



Trends & KPIs in the Professional Services Industry

2024 Industry Benchmark



Executive
summary

02 Executive summary

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Numbers don't lie. But what's the story?

Again, this year, TimeLog is proud to be part of the Professional Services Maturity benchmark.

Why?

It's the full package:

- The status on essential KPIs.
- The trends behind the numbers.
- The data-backed framework to help you choose your next step.

Let me elaborate what you just got your hands on:

A practical growth framework

The maturity matrix in this benchmark is a gem. It aligns performance, tech, and processes in a sweet spot for solid growth – no fluff.

Straightforward decision support

With nearly 600 respondents, the benchmark serves up real talk through KPIs. It throws curveballs like why happy employees might still be heading out or what's up if your profits are below your competitors.

Big-picture trends

If your billable hours per employee are sliding, don't just blame the office coffee. The benchmark nudges you to check out macro trends that might be shaking things up.

Actionable data dive

Sure, the report has loads of data, but the real gold is in digging into key performance indicators. Spot trends that matter, so you're not just reacting but staying a step ahead.

Enjoy!

Per-Henrik Nielsen
CEO TimeLog A/S





Maturity in the Professional Services Industry

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

Mature companies perform better on all parameters essential for the development and operation of a Professional Services business.

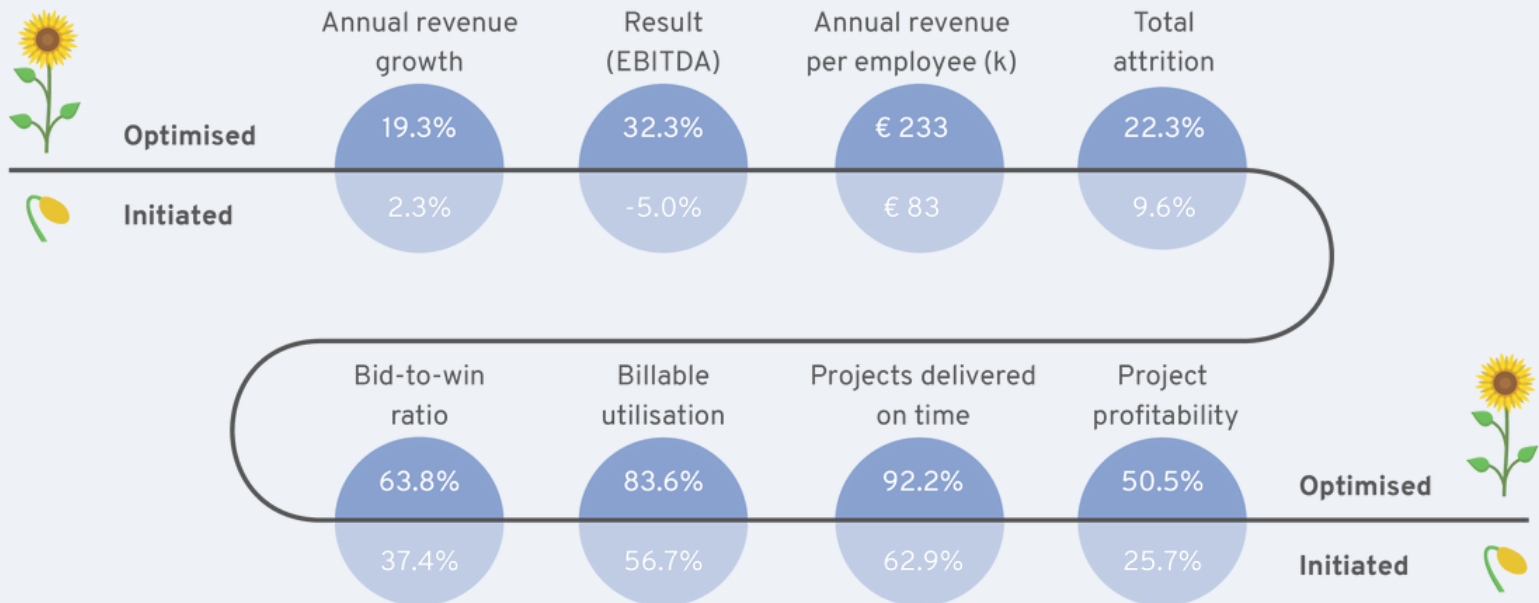
Strong leadership, clear vision and optimised business processes are some of the virtues of a mature service organisation.

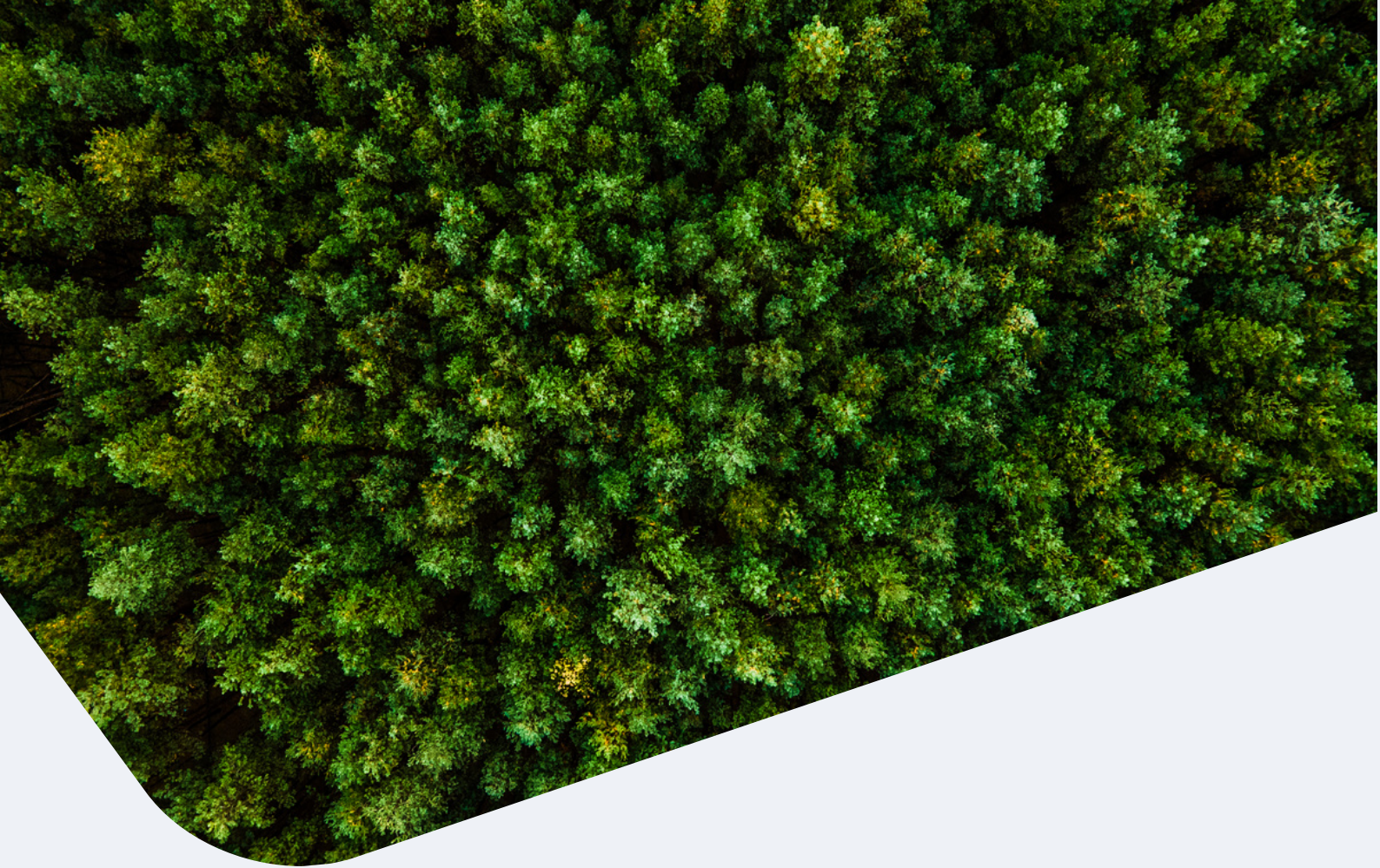
These virtues can be attained by both young and seasoned companies, if they are prioritised in the leadership teams.

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 2024 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 2024 Professional Services Maturity benchmark.

The survey builds on a framework of five pillars with more than 150 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 17 years.

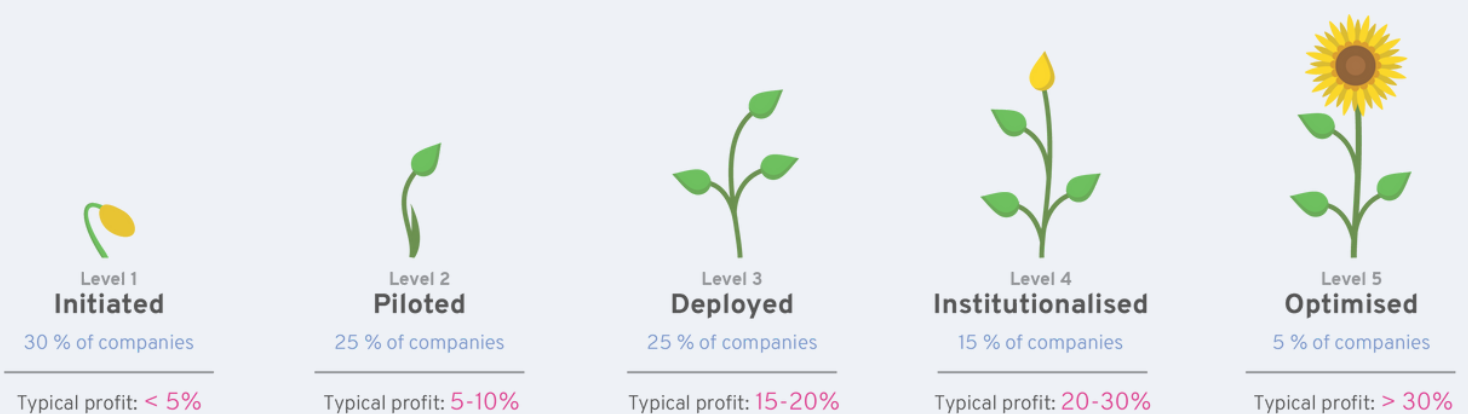
The 5 levels of maturity

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 increases 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



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	Piloted	Deployed	Institutionalised	Optimised
<p>Processes & transparency</p> <ul style="list-style-type: none"> • Ad-hoc and inconsistent processes • Very limited financial insights and control 	<p>Processes & transparency</p> <ul style="list-style-type: none"> • Several, repetitive processes • Lack of visibility on project finances 	<p>Processes & transparency</p> <ul style="list-style-type: none"> • Widely implemented processes for the quote-to-cash workflow • Visibility of project finances 	<p>Processes & transparency</p> <ul style="list-style-type: none"> • Established and well-tested processes • Visibility and control of project finances and revenue 	<p>Processes & transparency</p> <ul style="list-style-type: none"> • Constantly learning and optimising processes • Full visibility and control of project finances and revenue
<p>Technology</p> <ul style="list-style-type: none"> • Spreadsheets for time tracking, project execution, invoicing etc. 	<p>Technology</p> <ul style="list-style-type: none"> • Basic digitalisation of standalone systems 	<p>Technology</p> <ul style="list-style-type: none"> • PSA solution for digitalisation & automation of project and resource management 	<p>Technology</p> <ul style="list-style-type: none"> • Integrated PSA solution for automation of entire quote-to-cash workflow • BI tool implemented 	<p>Technology</p> <ul style="list-style-type: none"> • Extensive integration across the organisation • PSA integrated with CRM and BI tools

“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](#)



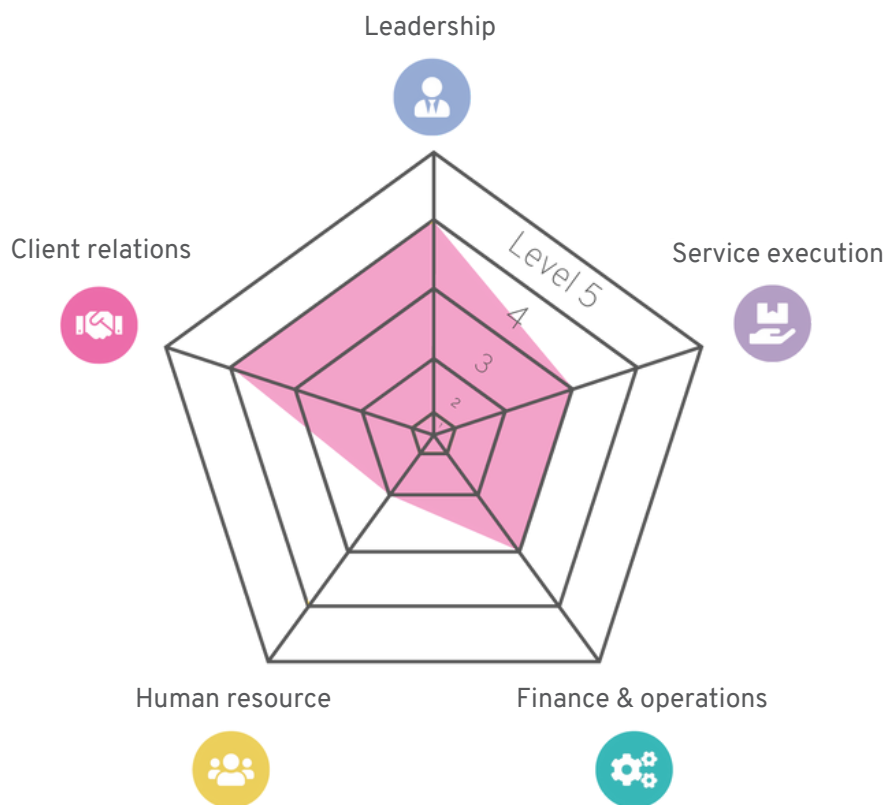
Maturity across five performance pillars

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

- Leadership (CEO)
- Client relations (sales & marketing)
- Talent (human resources)
- 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 company?

Leadership	Client relations	Human resources	Service execution	Finance & operations
CEO	Marketing & sales	Talent	Service execution	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 scaleable 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 • Onboarding 	<ul style="list-style-type: none"> • Recruitment • 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



How mature is your company?

Try the assessment, developed from the SPI maturity model framework.

Asses your company
today





AI revolutionises Professional Services Industry during turbulent years

The past five years have been turbulent for the Professional Services Industry. In 2019, the market experienced growth and success. However, in 2020, the industry was impacted by COVID and its associated challenges.

In 2021, firms began to rebound and get back to work, but the effects of COVID lingered. Despite this, 2021 saw positives in overall sales growth and profitability. In 2022, Professional Service Organisations (PSOs) worked harder, but not necessarily smarter.

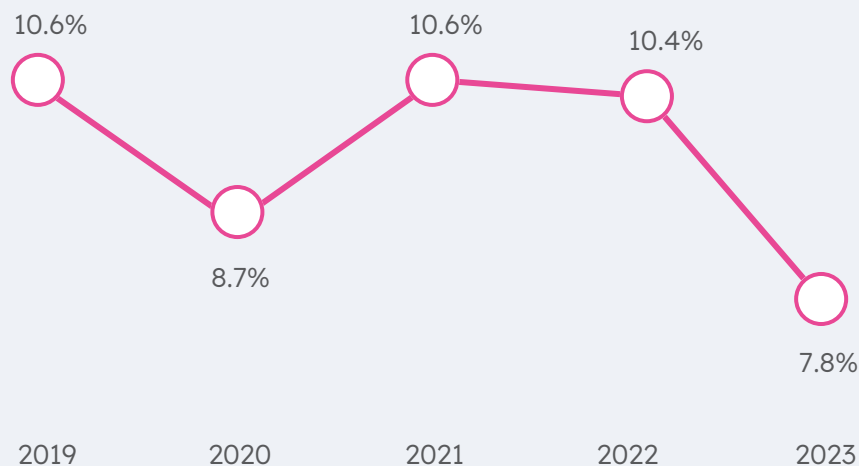
In 2023, growth was hampered by high interest rates, uncertain economic conditions, and geopolitical conflict. However, AI brought deep interest to the Professional Services market and its supporting firms. AI has the potential to revolutionise the industry by automating tasks, improving efficiency, and providing new insights.

Are you ready to utilise AI?

7.8% revenue growth

Growth hampered by economic and geopolitical factors.

Annual revenue growth 5 year trend



In 2019, the market grew, but in 2020, COVID impacted the industry. In 2021, firms rebounded, and 2021 saw positives in sales growth and profitability. In 2022, PSOs worked harder, but not smarter.

In 2023, growth was hampered by high interest rates, uncertain economic conditions, and geopolitical conflict. However, AI brought interest to the market. The result shows the lowest revenue growth in five years.

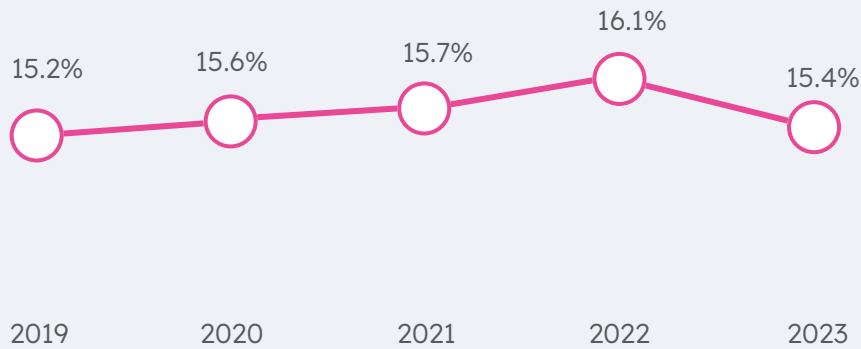
Top line growth across maturity levels:



Bottom line (EBITDA)

On average, bottom lines were hit hard and dropped 4% with large differences between top and bottom.

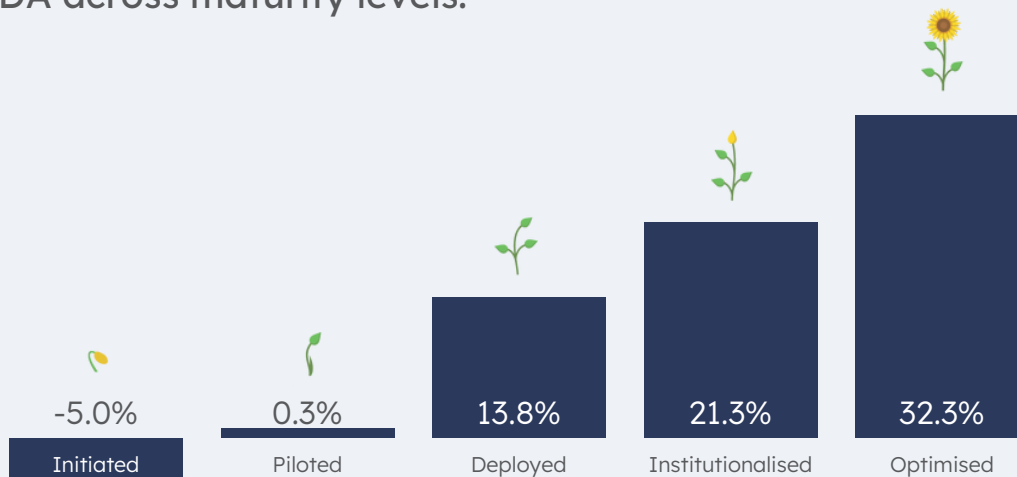
5 years of yearly results (EBITDA):



Because of high interest rates and global conflicts, European and mature companies demonstrate resilience in the face of financial challenges.

Professional Service Organisations (PSOs) faced financial challenges due to high interest rates, inflation, and multiple global conflicts. However, the impact varied among companies. European PSOs and the most mature companies managed to increase profitability despite these challenges.

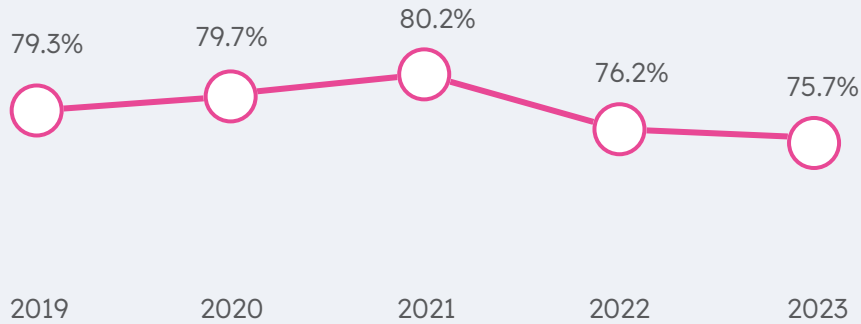
EBITDA across maturity levels:



Project timeliness at 75.7%

On-time delivery of project decreased from last year.

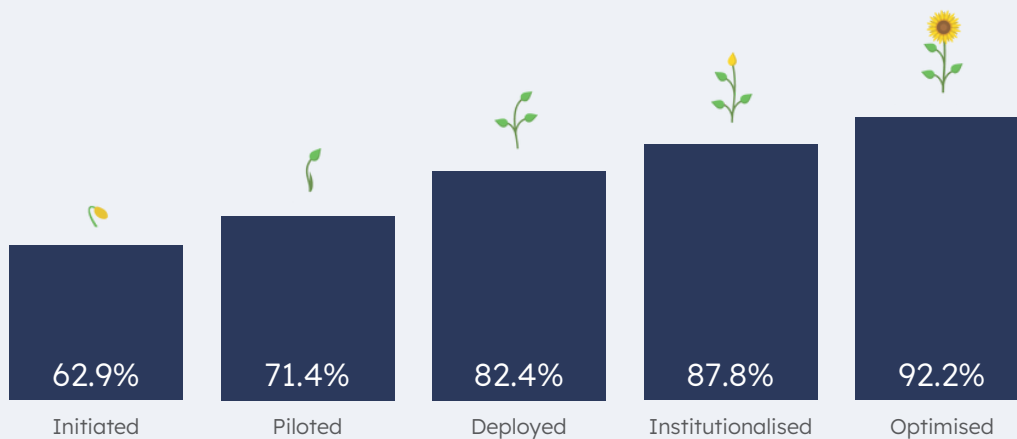
Project on-time completion 5 year trend:



A decline in sales success and a decrease in the rate of on-time project delivery, led to an increase in project overruns, negatively impacting the overall performance of the organisation.

Even though we saw a decrease in the overall delivery of projects, over 20% of firms reported 90% or better on-time project delivery. On-time, on-budget project delivery is one of the best quality measurements, as it indicates alignment and visibility.

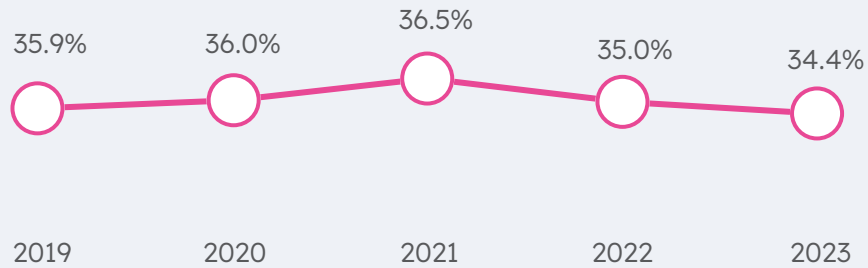
Project on-time completion rate across maturity levels:



Project profitability

The slight decline in profitability continuous

Project contribution ratio 5 year trend:

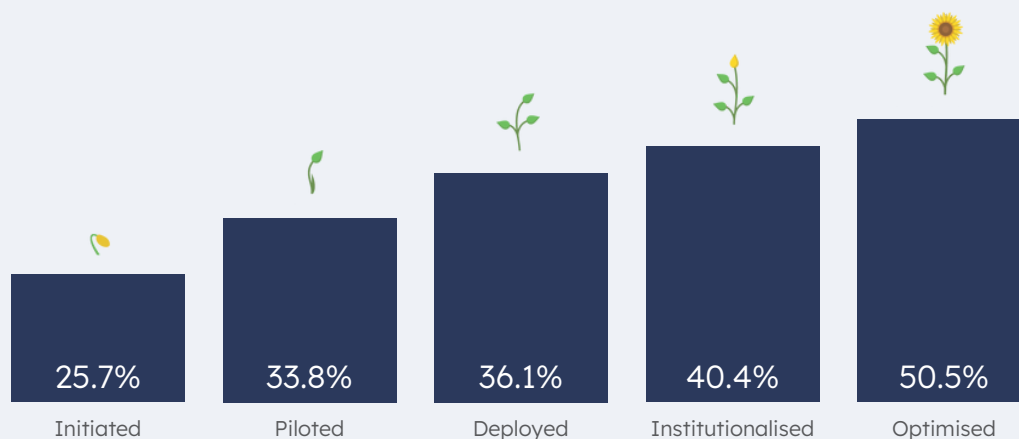


Following last year's trend of decline, projects in 2023, had on average a contribution margin of 34.4%.

Takeaways for increasing the profit margins within the industry are that work must be scoped, bid, sold, delivered, and invoiced. The alignment between the different departments are crucial for success.

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

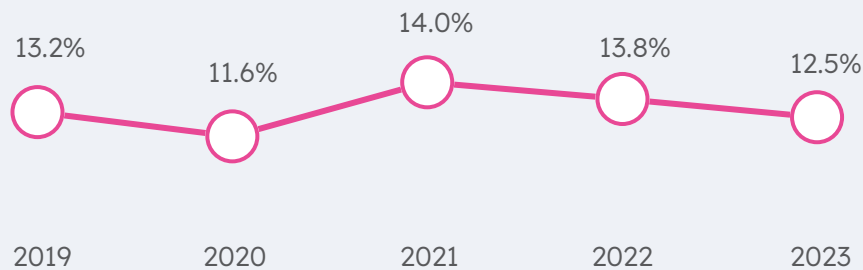
Project contribution ratio across maturity levels:



Total attrition is down to 12.5%

Can you keep your employees?

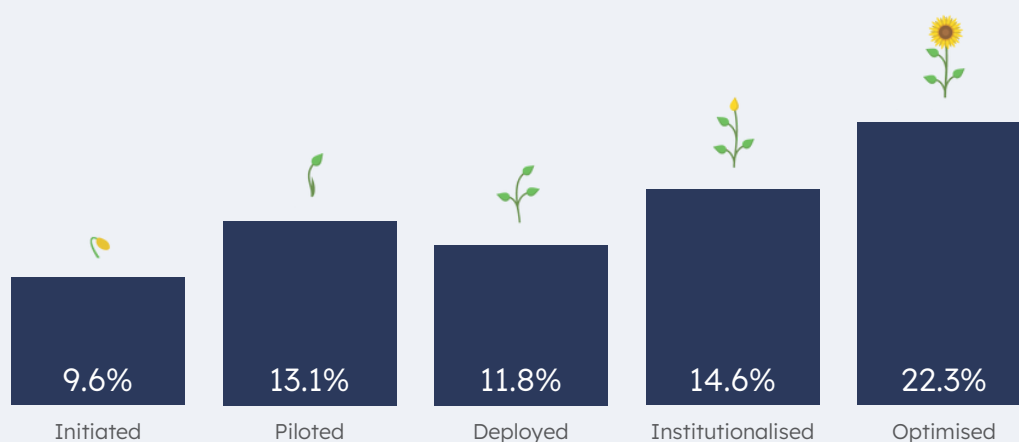
Total attrition ratio 5 year trend:



In the PSO industry, high attrition is contributed to by several factors. These include challenges with work-life balance, the desire for better compensation, and a lack of career advancement opportunities, among others.

As stated in the report, globalisation has significantly impacted workforce strategies, with many service providers providing hybrid on and off-site resources via regional and global competency centers. The emphasis is shifting towards business process and vertical industry expertise, however, demand for horizontal application and technical know-how remains high.

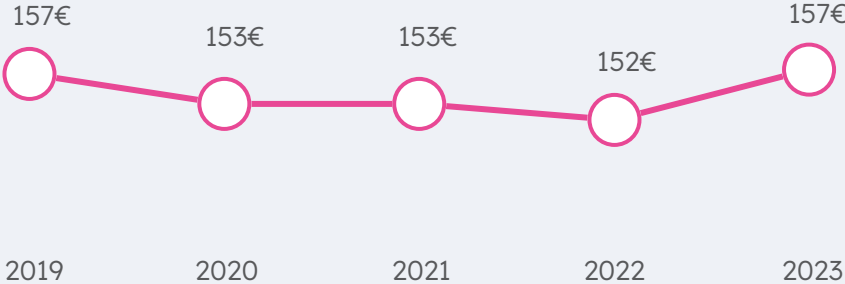
Total attrition ratio across maturity levels:



Revenue per employee rises

Employees revenue is continuing to grow.

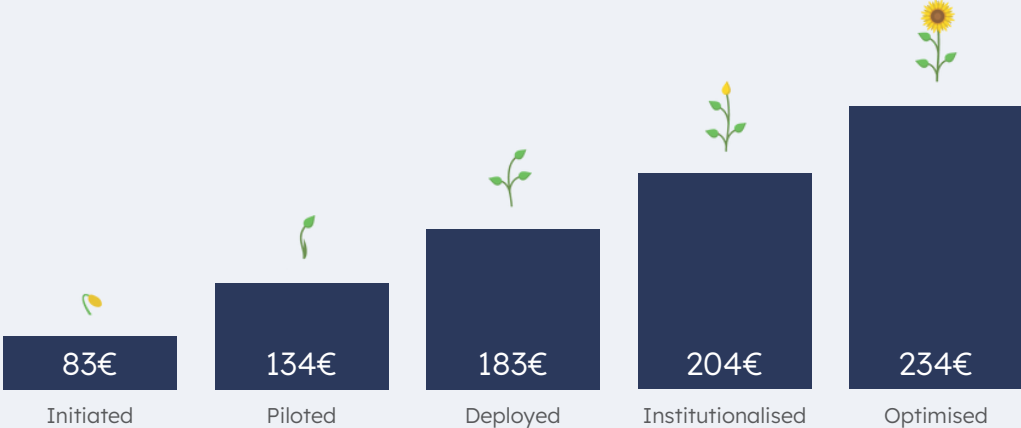
Total revenue per employee ratio 5 year trend:



From 2022 to 2023, there was an increase in annual revenue per employee for both embedded and independent service organisations. This growth was particularly notable in SaaS PS, Agencies, and Healthcare PS, where revenue per employee increased by over 20%.

This indicates a stronger performance in these sectors and suggests that they were able to effectively utilise their employees to generate revenue and drive growth.

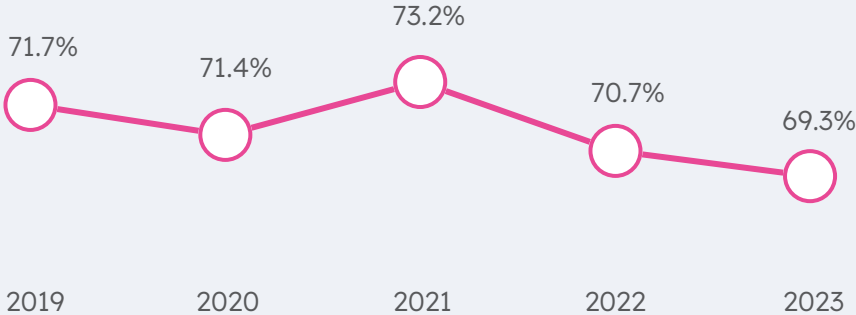
Total revenue per employee ratio across maturity levels:



Billable utilisation

Employee billable utilisation sees a small decline.

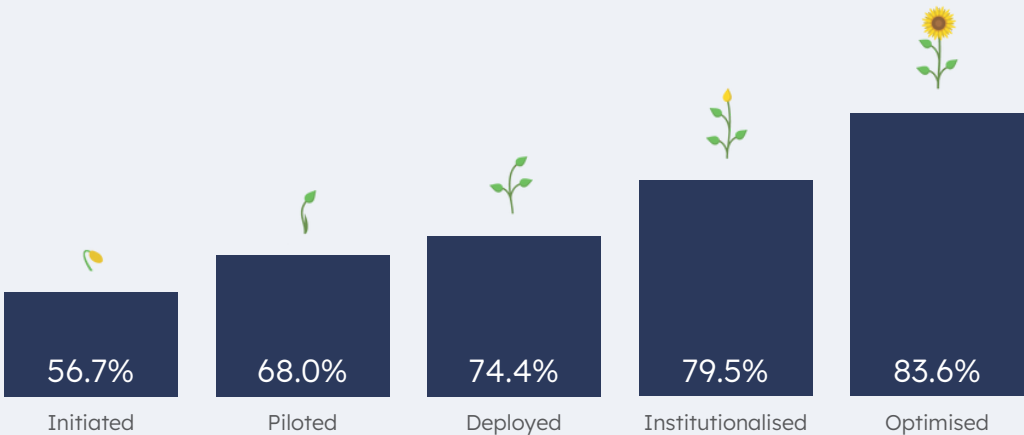
5 years of billable utilisation:



Billable utilisation declined to below 70% for the first time in five years, which might indicate a faster shift towards AI and the productivity benefits it can to mitigate this. Part of this productivity decline could be related to more consultants working on-site than in the past two years.

While on-site work will probably never return to pre-COVID levels, it should still increase over the next year or two. Profitability decreased slightly in 2023, but most of it was related to independent Professional Services providers, as embedded service organisations had a relative 18% increase in profit year-over-year.

Billable utilisation ratio across maturity levels:



Vast differences between Professional Services sectors

The Industry Maturity Benchmark analyses data across the Professional Services Industry.

However, within the industry, there are distinct sectors with widely varying pricing, cost, competition, and business models, as well as KPIs.

To accurately benchmark your company against the Maturity Benchmark, it is important to be aware of the differences between sectors. Especially pay attention to the bottom line, which can vary from 11.4% to 20.6%.

	IT consultants	PS within software companies	Management consultants	Architects & engineers
Projects delivered on time	75.0%	73.7%	79.6%	75.9%
Revenue growth	10.0%	8.7%	9.0%	7.5%
Bottom line (EBITDA)	13.1%	20.6%	11.4%	16.1%
Total attrition	6.4%	8.7%	7.3%	4.9%
% billable employees	73.8%	73.3%	72.1%	76.8%
Revenue per project (k)	212€	165€	189€	119€

Want to be a part of the 2025 Industry Benchmark?

In November 2024, 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.

I want to participate in next year's survey





AI's impact beyond 2023

In 2023, AI continued to revolutionise the Professional Services Industry. AI-driven tools such as Github Copilot helped developers reduce the time spent writing or refactoring code, write better documentation, and reduce human error. AI also played a significant role in content creation and code troubleshooting.

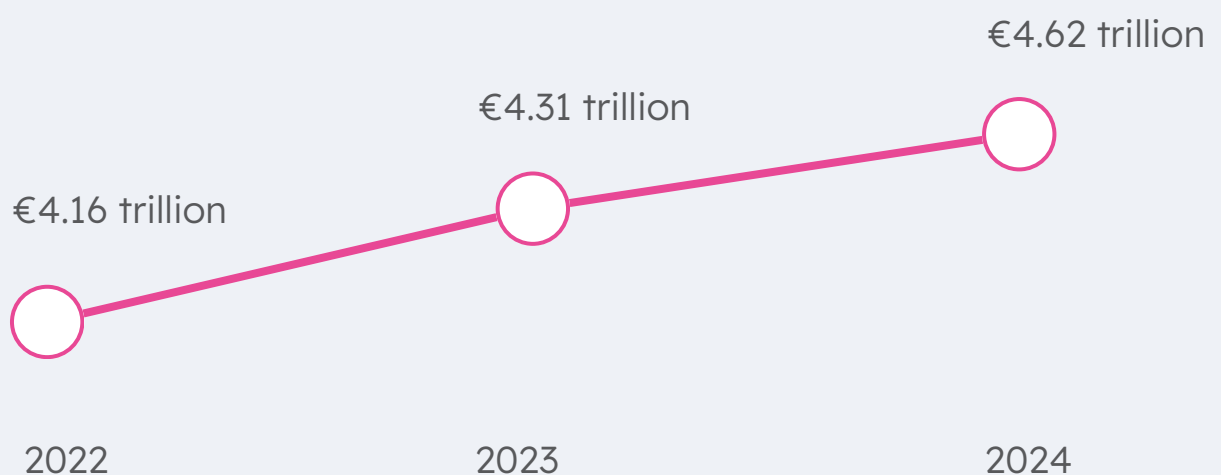
The future of AI in the industry is promising. AI is expected to continue to transform the way Professional Services Organisations operate, helping them to optimise business processes, create happy employees, and positively impact business, the planet, and people. AI is also expected to play a significant role in the growth of the consulting industry, particularly in the areas of bio-diversity and sustainability.

As AI continues to evolve, organisations need to embrace it as a change of habits in their everyday life and see it as the future. By incorporating AI into their operations, organisations can increase work satisfaction, foster collaboration, and improve the quality and efficiency of their work.

The Rise of PSA Solutions in Professional Services Organisations

In the ever-evolving landscape of Professional Services, organisations are making substantial investments in Professional Services Automation (PSA) solutions. These powerful tools serve as the backbone for streamlining internal workflows, enhancing operational efficiency, and optimising resource allocation.

- Global IT Spending: Gartner predicts global IT spending will reach €4.6 trillion in 2024, up from €4.3 trillion in 2023.
- IT Services Leading: Despite GenAI and change fatigue, IT services will become the largest segment, surpassing communications services.
- GenAI's Impact Uncertain: GenAI has the potential to revolutionise content creation, products, and services, but its impact on IT spending remains uncertain.
- Change Fatigue: CIOs' change fatigue slowed IT spending growth, but momentum will regain in 2024.

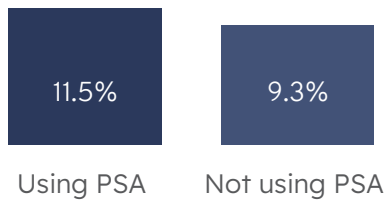


Source: Gartner 2023

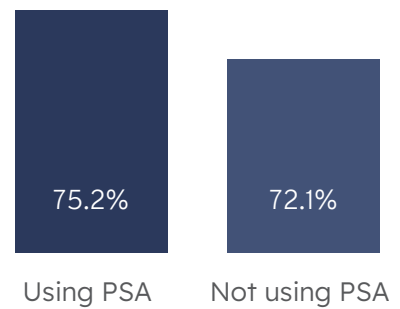
Using Professional Services Automation improves KPIs

The 2024 Industry Benchmark shows that businesses that use a PSA system produce higher, more predictable revenue and utilise their consultants' time better.

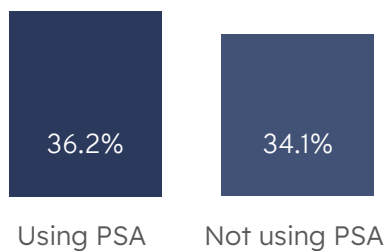
+23% YoY change in PS revenue



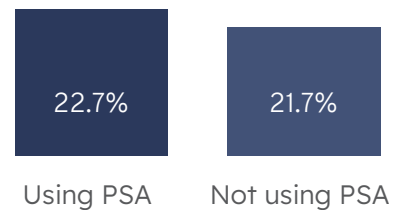
+4% billable utilisation



+6% project margin

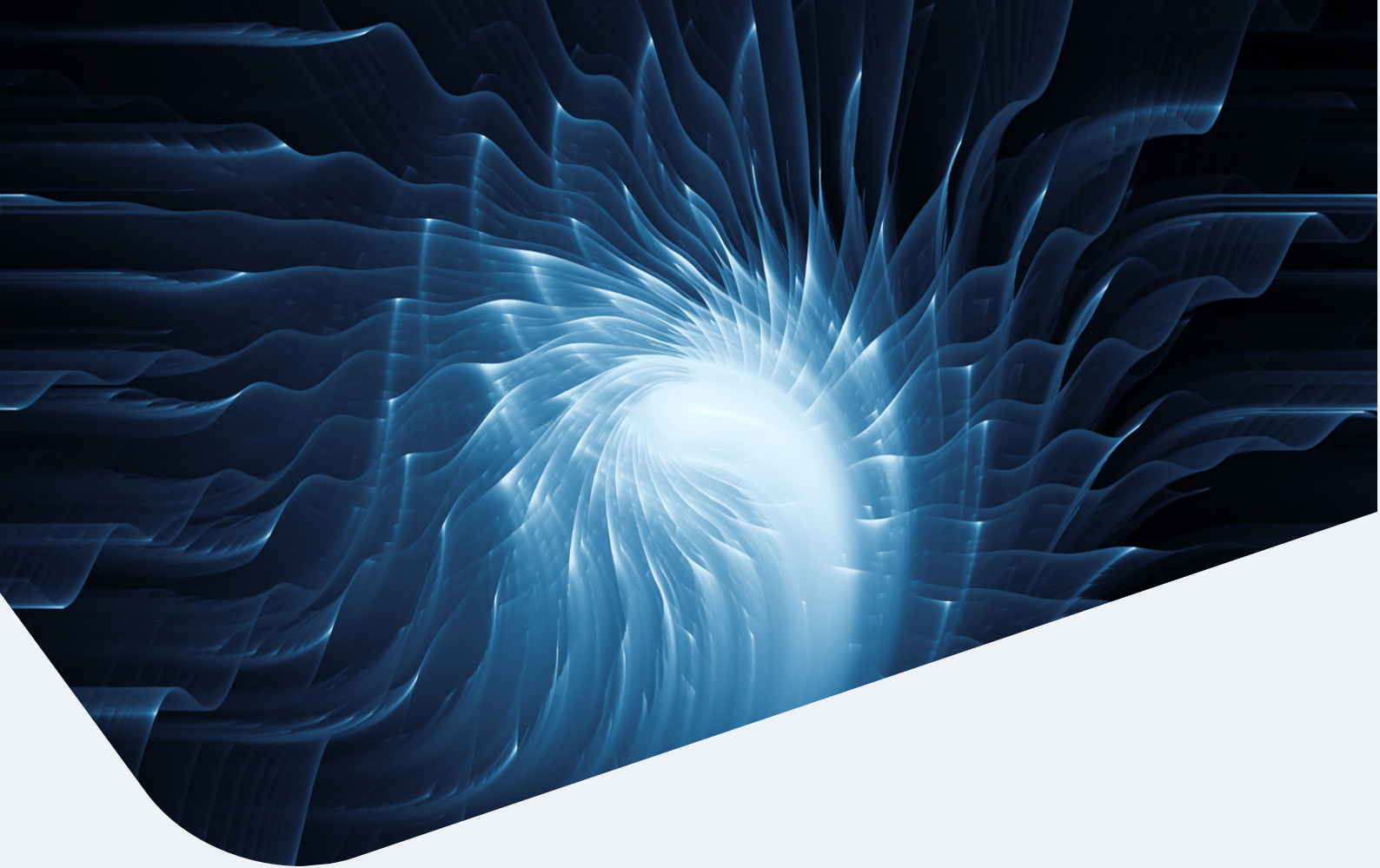


+7% profit (EBITDA%)



[Download the full benchmark now](#)





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.

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

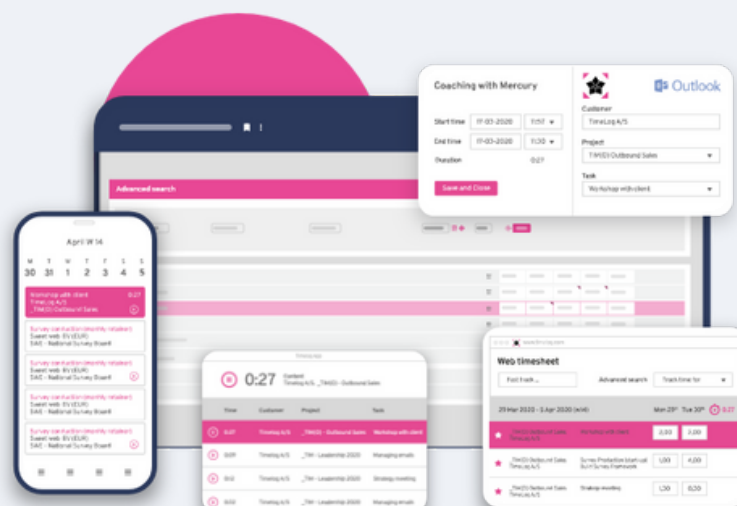
TimeLog PSA is built for Professional Services Organisations that want an easy-to-use solution to support and automate essential business processes.

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



Try TimeLog today