

oneAdvanced

ANNUAL BUSINESS
TRENDS REPORT 2024

**SURVIVAL OF THE SMARTEST:
THRIVING IN A FLATLINING
ECONOMY**

COMMERCIAL SERVICES SECTOR

INTRODUCTION

UK businesses juggled a complex mix of challenges last year and many of these look set to continue throughout 2024 and beyond, with persistent inflation serving as a prime example.

The eighth annual OneAdvanced Business Trends Report used data from over 6,600 senior UK decision-makers and is one of the largest representative surveys of its kind with responses broken down by role, position, and industry. From that, we have collated responses from leaders in airlines & transport, business services, construction, engineering, professional services, retail, utilities, and wholesale & distribution to produce this report focused on business and technology trends in commercial services.

This broad sector is operating in an environment dominated by economic uncertainty, including rising costs for goods and energy, high interest rates, and global political instability. These have not only driven the increased cost of doing business for all, they have also caused supply chain disruptions that create further cost pressures.

Ever since the pandemic spawned the 'Amazon effect', customer expectations have been changing. They continue to demand value for money, seeking out lower cost options, and expect to receive more within increasingly short time frames. Transport, logistics, and distribution organisations must be slicker and more agile than ever if they are to remain competitive.

Workforce shortages and skills gaps are being experienced across many industry sectors and our commercial services group is no exception. Specific skills shortages affect many of the construction trades, while a lack of sufficiently qualified and experienced HGV drivers is having a widespread negative impact on the supply chain.



This year will see organisations having to pivot and adapt to changing legislation in a number of areas, including the revised government timeline for achieving net zero with electric vehicles, plus the continuing impacts from Brexit and new UK-EU trading agreements. Legislative changes will have a greater influence in some specific industries. For example, services related to construction and housing are responding to the increased stringency of the Building Act 2022, while The Procurement Bill affects all businesses providing services to the public sector. The Financial Conduct Authority's new Consumer Duty is set to drive higher standards for consumer protection that will affect organisations providing services to consumers too.

Technology is the solution for many of the challenges that affect this sector – from cashflow and supply chain management, through to resource deployment and people management. Artificial Intelligence (AI) is increasingly being integrated into business technology solutions to help automate and drive increased productivity and efficiency, but many fear it will bring its own new and unanticipated problems. The current lack of legislation means those who are keen to experiment with AI may be putting their business at risk, as government and regulatory bodies scramble to understand this emerging technology and issue guidelines and support.

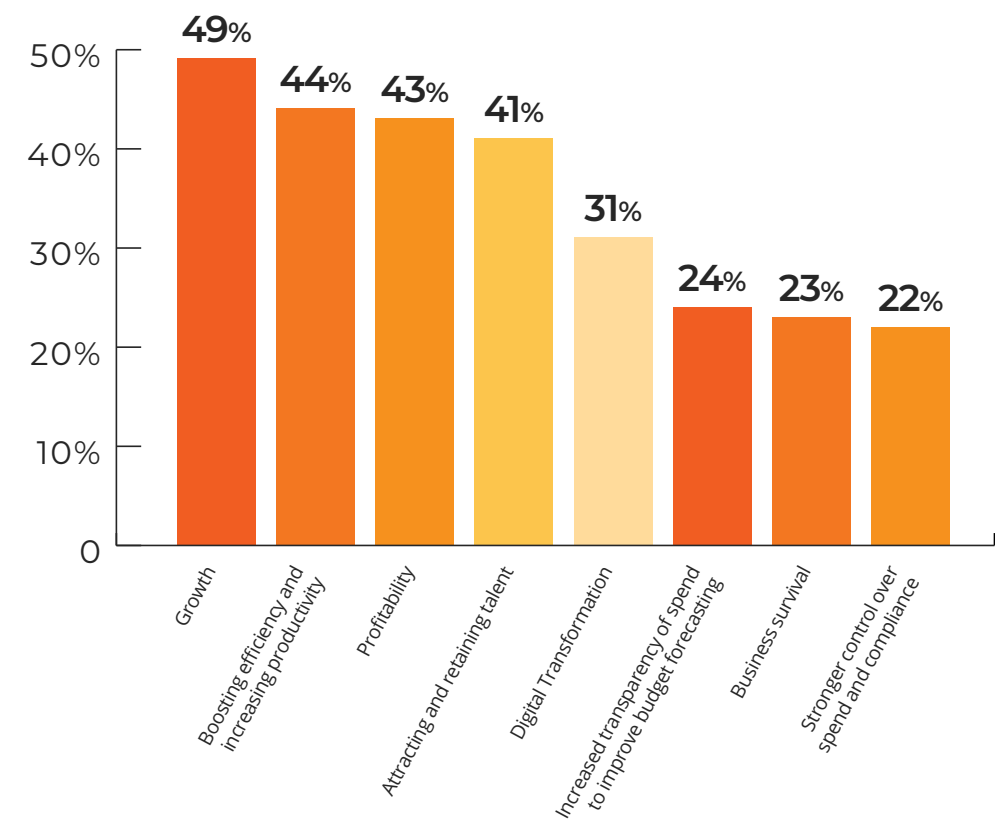


THE ONGOING QUEST FOR TALENT

As the workforce and talent shortages continue, many are developing strategies to drive better attraction and retention, including investment in DE&I.

Talent attraction and retention is this year's number one challenge for 37% of businesses in the commercial services sector. Within this, the specific industry most affected is professional services, 52%, and 43% in business services. At the other end of the scale, the least affected industry in the commercial services bracket is utilities at just 27%. Overall though, commercial services is faring slightly better than the average for all industries in the OneAdvanced Trends Report, where 41% say talent attraction and retention is their number one challenge.

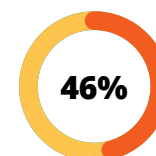
What are your core business priorities for the next 12 months?



The challenge of finding and keeping good employees is an ongoing issue and our previous annual report last year showed 40% of leaders in commercial services were naming employee retention and development as a business priority. And looking ahead into 2024, attracting and retaining talent will continue to be a challenge, although it seems other issues may be taking over now. Four out of 10 (41%) of commercial services organisations said this continues to be a priority for the next 12 months, putting it in fourth place after growth, 49%, increasing efficiency and productivity, 44%, and profitability, 43%. Organisations will need to find ways to retain good staff while also attracting new candidates if they are to get on top of this problem and start building a more sustainable talent pipeline that can help them achieve growth and prosperity.

Implementing an effective DE&I strategy can be a good way to achieve both retention and attraction objectives, as it can help organisations access talent from previously overlooked talent pools and help them build a more inclusive culture for a happier workforce. However, the group of industries in our commercial services sector are lagging a little behind the overall trend, as 50% say they have a clear DE&I strategy owned and driven by the CPO (lower than the 55% average for all industries in the main Trends Report). Within our commercial services group, business services has the highest number claiming a clear DE&I strategy, 54%, followed by 53% of those in engineering, and 52% in both professional services and utilities.

The need to drive more diversity within the workforce is a current theme for employers in construction. Currently just 46% say they have a clear DE&I strategy, 9 points behind the average for all industries, but our data indicates that leaders in construction are already making steps to address this. One of the effective strategies many organisations use to increase diversity is implementing hiring practices that reduce unconscious bias, and 42% of leaders in construction say they are working hard to remove bias in their hiring practices now, compared to just 36% average for all of our commercial services group.



Just 46% of respondents say they have a clear DE&I strategy



26%

of construction organisations have gender and diversity pay gap reporting, the lowest of all of industries in our commercial services group.

At the other end of the scale within the group, business services is doing the least to drive increased DE&I, with only 27% saying they work hard to reduce bias in hiring processes. It may be that leaders in business services feel they are further down this road and already employ diverse and inclusive workforces, with less need to focus resources on developing it even more. As with so many of the challenges faced this year, one may be lower down the priority list simply because others are more pressing, not necessarily more important in the long term.

Gender and diversity pay gap reporting is an essential tool for helping organisations understand their own situation, giving insights into their workforce and guiding strategies to improve DE&I metrics. Currently less than one-third (31%) of commercial services businesses have gender and diversity pay gap reporting, with the lowest percentage of respondents, 26%, working in construction. Implementing a reporting process is essential as effective policies and strategies require empirical evidence and technology can make this much easier, with effective collation, analysis, and reporting tools to benchmark DE&I and show progress.

56% of our commercial services group say they use technology to support diverse hiring and reduce unconscious bias, which is fewer than average for all industries (63%). This demonstrates an improvement on last year, when 45% of commercial services said they had a process in place to reduce unconscious bias and 37% said they were planning to implement one.

CONNECTING A SUSTAINABLE SUPPLY CHAIN

Organisations are turning to technology to help build a more sustainable supply chain that can support their ambitions for growth and increased profitability.

Having the ability to effectively manage goods in and out is vital for businesses that are striving to meet customer demand and grow their customer base in 2024. Almost half (49%) of the leaders in our commercial services group tell us the number one priority for the coming year is growth, followed by boosting efficiency and increasing productivity at 44%, and profitability, 43%.

Maintaining a reliable supply chain is key for achieving this growth, with greater efficiency and increased profitability, but a number of factors including changing import and export legislation and global political upheavals continue to plague many organisations. Maintaining a reliable supply chain is also a significant challenge now for 22% of commercial services businesses in our survey, and we suspect it would be higher if dealing with the rising cost-of-doing-business crisis and growth were not so pressing this year.

Within our commercial services group, we found maintaining a reliable supply chain is the biggest challenge for engineering businesses, at 32%, twice as many as the average for all industries in the main Trends Report (which was 16%). This is not a new problem. In last year's survey, we found 59% of leaders in commercial services said their biggest priority for the coming year was business growth and development and while supply chain issues remain, growth is unlikely. Technology is an important tool for organisations seeking to get on top of supply chain disruptions and manage their suppliers and contracts more effectively.





Specific supplier and contract management technology can help organisations be more flexible and pivot in the face of unexpected disruptions, as well as automating renewal processes and providing protection against unnecessary renewals for goods and services that are no longer required. Some solutions also have built-in compliance which is crucial as changes to legislation can create a real headache for teams dealing with supply chain management. However, some recognise that they do not have access to the most effective tools. 23% of those in all commercial services organisations say supply chain management is the business function that most needs to implement more effective technology now. A lack of effective supply chain management is felt most acutely in construction and also engineering, with one-third (33%) saying this function needs better technology solutions.

Looking at the potential for technology to improve functions within their organisation, those working in wholesale & distribution appear most confident about what they currently have, as almost half (47%) tell us they have no need for better solutions in any of their business functions. Many other industries are seeking better technology solutions though, and just 19% of leaders in business services and 21% of engineering professionals say they have no need for improvement.

33%

of leaders in both construction and engineering want more effective supply chain management technology.

STRONG SYSTEMS FOR SURVIVAL

In a rapidly changing digital environment, even those who feel confident with their infrastructure can identify weaknesses and a need for more effective technology, but barriers to implementation remain a challenge.

85% of those working in our commercial services sector are confident or very confident that their digital infrastructure supports their business model, on a par with the overall average of 85% for all industries in our main Business Trends Report. Despite this, there is recognition that things could still be better and only one-fifth (21%) of those working in commercial services do not have plans to upgrade their digital systems.

The first thing that many (49%) in commercial services would like to achieve is better systems integration. This is particularly true for those working in professional services (55%) and in business services (54%). The second thing the sector would like to change is improved functionality, 39%, followed by improved security, 36%.

Considering how their business compares with competitors in regard to their technology, one-fifth (20%) of our commercial services group think they are further ahead. More than half (60%) of the sector think they are on track with the competition, with leaders in wholesale & distribution feeling even more comfortable – 66%. Just 9% of wholesale & distribution professionals think they are ahead of the competition though.

Digital technology is now an important element of many business functions and different industries are identifying a variety of specific benefits.

Access to accurate data processing and analytics is a crucial tool for helping maintain and develop a competitive edge. Overall, more than half (58%) of those working in the commercial services sector say they use digital systems to help with automation in data processing and analytics, speeding the process and reducing the impact of human error. However, the sector seems to recognise this benefit to a lesser degree than the overall average for all industries, 68%. It may be that some of the industries within commercial services are less reliant on data for insights and to drive competitiveness than others, as for example, just 41% of leaders in utilities recognised this benefit.

Remote working has become embedded as a standard way of working for many employees and businesses, and overall, 36% of all in our commercial services group said their current digital systems helped people collaborate remotely more effectively. Some industries have a greater number of people working in the field and not surprisingly, 59% of leaders in utilities and 54% in construction said their technology was helping enable remote working. Only 37% of those working in retail, where many employees are required to be on site, said this.





65%

of respondents in utilities say their current technology helps them focus and prioritise their workloads more effectively.

Half (48%) of those in the commercial services sector say their current technology helps them focus and prioritise their workloads more effectively, with 65% of those working in utilities highlighting this benefit as the number one for the industry.

Despite recognition that more effective technology could transform business success, a number of barriers to implementation remain. The number one barrier for 35% of commercial services is attachment to traditional methods, followed by lack of buy-in from employees, 33%, and lack of buy-in from leaders, 30%.

Cost is the number one consideration and barrier when adopting new technology for the commercial services overall, at 36%, specifically an issue for 41% working in wholesale & distribution. Possibly this relates to the negative impact that supply chain disruptions have had in this particular industry, leaving leaders with less scope to invest in new technology.

When implementing new technology, 30% of commercial services say a major consideration is user resistance to new technologies. This is a particular issue for those in engineering, an industry focused on innovation and problem solving, where a surprising 38% cited user resistance as a consideration. We might have expected more engineers to embrace new technology.

When considering digital upgrades, 28% of those working in utilities said they do not think adopting new technology is necessary at the moment, compared to an average 19% of all in our commercial services sector and just 17% of all industries in the main Trends Report. Perhaps the utilities sector is already further along the line in adopting new technology, hence it does not feel the need to upgrade as urgently as those in some other industries.

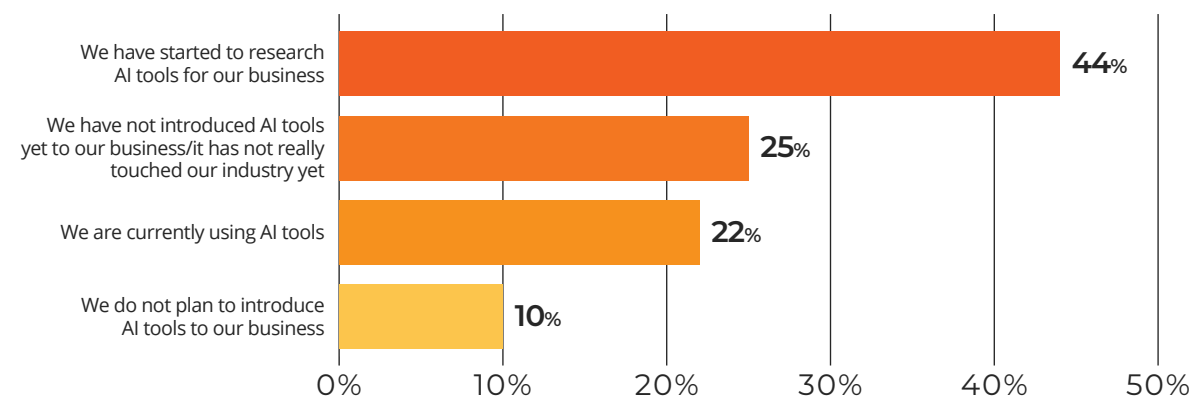
Overall, 54% of those in our commercial services sector say they are becoming a more digitally aware organisation but still have some work to do and almost one-third (30%) believe their organisation has a strong leadership strategy for digital enablement.

AI, GAMECHANGER OR TICKING TIMEBOMB?

With many of the sector already using AI, many remain cautious about the risks to their organisation and are seeking guidance within an unregulated environment before taking the plunge.

Last year was when artificial intelligence (AI), and specifically generative AI really hit the headlines, with tools including ChatGPT bringing this powerful emerging technology into the mainstream. 22% of all those working in commercial services sector tell us they are already using AI, just a little behind the average for all industries in the main survey, 29%. Specifically within the group, there is considerable variation as only 13% of those in utilities say they are already using AI, compared to 31% in business services. Surprisingly, just 19% of leaders in professional services say they are already using AI and almost one in 10 (9%) say they have no plans to introduce it to the business.

How much do you see AI impacting your business in the next 12 months?



Many organisations cannot ignore the potential for AI to transform the way they operate and 44% say have started to research AI, with the sector led by 48% in engineering, 47% in business services, and 47% in utilities. There is less appetite for AI in wholesale & distribution where 37% have started to research its potential, 33% say it hasn't touched their industry yet, and 13% say they have no plans to introduce AI. Perhaps this is as much about awareness and understanding, as AI is the power driving many tools we all use in everyday life, from chatbots to navigation apps, and 35% of those working in wholesale & distribution say they are seeking more guidance on using it.





Of those commercial services professionals who have not yet implemented AI tools, 34% say they are worried about the risk to their organisation. This increases to a significant 56% for those working in business services, where 30% also say they are still getting to grips with AI and how it might help their organisation, and 26% say they don't have the budget for new technology at the moment.

32% of professionals working in retail say they are also worried about the risks of using AI, with 44% of retailers saying they don't have budget for new technologies, and 21% seeking help and guidance about how to implement AI within their organisation. Retail leaders are not alone in wanting more guidance on how to safely use this emerging technology, and 18% of all commercial services organisation say they are seeking help with using AI.

Nonetheless, many professionals working in commercial services are getting to grips with the potential for AI and other emerging technologies to transform the future world of work and can envisage these being used within their own organisation soon. More than half (56%) of the sector think their organisation will invest in adaptive AI, the artificial intelligence systems that can learn, evolve, and adjust their behaviour based on changing circumstances and new information.

With the current debate around the potential benefits and risks inherent in AI technology, one in 10 (10%) of businesses in the commercial services sector remain resistant to its possibilities and say they have no plans to introduce AI. It will remain to be seen whether those who dared will win in a competitive marketplace, or live to regret using this powerful new technology in the workplace.

56%

of those working in business services fear using AI may bring risk to their organisation.

ENVIRONMENTAL CONCERNS EBBING AWAY

Although organisations continue to prioritise ESG initiatives, other more pressing issues may be taking over, while some industries appear more focused than others on reducing their carbon footprint.

As time progresses we will see AI becoming embedded in more and more of the technology we use every day, including those that can help the planet. Currently, 45% of those working in commercial services think their organisation will invest in sustainable 'green' technology, rising to 50% of those working in wholesale & distribution. This industry is reliant upon efficient transportation and is already undergoing massive upheaval with planned government legislation to phase out fossil fuels and encourage investment in alternatives, including electric batteries, hydrogen, and sustainable biofuels. It is also a significant producer of waste and 54% of those in wholesale & distribution are now using technology to help reduce waste in the industry.

Environmental, social, and governance (ESG) issues are at the forefront of international debate, as the challenges of reducing carbon emissions and the impacts of climate change become more urgent. But with so many other priorities jostling for attention, many businesses may not be putting ESG at the top of the list. 36% of those in the commercial services sector say their organisation is prioritising ESG and has an organisational strategy with key targets, a little below the overall average of 40% for all industries in the main Trends Report.

39% of those in commercial services say their organisation prioritises ESG activities where possible and only 12% say they are not currently prioritising ESG. The highest percentages for not prioritising ESG are construction at 16%, wholesale & distribution, 15%, and utilities, 14%.



36%

of those in the commercial services sector say their organisation is prioritising ESG

Just as gender and diversity pay gap reporting is a crucial tool for measuring and understanding DE&I, evaluating and reporting on ESG risk is essential for a number of reasons. Firstly, it provides insightful data for businesses to help them drive improvements, often with the added benefit of helping reduce costs, as well as being an important tool for attracting investment, customers, and even suppliers.

25% of commercial services businesses say they have carried out an ESG assessment and understand their organisational impact, again, a little short of the average for all industries, 29%.

Business services have done the most, 32%, to measure their impact, and wholesale & distribution the least, with just 19% saying they have assessed their impact.

The key driver for ESG strategy for 59% of those working in our commercial services sector is compliance with latest legislation, with the highest number (65%) working in wholesale & distribution and, also 65%, those in business services.

Other reasons for implementing an ESG strategy include improving the organisation's reputation, which is a driver for 52% of the commercial services sector. 44% of the sector seek to achieve ESG ambitions to make a positive impact on local communities in which they operate, a reason that appears to matter most to retail businesses, 50%, and those in construction, 49%. In many cases these two industries have high visibility within the local communities they serve, for example, with shops on the high street or developments in prominent urban/suburban settings. And they are also likely to employ high proportions of local people which may guide their decisions around environmental concerns.

At the other end of the scale within the sector, making a positive impact on the local community seems to matter least to business services organisations, and also to those in airlines & transport, both 35%. Again, we could surmise this is about having a customer base that is drawn from a much wider geographical area and therefore have less engagement with a particular community.

Last year, 74% of those in commercial services told us that ESG was a growing priority within their organisation and 31% told us their leadership was prioritising hitting their environmental targets. This year our survey shows 27% of commercial services organisations say their ESG strategies are driven by a need to meet carbon net zero targets, a drop from our previous report. It may be because there is more uncertainty now about the overall national strategy. The government's announcement that it was extending the deadline for some of its carbon zero emissions targets caused consternation among green campaigners who saw this as a dilution of the UK's commitment to net zero. Moving the goal posts on the phasing out of new gas boilers and on the sale of new ICE vehicles may have given consumers and businesses a little more breathing space before having to invest in replacements, but it may also have created uncertainty and complicated previous budgeting and planning, throwing existing decisions into the air.



45% say they are reducing waste, led by 54% in wholesale & distribution and 52% in retail. 42% are using Cloud systems (led by 50% in business services and 49% in construction), and 46% say carbon footprint monitoring and impact measurement, led by 52% in airlines & transport and 50% in engineering. 37% are using sustainable supplier management – led by 44% in engineering and 41% in wholesale & distribution.

Half (50%) of commercial services say the number one method they are using to help reduce their carbon footprint is educating staff and customers. Within the sector, those working in airlines & transport are doing this the most, 57%, followed by those in retail, 55%. 51% of retailers also say they are working with suppliers to reduce wastage which is considerably more than the average for all industries in the main Trends Survey, 30%. Many retailers of course deal with time-limited products, such as fresh food, seasonal goods, and fashion garments. Managing orders and the supply chain is crucial to reduce waste in retail and well-managed relationships between retailers and their suppliers are key.

43% of the commercial services sector are reviewing their premises requirements, and 37% say they are switching to a green energy supplier. The utilities industry, which includes some energy suppliers, appears to be leading the way on purchasing carbon offsets, at 36%, against the average for the sector of 28%. This is a noticeable increase on the 19% of utilities doing this last year. Reducing carbon footprint by this method sometimes draws accusations of greenwashing, as it can enable organisations to make less progress on reducing their own emissions and is potentially misleading. It is interesting to speculate on the reasons why the utilities industry is favouring this method more than others within the sector, and more than it did a year ago. 10% of people working in utilities say their organisation is not taking any measures to reduce carbon footprint, twice as many as the average for all in our commercial services sector, 5%.

By contrast, just 21% of respondents in wholesale & distribution say they are purchasing carbon offsets, and 46% of them say they are working with suppliers to reduce their carbon footprint, an increase from the 33% who stated this in our previous annual report. This industry relies heavily on transportation with associated emissions from HGVs and other vehicles, plus shipping, rail, and airlines, so effectively managing their supply chain towards greener suppliers and logistics partners can make a significant impact on the reducing carbon footprint.



50%

of retailers say they are driven to achieve ESG ambitions to make a positive impact on their local community.



TRUST IN CYBERSECURITY

Cybersecurity & data protections were named the second biggest challenge (23%) for all the industries in our main Trends Report, with slightly fewer, 23%, of those in our commercial services sector saying this. Within the sector, wholesale & distribution appears to be the least concerned, 17%, and construction is the most concerned, 27%.

The risks to data and threat of cybercrime is arguably greater than ever, so it is a surprise to find that concerns have dropped since our previous year's report, when 38% of those in commercial services said their priority was cybersecurity. It is more likely that other pressing challenges are diluting resources and taking the focus away from critical cybersecurity.

There appears to be greater confidence this year though as 37% of those in commercial services say they feel more prepared for a cyberattack now than they did 12 months ago, a little fewer than the average for all industries, 43%. 45% say they feel 'somewhat' prepared, and just 7% feel less prepared now than they did last year. This growth in confidence may be because some organisations have migrated data to the Cloud, which is more secure than many legacy systems, and 24% of respondents from all our commercial services group said their current technology gave them confidence in a cybersecure environment.

There is a clear relationship between Cloud adoption and increased cybersecurity, and 34% of all commercial services are now using exclusively cloud-based services, a little below the average for all industries, 39%. One-quarter (24%) of commercial services professionals are using on-premise systems only, with only utilities differing with a lower 17%.

Many organisations are in the process of updating systems to the Cloud, and at the moment 36 % of commercial services organisations are using a combination of Cloud and on-premise systems, on a par with the average for all industries. This can create complications for users juggling different systems and using separate sign-on processes. Having less streamlined and more time-consuming processes may also lead to less scrupulous adherence to security protocols such as regular password changes, again, potentially increasing vulnerability to cyberattacks.

When we asked the commercial services sector last year, 75% told us they felt their organisation was prepared for a cyberattack, with the greatest level of confidence from those working in retail, 80%, and also 80% in wholesale & distribution. This year, 38% working in retail and 34% of those in wholesale & distribution believe they are more prepared than last year.

Just 10% of all in the sector say they feel either less prepared for a cyberattack than they were a year ago, or not at all prepared, with utilities appearing to be the least protected, with 21% saying this. It may be that the continuation of the smart meter rollout in the UK (around 60% of all domestic meters are now smart meters) is increasing the size of the potential attack surface, leaving utilities feeling more exposed.



34%

of commercial services organisations are now using exclusively Cloud-based systems.

REPORT SUMMARY

POWERING THE WORLD OF WORK

OneAdvanced is a leading provider of sector-focused software, headquartered in Birmingham, UK. Our mission is to power the world of work through software that effortlessly gets the job done for our customers giving them the freedom to focus on thriving for their customers and people.

Customers trust OneAdvanced to deliver digitalisation through innovative technology, addressing business problems through intelligent insight. Our years of sector knowledge means we are a strategic partner to our customers, who use technology that touches the lives of millions of people every day. From caring for patients in the NHS and social care to meeting tenants housing needs; supporting learners in education and apprenticeships to navigating complex legal matters; and making sure goods get to their destination on time navigating complex supply chains.



The OneAdvanced Trends Report survey was carried out between August 11th and August 31st 2023 from 6,605 UK senior decision-makers. The data for this commercial services report is based on responses from 1,525 professionals in airlines/transport, business services, construction, engineering, professional services, retail, utilities, and wholesale & distribution, alongside the main Trends Report data.

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