

The strategic impact of AI in professional services



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Introduction

AI has ushered in a period of profound change for all enterprises yet, for professional services, the impact has been deeper, quicker and more strategically disruptive than in many other industries.

The reason is that generative AI has encroached on areas previously the sole preserve of knowledgeable fee-earners (research, drafting, analysis, summarisation and advisory) eroding the value of their specialisation and their basis of competition. At the same time, 'traditional' AI, (machine learning, algorithms and advanced analytics), has reduced average transaction costs, undermining the amount that professional services organisations can charge for the administration of contracts, projects and consulting engagements.

It means professional services firms face pressure from two sides. Their traditional fee-earning model is being challenged as generative AI commoditises professional expertise, while clients expect firms to use AI to work faster, more efficiently and at lower cost. Paradoxically, the same technology that threatens firms' established revenue models is also expected to underpin future service delivery.

However, firms that respond well have an opportunity to emerge stronger, more scalable, more differentiated and more valuable to clients. AI creates the possibility of rethinking not just how professional services are delivered, but what clients are actually buying.

This whitepaper, examines the strategic impact of AI in professional services and takes the opportunity to explain:

- How AI is transforming professional services firms, the challenge and opportunities for positioning new business models as clients' access to information eats into traditional advisory services
- How professional-services applications may need to evolve from systems of record, focused mainly on transactions and administration, into systems of value, focused on outcomes, insight, control and measurable contribution.
- The need for professional services organisations to work in partnership with software vendors to embed know-how and demonstrate more value in the management processes on which professional service firms and their clients rely.

The central question is whether AI simply makes existing professional-services models more efficient, or does it begin to enable a more fundamental strategic change that benefits the commercial relationship between the firms, their clients and the software houses that support them?

The impact of AI on professional services firms

AI in professional services is a strategically important issue, not just a technology issue, for example, pricing, service design, staffing, and software economics all matter. A Thomson Reuters report¹ confirms that organisation-wide use of AI in professional services almost doubled to 40% in 2026 (22% 2025), with most individual professionals now using GenAI tools, and many already preparing for the next wave of tools such as agentic AI.

However, AI weakens the link between time spent and value delivered, especially in research, drafting, review, analysis, and routine advisory support. Clients see that as well and are piling pressure on professional services to justify and reduce fees where AI is doing a substantial amount of the work. Hourly billing may survive, but it becomes harder to defend where AI reduces effort so materially. For example, Business Insider reported² that Goldman Sachs CEO David Solomon, talking about mergers and acquisitions work at a Cisco AI Summit in 2025, claimed that AI can draft 95% of the S1 filing documents, (used when a company goes public) in a few minutes, shifting the human value-added to the final 5%.

According to a study by the IBM Institute for Business Value, in collaboration with Oxford Economics, professional services firms must embrace AI in the delivery of services. The study surveyed global executives who buy consulting services. 86% of consulting buyers say they're actively looking for services that incorporate AI and technology assets³. Two-thirds went even further, saying, they'll stop working with consulting providers that don't incorporate AI into services provided, because firms that fail to incorporate AI risk appearing slower, more expensive and less effective than competitors that do.



Resolving the dilemma

Professional services firms find themselves in an awkward predicament. On the one hand they see AI eating into their traditional revenue streams based on time billing, but on the other hand they see clients clamouring for more efficiency and greater use of AI to contain their fees.

So many may need to pivot their operating model, if they are to stay competitive. They will need to be more open to fixed fees, retainers, subscriptions, managed services, and value-based pricing that are less dependent on time alone. Their strategy may also shift from selling expert labour to selling outcomes, software products, workflow, embedded know-how, speed, and repeatable delivery.

Staffing models will need to change in sympathy. Most likely, is a shift from the traditional hierarchical structure that includes a wide base of junior consultants to what Harvard Business Review calls the “obelisk” structure⁴ characterised by less junior staff and more experienced professionals who can direct work, validate outputs and engage credibly with clients.

The mid-market faces similar pressures

For mid-market professional services firms, the pressures are similar but can be more acute. They face the same client expectations around speed, efficiency and AI-enabled delivery, but usually with smaller budgets, fewer proprietary tools and less pricing power than the largest global firms. In many cases, the mid-market is also more exposed to standardised service lines where AI can quickly make efficiency gains visible to clients. That said, mid-market firms may also have an advantage. For example, they are often less burdened by legacy structures, more agile in decision-making, and better able to redesign services quickly if leadership is prepared to move decisively. They may be able to respond fast enough to turn AI into a differentiator rather than simply absorb it as a margin pressure.

The firms that respond best are likely to be those that treat AI not as a bolt-on productivity tool, but as a catalyst for redesigning service delivery, pricing and client value. In that respect, professional-services software becomes strategically important. Firms that can combine human expertise with AI-infused platforms, better workflow and more visible value creation are likely to gain an advantage over those that continue to rely on labour-heavy delivery models and legacy systems.



Collaboration with software vendors

The software vendors serving the professional-services sector will be crucial to the response to AI-driven change. SaaS vendors sit close to the operational core of professional-services firms and can see how AI is reshaping the competitive landscape for their clients, their clients' clients, and for themselves. In that sense, they are not merely software suppliers but increasingly participants in the delivery model.

That matters because the traditional software platform of financial management, project accounting, time recording and billing needs to evolve. Those systems were built primarily to support a professional-services model centred on labour, utilisation and the conversion of time into revenue. They have been highly effective as systems of record, for example, capturing transactions and reporting on them, but were not designed for a market in which clients expect more business intelligence, more flexibility in pricing models and more demonstrable value from every engagement.

As professional-services firms move towards a broader mix of fixed fees, subscriptions, managed services and value-based pricing, the software that underpins them must evolve as well. The next generation of professional-services applications will need to shift from software as a 'system of record' to software as a 'system of value'.

A system of value does not simply capture time, cost and billing events after the fact. It helps firms deploy their expertise more intelligently, deliver work more consistently, improve margins more actively, and demonstrate more value to clients in the course of execution. It turns software from an administrative ledger into an active commercial asset.

This opens the door to a different services paradigm in which aspects of professional expertise are increasingly embedded in technology assets that can be scaled, re-used and continually refined. For example:

- **Project methodology** could be embedded in workflow platforms, allowing firms (and potentially their clients) to take advantage of methodologies that are expensive to develop from scratch, to track progress more consistently and align tasks with the competency, experience and availability of the individuals involved.

- **Industry and sector benchmarks** could be generated from anonymised operational and financial data already captured by SaaS platforms in the normal course of use, enabling clients to measure performance more objectively and firms to support their advice with a stronger evidence base.
- **AI-driven analytical capability** could interrogate not just historic accounting information, but the wider time, billing, resource and project environment, providing deeper insight into engagement economics, delivery quality, utilisation patterns and client outcomes.

The rise of agentic AI extends this potential further still by moving AI from simply informing decisions to acting on them. Consider, for example:

- **A project AI agent** that assembles a team for a new engagement using skills profiles, projected start dates and forecast availability; then sets up the engagement in the project system, calculates cost and revenue budgets, and predicts likely margin before work begins.
- **A work-in-progress AI agent** that continuously reviews time booked to an assignment, identifies emerging margin risk, and recommends or initiates changes to the delivery mix by drawing on professionals of different seniority, capability or location.

The significance of this shift is substantial. Software vendors are no longer simply supporting the administration of professional services. Increasingly, they may influence how services are designed, executed, measured and monetised. That is why collaboration between professional-services firms and software vendors is likely to become a strategic necessity rather than a procurement exercise.

What should professional-services firms look for in a software partnership?

In a nutshell, professional services firms should seek a partner that understands the rapidly evolving business models facing the sector and can connect AI capability to drive insight and performance. Firms should prefer vendors that can embed AI into the operational fabric of project, financial management, billing and HR systems. FSN's research⁵ shows that embedded AI capability is three times more likely to be used than standalone AI which is bolted on.

The strongest partnerships are likely to involve joint roadmap development, shared use-case design, structured piloting, and a clear process for converting a firm's expertise into product capability without losing control of the firm's intellectual capital.

It is likely to be a gradually evolving landscape as software solutions transition from systems of record to systems of value. The crucial question for professional services firms to ask of their software partner is can your platform help us design, execute, measure and monetise services better. In this new and exciting era for professional services, success will be measured not by whether the platform records transactions efficiently, but whether it helps improve delivery, strengthens margin control, codifies know-how, and makes value more visible to clients.



Bibliography

Note¹ Thomson Reuters 2026 AI in Professional Services Report & Survey

Note² Business Insider Editorial 17th Jan 2025

Note³ IBM Institute for Business Value, in collaboration with Oxford Economics, “Consulting reimaged, powered by AI”

Note⁴ Harvard Business Review. AI is changing the Structure of Consulting Firms Sept 10 2025

Note⁵ FSN Publishing Limited, AI in Finance – What’s in it for me?

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