Scarcity to Abundance

Professional services at a turning point

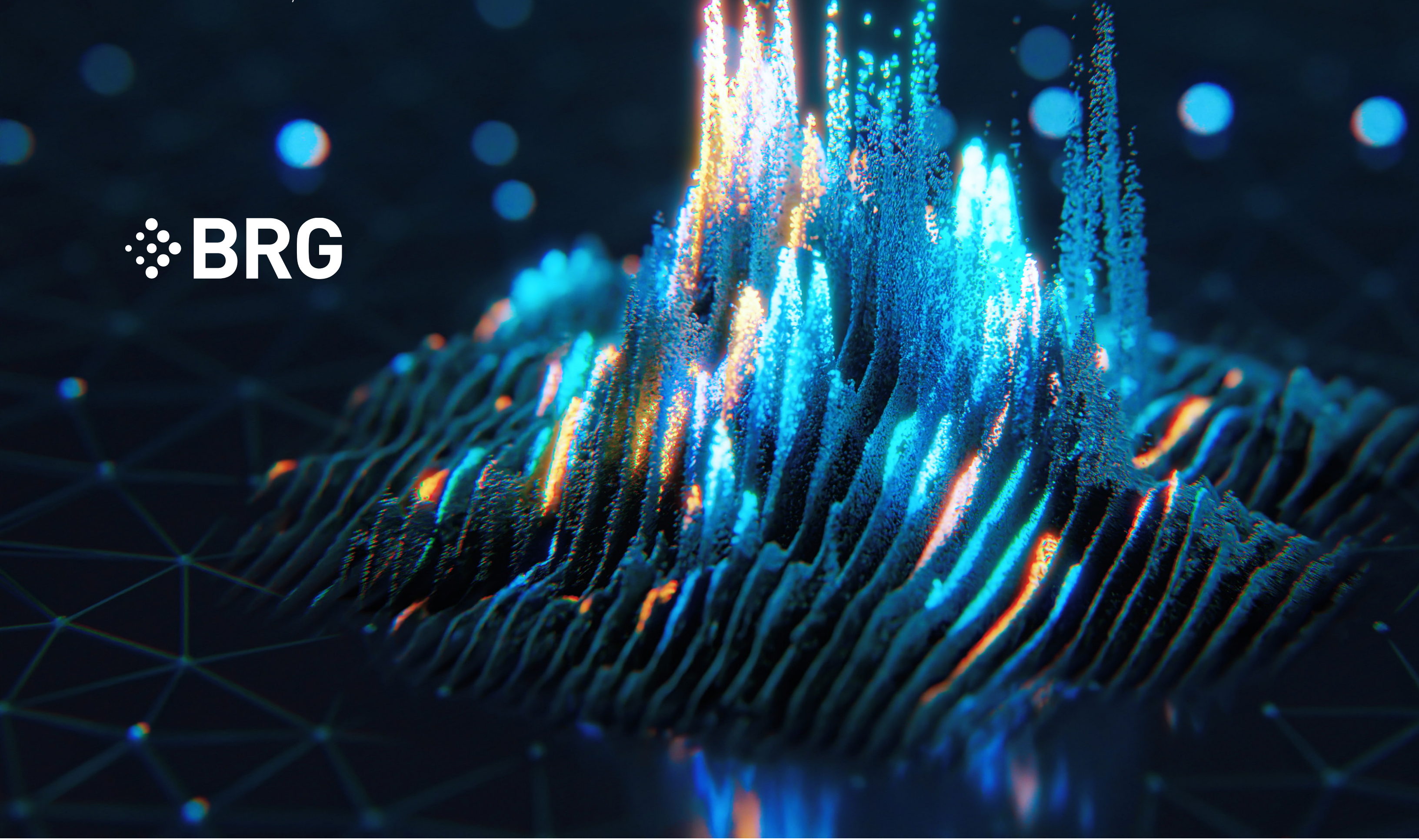
Capturing value in the AI transformation of professional services

AUTHOR

Roger C. Park
Co-Founder and CTO, Three River

WITH CONTRIBUTIONS FROM

Michael Inserra
Chair of the Board, BRG



Executive Summary

Four structural shifts, already underway, will reshape how value is created and captured in professional services over the next decade.

There is a vigorous debate going on in the industry today about how dramatically AI will reshape the future of professional services. On one side, there is a sense of urgency from those who see an imminent disruption of white-collar jobs. For example, Anthropic's CEO Dario Amodei has predicted that AI could wipe out up to half of entry-level white-collar work over the next one to five years. The other side holds a more measured prediction of gradual change, constrained by the limits of what AI models can actually do, the inertia of transforming a human-capital-based business, and the pace of acceptance of AI by clients, practitioners, and regulators.

There are strong arguments on both sides, and elements of each will play out across the professional services landscape depending on the firm, sector, and pace of AI adoption. What's not disputed is the inevitability of the transformation of professional services. It will happen. It has already started. Several structural shifts are underway that have significant implications for how leaders and investors should think about the future of this industry.

01 Scarcity to Abundance

The core value proposition for professional services is changing. Domain intelligence has been valuable because it was scarce; AI is making it abundant, accessible, and easier to embed directly into client operations.

02 Asymmetric Advantage

AI structurally favors high-growth firms over established incumbents that have a dominant position based on their scale and infrastructure. Smaller, more agile firms can capture more of the upside from the scalability, speed, and productivity dividends that AI provides, while incumbents will have to overcome the AI version of the innovator's dilemma.

03 Investment Opportunity

The AI disruption of professional services presents a rare opening for firms with access to capital and resources to acquire and unlock trapped value from legacy businesses and realize it at AI-native multiples.

04 Transformation > Optimization

Going AI-native should not be treated as a technology implementation; it must be a complete operating model transformation, requiring the leadership, operational expertise, and strategic commitment to see it through.

The transformation of professional services by AI is inevitable, and the pace of disruption will not be set by the incumbents. It will be driven by the firms that embrace the opportunity to be the disruptors rather than the firms that opt to defend an increasingly vulnerable business model.

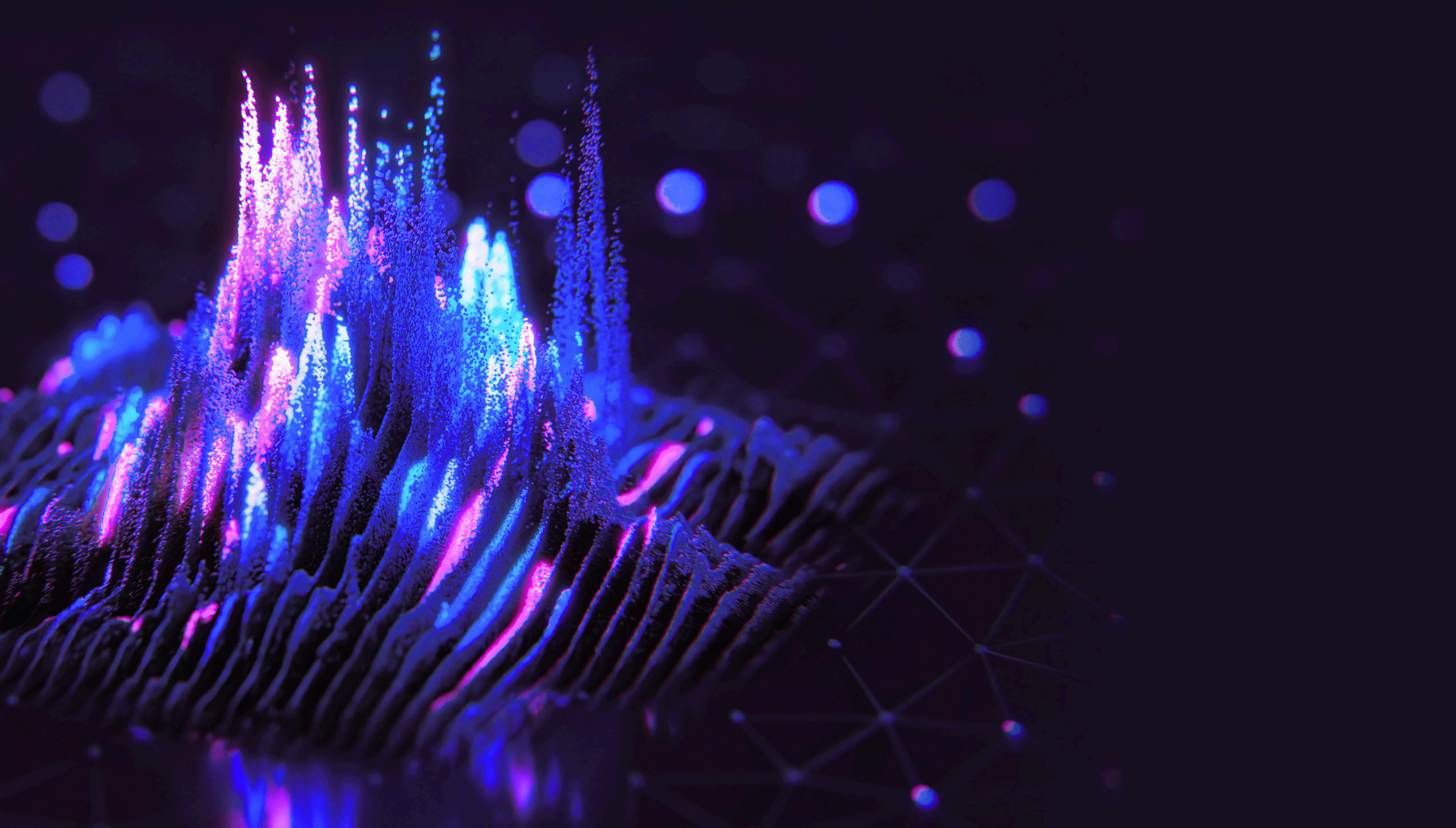
> AI will not replace professional services firms. Firms that use AI to serve clients better, faster, and cheaper will.

02

Asymmetric Advantage

AI structurally favors high-growth firms over established incumbents.

The conventional view of competitive advantage in professional services runs roughly as follows: scale creates leverage, brand creates trust, and institutional knowledge compounds over time. Larger firms win because they can invest more in methodology, training, and global delivery infrastructure. Smaller firms compete at the margins or in specialized niches.



AI inverts those advantages.

The capabilities that AI provides (scalability, speed, lower marginal cost of distribution, and embedded delivery) are precisely the capabilities that smaller firms have historically lacked. A hundred-person firm with a well-integrated AI platform can now produce analytical output, generate client deliverables, and manage knowledge at a pace and volume that would have required a team several times its size three years ago. The structural advantages of scale are not gone, but they are less decisive than they were, and in some cases they have become disadvantages.

The notable exception is liability itself: in regulated services where clients are purchasing accountability, the financial depth of a larger firm still provides meaningful protection. This advantage is real but concentrated in compliance and assurance, and it does not extend to advisory, consulting, or implementation work where the competitive dynamics are shifting fastest.

ANALOGY · MODERN DEFENSE

Drones vs. Aircraft Carriers

The logic is straightforward: when the cost of building and deploying a capability drops by orders of magnitude, the calculus of big versus small changes dramatically. Rather than investing in going large to take advantage of efficiencies of size and concentration, you can deliver the same impact more cheaply and flexibly through many smaller deployments. **It does not matter how formidable the legacy platform is if the economics no longer justify the tradeoff.**

The modern military has already moved on this. Pentagon programs in recent years have committed to fielding low-cost drones at industrial scale, at a fraction of the cost of legacy platforms. Defense analysts have documented the cost asymmetry in stark terms: the US Navy has been spending millions of dollars per interceptor to defeat threats that cost in the low thousands. The doctrinal response has been a formal shift from concentrated, high-cost platforms toward distributed, expendable mass.

Professional services incumbents face the same structural equation. The infrastructure they have built over decades (training programs, staffing pyramids, methodology frameworks, global office networks, partnership governance) is their carrier group: powerful, expensive, and difficult to turn. Smaller firms building on AI-native architectures are the drones: cheaper to deploy, quicker to reconfigure, and easier to multiply. They can move faster, adapt as markets and technologies shift, and scale quickly to capture opportunities.

Realizing the Productivity Dividend

When AI increases productivity, that gain can be realized in one of two ways: the firm can grow into it or shrink to absorb it.

For smaller, high-growth firms, the choice is obvious. AI becomes a growth accelerator. The same team serves more clients, enters adjacent markets, and expands capacity without proportional headcount increases. The productivity dividend translates directly into revenue growth and margin expansion. The economics favor growth in both absolute margin and margin as a percentage of revenue.

For established firms with mature client bases and stable (or declining) organic growth, the math is harder. If AI enables each consultant to do the work of two, but the firm's revenue is not growing at a rate that absorbs the surplus capacity, the productivity gain manifests as headcount pressure. The firm faces a choice between reducing staff (with all the cultural and operational disruption that entails) and carrying excess capacity that erodes margins. Neither option is attractive, and both are visible to clients and talent.

Put differently: with AI it will be easier to grow from 5 to 50 than from 50 to 100. The firm that is building, hiring into new markets, and compounding its capabilities will absorb the productivity dividend naturally. The firm that is already at scale, with mature client relationships and a fully built infrastructure, has nowhere productive to put the surplus. This is the economic tradeoff that large professional services firms will face over the next three to five years while smaller, high-growth firms can focus exclusively on aggressive growth.

The Innovator's Dilemma, Industrialized

Established incumbents have always faced Clayton Christensen's Innovator's Dilemma when responding to disruptive change. AI is another instance of that pattern, with one important difference: the scope. In the classic case study, an incumbent is disrupted in a single product line or market segment by a cheaper, simpler alternative that gradually improves. The incumbent's response (protect high-margin business, serve existing clients, invest incrementally) is precisely what prevents it from responding effectively.

Professional services faces an acute version of this pattern. AI is not disrupting a single service line or function. It is disrupting the economics of knowledge work across virtually every practice area simultaneously: audit, tax, legal research, management consulting, actuarial analysis, due diligence, regulatory compliance. There is no unaffected segment to retreat to and no single skunkworks initiative that can address the breadth of the challenge.

> AI is impacting everything, everywhere, all at once.

The typical large-firm response (standing up an AI center of excellence, running pilot programs, investing in a technology platform) follows the Innovator's Dilemma playbook of fielding a focused response while trying to protect the existing business and revenue streams. Meanwhile, smaller competitors are building from scratch on AI-native architectures, unencumbered by the legacy systems, partnership politics, and organizational complexity that constrain incumbents.

The result is a widening gap that is not primarily about technology adoption. It is about organizational capacity to change. The firms with the most to protect have the most difficulty making the structural changes required to compete in an AI-native market. The firms with less to protect, and more to gain, move faster by default.

What This Means for Investors and Leaders

For investors evaluating professional services assets, the asymmetry creates a specific opportunity. High-growth mid-market firms with strong domain expertise are better positioned to capture the AI dividend than large incumbents with more breadth but less differentiation. The valuation math is significant. A firm growing at more than 20% annually with AI-augmented delivery has a fundamentally different earnings trajectory than a firm growing at 5% that is using AI primarily to defend margins.

For firm leaders, the implication is that the window for proactive transformation is finite. The structural advantages that AI provides to agile competitors compound over time. A two-year head start in AI-native delivery is not a two-year lead; it is a compounding advantage in client relationships, talent acquisition, and operational efficiency that ultimately costs you market share. The firms that act now, whether through organic transformation or strategic acquisition, will set the terms. The firms that hesitate will find themselves responding to a competitive landscape that has already shifted.

The pace of this shift will be uneven. Legal questions around AI-assisted professional judgment, including liability and standard of care, remain largely unsettled. Regulatory bodies in audit, tax, and compliance will move at different speeds. These factors will affect the timing of disruption across practice areas, but they do not change the direction. The firms that develop governance frameworks for AI-augmented delivery while the regulatory landscape is still forming will be positioned to set the standard rather than follow it.

ABOUT THE AUTHOR

Roger C. Park
Co-Founder and CTO
Three River

Three decades at the highest levels of global professional services. Most recently EY's Global Business Enablement AI and Innovation Leader and Senior Partner, leading enterprise-wide AI transformation across 400,000 people in 150+ countries. Former Americas Chief Innovation Officer at EY and founder of EY InnVenture.

ABOUT THE CONTRIBUTOR

Michael Inserra
Chair of the Board
BRG

Former Senior Vice Chair of Ernst & Young. Has more than three decades of experience leading financial and professional services organizations through strategic growth and transformation, particularly in environments shaped by rapid technological advancement and evolving client expectations. Works closely with BRG's leadership team to guide the firm's strategic direction and support its long-term growth objectives.