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The Four Surprisingly Obvious Challenges for Today's Service Providers

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*This article is excerpted from the exclusive Mavenlink ebook,
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globalization of services represents a massive, \$3 trillion opportunity today. And that opportunity is growing rapidly. The robust global [services market is expected to reach \\$3.8 trillion by 2025!](#)

However, taking advantage of the opportunity has proved challenging. Service providers — notably management consultants, IT services firms, professional service providers, and marketing agencies — are experiencing intense pressure to meet the increasing demand of their buyers.

- **They are shifting to more short-term, project-based work.**

Long-term contracts are becoming rare. Instead, clients hire services providers for shorter-term, project-based engagements. [In the recent US Agency-Marketer Business Report](#), 43 percent of



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marketing firms stated most of their work is project-based . To remain profitable, providers must carefully manage resources and projects. There is very little room for error.

- **They are having difficulty managing surge capacity.**

The ability to scale up and down on a project-by-project basis is incredibly valuable — and complex. Managing supply and demand impacts a provider's ability to grow and remain profitable. Firms including Accenture, PWC, and Deloitte manage surge capacity by keeping a large number of strategy, planning, and execution resources on hand. Contact the resource desk at one of these firms and three consultants show up on your project by Monday. The economies of scale required to take this approach mean it's very expensive for clients and, therefore, out of reach for most.

- **They need quick access to highly specialized skills.**

Work is increasingly being broken into the highly specialized skills and expertise required to complete it, as explained in [the Harvard Business Review article “The Age of Hyperspecialization.”](#) What was once one person’s job now takes 40 highly skilled, hyperspecialized people. The market now demands this depth of skill, beyond almost any skill level previously required. This demand presents a real dilemma for providers already working with slim margins: They can’t afford to keep specialists on the bench, yet they also can’t turn away good work that demands such specialization.

- **They face increased expectations for performance and transparency.**

Finally, service providers are being required to show

results faster and with greater transparency. With tremendous competition and no guarantees of long-term client relationships, providers must continually prove and reinforce their value. Greater information access has created a more informed buyer, too.

I speak with services leaders every day and what they share in common is that there's an overall feeling of anxiety building. What used to work just fine has become inadequate today.

Services leaders know if they can't figure out how to manage their businesses through these pressing challenges, they will fail. And they're right.

For the complete guide to overcoming these challenges and scaling your business, download your exclusive ebook from Mavenlink, *Thriving in the Service Level Economy*.

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