

DIGITAL TRANSFORMATION

in Professional Services firms



DIGITAL TRANSFORMATION

Digital transformation, the adoption of technologies to improve processes, has fundamentally reshaped the way businesses operate. Rising client expectations, budget pressures, rapid technological advancements, etc., made digital transformation a necessity. The COVID-19 pandemic, even more, accelerated the technology adoption.

And there is no turning back. Technology is part of our lives and will further be. In addition, its importance is increasing day by day, and this trend will continue in the coming years.

Digital transformation has, without a doubt, a game-changing role in the modern economy and is a top priority for firms in all business sectors. And professional services firms are no exception. On the contrary, they are fully committed to embrace digital agility and discover hidden opportunities.

But what exactly is the current situation, and what is the plan going forward?

Fortech is a regional leader in custom software development and prepared this research study to provide the professional services community with answers to these questions.

In the past couple of months, we have conducted a survey addressing digital, information & technology leaders in consulting, audit & accounting, law, executive search, and real estate firms.

We approached digital transformation from 3 angles:

- **Strategy** – opportunities, key drivers, challenges
- **Technology** – budgets, investments, end-users, automation
- **Partners** – working with external partners, outsourcing software services

Alongside data from our respondents, we have compiled some insights and opinions from top market experts to provide a more comprehensive overview of the digital transformation process within the professional services industry.

We hope you will enjoy the reading and will find the report valuable for your business.



Christina Gurgu

Growth Manager, Professional Services
Fortech



“Digital transformation is no longer an option – it’s the only way to survive. Technology will play a vital role in the recovery process following the pandemic.”

Olivian Daniel Tofan

VP of Software Engineering at Fortech

STRATEGY

Digital transformation is a complex process that needs to be anchored into a well-designed strategy with a clear roadmap and specific action items. Adopting a structured approach is essential for the success of the digital transformation process.

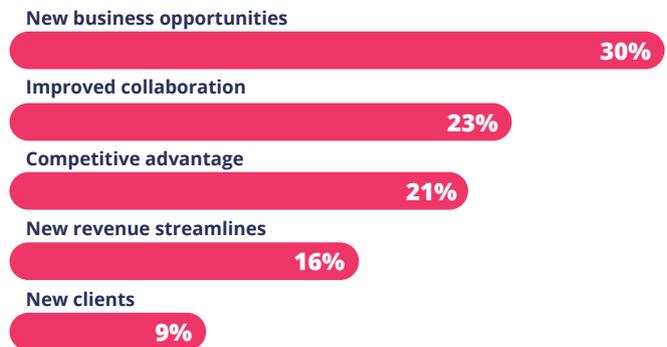
According to our research, large and mid-size professional services firms have already defined strategies to increase the digitalization of internal processes. Although, some of them are lagging in implementation. But small firms are still struggling to develop strategies for adopting innovative technologies.

Opportunities

Digital transformation is a long-term process that involves multiple business areas, significant investments, and a lot of commitment from stakeholders across the organization. With all the effort invested, it becomes so easy to overlook the positive impact. Furthermore, in some cases, measuring the ROI is not so simple.

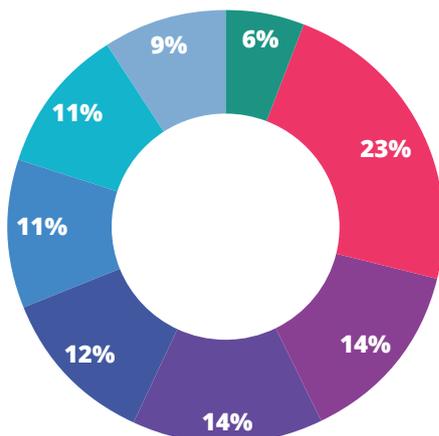
However, our research has identified some of the positive effects generated by digital transformation. Our respondents managed to identify new business opportunities (30%), have improved collaboration (23%) and gained competitive advantages (21%).

Opportunities unlocked by digital transformation



Key drivers

The ultimate goal supports every change and drives the actions that need to be taken. In terms of digital transformation, most professional services firms hope to improve their service quality and internal process efficiency (23%), use technology to develop new services that can add more value to the business (14%), and keep up with changes in the industry and the technological progress (14%). Although the pandemic has taught us some painful lessons, resilience (6%) has not yet become a key factor in technology adoption by professional services firms.



Key drivers for digital transformation

- Increase quality and efficiency
- Innovate faster
- Industry changes
- Reduce risks
- Improve client satisfaction
- Support to internal functions
- Decrease costs
- Become resilient

STRATEGY

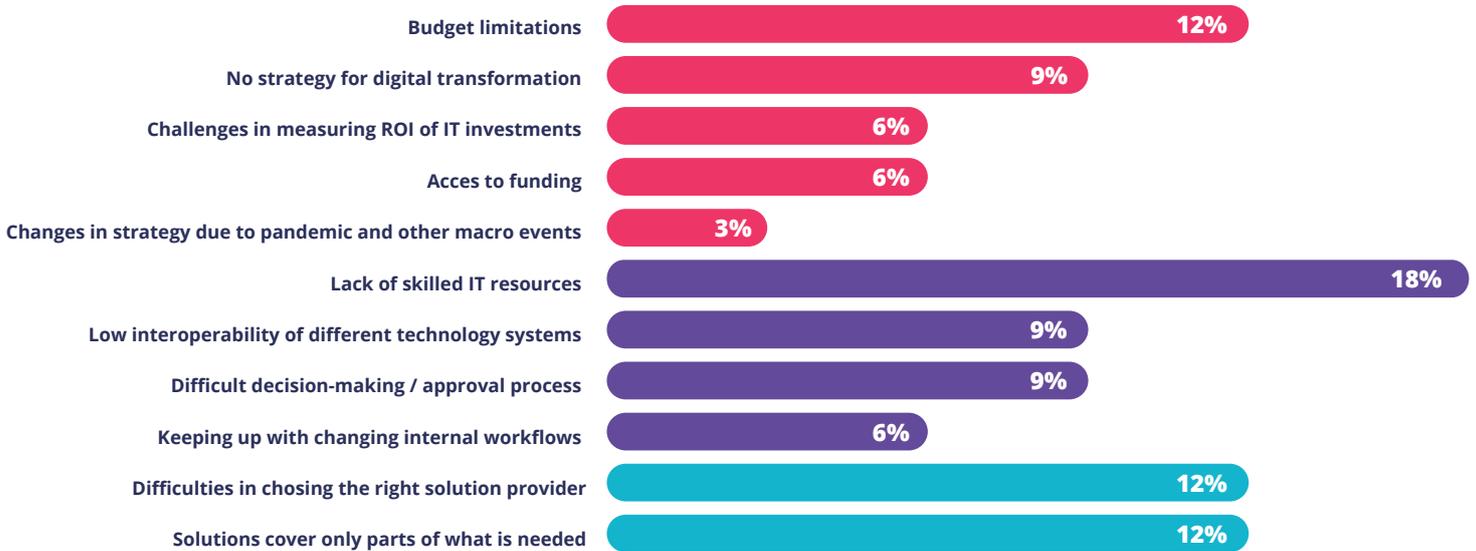


Challenges

When asking about the challenges professional services firms experience when considering and implementing new technologies, we identified three broad categories in our respondents' answers:

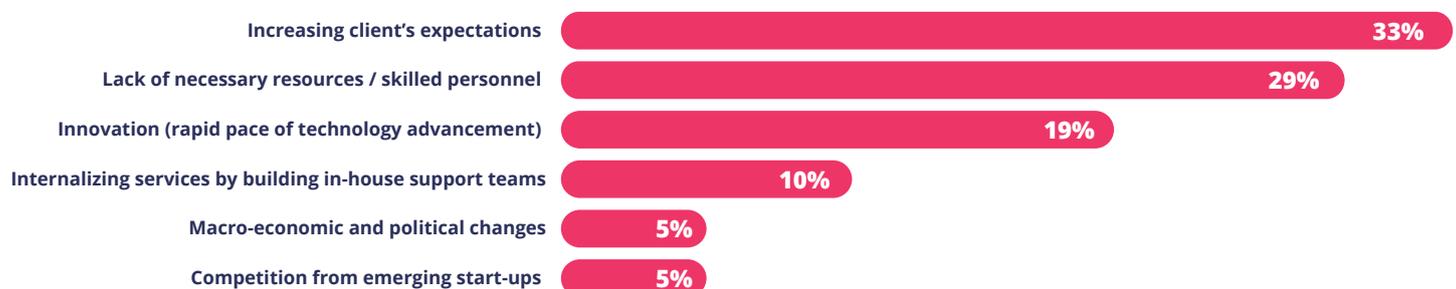
- **Strategy:** Due to the highly competitive landscape and the clients' pressure on fees, technology investments in professional services firms are often affected by budget constraints. In some cases, the partnership structure and dividend policy can make it difficult for partners to use short-term profits for long-term investments. In addition, some small and medium-sized enterprises do not have a clear vision and strategy to adopt technologies in a structured way.
- **Internal constraints:** Adoption of new technologies is also negatively affected by the lack of skilled IT resources generated by the shortage for high-qualified labor and the fast pace of technology advancements. Furthermore, technology solutions often solve specific pain points and may not integrate well into existing systems/processes.
- **Technology solution providers:** There are too many IT players to consider, making it difficult for professional services firms to choose the right partner for their needs. Furthermore, in many cases, 'ready to be implemented' solutions cover only part of what is needed.

Challenges in technology implementation



The pressure coming from the market is also considerable, especially from clients, as they continue to refine and evolve their needs. In addition, nearly one-third of our respondents found it challenging to attract and motivate top talent.

Biggest disruptors in the market



TECHNOLOGY



Technology budgets

Although the COVID-19 pandemic has negatively impacted technology budgets across many industries, the situation looks different for the professional services sector. It seems that professional services firms have learned that technology is rather a value generator than a cost and are willing to invest to use technology as a differentiator in growing their business.

50% of our respondents declared that COVID-19 generated budget increases, in some cases up to 10%, while the budget remained steady for 40%. Only 10% of survey respondents registered funding reduction.

On the other hand, 90% of our respondents allocate less than 15% of the budget to technology investments. Only 10% assign 15-30% of their budget to improve the technology ecosystem.

The time required to implement the digital transformation strategy is mainly 1-3 years (40%). However, some of our respondents set a time interval of less than one year (20%) or, conversely, a more extended period of 3-5 years (10%), while 30% did not set a specific period.



"If there is one lesson we've learned in the pandemic, is that we really have to be on top of modern technologies."

Carmine Di Sibio

EY Global Chairman and CEO

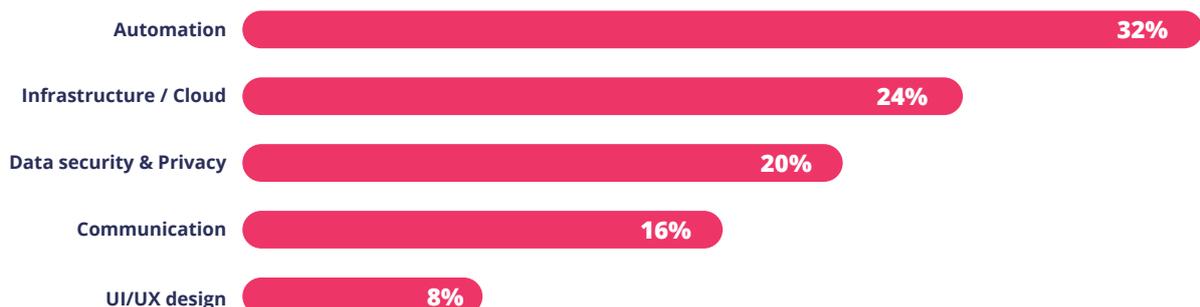


Technology investments

Technology investments require massive amounts of money. And since the digital landscape is so broad, firms need to decide carefully on the actions they want to take to ensure that the investments in technology generate the desired ROI.

Most of our respondents say they intend to invest in increasing automation of repetitive tasks (32%), adopt cloud infrastructure (24%) and implement data security and privacy measures (20%). Develop communication (16%) and improve UI/UX design (8%) are less critical for the moment.

Technology investments

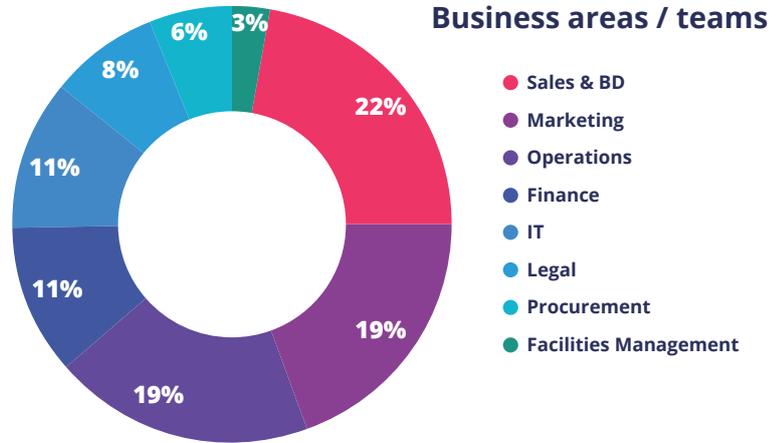


TECHNOLOGY

End-users of technology investments

Digital transformation looks at improving processes all over the organization. Still, some teams/functions are using technology more heavily in their daily work and hence rely more on technology implementations.

Our respondents say that sales and business development teams (22%), marketing (19%), operations (19%), and finance (11%) will primarily benefit from investments in technology.



Automation

"Automation could raise productivity growth on a global basis by as much as 0.8 to 1.4 percent annually."

McKinsey:

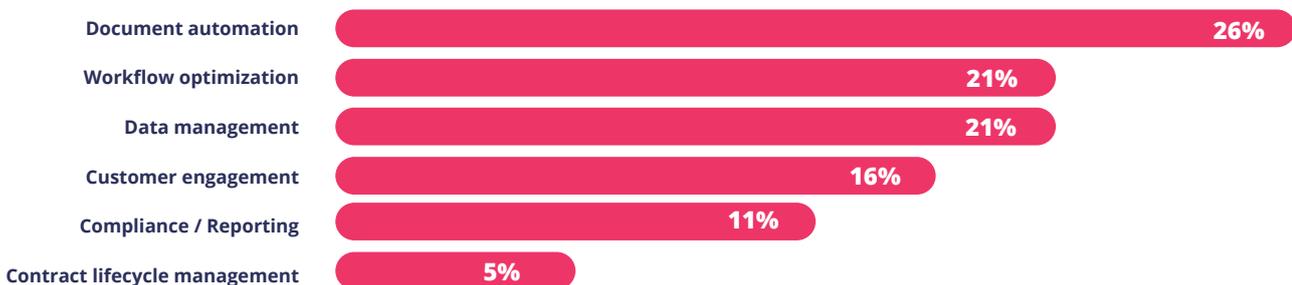
A future that works: Automation, Employment and Productivity

Professional services firms often process and analyze large amounts of data to provide high-quality services to their clients. By automating back-end and front-end activities, professional services firms can simplify existing processes and workflows, increase efficiency and profitability, speed time to market, reduce costs, and better assist their clients.

However, measuring the ROI of automation can be challenging. Digital transformation is reducing costs, but automation is only one of the driving factors. Automation is often accompanied by other measures meant to increase efficiency and reduce costs, and its contribution can not be fully and clearly quantified. In other cases, the business volumes increase simultaneously with technology implementation, and humans don't get to be replaced by digital labor.

According to our research, professional services firms aim to use automation mainly in document creation (26%), workflow optimization (21%), data/knowledge management improvement (21%), and customer engagement augmentation (16%).

Process automations



PARTNERS



Working with external software partners

Digital transformation involves adopting multiple technologies in various business processes and working exclusively with internal teams may slow down the implementation process. Lack of skilled professionals, requirements for a specific technology, adoption of commodity technologies, budget constraints, or the desire to add an outside perspective may lead to the decision to use external partners.



"A quarter of technology leaders who outsource, offshore or use managed services, do so to plug the skills gap."

Harvey Nash/KPMG
CIO Survey 2020

According to our research, 90% of our respondents have used and/or are using external software partners – whether to complement in-house skill sets or during peak load periods, to license commodity products or develop innovative or proprietary platforms, to address client needs, or respond to internal team requirements.

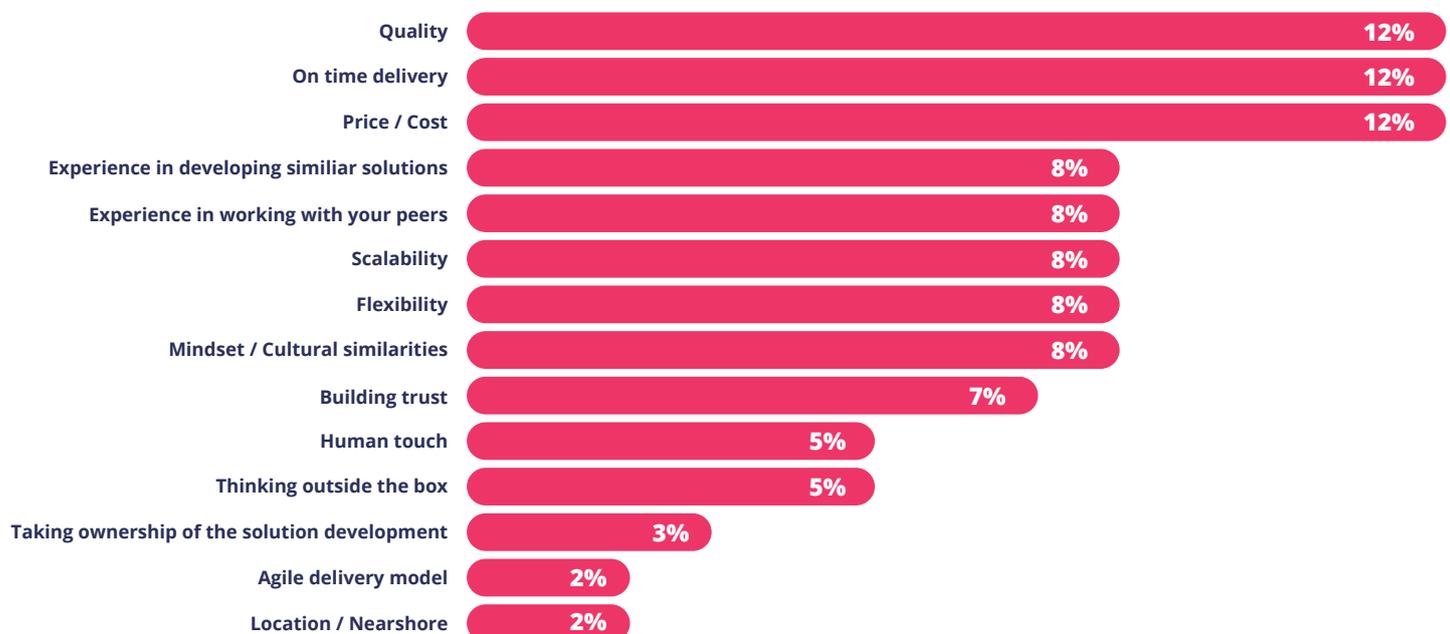
In many cases, choosing the right partner may be crucial. External partners play a key role in the project results and can either promote or hinder the success of a project. Therefore, many factors have to be considered when selecting an external partner.

Our respondents say that the most important factors when choosing an external partner are service quality, on-time delivery, and the price level.

Technical and industry expertise is also essential. Noteworthy is also providing scalable services to support growth plans and flexibly in adapting to internal procedures. Cultural fit and easy integration into the internal teams can be critical, especially for offshore outsourcing or when internal and external teams jointly develop projects.

Due to the pandemic, many teams have migrated to the remote working model, and the importance of having external partners in nearshore locations has significantly diminished.

Choosing an external partner



PARTNERS

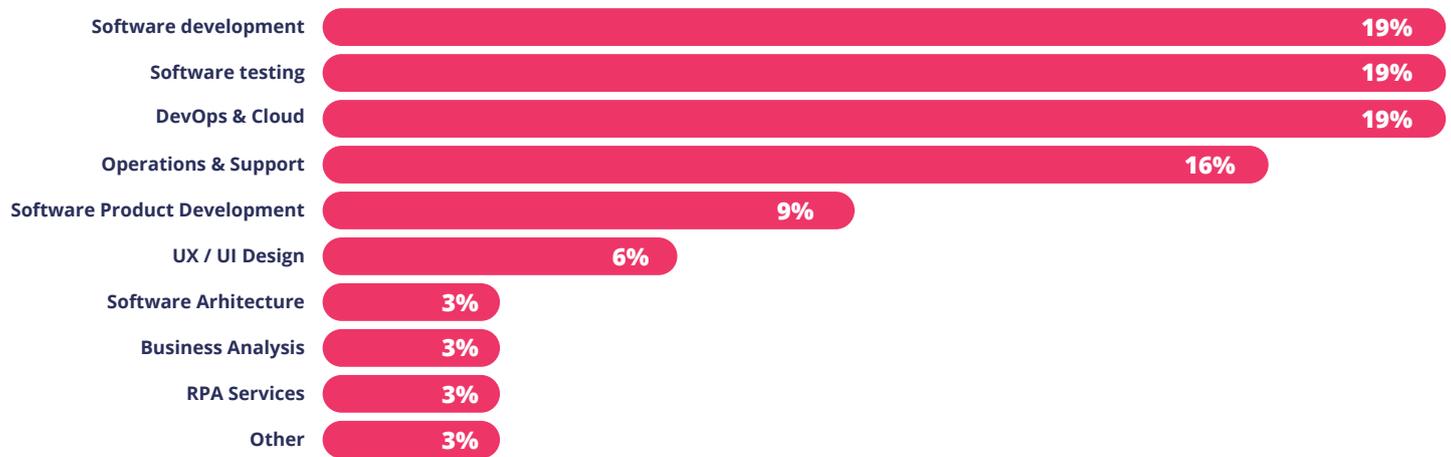


Outsourcing software services

Software outsourcing has become a preferred practice of many professional services firms, as the benefits it brings are undeniable: cost reduction, accelerated time to market, access to a large pool of experts, etc

Over the past two decades, the engagement models provided by outsourcing partners have evolved to address diversified needs: from staff augmentation to dedicated teams or project-based collaboration, from fully integrated to independent or agile teams, from offshore / nearshore to on-site teams, from fixed price to time & materials approach.

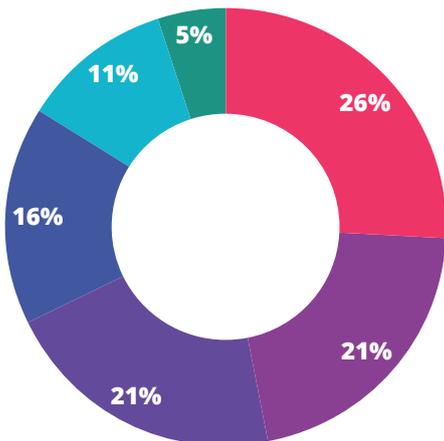
Software outsourced services



The software services that can be outsourced are also diverse. However, our respondents mainly consider outsourcing the development and testing of software applications, the migration to cloud infrastructure, and the DevOps services.

Our respondents rarely outsource RPA services, although automation can help firms generate significant cost savings amid short deployment timelines.

In terms of outsourced applications, web, desktop, and cloud computing seem to be top choices for our respondents.



Type of outsourced applications

- Web
- Desktop
- Cloud & Computing
- Embedded
- Mobile
- Other



"A robot can cost 10 percent-20 percent the cost of an onshore full-time employee in high-cost locations like the U.S."

Deloitte report

Zoom in on value robotic process automation

KEY HIGHLIGHTS

1 Digital supremacy in the global economy is no longer debatable

According to Statista:

- digitally transformed companies accounted in 2018 for 13.5 trillion US dollars of the worldwide GDP and are expected to represent 53.3 trillion US dollars by 2023, representing more than half of the total nominal GDP.
- by 2022, digital transformation spending is forecasted to reach 1.78 trillion US dollars. From 2020 to 2023, direct investments in digital transformation are expected to amount nearly 7 trillion US dollars.

2 Strategy

Professional services firms are fully committed to gaining digital agility and are making considerable efforts to design the most appropriate strategies and implementation plans.

3 Technology

Technology makes people's life easier, but digital transformation is more than implementing "another nice tool". It should lead to fundamental changes and technology integration in all business areas.

4 Automation & Cloud migration

RPA and migration to cloud infrastructure are not fully exploited by professional services firms, although they generate considerable benefits.

5 Outsourcing

Software outsourcing partners play an essential role in implementing new technologies. Rather than accommodating current processes to fit an already built technology, professional services firms should start from scratch and ensure the technology fully responds to their specific needs.



What would you like to achieve through digital transformation?

"Clients' recognition that it is just easier and faster to do business with our firm."

Survey respondent

CIO at a top 5 executive search firm in the US

ABOUT US

Big enough to scale. Small enough to care.

Fortech is a leading software services company in Romania, awarded by EY and Forbes, and repeatedly included in Deloitte rankings of the fastest-growing technology companies in Central and Eastern Europe.

We provide professional services firms with full-stack, end-to-end custom software development services, from business analysis, architecture, and user experience design, to coding, testing, quality assurance, development operations and automation.

Key facts that define us:

19 years

260+ clients

1200+ software engineers

How we engage with our professional services clients:

- work with in-house teams to complement and scale-up capabilities
- support partners in the development of new products or solutions
- collaborate in client advisory projects

Leveraging a quality-focused culture, agile teams, diverse technical expertise, and well-structured processes, Fortech is fully equipped to support professional services firms throughout their digital transformation journey.

For more details, please visit [our Software Development for Professional Services page](#).

Contact



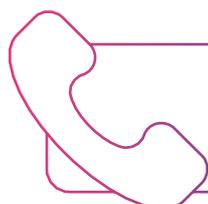
Christina Gurgu

Growth Manager, Professional Services
Phone: +40 264 453303
Mobile: +40 730 888 771
Email: christina.gurgu@fortech.ro



Fortech

106 Frunzisului Street
400664 Cluj-Napoca, Romania
Web: www.fortech.ro



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