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HSO PERSPECTIVES

The New Economics of Professional Services

How AI-accelerated delivery helps firms scale expertise, protect margins, and grow beyond headcount

BRIGHT
TOMORROWS



A Perspective Informed by the Work

For more than three decades, HSO has worked with professional services and project-driven organizations as they modernized the systems, processes, and operating models behind growth. Across industries and markets, we have seen the same pressure taking shape: firms are being asked to deliver more value, more quickly, with economics that no longer reward adding people in proportion to revenue.

That experience informs the perspective in these pages. The next era of professional services will not be defined by which firms acquire the most AI tools. It will be defined by which firms redesign delivery so that their data, methods, experience, and judgment work together as an institutional capability.

We call this AI-accelerated delivery. It is human-led, data-first, and built to make the firm more capable with every engagement it completes.





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Executive Brief

For most of its history, the professional services firm grew in a straight line. To do more, it hired more. Revenue and headcount rose together so consistently that the relationship came to feel like a law of the business.

That line is bending. Talent is scarcer and more expensive. Clients want faster answers, more certainty, and outcomes rather than hours. Fixed-fee and value-based models place more delivery risk on the firm. Routine work is being compressed even as the value of experienced judgment rises. At the same time, a generation of senior professionals is retiring with decades of judgment that most firms have no reliable way to keep.

Beneath these pressures sits a structural problem. What a firm knows is still held inside individuals, disconnected files, inboxes, and applications. Atlassian's 2025 survey of 12,000 knowledge workers and 200 Fortune 1,000 executives found that teams and executives alike spend a quarter of the workweek searching for information, and that half of workers had unknowingly duplicated work another team had already done. Every proposal begins too close to a blank page. Every engagement repeats work another team has already done. Every delayed signal allows margin erosion to become a write-off. Every departure removes part of the business.

The firms pulling ahead are solving a different problem. They are not trying to make individuals faster. They are building a business in which the institution itself can see, remember, recommend, and act. The gap this creates is not marginal. In its 2025 benchmark of 403 professional services organizations, employing more than 150,000 consultants and generating nearly sixty billion dollars in revenue, SPI Research found that the most operationally mature firms grow revenue several times faster than the least mature, at materially higher margins and utilization. Same industry, same economic weather, radically different outcomes.

2x

Organizations with a visible AI strategy are twice as likely to see revenue growth from it as those adopting ad hoc. Thomson Reuters, 2025

Expertise at Risk

Senior professionals are retiring with decades of judgment that most firms have no reliable way to capture, transfer, and reuse.

403

firms benchmarked, employing 150,000 consultants. The most mature outperform the least on growth, margin, and utilization. SPI Research, 2025

The competitive divide will not fall between firms that use new technology and firms that do not. It will fall between firms that apply it to isolated tasks and firms that use it to redesign how work moves through the business.

In that design, connected client, project, financial, resource, relationship, and knowledge data forms the foundation. Repeatable methods turn experience into reusable intellectual property. Intelligence surfaces risk and opportunity while there is still time to act. Governed agents prepare, monitor, and complete routine work. Professionals retain judgment, accountability, creativity, and trust.

The outcome is not simply lower cost. It is greater delivery capacity, earlier decisions, more consistent quality, stronger institutional memory, and a business that can grow without adding proportional overhead.

The firms that will define the next decade stopped trying to get larger. They learned to compound what they already know.

Every industry eventually changes how it creates value



Manufacturing industrialized production.



Retail digitized commerce.



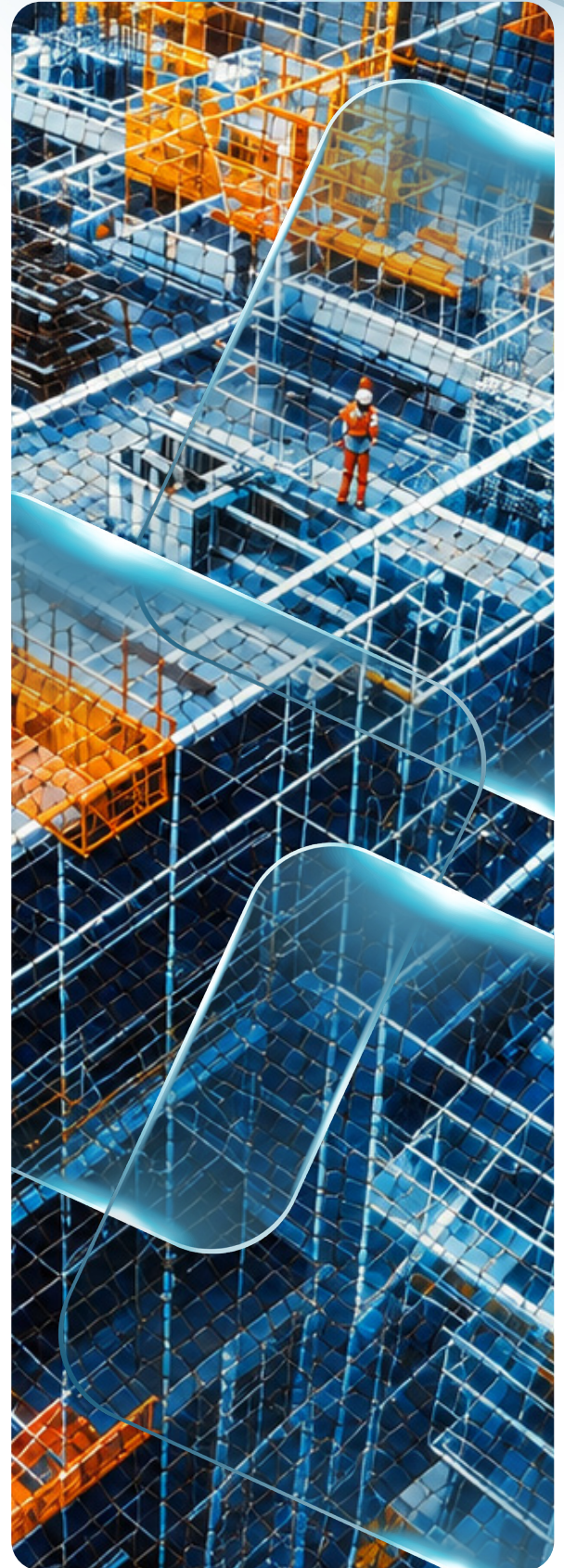
Media digitized distribution.



Software moved to the cloud.

Professional services is now changing how expertise is created, shared, and scaled.

This publication is about that **transition**.





1

A Morning Five Years From Now

A Morning Five Years From Now

It is 7:15 on a Monday morning. Before the first meeting of the week begins, the managing partner opens a single view of the firm.

Three engagements have been flagged as drifting toward margin erosion, early enough that a correction still costs a conversation rather than a write-off. Two clients show credible signals of readiness to expand. A new proposal is already substantially assembled from the firm's relevant experience, methods, experts, and commercial history. And the judgment of a partner who retired last quarter has not disappeared. It was captured in the flow of the work, and it is already helping the next generation decide.

No one spent the weekend assembling the view. No analyst reconciled five exports. No partner searched an inbox for the last version of a proposal. The institution observed what was happening, connected it with what it already knew, and brought the right decisions to the right people.

Five years earlier, nearly all of the same information existed. But it was scattered across systems that did not speak to one another, documents no one could reliably find, and the memories of people who were not yet awake. The same leader would have discovered the margin issue after month-end, pursued the expansion on instinct, rebuilt the proposal from fragments, and lost the retiring partner's judgment entirely.



The difference between those two Mondays is not a difference in talent.
It is a difference in how the firm is built.

The Economics Are Changing

The traditional professional services model was designed around a scarce resource: expert time. Firms created leverage by organizing layers of people, maximizing utilization, and selling access to specialized judgment by the hour. That model built extraordinary businesses. It is also reaching the edge of what it can return.

Microsoft's 2025 Work Trend Index found 53% of leaders saying productivity must increase while 80% of the workforce reports lacking the time or energy to do their work.

Clients can now generate a competent first draft, research an unfamiliar subject, or summarize a body of material in minutes. That does not eliminate the need for expertise. It changes what clients believe expertise should cost, how quickly it should arrive, and which parts of the work still deserve a premium.

The risk profile is shifting with it. When work is sold as a fixed fee, a subscription, a managed service, or a defined outcome, inefficiency is no longer passed to the client. It sits inside the firm's margin. The ability to scope accurately, staff intelligently, detect drift early, and reuse what the institution already knows stops being an operational convenience and becomes an economic capability.



Artificial intelligence did not lower the value of expertise. It raised the expectation that expertise should be available instantly.

The Industry Is Asking the Wrong Question

The most common question in professional services today is which tool to put in front of people. It is a reasonable question, and it begins too late.

Added to an unchanged operating model, new technology produces localized productivity. An individual drafts faster, summarizes faster, searches faster. Those gains are real, but they do not automatically improve project economics, strengthen institutional memory, or make the next engagement better than the last. The evidence bears this out: the Thomson Reuters Institute found firm-wide adoption nearly doubling in a single year while still reaching only about a fifth of organizations, with results among adopters varying widely. The tools were largely identical. What differed was what the tools were given to work with.

The more consequential question is how the firm should operate now that intelligence can be embedded throughout delivery. That moves the discussion from tools to design. It asks what the firm

should capture, which data must be connected, where decisions arrive too late, which repeatable activity can be entrusted to an agent, how human accountability is preserved, and how each completed engagement improves the system around it.

Thomson Reuters Institute, Future of Professionals 2025: Mind the Gap, published 26 June 2025.



Professional services firms do not have a technology adoption problem. They have an operating model problem that technology has made impossible to ignore.

AI-accelerated delivery is not simply the use of generative AI to complete individual tasks faster. It is the redesign of the delivery model around connected data, reusable intellectual property, embedded intelligence, and governed agents that can prepare, monitor, recommend, and act across the engagement lifecycle. It keeps human judgment at the center while reducing the searching, rebuilding, reconciling, and administrative work that limits capacity and erodes margin.

The model begins with the foundation beneath the intelligence.

When Growth and Headcount Separate

For a century, two lines moved together: revenue and headcount. To lift the first, a firm lifted the second, and for all practical purposes they were a single line drawn twice. Every assumption about the business, how it was valued, staffed, priced, and sold, rested on the belief that the two could never truly part.

They are parting now. A small but growing set of firms is expanding revenue, margin, and client outcomes without expanding headcount at the same rate, and in places while reducing it.

The benchmark data already shows it. Across 403 firms, SPI Research found revenue growing 4.6% in 2024 while headcount grew just 1.9% — the two lines moving at less than half the same rate, in an industry where they moved together for a century.

THE OLD EQUATION

- More revenue
- Required more people
- Growth tied to headcount

+

WHAT IS EMERGING

- More revenue
- With the same people
- Growth tied to what the firm knows

This is not automation quietly replacing people. It is expertise being released from the constraint of any one person's hours. When a firm can deliver the judgment of its best people without consuming the time of its best people, growth stops being a hiring problem and becomes a design problem.



For a century, revenue and headcount were the same line drawn twice. They are separating now, and they will not rejoin.

The separation is the visible symptom. The cause sits one level beneath it.

2

The Asset That Goes Home Every Night



The Asset That Goes Home Every Night

Consider what a professional services firm actually owns. Not its offices, its software, or even its brand, but the thing clients pay for: the accumulated judgment of the people who work there. Now consider where that judgment is kept.

It is kept inside individuals. And so capability leaks out of the business almost as fast as it enters:

- | Every proposal starts too close to a blank page, though the firm has written the answer a hundred times
- | Every project teaches lessons that vanish the moment it closes
- | Every senior leader carries a portion of the firm's judgment in their own head
- | Every acquisition begins from scratch, its expertise never absorbed
- | Every office solves the same problem a different way
- | Every retirement quietly deletes part of the business that no successor inherits

None of this is a failure of effort. It is a failure of architecture. The firm was never built to keep what it learns. Its expertise has always been something that happens when a capable person does something, rather than something the institution holds. The first does not scale. The second does.



Firms don't lose knowledge because people leave.
They lose it because they never built a way for the institution to receive it.

Professional services
is the only industry that
sends its entire asset base
home every evening and
hopes it returns in the
morning.

Its factory has a pulse.
Its inventory has opinions.



The Foundation Comes First

No technology can create a coherent firm from fragmented operational data. It can only work with the context it can reach, trust, and interpret.

Most professional services organizations still operate across disconnected client, project, matter, finance, resource, relationship, document, and collaboration systems. Each may be adequate on its own. Together they produce an incomplete picture of the business. Leaders see revenue without delivery context, pipeline without capacity, utilization without future demand, and project status without the relationship intelligence needed to interpret it.

This fragmentation is why so many promising pilots stall. The tool is capable, but the institution has not given it a reliable operating context.



A firm cannot become agentic before it becomes connected.

A connected foundation does more than consolidate reporting. It establishes shared definitions, governed access, traceable lineage, and the relationships between operational events. It allows the firm to understand not only what happened, but why it matters, what is likely to happen next, and who is accountable for the response. This is the point at which intelligence moves beyond personal productivity and gains enough context to participate safely in the running of the business.

The Firm That Remembers

There is a difference between a firm full of people who know things and a firm that itself knows things. The first is common. The second is rare, and it is the source of durable advantage.

Consider an engineering practice preparing a bid for a water treatment facility. Somewhere inside the business is the record of eleven similar projects: where estimates proved wrong, which site conditions changed the economics, which subcontractors protected the schedule, and which interventions kept

a small problem from becoming a claim. In many firms that record technically exists but cannot be assembled in the days a bid allows, so the estimate is built from the memory of whoever happens to be in the room.

In a firm that remembers, those eleven projects are the starting point. The same principle applies to a law firm assessing a matter it has effectively argued before, an accounting firm advising a client facing a familiar issue, a consultancy scoping work it has already delivered in another market, or a technology services business planning an implementation with known risk patterns.

This is not the knowledge management model most firms tried and quietly abandoned. That approach asked busy people to pause their work and document what they had done for an uncertain future benefit, and it failed because it added effort without returning any. What is emerging now is different in kind: capability captured as a by-product of the work itself, connected to operational outcomes, and returned at the moment a decision is being made.

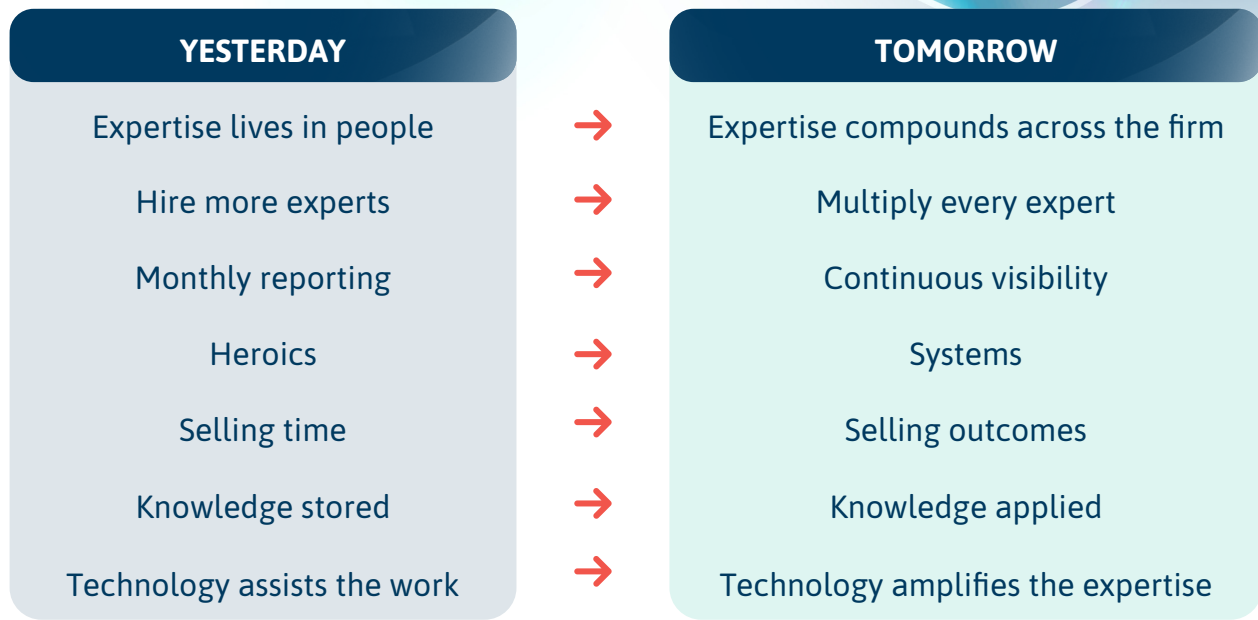
Technology matters here enormously, but only in its proper place. It does not create institutional memory. It multiplies whatever memory already exists. McKinsey's 2023 research on generative AI estimates that current tools could transform sixty to seventy percent of the time people spend working, but that potential is realized only where the underlying business is coherent enough to support it.



Technology multiplies whatever a firm already is.
That is precisely why it disappoints so many of them.

The Evolution of Professional Services

The shift underway is not a single event but a change of state, visible across every dimension of how a firm operates. The old model has not failed so much as reached its limit, and the new one is already taking shape in the firms pulling ahead. The contrast looks like this.



From Visibility to Action

Professional services firms have invested heavily in dashboards. Better visibility is valuable, but a dashboard still leaves the most important work to the reader: notice the signal, understand its context, determine the response, find the accountable person, and follow through.



Every disconnected system creates another delayed decision. Every delayed decision creates another opportunity for margin to disappear.

THE NEXT OPERATING MODEL CLOSES THAT DISTANCE. IT PROGRESSES THROUGH FOUR LEVELS OF CAPABILITY.

- 1 Visibility**
The firm can see performance across clients, engagements, resources, and financials using consistent, trusted information.
- 2 Intelligence**
The firm can identify patterns, explain variance, and distinguish meaningful signals from noise.
- 3 Recommendation**
The system brings forward a contextual next action, supported by the firm's own data, methods, and controls.
- 4 Autonomous Execution**
A governed agent completes permitted work, routes a decision, updates a record, or coordinates a workflow, while human accountability is preserved.

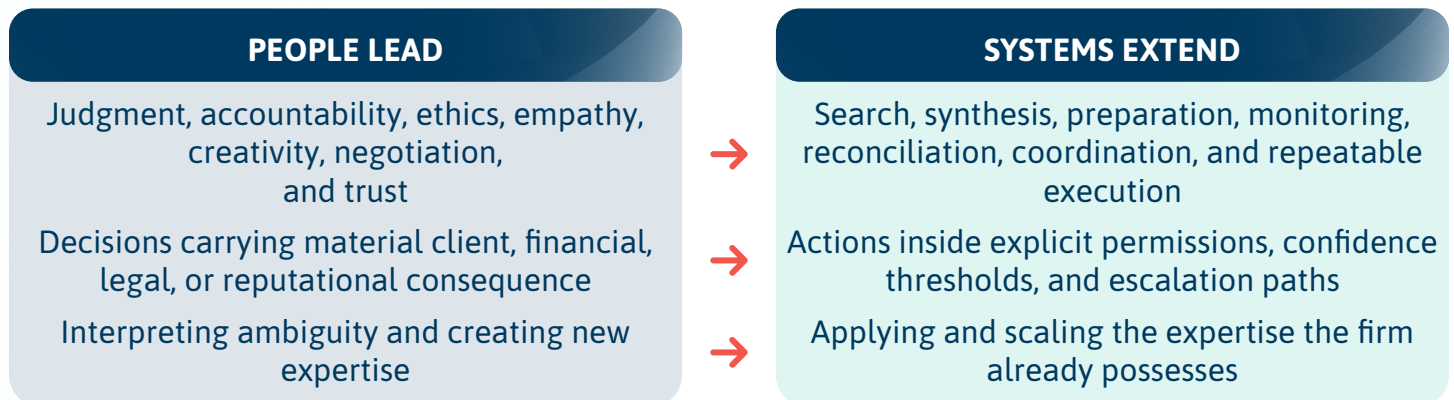
This movement from insight to recommendation to action is where the economics change. A risk discovered earlier costs less. A proposal assembled from proven material consumes fewer senior hours. A resourcing conflict resolved before kickoff avoids expensive disruption. A billing exception corrected immediately never becomes revenue leakage.

The Human and Agent Operating Model

AI-accelerated delivery only works when the division of labor is explicit. The question is not what the technology is capable of, but what the firm will permit it to do, and where a person must remain answerable. The division looks like this.

The division of labor matters more than the technology. Judgment, accountability, ethics, empathy, creativity, negotiation, and trust belong to professionals, and so do decisions carrying material client, financial, legal, or reputational consequence. Search, synthesis, preparation, monitoring, reconciliation, and repeatable execution can be delegated, provided they fall within explicit permissions, confidence thresholds, and escalation paths.

Governance is therefore part of delivery design, not a separate compliance exercise. Firms need clear ownership, approved data boundaries, role-based access, auditability, escalation rules, and defined points of human review. In a business built on trust, the controls are not overhead. They are the product.



Human judgment is the foundation of every professional services firm.
It was never meant to be its ceiling.

From Heroics to Compounding

Most successful professional services firms still run on heroics. They win because of the brilliant partner, the irreplaceable lead, the person everyone calls when an engagement is in trouble. Firms built this way are formidable and fragile at once. Their capability is genuine but uncaptured, and it is retained nowhere but in the people who hold it.

The path away from heroics runs through a sequence of shifts, each moving capability further out of individuals and further into the institution. This is not a software maturity curve. It is an operating maturity curve. Technology enables the movement, but leadership choices determine whether the institution actually changes.

At the top of that climb something changes in kind rather than degree. Expertise begins to behave the way capital does. It accrues. It earns a return. The business of next year is measurably more capable than the business of this one, because the institution retains not only what happened but which decisions produced better outcomes. It is worth being clear about what this is and is not. Compounding is not the goal. Protecting margin, growing without strain, keeping good people, and serving clients better are the goals. Compounding is the mechanism that delivers them, and the reason a firm can take on more work without taking on proportional cost.

STAGE

HEROIC



REPEATABLE



CONNECTED



INTELLIGENT



COMPOUNDING



HOW THE FIRM OPERATES

Capability lives in exceptional individuals. The work succeeds, but the institution keeps little of the advantage.

Methods, templates, and standards let more people reproduce strong work.

Client, project, financial, resource, relationship, and knowledge data form one shared operating context.

The firm recognizes patterns, anticipates risk, and recommends action while outcomes can still change.

People and governed systems act on that intelligence, and every engagement strengthens the next.

What Actually Creates Leverage

Leverage in professional services has traditionally meant a staffing ratio. It is better understood as the return the institution earns on its people, methods, information, and experience. Five capabilities produce it, each raising the value of the one before it.

Most firms are strongest in the first and uneven in the rest. The distance between them is the distance between a firm that grows by adding and a firm that grows by compounding, and it is measured in how the business is built rather than in how hard it works.

CAPABILITY	WHAT IT CONTRIBUTES
• Human judgment	The creativity, relationships, accountability, and contextual reasoning clients ultimately trust. The foundation, never the ceiling.
• Repeatable methods	A way to turn exceptional work into a standard others can follow and improve.
• Connected information	A coherent view of clients, projects, resources, financials, relationships, and knowledge.
• Accelerated execution	Embedded intelligence that reduces friction, surfaces decisions, and completes governed work.
• Continuous learning	A feedback loop through which each engagement improves the next.



What Changes Across the Business

An operating model becomes real when it changes the daily decisions that determine growth and margin.

STAGE	HOW IT WORKS TODAY	HOW IT WORKS IN A FIRM THAT COMPOUNDS
Pursuit	Teams search for examples, experts, and content, then rebuild from fragments.	Relevant experience, relationships, experts, and approved content surface in context.
Planning	Scope and staffing depend on individual memory and static assumptions.	Historical delivery patterns inform pricing, resourcing, risk, and margin assumptions.
Delivery	Professionals coordinate work, status, and administration by hand.	Routine preparation, monitoring, and reconciliation happen within defined controls.
Intervention	Risk appears in retrospective reports, after margin has already moved.	Leading indicators surface early, with context and a recommended action.
Close and learn	Lessons stay in documents, or in the heads of the delivery team.	Outcomes strengthen the methods, models, and knowledge used next time.

In growth, teams know which clients are most likely to expand, who holds the strongest relationship, which experience is relevant, and which experts should enter the pursuit. Proposals begin with the institution's best approved work rather than a shared drive.

In commercial planning, prior engagements inform scope, assumptions, staffing, pricing, and risk. The firm can see where it routinely underestimates effort, and where standardized methods create room for new commercial models.

In resource management, demand, skills, availability, location, cost, and development needs are weighed together. Staffing becomes a forward-looking portfolio decision rather than a weekly negotiation over the people everyone already knows.

In delivery, signals from milestones, effort, expenses, dependencies, sentiment, quality, and financial performance are read continuously, and leaders intervene while the engagement can still be

protected. In finance, time, expense, billing, revenue, and forecast data connect to the operational reality of the work, so exceptions are resolved in the flow of delivery rather than reconciled after the fact.

And in leadership, the firm no longer waits for someone to assemble a report before it can understand itself. Decisions arrive with context, consequence, and a recommended response.



The goal is not a faster version of the old operating model. It is a firm that loses less value between what the institution knows and what its people can do with it.

What Leaders Must Do Now

This transition does not begin with a firm-wide rollout. It begins with a clear view of where value is being lost, and a disciplined sequence for redesigning the work.

Start with economics, not novelty. Identify where margin leaks, where decisions arrive late, where senior time is consumed by repeatable work, and where demand is constrained by capacity.

Build the operational foundation. Connect the data required to understand the client, the work, the people, and the financial outcome as one system.

Make proven delivery reusable. Capture methods, approved content, decisions, experience, and lessons in forms that can actually be found and applied.

Embed intelligence in real workflows. Bring insight into the systems and collaboration environments where people already decide and act.

Introduce agents within explicit boundaries. Begin with high-volume, repeatable work where permissions, review, and escalation can be clearly defined.

Measure institutional outcomes. Track cycle time, rework, forecast accuracy, margin leakage, delivery predictability, reuse, and capacity, not adoption statistics.

Redesign roles and incentives. Reward people for strengthening the institution, not only for the hours they personally bill.

The most important early wins will look unremarkable. A better scope. A risk seen two weeks earlier. An expense exception resolved before billing. A proposal that consumes hours instead of days. Their strategic value appears when the same improvement happens repeatedly, everywhere, without anyone being heroic about it.

Seven Questions Every Leadership Team Should Ask

This perspective is not meant to be admired. It is meant to be used. The questions below are a place to begin, and a way for a leadership team to locate itself honestly.

1

When our most experienced people leave, what portion of their judgment stays with the firm, and where exactly does it live?

2

How much of what we deliver is created from scratch, and how much begins with proven institutional knowledge?

3

Can we see an engagement drifting before it costs us margin, or only after the financial period closes?

4

Do our technology initiatives improve isolated tasks, or the economics and predictability of delivery?

5

Is our client, project, financial, resource, relationship, and knowledge data connected well enough to support intelligence we would actually trust?

6

Which decisions must always remain human, and which governed actions could safely be prepared or completed for us?

7

Are we investing this year merely to become larger, or to become more capable?

A leadership team that answers these honestly will not need to be told where it stands. It will already know, and it will know what to do next.

The Decade Ahead

The change described in these pages is not approaching. It has arrived. Client expectations have already shifted, the time required for many knowledge tasks has already compressed, talent has already tightened, and the link between revenue and headcount has already begun to weaken. None of it is waiting for permission.

What remains open is only the response. Some firms will answer a structural change with a tactical reflex: hiring faster, working longer, buying tools they are not yet built to use. They will produce scattered gains, enthusiastic pilots, and pockets of individual productivity while the underlying business stays fragmented. The institution will still forget. Decisions will still arrive late. Margin will still depend on heroics. They will not fail dramatically. They will simply fall behind, quietly at first and then all at once.

Others will do the harder and more durable thing. They will redesign the firm around what it knows, connect their operational data, codify proven methods, build intelligence into delivery, and extend the capacity of their people within clear boundaries. They will treat every engagement not only as revenue, but as an opportunity to strengthen the business that produced it.

These firms will not eliminate professional judgment. They will make it more available. They will not remove people from client service. They will return people to the parts of client service that deserve them. They will not protect margin by demanding more from an already stretched workforce. They will protect it by losing less to fragmentation, repetition, and delay.



Professional services spent a century learning to scale labor. The next decade belongs to firms that learn to scale expertise. The only question left is which firms will act on it first, and be remembered as the ones who saw it before the rest of the market did.

Sources and Research Notes

This publication is a point of view rather than a study, but its argument rests on observable shifts and established research. The figures cited in these pages come from the following sources.

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Find out more

About HSO

At HSO, we believe technology should never be the strategy. Strategy should decide the technology.

For more than three decades we have worked with professional services and project-driven organizations as they modernized the systems, processes, and operating models behind growth. Across legal, accounting, consulting, architecture and engineering, construction, energy services, and technology services, we have seen the same tension appear in different forms: firms asked to deliver more value, more quickly, with economics that no longer reward adding people in proportion to revenue.

That experience shapes the view in these pages. The next era of professional services will not be defined by which firms acquire the most tools. It will be defined by which firms redesign delivery so that their data, methods, experience, and judgment work together as an institutional capability.

The firms that lead the next decade will not get there by accident. If you are ready to rethink how expertise flows through your business, we would welcome the opportunity to help.



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