

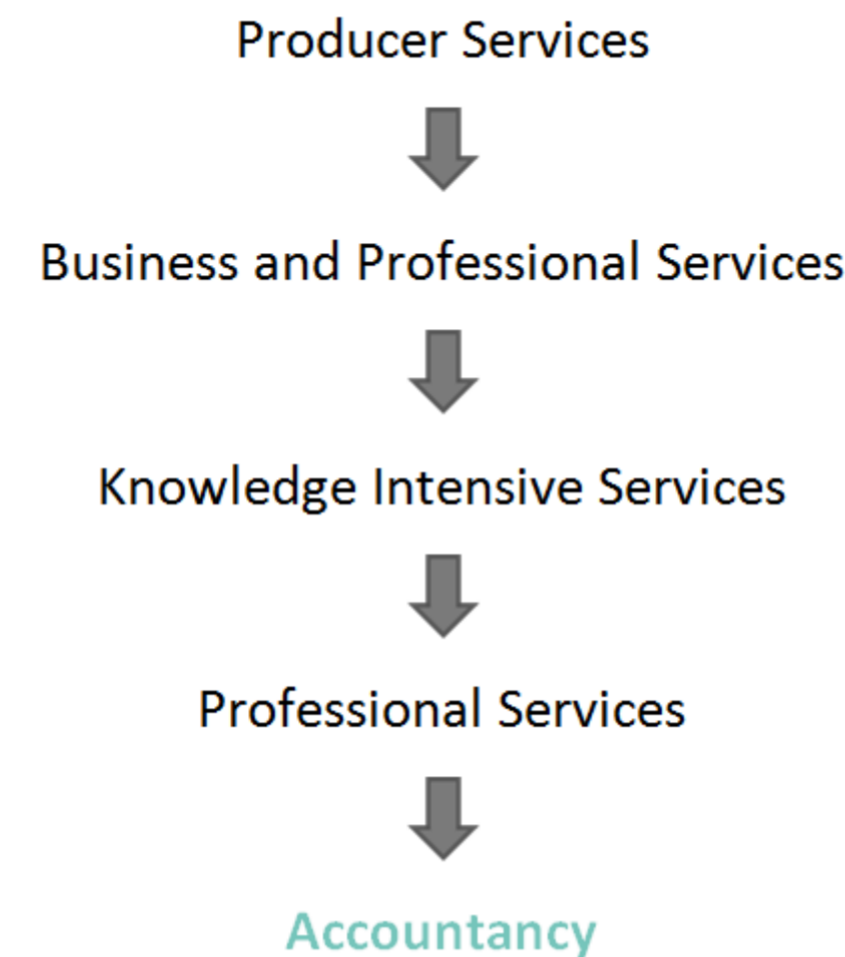
What are Business and Professional Services?

Key characteristics:

- Specialist knowledge/expertise
- Produce information rich, intangible products
- Close working relationship with clients Outputs are often bespoke

Typical Business and Professional Services (BPS) include management consultancy, software development, real estate, legal and accounting firms.

Sources
Bryson (2009)
Urry (1987)
Koch and Stahlecker (2006)



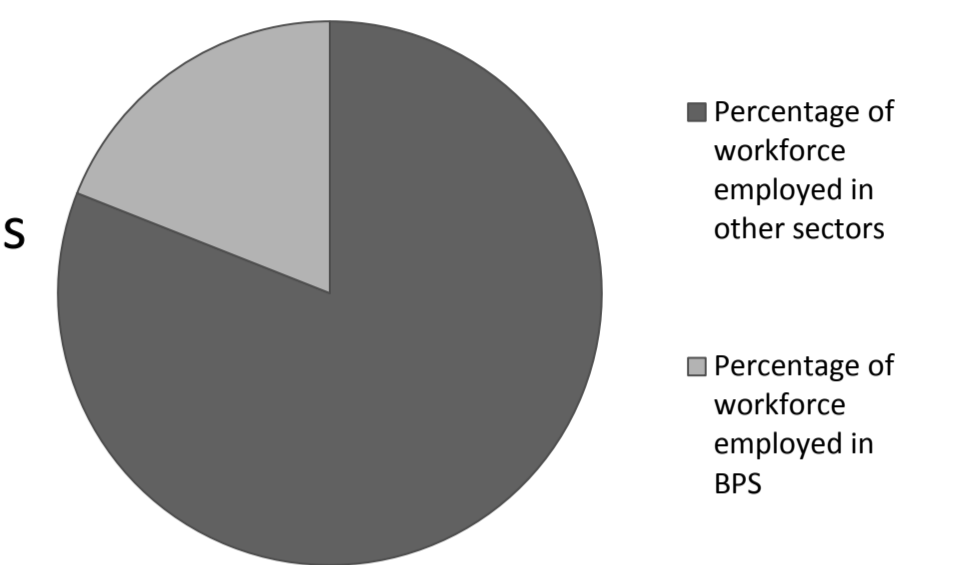
Rationale

BPS employ over 87,000 people in over 13,100 organisations in Birmingham alone . They contribute £3 billion to the local economy and are therefore a core component of the economy not only locally, but also on a national scale.

Accountancy is a typical professional service and as an industry is facing many of the of the same issues, challenges and opportunities as other BPS firms .

The market for accountancy and related services was valued at **£24.4 billion** in 2013, and with over 2,400 accountancy firms in the West Midlands, this sector holds an important place in the regional economy.

Employment



Sources
Birmingham City Council (2011)
Office for National Statistics (2013)

Outsourcing

Advantages

- Reduce costs
- Save time and improve efficiency
- Increase capacity without recruiting
- Spread risk
- Take advantage of different time zones
- Access skilled labour
- Service new markets with ease

Disadvantages

- Loss of quality control
- Risk involved with sharing sensitive information
- Increasing costs of labour abroad
- Possible negative publicity



Sources
Grant (1996)



KEY ISSUES

Intensifying Competition

The **Big Four** (comprised of Deloitte, PwC, Ernst and Young and KPMG) dominate the accountancy market with revenues of £95 billion in the 2010 financial year. Rather than just performing accounting activities, they can now also be classed as being **multidisciplinary** professional service providers

- The Chinese Ministry of Finance is looking to develop between 5-10 domestic firms to rival the Big Four in China.
- Singapore is aiming to cultivate a global accountancy hub within the Asia-Pacific before 2020.

Sources
CIMA (2011)

Codification

Codification is the transformation of knowledge into information. a process allows for knowledge to be transferred more fluidly between information infrastructures. Codified knowledge can be **transmitted, stored, verified** and **reproduced** with ease. It reduces the barriers to outsourcing and can help a firm to achieve economies of scale, however researchers have argued that firms must have resources which cannot easily be imitated in order to achieve **competitive advantage**.

Sources
Grant (1996)

Regulation

- All firms with turnover greater than £6.5million must undergo an annual audit.
- FTSE 350 companies must put their statutory audit engagement **out to tender** at least once per decade, however it is recommended that this takes place more frequently on a 5-yearly basis.
- Loan agreements cannot stipulate which auditor a company uses.

Sources
Keynote (2014)

Opaque Quality

Knowledge work can be considered to be very ambiguous. It is concealed from open evaluation and much of this type of service is based upon the belief that the provider has the expertise to provide the output required. Typically most professionals within a sector hold specific qualifications, so how can a consumer **differentiate** between their levels of expertise?

Reputation and image are therefore extremely important for BPS firms.

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