

The Cost of Inaction

The Business Impact of Not Using Professional Services Automation



Nathan Budd
Senior Director,
Custom Solutions, IDC



Dominique Bindels
Consulting Manager,
Custom Solutions, IDC



Table of contents



Click any title to navigate directly to that page.

Executive summary	3
Research approach	4
How erosion takes hold	6
The reinforcing loop and its cost	8
Quantifying the impact of erosion	9
Project management	9
Resource management	12
Finance accuracy	15
Compounding impacts	17
The strategic case for PSA	18
But we're still growing	19
We cannot afford it	19
Everyone just needs to work harder	21
It's not like things are getting worse	22
Conclusion	23
About the IDC analysts	24
Message from the sponsor	25

Executive summary

Professional services organizations that fail do not always fail suddenly. They grow. They win clients. They deliver projects. From the outside, they appear healthy.

However, beneath that progress, many are quietly losing millions of dollars each year.

This erosion appears as small delays in billing, hours lost to manual reporting, slight gaps in utilization, and incremental scope leakage. Individually, these issues seem manageable, but collectively they compound to impact margin, predictability, and leadership control.

IDC's research shows that organizations operating without a professional services automation (PSA) platform could lose 5–10% of potential revenue and productivity due to avoidable inefficiencies. Over time, these losses can translate into millions in lost EBITDA, reduced growth capacity, and heightened operational risk.

This white paper examines a specific group of organizations: those that recognized the need for a PSA platform, evaluated solutions, and consciously chose not to proceed. Many of these firms continued to perform well in the short term. However, over time, they experienced slower improvement than PSA-enabled peers, increasing administrative burden, weakening financial control, and reducing operational resilience.

As stated by a senior executive from a communications agency: "We're not failing. But we're working much harder than we should be for the results we're getting."

This report demonstrates that organizations without a PSA platform do not fail because they lack ambition, skill, or commitment. They fail because fragmented systems quietly undermine their ability to execute.

Research approach

IDC defines professional services automation (PSA) as the family of software applications and systems that organizations use to plan, resource, and manage project-centric service delivery. We set out not to understand whether PSA-enabled organizations outperform their peers — that evidence appears in **IDC's Business Value study** — but what happens to organizations that consciously decide not to adopt PSA, even after recognizing the potential need for it.

Core findings reveal that, over time, the decision to do nothing is a decision to accept the ongoing erosion of value. This is made worse by compounding inefficiencies, most notably:

- Significant time lost to administrative work (up to 20%)
- Idle capacity caused by misutilization (up to 10% of some employees' time lost)
- Margin leakage from unmanaged scope (5% due to poor variation tracking)
- Delays in billing and revenue recognition (3% delay in invoices being issued)
- Rising employee fatigue and attrition (associated costs of rehire, burnout, and disengagement)

As part of this research, IDC surveyed 100 professional services organizations in the United States, Canada, and the United Kingdom. Interviews were conducted with a single point of contact within professional services organizations of different sizes (based on employee count). Researchers specifically targeted decision-makers at the manager level and above, who are responsible for selecting tools and solutions to manage project work.

The sample balanced IT and non-IT roles, as well as targeting a mix of organizations that had deployed a PSA solution and those that had evaluated such a solution but decided not to adopt one.

In addition to the survey, IDC conducted three in-depth case study interviews with service leaders whose firms had evaluated PSA solutions within the last five years but chose not to proceed.



**SVP production,
communications agency**



**VP operations,
engineering company**



**Senior partner,
management consultancy**

The goal was to understand how performance evolved over time: what improved, what stalled, and where value quietly leaked away. In each case, these organizations were not in obvious decline. Many continued to grow revenue, improve customer satisfaction, and refine delivery practices. However, IDC found a quieter pattern emerging beneath that progress. In each case, compounding inefficiencies were gradually weakening financial control, visibility, and resilience.

This white paper explores the root cause of that erosion, why it often goes unnoticed, and how a collection of smaller inefficiencies could quickly begin to impact the bottom line.





How erosion takes hold

The first point of erosion is administrative burden. Project managers, consultants, and finance teams spend growing amounts of time reconciling data rather than managing outcomes. Manual coordination becomes normalized, with administrative drag leading directly to delayed and inconsistent data. Leaders receive information after the fact, limiting their ability to intervene. As forecasting becomes reactive, meetings focus on reconciling past results rather than shaping future outcomes.

Figure 1
The compounding cycle of value erosion



Source: IDC, 2026

Without a single view of availability, skills, and demand, staffing decisions become tactical rather than strategic. This leads to underutilization in some areas and burnout in others. Skill mismatches further increase delivery risk, as scope creep goes unmanaged and rework increases. Delayed invoicing compounds the problem.

As erosion accumulates, leaders spend more time managing the symptoms rather than the causes. They respond by adding additional layers of oversight. This, in turn, leads to more reports, more approvals, more meetings — all of which increase costs without restoring control.

The reinforcing loop and its cost



The erosion of value is not driven by a single failure but by a compounding cycle: Manual processes create administrative drag, delayed data limits leadership insight, talent is misutilized, and financial leakage becomes structural rather than exceptional.

One IDC interviewee from an organization that decided not to implement a PSA solution described this dynamic as a “self-reinforcing death spiral,” in which disconnected systems create operational drag, weakening forecasting and staffing decisions. This, in turn, leads to margin leakage and delivery stress. The organization works harder, but the return on that effort steadily declines.

Because these losses are distributed across functions, they often remain invisible until margins tighten or growth stalls. The result is a double cost:

- **Higher operating cost**, as teams spend increasing time and resources compensating for system inefficiencies
- **Lost revenue and trust** as utilization, margin, and client confidence steadily erode

IDC’s analysis shows that even small gaps in utilization, billing efficiency, or administrative effort can translate into millions in lost revenue and EBITDA over time. In a market defined by rising costs, talent scarcity, and increasing client expectations, the cost of standing still is increasing rapidly.

Without PSA, the organization is effectively running uphill. Each improvement effort is constrained by the same fragmented data and manual work that caused so many of the problems in the first place.

Quantifying the impact of erosion

The financial impact of these erosions can be modeled using straightforward assumptions. The examples below are illustrative, designed to show how small gaps compound into material loss. These figures vary by organization, but the pattern is consistent: Erosion accumulates.

Project management

Project management is often where inefficiencies first become visible. Without a PSA platform, project managers operate in silos, relying on spreadsheets, email threads, and ad hoc communication to plan, track, and report.

This creates friction, duplication, and a loss of control over project health. What begins as administrative overhead quickly evolves into systemic drag across delivery, finance, and client experience.



If we had proper visibility and automation, we could redeploy staff, recover hours, and actually focus on growing. Right now, we're just firefighting.”

SVP Production
Communications agency

IDC has defined a set of measures to consider when assessing how project management failures impact broader business capability and results.

Table 1

Project management impacts	
Administrative overhead and fragmentation	Project managers lose significant time to manual coordination across disconnected tools. Fragmented data turns simple status questions into reconciliation exercises. The result is higher errors, rework, and a hidden productivity tax on every project.
Reactive control and delayed insights	Performance data arrives too late to influence outcomes. Risks are identified only after costs have been incurred and delays have occurred. Project management becomes reactive, focused on explaining results rather than shaping them.
Inconsistent delivery standards	Without shared governance or delivery frameworks, projects run in isolation. Teams rely on personal methods, creating inconsistent quality and limiting scalability. Organizational performance depends on individuals, not systems.
Limited collaboration and accountability	Disconnected systems weaken coordination between project, finance, and resource teams. Accountability suffers without a single source of truth. Clients experience this as reduced transparency and confidence.
Impact on profitability and client trust	Inefficiency drives lost billable time, rework, and margin leakage. Teams burn out managing constant reconciliation. Clients perceive instability, which erodes trust and long-term value.

Source: IDC, 2026



For every project, there are 180 steps end-to-end, 49 documents that need to be tracked, and 12 that must be filled in manually. This isn't value-add work; it's administrative churn. A team of six spends most of their day managing spreadsheets and documents just to keep projects moving. It slows everything down, creates errors, and means we are always reacting instead of planning."

VP Operations
Engineering company



In the absence of a PSA platform, project management shifts from being a strategic function that enables delivery excellence to a tactical necessity that merely holds operations together. The organization pays in three ways:

- 1 **Lost productivity:** Skilled project managers spend their time maintaining data instead of managing outcomes.
- 2 **Lost predictability:** Decision-making lags because data is neither real-time nor reliable.
- 3 **Lost credibility:** Clients and internal stakeholders lose confidence in forecasts, timelines, and budgets.

Together, these effects form the first layer of the broader erosion of value, where inefficiency at the project level becomes inefficiency across the broader organization. The result is margin leakage throughout.

Table 2

Impact area	Formula	Inputs	Real impacts
Administrative burden	Admin time loss (\$) = (project managers) × (hours lost/week) × (weeks/year) × (average hourly cost)	25 project managers = 6 hours/week wasted on manual reporting and coordination \$70/hour average fully loaded cost	25 × 6 × 48 × 70 = \$504,000 annual productivity loss
Lost billable time	Lost revenue (\$) = (billable staff) × (hours lost/week) × (weeks) × (billable rate)	200 consultants 2 hours lost per week to admin tasks 48 working weeks \$120/hour blended billable rate	200 × 2 × 48 × 120 = \$2.3 million in lost billable revenue

Source: IDC, 2026

Resource management

Resource management is at the core of any professional services business model. It determines how efficiently talent is deployed, how consistently projects are staffed, and how predictably revenue is delivered.

Without a PSA system providing unified visibility into skills, availability, and project demand, resource allocation becomes reactive and inefficient, leading to underutilization, overstaffing, and client dissatisfaction.

The **VP Operations** interviewed by IDC explained the impact on team and client engagement as follows: “We’ve onboarded more cadets and graduates, and lost seniors. So, we’ve had a brain drain. We’ve had an experience drain. We lost senior engineers, and suddenly juniors were being sent out on client projects. Clients want experienced heads, not graduates. That erodes confidence quickly.”

IDC has defined a set of measures to consider when assessing how resource management failures impact broader business capability and results.



In two months, our certainty of utilization dropped from 90% to 60%. We just don’t have visibility. So, we’re either over-hiring or missing revenue opportunities.”

VP Operations
Engineering company



Table 3

Resource management impacts	
Underutilization and idle capacity	Siloed staffing processes turn utilization into guesswork. Managers hold excess capacity or assign high-value talent to low-value work to manage uncertainty. Small utilization gaps translate into significant lost revenue when scaled.
Overstaffing and reactive hiring	Limited demand visibility drives precautionary overstaffing. Labor costs rise while workloads remain uneven, with some teams overloaded and others idle. This imbalance puts margins under pressure and increases turnover risk.
Skill misalignment and delivery risk	Without a central skills view, resource matching becomes manual and inconsistent. Senior talent is underused while less experienced staff are placed on complex work. Delivery quality suffers, and client confidence erodes.
Delayed staffing and slower growth	Poor pipeline visibility delays staffing decisions. Projects start later, revenue recognition slows, and pipeline conversion declines. Growth becomes constrained by reactive resource management.
Employee fatigue and turnover	Uneven utilization fuels burnout for some and disengagement for others. The lack of structured workforce planning undermines morale. Over time, attrition rises, increasing costs and further destabilizing delivery capacity.

Source: IDC, 2026



What really slows down growth is that we cannot get the right people onto projects quickly enough. We don't have a forward-looking view of who's available, so projects start late or we staff them with whoever is free. That means clients don't get the senior expertise they expect, projects overrun, and the pipeline gets stuck. It's not just inefficiency — it directly impacts our reputation and revenue.”

Senior Partner
Management consultancy



Ineffective resource management triggers a chain reaction across financial, operational, and human dimensions:

- 1 Revenue leakage:** Underutilization and delayed staffing reduce billable hours.
- 2 Cost inflation:** Overstaffing, rework, and churn inflate labor and onboarding costs.
- 3 Quality erosion:** Misaligned skills undermine delivery quality and client satisfaction.
- 4 Growth stagnation:** Pipeline conversion slows as talent bottlenecks persist.

In the absence of a PSA, resource management becomes an exercise in balancing uncertainty rather than optimizing performance. The organization loses control over its most valuable asset: its people. In doing so, it turns human capital into a structural source of margin erosion. As the **VP Operations** from an engineering company put it: “We’re not maximizing billable hours. Utilization data just isn’t visible in time to make changes.”

Table 4

Impact area	Formula	Inputs	Real impacts
Utilization	Utilization gap revenue loss (\$) = (billable headcount) × (revenue per employee) × (target utilization - “actual utilization”)	250 billable employees \$200,000 revenue per employee (RPE) Target utilization: 90% Actual utilization: 85%	250 × 200,000 × (0.90 - 0.85) = \$2.5 million lost annual revenue
Overstaffing	Overstaffing cost (\$) = (FTE excess) × (average salary + overhead)	10 unneeded FTE \$80,000 per FTE	10 unneeded FTE × \$80,000 = \$800,000 cost

Source: IDC, 2026

Finance accuracy

In professional services, finance teams serve as both custodians of accuracy and interpreters of performance. However, without a PSA system to unify data from delivery, resourcing, and sales, finance functions are forced into a reactive, reconciliation-heavy role. The result is not only delayed visibility into financial performance but also a fundamental weakening of the organization's ability to plan, forecast, and act with confidence.

IDC has defined a set of measures to consider when assessing how financial management failures impact broader business capability and results.



Every month-end, it's the same struggle. We spend weeks consolidating data from different managers, and even then, the numbers are wrong. The data is out of date by the time it gets to leadership. So, all of our management meetings are about reconciling past mistakes, not steering the business forward. It's exhausting, and we all know that a lot of what we're doing could be automated."

SVP production
Communications agency



Table 5

Financial accuracy impacts	
Manual consolidation and month-end delays	Finance teams spend weeks consolidating data across disconnected systems and spreadsheets. Manual reconciliation introduces errors, version conflicts, and reporting delays. By the time results reach leadership, the data is already outdated.
Lagging indicators and missed opportunities	Without near real-time visibility, finance operates in hindsight. Issues are identified only after outcomes are fixed. Opportunities to adjust pricing, scope, or resourcing mid-project are consistently missed.
Inaccurate forecasting and planning volatility	Disconnected delivery and pipeline data undermine forecast reliability. Tension grows between finance and delivery leaders as projections fluctuate. Planning becomes volatile, complicating hiring, investment, and growth decisions.
Administrative overload and hidden cost	Finance professionals spend excessive time chasing data and managing versions instead of generating insight. Period close and audit cycles amplify this burden, pushing teams into overtime. Automation gaps create a recurring hidden cost.
Pressure on profitability and morale	Inefficiency shifts finance from a strategic partner to a compliance function. Margin surprises and delayed reporting erode leadership confidence. Morale declines as teams are held accountable for system-driven failures.

Source: IDC, 2026

The absence of a PSA platform leaves finance teams trapped in a cycle of reconciliation, reactivity, and resource strain. Ultimately, finance stops being a strategic partner and becomes a historian of inefficiency, explaining results rather than influencing them. The impacts include the following:

- 1 **Delayed visibility** prevents proactive margin management and accurate forecasting.
- 2 **Administrative overhead** drives up operating costs without adding strategic value.
- 3 **Inconsistent data** erodes cross-functional trust between finance, delivery, and leadership.
- 4 **Employee fatigue** leads to burnout and attrition in a function critical to business control.

This not only raises operating costs but also amplifies the broader erosion of trust and performance across the organization.

Compounding impacts

The cumulative impact of erosion is not simply higher costs; it is loss of control. Over time, organizations without a PSA solution find it harder to predict outcomes, protect margins, and scale with confidence. Each erosion layer compounds the next.

Total erosion (\$) =

PM drag + utilization gap + finance
overhead + billable loss + revenue leakage

\$504,000 + \$2.5 million + \$216,000 + \$2.3
million + \$1.53 million

= \$7.05 million annual value erosion



A hand holding a glass chess piece on a network background. The background is dark with a network of glowing orange and blue nodes connected by thin lines. The chess piece is a clear glass king, held between the thumb and index finger of a hand. The lighting is dramatic, highlighting the piece and the hand against the dark background.

The strategic case for PSA

A PSA platform interrupts the erosion loop by restoring a single source of truth across the delivery value chain. Project management becomes proactive rather than administrative. Resource management shifts from reactive allocation to predictive optimization. Finance transitions from reconciling results to shaping them. Most importantly, PSA connects productivity, profitability, and client trust in a single coherent system.



We didn't realize how much value was leaking until we stepped back and looked at the whole system."

**VP Operations
Engineering company**

PSA does not merely stop value from leaking but also restores control over the core levers of professional services performance: time, talent, margin, and trust. In doing so, it transforms operational discipline into resilience and long-term competitive advantage. Where erosion once compounded invisibly, integrated insight creates a reinforcing loop of foresight, performance, and confidence. The strategic question is no longer whether a PSA platform improves efficiency but whether organizations can afford to operate without it.

Across project management, resource allocation, and financial control, the pattern is unmistakable: Value erosion accumulates silently and systemically over time.

Each inefficiency appears manageable when viewed in isolation, with a few hours lost here or a delayed report there. However, taken together, they form a closed loop of inefficiency that compounds over time and across functions.

Why do many organizations choose not to implement PSA? The research found several reasons for such a decision, as outlined below:

But we're still growing

IDC's survey data shows organizations without a PSA solution are not necessarily shrinking. Among the firms that evaluated a PSA platform within the last five years but chose not to adopt, many reported stable or growing revenue from 2024 to 2025. These same organizations have increased employee headcount or reported improved levels of service and customer satisfaction. On the surface, business looks good.

However, many of these firms are just not keeping pace with organizations that have implemented a PSA solution. This was particularly obvious in areas tied to financial and operational control. While customer satisfaction and delivery execution may improve, capabilities such as forecast accuracy, capacity visibility, and timely financial close often deteriorate. One services executive explained the contradiction as follows:



Clients are happier, but internally it feels harder every year. That shouldn't be happening.”

Senior Partner
Management consultancy

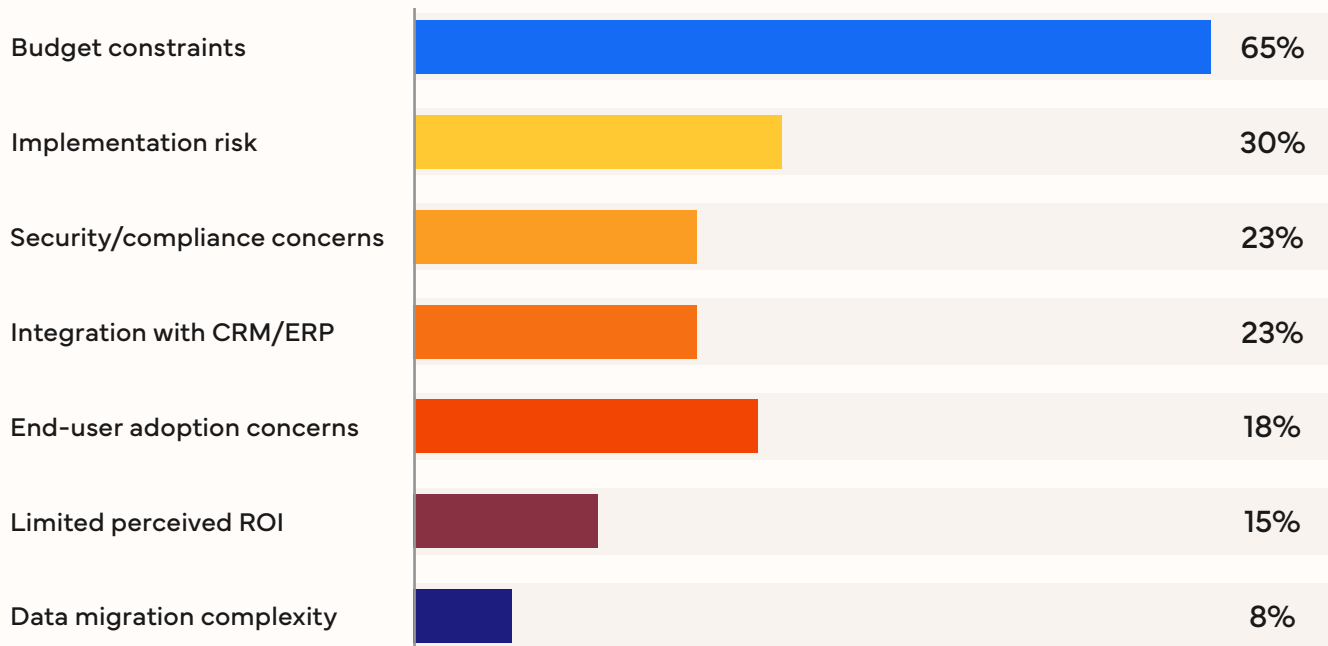
When IDC examined the subset of respondents that had recently evaluated PSA platforms, the pattern was not one of collapse but of asymmetry. Improvements occurred unevenly, masking growing weaknesses in the systems that govern margins, predictability, and scale.

We cannot afford it

Those who reviewed a PSA solution but chose not to implement one often delayed adoption due to budget constraints. However, data shows the money “saved” by not investing in a PSA system has already been lost through inefficiency, rework, and missed billing.

Figure 2
Roadblocks to PSA adoption

Which factors most influenced your organization’s decision NOT to adopt PSA? [Choose up to 3]



Source: IDC, 2026

	Total	50 to 249 employees	250 to 999 employees	1,000+ employees
Data migration complexity	8%	8%	7%	8%
Limited perceived ROI	15%	31%	0%	15%
End-user adoption concerns	18%	15%	7%	31%
Integration with CRM/ERP	23%	15%	36%	15%
Security/compliance concerns	23%	23%	29%	15%
Implementation risk	30%	38%	21%	31%
Budget constraints	65%	62%	64%	69%

When administrative drag alone consumes 15–20% of skilled employees' time, and utilization gaps translate into millions of dollars in lost revenue, the financial argument against PSA collapses. In effect, these firms are paying the cost of inefficiency every year, without ever gaining control, visibility, or predictability.



The cost of Dynamics keeps going up. We're not hitting our EBITDA targets, so people miss their bonuses. And we know a large part of that is inefficiency in the way we manage projects.”

VP Operations
Engineering company

The true question is not whether organizations can afford a PSA solution but whether they can afford to continue losing money to erosion.

Everyone just needs to work harder

The structural nature of this problem means it cannot be solved through effort alone. Process discipline, overtime, and additional oversight may mask symptoms temporarily, but they will ultimately increase operational friction.



We push employees very hard. They're working evenings just to keep the data up to date, but all it does is prevent innovation by wasting time.”

SVP Production
Communications agency

A PSA solution establishes a single source of truth across the delivery value chain. It integrates project planning, resource allocation, time capture, financial management, and billing into a unified, real-time system of record. This does not simply digitalize existing processes. Instead, it transforms how work flows throughout the organization.

In measurable terms, a PSA solution enables the reversal of erosion in various ways:

- Recovered billable hours through automation and accurate time capture
- Improved utilization by aligning capacity to demand in real time
- Faster billing cycles and reduced leakage via automated revenue workflows
- Higher margins as inefficiencies are eliminated and rework declines
- Stronger client trust through consistent delivery and transparency

Where erosion once compounded invisibly across functions, PSA creates a new feedback loop in which insight drives foresight, foresight drives performance, and performance reinforces trust. A PSA platform does not merely stop value from leaking but converts operational discipline into a competitive advantage.

Ultimately, the strategic case for PSA is not just about operational efficiency but about restoring control, confidence, and the capacity for growth.

It's not like things are getting worse

The cost of standing still is rising. Talent scarcity, inflation, compliance requirements, and technology costs have significantly increased the professional services cost base. At the same time, clients now expect real-time visibility, accuracy, and responsiveness as standard. As one leader noted:



What used to be ‘nice to have’ is now table stakes. And we’re trying to meet those expectations with tools that were never designed for it.”

Senior Partner
Management consultancy

In this environment, operational inefficiency compounds faster. Without integrated systems, leadership effort shifts from steering the business to compensating for structural gaps. Over time, even strong execution cannot overcome the drag of fragmented data and delayed insight. What begins as operational friction becomes financial strain, and what starts as delayed data becomes leadership blind spots. Over time, doing nothing is not neutral; it is an accelerating decline in control.

Conclusion

Professional services firms compete on time, talent, and trust. Without integrated systems, all three erode. This research shows that the greatest risk facing professional services organizations without a PSA solution is not inefficiency in isolation but the gradual loss of control.

Across project delivery, resource management, and finance, organizations operating without integrated systems experience the same pattern: Small operational gaps compound into structural weakness. Manual work becomes normalized. Forecasting becomes reactive. Utilization becomes uncertain. Margin leakage becomes routine. Leadership shifts from shaping outcomes to explaining them.

Individually, none of these failures appears decisive. Collectively, they represent millions of dollars in lost value each year. Over time, these firms are not falling behind due to a lack of effort but because their operating models can no longer support their ambitions.

PSA interrupts this cycle. It restores visibility, strengthens accountability, and protects margins. It enables leaders to manage forward rather than backward.

The decision facing service organizations today is no longer whether PSA improves efficiency; the evidence already answers that question. The real question is whether they can afford to continue operating without it.

About the IDC analysts



Nathan Budd

Senior Director, Custom Solutions, IDC

Nathan Budd is a senior consulting director delivering strategic market intelligence and go-to-market solutions across the European ICT landscape. He brings broad experience to IDC's Custom Solutions team, advising senior leaders and driving projects that balance high-level strategy with practical execution. Nathan is also a skilled speaker and facilitator known for bringing energy and clarity to complex engagements.

[More about Nathan Budd →](#)



Dominique Bindels

Consulting Manager, Custom Solutions, IDC

Dominique Bindels is a consulting manager in IDC's European Custom Solutions team, partnering with clients across AI/ML, security, process automation, and Big Data analytics. He delivers insight-driven guidance and regularly speaks at industry and client events, bringing clarity to complex technology trends.

[More about Dominique Bindels →](#)

Message from the sponsor

Kantata

Scaling a professional services business today is not about adding more hours but about smarter technology. Kantata, recognized as a Leader in IDC's MarketScape for AI-Enabled PSA, brings projects, people, and AI agents together in one unified platform, giving services leaders the clarity and control they need to ensure consistent excellence and profitability across every project.

With Kantata, organizations replace disconnected tools and data silos with real-time visibility into forecasting, resourcing, delivery, and financial performance. The result is greater agility, higher profitability, and better-informed decisions that keep firms resilient in a rapidly changing market.

[Learn more](#)

IDC Custom Solutions

IDC Custom Solutions produced this publication. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis that IDC independently conducted and published, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies.

This IDC material is licensed for external use and in no way does the use or publication of IDC research indicate IDC's endorsement of the sponsor's or licensee's products or strategies.



[idc.com](https://www.idc.com)

[@idc](#)

[@idc](#)

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives.

©2026 IDC. Reproduction is forbidden unless authorized. All rights reserved. [CCPA](#)