

## Future Industries – Professional Services

### Background

I and my professional services business Marketing Logic have been involved with professional services organisations for more than 20 years. We have worked for and with accountants, lawyers, engineers, architects, patent attorneys and even actuaries, so we understand the dynamics of partnerships where the diversity of the principals is both a strength and a challenge. I have developed and delivered training and CPD to professionals of all kinds.

I have worked for and in large multinational practices but the majority of my current clients are small through to large Australian owned and managed firms in capital cities and large regional centres. While they may have international affiliations, business decisions are made and implemented here.

### Questions

**1. Where are there specific skills and training gaps in professional services and how best can we build, attract and retain the right skills for this sector going forward?**

The majority of professional services providers have tertiary qualifications in their specific discipline. With few exceptions, these tertiary courses do not teach students how to market or develop their own business. This translates into professionals with strong technical backgrounds but limited ability to interact with clients or build their businesses. Some of this gap is met by the industry associations, but invariably they train one discipline at a time. Cross discipline training in business management, development and marketing in areas where networking is valuable (e.g. lawyers with accountants, architects with engineers etc.) would help resolve these issues. The Government is well placed to encourage or broker this kind of collaboration between sectors and it would require little expense.

**2. Does the local labour market meet this sector's needs? To what extent, if any, does the sector rely on migration to fill skill gaps?**

I have not worked with or for any firms that have needed to look at migration from offshore to fill skill gaps.

Some capital and regional city based firms have looked for, and hired professionals from interstate, but if and when international migration has been involved, the professional concerned has approached the Australian firm rather than vice versa. Australian professional services firms are some of the most sophisticated and profitable in the world and many professionals and support management (e.g. audit, marketing, and operations for example) are often in high demand overseas.

**3. How are workforce management practices and employee expectations changing in this sector?**

Most firms offer flexible work practices, usually firstly in reaction to female professionals wanting to spend time with their children. The increase in professional women, combined

with the younger age at which people become partners in firms and the older age at which people are having children, has increased the likelihood of both men and women having, and being primary carers for, small children while they are partners or principals in professional firms. Professionals of all ages and genders expect to be able to have flexibility in their working life to balance their work and personal lives. This flexibility manifests itself in working part time, working flexible hours, working from home etc.

The availability of good quality child care close to home or work (e.g. in the city) is a critical part of professionals being able to manage this balance. Regular, safe, public transport and high speed internet are also critical to make this flexibility work.

**4. What impact is outsourcing having on business models and employment levels across the sector?**

Some of my clients have outsourced administrative and para professional tasks to employees or contractors on different pay scales, sometimes overseas. In the majority of cases, professional firms have found the need to have, if not ownership, at least management control of these resources. This has contained much of this practice to the large international firms, but then the actual number of full time equivalents has not changed so much as moved off shore. There is a good argument for regional firms to apply to outsource work for larger capital city based firms because their overheads are lower but for some reason this does not happen. Where the number of people required to do the work has diminished significantly, this has been more through implementation of technology than outsourcing.

**5. How important is networking to professional services businesses? What are the benefits and what type of networking is most valuable?**

Networking is vital for professional services businesses. All research I have seen or conducted indicates that networking is the major driver of business development for professional firms. Networking is also the informal process by which professionals keep track of where their professional skills need to be updated or extended. Networking acts as informal benchmarking and identifies where individuals or firms may have similar interests that they can work on together for their and their clients' mutual benefit.

The most valuable networking is between firms from different disciplines but with similar target or client groups. For example, law and accounting firms may network together to increase their knowledge of, or exposure to, a particular industry e.g. healthcare; architects and engineers may work together to tackle particular planning or development issues or opportunities.

There are myriad situations in which government could call on and receive excellent input from professional services firms at little or minimal cost, but at the moment this seems to include only a few high profile, well known players. If government is seeking to get background on a particular industry or feedback on an idea, contact with professionals involved with clients in this space where they are asked to contribute in confidence and without conflict could provide good, quick, cheap access to skills and experience that may

save time and money and at the same time increase the number of professionals who understand Government and what it wants.

**6. What particular challenges do regional firms, small and medium firms and start-up businesses in professional services face?**

Regional and smaller firms need sizeable, sustainable businesses to be attracted to and work in their local area in order to provide work of sufficient complexity and volume for them to attract, reward and retain good staff.

Regional firms need regional universities that can deliver professional qualifications with good peer recognition and/or the ability to study for qualifications from significant tertiary organisations remotely. In a perfect world, regional professionals could get excellent secondary and tertiary education close to home, travel away to gain life and work experience and then come home to a region with good jobs for their spouses, childcare for their children and local clients with sophisticated and profitable businesses.

In the main, country train travel is reliable and comfortable, but it could do with being more frequent and not having to be replaced by buses because of weather issues. Fast, reliable internet is critical to all these ingredients – client businesses, education and communication.

Start-up businesses have many of the same challenges, although all could benefit from a business mentor. Professional associations should be able to, but rarely facilitate this. Governments could assist by including both regional and start-up firms in their forays interstate and overseas to attract investment and migration. Start-up businesses of all kinds (both clients and professional firms themselves) are more likely to be international much earlier in their life than previously and so government facilitation as well as reliable high speed internet and telephony are critical.

**7. What are the big technology opportunities for the sector and how can Victorian businesses best capitalise on them?**

Cloud computer storage and software represent great opportunities for small, regional and international firms to be able to share files, knowledge and work while reducing the cost of infrastructure. Responsiveness and flexibility should be improved, but again, reliable, high speed internet is critical.

**8. To what extent is Victoria's professional services sector a global leader in innovation, design and technology?**

No comment

**9. What are Victoria's strengths?**

Liveability, closeness of regional cities, diversity of cultures.

**10. What are the key opportunities for export growth? Which products/services? Which markets?**

I have seen substantial growth in overseas clients seeking help from Australian firms to either move to, or establish themselves in, Australia. The services required have been taxation, accounting, business advice and local governance expertise and the markets chiefly New Zealand, SE Asia, China and India.

**11. What factors constrain professional service export activity?**

Fluency of Australian trained professionals in languages other than English and knowledge of the kinds of skills, experience and expertise international clients could be looking for constrain export of services.

Governments have the networks and access to make international business access available to professional firms. I have seen the difference and access that international visits sponsored and auspiced by the City of Melbourne and the Victorian Government have made to growing businesses. Including professional firms who do not have their own international offices or affiliations in this process would be a great local and international networking exercise. This would greatly open local professional firms' minds to the opportunities of exporting their own services and importantly, helping their Australian clients to do the same.

**12. What opportunities are there for growth in the domestic market?**

When professional firms see themselves as business advisors rather than managers of transactions, both firms and their clients benefit. Professional tertiary and professional education need to see beyond the technical skills required of a profession, to focus on the need for fully rounded, business focussed professionals.

If introduced to international trade as described above, professional firms could help their domestic clients to grow both nationally and internationally and again, everyone benefits.

**13. How well placed are Victoria's professional services businesses to capture Government procurement opportunities? How could Victorian Government procurement practices be improved?**

Current panel arrangements appear fair, but in many instances favour large, international firms at the expense of smaller, local firms for whom the experience and cash flow could make a substantial difference to their ability to grow and prosper. I am not suggesting that critical work be placed with firms of lesser quality, but that consideration of smaller and regional firms be made for work that does not require a high level of technical expertise or personal contact. There are many instances when the Victorian Government could use regional firms for their work but mostly choose not to do so.

**14. What are the most important regulatory and reform priorities for the sector? Who would benefit from these reforms and how?**

No comment

**15. To what extent does access to infrastructure determine where professional services businesses locate?**

Enormously. Access to transport, family childcare and related services and fast, reliable internet are the starting point for any business location. Cloud computing and telephony mean that businesses can transact electronically, but real business understanding and growth can only happen face to face, so good transport is critical.

**16. What are the other factors?**

Supportability for client businesses and lifestyle. Sophisticated, profitable businesses help sustain not just professional services firms but also the communities in which they operate, live and send their children to school. Access to schools, affordable housing and lifestyle are then important to their ability to attract and retain good staff.

**17. Does Victoria have the right infrastructure in place to support long term competitiveness and growth?**

Having a large, well integrated airport is wasted when transport to and from it is so lacking. Train/light rail access to the airport would encourage interstate and overseas businesses to make shorter, more regular trips to Melbourne and would reduce the costs for local businesses doing business elsewhere. Regional rail is good; except for weather effects as discussed elsewhere and regional road access is mostly good. Internet black spots hamper business in some otherwise very accessible regional areas e.g. Castlemaine.

**18. Are there advantages in attracting the headquarters of more domestic and international firms or other investors to Victoria? What businesses would you suggest? Who would benefit and how?**

Provided they are operating entities rather than “serviced offices”, headquarters bring with them a volume and complexity of business issues that branch businesses do not have. These issues then require advice and resolution of matching speed and sophistication which has a flow on effect for their professional advisors. Exposure to international products, services, processes and ideas improves the diversity of business discussion and engagement. The business community receives obvious benefits in an influx of international ideas and issues and the state gains profile from national and international attention being focused on Victoria. Demand for internationally competitive schools and tertiary education increase and the economy benefits overall in both business, profile and community terms.

One of the challenges Sydney has is the largely transient nature of the international executives who come and go as part of them working for international businesses. This transience drives up prices in housing and demand for schools but does little to build or maintain community. Victoria should be focused on businesses where decisions are made on shore rather than overseas.

**19. What are Victoria’s key capabilities and competitive advantages? How could they be better promoted?**

While much of the manufacturing base has been lost, Victoria is still defined by businesses that add value to communities rather than just making profits. Victoria has a large number

of Australian, family owned businesses that could be helped to take their local businesses interstate and overseas. This would require an increased sophistication in professional skill levels and could generate growth and opportunities in Victoria would help professional firms and their clients alike.

**20. What are the key things that the Victorian Government should be doing to support growth and competitiveness in Victoria's professional services sector?**

Most of these have been mentioned elsewhere:

- facilitating networking, encouraging international travel and expansion for Australian businesses
- favouring locally owned and controlled firms for government business over the larger international firms that are self-sustaining
- infrastructure in the form of good transport, roads and high speed internet
- attracting and retaining sophisticated, profitable businesses for professionals to advise.

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