

**Small and
Medium Practices
Committee**

Information Paper
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The Role of Small and Medium Practices in Providing Business Support to Small- and Medium-sized Enterprises



**International Federation
of Accountants**

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THE ROLE OF SMALL AND MEDIUM PRACTICES IN PROVIDING BUSINESS SUPPORT TO SMALL- AND MEDIUM-SIZED ENTERPRISES

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Preface

The IFAC Small and Medium Practices (SMP) Committee is pleased to issue this Information Paper. The Paper analyses the literature and evidence base on the role of accounting practices, and in particular small and medium practices (SMPs) in providing business support to small- and medium-sized enterprises (SMEs).

This research, which was commissioned by the IFAC SMP Committee, was prompted by the apparent shift in the market away from traditional statutory compliance type services towards satisfying a demand from SMEs for services of a business advisory nature. The aim of the paper is to examine the evidence as to what services are being provided and to better understand the relationship between SMPs and SMEs.

It is anticipated that this paper will provide a useful and helpful reference point for member bodies of IFAC in developing policy, training and products to meet the growing needs of SMPs in providing these services to SMEs.

The IFAC SMP Committee welcomes readers to visit its International Center for Small and Medium Practices (the Center) at <http://www.ifac.org/smp>. The Center hosts a collection of relevant links to free resources from IFAC member bodies and others at http://www.ifac.org/SMP/relevant_links.php, including a category devoted to business advisory, and the SMP/SME Discussion Board at <http://web.ifac.org/forum/SMP/1> where readers may submit their views on the Paper.

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Executive Summary

- The aim of this Information Paper is to provide an analysis of the literature and evidence base on the role of small and medium practices (SMPs) in the provision of business support to small- and medium-sized enterprises (SMEs). Specifically, the paper seeks to examine the content and motivations of the SMP-SME relationship on the provision of advice to SMEs, over and above statutory compliance services; identify gaps in the knowledge base on the SME-SMP relationship.
- The main methods of investigation for this Paper include an extensive literature review and original evidence drawn from interviews with six accountants across the world. Collectively, the results will feed into identifying gaps in the evidence base and provide suggestions further research.
- The literature covering SME-accountant relations is extensive and spans academic, government and practitioner fields. Some of the literature involves exhortation and presents literature on how the world should work rather than being grounded in evidence. Future research reexamining this literature should provide much more robust evidence.
- SMEs constitute the overwhelming majority of private sector enterprises in developed and developing economies. However, because of limited capacity and expertise in-house, they frequently seek external advice and support. This external sourcing of advice and support by SMEs tends to be driven by necessity. Takeup of advice and support is limited by its financial cost, a reluctance by owner-managers to spend time on listening to advisors and for some owner-managers, is an outward sign of their managerial weaknesses: the very antithesis of “going it alone” and “standing on one’s own two feet.”
- The literature suggests that the environment for advice and support is a derived demand: that is, it is contingent on a combination of the external market environment, regulatory and jurisdiction conditions and behavior of owner-managers to seek external advice.
- Evidence suggests that this marketplace is booming as the number and variety of SMEs is expanding, their markets are dynamic and the range of regulatory requirements for businesses is growing.
- Clearly, accountants are shown to be the most popular source of external advice and support for SMEs. It is often assumed in the literature that these accountants serving are SMPs. Although this is a general condition, some SMEs use larger accountancy practices and some SMPs serve larger organizations. Research should be more precise when reporting on the size and type of advice provided in these relationships.
- Historically, the SMP-SME relationship is regarded as being underpinned with the need for SMEs to have statutory audit and this necessary relationship provided a foundation for subsequent advice and support. From the SME relationship, the factors underpinning a strong SMP-SME relationship include competency, trust and proximity. The evidence that does exist regarding these factors, as a basis for extending the SMP-SME relationship, is ambiguous.
- The strategic intent and capabilities of SMPs was deemed significant in the development of the SMP-SME relationship. It is likely, however, that their in-house capabilities to deliver

technical advice across a variety of business operations (e.g. HRM, succession planning, marketing) will be limited compared with larger practices. This suggests a need to use a referral system. However, the interviews with accountants found this to be underdeveloped.

- Interviews with six accountants supplemented the literature review and emphasized the importance of SMPs as key advisers to SMEs. SMPs relied mainly on referrals for clients and few had proactive marketing strategies. Whilst this had worked in the past, given the changes in the marketplace it may be worth examining for the future.
- The interviews highlighted the view that the SMP-SME relationship was changing. There is a changing regulatory environment; growing competition from new entrants to the advice marketplace; and the capability of SMPs themselves to provide specialist advice. The removal of a statutory audit meant that conventional thresholds for advice and subsequent SMP-SME relations were now dissolving and new relationship models were emerging.
- The analysis of the literature and original evidence expose a number of gaps in our knowledge base on the SMP-SME relationship. As a result a number of suggestions are made for further research. These include an international benchmarking study on the SMP-SME relationship which would elicit aspirations, experiences and evidence from both parties; their relationship models; patterns of referrals; and future developments.
- Overall, the research presented in the Paper suggests that the accountancy profession has and continues to be, undergoing changes in terms of their market place and in the regulatory environment of their different jurisdictions. However, it is also implied that SMPs will have to change significantly in terms of their competencies base, methods of working and referral models. Hence, the findings in this Paper and the recommendations for further research have significant implications for the support bodies for accountants and their SMP members.

Introduction

The Context of the SMP-SME Relationship

In order to understand the role of small and medium practices (SMPs) in providing business support to small- and medium-sized enterprises (SMEs),¹ it is important to set out the general context within which this key role operates. SMEs are now crucial to most developed and developing economies. For example, in the European Union, SMEs contribute to over 99% of all enterprises and 100 million jobs, representing 67.1% of private sector employment. Extant theory and evidence demonstrates that owners and managers of SMEs utilize external sources of advice and support services primarily because of a gap in their internal resource base. SMEs need to have competencies in order to survive in a changing environment (e.g. Penrose, 1959; Teece et al., 1997) and buying-in resources, in terms of advice and support, is a dominant approach for their survival and development. It is this resource gap and changing environment faced by SMEs that creates a role for SMPs as key business advisers. The type, nature and future of this role is, however, open to question.

From an advice and support *demand side* perspective, it is widely recognized that SMEs draw upon the service of professional accountants in order to comply with statutory audit and taxation matters (IFAC, 2008; Professional Oversight Board, 2009). Research also suggests that SMEs draw upon accountants for noncompliance advice, although this aggregate picture masks some variations in takeup between SMEs and the dynamic nature of this market (Gooderham et al, 2004). Indeed, the evidence base shows that accountants are invariably the most frequently used source of advice out of all advice providers, private and public, if not the first choice by SMEs. Even though compliance requirements vary between different jurisdictions, it is often assumed that the prominence of accountants in SME external relations is universal. How universal such patterns of external advice seeking behavior remains open to question. There will inevitably be variations within the SME population. For example, amongst larger SMEs it is sometimes argued that the resource constraints are relaxed and they do not use external accountants so frequently because they may employ their own accountant and other senior management team members will deal with other strategic and operational issues.

However, the SME market is also very dynamic. The market conditions and regulatory environment within which SMEs are operating is constantly changing and as a corollary, the demand for business advisory services will also be evolving. Government regulatory changes in the requirements for a statutory audit is probably the most pertinent issue, but other factors are also affecting the demand for advice and support such as the need to meet other regulatory requirements as well as coping with threats and opportunities in the marketplace. This presents new challenges and opportunities for the providers of advice and services. Accountants are in a strong position to fulfill the needs of SMEs, but it is important that the advice and services they provide are fit for purpose, that is relevant, timely and of high quality.

SMEs themselves are a heterogeneous group, possessing different size, age, sector, location and growth profiles as well as run by owner-managers with different capabilities and motivations (e.g. Johnson et al., 2007). These characteristics inevitably influence the type of external service

¹ Since this paper looks at business support services the focus is predominantly on for profit businesses, that is “enterprises,” rather than “entities” more broadly.

provision they will seek. The statutory requirements and regulatory regimes in which SMEs operate have also changed over time. For example, in a number of jurisdictions, whilst there has been a relaxation in the statutory audit provisions, there have been changes in regulation in other areas, such as employment rights and environmental regulations. Despite movements to reduce the regulatory “burden” on SMEs (International Bank for Reconstruction and Development/The World Bank, 2009) the market for advice and support is substantial. In the UK, for example, it is estimated that businesses spend at least £1.5bn to help them deal with regulations (Department of Business, Enterprise and Regulatory Reform (BERR), 2007).

It is into such a dynamic environment and marketplace that accountants, and particularly SMPs, seek to provide advice to businesses. Hence, the market for advice, deriving from regulations that affect SMEs, is constantly changing. Given the change in the market conditions for advice this has led many accountants to enter into providing a wider range of services to SMEs. This has major implications for those accountancy practices seeking to engage with SMEs (e.g. Blackburn, Carey and Tanewski, 2010; Blackburn, Eadson, Lebreve and Gans, 2006; Fogarty, Radcliffe and Campbell, 2006; Jones and Abraham, 2007; 2008). Over time, the amount and type of advice from accountants has evolved according to both the *needs* of SMEs and the *strategic intent* of accountants (Doving and Gooderham, 2008).

It is often assumed that the overwhelming majority of accountants used by SMEs are small and medium-sized accountancy practices (SMPs). The SME – SMP relationship is thus regarded as a *necessary* relationship because SMEs need to produce documentation to comply with government regulations, for example audited financial reports, and will turn to SMPs to produce these statements. Research has also demonstrated that the SME-SMP relationship, established as a result of compliance work, also has the *potential* to lead to the provision of non-compliance advice and support (Blackburn et al., 2010; Carey, Simnett and Tanewski, 2005; Gooderham et al., 2004).

It is, however, recognized that a significant proportion of the clients of large accounting practices – the “Big Four” and second tier practices – are SMEs. The extent of their involvement, however, varies depending upon the nature of the market for accounting and other business services in various jurisdictions. These practices are more likely to have resources and the benefits of economies of scale to generate services and products to meet the accounting and other specialized support needs of their clients. SMPs, in contrast, do not have the resources to produce all the services and products required to meet their SME clients’ needs. Typically, SMPs rely on their member bodies to produce these themselves, or through IFAC. The focus of this paper will be on SMPs because of their lesser capabilities of resourcing their practices themselves in meeting SME client needs.

Whether or not SMPs have been able to respond to the changing demand conditions for advice is open to debate. For example, SMEs may turn to their SMP for advice over noncompliance matters including planning and succession issues. They may also be turning to their accountant to help them meet other forms of compliance matters such as health and safety and environmental regulations. This may be based on cost grounds, as well as the fact that they already have an established relationship:

Where advisors such as accountants have an existing relationship with a business it may be easier to go to them for advice on regulations rather than searching for government sources of information. In other words, there are search costs associated with finding out about how to comply with regulation and, if government sources of information are not well known these costs are greater and make the alternative of using business advisors relatively more attractive. (BERR, 2007: 9–10)

However, SME-SMP relations may be underdeveloped and be a result of chance rather than SMPs' strategy. As such, there may be room for development by the SMP to extend and deepen their relations with their SME clients, beyond compliance services. In other words, as previously emphasized, the market for advice and support is constantly changing as a result of market and regulatory dynamics. Whether or not SMPs are able to meet these new demands and move from providing conventional audit and taxation services, to become more comprehensive business advisers is a challenge (Marriott et al., 2008). This strategic shift may be a matter of necessity rather than choice for SMPs as the market for basic services becomes increasingly competitive in some jurisdictions.

The accountancy industry has undergone dramatic changes in the provision of statutory, compliance work. For example in the UK the number of registered audit firms has been gradually declining. The overall number of audit firms registered in 2008 (8,179) is 25.7% lower than the number in 2003 (11,006).² Related to this, in terms of fee income for many accountancy practices, the picture has also changed. For example, in the UK over the past five years, the “Big Four” have experienced a steady increase in the proportion of fee income from non audit work for non audit clients. In contrast their fee income from non audit work to audit clients has been falling.

The context of this paper, therefore, is a changing environment and the implications for accountancy practices, particularly small and mediums sized practices (SMPs), as key sources of advice and support for SMEs. Against this broad context, the next section of the paper will set out the specific aims of the paper before it then provides a detailed analysis of the literature and evidence on the SME-SMP relationship.

Aims of the Paper

The aim of this Information Paper is to provide an analysis of the literature and evidence base on the practices of SMPs in the provision of business support to SMEs. Specifically, this paper will:

1. Examine the content and motivations of the SMP-SME relationship with specific focus on the provision of advice to SMEs, over and above statutory compliance services;
2. Identify gaps in the knowledge base on the SME-SMP relationship drawing upon extant literature and original evidence. This may result in recommendations for further research; and
3. Suggest ways in which SMPs may develop their relationship with SMEs drawing upon the original evidence and literature review.

² Key Facts and Trends in the Accountancy Profession, July (Professional Oversight Board, 2009).

The SME–SMP Relationship: Definitional Issues

Defining the Small- and Medium-sized Enterprise (SME)

There are varying worldwide definitions of what constitutes an SME although they tend to use the same metrics of employment, turnover and asset base. For example, the European Union defines a SME made up of enterprises which employ fewer than 250 persons (micro 1–9; small 10–49, medium 50–249) and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro (EU, 2005).³ In the USA, the employment size threshold is 500 people, with small firms employing 100 people (SBA, 2009).⁴ IFAC has chosen to define small and medium-sized entities (SMEs) as “entities considered to be of a small and medium size by reference to quantitative (for example assets, turnover/employees) and/or qualitative characteristics (for example, concentration of ownership and management on a small number of individuals). What constitutes an SME differs depending on the country.” (IFAC 2010)

Defining the Small and Medium Practice (SMP)

The term SMP has much less widespread currency than SME, despite the fact it is prevalent amongst accountancy bodies, especially of an international standing. Although providing a precise global definition of an SMP is fraught with difficulties IFAC has chosen to define SMPs as “accounting practices whose clients are mostly SMEs, external sources are used to supplement limited in-house technical resources, and contain a limited number of professional staff. What constitutes an SME differs depending on the country.” (IFAC 2010)

An underlying reason for defining SMPs is to provide a distinctiveness and identity from the second tier and large accountancy organizations (including the “big four”). The SMP distinctiveness also provides a basis for the membership organizations such as IFAC and regional organizations, such as, Confederation of Asian and Pacific Accountants (CAPA) who provide resources through services and products to various interest groups within their organizations and thereby can assess the proportion of resource provided to such groups. Many organizations for the profession also provide an important lobbying and advisory function on behalf of SMPs to government and regulatory bodies at national and international level. In the case of IFAC their SMP Committee was established by the IFAC Board to represent the interests of professional accountants operating in SMPs and other professional accountants who provide services to SMEs. The committee investigates ways in which IFAC can respond to the needs of small of medium practices, whose clients are mostly SMEs.⁵

³ See http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm for a discussion of the EU definition and its implementation.

⁴ See http://www.sba.gov/advo/research/sb_econ2009.pdf for a discussion of SMEs in the USA and a discussion of latest developments.

⁵ For more information see <http://www.ifac.org/smp>.

Methods of Literature Searching and Primary Data Collection

This paper draws upon an extensive search of the literature and following an initial identification of evidence base “gaps,” a series of interviews with accountants. The literature search which has formed the main basis for this information paper involved trawling a number of content databases, plus hard copies of books, monographs and reports pertinent to the objectives of the review. The databases included: Google, Google Scholar, and Athens databases that covered worldwide sources.

The search items included a variation of the use of the terms: SME; SMP; Accountants; Accountancy Advice; Services. The search was conducted during August and September 2009 and involved numerous iterations and controls within searches. The precise literature on the SME-SMP relationship using these search terms, however, produced relatively few specific articles compared with broader searches on the SME-accountant relationship. As with other studies of the SME-accountant relationship (Samujh and Devi, 2008), the search found the bulk of the literature was Anglo-Saxon and derived from UK, European and Australian sources.

The six audio-recorded interviews with accountants from different countries were conducted in Dec2009–Jan2010. These were undertaken in order to explore some of the emerging issues from the literature review, provide further detailed evidence on the views of accountants from SMPs on the changing nature of their relations with SMEs within differing jurisdictions. The interview practices were drawn from Brazil, Italy, Malta, Romania, Sweden and the USA. All of the interviewees were partners within their organization and all but one was a small or middle tier practice. The interviews lasted between 45 and 90 minutes. Obviously, the results from such fieldwork should be treated with caution because of their limitations in terms of the ability to draw definitive or conclusive generalizations. However, the interviews enabled the collection of exploratory evidence that was aligned to the specific research questions in the study.

Collectively, the literature review and the original evidence presented form a basis for a stock-taking of where we are in our knowledge base, highlighting any gaps, and thus inform a subsequent research agenda.

The Literature on SME-Accountancy Relations

The literature covering SME-accountant relations spans academic, government and practitioner fields. Essentially, there is a well developed corpus of literature that has considered various aspects of SME-accountant relations. There is also a large amount of information and marketing literature from accountants and accountancy professional bodies themselves, much of it available on the web and free of charge. Examples include ACCA (2009) and links to these websites can be found at: http://www.ifac.org/SMP/relevant_links.php

Within the literature, the specific term *Small and Medium Practice* (SMP), as previously mentioned, is relatively scarce and has only recently gained currency amongst professional bodies and is almost absent in the academic literature. For example, a search in Google Scholar produced only 267 results using the research term SME SMP accountant and most of the results within this were irrelevant or tangential to the study.⁶ The search produced only 35 results from 2006–2009.

⁶ The search was conducted in September 2009. The search was compounded by the use of the acronym SMP to cover Supplementary Minimum Price, System Marginal Price, etc.

Broadly, however, there is a substantial amount of literature on the SME-accountant relationship, spanning conceptual and empirical analyses. In this review, we classify the literature into the following:

- That which seeks to *understand the demand* for business advice by SMEs from accountants;
- that which provides an *examination of the provision* of advice by accountants and SMPs.

Following this analysis, the gaps in the literature and implications for future research will be identified, with a view to identifying the need for primary data collection and subsequent research activities.

The Demand for Business Advice by SMEs

In examining the demand for external business advice and support by SMEs from SMPs, it is important that the broader context of business advice seeking by SMEs is presented. There has been a growing literature on the motivations and advice seeking activities of owner-managers. Essentially, this literature points to the reluctant, or at best circumspect, behavior of owner-managers in *readily* seeking advice. The reasons for this appear multifaceted.

Curran and Blackburn (1994) found that owner-managers tended to want to “go it alone” rather than expose their problems to outsiders, depicting this in a “fortress enterprise” mentality. The reasons for this were based on the psychology of owner-managers, a need to “stand on their own two feet” and avoid showing weaknesses; the opportunity cost and financial cost of taking on advice; and the often held view that the quality of advice that was available was irrelevant or poor. Such findings are supported by Shaw (2006).

However, as pointed out “...the growth in business services has been spectacular in most countries” (Bennett and Robson, 1999:155) and the marketplace for advice and support is plentiful – attracting private and public sector agents. Whether or not this has subsequently helped encourage a demand for advice is debatable. Yet, it is likely that the *range* and *quality* of advice available has been a result of a growing demand deriving from the information needs of owner-managers of SMEs, in order to fulfill their regulatory obligations and day-to-day and strategic challenges.

A priori, there is a strong case that SMEs require external support and advice because of the absence of in-house expertise. This is especially the case when there is change within the enterprise, such as growth, succession or takeover, or an external environmental change. Research has found that a major stimulant for SME external advice has been growth in the amount of government regulation and demands by SME clients for monitoring and quality control. This is not merely confined to financial compliance. A number of studies have identified the growth in the amount of regulation (e.g. Small Business Research Centre, 2005) and this has generated a *derived demand* for external advice and support, such as in relation to employment, health and safety and environmental regulations (Open University, 2009).

The Role of Accountants as External Advisers

The research literature examining the SME-accountant relationship covers both empirical and discursive approaches. Without doubt, accountants are the most used professional external advice bodies by SMEs. The survey based literature demonstrates this and the phenomenon

appears to be broadly universal (Table 1). Evidence from developing economies also reveals the significance of the role of the accountant, although these economies are often hampered by the lack of appropriately qualified individuals to provide accountancy and related advice (Fernandes and Matto, 2009).

Table 1: Accountants as Sources of Business Advice

Researchers	Accountants as Source
Jay and Schaper (2003)	93%
Berry et al. (2006)	85%
Robson and Bennett (2000)	83%
Bennett and Smith (2002)	74%
SERT Team (2007)	61%
Carter and Mason (2006)	57%
Gooderham et al. (2004)	45%
Kirby et al. (1998)	37%

Note: Comparisons should be treated with caution because of the different methodologies, including questions asked to ascertain these figures. In some cases these may include all services whilst other may cover only financial services.

More recent evidence (Open University, 2009) underlines the significance of accountants in the broader advice market and the usefulness of this for owner-managers (Table 2). The evidence also shows that micro firms tend to use accountants less than small firms (i.e. up to 249 employees) although this is not a simple linear relationship. It is also notable in the report that owner-managers continued to emphasize the significance of face-to-face in this relationship despite the rise of internet based sources (Open University 2009: 16).

Table 2: Proportion of Helpful Business Advice or Information from Each Source over Past Year, by Number of People Working in the Business

Number of people working in business:	1	2	3–4	5–9	10–19	20+	All
Your accountant	46%	47%	63%	52%	59%	56%	55%
Business/Trade connections	45%	48%	55%	48%	54%	55%	51%
Media	37%	38%	38%	35%	41%	36%	37%
Family and friends	31%	31%	37%	37%	33%	22%	33%
Business networks	24%	29%	30%	24%	34%	39%	30%
Government-funded services	18%	18%	26%	22%	30%	32%	25%
Your bank	13%	18%	20%	24%	32%	25%	24%
Other business advisors	10%	9%	16%	17%	23%	33%	19%
Other	3%	1%	3%	5%	4%	5%	4%
Sample	67	94	152	263	133	111	834
Any	88%	91%	95%	95%	93%	95%	94%

Source: Open University (2009, p14).

Whilst the above presents accountants in a strong position, merely “counting” the number of links with accountants for business advice tells us very little about the motivations of owner-managers for contacting accountants, or the content and type of advice received.

Many surveys also fail to distinguish the purchase of services for compliance work compared with noncompliance work and few disaggregate the types of advice received. Nor do such counting exercises indicate the history of the accountant-SME relationship, its longevity and the interconnectedness of compulsory services (such as regulatory compliance, auditing and tax) with voluntary advice seeking.

It is also notable that this research base also tends to omit the size of the accountancy practice – a crucial omission if SMPs are to be investigated. What evidence that does exist is unequivocal. For example, Marriott et al., (2008) found that some of their small firms were drawing upon the big “10” for their services (p13). In other words, there is a paucity of evidence on the size of the accountant in the SME-accountant relationship thus rendering analyses of how SMPs link to SMEs problematic. Thus, assumptions of a *size homogeneity* or vertical market segmentation between SMEs and SMPs: that is that SMEs prefer small accountancy practices for advice, or SMPs are only targeting SMEs, may not be the case.

The SME population is extremely heterogeneous and this is reflected in their advice seeking requirements. Evidence does show that the frequency of meeting the accountant increases with size of SME (Berry et al., 2006; Samujh and Devi, 2008). Others have made variations between age, growth rates and size of firm in relation to using external advisers, including accountants (e.g. Berry et al. 2006; Robson and Bennett, 2000). However, empirical studies are inconclusive regarding the statistical association between business advice from their accountant and performance (e.g. Robson and Bennett, 2000; Carey et al., 2005).

The Motivations and Reasons for SMEs' Use of Accountants as Business Advisers

Although aggregate data demonstrates the scale of advice seeking by SMEs from accountants, the actual motivations for doing so require unpacking. An overview of the literature suggests three broad issues that relate to the accountant/SMP:

- Competency
- Trust
- Proximity and responsiveness

We will now discuss each issue in turn.

Accountants as a Source of Business Competency

SMEs and particularly micro and new firms do not have in-house provision of across the range of managerial expertise required to run and business effectively, including financial management (Brown. et al., 2006). They also require external accountant where there is an audit requirement. In the UK for example, Collis (2003) suggested that 85% of companies used an external accountant for statutory account preparations. Hence, a main reason for the use of external accountants as source of advice is for their technical competencies and expertise for statutory audit and taxation services; and most SMEs draw upon external accountants for their financial management skills (Robson and Bennett, 2000; Collis and Jarvis, 2002; Gooderham, 2004; Samujh and Devi, 2008).

Competency, from the perspective of many SME owner-managers, may not resonate with their accountant holding relevant paper qualifications. A number of studies found that it was a demonstration of technical competency rather than a qualification that was important in the continuation of the relationship (e.g. Marriott et al., 2008).

	Less than £250,000	£250,000– £999,999	£1m– £5.6m	£5.6m– £22.8m	Sample
Preparation of statutory financial accounts	81%	92%	87%	73%	84%
Completion of other tax returns	62%	71%	64%	56%	64%
Management accounting	19%	26%	22%	11%	20%
Pension planning and advice	6%	17%	17%	20%	14%
VAT administration	13%	10%	8%	5%	9%
Bookkeeping	16%	12%	4%	2%	9%
IT	1%	5%	2%	1%	2%
Other	11%	12%	19%	21%	16%
Sample	160	155	180	85	601

Source: SERTeam (2005).

Although accountants have expanded their range of services to SMEs over time (see final section), the available evidence on the takeup is patchy, and continues to be dominated by statutory and financial advice. For example, the SERTeam (2005), drawing upon a UK sample of SMEs, found a variety of services to be provided by their accountants but these were within the broader function of financial management (Table 3).

Historically, the demand for accounting services has been termed a “distress purchase,” that is something that is necessary because of statutory requirements (Keasey and Short, 1990). Hence, whether or not statutory service provision then generates subsequent advice seeking, for example on human resource, payroll, environmental, health and safety issues, and thus opportunities for accountants is open to debate. Despite a recognized absence of in-house expertise, some analysts suggest that SMEs do not take up the potential noncompliance services provided by accountants (e.g. Gooderham et al., 2004) and point to an earlier specific demonstration of competency by the accountant before further services may be requested.

One proposition in the literature is that where accountants have demonstrated their technical competency in compliance work, they may then be called upon for noncompliance advice and

support. This tends to be supported by some studies. For example, Gooderham et al. (2004) and Carey and Tanewski (2009) found a link between *competency* related to statutory services and takeup of nonstatutory services, although this is by no means a guaranteed path of relationship extension and competency alone may not be enough.

Using a qualitative approach and drawing upon interviews with 16 company directors and 14 accountants, Marriott et al., (2008), found that SMEs drew upon their accountants for a range of financial management services. However, they found contrasting views between the SME and the accountant on how useful the financial advice was for the business. In the relationship, managers from SMEs regarded professional qualifications as less important than the *personalities and timeliness* of advice and support.

Burke and Jarratt (2004) found that accountants were used for tax matters, reporting practices and purchasing decisions but tended to be consulted on strategy only after the event. In other words, accountants were not regarded as credible advisers for *strategic matters*.

Accountants have been seen to be out-of-touch with their SME reality (Back, 1981; Cameron, 1991). It would be good to revisit these claims and to find out what services accountants provide and what actions they take to ensure they provide quality advice and services. (Samujh and Devi, 2008: 9)

In contrast, Deakins, Logan and Steele (2001) found that financial management decisions are often dynamic processes and based on relationships with external advisers, including accountants. These relations were found to be particularly crucial during the early stages of business development.

Clearly, there appears to be mixed evidence regarding the competency of accountants in relation to the scale and type of provision of compliance and noncompliance advice to SMEs. In attempting to reconcile this contrary evidence base, it is likely that there is a variety of experiences linked to the diversity of needs amongst SMEs and *their* personal experience of dealing with *their* accountant.

What can be deduced from this review is that the further the distance an accountant is from providing statutory financial services, the more challenging this is likely to be for the accountant. Even with an existing relationship, accountants will have to convince clients of their expertise and competency in noncompliance services. They will also be competing with other sources of advice, both public and private, when they are outside the “comfort zone” of audit and taxation advice.

Finally, there appears to be little evidence on the specific advantages or disadvantages of SMPs in relation to technical competency beyond the provision of noncompliance services. It is likely, however, that their in-house capabilities to deliver technical advice across a variety of business operations (e.g. HRM, succession planning, marketing) will be limited compared with larger practices.

Trust and the SME-Accountant Relationship

A key determinant of the takeup of noncompliance services from external advisers is the development of trust. (Bennett and Robson, 2004; Gooderham et al., 2004; Blackburn et al., 2010). The notion of “trust” has an extensive literature on business and management (e.g. Nooteboom, 2002) and is regarded as critical in commercial exchange. Trust is seen as developing through an ongoing relationship and helps facilitate an understanding of mutual needs and competencies whilst minimizing uncertainties (Rousseau et al., 1998).

A priori, accountants appear to be well placed to benefit from a number of dimensions of trust. They benefit from the “*institutional*” trust that derives from being a member of a government regulated profession, which provides continuous professional development, codes of conduct such as ethics and data protection, trading standards, discipline and enforcement. Such institutional regulations are not prevalent amongst other business advisers with the exception of solicitors and bankers. A further dimension to trust is the behavioral aspect which derives from an ongoing relationship between owner-managers of SMEs and their advisers. Hence, accountants can cultivate “*relational*” trust based on their repeated provision of compliance services to SMEs. Everaert et al. (2008) point out that *competence trust* can be developed when multi-stop-shopping occurs and owner-managers develop a more rational and critical assessment of accountants’ competencies.

The evidence base suggests the “trust” is one of the main reasons why SMEs draw on accountants for business advice. Bennett and Robson (1999; 2004) Berry et al. (2006) Gooderham et al. (2004) and Blackburn et al. (2010) report that “trust” is a crucial underpinning of the owner-manager accountant relationship and this provides a platform for the potential takeup of advice.

Proximity and Responsiveness

A major reason for the use of accountants by SMEs is their recognized responsiveness to demands. Numerous surveys have shown that speed of delivery of advice is crucial to many SMEs (Berry et al., 2006) and that this attribute is sometimes more significant than a demonstrated qualification or prior competency. Marriott et al. emphasize this in their study of SME-accountants:

Timeliness of the accountants’ interventions was seen as an advantage of using a small accounting practice and it played a key role in maintaining the relationship between the companies and their accountants (Marriott et al., 2008: p. 18)

Related to this may be the geographical proximity of accountants to SMEs. Evidence suggests that owner-managers prefer face-to-face meetings with advisers and this may place many SMPs in a strong position (Johnson et al., 2007). Many SMPs are within close proximity to their clients and may be in a stronger position to service local SMEs rather than regional offices of larger practices.

The Provision of Advice by Accountants/SMPs to SMEs

SMPs and Financial Compliance

Accountants traditionally provided compliance and monitoring services to meet regulations related to taxation and audit (Parker, 2001; Carey and Tanewski, 2009). These “traditional” services typically focus on the preparation or interpretation of financial data within existing rules and standardized formats (e.g., GAAP).⁷ Evidence tends to suggest that this remains the case for the bulk of SMPs: “The primary product offered by small accountancy practices is the provision of standard accountancy services their clients” (Doving and Gooderham, 2008).

However, more broadly the services offered by the accountancy profession have changed dramatically over the past 30 years (Carey, 2008: Appendix 1 and 2) and appear to continue to do so (Professional Oversight Board, 2009). These now include a range of monitoring and advisory services, to support a broader range of information requirements related to various

⁷ Generally Accepted Accounting principles.

stakeholder demands inside and outside the enterprise (Greenwood et al., 2002). Major innovation in terms of the range of services was initiated by the larger accountancy practices. An analysis of the “big four” and second tier practices demonstrates that they now position themselves as “professional service firms” and emphasize the comprehensiveness of their offer to clients. Many of them target SMEs, with an emphasis, for example, on independent firms, growth firms and family businesses. However, it appeared that many SMPs resisted change and continued to provide traditional services. To some extent this limited nature of provision is aided and abetted by “advice shy” owner-managers of SMEs.

The Changing Environment and Challenges to SMP Traditional Provision

The marketplace for the supply of advice to SMEs has been evolving for some time. The underpinning factors include a:

- *consolidation within the accountancy industry*, with a growth in concentration through merger and acquisition and decline in sole practitioners (e.g. Professional Oversight Board, 2009);
- *rise in the provision of services by larger and second tier practices to SMEs* (see interviews with accountants discussed later);
- *shift in the regulatory environment* in which SMEs operate, with some relaxation in the need for statutory financial audits but a rise in compliance linked to environment, health and safety and employment legislation (BERR, 2007);
- *shift in the nature of the SME population* including away from manufacturing toward services, a maturation of the SME sector and their owners; and
- *reluctance of some SMPs to provide advice to SMEs* because of their heterogeneity of need and inability to pay fees.

Such changes within the accountancy profession and their clients’ environment have significant implications for SMPs. If SMPs are not able to develop their service provision then their position as key providers of advice and support to SMEs will be eroded. The review will now consider the ways in which SMPs have sought to develop their services and then examine the potential ways in which they may develop these further within the changing requirements of SMEs.

The Changing Supply of Business Advice by Accountants/SMPs

The changing nature of the environment for business support implies the need for a response by accountants and SMPs. Our literature search found only a limited amount of evidence from accountants themselves examining the *changing* type of advice and services by SMPs to SMEs (e.g. Greenwood et al., 2002). More recent surveys offer snapshot evidence of service provision which can be carefully compared with previous surveys and benchmarks. Overall, whilst SMPs have changed their service provision, this cannot be regarded as dramatic development and does not match that of the larger practices. Only in the late 1990s did smaller accounting practices begin to develop broadly based strategy and business consulting practices and in some cases these focused on niche industries (Parker 2001; Farrell 1998). There is, however, a more developed literature in both the academic and practitioner literature on why and how accountants need to change their provision.

Empirical Evidence on the Supply of Advice by SMPs to SMEs

Surveys studying accountant-SMEs relationships have tended to focus on the perspectives of SMEs rather than accountants themselves. However, more recent evidence has involved interviews with accountants (e.g. Blackburn et al., 2010; Samujh and Devi, 2008; Marriott et al., 2008). These reveal a number of key issues in the transition from providing traditional compliance services through to becoming being able to offer a range of professional business services.

In their survey of SMEs and SMPs in Malaysia, Samujh and Devi (2008) found that the bulk of SMPs' time was spent on providing compliance services. However, they also found evidence of a good takeup of noncompliance advice. A significant proportion of accountants (32.5%) spent between 11–20% providing noncompliance business service and advice and almost 30% earned between 11–20% of their fee income from providing these services (p73–74). These results show a relatively high amount of noncompliance advice compared with other studies and may be a reflection of the more recent timing of the survey and well as the Malaysian context.

However, the results do tend to confirm the historical, relatively lower rates of return to accountants from the provision of noncompliance services. Samujh and Devi (2008) indicate that proportion of time spent on noncompliance service provision is higher than the proportion of fee income generated. Ostensibly, this implies that noncompliance advice may be less lucrative financially for the SMP than compliance advice services. The reasons for this are not clear and the results may be contradicted by those accountants seeking to pick up more complex work that is not related to conventional compliance activities (see interviews with accountants discussed later). It also is also evident that some SMPs do not charge separately for their noncompliance work and their fees will be included in the charge for compliance work.

Accountants' Changing Competencies Base

If accountants are to broaden their services on offer, the literature stresses that they will have to develop their multidisciplinary and skills base over and above bookkeeping, tax preparation and audit and move from being accounting technicians to be knowledge professions. Whether or not SMPs would be able to achieve this shift is debatable, not least because of their size which prohibits them having comprehensive services in-house.

There is a paucity of actual evidence on the changing nature of accountants and what is available tends to suffer from a lack of objectivity. Frank et al. (2001) argued that small accounting firms and sole practitioners would play a growing role in the “multidisciplinary” practice arena. More recently, Barcelo (2009) reports evidence from the Canadian Federation of Independent Business (CFIB) that 65% of companies consider their accountant and lawyer to be the most valuable source of information. The accountants' role, he finds, is something more than “bean counters” and can add value to the business through their expertise in cost analysis and family succession. Even if some of the literature does suffer from exhortation, there is no doubt that the role of accountants will have to diversify if they are to survive as key advice bodies for SMEs.

New Evidence on the SMP-SME Relationship

Given the relative absence of evidence on the SMP-SME relationship, six audio-recorded telephone interviews were undertaken in order to explore the nature of their client relationships, changes in the

market for SME advice and support and the role of SMPs within this market.⁸ All the interviewees were partners in their practice and were able to discuss the issues raised with authority and provide detailed information. It is clear from these interviews that the SME market is changing and accountants are reflecting these changes in their service provision.

Services Provided by Accountants

Overall, the removal of the audit threshold in a growing number of jurisdictions has meant that accountants will increasingly diversify and focus on other advice requirements for SMEs and/or move to relations with larger firms who require an audit. All the interviewees were providing advice beyond audit and indeed for some such compliance work accounted for the majority of fee income (see Table 4). Strategically, all respondents were looking for higher value activities and this was irrespective of size of business. For example, one respondent indicated that clients with “complicated” needs were more attractive than those wanting straightforward audits because they provided the SMP with a challenge as well as a potential for relatively higher fee income. Others were targeting specific sectors where growth for advice or a need had been identified.

As a corollary, the SMP-SME vertical segmentation model of business implied in much of the literature – where SMPs are stereotyped as having a special, trusted relationship with SMEs – appeared to be breaking down. Added to this was a growing penetration of the SME market, in some jurisdictions, by local offices of larger and the big four practices which was further making the audit market more competitive and thus depressing fee income from the “traditional” audit market. Two respondents volunteered that this market had been targeted by the larger practices by charging a fee structure that was below the norm for this type of work. This commoditization of statutory audit services was making it increasingly unattractive as a source of fee income, and especially for provision to SMEs.

The range of advice provided by the respondents is summarized in Table 4. As can be seen, the nature of provision varied between the practices although size of practice did not appear to affect the ability to offer noncompliance advice.

⁸ For reasons of confidentiality, the interviews are not presented as cases, but thematically.

Table 4: Schematic Summary of Interviews with Accountants

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Size of Practice*	30	200	15	5	1000	40
% clients less than £1m T/O or equivalent	90	55	15	97	15	5
% fee income from noncompliance	30	65	75	80	30	40
<i>Valuations</i>	+		+	+		+
<i>Due Diligence</i>	+					+
<i>Tax planning and advice</i>	+	+	+			+
<i>HR</i>		+			+	
<i>Strategic Business advice</i>		+	+	+	+	
<i>Computer audit/IT</i>		+			+	
<i>Financial advice</i>		+				
<i>M and A</i>			+			+
<i>Company Law</i>			+			
<i>Pensions</i>				+	+	

Note: * Rounded to 5 or 10 employees. + indicates provision.

Source: Original interviews December 2009/January 2010.

What is notable in Table 4 is the heavy reliance of two smaller providers on the SME market for their client base (i.e. with a turnover of £1m), confirming the classic size-homogeneity notion. This finding is not, however, universal given that two of the smaller practices had relatively low levels of fee income from small firms. These accountancy practices were deliberately targeting higher value added services or specific niches which tended to be linked to larger firms. Thus, the results tend not to support the notion of SMPS deliberately seeking SMEs as their preferred client base. Instead, it may imply some segmentation within SMPs rather than treating them as a homogenous group.

Respondents were also asked regarding the role of SMPs in their country in relation to the provision of noncompliance services to SME clients. The results from our limited empirical study show that in aggregate accountants are already engaged in the provision of noncompliance services to SMEs. This spread of this provision does, however, vary by functional area (Table 5).

Table 5: Noncompliance services offered in countries by SMPs as a whole

Noncompliance service offered by accountant?	Responses
HR/Employment Regulations	Mainly carried out by law firms; appears subject to legal framework of jurisdictions
Business structure (mergers/company setup)	Generally yes
Inheritance/succession/business transfers	Generally yes
Pensions	Growing but contingent on liberated market and high income earners
Company Secretariat to Businesses	Yes or lawyers
Budgeting	Yes
Marketing/sales/strategic	Varies: appears contingent on having expertise or niche provider
Valuations	Yes
Information technology	Some: contingent on expertise
Regulation: health and safety/environmental	Mainly no: dependent on niche provider

Note: summarized for six interviews in different countries. Care should be taken when interpreting the Table: first, because of the low numbers interviewed and second because these are based on the responses from one accountant in each country. The results are aggregates of responses and at the level of the SMP population as a whole.

Source: Original interviews December 2009/January 2010.

Despite the relaxation of the requirements for a statutory audit for smaller firms in some jurisdictions, the market for advice continues to develop. The responses show that SMPs were viewed as being especially involved in the provision of advice in relation to succession and transfer, budgetary matters and valuations.

The reasons for the reported variation in provision between the countries shown in Table 5 can be summarized as a result of:

- A combination of the regulatory regime in the country of the practice – for example, not all those interviewed were operating where International Financial Reporting Standards (IFRS) for small and medium-sized entities (SMEs) operated;
- The educational traditions of the accountancy profession in that jurisdiction and thus the different pathways to becoming an accounting professional;
- The demand from the market – in some economies the SME market and the need for accountants is only beginning to flourish whereas in others there is a mature market with SMEs demanding a wider range of service and; and
- The strategic intent of the accountant – that is some accountants described their client base as a matter of chance while other were driven to follow a particular sector niche or type of accountancy service.

These results tend to confirm the literature although they underline the significance of the professional training regime as a means of enabling accountants' capabilities. It appeared that a country's professional requirements and pathway to become an accountant influences the capabilities of the SMP and hence, the type of advice they are able to provide or discuss with clients. For example, in Italy accountants have to undergo commercial law training and the provision of commercial legal advice is an embedded part of their portfolio of advice to businesses. However, the results also lead to questions that remain unanswered for SMPs. For example, to what extent can SMPs, with their current capabilities and capacity limitations, make a transition to meet the changing requirements of the advice and support marketplace? To what extent are accountants able to shape and develop their own marketplace "destiny" or are they heavily constrained by the limits of being an SMP, operating within the marketplace and jurisdiction within which they operate? This may have implications for both the training of accountants and the ways in which SMPs operate.

Marketing Practices, Sources of Clients and Referral Networks

Finding clients for these practices was a matter of ensuring an appropriate "fit" with their own capacity, experience and expertise. As a result, ostensibly, there was an absence amongst those SMPs interviewed of conventional marketing techniques. Clients were mainly sourced as a result of word-of-mouth recommendation and industry contacts, although there was no attempt to manipulate or manufacture word-of-mouth as is advocated in modern marketing techniques (e.g. Sernovitz, 2009). It is clear, however, that the marketing of accountancy services is subject to a number of industry subculture norms and these are related to the conventional SMP-SME relationship. Crude advertising campaigns or aggressive tactics were not considered appropriate. Instead, reputation and a reliance on recommendation were emphasized if a meaningful and relationship was to be developed. There was a divergence of opinion on the use of websites and the internet, as a means of attracting clients or service provision; and indeed some practices did not have a website.

Although accountants were shown to be predominantly dependent on recommendation for clients, this did not necessarily mean that they were unquestioning users of a wider referral network. Thus, if an accountant was not able to provide the necessary advice or support to a client, this did not necessarily trigger a referral to another support provider. Referrals were made with care in order to protect the reputation of the accountancy firm and quality of service was

considered paramount. In some cases, this involved the accountant accompanying the SME to a third party meeting to ensure consistency and high-quality provision.

The Significance of Size of the Accountant in the SMP-SME Relationship

In general, all the interviewees regarded SMPs as the main providers of advice and support for SMEs: a “port of first call” or a “general practitioner” for the SME and there were many advantages of being an SMP in relation to the SME market. SMPs were regarded as being part of a traditional system of providing services on a local, face-to-face basis; having a knowledge-base of the industry and particular needs of SMPs; and possessing the experience of dealing with SMEs, including the fact that they are small enterprises and can therefore often empathize with their client. This contrasted with many midtier practices or the big four, where clients may be passed around from department to department for specific questions to be addressed.

However, it was also accepted that the SMP-SME relationship was changing. This was a result of a constantly moving regulatory environment; growing competition from new entrants to the advice marketplace (including new SMPs as well as larger practices); and the capability of SMPs themselves to provide specialist advice. The removal of a statutory audit meant that conventional thresholds for advice and subsequent SMP-SME relations deriving from the need to meet audit requirements were now dissolving and new relationship models were emerging.

This regime meant that SMPs were facing new challenges. Respondents indicated that SMPs and particularly small accounting firms were not able to provide a range of services to their clients because of the resource constraints in-house. This meant that there was a growing need for a reliable network of high-quality advisers; and/or the need to specialize on certain business sectors or types of advice. SMPs were also now facing competition from larger practices as conventional boundaries, which had created a segmented marketplace, were breaking down. This meant that new strategies and ways of working may have to be employed. Despite this caution, all those interviewed believed that the SME market for advice was buoyant and all stated that SMPs were the key source of advice for SMEs.

SMPs and SMEs: Future Models for Development?

Given the changes in the SMP-SME relationship, a number of models are presented on the ways in which SMPs can adapt to the changing environment in which they operate. These remain suggestions and require further development.

First, SMPs could develop their own partners’ in-house soft skills. For example, Jones and Abraham (2008) argue that accountants and graduate accountants should be trained to encompass “soft skills” such as “people management and communication abilities” (pp2–3). They summarize the main additional roles in Figure 1. The new demands on accountants should have implications for trainee accountants and accounting education.

Figure 1: Additional roles required in today’s global accounting environment

- Effectively communicate with a wide range of people including
 - clients and coworkers
 - government instrumentalities

- legal and other professionals
- Undertaking advisory roles requiring strategic decision making including
 - proficiency in forward thinking
 - ability to weigh alternatives and potential outcomes
- Critically analyze potential opportunities and projects including continually seeking
 - improvement in both methods and effectiveness
- Managing, motivating and inspiring personnel
- Team building expertise including
 - demonstrating empathy by showing tolerance for people's differences and dealing with their issues fairly
 - acknowledging and recognizing people for their contributions and performance

Source: Jones and Abraham (2008: Figure 1).

The above suggestions are supported elsewhere although, as with Jones and Abraham (2008), the bulk of the literature on the skills' base of SMPs tends to be based exhortation and ideal thinking rather than evidence. The accountants' role (as advisor, mentor, and coach), would be to work with "the businesses" rather than be mere one stop shops. This new role requires flexibility and an understanding of the context and cultural environment of the SME (Deakins, et al., 2001). For example, some argue that accountants may need to their interpersonal skills and create space for discussion opportunities that can help unpack and influence clients' succession thinking (and other business advisory needs) (Martin, 2005). In addition, accountants may need to develop empathy with the operator to become an effective coach.

Second, a further potential model of development is to focus on a specific industry sector or field of accountancy. This would allow them to develop accounting specialisms linked for example to the music industry or environmental legislation. Whether or not this is appropriate for a SMP is open to debate and certainly limited by the extent of the market. Given that most SMPs operate within a local marketplace such a model is unlikely to be appropriate outside large conurbations or where there is a high concentration of a specific industry.

Third, given the limited ability of SMPs to provide a full range of specialist accountancy services, it is also emphasized that they become a part of a high quality referral network. This is crucial given the variety of challenges SMEs face. Our evidence suggests that some SMPs are already very active users of a trusted referral network. However, this is not universal and some did not actively refer clients for fear of loss of control and reputation. Clearly, new thinking is needed on the different models of referrals and management of the system for referring SMP clients is required. This would certainly help SMPs satisfy the breadth of demands from SMEs clients but whether it would help them remain competitive agents in the marketplace requires further investigation.

Fourth, the role of accountancy professional bodies as catalysts for change within SMEs is underlined in this literature. For example, most professional accounting bodies are pointing out the trends and future issues that accountants need to be aware of and either explicitly or implicitly, suggest ways in which the profession has to develop (e.g. ACCA, 2010). Hence, accounting bodies have a key role to play in the development of SMPs.

Gaps in the Literature and Research Requirements

The above literature review and interviews with accountants in different jurisdictions provides an overview of the knowledge base on the SMP-SME relationship. Clearly, the evidence base is strong in terms of demonstrating the importance of the SMEs-accountant relationship. The evidence base utilizes a variety of research methods and draws upon both SME owner-managers' and accountants views. The precise SMP-SME relationship is less clear although it is most likely that the bulk of SMEs use SMPs for their accountancy services.

The review has identified weaknesses and gaps in the knowledge base.

First, there is a large body of ad hoc unconnected evidence on the relationship between accountants and SMEs, undertaken for specific reasons, rather than a steady accumulation of knowledge. This renders benchmarking, in terms of type of services provision and takeup problematic. There is an inadequate international research base which would allow comparisons between SMPs in different jurisdictions. It is important that this gap is addressed in an increasingly global environment.

Second, the evidence does not adequately separate out SMPs from other accountants. In many cases, surveys of accountants are often assumed to be independent practices rather than partners of the big 4 or large, second tier practices. More precise benchmarking research is needed on the SMP in relation to the accountancy profession as a whole and how SMPs contribute to the market for advice and support. Even within SMPs heterogeneity exists but this is currently masked by the weak literature base. There is a clear case for a survey of SMPs internationally to help establish a baseline of their activities, strengths and weaknesses in the advice and support marketplace and perceived stakeholders.

Third, the bulk of evidence on the SMP-SME relationship appears to be drawn from the perspectives of SMEs rather than accountants. This data does not tend to disaggregate to size of firm or accountant. Historically, the SMP-SME relationship appeared to be steady and consistent. However, changes in the need for an audit appear to have broken this automatic tie. To what extent are SMPs now able to maintain a market presence amongst SMEs? What do future SME market needs mean for SMPs?

Fourth, the evidence that does exist from the accountants' perspective tends to suffer from exhortation rather than objectivity. Whilst it is accepted that the accountancy profession has to develop standards and lead by example, there is an insufficient independent baseline on what SMPs themselves what to achieve. What are the strategic intentions of SMPs? To what extent are they prepared and able to develop their expertise in such areas as HR, environment and IT advice?

Fifth, what are the implications for the representative and professional bodies of SMPs within this changing environment? What are the new training requirements and career pathways for accountants to help them meet the changing demands on their competencies and knowledge base? It is important that a "new wave" of professional accountants is encouraged to embrace high standards of advice provision over and above the provision of financial advice.

Finally, the literature suggests that SMPs may be unable to provide a range of advice from within their practices. This implies a need for SMPs to cultivate a referral model that satisfies their own perceived quality provision. Further research is needed on existing types of client referral, the experience of both SMPs and SMEs with a view to sharing best practice.

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