

Teleware365

THE BEST DAYS ARE YET TO COME: ADDRESSING THE PRODUCTIVITY PROBLEM IN PROFESSIONAL SERVICES



W H I T E P A P E R

In 2017, the total cost per person in professional services businesses rose at the fastest pace in almost a decade, causing profitability to fall at the fastest pace since 2012.

The professional services sector, including lawyers, accountants and consultants, once drove productivity growth in the UK. Since the financial crisis, however, they've been among the biggest contributors to its slowdown that's seen output per worker stagnate. Productivity growth in the sector fell from an average of over four per cent a year before the financial crisis, to less than one per cent in the years following.¹

Not coincidentally, the sector also faces a severe skills shortage (see below); not having the right people has obvious implications for firms' productivity.

Flexible and remote working is no panacea, but existing research and new work presented in this paper suggests it could make a profound difference to both. We find that workers increasingly demand it, and its contribution to a happier, more productive and highly skilled workforce means businesses need it. To benefit, however, they will need to take advantage of the available technology to deliver sophisticated, efficient solutions for new ways of working.

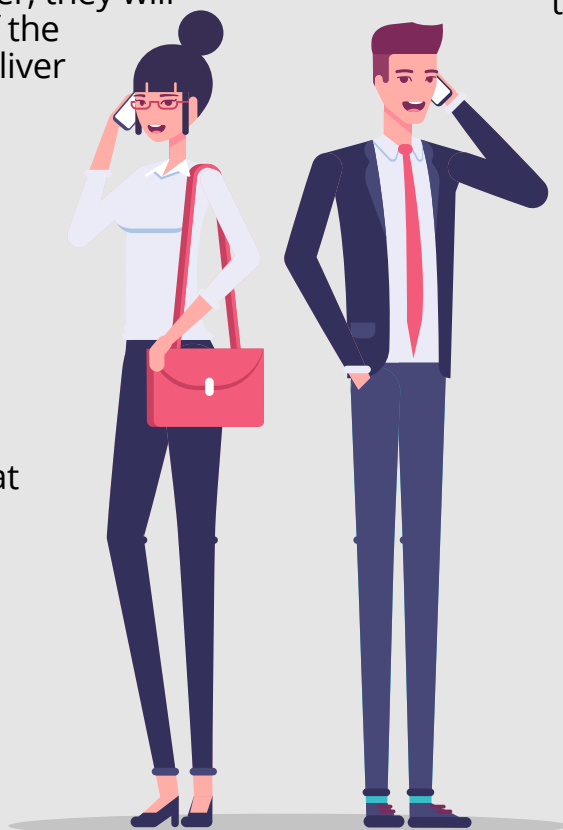
Existing research and new work presented in this paper suggests many firms still have a long way to go to achieve this. But they also suggest that the opportunities for firms that do so will be substantial.

TOP TO BOTTOM: THE DECLINE OF OUR GROWING INDUSTRIES

Britain's productivity problem is widespread. According to Bank of England chief economist, Andrew Haldane, while there are a small number of highly productive companies in the UK, they remain an exception. The majority are found among a "long tail" of unproductive firms, which accounts for 99 out of every 100 British businesses.² His point: The problem is endemic.

This emphasis on the scale of the issue is a useful guard against complacency, and a reminder that almost all firms need to look carefully at how they could boost productivity in their firm.³

But this also risks missing an important point: While for some firms, poor productivity growth is nothing new, others, and indeed for entire sectors, were, until recently, leaders when it came to productivity. In fact, it is the decline of these firms that has had the greatest impact on the UK's overall productivity figures. As the Financial Times has put it, the best industries now "fizz less than they did".⁴ As much as three fifths of the decline in productivity growth can be attributed to a slowdown in just a few key sectors that previously had high productivity growth.⁵



A PROBLEM FOR PROFESSIONAL SERVICES

The professional services sector is certainly among these. An analysis in 2015 found that lawyers, accountants and management consultants lay at the heart of the UK's productivity problem, responsible for close to a quarter of a shortfall since 2008.⁶ There's little sign of things having improved since.

While the professional services industry has seen revenue growth in recent years, it slowed substantially in 2017, dipping under 10% for only the second time since the recession.⁷ According to the CBI, meanwhile, profitability for the sector is flat, and business and professional services firms' optimism about the general business situation is falling at the fastest pace since November 2016.⁸

To take just one subsector, NatWest bank's 2018 Legal Benchmarking Report shows profit per equity partner in UK law firms has fallen from £120k to £108k in just the past 12 months, while fees per fee earner are also down.⁹

The reasons for the productivity slowdown in these sectors vary, but two stand out. The first is what the bank's benchmarking report identified as a failure to focus on profits and efficiency (and as part of this a failure to invest in technology), rather than revenue and fees. And what is true in legal services, is true in the wider professional services space, too.

The second is skills shortages, which are acute in the sector. Research by the CBI has shown that skills shortages in the UK's professional services sector is at its worst level in 19 years, when its surveys began.¹⁰ Last year, the total cost per person in such businesses rose at the fastest pace in almost a decade, causing profitability to fall at the fastest pace since 2012. Six out of ten UK businesses in the sector, meanwhile, report consistent skills shortages. Again, law firms are typical in this respect, with over two thirds saying skills shortages threaten growth,¹¹ but it's true elsewhere, too; 43% of accountancy firms, for instance, also say they're struggling to meet deadlines and client expectations as a result of a lack of skilled workers.¹²

As in other sectors,¹³ these strains on professional services businesses could be substantially relieved by flexible working and the intelligent application of technology to make this happen, however.



FALLING SHORT

Despite long-standing employment legislation providing the right to request flexible working, TeleWare's survey of over 2,300 British workers shows a minority actually enjoy the benefits. Just 29% surveyed said their companies offered flexible working schemes for all staff, with another 20% providing them for those above a certain level of seniority. Given the widespread availability of cost-effective technology that makes flexible working possible, that's a startlingly low proportion.

More shocking, these figures do not substantially change when we look at professional services firms in particular.



34%

**SAY THEIR FIRMS
OPERATE A FLEXIBLE
WORKING SCHEME
FOR EVERYONE**



17%

**OFFER IT FOR
SENIOR PEOPLE
SPECIFICALLY**

The result is that, again, about half don't have access to a flexible work scheme without special permission. This is despite the fact that professional services firms generally have greater opportunities than others to implement flexible working, which includes remote working. Unlike manufacturers, retailers or sectors such as hospitality, most professional services firms are not tied strongly to single or multiple locations. Added to that, much of the work is project-based, allowing employees to put in irregular hours, provided the jobs are completed to deadlines.

There are, of course, exceptions, and requirements to accommodate client's working hours and other needs. Nevertheless, it seems indisputable that there is simply no need for many professionals in these industries to be tied to their desks during regular office hours.

STRONG DEMAND

Across sectors in our survey, 87% said that being able to choose the hours they work and where they work from was important to them. In professional services firms, however, the proportion is even greater, with 91% saying this. The numbers are also even higher for younger workers, according to our findings, meaning demand for flexible working is only going to grow. Across sectors, more than half (52%) of graduates in entry level positions said flexible working was very important and 41% that it was somewhat important.

In the context of the skills shortages firms face, it is also worth noting that this desire has a direct impact on recruitment. Over half of those working in the sector say they either would turn down a job because of a firm's failure to offer flexible working (37%) or already have done so (18%).

Not only is a failure to offer flexible working a possible contributor to the skills gap, but implementing flexible working should also be a win-win for businesses. Employees in professional services firms say flexible working can improve their work life balance (63%) and make them happier (60%); but they also say it helps them communicate better with colleagues and customers (21%) and makes them more productive (49%).



THE TECHNOLOGY GAP

A lack of formal flexible working programmes among professional services firms doesn't mean staff are not working when and where they need to, however. Far from it.

In fact, employees in this sector already spend, on average, a massive 42% of their working time on mobile devices, such as mobile phones, tablets and laptops. That's the highest, together with those in IT and telecoms, of any sector, with an average across industries of 31%. Close to one in five in professional services employees even say they spend more than three quarters of their work time on mobile technology. Those working in the sector are also significantly more likely than average to have employers provide laptops (55% against 48%) and mobile phones (48% against 40%).

Of course, that doesn't mean these devices

are always used away from the office or outside office hours. However, the evidence is that employers do provide mobile technology for a reason. Most workers say are interrupted by work calls, texts or emails either consistently or at least occasionally in their free time, whether in the evenings (70%), weekends (62%) or both. Close to half still deal with work on holiday (46%).

All this shows that workers already have the necessity, and apparently the willingness, to work outside the nine-to-five day and away from the office. And they also plainly have the technology to do it. So why aren't more businesses embracing flexible working to gain the benefits in terms of recruitment, retention and productivity?



THE START OF A JOURNEY

The answer, perhaps, is that the sector's adoption of mobile technology is still relatively immature. 30% of professional services firms operate with ad hoc processes. The business environment is opportunistic, with the focus on new client acquisition and reference building. Working practices and procedures are informal. Typically, quality is based on individual performance and aptitude.

As a result, mobile policy can creep into the workplace and be adopted on an ad hoc basis through necessity rather than design. That does not mean there is no appetite for adopting new technology in these industries, but many firms lack a structured plan and programme of adoption for mobile devices, be they devices provided by the business or employees' own to efficiently implement remote and flexible working schemes that will get the best from their employees.

We see this not just in the duplication of workplace devices, with multiple phones, mobiles, laptops, desktops, and tablets, all with overlapping functionality; we also see it – in common with other industries – in the duplication of both personal and business devices. Most commonly, for instance, professionals will have both mobile and personal mobiles, frequently on different operating systems,¹⁴ with not always clear boundaries in which is used for what. That's despite the existence of software that allows both work and personal numbers to be managed easily on a single device.

Failure to take advantage of such sophisticated, elegant solutions to mobile working is both a symptom and a cause of the lack of technologically enabled, strategic flexible work programmes. Without use of technology that can organise and ease the transition to more formalised flexible working

arrangements, the change can seem daunting. To take a final example from the legal industry, 41% of mid sized UK law firms say they find technology difficult to implement.¹⁵

It needn't be, however, and this really is a challenge professional service firms need to address if they want to get the best from their staff, and the best from the future.



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