



Modernizing professional services and capital markets firms:

# An industry-specific transformation roadmap

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## Executive summary

A host of forces are threatening the traditional pathways to success for legal, accounting, consulting, investment banking, and private equity firms. Economic uncertainty, geopolitical upheaval, increased regulations, the arrival of low-cost competitors – these and other factors all play a role in the changes sweeping knowledge-based firms.

But ultimately, it is technology – embraced by leading firms and in demand from digitally savvy clients, investors, and employees – that is rendering these industries' traditional operating and business models dated, if not obsolete.

Early adopters and fast followers are harnessing technology to gain a competitive edge. They are streamlining processes, improving decision-making, upgrading stakeholder experiences, managing relationships, enhancing profitability and return on investments, and in general, introducing innovation, efficiency, agility, and scalability to otherwise outdated business models.

Leading firms are moving more rapidly, pursuing wholesale digital transformation. The net impact is competitively differentiating and disruptive – leaving others to contemplate their next move.

What follows depends on a firm's strategic goals, current technology stack, resources, and planning horizon. Based on our experience advising 96 of the top Am Law 100 firms, 7 out of 8 of the largest global accounting firms, and more than 1,350 investment banking and private capital firms, we see three phases of technology-led change:

**Phase one: Enablement** – Technology helps to improve traditional operating models, key metrics, and ways of working

**Phase two: Optimization** – Technology connects people, processes, and data – unlocking optimized firm operations, client services, and employee productivity

**Phase three: Transformation** – New, technology-driven business and operating models create next-gen client, investor, and employee experiences – and competitive advantage

As firms invest in technology, many are turning to industry cloud solutions. The benefits of this approach include:

- Purpose-built data models and workflows
- Integration of key vertical partners
- Enablement of ongoing innovation and agility

This white paper will share a roadmap for transformation, including examples of how professional services and capital markets firms are achieving higher technology adoption rates; faster time to value; better client, investor, and employee experiences; and a competitive edge with industry cloud solutions.

# The catalysts of transformation

Macro trends coupled with ceaselessly advancing technology are a potent combination, increasing competition and pressuring professional services and capital markets firms to evolve their operating and business models. Consider:

- **Economic forces have changed the paradigm.**

Coming into 2020, businesses had been enjoying a period of solid growth fueled in part by low inflation and interest rates. Enter a worldwide pandemic that disrupted most business transactions, halted the global supply chain, and sparked a talent shortage. Now facing increased market volatility and an uncertain future, professional services and capital market firms need the agility enabled by enterprise data to find and capitalize on new opportunities.

- **Increased government regulations and client guidelines.**

The war in Ukraine and other geopolitical events are forcing investing and advising firms to focus even more intently on such issues as sanctions and anti-money laundering (AML) regulations. Governments around the world are looking to extend AML reporting requirements beyond financial services firms to “gatekeepers,” including accounting and legal firms. Add to that growing demands from stakeholders around conflicts of interest and environmental, societal, and governance (ESG) issues, and the focus on compliance is intensifying. To avoid fines, manage reputational risk, and meet obligations, firms need to revisit their processes for capturing and reviewing client and investor data as well as enhance their compliance reporting capabilities.

- **Technology is fueling competition.** Digital advances are both driving and enabling unprecedented levels of change. Already, well established firms are using technology to beat competitors with data-informed decisions and improved insights, enhanced service offerings, and increased efficiencies. The importance of being the first mover on new opportunities is critical, especially in dealmaking.

Meanwhile, new competitors and new forms of competition to professional services arrive daily. Technology vendors are, for example, moving rapidly to provide turnkey substitutes for many process-driven offerings. On net, the competitive meter is shifting from evolution to revolution – or even disruption. Firms that have neglected investments in automation and data centralization will soon be left behind.

- **The pace of business is accelerating.** Largely owing to their personal experiences with digital retailers, consumers have learned to expect results at a click of a button. In turn, staff, partners, clients, and investors expect businesses to provide solutions instantaneously. The need for speed and agility is being felt across all sectors, including by professionals in legal, accounting, consulting, and dealmaking. Clients and regulators demand reports in real time from service providers, while dealmakers need to quickly synthesize and analyze large quantities of data to make informed decisions on opportunities before their competitors do. To keep up, firms need robust data systems, dashboards, and up-to-date reports.

- **Clients and investors are demanding results-oriented engagements.** Changes in business models across knowledge-based firms have been underway in different segments of the market at varying speeds for quite some time.

Particularly in the professional services industries, much of this change is at the behest of clients seeking greater certainty in pricing and greater incentives for success. As a result, consulting and investment banking, for example, have for many years been shifting toward fixed fees or fixed fees plus success factors (such as portions of cost savings, or bonuses if targets are met).

Such structures have long been the norm within private equity. Yet even within PE, investors are increasingly looking for separate managed accounts or co-investment opportunities to better align outcomes and reduce fees. Meanwhile, alternative pricing models have only recently begun to appear among law firms. But this shift to measurable, accountable results represents a fundamental change across these industries, and it requires operational systems that can track and analyze relevant financial data by client, investor, matter, or account.

- **Employees want more flexibility and fulfillment.**

Careers in the professional services and capital markets arenas can be demanding, often pushing the limits of work/life balance. While working remotely during the pandemic, many partners and associates experienced greater flexibility and freedom – often for the first time.

Now, as many workplaces return to normal, some employees are questioning the call to return to the office. In fact, many firms are experiencing significant attrition resulting in talent shortages. Accompanying this trend, millennial and Gen Z professionals are demanding more in terms of career pathways and meaning – a challenge made more difficult in a work-from-anywhere environment. Younger generations consider technology and easy access to information table stakes for any career – but particularly those that are based

on knowledge, intelligence, connectivity, and advice. Firms that leverage technology to enable hybrid work – as well as to automate tedious, manual processes to free up staff to focus on more intellectually stimulating tasks – will gain an advantage in the war for talent.

- **There's a new generation of leaders.** As tech-savvy millennials advance in partner-led firms, many of them will seek to adopt more digitally enabled approaches that leverage the vast quantities of data now available to make quicker and better informed decisions. They understand that relationships will always be the lifeblood of their firms, and they recognize the need to supercharge their businesses with the right technology platforms to remain relevant in the future.

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## The digital transformation journey

To adapt and excel in this changing environment, knowledge-based firms are increasingly recognizing the power of technology as a connector – between employees, functions, and teams; between firms and their clients; between professional services leaders and teams with their clients and prospects; and between investors and their targets and current portfolio companies. What steps should a firm take to become more connected? It depends on their strategic goals, current tech stack, resources, and planning horizon. Firm leaders should start with a thorough strategic assessment that covers six key areas.



Source: Based on framework by Christoph Lechner and Markus Kreutzer

Answers to the following questions will define the issues to be addressed with baseline technology needs and inform the firm's roadmap for change.



### Strategic ambition

- What kind of firm do you want to be? What are the options and scenarios?
- Who are you competing with? Do you recognize and know all your competitors?
- Do you have a strategic journey map, and are you updating it regularly?



### People and culture

- How are your firm's ways of working evolving and adapting?
- What role is technology playing in your firm's culture?
- Which roles and skills do you need to acquire, build up, or strengthen? How does your firm support emerging new roles, talent profiles, and the change to existing structures?



### Technology and data

- Are your business and technology strategies connected and aligned?
- Are your technology management capabilities fit for your firm's strategic ambition?
- Which technology ecosystem and specific partners are you leveraging?
- What does your firm's data landscape and model look like? Is it evolving along with the business and operating models?



### Clients and solutions

- Which markets and clients are you serving? How are you aligning the firm to its target markets, industries, and specific client segments? Which client issues are you solving (entirely or partially)?
- How are you managing your clients' engagement lifecycles and your firm's value chain?
- What do your clients and employees expect or demand?
- How can your firm systematically drive and manage reliable quality, lower risk, and better experiences, services, and outcomes?



### Organization

- How are your firm's business capabilities evolving with the strategy and journey?
- What are the implications of your current operating model?
- Are you leveraging and managing capabilities across your ecosystem systematically?
- Which partners do you need, and how will they be managed?



### Economics

- Does your management reporting reflect how your firm is delivering value – from all perspectives?
- Who's consuming technology, when, how, why, what for, and at what rate?
- Is your firm ready to manage technology as a revenue driver?
- Is your firm adjusting its incentive and funding mechanisms to meet behavioral change needs and evolving business and operating models?



Based on our experience partnering with thousands of professional services and capital markets firms, we see three key phases of digital transformation:



## Phase one: Enablement

Digital transformation often begins with a focus on helping the firm do what it does — only better. So, in this enablement phase, organizations deploy technologies to help improve their traditional operating models.

Here, tools are made available to help firms improve efficiency, reduce costs, drive agility, and/or reduce cycle times through:

- **Improved data capture:** A persistent challenge at professional services and capital markets firms is that partners and other professionals are too busy to input key data such as contact information and status updates. At law, accounting, and consulting firms, this failure also often means that billable hours go unrecorded — the costly result of too much time lapsing between hours worked and hours logged, and exacerbated by cumbersome manual processes.

With the right technology, firms can more easily record essential data. Time capture systems featuring applied AI, for example, can pull client meeting information directly from calendars and autopopulate timecards, avoiding time-consuming data entry.

After implementing a sophisticated time system that's accessible anywhere, anytime, and via any device, [Clyde & Co](#), a global law firm with over 2,500 attorneys, found its attorneys were able to easily record hours worked in real time. As a result, segments of the practice registered a 10% increase in billable hours.

- **Streamlined workflows:** From business development and pipeline management to clearing conflicts of interest and tracking invoices, many firms are migrating from spreadsheet-based processes to more automated systems.

For example, at most firms, identifying potential conflicts of interest or independence is a mission-critical process that requires the utmost due diligence — and also happens to be tedious, time-consuming, and error-prone when done manually.

[BDO Australia](#), a global accounting firm, was able to automate its entire conflicts and independence cycle. Now, an interconnected, end-to-end system is helping the company decrease its risk exposure and improve speed and accuracy — while also unburdening staff from an essential but nonbillable set of tasks, allowing them to respond more quickly to clients' needs and new opportunities.

- **Centralized information:** Sophisticated, cloud-based, always-on CRM systems can revolutionize client relations, sales, and deal management. For example, [Shoreview Industries](#), a global PE firm specializing in the maximization and monetization of existing assets and management teams through buyouts and similar structures, relies on a purpose-built contact and relationship data management tool to keep its business development teams in sync with opportunities.

Wherever they're working or traveling, Shoreview's representatives can access up-to-the-minute information. They can find out the status of any interaction, what deals are in the works, and which issues or opportunities require attention. Accessible via web interfaces or mobile devices, team members can easily update investor folders, always keeping the organization up to date.

## Industry cloud: A future-proof plan

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Regardless of spend or scope, you should consider the long term before investing in any new technology. Each new system and tool should be scalable, interoperable, and able to grow as your business's digital footprint evolves. And while point solutions may be economical in the short run, your firm ultimately needs a platform that standardizes and centralizes data so you can progress on your digital transformation journey and take advantage of the benefits applied AI brings.

That's why many businesses are investing in cloud-based technologies. Cloud solutions give your firm new opportunities to streamline processes and unlock data, as well as increase accessibility, reliability, security, and scalability. Forward-thinking firm leaders appreciate the importance of choosing solutions that are continuously updated with the latest capabilities, and they realize that investments in on-premises solutions are quickly becoming relics of the past.

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*Today's leading firms are increasingly embracing purpose-built industry cloud solutions to meet the needs of their specific verticals that are not served well by horizontal or generic solutions.*

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According to Gartner's Top Strategic Technology Trends for 2023, [50 percent of enterprises will use industry cloud platforms](#) to accelerate their business initiatives by 2027. Industry cloud solutions are:



### Designed for your unique processes

Many technologies, such as CRMs, were designed for companies that sell a tangible product, and as such were not built to accommodate industry-specific workflows like client intake, nuanced dealmaking relationships, complex compliance issues, and specialized data sources used by accountants, lawyers, investment bankers, and other professionals. Purpose-built solutions, on the other hand — especially those that include applied AI — can increase efficiency, adoption, and time to value.



### Integrated with key vertical partners

As your tech stack grows, it becomes more important that your solutions work together to share data seamlessly. Ask yourself what tools your firm currently relies on, what investments you see in the future, and how those technologies will meld with other solutions you're considering. And carefully consider a vendor's partner ecosystem to ensure that you're leveraging a composable, vertical-specific technology that can support holistic solutions and keep up with evolving demands.



### Built for ongoing innovation and agility

Finally, be certain to choose a provider that understands the fast-paced nature of your industry. Look for flexible solutions with low-code and configurable UIs so you can quickly update data and reports as regulations and client guidelines change. Vertical-specific technology providers are closely focused on their clients' industries, continuously innovating at the pace of business and anticipating needs to translate them into solutions with fast time to value.

**Developing the right cloud strategy, then choosing the right provider, become the essential means for launching your digital transformation at the right pace and in the right direction.**



## Phase two: Optimization

As firms gain experience with their enabling technologies, new opportunities emerge. They gain access to more and better operating and strategic data than ever before. And as they automate and streamline their once-manual processes, they gain more time for strategic analysis and reflection.

Ultimately, professional services and capital markets firms become increasingly able to use their technology to connect their people, processes, and data to harness institutional knowledge for competitive advantage. Real-life examples include:

- **Deriving value from data** — [Balfour Pacific](#), a Vancouver-based PE firm focused on real estate investing, uses a purpose-built platform to centralize and leverage internal and external data. Market demographics and statistics, real asset photos, maps, relationship data, transaction status, past deal information, and more are accessible by those who need it, wherever they are, in real-time — allowing partners to make better-informed decisions faster than ever before.

- **Enhancing knowledge sharing** — The professional services and capital markets industries face unique knowledge management challenges. For example, a key issue for law firms is matter management — capturing and organizing related information about a specific matter, from inception to completion. It's an area where departmental silos make it difficult to find essential information, and manual processes can lead to delays and higher costs. Digital solutions can be employed to overcome such challenges. Applied AI, for example, can auto-tag content by client, matter, or other identifiers to centralize information throughout a firm.

[Nelson Mullins](#), a major U.S. law firm, uses digital tools to break down information silos and enable secure access to critical information across its 26 offices. The group is now able to share knowledge regarding both matter management and client needs while maintaining ethical walls and confidentiality — improving collaboration and client service levels.

### Speeding time to adoption

To leverage data and shared knowledge across your firm, you'll need partners and associates to incorporate new technology tools in their everyday work. Here are some tips for speeding adoption:

**Make it relevant.** Professional services and capital markets firms depend on a wide range of internal and external intelligence to make the most informed decisions. They rely on third-party vendors, including Equilar, D&B, S&P Global, and others for industry-specific information. By choosing technology platforms that integrate the most relevant market data with internal client and investor information, your staff only needs to look in one place to get all the information they need.

**Make it familiar.** The time and effort required to learn new software tools, log into multiple platforms, and flip between multiple applications are impediments to adoption for your busy knowledge workers.

To increase usage, look for solutions that seamlessly integrate with tools they already use every day — such as those that can be directly accessed via Microsoft Outlook or Teams.

**Make it easy.** The promise of enterprise systems relies on the quality of the data entered. For example, partners are frequently too busy to input contact and deal information into CRM systems. To solve for this, your firm will benefit from solutions that automatically capture contact information from email signatures and activities from digital calendar entries, ensuring that data is updated in real time and

ready to use. Some solutions go a step further, using applied AI to analyze data and send reminders to partners to reach out to contacts whose records have not shown activity for a while.

New tech adoption requires thoughtful change management, which can be a time-consuming and complex process. But by employing these tips, you can increase use and decrease time to value. [KPMG Corporate Finance in the U.K.](#) successfully implemented an industry-specific relationship management system in record time, and now reports that every staff member uses it daily to build and drive deals.

## Phase three: Transformation

Digitizing core processes, migrating to the cloud, acquiring or developing connected enterprise technologies — all of these steps build momentum for further digital transformation. In this phase, firms can explore new business models and ways of working that unlock next-gen client, investor, and employee experiences.

Consider the following use cases for how technology can empower professional services and capital markets firms:

- **Accounting and consulting firms** — By using applied AI to curate and organize content by topic (such as global regulations, policies, or expert and engagement insights), and by offering subscription-based access, firms can satisfy their clients' desire for immediate information and advice while freeing their associates from time-consuming resource collation in response to ad hoc email requests.
- **Legal firms** — By centralizing and leveraging the knowledge and work products of its partners on routine matters, firms can provide software as a service (SaaS) or managed service solutions that more easily satisfy their clients' requests for speedier services with more cost certainty, while allowing their lawyers to focus on matters requiring more intellectual capital.
- **Private equity and investment banking firms** — With greater ability to mine their networks of contacts, firms can use applied AI to identify their strongest relationships and match GPs, LPs, investment banks, lawyers, accountants, and other advisors to partner on new deals — providing additional value to their investors and partners.

With more opportunities and capacity to continuously innovate, leaders at connected firms can tap into data to uncover trends and opportunities that would otherwise go unnoticed. With greater visibility and agility, they can identify and capture markets for new products and services to win more business. And by delivering technology-enabled, next-generation client, investor, and employee experiences, they can gain differentiating, competitive advantages.

# The benefits of digital transformation

A digitally connected, fully transformed firm features data-sharing across all critical and interdependent functions and processes. Its integrated applications and business technology architecture address both the needs of its professionals and the ways the firm creates value for clients or investors — and keeps pace with changing business and technological opportunities. The benefits of becoming optimally digitized and connected include:

- **Improved decision making** — The shift from paper-based, siloed systems to fully connected models enables greater knowledge and information sharing. As your systems and processes begin to collect and analyze more data, decision-making shifts from relying on personal experience or “best guess” estimates to evidence-based determinations. Organizations can use hard data to guide their management and investments, as well as identify new growth opportunities.
- **Better knowledge sharing** — Expanding use of collaborative tools means more sources of knowledge and fewer data silos, making it easier for teams and individuals to access key data, documents, and chat logs. As organizations adopt more standardized practices for storing their information, their professionals become more adept at finding what they need to know. Digital tools can also help professionals identify colleagues with specific skills and abilities across the organization. Overall, the business creates a culture where knowledge-sharing is encouraged and rewarded.
- **New products, services, and deals** — As teams become more adept with advanced data analytics, they can begin to look for patterns that point the way toward new business opportunities. Invariably, connected teams begin seeing new ways to package, deliver, and commercialize more of a professional service’s data, insights, and services. Similarly, interconnected ecosystems bring market and proprietary information together for deeper analysis, helping firm professionals source better deals and establish valuations that might expand an equity firm’s investment strategy.
- **Greater anticipation of client or investor needs** — In the same way a connected firm can more closely analyze its own needs and operation, it can also turn this focus toward clients and prospects to upsell or cross-sell, or toward investors to fundraise. For instance, a law firm could reach out to shopping mall clients they developed leases for in the past to see if they need support with renegotiation or litigation in response to market downturns. This ability also applies to working with limited investors, anticipating their priorities, strategies, and risk profiles to provide the right assurances while fundraising.
- **Better client and investor experiences and loyalty** — As a firm achieves deeper digital connections and end-to-end experiences with its clients, stakeholders, and relationship networks, new ways of working, smarter services and better outcomes solidify. Clients, target CEOs, and partners will come to value the depth and breadth of intimacy, connectivity, and service. This increases satisfaction, making it less likely that a client would consider changing providers, a CEO would decline a bid, or a potential ally would partner elsewhere.
- **Improved employee experience** — In a connected firm, professionals understand how they contribute to the organization’s value propositions and strategy. Provided with the right tools to handle mundane, labor-intensive tasks for them, they’re free to engage in more creative, innovative, and value-adding endeavors. These connected, empowered professionals find their work more rewarding, leading to a greater sense of accomplishment, better learning and growth paths, and greater engagement and commitment.

# Redefining your business

Migration to a more digital model is no longer an option; it is table stakes. Leading firms across legal, accounting, consulting, investment banking, and private capital markets are leveraging technology in truly transformative ways — empowering their professionals and becoming connected firms along the way.

The question now is: Where is your firm on its digital transformation journey?

Each firm faces its own set of competitive facts and circumstances, making it essential for leadership to conduct a thorough soul-searching of where the firm is today and where they want to be. Depending on your organization's current technology stack, resources, and planning horizon, you can begin designing your transformational roadmap and identifying the right technology partners and solutions.

Some organizations will choose gradual migration; others will move more swiftly — and often iteratively, adjusting along the way. All will need to adopt greater sophistication in aligning their business and technology strategies, focusing on connected architectures, better data capture, analysis, and

ultimately actionable, data-driven, insights-driven decision making for professionals, teams, and firm leaders. They will need to improve and update processes to take full advantage of data assets and connectivity. And invariably, they will need to migrate their capabilities to industry cloud solutions to meet continuously, quickly evolving business demands — and stay ahead of the competition.

No matter what your aspirations are, it's vital to recognize that you don't need to do this on your own. While much of the core strategic analysis and decision making will need to take place inside your organization, trusted technology partners who are intimately familiar with the nuances of your industry's ecosystem can provide expert guidance to help you develop a strategy, plan your digital transformation roadmap, and reach your goals.

With the reality of ever-evolving macro forces and advances in technology, now is the time to chart your course towards becoming a connected firm. By embracing the opportunities industry cloud brings, your firm will be well positioned to excel no matter what the future holds.



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