

# **Bendigo Professional Services Group**

## **Survey of Purchasers of Professional Services**



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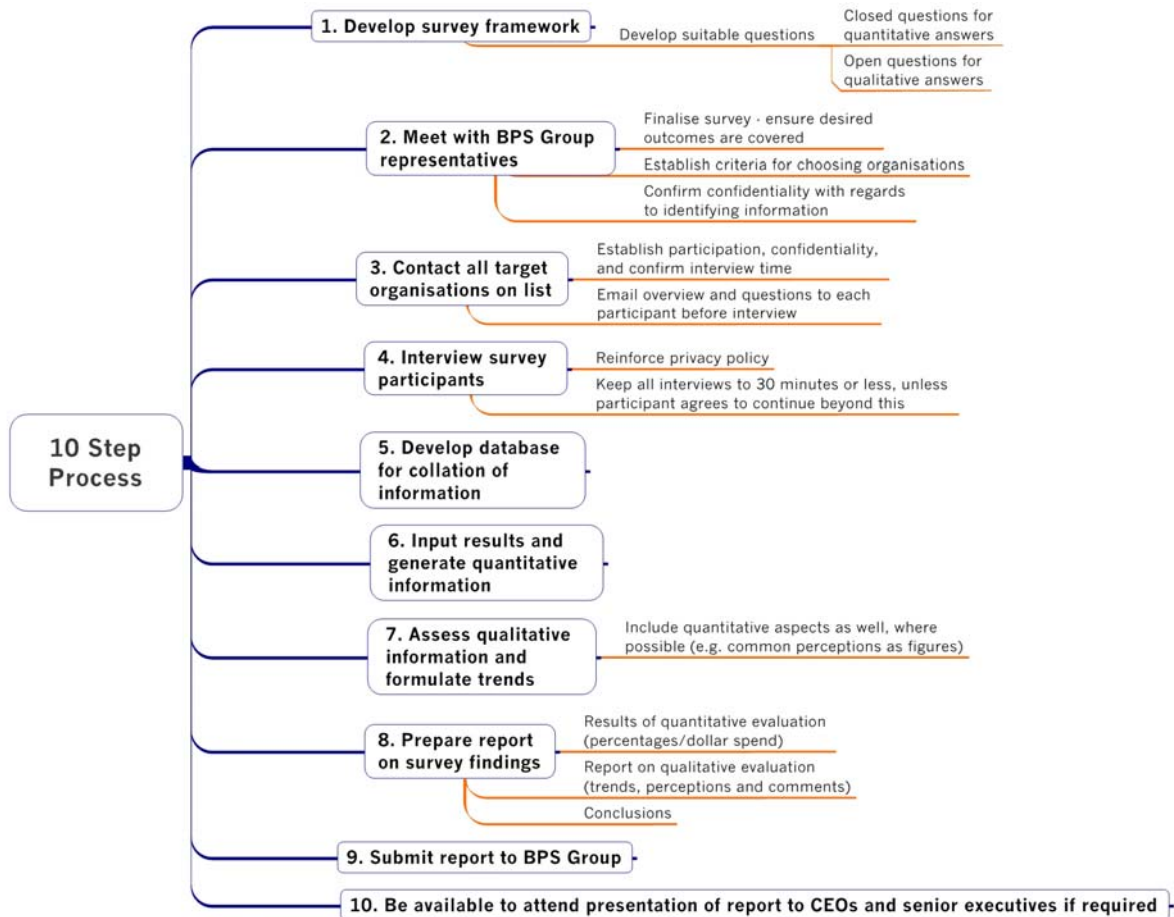
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## Introduction

### Overview

The intention of this survey is to ascertain how the City of Greater Bendigo can facilitate the future development of professional services in Bendigo. Some statistical information is included, but the main purpose is to obtain a clearer understanding of the thoughts, perceptions and requirements for the use of professional services in medium to large companies, organisations and government departments. Participants were chosen on the basis of size of organisation and their need for professional services.

### Methodology



## Participating organisations

All 36 companies and organisations contacted agreed to participate. Two, however, were unable to contribute given the tight timeframe. A third was removed from the study at the time of interview when it was confirmed that the organisation in question did not meet the criteria as a purchaser of professional products, as all sourcing was done through head office with no input or knowledge of providers by the interviewee.

Of those who participated, there was an even spread between Government/quasi government organisations (16 participants) and commercial companies (18 participants), incorporating:

- community services
- education, employment and training
- health
- automotive
- finance
- building
- manufacturing, mining and primary production
- IT
- media
- real estate
- essential/major service providers.

## Report assumptions

1. Position titles have been converted to a business terminology to maintain anonymity of specialist organisations (e.g. 'principal' becomes 'CEO'; 'department', 'organisation', etc. become 'company'; 'governing body' etc. becomes 'head office').
2. Percentage breakdown of professional service use is displayed separately from dollar spend, as not all companies were able to provide or separate out dollar spend for individual areas.
3. During the initial meeting, the Economic Development Unit indicated the focus of this survey rested with the perceptions of local companies, rather than hard data. This has been reflected in the breadth of comments and quotes contained herein.

## Average spend on professional services

### Services

In Section 1 of the survey, information was collected with regards to the amount of outsourcing currently being done by the participating companies. The areas covered by the survey were those decided on in conjunction with the City of Greater Bendigo during survey development, to clarify the types of professional services about which they wished to collect information. There was also space on the survey to cover any other professional services participants used, within the designated criteria (e.g. excluding trades). Participants included extra categories of OH&S, para professionals (including health professionals and other similar specialists) and specialist professionals (very high level skills in industry specific areas that 'business consultants' did not cover).

**Total  
outsource  
spend on  
professional  
services  
by the  
companies  
surveyed:  
over \$20  
million**

Not all companies were able to provide annual spend figures for each category. In some cases the figures were not available separately, or individual areas could not be separated from another category (e.g. accounting and finance). For marketing figures, it was often not possible to separate marketing costs from advertising costs when an external marketing company also placed advertisements, so if a company developed their own material and only outsourced advertising, this external expense was included to keep figures consistent.

Due to the size of most of the companies surveyed, most had accounting, HR/recruitment, IT/computer, and marketing/PR staff or departments in-house as well as an outsourced component, with the areas of HR/recruitment, accounting and OH&S having the highest internal percentage of spend (78%, 74% and 73% respectively). Building services and business consultants were the highest outsourced categories (82% and 81% respectively). With regards to building and design, this high outsource figure was often due to one or two large projects undertaken within the last five years that resulted in significant capital spend.

Some companies said they initially outsourced their IT services, but had recently taken on internal staff to deal with most IT maintenance and development.

A number of companies who currently carry out their HR requirements internally are looking at outsourcing this in the near future.

Business consultants in particular seemed to be used on a sporadic basis, in particular for specific project needs rather than an ongoing basis like IT or accounting.

OH&S services may have been more widely spread than this survey indicates. As it came under the 'other' category, it was not necessarily considered by all participants.

**See Appendix II for breakdown of figures.**

## Reasons for outsourcing

<b>Not available in-house</b>	Reasons for outsourcing varied from company to company. Some have little choice as to who or where their outsourcing needs were supplied, as they are governed by the preferred provider policies of their own head office. Some preferred to train internal staff to handle most requirements rather than bringing in someone with no understanding of their business and its culture. Others are able to meet most of their professional service needs through the varied expertise of their senior executives. Most, however, outsource to access specialised expertise on an 'as needs' basis, or because they believe in outsourcing all areas of expertise "that we have no wish to be our core business, but have to engage because it is related to our core business".
<b>Require specialised expertise</b>	Lack of internal expertise, experience and/or resources were key reasons for outsourcing in over half the companies interviewed. Some use external providers to 'top up' internal expertise, and two noted that having specialised services in-house equates to limited capacity; multiple external companies can be used to meet times of high demand.
<b>Timeliness</b>	Outsourcing for highly specialised expertise was a high scorer, particularly in terms of specific experience or expertise that is difficult to justify having on staff. Outsourcing enables access to a broader range of expertise than most companies could provide in-house. As one participant commented, "You can't be good at everything. It's best to stick to your business model – and what you want to achieve – and outsource everything else".
<b>Ability to meet deadlines</b>	Although a contributor, price was not the deciding factor for many participants, being prepared to go above market price if they are assured of the best possible outcome, value for money and long term savings.
<b>More cost effective</b>	Many companies see outsourcing for specialists as enabling them to efficiently access the best information from the best services and to meet deadlines they could not otherwise achieve. Projects completed quickly and efficiently mean more effective time/cost management, not always possible with in-house staff who have multiple responsibilities.
<b>Provided by head office</b>	The needs of a company not specifically connected to its core business are often sporadic or seasonal, and many required high level skills in specialised areas only occasionally, and certainly not enough to justify a full time employee.
<b>Efficient way to handle non-core issues</b>	<p style="text-align: center;"><i>"We buy as we need to meet occasionally heavy loads."</i></p> <p>Some companies prefer to train staff to cover these occasional needs, but if the requirements are only short term, this is often not the most economically viable way to achieve their aims.</p> <p>Engaging external professionals also enables companies to source independent perspectives at certain business milestones, whilst preventing internal bias, and provides companies with a 'big picture' perspective, which is often not possible when looking at issues from the inside.</p> <p>Although the hourly rate for engaging an external professional might be higher than a staff member's wages, many participants commented that it</p>

was cheaper to outsource, particularly due to the sporadic need of many of the services discussed, than to employ a full time staff member. Outsourcing minimised maintenance overheads not related to the core business and was seen as more cost effective in the long term than training internal staff.

Specialised legal advice was another important area of outsourcing, particularly in terms of avoiding potential conflicts of interest that may occur if done internally.

A number of companies surveyed rely on their own head office to provide much of their specialised professional requirements, although some will use local services when the issue involved is specific to the local area (e.g. marketing campaigns).

For some, outsourcing is just the most convenient, efficient way to handle non-core issues.

## Hesitations

### Risks

A few of the companies surveyed had no hesitations in outsourcing, mainly because their systems and procedures for engaging external professionals were robust enough to satisfy all requirements, ‘weeding out potential problems’ before they occur.

### Shortfalls in external providers

There will always be a risk in engaging an ‘unknown’. Expertise, experience and credibility may be unproven, but for many companies, knowing the track record of a professional, whether through their own experience or through direct referrals, was a crucial factor in outsourcing.

### Time constraints

Continuity of supply was a concern for a small number of participants – has the professional provider been in business for a significant period of time, and are they likely to stay around? Can they deliver on what they say they will? Can we be sure we will get value for money? For tenders, have we covered every aspect so we can be clear on the intended outcome?

### Cost

### Lack of professionalism

Past experience in an area of expertise, although useful, is not always the deciding factor, as it can vary from provider to provider. One anecdote involved two professional service providers undertaking the same annual task in different years. One understood the concept of the project and the other did not, leading to very different results. How can you be sure that someone you have not worked with before is going to understand your business?

### Preparation required

For some companies these risks are too high, and they will use their own personnel wherever they can before outsourcing.

### Project complexity

*“You have to do a lot of homework to make sure you achieve the desired outcome.”*

### Unpredictable outcomes

More than one participant cited a lack of internal knowledge as a key concern when engaging an external provider – are internal staff clear on what they want and why they need to outsource, so they can be sure of achieving the required results?

### Confidentiality

Most companies have had at least one negative experience with outsourcing, resulting in significant costs to the company. Some of the issues raised

included: the complexity of the work required constant monitoring; a lack of communication (the external professional would not return their phone calls); their needs have not been met to their satisfaction (hence they have created solutions internally); they have experienced a lack of attention when the outsourced professional has multiple clients; the professional has not been able to address the needs of their unique company culture and context; a lack of knowledge/understanding of their business and industry; and the lack of perceived control over a professional not 'on staff'.

Some participants believed the initial time involved in preparation, briefing and knowledge exchange was too costly in most cases to warrant engaging an external professional. Others were also concerned as to whether another company, with their own book of clients, could meet their specific (and often tight) time lines.

There is also a greater time lag involved when outsourcing, especially when formal procedure documents such as tenders need to be established.

Cost was perceived as a significant reason to evaluate need before outsourcing. External service providers were seen as 'generally expensive' and often not within the company's budget constraints.

*"Sometimes they can overcomplicate things,  
and then it comes with huge fees."*

There is a weighing up of cost versus return, not just in relation to financial expenditure. Companies have to know they have the skills internally to get value for money from external suppliers (e.g. clarity of briefs, monitoring progress, etc.).

Many of those interviewed wanted to know that the desired outcomes were assured before engaging an external service provider.

More than one company experienced service providers who 'come along for the ride' and do not offer value for money, leaving the company cautious when engaging for future projects.

Confidentiality was seen as an important factor when deciding which external company or professional to engage. Although for some participants this was a general comment, others quoted situations when their confidentiality had been breached.

Researching the quality and capability of a newly sourced company can also be time consuming and costly to determine, and when another company is engaged to undertake specific projects requiring specialised expertise, there was concern as to who owns IP afterwards.

## Pre-established policies

Many of those interviewed do not have formal procedures for deciding who to engage for specific projects or for regular assistance. Some assess based on cost, others through management meetings or Board discussions. Some go purely by 'gut feel'.

## Tender based

- Clear criteria** A number of the companies surveyed are required to undertake a tender process for larger projects. In developing the tender document, companies will develop the necessary criteria with a level of detail that varies depending on the project requirements. It was generally stated that the more detailed the tender, the more certain they can be of achieving the desired outcomes.
- Measurable outcomes** Other policies and procedures are also brought into the tender document, including ethical standards policies, local weighting and budget limitations.
- Standards required** Whilst for some companies the final decider on who to engage comes down to the price, for others they will look at the value and the expertise of the tender applicants, and are prepared to pay more to receive higher quality or outcome standards.

## Purchasing policies

- Detailed KPIs** For the majority of companies interviewed, it was the Directors, CEO, department head or procurement manager who made the final decision on which professional service provider to engage. For some this was done after consultation; for others it came down to who best met the project/tender specifications.
  - Quality assurance** Specific purchasing policies vary from a simple delegation of authority based on the cost of the project, to legally written contracts with detailed Key Performance Indicators (KPIs) to ensure standards and milestones are met.
  - Head office or industry body guidelines** Some companies leave all procedures to the procurement manager to develop, and refer to them for individual project requirements, while others use well developed quality assurance systems and rigorous purchasing policies with various checks and balances, to be monitored by internal and/or external auditors, depending on the contract.
  - Preferred suppliers** Other sources of purchasing policies include head office and industry body guidelines.
  - Local preference** Some companies have a 'preferred supplier' system, and will engage the same external professionals for multiple projects. This is seen as especially important for critical suppliers, where the service must be available whenever needed (e.g. emergency IT backup). To assess potential preferred suppliers, the company will invite expressions of interest, follow up on references and research the capacity of the professional provider to deliver. This may be a time consuming process, but it was seen to save time in the long run as they only go through the process once for each area of need.
- Many of those interviewed cited a clear weighting for local providers, as long as they met the required guidelines.

*“If they're going to meet our needs, it doesn't matter where they come from.”*

## Criteria for making outsourcing decisions

Participants were given a choice of criteria, as well as the option to add their own priorities. The following is a list of the number of companies who believed each criteria was a factor in their outsourcing decisions.

34	Referral/recommendation
33	Specialised expertise
31	Quality of service
30	Prior experience
30	Price (although for many this was only a minor consideration – experience and expertise were considerably more important)
24	Location
23	Other (*see below)
22	Individuals
21	Pre established policy
15	Range of services

### Most important criteria

9	Quality of service provided
6	Referrals/recommendations
5	Specialised expertise
3	Prior experience; capacity of the company to deliver
2	Availability; relationships; price; value for money
1	Timeliness; reliability; follow up

*“We’d rather pay more to know it was right, done and timely.”*

### \*Other criteria

Beyond those criteria listed, participants cited the following as being important in their outsourcing decisions.

- Timeliness/proven ability to meet deadlines (cited by 30%)
- Reputation and professionalism (both reputation of the company, and the reputation of the referrer)
- Prior industry-specific experience and proven track record
- Value for money
- Reliability/ability to do the job
- Availability
- Relationships
- Local preference
- Quality and consistency
- Fitting in to the company’s internal culture
- Value adds
- Head office directives – must use their preferred suppliers
- Meeting tender specifications

## Importance of prior experience

There were many reasons why prior experience with a professional service provider became a significant factor in the decision making process for new projects, although not all – particularly those locked into tender processes – saw it as relevant to their company’s needs.

### Reduces risk

*“If we get total, focused, dedicated service we’ll keep using them.”*

### Saves time and effort

Prior positive experience was considered a significant factor when making decisions for future projects, as the relationship that has been developed results in a clearer understanding of the company’s requirements and expectations.

### Trust factor

Many companies will continue to work with providers with which they have had a positive experience, as they know the standard of work that will be delivered. This significantly reduces preparation/briefing time as systems and industry knowledge are already established. For some companies, having external professionals who are up-to-date with latest trends in their industry is vital. Even for those companies required to put out tenders for projects, many will contact companies they have had positive experiences with and invite them to submit a proposal, although success is not assured.

### Positive relationships

### Embedded advantage

### Local preference

*“A record of effective service makes future decisions much easier.”*

A positive prior relationship means a high level of trust, and many companies expressed a loyalty to quality providers. This worked both ways, as some participants felt it gave them the opportunity to call trusted professionals for ‘quick questions’ for which they would not be charged.

For some specialised industries there is also an “embedded advantage”, when knowledge or IP from previous projects can be used to facilitate future ones (e.g. architectural drawings, financial records, etc.).

### “If they get it right, we’ll stick by them.”

Sometimes, however, choice is very limited. Participants cited specialised areas where there may be only a handful of specialists in the country. Once they find one they are happy with, there is little point in ‘shopping around’.

Some companies with strong local preferences will give new locals an opportunity on general projects, then invite them to quote for future projects if the experience was positive.

For some companies, prior experience was a contributing factor only, and certainly not the deciding one. Deliverables were more important.

*“You soon get to know what works and what doesn’t in a country town, and who will do what they say they’ll do.”*

## Engaging metropolitan professionals

Certainly the stand out perceptions of professional service providers situated in major cities was a superior level of knowledge, expertise and experience over their regional counterparts.

### Knowledge and expertise

Many see industry specific, highly specialised and technical expertise as only being available in major cities. This was often due to the niche nature of the service required. There was a perception by some that city professionals tend to have more knowledge – and more up-to-date knowledge – providing better value for money. This was not universal, however, as others saw their fees as ‘going to service expensive office suites in Collins Street’.

### Greater experience

Even companies with strong local purchasing policies have had to use outside professionals when the expertise did not exist locally. One way in which some companies have bypassed this problem is to work with local professionals in conjunction with their city counterparts, with the intention of ensuring the resulting IP is then available locally for future projects.

### Industry specific understanding

In some instances, companies used Melbourne professionals because the issues they were dealing with related more to a metropolitan environment than a regional one.

### Value for money

*“There are times when we're not confident that local providers have the required expertise in our specialised areas.”*

### Superior professionalism

The larger market open to city professionals is seen to offer greater breadth and depth of experience; a particular type of project may not happen often in regional areas, but may be a common occurrence in major cities. They are also seen to bring a broader perspective to issues, once they understand the context of the individual company, especially in relation to consultants.

### Benefit of referrals

### Metropolitan disadvantages

The larger firms found in major cities are seen to bring more experience in specialised areas, although there is a clear understanding that this usually costs significantly more. They are also seen to have access to a much larger knowledge pool and well established contacts within their specialised industry. The depth of knowledge within a metropolitan professional company is also increased through research arms within universities and other research bodies. This is not witnessed in Bendigo.

The size of metropolitan firms also provides the benefit of being able to handle larger volumes of work in much shorter time frames, adding to the value of the service delivery. Benchmarking is also seen as a tool only available in large city firms.

Many participants who outsource to Melbourne or Sydney also cite greater choice in whom they decide to work with for specialist or sensitive matters.

*“It would depend on scope of what we were trying to achieve – if the deal was big enough, it would go to a Melbourne company.”*

There is also a cost benefit when dealing in high volume requirements. Participants saw metropolitan professionals as more able to develop

templates for common requirements, which, once established, can significantly reduce both time and financial costs.

A small number of participants view metropolitan providers as ‘more professional’, particularly in terms of information provided and follow up. They have a clearer structure for quality control, confidentiality and responsibility delegation.

Metropolitan professionals are also seen to provide a level of independence and strategic input not available locally.

Referrals are important to many of the participating companies, and there has been some experience of Bendigo professionals referring to Melbourne companies when they are not able to meet a client’s requirements.

Of those who are not locked in to using metropolitan professionals by head office, many see no real benefits to city providers. They just source expertise where it is available.

### Negative perceptions

**High cost**

There is a clear perception that Melbourne/Sydney professionals are more expensive than their regional counterparts, although a couple of participants believe there is not much pecuniary benefit to looking locally. Value for money, however, was considered higher in metropolitan professionals.

**Accessibility**

Some participants are bound to use preferred suppliers from head office or industry bodies, so have no choice in using metropolitan companies. Not all experiences in this situation have been positive.

**Lack of regional understanding**

Apart from price, the main disadvantages of metropolitan professionals for regional companies are accessibility and a lack of understanding of regional perspectives. It is also harder to source appropriate companies in Sydney and Melbourne when local or industry referrals are not available.

### Engaging local professionals

**Established local policy**

There were a number of strong reasons why companies use local professional service providers over the perceived benefits of their metropolitan equivalents.

**Benefit of strong relationships**

Many of those surveyed indicated a clear preference for using local providers, but almost always with the proviso ‘where possible’. There is still a perception that many of their needs, especially high level expertise, are not available in Bendigo.

**Superior service and accessibility**

A number of participants have a strong community focus embedded in their company policies, and will always ask local companies if they have the capability first – or if they know of anyone who can – before taking their business elsewhere. Some companies, however, seemed to be inconsistent in their approach, as different staff offered different perceptions of the company’s ‘buy local’ policy.

Those companies restricted to the tendering process found it hardest to use local companies, especially for large projects. They may choose a local tender if the quote was within the designated price range – even if slightly

**Growing the local economy** more expensive than other submissions – but many had no choice, as no local providers tendered.

**Better understanding of regional issues** Strong relationships were a significant factor in the decision to use local professionals. It provides the opportunity to develop mutually beneficial relationships with a flow on effect to local economy. Local professional companies were seen as practical, hands-on and often more pragmatic about creating a local solution, particularly as satisfied clients are seen as a strong source of referrals in the local community.

*“They know you better.”*

**Cost savings**

**Building local capacity** Strong personal relationships were seen as a productive way to develop the company, particularly when the relationship is well established, as it is easier to develop a tangible vision of the project requirements. Partnering with other local businesses in similar industries is also seen as an effective way to boost purchasing power.

**Greater project control** There is a level of face-to-face relationships that is not possible when outsourcing to Melbourne or Sydney. Although communication has become much easier with new technology, the benefits of being able to ‘sit down in front of someone’, rather than communicating by phone or email, cannot be underestimated.

*“Strong relationships allow you to be honest in all dealings and to deal with issues as they arise.”*

Being ‘on-the-spot’ enables a more personalised level of service, which was highly valued by many (but not all) of the participants. They felt backup, ongoing service and a sense of community led to stronger relationships and better service. Local providers were also seen as having more ownership of results – not just ‘delegating down’, as the potential for repeat business was highly valued.

Bendigo companies are not seen as comparable in size to Melbourne or Sydney companies, however the smaller client load was seen to lead to greater accessibility, reliability, and better backup if things go wrong.

*“You get better service from someone you can ‘eyeball’ occasionally.”*

Some participants believe that in most instances there is a strong level of expertise available locally, comparable to city companies, and were very confident with the local professionals they had dealt with personally. Some local companies were already known to have developed affiliations with Melbourne companies to deal with ‘tricky issues’, and companies were comfortable with this as they saw the opportunity to pay less for general work (done locally) and more only for specialist requirements.

The issue of price was split, with some participants believing Bendigo professionals were charging too much for what they were offering or were not

competitive enough in their pricing, whilst others found local service pricing very competitive.

*“Competition is not as cut throat in Bendigo.”*

Easy accessibility was a major factor for many companies. The ability for a professional company to have someone onsite to address issues quickly was seen as a major benefit, with the added value of covering more ground in less time. This provides for a much stronger communication base.

Some believe accessibility is not as big an issue as it used to be, as the time taken to travel between Bendigo and Melbourne has lessened considerably over recent years, but many felt that visiting professionals in Melbourne was still a ‘waste of a whole day once you include driving time’, and some had experienced numerous ‘excuses’ when requesting Melbourne companies to come to them.

*“When you're a high profile company it's noticed if you don't buy locally.”*

Whether they are able to source their requirements locally or not, the clear majority of participants saw the benefits of growing the local economy by purchasing locally. Increasing the pool of professional expertise available is also beginning to impact positively on the prosperity of the region. But this was very much a ‘two way street’ – those participating were strong supporters of local providers, and expected reciprocal trading. Some were disappointed when this did not happen, especially when the City of Greater Bendigo itself chose metropolitan providers over local ones.

An understanding of local markets and the regional context was also an important factor, and one in which most outside professionals, particularly metropolitan providers, are not readily able to compete. This was considered particularly important in the marketing and building industries; an understanding of the local community mindset, local laws and how businesses run in a regional city can significantly impact on the outcomes achieved.

*“When you're in constant contact with them they have a better ‘feel’ for your business.”*

Cost structures were seen to be advantageous locally, with lower charge out rates compared to metropolitan counterparts. The other area of major saving was the reduction in travel and accommodation costs associated with Melbourne service delivery, especially in relation to courses and professional development.

Sourcing professional requirements from local providers was seen as a positive way to build local capacity and help retain intellectual capital. Local business networks were seen as providing a positive contribution to this.

Others saw they had greater control over projects and deliverables when dealing with local companies, with the perception of a greater level of accountability.

## Lacking in professional service companies in Bendigo

Choice, specialised expertise and a lack of knowledge of what services are available locally were the main areas where participants felt Bendigo was falling behind on its metropolitan counterparts.

Participants said they are well serviced for generalist professionals in Bendigo, but see a lack in specialised areas that many believe Bendigo does not have the capacity to support due to 'economies of scale'. Specialist legal (e.g. barristers, IP), high level recruitment, IR and HR advice, specialised industry experience and professional development are all areas that were seen to be unsustainable in a regional city.

### Specialised expertise

*"It's unfortunate that you sometimes have issues that local firms probably haven't had exposure to, that Melbourne or Sydney companies deal with every day. That's just the way of the world."*

### Range of choice

One experienced talking to the same local solicitor for multiple specialist areas. This was seen as 'quite a stretch'.

There was also seen to be a lack of capacity to deal with large scale projects.

### Lack of awareness of what is available locally

Comments were made that it is difficult to attract specialist professionals to regional areas, particularly when city demand still outstrips supply; there is not the attraction to uproot from Melbourne.

*"Bendigo's just not big enough."*

### Lack of vision and creative flare

Choice is a major concern for many companies when looking locally for professional services. It is believed that there is not enough competition locally; that there is enough work to go around and local companies 'share it amicably between them'. This restriction reduces the capacity – or need – for providers to service very specialised areas.

The other concern was the potential for local providers to 'capture' clients, particularly in terms of IT – 'with little choice, it's hard to know whether you are getting the best possible service, particularly in areas that are not part of your core business and you are relying heavily on the provider'. This lack of competition can impact on customer service, with some companies experiencing poor service from local providers, especially in terms of efficiency, reliability and timeliness.

For sensitive projects the concerns are even greater, as the problems can escalate if appropriate service and quality standards are not reached.

Regional expectations of delivery, however, are generally perceived as very different from metropolitan expectations. Melbourne and Sydney companies are seen as valuing delivery above all else, whilst regional companies believe the relationship is more important. This has been found difficult to balance

when working with companies from both spheres on the same project. (Anecdotally, it was noticed during the interviews that participants with a metropolitan background tend to have a different perception of business than long term locals. This was particularly noticeable in some participants who had only been in Bendigo a short time.)

Some participants see Bendigo professionals not being as 'up-to-date' with business practices and systems as metropolitan companies, and this was sometimes used as an appropriate reason not to look for services in Bendigo.

*“There will always be a niche that someone can’t support here because there’s just not enough work.”*

Bendigo professionals were also seen by some participants as not offering strong communication and backup strategies, and a lack of 'big picture' thinking in what else they may be able to offer clients.

**Lack of 'big picture' thinking**

A small number of participants expressed a lack of certainty in the ability of local professionals to maintain client confidentiality. Legal and accounting services were mentioned as a particular concern, resulting in companies preferring to take their business outside Bendigo.

**Lack of capacity**

The capacity of local companies to undertake large projects was split, with some believing they were capable of taking on large contracts, even if they had not previously, and others believing local professionals were just not big enough to cope, even when they had already secured Melbourne contracts from Bendigo. One way to overcome this limitation, which has been seen to be used successfully by a number of participants, is partnering a local professional company with a Melbourne one. This has either been instigated by the company itself, or by the local provider when they have been approached with a project that is not entirely within their scope of capability.

**Transparency of cost structures**

One company invited local professionals to submit for a particular tender, but received the response that the tender was 'too complicated'. The company in question had no choice but to source elsewhere.

**Not enough self promotion**

*“Bendigo doesn't have the critical mass of industry that would attract specialised professionals.”*

Some participants have approached local companies to supply goods and services, but not been offered a solution that fits within their budget.

Transparency of cost structures would improve the credibility of local suppliers for some companies, so they can see they are getting value for money.

Some participants felt their needs were not being understood by local providers, particularly in terms of training. In this instance, they were not interested in any 'value adds', just straight, simple information delivery at an affordable price.

Over half of those surveyed indicated that local providers do not promote themselves sufficiently, and hence are missing opportunities because companies are unaware of their capabilities. Many companies rely heavily on

referrals and recommendations, as they would otherwise not know where to go to source services locally. Some admitted they assume the skill is not available, because it is too difficult to track it down.

*“We don’t get approached by many local companies offering their services, but we get plenty of calls from Melbourne and Sydney companies, even here in Bendigo.”*

Many participants agreed they would like more information on what is available in Bendigo. One suggested a half day seminar where local professional service providers could present to key company executives. For others, however, a locally focused website containing a search engine and relevant testimonials would be more beneficial.

### Industry specific feedback

This was certainly mixed, with positive and negative experiences in all categories. Many saw a definite improvement in choice, capability and professionalism in the last ten years, and a lot less referrals to Melbourne.

**Accounting** – some found local services good and solid, whilst others had serious concerns about confidentiality and chose to use Melbourne providers instead. They were also seen as focusing on tax requirements and not branching out into other more specialised accounting services. If they currently do have additional expertise, they are not seen to be promoting it.

**Building/Design** – although there are plenty of building companies in Bendigo, many participants see that a shortage in town planners and delays in issuing permits, etc. will have a significant impact on the future development of Bendigo. Those wishing to move to Bendigo and build a new home – especially professionals with families – will experience substantial delays if the processes are not streamlined.

**Business Consultants** – the consulting needs of companies are often well outside their core business structure, so many rely on referrals from others within their industry, whether it be other companies who have experienced a similar need or industry bodies. Some participants who have to source professional development trainers from Melbourne would like to be able to source these locally.

**Finance** – a locally based superannuation fund would be seen as a positive step for Bendigo.

**HR/Recruitment** – although participants see local recruiting companies as offering good services for general recruiting and HR, they see a lack of industry specific services, recruitment capabilities for executive positions, and insufficient knowledge/ability to advise on industrial relations issues.

**IT/Computers** – there appears to be a volume of companies locally, but with a lack of organisation skills and low level of customer service. The quality of IT consulting in relation to managing large networks was also seen as lacking, along with software development, especially in terms of customer service and relationship management.

**Legal** – although local professionals cover general areas like property and family law extremely well, there is seen to be not sufficient depth of experience in more specialist areas (e.g. small business and commercial law). This is an area in which some participants believe local companies charged more than they should compared to their Melbourne counterparts – ‘not much less in price, but without the value’ provided by city companies.

**Marketing/PR** – a lack of creative input has been experienced by some of the participants, who see local marketing companies as offering media bookings and strategy consultation, but no real ‘creativity’.

## Further comments

Participants provided input into where their companies – and business in general – were heading in the near future:

### Future directions

- Anticipate growing use of external professionals over next five years, developing retainers so experts are on hand when needed.
- Working towards less suppliers offering more services.

### Linking local and metropolitan professionals

- Company has limited use of external professionals due to financial constraints, but also a commitment to developing internal skills.
- Now engaging industry bodies to come to Bendigo to service the company’s professional development needs, as they have enough staff to do so. This has proved a much more efficient way of training, as it avoids the extra expenses of time, travel and accommodation associated with attending Melbourne based programs.

### Going with who you know

- Some industries have addressed local shortages well in recent years, but government funding assistance would benefit future development. If this funding is currently available, the participants who made this comment were unaware of it.

### Limitations of specialising

- Specialisation may be the way of the future, but it will cause problems in regional areas due to the lack of competition; only limited specialists can be supported in less populated areas.

One participant felt this survey did not go far enough to address the issues of local companies and the provision of professional services, information and resources to meet their industry specific needs.

*“If you’re very smart and very good, you don’t generally come to regional areas.”*

## The culture of Bendigo

Comments were also made about Bendigo itself. Many coming from outside the area saw the Bendigo culture as different from anywhere else they had experienced, whether metropolitan, regional or rural.

Some professions are seen as very ‘territorial’ (legal and accounting in particular), with apparent ownership of clients: “Once they know you’re being serviced by someone else, they won’t approach you”.

*“They keep their own little bit to themselves rather than sharing knowledge.”*

Opportunities to develop Bendigo are seen to be passed up due to 'lack of vision', such as not creating follow ons from major events like the Commonwealth Youth Games.

*"I don't think I've met a less entrepreneurial lot in my life."*

Bendigo is seen to work extensively by word of mouth, so an unsatisfied customer in a regional context is much more damaging to a company than in Sydney or Melbourne. This worked both ways, however – when large companies (of the type surveyed for this study) are seen as 'loyal locals', it adds to the reputation of the company itself, and they also expect other local businesses to reciprocate.

There has been plenty of attention recently on the growth of Bendigo, and the increase in population as Melbournians make the 'tree change', yet only two of the participants saw this having a noticeable effect the local pool of expertise. On the other hand, many of these new residents are maintaining their Melbourne connections, and when they need to make outsourcing decisions they use their established metropolitan contacts rather than exploring the local area.

*"Bendigo has an inferiority complex about a lot of things, even how good it is."*

## Suggestions

Participants also contributed ideas for strategies that could be developed to improve the pool of professional resources available in Central Victoria.

Working together was a significant contender, but one seen as difficult to implement due to the 'parochial' nature of Bendigo itself. Unless local businesses work together, however, participants saw Bendigo falling further behind.

*"Companies can go for tenders individually, but if they work together, they're more likely to win."*

There is also a need for local senior executives – particularly those new to the area – to develop a connection with Bendigo. This is not currently happening, and will result in high level professionals moving away from the area.

Better integration of new residents is seen as a crucial part of this process, as many have found it very difficult to break into the community.

Attracting top professionals is also not just a matter of addressing their immediate needs – providing opportunities for spouses and other family members is crucial. Mildura is seen to do this very well, and may be worth investigating for ideas. The Mildura Council also hosts a bi-monthly local CEOs forum, ensuring an ongoing sense of belonging for these new residents.

*"It's not just a matter of attracting professionals... it's also supporting them so they stay."*

## Conclusion

There is clearly a strong preference among participants to outsource professional services, particularly when highly specialised expertise or advice are required, or when there is only a sporadic need for such services. Outsourcing is seen as an efficient way to handle non-core issues.

There are, however, risks involved in engaging an external professional to meet a company's needs, particularly when the issue in question is sensitive. Concern about whether local professionals can maintain confidentiality is still an issue, and although only a few companies expressed this, those who did saw it as a major obstacle to local purchasing.

There is also a general perception that Bendigo professional service providers are 'just not big enough' to handle large projects, a comment particularly relevant to some high-end companies who engage in multi-million dollar projects.

The positive side of this 'smaller scale' perspective, however, is that most participants highly value referrals and recommendations, often rating this as more important than final quote price. Maintaining quality service, meeting deadlines and ensuring 'value for money' are also crucial factors.

Strong, ongoing relationships are the key to success for companies who are not bound by pre-established head office guidelines, as they are seen to save considerable time and money – they don't need to 'shop around', and the professional in question has a clear understanding of the vision and culture of the company – as well as reducing the 'risk of the unknown'. The reverse of this is that when expectations are not met it can have a very negative impact on the provider; referrals are no longer favourable.

Metropolitan professionals are seen to have greater levels of knowledge, expertise and experience than their regional counterparts, particularly in highly specialised areas, and even companies with clearly defined local purchasing policies are forced to work externally for complex industry specific issues.

Local professionals are viewed favourably due to the benefits of strong relationships and generally superior service and accessibility. They have a better understanding of regional issues, are usually cheaper to engage (although this perception is changing), and provide the opportunity to grow and support the local community.

There is still, however, a perceived lack of choice, particularly in specialist fields, and many participants are unsure as to what is actually available locally, so providers are clearly missing opportunities.

Bendigo's conservative nature is reflected in many of its professional service providers, with solid skills and service but a severe lack of vision and flare witnessed by some participants.

Those who have been observing the development of Bendigo over the last decade have seen significant improvements in the quality, range and depth of professional services on offer locally. There is a need for local providers to work together more to meet the needs of clients, and if the region is to attract more skilled professionals (and not lose its existing ones) there needs to be greater awareness of how to support new residents, their families and their chosen lifestyle. Other regional cities have been successful in achieving this, and may be able to provide assistance in implementing similar strategies in Bendigo.

## Appendix I

### Internal/outsourced professional services spend

#### Breakdown of in-house and outsourced professional services

Service	No. In-house	% Avg Spend	No. that Outsource	% Avg Spend
Accounting	33	74%	26	26%
Building/Design	7	18%	22	82%
Business Consultants	7	19%	23	81%
Finance	16	65%	12	35%
HR/Recruitment	28	78%	16	22%
IT/Computer	25	62%	28	38%
Legal	15	26%	29	74%
Marketing/PR	29	58%	26	42%
OH&S	3	73%	2	27%
Property	13	56%	10	44%

#### Total in-house and outsourced spend on professional services (where figures available)

Service	\$ Total In-house	\$ Avg In-house	\$ Total Outsourced	\$ Avg Outsourced
Accounting	\$1,345,000	\$192,143	\$564,200	\$31,344
Building/Design	\$83,500	\$27,833	\$5,315,000	\$442,917
Business Consultants	\$40,000	\$40,000	\$767,000	\$42,611
Finance	\$90,000	\$90,000	\$253,000	\$50,600
HR/Recruitment	\$630,000	\$105,000	\$4,611,000	\$354,692
IT/Computer	\$2,365,000	\$236,500	\$1,155,000	\$52,500
Legal	\$150,000	\$37,500	\$688,000	\$31,273
Marketing/PR	\$501,000	\$50,100	\$1,411,000	\$78,389
OH&S	\$60,000	\$60,000	\$180,000	\$180,000
Property	\$73,000	\$24,333	\$275,000	\$68,750
<b>OVERALL TOTALS</b>	<b>\$5,337,500</b>	<b>\$86,340</b>	<b>\$15,219,200</b>	<b>\$133,307</b>

## Outsourcing split

Service	No. that Outsource	% Local	% Melbourne	% Other City	% Other Reg. Area
Accounting	26	70%	24%	0%	6%
Building/Design	22	68%	25%	0%	7%
Business Consultants	23	23%	64%	9%	5%
Finance	12	49%	43%	8%	0%
HR/Recruitment	16	55%	42%	0%	7%
IT/Computer	28	79%	16%	4%	0%
Legal	29	58%	33%	8%	1%
Marketing/PR	26	80%	18%	0%	2%
OH&S	2	50%	50%	0%	0%
Para Professionals	4	50%	0%	50%	0%
Property	10	73%	11%	0%	16%
Specialist	4	33%	68%	0%	0%
<b>OVERALL AVERAGE %</b>		<b>57%</b>	<b>33%</b>	<b>6%</b>	<b>4%</b>

## Appendix II

### Overview and questions sent prior to interview

(see next page)

# Bendigo Professional Services Group

## Survey of Purchasers of Professional Services

an initiative of



### Introduction

*The Bendigo Professional Services Group (BPS Group), an initiative of the City of Greater Bendigo, has engaged Lisa Mariah from Clarity Point to design and implement an independent survey on the use of professional services in Bendigo.*

The intention of this survey is to ascertain how the City of Greater Bendigo can facilitate the future development of professional services in Bendigo. It is designed to get a clearer understanding of the thoughts and perceptions organisations like yours have of using professional service providers, both in Bendigo and elsewhere.

I will be interviewing a range of organisations, including government departments with a strong presence in Bendigo, large not-for-profit and community based organisations, and middle to large private and public companies. Organisations have been chosen because it is believed they have a significant requirement for professional services.

**Your support of this project is greatly appreciated, and the information you provide will contribute to the future prosperity of the Bendigo region, both in terms of the economy and the community.**

### Confidentiality

Clarity Point currently consults with a number of Bendigo companies on projects that require access to sensitive and proprietary information. Confidentiality is always a priority, and I wish to assure you that the final report will contain no specific identifying information. If you have any questions or concerns about confidentiality, please speak with me further.

### Results

At the conclusion of this process you will be invited to a presentation of findings, which will provide a valuable insight into the business perceptions prevalent in Bendigo.

I am conscious that all those who have agreed to participate are very busy, so I have kept the questions as succinct as possible. Following this introduction is an outline of what we will be discussing when we meet, to give you an opportunity to confirm details with others beforehand, if required. If you have any questions, please feel free to phone or email as below, or **you can talk to me direct at any time by phoning my mobile: 0414 360 555.**

On behalf of the City of Greater Bendigo and myself, thank you for your participation in this project.

Lisa Mariah



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Effective Business Communications

# Bendigo Professional Services Group

## Survey of Purchasers of Professional Services

an initiative of



### Section 1 – Statistical Information – who, what, where

1. What professional services do you use? (e.g. legal, accounting, other financial services, marketing/PR, IT/computer services, HR, business consultants, property acquisition and development, building/design, other)
2. How much of these do you source in-house (as a \$ figure and/or percentage of total spend)?
3. How much of these do you outsource (as a \$ figure and/or percentage of total spend)?
4. What percentage of your outsourced professional services come from the Bendigo area? Melbourne? Elsewhere?

### Section 2 – Sourcing Professional Services – policies, procedures and perceptions

1. When you have more than one professional company to choose from, who makes the decision to engage one over another (position only)?
2. What are your main reasons for outsourcing professional services?
3. What typically makes you hesitate in engaging the services of an external professional?
4. Do you have pre-established policies/QA systems for outsourcing? No/Yes – what?
5. What criteria do you use when choosing one professional or company over another? (e.g. prior experience / referral or recommendation / pre established company policy / quality of service provided / range of services offered / specialised expertise / price / location / the individuals you deal with / other). Which would be the most important to you?
6. How important is your prior experience with a professional company when making decisions for future projects?
7. What benefits do you see in using Melbourne or Sydney professionals rather than regional ones?
8. What benefits do you see in using local professionals?
9. What do you believe is lacking in professional service companies in Bendigo?