block of productivity and profit for all PSOs. It is a metric that must be carefully measured and tracked. High project margins correlate with timely and on-budget delivery. Standardized delivery methods, tools, project quality reviews, and training investments are associated with the highest margins. When projects are completed on schedule, time and materials project margins increase, resulting in higher revenue per consultant and employee. As project margins are where most of the profit in PS is generated, overall EBITDA improves as T&M project margins rise.

Table 223: Impact – Project margin for time & materials projects

Project margin for time & materials projects	Survey %	Billable utilization	Project duration (man-months)	On-time project delivery	% of annual margin target	Profit (EBITDA)
Under 20%	13.2%	65.8%	25.7	68.7%	83.4%	7.1%
20% - 30%	26.4%	67.6%	30.0	72.7%	88.2%	8.6%
30% - 40%	26.0%	67.8%	32.5	73.2%	87.5%	9.5%
40% - 50%	19.9%	71.7%	29.0	73.5%	87.9%	12.3%
Over 50%	14.5%	71.4%	44.3	78.2%	94.5%	11.4%
Total / Average	100.0%	68.8%	32.0	73.3%	88.2%	9.8%

Source: SPI Research, February 2025

Despite the challenges in project delivery, SPI Research found that project margins for time and materials projects have increased. The positive news is that many projects are adopting this model, which is promising for organizations. The Asia Pacific region has seen a significant rise in project margins; however,

with fewer than 50 observations, it is difficult to statistically validate this trend. Larger organizations have maintained consistent project margins, and SPI Research found that IT consultancies, architects and engineers, and agencies have all improved theirs.

Table 224: Annual change project margin for time & materials projects

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	33.6%	34.7%	3%	Under 10	35.5%	30.6%	-14%	IT Consult.	35.3%	37.3%	6%
ESO	31.8%	35.1%	10%	10 - 30	32.2%	33.9%	5%	Mgmt. Cons.	36.9%	33.7%	-9%
PSO	34.4%	34.6%	1%	31 - 100	32.9%	37.0%	12%	SaaS PS	31.4%	32.2%	3%
Amer	33.8%	34.2%	1%	101 - 300	33.6%	35.3%	5%	Software PS	41.8%	29.7%	-29%
EMEA	34.6%	36.4%	5%	301 - 700	36.9%	36.9%	0%	Arch. / Engr.	25.6%	31.5%	23%
APac	30.3%	36.5%	20%	Over 700	33.2%	33.1%	0%	Agency	32.4%	35.0%	8%

Source: SPI Research, February 2025

### Fixed Price Project Margin

Table 225 shows that 37.0% of organizations achieved fixed price margins exceeding 40%, while 38.7% reported margins below 30%. Clients appreciate the simplicity of fixed-price bids, which transfer risk to the service provider. Fixed pricing is suitable for standardized projects with clear deliverables but should be avoided for projects with significant uncertainties, such as new technology, new geographies, new deliverables, and limited resources. Overall, many service providers struggle to manage change orders effectively.

Table 225: Impact – Project margin for fixed price projects

Project margin for fixed price projects	Survey %	Revenue growth	On-time project delivery	Project overrun	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)
Under 20%	15.8%	3.3%	68.7%	13.7%	\$168	\$129
20% - 30%	22.9%	3.9%	70.2%	12.2%	\$187	\$151
30% - 40%	24.3%	3.2%	74.9%	10.7%	\$240	\$185
40% - 50%	22.6%	6.4%	76.4%	9.9%	\$209	\$174
Over 50%	14.4%	9.9%	76.1%	9.6%	\$224	\$174
Total / Average	100.0%	5.1%	73.3%	11.2%	\$207	\$164

Source: SPI Research, February 2025

Project margins for fixed-price projects also increased in 2024. SPI Research found it intriguing that, despite numerous project performance challenges, project margins rose. Part of this increase can be attributed to higher project pricing in 2024, but several other factors likely contributed as well, indicating that PSOs may have improved their pricing strategies for these types of engagements.

Table 226: Annual change project margin for fixed price projects

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	34.0%	34.6%	2%	Under 10	35.6%	29.6%	-17%	IT Consult.	35.1%	37.3%	6%
ESO	32.8%	31.6%	-4%	10 - 30	33.7%	34.3%	2%	Mgmt. Cons.	37.6%	35.2%	-6%
PSO	34.5%	35.6%	3%	31 - 100	32.3%	36.1%	11%	SaaS PS	31.6%	27.4%	-14%
Amer	34.1%	34.7%	2%	101 - 300	34.8%	35.4%	2%	Software PS	38.8%	39.7%	2%
EMEA	34.3%	32.8%	-4%	301 - 700	36.5%	40.0%	10%	Arch. / Engr.	26.1%	31.2%	20%
APac	32.6%	36.9%	13%	Over 700	33.9%	35.3%	4%	Agency	35.6%	35.8%	1%

#### **Subcontractor, Offshore Margin**

The utilization of subcontractors has remained relatively stable in this benchmark, averaging 11.1% of revenue over the past five years. Although service providers would like to engage in more contingent labor, there are limited numbers of highly skilled subcontractors available consistently. Concurrently, average subcontractor margins have remained around 28.3% during this five-year period.

Table 227 indicates significant advantages for the few firms that can achieve subcontractor margins above 40%, which are coupled with strong overall project margins and higher annual revenue per consultant and employee. These organizations are more likely to utilize subcontractors because they effectively implement standardized methods and tools. However, it's important to exercise caution; excessive use of subcontractors can undermine quality and knowledge retention, leading to commoditization.

Organizations relying on subcontractors for over 20% of their revenue risk being perceived as transactional staffing providers rather than high-value consultancies

Table 227: Impact - Project margin — subcontractors, offshore

Project margin — subs, offshore	Survey %	On-time project delivery	Project overrun	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Profit (EBITDA)
Under 20%	31.0%	70.9%	11.5%	\$199	\$155	6.6%
20% - 30%	25.7%	75.6%	11.1%	\$196	\$156	9.1%
30% - 40%	17.6%	72.8%	12.6%	\$231	\$191	11.7%
40% - 50%	14.8%	73.3%	11.3%	\$234	\$172	8.8%
Over 50%	10.9%	78.2%	9.6%	\$223	\$186	20.9%
Total / Average	100.0%	73.6%	11.3%	\$212	\$168	10.0%

Source: SPI Research, February 2025

Project margins for subcontractors and offshore also went up in 2024. While they don't reach the same level as the PSO's consultants, they do provide expertise and relief to help the organization attain its goals. The bottom line is that PSOs must achieve on-time and on-budget performance with high levels of quality and utilize subcontractors when needed to achieve their goals.

Table 228: Annual change project margin — subcontractors, offshore

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	27.6%	28.9%	5%	Under 10	23.1%	24.5%	6%	IT Consult.	31.5%	32.2%	2%
ESO	27.1%	27.4%	1%	10 - 30	28.3%	32.7%	15%	Mgmt. Cons.	27.4%	29.0%	6%
PSO	27.9%	29.4%	5%	31 - 100	27.8%	28.8%	4%	SaaS PS	28.2%	27.9%	-1%
Amer	28.8%	29.5%	2%	101 - 300	26.3%	28.7%	9%	Software PS	33.0%	29.4%	-11%
EMEA	23.0%	26.3%	14%	301 - 700	31.8%	28.2%	-11%	Arch. / Engr.	15.1%	20.9%	39%
APac	28.4%	27.6%	-3%	Over 700	29.2%	31.6%	8%	Agency	32.1%	35.3%	10%

#### **Process Effectiveness**

Process effectiveness analyzes how organization manage various service delivery processes (estimating, resource management, change control, quality, knowledge management) on a scale from 1 (very ineffective) to 5 (very effective)

Because project/service delivery is where money is made in professional services, SPI Research analyzes the various processes associated with it. The following section highlights the results of the five aspects of project/service delivery.

### Resource Management Effectiveness

SPI Research asked survey respondents to rate the effectiveness of their resource management process, with 1 = very ineffective and 5 = very effective. Resource management is critical to project planning and execution. PSOs who effectively and efficiently manage resources show much higher client reference ability, utilization rates, larger projects with less overrun, and revenue per billable consultant. Resource management effectiveness directly improves with the use of PSA solutions.

Table 229: Impact - Resource management process effectiveness

Estimating processes and review effectiveness	Survey %	Client reference	Rec. to family/ friends	Billable utilization	On-time project delivery	Project overrun
1 - Very ineffective	3.3%	63.0%	3.30	63.5%	65.5%	20.3%
2	10.1%	69.7%	3.81	69.0%	66.0%	14.3%
3	38.9%	70.2%	4.18	65.8%	69.3%	12.3%
4	35.6%	70.8%	4.47	71.3%	77.4%	10.0%
5 - Very effective	12.1%	72.8%	4.61	73.3%	82.6%	7.2%
Total / Average	100.0%	70.5%	4.27	68.9%	73.3%	11.3%

Table 230: Annual change resource management process effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.54	3.43	-3%	Under 10	3.44	3.42	-1%	IT Consult.	3.60	3.65	2%
ESO	3.50	3.20	-9%	10 - 30	3.53	3.39	-4%	Mgmt. Cons.	3.63	3.45	-5%
PSO	3.56	3.52	-1%	31 - 100	3.52	3.31	-6%	SaaS PS	3.59	3.15	-12%
Amer	3.54	3.50	-1%	101 - 300	3.61	3.63	0%	Software PS	3.61	3.53	-2%
EMEA	3.44	3.17	-8%	301 - 700	3.54	3.36	-5%	Arch. / Engr.	3.34	3.37	1%
APac	3.75	3.25	-13%	Over 700	3.60	3.53	-2%	Agency	3.46	3.28	-5%

## **Estimating Process and Review Effectiveness**

SPI Research asked survey respondents to rate the effectiveness of their estimating processes and estimate reviews, with 1 = very ineffective and 5 = very effective. This key performance indicator is important as accurate estimates are key to all other service delivery metrics. Inaccurate estimates and poor pricing controls lead to miss-set client expectations, project overruns, and poor client satisfaction. While this subjective KPI might be hard to fathom, its results show how some of the most critical KPIs improve as the organization becomes more effective in pricing and estimating.

Billable utilization, longer-duration projects, and revenue per employee rise as firms become more effective with their estimating and process review processes. Estimating requires significant investment in methodology development and scoping projects to the task level, but from this table, it is well worth the effort to ensure accuracy and continual improvement. A new breed of service, "CPQ" Configuration, Pricing, and Quoting tools, are coming to market to bridge the gap between CRM and PSA to improve service estimating and pricing accuracy and reliability. Look for these tools to help move estimating from "art" to "science," which will dramatically impact improving price realization.

Table 231: Impact – Estimating processes and review effectiveness

Estimating processes and review effectiveness	Survey %	Exec real-time visibility	% of ann. rev. target	% of ann. margin target	On-time project delivery	Project overrun
1 - Very ineffective	2.6%	2.63	82.1%	85.7%	51.9%	27.5%
2	11.4%	3.16	85.2%	80.5%	60.7%	15.9%
3	32.2%	3.45	89.2%	87.7%	70.1%	13.6%
4	45.3%	3.84	90.5%	90.5%	78.0%	8.7%
5 - Very effective	8.5%	4.24	89.4%	90.6%	84.0%	6.0%
Total / Average	100.0%	3.64	89.2%	88.3%	73.3%	11.4%

Table 232: Annual change estimating processes and review effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.50	3.46	-1%	Under 10	3.55	3.47	-2%	IT Consult.	3.52	3.58	2%
ESO	3.47	3.25	-6%	10 - 30	3.61	3.43	-5%	Mgmt. Cons.	3.67	3.47	-5%
PSO	3.51	3.53	1%	31 - 100	3.49	3.43	-2%	SaaS PS	3.52	3.21	-9%
Amer	3.49	3.51	1%	101 - 300	3.37	3.57	6%	Software PS	3.63	3.59	-1%
EMEA	3.39	3.24	-4%	301 - 700	3.35	3.43	2%	Arch. / Engr.	3.25	3.42	5%
APac	3.73	3.29	-12%	Over 700	3.62	3.18	-12%	Agency	3.33	3.39	2%

### **Change Control Effectiveness**

SPI Research surveyed respondents to evaluate the effectiveness of their change control processes, using a scale from 1 = very ineffective and 5 = very effective. All projects inherently involve risks and changes in scope. The key question is how these factors are managed. Mature PSOs invest in developing change and risk management policies, alongside project management oversight and guidance.

Both clients and service providers must consider the impacts of changes and how they will affect timelines and future projects. An essential aspect of change control is to ensure that project margins remain intact. Ideally, project changes should be clearly defined, client perceptions should be managed appropriately, and change orders should be implemented effectively. Excessive change orders can negatively impact budgets and schedules, and they may indicate issues such as scope creep, insufficient executive sponsorship, or poor communication.

Table 233: Impact - Change control process effectiveness

Change control process effectiveness	Survey %	On-time project delivery	Project overrun	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	Profit (EBITDA)
1 - Very ineffective	2.3%	52.1%	25.0%	\$192	\$142	NA
2	12.8%	60.8%	15.2%	\$193	\$151	7.5%
3	38.5%	72.8%	11.3%	\$204	\$164	10.0%
4	35.5%	77.8%	9.9%	\$217	\$170	11.1%
5 - Very effective	10.9%	79.8%	7.3%	\$217	\$172	13.7%
Total / Average	100.0%	73.3%	11.2%	\$208	\$165	10.2%

Source: SPI Research, February 2025

Table 233 compares the effectiveness of change control processes with other key performance indicators (KPIs). Organizations that excel in resource management and estimating effectiveness tend to manage change more effectively, demonstrating significantly better KPIs in both service execution and finance/operations. Those that emphasize fundamental execution processes, such as resource management, estimating, and change control, achieve superior results compared to organizations that place less emphasis on these critical business processes.

Table 234: Annual change in change control process effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.43	3.40	-1%	Under 10	3.34	3.45	3%	IT Consult.	3.43	3.51	2%
ESO	3.49	3.27	-6%	10 - 30	3.41	3.35	-2%	Mgmt. Cons.	3.48	3.54	2%
PSO	3.41	3.44	1%	31 - 100	3.38	3.32	-2%	SaaS PS	3.59	3.23	-10%
Amer	3.44	3.44	0%	101 - 300	3.45	3.54	3%	Software PS	3.71	3.53	-5%
EMEA	3.34	3.26	-2%	301 - 700	3.61	3.36	-7%	Arch. / Engr.	3.12	3.16	1%
APac	3.56	3.25	-9%	Over 700	3.53	3.24	-8%	Agency	3.20	3.17	-1%

### **Project Quality Process Effectiveness**

SPI Research asked executives to rate the effectiveness of project quality processes on a scale from 1 = very ineffective to 5 = very effective. Quality must be a core organizational attribute deeply embedded in the culture and management practices. Most leading PSOs implement quality checks and balances to ensure that work is completed correctly. As more PSOs focus on productizing their service offerings, they must integrate quality processes, procedures, and metrics. High-quality service delivery is fundamental to client satisfaction and significantly drives referrals and repeat business. Table 235 demonstrates that results improve across the board with the implementation of quality processes.

Table 235: Impact - Project quality process effectiveness

Project quality process effectiveness	Survey %	On-time project delivery	Project overrun	Project margin	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)
1 - Very ineffective	1.0%	48.3%	20.8%	51.0%	\$283	\$208
2	9.2%	60.5%	15.4%	32.7%	\$172	\$123
3	33.6%	68.5%	14.1%	35.3%	\$209	\$166
4	45.1%	77.3%	9.5%	36.7%	\$212	\$167
5 - Very effective	11.2%	82.9%	7.4%	37.7%	\$209	\$176
Total / Average	100.0%	73.2%	11.5%	36.1%	\$208	\$164

Table 236: Annual change project quality process effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.67	3.56	-3%	Under 10	3.61	3.76	4%	IT Consult.	3.60	3.56	-1%
ESO	3.72	3.27	-12%	10 - 30	3.60	3.49	-3%	Mgmt. Cons.	3.76	3.78	0%
PSO	3.65	3.67	0%	31 - 100	3.64	3.54	-3%	SaaS PS	3.75	3.05	-19%
Amer	3.70	3.62	-2%	101 - 300	3.74	3.60	-4%	Software PS	3.54	3.76	6%
EMEA	3.44	3.38	-2%	301 - 700	3.87	3.36	-13%	Arch. / Engr.	3.64	3.52	-3%
APac	3.92	3.35	-15%	Over 700	3.67	3.35	-9%	Agency	3.74	3.94	5%

## **Knowledge Management Process Effectiveness**

Organizations are increasingly improving their ability to capture, package, and repurpose knowledge. Top-performing organizations recognize that their unique knowledge and capacity to create, harvest, and repurpose industry-leading intellectual property are key differentiators. Although there are many powerful and affordable knowledge management tools available, their effectiveness is diminished without a centrally managed and empowered knowledge management function.

The core of knowledge management lies not only in capturing and codifying information but also in continually refining and enhancing it. In today's world of social media overload, having excellent search capabilities is essential to access the most relevant knowledge when needed.

SPI Research asked benchmark respondents to assess the effectiveness of their knowledge management processes (Table 237). Knowledge management has become a crucial element of service execution, with best practices and quality-driven initiatives integrated into project delivery. Ensuring that the right information is accessible to those who need it is vital for success. Over the past five years, knowledge management—particularly using social media and collaboration tools—has become increasingly important for service execution. Team members now collaborate more effectively to achieve project objectives. The data indicates that the effectiveness of knowledge management processes positively impacts both service delivery and financial performance.

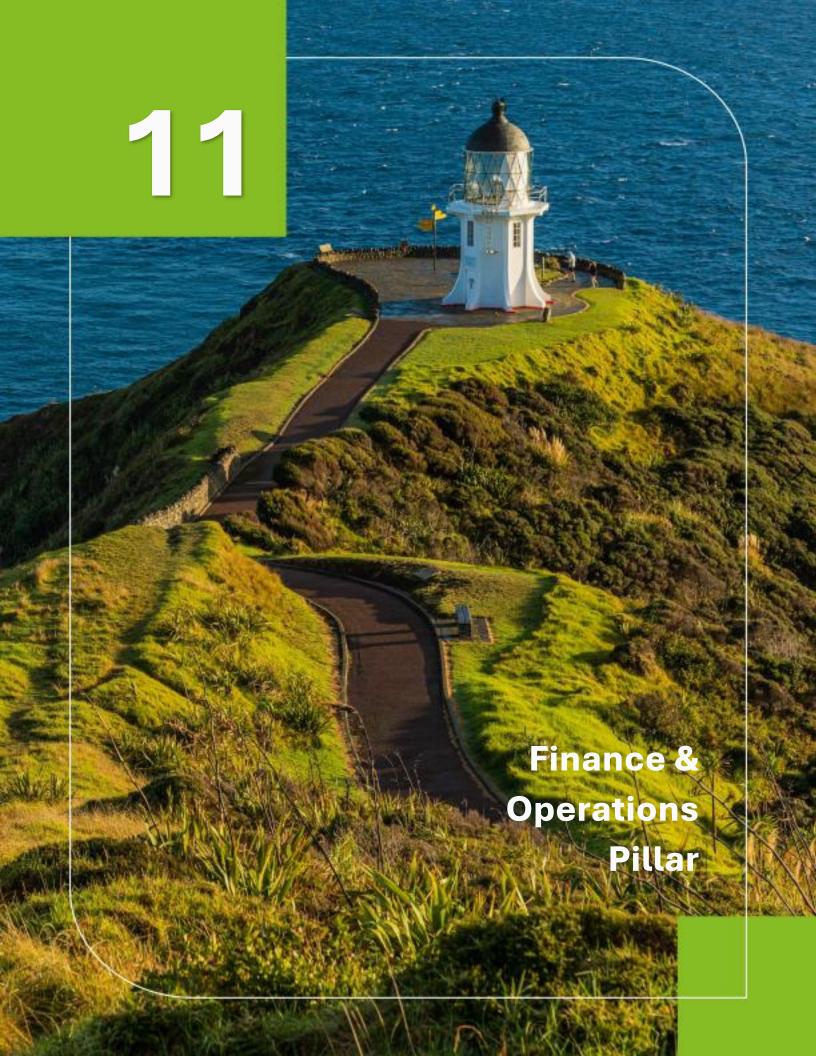
Table 237: Impact - Knowledge management processes effectiveness

Knowledge management processes effectiveness	Survey %	New clients	Std. del. method. used	% of ann. rev. target	% of ann. margin target	Exec real-time visibility
1 - Very ineffective	3.0%	21.2%	32.2%	80.0%	82.8%	2.22
2	12.2%	25.9%	57.0%	87.4%	86.5%	3.36
3	37.6%	28.0%	62.9%	89.5%	88.4%	3.52
4	37.6%	28.7%	66.5%	89.4%	88.7%	3.79
5 - Very effective	9.6%	38.3%	67.9%	90.9%	90.9%	4.38
Total / Average	100.0%	28.8%	63.1%	89.0%	88.3%	3.65

Table 238: Annual change knowledge management processes effectiveness

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.47	3.39	-2%	Under 10	3.50	3.55	1%	IT Consult.	3.29	3.26	-1%
ESO	3.55	3.31	-7%	10 - 30	3.44	3.29	-4%	Mgmt. Cons.	3.56	3.52	-1%
PSO	3.44	3.41	-1%	31 - 100	3.43	3.32	-3%	SaaS PS	3.65	3.21	-12%
Amer	3.47	3.43	-1%	101 - 300	3.49	3.47	0%	Software PS	3.56	3.50	-2%
EMEA	3.38	3.26	-4%	301 - 700	3.67	3.21	-13%	Arch. / Engr.	3.56	3.53	-1%
APac	3.65	3.21	-12%	Over 700	3.40	3.38	-1%	Agency	3.39	3.17	-7%

Each of these five processes has deteriorated over the past year, which is evident in the issues with ontime delivery and increased costs. Additionally, lower billable utilization rates have a negative impact. To succeed, it's essential to analyze and improve various components. The 2025 Professional Services Maturity™ Benchmark survey underscores the work that needs to be done for a successful year ahead.



Finance &

**Operations** 

### **FINANCE AND OPERATIONS PILLAR**

The Finance and Operations pillar encompasses the responsibilities typical of the CFO in prominent PSOs. This aspect is integral to the role of the Chief Service Executive across all PS organizations, regardless of their size. In this service performance pillar, SPI Research evaluated 38 key performance indicators related to revenue, margin achievement, and operating expenses. The analysis includes detailed profit and loss statements and expense ratios categorized by organization size, geography, and industry.

SPI Research has noted operational trends in Figure 31, indicating a deterioration of financial and operational performance. The ability to meet revenue targets (margins) also declined in 2024 as problems related to sales and service delivery became more pronounced. Achieving targets and maintaining high revenue levels per consultant is crucial, and these metrics are heavily influenced by operational success. The data emphasizes the necessity for PSOs to reassess their performance in sales and delivery and make necessary adjustments to enhance both areas in 2025.

Profit (EBITDA %) Percent of annual revenue target achieved Percent of annual margin target achieved 98% 93% 18% 92% 16% 96% 96.2% 91% 14% 94% 90% 12% 92% 92 1% 89% 10% 90% 88% 8% 88% 87% 6% 86% 4% 86% 84% 85% 2% 82% 84% 0% 2020 2021 2022 2023 2024 2020 2021 2022 2023 2024 2020 2021 2022 2023 Source: SPI Research, February 2025

Figure 31: Finance & Operations Trends of Note

# **Finance and Operations Maturity**

Figure 32 illustrates the significance of reaching higher levels of performance. The gap between Level 1 and Level 5 performance is substantial. Profitability at Level 5 is notably higher, which should capture the attention of executives. However, since numerous factors influence profitability, they must evaluate improvements across the organization. Level 5 organizations operate at a much higher financial standard than their peers, with much of their success attributed to structured service delivery and enhanced visibility throughout the organization. Rapid changes in the industry mean that PSOs capable of efficiently preparing for and managing these changes will thrive in the long term.

Figure 32: Finance & Operations Maturity Matters

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
Firms	120	101	101	60	21
Annual revenue per billable consultant (k)	\$105	\$149	\$224	\$267	\$294
Annual revenue per employee (k)	\$86	\$117	\$176	\$208	\$257
Percent of annual revenue target achieved	72.6%	83.6%	89.9%	96.2%	102.6%
Percent of annual margin target achieved	70.7%	82.1%	88.4%	96.7%	102.6%
Revenue leakage	10.2%	5.6%	4.4%	3.5%	2.5%
% of inv. redone due to error/client rejections	1.1%	2.5%	2.2%	1.6%	1.5%
Days sales outstanding (DSO)	30.8	42.1	46.3	43.5	40.7
Quarterly non-billable expense per employee	\$1,705	\$1,159	\$1,658	\$1,297	\$1,071
Length of time to incorporate a new acquisition	88.5	195.3	194.7	217.4	113.3
Executive real-time wide visibility	3.40	3.43	3.53	3.93	4.57
PS can accurately forecast revenue and skills	3.00	3.02	3.16	3.85	4.29
Profit (EBITDA %)	2.7%	5.7%	9.1%	11.8%	20.8%

# **5-Year Finance and Operations Trends**

In 2024, SPI Research observed a decline in most financial KPIs. However, none of the KPIs fell by more than 7%, except revenue leakage, which increased by 13% on a relative basis. Positively, many of the challenges faced were attributed to lackluster sales, ongoing inflation, and high interest rates.

Table 239 provides further insights into the trends over the past five years within the Finance and Operations pillar. Rising costs have pressured profits, but SPI Research believes PSOs managed their operations well despite macroeconomic challenges in 2024. Although quarterly non-billable expenses per employee have increased, it is mainly due to inflation and difficulty finding qualified talent. With low unemployment, PS executives will likely need to offer higher salaries in the coming years.

Table 239: Finance & Operations Pillar 5-year Trend

Key Performance Indicator (KPI)	5-year avg.	2020	2021	2022	2023	2024
Annual revenue per billable consultant (k)	\$204	\$203	\$206	\$204	\$207	\$199
Annual revenue per employee (k)	\$165	\$165	\$165	\$164	\$170	\$158
Percent of annual revenue target achieved	92.1%	92.1%	96.2%	92.7%	90.6%	87.9%
Percent of annual margin target achieved	89.3%	90.3%	92.1%	88.8%	87.7%	86.9%
Revenue leakage	4.7%	4.3%	4.2%	4.9%	4.7%	5.3%
% of inv. redone due to error/client rejections	2.0%	1.8%	1.9%	2.1%	2.0%	2.1%
Days sales outstanding (DSO)	44.1	41.9	43.5	46.8	43.9	43.3
Quarterly non-billable expense per employee	\$1,471	\$1,390	\$1,290	\$1,528	\$1,716	\$1,378
Time to incorporate a new acquisition (days)	174				165	188
Executive real-time wide visibility	3.55	3.60	3.67	3.46	3.43	3.65
PS can accurately forecast revenue and skills	3.32				3.31	3.33
Profit (EBITDA %)	15.1%	15.6%	15.7%	16.1%	15.4%	9.8%

# **Survey Results**

The following section reviews and analyzes the 2024 PS Maturity™ benchmark results from 403 participating professional services organizations. SPI Research examines 38 key performance indicators (KPIs) related to finance and operations that are critical for achieving superior financial performance.

Table 240 compares the Finance and Operations KPIs by organization type and region. This year, embedded service organizations reported considerably higher revenues per consultant and employee than independent organizations, which delivered larger projects but maintained a lower backlog. Employee productivity decreased in 2024, with revenue per consultant dropping from \$207k to \$199k and revenue per employee declining from \$170k to \$158k due to increased overhead and discretionary spending.

Table 240: Finance & Operations Pillar Results by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2023	2024	ESO	PSO	Amer.	EMEA	APac
Annual revenue per billable consultant (k)	\$207	\$199	\$209	\$195	\$203	\$169	\$213
Annual revenue per employee (k)	\$170	\$158	\$160	\$157	\$163	\$127	\$167
Percent of annual revenue target achieved	90.6%	87.9%	86.9%	88.2%	88.0%	86.5%	88.7%
Percent of annual margin target achieved	87.7%	86.9%	84.3%	87.9%	87.1%	86.8%	86.1%
Revenue leakage	4.7%	5.3%	5.5%	5.2%	5.0%	7.2%	4.9%
% of inv. redone due to error/client rejections	2.0%	2.1%	1.7%	2.2%	2.0%	1.9%	3.1%
Days sales outstanding (DSO)	43.9	43.3	43.3	43.2	44.3	40.1	38.8

Key Performance Indicator (KPI)	2023	2024	ESO	PSO	Amer.	EMEA	APac
Quarterly non-billable expense per employee	\$1,716	\$1,378	\$1,542	\$1,322	\$1,295	\$1,408	\$2,083
Length of time to incorporate a new acquisition	165	188	179	192	188	198	166
Executive real-time wide visibility	3.43	3.65	3.60	3.67	3.72	3.21	3.70
PS can accurately forecast revenue and skills	3.31	3.33	3.25	3.35	3.36	3.10	3.38

The EMEA and Americas regions showed a downward trend in financial KPIs from 2023 to 2024. The Asia Pacific region showed improvement in some areas, although profitability remained low (Table 241).

Table 241: Finance & Operations Pillar Results by Market

Key Performance Indicator (KPI)	IT Consult	Mgmt. Consult	Soft PS	SaaS PS	Arch /Engr	Agency
Annual revenue per billable consultant (k)	\$207	\$197	\$183	\$183	\$188	\$168
Annual revenue per employee (k)	\$169	\$160	\$144	\$131	\$155	\$129
Percent of annual revenue target achieved	89.6%	84.1%	87.7%	91.4%	93.4%	83.3%
Percent of annual margin target achieved	90.0%	85.3%	84.0%	88.9%	88.1%	83.4%
Revenue leakage	4.6%	5.2%	6.2%	6.5%	6.4%	6.3%
% of inv. redone due to error/client rejections	1.9%	1.4%	1.4%	2.5%	3.5%	2.6%
Days sales outstanding (DSO)	38.8	39.9	42.1	47.2	59.7	43.5
Quarterly non-billable expense per employee	\$1,345	\$1,367	\$1,235	\$1,250	\$1,466	\$1,147
Length of time to incorporate a new acquisition	200	150	200	363	189	83
Executive real-time wide visibility	3.65	3.68	3.72	3.69	3.83	3.39
PS can accurately forecast revenue and skills	3.30	3.41	3.28	3.47	3.50	2.94

Source: SPI Research, February 2025

Table 242 also compares Finance and Operations KPIs based on organization size. Immensely few firms improved their financial metrics in 2024. Although travel expenses decreased for many firms, other costs negatively affected profits. Larger firms had a Day Sales Outstanding (DSO) that was 50% higher than their smaller counterparts, adversely impacting cash flow and profitability.

Table 242: Finance & Operations Pillar Results by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Annual revenue per billable consultant (k)	\$178	\$199	\$192	\$227	\$227	\$185
Annual revenue per employee (k)	\$147	\$154	\$153	\$172	\$189	\$154
Percent of annual revenue target achieved	82.4%	87.1%	87.0%	92.2%	92.1%	92.4%
Percent of annual margin target achieved	84.9%	84.4%	85.5%	90.1%	91.4%	93.3%
Revenue leakage	6.4%	4.7%	5.5%	4.4%	4.8%	6.1%

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
% of inv. redone due to error/client rejections	1.7%	1.6%	2.4%	2.1%	1.9%	2.4%
Days sales outstanding (DSO)	37.4	41.8	43.7	44.5	50.4	52.3
Quarterly non-billable expense per employee	\$1,349	\$1,426	\$1,389	\$1,223	\$1,750	\$1,567
Length of time to incorporate a new acquisition	113	144	121	249	239	344
Executive real-time wide visibility	3.73	3.78	3.63	3.58	3.21	3.73
PS can accurately forecast revenue and skills	3.16	3.29	3.29	3.51	3.14	3.56

## **Balancing Client Satisfaction and Profitability**

In 2024, SPI Research assessed whether PSOs focused more on profits or client satisfaction. The results aligned with expectations: many organizations aimed to balance client satisfaction and profitability, while a secondary group prioritized client satisfaction first. IT consultancies and larger PSOs were most inclined towards profit-driven strategies.

Table 243: Impact - Balance Between Profit and Client Satisfaction

Organizational Focus	Survey %	Client reference	Employee attrition	Std. del. method. used	On-time proj. delivery	Project margin
Very focused on client sat.	26.5%	70.9%	11.0%	55.3%	71.5%	35.1%
Client satisfaction comes first	32.7%	71.6%	11.2%	64.5%	73.0%	36.4%
Client sat. is balanced with profit	37.4%	69.7%	12.8%	68.1%	74.5%	36.7%
Profit comes first	3.4%	64.0%	8.8%	50.0%	77.0%	30.7%
Very focused on profit	0.0%	NA	NA	NA	NA	NA
Total / Average	100.0%	70.4%	11.7%	62.9%	73.3%	36.0%

Source: SPI Research, February 2025

Table 244 breaks down the responses by organization type, regional headquarters, size, and market.

Table 244: PS's Emphasis Between Client Satisfaction and Profit

	Not profit-driven	Client sat. comes first	Client sat. / profit balance	Profit comes first	Very profit- driven	Total
Survey Total	26.3%	32.3%	37.0%	3.4%	1.0%	100.0%
Org. Type - ESO	27.6%	27.6%	39.5%	2.6%	2.6%	100.0%
Org. Type - PSO	25.8%	33.9%	36.2%	3.6%	0.5%	100.0%
Region - Americas	27.0%	28.8%	40.8%	3.0%	0.4%	100.0%
Region - EMEA	26.2%	40.5%	26.2%	2.4%	4.8%	100.0%
Region - APac	18.2%	54.5%	18.2%	9.1%	0.0%	100.0%
Employees - Under 10	28.3%	34.0%	34.0%	3.8%	0.0%	100.0%

	Not profit-driven	Client sat. comes first	Client sat. / profit balance	Profit comes first	Very profit- driven	Total
Employees - 10 - 30	32.7%	40.0%	25.5%	1.8%	0.0%	100.0%
Employees - 31 - 100	27.0%	22.5%	41.6%	7.9%	1.1%	100.0%
Employees - 101 - 300	24.3%	31.4%	42.9%	0.0%	1.4%	100.0%
Employees - 301 - 700	7.1%	57.1%	28.6%	0.0%	7.1%	100.0%
Employees - Over 700	18.8%	37.5%	43.8%	0.0%	0.0%	100.0%
Market - IT Consulting	25.0%	38.8%	33.8%	2.5%	0.0%	100.0%
Market - Mgmt. Cons.	22.7%	39.4%	34.8%	3.0%	0.0%	100.0%
Market - SaaS PS	29.7%	24.3%	40.5%	5.4%	0.0%	100.0%
Market - Software PS	40.0%	13.3%	33.3%	6.7%	6.7%	100.0%
Market – Arch. & Engr.	24.2%	21.2%	51.5%	3.0%	0.0%	100.0%
Market - Agencies	22.2%	33.3%	38.9%	5.6%	0.0%	100.0%

## **Steps Taken to Improve Profitability**

Each year, PS executives strive to enhance profitability. On a scale of 1-5 (with one representing "not important" and five representing "very important"), executives highlighted their focus areas, including:

- Improve solution portfolio service packaging, new offers
- Improve marketing effectiveness brand awareness, lead generation, events
- Improve sales effectiveness higher close ratio, on-target performance, training
- Increase bill rates
- Improve hiring, ramping, skill-building, training
- Improve methods and tools for reuse, consistency, quality
- Improve billable utilization increase billable utilization
- Reduce non-billable time presales, write-offs, admins
- Expand business models (add managed services, subscription, hybrid, etc.)

Organizational profitability went down significantly in 2024. Table 245 depicts improvement priorities from 2023 to 2024. Overall, PS Executives believe improving marketing and sales will be the most important way to improve profits. Both embedded and independent services organizations had similar views. There are interesting distinctions between the regions as can be shown in the following table.

Table 245: Steps PSOs Plan to Take to Improve Profits by Organization Type and Geographic Region

Key Performance Indicator (KPI)	2023	2024	ESO	PSO	Amer.	EMEA	APac
Improve solution portfolio	2.75	3.90	3.91	3.90	3.87	3.76	4.42
Improve marketing effectiveness	2.83	4.14	4.04	4.17	4.09	4.23	4.50
Improve sales effectiveness	2.82	4.07	4.15	4.04	4.10	3.88	4.08
Increases rates	2.80	3.67	3.39	3.76	3.63	3.68	4.00
Improve hiring and ramping	2.67	3.65	3.53	3.68	3.60	3.78	3.88
Improve methods and tools	2.78	3.94	4.01	3.92	3.94	3.90	4.00
Improve utilization	2.84	3.84	3.91	3.82	3.85	4.00	3.52
Reduce non-billable time	2.67	3.61	3.72	3.58	3.55	3.85	3.83
Expand business models	2.61	3.42	3.64	3.35	3.42	3.38	3.54

Table 246 further analyzes the steps to be taken to improve profitability by vertical market.

Table 246: Steps PSOs Plan to Take to Improve Profits by Market

Key Performance Indicator (KPI)	IT Consult	Mgmt. Consult	Soft PS	SaaS PS	Arch /Engr	Agency
Improve solution portfolio	4.07	3.79	3.86	4.19	3.55	3.83
Improve marketing effectiveness	4.28	4.18	3.78	4.00	4.03	4.50
Improve sales effectiveness	4.26	4.09	4.06	3.75	3.63	4.11
Increases rates	3.94	3.52	2.92	3.88	3.91	3.28
Improve hiring and ramping	3.81	3.36	3.19	3.87	3.94	3.72
Improve methods and tools	3.91	3.91	4.06	4.25	3.87	3.94
Improve utilization	3.85	3.81	3.75	4.07	3.71	3.83
Reduce non-billable time	3.74	3.23	3.50	4.13	3.68	3.83
Expand business models	3.60	3.21	3.47	3.56	2.84	3.33

Source: SPI Research, February 2025

Consulting excellence comes with knowledge, effectively harvesting that knowledge and making it accessible. Most PSOs are focused on Marketing going forward, and second is sales. Expanding business models and improving the solution portfolio as not high on their list.

Table 247: Steps PSOs Plan to Take to Improve Profits by Organization Size

Key Performance Indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Improve solution portfolio	3.83	3.93	3.80	3.93	4.36	4.06
Improve marketing effectiveness	4.12	4.25	4.14	4.10	3.77	4.31
Improve sales effectiveness	3.83	4.04	4.14	4.09	4.36	4.19
Increases rates	3.37	3.52	3.68	3.90	3.86	3.88
Improve hiring and ramping	3.24	3.68	3.69	3.71	3.79	4.19
Improve methods and tools	3.83	4.16	3.93	3.85	3.93	4.00
Improve utilization	3.56	3.75	3.91	3.91	4.21	4.07
Reduce non-billable time	3.28	3.27	3.73	3.80	3.93	4.19
Expand business models	3.37	3.30	3.23	3.56	4.21	3.88

## Annual revenue per billable employee

The annual revenue per billable consultant depicts the service organization's total revenue divided by the FTE (Full-time equivalent) billable consultants. Alternatively, this metric is derived by multiplying the consultant's average bill rate times billable hours.

Annual revenue per billable consultant is calculated by dividing the service organization's total revenue by the number of billable consultants or employees. This metric is strongly correlated with hourly bill rates and indicates how in-demand consultants are and the likelihood that the firm will be profitable. SPI Research considers revenue per billable consultant one of the most important key performance indicators; however, it should be analyzed alongside labor costs.

Ideally, revenue per billable consultant should be at least two times the fully loaded cost of the consultant. Revenue multipliers of three or higher are common in engineering and architecture firms, while a labor multiplier above three is typically seen in management consulting and legal professional services.

Revenue per consultant reflects consultant productivity, and the labor multiplier predicts the firm's profitability. Again, SPI Research deems revenue per billable consultant essential, but it must be considered in conjunction with labor costs. The target for revenue per billable consultant is a minimum of 1.5 times the fully loaded cost of the consultant. Headcount and capacity planning are usually based on the expectation of achieving a 2X revenue yield relative to consultant costs.

Table 248 illustrates the positive impact of increasing revenue per consultant. All major financial metrics tend to improve with higher revenue per consultant. Increased revenue is generally driven by higher billable utilization rates, which help PSOs achieve both revenue and margin targets. Additionally, improved ontime project delivery correlates with higher margins and profits.

Table 248: Impact - Annual Revenue Per Billable Consultant

Annual revenue per billable consultant (k)	Survey %	Billable utilization	Ann. rev./ emp. (k)	% of ann. rev. target	% of ann. margin target	Profit (EBITDA)
Under \$100k	11.2%	58.1%	\$50	79.6%	79.7%	8.6%
\$100k - \$150k	16.7%	68.7%	\$96	77.5%	78.5%	7.5%
\$150k - \$200k	25.6%	64.9%	\$139	90.1%	87.1%	8.3%
\$200k - \$250k	17.3%	70.7%	\$179	90.7%	88.0%	10.7%
\$250k - \$300k	18.3%	72.5%	\$218	92.0%	93.4%	11.2%
Over \$300k	10.9%	72.6%	\$265	92.6%	89.1%	12.8%
Total / Average	100.0%	68.0%	\$157	87.6%	86.4%	9.6%

Table 249 illustrates that, overall, the annual revenue per billable consultant decreased by 4%, dropping from \$207k in 2023 to \$199k in 2024. Larger firms, defined as those with over 100 employees, experienced a greater increase in annual revenue per billable consultant compared to smaller firms. Among the various types of agencies, the largest decrease in annual revenue per billable consultant was seen in agencies, which fell by 22%. In contrast, IT consultancies experienced a more modest decline of only 3%.

Table 249: Annual change annual revenue per billable consultant (k)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$207	\$199	-4%	Under 10	\$183	\$178	-3%	IT Consult.	\$214	\$207	-3%
ESO	\$203	\$209	3%	10 - 30	\$197	\$199	1%	Mgmt. Cons.	\$212	\$197	-7%
PSO	\$209	\$195	-7%	31 - 100	\$216	\$192	-11%	SaaS PS	\$211	\$183	-13%
Amer	\$217	\$203	-6%	101 - 300	\$201	\$227	13%	Software PS	\$216	\$183	-15%
EMEA	\$170	\$169	-1%	301 - 700	\$226	\$227	0%	Arch. / Engr.	\$197	\$188	-5%
APac	\$204	\$213	4%	Over 700	\$216	\$185	-15%	Agency	\$213	\$168	-22%

Source: SPI Research, February 2025

# Annual overall revenue/person yield (for the entire PS organization)

The annual revenue per employee represents the service organization's total revenue divided by the total FTE (Full-time equivalent) employees.

This calculation examines the overall revenue yield for all Professional Services (PS) employees, both billable and non-billable. Annual revenue per employee reflects the total PS revenue divided by the total number of employees (full-time equivalents, or FTEs), including both billable and non-billable staff.

Unlike the annual revenue per billable consultant, which divides total revenue by the number of billable consultants, annual revenue per employee uses the total employee count as the denominator. This key performance indicator (KPI) is strongly correlated with profitability and bill rates. Organizations with a high percentage of overhead employees tend to have significantly lower annual revenue per billable employee.

Revenue per employee is crucial for evaluating the size and financial health of an organization. Given the high costs associated with skilled consulting staff, SPI Research suggests that this figure should ideally exceed two times the fully loaded cost per person to ensure strong financial viability. If a company meets the acceptable revenue yield per billable consultant but falls short of the benchmark for overall revenue per employee, it may indicate excessive overhead costs.

Revenue per employee serves as a significant indicator of the firm's overall profitability. When the average cost per employee is known, profits can be estimated by comparing the cost per employee to the revenue per employee. Like revenue per consultant, this KPI has a strong correlation with profitability, utilization, and bill rates. Professional Services organizations with a high percentage of non-billable employees or excessive spending on sales, marketing, and general and administrative (G&A) expenses tend to have lower annual revenues per employee. For strong financial health, SPI Research recommends that revenue per employee should be at least 1.4 times the fully loaded cost per person.

Table 250: Impact - Annual Revenue Per Employee

Annual revenue per employee (k)	Survey %	Billable utilization	% of ann. rev. target	% of ann. margin target	Exec real- time visibility	Profit (EBITDA)
Under \$100k	20.4%	61.6%	80.1%	80.6%	3.34	7.1%
\$100k - \$150k	27.0%	68.4%	86.4%	85.1%	3.47	6.3%
\$150k - \$200k	24.8%	68.1%	90.4%	89.4%	3.62	14.2%
\$200k - \$250k	17.0%	71.5%	89.3%	89.7%	3.85	10.3%
\$250k - \$300k	7.2%	72.8%	93.7%	88.3%	4.04	9.8%
Over \$300k	3.5%	77.7%	99.1%	95.9%	4.82	13.8%
Total / Average	100.0%	68.1%	87.5%	86.6%	3.63	9.6%

Source: SPI Research, February 2025

Table 250 highlights the significance of increasing revenue per employee, which is influenced by higher levels of billable utilization. As this key performance indicator (KPI) improves, so do on-time delivery and profitability. A higher revenue per employee increases the likelihood that the PSO will meet its annual margin targets. If an organization achieves an acceptable revenue yield per billable consultant but falls below the benchmark for revenue per employee, it suggests excessive non-billable overhead.

Table 251 also indicates that revenue per employee increased significantly in the Asia-Pacific (APac) and Europe, the Middle East, and Africa (EMEA) regions, while it declined in the Americas. Furthermore, the annual revenue per employee decreased in 2024, though at a slower rate than the annual revenue per consultant. The independent PSOs experienced the most significant decline, particularly those based in North America. Additionally, larger firms and various vertical markets, especially agencies and software professional services, also faced a reduction in revenue per employee.

Table 251: Annual change annual revenue per employee (k)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$170	\$158	-7%	Under 10	\$149	\$147	-1%	IT Consult.	\$171	\$169	-1%
ESO	\$165	\$160	-3%	10 - 30	\$165	\$154	-7%	Mgmt. Cons.	\$175	\$160	-9%
PSO	\$172	\$157	-9%	31 - 100	\$172	\$153	-11%	SaaS PS	\$175	\$144	-18%
Amer	\$179	\$163	-9%	101 - 300	\$164	\$172	5%	Software PS	\$172	\$131	-24%
EMEA	\$136	\$127	-7%	301 - 700	\$195	\$189	-3%	Arch. / Engr.	\$168	\$155	-8%
APac	\$164	\$167	2%	Over 700	\$180	\$154	-14%	Agency	\$182	\$129	-29%

## Percentage of annual revenue target achieved

The annual revenue target achieved is the percentage of the annual revenue goal. PSOs create detailed annual business plans; this figure shows their accuracy in business planning, forecasting, and execution.

The annual revenue target achieved represents the percentage of the annual revenue goal met. PSOs develop detailed annual business plans, and this metric indicates their effectiveness in planning, forecasting, and execution. If an organization fails to meet its annual revenue target, it is likely that it will also miss its annual margin or profit target. Most organizations base their spending plans on their revenue projections. Conversely, if an organization significantly exceeds its revenue projections, it may face quality issues, staff burnout, and potential client satisfaction problems due to being understaffed to handle the increased demand.

As shown in Table 252, there is a direct correlation between achieving revenue targets and other key financial metrics. Additionally, there is a strong positive correlation between meeting annual revenue targets and profitability, provided that both revenue and profit targets are set appropriately. SPI Research also found that organizations that achieve their revenue targets tend to have lower attrition rates, indicating financial stability and the ability to reward performance and reinvest in the business.

Table 252: Impact - Percentage of Annual Revenue Target Achieved

Percent of annual revenue target achieved	Survey %	Exec real- time visibility	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	% of ann. margin target	Profit (EBITDA)
Under 80%	27.6%	3.47	\$147	\$118	74.3%	4.5%
80% - 90%	25.7%	3.51	\$215	\$166	84.6%	7.4%
90% - 100%	29.2%	3.75	\$215	\$173	93.2%	13.1%
100% - 110%	13.8%	3.88	\$230	\$177	97.2%	11.2%
Over 110%	3.8%	4.00	\$250	\$225	112.5%	27.0%
Total / Average	100.0%	3.64	\$200	\$159	87.1%	9.5%

Table 253 illustrates that the percentage of the annual revenue target achieved fell by 3%, decreasing from 90.6% in 2023 to 87.9% in 2024. This decline is attributed to slower sales growth across all professional services. The largest firms performed the best in planning their revenue; however, no organizational size reached 100% achievement.

Table 253: Annual change percent of annual revenue target achieved

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	90.6%	87.9%	-3%	Under 10	88.7%	82.4%	-7%	IT Consult.	91.1%	89.6%	-2%
ESO	91.9%	86.9%	-5%	10 - 30	90.8%	87.1%	-4%	Mgmt. Cons.	89.2%	84.1%	-6%
PSO	90.1%	88.2%	-2%	31 - 100	89.8%	87.0%	-3%	SaaS PS	93.7%	87.7%	-6%
Amer	90.7%	88.0%	-3%	101 - 300	90.9%	92.2%	1%	Software PS	88.8%	91.4%	3%
EMEA	89.9%	86.5%	-4%	301 - 700	92.6%	92.1%	0%	Arch. / Engr.	93.0%	93.4%	0%
APac	91.7%	88.7%	-3%	Over 700	92.7%	92.4%	0%	Agency	89.5%	83.3%	-7%

Source: SPI Research, February 2025

### Percentage of annual margin target achieved

The annual margin target achieved, like the annual revenue target achieved, is the percentage of the annual profit goal which was attained.

The annual margin target, like the annual revenue target, represents the percentage of the annual profit goal that has been achieved. SPI Research measures the attainment of both revenue and margin targets to assess the accuracy of annual business plans. Even if PSOs do not accurately measure other benchmark metrics, they typically know whether they have met their targets.

Meeting these targets is crucial from a planning and investment standpoint. If an organization fails to meet its margin goals, it may need to reduce future spending, which could hinder growth. For PSOs, achieving the annual margin target is a strong indicator of service performance excellence. One of the key indicators of financial maturity is the consistent ability to reach annual revenue and margin targets.

Table 254: Impact - Percentage of Annual Margin Target Achieved

Percent of annual margin target achieved	Survey %	On-time proj. delivery	Project overrun	Project margin	Exec real- time visibility	Profit (EBITDA)
Under 80%	31.0%	67.0%	15.7%	29.4%	3.48	6.6%
80% - 90%	24.0%	74.5%	10.9%	36.6%	3.62	8.4%
90% - 100%	29.4%	75.4%	9.7%	39.2%	3.72	11.7%
100% - 110%	12.1%	77.1%	7.7%	40.3%	3.74	12.8%
Over 110%	3.5%	86.0%	6.8%	41.4%	4.18	29.0%
Total / Average	100.0%	73.2%	11.5%	35.8%	3.64	10.1%

Notably, the percentage of firms that achieve their margin targets is always lower than those that reach their revenue targets. In fact, only 15.6% of survey respondents reported achieving 100% or more of their annual margin target.

Table 255 shows that the percentage of the annual margin target achieved decreased by 1%, declining from 87.7% in 2023 to 86.9% in 2024. Embedded service organizations had reduced annual margin targets, with SaaS PS experiencing the most significant negative change at 6%. Overall, while the numbers are not drastically lower, they indicate a decline in performance in 2024.

Table 255: Annual change percent of annual margin target achieved

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	87.7%	86.9%	-1%	Under 10	85.1%	84.9%	0%	IT Consult.	88.0%	90.0%	2%
ESO	88.8%	84.3%	-5%	10 - 30	85.7%	84.4%	-1%	Mgmt. Cons.	86.9%	85.3%	-2%
PSO	87.3%	87.9%	1%	31 - 100	87.1%	85.5%	-2%	SaaS PS	89.3%	84.0%	-6%
Amer	87.9%	87.1%	-1%	101 - 300	87.5%	90.1%	3%	Software PS	88.1%	88.9%	1%
EMEA	86.9%	86.8%	0%	301 - 700	91.4%	91.4%	0%	Arch. / Engr.	87.1%	88.1%	1%
APac	88.0%	86.1%	-2%	Over 700	91.9%	93.3%	2%	Agency	84.5%	83.4%	-1%

Source: SPI Research, February 2025

## Percentage of overall revenue unable to bill (revenue leakage)

Revenue leakage refers to revenue that has been earned but is lost before it can be realized. Causes of revenue leakage include billing errors, time the firm is unable to bill for product or project delivery issues and incorrect statements of work or misquotes.

Revenue leakage refers to revenue that has been earned but is lost before it can be realized. The causes of revenue leakage include billing errors, instances where the firm is unable to bill for delivered products or projects, and incorrect statements of work or misquotes. Revenue leakage can be challenging to detect, often being described as a "silent killer" of profitability.

In many cases, organizations may not even realize that revenue has not been billed, which complicates the calculation of this figure. Additionally, revenue leakage serves as a barometer for overall operational efficiency. PSOs with higher levels of revenue leakage tend to report lower utilization rates, poorer on-time project delivery, more project overruns, and lower EBITDA compared to organizations that effectively manage contracts, accurately capture all hours and expenses, and bill correctly.

Table 256: Impact - Revenue Leakage

Revenue leakage	Survey %	Ann. rev./ emp. (k)	% of ann. rev. target	% of ann. margin target	Exec real- time visibility	Profit (EBITDA)
Under 2%	14.4%	\$168	90.3%	90.5%	3.82	11.5%
2% - 5%	10.7%	\$178	91.1%	91.4%	3.53	6.3%
5% - 10%	8.7%	\$156	92.0%	86.2%	3.59	11.7%
Over 10%	8.4%	\$106	76.0%	76.4%	3.38	8.6%
Total / Average	100.0%	\$156	88.0%	87.0%	3.61	9.6%

Table 257 indicates that revenue leakage increased by 13%, rising from 4.7% in 2023 to 5.3% in 2024. This increase is concerning, as revenue leakage results in lost income. The data reveals that both embedded and independent service organizations were affected, with a notable rise in revenue leakage observed in Europe. Smaller firms and management consultancies were hit the hardest, although, overall, most organizations experienced an uptick in revenue leakage. This trend does not bode well for the market.

Table 257: Annual change revenue leakage

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	4.7%	5.3%	13%	Under 10	3.5%	6.4%	83%	IT Consult.	4.1%	4.6%	10%
ESO	4.8%	5.5%	13%	10 - 30	5.1%	4.7%	-7%	Mgmt. Cons.	3.5%	5.2%	50%
PSO	4.6%	5.2%	13%	31 - 100	4.5%	5.5%	22%	SaaS PS	5.0%	6.2%	23%
Amer	4.7%	5.0%	6%	101 - 300	4.6%	4.4%	-6%	Software PS	5.3%	6.5%	22%
EMEA	4.4%	7.2%	62%	301 - 700	5.1%	4.8%	-5%	Arch. / Engr.	5.1%	6.4%	27%
APac	5.1%	4.9%	-3%	Over 700	5.4%	6.1%	12%	Agency	5.5%	6.3%	16%

Source: SPI Research, February 2025

### Percentage of invoices that must be redone due to error or client rejection

The percentage of invoices submitted to clients that are rejected due to errors in the amounts, hours billed, or work done that are rejected and must be modified and resubmitted to the client.

Invoices that are rejected for any reason can negatively affect both profit and cash flow, as PSOs must cover the costs incurred while still providing the service. Some PSOs fail to include the time and expense associated with redoing invoices due to inaccuracies or client rejections in their Days Sales Outstanding (DSO) calculations, which they likely should.

To minimize invoice rejections, it is crucial to set clear expectations and accurately track time and expenses. Ideally, no invoice should be rejected. Common invoicing issues tend to be systemic and usually stem from inaccurate recording of time and expenses, unclear statements of work, lack of approved change orders, incorrect billing, and exceeding predetermined spending limits. It is essential for

all PSOs to understand the client's purchasing process before commencing work. Failing to collect payments and revise invoices can be frustrating and significantly impact cash flow.

Table 258: Impact – Invoices Redone Due to Error/Client Rejections

Invoices redone due to error/client rejections	Survey %	Std. del. method. used	On-time proj. delivery	Project margin	Exec real- time visibility	Profit (EBITDA)
None	14.5%	61.0%	79.5%	35.0%	3.85	14.2%
Under 1%	37.4%	66.7%	77.9%	36.8%	3.69	10.5%
1% - 3%	23.2%	62.9%	69.5%	37.7%	3.62	10.5%
3% - 5%	17.6%	62.0%	66.4%	34.5%	3.58	8.8%
5% - 10%	5.2%	51.4%	64.0%	35.9%	3.33	0.7%
Over 10%	2.1%	50.0%	72.5%	30.4%	2.50	4.0%
Total / Average	100.0%	63.0%	73.3%	36.1%	3.64	10.1%

Source: SPI Research, February 2025

Table 258 indicates that while invoice rejections do not directly result in lower on-time delivery rates or project margins, they do suggest that the PSOs are not functioning at their optimal capacity. Invoicing issues are often systemic and stem from inaccurate capture of time and expense information, unclear statements of work, a lack of approved change orders, erroneous billing, and exceeding predetermined spending limits.

Additionally, Table 259 shows that the percentage of invoices that had to be redone due to errors or client rejections increased by 3%, rising from 2.0% in 2023 to 2.1% in 2024. Larger firms (those with over 100 employees) experienced a decline in market suitability, while consultancies managed to invoice more effectively.

Table 259: Annual change percentage of invoices redone due to error/client rejections

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	2.0%	2.1%	3%	Under 10	0.8%	1.7%	105%	IT Consult.	2.3%	1.9%	-14%
ESO	1.8%	1.7%	-5%	10 - 30	1.7%	1.6%	-2%	Mgmt. Cons.	1.6%	1.4%	-14%
PSO	2.1%	2.2%	5%	31 - 100	1.7%	2.4%	40%	SaaS PS	1.4%	1.4%	-6%
Amer	2.1%	2.0%	-5%	101 - 300	2.6%	2.1%	-17%	Software PS	1.8%	2.5%	36%
EMEA	1.4%	1.9%	37%	301 - 700	2.7%	1.9%	-31%	Arch. / Engr.	2.2%	3.5%	60%
APac	2.6%	3.1%	23%	Over 700	2.8%	2.4%	-14%	Agency	2.0%	2.6%	30%

## **Days Sales Outstanding (DSO)**

The average amount of time (in days) from when an invoice is generated util the payment is made.

Days Sales Outstanding (DSO) is one of the most critical KPIs for financial executives. It highlights the significance of accurately producing invoices and efficiently collecting payments. Additionally, DSO serves as a powerful measure of client satisfaction, strong operational controls, and client creditworthiness.

While DSO may not directly impact other performance metrics, it underscores the importance of precise invoice generation and effective payment collection. Furthermore, DSO is a strong indicator of client satisfaction, operational efficiency, and creditworthiness.

Table 260: Impact - Days Sales Outstanding (DSO)

Days sales outstanding (DSO)	Survey %	New clients	Deal pipeline	% of bids won	Backlog	Client reference
Under 30 days	21.7%	32.3%	161%	45.4%	40.2%	69.9%
30 - 50 days	46.3%	27.4%	177%	48.7%	43.3%	70.1%
50 - 70 days	24.9%	27.3%	167%	45.3%	46.7%	69.9%
70 - 100 days	5.7%	31.1%	153%	53.8%	54.6%	70.0%
Over 100 days	1.4%	25.0%	150%	55.0%	63.3%	75.0%
Total / Average	100.0%	28.6%	169%	47.5%	44.4%	70.1%

Source: SPI Research, February 2025

Table 261 indicates that the days sales outstanding (DSO) decreased by 2% from 43.9 days in 2023 to 43.3 days in 2024. Cash collection is crucial for independent businesses, as they rely on cash flow to fund operations.

Table 261: Annual change days sales outstanding (DSO)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	43.9	43.3	-2%	Under 10	32.1	37.4	17%	IT Consult.	43.9	38.8	-12%
ESO	43.5	43.3	-1%	10 - 30	43.6	41.8	-4%	Mgmt. Cons.	38.2	39.9	5%
PSO	44.1	43.2	-2%	31 - 100	43.5	43.7	0%	SaaS PS	42.8	42.1	-2%
Amer	46.4	44.3	-5%	101 - 300	44.0	44.5	1%	Software PS	39.9	47.2	18%
EMEA	38.2	40.1	5%	301 - 700	52.6	50.4	-4%	Arch. / Engr.	59.0	59.7	1%
APac	36.3	38.8	7%	Over 700	50.1	52.3	4%	Agency	41.1	43.5	6%

## Quarterly non-billable discretionary expense per employee

All other non-billable expenses spent per employee (cell phones, non-billable travel, training)

The quarterly non-billable expense per employee measures how effectively PSOs manage expenses unrelated to billable work. Ideally, this metric should be minimized; however, there will always be unavoidable expenses such as travel, training, IT, and business development that cannot be billed to clients. SPI Research believes an average quarterly non-billable expense exceeding \$3,000 is considered excessive, and PS executives should strive to reduce this figure.

Excessive, non-billable employee expenses often indicate poor or ineffective business expense policies. They may also reflect unrestrained business development costs, where non-essential personnel spend valuable time and resources pursuing non-qualified opportunities. Elevated business development and training expenses, as well as misuse of employee expenses, are common contributors to high non-billable discretionary spending.

Table 262: Impact - Quarterly Non-Billable Expense Per Employee

Quarterly non-billable expense per employee	Survey %	On-time proj. delivery	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	% of ann. rev. target	% of ann. margin target
Under \$1,500	72.9%	74.6%	\$209	\$166	89.0%	88.7%
\$1,500 - \$2,500	15.0%	69.9%	\$209	\$166	90.5%	87.6%
\$2,500 - \$5,000	9.6%	70.9%	\$219	\$173	90.0%	85.0%
\$5,000 - \$7,500	2.1%	69.2%	\$188	\$150	88.3%	98.3%
Over \$7,500	0.4%	65.0%	\$350	\$275	70.0%	70.0%
Total / Average	100.0%	73.4%	\$210	\$166	89.2%	88.3%

Source: SPI Research, February 2025

Table 263 indicates that the quarterly non-billable expense per employee decreased by 20%, dropping from \$1,716 in 2023 to \$1,378 in 2024. The transition to virtual operations has significantly reduced discretionary spending. Over the past year, PSOs have focused on eliminating non-billable expenses, and the positive results are evident across organizations of all sizes and markets.

Table 263: Annual change quarterly non-billable expense per employee

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	\$1,716	\$1,378	-20%	Under 10	\$1,431	\$1,349	-6%	IT Consult.	\$1,634	\$1,345	-18%
ESO	\$1,583	\$1,542	-3%	10 - 30	\$1,462	\$1,426	-2%	Mgmt. Cons.	\$1,667	\$1,367	-18%
PSO	\$1,771	\$1,322	-25%	31 - 100	\$1,778	\$1,389	-22%	SaaS PS	\$1,647	\$1,235	-25%
Amer	\$1,768	\$1,295	-27%	101 - 300	\$1,449	\$1,223	-16%	Software PS	\$1,612	\$1,250	-22%
EMEA	\$1,543	\$1,408	-9%	301 - 700	\$2,238	\$1,750	-22%	Arch. / Engr.	\$1,613	\$1,466	-9%
APac	\$1,652	\$2,083	26%	Over 700	\$2,254	\$1,567	-31%	Agency	\$1,738	\$1,147	-34%

## Length of time to incorporate a new acquisition

The length of time it takes a PSO to bring in a new acquisition – from contract signing through the new organization working as part of the acquirer.

Two years ago, SPI Research began investigating the time PSOs take to integrate a new acquisition. While not all firms responded, it was noted that the integration process took longer in 2024 for those that did. Over the past decade, mergers and acquisitions have become more common as PSOs strive to enhance their capabilities amid a limited talent pool. Many firms feel that they must either grow organically, acquire other firms, or risk going out of business. In the 2024 survey, SPI Research again inquired about the duration required to incorporate a new acquisition. Generally, smaller firms tend to integrate more smoothly within larger PSOs, while larger firms typically require a longer time for integration.

Table 264: Impact - Length of time to incorporate a new acquisition

Length of time to incorporate a new acquisition	Survey %	Billable utilization	Ann. rev./ consult. (k)	Ann. rev./ emp. (k)	% of ann. rev. target	% of ann. margin target
Less than 30 days	4.9%	64.6%	\$171	\$133	81.9%	84.2%
30 - 90 days	13.4%	70.4%	\$223	\$159	86.3%	85.1%
91 - 180 days	18.3%	69.0%	\$212	\$177	89.5%	88.5%
181 - 365 days	5.6%	67.2%	\$184	\$125	94.1%	91.3%
Over one year	5.6%	68.4%	\$202	\$138	94.7%	95.3%
Not applicable	52.1%	69.0%	\$211	\$175	89.3%	88.5%
Total / Average	100.0%	68.8%	\$209	\$166	89.1%	88.4%

Source: SPI Research, February 2025

Table 265 indicates that the time required to incorporate a new acquisition increased by 14%, rising from 165 days in 2023 to 188 days in 2024. Europe experienced the most significant rise, which was particularly notable among organizations with more than 700 employees. Table 265: Annual change length of time to incorporate a new acquisition

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	165	188	14%	Under 10	85	113	34%	IT Consult.	167	200	20%
ESO	175	179	2%	10 - 30	123	144	17%	Mgmt. Cons.	101	150	49%
PSO	160	192	20%	31 - 100	137	121	-12%	SaaS PS	169	200	18%
Amer	176	188	7%	101 - 300	192	249	30%	Software PS	201	363	81%
EMEA	133	198	49%	301 - 700	203	239	18%	Arch. / Engr.	147	189	28%
APac	148	166	13%	Over 700	216	344	59%	Agency	145	83	-43%

Source: SPI Research, February 2025

Both management consultancies and software professional services firms also reported substantial increases in incorporation times. This is largely due to the need for more training and the integration of

systems as required by firms. However, as we move into 2025, acquisitions are expected to become more frequent, making it essential to improve the efficiency of the incorporation process.

## PS execs. have real-time visibility into all business activities

-sales, service, marketing, finance, etc.

The ease at which executives can look across the entire PSO to assess operational information.

Real-time information visibility is one of the most crucial management tools available. SPI Research asked respondents if their executives had real-time visibility into all business activities, including sales, service, marketing, and finance. The benefits for organizations that have integrated systems and management dashboards are significant; these tools allow them to identify issues and recognize trends in real-time.

Executives with real-time visibility lead companies that are generally more profitable than those without it, as they can adapt effectively to changing market conditions. Interestingly, despite market turbulence, real-time visibility has increased this year. PSOs have been focusing closely on their sales pipelines and backlogs to ensure they have sufficient work to keep their staff billable. Most organizations began planning and adjusting their forecasts more often as the COVID-19 pandemic unfolded.

Real-time visibility serves as a vital key performance indicator. As demonstrated in Table 266, organizations with comprehensive visibility can make informed decisions necessary for growth and achieving high levels of project profitability. This visibility influences performance across the organization and is characteristic of firms with a strong, egalitarian culture that values knowledge and decision-making at all levels, allowing decisions to be made closer to clients and empowering employees.

Table 266: Impact – Executive Real-Time Wide Visibility

Executive real-time wide visibility	Survey %	Billable utilization	On-time proj. delivery	Project overrun	Project margin	% of ann. margin target
1 – None	4.1%	65.0%	57.5%	9.5%	33.5%	85.0%
2	8.6%	68.5%	67.1%	13.8%	31.6%	85.6%
3	30.2%	69.5%	70.7%	12.8%	35.2%	87.3%
4	32.3%	68.0%	74.1%	11.5%	36.4%	88.9%
5 - Comprehensive	24.7%	70.4%	79.8%	8.2%	39.8%	90.6%
Total / Average	100.0%	69.0%	73.2%	11.2%	36.4%	88.4%

Source: SPI Research, February 2025

Extended real-time visibility is achieved only through application integration. "Extended" refers to the flow of information across departments and functions, providing employees with a more complete picture of operations so they can make quick, fact-based decisions. Without real-time visibility, decision-making can become subjective and reactive, negatively impacting business performance. SPI Research believes these findings support organizations in justifying IT expenditures needed to visualize, monitor, and manage their operations effectively.

In 2024, while the visibility numbers increased, overall performance declined. Both embedded and independent professional services demonstrated improved executive real-time visibility, as did various organizational sizes and markets. Unfortunately, this enhancement did not result in greater financial success in 2024.

Table 267: Annual change executive real-time wide visibility

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.43	3.65	7%	Under 10	3.58	3.73	4%	IT Consult.	3.40	3.65	7%
ESO	3.38	3.60	7%	10 - 30	3.38	3.78	12%	Mgmt. Cons.	3.57	3.68	3%
PSO	3.45	3.67	6%	31 - 100	3.43	3.63	6%	SaaS PS	3.51	3.72	6%
Amer	3.43	3.72	8%	101 - 300	3.33	3.58	8%	Software PS	3.54	3.69	4%
EMEA	3.39	3.21	-6%	301 - 700	3.61	3.21	-11%	Arch. / Engr.	3.47	3.83	10%
APac	3.46	3.70	7%	Over 700	3.38	3.73	10%	Agency	3.31	3.39	2%

Source: SPI Research, February 2025

### PS can accurately forecast revenue and skills

The significance of planning has been outlined in this report. The key question is: "Can PSOs accurately forecast their revenue and the skills necessary to achieve it?" This capability is essential for meeting revenue and margin targets. Leading PSOs excel in forecasting both revenue and required skills, allowing them to gain a clearer understanding of their financial standing.

Table 268 illustrates the impact of effective forecasting on PSOs. It shows that organizations that excel in this area experience not only higher revenue growth and a stronger pipeline but also improved on-time delivery and reduced project overruns. Forecasting accuracy leads to growth and better project performance, as the PSO has the proper resources in place. The importance of planning and forecasting cannot be overstated; both are critical to success.

Table 268: Impact – PS can accurately forecast revenue and skills

PS can accurately forecast revenue and skills	Survey %	Revenue growth	Deal pipeline	Backlog	On-time proj. delivery	Project overrun
1 – Minimally	4.1%	1.5%	92%	34.6%	58.3%	17.5%
2	13.7%	2.7%	146%	36.8%	68.6%	15.3%
3	38.7%	5.2%	157%	43.2%	69.2%	12.2%
4	32.2%	6.2%	191%	46.4%	79.0%	9.3%
5 – Very well	11.3%	5.8%	192%	52.7%	81.9%	7.5%
Total / Average	100.0%	5.1%	168%	44.0%	73.3%	11.4%

Source: SPI Research, February 2025

Table 269 indicates that the ability of professional services to accurately forecast revenue and skills increased by 1%, rising from 3.31 in 2023 to 3.33 in 2024. This change is minor, and there were no

significant differences between ESOs and PSOs in 2024. Europe experienced a slight decline, as did midsized PSOs, but overall, there were no major differences for the year.

Table 269: Annual change PS can accurately forecast revenue and skills

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	3.31	3.33	1%	Under 10	3.19	3.16	-1%	IT Consult.	3.33	3.30	-1%
ESO	3.25	3.25	0%	10 - 30	3.25	3.29	1%	Mgmt. Cons.	3.34	3.41	2%
PSO	3.33	3.35	1%	31 - 100	3.26	3.29	1%	SaaS PS	3.32	3.28	-1%
Amer	3.32	3.36	1%	101 - 300	3.32	3.51	6%	Software PS	3.61	3.47	-4%
EMEA	3.27	3.10	-5%	301 - 700	3.67	3.14	-14%	Arch. / Engr.	3.29	3.50	6%
APac	3.27	3.38	3%	Over 700	3.32	3.56	7%	Agency	3.20	2.94	-8%

Source: SPI Research, February 2025

## **Professional Services Profit (EBITDA)**

Net Profit (Earnings before Interest, Taxes, Depreciation & Amortization [EBITDA]) serves as a crucial measure for aligning all elements of a business. Over the past 19 years since SPI Research was established, every aspect of Professional Services (PS) operations has improved. Two decades ago, single-digit profits were ordinary in the PS sector. Today, the aspirational profit target for most independent firms is 20%, while embedded organizations aim for 25%. Clearly, professional services have become a profitable and essential component for all technology and project-driven organizations.

However, Table 270 indicates that profit percentages dropped by 36%, from 15.4% in 2023 to 9.8% in 2024. This represents a significant decline, with both embedded and independent professional services experiencing similar reductions. Additionally, PSOs across various vertical markets, regardless of size, showed substantial decreases. The year 2024 was particularly challenging for sales and profitability. When there is less work available, overhead costs tend to rise unless firms resort to cutting jobs, which is not a sustainable solution for long-term success. The hope is that 2025 will usher in new sales opportunities as the market evolves, influenced by factors such as artificial intelligence and a more business-friendly regulatory environment.

Table 270: Annual change in PS Profitability (EBITDA)

	2023	2024	% ↑↓	Org. Size	2023	2024	% ↑↓	Market	2023	2024	% ↑↓
Total	15.4%	9.8%	-36%	Under 10	21.0%	10.5%	-50%	IT Consult.	13.1%	7.8%	-41%
ESO	19.1%	12.0%	-37%	10 - 30	15.4%	12.0%	-22%	Mgmt. Cons.	11.4%	10.1%	-12%
PSO	14.1%	9.3%	-34%	31 - 100	14.5%	8.6%	-40%	SaaS PS	18.9%	13.4%	-29%
Amer	15.3%	9.3%	-39%	101 - 300	13.9%	10.2%	-26%	Software PS	20.6%	12.0%	-42%
EMEA	19.7%	13.8%	-30%	301 - 700	11.7%	8.0%	-32%	Arch. / Engr.	16.1%	8.7%	-46%
APac	9.7%	8.3%	-15%	Over 700	27.8%	8.5%	-69%	Agency	15.8%	10.3%	-35%

#### **Income Statement**

In this section SPI Research analyzes income statements by organization type and size. Inputs were:

#### Revenue

- ◆ Direct gross PS revenue: Directly delivered PS revenue (not including re-billable travel)
- ◆ *Indirect gross revenue*: (revenue from subcontractors, outside resources).
- Pass-thru revenue: (revenue from hardware, software, materials, etc.)
- Reimbursable travel and expense revenue: (re-billable travel and expense revenue)

#### **Expenses**

- ◆ Direct Labor expense: (does not include fringe benefits, vacation, sick time or overhead)
- Fringe benefit expense: as a percentage of direct labor (for healthcare, pensions, vacation and sick pay)
- ◆ Subcontractor/outside consultant expense: cost of subcontractors and outside consultants
- ◆ Pass-thru expense: (expense for hardware, software, materials, etc. that can be billed)
- Billable travel and business expense: business expense that can be billed to clients
- Non-billable travel and business expense: business expenses that cannot be billed to clients
- Recruiting expense: (includes recruiting headcount, fees and signing bonuses)
- Sales expense: (includes sales headcount, bonus and non-reimbursable sales expense)
- Marketing expense: (includes marketing headcount, bonus and marketing program expense)
- **Education, training and certification expense**: (includes the cost of training and certification)
- PS IT expense: supporting the IT infrastructure (personnel, applications, networking, etc.)
- General and Administrative: non-billable headcount, general and administration costs, facilities, non-billable headcount and overhead.

In 2024, the direct labor expense decreased as a percentage of total revenue, while fringe benefits increased, effectively offsetting each other. Pass-through expenses and their associated costs rose, and most other expenses—including sales, marketing, recruiting, education, and general and administrative costs—increased as well. This resulted in a significant decline in the profitability of professional services. (Table 271).

CFOs should consistently assess which costs are essential for revenue growth and identify which expenses can be eliminated without negatively affecting the business. Additionally, PSO executives should consider the numerous benefits of allowing employees to work from home. Reducing business travel and daily commutes could have a significant long-term positive impact on the environment.

**Table 271: Annual Income Statement Comparison** 

Income Statement Revenue & Expense	2023	2024	Delta
Benchmark Surveys	575	403	
REVENUE			
Direct gross PS revenue	81.6%	80.3%	-2%
Indirect gross revenue (subcontractor)	12.1%	12.2%	0%
Pass-thru rev. (hardware, software, mat.)	4.2%	5.5%	22%
Reimbursable Travel & Expense revenue	2.0%	2.1%	3%
Total Revenue	100.0%	100.0%	
EXPENSES			
Direct labor expense	43.2%	40.6%	6%
Fringe benefit percentage of direct labor	7.0%	9.7%	-28%
Subcontractor/outside consultant expense	9.5%	9.2%	4%
Pass-thru equipment expense	2.1%	4.2%	-51%
Billable travel and business expense	1.8%	1.7%	2%
Non-billable travel expense	1.8%	1.7%	5%
Total recruiting expense	0.8%	1.1%	-25%
Sales expense	3.9%	4.8%	-19%
Marketing expense	2.0%	2.5%	-17%
Education/training/certification expense	0.9%	1.7%	-49%
PS IT expense	2.3%	2.6%	-11%
All other G&A expense	9.4%	10.4%	-10%
Total Expense	84.6%	90.2%	-6%
EBITDA	15.4%	9.8%	-56%

Table 272 presents a comparison of income statements for embedded service organizations and independents, as well as by geography. This year, the sources of revenue for both independents and ESOs were similar; however, embedded service organizations generated slightly less revenue from subcontractors, reimbursable travel, and pass-through hardware and software. There were numerous changes in this year's income statements, but ultimately, embedded service organizations experienced a 37% reduction in profitability, while independents saw a decline of 34%. It is essential to analyze each area of cost moving forward.

Table 272: Income Statement by Organization Type and Embedded Service Type

Key performance indicator (KPI)	Survey	ESO	PSO	Americas	EMEA	APac
Surveys	403	116	287	305	67	31
REVENUE						
Direct gross PS revenue	80.3%	78.1%	80.8%	81.6%	78.6%	71.0%
Indirect gross revenue (subcontractor)	12.2%	15.3%	11.4%	11.3%	17.4%	11.9%
Pass-thru rev. (hardware, software, mat.)	5.5%	5.3%	5.5%	5.1%	2.6%	12.7%
Reimbursable Travel & Expense revenue	2.1%	1.3%	2.3%	1.9%	1.4%	4.5%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENSES						
Direct labor expense	40.6%	38.7%	41.1%	41.3%	37.9%	38.7%
Fringe benefit percentage of direct labor	9.7%	10.3%	9.6%	10.1%	8.7%	7.6%
Subcontractor/outside consultant expense	9.2%	10.5%	8.8%	9.5%	10.0%	4.9%
Pass-thru equipment expense	4.2%	4.2%	4.2%	4.2%	2.0%	7.6%
Billable travel and business expense	1.7%	1.3%	1.9%	1.7%	1.4%	2.8%
Non-billable travel expense	1.7%	1.7%	1.7%	1.6%	2.3%	1.6%
Total recruiting expense	1.1%	0.8%	1.2%	1.0%	1.4%	1.6%
Sales expense	4.8%	4.5%	4.9%	4.6%	5.3%	5.6%
Marketing expense	2.5%	1.2%	2.8%	2.3%	3.3%	2.8%
Education/training/certification expense	1.7%	1.0%	1.9%	1.6%	2.6%	1.5%
PS IT expense	2.6%	2.2%	2.7%	2.5%	3.0%	2.7%
All other G&A expense	10.4%	11.5%	10.1%	10.3%	8.4%	14.4%
Total Expenses	90.2%	88.0%	90.7%	90.7%	86.2%	91.7%
2024 EBITDA	9.8%	12.0%	9.3%	9.3%	13.8%	8.3%
2023 EBITDA Comparison	15.4%	19.1%	14.1%	15.3%	19.7%	9.7%

Table 273 presents a comparison of income statements across the six main verticals included in this benchmark. In this year's survey, SPI Research collected profitability metrics from most of the vertical markets (only those markets with sufficient income statement data are shown). Profitability decreased significantly across all service markets, with management consultancies experiencing a decrease of only 12%. The other markets saw declines ranging from 20% to 40%. Once again, PS leaders must carefully examine their costs to ensure improvements in 2025.

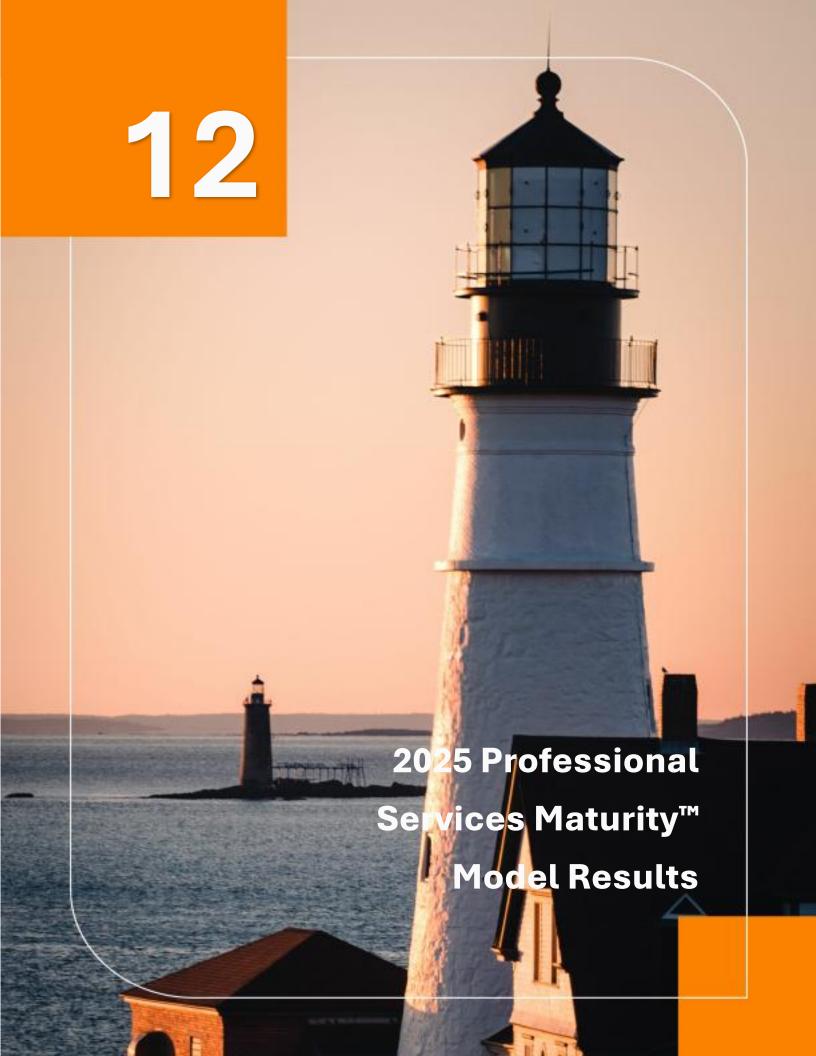
**Table 273: Income Statement by PS Market** 

Key performance indicator (KPI)	IT Cons	Mgmt. Cons	SaaS PS	Soft PS	Arch/ Engr	Agency
Surveys	96	85	53	23	45	25
REVENUE						
Direct gross PS revenue	73.1%	84.2%	79.9%	87.8%	82.1%	86.4%
Indirect gross revenue (subs.)	12.6%	12.8%	19.9%	6.3%	11.3%	7.1%
Pass-thru rev. (hw, sw, mat.)	11.7%	1.7%	0.0%	3.0%	3.3%	4.4%
Reimbursable Travel & Expense	2.6%	1.2%	0.2%	3.0%	3.3%	2.1%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENSES						
Direct labor expense	41.5%	40.7%	42.8%	31.8%	39.7%	47.3%
Fringe benefit % of direct labor	7.4%	10.7%	9.0%	10.8%	11.4%	9.4%
Subcontractor/outside consultant	8.4%	11.2%	14.9%	5.0%	8.1%	6.8%
Pass-thru equipment expense	9.1%	0.9%	1.1%	5.8%	3.2%	0.8%
Billable travel and business	1.4%	2.1%	0.8%	1.8%	2.7%	1.5%
Non-billable travel expense	1.7%	2.0%	1.6%	2.8%	1.2%	1.3%
Total recruiting expense	1.5%	0.8%	0.3%	2.3%	1.1%	0.9%
Sales expense	5.5%	4.5%	1.1%	6.3%	4.9%	3.8%
Marketing expense	2.1%	2.9%	0.3%	4.3%	2.5%	4.5%
Education/training/certification	1.9%	1.7%	1.1%	3.0%	1.5%	3.3%
PS IT expense	2.4%	2.4%	2.0%	1.8%	3.6%	2.7%
All other G&A expense	9.4%	10.0%	11.6%	12.8%	11.6%	7.6%
Total Expenses	92.2%	89.9%	86.6%	88.0%	91.3%	89.7%
2024 EBITDA	7.8%	10.1%	13.4%	12.0%	8.7%	10.3%
2023 EBITDA Comparison	13.1%	11.4%	20.6%	18.9%	16.1%	15.8%

Table 274 analyzes income statements based on organization size. This year's benchmark showed that organization size did not significantly impact profitability, as both large and small PSOs experienced a notable decline.

**Table 274: Income Statement by Organization Size** 

Key performance indicator (KPI)	Under 10	10 - 30	31 – 100	101 - 300	301 - 700	Over 700
Surveys	71	71	125	84	19	33
REVENUE						
Direct gross PS revenue	81.5%	86.2%	81.7%	78.7%	60.8%	72.5%
Indirect gross revenue (subs.)	13.8%	11.2%	12.2%	12.3%	8.8%	17.5%
Pass-thru rev. (hw, sw, mat.)	3.1%	1.2%	4.3%	6.1%	27.1%	5.0%
Reimbursable Travel & Expense	1.6%	1.3%	1.9%	2.9%	3.3%	5.0%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENSES						
Direct labor expense	40.5%	41.4%	42.9%	38.4%	32.1%	45.0%
Fringe benefit % of direct labor	10.7%	9.7%	9.4%	10.1%	6.8%	14.0%
Subcontractor/outside consultant	10.4%	9.4%	9.0%	8.9%	7.5%	6.5%
Pass-thru equipment expense	2.1%	1.5%	2.9%	4.7%	22.4%	4.0%
Billable travel and business	2.4%	2.0%	1.2%	2.0%	1.4%	2.5%
Non-billable travel expense	3.0%	1.7%	1.0%	1.4%	2.0%	3.5%
Total recruiting expense	0.7%	1.0%	0.9%	1.5%	1.8%	3.0%
Sales expense	2.9%	3.9%	6.0%	6.0%	3.2%	2.5%
Marketing expense	1.7%	2.9%	2.6%	2.9%	1.9%	0.0%
Education/training/certification	2.3%	1.8%	1.6%	1.3%	2.1%	1.0%
PS IT expense	3.0%	2.2%	2.4%	3.0%	2.4%	1.0%
All other G&A expense	9.9%	10.5%	11.4%	9.7%	8.5%	8.5%
Total Expenses	89.5%	88.0%	91.4%	89.8%	92.0%	91.5%
2024 EBITDA	10.5%	12.0%	8.6%	10.2%	8.0%	8.5%
2023 EBITDA Comparison	21.0%	15.4%	14.5%	13.9%	11.7%	27.8%



#### PROFESSIONAL SERVICES MATURITY™ MODEL RESULTS

Service Performance Insight developed the Professional Services Maturity Model™ 18 years ago to assess the performance of PSOs and help them improve. Over 50,000 billable PSOs have utilized the model to benchmark and enhance their organizational performance. With over 7,000 participating billable services organizations (including 3,500 in the past five years), SPI Research has refined the model for greater accuracy.

In this chapter, SPI Research presents the analytic foundation of the model and provides insight into our survey techniques. For this year's model, SPI Research analyzed data from firms surveyed in late 2024. A total of 403 organizations participated from September through November 2024, representing over 150,000 consultants worldwide. This makes it the most comprehensive study of the global professional services industry to date.

While more than 70% of the participating organizations are headquartered in North America, many of these firms have employees located globally. SPI Research believes that this arrangement offers a reliable representation of the global PS industry. Our clients continue to leverage the model to develop, prioritize, and implement performance improvements.

**Optimized** Institutionalized **Deployed Piloted** Initiated **Functional** Project **Portfolio Collaborative** Heroic Excellence Excellence Excellence Excellence 5% **30**% **25**% **25**% 15% Ad-hoc Processes Standard set Aligned Focus on processes start to of operating metrics and continuous controls improvement become processes repeatable deployed LEVEL 1 LEVEL 4 LEVEL 5 LEVEL 2 LEVEL 3

Source: SPI Research, February 2025

Figure 33: Professional Services Maturity Model™ Levels

## **Maturity Levels**

The maturity rating for each Service Performance Pillar varies based on the performance of the organization. In each of the five performance pillars, every firm operates at one of the five maturity levels (Figure 33):

- ◆ Level 1 (Initiated 30% of the respondents): In the initial stages, the organization's focus is primarily on client acquisition and building a reference base. To accomplish this core mission, the organization must recruit and hire excellent staff. Therefore, at Maturity Level 1, the priority focus areas are Customer Relationships and Talent.
- ◆ Level 2 (Piloted 25% of the respondents): The organization is becoming a profit center, so the focus is still on client relationships, but human capital and finance and operations have become more important as the organization moves from a cost center to a profit center.
- ◆ Level 3 (Deployed 25% of the respondents): The organization has now deployed core operating processes in all five service performance pillars. At this point, the organization must continue to

accentuate Talent alignment, but the key focus has shifted to Finance, Operations, and Service Execution. The organization must start considering strategy and vision to ensure the focus is on the right clients, markets, and competition. At this level, the organization must have deployed standard business processes across all dimensions.

- ◆ Level 4 (Institutionalized 15% of the respondents): At this level, the organization must start optimizing across all dimensions. However, maintaining and growing service revenue and margin is of paramount importance. The organization must also start developing a differentiated approach to clients with vertical and horizontal market segments and geographies, so a focus on the Client Relationship pillar is critical.
- ◆ Level 5 (Optimized 5% of the respondents): The organization has achieved "black belt" status in all functional areas. Processes are fully developed, deployed and institutionalized. The organization is developing comprehensive measurement, monitoring, and optimization processes across all pillars.

Every organization should aim to achieve Maturity Level 5 in each of the five service performance pillars. However, the importance of these areas may vary depending on the company's lifecycle stage or its market conditions. For example, in the early stages of a professional services organization, maintaining strong client relationships is more critical than profitability because, without clients, there is no future. While client relationships will always be important, as the organization matures, it must also focus on other performance pillars. Ultimately, the firm should strive for Level 5 in all dimensions to become a truly optimized organization.

#### **Model Improvements**

Each year, SPI Research makes modifications to improve the model based on additional surveys, analyses, and feedback from PSOs that utilize the model. This year, a few changes were made to the questions asked; however, these changes did not affect the model itself. As in previous years, not every question is included in the PS Maturity™ Model. While demographic information is not part of the PS Maturity™ Model, it helps PS executives better compare their organizations to the benchmark. Additionally, several questions that SPI Research determined did not contribute to improving PSO performance were removed this year.

#### **Model Inputs**

SPI Research performed a correlation analysis to assess the impact of key performance indicators (KPIs) on one another. Each question related to the KPIs was rated based on its importance, with scores ranging from 0.0 (unimportant) to 1.0 (very important). A maximum value was assigned to each question based on the response provided and the weight of the question. At the bottom of each table, you will find the total maximum value possible for each maturity rating. Below is a summary of the SPI Research methodology:

- Factor: Respondent's unique answers to the given question. Some questions are answered within a range to reduce the time to complete the survey.
- Weight: The relative value of the question compared to others. Questions were weighted from 0.0
  to 1.0 depending on their overall importance. Questions with a weight of 1.0 are the most important
  in determining organizational maturity.

- ◆ Pillar Correlation: SPI Research incorporates a correlation coefficient for each question to all pillars, reflecting the interrelationship between different functions and key performance metrics within PSOs. Correlations range from -1.0 to 1.0, depending on the KPI's negative or positive impact on performance.
- Maximum Score: The maximum score for each question is determined by multiplying the
  normalized value of the question by its weight. Scores are normalized on a scale from 1 to 100 and
  then assigned a Maturity Level based on a score from 1 to 5.

The minimum scores for each Pillar are presented in Table 275. The highest possible score is 100, indicating that an organization is at the "Optimized" level. The maturity scores are relative to the size of the survey, with approximately 5% of organizations achieving Level 5 (Optimized) in any given Pillar. Additionally, SPI Research estimates that 15% of organizations operate at Level 4, 25% at Level 3, 25% at Level 2, and the remaining 30% at Level 1. These scores have been slightly adjusted from the 2023 report for most Pillars, as SPI Research annually revises the scores based on current economic conditions and feedback received over the past year.

**Table 275: Minimum Normalized Performance Pillar Scores** 

Pillar	Level 1	Level 2	Level 3	Level 4	Level 5	Maximum
Leadership (LE)	0.0	40.4	53.7	62.9	73.3	100.0
Client Relationships (CR)	0.0	28.2	39.0	47.0	56.9	100.0
Talent (TA)	0.0	34.1	46.9	56.8	65.3	100.0
Service Execution (SE)	0.0	23.6	41.1	59.7	72.7	100.0
Finance and Operations (FO)	0.0	26.1	45.0	55.4	67.1	100.0

Source: SPI Research, February 2025

An interesting finding from this report is that when we analyze the normalized scores (ranging from 1 to 100) in each Pillar, no firm receives a score of "0," which would indicate the lowest level of performance. Similarly, no firm achieves a score of "100," which would signify the highest level.

SPI Research collaborates with PSOs to enhance their performance across each Pillar. The analysis illustrates how a firm's scores compare to those of its peers—specifically management consultancies with between 100 and 300 employees—and to the overall survey results. This graphical representation highlights the areas where the organization is underperforming and where additional focus is needed to drive improvements.

SPI Research recommends that firms prioritize addressing the areas of poor performance (marked in red) rather than focusing on further enhancing areas where they already excel (marked in green). Figure 34 provides an example of this analysis.

Figure 34: Increase performance by focusing on low-performing KPIs

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institution.	Level 5 Optimized
Firms	120	101	101	60	21
Well understood vision, mission and strategy	3.42	3.44	3.94	4.17	4.62
Confidence in PS leadership	3.54	3.71	4.04	4.42	4.71
New clients	20.4%	28.8%	29.9%	29.7%	40.1%
Year-over-year change in PS revenue	0.1%	2.7%	6.4%	9.3%	14.4%
Deal pipeline / quarterly bookings forecast	108%	140%	174%	208%	248%
Annual fully loaded cost per consultant (k)	\$109	\$126	\$130	\$147	\$154
Total attrition	10.0%	10.0%	12.8%	13.9%	11.2%
Employee billable utilization	59.6%	61.3%	70.4%	78.0%	83.6%
Revenue per project (k)	\$42	\$113	\$213	\$238	\$462
Projects delivered on-time	60.2%	68.8%	75.4%	79.7%	84.8%
Project margin	16.5%	24.1%	36.8%	48.7%	55.8%
Annual revenue per billable consultant (k)	\$105	\$149	\$224	\$267	\$294
Annual revenue per employee (k)	\$86	\$117	\$176	\$208	\$257
Percent of annual revenue target achieved	72.6%	83.6%	89.9%	96.2%	102.6%
Percent of annual margin target achieved	70.7%	82.1%	88.4%	96.7%	102.6%
Profit (EBITDA %)	2.7%	5.7%	9.1%	11.8%	20.8%

### **Model Results**

SPI Research analyzed 403 participating firms to minimize bias when comparing PSOs of different sizes. Table 276 shows that most organizations within each size category have similar average scores for each performance pillar. This year's results indicate that independent firms scored better across all performance pillars. In previous years, embedded organizations demonstrated greater maturity in all five dimensions. Typically, embedded PSOs are early adopters of business applications, benefiting from significant IT investments. In contrast, independent firms often prioritize business development and marketing expenditures over acquiring solutions. However, this year's survey reveals that independents performed at a higher overall level. The Asia Pacific region scored the highest in all performance pillars, followed by the Americas and EMEA.

Table 276: Average Service Maturity by PSO Type and Region

			Average Maturity Level							
Demographic	Count	LE	CR	TA	SE	FO	Average			
ESO	116	2.09	2.23	2.14	2.12	2.22	2.41			
PSO	287	2.53	2.48	2.52	2.52	2.48	2.16			
Americas	305	2.48	2.46	2.47	2.46	2.45	2.50			
EMEA	67	1.99	2.12	2.04	2.15	2.09	2.46			
APac	31	2.58	2.48	2.58	2.48	2.68	2.08			
Total / Average	403	2.40	2.41	2.41	2.41	2.41	2.41			

This year's survey revealed that smaller firms have the lowest levels of maturity compared to their larger competitors, who achieved the highest scores last year. While smaller firms are generally more agile and can quickly adapt to changing market conditions, they often lack the established processes and procedures necessary to effectively manage uncertainty and promote growth.

Table 277: Average Service Maturity by PSO Size (People)

			Average Maturity Level							
Demographic	Count	LE	CR	TA	SE	FO	Average			
Under 10	71	2.37	2.08	2.00	2.04	2.13	2.12			
10 – 30	71	2.45	2.35	2.32	2.45	2.46	2.41			
31 – 100	125	2.30	2.39	2.42	2.42	2.35	2.37			
101 – 300	84	2.70	2.83	2.83	2.77	2.75	2.78			
301 – 700	19	2.42	2.68	2.68	2.68	2.68	2.63			
Over 700	33	2.37	2.08	2.00	2.04	2.13	2.12			
Total / Average	403	2.41	2.41	2.41	2.41	2.41	2.41			

Source: SPI Research, February 2025

Table 278 presents the average maturity levels across various performance pillars for selected vertical markets. Overall, IT consultancies received the lowest scores, followed closely by software professional services. In contrast, management consultancies achieved the highest scores in all five pillars, marking a significant achievement in the 18-year history of the Professional Services Maturity Model™.

Table 278: Average Service Maturity by Market

			Average Maturity Level				
Market	Count	LE	CR	TA	SE	FO	Average
IT Consulting	96	2.00	2.03	2.18	1.97	2.06	2.05
Management Consulting	85	2.76	2.75	2.85	2.88	2.70	2.79
PS within SaaS Company	53	2.52	2.38	2.35	2.42	2.44	2.42
PS within Software Company	23	2.04	2.25	1.94	1.96	2.13	2.06
Architecture/Engineering	45	2.43	2.61	2.35	2.43	2.39	2.44
Agency	25	2.13	2.18	2.31	2.09	2.24	2.19
All Others	76	2.29	2.29	2.36	2.26	2.36	2.31
Total / Average	403	2.41	2.41	2.41	2.41	2.41	2.41

## **The Financial Benefits of Moving Up Levels**

The PS Maturity Model™ was created to highlight the significance of organizational improvement using benchmarks. SPI Research emphasizes that the Professional Services Maturity Model™ Benchmark is essential for helping organizations enhance balanced performance across all areas, not just in terms of financial outcomes. However, for most profit-driven organizations, higher maturity levels often lead to substantial increases in bottom-line profits. Table 279 showcases key performance indicators associated with each maturity level, underscoring the importance for PS executives to explore these insights further to boost productivity and profitability.

Table 279: Key Performance Indicators by Maturity Level

Key performance indicator (KPI)	Level 1	Level 2	Level 3	Level 4	Level 5
Confidence in PS leadership (5 pt. scale)	3.54	3.71	4.04	4.42	4.71
Goals and measurement alignment (5 pt. scale)	3.23	3.49	3.86	4.27	4.57
Year-over-year change in PS revenue	0.1%	2.7%	6.4%	9.3%	14.4%
Deal pipeline / quarterly bookings forecast	108%	140%	174%	208%	248%
Percentage of bids won	31.1%	44.7%	48.4%	56.3%	57.6%
Percentage of referenceable clients	64.5%	68.4%	68.4%	76.3%	79.3%
Annual fully loaded cost per consultant (k)	\$109	\$126	\$130	\$147	\$154
Total attrition	10.0%	10.0%	12.8%	13.9%	11.2%
Employee billable utilization	59.6%	61.3%	70.4%	78.0%	83.6%
Use a project mgmt. office (PMO)	20.7%	27.5%	42.3%	42.7%	28.6%
Use a standardized delivery methodology	50.7%	62.7%	63.3%	64.7%	72.9%
Projects delivered on-time	60.2%	68.8%	75.4%	79.7%	84.8%

Key performance indicator (KPI)	Level 1	Level 2	Level 3	Level 4	Level 5
Resource management process effectiveness	2.64	3.46	3.43	3.45	4.19
Project margin	16.5%	24.1%	36.8%	48.7%	55.8%
Annual revenue per billable consultant (k)	\$105	\$149	\$224	\$267	\$294
Annual revenue per employee (k)	\$86	\$117	\$176	\$208	\$257
Percent of annual revenue target achieved	72.6%	83.6%	89.9%	96.2%	102.6%
Percent of annual margin target achieved	70.7%	82.1%	88.4%	96.7%	102.6%
Direct labor as a percent of direct revenue	64.6%	71.7%	58.1%	68.7%	60.3%
Profit (EBITDA %)	2.7%	5.7%	9.1%	11.8%	20.8%

This table highlights the benefits of advancing through maturity levels. Nearly all the 165+ KPIs examined improve as organizations progress from one level to the next. Most companies that SPI Research has worked with find that achieving an annual improvement of one maturity level is a realistic goal. While advancing even a single level can be challenging, the model demonstrates that the investment is worthwhile.

#### The Inter-relationship of Pillars

Process improvements can positively and negatively impact other key performance indicators (KPIs) in the same Service Performance Pillar and the other four. Some examples include:

- Leadership issues (communication, well-understood vision, mission, and strategy) can impact
  the ability to grow (Finance and Operations), staffing levels (Talent), and the ability to deliver
  projects effectively (Service Execution).
- Percentage of bids won (Client Relationships) impacts margins and revenue growth (Finance and Operations). Winning bids might improve a PSO's sales effectiveness but might worsen its Finance and Operations pillar due to lower profit margins if heavy discounting is required to win the bids.
- ◆ If a project is **delivered late** (*Service Execution*), it can negatively impact relations with the client and future sales effectiveness (*Client Relationships*), employee morale (*Talent*), revenue growth, and project profitability (*Finance and Operations*).

SPI Research considered these interrelationships when developing the Professional Services Maturity Model™ (Figure 35). While this introduces complexity to the model, SPI Research believes it offers a balanced perspective that enhances PSOs' ability to implement positive change.

Growth Client Leadership Satisfaction Confidence **Employee** Backlog Attrition Deal Resource **Pipeline** On-time Clear Management Delivery Comms **Employee** Comp. **Project EBITDA** Margin Bid-to-win Standardized Ratio Bill Delivery Rates **Employee** Ramping Overhead

Figure 35: Key Performance Indicators (KPIs) are Correlated

## **Key Metrics for Sustainable Growth**

The Service Performance Pillars™ framework reveals how key metrics interact to drive profitability and scalability across an organization. Among the many metrics identified, five stand out for their strong correlation to success: billable utilization, project overrun, project margin, revenue per billable consultant, and revenue leakage. These metrics not only reflect performance within individual pillars but also highlight their interdependence. For example, billable utilization connects Talent with Finance & Operations, balancing workforce efficiency and revenue generation. Project overrun, if exceeding 10%, undermines Service Execution and risks damaging Client Relationships. Similarly, maintaining project margins above 35% signals pricing and delivery excellence, critical for profitability. Firms achieving \$200K+ revenue per

Figure 36: PS Performance Pillars - Core KPIs



**billable consultant** create reinvestment opportunities, while those reducing **revenue leakage** below **5**% secure financial predictability. These metrics are part of a broader set of **165+ indicators**, enabling firms to track performance across all pillars, ensuring balanced and scalable growth. This holistic view reinforces that success lies in managing not just isolated metrics but their interplay across the organization.

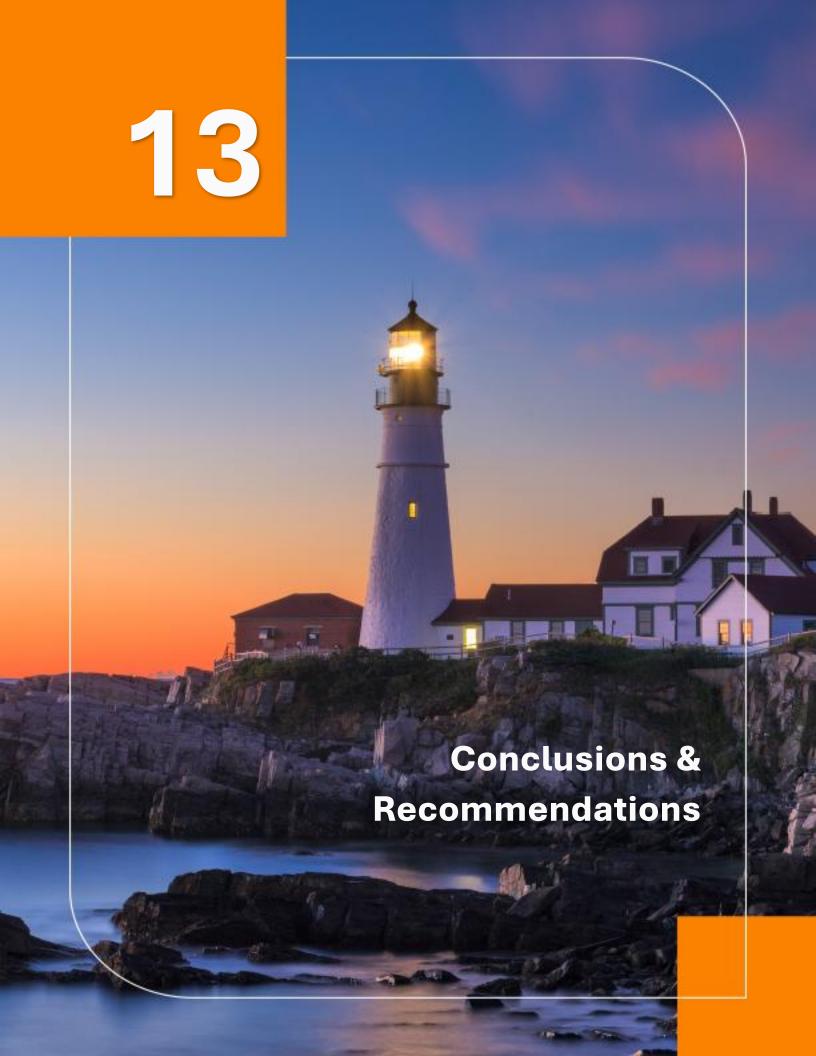
#### **Model Conclusions**

As organizations expand, they typically achieve greater operational efficiency and other advantages, but they may also experience a decline in intimacy and ease of communication. Moreover, each industry has its unique constraints, particularly regarding pricing strategies, which can often restrict profitability.

Over the past 18 years, SPI Research has developed the Professional Services Maturity Model™, observing how the correlation of key performance indicators (KPIs) can change annually due to shifts in the economy and competitive landscape. This model is a comprehensive tool designed for PSOs, both embedded and independent, across various sizes and industry sectors. As a result, its findings may exhibit some general biases. The key to effectively using this maturity model is for executives to focus on their specific industry and organizational size to better assess relative performance. SPI Research can further refine this information, allowing PS executives to analyze their performance in relation to their exact peer group.

It's important to remember that KPIs are interconnected, just like the departments within PSOs. Collaboration is essential for achieving both performance and overarching organizational goals. PS executives who want to compare their organization directly with similar peers—such as IT consultants with 100 to 300 employees—are encouraged to reach out to SPI Research for more tailored insights.

Contact SPI Research on <u>info@spiresearch.com</u> for more information on the Professional Services Maturity Model™.



#### **CONCLUSIONS AND RECOMMENDATIONS**

This report marks SPI Research's 18th year exploring the professional services market—time certainly flies! Each year, the benchmark offers new insights into the factors affecting this sector's growth, productivity, and profitability. The number of responses received this year, as in previous years, demonstrates the value professional service executives worldwide place on the Professional Services Maturity™ Benchmark.

Readers can utilize this information in various ways: to benchmark their organization and aim to "get the red out" (start with KPIs at Level 1) or to leverage the Professional Services Maturity Model™ to identify where to focus and prioritize their transformational efforts effectively. SPI Research hopes that readers find this report beneficial in better understanding their organization and how it compares to peers and the wider industry.

### **2024 Ended in Uncertainty**

As 2024 began, there was a prevailing belief that inflation would decrease, leading to lower interest rates. In the United States, where most PSOs are located, concerns about the upcoming elections loomed, raising questions about their potential economic impact. Economic conditions affected every industry, which, in turn, limited growth within the professional services sector. Many key performance indicators declined year-over-year, mainly because organizations were preparing for significant growth but failing to achieve their expectations. Most key financial metrics saw reductions, the most critical being profitability, which experienced its most significant decrease in years!

#### Move on to 2025

As we enter 2025, the professional services sector is poised for continued growth despite the volatility experienced in January. Optimism prevails across various markets within this sector:

- Technology Complexity: The rapid advancement in technology, particularly with the rise of Artificial Intelligence (AI), is creating increased complexity. The pace of new technology development, variety, and interdependence are accelerating. IT consultants will be essential in navigating this landscape to enhance efficiency while managing costs through improved information visibility. Many IT consultancies have already begun aligning their strategies with AI, which will likely be a significant driver of future growth and revenue.
- Management Consulting Demand: The demand for management consultancies is rising due to shifting market dynamics. Companies now require innovative strategies, mergers and acquisitions, business process improvements, and guidance in transformation efforts. As global expansion becomes more common across industries, management consultancies are essential in helping firms navigate these complexities. And remember, AI will likely play a pivotal role in strategic thinking.

- Embedded Professional Services: As top-line revenue growth slows, embedded professional services (PS) organizations within product companies are under pressure to generate higher profits. While customer adoption and expansion remain critical priorities, these firms are starting to recognize the potential of higher-level services to add significant value. Expect embedded PS organizations to deliver unique customer insights and accelerators—driven by AI. Productizing and packaging services will be key to enhancing customer value while efficiently utilizing resources. Notably, PS leaders are now gaining a place at the executive decision-making table.
- Infrastructure and Green Technologies: The demand for architects and engineers is expected to grow in the upcoming decade as there is an urgent need for new infrastructure and green technologies. This growth will drive the development of new facilities for industrial production, retail, and housing.
- Digital Marketing Evolution: Digital marketing remains crucial in the marketing and sales process. In the post-COVID environment, advertising agencies have significantly shifted their service offerings to target their clients' bases more effectively. While creativity remains essential, many marketing and communication firms are now treating campaigns like projects, focusing on objective metrics and measurements. This sector rapidly embraces technology and matures its PS business processes to boost productivity and profitability through skilled social media and AI professionals.

These are just a few of the changes SPI Research sees driving the market for professional services in 2025.

### **Economic Volatility**

Economic volatility, increased deficits, and reductions in government spending will undoubtedly continue. China remains a wildcard in the global market equation as it contends with security, growth, and government intervention challenges. Meanwhile, oil prices—at their lowest in over a decade—negatively impact some markets but allow consumers to put more money in their pockets to spend. These issues will hopefully stabilize over the next few months.

SPI Research projects moderate but consistent growth in the professional services sector in 2025. Many firms are revamping their recruitment, hiring, and retention plans. With time, the boom-bust-boom cycle will likely resolve itself, and the winners will be those able to grow revenue while simultaneously maturing their business processes and systems.

## **A Clear Way Forward**

To thrive in 2025, SPI Research recommends professional services organizations focus on the following key priorities:

1. **Harness AI Effectively:** All is no longer a nice-to-have but a necessity. Organizations that embed AI into strategic decision-making and operational execution will gain a competitive edge. This includes leveraging AI to improve real-time visibility, optimize resource allocation, and deliver measurable client value.

- 2. **Strengthen Talent Strategies:** As workforce dynamics evolve, prioritizing retention, upskilling, and adaptability within talent strategies will remain critical. Organizations that foster an engaged and empowered workforce will outperform their peers.
- 3. **Improve Operational Resilience:** Standardizing business processes and leveraging predictive analytics will enable firms to anticipate challenges and mitigate risks more effectively. Execution excellence must be a central focus, ensuring projects are delivered on time and within budget.
- 4. **Embrace Outcome-Based Models:** With the rise of subscription-based and usage-driven pricing, firms must adapt their financial models to align with client expectations while maintaining profitability. Outcome-based approaches offer a compelling way to demonstrate measurable client value.
- 5. **Commit to Continuous Improvement:** Benchmarking and real-time data analysis should become standard practices. Firms that continually assess performance and align strategies with evolving industry trends will remain agile and competitive.

In conclusion, the professional services sector is at an inflection point. By addressing their weakest links, embracing innovation, and aligning leadership, talent, and operational strategies, firms can navigate the complexities of 2025 and beyond. The lessons from this report—grounded in 18 years of research—provide a roadmap for resilience and growth. The time to act is now.

## **Steps to Improve**

After 18 years of surveys and hundreds of PS Maturity™ scorecard assessments, SPI Research has distilled key steps to drive performance improvements for PSOs:

- 1. **Benchmark and Assess:** Start with a fact-based evaluation of strengths and weaknesses. SPI's benchmarks and custom scorecards enable teams to analyze their performance and visualize potential improvement areas effectively.
- 2. **Prioritize for Impact:** Use the assessment to identify and prioritize areas with the highest potential for improvement. Focus on critical issues while weighing alternative strategies to ensure resources are deployed where they matter most.
- 3. **Target Quick Wins:** Identify achievable improvements that can significantly move the needle within a year. These incremental wins build momentum and demonstrate tangible results quickly.
- 4. **Create a Unified Business Plan:** Develop a plan that links organizational, team, and individual objectives around measurable priorities. Al should play a central role in your planning—it's a transformative tool that cannot be ignored.
- 5. **Measure Continuously:** You only achieve what you measure. Set SMART (Specific, Measurable, Achievable, Realistic, Time-bound) goals and track progress consistently. Small percentage improvements in key areas can yield dramatic results over time.

- 6. **Continually Improve:** PS is a marathon, not a sprint. Constant learning and adaptation are essential. Firms must be agile, holding themselves accountable for delivering value while maintaining operational excellence.
- 7. **Modernize IT Infrastructure:** Actionable, real-time information is critical. Many firms lack the tools to make timely decisions, limiting their ability to respond dynamically. Investing in robust IT systems ensures the PS Maturity Model™ delivers actionable insights.

#### **Core Pillars for PSO Excellence**

SPI Research emphasizes focusing on the five pillars of the PS Maturity Model™ to ensure sustainable growth:

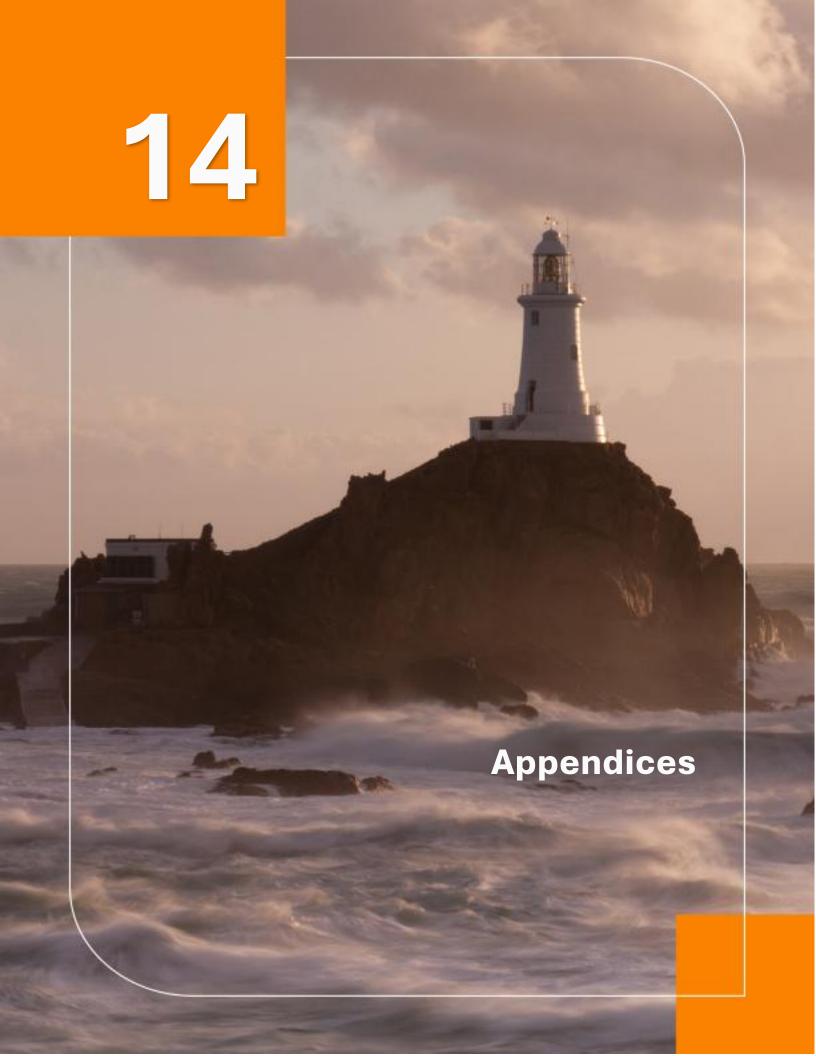
- 1. **Leadership:** Foster ethical, collaborative, and forward-thinking leaders who can guide a dynamic workforce and navigate evolving market conditions. Millennials require strong frontline management and clear guidance.
- Client Relationships: Address client demands for measurable value and flexible pricing models.
   Subscription-based or outcome-driven pricing strategies must align with buyer expectations while ensuring profitability.
- 3. *Talent:* Treat your workforce as your most valuable asset. Invest in training, compensation, and inclusive social programs to cultivate a high-quality, motivated team. Retention and engagement are key to sustained success.
- 4. **Service Execution:** Deliver projects on time and within budget. Standardized processes and efficient resource allocation ensure profitability while avoiding project overruns. Balance high-skill resources with cost-effective talent to optimize margins.
- 5. *Finance and Operations:* Cash flow is king. Track expenses rigorously, reduce unnecessary expenditures, and focus on predictability to fund growth initiatives. The shift to leaner operations has proven effective in maintaining business health without compromising outcomes.

#### **Final Thoughts**

Benchmarking should be a continuous activity—not just an annual exercise. Real-time insights allow PSOs to adapt and respond to emerging challenges while aligning with best practices from high-performing organizations. By addressing weak points and building on strengths, PSOs can thrive in today's competitive market.

Stay healthy, and best of luck for a productive and profitable 2025!

The SPI Research Team



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## **Appendix C: Acronyms Used in This Report**

Table 280: Lexicon of Acronyms and Abbreviations

Acronym	Meaning
Agency	Marketing Communication / Advertising
Al	Artificial Intelligence
APac	Asia-Pacific
BI	Business Intelligence
BPM	Business Process Management
BPO	Business Process Outsourcing
CEO	Chief Executive Officer
CFM	Core/Corporate Financial Management
CFO	Chief Financial Officer
CIO	Chief Information Officer
CRM	Client Relationship Management
DSO	Days Sales Outstanding
EMEA	Europe, Middle East, Africa
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
ESO	Embedded Service Organization
EVM	Earned Value Management
FTE	Full-time equivalent
HCM	Human Capital Management
HPO	High-Performance Organization
HR	Human Resources
laaS	Infrastructure as a Service
loT	Internet of Things
ISV	Independent Software Vendor
IT	Information Technology
KPI	Key Performance Indicator
LLM	Large Language Model

Acronym	Meaning
ML	Machine Learning
NAICS	North American Industry Classification System
NPS	Net Promoter Score
PA	Project Accounting
PaaS	Platform as a Service
PBERP	Project-based Enterprise Resource Planning
PL	Planning
PMI	Project Management Institute
PMO	Project Management Office
PMP	Project Management Professional
PPM	Project Portfolio Management
PS	Professional Services
PSA	Professional Services Automation
PSO	Professional Services Organization
ROI	Return on Investment
RSD	Remote Service Delivery and Collaboration
SaaS	Software as a Service
SCM	Supply Chain Management
SM	Social media
SMAC	Social, Mobile, Analytics, Cloud
SLA	Service Level Agreement
SLM	Service Lifecycle Management
STEM	Science, technology, math and engineering
SVC	Service Value Chain
VSOE	Vendor-Specific Objective Evidence
WBS	Work Breakdown Structure
YoY	Year-over-year

## **Appendix D: Financial Terminology**

The following table contains a list of standard key performance measurement terms and definitions used in the benchmark report. The terms and definitions have been compiled from our knowledge and experience and a variety of sources, including www.wikipedia.org and http://www.investopedia.com. SPI Research is interested in expanding and evolving common key performance measurements, standards, and definitions for Professional services organizations. Your comments and suggestions will be appreciated if you would like to add terms or suggest changes.

Table 281: Standard Key Performance Indicator (KPI) Definitions

Term	Definition
70% utilization	~ 1,400 billable hours/year or 350 hours/quarter. Based on a 2,000 hour work year.
Allocations	Corporate allocations refer to a company's policy of distributing the cost of shared resources, for example, facilities, healthcare, IT, Sales, General and Administrative (SG&A) costs to specific functions or departments.
Annual Billable Utilization %	Annual Billable Hours/(2080 hours – vacation and holidays) or Billable days/(260 days – 10 vacation – 10 holidays ~ 240 days)
ASC606	Developed jointly by the Financial Accounting Standard's Board (FASB) and International Accounting Standards Board (IASB), ASC 606 provides a framework for businesses to recognize revenue more consistently. The standard's purpose is to eliminate variations in the way businesses across industries handle accounting for similar transactions. This lack of standardization in financial reporting has made it difficult for investors and other consumers of financial statements to compare results across industries, and even companies within the same industry.  The rule, "Revenue from Contracts with Customers" standardizes and simplifies how companies record revenue in customer contracts. Effective for fiscal years beginning after Dec. 15, 2017, it covers how businesses report the nature, amount, and timing regarding contracts with customers.
	The impact might not be as significant for companies, such as retailers, that sell products and receive revenue at one time. But for companies that sell recurring services like subscriptions or licenses, the rule may improve the results.  Under the previous law, if a company for example, sold a 12-month software product license, it could apply only six months of revenue to its books. It would not be able to count the next six months of revenue until the following year. But under ASC 606 it can count all the revenue at once.
Attrition %	Attrition % = (Voluntary + involuntary) / Total Beginning Employees
Backlog	Backlog = Bookings - Billings  The total value of contract commitments yet to be executed:  Total Backlog = Previous fiscal year's contracts not yet billed  + Latest fiscal year's sales  - Latest fiscal year's revenue
Bid Win Ratio	The ratio of successful bids (resulting in signed contracts) divided by the total number of bids or proposals issued. Bid Win ratio is a good measure of sales and marketing effectiveness because it demonstrates the organization is pursuing appropriate types of business and is able to beat its competitors.
Billings	Completed, accepted work that can been billed (T&M, Work in process, Milestone, Deliverables)

Term	Definition
Bookings	Signed Contracts (signed PS Agreement + signed SOW + PO)
Burdened Cost	Typically employee burdened costs are the costs per employee for benefits (Healthcare, Pensions, 401K) and an apportioned cost for the employee's facility and IT usage + all discretionary expense. The difference between burdened cost and fully burdened cost is that fully burdened cost includes an allocation for corporate SG&A costs.
Capitalization	<b>Expensed computing equipment:</b> expenses (typically less than \$100k) vs. capitalized (paid for over a time period). Servers for example, are typically capitalized and depreciated over a 3 year period. Capital expenditures usually refer to expenses a company makes for property, buildings or equipment. Capitalized items typically have a useful life of several years.
Cash	The value of the most liquid assets within the balance sheet. Cash equivalents are assets such as money market accounts that can be accessed quickly and are not subject to significant change. Does not include the value of accounts receivable.
Cash flow	Is the balance of the amounts of cash being received and paid by a business during a defined period of time, sometimes tied to a specific project. The timing of cash flows into and out of projects is used as input to financial models such as <a href="internal rate of return">internal rate of return</a> , and <a href="net present value">net present value</a> .
Cost per person	Cost Per person = Base + Fringe (~25%) + Bonus
Days Sales Outstanding (DSO)	A measure of the average number of days that it takes a company to collect revenue after a sale has been made and a bill has been issued. A low DSO means that it takes a company fewer days to collect its accounts receivable. A high DSO means that a company is selling its product to slow-paying customers and it is taking longer to collect money.  Days sales outstanding is calculated as: DSO is a key performance measurement of the credit-worthiness of a company's clients; a general indicator for client satisfaction and the effectiveness of the billing and collection process. DSO is reported either quarterly or annually.
Depreciation	An expense recorded to allocate a tangible asset's cost over its useful life. Because depreciation is a non-cash expense, it increases free cash flow while decreasing reported earnings.
Direct Costs	Cost incurred as a direct consequence of producing a good or service, as opposed to overhead or indirect costs.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA equals Revenue minus expenses (excluding interest, tax, depreciation and amortization). It is essentially net income with interest, taxes, depreciation, and amortization added back to it. EBITDA can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. However, this is a non-GAAP measure that allows a greater amount of discretion as to what is (and is not) included in the calculation. This also means that companies often change the items included in their EBITDA calculation from one reporting period to the next.
FASB	A seven-member independent board consisting of accounting professionals who establish and communicate standards of financial accounting and reporting in the United States. FASB standards, known as generally accepted accounting principles (GAAP), govern the preparation of corporate financial reports and are recognized as authoritative by the Securities and Exchange Commission. FASB sets up and oversees accounting standards for public firms and nonprofits throughout the U.S. that follow GAAP.
Fixed Costs	Fixed costs are costs that remain the same regardless of changes in the business. For example, facility lease costs remain the same for the life of the lease, regardless of the level of occupancy. If the business is expanding, the percentage of fixed costs may decrease whereas if the business is contracting, the percentage of fixed costs may increase.

Term	Definition
Fringe Benefits	A collection of various benefits provided by an employer, which are exempt from taxation as long as certain conditions are met. Fringe benefits commonly include health insurance, group term life coverage, education reimbursement, childcare and assistance reimbursement, cafeteria plans, employee discounts, personal use of a company owned vehicle and other similar benefits.
	Gross Margin = (Total Services Revenue – Expense or Cost to Deliver the Services)
Gross Margin	The gross profit generated per dollar of services delivered. A company's total sales revenue minus its cost of goods or services sold. This dollar amount represents the gross amount of money the company generated over the cost of producing its goods or services.
Gross Margin Percentage	Gross Margin % = (Total Services Revenue – Expense or Cost of Services Delivered) / Total Services Revenue Gross Margin %= Gross Margin / Revenue
Gross Profit Percentage	A company's total sales or service revenue minus cost of goods or services sold, divided by the total sales revenue, expressed as a percentage. Gross profit and gross margin are used interchangeably.
Income Statement or Profit and Loss Statement	A financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time - usually a fiscal quarter or year. The statement of profit and loss follows a general format that begins with an entry for revenue and subtracts from revenue the costs of running the business, including cost of goods sold, operating expenses, tax expense and interest expense. The bottom line is net income (profit).
Labor Burdened Cost	Labor Burdened Cost per Productive Hour (or Fully-burdened Cost) (Labor Burdened Cost + gross payroll labor cost) ÷ the number of <u>actual</u> work (productive) hours Number of <u>actual</u> productive hours ÷ the <u>total additional cost</u> of the employee = Employee labor burden cost per productive hour
Labor Multiplier	Labor multiplier = total \$ amount of labor hours billed / fully loaded (burdened) labor cost  Note: a labor multiplier of 1.0 indicates a breakeven point.  Any usability cost-benefit analysis should value people's time based on their fully loaded cost and not simply on their take-home salary. The cost to a company of having a staff member work for an hour is not that person's hourly rate but also includes the cost of benefits, bonuses, vacation time, facility costs (office space, heating and cleaning, computers etc.), and the many other costs associated with having that person employed.  The simplest way to derive the average loaded cost of an employee is to add up all corporate or division expenses and divide by the total number of productive hours worked.  Commonly, the fully loaded cost of an employee is at least twice his or her salary. This is why consultants charge so much more than regular employees: their billable hours have to cover the many overhead costs that are implicit for full-time employees. In fact, looking at common consulting rates for the kind of staff you are dealing with is a shortcut for estimating the fully loaded value of your employees' time.  EXAMPLE:    base rate/hour (BR)=   dollar per hour pay for the staff category   OH multiplier (OHM) =   firm's overhead (OH) percentage + 100%
	Profit multiplier (PM)= profit percentage + 100%  "loaded" rate/hour = BR X OHM X PM
	Base rate/hour= \$45.00 per hour overhead multiplier = 135% overhead + 100% = 235% = 2.35

Term		Definition
	Profit multiplier =	10% profit + 100% = 110% = 1.1
	"loaded" rate/hour =	\$45.00 X 2.35 X 1.1
Lagging Indicators	profits and labor cost per unit of severe market changes.	term trends, but they do not predict them. Some examples are unemployment, corporate output. Interest rates are another good lagging indicator as interest rates change after venue per person and net profits are lagging indicators because they reflect changes in
Leading Indicators	indicators are used to predict chabacklog and sales pipeline becare what Does the COMPOSITE IN An index published monthly by the months to come. The index is man overall economy. These 10 composite average weekly hours word 2. The average number of initial and 3. The amount of manufacturers' 4. The speed of delivery of new results.	rked by manufacturing workers applications for unemployment insurance new orders for consumer goods and materials nerchandise to vendors from suppliers capital goods unrelated to defense ermits for residential buildings  by supply (M2)
Loaded Cost per Person		- Target Variable Compensation + % Corporate and Practice Overhead allocation per time) must be added to calculate the actual cost per hour of productive time.
Margin %	Margin % = (Revenue - Cost)/Re	evenue
Markup %	Markup % = (Revenue-Cost)/Co For example, 60% markup = 40%	
Measurement Utilization %	Billable Hours + Approved non-b	illable hours (pre-sales, Customer Satisfaction, Special Projects)/(2080 hours or 260
Measurement Utilization	,	ole Hours + Approved non-billable hours)/ (2080 hours – Vacations – Holidays) Approved sociated with presales, overtime not billed to clients, customer satisfaction resolution aining.
Net Income	business, depreciation, interest, is an important measure of how earnings per share.	rofit). Net income is calculated by taking revenues and adjusting for the cost of doing taxes and other expenses. This number is found on a company's income statement and profitable the company is over a period of time. The measure is also used to calculate line" since net income is listed at the bottom of the income statement.

Term	Definition
	Net income is calculated by starting with a company's total revenue. From this, the cost of sales, along with any other expenses that the company incurred during the period, is removed to reach earnings before tax. Tax is deducted from this amount to reach the net income number.
Non-billable Travel	Non-billable travel expense represents travel expense which cannot be re-billed to a client. Typically consulting non-billable travel is associated with business development or training activities.
On-Target Earnings (OTE)	The typical pay structure for a salesperson is composed of a fairly low basic salary with an additional amount of commission. The package will usually be called OTE or on-target earnings, meaning that if a salesperson hits the specified target, they will be guaranteed that amount of money. A higher commission can be paid if the person performs beyond this target.
Operating Income	Operating income would not include items such as investments in other firms, taxes or interest. In addition, nonrecurring items such as cash paid for a lawsuit settlement are often not included.  Operating income is required to calculate operating margin, which describes a company's operating efficiency.  Operating Income = Gross Income - Operating Expenses - Depreciation
Operating Margin	Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of service delivery such as wages and benefits.  Operating Margin = Operating Income / Net Sales  Operating Profit = (Total Service Revenue – Total cost of service delivery – Total Operating Expense)/ Total Service
	Revenue
Operating Profit / Margin	The amount of profit realized from a business's own operations. A ratio used to measure a company's pricing strategy and operating efficiency.
Overhead Costs	Usually, fixed costs - a business cost that is not directly accountable to a particular function or product; a fixed cost such as facilities.  Costs incurred that cannot be attributed to the production of any particular unit of output.
	The general, fixed cost of running a business such as rent, lighting, and heating expenses, which cannot be charged or attributed to a specific product or part of the work operation.
Profit Margin = Return on Sales (ROS)	The percentage of every dollar of sales that makes it to the bottom line. Profit Margin is Net Income after Tax divided by Net Sales.  A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings.
Project Margin £\$€	Project Revenue – Direct Cost of project service delivery
Revenue Estimate	Revenue Estimate = Billable headcount X Billable hours X Average Bill rate X Average Utilization Rate
Revenue	Revenue = Billings that can be recognized within the time period + Re-billable travel and expense  The amount of money that a company actually bills during a specific period, including sales discounts.
Revenue per person	Actual Bill Rate * Billable Hours + re-billable travel and expense
Recurring Revenue	The best revenues are those that continue year in and year out, they are often referred to as "recurring" revenue. Examples of recurring revenues are multi-year maintenance contracts and multi-year Software as Service (SaaS) subscription revenues. Temporary revenue increases, such as those that might result from a short-term promotion, are less valuable and garner a lower price-to-earnings multiple for a company.

Term	Definition
Run Rate	How the financial performance of a company would look if you were to extrapolate current results out over a specified period of time.
Subcontractor Margin	Subcontractor Margin = (Total subcontractor generated revenue – total subcontractor cost)/ Total subcontractor generated revenue
Variable Costs	Variable costs are costs that vary based on usage. Training, travel, and business expenses are variable, whereas facility costs are treated as a "fixed" cost because they do not vary based on use. Commonly variable costs may also be termed "discretionary" because management can decide whether to make or not make the expenditure.

Source: Investopedia, Wikipedia, and SPI Research, February 2025

## **Appendix E: PS Maturity™ Benchmark Survey Questions**

These are the questions included in the 2025 Professional Services Maturity™ Benchmark survey. The questionnaire evolves yearly, with new topics reflecting emerging industry trends—such as the addition of Al-related questions this year.

1	How did you hear about the 2025 PS Maturity Benchmark	SPI Research		
2	Name			
3	Title			
4	Company			
5	Email			
tion 2 -	– Firm Demographics – Fiscal Year 2024			
6	Headquarters location			
7	Professional Services (PS) sub-vertical			
8	Size of <b>Professional Services Organization</b> (total employed	es)		
9	Annual company revenue (for the entire company, not just PS)	)		
10	Total annual Professional Services revenue			
11	Year-over-year change in Professional Services revenue			
12	Year-over-year change in Professional Services employee he	adcount		
13	Percentage of <b>Professional Services</b> employees billable or	chargeable		
14	Percentage of PS revenue delivered by third-parties (subconti	ractors, offshore)		
	What percentage of your PS revenue comes from the following	g:		
15a	Business / Management Consulting			
15b	Technology or IT Consulting			
15c	Subscription Services (Services sold on a subscription basis)			
15d	Managed services			
15e	Staff augmentation			
15f	Hardware, software or other equipment resale			
15h	Other			
	Total	Error - to	al must add up to 100%	0%
forma	tion Technology			
				ls it Integrated
	Business Solutions	<b>Solution Used</b>	<b>Satisfaction Level</b>	w/Financials
16 - 17	Accounting / Financial Management Solution (ERP / CFM)			
18 - 20	Client Relationship Management (CRM)			
21 - 23	Professional Services Automation (PSA)			
24 - 26	Human Capital Management (HCM)			
27 - 29	Planning (PL)			

	Artificial Intelligence
31	Percentage of consultants specifically dedicated to Al practice
32	Percentage of organization's projects currently utilizing Generative Al
33	PS leadership supports adopting and integrating Generative Al
34	Generative AI has impacted the organization's productivity and efficiency
35	Estimated ROI PS can achieve from implementing Generative AI technologies in 12 months
36	Length of time for PS see a positive ROI after adopting Generative AI
37	How concerned is PS of the security regarding the use of Generative AI
	Rate the importance of Generative AI to improve the following areas in the next 5 years (1: very unimportant - 5: very important)
38	Business planning
39	Increase efficiency
40	Enhance client engagement
41	Innovate service offerings
42	Reduce costs
43	Improve decision-making

	Leadership	
	Leauer Sillp	
44	Forecasted revenue growth in 2025 (over 2024)	
45	Do you plan to embark on any major performance initiatives in 2025?	
46	Do you have a documented methodology for quantifying value added to your clients	
47	Planned geographic expansion in 2025	
48	Have you initiated Outcome-based billing models	
	Rate the importance of the following areas to your organization over the next year (1: very unimportant - 5: v	ry important)
49	Business development (creating and implementing new services and campaigns, finding new clients, etc.)	
50	Talent management (finding, hiring, training, managing and retaining employees)	
51	Resource utilization (working to optimize skill levels, increasing billable hours per consultant)	
52	Profitability growth (delivering more efficiently and effectively, manage cost, reduce revenue leakage)	
53	Inflation (managing cost increases in people, tools, travel, other expenses)	
	Rate the following aspects of your organization in terms of how well they operate (1: very ineffective - 5: very	effective)
54	The vision, mission and strategy of the PSO is well understood and clearly communicated	
55	Employees have confidence in PS Leadership	
56	It is easy to get things done w/in the PS organization	
57	Goals and measurements are in alignment for the service organization	
58	Employees have confidence in the future of the PS organization	
59	PS effectively communicates with employees	
60	PS embraces change, we are nimble and flexible	
61	PS focuses on innovation and is able to rapidly take advantage of changing market conditions	
62	PS takes advantage of its information infrastructure to make data-driven decisions	

			Existing Services	New Services	Tota
63a-63b	Service revenue breakdown by new vs.	Current Clients	,,,,		0%
63c-63d	existing clients and new vs. existing	New Logo Clients			0%
	services (under 1-year)	Total	0%	0%	0%
	, ,			Error - total must a	ndd up to 1009
64	Primary strategy for growth				
65	Size of deal pipeline in comparison to qu	arterly bookings forecas	st		
66	Percentage of bids won				
67	Percentage of the quarterly revenue targ	et in backlog at the beg	inning of the quarter		
68	Service discount given clients				
69	Percentage of referenceable clients				
70	The technology infrastructure supports of	prowth (1: poorly - 5: ver	y well)		
	Rate the effectiveness of the following n	narketing and sales cap	abilities (1: very ineffective	- 5: very effective)	
71	Solution development process effectiver	ness			
72	Service sales effectiveness				
73	Service marketing effectiveness				
74	Efficiency of quoting service engagemen	nts			
	What is the percentage of work sold in th	ne following categories?			
75a	Time & Materials	io rononing datagonida			
75b	Fixed time / fixed fee				
75c	Shared risk / performance-based				
75e	Subscription				
75f	Managed Services				
75g	Other				
	Total		Error - total mi	ust add up to 100%	0%
76	Status of Client/Customer Experience (C	X) Program			
77	The number of full-time equivalent (FTE)	employees dedicated to	service sales		
78	Annual <b>service</b> sales revenue quota per	sales person			
79	Deal size per engagement				
80	Length of sales cycle from qualified lead	to contract signing			
81	What is your overall Net Promoter Score	7			

	Talent	
82	The primary reason employees leave	
83	The average tenure at the firm of consultants	
84	Professional Services employee <b>voluntary</b> annual attrition	
85	Professional Services employee <i>involuntary</i> annual attrition	
86	Length of time to recruit and hire for standard positions	
87	Once hired, how long until fully billable?	
88	Annual number of training days per employee	
89	What is your annual consultant billable utilization percentage (2,000 hr. base)?	
90	What is your annual fully loaded cost per consultant (salary, bonus, fringe benefits)	
	How strongly would you agree with the following statements (1: strongly disagree - 5: strongly agree)	
91	How strongly would you recommend your company as a great place to work	
92	There is a well-understood career path for all employees	
93	Employees have the tools they need to deliver quality services efficiently and effectively	
	How many annual hours are spent in the following categories for your average billable employee?	
94a	Vacation/personal/holiday	
94b	Education/training	
94c	Administrative	
94d	Non-billable business development/sales support	
94e	Non-billable project hours	
94f	Billable hours on-site	
94g	Billable hours off-site	
	(Hours do not have to add up to exactly 2,080) Total annual hours per consultant	0

	Service Execution	
95	Describe your resource management process	
96	Revenue per project	
97	Number of people working on a project	
98	Project duration (in months)	
99	Number of projects a <b>project manager</b> manages at a time	
100	Number of projects a <b>consultant</b> works on at a time	
101	Use a project management office (PMO)	
102	Percentage of projects where a standard delivery methodology is used	
103	The frequency on a project the contract need to be modified due to scope change	
104	Percentage of projects delivered on-time, on budget	
105	Project overrun	
106	Project margin for time and materials projects	
107	Project margin for fixed price projects	
108	Margin for subcontractors and/or offshore resources	
	Rate the effectiveness of the following project delivery capabilities (1: very ineffective - 5: very effective)	
109	Resource management processes	
110	Estimating processes & estimate reviews	
111	Change control processes	
112	Project quality processes	
113	Knowledge management processes	

	Finance and Operations	
114	Balance between client satisfaction and profit	
	For the coming year, please rate the following steps you will take to improve profitability (1: very unlikely – 5: v	very likely)
115	Improve solution portfolio - service packaging, new offers	
116	Improve marketing effectiveness - brand awareness, lead generation, events	
117	Improve sales effectiveness - higher close ratio, on-target performance, training	
118	Increase bill rates	
119	Improve hiring, ramping, skill-building, training	
120	Improve methods and tools for reuse, consistency, quality	
121	Improve billable utilization - increase billable utilization	
122	Reduce non-billable time - presales, write-offs, admins	
123	Expand business models (add managed services, subscription, hybrid, etc.)	
124	Annual revenue per billable employee	
125	Annual overall revenue/person yield (for the entire PS organization)	
126	Percentage of annual <b>revenue</b> target achieved	
127	Percentage of annual <b>margin</b> target achieved	
128	Percentage of overall revenue unable to bill (revenue leakage)	
129	Percentage of invoices that must be redone due to error or client rejection	
130	Days Sales Outstanding (DSO)	
131	Quarterly non-billable discretionary expense per employee (cell phones, non-billable travel, training)	
132	Length of time to incorporate a new acquisition	
133	PS execs. have real-time visibility into all bus. activities (sales/serv/fin/etc.)(1 none - 5 comprehensive)	
134	PS can accurately forecast revenue and skills (1 minimally - 5 very well)	

	rofessional Services Income Statement (in percentage of PS Revenue)	ercentage of PS Revenu
135a	Direct gross PS revenue	
135b	Indirect gross PS revenue (revenue delivered by subcontractors, outside resources etc.)	
135c	Pass-thru PS revenue (hardware, software, materials, etc.)	
135d	Revenue from reimbursable PS travel and business expense	
	Annual Gross PS Revenue Error - total must add up to 100°	<mark>%</mark> 0.0%
	P	ercentage of PS Revenu
136a	Total direct PS billable labor expense (does not include fringe ben., vacation, sick time or overhead)	
136b	Total fringe benefit expense as a % of direct billable labor (healthcare, pensions, vacation and sick pay)	
136c	Total subcontractor/outside consultant expense (compare to question 135b)	
136d	Pass-thru equipment cost (hardware, software, materials, etc.) (compare to question 135c)	
136e	Total billable travel and business expense (compare to question 135d)	
136f	Total non-billable travel and business expense	
136g	Total Recruiting expense (recruiters, fees, signing bonus, referrals, etc.)	
136h	Total Sales expense (includes fully loaded headcount expense, bonus and non-reimbursable sales exp.)	
136i	Total Marketing expense (includes all headcount, bonus and marketing program expense)	
136j	Total education, training and certification expense for the entire PS organization	
136k	Professional Services IT expense (fully loaded IT headcount, capital, IT-specific facility expense)	
1361	All other G&A expense - fully loaded non-billable headcount, general and administrative, facilities, legal, etc.	
	Annual PS Expenses	0.0%
	Earnings before Interest, Taxes, Depreciation, Amortization Percentage (EBITDA%)	100.0%

## **Appendix F: Related SPI Research**

SPI Research has produced several publications for services-driven organizations that include

- Δ 2024 The Impact of Artificial Intelligence on Professional Services (September 2024) This 57page report, a unique resource, offers data-based guidance for professional services executives. It
  includes 30 informative tables and graphics illustrating how AI and Generative AI reshape the
  Professional Services Market. Data was taken from 103 firms. SPI Research expects AI to impact PS
  operations profoundly. But which processes will be optimized? How will it be done? What kind of
  tools will your software vendors give you to help improve? Will your organization sell AI to your
  clients? These are just a few of the questions answered.
- △ 2024 Project-based Enterprise Resource Planning (ERP) (May 2024): This 50-page report provides data-based guidance for professional services executives, with 29 informative graphics and tables supporting strategic initiatives to improve organizational performance by implementing Project-based ERP solutions. Data was taken from 2,898 firms over the past five years.
- Δ 2023 Professional Services Talent Benchmark (September 2023) During the second quarter of 2023, SPI Research released a report based on 137 billable professional services organizations representing over 50,000 consultants. This important 122-page study profiles talent priorities, the move to virtual service delivery, the level of employee investment, and the impact of business applications. The study analyzes target and realized bill rates, compensation, and utilization across a broad range of professional service verticals, geographies, and markets, including IT Consulting, Management Consulting, Architects and Engineers, and 12 job levels around the globe. It provides an unprecedented view of Professional Services workforce distribution and composition by industry segment. It analyzes organization structures for various service segments, including IT Consulting, Management Consulting, Architects and Engineers, and embedded service organizations within Software-as-a-Service (SaaS) companies.
- 2022 Professional Services Automation End-user Survey (September 2022) During the second quarter of 2022, SPI Research conducted a Professional Services Automation (PSA) end-user survey. This examination of 88 billable organizations using PSA is genuinely an independent research study the PSA solution providers had no input or control over the survey or respondents. The survey asked quantitative and qualitative questions regarding why firms selected PSA, which attributes were most important, and how buyers perceived their benefits. Most importantly, this study looked at both pre-and post-PSA deployment. The report contains the PSA definition and core modules, why PSA was purchased, how PSA is used, user satisfaction with various components and aspects of PSA, pre- and post-PSA deployment benchmarks, participant interviews, and 44 insightful figures and tables.
- Δ 2019 PS Human Capital Management (HCM) End-user Survey (September 2019) This 2019
  Human Capital Management (HCM) End-user Survey Report is the first professional services enduser survey. It is based on 52 billable professional services organizations and details many of the
  drivers behind the purchase and use of HCM, analyzes user satisfaction by module, and both
  qualifies and quantifies its benefits. The 45-page report consists of 46 figures and tables and
  highlights some of the trends in HCM use, most notably its movement to the Cloud. The average firm
  size was 446 employees, and the organization showed an annual profit of 11.6%.

- ∆ 2017 Professional Services Automation Buyers Guide (July 2017) The growth engine of the world's economy has shifted from manufacturing to project-based, people-centric services businesses. These businesses rely on Professional Services Automation (PSA) solutions. PSA automates core business processes such as quote-to-cash, resource management, project management, time capture, and billing. It provides the real-time visibility necessary to improve organizational efficiency and effectiveness. This PSA Buyer's Guide provides an overview of important trends, business processes and selection criteria to help project- and services-based businesses evaluate and choose PSA applications, which will provide the level of insight, management and control needed to improve productivity and profitability.
- ∆ 2013 Professional Services Sales and Marketing Maturity™ Benchmark (October 2013) Most professional services organizations are dissatisfied with their sales, marketing (and packaging) effectiveness. For the past eight years, over 1,500 PS organizations that have completed SPI Research's benchmark surveys have consistently given their sales and marketing efforts failing marks. The results for the very few firms that have successfully implemented PS sales, marketing, and packaging disciplines and made these activities central to their value proposition are extraordinary, with 47 percent of all services sold as packaged solutions, 28.6 percent net profit, and \$255,000 annual revenue yield per consultant.

Information on these and other SPI Research publications can be found at <a href="www.spiresearch.com">www.spiresearch.com</a> or by e-mail at <a href="mailto:info@spiresearch.com">info@spiresearch.com</a>.

## **About Service Performance Insight**



**R. David Hofferberth,** Service Performance Insight's founder and Managing Director, has over 35 years of experience in information technology (IT), serving as a consultant, industry analyst, market consultant, and product director with firms including The Aberdeen Group and Oracle. He is focused on the services economy, white-collar productivity issues, and technologies that help people perform at their highest capacity.

Dave, with his former partner, is the co-author of the **Professional Service Maturity Model**<sup>™</sup> benchmark used by over 50,000 project-oriented organizations to diagnose and improve their performance. He is a frequent

speaker at key industry events on information technology around the world and has provided advisory services to project- and service-driven organizations.

Dave's background includes developing applications and analytical tools to support business decision-making processes, beginning in the early 1980s. In 1999, he introduced the solution area to the market, now known as Professional Services Automation (PSA), when he published the seminal report **Professional Services Automation** Increasing Efficiencies and Profitability in Professional Services Organizations.

Dave earned an MBA from Duke University and a BS in Industrial Engineering from the University of Tennessee. Earlier in his career, he was also a licensed Professional Engineer (PE).

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## **About The 1801 Consulting Group (1801)**



In 2024, SPI Research partnered with 1801 - a leader in professional services transformation with offices globally, to expand the worldwide impact of the PS Maturity Model™ underpinned by 18 years of benchmark data & trusted by 50,000+ organizations.

The SPIx1801 framework, offers a comprehensive 360° view of service maturity, delivering a clear roadmap, proven to increase margins while enhancing efficiency. Seamlessly connecting benchmarking and execution, we deliver data-driven strategies and hands-on implementation with measurable outcomes - empowering organizations to drive proven growth and achieve industry leadership.

Contact 1801 at info@1801.ai or visit their website 1801.ai.

Service Performance Insight (SPI Research) is a global research, consulting and training organization dedicated to helping professional service organizations (PSOs) make quantum improvements in productivity and profit. In 2007, SPI developed the PS Maturity Model™ as a strategic planning and management framework. It is now the industry-leading performance improvement tool used by over 50,000 service and project-oriented organizations to chart their course to service excellence.

SPI provides a unique depth of operating experience combined with unsurpassed analytic capability. We not only diagnose areas for improvement but also provide the business value of change. We then work collaboratively with our clients to create new management processes to transform and ignite performance. Visit <a href="https://www.SPIresearch.com">www.SPIresearch.com</a> for more information on Service Performance Insight, LLC.

