Professional services firms & document management:

How Legacy Technology is Delaying the Transition to Hybrid Working in Europe

20-MINUTE READ

Introduction

Historically, professional services firms have thrived on face-to-face contact and personal interaction.[1] This is how young professionals refine their knowledge and learn from mentors. It's how senior partners demonstrate their value, leveraging contacts to win the confidence of new clients. From accountancy, tax and audit firms to marketing and advertising agencies, the sector has always depended heavily on personal interaction and relationship building.

Covid-19 was a shock to the system. As workplaces emptied during lockdown, many firms found themselves woefully unprepared for remote working. Errors proliferated. Basic aspects of workflow became deeply challenging. Documentation proved hard to access and collaboration became difficult. Staff struggled to work with the same level of efficiency, and the lack of personal interaction negatively affected the quality of client service. Forced to operate outside of their familiar face-to-face environment, many firms struggled.

Two years on, this survey sets out to ask: what has changed among professional services firms in Europe? What has been the impact on firms, workforce and clients? Has the experience of the pandemic transformed many into highly digitalised organisations? And how widely have professional services firms adopted the technology and processes required for truly successful and effective hybrid working?

As workplaces emptied during lockdown, many firms found themselves woefully unprepared for remote working.

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Pandemic and Post-Pandemic:
The Challenge of Remote Working

The professional services sector was not prepared for Covid-19. As a result, many firms experienced substantial difficulties. Shortcomings in the way firms manage, share and collaborate on information, whether internal or related to client business, became glaringly evident.

Seven out of 10 respondents told us that employees found it increasingly challenging to gain access to relevant documents and information because of structural barriers (lack of permissions, log-ins for multiple systems, overloaded VPNs and so on). Nearly half (46%) recall clients being sent incorrect information as a result of information management practices that were not fit for purpose.

These difficulties were compounded by similar challenges among their clients. Over half (55%) of the firms we surveyed cited increased challenges with waiting for clients to process and approve documentation during lockdowns. The overall result: a significant deterioration in the levels of service that professional services firms were able to offer to clients. Existing client relationships and future revenue streams will have been adversely affected.

Two years on, what has changed?

The survey data suggests that two things have changed substantially for the better. Clients are now significantly easier to deal with: the number of firms reporting that remote working is causing increased challenges with client response times is down by more than half. It's likely that this improvement is underpinned by staff returning to the office, client organisations getting better at hybrid working and firms finding better ways to collaborate with their clients.

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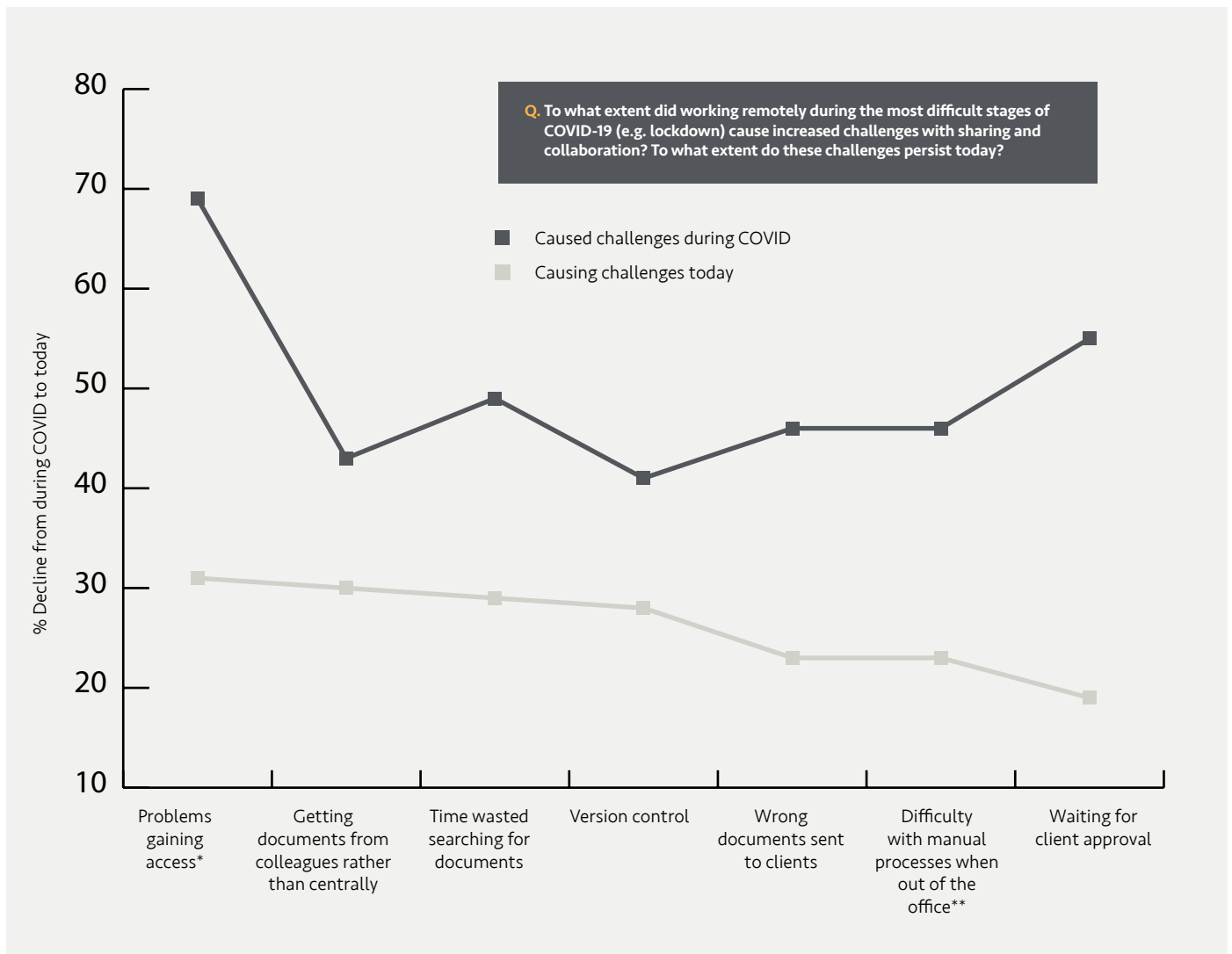# Pandemic and Post-Pandemic: the Challenge of Remote Working

The other things that seem a lot easier to deal with today are the mechanics of remote access (permissions, log-ins, overloaded VPNs and so on). Today, far fewer firms report challenges in this area, perhaps because of improved Single Sign-On technology, VPN upgrades and/or better processes in general.

However, some challenges haven't receded quite so readily. In particular, the number of complaints our respondents made about internal document management processes remains elevated. Three challenges stand out prominently: the lack of a centralised document hub, the amount of time wasted searching for documents, and the resulting challenges of version control. Half (47%) of all respondents told us that their organisation still faces elevated challenges in at least one of these areas today.

These challenges all relate to the way in which firms manage documents, content and information, and the way that they make it available for collaboration and sharing, both internally and externally, with clients and third-parties. In the context of remote and hybrid working, solutions stitched-together on top of legacy systems are plainly causing too many challenges for too many firms. Without access to a centralised platform that connects these documents and information across the business, and without confidence that the information they are accessing really is the single source of truth, knowledge workers are still wasting time searching for information or requesting it from colleagues. In turn, this increases the chance of information getting into the wrong hands, and the likelihood of an incorrect version of a document being shared.

The rest of our research attempts to explain why these challenges with data architecture and management persist. In particular, two findings stand out. First, the survey data points to a continuing preference across the sector for legacy forms of data infrastructure. Second, the data also suggests that deployment of the technology, processes and training required for hybrid working is proceeding slowly.

Q. To what extent did working remotely during the most difficult stages of COVID-19 (e.g. lockdown) cause increased challenges with sharing and collaboration? To what extent do these challenges persist today?

■ Caused challenges during COVID
■ Causing challenges today

Y-axis: % Decline from during COVID to today

X-axis categories: Problems gaining access* | Getting documents from colleagues rather than centrally | Time wasted searching for documents | Version control | Wrong documents sent to clients | Difficulty with manual processes when out of the office** | Waiting for client approval

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Section 2:

Collaboration, Legacy Tools & Hybrid Working

Slow progress on hybrid working

Professional services firms need to hire and retain top talent. In the wake of pandemic lockdowns, talent (especially young talent) has been very clear about its priorities. In one recent major worldwide study, six out of 10 members of Generation Z and the Millennial generation said they would be likely to quit their current job if their employee does not accommodate their preference for when and where they work.[2]

Employees want hybrid working. But employers can benefit from it, too. The most commonly cited benefits include improved productivity, savings on office space and energy costs and improved job satisfaction leading to better employee retention.

Yet over two years on from the beginning of the Covid-19 pandemic, it's hard to avoid the conclusion that progress on hybrid working has been slow. Despite a number of large professional services firms publicly announcing a long-term shift to hybrid working, just 12.5% of respondents in

this survey told us their firm has enabled the full range of technology, processes and training required. A further 11% are in the later stages of deployment. In total, less than one-quarter of firms we surveyed in the UK, France and Germany have deployed the technology required, or are close to it.

By contrast, over half of professional services firms (51%) are still either planning the shift to hybrid working, or in the early stages of deploying the necessary technologies and processes. Clearly, there is still some way to go before staff are able to work with the same level of productivity in the office, at home, or travelling, providing a seamless level of service to clients.
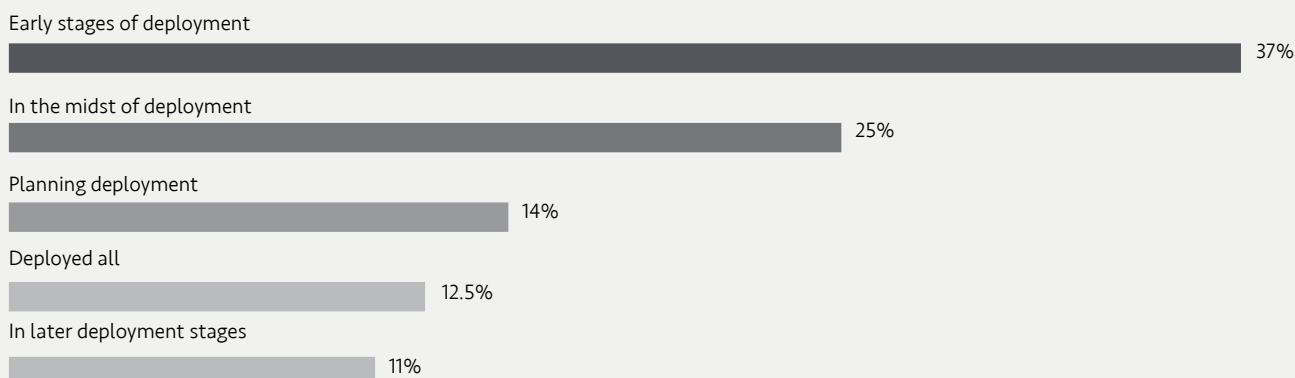
The persistence of legacy technology

Deploying the technologies required for hybrid working isn't simply a matter of bolting an attractive front end on to existing tools and processes. Behind that frontage, professional services firms need to address questions of infrastructure, role-based access and security.

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Collaboration, Legacy Tools & Hybrid Working

Q. Many firms have decided to pursue a hybrid office approach to office-based and remote working in the future. To what extent has your organisation implemented the technology, processes and training required for hybrid working?

Early stages of deployment
37%

In the midst of deployment
25%

Planning deployment
14%

Deployed all
12.5%

In later deployment stages
11%

Our respondents tell us that a lot of work remains to be done in this area. For example, too many firms remain tolerant of legacy technology such as shared network drives. Remarkably, this technology remains in use in 43% of the firms we surveyed, where it almost certainly continues to create difficulties in terms of cross-departmental collaboration, hybrid working access and duplicate document versions.

In addition, a preference for highly personalised forms of data storage continues to cause problems. This takes a number of forms, including persistent usage of USB thumb drives (used to share and collaborate on documents in 51% of firms we surveyed) and personal cloud-based storage accounts (used in 49% of firms). In addition, 46% of respondents told us that staff at their firm are still sharing often highly sensitive client documents and information, both internally and externally, in the form of email attachments.

All of these preferences create security risks, which can be compounded when smartphones are used for downloading. Professional services firms that operate in these ways and routinely process sensitive client information should be alarmed. Firms must ensure they provide the tools and processes required to prevent staff from wanting (or needing) to use legacy processes to store, manage and share sensitive information. Clearly, too many firms lack the kind of concerted information management strategy that's a pre-condition for successful remote collaboration between employees, and with clients.

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Information Silos:
A Major Challenge for Most Professional Services Firms

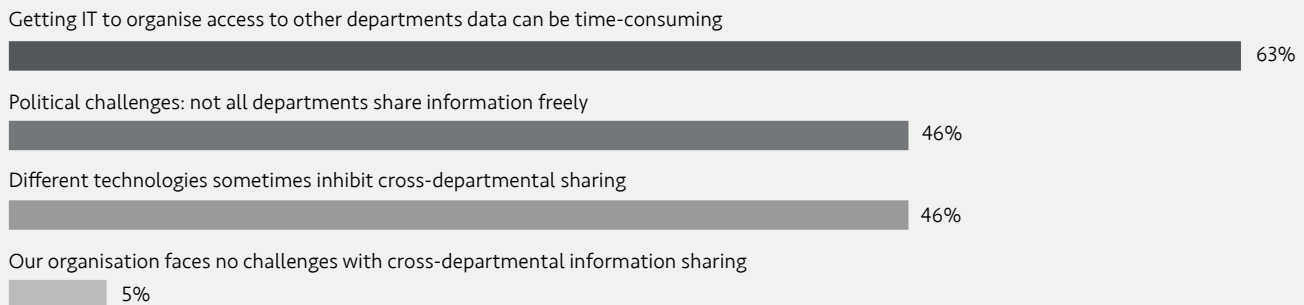**How siloed data inhibits cross-departmental working**

The fragmented approach to information management and collaboration we have just examined also suggests chronic problems with version control and data silos. To examine the challenges caused by siloed data within professional services firms, we asked respondents what challenges, if any, their organisation faced with cross-departmental sharing of client-specific documents and information.

We have already looked at the widespread use of shared network drives. But consider for a moment what happens when individual departments only have access to files located within their own shared drive. In this case, what happens when they want to share some of their department's information with others outside of their department? Quite often, the answer is to send an email attachment. This, in turn, creates a duplicate copy for a colleague to save into their department's shared drive. That piece of information might well be relevant to multiple different individuals and departments as it moves through its lifecycle. Yet the process of sharing and then saving duplicate copies in multiple locations can make it deeply challenging to maintain any kind of version control regime. As a result, it becomes more and more challenging to ensure that one is working on, and sharing, the latest and most up-to-date version of information with a client.

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Information Silos: A Major Challenge for Most Professional Services Firms

Q. What challenges, if any, does you organisation face sharing client-specific information between different departments

Getting IT to organise access to other departments data can be time-consuming
63%

Political challenges: not all departments share information freely
46%

Different technologies sometimes inhibit cross-departmental sharing
46%

Our organisation faces no challenges with cross-departmental information sharing
5%

By far the biggest challenge respondents identified was getting IT to organise access to another department's data (cited by 63% of respondents). This strongly suggests that IT operates as a gatekeeper in a majority of firms, overseeing cross-departmental information-sharing in a manual fashion. The implication is that only a relatively small proportion of firms operate a modern data architecture in which access is controlled by identity-based systems that manage access to documents dynamically based on role and need.

Confronted with our question about the challenges of cross-departmental sharing of documents and information, around half (46%) of respondents said they faced challenges with different applications and file formats that inhibit information-sharing. A similar number identified political fiefdoms as an obstruction to information-sharing. Overall, only 5% of respondents said their organisation faced no challenges with cross-departmental information sharing.

The difficulty of building a 360-degree view of the client

Today, most consumer-facing businesses and many B2B businesses are working to circumvent data silos, and bring together a 360-degree view of individual customers, or customer segments, that employees can access on request. This functionality has become invaluable In sales, marketing, customer service, product development and much else besides.

Professional services firms differ from customer-facing enterprises in many ways, but in this respect their needs are similar. In most firms, for example, it logically makes sense for client information to be managed by different departments within the organisation. So, for example, in a situation where there are multiple projects in progress for a single client across different functional arms of the business

(tax, audit, advisory and so on), these individual departments will probably have their own separate locations to store and manage the client information that is relevant to them.

The key question is whether the firm can generate a 360-degree view of each client that is accessible to all of the right people. Being able to do so rapidly enriches the firm's understanding of its clients, helps to identify new risks and revenue opportunities, and makes it easier to deliver a joined-up service.

To test how easy it is for our sample of professional services firms to generate something like a 360-degree view of their clients, we asked respondents whether they could bring together client-specific information quickly, or whether this would involve spending time gaining access to the data.

Overall, responses split on a roughly 50/50 basis. Half of respondents (54%) told us they could assemble a 360-degree view quickly. Half (44%) told us that this "might take a little time" (in other words, time that could be much better spent working on more valuable tasks).

It's worth noting the job functions that predominated in either group. The group who claimed they could do the job quickly were mostly IT professionals. The group who admitted the task would take "a little time" were largely business managers.

IT professionals are by definition, more familiar with the systems involved. In many cases, they are also the gatekeepers for those systems. This is what we call the paradox of access, and it's a common side-effect of siloed data environments: those least in need of the data find it easiest to access.

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Section 4:

Client Collaboration Portals:
Form Over Substance?

The logic of client portals has universal appeal

To fully support hybrid working, professional services firms will need to modernise their data architecture. To give employees the remote access they require, firms will need to find a way of eliminating or circumventing legacy software and data silos. At the other end of their business model, where firms interact with clients, the same logic applies: digitisation will depend on architecture.

However, while progress toward enabling hybrid working has been slow, our research data suggests that professional services firms have enthusiastically embraced portals for sharing information and collaborating with clients. Fully 96% say their organisations operate some kind of client collaboration portal, which can be customised to the needs of each client. Around two-thirds (63%) of respondents with client collaboration portals say their portals offer some of the functionality required for sharing and collaboration. The other one-third claim that their client-facing portals offer what they describe as "full functionality".

Professional services firms keenly understand the value of presenting clients with a sleek and secure interface for sharing and collaborating: 98% told us they agreed that this has become "a key part of the client experience and our digital brand". After a pandemic that drastically curtailed opportunities to interact with clients, and highlighted the need for a secure way to exchange information with them, we shouldn't be surprised about the support for this kind of technology. However, the question remains: in the absence of appropriate data architecture and infrastructure, how effective are these portals in fostering collaboration with clients?

Front end ambitions, back end challenges

We took a closer look at the respondents – 32% of our total sample – who told us that their firms' client portals offered all of the functionality required for sharing and collaboration. Within this group we expected to find the sector's technology leaders. We also expected to see an equal emphasis on the outward-facing client portal and

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Client Collaboration Portals: Form Over Substance?

Q. To what extent do you agree with the following statement: "Offering clients a sleek and secure means of sharing documents and collaborating with us from any location, at any time, has become a key part of the client experience and our digital brand."

Strongly agree

63%

Somewhat agree

34%

Strongly disagree

2%

Somewhat disagree

1%
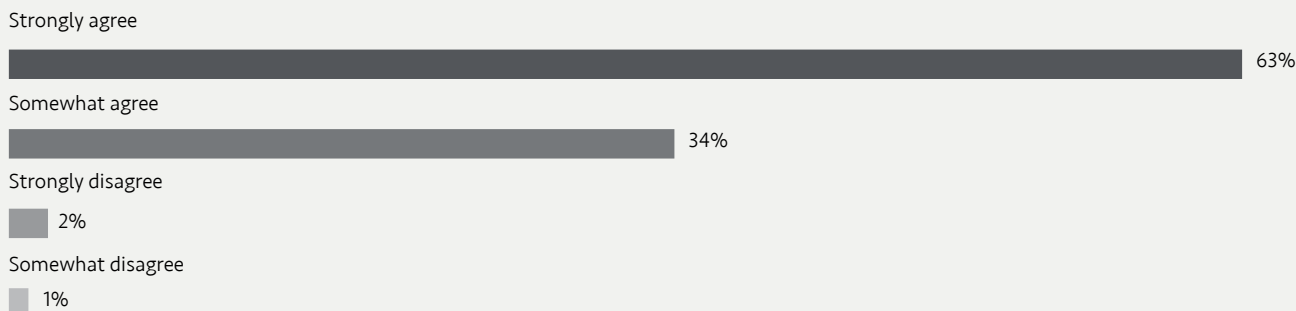
the internal processes that sit behind it. We expected to encounter an emphasis on systems designed to that ensure the right people have access to the right content at the right time, in order to make that content available to clients.

What we discovered was something different. The number of technology leaders was smaller than we expected (in fact, two-thirds told us their organisation took a middle-of-the-road approach to new technology, and that they tended to adopt the same technology that they witnessed being deployed elsewhere).

These firms also scored relatively low on measurements of digitalisation. They were less likely than their peers to have deployed all of the technology and processes required for hybrid working. And they showed signs of adopting less sophisticated security policies than their peers. They were also more likely to operate in sub-sectors like advertising and design where confidentiality and governance are typically less of a concern than at a law firm, for example.

What do these findings tell us? They suggest that in many (though not all) cases, firms that claim to operate fully-functional client portals have simply grafted this functionality on top of internal architectures that depend on legacy technologies, data silos and manual intervention.

The experience of these firms serves as a warning for professional services firms trying to develop hybrid working in the absence of a robust data architecture.

Why do we say that? Here, the numbers tell their own story. Among respondents from organisations with only partly-functional portals, 79% strongly agree with the idea that a sleek and secure means of collaborating is a key part of the client experience. Yet among those who claim their client portals are fully functioning, the equivalent number is just 33%. At the very least, this suggests that a relatively large number of firms operating apparently sophisticated portals have realised that online client collaboration can only ever be as effective as the underlying information architecture allows it to be.

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Conclusion

Covid-induced urgency (or panic) may explain the heavy emphasis professional services firms have placed on setting up customisable client-facing portals to allow for collaboration and sharing. Almost every respondent told us their firm has set one up, and one-third told us that their firm's portal enabled all of the functionality required for sharing and collaboration.

By contrast, deployment of the back-office technology and processes required for remote working has proceeded at a far slower pace. Moreover, at the heart of many professional services firms, data silos and legacy technologies persist in the space where a modern data management strategy should be deployed. As a result, up to half of the firms we surveyed continue to experience elevated levels of difficulty with document management in the context of remote and hybrid working.

The question for professional services firms is whether they are willing to complete the job of digitalisation on an end-to-end basis. Those who pursue this path are highly likely to be rewarded by increased efficiency, enhanced differentiation and an increased ability to retain the talent upon which the future of the firm depends.

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About this survey