UNDERSTANDING THE PROFTECH BUSINESS BASE IN THE WEST MIDLANDS

CONTENTS

ABOUT THE WEST MIDLANDS

West Midland Economy **£105.1bn**

(State of Region report, 2020)

HE Student population **155k**

across 9 universities

Population **4.5m**

Workforce **£1.9m**

Only dedicated Professional Services Academy in Further Education in the UK

SIZE OF SECTOR

Business,Professional & Financial Services (BPFS) is the largest sector in the region.

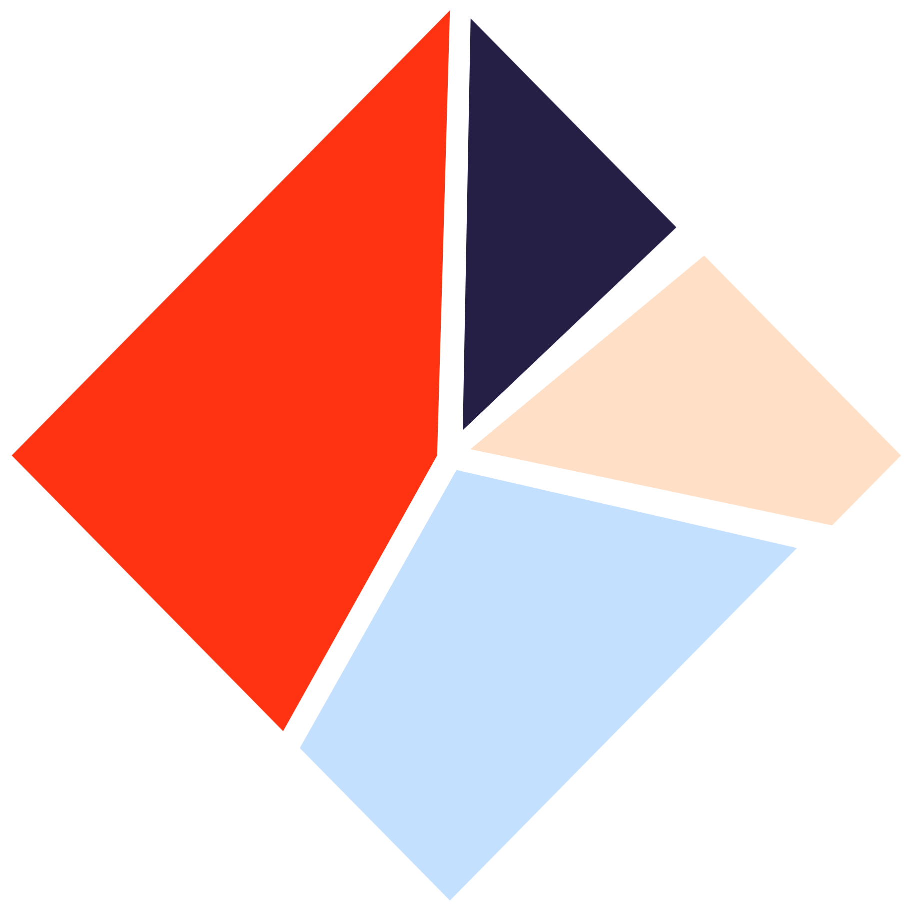
- BPFS sector employs circa 360,000 approximately 19% of all WMCA employment.
- 60,000 people employed in real estate contributing over £12.5bn (GVA, 2018).
- Nearly 42k businesses accounting for roughly 30% of all business in the region.
- 45,000 people employed in legal & accounting in the region contributing over £2bn (GVA,2018).

- BPFS = £28bn (GVA); equivalent to 26.5% of the West Midlands economy.
- 29 of top 100 law firms have West Midlands presence.
- 24 out of the top 50 property advisory firms have West Midlands presence.
- 22 out of top 100 accountancy firms have West Midlands presence.

WEST MIDLANDS BPFS SUBSECTORS GVA 2018

- 19% Financial services
- 10% Support Services
- 1% Advertising and Market Research
- 6% Recruitment and HR
- 7% Legal and Accounting Activities
- 57% Real Estate and Associated Consultancy

WEST MIDLANDS PROFTECH FIRMS: SUBSECTOR ALIGNMENT
(BY NO. OF FIRMS)



- 43% Property
- 14% Law
- 14% Accountancy
- 29% Proftech
  (aligned to more than one subset)

FOREWORD

For the past 30 years or so, the ascendance of the Business Professional and Financial Services (BPFS) sector in the West Midlands has been tremendous; escalating from a handful of regional practices to the current day where it is the largest sector in the regional economy. The depth and breadth of our services sector is of a critical mass that makes it globally relevant providing access to a full service offering and supporting growth across other sectors. In this way, as both a significant sector in its own right and a valuable enabling function, the BPFS sector is incredibly important to the West Midlands. This is why it is a central part of our Local Industrial Strategy and why Greater Birmingham & Solihull LEP is considering, through reports such as this, the sector's current and future needs.

Whilst the professions within the sector are steeped in tradition and history, they are not immune to technology led disruption and the waves of innovation from rapid developments in machine learning, artificial intelligence and beyond. Across the UK and the globe, technology is being applied to the knowledge economy, augmenting human endeavour and creating new business models. Given our status as a centre for BPFS, it is only right that these trends are not only considered, but acted upon to ensure the West Midlands continues the sectoral ascendance, seizing new opportunities and building resilience for our thriving business base.

This report is an important step in understanding where we are on that journey and the results are encouraging. The West Midlands is certainly not starting from scratch and has many established businesses working in the 'ProfTech' space across law, property, accountancy and wider professional services. This is also to say nothing of the innovation taking place in our leading corporates and technology companies that are a vital part of the ecosystem. Our universities are also incredibly important to this agenda, with two actively engaged in frontier LawTech projects as part of the UK Research & Innovation (UKRI)'s Next Generation Services Challenge Fund, created under the national industrial strategy. Combine this with our earlier work exploring in detail the West Midlands' FinTech ecosystem, as well as our status as the first multi-city test bed to trial new 5G technology at scale, our excellent university base with more students than any other UK region and our expertise in technology and software, it is clear that there is enormous potential to be a centre of innovation for the next generation of professional services.

GBSLEP welcomes the findings of this report and remains committed to providing clear strategic direction and support. In its publication, the report demonstrates our ability to work together across the private, public and education sectors as we continue to build on these foundations in progressing the recommendations herein.

Hilary Smyth-Allen
West Midlands Policy Lead for BPFS Sector

Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP)

Tim Pile
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Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP)

1.
INTRODUCTION

The aim of this project is to increase our understanding of the region's business presence and asset base related to next-generation services for the Professional and Business Services (PBS) sector, with particular focus on understanding the emerging capabilities of 'ProfTech' firms. The Professional and Business Services (PBS) sector includes firms in the following sub-sectors: Financial Services; Real Estate and associated consultancy; Legal & accounting activities; Recruitment & HR; Advertising and market research; and other support services.

What is ProfTech?

ProfTech (professional services technology) is an umbrella term used to capture the broad suite of tech led businesses providing specialised support to traditional professional services. ProfTech encompasses 'legal-tech/ law-tech'; 'account-tech'; 'insur-tech'; 'reg-tech'; 'prop-tech' amongst others. ProfTech firms are additional to the more well-known FinTech, which can be defined as the application of technology to improve financial products and services.

This research builds on a previous City-REDI project on the PBS sector in Birmingham and the role it plays in helping regional economies to thrive.

Research Objectives

The specific focus of this research is to address the following objectives:

- Outline the role of the ProfTech sector and how it can contribute to the West Midlands Local Industrial Strategy, by driving growth within the Professional and Business service sector.

- Explore to what extent ProfTech firms are embedded in their local place.

- Identify the challenges the sector is facing and identify key polic recommendations to support the growth of this sector in the West Midlands.

This will help to inform potential future support from local policy makers, businesses, and other institutions – including higher education - and support recent investigations into the WM FinTech ecosystem commissioned by the GBSLEP. This is important, as the largest and fastest growing regional cluster of PBS and financial services firms outside of London, and more significantly, the largest sector in the West Midlands, there is an accelerating need to ensure that the region is both able to leverage this competitive advantage and build resilience to move towards a more next-generation services profile.

Summary of Findings

This research has found that the West Midlands has significant potential to grow a ProfTech cluster, aligning with 'Modern Services' which has been identified as a major new market opportunity within the West Midlands Local Industrial Strategy. ProfTech includes both start-ups and established PBS organisations with in-house ProfTech functions. Their products and services are relevant to business and professional services, but also have a wider application of activities across other sectors. The emerging market is still relatively new but the impact of the COVID-19 pandemic has brought an even greater impetus to move towards tech and the digitisation of service offerings. The region has a broad and rich PBS and tech sector, with a relatively small but growing group of early stage ProfTech start-ups and scale-ups. These ProfTech firms in the region are geographically dispersed, with no clear clustering of ProfTech firms at this stage. However, there is a growing market and a need for greater collaboration and increased clarity around the region's ProfTech proposition, which mirrors many of the findings of the West Midlands FinTech investigations.

WM Fintech Ecosystem
report can be accessed here.

1.1
THE WEST MIDLANDS BUSINESS, PROFESSIONAL & FINANCIAL SERVICES SECTOR.

The building blocks for a ProfTech cluster are already in place in the West Midlands region, with a strong and well-established history in Business, Professional and Financial services (BPFS), a youthful, diverse and expanding workforce, excellent links to London and a host of incubators and innovation centres. Overall, £27.8bn of the West Midlands Combined Authority's (WMCA) GVA is attributed to the BPFS sector, which is 26.5% of the whole economy. This makes BPFS the largest sector in the WMCA area and the West Midlands as the UK's largest regional banking and professional services cluster. Furthermore, Birmingham is the only full-service UK offering outside London, with cutting-edge city centre office space in new developments across the region. There are 354,600 jobs in the sector, which accounts for 19.2% and the largest sector for overall employment in the WMCA. In total, there are 41,865 BPFS businesses in the WMCA, accounting for 28.9% of all businesses in the area (WMCA State of the Region Report, 2020).

The ProfTech sector is adjacent to a growing FinTech ecosystem, with over 120 firms already operating within the West Midlands ecosystem, delivering an estimated GVA of £411.7 million per annum (or 6.2% of total UK FinTech GVA) (Whitecap, 2020). Meanwhile, the region is establishing itself as a thriving tech centre. This momentum is growing with developments such as HSBC UK's new head office, the creation of UK's first large-scale 5G testbed (West Midlands 5G), the Birmingham 2022 Commonwealth Games, and the new HS2 rail link which will improve further the region's national connectivity.

1.2
RESEARCH METHODOLOGY

The research methodology for this work consisted of desk-based research and primary data collection. The first phase entailed desk-based research. This involved a thorough review of the academic literature, which explored, summarised, and critically analysed key concepts, theories, and arguments that related to the research topic. Furthermore, policy documents, secondary data, and web-based materials were explored. These secondary data sources were used to characterise the sector, the study area and scope the approach to industry engagement. Primary data collection followed, which involved telephone interviews with ProfTech firms and case studies.

The overarching aim of these interviews was to:

I. Define and assess the importance of the ProfTech sector in the Greater Birmingham, Solihull and wider West Midlands.

II. Identify issues which are constituting a barrier to the growth of ProfTech in this area.

III. Suggest interventions and policy recommendations to overcome these barriers and grow the ProfTech base in the region.

The interviews included a broad suite of tech led businesses, providing specialised support to businesses in legal services, audit, accountancy, advertising and market research, management consultancy, architectural and engineering activities and recruitment activities.

We used a structured interview tool to ensure consistency in question coverage. This tool was designed based on previous sector studies, development of questions from national surveys and in collaboration with our partner from the GBSLEP. The interviews were conducted via telephone and took on average 30 minutes. They were arranged after introduction (where possible or appropriate) by GBSLEP executive who undertook the industry engagement to support the research.

2. FINDINGS

2.1 OVERVIEW OF THE NATURE OF WM PROFTECH BUSINESSES

This research identified that ProfTech activities in the West Midlands are undertaken by a heterogeneous group of firms. Their diversity was evident during our analysis of their 'Standard Industrial Classification' (SIC) codes, which found nine different categories across the firms interviewed and others identified as operational in the ProfTech space. We used FAME to conduct this analysis, which offers information on companies and incorporated businesses throughout the UK based on information filed with Companies House.

Primary UK SIC (2007) code	SIC Code Description
69102	Solicitors
82990	Other business support service activities
70229	Management consultancy activities other than financial management.
65120	Non-life insurance
47410	Retail sale of computers, peripheral units and software in specialised store
73110	Activities of employment placement agencies
62020	Information technology consultancy activities
62012	Business and domestic software development
69109	Activities of patent and copyright agents; other legal activities (other than those of barristers and solicitors)

The challenge with the current classification systems relating to industry sector (Standard Industrial Classification – SIC) and occupation (Standard Occupational Classification – SOC) is that if , as with ProfTech, a sector does not fall neatly under a specific classification, it can be very difficult to measure its size and growth. The absence of a 'ProfTech classification' is to be expected, as with other emerging and fast changing industries, since SIC and SOC codes are only amended every 10 years and so tend to lag behind current trends. However, to further add to the complexity of measuring this sector, the structure of ProfTech firms also varies considerably, as they can be any one of the following:

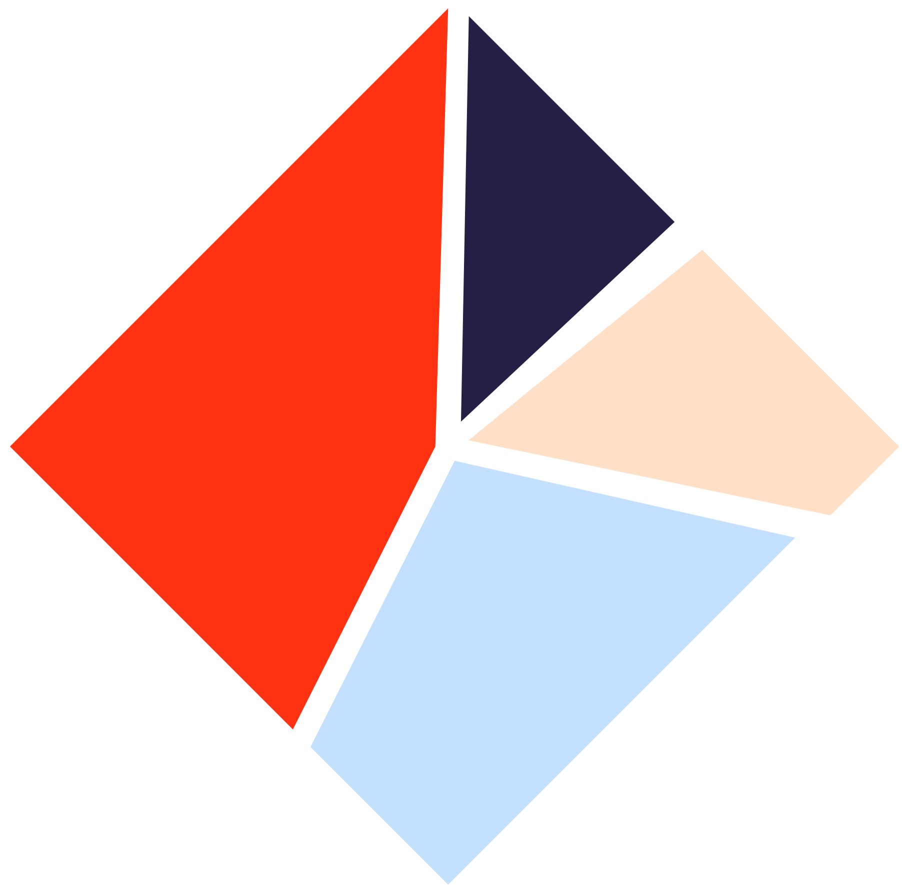
- Prof-Tech start-ups and scale-ups with pure ProfTech business models, often with a focus on disrupting the sectors they work in.
- Established PBS firms - established entities, offering additional next-generation services products proactively pursuing new venture creation with potential spin-outs.
- Tech firms - businesses operating in multiple markets, thus not specifically ProfTech.

As the sector evolves, further work is needed to achieve a more accurate classification of the ProfTech sector, from which we can measure its size and growth in the region. Part of this will be a further extension of the work we have done in this research project to understand how ProfTech firms sees themselves and the different activities they undertake.

Our initial research has identified twenty-one ProfTech companies in the region, with an estimated employment of 1500. These are standalone, distinct companies and does not include any estimates of persons or established PBS firms undertaking ProfTech activity within the existing organisation.

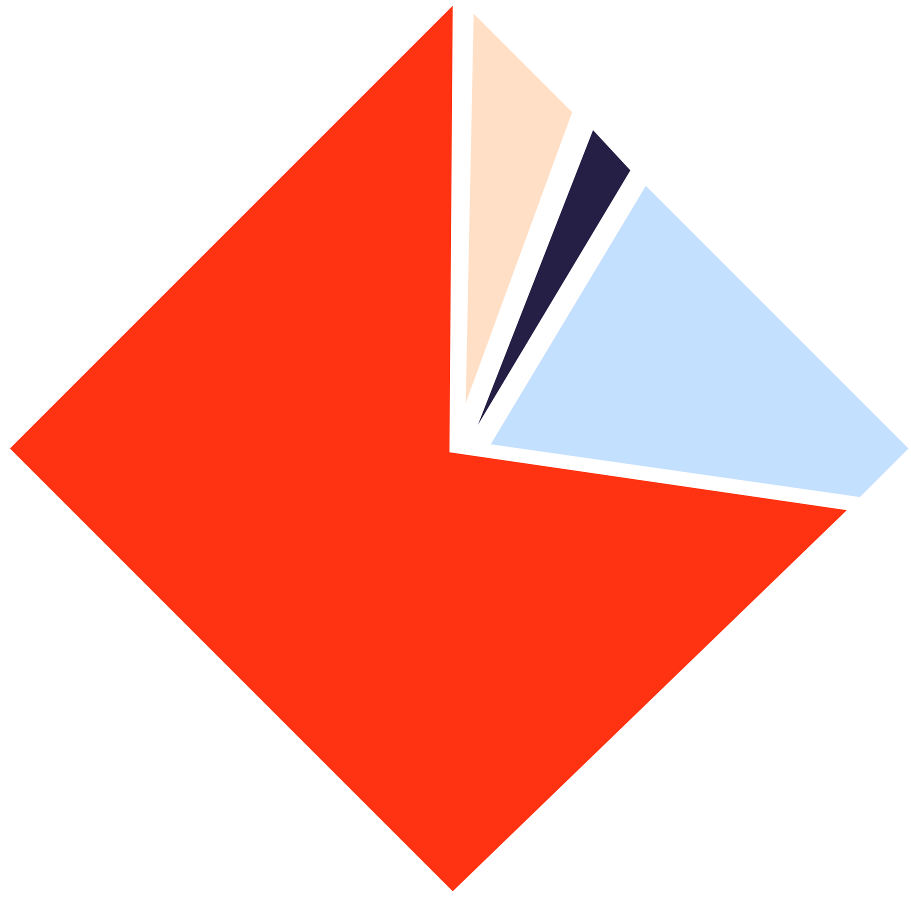
The ProfTech firms we interviewed are involved in a broad range of activities – some are concerned with very specific tasks such as, making legal documents secure, others provide a broader range of services such as a communication tool, the automating of interactions and quality assurance.

The firms are split across prop-tech, accountancy, law and 'general' ProfTech (where they have more than one sub-sector alignment or are targeted on professional services specifically but in a broad non-sub-sector specific sense)



SUBSECTOR ALIGNMENT BY NO. OF FIRMS

- 43% Property
- 14% Law
- 14% Accountancy
- 29% Proftech (aligned to more than one subset)



SUBSECTOR ALIGNMENT BY EMPLOYEES

- 73% Property
- 3% Law
- 8% Accountancy
- 29% Proftech (aligned to more than one subset)

West Midlands ProfTech firms PBS sub-sector alignment.

Their activities specifically address the needs of the PBS and adjacent sectors. Example products from the ProfTech sector include: the implementation of online systems (architectural and engineering activities); online inquiry management systems (legal); 'biometric clocking in' to make invoicing and payments simpler (recruitment); automated accountancy systems (audit and accountancy); paperless and secure filing of sensitive, personal data and documents (legal services); and monitoring who is on site and when (construction management). Below are some key quotes from our interviews, where firms have outlined their service offer:

"A 'prop tech' business providing data and technology for investors, developers, property professionals. Aimed at helping these stakeholders to make property decisions. Help with location and geospatial data/ finding sites and connecting with key stakeholders".

"Time saving practice management software for accountants – focussed on reducing admin for accountants and book. We provide: task management; an online portal for document sharing and signing; credit checks for perspective clients; act as a communication tool providing an audit trail of any emails or SMS; automated invoicing; and integrate with other apps such as quick books".

"We provide a secure Web portal, allowing businesses to electronically exchange and sign documents with clients"

ProfTech firms solve problems by identifying technology solutions. In order to achieve this, the ProfTech firms rely on domain and not just tech knowledge. For example, "we collaborated with a digital tech team and redesigned their existing platform to include terminology that lawyers use"

Therefore, the innovativeness of these companies is a product of both new technology and them having the appropriate knowhow and expertise of the sectors they are serving:

"There is a difference between 'advice' and the 'right advice'. We offer are multi-faceted innovative solutions, by recommending up-to-date tech in the right way".

"Both partners have a developer background so understand how best to do things innovatively and the challenges that developers face".

"We've coined the phrase, it is legal lead tech, not tech lead legal".

2.2
RELATIONSHIP WITH PLACE

As noted in 2.1, the West Midlands is a base for several very large firms in the Business Professional and Financial Services sector. Most notably in recently years is the opening of the headquarters of HSBC in Centenary Square in Birmingham. Of the major accountancy firms with offices in Birmingham, PwC has made significant recent investment and is growing its graduate intake in the West Midlands. Several major law firms have a strong presence in Birmingham. This has accelerated a growing sense of confidence in the central business district of Birmingham and the wider area. While there is evidence that the depth and breadth of the BPFS sector in Birmingham is attractive not only for 'big players', but also medium-sized and smaller businesses, the evidence reveals no single large company in Birmingham which stands out from the rest in playing a key role in driving co-location of other companies, including emerging companies in the ProfTech field, which have the potential to be important disrupters in unlocking productivity gains in larger firms. Neither is there a single large tech business which seems to be attracting other tech businesses at the current time. Yet one interviewee highlighted how the agglomeration of activity was "pulling in" further talent. The agglomeration of activity enhances the possibility for moving between firms and also utilising their skills in other high value sectors.

Birmingham has the advantages of:

- Being a central location within the UK (and one with good national and international connectivity)
- Having the scale to support a ProfTech cluster
- A diverse workforce
- Access to good universities and colleges in Birmingham and the wider West Midlands
- A good digital infrastructure

Together these make up many of the ingredients that could make for a successful ProfTech cluster, although there is no obvious single anchor. This suggests a need to think in terms of an 'Anchor Network' for Birmingham, rather than a single anchor. Given that the ProfTech sector is essentially footloose, its relationship with place can be seen simultaneously as tangential and complex – but that does not mean to say that place does not matter. While it is clear that the Covid-19 crisis has led to greater challenges regarding the role of place and sectors'/ workers' relationship with place will be recast in the coming months and years, only one of the businesses interviewed described themselves as a "virtual" business. Many emphasised that potentially work can be undertaken from multiple locations.

2.2 HOW DOES PLACE MATTER?

Good connectivity and access to clients: Despite being footloose, and despite the implications for different places and working patterns of the Covid-19 crisis (discussed further below) easy access to clients – including via the M6, M5 and M40 – was mentioned by several interviewees. The nodal position of Birmingham in the rail network and accessibility to multiple UK destinations within a day was also highlighted, as was access to Birmingham Airport for international travel. Some interviewees highlighted how they were expected to visit and spend time with their clients, so connectivity and accessibility are important. *"Being in the centre of the country" was seen as providing "flexibility".*

Access to office space: Birmingham city centre offers a variety of office space to cater for range of businesses varying both in size and price. This offers in itself provides some flexibility in terms of changing requirements for office space during and after the Covid-19 crisis (see further discussion below). Outside the immediate Central Business District, locations such as the Jewellery Quarter provide somewhat cheaper space, which can cater for workforces that fluctuate in size in line with business development needs (i.e. catering from large office premises to smaller more flexible spaces – with room for growth. The suburbs and towns beyond Birmingham also offer alternative trade-offs in terms of price/ size/ quality, yet within relatively easy reach of Birmingham city centre.

Access to a large and diverse labour market: The city's and region's universities were seen as providing a strong pool of graduates – across a range of disciplines, from law, to business studies, to IT, to STEM and to English. Although not specifically mentioned in the interviews undertaken for this study, the relative youth and diversity of Birmingham's population was highlighted in the original BPFS study as a positive factor for innovation and penetrating new markets going forward.

The primacy of lifestyle choice: Amongst interviewees lifestyle or serendipitous factors were foremost in explaining location in Birmingham/ the West Midlands. For some it was the place that they graduated, or where they took their first job, or where they had family connections and they liked it and so they stayed; and it was a suitable place to conduct their business. So location in the West Midlands was explained by the fact that it's *"where we [the founders] live" and/ or "a nice area to live with family"*. Often it was the combination of living and working environment that was mentioned. A town in Warwickshire was described as being *"a nice place to live and a nice working environment"* – yet was still accessible to legal firms in Birmingham where a good deal of business was based, to technical developers who preferred to live in Birmingham because of its *"city feel"* and to graduates from the Universities of Warwick and Birmingham who wanted to continue to live in the areas where they had been students. Another interviewee described Birmingham as having *"the benefits of a large city – but an incestuous village feel"*.

2.3 CHALLENGES

The three most common challenges faced by ProfTech firms and thus the focus of this section are: (i) recruitment, retention, and training of staff; (ii) risk-aversion in the PBS sector; and (iii) access to finance and investment.

Recruitment, retention and training of staff:
The interviews highlighted specific challenges in recruiting employees with digital skills. They pointed to the need for staff to have "digital skills" alongside more traditional skills, and the challenge of finding employees with the "right mix of skills". For instance, many interviewees, especially regarding experienced talent that bridges tech and professional services, reported a perceived talent shortage. Nevertheless, the interviewees did not consider this a region-specific challenge, but a much broader issue of graduates not meeting the needs of the growing ProfTech sector. One firm commented that they do not believe "universities have enough of a vocational focus" and that graduates are often "not prepared for doing work and understanding business" (Interview).

Risk aversion in the PBS sector:
One of the biggest challenges ProfTech firms face is the "confusion or mystique" around what their services can offer, primarily because their PBS clients do not always have the requisite knowledge of their services and products. Furthermore, "there is a lot of jargon and a lot of different products", which can add to the confusion. In addition, the PBS sector is traditionally risk averse and quite conservative in its approach or as one interview claimed: "traditionally stuck in its ways". Similarly, another interviewee claimed:

> "The hardest part is getting the ball rolling… it is difficult to procure legal tech, as lawyers are quite weary and cautious. They don't want to make the first move with taking up legal tech" (Interview).

This conservative culture, together with the confusion on the sector leads to a reluctance in the PBS firms to invest in new technology and therefore the ProfTech firms themselves. Consequently, one of the biggest challenges ProfTech firms face is trying to get their potential client base "to change their mind-set".

Access to finance and Investment:
The final challenge shared across the ProfTech firms interviewed, is the difficulty in accessing the levels of finance and investment needed for investment in skills and technology. The challenge is that grant funding is difficult and time consuming to apply for, with no guarantee of a return, and investment banks are difficult to convince to lend money (especially at this time). This can be a challenge for most SMEs and so is not necessarily ProfTech specific:

> "There is a problem around investment where national banks won't give you the time of day if you are not making a profit… It is difficult to develop a proven track record with no investment in the first place" (Interview).

In the current market, with the increase in appetite for digital services because of the COVID-19 pandemic, resourcing around staff is a particular issue: "More opportunity than resource… it is difficult to know whether to get the work or the people first. And difficult to know what skills sets they need those people to have" (Interview).

2.4
IMPACT OF COVID-19 PANDEMIC

While parts of the PBS sector have been impacted by furlough, the ongoing need for business support and financial services means that other parts of the PBS sector have witnessed increased demand for services. Interviewees from the ProfTech sector noted some short-term disruption to their business plans, including in taking forward developments internationally at the start of the Covid-19 pandemic, but in general, ProfTech businesses have been resilient and can see opportunities arising from the Covid-19 crisis.

Continuing to work – from home and/ or the office:
Generally, ProfTech businesses are well suited to adapt to home-working, given their footloose nature and given that digital technology is inherent to their business and ways of working. One interviewee explained how: *"the team are fully operational in the cloud"* and were using *"webinars"* and "online meetings".

Covid-19 has added impetus to the drive for digitisation and efficiency:
Several ProfTech interviewees noted how they *"could actually do well from the crisis, as there is increasing appetite for digitisation"*. The fact that *"business tech is being adopted in greater numbers"* was *"really positive for increased business"*. The increased need for secure transmission/ storage of documents is also positive for ProfTech businesses. Several ProfTech businesses develop and sell products and services that drive efficiency gains in conducting business, and with increased pressure on costs in the Covid-19 crisis and the recession, there is potential for growth in interest in such products and services.

An increase in flexible and remote working across some other parts of the economy:
More generally, the Covid-19 crisis has catapulted a drive to new and more flexible ways (and locations) of working in some sectors, including business and professional services. Social distancing means that home office space has become more accepted across sectors where this possibility exists. Some early analysis of trends likely to impact on the future of work post the Covid-19 crisis, shows that 48% of employees will be likely to work remotely at least part of the time, compared with 30% pre-pandemic. But 74% of businesses intend to increase remote working post pandemic. While the precise scale of likely future trends remains uncertain, the general direction of travel is clear. Recognition that people are productive away from the office enables a variety of different work cultures to be adopted. This will accelerate the need for digital dexterity and collaboration skills – and ProfTech products and services can facilitate this.

Implications for cluster development:

While the move away from the office, certainly at the height of the pandemic, means increased demand for digital services and growing market opportunities for ProfTech, a longer-term shift away from office working might also pose greater challenges in development of a tightly-focused place-based cluster. Yet the Covid-19 crisis has underlined the potential for such a cluster.

3. REFLECTIONS AND POLICY IMPLICATIONS

This research has found the West Midlands has significant potential to grow a ProfTech cluster, aligning with 'Modern Services' which has been identified as a major new market within Modern Services in the West Midlands Local Industrial Strategy. ProfTech includes start-ups, scale-ups and established PBS organisations with in-house ProfTech functions and associated spinouts/ ventures (some existing firms may be introducing ProfTech to improve their own efficiencies as opposed to creating new services). Their products and services are relevant to business and professional services, but also have a wider application of activities across other sectors. The emerging market is still relatively new but the impact of the COVID-19 pandemic has brought an even greater impetus to move towards tech and the digitisation of service offerings.

The region has a broad and rich PBS and tech sector, with a relatively small but growing group of early stage ProfTech start-ups. The early stage ProfTech firms in the region are geographically dispersed, with no clear clustering of ProfTech firms at this stage. However, there is a growing market and a need for greater collaboration and increased clarity around the region's ProfTech proposition. It should be noted that other cities and regions are promoting themselves in related 'Tech' sectors – such as LegalTech (in the case of Leeds), so without action there is a danger that the West Midlands could get 'left behind'. Currently, it has a distinctive broad-based 'Prof-Tech' proposition that is reflective of the breadth and depth of the PBS sector and cognate sectors in the West Midlands. This suggests that it is not appropriate to wait for developments to evolve organically, but rather that it is appropriate for an organisation to draw the (currently rather disparate) parts of the emerging ecosystem together.

4.
RECOMMENDATIONS

Our research has shown that there are a small number of ProfTech businesses in the West Midlands (21 firms) and that nationally this is a new and emerging sector. In adopting a ProfTech approach, as opposed to pursuing more silo-ed strands e.g. LawTech, InsurTech etc., this not only better aligns with the need for a more anchor network approach referred to earlier, but also should help accelerate the cluster benefits and be additive to the existing full-service PBS offering.

Given the nascency of the sector in the UK, inward investment would only be a small part of the solution to growing regional GVA in this sector. In addition, local policies need to focus on creating opportunities to stimulate new businesses and crucially provide the right environment for them to be founded and grown in the West Midlands. This can be achieved by driving forward activity in four main areas:

1. Sector intelligence, policy and promotion:
Develop a differentiated understanding of the sector locally and promote its strengths and opportunities, building on key assets such as flagship companies, quality and diversity of opportunity and quality of life – as exemplified by the following quotes from interviews:

"Being outside the prop tech cluster in London, because don't want to pay those rent prices and wanting a better quality of life here. There needs to be a promotion piece around the ecosystem here".

"The LEP's ongoing work with building a collaborative ecosystem, promoting a local voice that is not the Shoreditch gang" .

"Need 'capability mapping' to be done of the region's assets. What are our strengths? Weaknesses? Understanding who does what, so can cater business support".

2. Investing in building the ecosystem through enhanced central intelligence and developing information services covering cluster companies and support services:

Possible activities include:

I. Invest in building community around ProfTech agenda, particularly where it can build bridges between established and new, small and large and allow knowledge transfer to take place.

II. Support community through facilitated activities e.g. shared challenges, cross-cutting themes (e.g access to data)

III. There is growing interest amongst individuals to start new businesses, in response to the COVID-19 pandemic, and so there would be value in a grant scheme/ specific business support to help identify/ work with promising businesses.

The following quotes highlight the types of activities suggested in interviews:

"A forum for sharing experiences with other tech businesses so could learn about problems experienced elsewhere. An alcoholics anonymous type group. There are a lot of interesting tech businesses around but there needs to be a way of bringing them together. So doesn't feel so much like treading the path for the first time".

"Showcase what Business Support is on offer – don't know how to access support to go and sell in China for example, need this as well as networking and communication support".

"Need a local website as a hub, summarising what innovative companies do. Business support people don't actually know and we don't know what each other does. It could be a short video clip for each firm or survey – where there is a 'directory' on what they do – this would need to be updated annually, as they are not the same firm that they were two years ago".

"National support – not fit for purpose – many advisers have approached to say that they can help grow the business and becomes tiresome and then send out mentors that know little about growing businesses or the tech. need a more senior advisor, as well as a team to point to what business support is available".

"There is Innovate UK funding available if you want to bid for £250,000 but what if you just need £6000 to develop a product/ service – need smaller pots of funding, that are easier to bid for".

3. Proactively service projects resulting in direct support to individuals and groups of companies currently active in the ProfTech space:

I. Increase collaboration and engagement with local sector representation, with proactive support from companies to engage with local strategic bodies; to design appropriate inventions to support local growth and increased support of local sector representative bodies to co-create and deliver actions

II. Look at wider ecosystem and business support offering e.g. access to finance and investment. Also greater connectivity with HE from skills and research/ innovation stimulus.

III. Interviewees suggested that key actors in the ecosystem need to be brought together to further stimulate existing and foster new connections:

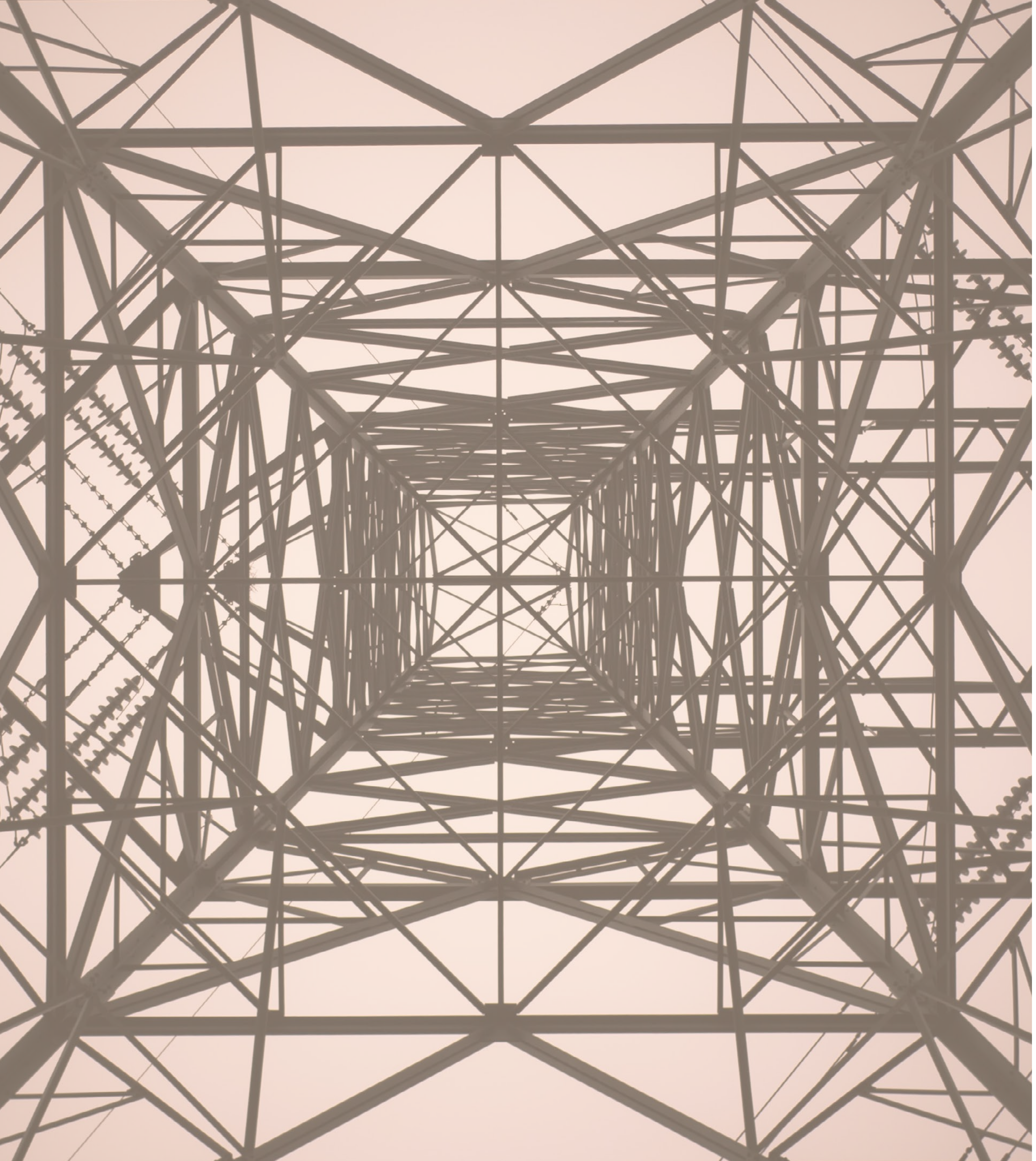
"Networking forums/ seminars. The challenge is getting the big firms to work together. They have spent a lot of money in developing this tech and so they don't want to share it. But this doesn't mean that they can't collaborate to raise the profile of legal tech in the west midlands. And attract investment to the region"

4. Attracting future talent - regional strategy and programmes to grow and retain diverse pools of talent accessing regional opportunities:

I. Design interventions and new pathways which support diversification of the labour force of the sector to ensure the sector represents its clients and locality to drive local embeddedness and bring new thinking which can contribute to innovation in the sector. This includes looking beyond traditional graduate recruitment pathways to a greater diversity of 'ports of entry' for individuals with different experiences – including apprentices (at different levels) and individuals from other sectors looking to forge new careers and/or apply their existing skills in new ways, working with further and higher education students on specific projects, hackathons focused on specific data analytics challenges, etc.

II. Engage with local institutions leading on place infrastructure to factor in needs of the sector, such as appropriate commercial property, broadband, a diverse housing offer - especially high-quality family housing, cultural and sporting assets, business tourism and transport infrastructure which facilitates movement of project teams to clients.

LEADING EXAMPLES FROM THE WEST MIDLANDS



BEST IN CLASS LEGAL SERVICES AUTOMATION:

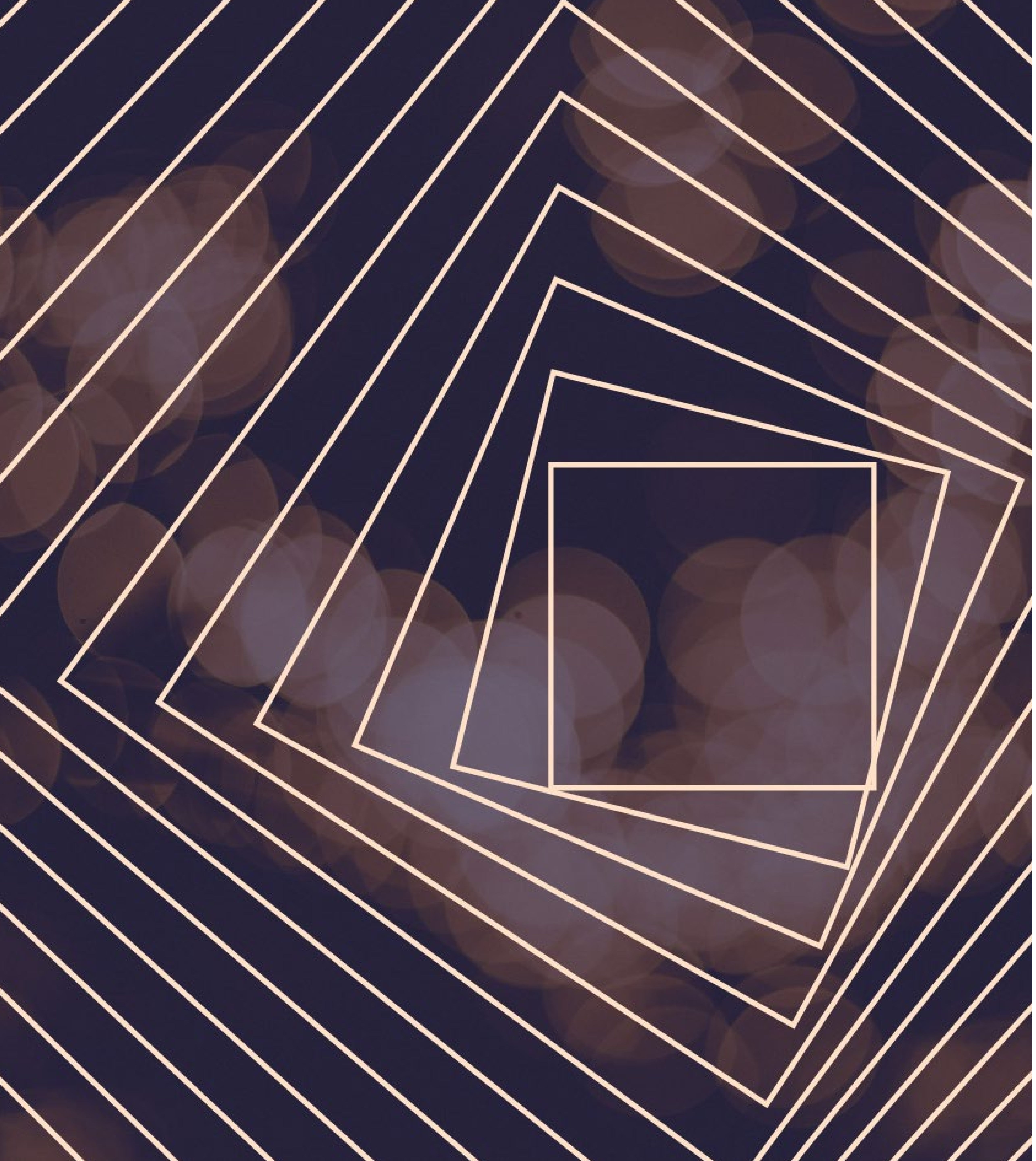
Clarilis™

Head-quartered in Leamington Spa, Clarilis is a leading documentation automation services for in-house legal functions and law firms. With an international footprint, the Clarilis™ automation platform and fully managed service boasts full implementation, delivery and maintenance of automation projects. Significantly, Clarilis™ is not a standard automation tool, that copes with simple documents but then falters when you try to automate anything more complex. Clarilis™' ability to deliver the most complex of document suites makes the less complex entirely straightforward enabling clients to draft consistently high-quality documentation freeing up time for lawyers to do what they do best:- providing bespoke advice to clients and handling non-standard aspects of transactions. Clarilis was recently awarded 'Alliance of the Year' at the British Legal Technology Awards for their collaboration with magic circle law firm Slaughter & May.

CREATING GREATER SOCIAL AND ECONOMIC BENEFITS THROUGH PROPERTY DATA AND TECHNOLOGY

Founded by brothers, Simon & Paul Davis in Warwick, prop-tech company Nimbus Maps combines property data, expertise & technology to help everyone with an interest in property to achieve financial security, mobility, and freedom. Working with numerous national and international property brands, including CRBE, JLL and Persimmon, the team work to leverage technology and innovation to better serve their growing user base of property investors, developers and property professionals to drive efficiencies, keep costs down and pass on savings to customers. For one PLC client, they uncovered £100m of hidden property value.

Strategically based on University of Warwick's Science Park, the co-founders have leveraged access to the research capabilities to accelerate the business. The relationship with the university has enabled strategic appointments including recruiting new data scientists, a director of customer service as well as sponsoring a data science PhD. *"These appointments are starting to bear fruit and during that time we have acquired some seriously big users such as Lidl, Aldi and Co-Op."* [Simon Davis, Co-founder]

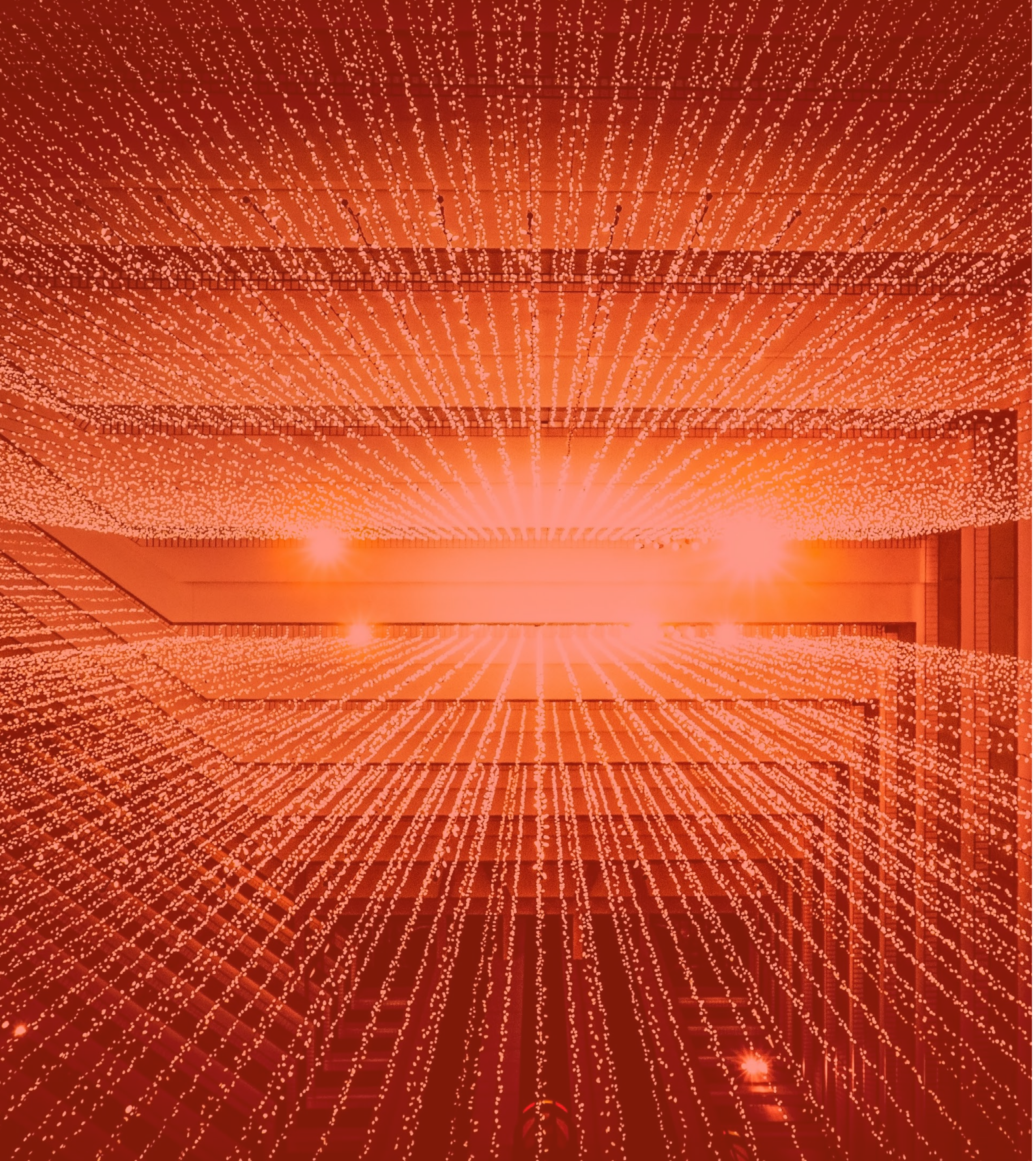


POWERING AN OPEN AGE OF PROFESSIONAL SERVICES USING ENGINE B

University of Birmingham, led by Professor Lisa Webley, Head of Birmingham Law School is the legal services academic partner for the £1.7m Innovate UK funded project to bring the Engine B platform to market. A co-created professional services enterprise, Engine B is a data solution which aims to create standard access methodology to client data and in doing so, open up the professional services market to increased innovation and enabling the next generation of innovation services.

"Professional service firms are making ever greater use of sophisticated digital technologies to transform the work that they do. Access to high quality data is the key to harnessing the power of these technologies, but data transfer and use also poses real ethical and regulatory risks that are yet to be fully assessed. This project allows us and the consortium of partners, to drive our research forwards in this area, to assist with secure access to data, new ways of using it and an assessment of the ethical and regulatory framework needed to support all involved".

- Prof. Lisa Webley, University of Birmingham.



DRIVING EFFICIENCIES IN ACCOUNTING PRACTICES:

Accountancy Manager

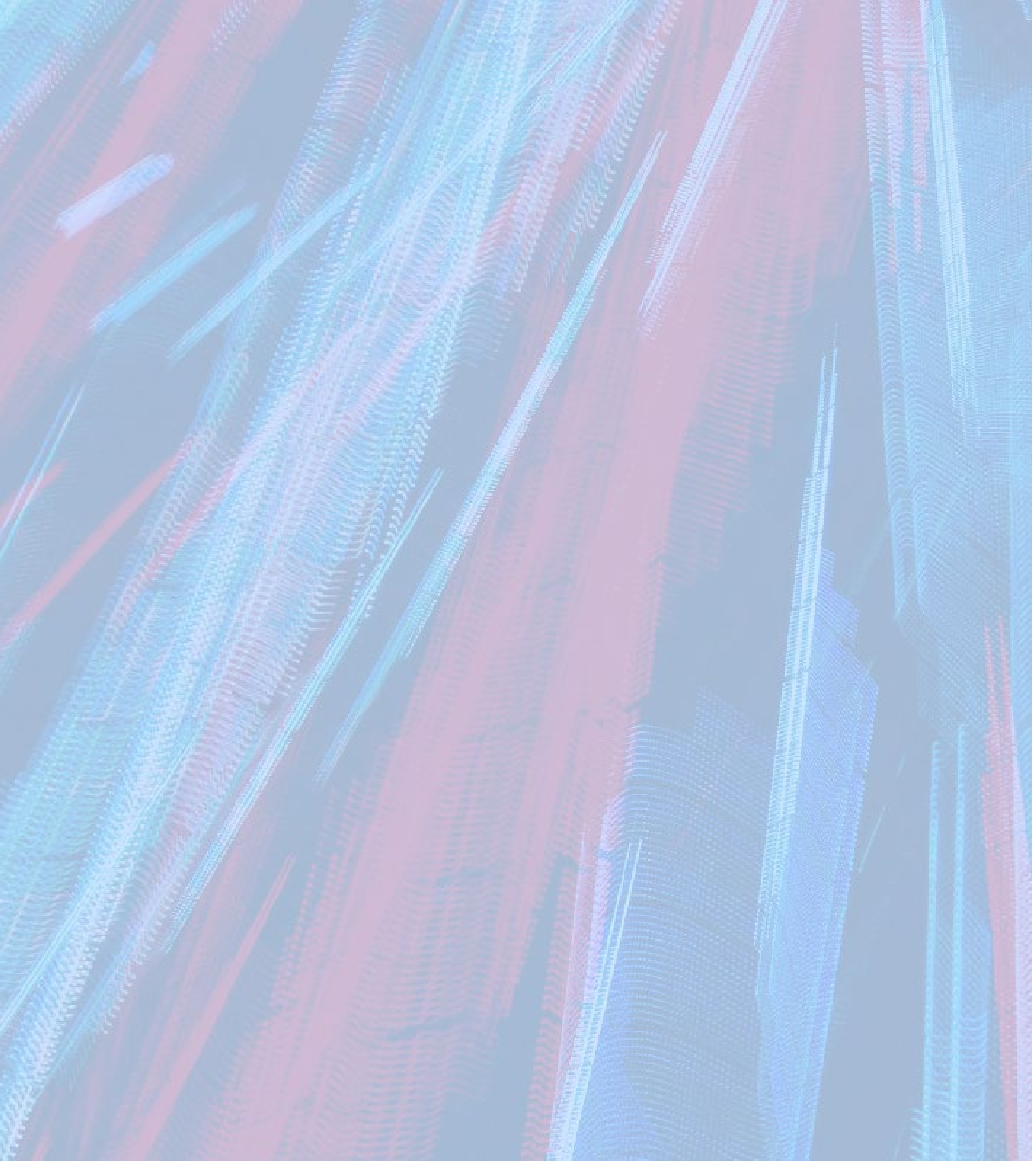
Voted #1 Practice Management Software by UK Accountants, Warwickshire based business AccountancyManager is transforming the management of accountancy professional services firms nationally. With in-built services ranging from client on-boarding and digital AML ID checks through automated record requests and document control, AccountancyManager is enabling professional services firms to achieve efficiency gains and support their digital transformation journey. Such services are ever more necessary in a Covid-19 post-pandemic world with remote working teams and restrictions on client contact typically relied upon by traditional firms. The firm has been recognised for its achievements winning numerous practice management software awards since 2017 at ICB's LUCA Awards, the 'oscars' of the book-keeping world.

LEVERAGING AI TO CREATE HIGH POTENTIAL LAWTECH START-UP

Leading law firm Gowling WLG has been innovating legal services within its real estate practice for a number of years, working in partnership with AI technology partners to create Avail. Gowling WLG used Avail's real estate due diligence products to enhance client services delivery through two primary products:

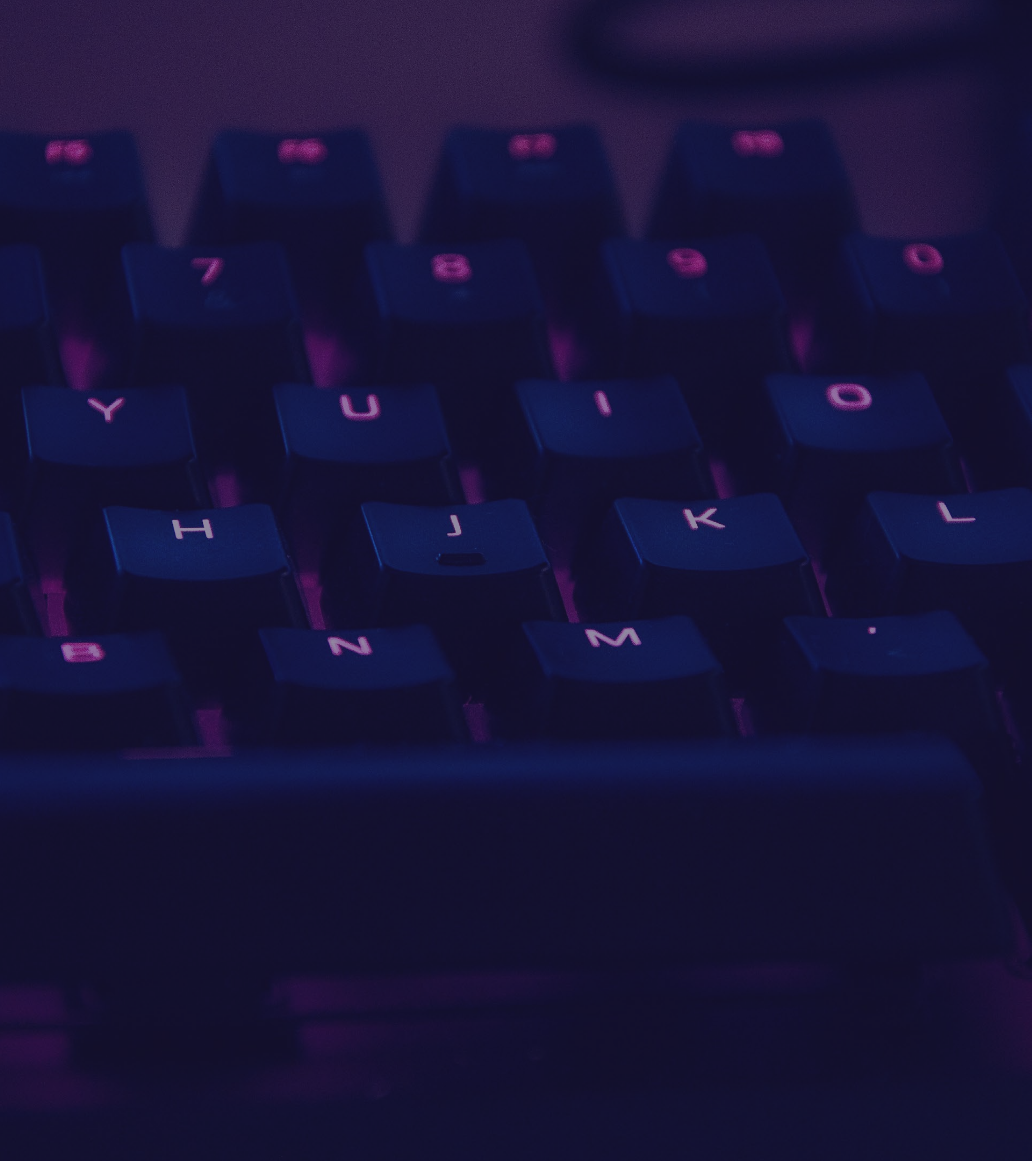
- Title Register Review App enables the instant reporting on Official Copies allowing lawyers to rapidly identify issues within a portfolio of properties and advise their client.
- Property Searches App extracts key information from multiple documents relating to a property to allow the rapid collation of a summary report, increasing the efficiency of legal services for clients.

...as well as working with the Avail team on a number of bespoke projects for clients, creating value through the partnership of lawyers and technology. In one case, the software was utilised to review more than 9,000 title documents and condense it down to a list of titles with potential for third party restrictions or involvements within a matter of hours. In 2019, Gowling WLG announced investment into Avail as a joint-venture enterprise establishing Avail as an AI solutions company, enabling products and new developments offered to the legal services market. As Birmingham Partner Michael Twining explains, *"New technologies are playing an increasingly important role in our markets and from working with the team behind Avail we know the company is at the forefront of creating innovative solutions to solve issues faced by businesses across multiple sectors."*



WEST MIDLANDS FRONTIER MACHINE LEARNING EXPERTISE DRIVING LITIGATION ANALYTICS

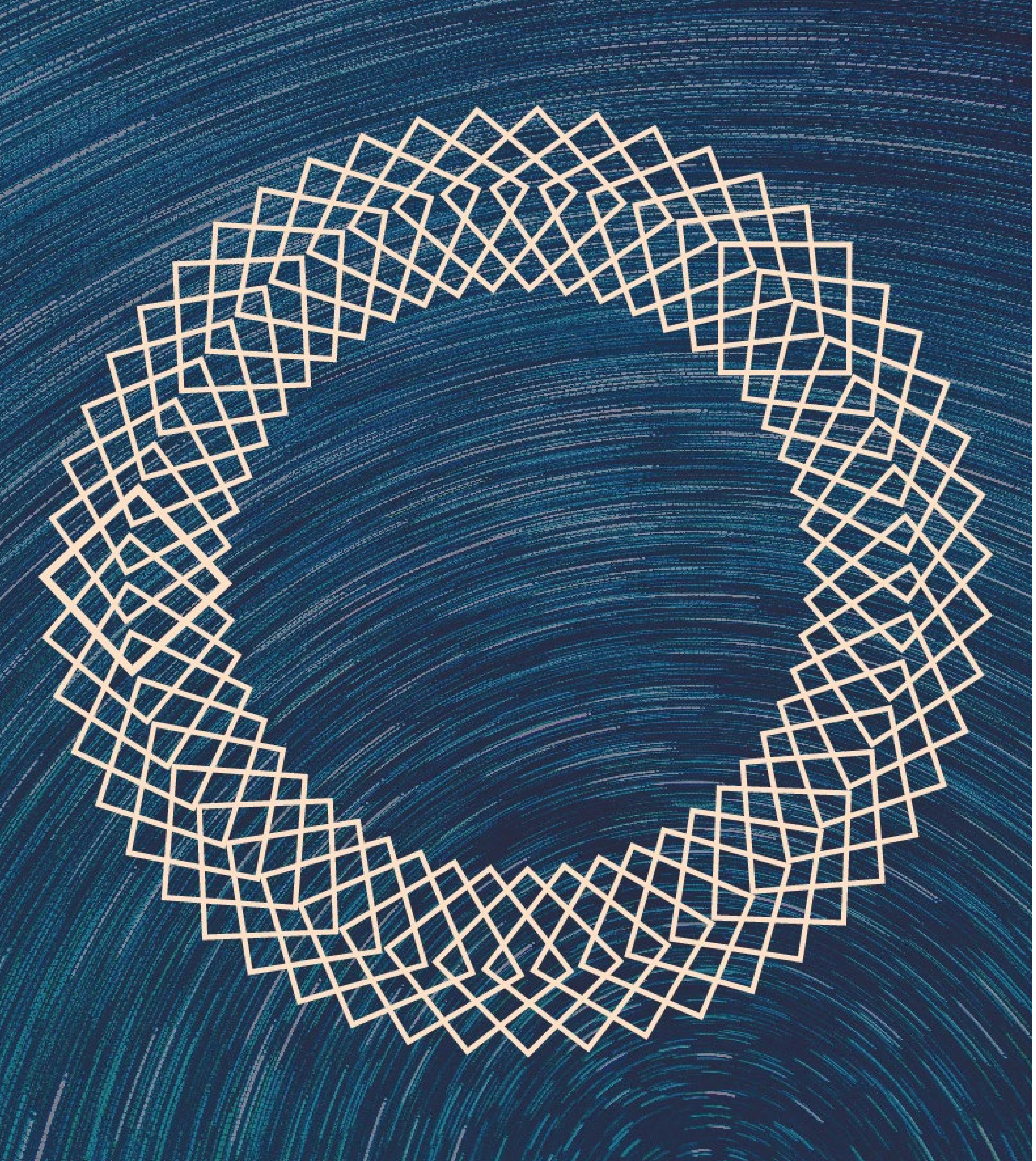
Warwick Business School, led by Professor Joe Nandhakumar, were a lead partner alongside legal services firm Herbert Smith Freehills for start-up litigation analytics firm Solomonic. Backed by Innovate UK under the Next Generation Services Challenge Fund, the consortium worked to develop the litigation analytics capabilities, signalling the importance of these tools in the future of dispute resolution. Providing frontier expertise in machine learning capabilities, Warwick Business School accelerated the value AI can play in the litigation sector, turning the enabling technology into a high value reality for practitioners through Solomonic's services.



LEGAL TECH FORUM

Initiated by The Birmingham Law Society President Inez Brown and their LegalTech committee, the inaugural virtual Legal Tech Forum took place October 2020. Delivered in partnership with regional accounting and legal services focused cloud solutions provider Oosha, circa 30 speakers addressed attendees online over 3 days of workshops. The event precedes and segways neatly into the main Birmingham Tech Week festival, showcasing the breadth and depth of tech businesses in the region.

Founded in 1818, Birmingham Law Society is the largest regional society of its kind, representing more than 5000 legal professionals across Birmingham and the Greater Midlands.



TECHNOLOGIES FOR THE BENEFIT OF THE URBAN CITIZEN

ASTUTE at Aston University brings together a broad range of technologies and capabilities that are key to the realisation of the modern smart city. At the heart of the institute's vision is the premise that technologies should be developed for the benefit of the urban citizen, contributing to an improved quality of life by enhancing mobility, creating a greener, more sustainable environment and extracting the maximum benefit from the vast quantities of data generated by modern pervasive computing systems. The research centre is a collaborative environment, enhancing the relationship between researchers from different but complementary fields and enabling them to tackle the major interdisciplinary challenges facing the modern city. This extends into the business community, bringing together academic and industrial researchers to enable a smooth flow of new technologies into the marketplace and in doing so, developing research students into the innovators and entrepreneurs of tomorrow.

PRACTICAL HELP WITH DIGITAL TRANSFORMATION FOR PROFESSIONAL SERVICES FIRMS

digital-ALLY

Innovation Alliance West Midlands in partnership with leading professional services innovation consultancy The Hyperscale Group launched digit-ALLY in May 2020. The programme looks to support professional service organisations, across the West Midlands with digital transformation. It aims to help cut through the noise of the wide array of digital services available, identify which ones are most appropriate for individual needs and how to go about putting them to use within the firm to make business better. Digital services span a variety of digital technologies including digital basics, enabling technologies, and data driven technologies. Digit-ALLY focusses on the barriers to adopting data driven technologies.

This programme was enabled by GBSLEP, on behalf of the West Midlands as part of the policy programme prioritising the busines professional and financial services sector (BPFS) within the Local Industrial Strategy Action plan. It is unique in the UK in its approach to providing sector specific support into the BPFS sector in this way.

A CITY-REDI, UNIVERSITY OF BIRMINGHAM REPORT, COMMISSIONED BY GREATER BIRMINGHAM & SOLIHULL LEP

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