

# AMCI 2013

## AUSTRALIAN MANAGEMENT CAPABILITY INDEX 2013

INDUSTRY PROFILE

## Professional services



Australian  
Institute of  
Management

## Industry profile: Professional services

### 1 About the AMCI

The AMCI has been adapted from the Management Capability Index (MCI), which was established by the New Zealand Institute of Management and has since been used in Malaysia, India and Singapore.

The AMCI is based on a chief executive officer's (or a senior business decision maker's) self assessment of ten key drivers of management capability that contribute to profitable business growth. The AMCI converts the evaluation of management performance into an index. The index can, in turn, be used to compare or benchmark between the AMCI's of organisations, ownership types and countries.

The Index shows relative management capability results across the ten categories, which are weighted to reflect their degree of importance in the AMCI (refer Table 1).

This is the first in-depth industry profile produced using the Australian Management Capability Index and forms part of the second AMCI report. This year's focus is on Professional services. It is our intention to profile one or more industries in future AMCI reports. The full results of the AMCI 2013 are available at [www.aim.com.au](http://www.aim.com.au).

**Table 1 – Weighting of ten categories of AMCI**

Category*	Weighting (%)
1 Visionary and strategic leadership	15
2 Performance leadership	10
3 People leadership	10
4 Financial management	10
5 Organisation capability	5
6 Application of technology and knowledge	5
7 External relationships	5
8 Innovation — products and services	10
9 Integrity and corporate governance	5
10 Results and comparative performance	25
<b>Total</b>	<b>100</b>

### 2 Professional services

The Organisation for Economic Co-operation and Development (OECD) defines Professional services as “Services independently performed by members of the liberal professions (i.e. physicians, lawyers, accountants, etc.) and other activities of an independent character.”<sup>1</sup> A central feature of professional services is the provision of human capital obtained through high standards of education and training.

Respondents from the industry group, *Professional services*, comprised 22.3% of the AMCI survey respondents.

<sup>1</sup> OECD, [www.oecd.org/ctp/glossaryoftaxterms.htm](http://www.oecd.org/ctp/glossaryoftaxterms.htm)

### 3 Overall results for Professional services

The overall Australian Management Capability Index for *Professional services* was registered at 71.3, slightly higher than the overall AMCI of 70.3. The highest category score for *Professional services* was 89.5 for *Integrity and corporate governance*, followed by *External relationships* (77.6) and *Financial management* (75.0). This varied slightly to the overall AMCI highest category scores with *Integrity and corporate governance* (85.6), followed by *Financial management* (76.1) and *External relationships* (75.1).

The lowest category score for *Professional services* was for the category *Results and comparative performance* (66.9), followed by *Performance leadership* (69.5). This differed to the overall AMCI category scores, which registered *Organisation capability* as the lowest (65.3), followed by *People leadership* (66.8). Notwithstanding this, the actual difference between these category scores was minimal.

The greatest variation between *Professional services* and the overall (all industries) AMCI was for the category *Organisation capability* with *Professional services* at 70.6, a variance of +5.3 to the overall category score (65.3).

**Table 3.1 Professional services – category results**

Category	Professional services	AMCI
1 Visionary and strategic leadership	70.3	68.4
2 Performance leadership	69.5	70.5
3 People leadership	70.3	66.8
4 Financial management	75.0	76.1
5 Organisation capability	70.6	65.3
6 Application of technology and knowledge	72.3	68.9
7 External relationships	77.6	75.1
8 Innovation — products and services	71.0	67.2
9 Integrity and corporate governance	89.5	85.6
10 Results and comparative performance	66.9	68.9
<b>AMCI (overall)</b>	<b>71.3</b>	<b>70.3</b>

### 4 Professional services by ownership type

The majority (52.4%) of *Professional services* organisations were recorded as Proprietary Limited.

The ownership type Not for Profit recorded the highest overall AMCI (77.2), significantly higher than the *Professional services* overall score of 71.3 (variance +5.9). Not for Profits highest individual category score was 89.9 for *Integrity and corporate governance* and the lowest score was in the category *Performance leadership* (73.3).

The highest score for the ownership type Public companies was 89.2 for *Integrity and corporate governance*. The lowest category score was 62.9 for *Organisation capability*, which was significantly below the overall score for *Professional services* in this category with a variance of -7.7.

The highest category score for Proprietary Limited companies was 90.9 for *Integrity and corporate governance* and the lowest category score was 65.7 for *Results and comparative performance*.

As with all ownership types, those organisations classified under the category *Other* registered their highest category score for *Integrity and corporate governance* (88.8). The lowest category score was 65.1 for *Results and comparative performance*.

**Table 4.1 Professional services by ownership type**

Category	Govt services (4.9%)*	Not for profit (9.7%)	Public companies (8.7%)	Pty Ltd (52.4%)	Other (24.3%)	Professional services
1 Visionary and strategic leadership		73.6	69.7	70.2	73.1	70.3
2 Performance leadership		73.3	69.3	69.2	73.3	69.5
3 People leadership		74.9	66.8	73.4	69.0	70.3
4 Financial management		85.7	78.6	73.9	76.3	75.0
5 Organisation capability		79.0	62.9	72.9	72.2	70.6
6 Application of technology and knowledge		75.9	73.6	73.5	74.8	72.3
7 External relationships		80.4	75.9	77.2	80.3	77.6
8 Innovation — products and services		76.9	66.2	73.0	75.2	71.0
9 Integrity and corporate governance		89.9	89.2	90.9	88.8	89.5
10 Results and comparative performance		75.2	74.2	65.7	65.1	66.9
<b>Professional services (overall)</b>		<b>77.2</b>	<b>72.2</b>	<b>71.6</b>	<b>72.4</b>	<b>71.3</b>

\* Only 5 respondents in this category therefore Government services is not included in the individual category analysis

**Figure 4.2 Ranked Professional services by Ownership type**



## 5 Professional services by Annual \$ turnover

The majority (62.1%) of Professional services organisations identified as having an annual turnover range of \$0–10 million.

All annual turnover ranges recorded their highest category scores in the category Integrity and corporate governance.

The lowest category scores for each annual turnover range were recorded as follows: 0–10 million, *Results and comparative performance* (66.3); 11–50 million, *Visionary and strategic leadership* (55.9); 101–200 million, *Performance leadership* (60.2); and 200+ million, *Organisation capability* (62.5).

**Table 5.1 Professional services by Annual \$ turnover**

Category	\$ millions					Professional services
	0–10 (62.1%)	11–50 (15.5%)	51–100 (3.9%)*	101–200 (5.8%)	200+ (12.6%)	
1 Visionary and strategic leadership	72.7	55.9		60.7	68.6	70.3
2 Performance leadership	72.3	59.4		60.2	68.0	69.5
3 People leadership	76.2	58.2		60.5	67.3	70.3
4 Financial management	74.8	70.4		64.9	83.0	75.0
5 Organisation capability	76.2	57.7		61.5	62.5	70.6
6 Application of technology and knowledge	74.5	66.5		61.9	71.7	72.3
7 External relationships	79.0	68.5		77.2	78.3	77.6
8 Innovation — products and services	76.1	57.2		60.7	66.3	71.0
9 Integrity and corporate governance	91.0	86.5		85.1	91.1	89.5
10 Results and comparative performance	66.3	61.5		63.0	70.3	66.9
<b>Professional services (Overall)</b>	<b>73.5</b>	<b>62.2</b>		<b>63.8</b>	<b>71.5</b>	<b>71.3</b>

\* Only 4 respondents in this category therefore the Annual \$ turnover range 51–100 is not included in the individual category analysis.

**Figure 5.2 Ranked Professional services by annual turnover**



## 6 Professional services by Number of Employees

The majority (50.5%) of Professional services organisations identified as having between 0–25 employees.

Organisations with number of employees in the 101–200 range scored significantly below the overall Professional services score (variance - 11.8). This employee range (101–200) also scored significantly lower in comparison to the category scores for Professional services in all ten categories.

All number of employees groups scored the highest in the individual category Integrity and corporate governance.

The lowest individual category scores for organisations according to employee numbers were as follows: 0–25 employees, *Results and comparative performance* (63.6); 26–100 employees, *Application of technology and knowledge* (58.3); 101–200 employees, *Visionary and strategic leadership* (50.9); and 500+ employees, *Organisation capability* (62.0).

**Table 6.1 Professional services by Number of Employees**

Category	0–25 (50.5%)	26–100 (19.4%)	101–200 (6.8%)	201–500 (3.9%)*	500+ (19.4%)	Professional services
1 Visionary and strategic leadership	71.9	71.9	50.9		69.5	70.3
2 Performance leadership	71.8	65.9	55.7		67.4	69.5
3 People leadership	75.2	73.0	57.2		65.1	70.3
4 Financial management	74.8	64.0	64.6		77.4	75.0
5 Organisation capability	75.9	67.8	57.0		62.0	70.6
6 Application of technology and knowledge	75.5	58.3	61.6		71.6	72.3
7 External relationships	76.9	79.2	68.9		78.0	77.6
8 Innovation — products and services	75.4	69.9	52.3		66.6	71.0
9 Integrity and corporate governance	88.8	93.7	82.7		89.0	89.5
10 Results and comparative performance	63.6	76.4	61.6		70.3	66.9
<b>Professional services (Overall)</b>	<b>72.3</b>	<b>72.1</b>	<b>59.5</b>		<b>70.7</b>	<b>71.3</b>

\*Only 4 respondents in this category therefore the Employee range 201–500 is not included in the individual category analysis.

**Figure 6.2 Ranked Professional services by Number of Employees**



## 7 Conclusion

The overall AMCI for *Professional services* (71.3) is slightly higher than the aggregated overall AMCI (70.3). In the main, trends in management capability within the *Professional services* sector reflect the trends in the aggregated AMCI scores. However, *Professional services* respondents assessed themselves as more capable in the category *Organisation capability* (70.6) in comparison to the aggregate score (65.3).

Of note is significant variation in perceived performance within different segments of the *Professional services* sector. Organisations in the Not for Profit ownership type sat above the other ownership types in their overall AMCI (refer Figure 4.2).

When disaggregated according to size (both in terms of Annual \$ turnover and number of employees), small organisations and very large organisations fared better than those mid-range organisations (refer Figure 5.2 and Figure 6.2). This variation in perceived performance may warrant future examination.