



Deltek CLARITY

3Gem

7TH ANNUAL

Architecture, Engineering, & Consulting

Comprehensive Industry Study

TRENDS AND BENCHMARKS IN EUROPE & AUSTRALIA

Based on research conducted by 3Gem & Deltek

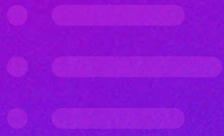


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Intro

This report is based on insights from a January 2026 survey of senior leaders across architecture, engineering, and consulting firms in the UK, Germany, and Australia.

Firms enter 2026 balancing economic pressure, growing client expectations, and an increasingly complex delivery landscape.



Despite these challenges, the findings show a sector moving with clarity and intent — building the capabilities that enable teams to work smarter, make better decisions, and deliver with confidence.

AI is becoming embedded across the project lifecycle, and cybersecurity is now considered a business performance issue, not just an IT concern. Breaches are prevalent, disrupting delivery, damaging trust, and undermining margins. But this year's results also highlight shifts beyond technology. Firms expect stronger profitability in 2026, driven by tighter cost control, improved KPI discipline, and more integrated project management practices.

Many are reshaping their business models and sharpening their approach to winning work, with greater emphasis on efficiency, value, and client experience.

Growth is firmly on the agenda. Most organisations anticipate expanding their workforce and increasing margins, but recognise that the right skills — particularly AI literacy, data capabilities, and strong project management — will determine whether that growth translates into sustained performance.

Professional services firms are transforming at speed, embedding AI across workflows, strengthening cybersecurity, and rethinking the systems that underpin profitable delivery. Clients expect faster answers and sharper value; regulators and boards expect tighter controls; competitors are experimenting with new delivery models.

The 7th Annual Deltek Clarity Study provides a clear benchmark of where professional services firms stand today, and the foundations they are building to deliver control, profitability, and resilience across every stage of the project lifecycle.

Foreword

For architecture, engineering, and consulting firms, the operating environment has shifted.



Neil Davidson

Group Vice President,
Professional Services, Deltek

Markets are more volatile, projects are more complex, and clients expect greater certainty in delivery despite increasing uncertainty in the world around them. What leaders need to recognise is that this is the new baseline for how these industries operate.

For the past seven years, we have surveyed industry leaders to understand how firms are responding to this shift, and what separates ambition from execution. This year's findings point to an industry that is becoming more deliberate, strengthening control, sharpening investment decisions, and placing greater emphasis on converting innovation into measurable business outcomes.

Uncertainty is now a permanent feature of the landscape. More than half of respondents (55%) identify global political instability as a major concern for the year ahead, alongside inflation (54%) and cybersecurity risks (52%). The real story, however, is not the presence of these pressures but how firms are choosing to respond.

What is most striking in this year's study is the growing confidence with which firms are operating within that uncertainty. Leading organisations are evolving their operating models, strengthening operational discipline,

and investing in capabilities that directly support performance. The shift requires a careful balance, in which control and resilience are maintained while growth is pursued.

Increasingly, firms recognise that projects sit at the centre of value creation. They are the engine of growth, innovation, and long-term performance. In this environment, success depends on consistently winning the right work, managing complexity with precision, and delivering outcomes that strengthen client relationships.

Technology is playing a critical role in enabling this, but it is not the story in itself. Artificial Intelligence (AI) is moving from experimentation to execution. While 91% of firms see AI as critical to future success, the real differentiator is how effectively it is embedded into the project lifecycle to improve delivery, productivity, and profitability.

This is where the opportunity lies. The next phase of AI adoption will stretch beyond isolated use cases towards more integrated, decision-oriented capabilities, supporting teams in navigating complexity, improving foresight, and driving more consistent outcomes.

As this evolves, the focus in the boardroom will shift firmly to return on investment and measurable impact.

At the same time, increased reliance on connected systems and shared data is reshaping the risk landscape. With nearly a third (30%) of the professional services firms surveyed suffering financial losses due to a cyber attack in the last three years, cybersecurity is now a business performance issue - not an IT concern.

Strong management discipline has always underpinned successful delivery. In a more complex and margin-sensitive environment, its importance is only increasing. Firms that combine operational insight, financial control, and aligned teams will be best positioned to navigate uncertainty and deliver sustainable growth.

This year's Deltek Clarity Study reflects an industry that is not standing still. Firms are redefining what good looks like, embedding intelligence more deeply into their operations and aligning investment more closely to outcomes. For leaders, the priority is clear: to translate insight into action, and ambition into measurable performance.

About the Study

The 7th Annual Deltek Clarity Study surveys professional services firms, including leaders in architecture, engineering, and consulting in the UK, Germany, and Australia, to explore industry opportunities and challenges.

The report considers project management, performance metrics, and profitability and highlights how technology, AI, and the workforce are intertwined throughout these.

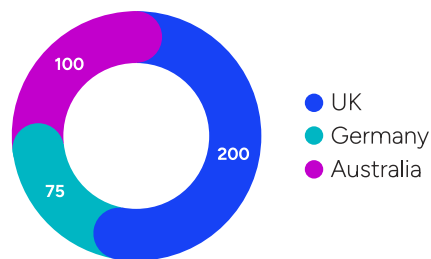
Methodology

The online survey was conducted in January 2026 with 375 senior strategic decision-makers, including CEOs/Managing Directors (MDs), C-suite-level directors, and heads of relevant departments such as finance, operations, delivery, and projects, from the UK, Germany, and Australia.

To qualify for the survey, architecture, engineering, and consulting firms needed a minimum of 20 employees, with no maximum workforce size.

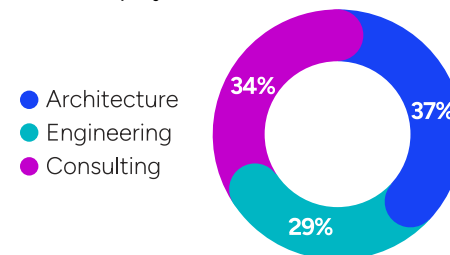
Geographical Markets

This year, the survey includes firms from the UK, Germany, and Australia. Overall results for 2026 are compared with those for 2024 (UK, Australia, and New Zealand). In 2025, the survey was conducted in the UK only, so comparisons can be made between 2025 and 2026 in the UK only.

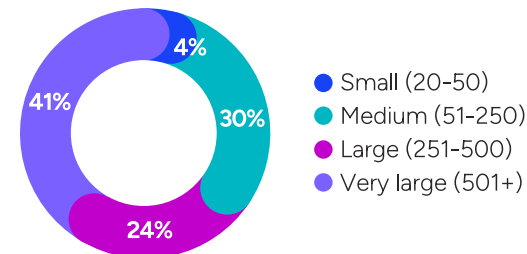


Company Type

This year's survey included architecture, engineering, and consulting firms. 'Architecture' firms include architecture or architecture-led engineering and environmental firms. 'Engineering' firms include engineering-led architecture. The term 'architecture and engineering' (A&E) refers to all architecture, engineering, and allied firms. The term 'consulting' refers to management consulting and market research companies. Throughout this report, the total sample results are referred to as 'professional services firms'. For reporting purposes, 'small/medium' (20-250 employees) firms have been compared to 'large' firms (251+ employees).



Size of Organisation (employees)



Executive Summary

The Deltek Clarity Study reveals the priorities and concerns of architecture, engineering, and consulting firms in 2026, as well as a snapshot of business performance in 2025.

Across markets and company type, firms are prioritising AI, digital integration, and cybersecurity while reshaping their business models and strengthening the skills needed for modern project delivery. Profit expectations are high, driven by smarter use of technology, improved KPI discipline, and a renewed focus on operational efficiency. The insights in this report highlight the opportunities and risks ahead and provide a benchmark for firms seeking to improve performance, enhance resilience, and position themselves for sustained growth.

1. Adaptable business models

A third of professional services firms are already undergoing, or planning, major business model transformation in response to market and technology shifts. Organisations that actively embrace new delivery models, integrate digital tools, and adapt to changing client expectations may be better positioned to protect profitability and maintain competitiveness.

2. Implementation of AI

With 91% of firms recognising AI as critical to success, and the majority increasing investment, there has been a shift from exploring to implementing throughout the business. Firms are embedding AI throughout the project lifecycle, from planning and forecasting to resourcing and reporting, and some are seeing measurable financial returns. Firms are also improving back office workflows and processes with AI to improve accuracy and efficiency.



3. Cybersecurity is a profitability issue, not just a technology concern

With two-thirds of firms experiencing cyber attacks and more than half reporting financial or operational losses, cybersecurity is a key priority for 2026. Investment in cyber resilience now directly supports operational continuity, client confidence, and margin protection.

4. Talent capabilities will determine whether firms can realise the benefits of technology & growth

Workforces are expanding, and firms will rely on employees who are AI literate and demonstrate strong data analytics, project management, and automation skills to execute their growth plans. The industry may start to see that more candidates insist on working in AI-driven workplace environments.

5. Project delivery depends on integrated data, disciplined KPIs, & next-gen skills

Managing the full project lifecycle to time, budget, scope, and quality increasingly hinges on end-to-end project management systems and measurable controls. While most firms report effectiveness in time tracking and resource management, only about one in five are fully integrated end-to-end, leaving gaps in cost, schedule, and information flow.

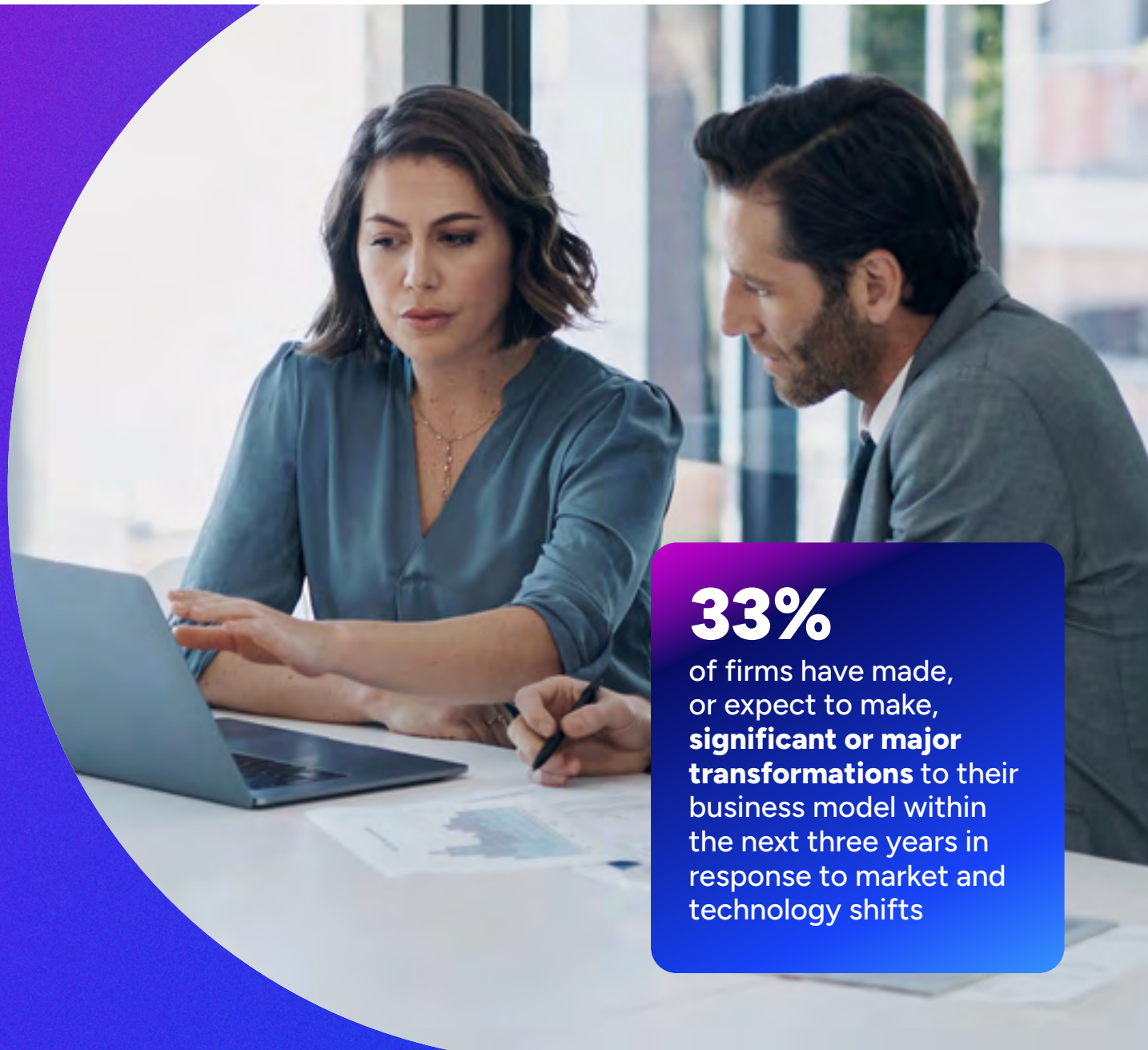
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Opportunities & Challenges

The professional services sector enters 2026 standing on the edge of a transformative period. Last year's uncertainty has not disappeared, but it has evolved. Firms are navigating a more complex mix of global political tension, economic pressure, and accelerated technological disruption.

Yet within this volatility sits a powerful opportunity: organisations that adapt fastest, invest wisely, and build the right capabilities are well-positioned to pull ahead in both profitability and operational performance.

The landscape is shifting, and professional services firms recognise that building a lasting competitive advantage will depend on how they elevate their business models, modernise foundational technology, and invest in 'future-ready' talent with the necessary skills to implement these changes.



33%

of firms have made, or expect to make, **significant or major transformations** to their business model within the next three years in response to market and technology shifts

Key Insights in 2026

Against this backdrop, 2026 presents a unique moment for firms to reassess where they stand and where they want to compete. The opportunities are substantial.

Firms that modernise their systems, use data to drive decisions, invest in the right talent, and embed scalable digital practices consistently deliver stronger margins and more predictable project performance.

KEY FINDINGS

1 Macroeconomic business risks, such as global political uncertainty, inflation, and recession, set the context for professional services firms in 2026.

2 In 2026, technology remains a top area of focus for professional services firms, notably investing in or implementing new technologies, operationalising and optimising AI, and improving cybersecurity. A quarter of firms are very concerned about cybersecurity risks and breaches in 2026.

3 Compared with last year, many firms expect to increase the size of their workforce in 2026. However, attracting the right talent (29%) and training, upskilling, and reskilling staff (31%) are the areas that most firms say are detrimentally impacting their organisation, suggesting that growing the workforce will likely be a challenge, rather than a certainty.

55%

of firms say they are **extremely or very concerned about global political uncertainty** in 2026

44%

of professional services firms say **AI literacy is the skill most needed** in their organisation in the next 3 years

Business Risks in 2026



“The biggest challenges for our industry stem from wider economic and political uncertainties, particularly the impact of evolving regulations on the pace of project delivery. These pressures create a level of volatility that all firms must navigate carefully. Staying responsive and data-led has never been more important.”

DAVID PESTELL,
FINANCE DIRECTOR, QODA

At the macro level, 55% of professional services firms said they are extremely or very concerned about global political uncertainty in 2026, while 54% said they are extremely or very concerned about inflation in general.

Cybersecurity risks or breaches (52%) and **recession, either globally or in their own country** (51%), are also areas with a high level of concern, particularly cybersecurity, which has the highest proportion of professional services firms saying they are extremely concerned about it in 2026.

Large firms (251+ employees) are significantly more likely than small/medium firms (20-250 employees) to be concerned about global or regional recession and increases in supply chain or material costs, highlighting how important stable economic conditions are to the performance of larger firms.

There are no significant differences in the level of concern across company type, with global political uncertainty and inflation the top concerns for architecture, engineering, and consulting firms.

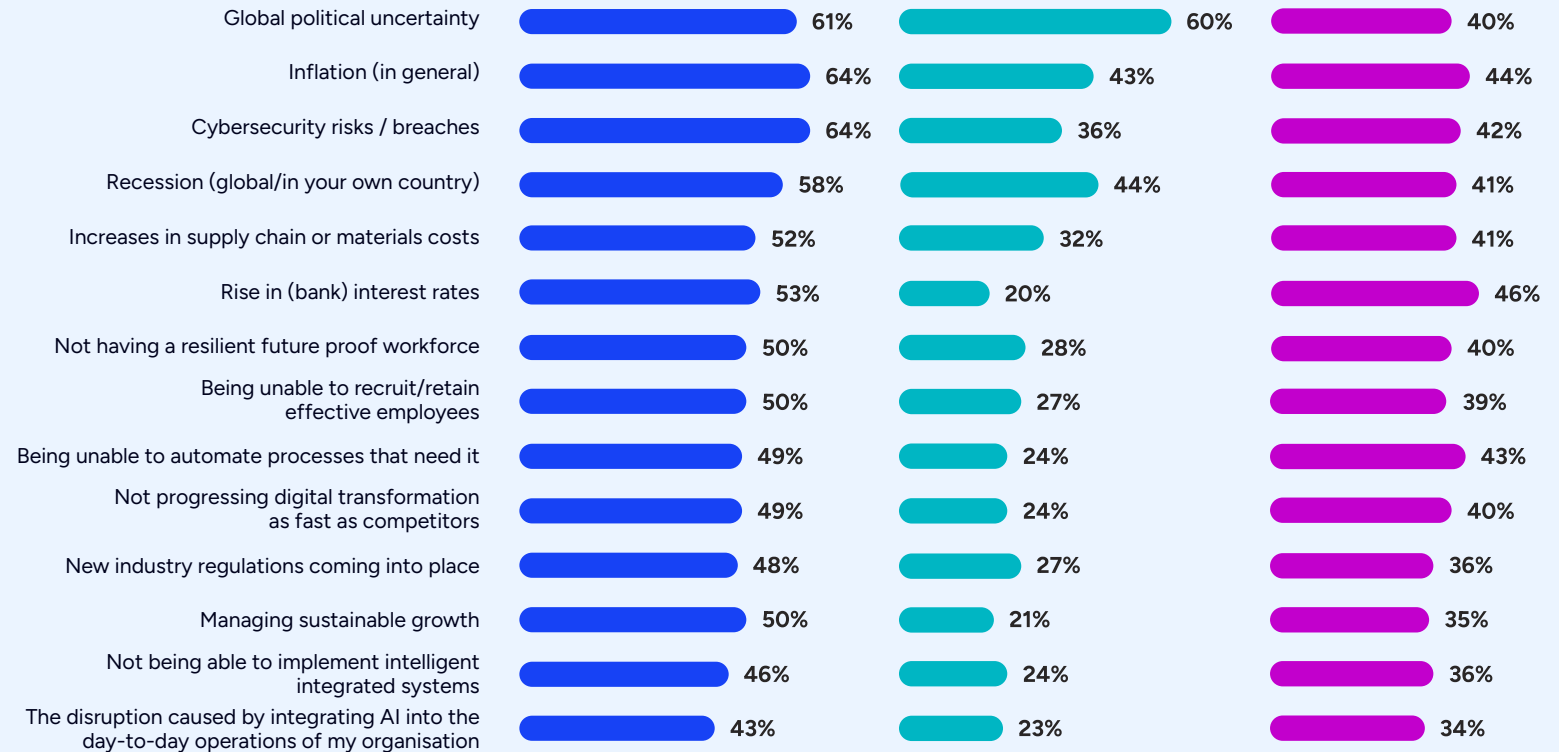
Cybersecurity is the third most-cited concern for engineering and consulting firms and fourth for architecture firms. Recession is the third most given concern for architecture firms.

Organisations in the UK are more likely than in other regions to be extremely or very concerned about inflation, cybersecurity, and recession, whereas in Germany, global political uncertainty is by far the biggest concern. Firms in Australia are most concerned about the rise in interest rates, but there is little separating all of the top concerns in this market.

While firms are facing many external pressures, they are also navigating internal challenges when delivering projects, such as changes in client requirements (35%), project delays (32%), and technology integration or data management issues (31%). Investment in technology (22%) and lack of innovation (21%) are far less likely to be holding them back.

Macro-political and economic challenges can often have a direct impact on these internal challenges and force firms to be even more responsive and data-driven.

Top Challenges in 2026 – by market



● UK ● Germany ● Australia

% Ranking as a top 3 challenge

Top Priorities in 2026

Technology is the top area of focus for professional services firms, with investing in or implementing new technologies (27%), operationalising and optimising AI (25%), and improving cybersecurity (25%) amongst many firms' top three priorities. But the priorities go beyond just technology. Retaining quality talent (25%) is also identified as a top priority alongside these.

Compared to 2024, investing in or implementing new technologies, retaining high-quality talent, and expansion into new markets have retained their relative importance to firms. Improving cybersecurity has increased in relative importance to professional services firms, while more effective sales and better client satisfaction have become less of a priority.

The number one priority for those working in A&E firms is investing in or implementing new technologies (30%). In contrast, consulting firms are more likely to prioritise more effective sales and marketing (27%) and better client services (27%). For consulting firms, the third priority is expansion into new markets (24%), while technological advancement is less of a priority than it is for A&E firms.

In the UK, improving cybersecurity (30%) overtook investing in or implementing new technologies (25%) in terms of relative importance in 2026, compared to last year. It is now the top priority for UK firms. The other top priority in the UK is operationalising and optimising AI (29%); however, neither of these two areas features in the top four in Australia or Germany. Instead, Australia's top priorities are expanding into new markets (28%) and investing in or implementing new technologies (26%), while firms in Germany are prioritising streamlining processes (35%) and investing in or implementing new technologies (33%).

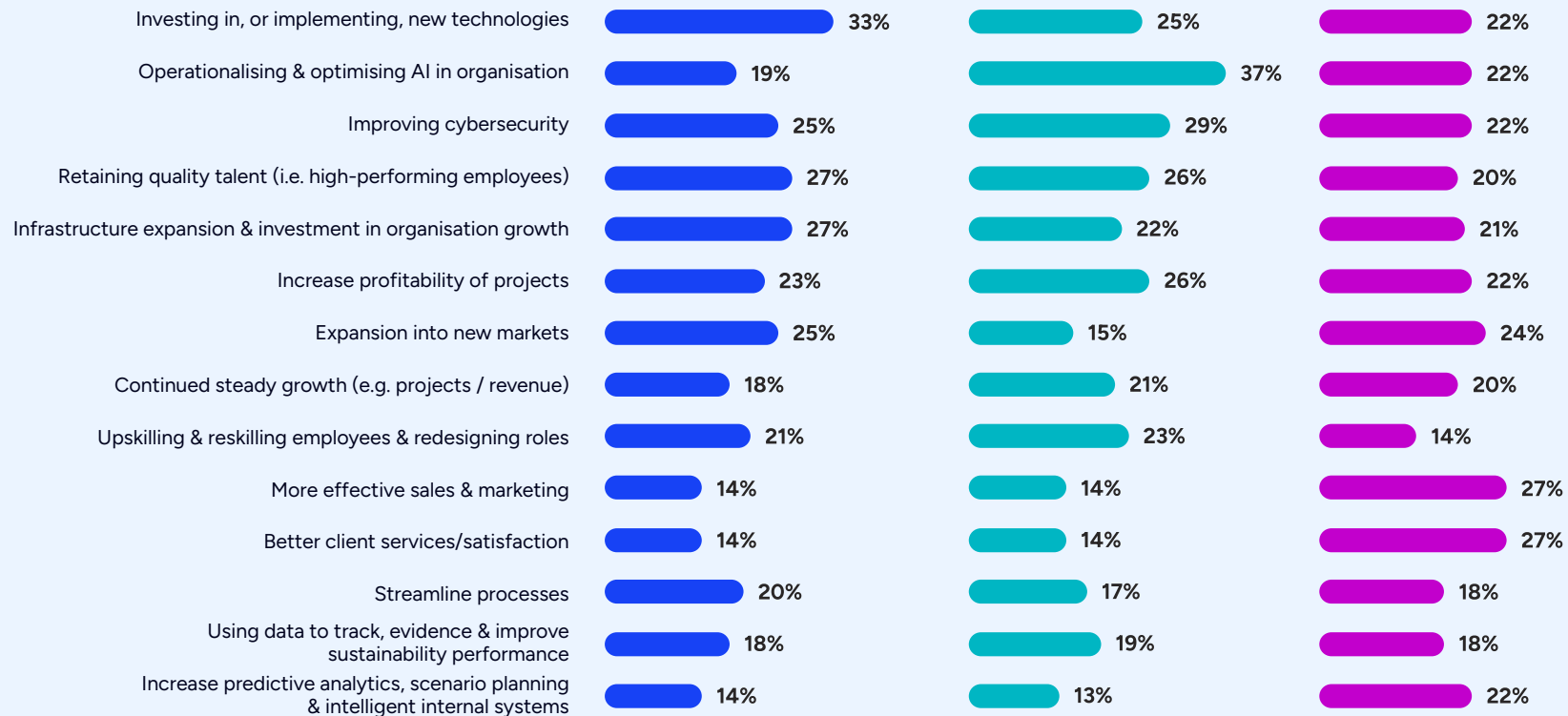
In response to market and technology shifts (e.g., AI, automation, collaboration, integrated systems, talent, and changing client expectations), **33% of professional services firms have already made significant changes to their business model in the last year or are expecting a major transformation in the next three years.**

Six in ten (59%) firms are either exploring potential changes to their business model that they haven't yet made, or are piloting or testing new business model approaches. Less than one in ten (8%) are not considering any changes to their business model at all.

“The UK’s growth ambitions place enormous pressure on firms supporting major programmes, at a time when public finances are constrained, skills shortages persist, and confidence remains fragile. In response, businesses are accelerating their use of digital tools, data, and AI to improve productivity and fundamentally rethink how complex work is planned, delivered, and governed. This shift presents a pivotal opportunity to unlock investment, rebuild trust, and deliver better outcomes for clients and communities.”

ANTONY OLIVER,
EDITORIAL CONSULTANT AND
INFRASTRUCTURE JOURNALIST, HOST
OF THE INFRASTRUCTURE PODCAST

Top Priorities for 2026 & Beyond – by company type



● Architecture ● Engineering ● Consulting

Talent Challenges & Skillset Priorities

As firms seek new ways to strengthen profitability and project delivery, talent has re-emerged as a critical lever for growth.

Four in ten (42%) professional services firms increased their workforce in 2025, while six in ten (63%) expect it to increase in 2026. Slightly fewer small/medium firms (20-250 employees) are planning to increase their workforce compared to large firms (251+ employees).

Three in ten professional services firms report **training/upskilling/reskilling staff** (31%) or **difficulty attracting talent** (29%) as a top employee-related challenge affecting their organisations.

Consulting firms differ slightly from A&E firms in that not having sufficiently good technology tools available (e.g., software, analysis, modelling, project management, or collaboration tools) is also an employee-related challenge affecting them.

In the UK, however, workforce growth expectations are more cautious this year than last year. This may be because actual workforce growth in 2025 did not accelerate as planned, and instead, firms are facing sharper demands for new skills such as AI literacy and *advanced* project management, signalling that the next wave of performance improvement will be driven as much by people as by technology. Talent is not just about acquisition but upskilling and reskilling the talent already within an organisation.

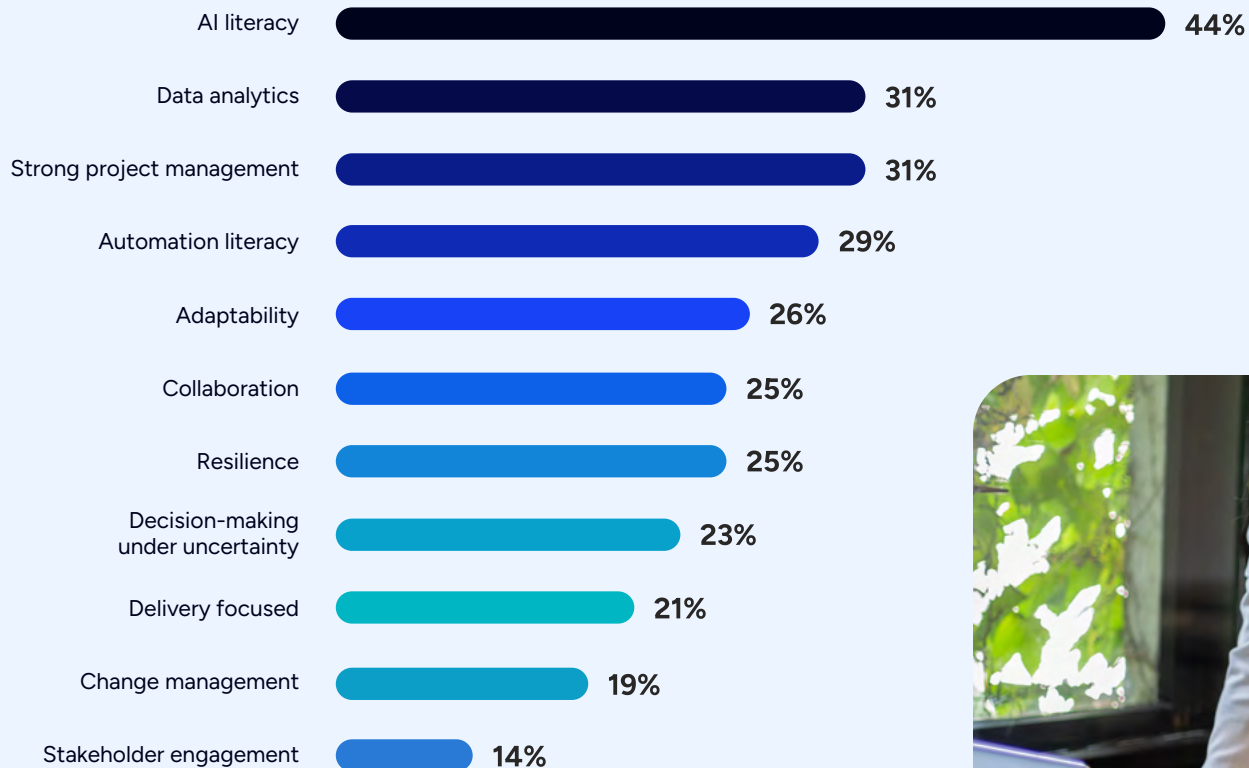


“Our priority is to streamline how we operate so we can scale sustainably and maintain high-quality delivery as we grow. We’re focused on developing our people and empowering them with the tools they need to succeed. Building a culture of informed, data-driven decision making is critical to our growth plans.”

WILL GUEST, FINANCE DIRECTOR, ARDENT



Future Skills Most Needed in professional services firms



AI literacy is the number one skill most organisations say they will need over the next three years, particularly so for small/medium firms.

Data analytics, strong project management, and automation literacy make up a set of secondary skills, with **strong project management** capabilities also particularly required by small/ medium firms.



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Technology Trends

Last year, new technology was moving from optional to essential, with Artificial Intelligence (AI) shifting from task automation to a credible driver of profit.

In 2026, that shift continues at a more rapid pace. The conversation is no longer “Should we adopt AI and new technology tools?” but “How quickly and effectively can we implement the right tools, and how do we govern the risks?” Technology is a priority throughout all areas of the business. AI is impacting the front office in business development and project bidding, the delivery engine in planning and resourcing, and the back office in billing and reporting.

Cybersecurity has also moved to the top of the agenda, not as an IT safeguard but as a board-level performance risk with direct implications for client trust, revenue continuity, and margin protection.

AI and cybersecurity dominate both importance and investment, while a second tier of enablers, such as systems integration, data analytics, disaster recovery, and document management, separates leaders from laggards when it comes to realising value.

Firms talk about AI, but the benefits occur when AI is integrated throughout the business, for example, in data quality and workflow redesign. Digital maturity is uneven across markets and company types, and some UK organisations are reevaluating their position in relation to future digital innovation.



“In 2026, our investment is across AI and data platforms with a focus on digital skills, which give us the greatest returns in terms of efficiency.”

JOHN SEABOURN, CHIEF DIGITAL & INFORMATION OFFICER, APEM

91%

of firms say AI is important to the success of their organisation

Technology Trends Key Insights

Technology offers an opportunity to boost profitability through improved efficiency.

To do so, firms should operationalise AI rather than trial it, harden cyber defences as a core commercial control, and invest in a single tech solution that connects project, resource, and finance data.

KEY FINDINGS

- 1 AI is a priority**, with 91% of professional services firms saying it is important to their organisation's success, and 68% planning to increase AI investment in 2026. The shift is no longer about experimenting with AI, but embedding and optimising it across processes such as planning, forecasting, and project resourcing to drive measurable productivity and profitability gains.
- 2 Digital transformation is set to accelerate** over the next three years. Almost half of firms (46%) expect it to become a primary executive level strategic priority, supported by a strong culture of innovation focused on increasing revenue, improving customer experience, and expanding operating margins. A further 29% expect that business and IT management will be integrated and delivering digitally enabled product/service experiences on a continuous basis. Overall, this will be a growth from 44% of firms currently to 75% of firms in 2029.
- 3 Cybersecurity is now the leading technology concern** with two-thirds of firms globally saying they have been targeted by a cyber attack in the past three years, and 52% extremely or very concerned about cyber risks for 2026. Financial and client losses following attacks are pushing organisations to elevate cybersecurity investment and governance, positioning it as a core element of operational resilience and profitability protection.

30%

of all firms have **suffered financial losses due to a cyber attack** in the last three years

68%

of firms are **planning to invest more in AI** in 2026 compared with 2025

Tech Investment Continues

Professional services firms are becoming far more selective about where they prioritise investment in technology.

Rather than broad, incremental investment across many tools, 2026 marks a shift toward prioritising the technologies that will materially improve performance, resilience, and profitable growth. The data shows firms making deliberate choices to invest where technology can deliver clear, measurable impact across the project lifecycle and business processes. This selectivity reflects a growing understanding that technology creates value when it strengthens core delivery processes, improves decision-making, or reduces risk - not simply when new tools are added.

Cybersecurity is the technology that the most professional services firms say will have the biggest impact on the success of their organisation in 2026, closely followed by Artificial Intelligence (AI).

For A&E firms, integration and collaboration are seen as more important than AI to the success of the organisation. For consulting firms, cybersecurity and AI are the two key technologies.

Cybersecurity and AI are also the areas most firms expect to increase investment in during 2026. Firms that are already seeing ROI from AI are even more likely than those who aren't to say they will be investing in tech in 2026, including investing more in AI and cybersecurity.

There is a correlation between the technology that is seen as very important to the success of an organisation and those that professional services firms plan to invest significantly more in. We saw this in 2025 in the UK, and this year it is evident across all three markets. This year's results reveal two distinct tiers of technology that reflect this strategic mindset. There are high-impact technologies that are important and will receive high investment in the next 12 months. Then there is a core group of technologies that enable integration and collaboration.



“Today we’re well into the move from isolated processes to a data-led operating model with a single source of truth. In the coming years, we expect digital to be fully embedded - predictive, integrated, and guiding decisions across every project and function.”

**WILL GUEST,
FINANCE DIRECTOR, ARDENT**



Tech Investment Priority Tiers (importance vs. expected investment)

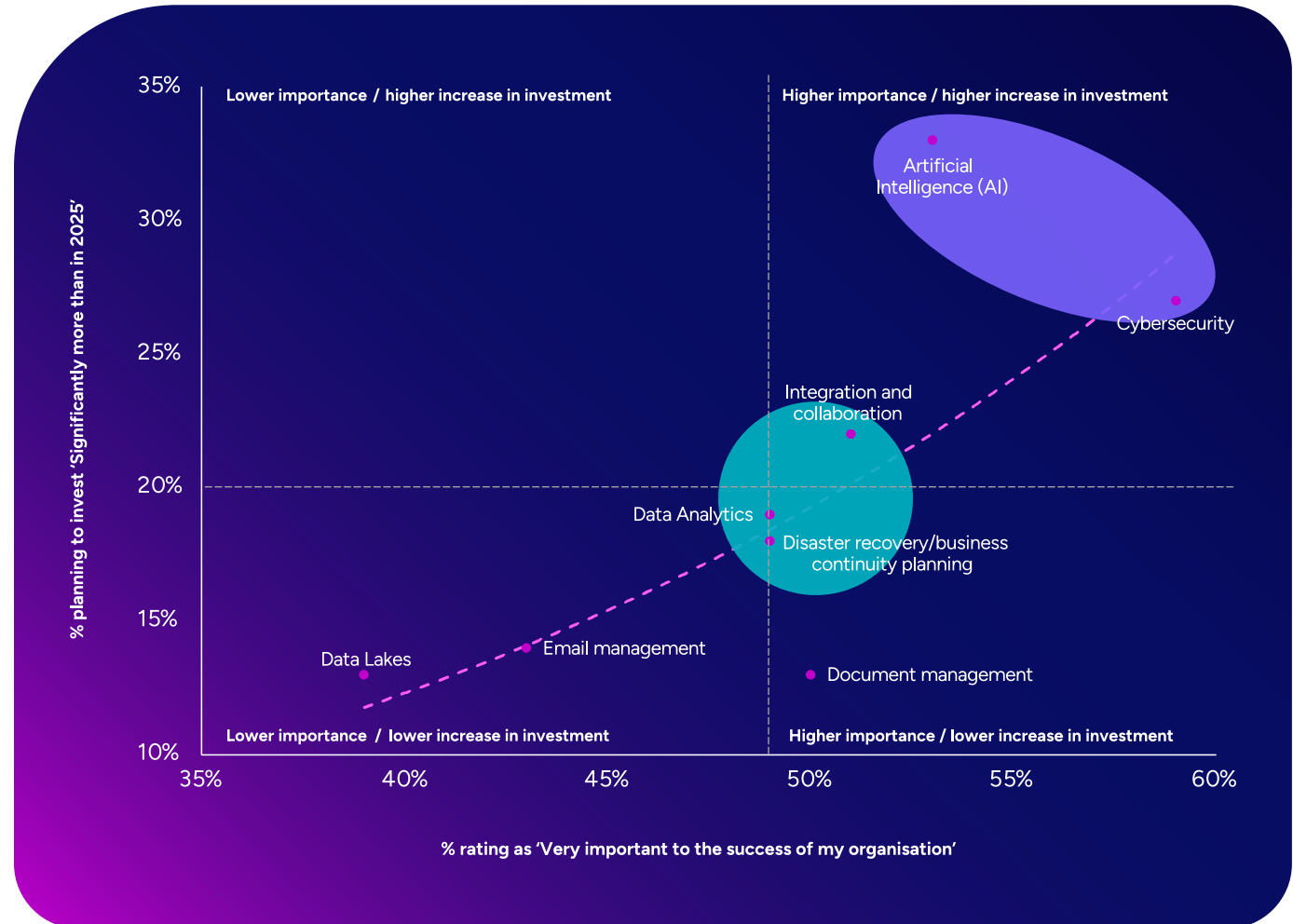
1. High Impact Technologies

AI and cybersecurity sit firmly in this category. They offer the clearest route to performance improvement: reducing risk, increasing accuracy, accelerating delivery, and driving growth. These are the technologies where firms are most likely to increase investment in 2026.

2. Core Enablers

A second tier of technologies, including **integration & collaboration and data analytics**, forms the backbone of operational efficiency and digital maturity. They are not always viewed as headline grabbers, but firms recognise that they are essential for enabling AI, improving reporting, supporting compliance, and unlocking reliable, timely insight.

Disaster recovery also sits in this group due to the important role it plays in safeguarding business operations and performance. Investment in this group is increasingly focused on integration as firms pursue “one platform” visibility and control.



Digital Transformation Maturity

Digital transformation is becoming less of a buzzword and more of a company focus. In the Deltek Clarity survey, the focus is not just on adoption of technology, but on alignment of the business strategy and IT priorities with a goal of creating a culture of innovation.

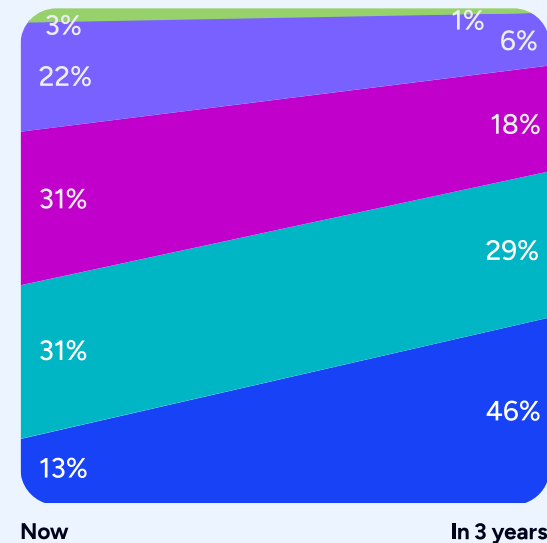
This year, 13% of professional services firms say that digital transformation is a primary strategic focus at the executive level and that a culture of innovation is prevalent, along with increasing revenue, improving customer experience, and growing operating margins (*advanced* digital maturity). Furthermore, 31% say that business and IT management are integrated and delivering digitally enabled product/service experiences on a continuous basis (*mature* digital maturity).

Currently, the same proportion of firms that are mature say they are *applied* (31%), in that there's alignment between business and IT goals and momentum to adapt, but not a dedicated focus on the full disruptive potential of digital initiatives.

A further 22% say there's a recognition of the need for digital transformation strategy, but execution is at the lighthouse stage, on an ad-hoc project basis, which is neither predictable nor scalable (*exploratory* digital maturity). Just 3% of firms say there is a disconnect between business and digital IT initiatives or a misalignment with company strategy (*nascent*).

Looking ahead, nearly half of firms expect to be at the *advanced* stage in 3 years' time, and a further 29% expect to be *mature* with business and IT management integrated and delivering digitally enabled product/service experiences on a continuous basis. Only a very small proportion will still be *exploratory* or have a disconnect.

- **Nascent** - there's a disconnect between business and digital IT initiatives or a misalignment with company strategy
- **Exploratory** - there's a recognition of the need for digital transformation strategy but execution is at the lighthouse stage, on an ad-hoc project basis, which is neither predictable nor scalable
- **Applied** - there's alignment between business and IT goals and momentum to adapt, but not dedicated focus on the full disruptive potential of digital initiatives
- **Mature** - business and IT management are integrated and delivering digitally enabled product/service experiences on a continuous basis
- **Advanced** - digital transformation is a primary strategic focus at the executive level and a culture of innovation is prevalent along with, increasing revenue, improving customer experience and growing operating margins



After giant growth in the proportion of UK firms saying that digital transformation is a primary strategic focus at the executive level and a culture of innovation is prevalent (*advanced*) in the last couple of years, this has plateaued and potentially reversed this year (the proportion saying they were in this position jumped from 8% in 2024 to 20% in 2025, but has dropped to 15% in 2026). This could potentially be because there are now greater expectations of what is possible through digital transformation, causing some businesses to reconsider their position, or that digital transformation is no longer a 'strategic focus' because it is now fully ingrained in the business mindset and not a separate, distinct priority area in the UK.

The UK is, however, the market that is most digitally mature, with 54% saying that digital transformation is a primary strategic focus at the executive level and a culture of innovation is prevalent (*advanced*) or that business and IT management are integrated and delivering digitally enabled product/service experiences on a continuous basis (*mature*) compared to 36% in Germany and 30% in Australia. Germany currently appears to be at about the same stage as the UK was a year ago.

Looking ahead to the next three years, Germany is most positive, with 60% expecting to reach *advanced* digital maturity, while Australia is least optimistic.

These regional differences highlight competing pressures: the UK is shifting from adoption to optimisation (integration, governance, cyber), while Germany is entering a scaling phase, and Australia is pacing more cautiously with targeted investment.

There is little difference in where A&E firms currently think they are on the digital maturity scale compared to consulting firms, but there is a wide gap between where they expect to be in three years' time, with A&E firms expecting to be more digitally mature than consulting firms (52% of A&E firms expect to be at *advanced* digital maturity in 3 years compared to 34% of consulting firms).

This divergence reflects pressures specific to company type: A&E firms see digital maturity as essential for managing regulated workflows, reducing rework, and improving cost/schedule certainty, while consulting firms view it as critical for speed, insight generation, and client value. Both groups expect transformation to accelerate — but for different commercial reasons.

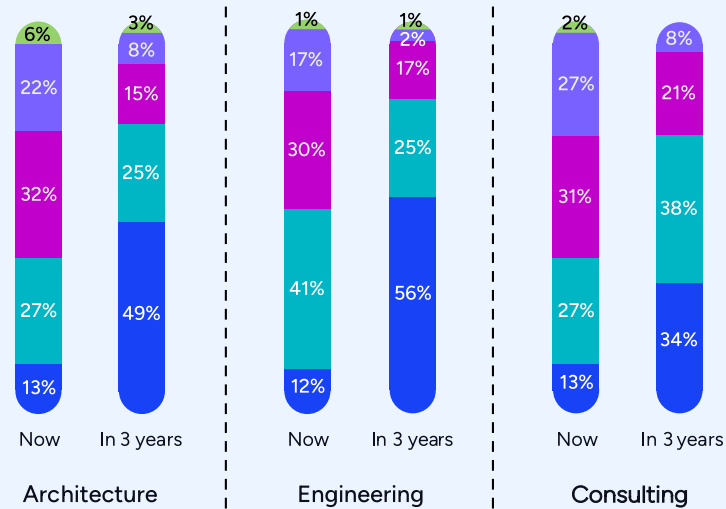
The shared takeaway: maturity must be matched with integration, governance, and workforce readiness; without these, expectations for advancement risk outpacing operational capability.



"I would describe us as moving beyond digital adoption and now entering a period of scaling, and over the next few years, I want us to become a digitally mature, data-led organisation where digital, data, and AI are fully embedded in how we operate."

JOHN SEABOURN, CHIEF DIGITAL & INFORMATION OFFICER, APEM

Digital Transformation Maturity – by company type



- **Nascent** - there's a disconnect between business and digital IT initiatives or a misalignment with company strategy
- **Exploratory** - there's a recognition of the need for digital transformation strategy but execution is at the lighthouse stage, on an ad-hoc project basis, which is neither predictable nor scalable
- **Applied** - there's alignment between business and IT goals and momentum to adapt, but not dedicated focus on the full disruptive potential of digital initiatives
- **Mature** - business and IT management are integrated and delivering digitally enabled product/service experiences on a continuous basis
- **Advanced** - digital transformation is a primary strategic focus at the executive level and a culture of innovation is prevalent along with, increasing revenue, improving customer experience and growing operating margins

AI Adoption

Artificial intelligence (AI) is one of the greatest opportunities for professional services firms, but it also presents challenges.

AI has become a defining force across the entire project lifecycle, shaping every step from pursuing work to planning and managing projects, forecasting, and delivery oversight. What is changing in 2026 is not firms' awareness of AI, but their ambition for it.

With 91% of organisations stating that AI is important to their long-term success and 68% planning to increase their AI investment this year, firms are shifting from experimenting with AI tools to operationalising and optimising them within core workflows. The focus is now on embedding AI where decisions are made and where value is created, rather than treating it as a standalone innovation. This shift marks a move toward performance-driven adoption: firms want AI that improves forecast accuracy, reduces manual effort, accelerates reporting, and strengthens decision-making.

This year's results also highlight that AI is no longer the responsibility of a single team or function. It is becoming a firm-wide necessity.

25%

of professional services firms say operationalising and optimising AI is a top priority in 2026

AI literacy is the most in-demand skill for employees, particularly for small and medium-sized firms that rely on efficient project execution to maintain competitiveness. AI now impacts everyone — project managers, finance teams, resource managers, and business development teams — making workforce readiness a critical determinant of ROI.

While technology priorities vary across markets, operationalising AI is a top strategic focus globally, with the UK leading the shift: 29% of UK firms expect to operationalise and optimise AI in the next year, compared with 21% of firms in Germany and 22% in Australia. This finding reinforces that the firms gaining the most from AI are not simply adopting new tools; they are integrating them deeply into systems, data flows, and delivery processes.

91%

of firms say AI is important to the success of their organisation

Engineering firms are far more likely to be operationalising and optimising AI than consulting or architecture firms in the next year (37% vs 22% and 19%).

91% of firms say that AI is important to the success of their organisation, in line with 2024 findings (89%). It is more important in the UK (93%) than in Germany (88%) and Australia (89%). 94% of consulting and 89% of A&E firms say that AI is important to the success of their organisation.

While firms are operationalising AI, 68% say they will invest more in AI in 2026 than in 2025, showing that there is no desire to stand still and, instead, a need to further advance AI adoption. UK (79%) and German firms (72%) are more likely to say they will increase their level of investment in AI than Australian firms (44%).

68%

of firms are planning to invest more in AI in 2026 compared with 2025

AI Across the Project Lifecycle

Firms are now less concerned about the presence of AI, with integration of AI into day-to-day operations ranking lowest among the list of all global concerns. This shows that many firms are embracing and leveraging AI across the project lifecycle.

Project planning and scheduling is the area where AI is currently being used most across the project lifecycle. Yet firms recognise that there is still work to be done to fully reap the benefits of operationalised AI, with 38% saying that adoption of AI is currently the greatest challenge for project management. Growth areas for AI in 2026 are likely to be future predictions and scenario planning, project resourcing, and stakeholder management. These areas directly influence profitability, utilisation, and delivery predictability, making them the highest-value opportunities for AI to drive measurable impact.

As well as being more likely to prioritise AI in 2026, engineering firms are particularly likely to use or implement AI in a variety of different ways, notably to **identify innovation and new trends**.



“This year’s Clarity study shows two parallel mega trends taking shape. Organisations have clearly recognised AI as an industrial intelligence layer. At the same time, the emphasis on advancing AI literacy reveals an upskilling opportunity and a gap between intention and execution. Bridging that gap will become organisations’ competitive moat in the near future.”

WALTER PASQUARELLI, AUTHOR, SPEAKER, AND AI ADVISOR

Consulting firms are significantly less likely than A&E firms to use or implement AI for **accounting and finance**, but are more focused on leveraging AI for **business intelligence**. This difference reflects each company type’s operating rhythm. A&E teams use AI to manage complex delivery portfolios, whereas consulting firms use AI to accelerate insight and strengthen client value.

The findings around AI literacy, integration maturity, and cybersecurity also point to the industry’s readiness for the next phase of AI adoption, agentic systems. This represents a meaningful shift in how work is executed. Rather than simply supporting decisions or generating outputs, agentic technologies can observe project data, interpret context, make decisions within defined guardrails, and take action across multiple systems and workflows.

In project-based environments, this means AI moving beyond assistance to active participation in delivery, coordinating resourcing, updating forecasts, managing workflows, and resolving exceptions in real time. As these capabilities emerge, firms will increasingly depend on integrated data environments, strong governance frameworks, and robust cyber controls to ensure agents operate safely and effectively.

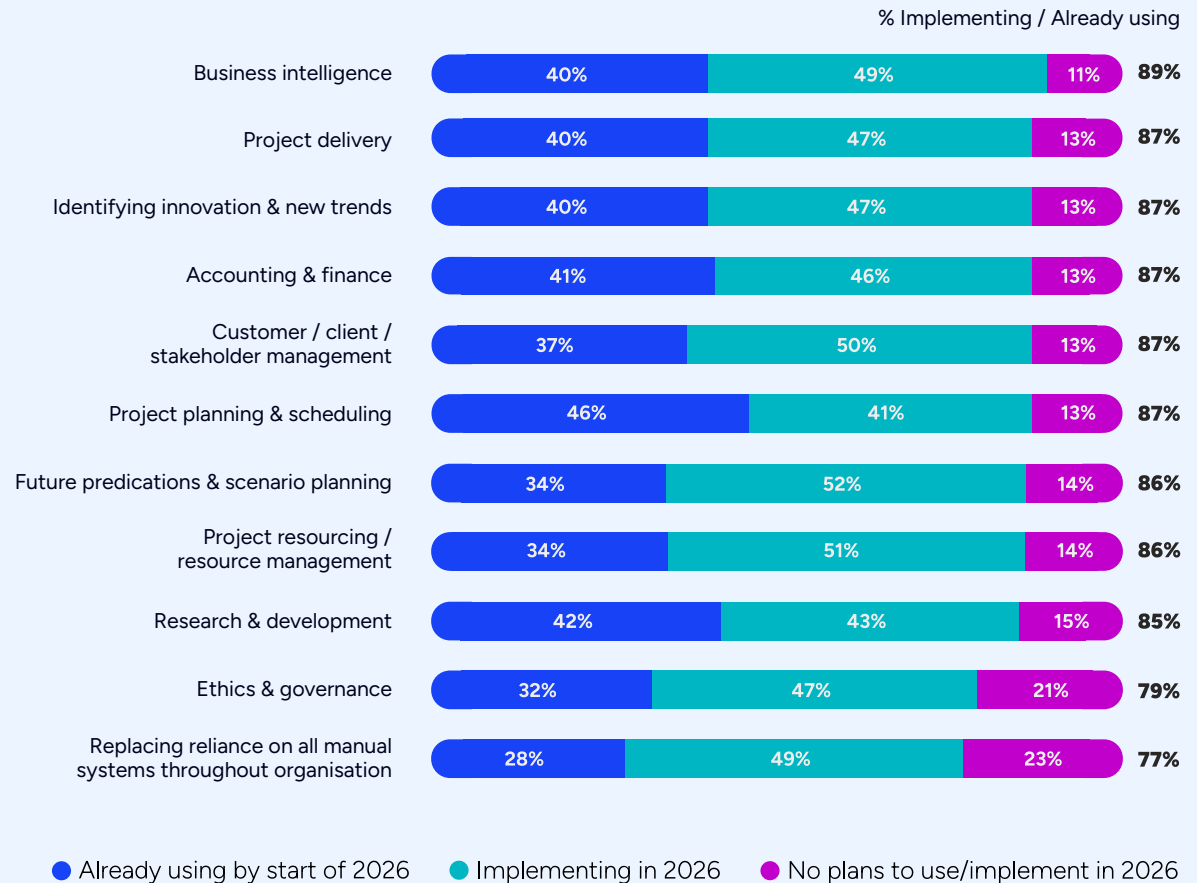
The priorities highlighted in this year’s findings – skills development, connected systems, and cyber resilience – are therefore not just enablers of AI adoption, but the foundations required to deploy AI as an operational layer embedded within the business.

AI Adoption Across Business Functions



"In 2026, we expect AI to support forecasting, reporting, and other repeatable processes, freeing our teams to focus on higher-value analysis. The key is robust, well-governed data and integrated systems so AI outcomes are timely, reliable, and actionable."

**WILL GUEST, FINANCE
DIRECTOR, ARDENT**



AI & ROI

Overall, 46% of firms are seeing at least moderate improvements in productivity or cost savings as a result of investing in AI (11% significant, 35% moderate).

This does vary by market: The UK, which is further along in operationalising AI, sees the highest proportion of firms seeing ROI improvement overall. Germany, however, which is going through rapid growth, is seeing the most significant measurable benefits.

Furthermore, there are also differences by company type. In 2026, A&E firms expect to see more significant measurable benefits and ROI from their AI adoption compared to consulting firms (13% vs 6%). For A&E firms, AI amplifies planning accuracy, reduces rework, and supports cost/schedule control, making its impact easier to quantify. Consulting firms often gain faster insight generation and strengthened client value propositions.

As firms progress from adopting AI to operationalising it across both front and back office functions, the next phase of value creation is the introduction of AI agents.

These systems extend beyond task-level automation, enabling multi-step execution across workflows, coordinating actions across tools, and continuously adapting based on real-time data.

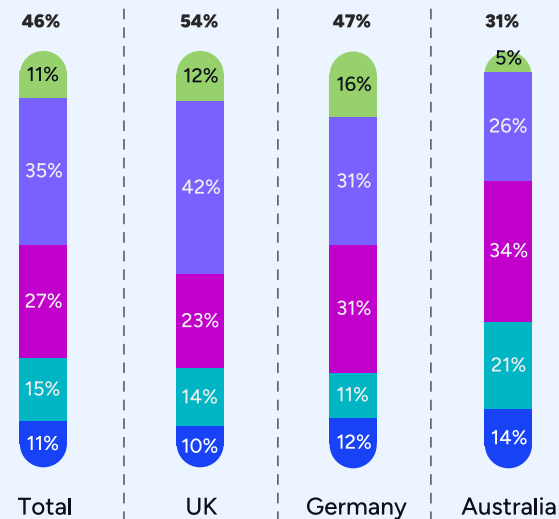
For organisations already seeing measurable gains from AI, agents represent a step change: shifting from efficiency gains at the task level to productivity gains at the workflow and operational level. This evolution has the potential to redefine how work is delivered, reducing manual coordination, accelerating cycle times, and enabling teams to focus on higher-value decision-making and client outcomes.



ROI from AI Adoption – by market

- We are seeing significant measurable benefits & ROI from our AI adoption
- We are seeing moderate improvements in productivity or cost savings
- We are beginning to see early signs of impact or efficiency gains
- We have not yet seen measurable impact from our AI investments
- It's too early to tell / our AI initiatives are still in pilot stages

NET: moderate improvements/significant benefits



Cybersecurity Resilience & Performance

While only the most severe cyber attacks may get reported in the press, cybersecurity is a very real concern for all firms.

Two-thirds of firms (66%) say they have been targeted by any type of cyber attack in the past three years, leading a quarter (25%) to prioritise cybersecurity improvements in 2026.

A variety of cyber incidents had been targeted at these firms, including: customer/client data breach (28% of firms had been targeted); ransomware/malware impacting internal systems (28%); Intellectual Property data breach (27%); fraud/theft (e.g. via invoice scams) (23%); or ransomware/malware impacting external customer/client services (20%).

This level of exposure shows that cybersecurity is not just a background IT issue; it is a core determinant of operational continuity, client trust, and financial performance. A single breach can disrupt delivery, delay projects, increase cost, and damage reputation, directly impacting margins and win rates.

Firms are more likely to have been targeted by a cyber attack in the UK (69%) and Australia (68%) than in Germany (59%).

The UK is the most concerned of these markets about cybersecurity risks and breaches (64% extremely/very concerned in the UK compared to 42% in Australia and 36% in Germany). This heightened concern in the UK aligns with higher levels of AI adoption and digital maturity.

As firms integrate more systems and accelerate automation, their attack surface expands, making proactive cyber governance essential.

Markets further behind on digital transformation may not yet feel the same urgency, but the risks will rise as their technology adoption increases.



Cyber attacks are more prevalent among engineering firms than architecture or consulting firms (73% vs 67% and 60%). As a result, engineering firms also have greater concern about cybersecurity in 2026 (56%), compared to architecture firms (50%), and place greater importance on improving cybersecurity; 29% of engineering firms list cybersecurity as a top 3 priority for 2026, compared to 25% of architecture firms and 22% of consulting firms.

Cyber Attacks

- by company type



Architecture	67%
Engineering	73%
Consulting	60%



Architecture	50%
Engineering	56%
Consulting	52%



Architecture	25%
Engineering	29%
Consulting	22%

Losses Caused by Cyber Attacks

The impact of these cyber attacks cannot be overstated.

Almost half (49%) of those firms that were compromised said they experienced moderate financial or operational losses, while 14% said that their losses were 'significant'. The impact of cyber attacks is wide-ranging and multifaceted – operational losses could lead to reputational losses, which in turn could result in financial losses.

45% of firms affected by a cyber attack experienced financial losses (rising to 50% in the UK), while 38% each experienced customer losses and operational impacts.

In addition, almost a third of those organisations that experienced a successful cyber attack reported reputational damage among both clients/customers and industry peers (both at 31%).

These numbers show that cyber incidents reverberate far beyond the initial breach, creating financial, operational, and reputational damage that can reduce margins, delay delivery, and weaken client confidence.

Due to the clear detrimental impact of cyber attacks, those firms that have experienced an attack are placing even greater priority on improving cybersecurity in 2026 and beyond (29%), compared to those firms that have not experienced an attack (17%), proving the real impact of successful attacks on business performance and the need to prioritise investment.

Impact or Losses Caused by Cyber Attacks



03

Project Management

In 2026, the professional services industry is undergoing a structural shift: AI and automation are moving from experimentation to full-scale integration, reshaping everything from delivery models to pricing strategies, with generative AI emerging as a core operating system for professional services work.

The adoption of AI is the number one project management challenge for professional services firms over the next three years, but it is not the only challenge.

As clients' expectations change and projects become more complex, firms need to ensure they have the right tools and people to adapt. Not just attracting top talent, as we saw in 2025, but also reskilling and upskilling the current workforce to be resilient to future technological demands.

Firms face margin pressures, talent disruption, and the growing complexity of client expectations, while also grappling with the realities of hybrid delivery models, benefits realisation, and strategic portfolio management.

The year ahead may bring accelerated reinvention: value-based pricing, AI-augmented workflows, reshaped workforce strategies, and a renewed focus on agility and integrated intelligence. Therefore, 2026 could signal the start of a reshaping of both how projects are managed and how firms create and capture value across the entire professional services landscape.

38%

of firms say AI adoption is one of the greatest challenges for project management in the next three years



Project Management Key Insights

Whilst AI literacy might be the skill most needed in organisations in the next three years, three in ten (31%) firms said that they need strong project management skills – the same proportion that said they need data analytical skills (31%) and a similar proportion as automation literacy skills (29%).

Managing every step of the project lifecycle is vital to ensure the project meets client expectations and project profitability targets. To do this, project managers must monitor all aspects of the project, from kick-off through to completion, to ensure it is completed on time, within budget, and meets the predefined objectives and quality standards.

Firms face multiple challenges in managing project information, and whilst they strive to have more integrated project management systems, only one in five (22%) say they have a fully integrated, end-to-end project management system in 2026.

Firms that had seen profit margins increase in 2025 were more likely than other firms to say that strong project management skills would be needed over the next three years. There is potential for firms to find that attracting top talent and reskilling/retaining staff become more challenging over the next three years, as they compete for talent with the necessary project management skills.

It remains to be seen whether having the right people with the right skills ultimately rises in importance again to become a key challenge in embedding tech. There are wider industry signals showing that project-based skills, hybrid delivery skills, and interdisciplinary capabilities will be core differentiators over the next few years.

31%

of firms said strong project management skills were one of the top 3 skills needed in their organisation in the next three years

22%

of firms are using fully integrated project management systems

60%

of firms are extremely or very effective in tracking time to plan & deliver projects

65%

of firms have an extremely or very effective approach to resource management to deliver projects

Project Management



KEY FINDINGS

- 1** The biggest recent challenge for firms when delivering projects has been changes in client requirements, but technology integration or data management issues have also impacted project delivery.
- 2** Over a third of firms said their approach to resource management was not 'very effective', which is likely to be exacerbating the challenges they face with client requirements and data management.
- 3** Confidence in their firms' ability to accurately report key project performance metrics (budget, project profitability, actual cost, schedule) has risen compared to 2024.

Top Challenges for Project Management in the next 3 years

The adoption of AI is considered the number one project management challenge in the industry for the next three years (38% of firms ranking it 1-3), particularly for small/medium firms (49%).

But this isn't to say it is the only challenge, as firms also cite increasing complexity of projects (27%), reskilling/upskilling staff (26%), and competing priorities (25%) as secondary challenges.

Compared to two years ago, more firms are saying that the adoption of AI into project management is a challenge, while fewer firms say that increased competition for talent is one of the greatest challenges.

Whilst firms that are more digitally mature still find the adoption of AI a major challenge, there is some evidence that it is easing other pain points of project management. The increasing complexity of projects presents far more of a challenge to firms with lower digital maturity than those that are more digitally mature (32% vs 22%), suggesting that digital solutions may be easing this pressure.

In the UK, adoption of AI is by far the number one challenge for project management, ranking considerably higher than other challenges; 45% of UK firms ranked it as a top priority compared to 31% of firms that identified competing priorities as the top challenge. In contrast, in Germany, 41% of firms say the increasing complexity of projects is the biggest challenge for project management, whereas 35% say the adoption of AI is. In Australia, managing commoditised services (28% of firms place 1-3), stakeholder management (26%), and project delays and cancellations (26%) sit alongside the adoption of AI (26%) as the top challenges for project management.

Consulting firms are far more likely than A&E firms to see AI adoption as an industry project management challenge (42% vs 35%), and it stands out as a predominant challenge compared with other issues.

Consulting firms are also more likely than A&E firms to say that embedding predictive analytics and scenario planning for the future presents a challenge to their industry (27% vs 14%).



Top Challenges for Project Management in the next three years

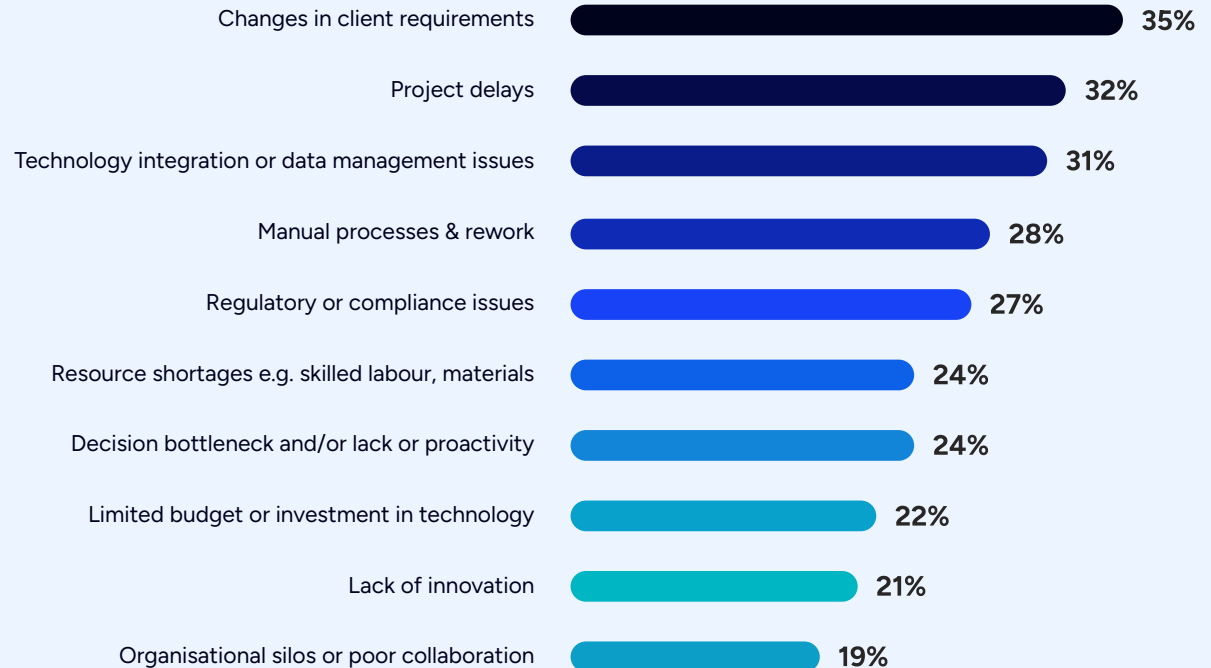


Top Challenges faced in Project Delivery

Over the last year, firms say that the biggest challenge in delivering projects has been **changes in client requirements** (35%).

Project delays (32%) is the second most cited challenge, closely followed by **technology integration or data management issues** (31%). Behind these top three, there is a secondary group including manual processes/ rework (28%) and regulatory or compliance issues (27%). Problems such as limited tech budget (22%), lack of innovation (21%), and organisational silos or poor collaboration (19%) are less of a problem.

Technology integration or data management issues are more likely to have been a challenge in delivering projects for consulting firms compared to A&E firms (35% vs 30%). Within architecture firms, whilst changes in client requirements remains the most cited challenge (35%), this is closely followed by regulatory or compliance issues (33%) and manual processes and rework (32%). Small/ medium firms (20 to 250 employees) are more likely than larger firms (251+ employees) to report that changes in client requirements and project delays were among the top three challenges their company faced in delivering projects (40% vs 32% and 37% vs 29% respectively).



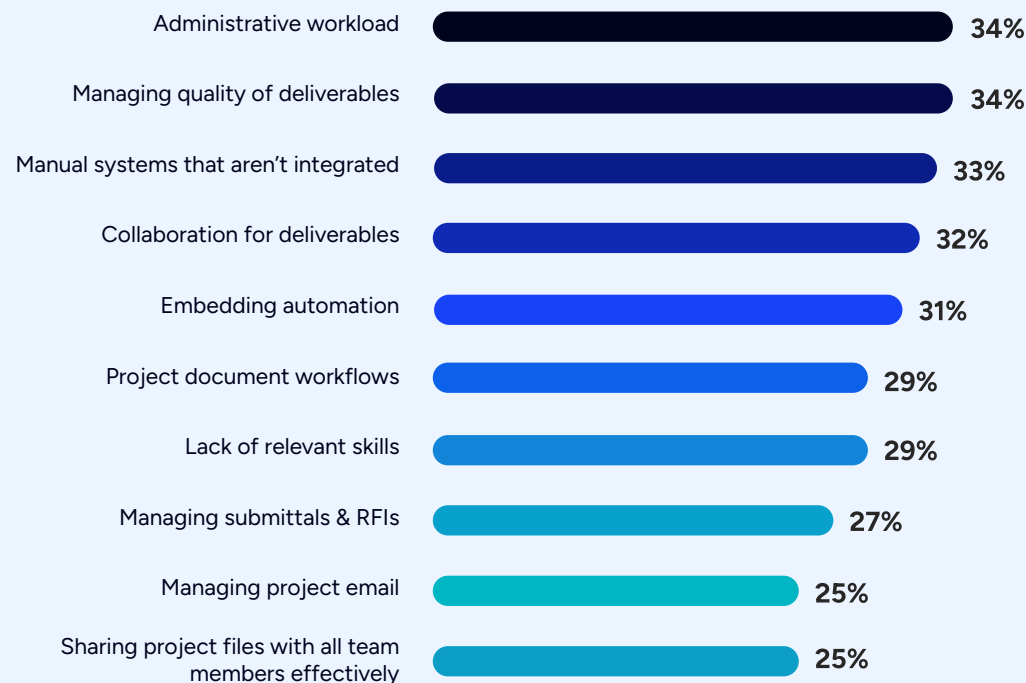
Managing Project Information

There are a number of challenges teams face when managing project information, and those most cited are: **administrative workload** (34%), **managing the quality of deliverables** (34%), **manual systems that aren't integrated** (33%), **collaboration for deliverables** (32%), and **embedding automation** (31%).

This demonstrates that there is an increasing need to understand the extent to which automation and integration challenges are holding back teams responsible for managing project information.

There has been a clear shift in how effectively teams handle the distribution of project files. The number of UK firms reporting this as a challenge has fallen from 44% last year to 24% this year. The scale of this improvement signals a marked advancement in collaboration practices, supported by more reliable tools and better information governance, which together are reducing friction in day-to-day project coordination.

Top Challenges Managing Project Information



% Ranking as a top 3 challenge

Integration of Project Management Systems

Integrated project management systems bring project management, resource planning, financials, billing, forecasting, and analytics together into a single, unified platform.

Instead of separate tools for time tracking, resource allocation, invoicing, reporting, and CRM, everything is connected and visible in one system.

It appears that as firms move into 2026, these integrated platforms have become central to how they improve delivery predictability, operational efficiency, and commercial performance. Three-quarters (75%) of firms have a fully integrated or mostly integrated project management system, rising to 79% among larger firms (251+ employees).

22% of all firms are fully integrated with a single end-to-end project management system, and 53% are mostly integrated, with some tools, functions, or systems still disconnected. 21% of firms are partially integrated with several separate systems or tools in use, and just 4% are still largely siloed. For large firms in particular, integration can be the multiplier that turns data into action across regions and practices; for smaller firms, consolidation can reduce admin overhead and lift utilisation.

NET: fully/mostly integrated **75%**

- Fully integrated – A single end-to-end project management system
- Mostly integrated – Some disconnected tools, functions or systems remain
- Partially integrated – Several separate systems or tools in use
- Largely siloed – Minimal integration across functions, systems or tools

22%

53%

21%

4%



Time & Resource Management Effectiveness

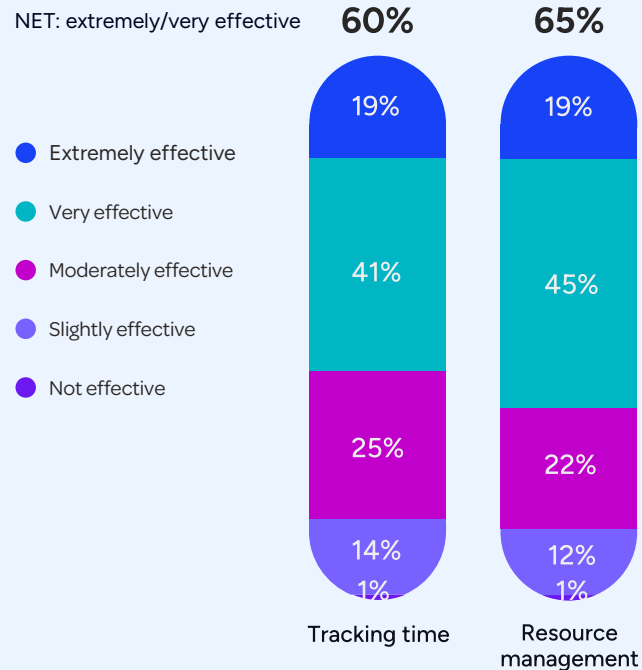
Six in ten firms (60%) say that their organisation currently has an extremely or very effective approach to **tracking the time** they spend planning and delivering projects. Whereas 65% of firms say that they are extremely or very effective at **tracking resource management** to efficiently deliver projects.

There are still firms that feel they can perform better in both areas. 25% of firms say their current approach to tracking time to plan and deliver projects to time and budget is moderately effective, and 14% think it is slightly effective. The proportions are similar for how effective resource management is to efficiently deliver projects (22% and 12%), suggesting there is opportunity to improve. Encouragingly, though, just 1% of firms say that either is not effective.

Large firms (251+ employees) are more effective than small/medium firms (20-250 employees) in tracking time (64% vs 53% very/extremely effective) and managing resources (68% vs 58% very/extremely effective).

A&E firms are more likely than consulting firms to report they are effective at tracking time (65% vs 50% very/extremely effective) and managing resources (68% vs 57% very/extremely effective).

Effectiveness at Tracking Time & Resource Management



Project Management KPIs Tracked

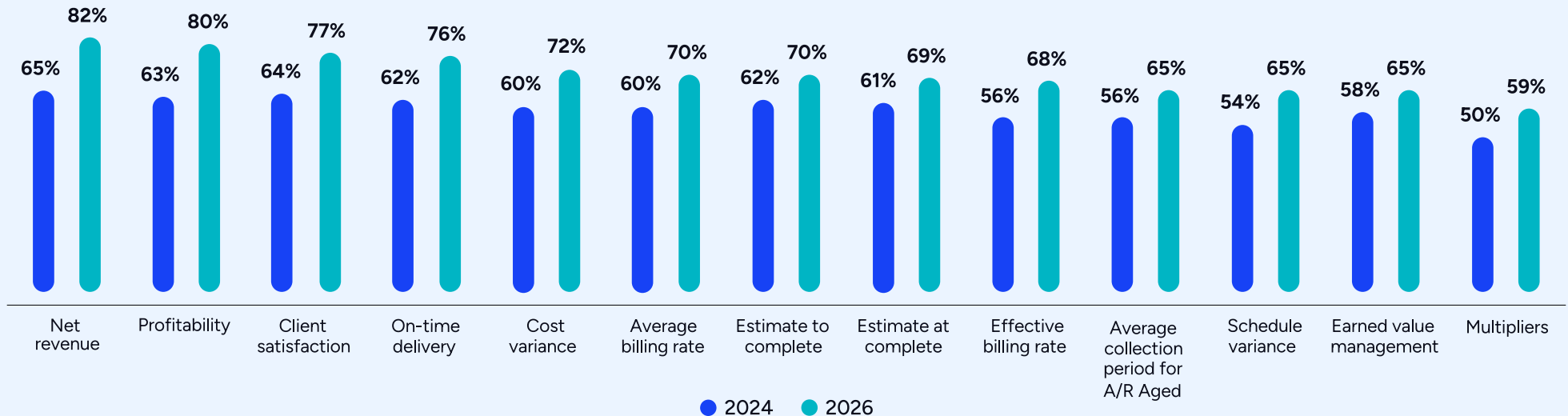
Professional services firms use many key performance indicators (KPIs) to track the success and effectiveness of project management and delivery.

The project management KPIs most likely to be tracked amongst firms in 2026 are **net revenue** (82% of firms do this) and **profitability** (80%), followed by **client satisfaction** (77%) and **on-time delivery** (76%).

Overall, the relative order of the KPIs most used by firms to track project management has changed very little since 2024, although earned value management (EVM) ranks slightly lower.

Ultimately, the top KPIs do not differ hugely by company type, with net revenue, profitability, and client satisfaction among the most frequently tracked, whilst on-time delivery is more prominent for consulting firms.

Whilst net revenue, profitability, and client satisfaction are the three most tracked KPIs, small/medium firms (20-250 employees) are more likely than larger firms (251+ employees) to track profitability at a project level (87% vs 76%). Small/medium firms are less likely to track multipliers at a project level (51% vs 63%).



Confidence in Project Reporting Accuracy

Confidence in their firms' ability to accurately report on four key project performance metrics (budget, project profitability, actual cost, schedule) has risen compared to 2024.

73% of professional services firms have high confidence in the accuracy of their actual cost reporting, including a quarter (25%) having very high confidence.

Seven in ten firms have high confidence in reporting on budget (71%) and project profitability (69%).

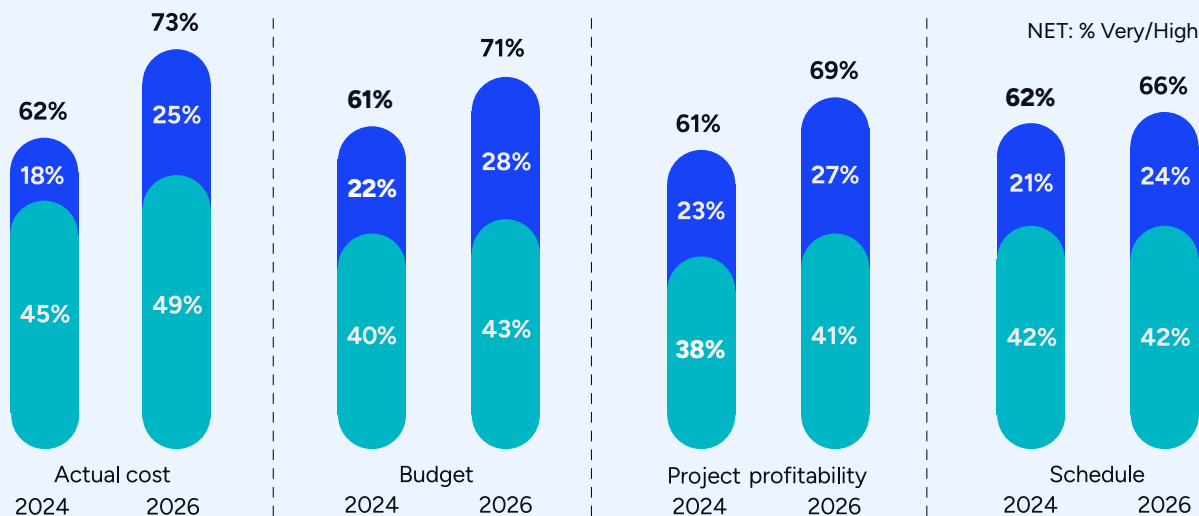
Confidence in an organisation's ability to accurately report on each of these three metrics has risen significantly since 2024. Two-thirds (66%) of firms have high confidence when reporting on schedule, which has also increased slightly from 2024.

Architecture firms have greater confidence in reporting on project profitability (78%) than other company types (65% in engineering and 63% in consulting).

Those firms that are more digitally mature (i.e., *advanced* or *mature*) are more likely than those that are less digitally mature to say they have high confidence in their ability to accurately report on these project performance metrics.

There is also greater confidence among firms with more integrated project management systems, as well as among larger firms (251+ employees), albeit the difference versus smaller companies is less pronounced than the differences between the other groups mentioned above.

Confidence in Reporting Accuracy 2026 vs 2024



● Very High Confidence ● High Confidence

04

Profitability & Performance Metrics

After years of digital acceleration and transformation ambition, 2026 marks a pivot towards control, profitability, and resilience.

Firms are under pressure from tighter budgets, higher delivery expectations, and the need to protect margins in a more uncertain global economy. AI can help reduce revenue leakage, lower non-billable overhead, enhance cost control and staffing alignment, and improve project profitability. Firms that are seeing higher ROI from AI are more likely to be predicting financial growth over the next year.

A large number of firms expect to see an increase in profits in 2026, with a quarter expecting a significant increase. To achieve these increases, it's not just ROI from AI and the continued shift toward automating processes that is required; managing costs is now a key driver of profitability.

**78%**

of firms expect
to increase their
profits in 2026

22%

expect a significant
increase (10%+) in
profits in 2026

Profitability & Performance Key Insights

A clear momentum is building behind business model change, with firms increasingly recognising that traditional approaches may not sustain competitiveness in a market reshaped by AI, automation, and shifting client demand.

23% of firms already made significant changes to their business model last year, and 9% expect major transformation in the next year. But 29% are already testing new business models, and 30% are exploring potential changes. Less than one in ten (8%) firms expect no changes to their business model in response to market and technology shifts such as AI, automation, collaboration, integration, talent, or changing client expectations.



34%

of firms say increasing cost control (purchases and approvals) can significantly increase the profitability of their organisation

25%

of firms anticipate that AI implementation will be the single biggest driver of profitability in 2026

19%

of firms say that economic conditions and market trends will have a significant impact on their organisation's profitability in 2026

Profitability & Performance



KEY FINDINGS

1 Firms that adopt AI and integrate their project management systems achieve stronger performance metrics and higher gross margins

than those without these capabilities. Mature digital practices improve efficiency, enhance cost control, and reduce manual work, making AI adoption and system integration powerful drivers of sustained profitability.

2 Increasing cost control is the number one area that professional services firms identify can significantly increase their profitability.

Firms that invest in better KPI tracking, particularly around profitability, utilisation, labour margin, backlog, and project performance, outperform those with weaker measurement practices. Building reliable, integrated metrics gives project managers and business leaders clearer visibility, which can directly improve margins.

3 73% of firms expect to increase gross profit margin, and 78% expect to increase profit in 2026, suggesting there may be plans to decrease costs with automation, integration, and tech. Firms that actively adapt their business models may be better positioned to capture new opportunities and protect profitability.

Effective KPI Management

Key performance indicators (KPIs) act as the primary link between strategy, operations, and financial performance. KPIs provide visibility across the professional services firm, giving leaders a clear, data-driven view of profitability, efficiency, and overall business health.

They translate strategic objectives into measurable signals, enabling firms to assess whether delivery teams are meeting expectations for cost, quality, and productivity. In practice, tighter KPI discipline equips leaders to move from backward-looking reporting to timely interventions that can help protect margin mid-project.

In line with greater focus on profitability and cost discipline, the business KPI most likely to be tracked well in 2026 is **operating profit**, with 86% of firms saying their organisation tracks it adequately or very well. This is a significant increase from 75% in 2024. Tracking profitability down to the project level can help both A&E and consulting firms act earlier on overruns, pricing, and staffing decisions. Most firms rate the tracking of each of the 14 listed KPIs as being at least adequate.

There has been an increase in the number of firms adequately tracking all KPIs, with client profitability, utilisation rates, net labour margin, average billing rate, and backlog seeing the greatest uplift, all significantly increasing compared to 2024. Not surprisingly, large firms (251+ employees) are more likely than small/medium firms (20-250 employees) to track KPIs more effectively. Firms with a moderate or significant ROI from AI adoption are far more likely than firms without to say they can track these KPIs very well.

Firms with integrated systems are also more likely to be tracking several of the KPIs effectively compared to those without, and it shows in the bottom line, as firms that saw profit margin increase in 2025 tended to be those that were better at tracking KPIs, particularly revenue factor, project profitability, net labour margin, backlog, and overhead rate.

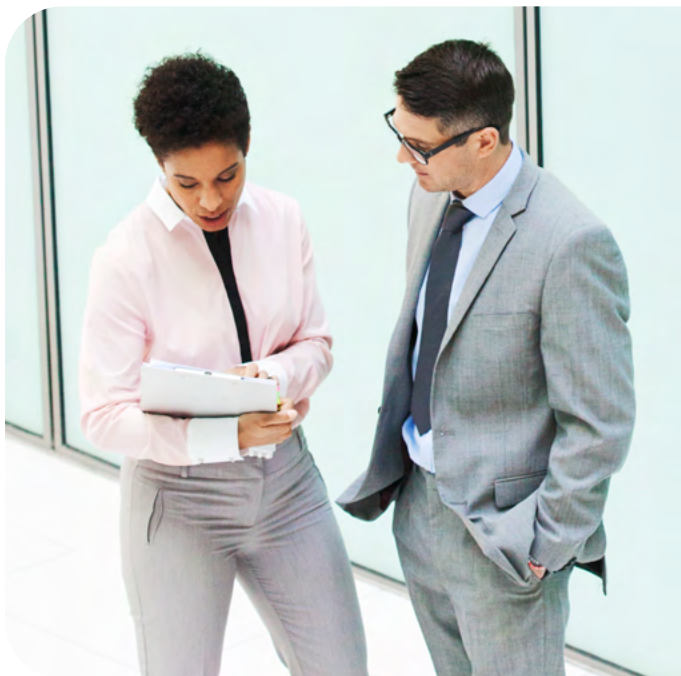
The KPI with the most room for improvement is Earned Value Management (EVM), suggesting there is still work to be done to develop metrics that improve project management and profitability. Strengthening EVM helps A&E firms control scope/schedule variance and helps consulting firms quantify delivery risk and price for complexity earlier.



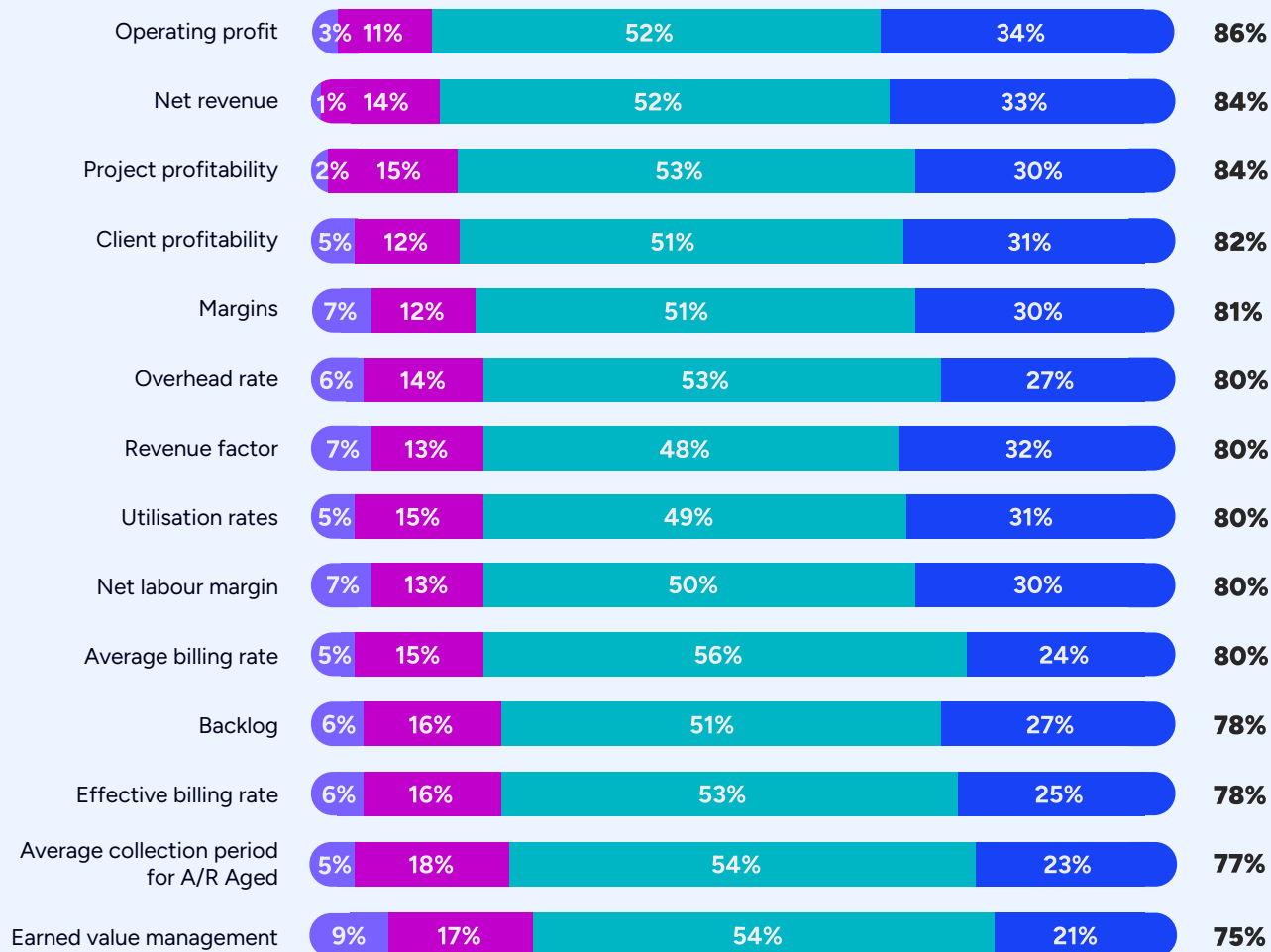
“Our priority metrics are forward-looking — what revenue and margin are likely over the next few months, and where risk is building. Clear line-of-sight at the project level helps us make better decisions, faster.”

DAVID PESTELL,
FINANCE DIRECTOR, QODA

How Well Firms Feel They Track KPIs for business performance



● Don't track this ● Badly, nowhere near enough ● Adequately, but could improve ● Very well, could not be better



%Very Well/ Adequately

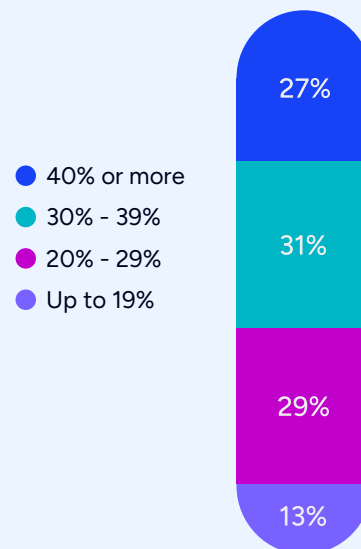
Profitability Overview – Gross Profit Margin

Overall, most professional services firms estimate that in the last 12 months their gross profit margin (GPM) was between 20-39% (with slightly more placing in the 30-39% range). Small/medium firms (20-250 employees) report higher GPM than large firms (251+ employees). More digitally mature firms tend to have higher GPM than less mature firms, while those with fully integrated project management systems have the highest GPM of all. This pattern underscores that integration and digital maturity are not technology goals; they are margin levers: fewer handoffs, faster billing, better cost control.

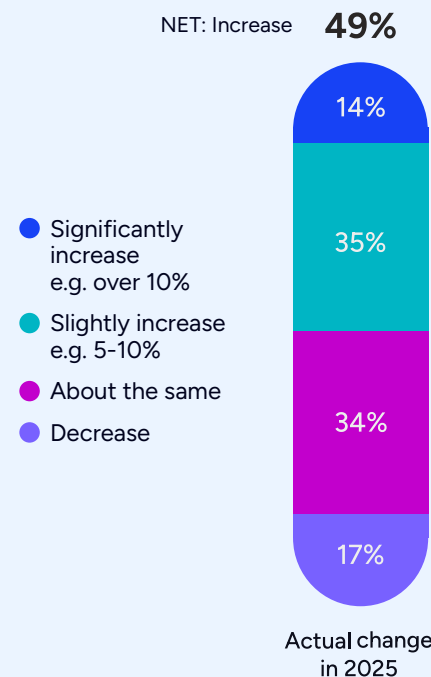
Half (49%) of the professional services firms reported that their gross profit margin increased during 2025 compared to the year before. Demonstrating the further efficiency they hoped to make, almost three-quarters (73%) of firms expect their GPM to increase in 2026. Optimistically, 25% of firms expect GPM to increase significantly in 2026, and 48% expect a slight increase.

Whilst the size of organisation did not impact whether GPM increased in 2025 (increase: 50% large and 48% small/medium), large firms are more likely than small/medium firms to expect their GPM to increase in 2026 (77% vs 67%).

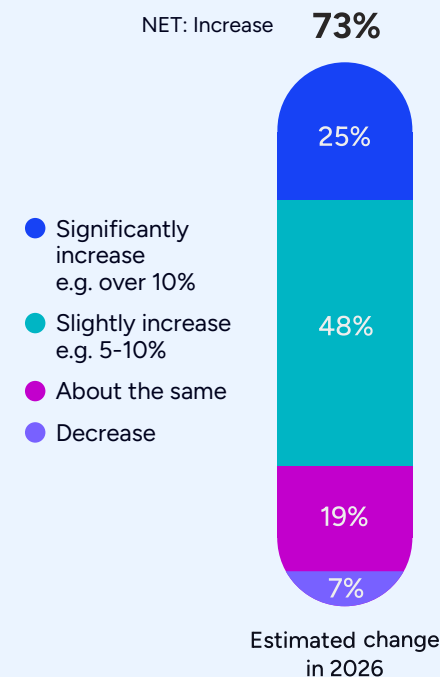
Estimated GPM over the last 12 months



Actual change to GPM during 2025



Predicted change to GPM in 2026

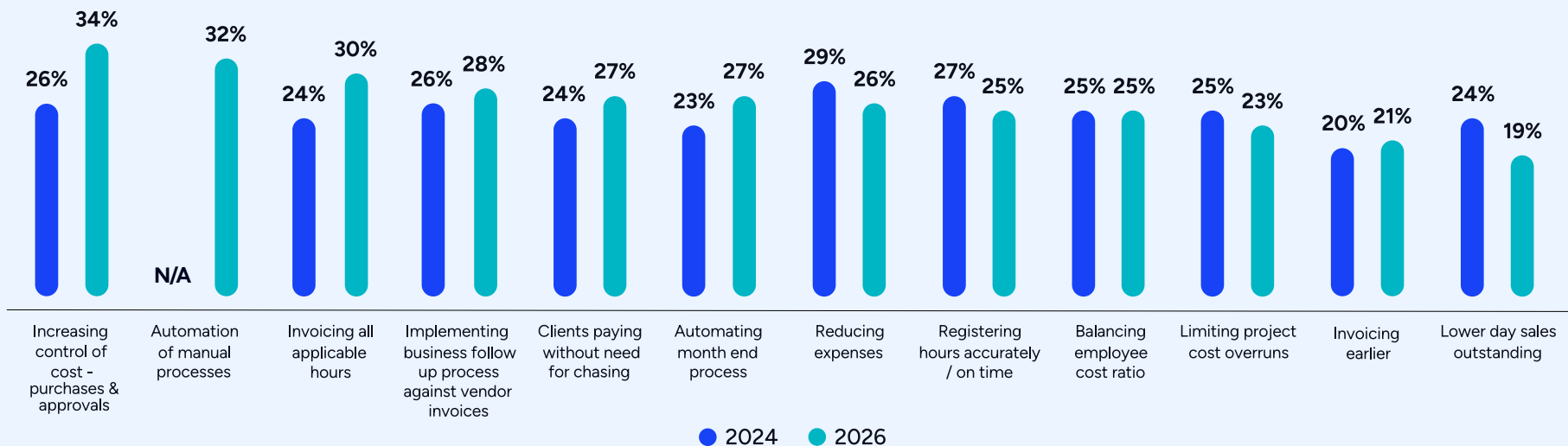


Operational Factors Increasing Profitability

Increasing cost control is the number one area that professional services firms report will significantly increase profitability. This has significantly increased since 2024 (from 26% to 34%). Other areas identified by firms as significant drivers of profitability are **automation of manual processes** (32%) and **invoicing all applicable hours** (30%).

Small/medium firms (20-250 employees) had a greater focus on costs than large firms (251+employees), as they were significantly more likely to say that increasing cost control (42% vs 30%) and limiting project cost overruns (29% vs 19%) will impact profitability. This suggests that, amid ongoing economic uncertainty, smaller firms can gain the most by focusing on what they can control — tightening approvals, automating status checks, and consolidating tools to reduce leakage and variability.

Employee-related issues that could hold firms back in 2026 include difficulty attracting talent. Reskilling and upskilling (especially in AI literacy, project management, and data) convert technology investments into durable margin improvements — a priority for every segment size.



Drivers of Profitability

78% of firms expect their profits to increase in 2026.

Those already seeing ROI from AI adoption and those with integrated systems are even more likely to expect an increase in profits in 2026, as are firms expecting to increase their number of employees.

Implementation of AI is expected to be the single biggest *internal* driver of profitability in 2026, selected by 25% of professional services firms. Implementation of AI is the largest profitability driver for consulting firms, but engineering firms are more likely to say that **technology and automation** will be the biggest driver of profitability in 2026 (30%).

Firms that are more digitally mature are more likely to say that technology and automation (27%) will be the single biggest *internal* driver of profitability in 2026, rather than the implementation of AI (25%). This potentially suggests that these firms understand that the foundations of digital performance, such as streamlined processes, integrated systems, automated workflows, and reliable data, deliver more immediate and predictable financial gains than simply introducing AI.

They may have experience with automation, which reduces manual effort, lowers delivery costs, and improves consistency across projects, directly impacting margins. For these firms, AI still matters, but without strong digital foundations, it is less likely to be the single strongest driver of profit growth.

AI is expected not to just be a key driver for profitability internally, but also in comparison to *external* factors. When compared to *external* factors, 29% of firms expect **successful implementation of AI throughout the business** to have the most significant impact on profitability in 2026, higher than the 19% who say economic conditions and market trends, 16% who say regulatory changes and 15% who say changes to workforce skills and resilience.

Firms in the UK are less likely than those in other markets to say competition from other firms will have the most impact. In Germany, more firms believe that regulatory changes are more likely than other factors to impact profitability in 2026. This underlines the case for resilient operating models — audit-ready governance, connected data, and role-based experiences — that can adapt as market conditions shift.

“For consulting firms, the focus is shifting from experimenting with AI to turning it into a real driver of profitability and efficiency across both delivery and operations. Firms are building new AI-enabled services, forming technology partnerships, and rapidly pivoting offerings to meet emerging demand shaped by geopolitical and regulatory change. At the same time, economic uncertainty and tighter client budgets are increasing pressure on utilisation and pricing, making transparency around how AI is used — and the value it creates — more important than ever.”

LARRY ZEENNY, OWNER,
CONSULTANCY.ORG

Next Steps & Looking Ahead

As firms look ahead to 2026, they face a year defined by rapid technological acceleration, rising client expectations, and continued economic pressure.

This year's Deltek Clarity findings show that firms are poised for another strong year, but they can't sit idle. Firms must focus on embedding intelligence not only into the project lifecycle, but also into business operations and processes, while strengthening the governance, skills, and systems that keep delivery predictable and profitable.

To stay competitive, firms should prioritise the technologies and practices that have the greatest impact on performance — particularly AI, automation, and improved project delivery. These capabilities are now essential not just for efficiency, but for resilience, accuracy, and margin protection.

Organisations should focus on operationalising AI where it drives measurable improvement, such as forecasting, resourcing, reporting, and quality control. As AI becomes embedded in daily workflows, firms must ensure that data quality, governance, and cybersecurity mature alongside it.

With two-thirds of firms experiencing cyber attacks, strengthening cyber readiness is critical to protecting project continuity and client trust.

Firms should also reinforce financial discipline by focusing more on cost control, KPI visibility, and integrated systems. Improving how teams track profitability, labour margins, backlog, and utilisation will help leaders take earlier action to protect performance. Integrated end-to-end platforms can reduce administrative workload, eliminate silos, and provide managers with real-time insights to make informed decisions.

Finally, firms must continue to invest in their people. AI literacy, data fluency, and strong project management capabilities are now foundational skills. By supporting upskilling and embedding new ways of working, organisations will equip their teams to adopt emerging technologies with confidence and deliver consistently for clients. By focusing on these priorities — intelligent workflows, strong governance, integrated data, and a future-ready workforce — professional services firms can position themselves for success in 2026 and beyond. In a landscape defined by complexity and rapid change, the firms that move fastest with control will thrive.



“Many firms are reassessing how they operate to stay agile in a market defined by rapid change. This includes rethinking structures, improving collaboration across teams, and ensuring resources are aligned to real demand. The ability to adapt quickly — supported by strong strategic oversight — is becoming a defining characteristic of successful consultancies.”

DAVID PESTELL, FINANCE DIRECTOR, QODA



About Deltek

Deltek is the intelligent platform for high-stakes work, powering the project lifecycle with speed, clarity, and control at every stage.

Built for project-driven industries such as architecture and engineering, consulting, government contracting, and construction, Deltek brings together purpose-built ERP, industry-tuned intelligence, and embedded governance in one secure, audit-ready platform.

Unlike generic tools or heavily customised point solutions, Deltek is designed around how project-based teams actually operate. Every application is connected through the Deltek Native Architecture (DNA), our secure foundation that unifies data, compliance, and control across the organisation. At the centre is Dela™, Deltek's AI orchestrator, which delivers intelligence across the project lifecycle — surfacing insights, reducing manual effort, enabling more informed, accountable decision-making.

From pursuit to closeout — win, plan, execute, analyse — Deltek helps enterprises streamline workflows, strengthen governance, eliminate silos, and deliver projects with greater predictability and profit. Trusted by more than 30,000 organisations worldwide, Deltek empowers the people and teams delivering the world's most consequential work.

Learn More at [Deltek.com](https://deltek.com) →



About 3Gem

3Gem is a global insights business, powered by a proprietary panel of more than 10 million people and representing voices across 55 countries.

We support many of the world's leading brands, PR and Ad agencies as well as strategy agencies.

At the heart of 3Gem is agility. Experienced, hands-on teams work closely with clients to adapt quickly to changing needs and complex briefs.

3Gem owns and manages its panels, with all operations run fully in-house. This gives teams the freedom and control to move fast and solve problems creatively.

Combined with a commitment to technical innovation, this people-led approach delivers smart research and actionable insights.