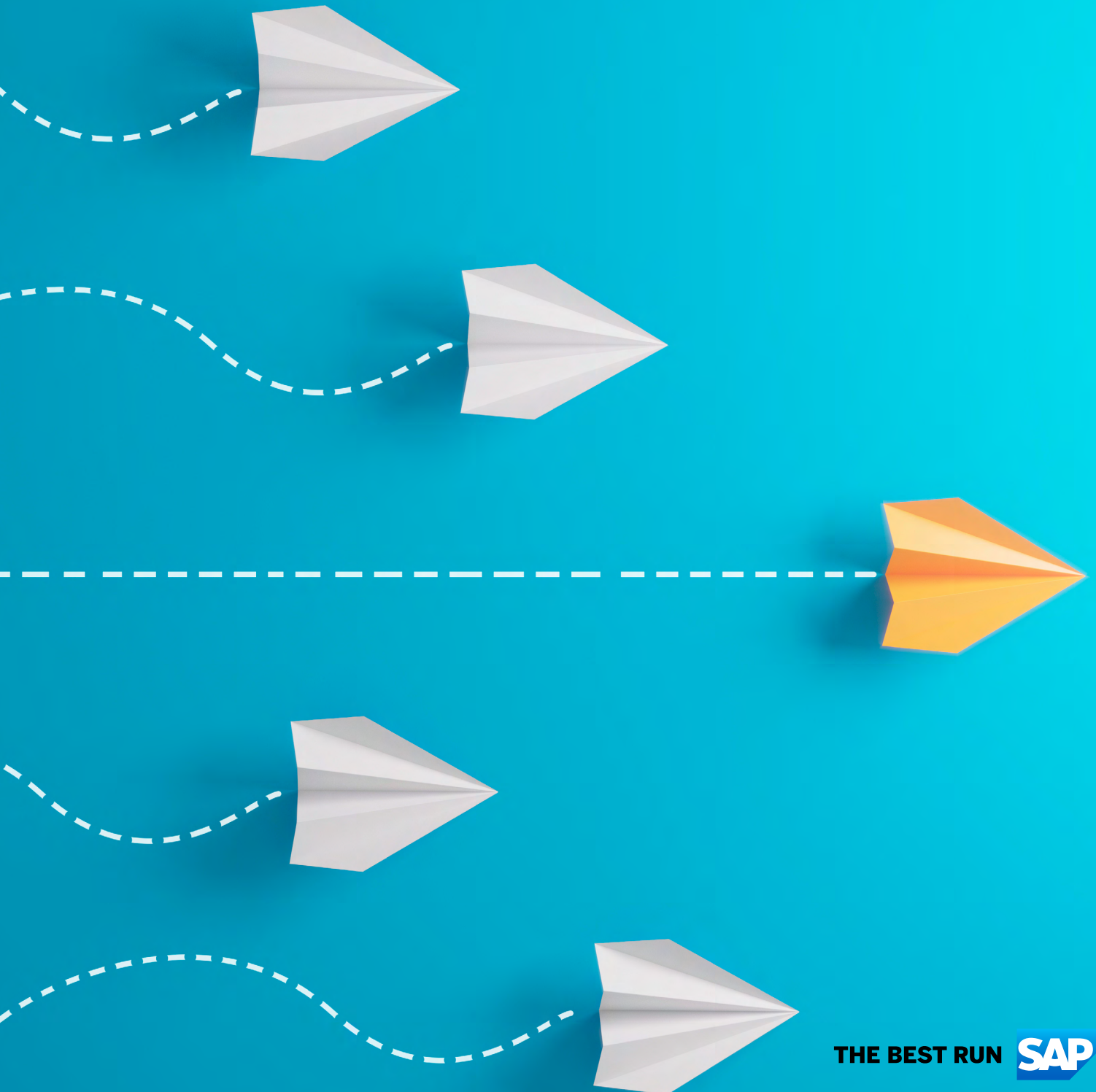


The Transformation Mindset: How Professional Services Leaders Shift Their Focus Toward Innovation and Sustainability



The professional services industry is adjusting its approach to business transformation by rethinking traditional organizational priorities, according to a new survey by the SAP Insights research center.

Technology innovation, business model innovation, and sustainability surfaced as crucial drivers for growing revenue and efficiency, operating more sustainably, and adapting to new business risks. But more important, surveyed executives revealed the priorities, opportunities, and threats that they are considering now and for the near future, as well as their transformation plans for elevating their profitability and competitiveness.

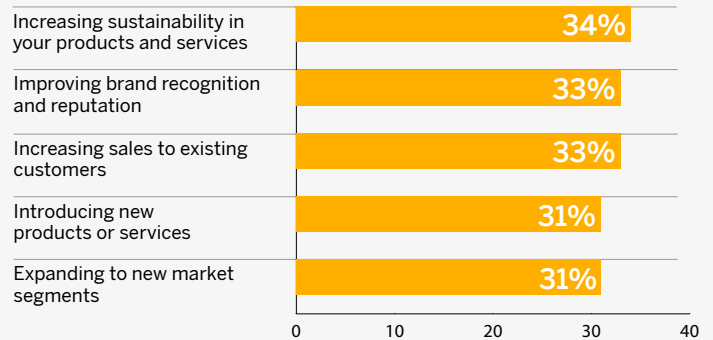
Setting their sights on growth

When asked to name their organizational priorities now and beyond the next 12 months, respondents reported revenue growth as most important, followed by increasing operational efficiency and mitigating risks. And they expect these priorities to remain the same beyond the one-year horizon.

Executives also viewed sustainability as a core revenue generator and increased sustainability of their products and services as a top priority

Figure 1
Top Priorities for Improving Revenue Growth

What are your organization's top priorities to improve revenue growth?



(34%) (see Figure 1). This finding suggests that sustainability is a key, albeit new, strategy for growing revenue, joining the ranks of traditional strategies such as increasing sales from existing customers (33%), improving brand recognition and reputation (33%), and introducing new products and services (31%). Lower on the list were expanding geographically (25%), introducing new business models (24%), and acquiring existing businesses (17%).

Looking at Sustainability as a Key to Revenue Growth

Our survey shows that sustainability has risen to the top of the business-priority lineup. Across the board, professional services providers are incorporating sustainability directly into their enterprise-wide strategies for increasing efficiency and driving revenue growth. This represents a significant shift in priorities.

Leaders are prioritizing sustainability measures that can help them run more efficiently while reducing their firms' environmental impact

with metrics such as optimizing staff commuting, office utilization, and travel. In addition, business leaders are connecting sustainability to their overall service delivery and innovation strategies. Product and service innovation and technological innovation also ranked as top priorities in the survey, as well as sustainable innovations.

The bottom line: Sustainability is now an essential element of the bedrock activities of growing revenue, increasing efficiency, and sparking innovation.

Taking on efficiency drivers

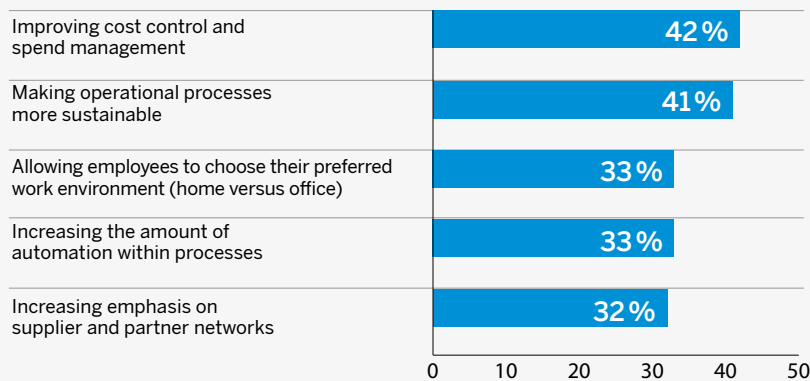
Professional services executives in our survey saw improving cost control and making operational processes more sustainable as their top priorities to improve efficiency (see Figure 2 for the top five priorities).

While allowing employees to choose their work locations (33%) has traditionally been viewed as an employee engagement and retention strategy, it is increasingly viewed as one of the top drivers for efficiency. Other top priorities include increased automation, greater emphasis on external talent networks, and divestitures of inefficient businesses.

Business leaders recognize that many of these high-priority areas are interrelated and can be tackled together if addressed strategically. For example, they can drive cost reductions and sustainability improvements while extending the work-from-home experience to staff responsible for productivity-based tasks. Meanwhile, they can reserve in-office work and client travel for more creative and relationship-building activities. Automating repetitive, labor-intensive processes and optimizing external supplier networks can also drive similar efficiency gains.

Figure 2
Top Three Priorities for Improving Efficiency

What are your organization's top three priorities to improve efficiency?



Executives expect their business operations to be impacted by the ripple effects of growing economic and societal concerns, including **global shortages** of natural resources, climate change, and infectious disease outbreaks.

Viewing risk in a new light

It's no longer enough for businesses to think about traditional risk areas, such as thwarting existing competitors and protecting against new market entrants. Instead, these factors have been pushed aside by threats rooted in current emergencies, such as cyberattacks, resource shortages, and climate crises.

In the near term, leaders are focused on protecting their systems against cybersecurity attacks (43%), avoiding damage to their brand reputation (41%), and preventing internal talent shortages (40%) (see Figure 3).

While these risks are contemporary, they have become more pressing in recent years, especially for business efficiency and revenue growth. For example, by adopting a strategy that considers its services and their impact on a client's sustainability performance, a firm can help build brand reputation and value. In addition, a strong external talent supply chain and optimized automation of internal tasks can improve sustainability and reduce costs while lowering the risk of a talent shortage.

For longer-term global risks, surveyed firms put fear of economic stagnation well ahead of cybersecurity breakdown and employment crises. Executives expect their business operations to be impacted by the ripple effects of growing economic and societal concerns, including global shortages of natural resources, climate change, and infectious disease outbreaks (see Figure 4).

Figure 3
Top Three Priorities for Reducing Risk

What are your organization's top three priorities to reduce risk?

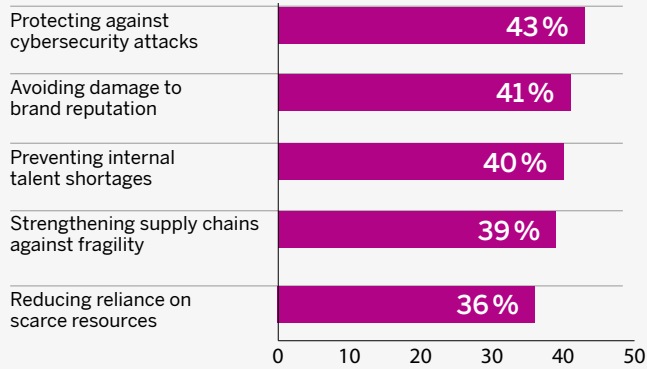
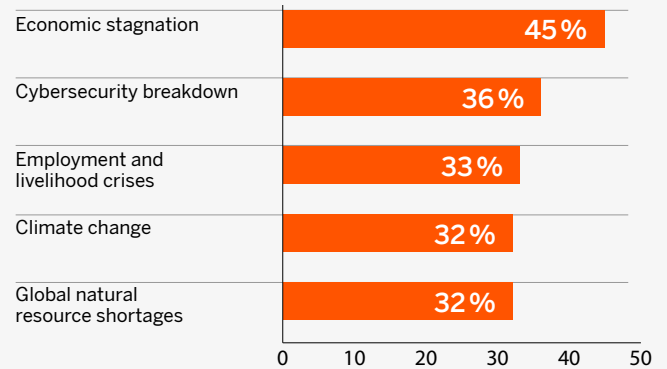


Figure 4
Future Global Risks for Which Organizations Must Prepare

Which of these future global risks will your organization need to prepare for? Select any that apply.



Fueling digital transformation progress

Surveyed professional services executives recognize that their organization's digital transformation is critical to help increase business performance today, better respond to future risks, and remain competitive. In fact, over 90% see a positive relationship between profitability and competitiveness and their organization's business transformation.

Nearly half of respondents claim to have made progress, transforming some planned areas, with 15% reporting that they have completed their journey as initially conceived. However, the survey findings do not portend good things for firms that haven't already started transforming – most of them expect to make very little progress two years from now.

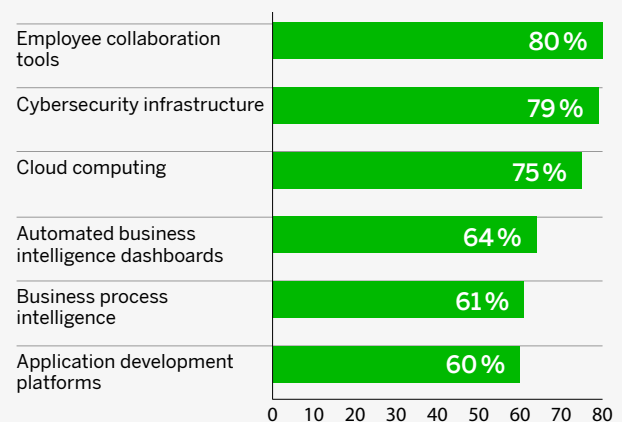
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Looking ahead, participating leaders view technological innovation (80%) as their top priority in the next three to five years, with business-model innovation (76%), sustainability innovation (76%), and digital-experience innovation (76%) tying for a close second.

The technologies most sought by businesses reflect the recent hardships of the pandemic and cybersecurity incidents. Professional services leaders are investing in technologies ranging from collaboration tools and cybersecurity infrastructure to cloud computing to transform their processes. Business intelligence dashboards, business process intelligence, and application development platforms also rank highly.

Figure 5
Technology to Improve Business Processes

Which technologies are important for the improvement of business processes?



Recommendations

Not surprisingly, senior executives from midsize professional services firms highlighted innovation as a key driver for growing revenue and increasing efficiency. But an interesting development did surface this year: sustainability as a new key area of focus. In light of these findings, firms should consider how sustainability can help improve operational efficiencies, boost revenue growth, and promote their brand.

Sustainability should be viewed holistically, as it is driven by and influences multiple dimensions of the business. For example, the ways in which people work is a key dimension of sustainability. You can reduce your environmental footprint by optimizing a mix of virtual work, business travel, commuting, and on-site office space. Finding the right balance not only decreases your firm's environmental impact but can also create a balance between work and life that promotes employee productivity and retention and keeps your critical knowledge base intact.

Additionally, sustainability can become a key revenue generator through new-product innovation. Can your firm provide service offerings that help clients advance their own sustainability efforts? Are there lessons learned from your internal processes that can be turned into client offerings? Can you capture knowledge and highly repetitive processes in digital solutions and deliver them in a manner that is more efficient than flying a consultant to the client site? More important, could your staff become more focused on creative work and relationship building around sustainability?

While many growing professional services firms struggle with balancing immediate needs, those that quickly incorporate sustainability and participation in the circular economy into their strategies for internal efficiency improvement and product innovation are well positioned to differentiate themselves and gain competitive advantage.

The road ahead

In a turbulent period of increased global risk, professional services firms place high importance on boosting revenue and efficiencies while continuing to enhance innovation. Underlying these fundamental initiatives is sustainability, a new imperative that will become increasingly essential to core strategies in coming years. To make more progress on transformation, which is seen as critically linked to business performance, senior professional services leaders need to further improve business processes, increasing flexibility and interconnectedness.

Contact your **SAP partner** to learn how SAP solutions can help your business transform.

About This Research

The SAP Insights Midmarket Senior Executive Priority study collected data from 10,507 executives from companies with annual revenues of less than US\$1 billion across 41 markets and 28 industries. Respondents possessed the highest level of line-of-business responsibility and oversight, with titles ranging from director to chief officer. The surveys were conducted from September 2021 through December 2021, with a 10-minute online survey used to collect the data.