The Digital Professional Services Industry
Unlocking New Business Value with Intelligent Technology
“In today’s digital economy, there is immense pressure on professional services firms to do more for less. Firms are facing new price pressures and a wide variety of competitive threats that didn’t previously exist. New entrants into the marketplace have changed the way firms deliver services, forcing them to adopt new approaches or face the reality of stagnant or declining revenue growth. Digitalization is forcing professional services firms to rethink their business models and focus on how to drive revenue growth without corresponding growth in their employee base, or in other words, drive nonlinear growth and disrupt the industry as we know it.”

Jonathan Rhodes
Global Vice President
Professional Services Business Solutions
SAP SE
Professional Services Firms Face New Challenges and Opportunities Amid Digital Disruption

Leading professional services firms use market dynamics to create and capture new business opportunities and enable their strategic objective of nonlinear revenue growth.

Outcome-based business models
From time- and materials-based engagements to outcome or performance-based billing

The simple “time-and-materials” business model that has proved highly profitable for professional services organizations in the past is being replaced by outcome-based models. Clients are increasingly focused on the business outcome of an engagement, rather than the effort involved, and are negotiating prices and relationships accordingly.

Knowledge as a service
From individual people-based engagements to repeatable digital and IP-based services

Professional services firms are realizing that they have valuable expertise and content that can benefit their customers beyond the immediate engagement. In the past, intellectual property was only available for customers in formal engagements and was a key point of differentiation. However, the more innovative service firms are unbundling their service lines and monetizing their institutional expertise.

Talent networks
Infinite capacity by sourcing expertise in the open talent economy

Digitalization of talent has made new business models possible by being able to identify, classify, and attract talent on an as-needed basis, outside the boundaries of a firm, while effectively integrating them into one team with powerful and virtual learning and collaboration platforms.
With Huge Opportunities and Challenges, It Is Essential to Focus on the Right Strategic Priorities to Drive Digitalization

The regulatory, competitive, natural, and economic playing field creates and constrains the opportunities to drive for efficiency and to capture new growth potential.

The professional services industry is at the precipice of the digital era, and to remain competitive, firms need to transform or run the risk of having their destinies defined for them. Leaders are not sitting still and only “executing harder” to win. They are replacing legacy thinking, and replacing business processes and models to survive. Innovation is central to their strategies.

Innovative professional services firms respond effectively to the encroaching competitors through digital technologies, offering new services that enrich the customer experience.

**Digitalization of customer engagement**

The time-and-materials business model is being replaced by outcome-based models. This creates an opportunity for firms to achieve nonlinear revenue growth based on outcomes or performance. Real-time information, analysis, insights, and simulations now need to be readily available for frontline professionals to encourage a culture that favors agility and responsiveness to achieve desired outcomes.

**Digitalization of services**

Extensive “vaults” of experience and intellectual property are being digitalized, making information easy to find and understand, use instantly, and pay for on a usage or subscription basis. Providing the vault as a stand-alone offering will allow firms to package expertise into more easily consumable offerings beyond the duration of a particular contract, building substantial service lines with minimal employee support.

**Digitalization of talent**

In the professional services industry, often more important than the expertise itself is knowing who has the expertise. This is especially true in environments where information, concepts, and thinking are changing rapidly. In the digital world, new networks are emerging outside the company walls that are capturing talent digitally in a more comprehensive and accurate fashion.

**Digitalization of expertise**

It is increasingly common to find documented expertise in the online world. From blogs, presentations, and YouTube videos, there is an explosion of knowledge in digital form. With the rapid progress in Big Data solutions and structured and unstructured search technologies, customers can instantly find the knowledge that is most relevant to them and easily navigate between related artifacts.

Business optimization and intelligent automation are key priorities for innovative professional services firms to simplify their business and free up resources to invest in transformative programs.

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Our Point of View: To Achieve These Strategic Priorities, Leading Professional Services Firms Are Becoming Intelligent Enterprises

An intelligent enterprise enables employees to focus on higher-value outcomes and invent new business models and revenue streams.

By applying intelligent technologies such as the Internet of Things (IoT), artificial intelligence (AI), machine learning, and advanced analytics, leading professional services firms transform into event-driven businesses. These event-driven businesses automate repetitive tasks, enable employees to focus on higher-value tasks, and allow the invention of new business models and revenue streams by monetizing data-driven capabilities and applying core competencies in new ways.
SAP Enables Professional Services Firms to Become Intelligent Enterprises

SAP helps professional services firms transform into intelligent enterprises through integrated business applications that use intelligent technologies and can be extended on SAP® Cloud Platform. This enables next-generation business processes to deliver breakthrough business value on our customers’ journeys to becoming intelligent enterprises.

Intelligent Suite

The set of applications provides the business capabilities that professional services firms need to run their business. End-to-end business processes span multiple applications, so processes and data must be integrated for automation, a seamless user experience, fast adoption, and ease of operations.

Intelligent Technologies

Several innovative technologies have matured to practical use:

- The IoT makes business applications interact with the physical world.
- Big Data makes large data sets accessible for advanced analytics and intelligence.
- Machine learning and AI automate repetitive processes and learn from human exception handling and decision-making.
- Advanced analytics find data patterns to support decisions and predict the future.
- Blockchain distributes collaborative processes across the entire value network.
- Data intelligence finds new value in data assets for new business models.

Digital Platform

The digital platform, which is powered by SAP HANA®, extends intelligent, end-to-end processes and connects to these data sources:

- Cloud platform that allows customers and partners to extend their intelligent suite to run additional business processes
- Data management to handle and organize data, a key asset of an intelligent enterprise
SAP Leonardo

SAP Leonardo technologies bring the power of intelligent technology to your platform and applications to streamline existing workloads, reveal optimal decisions, maximize revenue and profits, improve customer satisfaction, and capitalize on digitally transformed business models.

In addition, companies can use SAP Leonardo Services, delivered by world-class innovators that combine industry and emerging technology expertise, to help drive innovation and business impact at scale.
SAP Leonardo: Intelligent Technologies Optimize, Extend, and Transform the Business

Intelligent scenarios in professional services firms
SAP Leonardo technical capabilities are embedded in business-core and industry applications to optimize and extend business processes. Companies can also use them together with innovation services to build and assemble next-generation business processes. For professional services firms, we support more than 35 intelligent scenarios to optimize, extend, and transform their business. Below are a few highlighted ones that will be further explained on subsequent pages.

- Optimize existing processes for more efficiency or reliability.
- Extend current business processes beyond efficiency gains to capture new sources of value.
- Transform the company’s value chain or business model to capture new revenue streams.

Examples
- Cash application
- Learning recommender
- Automated travel expense
- Resume matching
- Service ticket intelligence
- Business integrity screening

Examples
- Digital boardroom
- Intelligent onboarding
- Intelligent bid management
- Contingent worker intelligence

Examples
- Intelligent workforce planning
- Digital and IP-based services (such as audit automation)
SAP Leonardo: Applications Optimize Business Processes

Optimizing business processes results in achieving the same business outcome more efficiently and reliably. We begin with scrutinizing current practices: What can be automated using machine learning? How can we make processes aware of the real world by connecting them to the things around them? How do we give people the right analytical tools to make sense of vast amounts of data and to handle exceptions?

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<td>Labor-intensive and error-prone invoice-matching processes</td>
<td>Inability of employees to stay current with skills, resulting in lower resource utilization</td>
<td>Arduous manual effort to capture travel expense, providing high potential for input mistakes</td>
<td>Difficulty in hiring specialized and skilled employees quickly</td>
<td>Labor-intensive and slow resolution of customer service tickets</td>
<td>Difficulty in detecting anomalous transactions – inflexible reaction to changing fraud patterns</td>
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Beyond Technologies uses the SAP Travel Expense Report mobile app to “sense and process” the text of a receipt image captured by the user’s phone. “This greatly streamlines the expense-capture process and allows users to focus on revenue-based activities,” says Michael Filion, consultant for SAP Cloud solutions at Beyond Technologies.

BASF is using machine learning to increase efficiency in its finance organization: 94% of payments now get automatically matched to invoices.

SAP uses Learning Recommendations across its base of more than 85,000 employees to help employees acquire the skills and knowledge they need for their career and professional development.

- Increased productivity
- Reduced error rates
- Higher utilization
- Increased productivity
- Higher employee satisfaction
- Increased productivity
- Reduced recruiter bias
- Increased productivity
- Higher customer satisfaction
- Minimized fraud risk
- Minimized risk of revenue loss
- Reduced loss through fraud

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Beyond Technologies

BASF

SAP
SAP Leonardo: Capabilities and Services Extend Current Processes to Capture New Sources of Value

Extending business processes aims at generating more value and new outcomes. Begin by challenging the status quo: are we doing the right things in managing our people or proposing work for our clients? Innovators use digital technology to extend business processes to create new value. New employees get the information it is anticipated they need to become billable. Clients get proposals that reflect realistic mutual success.

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<td>Getting a single view of key performance indicators across myriad operational systems and technologies is challenging.</td>
<td>Frustrated new hires need easy access to obvious questions without burdening internal help desks.</td>
<td>Time-consuming bid development processes require extensive manual effort, delay client responsiveness, and impact project profitability.</td>
<td>Long lead times and high cost to identify and hire the right contingent worker candidates impact project margin and execution.</td>
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The SAP Analytics Cloud solution and SAP Digital Boardroom allow professional services firms to get a global view of all operations across all areas of the enterprise. Project status and profitability, resource utilization, global cash management, and managing engagement risk are all areas that can be addressed with a single access and set of views. This cloud solution provides real-time data access for analytics, planning, and predictive analysis by leveraging touch screen tracking of key performance indicators.

- Faster availability of data
- Better prediction of risks

The SAP CoPilot Web application and SAP Leonardo Machine Learning capabilities can provide new employees an engaging user experience that accelerates their ramp-up time and helps ensure employee engagement and commitment. By capturing all the commonly asked questions by new hires in a machine learning environment, internal call-center resources can be reduced, and new employees can feel comfortable in using natural language to better understand their roles and assimilate into the firm’s culture.

- Increased employee engagement
- Faster time to bill for new employees

By using SAP Leonardo Machine Learning and SAP HANA and SAP Predictive Analytics software, prior bids can be analyzed to determine characteristics that would be most useful in developing a new project proposal for a client. In addition to historical bid information, the staffing requirements of these previous bids could be used to automatically recommend skills or people who should be considered for delivering on the work, including availability.

- Higher win percentage in sales pursuits
- Improved customer satisfaction by leveraging resources familiar with the client

Contingent worker intelligence is a real-time benchmarking service that supports resource and hiring managers in making contingent worker decisions based on KPIs and simulation scenarios. The service helps them compare the firm’s data points with industry benchmarks and monitor supplier performance, all while maintaining the security and privacy of the data used.

- Lower cost and lead time to hire the right contingent workers
- Increased transparency into industry benchmarks

ABeam Consulting is using SAP Analytics Cloud for deeper business insight that allows it to take immediate action and increase customer satisfaction.

EY leverages chatbots and machine learning with its SAP SuccessFactors® solution to quickly ramp up new hires and provide an engaging first experience in working at EY.

BAM Group is exploring SAP HANA and machine learning to streamline the bid development (tender) process. By leveraging previous bid history, Bam is able to quickly determine successful bid criteria to use in proposal development.
SAP Leonardo: Intelligent Technologies and Innovation Services Transform the Professional Services Value Chain and Business Models

Transforming the business starts with ideas to conquer new markets with current products or delivering new value on your home turf. It often goes along with a renewed view on who is the ultimate customer and what kind of value they really need.

Deloitte
By embracing innovation to productize services, Deloitte is transforming customer engagement. Deloitte reduces time spent reviewing accounting documents by 50% or more by combining machine learning algorithms in addition to supplemental training. This allows users to focus on value-added analysis and interpretation activities.

IBM
IBM’s acquisition of The Weather Company in 2016 demonstrates the importance of digital assets for professional services companies. IBM utilizes weather data so its customers can better respond to consumer demand, business operations, and logistics. Use cases include weather data used for insurance, retail, airlines, and the utilities industry segments.

### Intelligent workforce planning
Capacity constraints and lack of visibility into talent networks limit a professional services firm’s ability to bid work with any confidence that it has the resources available to deliver.

Using the SAP Workforce Management application, firms have the ability to search across talent networks to determine if skilled resources are out there and available. By combining intelligent bid development with SAP Workforce Management, firms can use global talent networks and best practices to increase the chances of winning a bid and to preserve profit margin.

- Increased revenue
- Increased customer satisfaction

### Digital and IP-based services
It is often difficult to grow a firm’s revenue without additional headcount. Firms need the ability to productize their intellectual property to offer “digital services” that their clients can consume while driving nonlinear revenue growth.

Using digital and IP-based services, firms can take advantage of the SAP HANA business data platform to offer productized service offerings to their clients, such as audit automation. Embracing the new intelligent technologies – the IoT, blockchain, machine learning, AI – many professional services firms are extending their offerings into new territories and creating a new breed of services and partnerships. They range from pure intelligent software applications to end-to-end solutions that include devices, assets, sensors, communication networks, and business networks. This enables firms to grow revenue without a corresponding increases in headcount, for nonlinear revenue growth.

- New revenue streams
- Increased profitability
- Improved customer satisfaction
Traditional scenario

Time-intensive manual price-quote process performed individually for each service, with no support for digital services

Lack of a single view of service delivery and forecast margins for combined offerings

No support for usage, subscription or outcome-based business models, such as digital services

Different revenue recognition methods for each component, performed periodically by batch processes

Several invoices for one solution, with no integration of different delivery channels

A new world with SAP

Fast, accurate, consolidated quotes for complex solutions, including digital services offerings

Single view of all related services, providing real-time visibility into revenue and margins and ability to forecast and predict outcomes

Support for usage, subscription, and outcome-based business models, such as digital services

Real-time revenue recognition models from fixed-price to subscription and usage based

Single invoice across all billing types for services, projects, and products

“Configure, price, quote”

Service delivery

Recurring digital services

Revenue recognition

Billing and invoicing

Create

95%

Faster quote-to-order process when quotes are configured by configure-price-quote software

46%

Fewer customer complaints when real-time order, billing, and invoicing are available

Top value drivers

Create

New revenue streams

"Benefits are based on results from early adopters of SAP S/4HANA or are conservative outside-in estimates of the benefits of moving from a traditional ERP system to enhanced SAP S/4HANA with line-of-business and cloud capabilities. As each enterprise is at a different level of maturity, our recommendation is that you work with SAP to determine the value proposition for your enterprise."
Intelligent Bid Development at the Bam Group

Bam Group was able to engage SAP with SAP Design Thinking teams to develop a solution that uses SAP Leonardo Machine Learning to find relevant tenders (previous bids), to optimize the development of new bids, and to generate better and more-accurate proposals to win new engagements.

By using SAP Leonardo in the bid development process, Bam Group will save a great deal of time and allow for the quality of the bid responses to be much higher.
How to Get Started with SAP Leonardo

Whether you’re still exploring new ideas or have defined one idea in detail already, SAP Leonardo brings together world-class innovators, industry and emerging technology expertise, proven use cases, and design thinking methods to help you optimize your business and drive innovation and impact at scale – faster and with less risk.

SAP takes a holistic approach to innovation. Because digital transformation isn’t just about installing the latest technology, we also address the readiness to receive a new idea. From human capital to infrastructure, we bring best business practices across your organization to improve communication, plan for employee training, review technical and regulatory feasibility, and consider other cross-functional needs to drive change and truly scale your innovation.
SAP Is the Innovation Partner for Professional Services Firms

Twenty-year innovation vision
Deliver fully intelligent business solutions and networks that span across company boundaries and promote purpose-driven businesses. These solutions will be the most empathic symbiosis between machine intelligence and human ingenuity.

- Self-running enterprise systems
- Self-organizing business ecosystems
- New markets and business models

Comprehensive industry coverage
SAP enables the comprehensive coverage of the complete professional services value chain. With its clear industry road map, SAP is the solution of choice for the professional services industry.

- More than 12,000 professional services firms in 152 countries are innovating with SAP solutions
- All 4 of the Big Four accounting firms use SAP to run their global business
- All lines of business are supported on a single platform

Proven services offering
Bringing together world-class innovators, industry and emerging technology expertise, proven use cases, and design thinking methods, we help professional services firms develop innovations that deliver impact at scale.

- Use proven methodologies to drive innovation from reimagining customer experiences to enhancing operations
- Fuel your innovation through a managed innovation ecosystem from SAP
- Build your own innovation capability and culture

SAP delivers support for becoming an intelligent enterprise in the professional services industry—providing integrated business applications that use intelligent technologies and can be extended on SAP Cloud Platform to deliver breakthrough business value.

Learn more
- SAP.com for professional services
- SAP Leonardo
- SAP Digital Business Services
- SAP Design Thinking