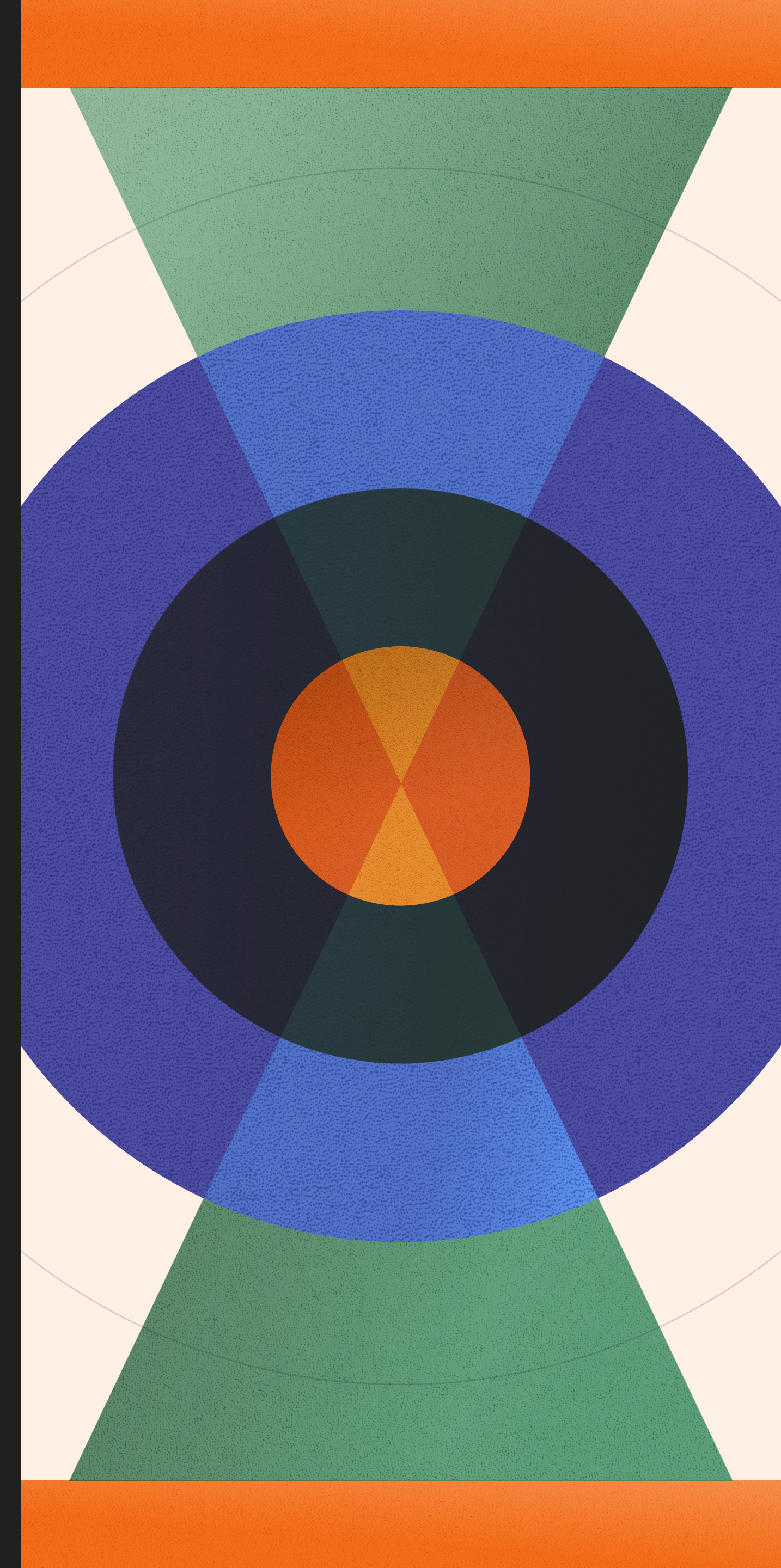


2025 REPORT

The State of Professional Services

A data-driven exploration into how firms are navigating growth, efficiency, and profitability in a constantly evolving landscape.





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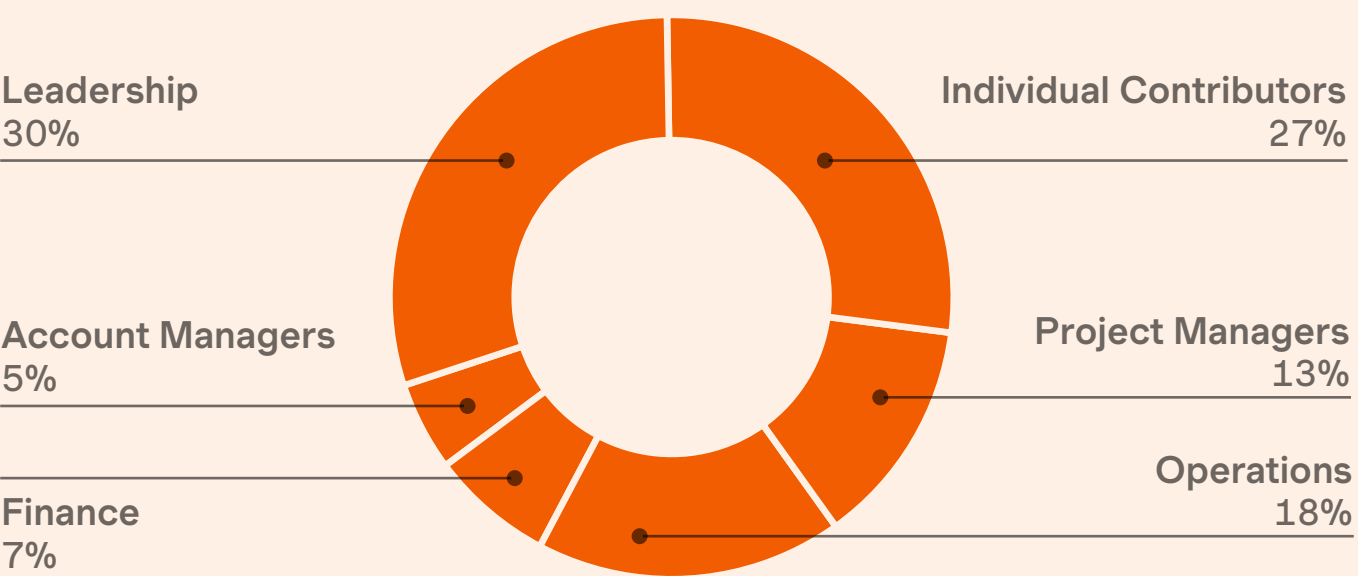


We surveyed over 1,000 people across professional services industries to understand their current challenges.

RESPONDENTS

1,010

ROLES



INDUSTRIES

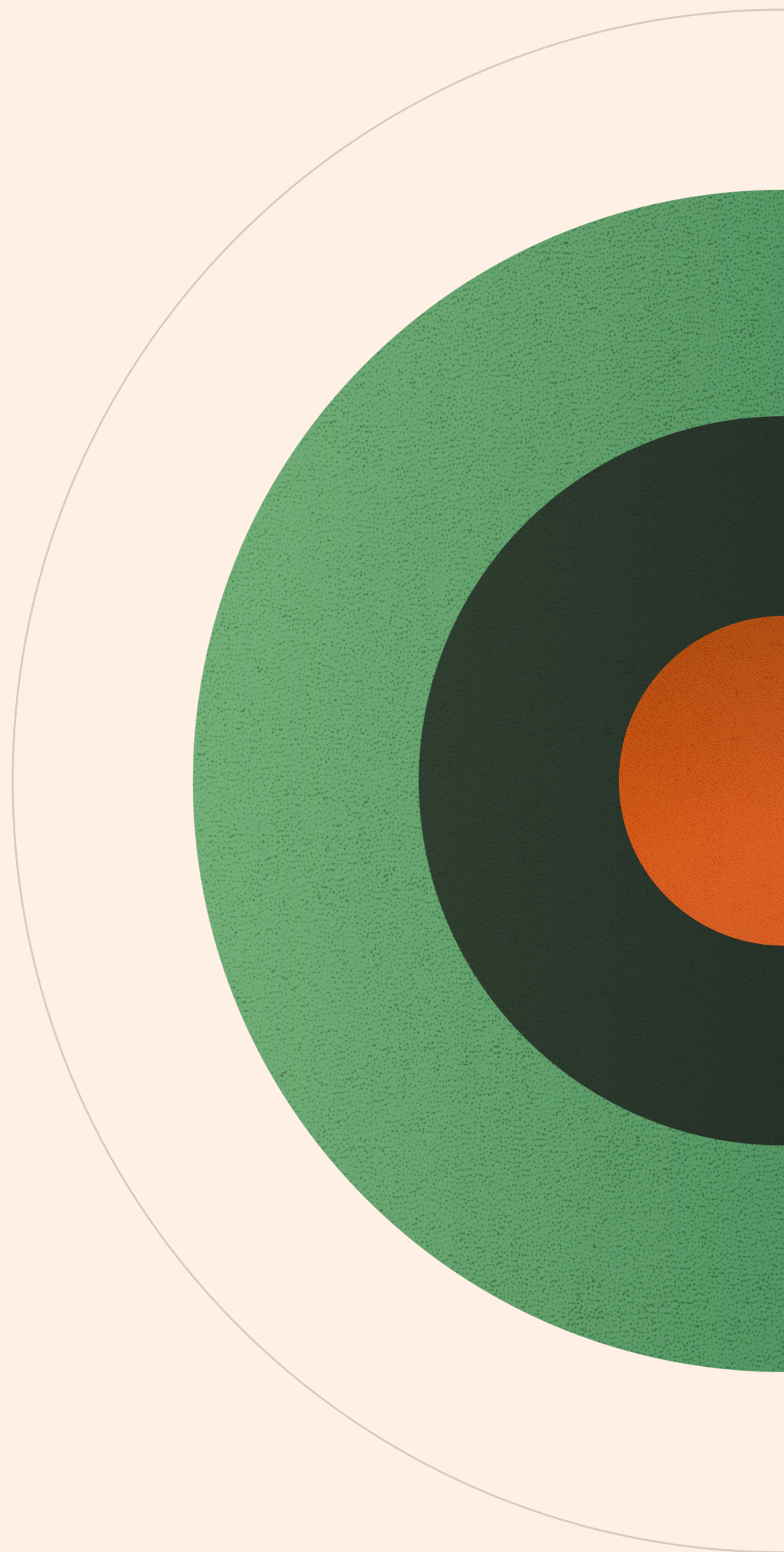
Accounting, Architecture, Construction, Design, Education, Engineering, Healthcare, IT Consulting, Legal, Management Consulting, Marketing, Nonprofits, and Software

Introduction

Professional services firms operate in a dynamic landscape where client expectations are constantly rising, competition is intensifying, and talent demands are more complex than ever—all as AI is beginning to reshape the industry.

In this environment, the ability to consistently deliver high-quality work while also maintaining a clear view of profitability, resource capacity, and ensuring operational efficiency, can make or break a company's long term success.

This report provides a data-driven look into the state of professional services today. Based on extensive survey responses from leaders, operations teams, finance professionals, and individual contributors, it explores how firms are managing their strategic priorities, where they encounter operational bottlenecks, and what steps they are taking to drive sustainable growth.





Highlights

01 Inefficient internal processes are slowing down growth

We found that **41%** of firms are focused on acquiring new business. While the majority are confident in their core delivery processes, firms are seeking to streamline internal processes, particularly around time tracking, billing, and resource management. This push towards greater efficiency reflects the need to sustain profitability and meet increasing client expectations without overburdening staff.

02 Most firms still can't forecast resources accurately

Despite appreciating its strategic importance, only **20%** of respondents report having a sophisticated forecasting process, citing limitations in data accuracy, integration, or process maturity. As a result, leadership, operations, and teams often find themselves reacting to capacity needs rather than planning proactively.

03 Profit targets are set, but only 1 in 5 firms consistently hit them

While **57%** of firms have a defined profit margin target for projects, only **20%** hit it almost every time. Across roles, we noted a shared goal of maximizing billable hours to boost profitability. While utilization rates are already high for many firms, a substantial number are still actively trying to increase them.

04

Culture is key, but most firms aren't tracking what's working

Hiring plans for the year are cautious, with **76%** of companies either not planning to hire or only seeking to fill key gaps. The leaders surveyed indicated that culture is integral to the success of their business, but while **87%** of respondents felt positive about their company culture, only **53%** of firms regularly tracked employee satisfaction. Given the current hiring climate, it is crucial for companies to invest in (and track) employee experience to retain the right talent.

05 Over half of firms are still chasing late payments

Nearly **56%** of respondents experience either frequent or occasional payment delays. The reasons touch both on operations (with **35%** of respondents wanting to further automate their invoicing) and client relations (**30%** struggle to get clients to pay on time) and demonstrate a need to improve internal processes and implement stricter payment policies.

Strategy

Strategic Priorities:

Balancing growth and operational excellence

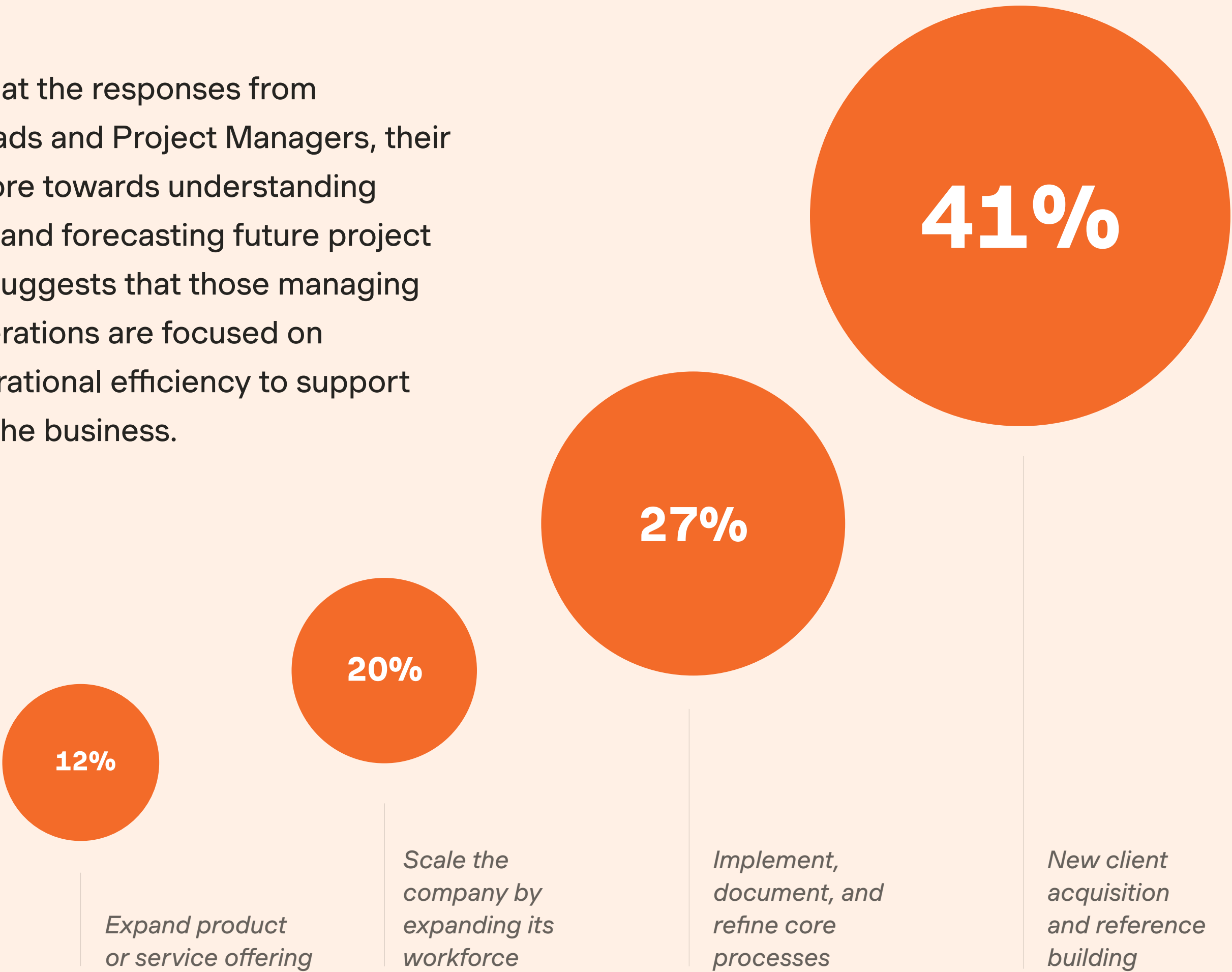
Where are firms focused?

When it comes to strategic priorities, our survey reveals that companies are primarily focused on **new client acquisition and reference building (41%)** followed by **implementing, documenting, and refining core business processes (27%)**.

This strong emphasis on growth and operational efficiency suggests that many companies are balancing the need to expand their client base, while also improving their internal processes.

The focus on new client acquisition suggests a generally optimistic outlook on market opportunities, while the attention to core business processes reflects an understanding that efficient operations are crucial for sustainable growth.

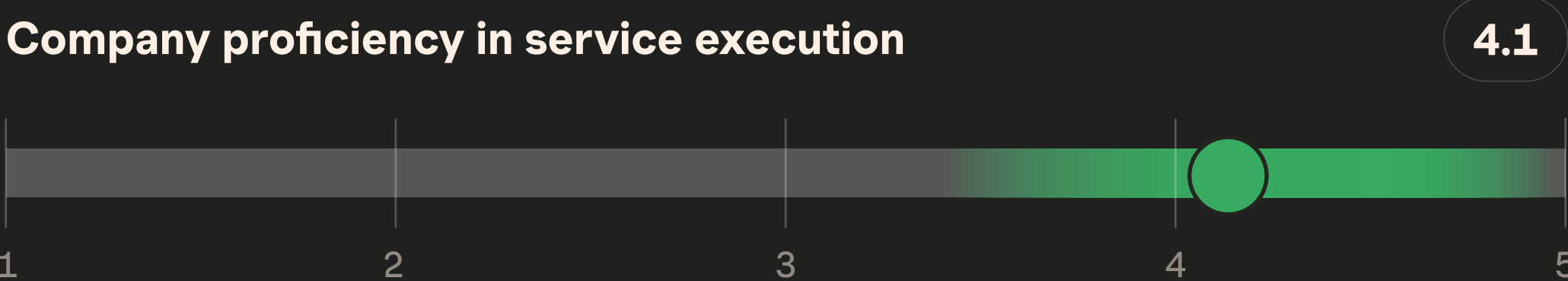
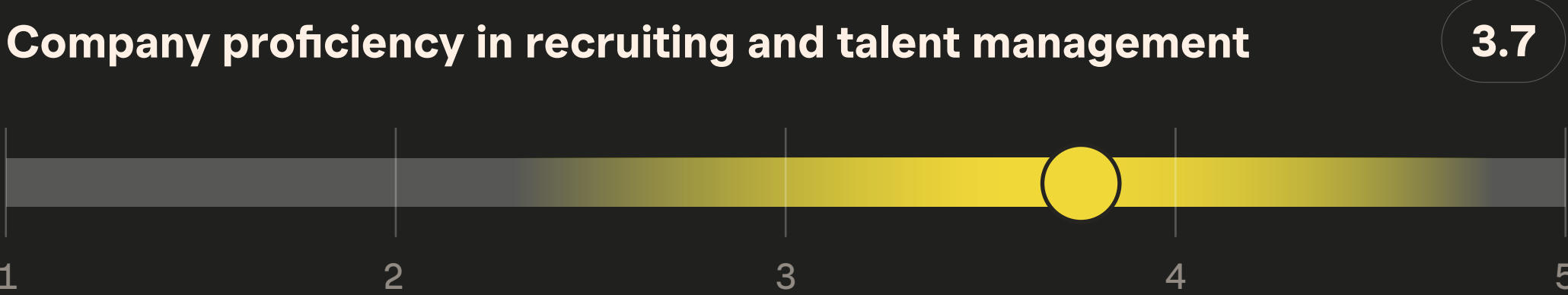
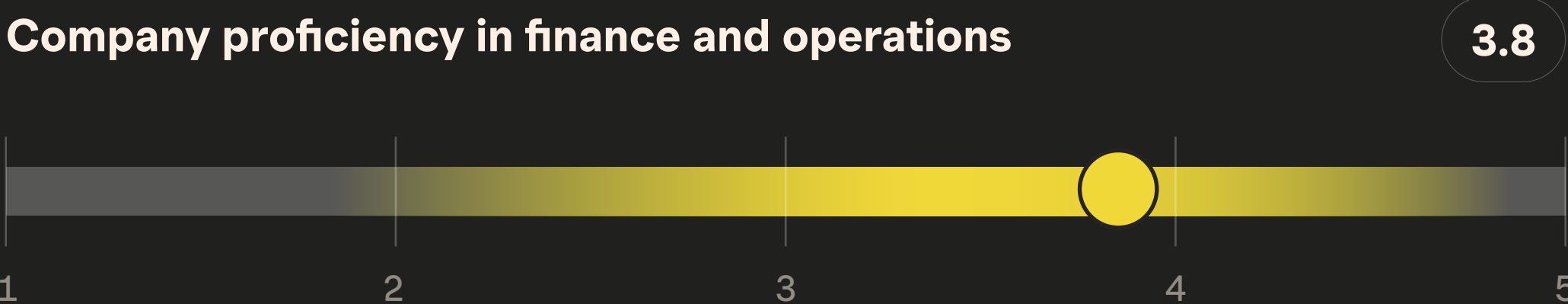
When we look at the responses from Operations Leads and Project Managers, their focus shifts more towards understanding team capacity and forecasting future project needs, which suggests that those managing day-to-day operations are focused on improving operational efficiency to support the scaling of the business.



Strengths & Weaknesses

We asked respondents to rate their company's efficiency across key areas on a scale from 1 to 5. We found that the areas with the highest score (a rating of 4 or 5) were Client Relationships and Service Execution, with Finance, Operations, and Talent Management as the lower scoring areas.

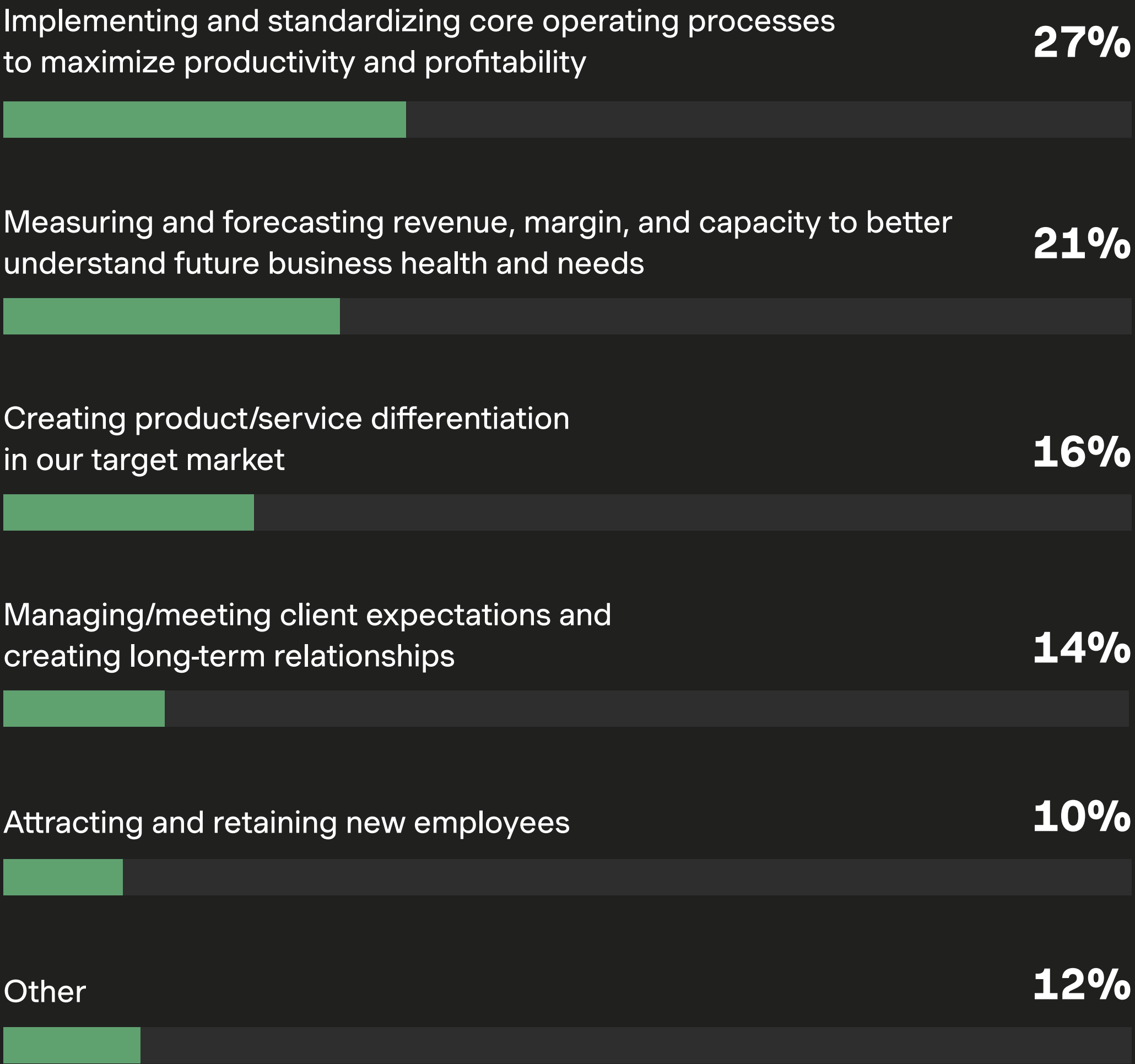
This suggests that, while most firms are confident in the quality of their service and client relationships, there may be a need for improvement in their internal processes and operational efficiency.





What is the main challenge facing your business today?


Select one



Growth vs. Operational Constraints

Leadership respondents to the survey describe maximizing productivity and profitability as a top concern, while Operations Leads and Project Managers often cited the need to measure and forecast revenue, margin, and capacity more accurately.

These concerns align closely with the primary strategic goals identified earlier in the report, highlighting the connection between strategic and operational challenges. In particular, the challenge to accurately build forecasts can get in the way of the top objective to acquire new clients without overwhelming the team.



Hiring & Culture

Hiring Outlook:

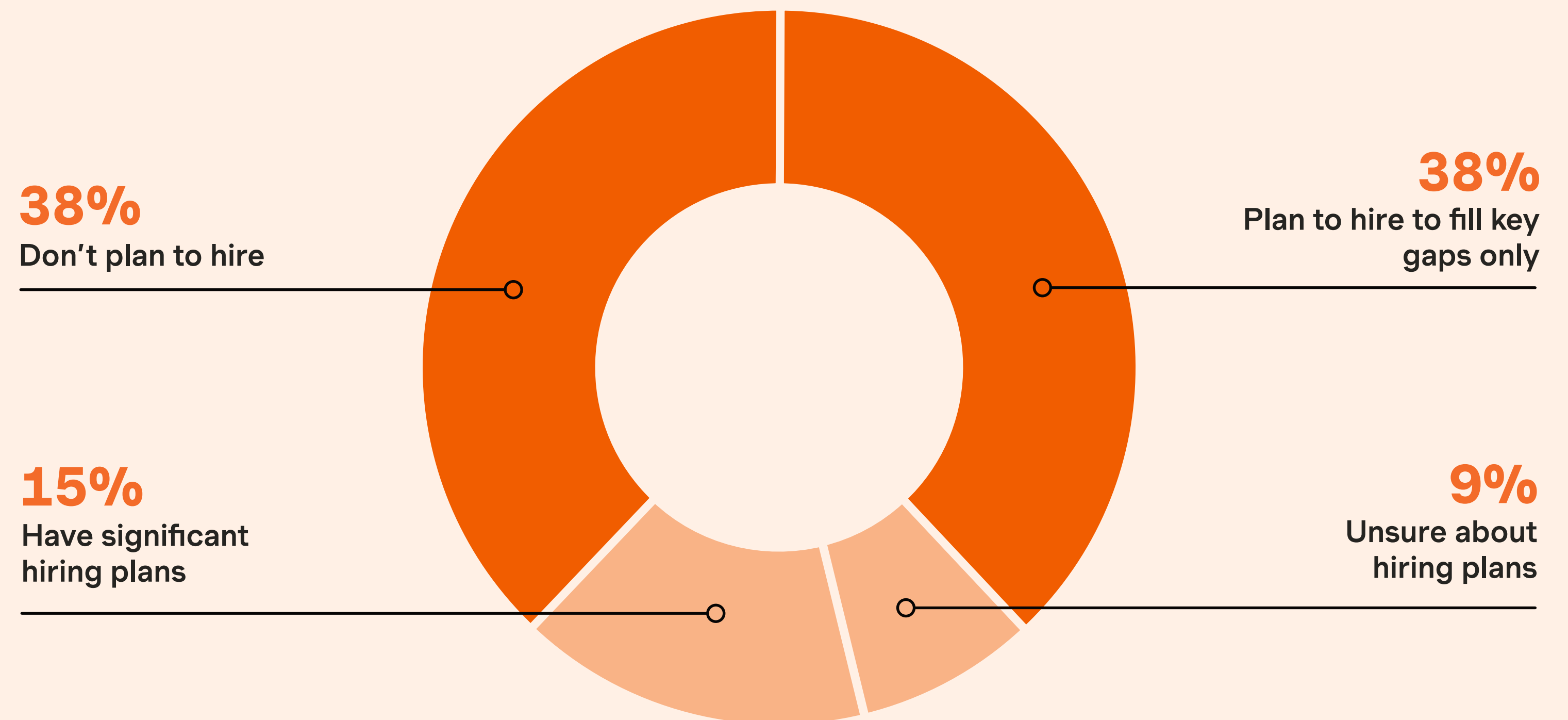
Caution over expansion in an uncertain climate

Questions about hiring intention reflect varied perspectives across organizations, with an even split between firms with no plans to hire and those planning to hire to fill key gaps.

Companies are cautious about expanding their workforce, and while there is a notable group actively planning to hire, it is not with the goal to scale significantly.

Leadership respondents were the most cautious about hiring, with **49%** in that group stating that they do not plan to hire but **44%** indicating that they would look to fill key gaps. This suggests an emphasis on balancing growth with sustainability.

Looking at companies by size, larger organizations (100+ employees) are more likely to engage in significant hiring compared to smaller firms.





Culture as an advantage

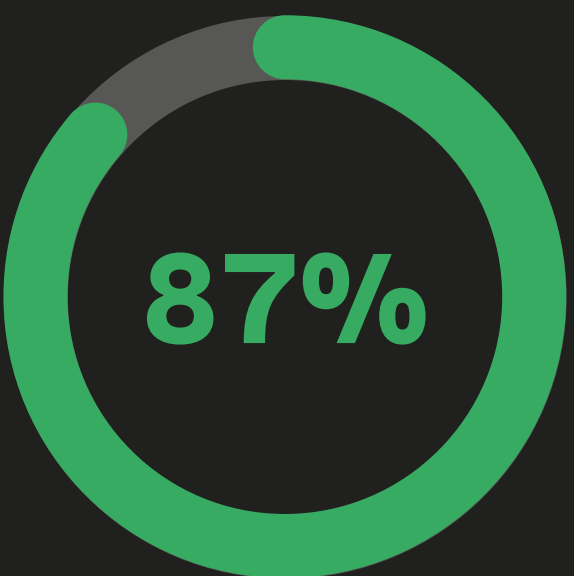
The survey results reveal that company culture is widely recognised as a critical factor for business success across organizations of various sizes, with **78%** of Leadership respondents rating its importance as either 4 or 5 out of 5. This highlights the perceived role of culture in driving employee engagement, productivity, and overall business performance.

While **87%** of companies believe that they have effectively implemented a defined culture, only **53%** regularly track employee satisfaction and well-being. This discrepancy suggests an opportunity for organizations to more closely monitor the impact of their cultural initiatives on employee engagement and retention.

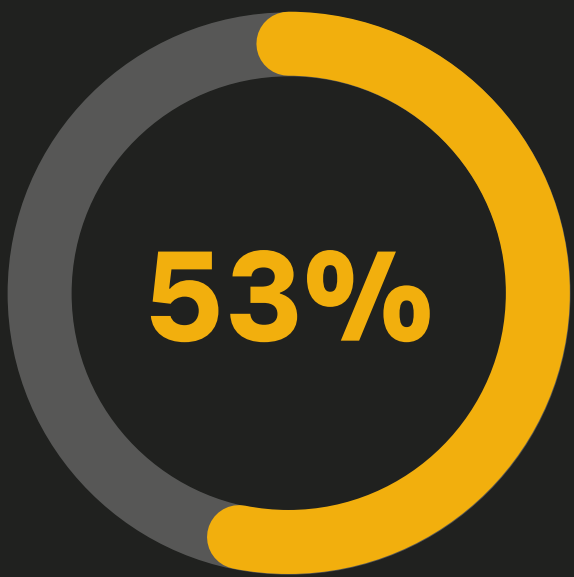
Given that attracting talent is a top hiring challenge and companies are cautious about expanding their workforce, a strong company culture could be a critical differentiator in both retaining existing employees and attracting new talent.

On a scale from 1 to 5, how critical is intentionally establishing a company culture to the success of your business?

4.2



Believe they have effectively implemented a defined culture

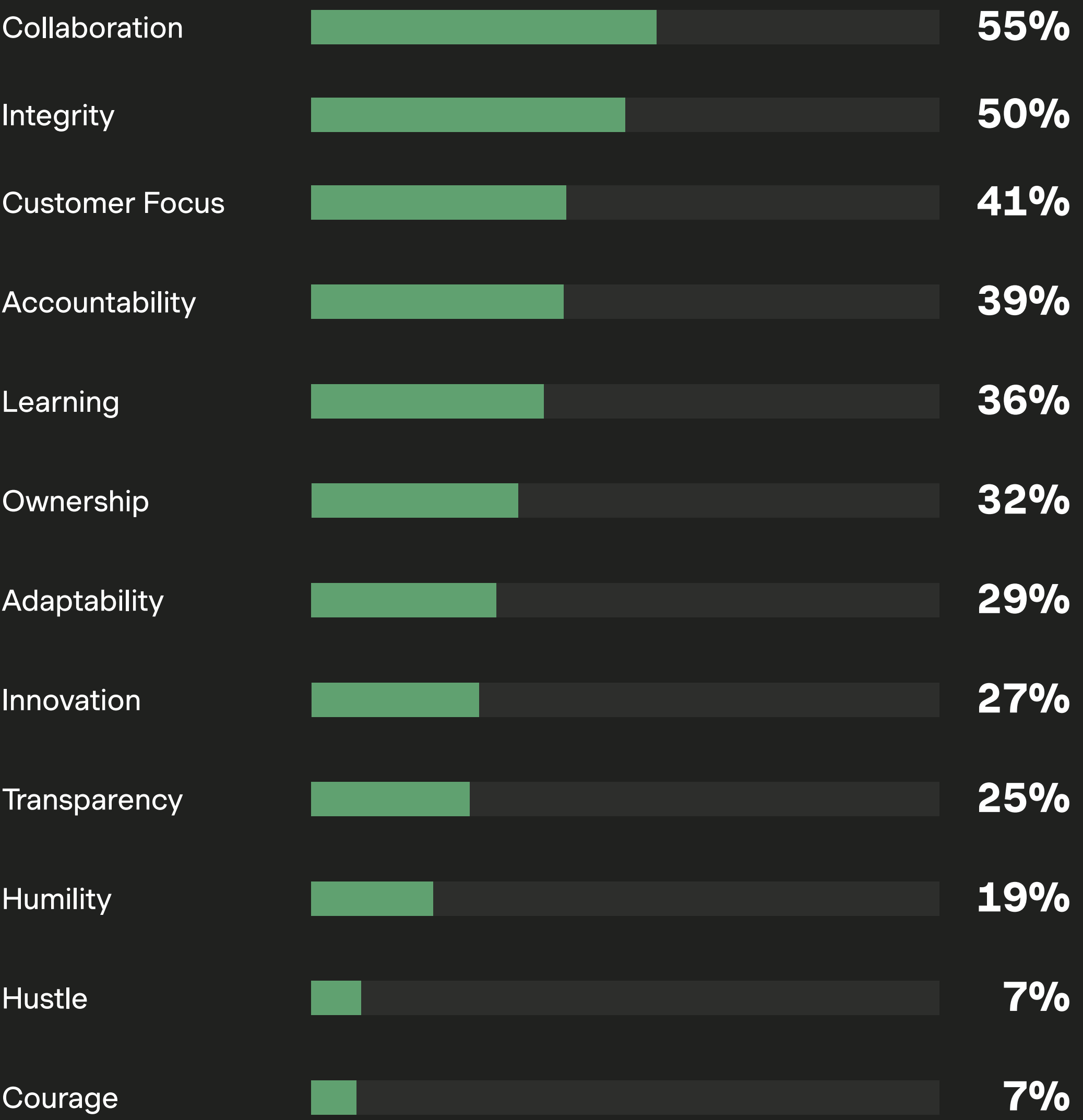


Regularly track employee satisfaction and well-being



What core values do you emphasize the most?

Select up to 4



Ranking key values

Collaboration emerged as the top-ranked core value among respondents, reflecting the critical importance of teamwork and alignment in delivering projects successfully. *Integrity* follows closely, underscoring the essential role trust and ethical standards play in maintaining strong team and client relationships.

Customer Focus and *Accountability* are also highly valued, demonstrating the emphasis that professional services teams put in client satisfaction and ownership of results.



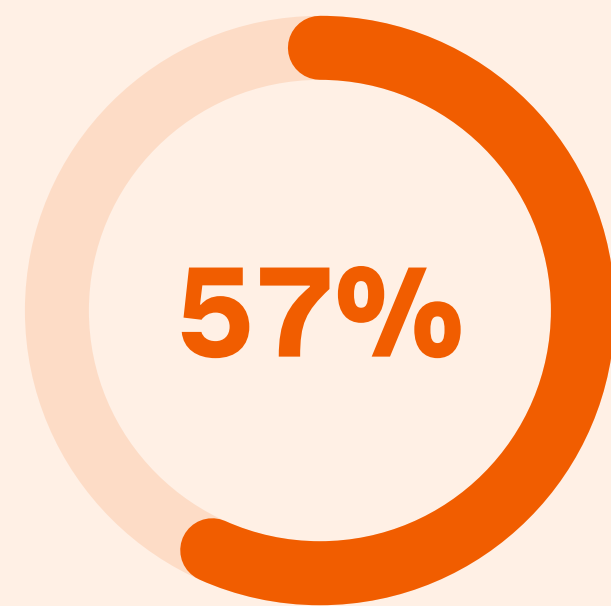
Profitability

Profitability and Measurement

Are firms meeting their targets?

The goals...

The survey reveals that **57%** of companies have a defined goal for their project profit margin. This reflects that a majority of businesses recognize the importance of setting specific profitability targets to ensure long-term business health and help them make more informed decisions about which projects to take on, how to price their services, or how to allocate resources.



Have a defined goal for their project profit margin

...and the reality

Among those with a defined goal, **52%** hit their margin goal often, **20%** almost always, and **22%** only manage to meet it occasionally.

These figures suggest that while many companies are setting profit margin goals, consistently achieving them is a challenge for a significant portion of businesses.



Hit their margin goal almost always

Tracking utilization: A focus on efficiency

We found that a significant majority of companies track their utilization rate (over **80%**). This high percentage reflects that many businesses recognize the importance of understanding how efficiently they are using their resources.

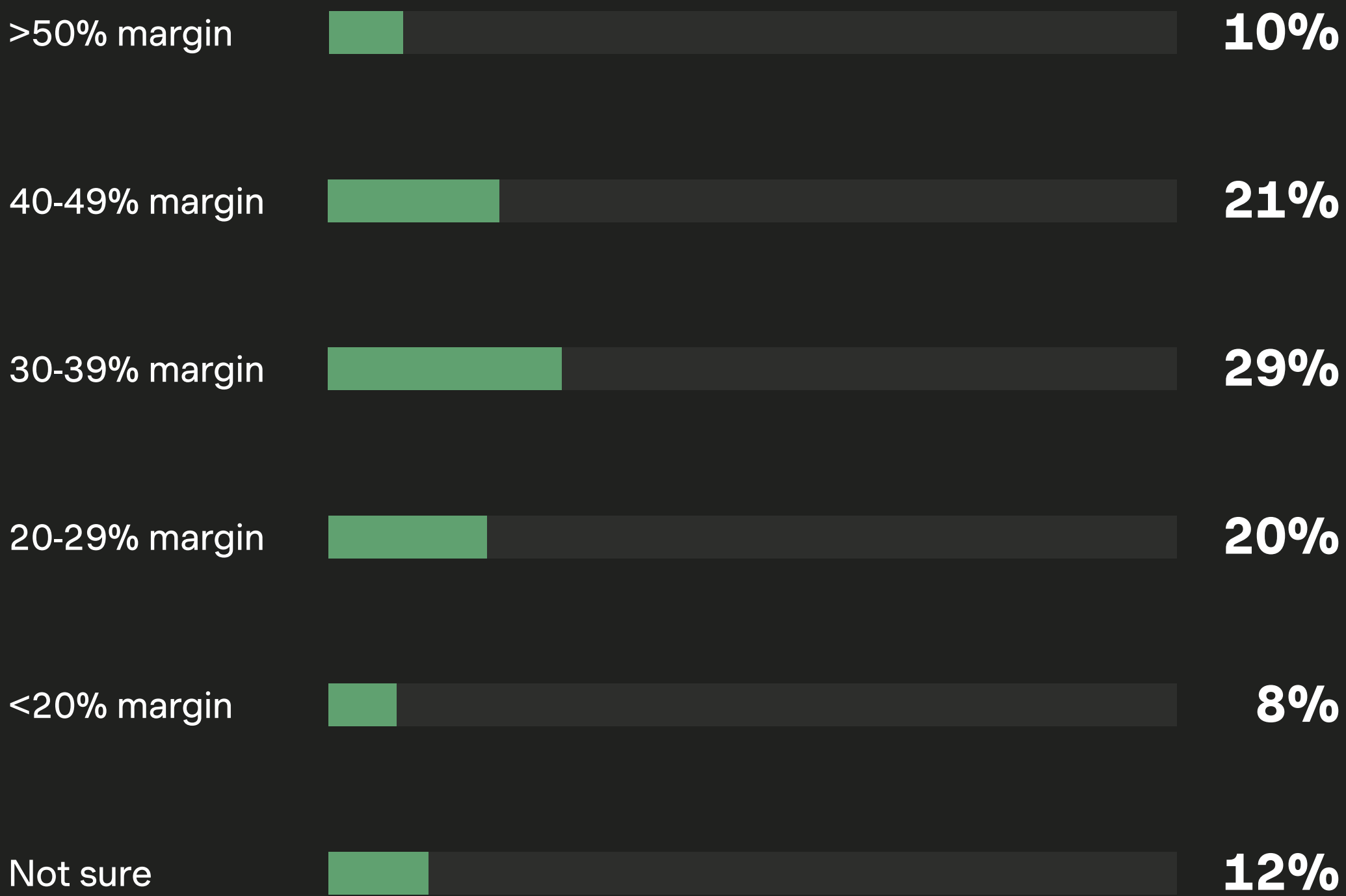
Many respondents have a defined target utilization rate (most commonly aiming for 70-80% or above). However, even though utilization rates are high among the companies surveyed, a substantial number of respondents report that they are actively trying to raise theirs.

Average profit margins

Reported average profit margins vary considerably amongst the companies surveyed. This wide range of profit margins suggests significant variation in pricing strategies and operational efficiency across companies. The substantial proportion of companies achieving margins of 40% or higher reflects that some businesses have found ways to operate with high efficiency, while the significant percentage achieving below 20% profit margins may indicate intense competition or challenges in operational efficiency.

On average, what profit margin do your projects achieve?

Select one





Forecasting

Planning and Forecasting:

The key to sustainable growth

Reliable forecasting is a work in progress

The ability of the companies surveyed to forecast future resource requirements varies significantly, with only **20%** indicating that they have a sophisticated forecasting process in place.

While most companies engage in some level of forecasting, there is significant room for improvement in forecasting accuracy and reliability.

Leadership roles are more likely to report having sophisticated forecasting processes, with Operations and Project Management respondents being less confident about their current forecasting abilities.

When we look at the answers by industry and company size, technology and engineering firms, especially larger ones, tend to report more sophisticated forecasting processes, while smaller companies across industries struggle more with reliable forecasting.

Only **5%** of respondents don't see a need to start forecasting in the near future.

5%

We don't forecast and don't see any need to start

13%

We currently don't forecast, but want to start in the near future

20%

We have a sophisticated forecasting process

62%

We do some forecasting, but it isn't always reliable



The top goal: Understanding team capacity

We asked participants about their primary goals for resource forecasting, and *assessing employee availability and team capacity* emerged as the top priority at **47%**, followed by determining what kinds of projects and clients to take on.

These goals highlight the importance of resource management in project planning and business growth. The focus on assessing team capacity suggests that many companies are grappling with balancing workloads and ensuring they have the right resources available for upcoming projects. This also aligns with the top strategic concern of winning new clients, as the ability to grow greatly depends on team capacity.

What is your primary goal for resource forecasting?

Select one



Project Operations



Project Operations:

Delivering on time and staying profitable

Time & Materials remains the most common project pricing strategy

Despite conversation in the industry about a move towards value-based pricing, the most common way of billing projects for the companies surveyed is **Time and Materials (57%)**, with **Fixed Fee** coming second but significantly behind (**27%**).

The prevalence of Time and Materials projects reflects that many companies prefer to bill based on actual work performed, which can help mitigate risks associated with scope changes or uncertain project requirements. On the other hand, the significant proportion of Fixed Fee projects suggests that many clients prefer the predictability of set costs, or that they are billing their work based on its value rather than time spent.

Time & Materials

57%

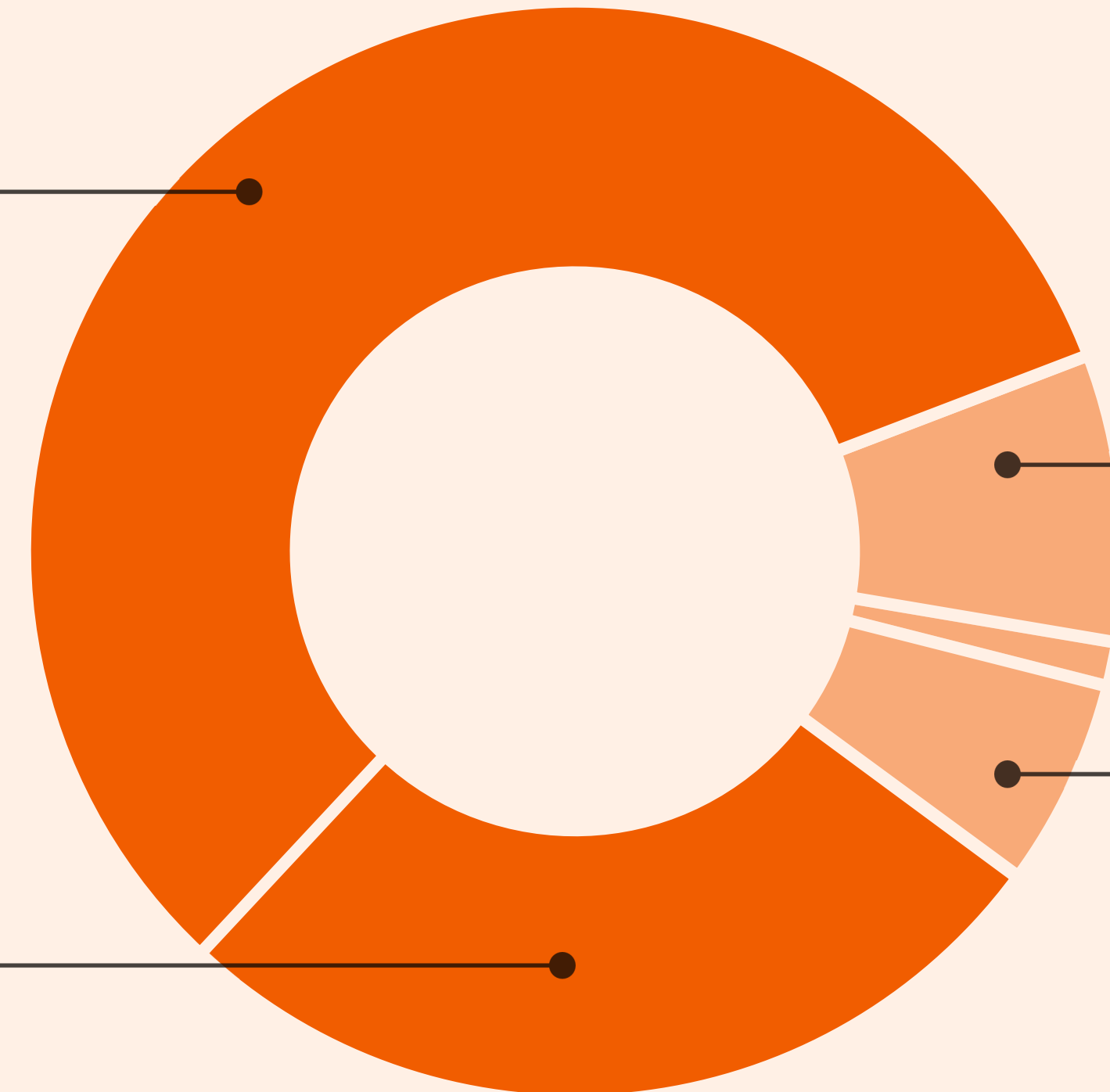
Fixed Fee

27%

Retainer
9%

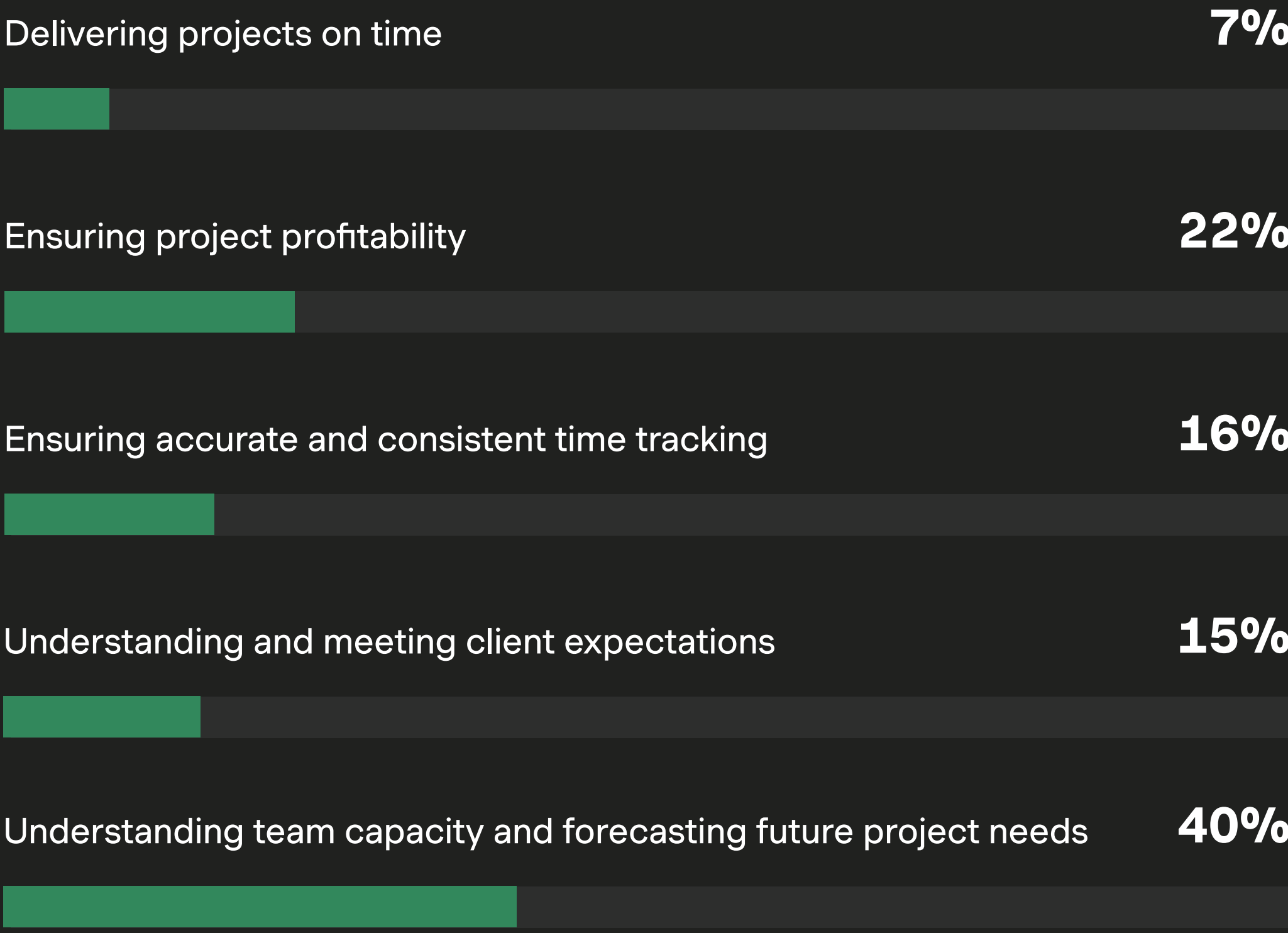
Non-billable
1%

Value Based
6%



What's your company's biggest project operations challenge?

Select one



Where are the roadblocks?

Understanding team capacity and forecasting future project needs were the top challenges for both Leadership and Project Managers, who have to balance new business with existing commitments. This was followed by ensuring project profitability, which was a concern overall and the top challenge for Project Managers.

The difficulty in understanding team capacity and forecasting needs suggests that many companies struggle with resource allocation and long-term planning – which can get in the way of their strategic focus of new client acquisition.

The focus on ensuring project profitability reflects that many companies are looking to optimize their operations and maximize the value of their work, and are grappling with the financial aspects of project management. This could involve challenges in cost estimation, forecasting, or scope creep.



Time Tracking

Why do firms track time?

We asked participants to rank their time tracking goals in order of importance. Increasing the accuracy of project reporting came first, closely followed by improving productivity by analyzing time spent and learning from past projects. This aligns with the overall challenges around project operations identified earlier in this report.

Rank your time tracking goals in order of importance:

- 1 To increase accuracy of project reporting to share with clients, prepare accurate invoices, and survive audits
- 2 To improve productivity/employee utilization by analyzing time spent and learning from past projects
- 3 To measure project margin to optimize for profitability
- 4 To visualize team capacity to better allocate resources and reduce burnout
- 5 To determine how much to pay contractors or hourly employees

Time Tracking:

Essential for the business, but can be overdone

How do firms feel about time tracking?

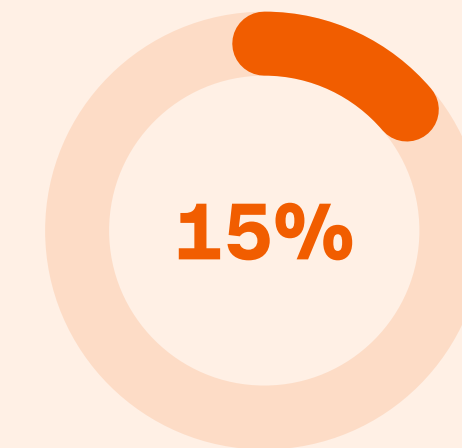
The majority of respondents view time tracking as essential for running an efficient business.

While this was the top answer for the majority of Leadership, Project Management, and Finance stakeholders, it also came first for individual contributors – with some noting that while it can be a nuisance, they understand their role in them getting paid accurately.

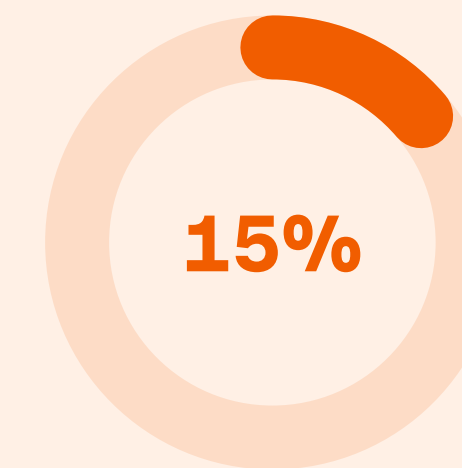
Overall, there is a sentiment of not wanting to “overdo” time tracking, which suggests the need to find tools and processes that don’t create an additional burden for teams.



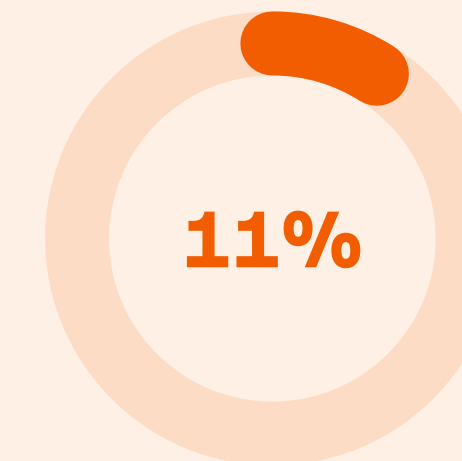
View time tracking as an essential part of running their business



See time tracking as helpful, but don't want to overdo it



Time tracking helps them see where they spend their time and where to improve



Time tracking is a nuisance or it interferes with their day-to-day work



What's your company's biggest time tracking challenge?

Select one



The adoption challenge

While companies understand the importance of time tracking, getting the team to consistently and accurately track time was a top concern for Leadership and Operations, while Individual Contributors highlighted the challenge of remembering to track time. Analyzing tracked time was also a challenge, especially for Project Managers.

These challenges highlight the human element of the time tracking process. For time tracking to be useful, the data needs to be complete and accurate, and many organizations still face a challenge with getting their team to track time consistently.

The challenge of analyzing tracked time data to identify trends and opportunities also suggests that, while many companies are successful in collecting time data, they may struggle to service actionable insights from this information, potentially indicating a need for better analytics tools.

Billing & Payments



Billing & Payments:

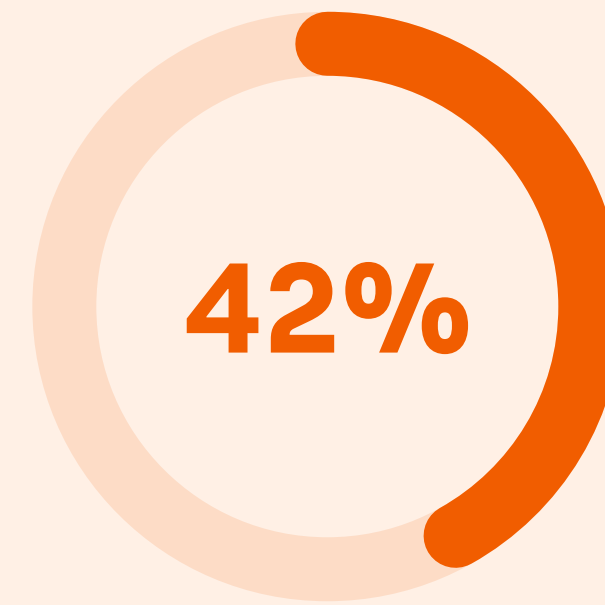
Firms continue to struggle to get paid on time

How often do companies experience payment delays?

Timely payments are crucial to ensure a healthy cashflow and accurate financial planning. The frequency of payment delays from clients is a significant concern for many businesses, **with nearly 56% experiencing either frequent or occasional delays.**

The fact that **14%** of respondents experience frequent delays is particularly concerning, as it could indicate deeper issues in billing practices or client relationships.

Firms need to tread a fine line between strict payment policies and maintaining positive client relationships, which adds another challenge to ensuring consistently on-time payments.



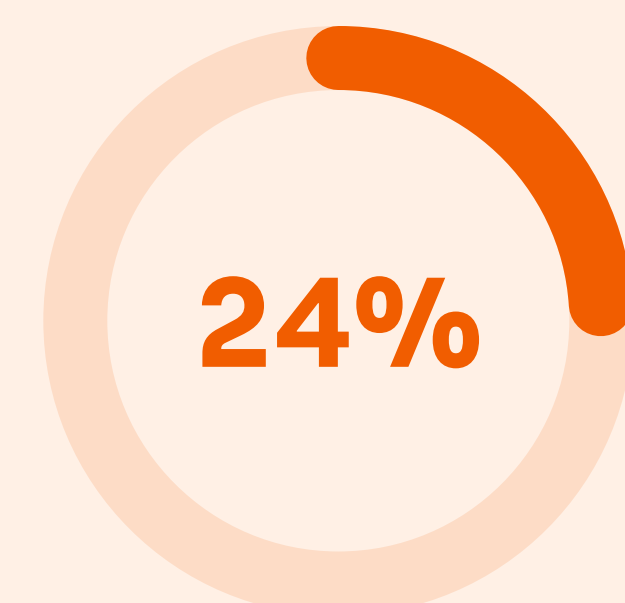
Occasionally experience payment delays



Frequently experience payment delays



Rarely experience payment delays



Not sure

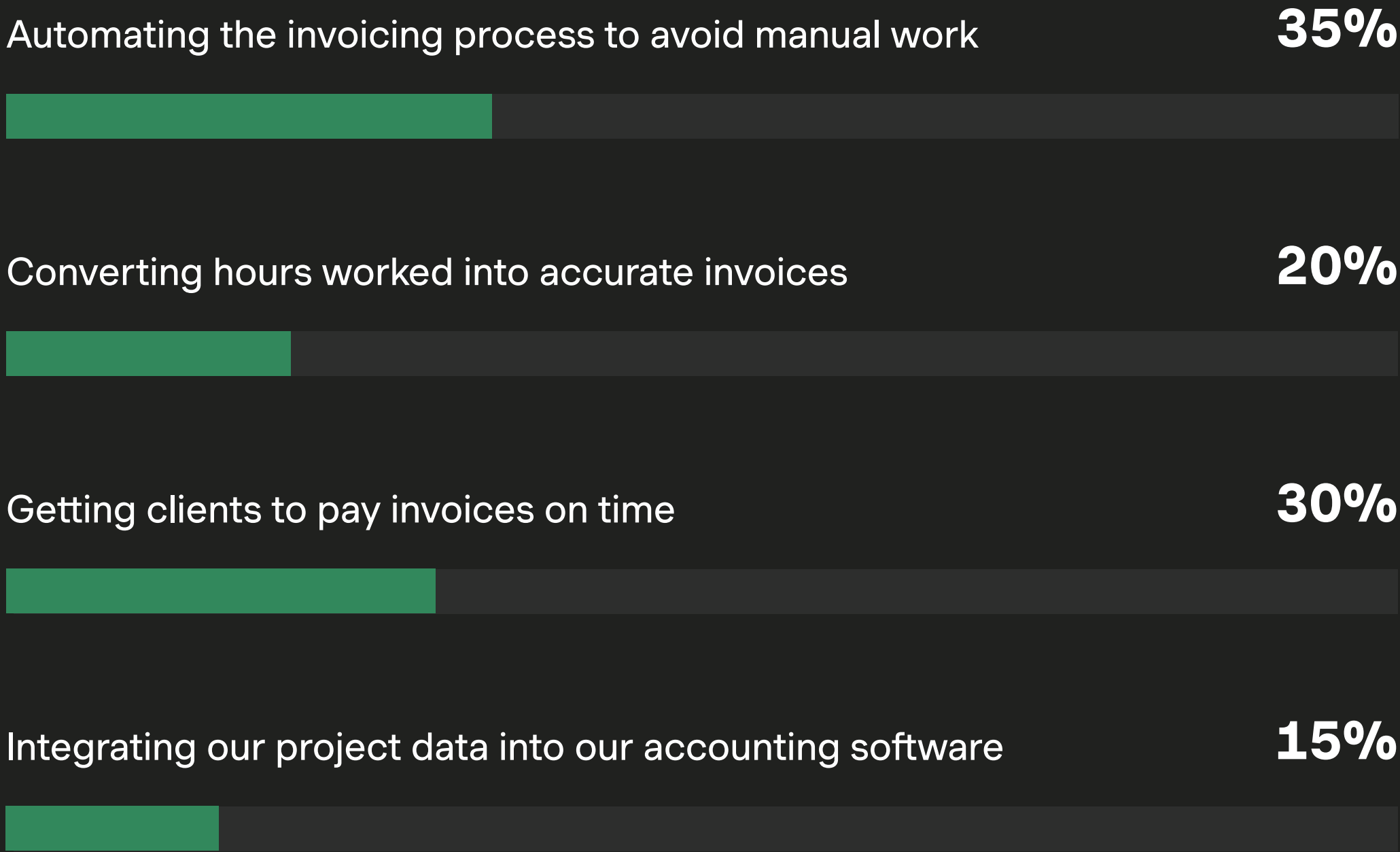
Automated invoicing, at the top of the wish list

The survey identified several key challenges related to invoicing and payments, with *automated invoicing* coming on top for **35%** of respondents, followed by *ensuring timely payments*.

The primary challenge of invoice automation suggests that many companies are still dealing with manual billing systems, which can lead to inefficiency, errors, and delays in the billing cycle.

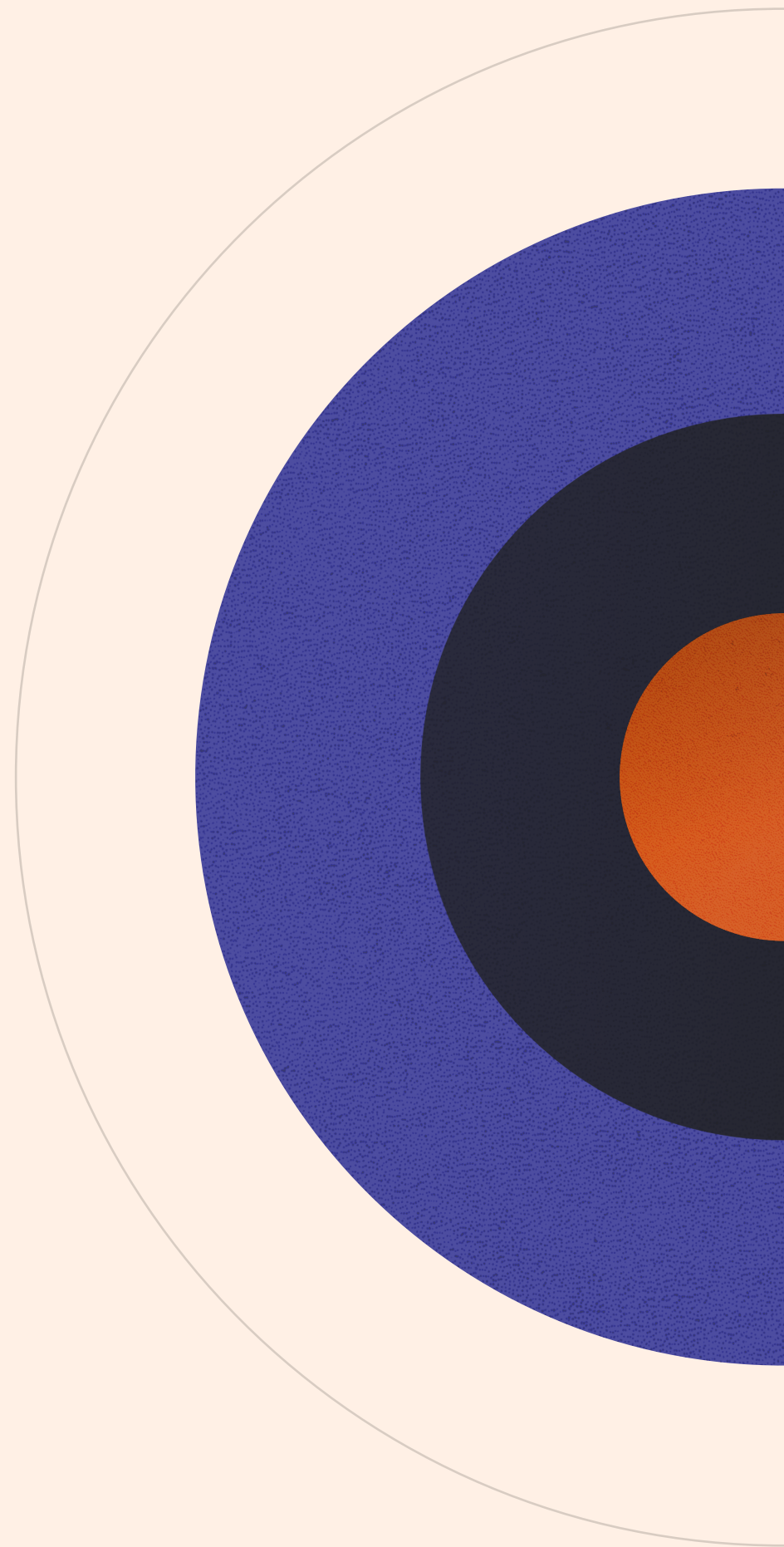
What's your company's biggest project operations challenge?

Select one





Recommendations



The findings of our survey highlight the evolving challenges and priorities of professional service firms in a competitive and rapidly changing landscape.

While most companies demonstrate strong capabilities in core delivery processes and client relationships, operational challenges continue to present significant hurdles.

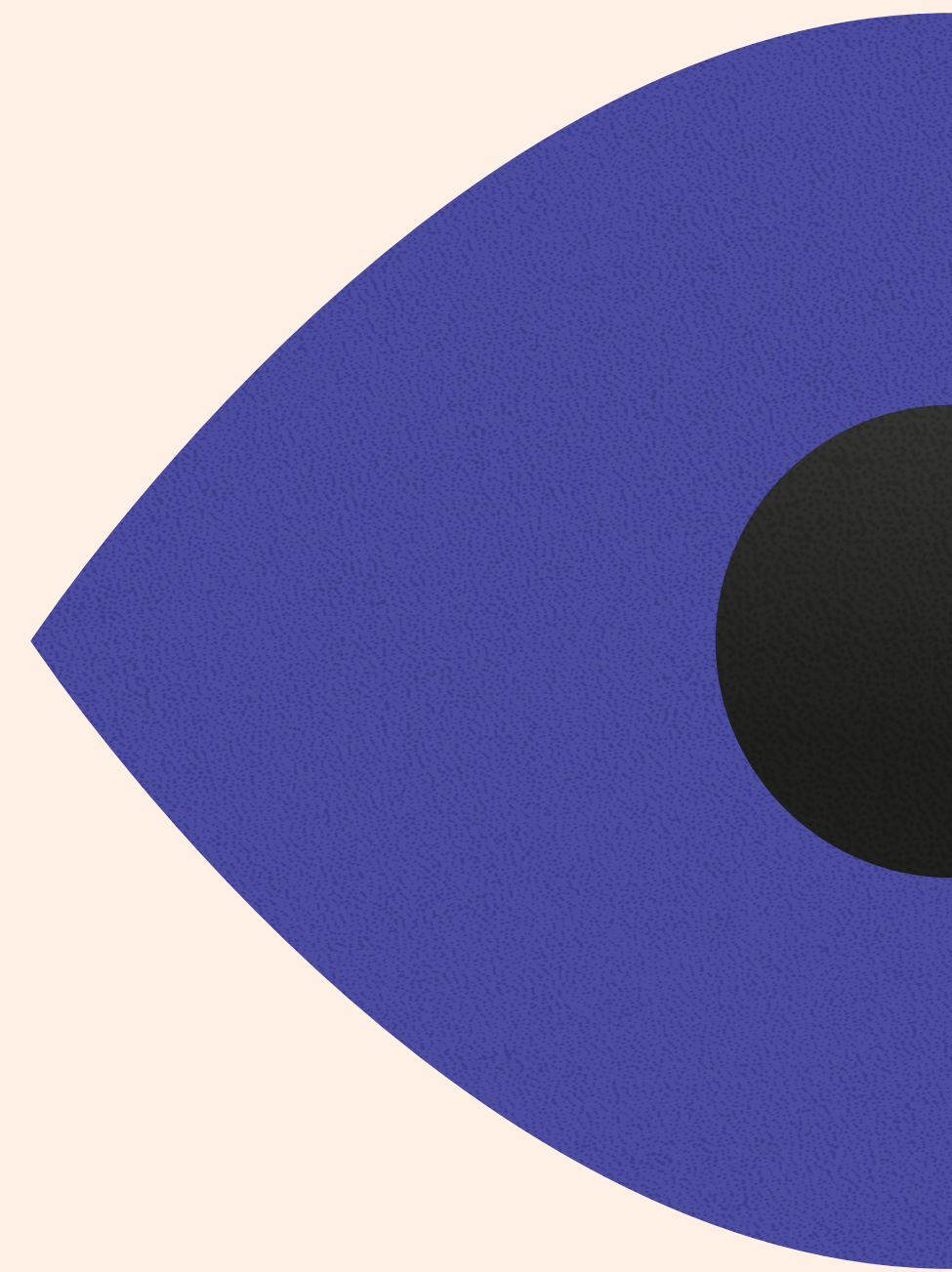
The survey results reflect that, while many firms are actively working on operational improvements, there is a clear need for better tools, processes, and strategies to improve efficiency and ensure long term sustainability.

To address these challenges, professional service firms should consider the following recommendations.

Conclusion

01 Strengthen forecasting and capacity planning

Implement forecasting tools that integrate time tracking data to improve resource planning accuracy. Foster collaboration between leadership, operations, and project managers to align strategic growth goals with capacity realities.



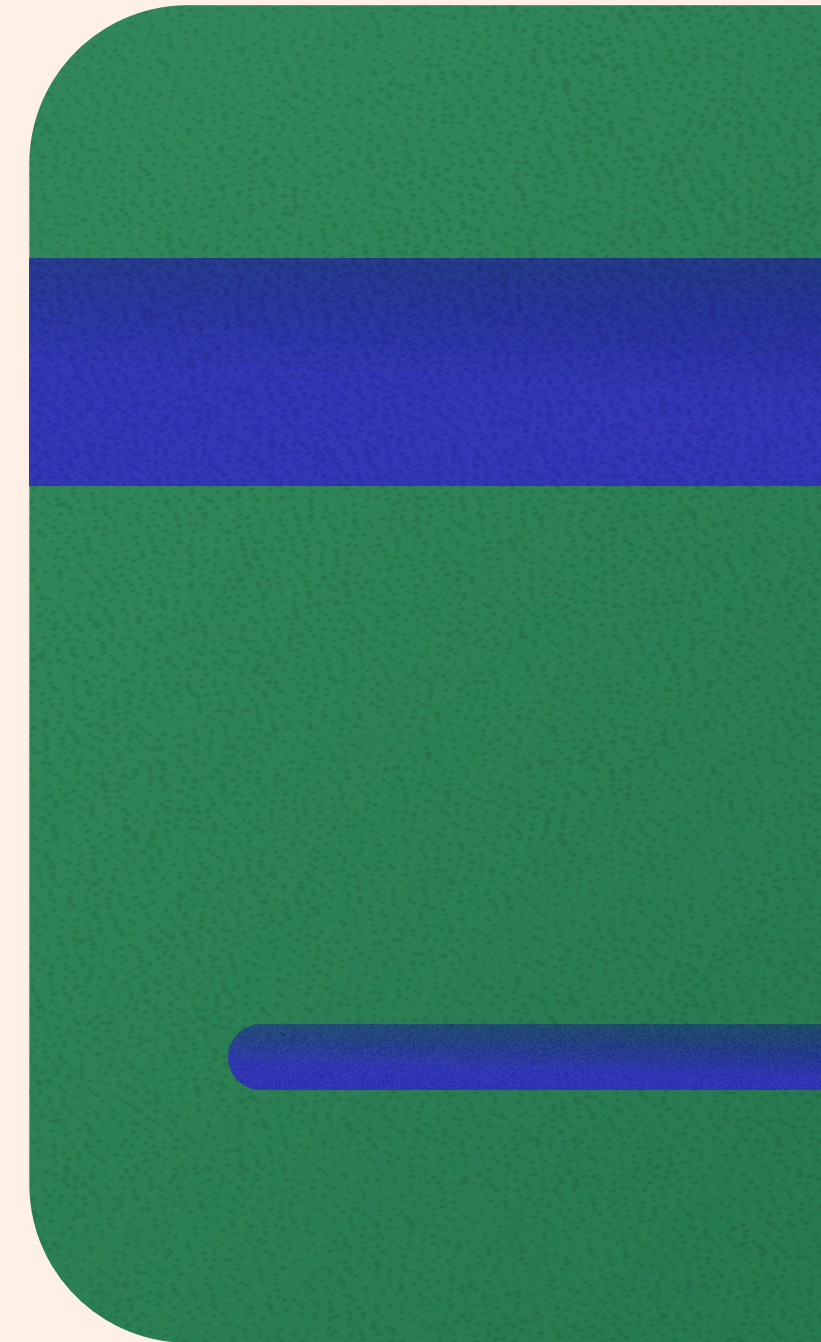
02 Reinforce time tracking value and simplify processes

Educate teams on the value of time tracking beyond billing, and implement integrated lightweight tools and processes so time tracking doesn't feel like a burden.



03 Improve billing processes to reduce payment delays

Centralize billing and move to tools that allow for greater automation. Set clear payment schedules and conditions at the beginning of client engagements, as well as internal policies on how to deal with late payments.



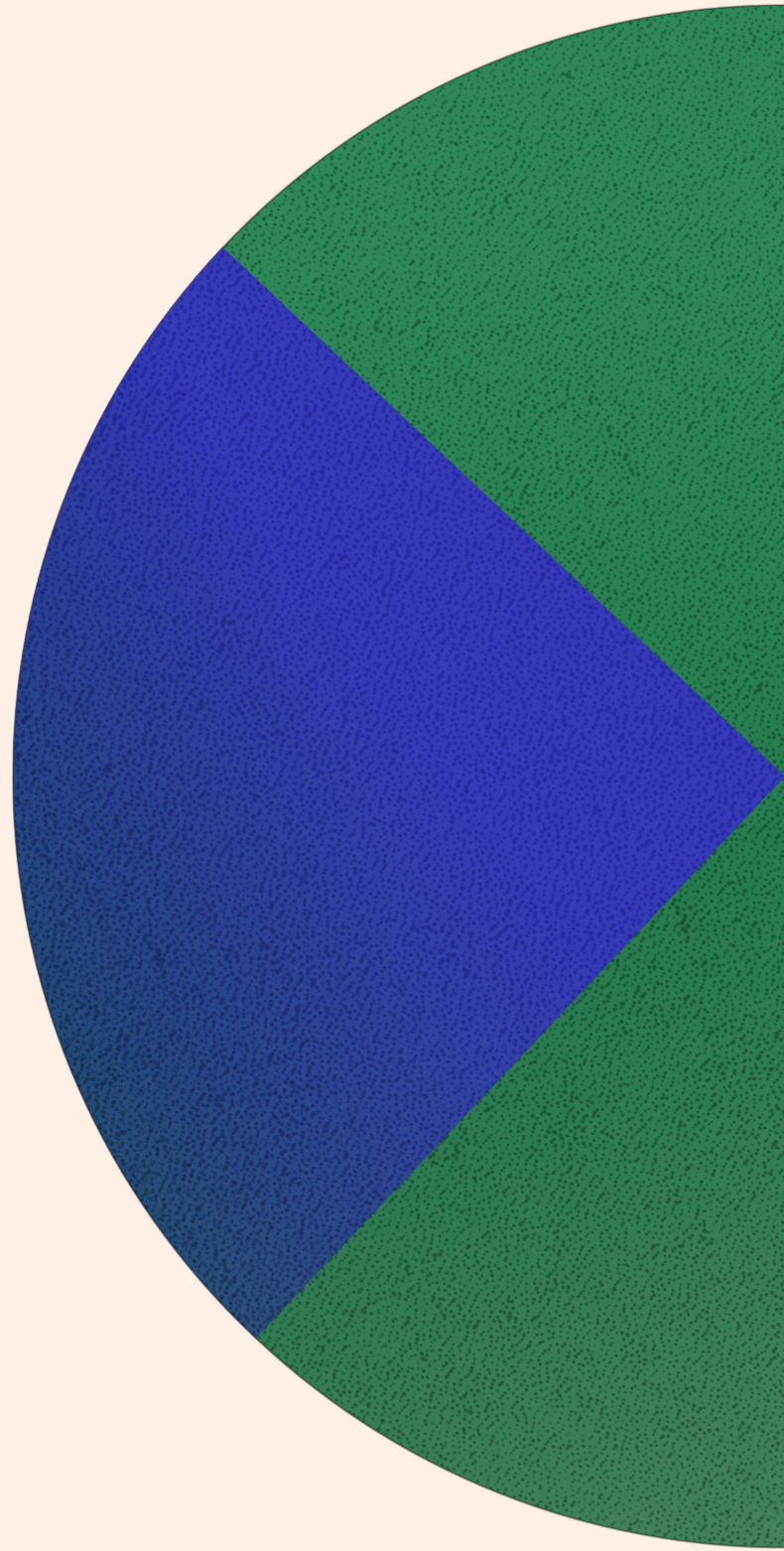
04 Lean on company culture as a differentiator

Be intentional about building and nurturing your company culture to foster a collaborative environment and retain employees. Consider sharing your company culture externally to attract new talent.



05 Leverage AI to improve utilization and profitability

Implement AI tools to reduce time spent on admin and grunt work and allow your team to focus on higher-value work.



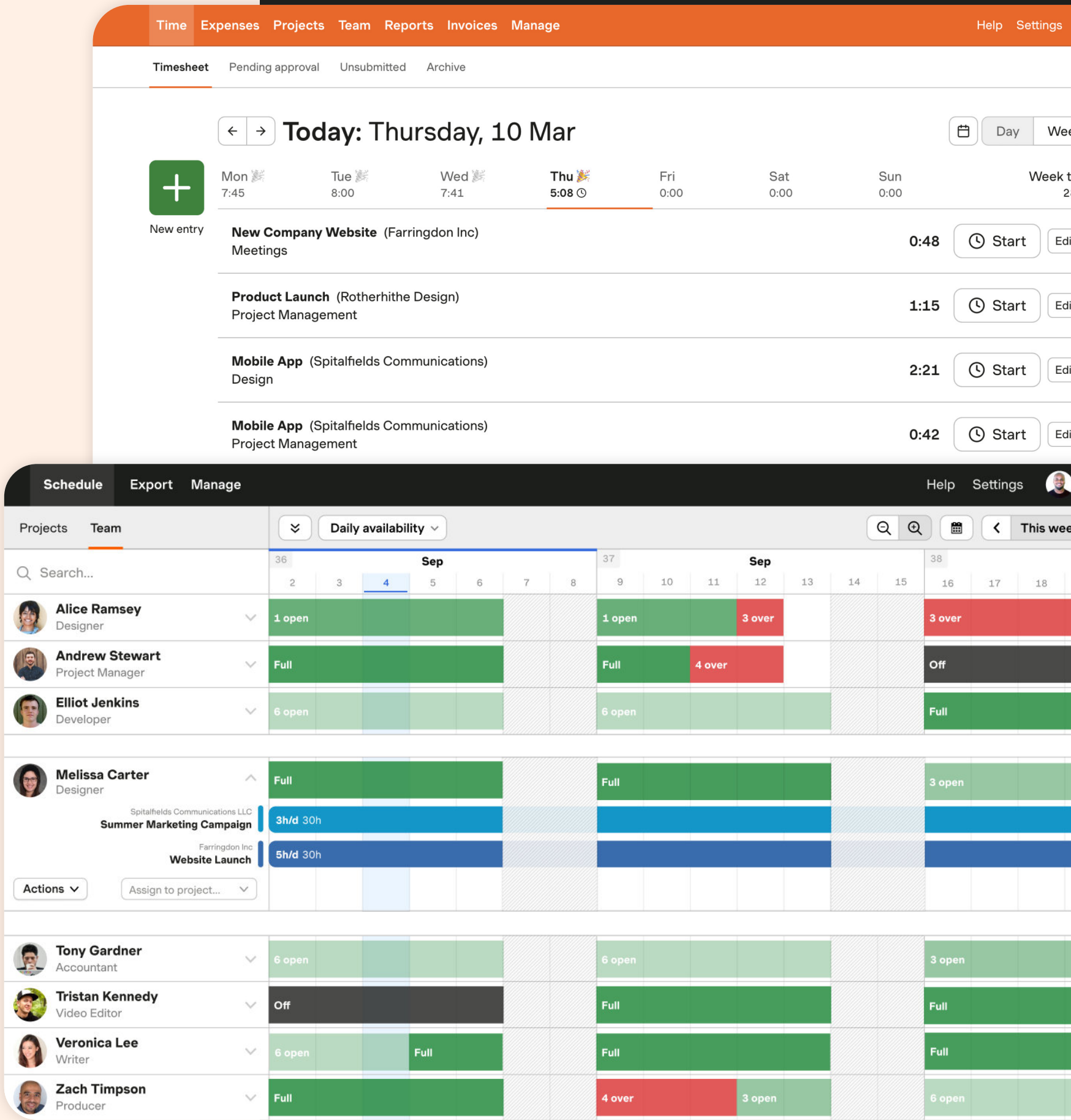


About Harvest

Harvest is an industry-leading software company building tools that help businesses thrive. We believe companies succeed by using their time intentionally, and our products support our customers by helping them plan, track, and understand their teams' time.

We make **Harvest**, a time tracking, reporting, and invoicing solution trusted by over 70,000 companies worldwide, and **Forecast**, a resource planning tool that helps companies schedule their team across projects and visualize their capacity and availability.

Learn More





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