



PROFESSIONAL SERVICES EBOOK

Transformation and technology in the Professional Services sector

TOSHIBA

The professional services industry

What defines the professional services industry?

The professional services industry in Australia consists of those businesses who provide services, based on advice and expertise, rather than physical products or goods.

The six primary categories of professional services are:

- Engineering consulting services
- Accounting services
- Management consulting services
- Scientific and environmental research services
- Legal services
- Architectural and surveying services

Of these, engineering consulting services and management consulting account for just under half (46.7%) of the sector, with legal and accounting services making up another 30% between them.

The industry as a whole was worth \$173.4bn in 2020, and employed 840,000 people. There are no dominant players, but rather large number (225,000) of businesses which share the market.

The users and buyers of professional services cover a very broad span - from government, to large multinationals, to SMEs, entrepreneurs and private households. Key drivers of growth for the sector are overall business confidence, economic conditions, total business profit, public sector spending, investment in research and development, awareness of the need for environmental sustainability, and private spending in non-residential property.

Professional services is a mature industry in Australia, and is growing slowly. In the five years to 20/21, growth was just 0.3%, and as it emerges from the pandemic, the forecast for the next five years is a modest 2%.



Professional services industry characteristics



As a well-established and mature sector, the services this industry provides are generally very well accepted by its clients. The need for professional accounting or legal advice, for example, is well understood, and these are not services where clients feel they can 'do it themselves'. The maturity of the market means that services are usually delivered in a highly regulated environment, further increasing acceptance of professional services, and driving the industry's healthy average profit margin of 13.1%.

Professional services, as a knowledge-based sector, is reliant on people. The services it delivers rely almost entirely on the expertise of the professionals within its ranks, and it is therefore highly labour intensive compared to other industries.

It is also a very document-rich sector - with advice and expertise being the key offering, professional services companies create, update, share and store very large numbers of documents, within their own organisation and in collaboration with partners and clients.

What are the trends in the professional service market?

According to the 2020 IBIS World report on Professional Services in Australia¹, the trends over the next five years, as Australia moves into a 'COVID-normal' business environment include:

A return of business confidence as economic activity increases

This will fuel a growth in demand for management consulting as businesses seek advice on new projects and restart postponed projects.

Delivery of services via online and mobile platforms

The move away from office-based work will continue for many companies and individuals. This, in conjunction with better internet connectivity and greater acceptance of online communication will lead to greater demand for services that can be delivered remotely.

High levels of public sector spending

The public sector will continue to invest, to stimulate the economic recovery and growth. This will be especially prevalent in infrastructure, as Governments seek the double benefits of creating the physical and technological infrastructure to support Australian economic growth for the decades ahead, along with generating jobs and commercial engagement as we emerge from the pandemic. The Federal Government, according to the IBIS report, is forecast to invest \$110 billion in transport infrastructure over the next ten years, which will drive demand for engineering consulting services.

Increased capital expenditure in research and development

Particularly as medical research into COVID-19 continues, with the aim of preventing further mass outbreaks. This will drive demand for scientific research services. It is also predicted to increase demand for management consulting services - many organisations will want to undertake a thorough review and take advice before embarking on projects that involve a large capital expenditure.

More new companies set up

Positive business conditions will encourage experienced professionals to set up their own enterprises, especially those who have enjoyed the freedom of working from home. Despite an increased overall spend in the market, more enterprises will mean greater competition - making differentiation and efficiency an essential driver of revenue and profit. These new companies will focus on high value offerings where they can provide a unique, or not easily substituted service. They will need to attract and retain very highly skilled staff and this is likely to push up salaries.



Outcomes of the Royal Commission

Offshoring

Some companies, especially in the lower value services, will increasingly offshore their services, to remain competitive. The pandemic has accelerated this trend, as cloud technology and video conferencing have 'made the world smaller' and made it easier to work with overseas resources. Australian enterprises wanting to follow this trend will require highly streamlined workflows and document management.

Expanded services portfolios

Companies in this industry will expand their range of services, offering, for example, analytics and cloud management services to their clients. This is not their traditional area of expertise and they will need reliable partners to get these offerings to the market rapidly.

Globalisation

Established companies will expand their reach to include international clients. This will be driven by the mature nature of the Australian market, with limited opportunities for new, 'greenfield' clients, in conjunction with the high regard in which Australian standards of professionalism are held, and increased comfort levels with remote communications such as video conferencing. Some of these international forays will be in collaboration with existing overseas players, and all will require highly streamlined, processes, workflows and document management if they are to work efficiently and generate the required profits.



The opportunity for digital transformation

If we look at the picture painted by the characteristics of the industry, along with the key trends forecasted for the next five years, we see an interesting opportunity emerge. An opportunity for transformational change in an industry that has been relatively unchanged for some time.

As a mature market, with high levels of acceptance of its services, the Professional Services industry is ripe for the benefits of digital transformation. Digital transformation sees organisations harnessing the power of technology to transform individual services or an entire business operation.

Digital transformation takes two key forms:

1

Replacing manual processes with digital ones, enabling the streamlining of a business and its processes, and making it more efficient.

2

Replacing older, usually in-house technology with newer internet enabled, virtual infrastructure that enables wider access, greater flexibility to scale and more cost-effective financial models.

Mature professional services businesses, with the appetite for transformation and change, are ideally placed to benefit from digital transformation.

Their processes are usually well established and understood; they know their clients well and understand what improvements would add value to the client relationship; they value professional expertise and are open to working with specialist expert partners to implement change and they have highly skilled and knowledgeable experts who can add value to transformation projects.

As new enterprises set up in the industry, they are likely embrace digitisation from their inception.

Established professional services firms, however, need to undergo a transformation to reap the benefits of doing business digitally. Increased competition with more enterprises, many of whom are 'digital natives' will place pressure on the established firms.



Digitising for streamlined efficiency

Digitisation of processes can change the game for professional services organisations, opening up a range of possibilities for business improvement and growth:



Document sharing for anywhere, anytime collaboration.

As we've seen, there's a continued move away from teams being based in the same physical office. With increased globalisation services professionals may not even be in the same country or time zone as their colleagues, clients and partners. Digital documents, filed in the cloud, enable contributors to view and update documents wherever they work, enhancing collaboration and customer service.



Intelligent search and analysis for data-driven decision making.

Professional services organisations have a wealth of information in their documents. Information that could offer valuable insights for business advancement. Without digitisation, that information is locked in, unable to be speedily and efficiently accessed. Once documents are digitised, however, intelligent 'Google-like' search enables massive amounts of data to be rapidly accessed and the information within to be turned into actionable business insights.



Automated workflows for greater productivity.

Automated workflows enable a professional services business to intelligently apply business rules to route digital documents between people and departments. Whether the documents are invoices, customer proposals, reports or internal HR documents, automated workflows streamline the approval and sign-off process, driving efficiency and enabling businesses to scale.

Digitising for streamlined efficiency



Managed document security and retention for legislative compliance.

Businesses within the professional services industry are very tightly regulated, demanding strict adherence to standards for information retention and security. Without digitisation, companies find this time-consuming to manage, and risk not meeting compliance rules. Automating this process means that business compliance rules can be applied without human intervention, reducing time and risk.



Environmental sustainability.

Professional services organisations, and the clients they serve, are actively committing to reducing their environmental footprint and becoming more sustainable. Increasing numbers are measuring the success of their business using a 'triple bottom line' of financial, social and environmental performance. Digitally enabled smart print management, for example, enables businesses to significantly reduce the paper and power used to create and manage documents.

The 'on ramp' to digitisation

As a knowledge-based industry, professional services is very document dependent. Almost every process in the business, relies on information captured from or sent to clients, or shared between colleagues in the form of a document - a report, a file, a form.

So for this industry, the starting point for process automation and streamlining is to digitise their documents.

Currently only 35% of documents are 'born digital'. The remaining 65% have to be converted from paper to digital. This conversion is the 'on-ramp' for digitisation.

The digital on-ramp takes the form of scanning, using a multi-function device (MFD) with scanning management applications.

Steps for digitisation

One of the most important points for a professional services company to understand when creating a digital on-ramp is that there are two kinds of converted digital documents.

A picture

When a paper document goes through a conventional scanning process, a 'picture' of the document is created. This offers only limited benefits of digitisation - electronic filing and sharing. But the actual content of the document cannot be digitally read, meaning that 'picture' documents cannot be used to automate workflows, or for search and analysis.

A digital re-creation

This is where all the content inside the document can be read digitally, just the same as if the document was 'born digital'. These documents are created using an optical character recognition (OCR) scanning process. The MFD 'reads' the document and creates an exact digital copy that can be fully searched and used to route workflows.

OCR capability is therefore clearly an important consideration when creating an on-ramp capability. There are two other considerations for professional services firms creating their on-ramp to digitised documents:

Automated filing

Some OCR-based on-ramp systems can also use the content of the document to intelligently file it, eliminating human intervention and errors, and saving time and money. The professional services firm sets up filing rules and the scanning app simply follows them.

Cloud storage

With the continued move away from offices, and with greater collaboration than ever, many professional services organisations use, or plan to use, cloud storage, such as OneDrive, Dropbox or Google drive. Some scanning solutions have the capability to file directly to cloud storage, so that documents are ready to share with team members based anywhere in the world.



Replacing in-house technology

When a mature industry wants to bring about operational efficiencies, it often does so through technological change. Professional services is a highly labour intensive sector, making operational efficiency an absolute imperative for continued success.

We've also seen that the sector is looking to offer new, technology-based, services to its clients, such as analytics and cloud management solutions. But they need to do this without losing the focus on their core business.

For professional services, there is massive opportunity in rethinking their approach to technology provision. If they switch from seeing it as something they run in-house, themselves, to considering it as a service provided by an expert partner, they can save on capital expenditure reduce their environmental footprint and increase their flexibility and ability to scale. Above all, they will have the agility, infrastructure and skills to offer new, high value offerings.



Technology as a service provides a fully managed, cloud-based virtual infrastructure platform, which expands or contracts with the professional services business' requirements:

- Enables digitisation - a managed service can provide the on-ramp and the automated processes discussed above
- Freeing key people to focus on the core business - delivering services and increasing profitability
- Skills and knowledge - expert technical know-how to supplement in-house skills
- Closer link between cost and profit - pay as you go operational expenditure model
- Faster growth - no 'step change' of upgrading in-house infrastructure
- Delivers the latest technology - without the interruption of installing new hardware
- Provides the collaboration and sharing capability that is now essential to the industry
- Environmentally sustainable technologies - document and print management
- Visibility - usage reporting and analysis
- Empowers new services - with a reliable, up to date, cost effective infrastructure, firms can develop new client offerings

The professional services industry is at the point in its lifecycle where it has the opportunity to benefit massively from digital transformation.

As a knowledge based industry, with a high volume of documents, it has scope to streamline for efficiency.

Greater competition in the sector is driving a need for differentiation with new services and streamlining of processes to increase profits.

Collaboration is increasing - much of it across different locations, some of it global. This drives the need for efficient ways to share and manage documents and processes.

Companies want to generate new, high value offerings, which requires streamlined, efficient processes and the latest, cloud-based technology. They will need to work with reliable, expert technology partners to get these new offerings to market ahead of the competition.

As we move forward out of the pandemic, and the professional services industry recovers, it is an exciting time for this sector. It is ideally positioned to take advantage of the benefits of digital transformation to drive innovation, growth and profit.



References

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