

Profile of Birmingham's Business and Professional Services Sector



The Business and Professional Services Sector

13,100+
firms in the business
and professional
services sector

87,300+
employed in the
sector

16%
employment growth
between 2005 and
2010

Introduction

This profile is one of a suite of seven covering key High Growth Sectors in Birmingham. The profiles were compiled in 2011 and go beyond analysis of the available datasets, to enable us to understand how the sectors support the local economy now, and how we can develop their potential for the future. This has been achieved by integrating data analysis with intelligence from sector experts drawn from businesses, research institutions and networks.

Each of the profiles presents statistical information, along with case studies, an analysis of the sector today, and future challenges and opportunities.

The seven sectors are:

- Business and Professional Services
- Financial Services
- Creative, Media and Digital
- Medical Technology
- Transport Technologies
- Low Carbon
- Advanced Manufacturing



Colmore Row

Sector overview

Business and professional services is a wide-ranging sector covering many different industries and services. Professional services are delivered by people normally certified by a professional association such as lawyers, accountants and architects. Business services run the full spectrum from contract cleaning and security, through to marketing and advertising. This profile divides the spectrum of services between 'advanced' and 'basic' to provide greater clarity of this highly varied sector (see table below).

'Advanced' services

- Law
- Accountancy
- Advertising
- Consultancy
- Marketing
- Market research
- Real estate
- Architecture

'Basic' services

- 'Back office'
- Cleaning
- Secretarial
- Conference organising
- Call centres
- Security
- Packaging
- Couriers

However defined, the sector is a highly important one for the UK as a whole. It has been a growing element of the economy for many years, doubling its share of the country's GDP in the two decades to 2007 (from seven to 14 per cent). It reflects the long term trend of many businesses to 'outsource' various back office and support functions in the pursuit of greater efficiency, while the development of the internet and communication technologies means that some of these services may now be delivered from almost anywhere in the world.

The sector is just as important to Birmingham; business and professional services now account for up to one fifth of the city's economy. In a range of its constituent areas and professions, the sector has a critical mass in the city which delivers business networks, a skilled workforce, and large local and regional market opportunities, as well as a base for national and international operations.



The Mailbox

Potential for future growth

There are many areas of social, economic and technical change that could provide opportunities for the sector to grow in the coming year:

- **Public sector change:** current government policy looks set to transform the public sector. New ways of commissioning, funding and delivering public services will provide opportunities for many areas of the sector, including legal, back office, and accountancy. Birmingham City Council has already announced that it will be expanding its outsourcing of services, and already delivers some services for other public sector organisations (shared services)
- **Social media and the internet:** now an integral part of business life, there is still much potential for marketing firms, for example, to help enterprises make the most of social media for their business activity. This is already specialism of some Birmingham-based firms, and Birmingham City University
- **Nearsourcing:** while outsourcing services to another country may sometimes be viewed as highly cost-effective, the challenges of remote management, cultural differences, and time zones can cancel out the financial savings. Nearsourcing involves the location of back office operations to a cheaper area of the same country where the 'front office' is located. Centrally located and only 90 minutes from London, Birmingham proving to be an excellent location for nearsourcing for professionals and services firms based in the South East, where property and the cost of living is much higher
- **Environmental issues:** the low carbon agenda remains an important element of government policy, and is likely to have a range of effects on business over the coming years. Most obviously, architects are increasingly having to consider environmental issues in their designs. Birmingham is pioneering a range of low carbon initiatives and is a growing centre of excellence in this field

- **Ethnicity:** Birmingham's population is rich in its variety, and this has the potential to provide some interesting business opportunities. For example, Birmingham was the chosen headquarters of the UK's first Islamic bank (Islamic Bank of Britain). Business cluster research for Advantage West Midlands suggests that other professions, such as law, accountancy may also be able to utilise this and similar niche areas

£3bn

contribution to the city's economy

221

firms have their headquarters in Birmingham

20%

of the city's firms are in the sector

Birmingham Forward



Birmingham Forward is an independent membership organisation that acts as a representative body for the city's business and professional services sector. Formed in 1990, the organisation has around 250 member firms and campaigns and lobbies on a range of issues relevant to its members. Its sister organisation, Birmingham Future, is the voice of young professionals in the city.

Birmingham Forward views the city as an important international hub for the business and professional services sector. The sector is anchored by big names such as Wragge and Co, PWC, and KPMG, and has a strong pool of local talent and skills from which to recruit. Anecdotal evidence suggests that students from the city's universities are increasingly opting to stay in Birmingham after graduation.

One of the key issues at present is the maintenance and improvement of transport connections to the city.

The business base

The Business and Professional Services Sector represents a significant proportion of Birmingham's economy:

- There were 13,169 firms in the sector in 2010: 20% of the city's business base, and an increase of 40% since 2005
- The majority are small firms (92% under 10 employees), which is similar to the sector picture across the UK
- Sector employment stands at 87,369 employees: 19% of the city's workforce, and an increase of 16% in five years
- The Gross Value Added (GVA) from the sector is £2.97bn.

The number of firms in the basic services category has risen steeply in the last five years: up 63%, double the UK figure and three times as large as for advanced services in Birmingham. Employment has not seen the same level of increase, suggesting that these new firms are very small.

The largest professional and business services firms in Birmingham

Advanced

Name	Area of business	Staff
Atkins	Engineering & design consultancy	1,150
Wragge & Co	Law	860
Deloitte Consulting Group	Consulting & accountancy	650
Compass Accounting Services	Accountancy	641
Resource Services Group	Service outsourcing	484

Basic

Name	Area of business	Staff
Interserve	Support services	500
Vertex Customer Management	Customer Management	500
Teleperformance	Contact centres	500
Wesleyan Administration Services	Financial support services	488
Globe Cleaning & Maintenance	Commercial cleaning	334

The 'top ten' firms by size of workforce (table above) demonstrate the breadth of business activity in the city. Advanced business services firms include major global companies such as Atkins (engineering) and Deloitte (accountancy and consulting).

Legal

Birmingham is regarded as a centre of legal excellence, and is one of the largest legal centres in the UK outside of London. The city is home to some of the largest legal firms (DLA Piper, Eversheds, Pinsent Masons), as well as some significant home-grown enterprises. Wragge & Co, which started life in Birmingham in 1879, is one of the 30 largest UK law firms, with a turnover in 2009/10 of £96.2m.

While historically there has been a sizeable legal industry in Birmingham for more than 100 years, it has expanded significantly over the past decade, to a greater extent than other large provincial centres, such as Manchester. This growth has now established a momentum of its own, with legal firms keen to base themselves in the city because of the size of the market and vibrancy of the sector. The industry is primarily focused on commercial law, and the variety of potential client businesses in and around Birmingham is certainly an attraction, as is the fast rail connection to London. Many locally-based firms have close links with the city's three universities and three law schools, which provide an important source of legal graduates.

Recent performance of the sector has inevitably been affected by the recession, however, the market in the city has held up well. In places, this has involved a shift in emphasis of activity, for example away from corporate work and towards litigation. In the coming years, large scale changes to the criminal justice and legal systems are likely to have an impact on law firms, including the scaling back of

Legal Aid and the potential for non-legal entities to own law firms. In advance of the greater competition expected by the latter initiative, one local firm, Blakemores, has begun direct marketing activity in shopping centres around the city.

A fast-growing legal firm

Recently rebranded as Gateley, HBJ Gateley was formed in 2006, the result of a merger between Scottish firm Henderson Boyd Jackson and Birmingham-based commercial lawyers Gateley Wareing. Beginning life in Victorian Birmingham as two separate practices, Gateley Wareing became a recognised name in commercial law in the city and beyond.

In the past decade, the firm has pursued an ambitious agenda for growth. In 2003, it moved into a new headquarters in the Colmore Business District of Birmingham. After the formation of HBJ Gateley Wareing in 2006, mergers with specialist solicitors followed in 2007 and 2008. 2007 also saw the firm open an office in Dubai.

In 2010, Gateley expanded into Manchester through a high profile acquisition of partners from the local firm Halliwells, which went into administration earlier in the year. The deal secured the jobs of 200 former Halliwells employees. In terms of size, the firm is now considered to be one of the top 50 in the UK, with a turnover in 2009/10 of £49.6m (before the Manchester expansion). 2010 also saw the firm win Law Firm of the Year and Company of the Year at the Birmingham Post Business Awards.

Marketing and PR

The marketing industry is highly varied, and this is reflected in the range of marketing businesses in Birmingham. The sector is a significant one in terms of size, reflecting the city's role as a regional centre, and includes particular expertise in market research, strategic marketing and PR.

From a financial performance perspective, marketing is an area that relies on derived demand from its clients, so the economic downturn inevitably had an impact on the sector. Businesses serving niche markets have done better, although some smaller firms have struggled. Competition in the marketplace is increasingly global, with firms looking beyond their immediate locality for clients.



Birmingham's Jewellery Quarter

However, location is important in terms of finding an appropriately skilled workforce, and an environment in which marketing professionals will want to live and work. So, while marketing firms are spread across the city, on the design, creative and PR side of the industry, there are concentrations of marketing firms and agencies in the Jewellery Quarter (Metropolis 2, Big Cat Group, Rewired) and Digbeth (Giraffe Communications, Queen of the Crop, Ricemedia) - areas with the vibrancy to attract and retain marketing talent.

“Birmingham’s central location has helped our rapid expansion into National campaigns and more recently Europe delivering Big Cat’s biggest growth period in its 10 year history”

**Nick Morgan ,
Big Cat Group**

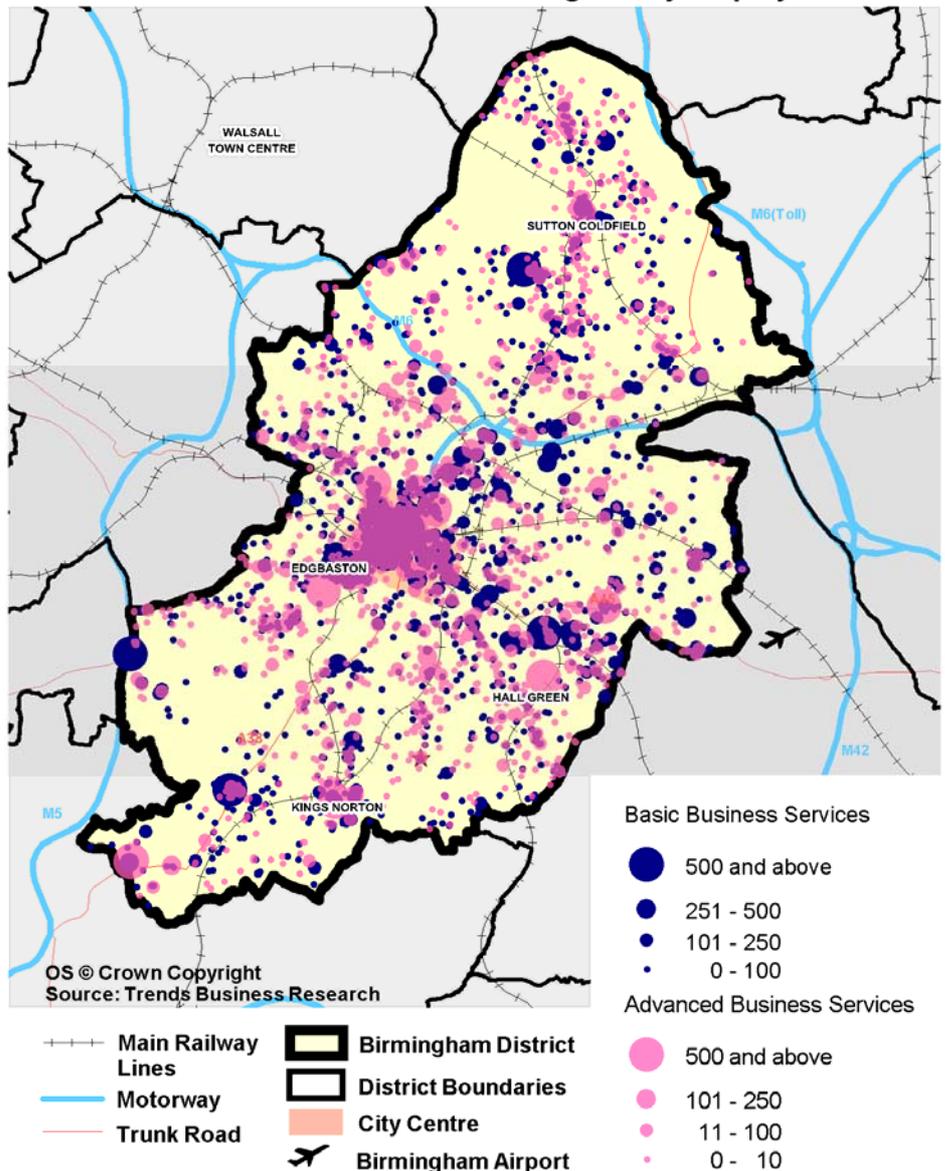
A Big Cat in the Jewellery Quarter



The Big Cat Group is a Birmingham-headquartered marketing firm covering a range of activities including advertising, events management, creative design, PR and entertainment & sports marketing. Founded in 2000, the company now employs more than 35 people in Birmingham, London, Paris and Barcelona.

Co-founders Nick Morgan and Anthony Tattum are active in both the city’s business and research environments. Anthony is an innovation expert for Birmingham City University’s European project, Economic Clusters of Cultural Enterprise, which seeks to build links between public and private sectors on issues relating to creative industries. Big Cat has also been engaged in knowledge transfer partnerships with academic institutions, including Birmingham City University. The most recent partnership is focused on the firm’s use and development of social media technology and platforms. The company’s client list is as extensive as it is varied, including Subaru, Thomas Cook, and Ben Sherman.

Business Services Businesses in Birmingham by Employment



As might be expected, the greatest concentration of sector activity can be found in the city centre, and to the west into Edgbaston. There are many more smaller firms distributed across the whole of the city, with some clustering around the major road and rail networks. There seems to be little difference in the spread of basic and advanced business services throughout the city.

Accountancy

Birmingham's accountancy industry is anchored by the significant presence of the 'Big Four' firms in the city (KPMG, PwC, Ernst and Young, and Deloitte). This provides Birmingham with significant credibility as a location for accountancy businesses, and a supply of qualified chartered accountants: many people train with the most prestigious firms before beginning their own practices elsewhere in the city.



Oozells Square, Brindley Place

Historically, the city's accountancy sector was focused on corporate activity, a consequence of the number of manufacturing firms headquartered in Birmingham. With the decline of traditional manufacturing, accountancy has looked to new markets (although some, such as KPMG, still have a specialist manufacturing team in the city). The sector is now very diverse, though perhaps lacking in particularly strong specialisms. Most recently, the city's accountancy sector appears to have weathered the economic downturn quite well with some of its activities being countercyclical, for example receivership and insolvency administration.

In future, one major potential constraint may be the supply of labour; this is not an issue that is limited to the profession in Birmingham. There have been some doubts expressed by the accountancy sector as to the quality of recent graduates, and tuition fees may also reduce the diversity of recruits into the profession. A number



Brindley Place

of firms are taking steps to address this and KPMG have recently targeted their recruitment activities at school leavers as a result.

On the positive side, changes in Audit regulations may present an opportunity to smaller and mid-sized accountancy businesses.

A location for architects

Birmingham is a major centre for architecture businesses. Of the 1,700 members of the Royal Institute of British Architects in the West Midlands region, the majority are based in the city, with a concentration of practices in the Jewellery Quarter. The sector is anchored by some nationally recognised practices (Associated Architects, Glenn Howells) and branches of the major UK and international firms (Aedas, Archial, BDP).



Architecture is a field that interacts with many other elements of the professional and business services sector. The industry is closely tied to other professions in construction and planning, and many of the larger firms also conduct consultancy in areas such as engineering, transport and landscape design.

As a business so closely related to construction, architecture has had a difficult few years. Practices in Birmingham certainly suffered, the construction sector having been particularly badly affected in the West Midlands. However, the sector appears to have come through the worst of the downturn in reasonable shape: businesses have retrenched rather than closed in large numbers, and some have diversified and rebranded. Locally, expectations are for a reasonable and steady recovery over the next two years, albeit a fragile one. The industry also benefits from a range of networking opportunities that help to create a real sense of community in the city. These include the Birmingham Best Practice Club (construction-focused), Birmingham Forward, Birmingham Architectural Association, and the Forum for the

Re-making the Rotunda

Glenn Howells Architects is a Birmingham-based firm with a reputation for high quality, award winning projects.

In 2004, the firm was commissioned by Urban Splash to redevelop one of Birmingham's most famous landmarks - the Rotunda. This former office block and Grade II-listed building, constructed in 1965 as part of the

original Bull Ring Shopping Centre, has now been transformed into high quality residential apartments. The development has won a series of awards for Glenn Howells, including an LABC Building Excellence Award in 2009 for Best Housing Project (Large Developer/Development).



The Rotunda

Future opportunities

In a sector where high standards of professionalism, reliability and quality are essential, there is a strong argument for retaining key services closer to home. Birmingham is very well placed to act as a base for service support operations for companies that have to be headquartered in the increasingly expensive London and the South East. More generally, the city is well-placed to continue its development as a major centre for business and professional services outside of London:

- In a range of the sector's professions and sub-sectors, Birmingham has developed a critical mass of firms and commercial activity which creates a sense of community and helps to generate a pool of talented labour from which firms can recruit
- The city is served by three universities and a range of colleges which help to deliver a skilled workforce
- As a regional centre, Birmingham's business and professional services firms have both established and potentially large market on their doorsteps, as well as good transport links to put them in touch with London and, via the airport, much further afield. The proposed development of the 'High Speed 2' rail line, would bring Birmingham within 50 minutes travel of central London.

Further Information

Reporting and analysis by Consulting Inplace. Unless otherwise specified, the statistical data in this profile relates to 2010 figures, based on a bespoke sector definition determined by Birmingham City Council for the purposes of this research. Data comes from [TBR](#) and may therefore differ from ONS and other business datasets.

Copies of all seven High Growth Sector profiles can be downloaded from:
www.birmingham.gov.uk/birminghameconomy

Further information about this profile can be obtained from:

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