The Digital Transformation Imperative

A Research Report for Professional Services Firms

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A Research Report for Professional Services Firms

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What Is Digital Transformation?

By applying advanced digital technologies, today's firms are able to create new—or vastly improved—business process, cultural, and customer experiences to meet changing business and market requirements. This reimagining of business for the digital age is **digital transformation**.

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Introduction

Welcome to the New Digital Age

In this study, we surveyed business decision-makers at professional services firms to understand their experiences with digital transformation. The results we uncovered were truly eye-opening.

Professional services firms that underwent digital transformation have seen tremendous improvements in key business performance indicators such as operational efficiency, client satisfaction, and annual revenue. Digital transformation has also helped firms automate processes, enhance their client experience, and outperform the competition. But not all digital transformations are created equal—there are important strategies that can improve a firm's chances of success.

Although nearly all digital transformations have proven to be highly beneficial, the professional services are falling behind other industries when it comes to digital maturity and the rate at which they undergo digital transformation. The impact of COVID-19, including firms' shift to remote operations, has opened many firm leaders' eyes to the importance of modern digital infrastructure.

Many business executives may wonder if they should invest in digital transformation: "Does my company have the budget, resources, and staff expertise to pull it off? Will my company actually benefit from such an expensive investment? And what is the best strategy to approach a digital transformation?" This research report offers insights into these important questions—and equips your management team with the knowledge and confidence to make today's critical digital transformation decisions.

73%
of professional services firms have low digital maturity.
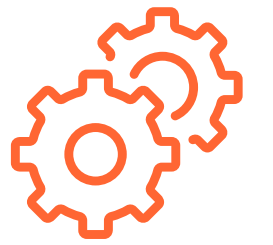
76%
Increased operational efficiencies as a result of digital transformation.

64%
Increased annual revenue as a result of digital transformation.

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About the Research

SAMPLE:

136

business executives and decision makers participated in this report.

Participants must have **worked in one of six core professional services industries** (see top chart).

Participants **had to hold a decision-marker role** (see bottom chart).

Which of the following describes the industry of your company/firm?

- Technology/Software 13%
- Accounting 12%
- Legal 5%
- Consulting 42%
- AEC 16%
- Marketing 13%
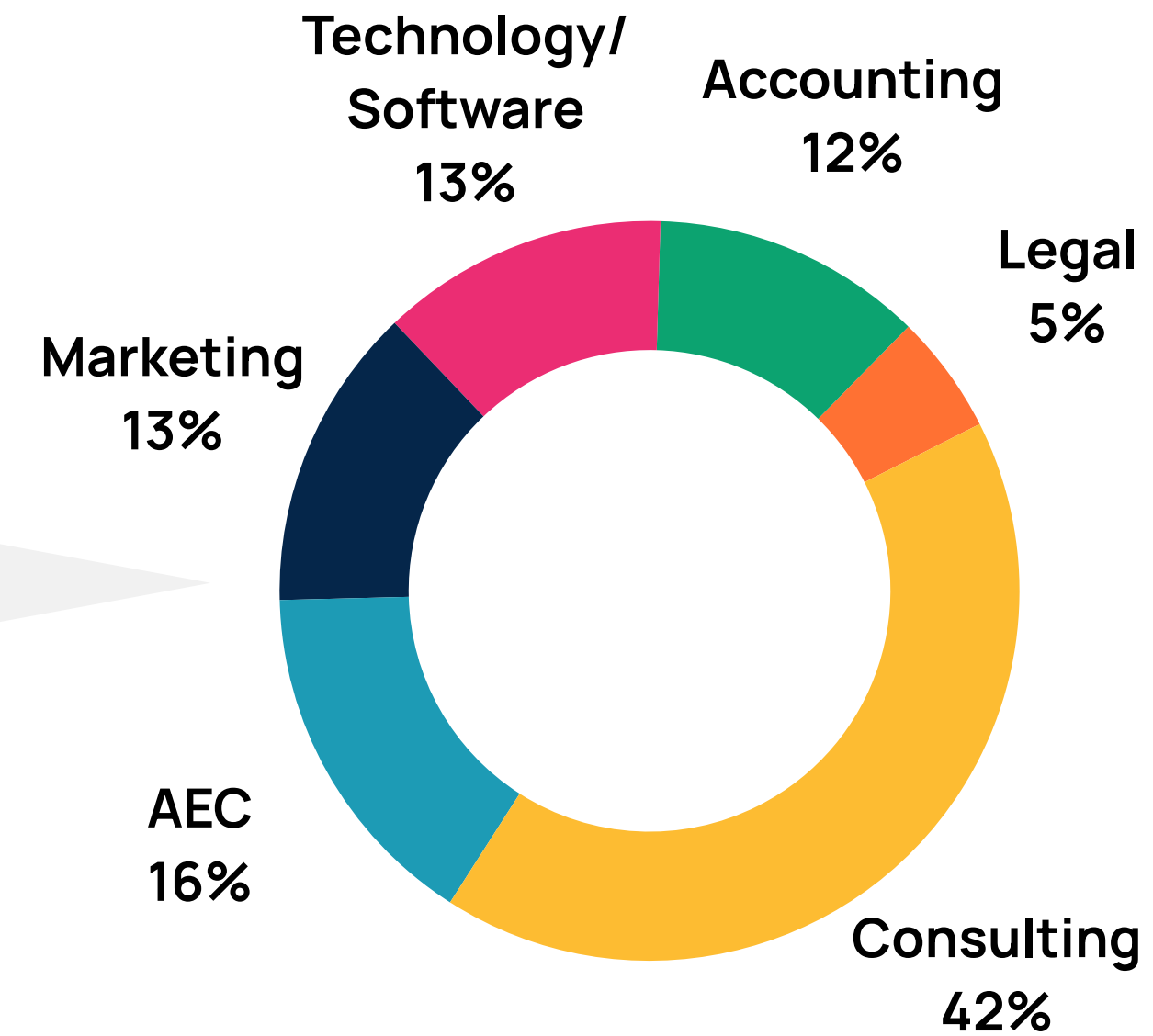
Which of the following describes your position at your company/firm?

Position	Percentage
Chief Executive Officer	29.2%
CMO/VP of Marketing	26.1%
Director/VP/Manager of Digital Products	18.3%
Chief Product/Technology Officer	9.2%
Consultant	8.2%
Owner/Founder	7.0%
Director/VP/Manager of E-Commerce	4.0%

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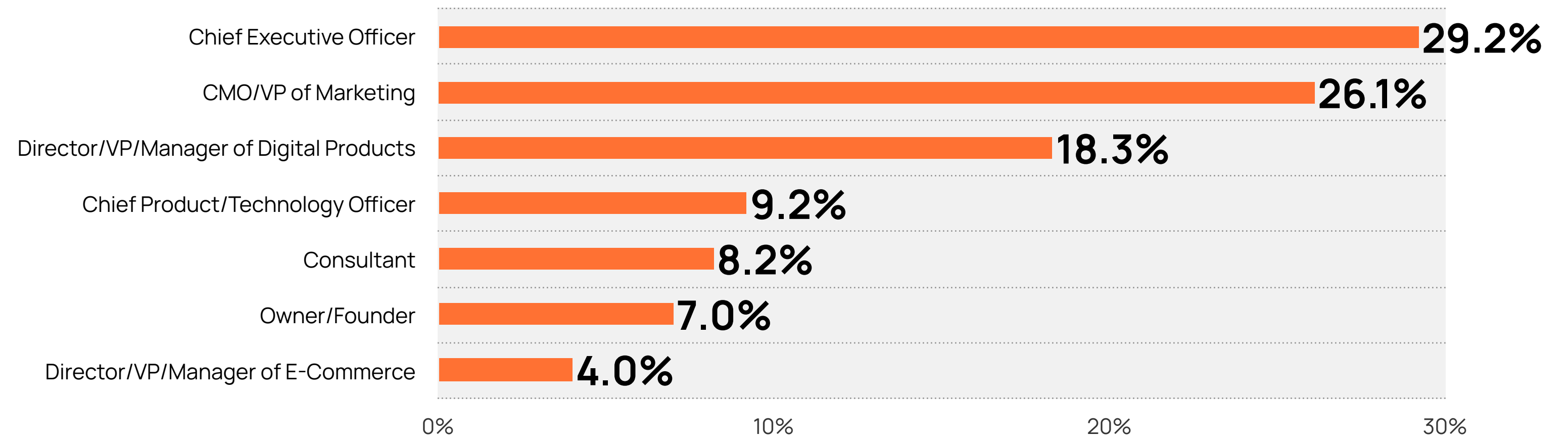
Digital Maturity in Professional Services

Introducing the Digital Maturity Scale

Using the Digital Maturity Scale:

At the beginning of our research, participants were asked to self identify the level of digital maturity at their firm. Maturity levels were either averaged by industry or respondents were segmented into the following maturity categories:

Low Digital Maturity: Levels 1 & 2

Mid-level Digital Maturity: Level 3
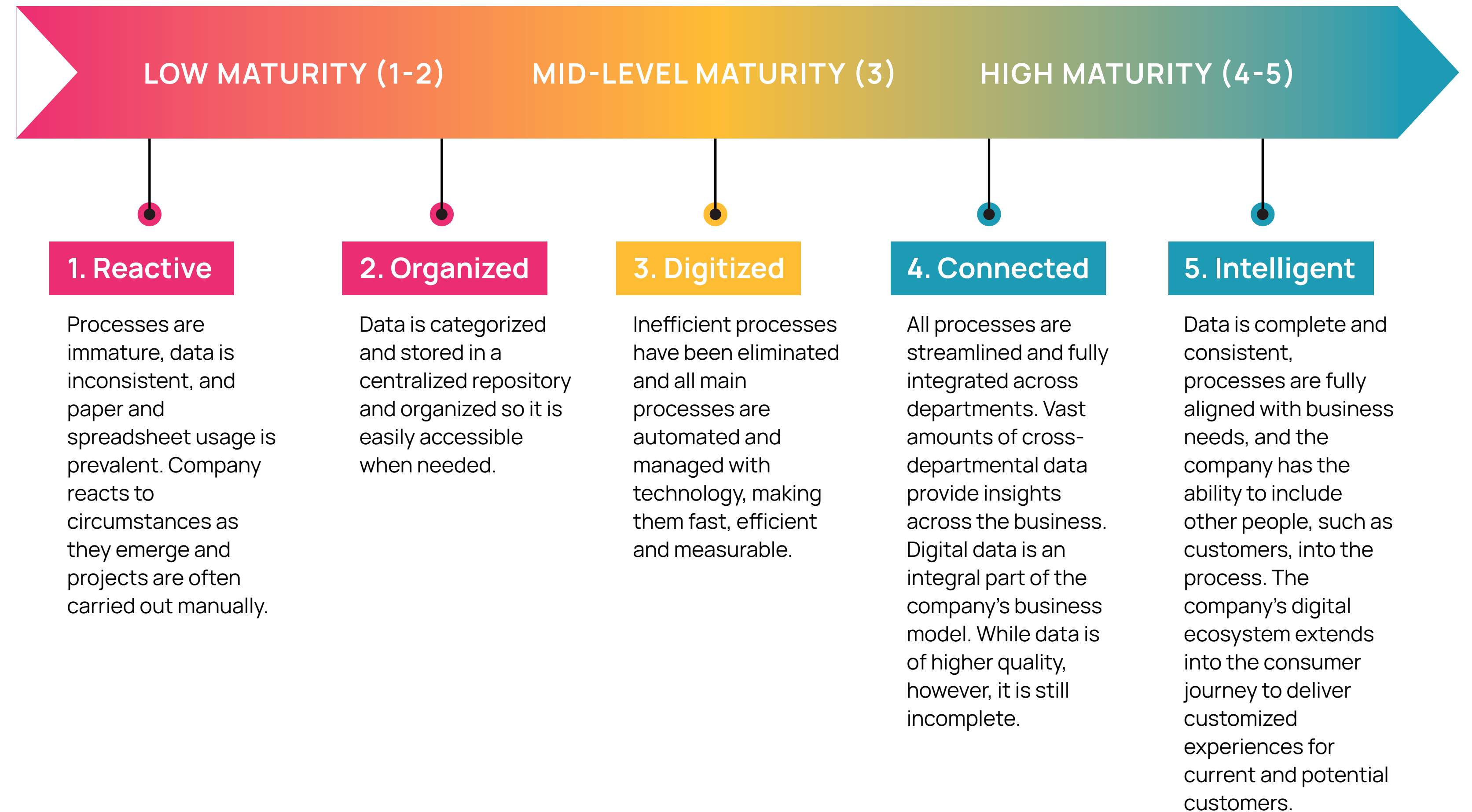
High Digital Maturity: Levels 4 & 5

Digital Maturity Scale

LOW MATURITY (1-2) **MID-LEVEL MATURITY (3)** **HIGH MATURITY (4-5)**

1. Reactive

Processes are immature, data is inconsistent, and paper and spreadsheet usage is prevalent. Company reacts to circumstances as they emerge and projects are often carried out manually.

2. Organized

Data is categorized and stored in a centralized repository and organized so it is easily accessible when needed.

3. Digitized

Inefficient processes have been eliminated and all main processes are automated and managed with technology, making them fast, efficient and measurable.

4. Connected

All processes are streamlined and fully integrated across departments. Vast amounts of cross-departmental data provide insights across the business. Digital data is an integral part of the company's business model. While data is of higher quality, however, it is still incomplete.

5. Intelligent

Data is complete and consistent, processes are fully aligned with business needs, and the company has the ability to include other people, such as customers, into the process. The company's digital ecosystem extends into the consumer journey to deliver customized experiences for current and potential customers.
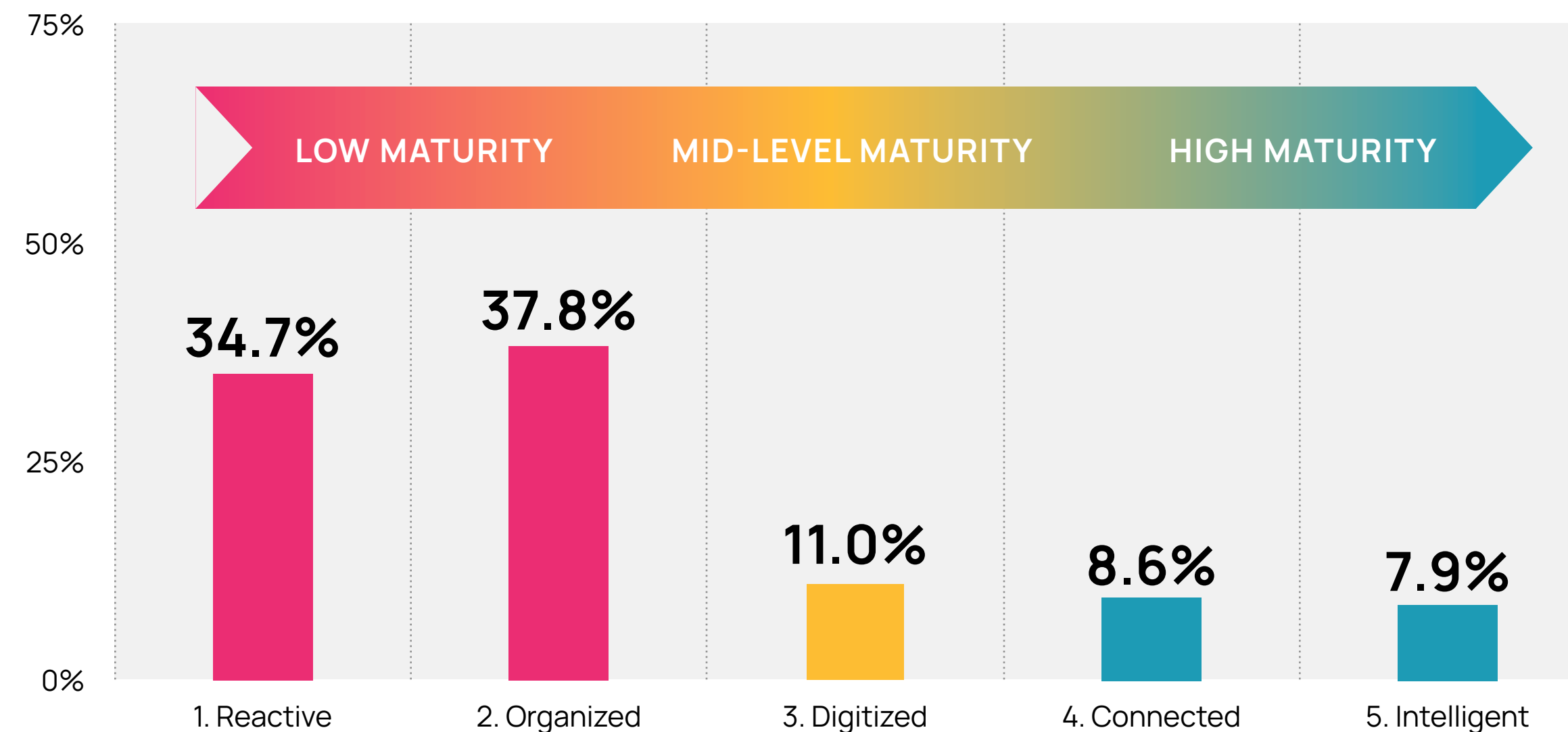
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3 out of 4 Professional Services Firms Score Low on the Digital Maturity Scale

> Digital maturity is low within the Professional Services sector, with more than 70% of firms rating their Digital Maturity a level 1 or 2.

> Firms with low maturity struggle with efficiency, inconsistent and disorganized data, and manual processes.

> Fewer than 1 in 5 professional services firms in this study rated their digital maturity a 4 or 5 (high).

> Professional services firms' digital capabilities lag many consumer-facing companies, where digital maturity levels typically are much higher.

PUT THE DATA TO WORK:

Digital maturity is now more important than ever, as the pandemic has increased the importance of digital capabilities and services. Firms that don't prioritize their digital capabilities are less able to adapt to a changing marketplace, risk falling behind more tech-savvy competitors, or may find their business model outmoded and irrelevant. To avoid these traps, take a hard look at what processes you can automate and how you can make better use of your customer data—then lay out a plan to achieve level 4 or 5 maturity over the next few years.
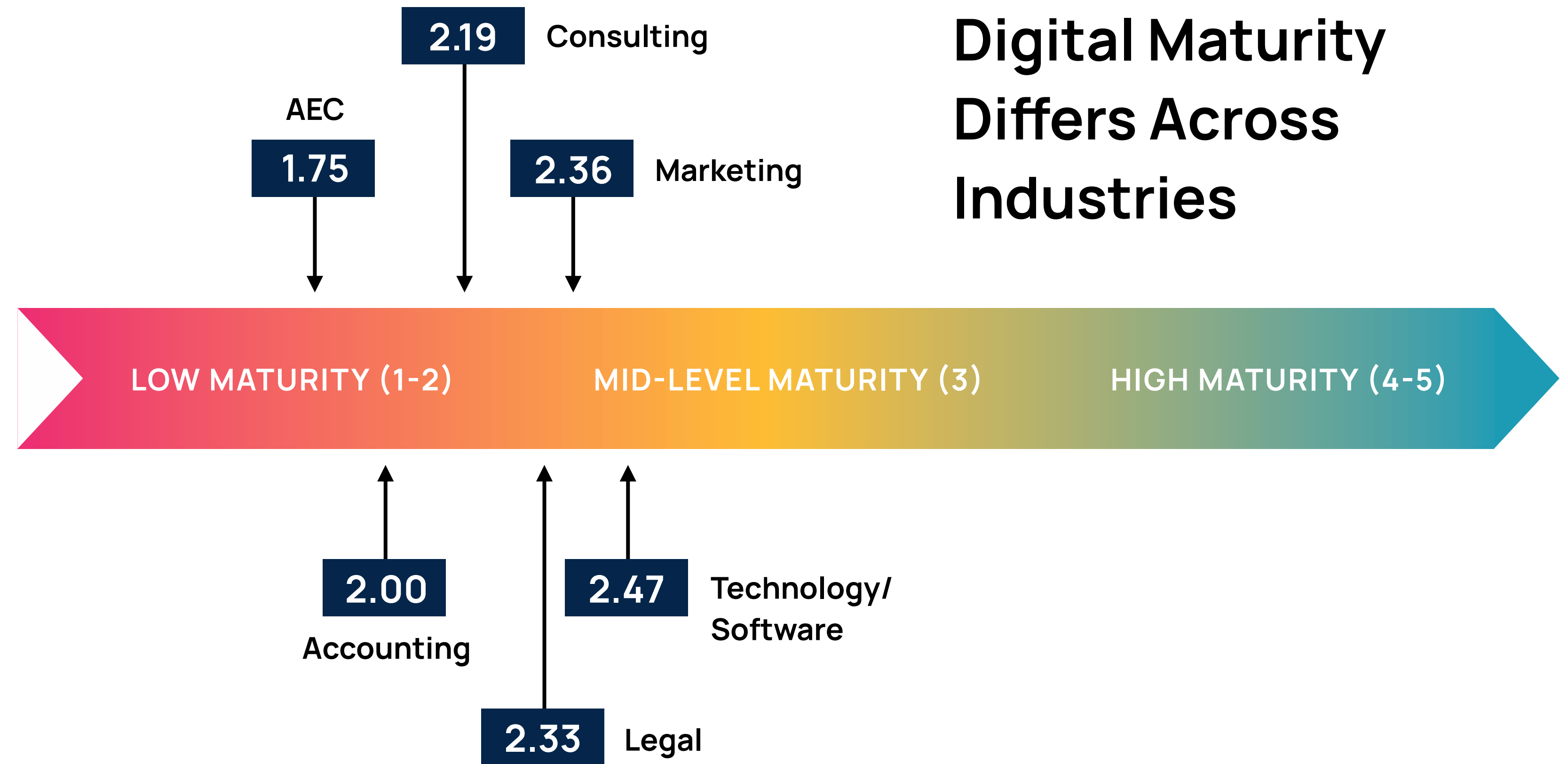
Which of the following best describes your company/firm's current level of Digital Maturity?

| LOW MATURITY | MID-LEVEL MATURITY | HIGH MATURITY |

1. Reactive	2. Organized	3. Digitized	4. Connected	5. Intelligent
34.7%	37.8%	11.0%	8.6%	7.9%

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Every Professional Services Industry Struggles with Digital Maturity, but AEC Lags the Most

> As a whole, the professional services sector struggles with digital maturity, but some industries struggle more than others.

> The technology/software industry leads the professional services in digital maturity.

> The AEC industry lags all professional services industries with an average digital maturity level of 1.75. Many of AEC firms use outmoded processes and lack automated workflows.

Digital Maturity Differs Across Industries

2.19 Consulting

AEC
1.75

2.36 Marketing

| LOW MATURITY (1-2) | MID-LEVEL MATURITY (3) | HIGH MATURITY (4-5) |

2.00
Accounting

2.47 Technology/ Software

2.33 Legal

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State of Digital Transformation in the Professional Services Sector

Improving Client Experience and Operational Efficiency are Firms' Top Digital Transformation Goals

> The most common goal firms want to achieve through Digital Transformation is improving their customer/client experience. Today, in-person customer or client interactions are less common. So it is important to understand how a firm's digital platforms can be used to deliver an exceptional customer experience.

> Many firms undertake digital transformation to improve efficiency. Many of these firms struggle with costly, time-consuming manual tasks—processes that can often be automated.

What are firms ultimately attempting to achieve with their Digital Transformation?

#1
Improve customer/ client experience

#2
Improve operations/ efficiency

#3
Automate/streamline processes

#4
Increase sales/ revenue

PUT THE DATA TO WORK:

Since the onset of the pandemic, most client interactions take place online. Today, more than ever, it's important to have innovative technologies that can set your client experience apart. Consider creating automated dashboards, trackers, or reporting platforms that can keep your clients informed and engaged outside of personal interactions.

" IN THEIR OWN WORDS:

"Enhance the customer experience and free up limited human resources from repetitive, boring tasks. Do these tasks more quickly, consistently, and accurately."

"Become more automated, lower costs, and use technology to improve our customers' experience."
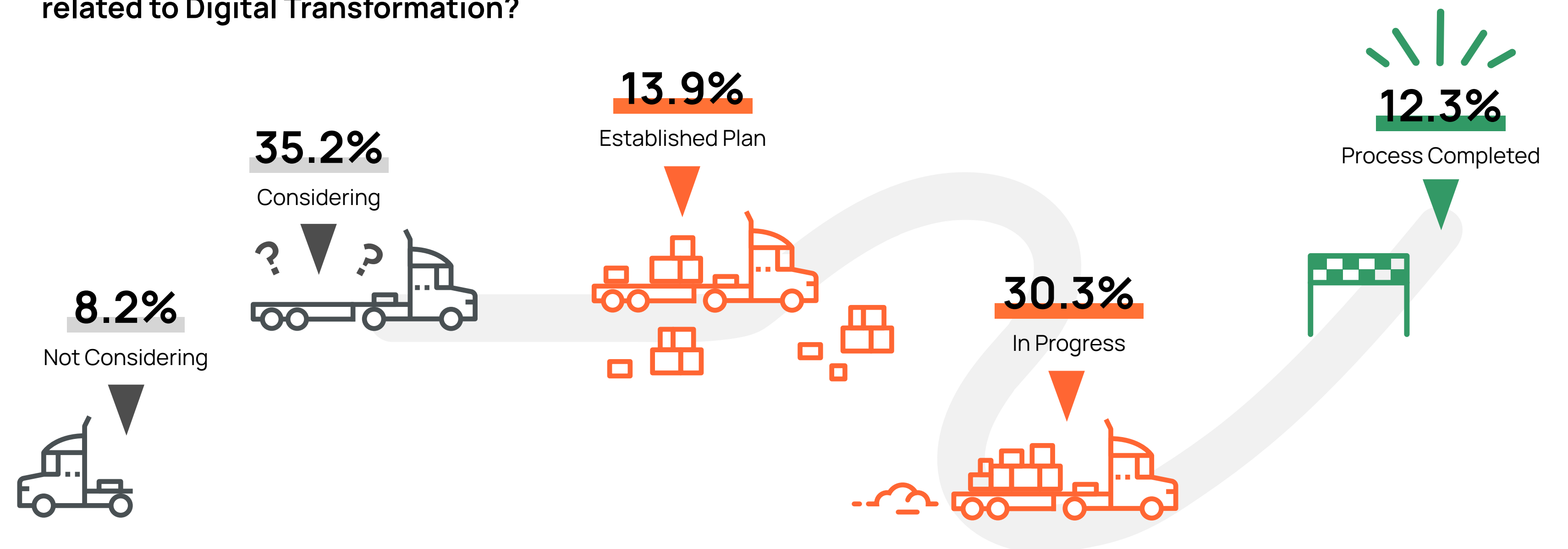
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Only 12% of Firms Have Completed a Digital Transformation

> Over a third of the firms in this report are considering a transformation but have not yet started. Only 12.3% have completed a transformation.

Which of the following most accurately describes your company/firm's status related to Digital Transformation?

8.2%
Not Considering

35.2%
Considering

13.9%
Established Plan

30.3%
In Progress

12.3%
Process Completed

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Marketing Is the Industry Furthest Along in Digital Transformation, While AEC Is Last

> Over 70% of marketing firms have either completed a digital transformation or have a plan in place. This level of activity was the highest of all industries in the study

> AEC firms trail all other professional services industries when it comes to digital transformation.

> Not surprisingly, the industries with the lowest digital maturity often have invested the least in digital transformation.

Digital Transformation Status - Industry Comparison

	Marketing	Legal	Technology/Software	Consulting	Accounting	AEC
Completed Transformation	28.6%	16.7%	13.3%	11.5%	7.7%	5.3%
Established Plan/In Progress	42.9%	33.0%	53.3%	46.2%	61.5%	26.3%
No Transformation	28.6%	50.0%	33.3%	42.0%	30.8%	68.4%

Legend:
- ■ No Transformation
- ■ Established Plan/In Progress
- ■ Completed Transformation

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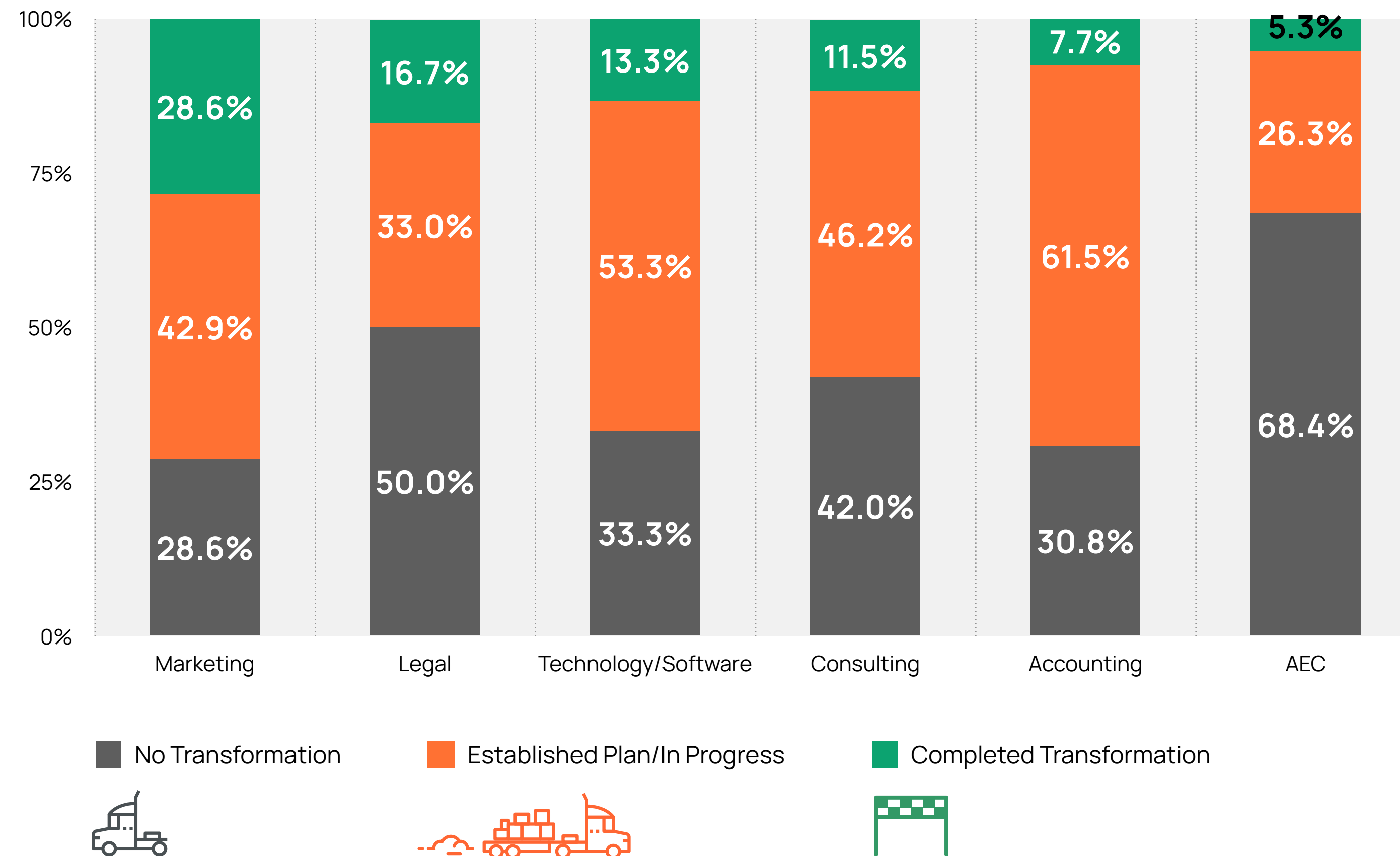
What Are the Benefits of Digital Transformation?

Digital Transformation Improves Key Business Metrics

Operational Efficiency

- Increased* — **76.4%**
- No Impact — **21.4%**
- Decreased** — **4.2%**

(0% — 50% — 100%)

Client Satisfaction

- Increased* — **70.2%**
- No Impact — **38.0%**
- Decreased** — **0.0%**

(0% — 50% — 100%)

Awareness

- Increased* — **68.6%**
- No Impact — **31.4%**
- Decreased** — **0.0%**

(0% — 50% — 100%)

> - The positive impact of digital transformation is undeniable. Firms that invested in digital transformation saw substantial increases across key performance indicators.
> - Operational efficiency was most likely to increase as a result of digital transformation, as over three-quarters of firms experienced an increase
> - A large majority of firms also saw increases in other critical performance metrics such as client satisfaction and awareness.

PUT THE DATA TO WORK:

The vast majority of firms that undergo digital transformation achieve powerful results. As you plan for your transformation, consider all facets of your business that will be impacted.

*Increased (somewhat/substantially)
**Decreased (somewhat/substantially)

IN THEIR OWN WORDS:

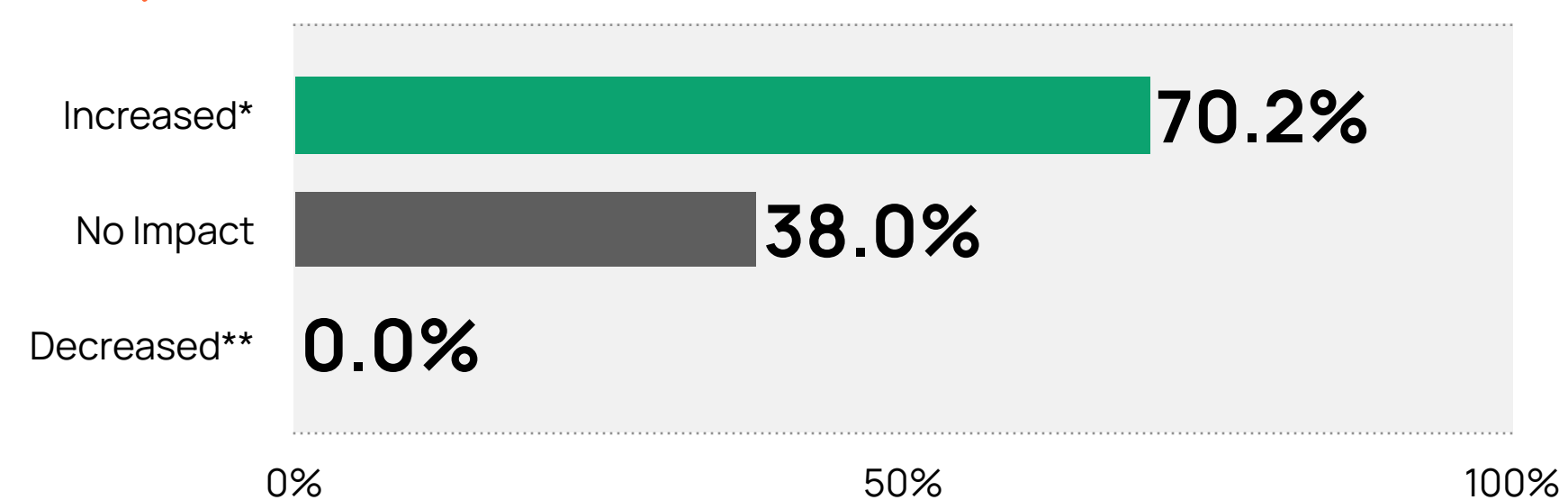"It's much smoother now to acquire customers and execute on projects."

"It has improved our brand awareness and online leads, but we are still in the early stages of automation and need to improve reporting and ROI."
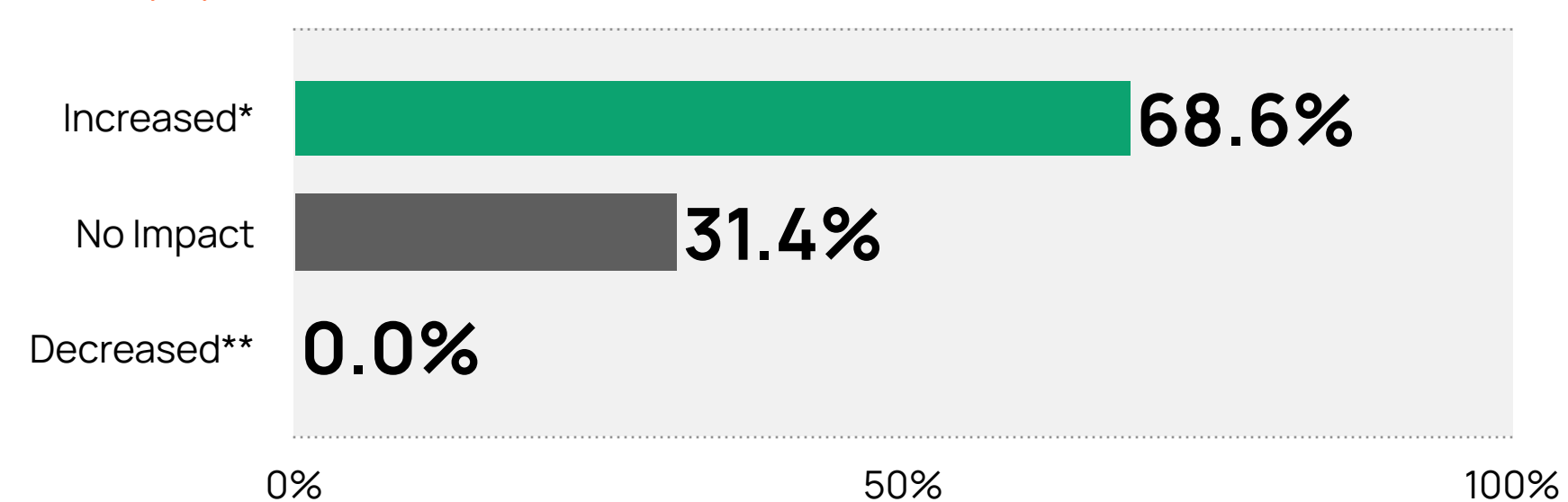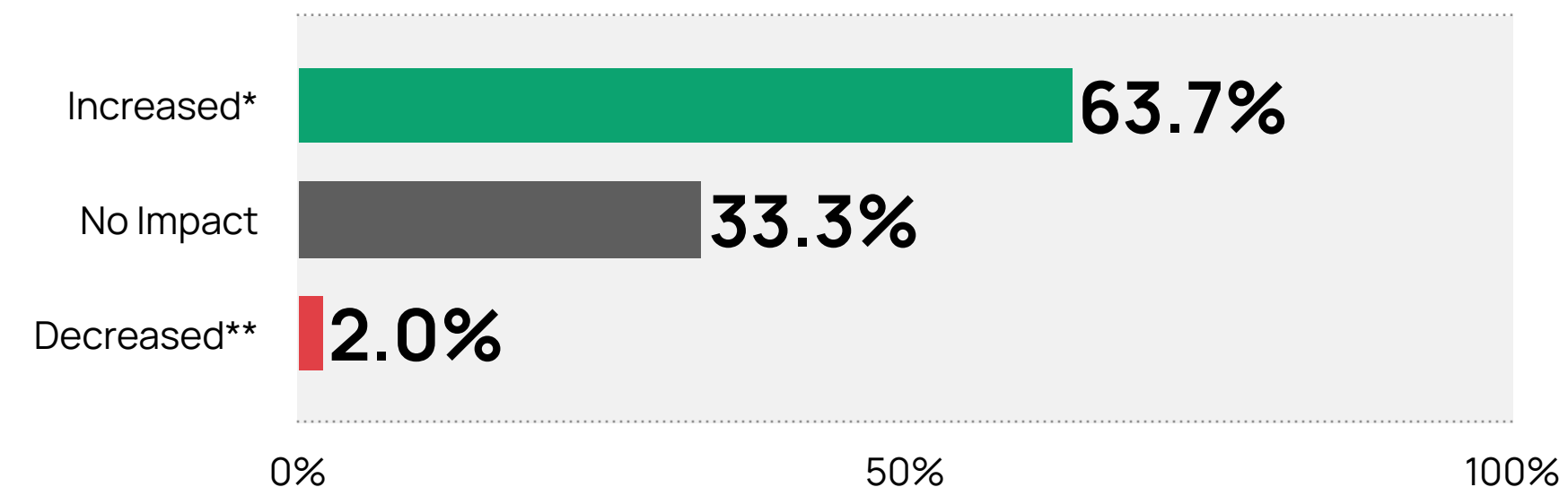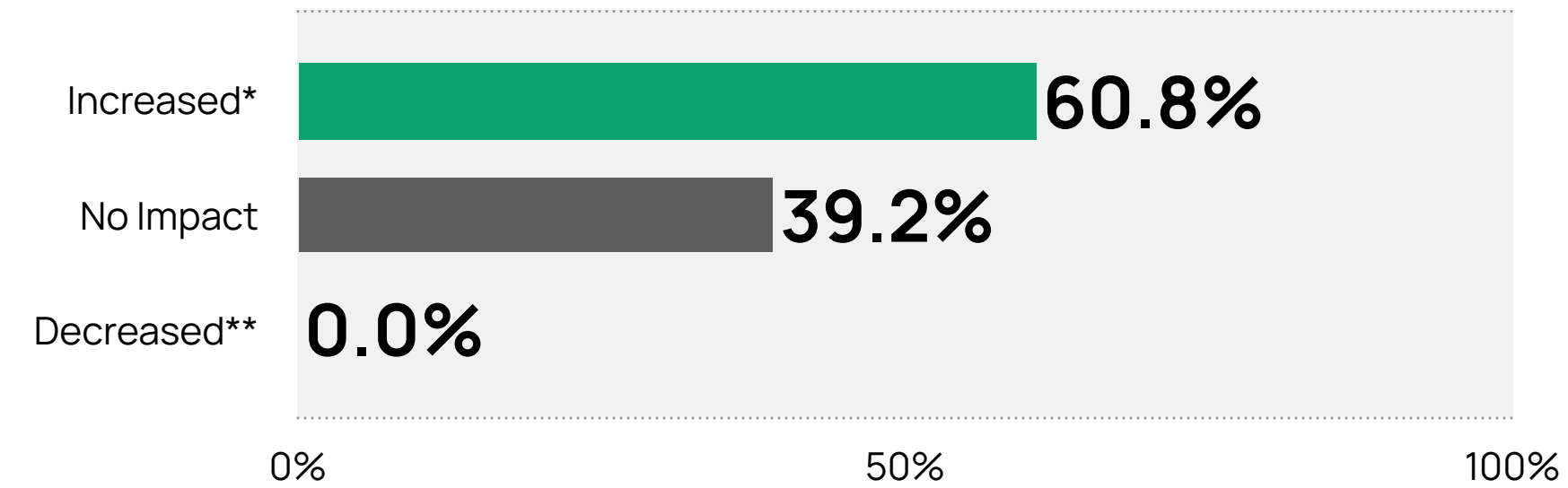
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Digital Transformation Also Improves Top and Bottom-Line Financial Results

Annual Revenue

Increased*	**63.7%**
No Impact	**33.3%**
Decreased**	**2.0%**

0%   50%   100%

Profitability

Increased*	**60.8%**
No Impact	**39.2%**
Decreased**	**0.0%**

0%   50%   100%

> The financial impact of digital transformation is clearly evident, as over 60% of firms experience growth in revenue and profitability.

PUT THE DATA TO WORK:

Many firms shy away from the upfront costs but it's important to understand that the financial benefits of a transformation are likely to greatly exceed the upfront costs.

*Increased (somewhat/substantially)
**Decreased (somewhat/substantially)

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The Digital Transformation Experts

Partnering with our legal, financial, A/E/C, and technology clients in the adoption and implementation of complex digital journeys.

You imagine it. We exist to build it.

Learn more now
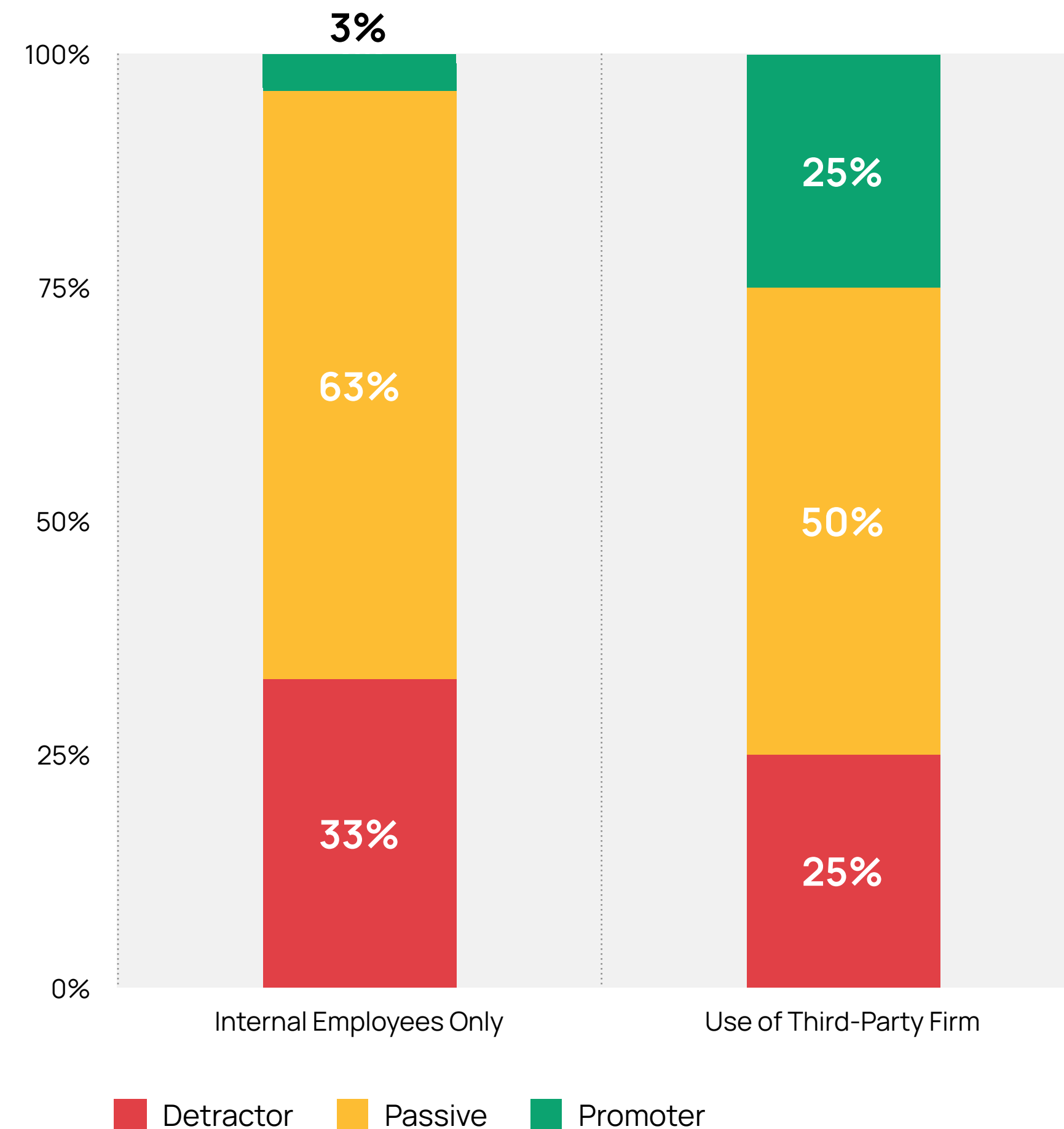
IDEATION ♦ RESEARCH ♦ DESIGN ♦ ENGINEERING

What Drives the Success of Digital Transformation?

Using a Third-Party Consultant Dramatically Increases the Chances of a Successful Digital Transformation

How would you rate the overall success or failure of your Digital Transformation? (0-10)

- Detractor
- Passive
- Promoter

> Firms that used a third-party consultant were substantially more likely to have successful digital transformations than firms that handled transformations internally.
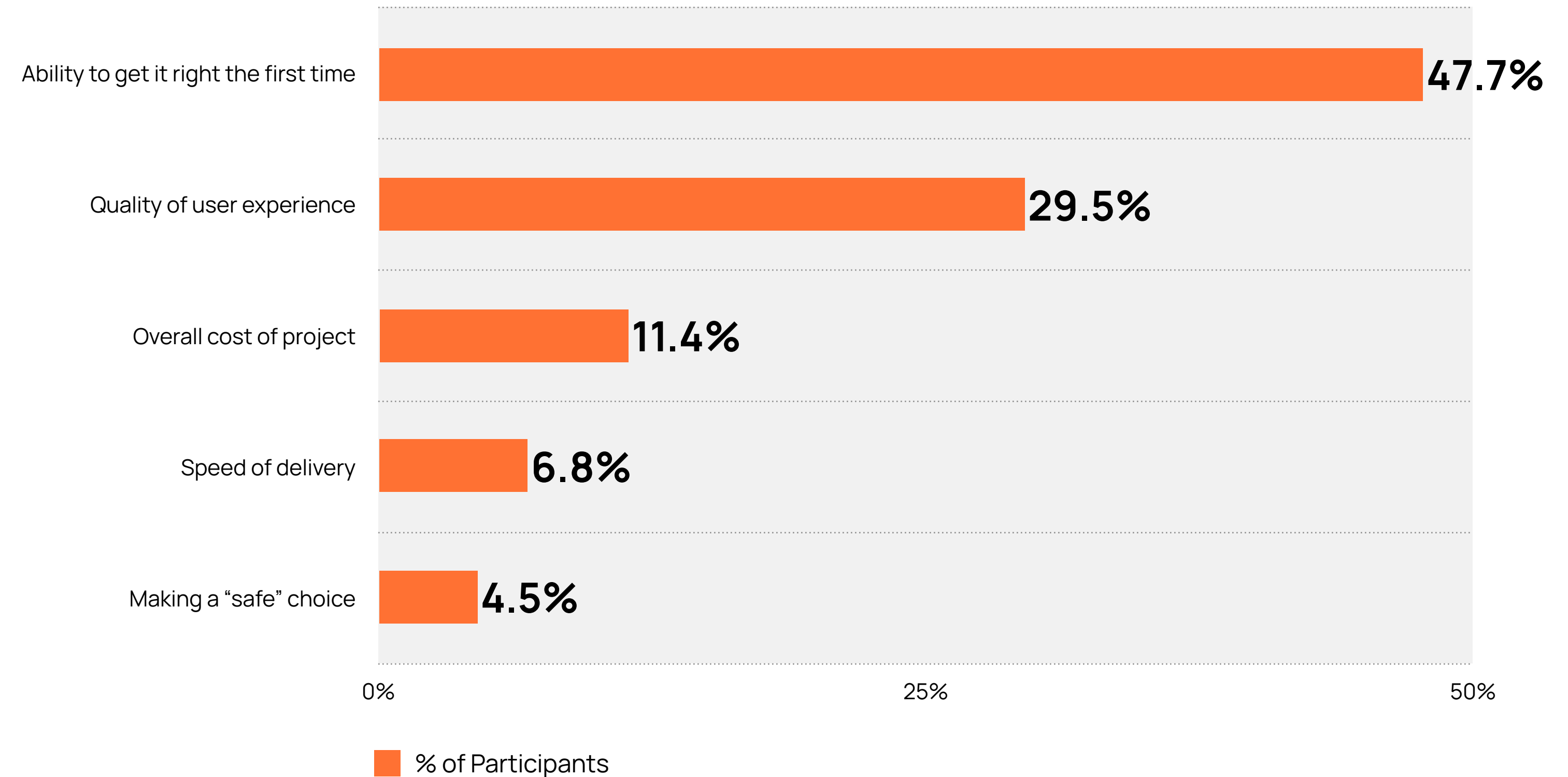
PUT THE DATA TO WORK:

When considering a transformation, it's important to weigh the costs of assembling an internal team against hiring a third-party consultant. Does your firm have adequate staff on-hand? Will additional training be required, or will you need to spend time and money trying to hire new people? Third-party vendors do come at a price, but they have a higher rate of success and may save you from hiring new staff, fixing a flawed implementation, or wasting your investment entirely.

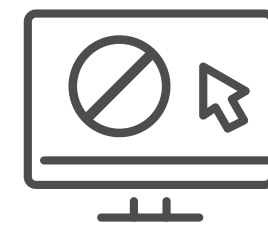# "Getting it Right the First Time" Is the Quality Most Firms Want in a Digital Transformation Partner

> It's evident that a third party vendor should not be treated as a commodity. Looking for specific expertise and having a third party vendor demonstrate their abilities is more important than just going with the seemingly "safe choice".

> Overall project cost, and speed of delivery, were much less important to respondents, further demonstrating that not all vendors are created equal. Getting it right the first time and quality of user experience are far more important when selecting a vendor

Given what you know today, if you were selecting a third party digital transformation partner, what is the single most important criteria?

Criteria	%
Ability to get it right the first time	47.7%
Quality of user experience	29.5%
Overall cost of project	11.4%
Speed of delivery	6.8%
Making a "safe" choice	4.5%

0%   25%   50%
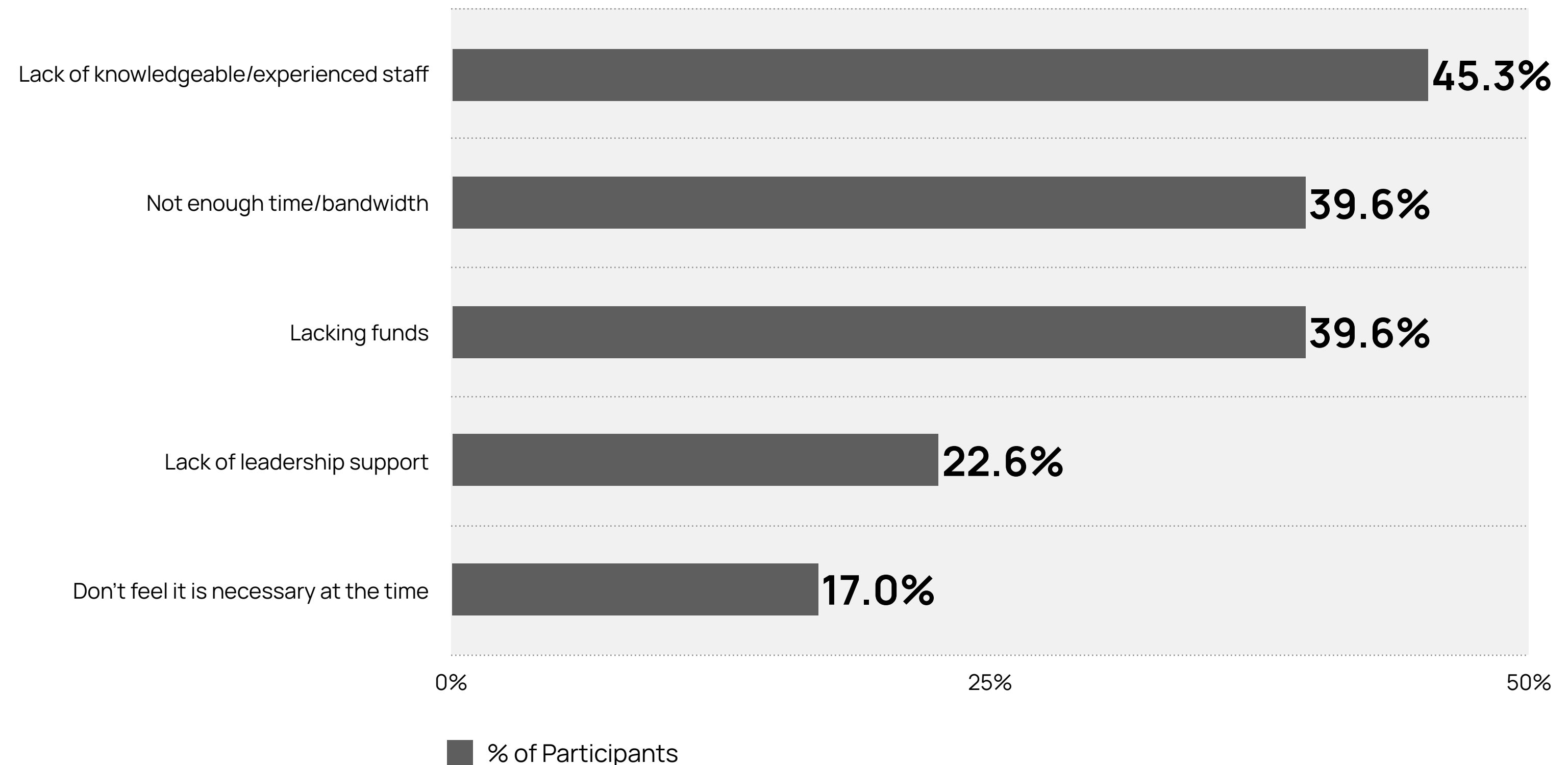
■ % of Participants

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Lack of Knowledgeable Staff, Time, and Funds Are the Top Obstacles to Undergoing a Digital Transformation

> Over 80% of firms understand that a Digital Transformation is necessary, but there are several factors that are keeping them from moving forward.

> Nearly half of firms that have not conducted or started the process of Digital Transformation cite lack of knowledgeable/ experienced staff as a significant obstacle.

> Time and money can also be barriers to moving forward with Digital Transformation.

What is preventing firms from going through a Digital Transformation?

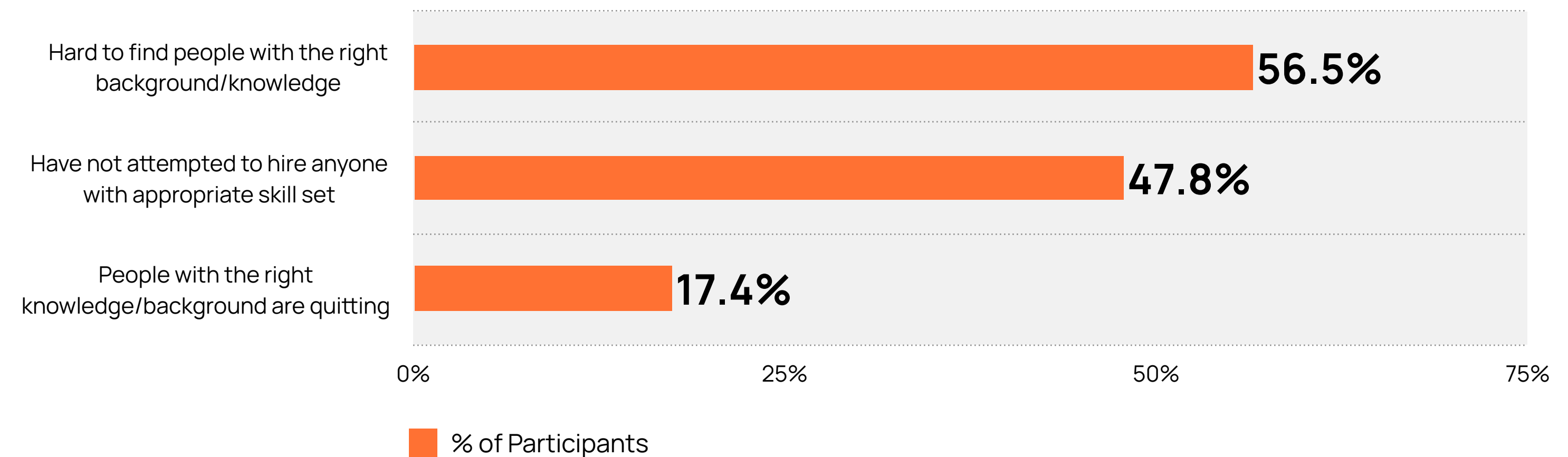| Category	% of Participants
Lack of knowledgeable/experienced staff	45.3%
Not enough time/bandwidth	39.6%
Lacking funds	39.6%
Lack of leadership support	22.6%
Don't feel it is necessary at the time	17.0%

■ % of Participants

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Of Firms Lacking Experienced Staff, a Majority Cited Difficulty Finding Skilled People

> Of the firms lacking experienced staff for digital transformation, a majority (56.5%) mention struggling to find staff with the right background, while nearly 50% have not attempted to hire someone with a Digital Transformation skill set.

Which of the following is contributing to the lack of knowledgeable/ experienced staff at your company/firm?

Hard to find people with the right background/knowledge — **56.5%**

Have not attempted to hire anyone with appropriate skill set — **47.8%**

People with the right knowledge/background are quitting — **17.4%**

0%   25%   50%   75%

■ % of Participants

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Ideation and Back-end Integration Are the Skills Cited Most Often as Necessary for a Successful Digital Transformation

What type of skills/experiences are necessary for your staff to conduct a digital transformation?

Skill	%
Ideation	63.6%
Back-end integration and services	59.1%
Infrastructure integration	54.5%
Architecture design	54.5%
Ongoing support	50.0%
Digital product build	50.0%
Proof-of-concept creation	45.5%
Performance testing/ audit/enhancement	36.4%
Coding	36.4%
UX/UI design	31.8%
User testing	27.3%

■ % of Participants
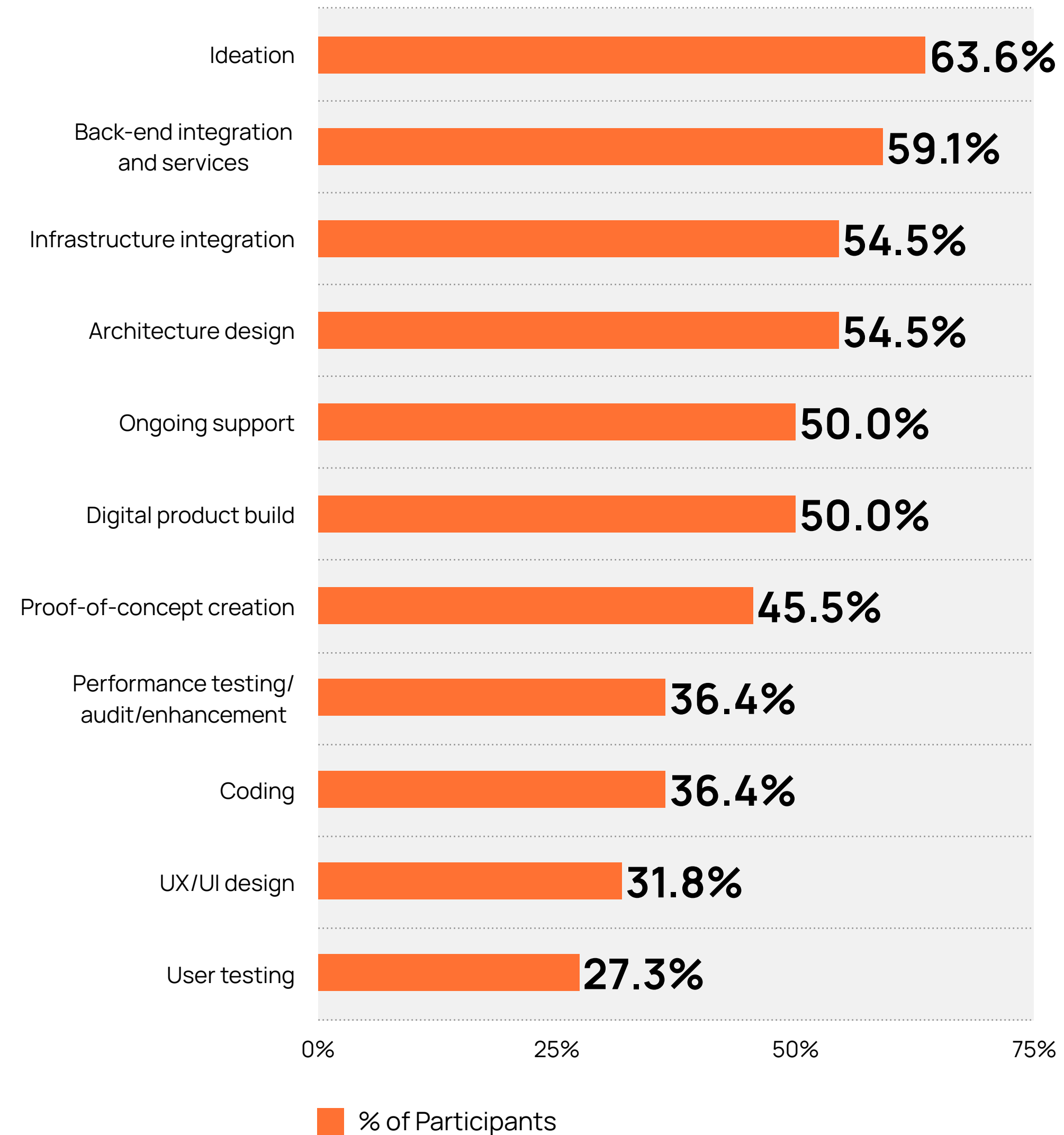
> As we established earlier, many firms lack the in-house expertise to implement a digital transformation. This chart shows which skillsets firms believe they need to deliver a successful implementation.

> Ideation, back-end integration, and infrastructure integration, are the top digital transformation skills that firms are lacking.

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Conclusion

Conclusion

If you take away just one lesson from this report, let it be this: **digital transformation can be extremely beneficial to your firm.** Firms that invest in modern digital tools, platforms and processes are usually more efficient, grow faster, and are more profitable than before.

Today's Opportunity, Tomorrow's Necessity

And for a brief window of time, at least, many firms have an opportunity to build a significant competitive advantage over their competitors. That's because most professional services firms are still hesitant to take the plunge. Compared to consumer-facing industries, the professional services have been slow to adopt modern automation and client service technologies. Firms that have made the investment, however, have experienced significant gains in productivity and financial performance.

But we don't expect this window to stay open for long. Within the next few years, these digital advances are likely to become essential to a firm's survival. COVID-19 has accelerated the move to digital, and almost half of all firms studied are planning to take the next step to true digital transformation. Once that happens, firms that aren't on the digital transformation train will fall further and further behind.

Give Clients What They Want

Of course, competition is only part of the equation. Client expectations are also rapidly changing. Today, they demand faster feedback, automated dashboards, real-time updates, and more. If you can't keep up, you can bet your competition will be happy to meet their expectations.

Doing Digital Transformation Right

Executing a digital transformation is easier said than done. According to the research, nearly half of firms who have not gone forward with a transformation blame lack of experienced staff, time, money, or leadership. One effective strategy to overcome these barriers is to hire an experienced consultancy to guide or implement the transformation. In fact, firms that use a consultant are 8 times more likely to have a highly successful outcome than those that don't.

Undergoing a digital transformation can be a daunting task, but it's important to understand the potential it can bring to your business. The benefits are tremendous—and the eventual penalties for avoiding it will be dear. The sooner your firm invests in digital transformation, the sooner you can get a leg up on your competition—and perhaps become an industry leader.

Make the Most of Your **Digital Transformation**

It takes more than a successful digital transformation to raise your firm to a higher level of performance. You need a modern digital marketing program to attract and convert new prospects—and accelerate your growth. Hinge's Visible Firm Program delivers the leading-edge strategy, marketing tools and skills you need to command the marketplace.

Key Benefits:

> Dramatically increase your firm's visibility

> Generate a dependable stream of new, high-quality leads

> Become thought leaders in your industry

> Position your firm for higher growth and profitability

Ready to elevate your firm's trajectory? Reach out today and request a free consultation.

Request a Free Consultation

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About Hinge

About Hinge

Hinge is the leading research-based branding and marketing firm for professional services.

Our ongoing research into over 30,000 professional services firms and buyers of their services is changing the way firms go to market.

Hinge is made up of three divisions:

Hinge Marketing, our consulting arm, helps businesses build gorgeous visual brands, deliver powerful marketing programs, and achieve exceptional growth.

Hinge Research Institute, our research arm, studies the professional services industry and equips organizations that want to reach and engage this audience with compelling research-based content.

Hinge University, our online learning platform, teaches high-growth, high-visibility strategies and techniques to marketers, business developers, and professionals across the globe.

www.hingemarketing.com

About the Hinge Research Institute

The Hinge Research Institute, a division of Hinge, has a two-part mission:

1. To study high-growth professional services firms and their clients. We collect data and analyze marketplace trends to discover why some firms grow much faster than average and reap greater profits. We share this knowledge so that every professional services firm can prosper.

2. To help organizations engage their professional services audience. We do this in a variety of ways, such as:

> **Creating custom research:** Commission a piece of research once and repurpose it many times in blogs, webinars, articles, social media posts, and more.

> **Licensing existing research:** License our existing research in the form of studies, books, and guides—at a fraction of the price of custom research.

> **Co-brand a webinar:** Co-present a webinar with one of our research analysts and reach Hinge's database of over 60,000 professionals. Get engagement like never before.

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For more information about the Hinge Research Institute, please contact:

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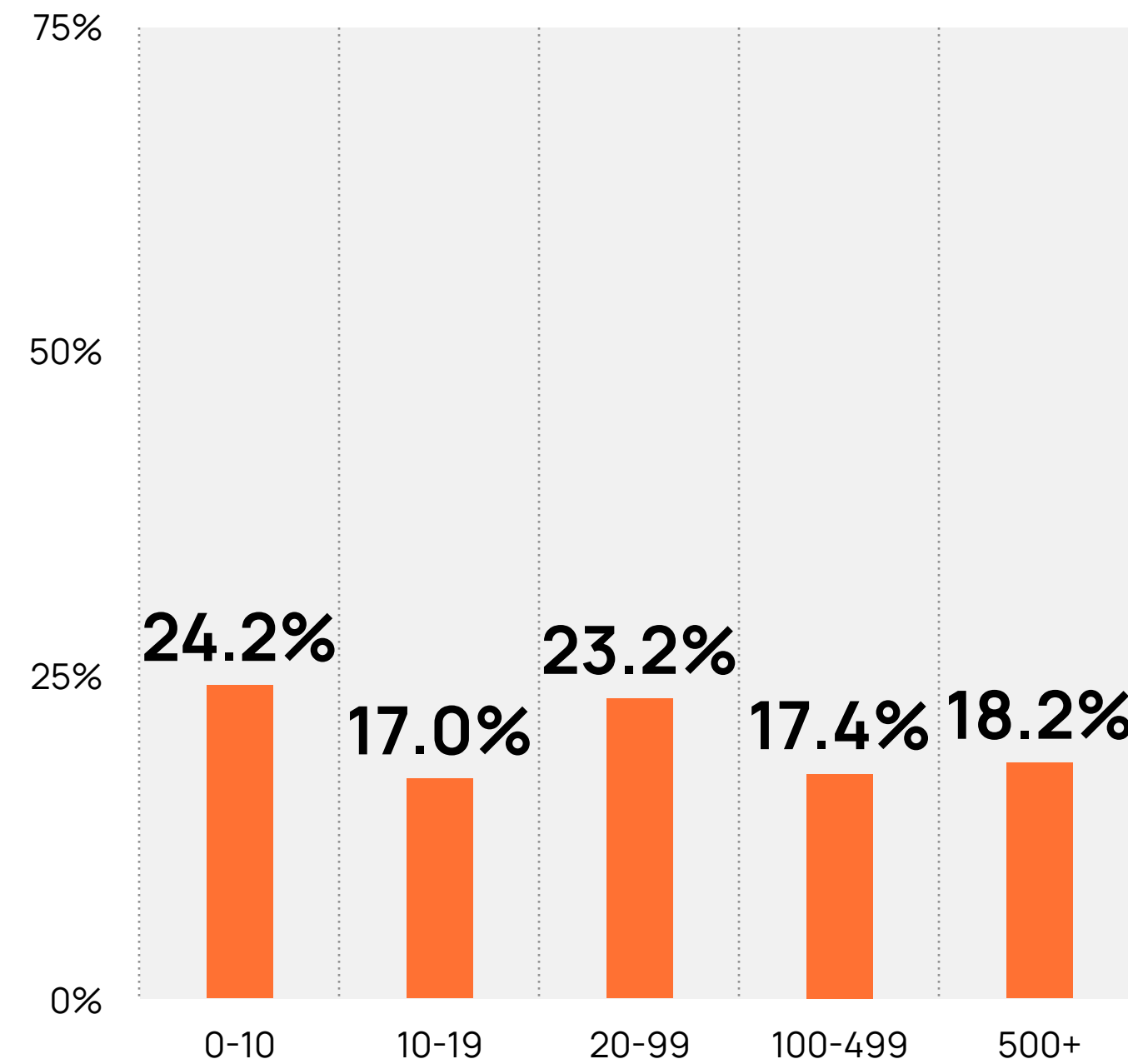kwaffle@hingemarketing.com
703-391-8870

Methodology

Methodology

This study was conducted via a 10- to 15-minute online survey consisting of both select choice and open-ended questions. Participants were asked different questions based on their status related to digital transformation. Those who did not meet the sample requirement were excluded from the research.

How many full-time employees work at your company/firm?

Range	Percentage
0-10	24.2%
10-19	17.0%
20-99	23.2%
100-499	17.4%
500+	18.2%

In which regions does your company conduct business?

Region	Percentage
North America	55.6%
EMEA (Europe, the Middle East & Africa)	43.5%
APAC (Asia-Pacific)	20.0%
Latin America	5.2%

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