

2022 Industry Benchmark

Trends & KPIs in the
professional services industry



Executive
summary

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Introduction

How does your company perform compared to similar companies within the professional services industry?

SPI Research has analysed and benchmarked companies from North America, Europe and Asia within IT, engineering, architecture, marketing, accounting and other verticals, which sell knowledge and business services rather than products.

The annual Professional Services Maturity Benchmark is recognised as the industry's most thorough study. For the 15th year in a row, SPI Research has measured the state of health of the planet's fastest-growing industry: Consultancy and professional services.

The benchmark is based on survey responses from 540 international companies, and the respondents in the survey employ over 162,000 consultants.

SPI Research has analysed their KPIs and now provides insights into the characteristics of the most successful companies in translating revenue into profit.

The report reveals that while the most progressive companies came out of the COVID-19 pandemic with **30.1% profit in 2021**, the worst performing companies struggled with results at **0.6%**.

Among many reasons for this, maturity stands out as a decisive factor!

We have combed through the report and highlighted the essential points and KPIs for you.

Happy reading!



Per-Henrik Nielsen
CEO, TimeLog

A handwritten signature in black ink that reads "P. Nielsen".



M

Maturity in the professional services industry

Organisational maturity wins a clear victory over years in service, SPI Research' benchmark shows.

Mature companies perform significantly better on all parameters essential for the development and operation of a professional services business.

Strong leadership, clear vision and optimised business processes are some of the virtues of a mature service organisation.

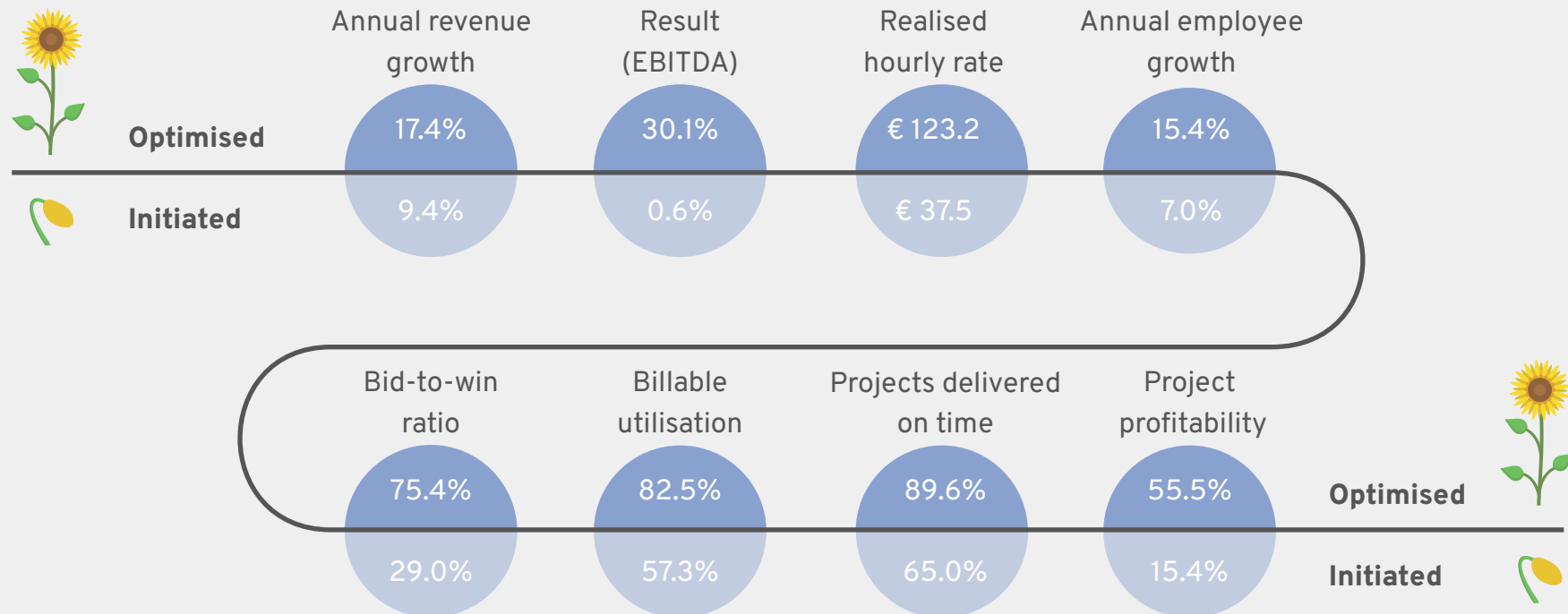
These virtues can be attained by both young and seasoned companies, if they are prioritised in the leadership teams.



The anatomy of success!

5% of all professional services companies have optimised their businesses to an extent, where business performance is elevated to the highest maturity level!

But how does your company's maturity level impact your key business metrics?
The 2021 numbers speak for themselves...



How do you measure maturity?

Key business metrics, degree of optimisation of business processes and ability to deliver on projects are among the areas surveyed in the 2021 Professional Services Maturity Benchmark.

The survey builds on a framework of five pillars with a total of 100 KPIs.

This enables SPI Research to measure and benchmark companies within the professional services industry.

This model has been the leading industry analysis for the past 15 years.



5 levels of maturity

SPI Research works with a 5-step model for your level of maturity, based on several criteria.

Ranging from the very immature companies on level 1 (*Initiated*), the scale increase up to the highly refined organisations at level 5 (*optimised*).

What defines your company's maturity level is a combination of:

- How refined your internal business processes are
- How your tech stack supports your organisation's operations
- How your key figures perform across the company



Level 1
Initiated

30 % of companies

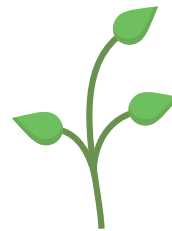
Typical profit: < 5%



Level 2
Piloted

25 % of companies

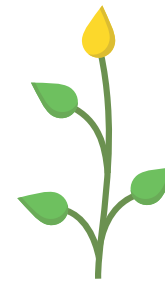
Typical profit: 5-10%



Level 3
Deployed

25 % of companies

Typical profit: 15-20%



Level 4
Institutionalised

15 % of companies

Typical profit: 20-30%



Level 5
Optimised

5 % of companies

Typical profit: > 30%

What characterises mature companies?

As businesses mature, so do their internal processes and technology stacks. The implementation of processes, financial transparency and technology are visualised for each level of maturity below.



Initiated

Processes & transparency

- Ad-hoc and inconsistent processes
- Very limited financial insights and control

Technology

- Spreadsheets for time tracking, project execution, invoicing etc.



Piloted

Processes & transparency

- Several, repeatable processes
- Lack of visibility on project finances

Technology

- Basic digitalisation of standalone systems



Deployed

Processes & transparency

- Widely implemented processes for the quote-to-cash workflow
- Visibility of project finances

Technology

- PSA solution for digitalisation & automation of project and resource management



Institutionalised

Processes & transparency

- Established and well-tested processes
- Visibility and control of project finances and revenue

Technology

- Integrated PSA solution for automation of entire quote-to-cash workflow
- BI tool implemented



Optimised

Processes & transparency

- Constantly learning and optimising processes
- Full visibility and control of project finances and revenue

Technology

- Extensive integration across the organisation
- PSA integrated with CRM and BI tools

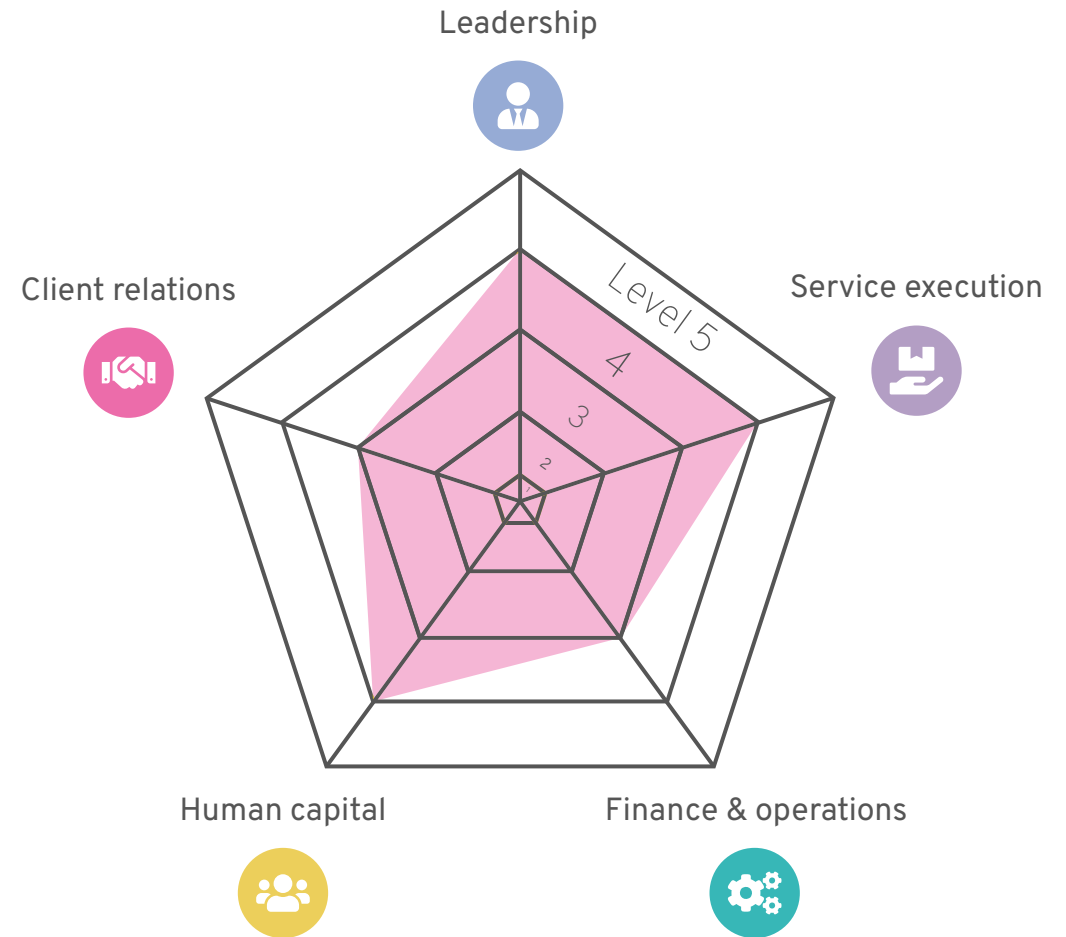
Maturity across five performance pillars

The SPI Maturity Model evaluates a company's level of maturity across five performance pillars within the organisation:

- Leadership (CEO)
- Client relations (sales & marketing)
- Human capital (HR)
- Service execution (project management)
- Finance & operations (CFO/COO)

Excellence in a single performance pillar does not create overall organisational success.

To achieve sustainable success, companies must develop a holistic and balanced approach to improving all aspects of the business.





The five performance pillars of maturity

What are some of the business processes you should improve to become a truly mature organisation?

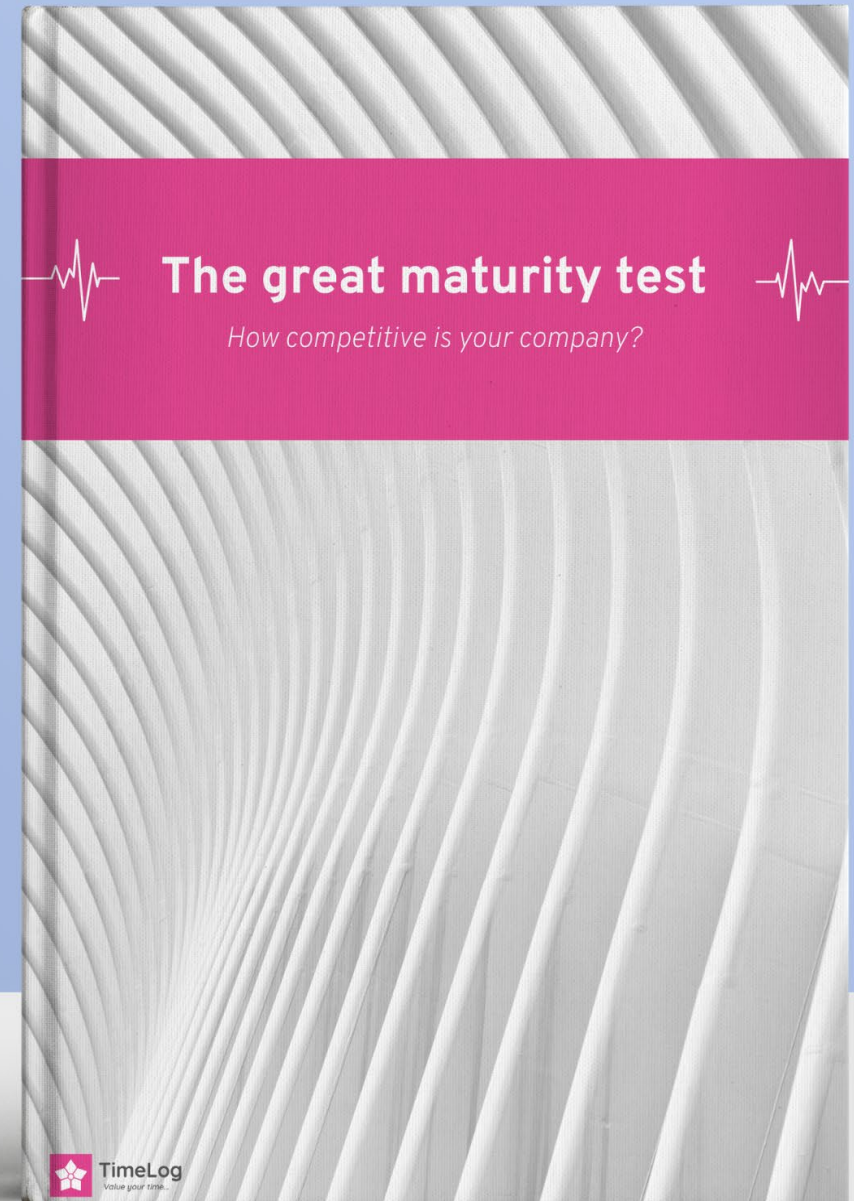


Leadership	Client relations	Human capital	Service execution	Finance & operations
CEO	Marketing & sales	HR	Project managers	Finance director/CFO
Vision, strategy and culture often builds on the CEO's ability to lead, set a clear direction for the company and control finances, revenue and profits	The ability to communicate effectively with employees, partners and customers to generate business and win orders	The ability to attract, motivate, retain and develop competent employees	The ability to secure that the company plans, executes and efficiently measures projects using the right methods, processes and tools	The ability to manage and control both contribution-ratio and bottom line. The ability to generate scalable revenue by introducing fixed processes
Business processes	Business processes	Business processes	Business processes	Business processes
<ul style="list-style-type: none"> → Strategy → Business development → Leadership 	<ul style="list-style-type: none"> → Define go-to-market strategy → Define value proposition → Generate leads → Create strategic partnerships 	<ul style="list-style-type: none"> → Recruitment → Education → Results and performance 	<ul style="list-style-type: none"> → Resource management → Project planning and quality control → Knowledge, data, management and protection 	<ul style="list-style-type: none"> → Financial analysis, monitoring and planning → Contract management → Establish and optimise digital processes

Try the test developed from the SPI Maturity Model framework:

How mature is your company?

Get your test here [↓](#)





G

The industry is back on track - but companies struggle to keep talent

As projects have resumed and revenue rises to pre-pandemic levels, the COVID-19 pandemic seems to have lessened its grip on the professional services industry.

This year, revenue growth is back up at 10.6%, and billable utilisation increased significantly to the highest level in 15 years of the SPI Benchmark.

Despite the solid numbers, 2021 was also a year of massive attrition, as the great resignation did not bypass the industry.

As on-site execution continues to decrease, so might the employees' sense of belonging, which seems to impact attrition.

10.6% revenue growth

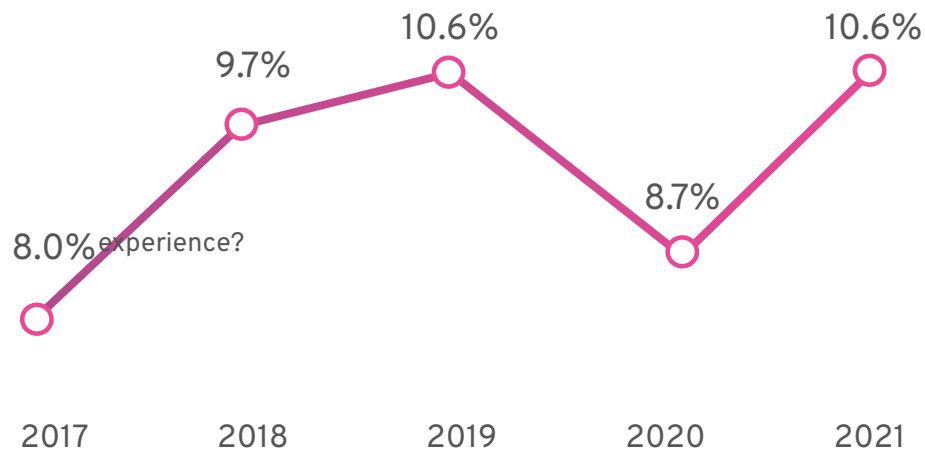
The industry's growth is back on track

Following 2020's drop in revenue growth, 2021 has again shown strong results, rivalling 2019's 10.6%.

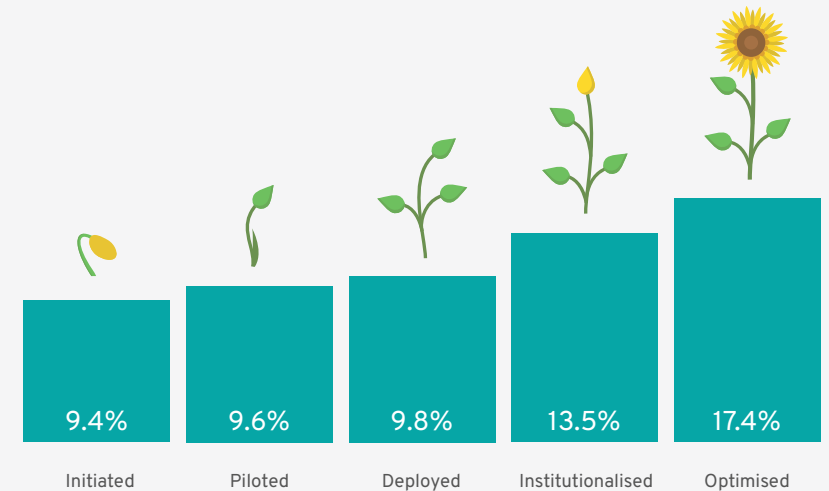
As the COVID-19 crisis caused companies to withhold investments in 2020, the relief in global pandemic figures caused a sense of urgency in realising postponed projects in 2021.

The professional services industry now mirrors world economic growth with a 22% increase in year-over-year revenue growth.

Annual revenue growth 5 year trend:



Top line growth across maturity levels.



Not quite reaching your desired revenue level?



Have you established ways to measure KPIs which let you identify revenue weak spots?

Has your organisation implemented sales processes based on best practice?

Bottom line (EBITDA)

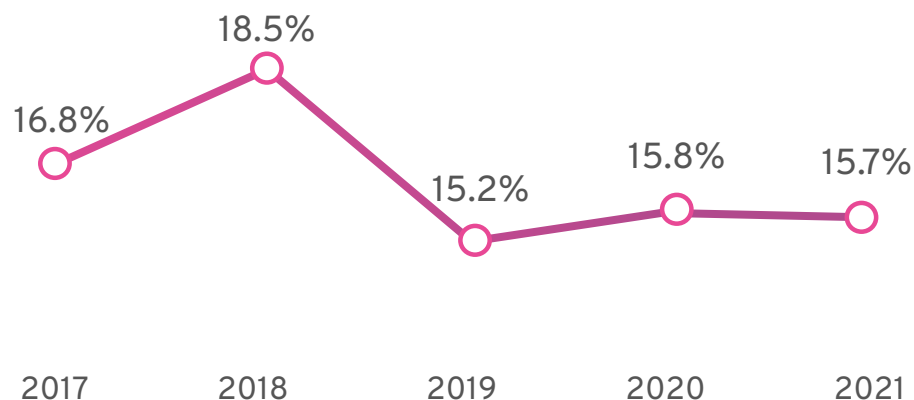
Favourable markets helped low performers back up

For this year, the average bottom line results remained at the same level of 2020, with EBITDA at 15.7%.

But 2021's main story is that the profit gap between companies at the lowest maturity level and the rest narrowed significantly.

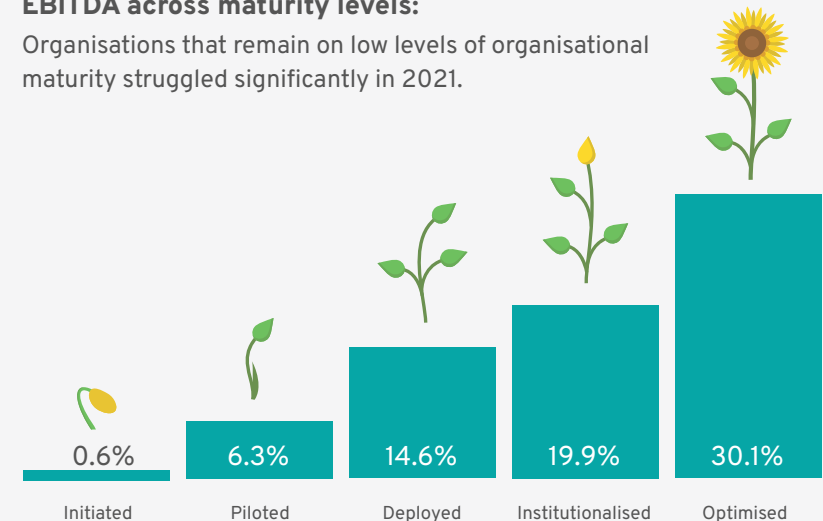
While companies on maturity level 1 (*initiated*) showed net profits of -10.1% in 2020, the resurgence of good business bumped this back up to 0.6% (which is still far below the initiated norm of 5%).

5 years of yearly results (EBITDA):



EBITDA across maturity levels:

Organisations that remain on low levels of organisational maturity struggled significantly in 2021.



Does your bottom line leave investors wanting more?

Have you implemented standard delivery methods that let you forecast costs and profits?

Is your crucial business software integrated for updated operational insights?

Project timeliness at 80.2%

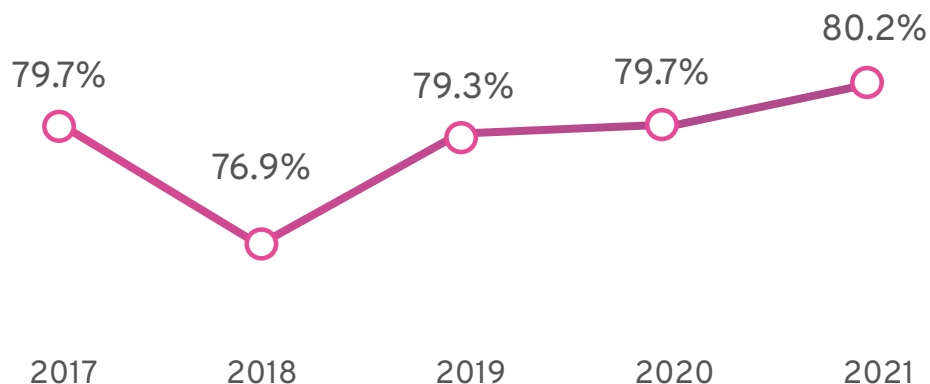
Virtual execution is setting new standards for on-time delivery

In 2020, companies had to adopt remote work solutions for most employees at an unprecedented rate, and this trend carried on in 2021.

While 40.2% of all billable work was on-site in 2020, only 33.9% of work happened at the client in 2021. Subsequently, businesses were able to reduce business and travel expenses by an impressive 20%.

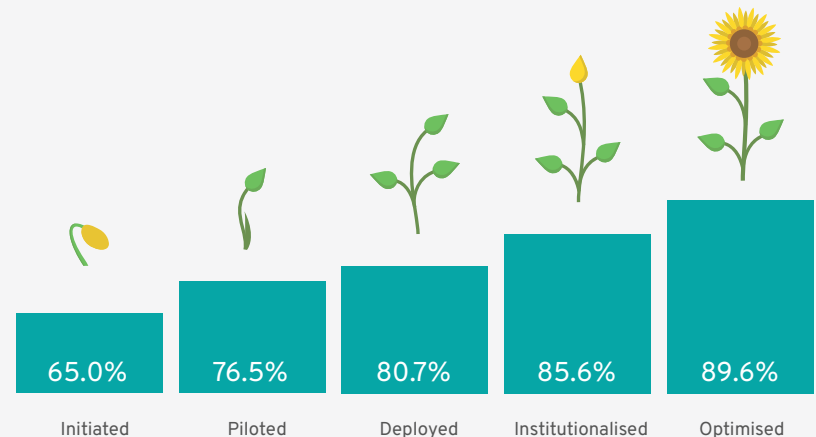
After two years of increasingly virtual project execution, the conclusion seems to be that this positively impacts project timeliness.

Project on-time completion 5 year trend:



Project on-time completion rate across maturity levels

Mature companies get the job done on time



Having a hard time finishing projects on time?



Do you track time systematically and analyse data from past projects for your project estimates?

Do you include completion milestones in your project plans so you know if time is slipping?

Project profitability

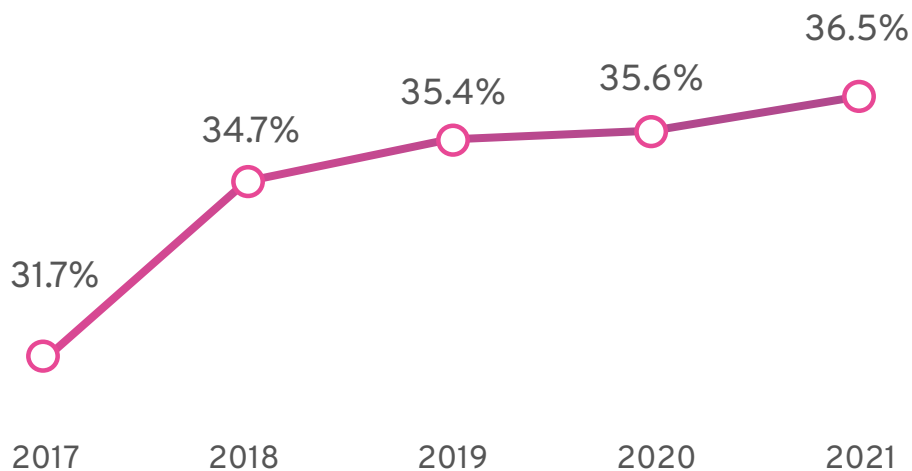
The steady climb continues - with a nice bump upwards

Continuing the last three years' trend of steady climbing, projects in 2021 averagely had a contribution margin of 36.5%.

Drivers for increasing profit margins within the industry are the companies who manage to implement real-time visibility in their daily operations.

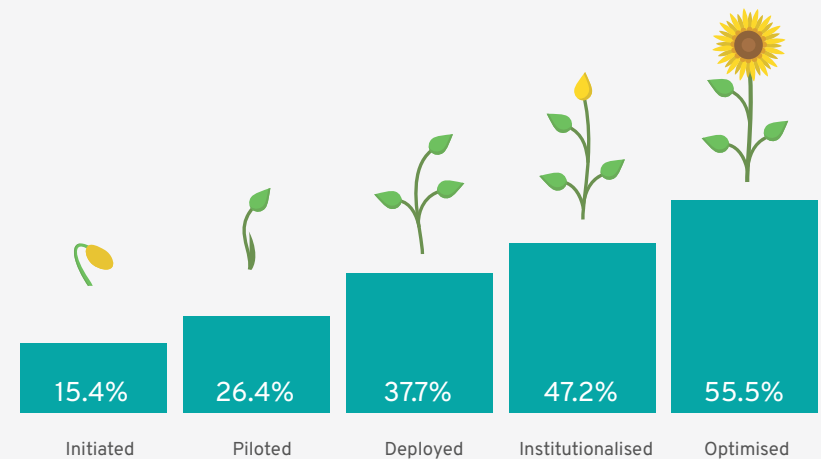
IT solutions such as Business Intelligence and Professional Services Automation (PSA) software help companies facilitate this implementation.

Project contribution ratio 5 year trend:



Project contribution ratio across maturity levels

Mature companies see higher profits on their projects



Projects don't provide you with the expected ROI?

Are your prices based on actual time consumption, or do you price your fixed price projects too cheap?

Do you remember to staff your projects' junior tasks with junior resources only?

Want to be a part of the 2023 SPI Maturity Benchmark?

In November 2022, SPI Research will gather data from hundreds of companies within the professional services industry to create the industry's most comprehensive benchmark.

You can be part of this by signing up for next year's survey now.

- » Get insight into your company's performance
- » Benchmark your company against the competition
- » Get into a yearly benchmark routine and start optimising your performance

Sign up now and receive your questionnaire when it's time to complete the survey.

Yes, I want to participate in
next year's survey



Realised hourly rate at €92

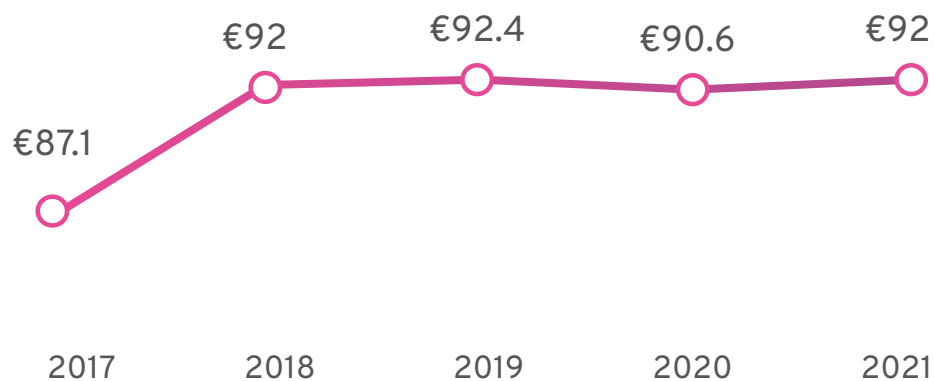
What is your time worth?

The hourly rate companies invoice their clients is a poor indicator of how profitable their businesses are.

Internal tasks, fixed price projects exceeding budgets, discounts and lack of clarity as to how many hours should be billed always lower the realised hourly rate.

Looking at the discrepancy between the billed and the realised hourly rate gives you crucial insights into your ability to budget and execute your projects.

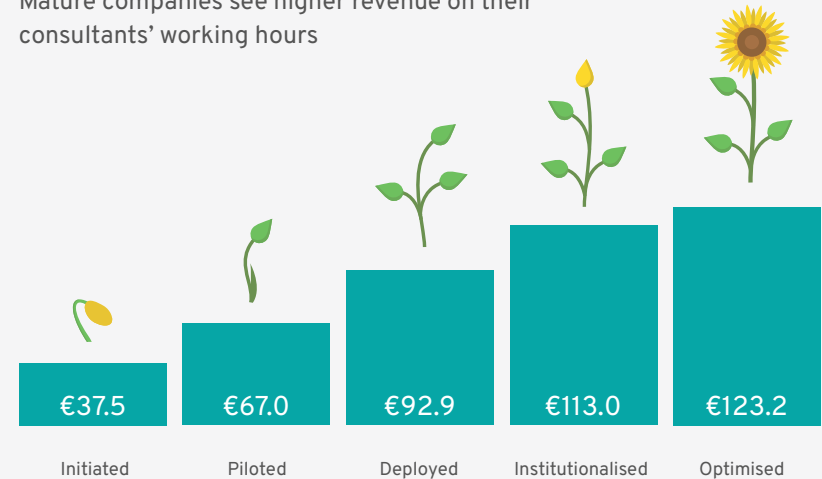
Realised hourly rate the past 5 years*:



* Calculated on a yearly work time of 2,000 hours

Realised hourly rate across maturity levels

Mature companies see higher revenue on their consultants' working hours



Not achieving your desired realised hourly rate?



Do you remember to always round hours to nearest quarter or half an hour on your invoices?

Do you remember to include all internal project management costs in fixed price projects when giving potential clients a quote?

Headcount growth

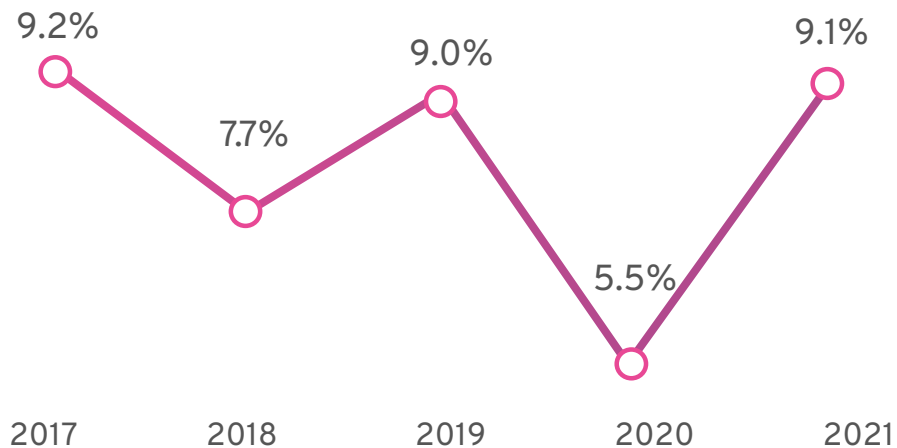
Hiring was heating back up in 2021 - but so was attrition

The job market was hotter than ever in the professional services industry in 2021.

While headcount growth took a big jump from 5.5% in 2020 to 9.1% in 2021, this figure could be much higher, if talent attrition didn't also skyrocket.

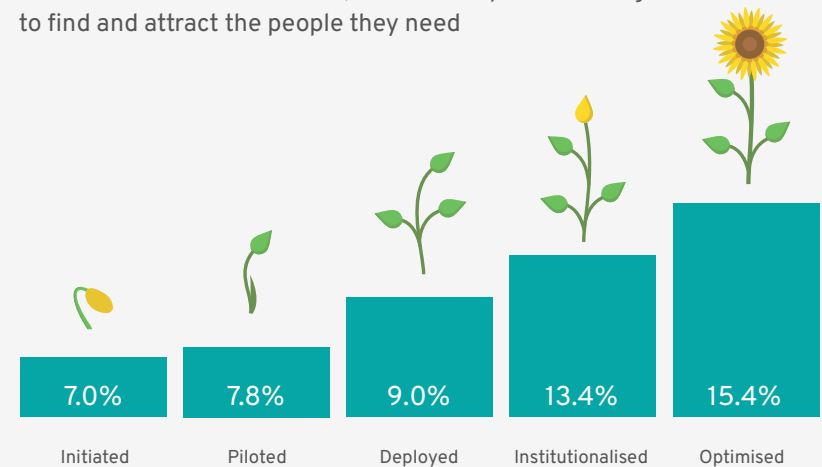
While the good news is that layoffs were down by 11% compared to 2020, annual, voluntary talent attrition went up by 42% to 9.8%.

5 years of bumpy headcount growth:



Headcount growth across maturity levels

In the hunt for the best talent, mature companies manage to find and attract the people they need



Having trouble attracting talent?



Do you have a clearly defined and marketed career ladder, talent and mentoring program within your organisation?

Billable utilisation

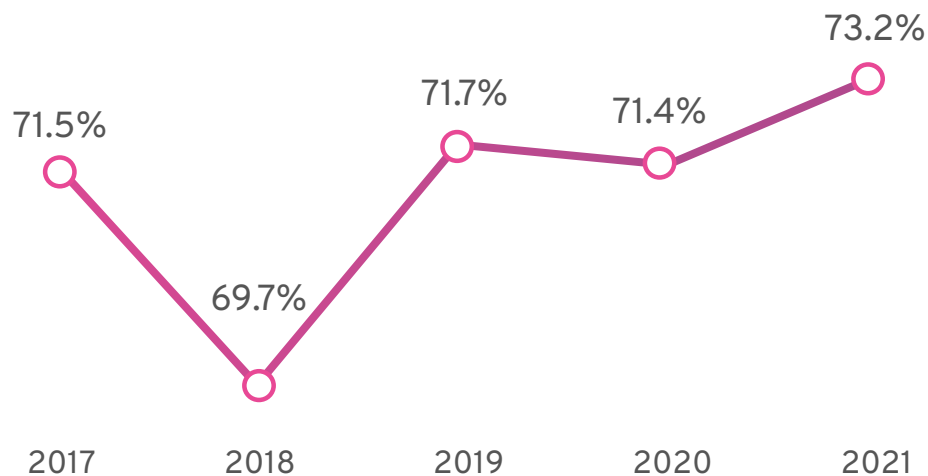
Consultants' time was highly billable in 2021

Utilisation is consistently the most measured KPI in professional services companies. It is also an indicator of the balance between workload and opportunity.

This year the industry surpassed the past 15 years of billable utilisation levels with a record-breaking 73.2%.

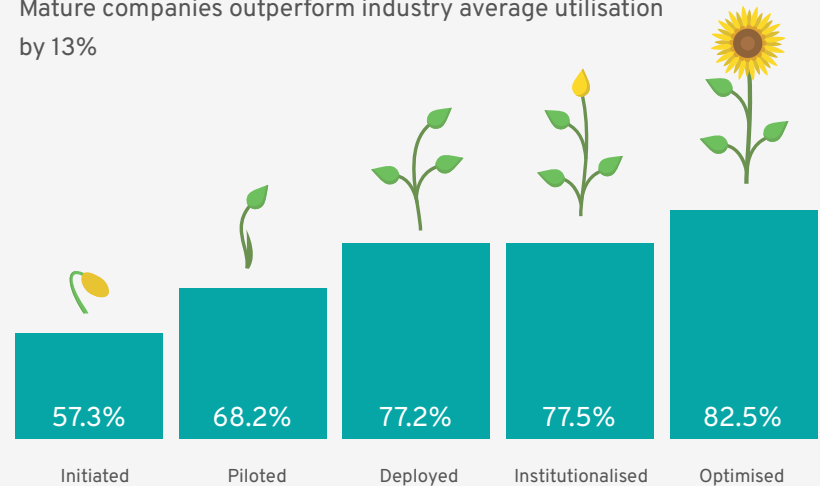
One of the main drivers for a high billable utilisation is the adoption of PSA solutions, as companies using PSA display 75.3% billable utilisation. In contrast, companies that have not yet adopted a PSA solution could only muster 68.1% in 2021.

5 years of billable utilisation:



Billable utilisation across maturity levels

Mature companies outperform industry average utilisation by 13%



Do your consultants not spend enough time on billable work?



Do you and your employees have access to real time dashboards that let you keep track of your billable utilisation?

Have you identified the non-billable activities your employees spend most time on?

Vast differences between professional services sectors

The SPI Maturity Benchmark processes data across the professional services industry.

However, sectors exist within the industry and between them, pricing, cost, competition and business models vary widely. So does KPI performance.

To benchmark your own company against the Maturity Benchmark, you should be aware of sector differences.

	IT consultants	PS within software company	Management consultants	Architects & engineers	Accounting
Revenue per employee	€144,000	€127,000	€144,000	€136,000	€145,000
Revenue growth	6.6%	7.2%	8.8%	6.5%	23.5%
Bottom line (EBITDA)	13.4%	23.4%	10.6%	15.8%	7.8%
Realised hourly rate (billable consultants)*	€88	€80	€87	€79	€88
Headcount growth	4.8%	6.7%	5.9%	2.1%	9.0%
% billable employees	75.4%	74.6%	78.2%	75.0%	61.8%

**Realised hourly rate is calculated based on an average of 2,000 annual working hours*



D

Digitalisation elevates business performance

More than any other year, 2021 pushed companies to innovate and step up on all performance parameters, as the rise in off-site execution pushed the need for more digital solutions.

To stay on top, the best weapon for professional services organisations is to optimise their internal organisational processes and keep their tech stack up to the task of organising remote work.

Over the past 15 years, SPI Research has seen a sharp increase in the use of digital solutions helping companies streamline and automate project management & invoicing, HR & resources, finance & operations, and analysis & reporting.

They are known as Professional Services Automation (PSA) solutions.

Growing digital investments

2022 looks like the surge in digitalisation has just begun

Professional services organisations invest massively in PSA solutions to support and optimise their internal workflows.

This year, 76.1% of all companies in the survey had adopted a PSA solution.

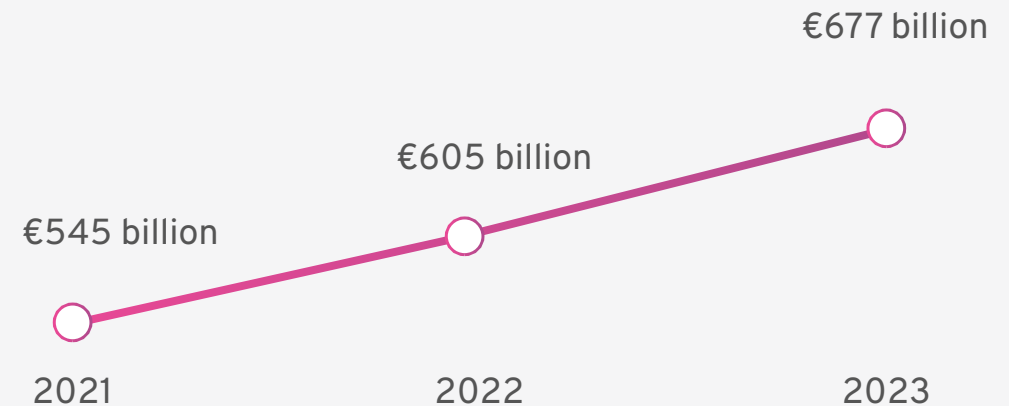
In 2017 this was only 67.3%.

“2022 is the year that the future returns for the CIO. They are now in a position to move beyond the critical, short term projects over the past two years and focus on the long term.

Simultaneously, staff skills gaps, wage inflation and the war for talent will push CIOs to rely more on consultancies and managed service firms to pursue their digital strategies.”

-John-David Lovelock, Research Vice President, Gartner

Global software investment forecast



[Source: Gartner 2021](#)



Companies investing in software for real time insights complete projects faster and achieve much higher profits.

Are your current IT solutions providing you with the KPIs you need in real time?

Using Professional Services Automation improves KPIs

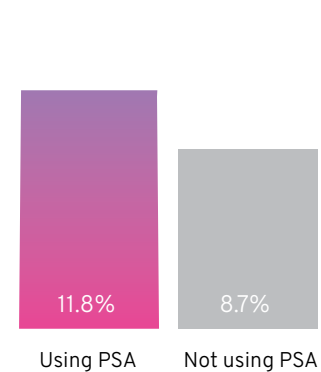
The 2021 SPI Benchmark shows that businesses who use a PSA system produce higher, more predictable revenue and utilise their consultants' time better.



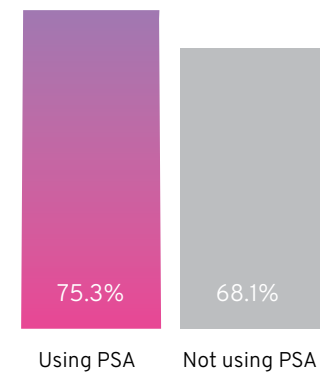
Get the complete guide to PSA software here



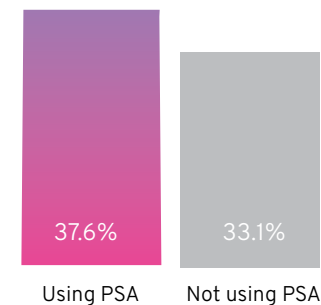
+36% Yearly revenue growth



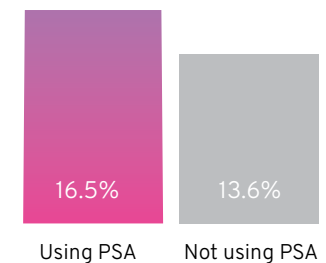
+11% Billable utilisation




+13% Employee billable utilisation



+22% EBITDA



An aerial photograph of a rowing team in a scull on a body of water. The rowers are wearing athletic gear and are captured in a synchronized rowing motion. The water is dark, and the sky is bright, creating a high-contrast scene. The scull is a long, narrow boat with a single oarlock, and the rowers are positioned in a line, each with their own oar.

Time to evolve your business?

At this point, you have seen how maturity impacts and elevates business performance.

Whether it be financial KPIs or operational performance metrics such as project delivery, sales performance or talent management, the companies dedicated to elevating their maturity level come out on top - every time.

There is no company that doesn't want to get better at what they do. There are far fewer companies that will dedicate time and effort into maturing their business from top to bottom. Usually, they don't know where to start.

A good place to start is getting the right tool in your toolbox.

TimeLog PSA supports and helps you evolve your internal business processes.

Are you ready?

Do you need the right tool to start evolving your business?

TimeLog PSA is built for professional services organisations that want an easy-to-use solution to support and automate essential business processes.

We develop our solution in collaboration with our users to help you evolve and optimise your processes and achieve better financial KPIs as well as project delivery excellence.

Whether you need to optimise your time & expense tracking, project & resource management or your invoicing & reporting

– *we got you covered.*

TimeLog Professional Services Automation



Profit (%)		Work (DKK)						Av. hourly rate	
Internal %	>70%	Cost price	Actual	Estimated	BAR	Non-booked	Depreciation/Appreciation	Actual	BAR
82%	●	198.060,00	258.325,00	230.200,00	255.200,00	0,00	3.125,00	1.008,69	996,49
55%	●	58.800,00	171.750,00	111.750,00	11.250,00	160.500,00	0,00	1.168,37	76,53
49%	●	52.000,00	132.100,00	132.100,00	600,00	131.500,00	0,00	1.016,15	4,62
77%	●	82.400,00	175.100,00	175.100,00	175.100,00	0,00	0,00	850,00	850,00
66%	●	391.260,00	737.275,00	734.150,00	442.150,00	292.000,00	3.125,00	997,53	598,23



“TimeLog was the system that could solve most of our challenges and live up to our demands regarding project management, time tracking and the invoicing flow.”

Allan Hime-Laurberg
Senior Business Partner at **Inspari**

“We have incredibly tight control of our business today. We’re not losing money any more - this is one of the giant benefits of TimeLog.”



Mattias Jernström
Operation Manager, **Cadcraft**



Professional Services Automation

Are you ready
to take your
business to the
next level?



Overall	★★★★★ 5 / 5
Ease of Use	★★★★☆ 4.5 / 5
Customer Service	★★★★★ 5 / 5

Try the ultimate version of
TimeLog - 30 days for free