

The SMP of the future in a changing world

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Foreword



The Edinburgh Group (EG) is a coalition of 16 accountancy bodies from across the world, representing over 900,000 professional accountants in countries from Africa, North America, Asia, Australia, Europe and Latin America. The mission of the EG, which was formed in 2000, is to ensure that the development of the international accountancy profession meets the needs of its diverse stakeholders, reflecting progress in the global economy and society at large.

To do this, the EG champions the interests of small and medium-sized enterprises and practices (SMEs/SMPs), professional accountants in business and developing nations, in particular within IFAC (International Federation of Accountants).

In 2017, the EG commissioned research into the SMP of the future in a changing world, in order to address the challenges and opportunities that SMPs and professional accountancy organisations (PAOs) face in a volatile and uncertain environment.

Given the global reach of the EG this research provides a unique perspective and adds to the body of research already in existence. Through an SMP survey, which elicited 1,906 responses in 11 languages from 52 countries, interviews with key staff in EG professional accountancy organisations and a series of SMP case studies, this research report provides a series of informed recommendations for SMPs and PAOs alike.

The EG is grateful to the SMP owners who have shared their experiences with the research team.

We are also grateful to the experienced research team of Donna Street, Sarah Webber, Catalin Albu and Nadia Albu, who have brought such rich international research experience to this EG research report.

I would like to thank Michel De Wolf and Joanne Jackson for their efforts in bringing this research report from concept to delivery.

The EG is pleased to present this report and to highlight the opportunities for SMPs and for their professional accountancy organisations in a changing world.

A handwritten signature in black ink that reads "Eamonn Siggins." The signature is written in a cursive style with a large, stylized 'E' and 'S'.

Eamonn Siggins
Chair of the Edinburgh Group

Introduction

The SMP of the Future in a Changing World addresses the challenges and opportunities SMPs face in response to environment changes, including digital technologies and regulation/ deregulation. The report also addresses, inter alia, required skills and education and market competition for both clients and staff.

Part 1 presents practical recommendations for SMPs and PAOs. Recommendations for PAOs include the following.

- PAOs should be proactive in anticipating and understanding evolutions in the accountancy profession and support SMPs in obtaining and/or developing the skills needed not only currently but also in the future, to meet the ever-changing expectations/needs of their clients.
- PAOs should help SMPs identify and address national/ regional challenges and opportunities.
- PAOs need to provide their SMP members with advice on managing their practice.
- Responding to market demand, PAOs should consider supporting SMP innovation in, for example, the services provided by introducing new qualifications and certificates.
- PAOs should promote, encourage and facilitate networking among SMPs as well as between SMPs and SMEs.
- PAOs should partner with IT companies to create and expand awareness of new technologies.
- PAOs should publicly support and represent the accountancy profession.
 - o Collaboration between PAOs and relevant government agencies to support the needs of SMPs is critical to their survival and growth.
 - o PAOs should support initiatives with universities and high schools to create awareness of the broad array of opportunities in the accountancy profession and to attract Generation Next members to the profession.

Part 2 presents the results of the EG Staff Survey and interviews. The primary purpose of the survey and interviews is to ascertain how EG member bodies support their SMP members in addressing the challenges and opportunities associated with a changing world (eg member services, especially those targeted at SMPs). Participants also indicated how effective they believe their SMP members are in addressing strategically (if considered a challenge) or capitalising on (if considered an opportunity) certain environmental factors (eg regulation/deregulation, digitalisation, changes in clients' needs and competition for talent). Representatives of 14 organisations completed the survey questionnaire and representatives of 13 organisations participated in the interviews.

Part 3 reports the findings of the EG SMP of the Future Survey. 1,906 practising accountants from across the globe, who are owners of or employed by an SMP, completed the online 'SMP of the Future' survey. Four countries contributed over 100 participants. One-third of the participants were from Romania and 9% from India. Participants representing Turkish and Portuguese SMPs each accounted for 6% of the sample. Five countries had over 50 participants (ie, Ireland, South Africa, Poland, Spain and Germany). Eleven countries had more than 20 participants (ie, Russia, Mexico, Indonesia, France, Kazakhstan, the US, Italy, Belgium, Australia, Nepal and Brazil).

An overview of the primary overall findings is available in the appendix.

Part 4 consists of a review of the existing professional and academic literature on SMPs. Our review of more than 70 papers and reports provides a comprehensive and up-to-date understanding of the following four issues:

- the role of PAOs in designing and providing an agenda for their SMP members
- challenges and opportunities for SMPs
- services SMPs provide to clients and
- SMPs' strategic responses to a changing world.

Introduction

Recommendations for SMPs include the following:

- SMPs need to be proactive in seeking out new markets for their services and consider growth and diversification of their service offerings.
- SMPs should consider in-house training, hiring of accountancy-qualified and non-accountancy expertise and/or collaborations with other accountancy firms and service providers.
- Networking represents an important format for offsetting the limited internal resources SMPs have at their disposal for addressing challenges and opportunities.
- Knowledge and understanding of their competitive environment should inform strategic decisions on the services SMPs provide currently and in the future.
- New service offerings should represent a well-informed and carefully constructed strategic response to environmental challenges and opportunities associated with, eg digital technologies and regulation/ deregulation. The strategy should, furthermore, inform internal decisions, including firm structure and hiring.
- SMPs should develop, within a diversification strategy, niche expertise.
- SMPs should exceed client expectations and develop a close relationship with their clients.
- SMPs need to be more efficient to reduce costs.
- SMPs need to manage client expectations by, eg being specific about the service(s) provided for the specified fee.

Finding ways of attracting, motivating and rewarding staff is one of the keys to success for SMPs. SMPs should promote their advantages better when competing for talent (including for the younger generation) with larger firms, eg by 1) offering a better work–life balance and 2) promoting their entrepreneurial spirit and opportunities for faster promotion and being more involved in the business.

- SMPs should focus not only on the services they offer, but also on their financial and commercial discipline. SMPs need careful financial management, given their limited resources and relatively small number of clients.
- SMPs, especially those with multiple partners and staff, need to build a brand.
- SMPs need to develop a strategy to counter competition.

Appendix 1 lists and provides an overview of the articles and reports included in the literature review.

Appendix 2 includes five ‘best practice’ cases studies. Five illustrate how three Romanian and two Irish SMPs have turned challenges associated with our changing world into opportunities.

Appendix 3 provides an overview of the primary overall findings of the EG SMP of the Future Survey.

Appendix 4 provides a directory of acronyms used throughout the report.

Part 1. Recommendations for SMPs and PAOs

Overview of key findings from literature review, EG Staff Survey and EG SMP Survey

The literature review in Part 1 of this report reveals that many SMPs across the globe have limited access to the resources, networks and/or expertise required to invest continuously in assessing the consequences of incessant environmental changes affecting the accountancy profession. SMPs, accordingly, expect their PAO(s) to play a supportive, proactive role by offering guidance and support for addressing the challenges and opportunities associated with a constantly changing world (eg digital technologies, regulation/deregulation). Prior literature, for example, suggests that PAOs should involve their SMP members in the organisation's strategic planning and structure (eg SMP Committee or Task Force).

Prior research also indicates that PAOs play three primary roles:

- 1) creating a space for interaction between members,
- 2) publicly representing their members and
- 3) ensuring and monitoring members' compliance with the PAO's expectations.

Most PAOs currently focus on the latter. In practice, to instil change in the accountancy profession, PAOs need to support coherent activities in all three areas directed at supporting all members, notably including SMPs.

Many environmental factors, including digital technologies, regulation/deregulation, staffing issues and competition (for both clients and staff) affect SMPs. There are, however, as affirmed by the EG Staff Survey and EG SMP Survey, important country-specific differences in the impact these factors have on SMPs. Furthermore, while the EG SMP Survey reveals that SMPs worldwide expect environmental factors to continue to present both challenges and opportunities for their practices in the future, the findings of the EG SMP Survey reveal that a troubling minority of the respondents' SMPs are not currently addressing the challenges and/or capitalising on the opportunities associated with environmental change. Here are just a couple of examples.

- Of those practices facing, or that expect to face, challenges associated with digital technologies, 26% are not responding to, and have no plan to respond to, these challenges. Furthermore, 22% of the SMPs represented have not capitalised on, and have no plans to capitalise on, the opportunities associated with digital technologies.
- Of those practices facing, or that expect to face, challenges associated with regulation/deregulation, 23 are not responding to, and have no plan to respond to, these challenges. Furthermore, 17% of the SMPs represented have not capitalised on, and have no plans to capitalise on, the opportunities associated with regulation/deregulation.

Recommendations for PAOs

Across the globe, PAO membership is heterogeneous. Accordingly, PAOs should acknowledge that 'one size does not fit all' and segment their membership in an effort to understand better the special needs of, for example, their SMP members. Moreover, since SMPs are diverse, PAOs should further segment their SMP membership.

SMPs expect, and depend on, their PAOs to offer tailored support (eg guidelines, tools, networking opportunities) to each group of members, especially SMPs themselves because they often lack the resources (eg financial, time) required to address environmental challenges and opportunities. Extreme environmental change greatly affects SMPs, especially because of their limited resources. Thus, PAOs should assist SMPs in an effort to ensure their survival and growth.

- **PAOs should be proactive in anticipating and understanding evolutions in the accountancy profession and support SMPs in obtaining and/or developing the skills needed not only currently but also in the future, to meet the ever-changing expectations/needs of their clients.** Quality education (eg continuing professional development (CPD)) is of the utmost importance.
- PAOs should investigate the local context of their SMP membership and **help SMPs identify and address national/regional challenges and opportunities.**
- **PAOs need to provide their SMP members with advice on managing their practice** (eg marketing, strategy, cash management, business planning).
- Responding to market demand, **PAOs should consider supporting SMP innovation regarding, for example, the services provided, by introducing new qualifications and certificates** (ie credentials to differentiate SMP members from competitors both within and outside the accountancy profession).

- **PAOs should promote, encourage and facilitate networking among SMPs** as well as with SMEs and other potential clients.
- **PAOs should partner with IT companies to create and expand awareness of new technologies among accountants**, especially owners of, and those employed by, SMPs.

PAOs should publicly support and represent the accountancy profession (eg enhance public image, create awareness of new services).

- **Collaboration between PAOs and relevant government agencies to support the needs of SMPs (and their SME clients) is critical** to their survival and growth. Advocacy and the lobbying of governmental agencies about regulation/deregulation considered unfavourable to SMPs (and SMEs) is of the utmost importance.
- PAOs should support initiatives with universities and high schools to **create awareness of the broad array of opportunities in the accountancy profession and attract Generation Next members to the profession.**

To inform the above, **PAOs should maintain close contact with their SMP members to understand their challenges and needs better**, via roundtables, focus groups, surveys and case studies (eg the best practices included in Appendix 2).

Recommendations for SMPs

Of those responding to the EG SMP Survey, 30% indicated that their practice 'rarely' or 'never' seeks out new markets and opportunities to launch new services.

SMPs need to be proactive in seeking out new markets for their services and should consider growth and diversification of their service offerings (eg advisory services,¹ human resources, digital technologies support).

- To support the provision and growth of current services and the diversification of services, **SMPs should consider, among other things, in house-training, hiring of accountancy-qualified and non-accountancy expertise and/or collaborations with other accountancy firms (eg networks and alliances) and service providers²** (eg lawyers, consultants, IT firms and software providers, banks,³ valuation specialists).
- Networking represents an important format for offsetting the limited internal resources SMPs have available for addressing challenges and opportunities. **Networking enables SMPs to leverage the resources of other firms/providers within their network/alliance/association.**⁴ A formal or informal network may alleviate the limitations faced by small firms (eg offering referrals, sharing resources to conduct studies).⁵ Despite this, only 30% of the respondents to the EG SMP Survey indicated that their SMP belongs to a network, association or alliance.
- **Knowledge and understanding of their competitive environment** (including from other accountancy firms and other service providers) **should inform strategic decisions about the services that SMPs provide currently and in the future.**
- **New service offerings should represent a well-informed and carefully constructed strategic response to environmental challenges and opportunities** associated with, *inter alia*, digital technologies and regulation/deregulation. The strategy should, furthermore, inform internal decisions, including those about firm structure and hiring.
- **SMP should develop, within a diversification strategy, niche expertise.**⁶ SMPs may be able to provide complex services, usually provided only by larger firms, if they identify and focus on the right niche. The choice of services offered should mirror the internal knowledge available. When it does not, informal networks may help as well.

SMPs should exceed client expectations and develop a **close relationship with their clients** because **referrals represent an important opportunity to attract new clients.**⁷

SMPs need to be more efficient to reduce costs. This includes, for example, implementing new technology and automating where possible.⁸

SMPs need to manage client expectations by, for example, being specific about the service provided for the specified fee. Clients need to understand that additional services will be associated with additional fees.⁹

Staff represent a very important resource for SMPs. Finding ways to attract, motivate and reward staff is one of the keys to success for SMPs. **SMPs should better promote their advantages when competing for talent, including the younger generation, with larger firms:** a better work-life balance,¹⁰ the entrepreneurial spirit, faster promotion opportunities and the opportunity of being more involved in the business.

- To compete with the brand name and higher salaries associated with larger firms, SMP need to offer work-life balance.
- SMPs should change, in terms of human resource management and digitalisation, to attract and retain the young generation. Generation Next expects their employer to possess the latest technology and support work-life balance.

SMPs should not only focus on the services they offer, but also on their financial and commercial discipline.

SMPs need careful financial management, given their limited resources and relatively small number of clients.

SMPs, especially those with multiple partners and staff, need to build a brand.¹¹

SMPs need to develop a strategy to counter competition. SMPs compete with accounting firms of various sizes and/or other service providers. Successful SMPs turn competitors' weaknesses into their strengths. A strategy for how best to counter competition provides a small firm with much needed direction. The strategy may relate to the types of services provided and/or the form of relationship established with clients.¹²

1 See Fitzgerald & Partners case in Appendix 2; the firm consider business advisory to 'represent the future'.

2 See Brady & Associates, Fitzgerald & Partners and Soter & Partners cases in Appendix 2.

3 See Fitzgerald & Partners case in Appendix 2.

4 See Soter & Partners case in Appendix 2.

5 See APEX Team case in Appendix 2.

6 See ASCENTOR, Fitzgerald & Partners, Soter & Partners cases in Appendix 2.

7 See APEX Team and ASCENTOR cases in Appendix 2.

8 See Brady & Associates and Fitzgerald & Partners cases in Appendix 2.

9 See Brady & Associates case in Appendix 2.

10 See Fitzgerald & Partners and APEX Team cases in Appendix 2.

11 See Fitzgerald & Partners, APEX Team and ASCENTOR cases in Appendix 2.

12 See APEX Team case in Appendix 2.

Part 2. EG staff survey and interviews: How PAOs assist SMPs in adapting to a changing world

To ascertain, inter alia, how EG member bodies support their SMP membership, we conducted an EG Staff Survey and follow-up interviews. Senior staff of 13 EG member bodies and a representative of a PAO member of the European Federation of Accountants and Auditors for SMEs (EFAA) completed the survey. Representatives of 12 EG members and one member of EFAA participated in an interview. Table 2.1 lists the participating organisations, and provides their website addresses and a brief description of their membership.

Table 2.1: PAOs participating in EG Staff Survey and/or interviews

Edinburgh Group Members	
Association of Chartered Certified Accountants (ACCA)* **	https://www.accaglobal.com/ More than 208,000 members in more than 180 countries
Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC – Italy)* **	www.cndcec.it 120,000 members
Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR)**	http://www.ceccar.ro/ More than 50,000 members
CPA Australia* **	https://www.cpaaustralia.com.au 163,000 members in 125 countries
European Federation of Accountants and Auditors for SMEs (EFAA)* **	http://www.efaa.com/ 'Umbrella' organisation with 17 PAO members (of which two are also EG members) representing about 320,000 members
Institute of Certified Public Accountants in Ireland (CPA) * **	http://www.cpaireland.ie/ 4,500 members
Instituut van de Bedrijfsrevisoren (IBR-IRE) * **	https://www.ibr-ire.be/ About 1,000 members
Interamerican Accounting Association (IAA) * **	http://www.contadores-aic.org/ 'Umbrella' organisation with 27 PAO members from 19 countries
Nederlandse Beroepsorganisatie van Accountants (NBA) * **	https://www.nba.nl 21,000 members
South African Institute of Professional Accountants (SAIPA) * **	https://www.saipa.co.za/ More than 10,000 members
The Association of National Accountants of Nigeria (ANAN) * **	http://www.anan.org.ng More than 16,000 members
The Institute of Certified Public Accountants of Greece (SOEL)*	https://www.soel.gr/en/home-page About 3,500 members
TURMOB (Turkey) * **	http://www.turmob.org.tr/TurmobWeb/ 110,000 members
WPK (EFAA member) * **	https://www.wpk.de/eng/ More than 21,000 members

*Completed EG Staff Survey

**Participated in interview

PAOs' views on the primary challenges and opportunities faced by SMP members

Many changes in the economy, business environment and regulatory environment affect SMPs. The interviews revealed that regulation/deregulation, technology, changes in clients' needs and competition for talent represent important challenges for SMPs globally. The interviews also revealed country/regional differences in the extent to which these challenges affect SMPs. Representative quotes from the interviews include the following.

Talent management and technology, as well as the limited resources SMPs have to address them, are top challenges for SMPs globally. The impact of regulation on SMPs varies geographically. (ACCA)

The impact of regulations, technology and staffing are [the] three top challenges for SMPs. (CPA Ireland)

There is substantial variation in Italy, especially between Northern and Southern SMPs, because of economic differences. Some are digitalised, innovative, mainly serving a solid industrial environment. (CNDCEC)

Figure 2.1 summarises the findings of the EG Staff Survey on the perceived impact of four environmental factors (ie, globalisation, changes in the skill set clients expect professional accountants to possess, digital technologies, and regulation/deregulation) on each participating PAO's SMP membership. Of the 13 participants completing this section of the survey,¹³ 12 indicated that regulation/deregulation has an 'extremely high' or 'high' impact on their PAO's SMP membership. To help SMPs address this challenge, PAOs support their membership through training and guidance, as explained in the following quote.

South Africa is experiencing a phase where we have many changes and amendments to legislation that require accountants to keep up to date. We help our members address these regulatory changes. For example, in 2013, SAIPA founded a Centre of Tax Excellence to help our members address implementation of the Tax Administration Act. (SAIPA)

Of the 13 survey participants, 10 viewed the changing needs of clients and clients' expectations as to the skill sets SMPs should possess as an 'extremely high' or 'high' challenge. In this regard, interviewees shared the following comments.

How clients perceive the value add of SMP services is very important. (IBR-IRE)

As business has changed so [have] client expectations. Clients desire interaction with their accountant. IT developments can contribute significantly to conversations with clients. Presenting data in different ways, utilising IT for example, makes a difference and improves the conversation with clients. (CPA Australia)

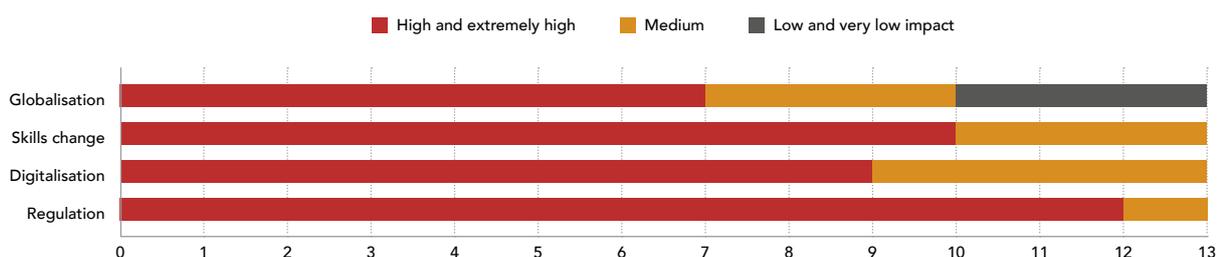
Of the 13 survey participants, nine viewed digitalisation as having an 'extremely high' or 'high' impact on their SMP membership. Several interviewees also addressed the significance of digitalisation.

Keeping up with technology developments is very important for SMPs. This is challenging because SMPs have limited resources. (IBR-IRE)

There are many keywords buzzing around, such as artificial intelligence, blockchain, etc. It is difficult for SMPs to ascertain which of these might have a deeper impact on their practice. (WPK)

SMPs have to be more efficient to reduce costs. This includes implementing new technology. Larger firms have already implemented new IT systems, and this has lowered cost. (CECCAR)

Figure 2.1: Perceived impact of environmental factors on EG PAO's SMP membership



¹³ One participant did not complete this section of the survey.

PAOs' views on the primary challenges and opportunities faced by SMP members

Seven survey participants argued that globalisation has an 'extremely high' or 'high' impact on their PAO's SMP membership. In contrast, three assigned a 'moderate' impact to this, while another three assessed it has having a 'low' or 'very low' impact. The local focus of many SMPs may explain the latter. Nonetheless, as illustrated in the following quotes, interviewees from developing countries view changes in the economic environment as important. Such changes are a consequence of increased exposure to globalisation. (eg privatisation, international standards).

We face rapid changes in the economy. Education is very important for staying current and addressing change. Moreover, when education is lacking, this negatively affects the quality of services provided by SMPs. (IAA)

The greatest challenge faced by SMPs in Turkey is economic uncertainty, and the second is rising costs. (TURMOB)

The interviews, as illustrated in the following quotes, illustrate that specific environmental factors can represent both challenges and opportunities for SMPs.

The biggest challenge for SMPs is to cope with the changing world. While technology advances quickly, it is not only about technology. The changing world offers opportunities; if you do not take advantage of the opportunities, change becomes a threat. (NBA)

Digitalisation is not only a challenge. It also represents an opportunity. Many clients, especially from the SME sector, need assistance in digitalising their accounting. Therefore, digitalisation represents a great opportunity for our members to provide related services. However, the opportunity is only there for SMPs that possess the necessary skills and knowledge. (WPK)

In the EG Staff Survey, participants indicated how effective their SMP members are in strategically addressing (if considered a challenge) or capitalising on (if considered

an opportunity) the four environmental factors discussed above. Figure 2.2 summarises the results. Very few survey respondents reported that their SMP membership is 'very effective' or 'effective' in responding to challenges and opportunities associated with: globalisation (two respondents),¹⁴ the changing skill set expected by clients (two respondents), digitalisation (two respondents) and regulation/deregulation (three respondents). Clearly, making generalisations about assessments of SMPs' responses to challenges and opportunities is difficult, given regional and national characteristics, on one hand, and the diversity of the SMP segment, on the other hand.

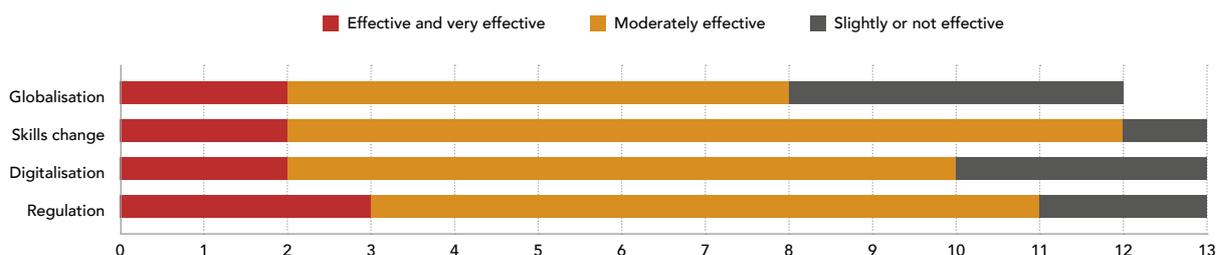
An SMP's response to the demand for various services also depends on the needs of the market it serves. For example, as illustrated in the following quotes, most companies in emerging economies have basic needs. Therefore, SMPs serving such markets experience limited demand for more advanced services.

The challenge in Romania for introducing new services is the market. SMPs have limited resources and must consider, for example, whether the demand for advisory services justifies the required resource allocation. Subsidiaries of foreign companies represent most of the demand for advisory services, while with the Romanian clients, it is a work in progress. (CECCAR)¹⁵

SMPs face the challenge of attracting and retaining clients as well as how to best serve clients. First, there is a price issue. Second, even though Nigeria is a big market, which may be an opportunity, companies are not ready to prepare financial statements, unless they are for tax purposes. (ANAN)

In general PAOs follow both proactive (eg creating awareness of potential new services) and reactive approaches in supporting their SMP membership in addressing the challenges and opportunities associated with the changing environment.

Figure 2.2: SMP's effectiveness in addressing/capitalising on four environmental factors



14 Only 12 replied to the question about globalisation.

15 See ASCENTOR case in Appendix 2.

PAOs' support for their SMP membership

As reflected in Figure 2.3, the EG Staff Survey provides insight into how PAOs support their SMP membership in addressing the opportunities and challenges associated with a changing world.

Of the 13 participants, 11 reported that since 2013 their PAO has developed guidelines and tools to support their SMP membership in addressing the challenges and opportunities specific to their jurisdiction (whether country, region or global). Examples include:

- tools for integrated reporting/integrated thinking (NBA)
- tools for creating auditor reports in the eXtensible Business Reporting Language (XBRL) format (NBA)
- tools for General Data Protection Regulation GPDR (NBA)
- working paper templates to assist smaller SMPs in professionalising their work (SAIPA)
- public practice toolkit (including guidance, checklists and working papers to assist members in areas such as accounting, environmental accounting, human resources, cybersecurity.) (CPA Australia)
- tools for auditing SMEs (IBR-IRE)
- auditing software tailored for SMPs (SOEL and TURMOB)
- guidelines and tools to support SMPs implementing regulatory changes (OECT and IAA).

The quotes below reflect the provision of such guidelines and tools. As noted previously, PAOs in emerging economies face significant educational issues. Hence, the tools and guidelines they provide focus predominantly on facilitating the adoption of international standards. In contrast, PAOs serving more developed countries can address the specific needs of their members because they can focus on more precisely targeted niches, eg new education tools (online, packages etc.) or topics, eg integrated reporting, particular regulatory change.

We translate materials and develop tools to increase compliance with international standards. (IAA)

The pace of regulatory change and change in clients' expectations challenges many practitioners. They have limited resources in terms of time and staff and accordingly focus on training. To help them, we introduced the 'small business road show', a training programme to provide members with insight on how to navigate the maze of regulations. (CPA Australia)

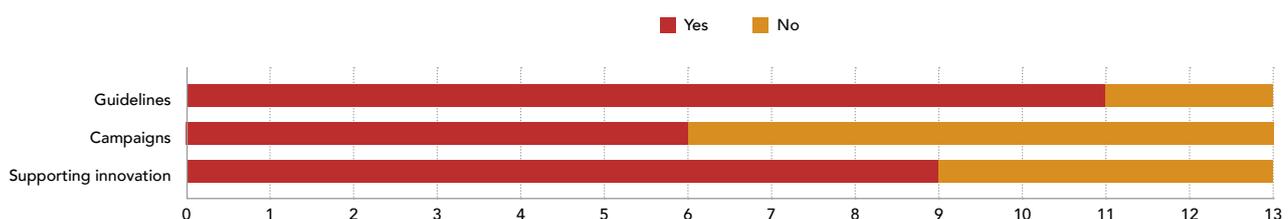
Nine of the 13 participants that completed the relevant portion of the EG Staff Survey reported that their organisation has developed tools to encourage SMP innovation and promote best practices. Examples include:

- a video series showcasing best practices for SMPs (CPA Australia)
- accountancy awards (ANAN)
- advice and technical guidance on new legislation, including General Data Protection Regulation (GDPR), Ireland's new Companies Act and financial reporting. CPA Ireland has also produced a suite of 'Sample Financial Statements' as a free product for members (CPA Ireland).

As illustrated by the quote below, PAOs also strive to increase public awareness of best practices linked to new services that accountants, in general, and SMPs, in particular, may provide to their clients. Some PAOs use their website for this, while others conduct, or plan to conduct, public campaigns in the media and/or in schools and universities.

Members expect us to articulate the value of their story and promote them in the media. In response, we are playing a more active role in promoting our members linked to articulating the breadth of advice a professional accountant can provide to business. We recently launched the marketing campaign – 'Find a CPA'. (CPA Australia)

Figure 2.3: PAO initiatives to support SMPs



PAOs' support for their SMP membership

Six of the 13 participants that completed the relevant portion of the EG Staff Survey indicated that their organisation has undertaken campaigns within the last five years to assist SMPs in addressing present and/or future opportunities and challenges associated with the changing world. Examples include:

- campaigns, workshops, reports, conferences on digitalisation (ACCA, CNDCEC, CPA Ireland, SAIPA, WPK)
- articles, member newsletter (EFAA)
- the brand marketing strategy – to articulate the breadth of services, based on client-needs research, that a public practitioner can provide, including education on marketing and value proposition (CPA Australia)
- with the automation of more tasks, AI is going to make certain aspects of accountants' jobs less onerous and will add more value to business. CPA Ireland promotes to its members the importance of getting involved with technology (CPA Ireland).

As illustrated below, responding to market demand, PAOs may support innovation in SMPs' services by introducing new qualifications.

Companies in emerging economies are struggling, so we seized the opportunity to introduce a new specialisation for our members – the Business Rescue Specialisation. Accountants have an advantage in providing business rescue services because they possess financial and business skills. (SAIPA)

Some participants provide examples of how their organisation is actively working with other stakeholders to support SMPs and/or to lobby for a simplified framework for them. Examples include:

- developing a national chart of accounts (working with a government agency) (NBA)
- advocacy and lobbying the government on regulation considered unfavourable to SMEs/SMPs (SAIPA)
- partnering with IT companies to introduce awareness of new technologies to accountants (SAIPA and ANAN)
- lobbying, advocating and speaking out in Brussels on behalf of SMEs and SMPs (EFAA).

The following quote provides an additional illustration.

The accountancy profession needs to understand regulators' and other stakeholders' needs. Collaboration between PAOs and key government agencies or chambers of commerce is critical. This is how we can develop strategies to help SMPs embrace opportunities. For example, we noticed that in Australia 50% of all new start-up businesses struggle in the first year. In response, we developed a programme on cash flow management in partnership with the government. We promoted ... how advice on cash flow could really make a difference. (CPA Australia)

As illustrated in the following quote, PAOs also support SMPs in managing their activities.

We promote the importance of networking to help SMPs address the competition challenge. We provide guidance on how SMPs can utilise external resources to complement the skills, experience and expertise they already have in house. (ACCA)

Other examples of initiatives shared in the EG Staff Survey and interviews include:

- a brochure explaining the requirements for starting an SMP (NBA)
- advice for start-up audit firms (WPK)
- an online internship marketplace on the website (WPK)
- a job board and support for networking (ACCA)
- 'Your sustainable firm' online learning programme (CPA Australia)
- support for buying/selling a practice and succession planning (CPA Ireland)
- training for SMPs on how to network and the benefits of networking (ANAN)
- training on leadership and succession planning (ANAN).

PAOs' support for their SMP membership

Most of the organisations represented by the participants promote, encourage and facilitate networking among SMPs. Networking represents an important format for offsetting the limited internal resources SMPs have at their disposal for addressing challenges and opportunities. Networking enables SMPs to leverage the resources of other firms/providers within their network/alliance/association.¹⁶ Examples noted in the interviews include the following.

SMPs must be sophisticated at networking, in an informal, electronic way, connecting with the right people. Somewhat like a hub that connects key professionals. (EFAA)

One of our projects supports SMPs in networking, to become multi-disciplinary and multi-functional practices. We assist our SMPs in networking, becoming innovative and digitalised. (CNDCEC)

All the participants' organisations are actively engaged in developing technical competencies through continuing professional development (CPD) programmes, including ethical acumen. Prior studies (Blackburn et al. 2010; ICAS and FRC 2016; FSR 2018) find that technical skills in broader areas (eg management, business models, data analytics, sustainability) and soft skills are necessary if accountants are to provide a more diverse range of services. As shown in Figure 2.4, a slight majority of the organisations represented by the 13 participants who completed the relevant section of EG Staff Survey provide courses for developing both soft skills and new technical skills.

Nine participants explained that their PAO provides courses directed at developing a broader set of technical skills. Examples include:

- a workshop on money laundering (WPK)
- courses on Lean Six Sigma and the changing nature of management accounting in the context of Big Data (CPA Ireland)
- training on auditing software (ANAN)
- courses on data analytics and other IT developments (IBR-IRE, TURMOB).

The following quotes illustrate additional ways in which EG members help SMPs to build their technical skills.

We have a close relationship with our members and understand their needs. We conduct surveys, organise discussions, look at the repetitive questions received through the helpline service for members. Then, we develop courses in line with SMPs' needs, on technical or non-technical skills. (NBA)

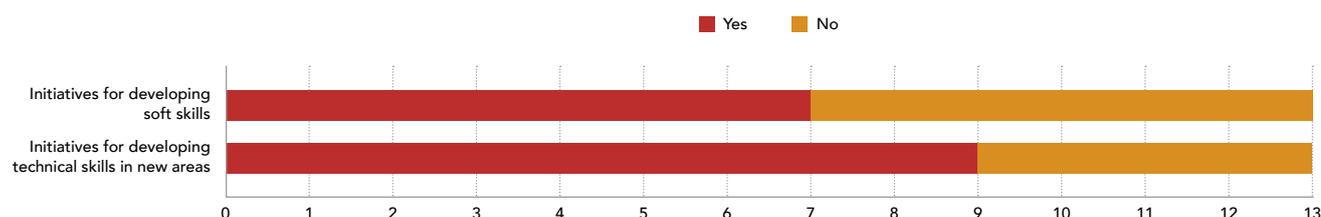
We have projects to follow developments in technology and keep our members up to date. We have projects on Big Data, digitalisation, blockchain, among others. (TURMOB)

PAOs adapt their offerings to suit the needs of the local environment. Those representing emerging economies tend to focus on building the local profession and helping their members to satisfy the globally accepted IFAC competency framework. For example, in Nigeria ANAN has developed courses and campaigns on fighting corruption and fraud and on how to remain an ethical professional.

Seven participants explained that their PAO has introduced courses on developing soft skills. Examples include:

- courses on 'moral courage', 'professional voice use' and 'psychology of risk management' (NBA)
- workshops on advanced Excel, report writing and presentation skills (SAIPA)
- courses on personal effectiveness, dealing with conflicting situations, project management recruitment and retention of staff, following analysis of work environments (CPA Ireland)
- an ethics and professional skills module (eg personal effectiveness, innovation and scepticism, commercial awareness, leadership and team work, communication and interpersonal skills), as part of the qualification (ACCA).

Figure 2.4: Initiatives for developing soft skills and technical skills



16 See ASCENTOR and Soter & Partners cases in Appendix 2.

PAOs' support for their SMP membership

As illustrated by the following quotes, competition for talent, attracting the young generation and succession planning are important challenges for SMPs.

Competition for talent is fierce, especially given the importance of digitalisation. It is harder and harder to find new talent that is well educated in taxes, accounting and auditing and that also possesses digital skills. (WPK)

For succession planning, we inform SMPs that they should plan for the future by training the people who will succeed them. (ANAN)

To support their membership, some PAOs sponsor activities and campaigns to attract talent into the profession and to encourage involvement from the young generation. Six of the PAOs surveyed report that they have initiatives that target young professionals and Generation Next. Some initiatives noted by respondents include:

- producing reports on Generation Next and their impact on the profession (ACCA)
- launching campaigns to inform students about opportunities in the profession (NBA)
- the NBA Young Profs scheme (NBA)
- the Youth Council scheme (IBR-IRE)
- holding contests for students judged by SMPs (IAA)
- a young professionals forum (SAIPA).

The following quote illustrates the importance of promoting the profession in secondary schools.

We have programmes to present 'a fair view of the profession' to attract talent. We have had the programme for about 15 years, and it has changed throughout the years. The programme includes presentations in secondary schools, with invited accountants, films and exercises. The students learn that accounting is not a solitary practice. Accounting involves interaction, analysis and visits to clients. (NBA)

As revealed in the following quotes, interviewees believe SMPs must change, in both their human resources management and use of digitalisation, to attract and retain the young generation.

The young generation, when hired, first look at the firm's technology. If they see old software, for example, they flee the next day. SMPs need new technology, to be modern, to attract and retain the young generation. (CECCAR)

SMPs may attract talent by offering work-life balance. If they can achieve this, work-life balance represents a great opportunity for SMPs. However, financially, SMPs have to compensate for lack of brand. Larger firms have brand. (CECCAR)¹⁷

One of the biggest challenges for SMPs is recruiting and retaining talent. SMPs should take the opportunity to highlight that they are at the forefront of business, providing SMEs and other organisations with advice and recommendations to succeed. (CPA Ireland)

¹⁷ See Fitzgerald & Partners, ASCENTOR and APEX Team cases in Appendix 2.

Part 3. 'SMP of the future' survey

Between 28 May and 30 August 2018, 1,906 practising accountants from across the globe, who are owners of or employed by an SMP, completed the online 'SMP of the Future' survey. The survey was offered in 11 languages (ie English, German, Spanish, French, Dutch, Polish, Portuguese, Russian, Romanian, Turkish and Japanese) and promoted by member organisations of the EG and other accountancy organisations.

Table 3.1: SMP of the Future survey – participants by country

Romania	645	Indonesia	38	Barbados	9	Namibia	2	Lithuania	1
India	174	France	35	Japan	9	Singapore	2	Moldova	1
Turkey	120	Kazakhstan	35	Bolivia	8	United Arab Emirates	2	Nicaragua	1
Portugal	116	US	35	Trinidad and Tobago	8	Argentina	1	Panama	1
Ireland	89	Italy	33	Kyrgyzstan	6	Belarus	1	Puerto Rico	1
South Africa	86	Belgium	28	UK	6	Ecuador	1	Serbia	1
Poland	74	Australia	27	Canada	5	Georgia	1	Ukraine	1
Spain	72	Nepal	25	New Zealand	4	Honduras	1	Zimbabwe	1
Germany	58	Brazil	23	Pakistan	4	Hungary	1	Total 1,906	
Russia	43	Philippines	15	Colombia	2	Kenya	1		
Mexico	40	Nigeria	10	Malaysia	2	Lebanon	1		

Table 3.2: SMP of the Future survey – participant demographics

Sex		Years in practice		Age		Position in practice	
Male	54%	Less than 5 years	13%	22 to 29 years	7%	Director, partner, or owner	76%
Female	46%	6 to 10 years	12%	30 to 39 years	19%	Senior manager	4%
		10 to 20 years	29%	40 to 49 years	26%	Manager	5%
		More than 20 years	46%	50 or more years	48%	Staff accountant	11%
		Median	20 years	Median	45 years	Other	4%

Composition and demographics

Table 3.1 summarises the sample composition by country. Four countries contributed over 100 participants. One-third (34%, 645) of the participants were from Romania, and 9% (174) were from India. Participants representing Turkish (120) and Portuguese (116) SMPs each accounted for 6% of the sample. Five countries had over 50 participants (ie, Ireland (89), South Africa (86), Poland (74), Spain (72) and Germany (58)). Eleven countries had more than 20 participants (ie, Russia (43), Mexico (40), Indonesia (38), France (35), Kazakhstan (35), US (35), Italy (33), Belgium (28), Australia (27), Nepal (25) and Brazil (23)). For several of the analyses reported in this section, overall results are given, as well as country-specific results for the 20 aforementioned countries and all 'other' countries combined.

Table 3.2 provides an overview of participant demographics. A slight majority – 54% – are male, and 46% are female. The median number of years in practice is 20, and the median age is 45 years. A majority – 76% – of the participants are directors, partners or owners of their SMP. Another 9% are senior managers or managers, while 11% are staff accountants, and 4% hold 'other' positions in their SMP.

As shown in Figure 3.1, most of the respondents represent smaller practices, ie 46% are sole practitioners and 34% have from two to five partners and staff. Of the 20% representing larger practices, 8% are with practices that have 6 to 10 partners and staff, 4% have 11 to 20 and 8% have 21 or more. Since 'one size does not fit all' for several of the analyses reported in this section, results are reported here by practice size.

For 1,906 participants, Figure 3.2 shows the size of the client firms served by these SMPs and reveals that the clientele varies substantially by country. Of the businesses served by the respondents' SMPs, 62% are individual clients (27%) or micro clients (ie, fewer than 10 employees) (35%).

Figure 3.1: Practice size

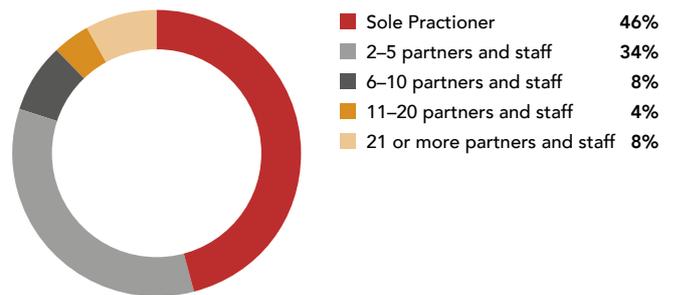
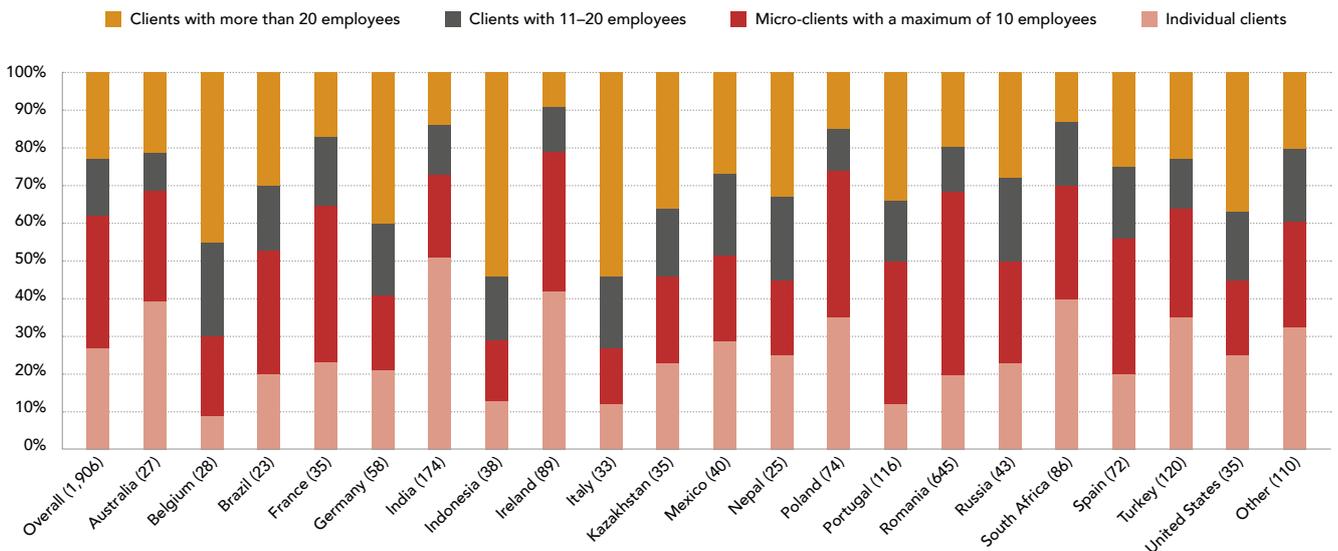


Figure 3.2: Clientele served, by country

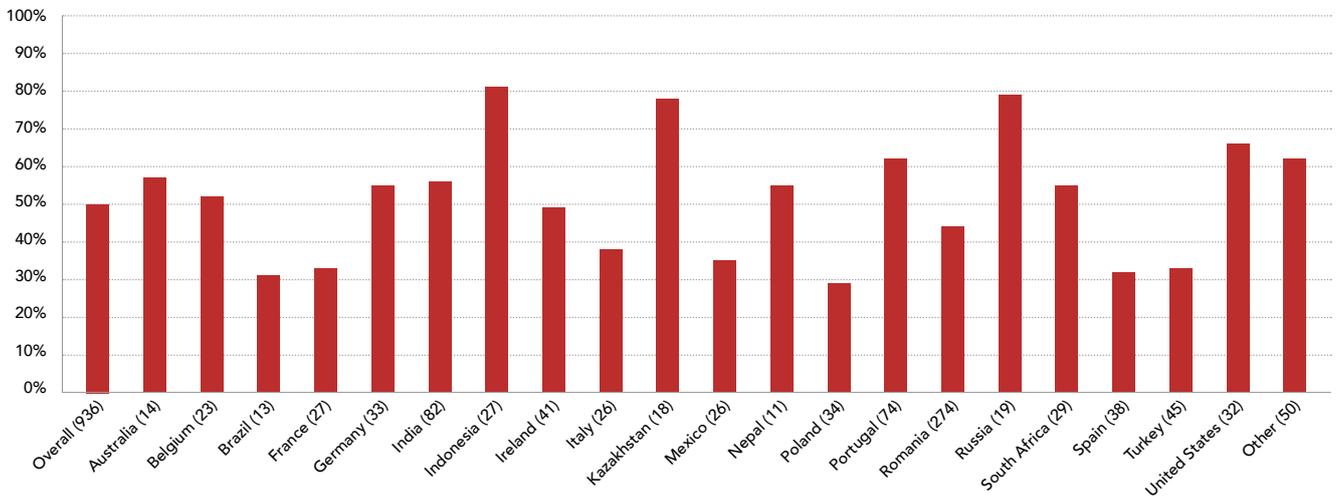


Skills development plan

As reported in Figure 3.3, 936 of the participants stated whether their SMP currently had a 'skills development plan' to address the ever-changing demands of clients. Of those reporting, half indicated that their SMP had a plan but the findings differ substantially, country by country. More than 60% of those responding from Indonesia (81%), Russia (79%), Kazakhstan (78%), the US (66%) and Portugal (62%) reported that their SMP had a skills development plan.

In contrast, fewer than 40% from Italy (38%), Mexico (35%), Turkey (33%), France (33%), Spain (32%), Brazil (31%) and Poland (29%) indicated that their SMP had such a plan. Of the 207 that specified the type of development plan provided by their SMP, the most frequently noted was professional skills (35%). Other types of skills development plans mentioned were for technical skills (18%), audit (17%), accounting (16%) and tax (14%) (not tabulated).

Figure 3.3: Skills development plan, by country

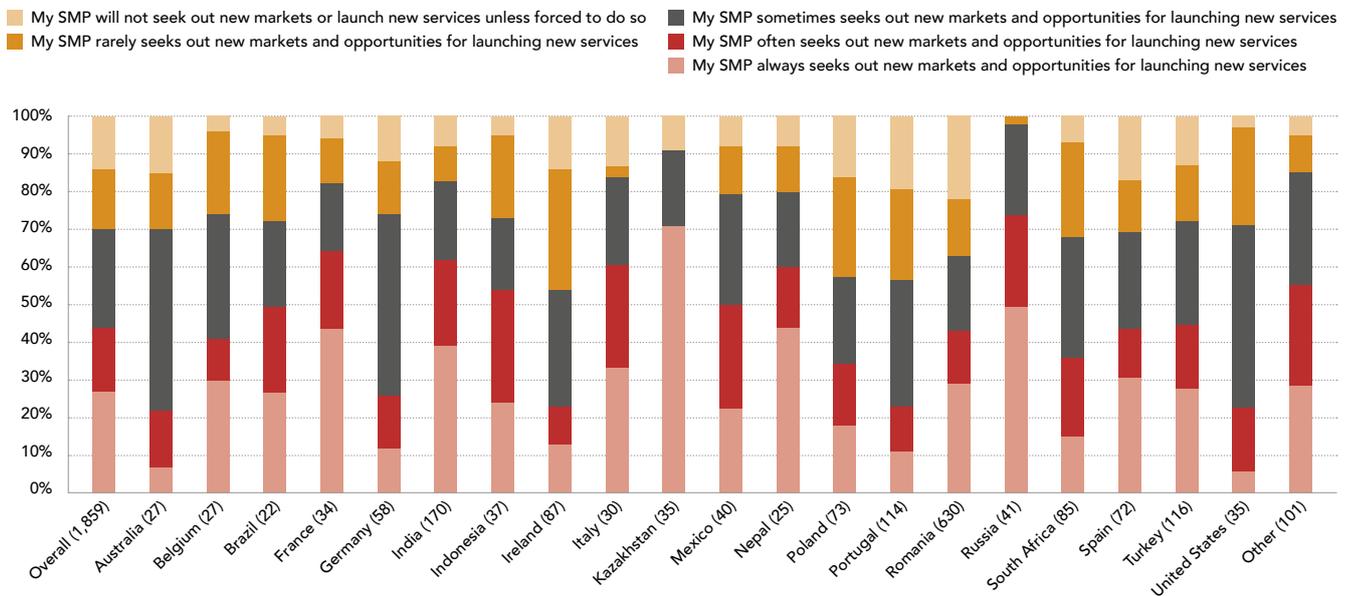


Opportunities for launching new service lines

As illustrated in Figure 3.4, 1,859 participants explained their SMP's perspective on seeking out new markets and opportunities for launching new services. Of these, 27% indicated that their SMP 'always' seeks out new markets, and 17% indicated their SMP 'often' seeks out new markets. Slightly over one-quarter (26%) reported that their SMP 'sometimes' seeks out new markets. Just under one-third indicated that their SMP 'rarely' (16%) or 'never' (14%) seeks out new markets. Figure 3.4 also reveals variation by country. A substantially larger proportion of participants

from Kazakhstan (71%), Russia (49%), France (44%), Nepal (44%) and India (39%) reported that their SMP is proactive and 'always' seeks out new markets. On the other hand, a markedly lower proportion of respondents from South Africa (15%), Ireland (13%), Germany (12%), Portugal (11%), Australia (7%) and the US (6%) indicated that their SMP is similarly proactive. And 15% or more of the respondents from Romania (22%), Portugal (19%), Spain (17%), Poland (16%) and Australia (15%) reported that their SMP would not seek out new markets or launch new services unless forced to do so.

Figure 3.4: Perspectives on seeking out new markets and opportunities for launching new services by country



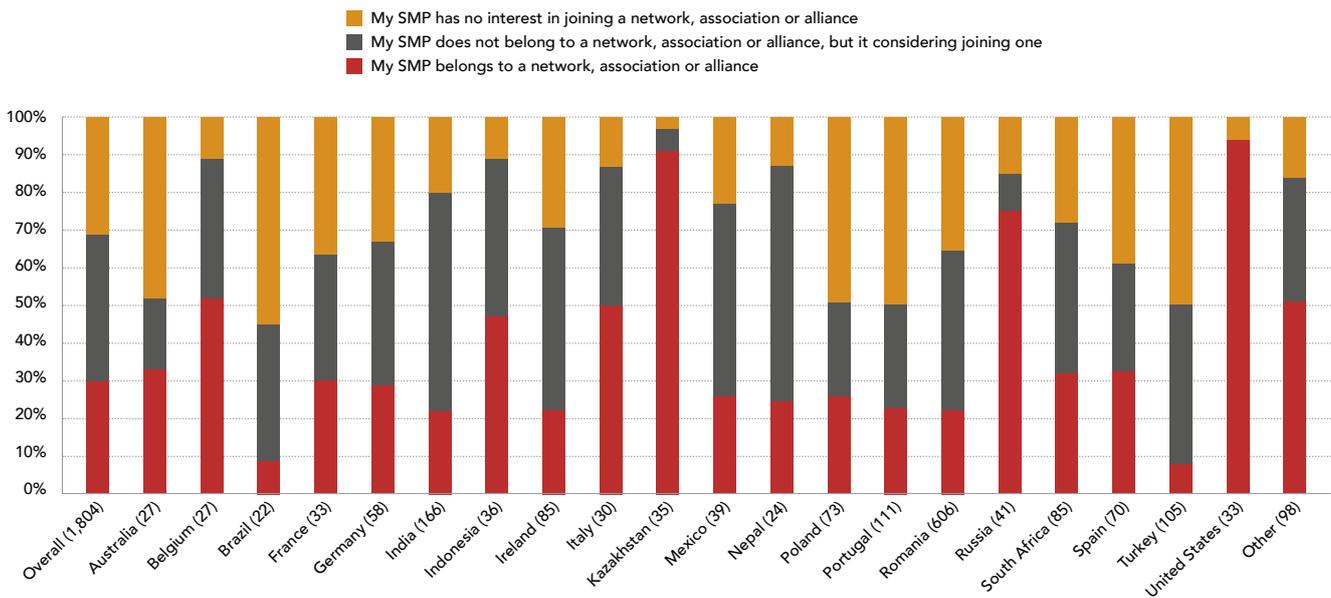
Membership of a network, association or alliance

As shown in Figure 3.5, 1,804 participants reported on their SMPs' current or intended affiliation with a network, association or alliance. Overall, 30% of the represented SMPs belong to a network, association or alliance, and another 39% were considering joining one. Approximately one-third (31%) indicated that their SMP has no interest in joining a network, association or alliance. Again, responses varied by country. The findings indicate that membership is much more prevalent in the US (94%), Kazakhstan (91%), Russia (76%), Belgium (52%) and Italy (50%). In stark contrast, about one-half of respondents from Brazil (55%), Portugal (50%), Turkey (50%), Poland (49%) and Australia (48%) indicated that their SMP has no interest in joining a network, association or alliance.¹⁸

SOURCES OF COMPETITION FOR CLIENTS

1,806 participants reported the extent (ie, 'extremely high', 'high', 'moderate', 'very little', 'none') to which their SMP faces competition for clients from various sources. As reflected in Figure 3.6 and assessed by the sum of 'extremely high' and 'high' responses, the greatest source of competition for clients is other SMPs (41%). Of the respondents, 28% indicated that their SMP faces 'extremely high' or 'high' competition from the Big Four, from large accountancy firms other than the Big Four and from advisers/consultants that are unregulated and/or have no professional qualifications. Also, 16% reported that their SMP faces 'extremely high' or 'high' competition from qualified practitioners in other fields and from automated services provided by accounting software or online service providers.

Figure 3.5: Participation in networks, associations and alliances, by country



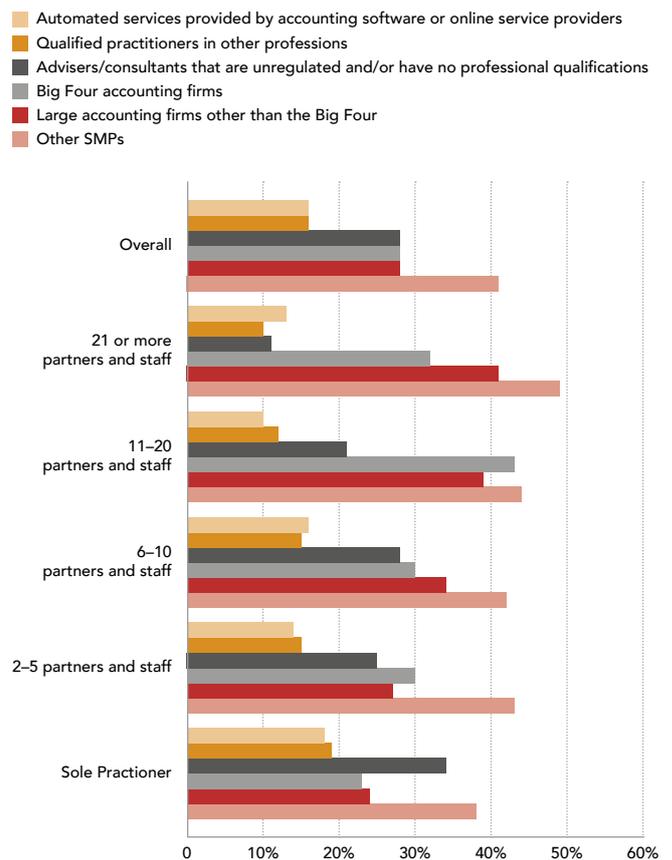
18 See Soter case in Appendix 2 for an example of the advantages associated with membership in a network.

Membership of a network, association or alliance

Figure 3.6 reveals variation by practice size in the extent to which SMPs face competition for clients from various sources.

- In general, the extent of competition from other SMPs increases as practice size increases (eg 38% for sole practitioners to 49% for those with 21 or more partners and staff).
- As practice size increases, so does the level of competition from large firms other than the Big Four (ie 24%, of sole practitioners experienced this; 27% of those with two to five partners and staff; 34% of those with 6 to 10 partners and staff; 39% of those with 11 to 20 partners and staff; and 41% of those with 21 or more partners and staff).
- Fewer sole practitioners (23%) than larger practices face competition from the Big Four (such competition being reported by 30% each of SMPs with two to five and those with 6 to 10 partners and staff; 43% of those with 11 to 20 partners and staff; and 32% of those with 21 or more partners and staff).
- As practice size increases, the level of competition from advisers/consultants that are unregulated and/or have no professional qualifications decreases (34% for sole practitioners to 11% for those with 21 or more partners and staff).
- As practice size increases, the level of competition from qualified practitioners in other fields decreases (19% for sole practitioners to 10% for those with 21 or more partners and staff).
- In general, as practice size increases, the level of competition from automated services provided by accounting software or online service providers declines slightly (ie 18% for sole practitioners; 14% for those with two to five partners and staff; 16% for those with 6 to 10 partners and staff; 10%, for those with 11 to 20 partners and staff; and 13% for those with 21 or more partners and staff).

Figure 3.6: Sources of competition for clients by practice size – percentage facing 'extremely high' or 'high' competition



Membership of a network, association or alliance

Table 3.3 reveals that the sources of competition for clients, as assessed by the sum of 'extremely high' and 'high' responses, varies by country. At least half of the respondents from Nepal (72%), South Africa (63%), Mexico (61%), Italy (60%), Turkey (54%), India (53%), Poland (51%), Belgium (50%) and France (50%) indicated that their SMP faces 'extremely high' or 'high' competition from other SMPs. In contrast, approximately one-third or fewer of the respondents from Spain (35%), Russia (32%), Portugal (16%) and Kazakhstan (28%) indicate their practice faces 'extremely high' or 'high' competition for clients from other SMPs.

Regarding competition from Big Four firms, the situation is most problematic for the SMPs represented by participants from Kazakhstan (73%), Italy (63%), Russia (50%), Mexico (45%), Belgium (43%), and Germany (40%), with 40% or more encountering 'extremely high' or 'high' competition. In contrast, fewer than 20% of the practices represented by respondents from Indonesia (18%), Brazil (18%), France (16%), South Africa (12%), Australia (11%), Ireland (9%), the US (6%) and Poland (3%) reported facing 'extremely high' or 'high' competition from the Big Four.

Table 3.3: Sources of competition for clients, by country

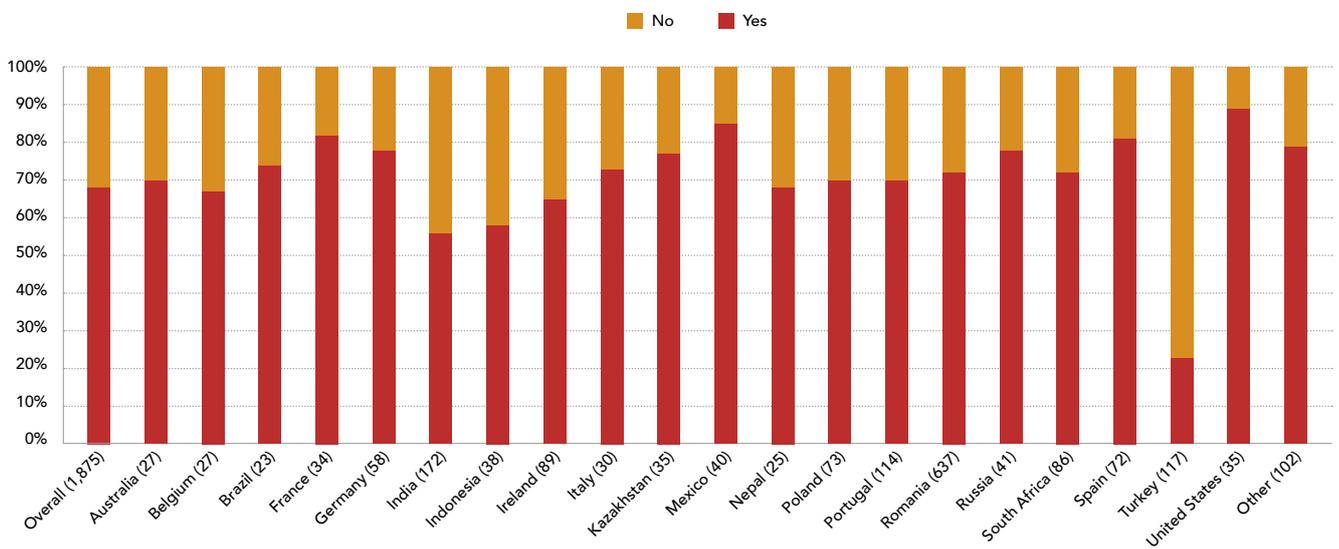
Country	Other SMPs	Large accountancy firms other than Big Four	Big 4	Advisers / consultants that are unregulated and/or have no professional qualifications	Qualified practitioners in other professions	Automated services provided by accounting software or online service providers
Australia (27)	38%	15%	11%	15%	19%	15%
Belgium (28)	50%	54%	43%	4%	4%	4%
Brazil (23)	48%	5%	18%	27%	14%	14%
France (34)	50%	22%	16%	15%	9%	19%
Germany (58)	47%	40%	40%	12%	9%	5%
India (172)	53%	32%	27%	49%	24%	26%
Indonesia (38)	42%	32%	18%	26%	26%	21%
Ireland (89)	41%	16%	9%	31%	7%	8%
Italy (30)	60%	34%	63%	10%	10%	4%
Kazakhstan (35)	28%	17%	73%	7%	14%	25%
Mexico (40)	61%	38%	45%	40%	28%	9%
Nepal (25)	72%	38%	21%	32%	17%	8%
Poland (72)	51%	3%	3%	10%	10%	16%
Portugal (114)	16%	26%	23%	12%	9%	13%
Romania (634)	39%	32%	31%	30%	18%	17%
Russia (41)	32%	50%	50%	14%	8%	11%
South Africa (86)	63%	12%	12%	30%	17%	25%
Spain (71)	35%	30%	29%	38%	28%	17%
Turkey (117)	54%	23%	29%	27%	18%	17%
US (35)	37%	35%	6%	3%	6%	3%
Other (98)	59%	21%	29%	38%	14%	9%
Overall (1867)	41%	28%	28%	28%	16%	16%

Collaborations with other service providers

As reported in Figure 3.7, 1,875 participants indicated whether their SMP collaborated with other service providers (eg other accounting firms, software providers, banks, lawyers). Overall, about two-thirds (32%) reported that their SMP collaborates with various service providers.¹⁹

Figure 3.7 reveals variation in the extent of collaboration with other service providers by country. Collaborations with other service providers are the most prevalent for the SMPs represented by participants from the US (89%), Mexico (85%), France (82%) and Spain (81%). In stark contrast, collaborations are the least frequent for SMPs represented by respondents from Turkey (23%).

Figure 3.7: Collaboration with other service providers

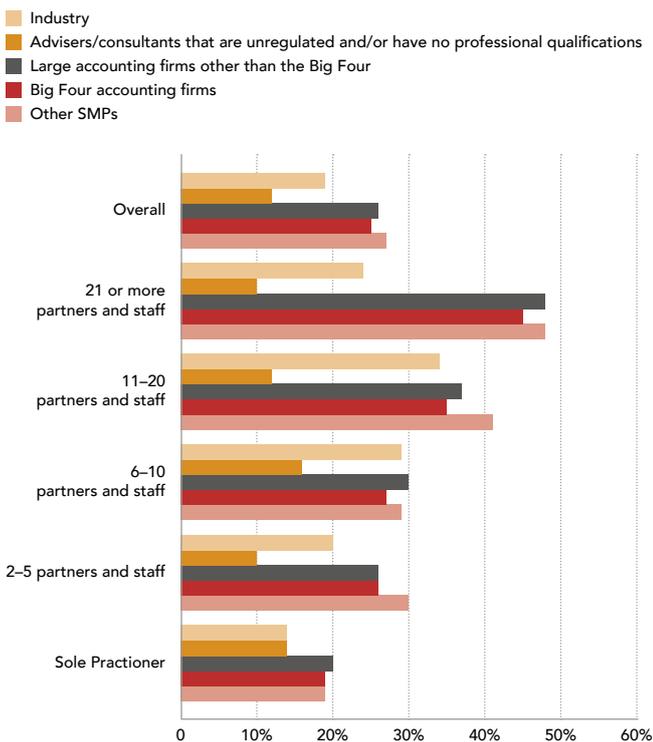


¹⁹ The APEX and Brady & Associates cases presented in Appendix 2 for illustrations from the perspective of a Romanian and an Irish SMP, respectively, of the benefits of collaborations with other service providers.

Competition for staff

Participants indicate the extent ('none', 'very little', 'moderate', 'high', 'extremely high') to which their SMP faces competition for staff from other SMPs, from large firms other than the Big Four, from the Big Four, from industry, and from advisers/consultants that are unregulated and/or have no professional qualifications. Overall, about one-quarter of the 1,806 responding, indicated that their SMP faces 'high' or 'extremely high' competition for staff from other SMPs (27%), from large firms other than the Big Four (26%) and from the Big Four (25%). Also, 19% and 12% respectively face 'extremely high' or 'high' competition from industry and from advisers/consultants that are unregulated and/or have no professional qualifications. Figure 3.8, furthermore, reveals variation by practice size for competition for staff; in general, such competition increases as practice size increases.

Figure 3.8: Competition for staff



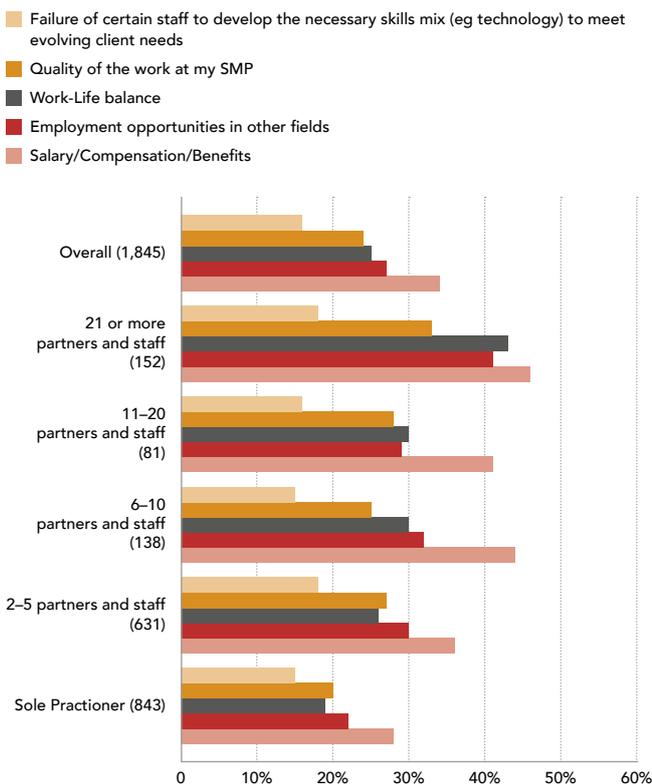
- Approximately one-fifth of sole practitioners face 'extremely high' or 'high' competition from other SMPs (19%), from larger accountancy firms other than the Big Four (20%) and from the Big Four (19%), and 14% face 'extremely high' or 'high' competition from both industry and advisers/consultants that are unregulated and/or have no professional qualifications.
- Fewer than one-third of the practices represented by respondents from practices with both two to five and 6 to 10 partners and staff face 'extremely high' or 'high' competition for staff from each source.
- For SMPs with 11 to 20 partners and staff, 41% face 'extremely high' or 'high' competition for staff from other SMPs, and slightly more than one-third face comparable competition from industry (34%), from the Big Four (35%) and from large accounting firms other than the Big Four (37%). Only 12% face 'extremely high' or 'high' competition from advisers/consultants that are unregulated and/or have no professional qualifications.
- For SMPs with 21 or more partners and staff, 45% or more face 'extremely high' or 'high' competition for staff from the Big Four (45%), large firms other than the Big Four (48%) and other SMPs (48%). In contrast, fewer face competition from industry (24%), or from advisers/consultants that are unregulated and/or have no professional qualifications (10%).

Staff turnover/attrition

Figure 3.9 reports the extent to which 1,845 respondents indicated that various factors contribute to staff attrition/turnover in their SMP. One-third (34%) indicated that salary is an 'extremely high' or 'high' contributing factor to staff turnover. Approximately one-quarter report that employment opportunities in other fields (27%), work-life balance (25%) and 'quality of work at my SMP' (24%) are an 'extremely high' or 'high' factor contributing to turnover. In addition, 16% report that the failure of staff to develop the necessary skills mix to meet client needs is an 'extremely high' or 'high' contributing factor to turnover.

For factors contributing to staff turnover, Figure 3.9 also reveals variation by practice size.

Figure 3.9: Factors contributing to staff turnover/attrition by practice size – sum of 'extremely high' and 'high' responses



- In general, as practice size increases, salary represents an 'extremely high' or 'high' contributing factor to turnover for more of the represented SMPs (28% of sole practitioners; 36% of those with two to five partners and staff; more than 40% of larger practices).
- In general, as practice size increases, employment opportunities in other fields represents an 'extremely high' or 'high' contributing factor to turnover for more of the represented SMPs (22% sole practitioners, approximately 30% 22-0 partners and staff, 41% 21 or more partners and staff).
- In general, as practice size increases, work-life balance represents an 'extremely high' or 'high' contributing factor to turnover for more of the represented SMPs (19% of sole practitioners; 26% of those with two to five partners and staff; 30% of those with 6 to 10 partners and staff or 11 to 20 partners and staff; 43% of those with 21 or more partners and staff).
- 'Quality of work at my SMP' contributes less to staff turnover for the participating sole practitioners (20%) than for the larger practices (between 25% and 33%).

Table 3.4 on page 38, reveals country-by-country variation in the extent to which certain factors contribute to staff turnover. A majority of the participants from Russia (73%), Belgium (54%) and Nepal (52%) viewed salary/compensation/benefits as having an 'extremely high' or 'high' impact on staff attrition for their SMP. Markedly fewer respondents from Kazakhstan (6%), Italy (17%), Brazil (18%) and South Africa (20%) reported this.

Employment opportunities in other fields are especially problematic for the SMP respondents from Nepal, with 71% indicating the factor has an 'extremely high' or 'high' impact on staff turnover. One-third or more of the participants from the US (49%) Mexico (48%), Indonesia (42%), India (42%), Belgium (36%), Ireland (35%) and Spain (33%) viewed the factor as having an 'extremely high' or 'high' impact. In contrast, employment opportunities have an 'extremely high' or 'high' impact on considerably fewer of the SMP participants from South Africa (13%), Brazil (14%), Portugal (15%), Poland (16%), Turkey (18%), France (19%) and Australia (19%); none of the participants from Kazakhstan considered the factor to be having an 'extremely high' or 'high' impact on turnover at their SMP.

Staff turnover/attrition

More than one-third of the participants from Belgium (46%), Germany (38%), France (35%) and Romania (34%) viewed work-life balance as having an 'extremely high' or 'high impact' on staff turnover at their SMPs. In contrast, fewer than 20% of the participants from Ireland (19%), Indonesia (18%), Nepal (16%), Poland (16%), Australia (15%), India (15%), Brazil (14%) Kazakhstan (7%), Russia (8%) and South Africa (9%) considered work-life balance as having an 'extremely high' or 'high' impact on turnover at their SMP.

'Quality of work at my SMP' is particularly problematic for the SMP respondents from Belgium and Romania, with 43% and 42%, respectively, reporting that the factor has an 'extremely high' or 'high' impact on staff turnover at their SMP. In contrast, 15% or fewer of the participants from Portugal (15%), Brazil (14%), Spain (14%), Mexico (13%), South Africa (12%), the US (12%), Russia (11%), Ireland (9%),

Poland (6%), Italy (4%) and Kazakhstan (4%) viewed the factor as having an 'extremely high' or 'high' impact on staff turnover at their SMP.

The failure of certain staff to develop the necessary skills mix to meet evolving client needs is especially problematic for the SMP respondents from Russia, with 64% reporting the factor has an 'extremely high' or 'high' impact on staff turnover at their SMP. At least 20% of the participants from Mexico (23%), India (21%) and Romania (20%) viewed this factor as having an 'extremely high' or 'high' impact on turnover at their SMP. In contrast, 10% or fewer of the participants from Poland (9%), Ireland (8%), South Africa (8%), Italy (7%), Germany (7%) and Kazakhstan (3%), and none from Indonesia, reported that the factor has an 'extremely high' or 'high' impact on staff turnover.

Table 3.4: Factors contributing to staff turnover/attrition by country – sum of 'extremely high impact' and 'high impact' responses

Country	FACTOR				
	Salary/compensation/benefits	Employment opportunities in other fields	Work-life balance	Quality of the work at my SMP	Failure of certain staff to develop the necessary skills mix to meet evolving client needs
Australia	22%	19%	15%	19%	15%
Belgium	54%	36%	46%	43%	11%
Brazil	18%	14%	14%	14%	13%
France	32%	19%	35%	28%	19%
Germany	31%	21%	38%	17%	7%
India	41%	42%	15%	22%	21%
Indonesia	45%	42%	18%	21%	0%
Ireland	29%	35%	19%	9%	8%
Italy	17%	25%	25%	4%	7%
Kazakhstan	6%	0%	7%	4%	3%
Mexico	38%	48%	28%	13%	23%
Nepal	52%	71%	16%	16%	13%
Poland	29%	16%	16%	6%	9%
Portugal	22%	15%	22%	15%	13%
Romania	37%	24%	34%	42%	20%
Russia	73%	26%	8%	11%	64%
South Africa	20%	13%	9%	12%	8%
Spain	29%	33%	27%	14%	12%
Turkey	27%	18%	23%	28%	18%
US	26%	49%	26%	12%	11%
Other	41%	36%	19%	12%	9%
Overall	34%	27%	25%	24%	16%

Digital technologies

Participants indicated the extent to which (ie 'extremely high', 'high', 'moderate', 'low', 'none') digital technologies 1) currently affect their SMP, or 2) are likely to affect it within the next five years or 3) will do so in six years or longer. Table 3.5 shows the percentage, by country, reporting that digital technologies currently have or will have an 'extremely high' or 'high' impact on the practice. Overall, 52% indicate that digital technologies currently have an 'extremely high' or 'high' impact on their SMP. The forecasted impact is substantially higher with 70% and 74% expecting an 'extremely high' or 'high' impact within the next five years and in six years and onward, respectively.

There is substantial variation by country. More than 60% of the participants from Spain (76%), Australia (74%), Russia (73%), France (71%), Mexico (70%), Belgium (68%) and Brazil (64%) reported that digital technologies currently already have an 'extremely high' or 'high' impact on their SMP.

In contrast, fewer than 40% of the respondents from Turkey (38%), Indonesia (32%), Nepal (32%) and Kazakhstan (26%) reported this.

Within the next five years, 80% or more of the participants from France (91%), Brazil (91%), Belgium (89%), Australia (85%) Spain (83%), Russia (82%) and South Africa (80%) stated that digital technologies will have an 'extremely high' or 'high' impact on their SMP. In contrast, the anticipated combination of 'extremely high' and 'high' impact forecast by respondents from Indonesia and Nepal is much lower at 45% and 52%, respectively.

In six years and onward, 80% or more of the participants from the US (94%), Belgium (93%), Australia (89%), France (88%), Spain (86%), Russia (85%), Brazil (83%), Germany (81%) and Kazakhstan (81%) forecast that digital technologies will have an 'extremely high' or 'high' impact on their SMP. In contrast, only half of the Indonesian participants expected this.

Table 3.5: Percentage indicating that digital technologies currently have an 'extremely high' or 'high' impact on their SMP, will have within the next five years, or will have in six years and onward – by country

Country	Current impact	In next five years	In six years and onward
Australia	52%	70%	74%
Belgium	74%	85%	89%
Brazil	68%	89%	93%
France	64%	91%	83%
Germany	71%	91%	88%
India	48%	76%	81%
Indonesia	43%	70%	74%
Ireland	32%	45%	50%
Italy	43%	76%	77%
Kazakhstan	59%	73%	72%
Mexico	26%	76%	81%
Nepal	70%	70%	73%
Poland	32%	52%	68%
Portugal	41%	58%	59%
Romania	56%	71%	75%
Russia	53%	67%	71%
South Africa	73%	82%	85%
Spain	52%	80%	78%
Turkey	76%	83%	86%
US	38%	63%	68%
Other	57%	79%	94%
Overall	49%	66%	76%

Digital technologies

CHALLENGES ASSOCIATED WITH DIGITAL TECHNOLOGIES

As reported in Table 3.6, of the 1,866 respondents²⁰ indicating whether their SMP is currently responding to challenges associated with digital technologies and/or has plans to respond to the challenges, 74% replied in the affirmative. Analyses reveal substantial variation by country. For example, 96% of the respondents from Australia, 92% from Indonesia, and 91% from Kazakhstan reported that their SMP is currently responding and/or plans to respond to the challenges associated with digital technologies. In contrast, only 49% and 55% of the respondents from Russia and Turkey, respectively, indicated that their SMP is currently responding and/or plans to respond to the challenges associated with digital technologies.

STRATEGIES USED TO ADDRESS DIGITAL TECHNOLOGIES CHALLENGES

Of the respondents indicating that their SMP is currently responding to and/or has plans to respond to the challenges associated with digital technologies, most also specified the strategies their SMP 1) has already adopted and 2) has plans to adopt. As summarised in Table 3.7, 495 indicated that their SMP has already adopted and uses Cloud options, and 416 indicated that their SMP plans to do so in the future. As regards developing in-house skills and expertise, 647 reported that their SMP has already done so, and 330 that their SMP plans to do so while 371 indicated that their SMP has already hired accountancy-qualified staff with additional expertise in digital technologies, and 302 that their SMP plans to do so in the future. As regards recruiting non-accountants such as data scientists, 123 indicated that their SMP has already done so, and 238 that their SMP plans to do so in the future. Meanwhile, 293 indicated that their SMP has already used the services of external specialists, and 310 that their SMP plans to do so in the future.

Table 3.6: My SMP is responding to challenges associated with digital technologies and/or has plans to respond to the challenges, by country

Australia	96%	Germany	62%	Italy	84%	Poland	67%	South Africa	82%	Other	81%
Belgium	68%	India	82%	Kazakhstan	91%	Portugal	71%	Spain	68%	Overall	74%
Brazil	70%	Indonesia	92%	Mexico	72%	Romania	74%	Turkey	55%	n	1,866
France	66%	Ireland	80%	Nepal	80%	Russia	49%	US	77%		

Table 3.7: Strategies my SMP has already used or plans to use to respond to digital technologies challenges

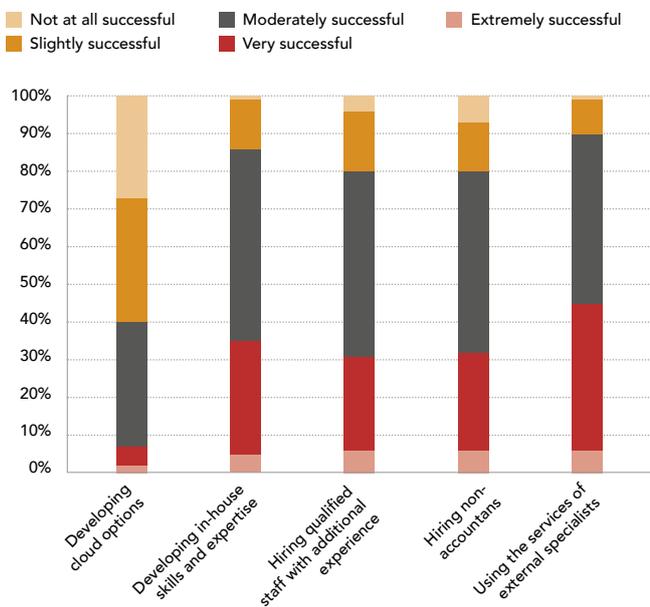
My SMP	Adopt and use cloud options	Develop in-house skills and expertise	Hire accountancy qualified staff with additional expertise	Recruit non-accountants (eg data scientists)	Use services of external specialists
Has already	495	647	371	123	293
Has plans to	416	330	302	238	310

²⁰ Only participants indicating that digital technologies affect or are expected to influence their SMP answered this question and the following questions on digital technologies (ie participants replying 'none' to the preceding question moved on to the regulation/deregulation section of the survey).

Digital technologies

Most of the respondents indicating that their SMP is already using one or more of the five strategies noted previously to address the challenges associated with digital technologies also indicated the level of success their SMP has experienced with this strategy. Figure 3.10 summarises the overall replies. Table 3.8 provides a country-by-country perspective for each of the five strategies.

Figure 3.10: Level of success in using specific strategies to respond to the challenges associated with digital technologies



LEVEL OF SUCCESS WITH CLOUD OPTIONS

Of the 400 responding, 7% indicated that their SMP has been 'extremely successful' (2%) or 'very successful' (5%) in developing Cloud options. One-third (33%) indicated that their SMP has been 'moderately successful'. For a majority, their SMP has been either 'slightly successful' (33%) or 'not at all successful' (27%) in developing Cloud options. Table 3.8 reports country specific results for countries with 20 or more replies. In general, the findings are consistent with the overall results. A majority of the SMPs represented by respondents from India, Ireland, Romania and South Africa report their SMP has only been 'slightly successful' or 'not at all successful' in applying Cloud technology.

LEVEL OF SUCCESS DEVELOPING IN-HOUSE SKILLS AND EXPERTISE

Of the 645 responding, approximately one-third indicated that their SMP has been 'extremely successful' (5%) or 'very successful' (30%) in developing in-house skills and expertise to address digital technologies. A slightly majority (51%) indicated that their SMP has been 'moderately successful', while 14% indicated that their SMP has been either 'slightly successful' (13%) or 'not at all successful' (1%) in this respect. Table 3.9 on page 42, provides an analysis for countries with 20 or more replies. Assessed as the sum of 'extremely successful' and 'very successful' responses, SMPs represented by participants from South Africa (45%) and Romania (39%) have had the greatest success with developing in-house digital technologies expertise. In contrast, the SMPs represented by respondents from Mexico have experienced the least success, with only 15% reporting these levels of success.

Table 3.8: Level of success with Cloud options, by country

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
India	66	0%	2%	30%	36%	32%
Ireland	28	4%	7%	25%	39%	25%
Romania	113	2%	2%	36%	34%	26%
South Africa	23	0%	4%	13%	48%	35%

Digital technologies

LEVEL OF SUCCESS HIRING ACCOUNTANCY QUALIFIED STAFF WITH DIGITAL TECHNOLOGIES EXPERTISE

Of the 365 responding, about one-third indicated that their SMP has been 'extremely successful' (6%) or 'very successful' (25%) in hiring accountancy-qualified staff with digital technologies expertise. Just under half (49%) indicated that their SMP has been 'moderately successful'. One-fifth reported that their SMP has been 'slightly successful' (16%) or 'not at all successful' (4%) in hiring such staff. Table 3.10 shows country-specific results for India, Portugal and Romania. Assessed as the sum of 'extremely successful' and 'very successful' responses, the SMP respondents from Romania have had the most success in hiring accountancy-qualified staff with digital technologies expertise, with 42% claiming this.

LEVEL OF SUCCESS HIRING NON-ACCOUNTANTS WITH DIGITAL TECHNOLOGIES EXPERTISE

Of the 120 responding, approximately one-third indicated that their SMP has been 'extremely successful' (6%) or 'very successful' (26%) in hiring non-accountants with digital technologies expertise. Just under half (48%) indicated 'moderate success' in hiring such staff, with one-fifth being only 'slightly successful' (13%) or 'not at all successful' (7%). As illustrated in Table 3.11, only one country – Romania – had over 20 replies.

Table 3.9: Level of success in developing in-house skills and expertise, by country

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
Australia	20	5%	20%	55%	20%	0%
Germany	29	0%	24%	62%	14%	0%
India	39	8%	23%	43%	26%	0%
Ireland	32	3%	31%	56%	10%	0%
Mexico	20	5%	10%	65%	20%	0%
Poland	20	10%	20%	55%	15%	0%
Portugal	45	0%	31%	62%	7%	0%
Romania	208	8%	31%	51%	8%	2%
South Africa	40	0%	45%	48%	7%	0%
Spain	25	0%	32%	56%	12%	0%

Table 3.10: Level of success in hiring accountancy-qualified staff with digital technologies expertise, by country

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
India	32	3%	25%	50%	16%	6%
Portugal	27	0%	15%	85%	0%	0%
Romania	124	9%	33%	40%	15%	3%

Table 3.11: Level of success hiring non-accountants with digital technologies expertise, by country

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
Romania	41	12%	20%	41%	20%	7%

Digital technologies

LEVEL OF SUCCESS USING EXTERNAL SPECIALISTS WITH DIGITAL TECHNOLOGIES EXPERTISE

Of the 288 responding, 45% indicated that their SMP has been 'extremely successful' (6%) or 'very successful' (39%) in using the services of external specialists to address digital technologies. An additional 45% indicated that their SMP has been 'moderately successful' while 10% responded 'slightly successful' (9%) or 'not at all successful' (1%) in this respect. Table 3.12 provides an analysis for the three countries with 20 or more replies. Assessed as the sum of 'extremely successful' and 'very successful' responses, the SMP respondents from Portugal (64%) and South Africa (53%) have had the most success in using external specialists to address digital technologies challenges.

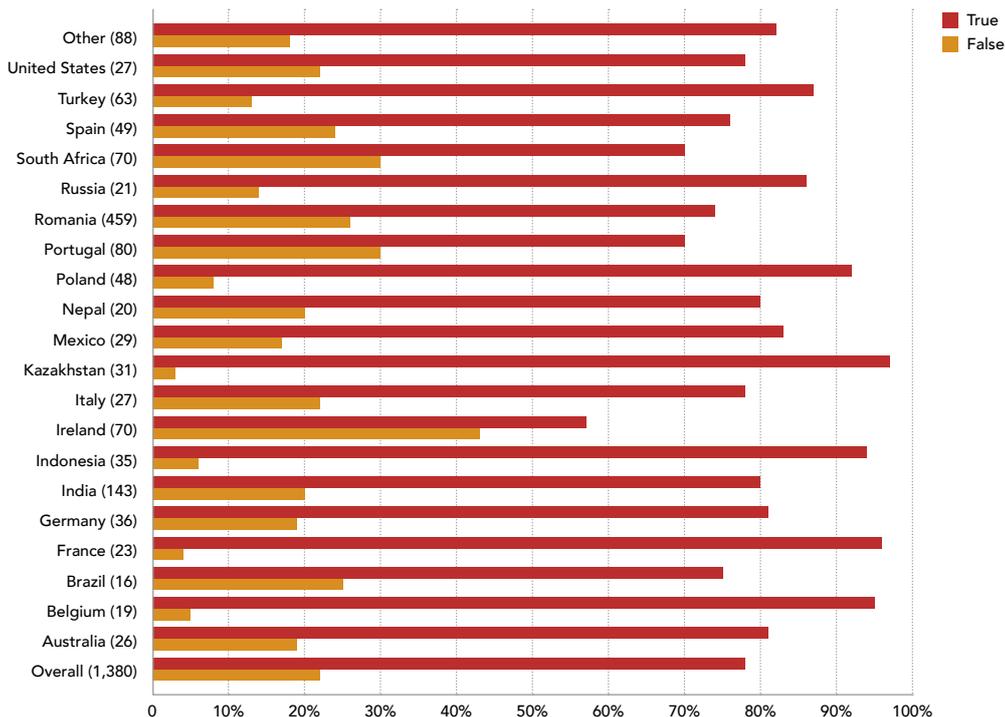
OPPORTUNITIES ASSOCIATED WITH DIGITAL TECHNOLOGIES

Figure 3.11 summarises 1,380 responses to a question about whether participants' SMPs are currently capitalising on and/or have plans to capitalise on opportunities associated with digital technologies. While 78% replied in the affirmative, there is variation by country. Over 90% of the respondents from Kazakhstan (97%), France (96%), Belgium (95%), Indonesia (94%) and Poland (92%) indicated that their SMP is responding to or plans to respond to such opportunities. In contrast, 57% of the Irish respondents reported that their SMP is responding to or plans to respond to do so. A separate analysis reveals minimal variation by practice size (not tabulated).

Table 3.12: Level of success using external specialists with digital technologies skills, by country

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
Portugal	25	12%	52%	36%	0%	0%
Romania	105	7%	36%	46%	10%	1%
South Africa	21	15%	38%	33%	14%	0%

Figure 3.11: My SMP is currently capitalising on and/or has future plans to capitalise on opportunities associated with digital technologies



Digital technologies

FREQUENCY OF INTERNAL USE OF, OR PROVISION OF, CLIENT SERVICES RELATED TO DIGITAL TECHNOLOGIES

For 11 digital technologies, participants indicated the frequency ('not applicable', 'never', 'rarely', 'sometimes', 'very often', 'always') with which their SMP currently uses each of the technologies internally and/or to provide client services. The results are summarised in Table 3.13. As measured by combining the 'always' and 'very often' responses, the most frequently used technologies are: software for preparation of tax returns; financial statement preparation and/or audit support (70%); e-invoicing (49%); cybersecurity, including data protection (39%); and Cloud (30%). In contrast, fewer than one-quarter currently use the following technologies 'always' or 'very often': Big Data and analytics (22%); procurement of technology (21%); platform-based business models (16%); social technologies (14%); robotic processes and automation technologies (13%); automation, AI and machine learning (11%); and cryptocurrencies and distributed ledgers (6%).

A question asked participants to indicate the extent to which ('always', 'very often', 'sometimes', 'rarely', 'never', 'not applicable') their SMPs are capitalising on, or plan to capitalise on, 11 opportunities associated with digital technologies (Table 3.14). Of the 945 responding, 30% indicated that their SMP uses, or plans to use, Cloud technology 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, current or planned use of the Cloud is most prevalent in Australia (75%), France (62%) and South Africa (59%). Current or planned use is the least prevalent in India (18%), Germany (17%), Kazakhstan (15%), Poland (10%) and Indonesia (9%).

Of the 1,018 replies, 70% indicated that their SMP uses, or plans to use, software for preparation of tax returns, financial statement preparation and/or audit support 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is greatest in US (95%), Kazakhstan (87%), Germany (86%), Ireland (83%), South Africa (82%), Romania (79%), France (77%), Spain (77%), Australia (76%), Mexico (75%) and India (70%). It is lowest in Indonesia (45%), Turkey (42%) and Poland (0%).

Table 3.13: Frequency of internal use of, or provision of, client services, related to 11 digital technologies

Type of digital technology	NA	Never	Rarely	Sometimes	Very often	Always	Sum of very often and always	Respondents
Cloud	14%	17%	16%	23%	20%	10%	30%	945
Software for preparation of tax returns, financial statement preparation, and/or audit support	4%	4%	7%	15%	28%	42%	70%	1,018
Big Data and analytics	15%	18%	21%	24%	16%	6%	22%	911
E-invoicing	9%	12%	13%	17%	25%	24%	49%	982
Platform-based business models	19%	23%	21%	20%	11%	5%	16%	929
Robotic processes and automation technologies	24%	34%	16%	12%	9%	4%	13%	927
Social technologies	22%	27%	20%	18%	9%	5%	14%	922
Cybersecurity, including data protection	10%	14%	17%	19%	23%	16%	39%	939
Automation, AI, and machine learning	25%	34%	18%	13%	7%	4%	11%	911
Cryptocurrencies and distributed ledgers	35%	43%	12%	5%	4%	2%	6%	909
Procurement of technology	17%	20%	22%	21%	15%	6%	21%	933

Digital technologies

Of the 911 responding, 22% reported that their SMP uses/plans to use Big Data and analytics 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is highest in Kazakhstan (69%), and Spain (52%). Use/planned use of Big Data and analytics is lowest in Indonesia (9%), Ireland (8%), Poland (8%) and Germany (7%).

Of the 982 replies, 49% indicated that their SMP uses/plans to use e-invoicing 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is greatest in Mexico (88%), Romania (64%) and South Africa (63%). Use/planned use is lowest in Indonesia (16%) and Poland (5%).

Out of 929 responses, 17% report that their SMP uses/plans to use platform-based business models 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is highest in France (27%) and Australia (24%) and lowest in Indonesia (6%), Ireland (3%) and Germany (0%).

Of 927 replies, 13% indicated that their SMP uses/plans to use robotic processes and automation technologies 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is highest in Kazakhstan (38%), France (32%) and Australia (29%) and lowest in Mexico (9%), Ireland (8%), India (6%), the US (5%), Germany (3%) and Indonesia (0%).

Out of 922 responses, 14% report that their SMP uses/plans to use social technologies 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is the most frequent in France (32%) and Spain (20%). Use/planned use is the least frequent in Ireland (8%), Kazakhstan (8%), Portugal (8%) and Indonesia (6%).

Of 939 replies, 39% report that their practice uses/plans to use cybersecurity including data protection 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is the most prevalent in the US (67%), Australia (57%), South Africa (54%), Germany (52%) and France (50%). Use/planned use is the least prevalent in Poland (8%) and Indonesia (6%).

Out of 911 responses, 10% indicate that their SMP uses/plans to use automation, AI and machine learning 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is highest in Australia (19%), France (18%) and Romania (15%) and lowest in Ireland (3%), Spain (3%) and Indonesia (0%).

Of 909 replies, 6% indicate their practice uses/plans to use cryptocurrencies and distributed ledgers 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is highest in Poland (13%), Turkey (11%) and Romania (10%) and lowest in Australia (0%), Germany (0%), Indonesia (0%), Ireland (0%) and Spain (0%).

Of 933 responses, 20% report that their SMP uses/plans to use procurement technology 'always' or 'very often'. As measured by combining the 'always' and 'very often' responses, use/planned use is greatest in the US (33%), Spain (33%), Romania (26%), Mexico (26%) and Portugal (25%) and lowest in Kazakhstan (4%) and Indonesia (3%).

Of 909 replies, 6% indicated that their practice uses/plans to use cryptocurrencies and distributed ledgers. Use/planned use is greatest in Poland (13%), Turkey (11%) and Romania (10%) and lowest in Australia (0%), Germany (0%), Indonesia (0%), Ireland (0%) and Spain (0%).

Digital technologies

Table 3.14: Extent to which SMPs are capitalising on and/or have future plans to capitalise on 11 opportunities associated with digital technologies; sum of 'very often' and 'always' responses by country

Country	Cloud N=945	Software for preparation of tax returns, financial statement preparation, and/or audit support N=1,018	Big Data and analytics N=911	E-invoicing N=982	Platform-based business models N=929	Robotic processes and automation technologies N=927
Australia	75%	76%	29%	57%	24%	29%
France	62%	77%	18%	27%	27%	32%
Germany	17%	86%	7%	28%	0%	3%
India	18%	70%	20%	52%	19%	6%
Indonesia	9%	45%	9%	16%	6%	0%
Ireland	38%	83%	8%	38%	3%	8%
Kazakhstan	15%	87%	69%	46%	21%	38%
Mexico	36%	75%	30%	88%	22%	9%
Poland	10%	0%	8%	5%	13%	10%
Portugal	30%	62%	26%	39%	15%	11%
Romania	24%	79%	20%	64%	17%	13%
South Africa	59%	82%	13%	63%	21%	10%
Spain	49%	77%	52%	51%	23%	14%
Turkey	27%	42%	22%	37%	15%	17%
US	38%	95%	19%	38%	19%	5%
Overall	30%	70%	22%	49%	17%	13%

Country	Social technologies N=922	Cybersecurity including data protection N=939	Automation, artificial intelligence (AI), and machine learning N=911	Cryptocurrencies and distributed ledgers N=909	Procurement of technology N=933
Australia	19%	57%	19%	0%	14%
France	32%	50%	18%	5%	18%
Germany	14%	52%	7%	0%	17%
India	17%	25%	8%	4%	14%
Indonesia	6%	6%	0%	0%	3%
Ireland	8%	47%	3%	0%	21%
Kazakhstan	8%	40%	8%	4%	4%
Mexico	13%	27%	9%	4%	26%
Poland	16%	8%	11%	13%	13%
Portugal	8%	42%	8%	4%	25%
Romania	12%	48%	15%	10%	26%
South Africa	12%	54%	13%	6%	19%
Spain	20%	43%	3%	0%	33%
Turkey	15%	42%	11%	11%	17%
US	14%	67%	10%	5%	33%
Overall	14%	39%	10%	6%	20%

Digital technologies

For each of 11 technologies that their SMP currently uses or plans to use, respondents indicated the purpose of this use (ie 'improve efficiency of repetitive tasks', 'support internal communication', 'support external communication', 'provide protection of information', 'provide services to clients', 'propose new services to clients'). Table 3.15 summarises the results.

Of the 654 replies, more than half use Cloud technology to improve efficiency of repetitive activities (65%), provide protection of information (63%), and provide services to clients (63%), while around half use it to support external communications (51%), support internal communication (49%), and/or propose new services to clients (47%).

Table 3.15: Purpose of use for 11 technologies SMPs currently use or plan to use

Type of digital technology	Total responses	Improve efficiency of repetitive activities	Support internal communication	Support external communication	Provide protection of information	Provide services to clients	Propose new services to clients
Cloud	654	65%	49%	51%	63%	63%	47%
Software for preparation of tax returns, financial statement preparation, and/or audit support	937	82%	44%	48%	56%	70%	45%
Big Data and analytics	609	63%	33%	34%	34%	55%	44%
E-invoicing	781	73%	34%	47%	40%	61%	34%
Platform-based business models	540	57%	35%	41%	36%	54%	27%
Robotic processes and automation technologies	389	68%	33%	32%	33%	49%	41%
Social technologies	476	38%	39%	57%	26%	48%	42%
Cybersecurity, including data protection	710	36%	27%	30%	78%	38%	26%
Automation, AI, and machine learning	374	60%	34%	33%	35%	52%	42%
Cryptocurrencies and distributed ledgers	203	36%	28%	29%	33%	36%	34%
Procurement of technology	589	68%	45%	46%	53%	63%	50%

Digital technologies

Of the 937 replies, 70% or more use software for preparation of tax returns, financial statement preparation, and/or audit support technology to improve the efficiency of repetitive tasks (82%) and provide services to clients (70%), while 44% or more use this technology to provide protection of information (56%), support external communication (48%) propose new services to clients (45%) and support internal communication (44%).

Of the 609 replies, 44% or more use Big Data and analytics technology to improve efficiency of repetitive activities (63%), provide services to clients (55%) and propose new services to clients (44%). Approximately one-third use Big Data and analytics technology to support external communication (34%), provide protection of information (34%) and support internal communication (33%),

Of the 781 replies, 73% use e-invoicing technology to improve the efficiency of repetitive tasks, and 61% use it to provide services to clients. In addition, 40% or more use e-invoicing to support external communication (47%) and provide protection of information (40%). Approximately one-third use e-invoicing to support internal communication (34%) and propose new services to clients (34%).

Of the 540 replies, more than half use platform-based business models to improve efficiency of repetitive tasks (57%) and provide services to clients (54%) while 41% use this technology to support external communication. Just over one-third use such models for protection of information (36%) and supporting internal communication (35%). When proposing new services to clients, 27% use this technology..

Of the 389 replies, 68% use robotic processes and automation technologies to improve the efficiency of repetitive activities while 49% use these technologies to provide services to clients, and 41% for proposing new services to clients. Approximately one-third use these technologies to protect information (33%), support internal communication (33%) and/or support external communication (32%).

Of the 476 responses, 57% use social media technologies to support external communication. More than 40% use these technologies to provide services to clients (48%) and/or propose new services to clients (42%). More than one-quarter use social technologies to support internal communication (39%), improve the efficiency of repetitive activities (38%) and protect information (26%).

Of the 710 replies, 78% use cybersecurity to protect information, while 30% or more use the technology to provide services to clients (38%), improve efficiency of repetitive tasks (36%) and support external communication (30%). Slightly more than one-quarter use cybersecurity to support internal communication (27%) and/or propose new services to clients (26%).

Of the 374 replies, more than half use automation, AI, and machine learning technology to improve efficiency of repetitive tasks (60%) and provide services to clients (52%), while 42% use this technology to propose new services to clients. About one-third use this technology to protect information (35%), support internal communication (34%) and support external communication (33%).

Of the 203 responses, about one-third use cryptocurrencies and distributed ledgers to improve efficiency of repetitive activities (36%), provide services to clients (36%), propose new services to clients (34%) and provide protection of information (33%). Just under 30% use these facilities to support external communication (29%) and support internal communication (28%).

Of the 589 replies, approximately two-thirds use procurement of technology to improve the efficiency of repetitive tasks (68%) and provide services to clients (63%). Approximately half use this technology to protect information (53%) and propose new services to clients (50%). Slightly fewer than half use procurement of technology to support external communication (46%) and support internal communication (45%).

Regulation

Participants indicated the extent to which (ie 'extremely high', 'high', 'moderate', 'low', 'none') regulation/deregulation 1) currently affects their SMP, 2) will probably do so within the next five years, and 3) will probably do so in six years and onward. Table 3.16 shows the percentage, by country, reporting that regulation/deregulation currently has or will have an 'extremely high' or 'high' impact on their SMP. Overall, 51% indicated that digital technologies currently have an 'extremely high' or 'high' impact on their SMP. The anticipated impact is higher, with 60% and 62% forecasting an 'extremely high' or 'high' impact within the next five years and in six years and onward, respectively.

There is substantial variation by country. At least 60% of the participants from Belgium (79%), Germany (76%), Ireland (72%), Spain (63%) and Mexico (60%) indicated that regulation/deregulation currently has an 'extremely high' or 'high' impact on their practice. In contrast, fewer than 40% of the respondents from Poland (37%), Turkey (27%) and

Kazakhstan (15%) reported that regulation/deregulation has such an impact on their practice.

Within the next five years, 70% or more of the participants from Belgium (82%), Ireland (79%), Germany (79%), and Australia (70%) asserted that regulation/deregulation would have an 'extremely high' or 'high impact' on their SMP. In contrast, fewer than 40% of the respondents from Indonesia (37%), Poland (33%) and Kazakhstan (27%) stated that regulation/ deregulation would have an 'extremely high' or 'high' impact on their practice in that period.

In six years and onward, 70% or more of the participants from Belgium (86%), Ireland (80%), Germany (79%) and Australia (70%) expected that regulation/deregulation would have an 'extremely high' or 'high' impact on their SMP. In contrast, 45% or fewer of the participants from Indonesia (45%), Turkey (42%), Poland (39%) and Kazakhstan (38%) had similar expectations.

Table 3.16: Percentage indicating regulation/deregulation 1) currently has, 2) will have within the next five years, and 3) will have six years and onward an 'extremely high' or 'high' impact on their SMP, by country

Country	Current impact	In next five years	In six years and onward
Australia	52%	70%	70%
Belgium	79%	82%	86%
Brazil	50%	55%	52%
France	53%	65%	68%
Germany	76%	79%	79%
India	44%	63%	68%
Indonesia	42%	37%	45%
Ireland	72%	79%	80%
Italy	55%	66%	60%
Kazakhstan	15%	27%	38%
Mexico	60%	64%	56%
Nepal	52%	60%	68%
Poland	37%	33%	39%
Portugal	58%	68%	69%
Romania	52%	61%	62%
Russia	50%	66%	67%
South Africa	52%	57%	58%
Spain	63%	68%	65%
Turkey	27%	41%	42%
US	47%	51%	59%
Other	55%	55%	62%
Overall	51%	60%	62%

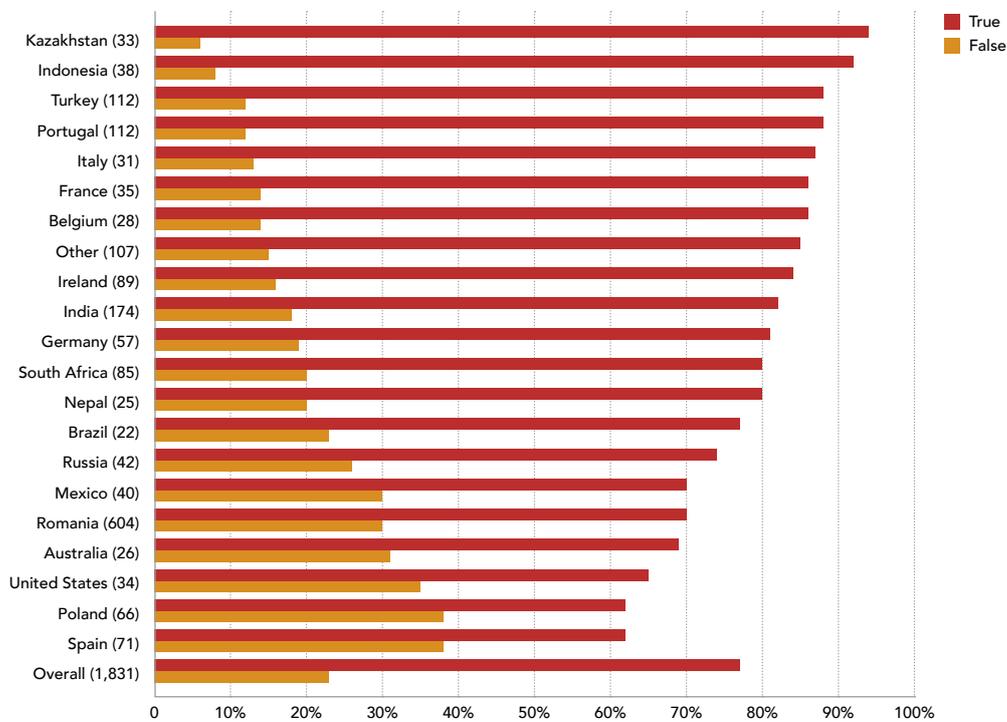
CHALLENGES ASSOCIATED WITH REGULATION/DEREGULATION

As shown in Figure 3.12, 1,831 participants indicated whether their SMP is currently responding, or has plans to respond, to the challenges associated with regulation/deregulation. Overall, 77% responded in the affirmative. For each country reported in Figure 3.12 at least 62% responded positively. Nonetheless, there is county-by-country variation. At least 80% of the respondents from Kazakhstan (94%), Indonesia (92%), Turkey (88%), Portugal (88%), Italy (87%), France (86%), Belgium (86%), Ireland (84%), India (82%), Germany (81%), South Africa (80%) and Nepal (80%) indicated that their SMPs are responding, or have plans to respond, to these challenges. In contrast, this was true of fewer than 80% of the respondents from the following countries: Brazil (77%), Russia (74%), Mexico (70%), Romania (70%), Australia (69%), the US (65%), Poland (62%) and Spain (62%).

STRATEGIES USED TO ADDRESS REGULATION/DEREGULATION CHALLENGES

As reported in Table 3.17 on page 51, 1,411 participants indicated whether their SMP is using and/or has plans to use each of four specified strategies to address the challenges associated with regulation/deregulation. Overall, the most frequently used strategy, at 57%, is the development of in-house skills and expertise (eg through education and training). Table 3.17 also reports country-by-country for those with 20 or more observations. The development of in-house skills to address the challenges associated with regulation/deregulation varies substantially by country and is the most prevalent among SMP respondents from Germany (87%), Belgium (83%), Russia (74%) and the US (73%). Fewer than half of the SMPs represented by respondents from Poland (49%), South Africa (47%), Nepal (45%), India (35%) and Turkey (30%) use a strategy of in-house skills development to address the challenges linked to regulation/deregulation. Table 3.17 also shows the overall and country-by-country percentage for those that plan to develop in-house expertise.

Figure 3.12: Percentage of respondents representing SMPs that are currently and/or plan to respond to challenges associated with regulation/deregulation



Regulation

Overall, 27% indicated that their SMP has hired accountancy-qualified staff with additional expertise to address the challenges associated with regulation/deregulation. Again, there are country-by-country differences, with the most frequent use of this strategy occurring in Kazakhstan (58%), the US (41%) and Poland (39%) and the least frequent in India (20%), Germany (20%), Nepal (20%), Turkey (16%) and Ireland (16%). Table 3.17 also shows the overall and country-by-country percentage for those that plan to recruit accountancy-qualified staff with the relevant additional expertise. It is notable, that while only 20% of SMPs already have such staff in Nepal, 45% plan to recruit such staff in future; for Russia the figures are 26% and 42%, for Turkey 16% and 29%, and for India 20% and 32%.

Overall, 13% indicated that their SMP has hired non-accountants to acquire expertise needed to address challenges associated with regulation/deregulation. Again, there are country-by-country differences, with the most frequent use of this strategy occurring in Mexico (36%), the US (32%), Belgium (25%) and Nepal (25%). In contrast, 10% or fewer of the SMP respondents from India (10%), Romania

(10%), Germany (9%), Spain (9%) Turkey (7%), Russia (3%) and Kazakhstan (0%) have followed this strategy. Table 3.17 also provides country-by-country percentages for those that plan to recruit non-accountants to assist in addressing the challenges associated with regulation/deregulation. Notably, while only 3% of SMPs in Russia have used this strategy so far, 26% plan to do so: for Nepal the figures are 25% and 40%, and for France 17% and 27%.

Overall, 27% reported that their practice has used the services of external specialists to aid in addressing the challenges associated with regulation/deregulation. The use of external specialists is most frequent for the SMP respondents from Belgium (50%) and Mexico (46%). Using external specialists is least frequent for SMP respondents from Indonesia (20%), Nepal (20%), Turkey (14%), Russia (13%), Kazakhstan (13%) and India (10%). Table 3.17 additionally provides the overall and country-by-country percentage for those that plan to use the services of external specialists in this regard. Notably, while in Nepal only 20% use such external specialist, 50% plan to do so; for India the figures are 10% and 31%.

Table 3.17: Percentage representing SMPs that are currently responding to and/or planning to respond to the challenges associated with regulation/deregulation using four strategies

Country	Responses	Have developed in-house skills and expertise	Plan to develop in-house skills and expertise	Have hired accountancy-qualified staff with additional expertise	Plans to recruit accountancy-qualified staff with additional expertise	Have hired non-accountants	Plan to recruit non-accountants	Used the services of external specialists	Plan to use the services of external specialists
Belgium	24	83%	42%	29%	13%	25%	17%	50%	29%
France	30	57%	47%	23%	30%	17%	27%	33%	27%
Germany	46	87%	9%	20%	13%	9%	15%	30%	15%
India	143	35%	38%	20%	32%	10%	16%	10%	31%
Indonesia	35	60%	34%	31%	31%	20%	17%	20%	23%
Ireland	75	67%	28%	16%	12%	12%	7%	33%	24%
Italy	27	63%	22%	22%	19%	19%	11%	33%	19%
Kazakhstan	31	61%	42%	58%	16%	0%	6%	13%	16%
Mexico	28	68%	50%	32%	32%	36%	21%	46%	32%
Nepal	20	45%	55%	20%	45%	25%	40%	20%	50%
Poland	41	49%	37%	39%	15%	17%	17%	32%	24%
Portugal	99	65%	33%	35%	23%	13%	17%	37%	21%
Romania	422	60%	30%	28%	19%	10%	14%	28%	26%
Russia	31	74%	55%	26%	42%	3%	26%	13%	19%
South Africa	68	47%	29%	22%	21%	13%	10%	34%	28%
Spain	44	61%	36%	23%	25%	9%	14%	39%	27%
Turkey	99	30%	35%	16%	29%	7%	9%	14%	16%
US	22	73%	32%	41%	23%	32%	9%	36%	0%
Overall	1411	57%	33%	27%	23%	13%	15%	27%	25%

Regulation

For each of four specified strategies, respondents additionally indicated the level of success ('extremely successful', 'very successful', 'moderately successful', 'slightly successful', 'not at all successful') their SMP has experienced in using each selected strategy to address the challenges associated with regulation/deregulation. Table 3.18 summarises the overall and country-by-country level of success, as measured by the sum of 'extremely successful' and 'very successful' responses.

LEVEL OF SUCCESS DEVELOPING IN-HOUSE SKILLS AND EXPERTISE

Of the 799 responding, 46% reported that their SMP has been either 'extremely successful' or 'very successful' in developing in-house skills and expertise to address the challenges associated with regulation/deregulation (Table 3.18 Panel A). For the 11 countries with 20 or more replies, there is country-by-country variation. As assessed by combining the sum of 'extremely successful' and 'very successful' responses, SMPs represented by participants

from Russia (74%) have had the greatest success in developing in-house expertise. In contrast, fewer than one-third of the SMPs represented by respondents from South Africa (31%), Belgium (30%), Spain (27%) and Indonesia (15%) have been 'extremely successful' or 'very successful' in developing relevant in-house expertise to address the challenges associated with regulation/deregulation.

LEVEL OF SUCCESS HIRING ACCOUNTANCY-QUALIFIED STAFF WITH REGULATION/ DEREGULATION EXPERTISE

Of the 376 responding, 42% indicated that their practice has been either 'extremely successful' or 'very successful' in hiring accountancy-qualified staff to address the challenges associated with regulation/deregulation (Table 3.18 Panel B). For the three countries with 20 or more replies, it is notable that fewer than one-third of the SMPs represented by participants from Romania (31%), Portugal (27%) and India (21%) have been 'extremely successful' or 'very successful' in hiring accountancy-qualified staff to address these challenges.

Table 3.18: Level of success addressing the challenges associated with regulation/deregulation

Panel A: Level of success in developing in-house skills and expertise (eg through education and training) to address the challenges of regulation/deregulation (n=799)

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
Belgium	20	0%	30%	55%	15%	0%
Germany	40	0%	35%	50%	13%	3%
India	49	10%	27%	43%	18%	2%
Indonesia	20	0%	15%	60%	25%	0%
Ireland	50	6%	28%	48%	18%	0%
Portugal	64	3%	33%	59%	3%	2%
Romania	252	12%	42%	40%	5%	0%
Russia	23	13%	61%	17%	9%	0%
South Africa	32	0%	31%	59%	3%	6%
Spain	26	0%	27%	73%	0%	0%
Turkey	30	7%	43%	40%	10%	0%

Panel B: Level of success in hiring non-accountancy-qualified staff with additional expertise to address the challenges of regulation/deregulation (n=376)

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
India	29	7%	14%	55%	21%	3%
Portugal	35	0%	31%	69%	0%	0%
Romania	119	8%	43%	38%	10%	2%

Regulation

LEVEL OF SUCCESS HIRING NON-ACCOUNTANTS WITH EXPERTISE NEEDED TO ADDRESS THE CHALLENGES ASSOCIATED WITH REGULATION/DEREGULATION

Of the 180 responding, 29% reported that their practice has been either 'extremely successful' or 'very successful' in hiring non-accountants with the expertise needed to address the challenges associated with regulation/deregulation (Table 3.18 Panel C). Only one country – Romania – had 20 or more replies. Of the SMPs represented by Romanian respondents, 38% have been 'extremely successful' or 'very successful' in hiring accountancy-qualified staff to address the challenges associated with regulation/deregulation.

LEVEL OF SUCCESS USING EXTERNAL SPECIALISTS WITH THE EXPERTISE NEEDED TO ADDRESS THE CHALLENGES ASSOCIATED WITH REGULATION/DEREGULATION

Of the 349 responding, 23% indicated that their SMP has been either 'extremely successful' or 'very successful' in hiring external specialists with the expertise needed to address the challenges associated with regulation/deregulation (Table 3.18 Panel D). Of the four countries with 20 or more replies, the SMPs represented by Romanian respondents have had the greatest success in this regard, with 35% indicating that their SMP has been 'extremely successful' or 'very successful'. In contrast, for the SMPs in the three remaining countries with 20 or more responses, 10% or fewer have been 'extremely successful' or 'very successful' ie, Portugal 10%, South Africa 10% and India 4%.

Table 3.18: Level of success addressing the challenges associated with regulation/deregulation

Panel C: Level of success in hiring non-accountants to address the challenges of regulation/deregulation (n=180)

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
Romania	42	7%	31%	48%	14%	0%

Panel D: Level of success in using the services of external specialists to address the challenges of regulation/deregulation (n=349)

Country	Responses	Extremely successful	Very successful	Moderately successful	Slightly successful	Not at all successful
India	43	2%	2%	28%	47%	21%
Portugal	21	0%	10%	57%	14%	19%
Romania	110	5%	30%	44%	16%	5%
South Africa	20	0%	10%	40%	30%	20%

Results reported for only those countries with 20 or more responses.

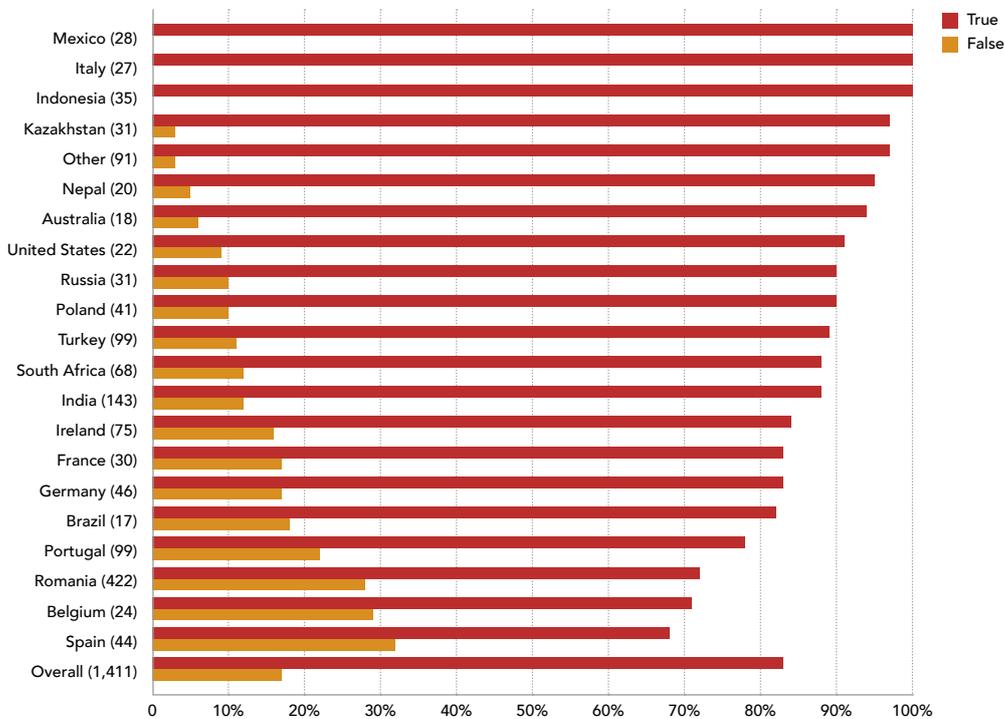
Regulation

OPPORTUNITIES ASSOCIATED WITH REGULATION/DEREGULATION

Participants indicated whether their SMP is responding to, and/or has plans to respond to, opportunities associated with regulation/deregulation. Of the 1,411 responding, as shown in Figure 3.13, 83% responded in the affirmative. Figure 3.13 also shows results for countries with 20 or more responses and reveals some variation. Fewer than 80% of the SMPs

represented by respondents from Portugal (78%), Romania (72%), Belgium (71%) and Spain (68%) indicated that their SMP is responding and/or plans to respond to opportunities associated with regulation/ deregulation. In contrast, 90% or more of those from Poland (90%), Russia (90%), the US (91%), Nepal (95%) Kazakhstan (97%), Indonesia (100%), Italy (100%) and (100%) Mexico reported that their SMP is responding and/or plans to respond to such opportunities.

Figure 3.13: My SMP is currently responding to opportunities associated with regulation/deregulation and/or has plans to respond to such opportunities



The role of PAOs in designing and providing an agenda for their SMP members

PAOs play a significant role in designing and promoting an agenda for their SMP members. Without the support of their PAO, most SMPs lack the resources, networks or expertise to assess the consequences of incessant change in the accountancy profession. Detecting and understanding the consequences of change is a prerequisite for SMPs' identification of ways of benefiting from potential opportunities associated with this process.

Although SMPs represent a significant portion of most PAOs' membership, prior studies find that, for the most part, large accounting firms shape PAOs' strategic direction. For example, large firms may dominate committees and task forces that inform a PAO's strategic decisions (Greenwood et al. 2002; Ramirez 2009). Nonetheless, studies and reports reveal that PAOs are currently supporting initiatives to provide opportunities to their SMP members, eg developing networks and preparing guidelines and tools specifically for SMPs (See Appendix 1.1, Panel A for examples).

As reflected in the academic literature, PAOs assume three roles for their members:

- they represent a space for interaction between members
- they represent their members, and
- they ensure and monitor members' compliance) (Greenwood et al. 2002).

We next discuss these roles and provide examples from prior research (See Appendix 1.1 Panel B).

First, **PAOs represent a space for interaction between members**, and 'it is from these interactions that understandings of reasonable conduct and behavioural dues of membership emerge' (Greenwood et al. 2002: 61). As part of the rules of interaction, PAOs decide the conditions of membership and the services that members may provide to their clients. In many situations, a PAO's membership is heterogeneous, and includes, for example, the big accountancy firms and SMPs. Hence, depending on their composition (eg large firms, SMPs), members of PAO sub-committees might have different or competing interests. For example, by observing the ICAEW for 40 years (1960 to 2000), Ramirez (2009) shows how PAOs face complications in representing and managing these two heterogeneous groups of members. After the UK audit reform during the period of 1980–2000 and the imposed practice quality checks, auditing in the UK after the 1980s became a service that only larger firms had the resources to provide. Thus, ICAEW redefined the acceptable services that SMPs could provide, and the role for smaller firms became that of the small business adviser. This illustrates how important 'the construction and maintenance of intraprofessional agreement over boundaries, membership, and behavior' is for PAOs (Greenwood et al. 2002: 62).

Second, **PAOs represent their members** in their relationship with other professions and external stakeholders such as regulators. Advocating on behalf of their membership, PAOs establish and defend the boundaries of the profession and attach legitimacy to the profession in the eyes of the public (Greenwood et al. 2002). Examples from the literature include PAOs:

- using promotional materials to improve the social image of the profession (Jeacle 2008; Brouard et al. 2017),
- interacting with other professional associations or regulators to introduce new services (Covaleski et al. 2003),
- defending the existing boundaries of the service offerings of their members (Baudot et al. 2017) and
- being established to represent small firms (Grottke et al. 2016).

Moreover, PAOs contribute to the creation and promotion of a specific social image for their members. Richardson et al. (2015) provide the example of two Australian PAOs, one (ICAA – now CAANZ) promoting its members as 'number one in numbers' (ie provider of traditional accounting services) and the other (CPA Australia) as 'business professionals' (ie provider of advisory services) in the 2000s. An accountant's social image influences how other professionals perceive the members of a PAO and influences the attractiveness of the profession for the younger generation.

Third, **PAOs ensure and monitor members' compliance** with their expectations, through education, sanctioning, publications etc. (Greenwood et al. 2002). Smaller firms (SMPs) make greater use of PAO training programmes because larger firms typically provide their own internal training (Greenwood et al. 2002). Moreover, PAOs represent one of the most important forms of technical assistance for SMPs, along with publicly available technical materials (Devi and Samujh 2010). When SMPs perceive that they do not receive sufficient support (eg training) from their PAOs, they may search for such resources by joining a professional network (Durocher et al. 2016b). Alternatively, when PAOs are more responsive to SMP needs and provide more resources, the importance of networks decreases, and firms are closer to their PAO (Nandan and Ciccotosto 2014).

The role of PAOs in designing and providing an agenda for their SMP members

In addition to certification and training, sanctioning represents an instrument PAOs use to ensure compliance with professional norms. Professional discipline and sanctioning represent a manifestation of professional ethics and influence members' behaviour. Moreover, sanctions reflect the auto-regulation capacity of the profession. Recently, many jurisdictions have introduced oversight of the profession, particularly of auditors, as a response to various accounting scandals (Samsonova-Taddei and Humphrey 2014). Mescall et al. (2017) report on how a PAO (ie, the Institute of Chartered Accountants of Ontario) reacted by using sanctions on its members to highlight its oversight of the profession. The results suggest that the PAO increased sanctions to indicate its self-regulatory role, but publicly disclosed less, to protect its members.

The three roles outlined above are interrelated and each should reflect any change in a PAO's strategy. Greenwood et al. (2002) suggest that the first (services provided) and the second (public representation) roles may be more likely to initiate change. These two roles may trigger change in education, certification and monitoring (the third role). If, for example, new services are associated with the profession, but the courses and requirements for certification do not change, PAOs reinforce the practice of traditional services and offer limited support for the offering of new services (Greenwood et al. 2002). Consequently, to support the introduction of new services by their members, PAOs should:

- inform their membership and groups of members about the opportunity for providing new services,
- include new services in the public representation of the profession, and
- support development of the necessary skills for providing the new services, through certification and training.

For example, CPA Australia (2007) identifies implications for PAOs in all three areas, in a future where non-traditional accounting services will prevail (See Appendix 1.1 Panel B).

Although PAOs may accommodate and support, to some extent, an increase in the offering of non-traditional accountancy services, they continue to emphasise professionalism. The traditional model of professionalism, reflected by the current functioning of PAOs and the roles described above, is based on

- reliance on a body of knowledge managed by PAOs through certification and education,
- closure (establishing the services to be provided by members and maintaining occupational closure) and
- legitimacy derived from serving the public interest (Muzio et al. 2011: 457).

New services attached to the accountancy profession (eg advisory services) pertain to a different type of professionalisation, characterised by the co-production of knowledge with industry, and a focus on competencies, market closure and legitimisation by market value (Muzio et al. 2011). In this context, localisation of professionalisation occurs at the organisational and firm level (Cooper and Robson 2006; Suddaby et al. 2009; Muzio et al. 2011).

The knowledge-intensive features of new services require innovation, entrepreneurship and active engagement with markets (Muzio et al. 2011), all at the firm level. In 2000, the American Institute of Certified Public Accountants (AICPA) attempted to lead a PAO-driven response to change in the profession, by proposing a global professional credential. The 'XYZ credential' would represent a new type of expert, ie, 'the knowledge global expert' (Covaleski et al. 2003). The AICPA proposal had the support of PAOs in 11 countries outside the US. The AICPA membership voted down the proposal, however, mainly owing to perceptions that it would remove some of the non-traditional accounting services associated with existing accounting certifications. Consequently, advisory services remained attached to the profession while PAOs worldwide continued to follow the traditional professional model. In this context, most of the professionalisation around new services remains at the firm level (Covaleski et al. 2003).

Challenges and opportunities for SMPs

Professional organisations and academia alike investigate the challenges and opportunities for the accountancy profession. For example, the ACCA (2016a: 22) emphasises that:

'as the global business landscape evolves, so will the practice of accountancy and what is expected and required of professional accountants. Members of the accountancy profession need to react to, and anticipate, the impact of drivers of change in business, economics, society, technology and politics, so that they can meet the existing and emerging demands and expectations of business'.

In this context, many PAOs investigate and discuss the challenges and opportunities facing the accountancy profession, in some cases with a focus on SMPs (CPA Australia 2007; ACCA and IMA 2012 and 2015; NBA and VRC 2014) (See Appendix 1.2). ACCA and IMA (2012) conducted one of the most extensive studies examining the changing context of the accountancy profession. This study identifies 100 drivers of change for the decade 2012–2022. The drivers relate to the economy, politics and law, society, business, science and technology, environment and resources and the practice of accounting and the accountancy profession. The challenges associated with the profession include the impact of business regulation on accounting practices, defining the accountant's role, changing structures and models for accountancy firms, global accounting regulation and standards, level of entrepreneurial skills in the profession and competition from outside the profession.

ACCA (2016a) further explores the main drivers of change for the accountancy profession through 2025 and post-2025. The main challenges identified are regulation and governance, digital technologies, changes in the accountant's skills and expectations and globalisation. The top three external factors perceived to have the highest influence in the period to 2025 are:

- i. development of intelligent automated accounting systems,
- ii. rate of change and economic volatility, and
- iii. greater harmonisation of accounting and business standards.

For the long term, the factors expected to have the highest impact include:

- i. changes in the direction of global governance and roles and the influence of emerging global powers, and
- ii. changing societal expectations and the evolving scope and nature of what comprises accounting and the role of the accountant.

Some studies focus particularly on SMPs. Between 2011 and 2016, IFAC conducted an annual global SMP survey, reflecting the views of thousands of SMPs representing over 100 countries.²¹ The series of surveys enhances our understanding of the challenges faced by SMPs across the globe. The IFAC surveys indicate that, since the introduction of the survey the most pressing challenges facing SMPs globally include attracting new clients, keeping up with new standards and regulations, experiencing pressure to lower fees, rising costs, and differentiating from the competition (Webber and Street 2017). The top challenges identified by the IFAC SMP surveys vary substantially by region and practice size (See Appendix 1.2).

21 In 2017, the IFAC SMP Committee decided to move the survey to a biannual schedule. The next report will be released in 2018.

Challenges and opportunities for SMPs

A literature review conducted by Albu et al. (2016) and published by IFAC also identifies technology developments and a shortage of human resources (eg problems in attracting and retaining qualified staff) as key challenges facing SMPs. In line with the findings of the literature review, the 2016 IFAC Global SMP Survey addressed in greater detail the impact of technology and personnel and staffing issues on SMPs. Of the respondents, 27% to 38% indicated that each of the seven technology issues addressed in the survey had a 'high' or 'very high' impact on their SMP.²² The survey again revealed considerable regional differences. Notably, the technology issues were generally viewed as having the greatest impact on African SMPs. Of the eight personnel and staffing challenges addressed in the 2016 survey, finding and retaining qualified staff were considered to have the greatest impact.²³

Respondents to the 2016 IFAC Global SMP Survey also considered the potential impact of eight environmental factors on their practice over the subsequent five years.

Consistent with the 2014 and 2015 surveys, the regulatory environment continued to be considered the most impactful, with technology developments ranked second and competition ranked third (Webber and Street 2017) (See Appendix 1.2). These results corroborate for SMPs the findings of studies covering the overall accountancy profession (ACCA and IMA 2012, ACCA 2016a). Specifically, these studies reveal that IT developments, staffing issues, competition, regulation/deregulation and globalisation represent the main factors that affect the accountancy profession in general and SMPs in particular. Several studies (discussed later in this section) investigate each of these factors individually. Even so, CPA Australia (2007: 8) issues cautions about the multitude of challenges faced by SMPs and the need for strategic action to address them.

There are myriad other challenges facing accounting firms including salary and billing strategies; technology churn; financial literacy; outsourcing; work-life balance; gender issues; succession planning – you name it. The best firms will meet these challenges head on and with clarity – and thrive. Those that ignore these issues may fail to reach their potential.

22 The seven technology issues investigated were: investing in and staying current with software (eg tax, audit, workflow); achieving a digital, paperless environment; determining what technology is best for the practice; managing privacy and security risks; investing in and staying current with hardware (eg laptops, monitors, mobile devices); advances in data analytics, including availability and use of big data; and moving to the Cloud.

23 The eight personnel and staffing issues were: finding qualified staff; retaining qualified staff; technical training; staff compensation and reward programmes; developing soft skills; effective deployment and management of staff; managing work-life balance; and mentoring and career coaching.

Technology

Several studies (ACCA 2016b; ACCA 2017a; FSR 2018) indicate that technology will replace many entry-level roles in the accountancy profession and change the mode of delivery for some traditional services, such as audit (ACCA and Grant Thornton 2016).

Such developments will create an opportunity for technological innovation and new roles for professional accountants to fill (ACCA 2017b); nonetheless accountants will have to embrace technology, change their mindset to embrace change, and work closely with IT specialists (FSR 2018). Thus, technological changes represent both an important challenge and opportunity for the accountancy profession.

Prior research (Vasarhelyi et al. 2015; Al-Htaybat and von Alberti-Alhtaybat 2017) addresses how technological developments such as Big Data will fundamentally influence accounting services, given the ability to provide real-time information, which is contrary to the periodical and historical approach of traditional accounting. These new systems will blur the boundaries between accounting and management,

marketing and systems. Consequently, opportunities to work more closely with clients and provide new types of accountancy services will appear. Vice-versa, competition with other experts may appear.

Prior research also finds that accountants possess a quite traditional mindset, focused on conventional data, and are reluctant to engage with modern technologies (Kotb et al. 2012 and 2014; Arnaboldi et al. 2017). This poses a challenge in coping with the impact of new technologies. Associated delays in action will allow other professionals to provide new types of 'accounting' services (Kotb et al. 2012; Arnaboldi et al. 2017) (See Appendix 1.2).

The younger generation of accountants may assist traditional SMPs in adapting to IT developments, as in general younger professionals are well equipped to deal with two challenges – technology and globalisation (ACCA 2017a). The younger generation embraces new technology much more easily than previous generations and may contribute to the spread of innovations internally through reverse mentoring. As ACCA (2017a) concludes, how effectively employers use talent to drive growth and innovation in the workplace will determine the future of the SMP sector.

Talent management

The social image of accountants and the role socially ascribed to professional accountants affects staffing (eg skills and behaviour) (Richardson et al. 2015). Social image attracts people with a specific set of skills to the profession.

If the social image is associated with traditional accounting services, people possessing the skills required for traditional roles are attracted to the profession. Now, however, staff must possess a more varied set of skills that support their ability to provide non-traditional accounting services (Blackburn et al. 2010; Lander et al. 2013; ICAS and FRC 2016; FSR 2018).

IT developments and the international mobility of people and services influence the new skill set expected from accountants. Many entry-level jobs will be taken over by technology (ACCA 2016b; ACCA 2017a) or disappear in some jurisdictions because of overseas outsourcing (Chaplin 2017). This limits the opportunity for entry-level employees to learn on the job. Concurrently, employers will require people with more specialised skills. Thus, accountants, universities and professional bodies will have to consider additional skill development activities.

For example, ICAS and FRC (2016) explores the skills required to support the 'audit of the future' and identifies three key skill sets, including advanced business acumen, technology and data interrogation, and soft skills. ICAS concludes that the difficulty in attracting, developing and retaining employees with the expected skills one of the most important challenges for firms providing non-traditional services. On the same note, FSR (2018) suggests that firms

- differentiate themselves from other firms by focusing on soft skills (in addition to maintaining technical skills),
- develop an understanding of the industry (ie develop business acumen across various industries) and
- switch from a focus on compliance and rules knowledge towards knowledge about business, processes and information technology.

Larger accountancy firms have demonstrated the ability to develop multiple types of expertise, achieved through internal training and hiring non-accountants (Lander et al. 2013; Pollock and Williams 2015). Accountancy firms, especially when they harvest the benefits of technological developments, become a potential employer for experts possessing a new type of knowledge (eg industry analysts, financial analysts) (Pollock and Williams 2015). Given the emerging nature of these new services, brand and reputation are more important in the eyes of clients than professional certification. SMPs, given their small size, are more constrained. They have limited resources to invest in

internal training, strengthening their brand and the hiring or training of experts. Consequently, the competition between accountancy firms to attract staff is fierce. When employees choose between Big Four and smaller firms, the Big Four have the advantages of prestige, more attractive compensation and benefits, networking and future job opportunities. On the other hand, the Big Four are disadvantaged by higher workloads, higher levels of stress and a less friendly working environment (Bagley et al. 2012); the characteristics of smaller firms may accordingly serve as potential advantages. Despite this, SMPs often find themselves at a disadvantage in the hiring process, as larger accounting firms employ strong communication and legitimisation strategies to attract the top talent (Durocher et al. 2016a).

Another significant challenge for SMPs is attracting, motivating and retaining 'Generation Next' members (ACCA 2016b; 2017a). Drawing on a survey of almost 19,000 young professionals across 150 countries, ACCA (2016b) finds that 'Generation Next' professionals are very mobile. Indeed, 100% of the participants in the study planned to change jobs in the subsequent five years. Additionally, while younger professional staff are attracted to accountancy firms in order to embrace opportunities to learn new skills, in comparison with older generation professionals, they tend to change job places (ie employer) more frequently and even careers (eg leaving the accountancy profession) (ACCA 2016b, ACCA 2017a) (See Appendix 1.2).

Ramirez (2009), Lander et al. (2013) and Hansnata and Hayes (2017) find that larger firms have long been perceived as possessing a more commercial logic than smaller firms, which are alternatively characterised by a professional logic. The implication is that to succeed in the current environment, and especially to provide advisory services, SMPs need to develop a more 'commercial' orientation. Fortunately, studies suggest that some small firms are now adopting a commercial logic mindset (Lander et al. 2013; Coram and Robinson 2017). This body of research additionally indicates that commercial logic allows accountants to assume the role of a more 'versatile expert' (Guo 2016). While professional logic has been instrumental in building public trust in the accountancy profession, commercial logic is now critical in enabling accountancy firms to compete with accounting and other professional service providers and respond to market challenges.

In this context, PAOs have underlined the importance of ethics (eg ACCA 2017c; Lang et al. 2016) and technical skills in maintaining a strong professional logic. At the same time, PAOs advocate a more commercial approach, development of soft skills and a focus on serving the present needs of clients (Ramirez 2009; Blackburn et al. 2010; CIMA 2011; ACCA 2013a). With marketing competencies now representing a critical skill (Picard 2016), PAOs are encouraging SMPs to develop business expertise and engage in marketing and communication training in order to enhance their capacity to provide business advice (Blackburn et al. 2010).

Competition

Traditionally, SMPs have served SME clients, and larger accounting firms have served larger companies (Albu et al. 2016). Nonetheless, in recent years larger firms have become interested in gaining market space by entering the SME market (Hansnata and Hayes 2017), and some smaller firms are entering the market space of the large audit firms (Bills and Stephens 2016).

Consequently, besides the competition for talent, SMPs face increasing competition for clients, from larger firms and other service providers. The importance of competition for talent and clients between SMPs and larger firms varies by region. For example, ACCA (2015) surveys accountants working in SMPs in nine countries (UK, Ireland, Singapore, Hong Kong, China, Romania, Iran, Malaysia and Vietnam) and finds that the competition for clients between SMPs and larger firms is stronger in some countries, such as Iran and Romania, than in others. For instance, in Malaysia, Singapore and Iran, there is particularly strong competition

for talent. ACCA (2015) provides a map of SMPs' vulnerabilities resulting from the competition for clients with different types of providers (See examples in Appendix 1.2).

IT developments can reduce some of the differences between SMPs and larger firms. First, the internet gives SMPs access to a global market. The corresponding increase in access for larger firms is relatively small because they already had a wider geographical presence prior to the widespread use of the internet (Perera et al. 2003). Second, geographic proximity has traditionally given SMPs a competitive advantage in the SME market (eg types of service provided to clients and proximity to clients). Now larger firms, which already benefit from a competitive advantage in the provision of advisory services, can use technology to communicate with SMEs (Hansnata and Hayes 2017).

Economic developments and new business models also influence the accountancy market. For example, Les Moulins (2015) discusses the 'uberisation' phenomenon, which involves new entrants to the market using new processes and different ways of communicating with clients. This new type of business competes with traditional firms and aims to attract clients unsatisfied by the existing service or current prices.

Regulation

A key driver of change in the accountancy profession is the modification of regulations. While regulations may provide opportunities for offering additional services, they may alternatively restrict service offerings.

For example, audit regulations introduced in the European Union in 2016 require auditors to expand their work beyond the traditional scope of audit, thereby allowing for the development of new services (ACCA and Grant Thornton 2016). On the same note, the recent modernisation of the international tax system allowed for new roles and services for tax practitioners (Radcliffe et al. 2018). On the other hand, regulation hindered the service proposition in the case of internal auditing services provided by external auditors after 2000 (Covaleski et al. 2003) and of financial audit services provided by SMPs, already limited as a result of the peer-review and inspection rules (Grottke et al. 2016).

Deregulation trends also affect accounting services. For example, Perera et al. (2003) discuss the impact of deregulation on audit services. They argue that deregulation in business led in general to homogenisation of transactions, making audit more standardised and simpler. Consequently, and combined with technological developments, deregulation results in decreasing the importance of traditional (eg audit) services in accountancy firms (Perera et al. 2003; ACCA 2015). Deregulation also increases competition between accountants and other professions (Perera et al. 2003), because non-accountants may now also provide many of the new services. Moreover, deregulation results in more competition and the use of marketing tools to a greater extent than in the past (Crittenden et al. 2003).

Globalisation

It has been argued that increasing globalisation leads to more international standards, models and norms becoming applicable in various local settings.

In this context, accountancy firms are highly exposed to globalisation (Perera et al. 2003), with those operating internationally exemplifying the result of such processes (Perera et al. 2003; Baskerville and Hay 2010). Larger accountancy firms mobilise internal resources and leverage their exposure to an international network as facilitators for the implementation of international standards.

Studies find that globalisation also affects SMPs (ACCA 2013b; EG 2013). Many smaller firms face difficulties in applying international standards and find many features of global standards to be ill-adapted to their practices' circumstances (Durocher et al. 2016b). Nonetheless, SMPs do not seem to oppose global standards (Durocher et

al. 2016b, Ghio and Verona 2017). Instead, they respond by employing various mechanisms to cope with change (including selective application and interaction with professional bodies) and rely on training and resources from professional associations (Ghio and Verona 2017). Despite this, SMPs seem to miss the potential for providing more services, the need for which could be generated by SMEs' international activities (EG 2013).

Globalisation and deregulation shrink national differences and provide the opportunity for international firms to provide similar services in various countries. Nonetheless, national conditions and local expectations still prove important, especially for advisory services because demand for these services continues to be highly influenced by local legal and client expectations. Hence, Kolk and Margineantu (2009) find that sustainability services provided by international accountancy firms remain significantly influenced by local requirements, despite the high standardisation of other services they provide.

Service provision

The professional and academic literature investigates the types of service provided by SMPs as well as how SMP service offerings continue to evolve.

Traditionally, SMPs primarily offered accounting/compilation, taxation and auditing/assurance services. In an effort to address the challenges and opportunities associated with the constantly changing economic environment, more and more SMPs have adopted an approach established by larger accountancy firms (Lander et al. 2013) and now offer a growing number of diversified advisory services. Some of these services are closer to the traditional services than are others (Les Moulins 2017).

A review of the literature published up to 2015 in Albu et al. (2016), combined with the IFAC Global SMP surveys, indicates that the extent and nature of advisory services offered by SMPs vary considerably depending on jurisdiction and SMP size. Furthermore, studies focused on the SME perspective confirm that account preparation,

bookkeeping and taxation continue to represent the services SMEs most frequently require from SMPs. Even so, studies indicate that 25% to 33% of SMEs purchase advisory services from SMPs, reflecting growing demand for other services, with an anticipated growth in the demand for these services in the future (Albu et al. 2016).

Of the SMPs surveyed by various organisations, between 60% and 90% provide at least one type of advisory service (ACCA 2015; Albu et al. 2016; Webber and Street 2017) (See Appendix 1.3). Results vary by jurisdiction and for the specific type of advisory service under consideration. For example, when a study views tax advice and/or tax planning as advisory services, a significant proportion of SMPs participating (as many as 90% or more) are shown to provide this type of service.²⁴ On the other hand, a smaller proportion (normally 10% or fewer) of surveyed SMPs offer more specialised advisory services, such as IT consulting, sustainability accounting and reporting or human resources advisory services. Larger and more proactive (innovative) SMPs, in general, offer more business advisory services than do smaller and more passive SMPs (Bagchi-Sen and Kuechler 2000).

²⁴ Some studies view tax advice and tax planning as advisory while others view these services as 'traditional' services.

SMPs' strategic responses to a changing world

Accountancy firms' responses to deregulation, competition and globalisation affect the services they provide as well as their structure and governance model.

Traditionally, accountancy firms, like other service firms, organised as professional partnerships (ie the P² model). But all types of service firm may reconsider their structure in the current environment. These new structures will have to incorporate better management and marketing in order to address competition. Brock (2006) identifies the following trends in the structure of service firms:

- managerialism (becoming more 'business like')
- more reliance on formal networks
- individualised reward systems
- increasing corporate governance
- global reach, and
- multidisciplinary practices.

On this note, CPA Australia (2007) predicts that the accounting firm of the future will follow the corporate model, with a CEO and chairman of the board. Current challenges, especially globalisation and deregulation, contribute to a managerial view in accounting firms, with a search for efficiencies, reputation building, and service differentiation (Perera et al. 2003; Baskerville and Hay 2010). Larger firms have already implemented this model, which has led to a concentration in the accountancy market (Baskerville and Hay 2010).

Brock (2006) discusses how structures depend on the size of the firm (measured as local, regional, national or international) and strategy type (generalist – focus on client; specialist – focus on service; multidisciplinary – focus on market). Brock (2006) identifies the following three structure types:

- professional partnership
- the global professional network, and
- 'Star'.

Small local generalists mainly employ the professional partnership model. A much greater size and level of multidisciplinary characterises the global professional network. 'Star' – the third type of structure – is the small-to-medium-sized, highly specialised professional firm. The competitive advantages of the Star firm are excellence and high professional quality. While professionalism is a characteristic of both professional partnerships and Star firms, in Stars, greater individual effort leads to greater rewards.

Service firms select a strategy for the services they provide in response to environmental change. Strategic choices include the pricing of the services rendered, the range of expertise offered, and the service quality and type (Bagchi-Sen and Kuechler 2000). Prior literature addressing SMP strategies refers to the following strategic decisions:

- level of diversification (reflecting the number and types of services provided) (Bagchi-Sen and Kuechler 2000; Doving and Gooderham 2008; Alam and Nandan 2010; Massaro et al. 2013; ACCA 2015; Sarens et al. 2015) and
- degree of innovation ('proactive' in proposing new services to clients, versus 'reactive') (Bagchi-Sen and Kuechler 2000; Alam and Nandan 2010) (See Appendix 1.4).

Prior studies have also investigated the association between strategy (ie, diversification, innovation, internationalisation) and organisational factors, such as location of the practice (Alam and Nandan 2010) and internal resources (Doving and Gooderham 2008; Deprey et al. 2012). Since SMPs primarily offer traditional accountancy services, the provision of advisory services represents a diversification strategy. An SMP's decision about diversifying depends on its strategic positioning and intent (reflecting decision-making favouring this strategy) and on resources (dynamic capabilities). Given that SMPs value independence and non-financial corporate objectives (such as work–life balance or survival), in general, they do not have the growth and profitability ambitions usually associated with strategic intent (Doving and Gooderham 2008). The strategic intention of diversification among SMPs is reflected by action searching for new opportunities and new markets through broadening the scope of related services (Bagchi-Sen and Kuechler 2000; Massaro et al. 2013).

The term 'dynamic capabilities' refers to the resources available for implementing an organisation's strategy, which for service providers are mainly the knowledge resources available through skills acquisition and learning. More precisely, knowledge resources include the heterogeneity of their human capital, internal procedures supporting knowledge development, and access to external competencies through collaboration (Doving and Gooderham 2008; Massaro et al. 2013). Prior research mainly confirms that diversification of services provides leads for hiring staff with more diversified backgrounds (Doving and Gooderham 2008; Lander et al. 2013) and for training and searching for staff with additional certifications. In an international survey of 531 SMPs, ACCA (2015) reports that 43% had partners with qualifications or formal training in areas other than accountancy and 54% had partners with qualifications from multiple professional bodies. If diversifying firms do not hire other types of non-accountancy

SMPs' strategic responses to a changing world

experts (Sarens et al. 2015), they collaborate with other service providers to gain access to required knowledge resources (Doving and Gooderham 2008; Bagchi-Sen and Kuechler 2000; ACCA 2015; Sarens et al. 2015).

A report by Radcliffe et al. (2018) is one of the few academic papers that investigates change in the professional field when a new type of service is introduced by accountancy firms (large or small) as a response to a change in regulation. The study investigates the case of a new international tax regulation (ie, the Base Erosion and Profit Shifting Action Plan (BEPS) issued in 2015 by the Organisation for Economic Co-operation and Development). The regulation challenged the profession because of its new, complex rules. Accountancy professionals responded by employing technical-cognitive resources, ie highly complex tax knowledge and their public image as experts in the field, in professional repositioning. In addition to exhibiting technical awareness of the new rules, accountancy professionals also used entrepreneurial social skills to demonstrate in organisations and in the public domain (eg in the media) that they were the professional group that would deal with this regulatory change. Radcliffe et al. (2018) also demonstrate that creating awareness and acceptance of new services requires use of an effective communication and marketing strategy.

SMPs should carefully examine the extent of diversification. Sometimes SMPs fail to recognise the need for advisory services for the SMEs they work with or fail to provide these services (Jarvis and Rigby 2012; EG 2013). In these instances, the authors of prior studies (Blackburn and Jarvis 2010; Jarvis and Rigby 2012; FSR 2018) recommend that SMPs build on the trusted relationship between accountants and their clients to provide additional services. Similarly, ICAEW (2014) recommends that SMPs build on relationships with their clients and move from the facilitator role towards the role of adviser or specialist. The facilitator role involves informing and alerting clients, while also educating them, mainly in the area of core traditional accountancy services. SMPs must optimise their role as facilitator and transform themselves into their next role as adviser. The adviser develops a two-way relationship with the client, and this relationship, based on trust, may be the foundation for providing other services. The model is grounded in the idea that accountants build on their credibility, which is derived from providing traditional services, to offer new types of service for which the credibility of accountants may at times be questioned (eg growth advice, business planning, sustainability, employment or computer security).

Certain studies further explore the negative impact that limited skills and internal resources may have on achieving diversification. Some prior academic and professional research (Perera et al. 2003; CPA Australia 2007), for example, suggests that small firms have to specialise in the context of globalisation and increased competition. Searching for narrowly defined niches (eg implementing balanced scorecards in hospitals) and developing the expertise needed to provide high-quality services (Perera et al. 2003) seem to be the best strategies when facing limited resources. Specialisation may occur in the traditional service areas, necessitating either excellent service and internal efficiency or new services (CPA Australia 2007). Alternatively, SMPs may form alliances in order to cope with the challenges of the current environment. An international survey of 531 SMPs shows that 60% were specialists, of which 48% specialised in a specific service area (eg audit, insolvency) (ACCA 2015). Other niches included specialising in specific types of transaction (eg mergers and acquisitions (M&A)) or specific industries, and dealing with specific assets (eg licences) or in a particular foreign country. Moreover, ACCA (2015) finds that SMPs become less specialised as markets mature.

Specialisation and the perception of being an expert in the delivery of a few services may bring credibility to the services provided. Previous research emphasises that accountants have credibility for traditional services but lack credibility in some new areas, such as sustainability (ICAEW 2014). To build credibility for these new services requires significant marketing and self-representation (Pollock and Williams 2015). PAO certification serves as validation of the ability to provide traditional advice. On the other hand, capacity and credibility for providing services associated with new areas of expertise is supported by developing distinctive change management concepts, emphasising the selectivity of the recruiting process and emphasising extensive experience (successful prior cases) (Pollock and Williams 2015: 1380).

Larger firms have managed to construct a diversified portfolio of new services. Since SMPs have limited resources with which to build a brand, it would normally be more effective for these smaller firms to focus on a few new services to complement, or replace, their traditional offerings.

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Appendix 1: Overview of papers and report included in literature review

1.1 THE ROLE OF PAOS IN DESIGNING AND SETTING AN AGENDA FOR THEIR SMP MEMBERS

Study	Data source	Findings
Panel A. PAOs' initiatives for their SMP members		
IFAC (2018a)	IFAC Global Knowledge Gateway https://www.ifac.org/global-knowledge-gateway	IFAC Global Knowledge Gateway is a global hub providing news and resources for the accountancy profession. Some of the resources and articles posted are designed for SMPs and address issues such as the following. <ul style="list-style-type: none"> • How can SMPs remain relevant to tomorrow's SMEs? • Generation Next and small- and medium-sized practices • How SMPs can add value with new services • The future of small practices and service offerings • The evolving advisory role of SMPs in supporting the internationalisation of SMEs • How can SMPs brand themselves more effectively? • Transforming challenges into opportunities: fee pressure • Transforming challenges into opportunities: attracting new clients • Transforming challenges into opportunities: regulations and standards • Transforming challenges into opportunities: competition
IFAC (2018b)	Guide to Practice Management for Small- and Medium-Sized Practices https://www.ifac.org/publications-resources/guide-practice-management-small-and-medium-sized-practices-3	The guide comprises the following eight modules <ul style="list-style-type: none"> • Planning your firm • Practice models, associations, and networks • Building and growing your firm • People power: Developing a people strategy • Leveraging technology • Client relationship management • Risk management • Succession planning
Panel B. The relationship between PAOs and their members		
Ramirez (2009)	ICAEW UK Analysis of ICAEW's administrative records between 1960 and 2000	PAOs face difficulties in representing and managing heterogeneous groups of members, such as SMPs versus large accounting firms. Defining the groups of members and establishing obligations is part of governing the profession. In the ICAEW's view, the definition of the 'small practitioner' has evolved over time, to incorporate not only size, but also geographic distance, and, more importantly, practice quality. Between 1980 and 2000, auditing reform in the UK led to difficulties for the provision of audit services by SMPs. In the context of the reform, auditing became a service that usually only the large firms had the necessary resources to deliver at an acceptable level of quality. Therefore, the PAO assigned for SMPs the role of small business advisers.
Jeacle (2008)	Analysis of the promotion materials of 6 PAOs (AICPA, ICAA, ICAEW, ICAI, ICAS and CIMA) published between 2003 and 2004	The six PAOs use various techniques in their promotional materials to provide an 'exciting and colourful characterisation of the accountancy profession' (variety of attractive jobs available, social events, list of training opportunities, etc.).
Covaleski et al. (2003)	US Archival material (including exposure drafts, audit guides, ethics codes, board meeting minutes, press coverage)	The study investigates how PAOs (ie, AICPA and the International Actuarial Association (IIA)) and other parties (the big accounting firms and the US Securities and Exchange Commission (SEC)) shape the types of service provided by accountants. Following pressure from the big accountancy firms, discussions emerged in the US in the 1990s around the outsourcing of internal audit services to external audit firms. Globalisation and clients' needs served as the impetus for the initiative. Changes in the economic environment, especially Enron, led to the reconsideration of both outsourcing of the internal audit and more oversight over the profession.
Baudot et al. (2017)	US AICPA lobbying reports and comment letters	The paper investigates how the AICPA influenced financial regulations in the US through lobbying activities (such as reports and comments letters directed to politicians and regulators). A motivation of the AICPA's lobbying efforts is to protect professional jurisdiction (eg the boundaries and profitability of the profession).
Grottke et al. (2016)	Germany 30 interviews with various stakeholders conducted between 2010 and 2015, documents and publications	In response to their perceived under-representation in the existing national PAOs, auditors from smaller firms led an effort leading to the creation of a new professional body in Germany (wp.net).
Durocher et al. (2016b)	Canada 25 interviews conducted between 2009 and 2011	SMPs in Canada expressed dissatisfaction with the support received from their PAOs (eg ill-adapted tools provided, limited technical guidance) to apply global standards. The SMPs believe that networks are a better solution.

Appendix 1: Overview of papers and report included in literature review

Study	Data source	Findings
Panel B. The relationship between PAOs and their members		
Nandan and Ciccotosto (2014)	Australia 12 interviews with partners of accounting firms conducted in 2005 and 2006	Australian SMPs formed a network in the mid-1970s to facilitate access to knowledge. But when professional associations started to provide more resources, the role of the network in the professional development of the members decreased during the 2000s.
Mescall et al. (2017)	Canada Disciplinary cases from the ICAO (Institute of Chartered Accountants of Ontario) between 1984 and 2014	The paper investigates how a PAO (ICAO) disciplines its members since the introduction of public oversight of the profession (Canadian Public Accountability Board) in 2003. As expected, the findings indicate that the number of disciplinary sanctions increased after the introduction of public oversight, signalling that the PAO is capable of self-regulation. On the other hand, while internal reporting (eg internal reports, newsletters) on sanctions increased, the amount of external disclosures (eg newspapers) decreased over time, suggesting that the PAO protects professional private interests.
Greenwood et al. (2002)	Canadian Institute of Chartered Accountants (CICA) and ICAA Canada 25 interviews with various stakeholders active with the two PAOs and documents published between 1977 and 1997	Increasing market pressures and changes in technology for over two decades led two Canadian PAOs (CICA and ICAA) to be more prone to following the lead of their large firm members. Accordingly, at the end of the 1990s, the PAOs endorsed recognition of the chartered accountant as a business adviser. The PAOs also endorsed the multidisciplinary practice as an appropriate organisational form for public accountancy firms. This change in interaction with members led to a change in how the accountancy profession was represented in relation to the public. In fact, the PAOs made only minor changes to entry-level educational requirements and materials.
CPA Australia (2007)	Australia Task force to assess the future of the public practice	CPA Australia established a task force to assess the future of the public practice of accountancy and develop a strategy for the challenges ahead. The resulting CPA Australia (2007) report identifies the top 10 challenges and opportunities for the profession and proposes several implications for PAOs. Some of the implications for PAOs, as grouped into the three roles identified by Greenwood et al. (2002) include: <ul style="list-style-type: none"> • organising interaction between members: identifying new growth areas and areas of specialisation, helping members establish referral or firm networks, supporting members to 'own' new areas of specialisation • representing the profession in relation to other professions or regulators: advocacy on behalf of the profession to ensure alternative operating structures are acceptable to regulators, and • monitoring members' compliance with professional expectations through education, sanctions, publications: developing alternative entry pathways to attract graduates from non-traditional areas; ensuring by-laws allow members to embrace new opportunities while maintaining integrity; developing of tools and resources to maximise knowledge transfer; improving membership support in the areas of IT and soft skills; and ensuring ethics education.

Appendix 1: Overview of papers and report included in literature review

1.2 CHALLENGES AND OPPORTUNITIES FOR SMPs

Study	Type of study	Findings
ACCA and IMA (2012)	ACCA and IMA member consultation and desk research	<p>The report considers the drivers of change for the subsequent decade. The main forces shaping the business environment are:</p> <ul style="list-style-type: none"> • continued globalisation • growing business and regulatory complexity • rapid advances in science and technology • changing social values and expectations of work, and • changes in the structure and distribution channels of education and training. <p>A total of 100 drivers of change are identified and grouped into the following eight categories</p> <ul style="list-style-type: none"> • economy • politics and the law • society • business • science and technology • environment, energy and resources • practice of accounting, and • accountancy profession.
NBA and VRC (2014)	Vision statement based on roundtables held in the Netherlands	<p>The following eight recent trends may represent challenges:</p> <ul style="list-style-type: none"> • disruptive innovations • organisational forms • Big Data • globalisation • society • social media • sustainability, and • red tape (regulations).
ACCA (2015)	International (UK, Ireland, Singapore, Hong Kong, China, Romania, Iran, Malaysia and Vietnam) 2015 Survey Respondents include 531 accountants working in SMPs	<p>The challenges identified by accountants working in SMPs include:</p> <ul style="list-style-type: none"> • fee pressures (53.3%) • difficulty in attracting suitable professional staff (52.3%) • difficulty in finding and engaging clients (46.1%) • intensifying competition (42.7%) • rising cost of doing business (33.2%), and • difficulty coping with regulatory/compliance requirements (29.3%). <p>The main competitors and vulnerabilities perceived by SMPs by types of service are:</p> <ul style="list-style-type: none"> • tax and compliance: government and regulatory guidance, other professions, automation and online accountancy • assurance: other SMPs, mid-tier, deregulation (reduced assurance and financial reporting requirements) • corporate finance: mid-tier • supply chain management: free online advice, unqualified providers, and • no competitors or vulnerabilities for financial management, internal control or risk management, intangibles, CSR, IT.
Les Moulins (2015)	France Survey of 464 accountants	<p>The perceived threats for the accountancy profession for the subsequent 10 years from 2015 include:</p> <ul style="list-style-type: none"> • new models of the accountancy firms (eg low-cost, 100% online) (46%) • price war (44%) • changing mentality of clients (32%) • 'uberisation' of the accountancy profession (26%), and • erosion, or extinction, of the monopoly (23%). <p>Respondents estimate the probability of Uber-type actors entering the accounting market at 60%, with a higher level of probability perceived by young respondents.</p> <p>The perceived challenges for the accountancy profession for the next 10 years include:</p> <ul style="list-style-type: none"> • maintaining the profitability of the firm (41%) • client retention (39%) • automatisisation of the accounting tasks (32%) • training accountants and collaborators beyond the technical aspects (30%) • establishing a sales force in the firm (26%), and • employee retention (22%). <p>The perceived opportunities for the accountancy profession in the next 10 years include:</p> <ul style="list-style-type: none"> • innovation in software (54%) • inter-professionalisation (51%), and • deregulation (39%).

Appendix 1: Overview of papers and report included in literature review

Study	Type of study	Findings
ACCA (2016a)	Qualitative and quantitative global and national research among over 2,000 C-suite executives (eg CEOs, CFOs, CMOs) and professionals in accountancy and finance between 2014 and 2015	<p>The most influential drivers of change include</p> <ul style="list-style-type: none"> • increased regulation and stronger governance • spread of digital technologies • changing expectations of professional accountants, and • continued globalisation of business. <p>Global survey participants selected six factors (from a list of 21) that might have the largest impact on professional accountants and finance professionals. The factors expected to have the highest impact in the 3 to 10 years following the report are:</p> <ul style="list-style-type: none"> • development of intelligent automated accounting systems (55%) • rate of change and economic volatility (42%) • greater harmonisation of accounting and business standards (42%) • broadening measurement and expectations of business value and demands of external stakeholders (42%) • adoption of Cloud computing by business (41%), and • different aspirations and expectations of coming generations (39%).
Webber and Street (2017)	Global (164 countries) 2016 IFAC survey Survey respondents include 5,060 accountants who are owners of, or work for, SMPs	<p>Top challenges facing SMPs (assessed as having a 'high' or 'very high' impact) include:</p> <ul style="list-style-type: none"> • attracting new clients (46%) (most problematic in Africa and Middle East) • keeping up with new regulations and standards (41%) (most problematic in Central and South America/Caribbean and Europe) • experiencing pressure to reduce fees (41%) (most problematic in Central and South America/Caribbean, Africa and Asia) • rising costs (39%) (most problematic in Africa and Middle East), • differentiating from competition (39%) (most problematic in Central and South America/Caribbean and Middle East) • technology developments (35%) (most problematic in Central and South America/Caribbean, Africa and Europe) • serving clients operating internationally (34%) (most problematic in Asia and Middle East) • personnel and staffing issues (33%) (most problematic in Asia and Africa), and • managing cash flow and late payments 32% (most problematic in Africa). <p>As practice size increased, in general:</p> <ul style="list-style-type: none"> • keeping up with new regulations and standards, and managing cash flow are less of a challenge, but • differentiating from the competition, succession planning, personnel and staffing, and technology developments are more problematic. <p>Factors expected to have a 'high' or 'very high' impact on SMPs over subsequent five years include</p> <ul style="list-style-type: none"> • regulatory environment (56%) • technology developments (52%) • competition (48%) • capability for adapting to new client needs (45%) • perceived trust and credibility of the profession (43%), and • political instability (40%).
ACCA (2016b)	Survey of 18,646 ACCA students and members up to the age of 36, representing 150 countries	<p>Generation Next's work preferences and career aspirations include:</p> <ul style="list-style-type: none"> • 70% would like to change jobs within two years and 100% within five years • 80% desire a role in a different country or region • 81% would like to start their own business • 60% want to pursue a role outside finance/the accountancy profession at some point • 52% believe that on-the-job learning is the most effective form of education, followed by mentoring (27%), job rotation and secondments (25%) and professional qualifications (23%), • 57% agree or strongly agree that technology will replace many entry roles in the profession, and • 84% agree or strongly agree that technology will enable finance professionals to focus on higher-value-added activities (technology is an opportunity).
Bills and Stephens (2016)	USA A sample of 16,073 large firms and 11,938 small firms Data from 2004 to 2013	If smaller firms can successfully enter the larger firms' market, they may be able to improve their competitive position relative to other small firms.

Appendix 1: Overview of papers and report included in literature review

Study	Type of study	Findings
ACCA (2017a)	Survey of 1,278 ACCA students and members up to the age of 36 working in SMPs	<p>SMP respondents believe to a higher extent than do other respondents that the lack of available roles (41%), insufficient rewards (34%) and insufficient training opportunities (31%) are the main barriers to career progression.</p> <p>Of the Generation Next SMP staff surveyed</p> <ul style="list-style-type: none"> • top factors attracting them to an employer include opportunities to learn and develop skills (93%) and career progression opportunities (90%) • one-third of the respondents would like to remain working in the sector in the future • Big Four and large corporate firms are the most popular destinations for those intending to leave the SMP sector (42%), and • 48% are satisfied with their current role.
ACCA (2017b)	Interviews with over 50 finance and IT industry experts	<p>IT developments give rise to six imperatives for the finance function that are also relevant for SMPs. These are:</p> <ul style="list-style-type: none"> • align the strategy – understand how finance, using technology, can support the strategy of the company • build the business case – identify the business case for specific tools and solutions • appreciate the value of data – make better use of data and analytics • manage the organisational impact of technological change • focus on talent and skills – bring in people with appropriate skills for using technology, and • assess the impact of technology on governance and risk management.
Arnaboldi et al. (2017)	Two case studies initiated in 2012	The study investigates how new technologies and social media influence professional boundaries, thereby influencing the services provided by accountants. Social media will provide opportunities for non-accountants to enter the field of performance management if accountants maintain a traditional mindset and are reluctant to engage with modern technologies.
Kotb et al. (2012)	Survey of 90 UK financial auditors and IT auditors, and 17 interviews	Within the context of the e-business audit, the results suggest that IT specialists are challenging the traditional authority of financial auditors.
Kotb et al. (2014)	Survey of 79 internal auditors and IT internal auditors from 10 countries, including the US, UK, Canada and Ireland	The results show that IT developments in companies lead to a need for advanced IT-audit skills but internal auditors exhibit low confidence in their IT training. Thus, internal auditors continue to rely on IT audit specialists.

Appendix 1: Overview of papers and report included in literature review

1.3 TYPES AND EXTENT OF ADVISORY SERVICES PROVIDED BY SMPs

Study	Data source	Findings
Les Moulins (2017)	France Various sources (literature and market studies)	Four types of services offered by accounting firms are identified: <ul style="list-style-type: none"> • production-type services – resulting from a legal obligation (eg bookkeeping, taxation) – generate the majority of the turnover of most accounting firms, • accompanying-type services – close to legal services and requiring the same skill set (eg costs, budgets, cash flow management), • advisory-type services – related to the traditional areas of accounting, but non-recurrent and requiring a high level of expertise (eg tax optimisation, training) and • off-track services – beyond the traditional accounting services, requiring a different type of expertise (eg sustainability, strategy, human resources).
Webber and Street (2017)	Global (164 countries) IFAC 2016 survey Survey respondents include 5,060 accountants who are owners of, or work for, SMPs	Business advisory and consulting services provided by surveyed SMPs in 2016 include: <ul style="list-style-type: none"> • corporate advisory (48%) • management accounting (46%) • human resources/employment regulations (29%) • restructuring/insolvency/liquidation (24%) • succession planning/business transfers (23%) • forensic accounting/fraud investigation (18%) • business intelligence (15%) • information technology (15%) • enhanced corporate reporting (14%) • wealth management/retirement planning (12%) • health and safety/environmental legislation (4%). <p>85% of the respondents indicate they provide at least one type of advisory service. Varying by geographic region, between a quarter and half indicate that advisory services represent a source of revenue growth in 2016.</p>
ACCA (2015)	International (UK, Ireland, Singapore, Hong Kong, China, Romania, Iran, Malaysia and Vietnam) 2015 Survey Respondents include 531 accountants working in SMPs	The core services offered by the SMPs surveyed are tax, assurance and compliance. These three services generate about 80–85% of total revenues. Out of the 55 potential service areas studied, the typical (median) SMP offers 10, with the average number of advisory services offered being 13. The findings reveal significant regional differences. SMPs in China and Iran are more specialised and, in general, offer half the number of services provided by their peers in other countries/regions. SMPs in the UK and Ireland are more diversified and, in general, offer twice the number of services provided by their peers in other countries/regions.

Appendix 1: Overview of papers and report included in literature review

1.4 SMPS' STRATEGIES

Study	Data source	Findings
Bagchi-Sen and Kuechler (2000)	USA 1995–1996 Survey Respondents represent 55 SMPs	Findings indicate that proactive (more open to innovation) and diversified SMPs outperform reactive and functionally concentrated SMPs. The strategic advantages of being proactive include speed of delivery, service customisation, collaboration with other firms and specialised skills.
Doving and Gooderham (2008)	Norway 2003 Survey Respondents represent 254 SMPs	Findings indicate that diversification of services is associated with dynamic capabilities (heterogeneity of human capital and alliances with complementary service providers). The findings provide no evidence of an association between the strategic intent to develop new services and the current degree of diversification.
Alam and Nandan (2010)	Australia Interviews with six SMPs from remote areas	Interviews indicate that local (rural) SMPs provide generalist services, are diversified, innovate by managing their external environment (providing services in line with the needs of existing clients) but they are constrained by limited facilities. In comparison, regional SMPs are more specialised; their innovative activity is predominantly internal and focused on internal efficiency and resource allocation. The main constraint for regional SMPs is their limited in-house training.
Deprey et al. (2012)	UK Six case studies on small management consultancy firms	The main factors that influence the internationalisation strategy of the firms studied are the importance of manager/owner/founder's international orientation and competencies, networks and relationships, niche market specialisation, and technology. When following an internationalisation strategy, the international orientation and network of the manager/owner form an important starting point. Furthermore, finding an appropriate niche and leveraging technology are important for the success of the strategy.
Massaro et al. (2013)	Italy Survey Respondents represent 750 SMPs	Respondents' intentions towards diversification and innovation are assessed through the desirability of diversification. A series of questions addressing the availability and quality of internal resources (human, IT, client and partner relations and firm reputation) are used to assess the feasibility of diversification. The degree of diversification is associated with feasibility and desirability as well as with the age and education level of the entrepreneur.
ACCA (2015)	International (UK, Ireland, Singapore, Hong Kong, China, Romania, Iran, Malaysia and Vietnam) 2015 Survey Respondents include 531 accountants working in SMPs	Depending on the balance between resilience and growth, the survey identifies the following four types of SMP: <ul style="list-style-type: none"> • static specialists (36%) – specialised, organic growth • static generalists (22%) – small practices providing core accounting services without growth plans • dynamic specialists (23%) – high-cost, hands-on, following a consulting business model, and • hungry generalists (19%) – growth is achieved by providing various services by partnering with other practices.
Sarens et al. (2015)	Belgium 2011 Survey Respondents include 367 expert accountants	The findings indicate that diversification (assessed from the number of services provided) is associated with collaboration with other service providers and serving larger clients. Marketing efforts make a significant difference only for self-employed respondents. The findings provide no evidence of an association between diversification and heterogeneity of internal staff.
Durocher et al. (2016b)	Canada 25 interviews with practitioners, regulators and other informants conducted between 2009 and 2011	Findings suggest that many small practitioners do not have the resources to apply global accounting (IFRS) or auditing standards. The authors classify small practices as either 'versatile' (adapting through mergers, partnerships, new hires) or 'unable to converse', depending on the strategies adopted by the firm. The findings further indicate that SMPs adopt a strategy of resilience, characterised by: <ul style="list-style-type: none"> • support mobilisation (eg through networks of practices that share their experience or partnerships with other consultants) and • involvement in the activities of the accountancy profession, selective application of standards and downgrading client engagement (eg moving clients from audit to compilation engagement).

Appendix 2: Best practice case studies

APEX TEAM ROMANIA

The APEX Team (**A**ccounting and **P**ayroll **EX**pert **T**eam) was established in the early 2000s, when a group of accountancy professionals formerly working with large accounting, auditing and advisory firms decided to form their own firm. Currently, APEX has seven partners, about 50 employees and 300 clients.

Challenges and opportunities

Like many SMPs around the world, two of the main environmental factors affecting APEX Team are competition for clients (primarily from the Big Four) and managing talent.

Proactive response and tips

- **Develop a strategy to counter competition.** SMPs compete with accountancy firms of various sizes and/or other service providers. Successful SMPs turn competitors' weakness into their strengths. A strategy for how best to counter competition provides a small firm with much-needed direction. The strategy may, as in the case of APEX Team, relate to the types of service provided, as well as the form of relationship established with clients (eg timely, face to face, friendly).

With 90% of APEX Team's revenue generated by services provided to subsidiaries of multinational companies, the firm competes for clients directly with the Big Four. Responding to this challenge, APEX Team selected a 'client proximity' strategy. Clients have responded in a positive manner and frequently recommend APEX Team to other potential clients, resulting in growth for the firm.

We created a 100% Romanian firm, based on the values we learned at Big Four firms. Today APEX Team's main strategy is to provide high value-add[ed] services and be a 'friendly' partner to our clients. When possible, we prefer to visit the client's office and work with our clients on-site. This way, the client feels we are close to them and their business. Adding value to our client's business is our mission.

When clients work with a larger firm, it takes a long time to receive a response to their question. Our clients prefer to work with us because APEX Team provides answers in a timelier manner. Of course, there are areas where larger firms have more expertise, eg international taxation. However, by making the appropriate time investment on our part, APEX Team can provide these types of service to our clients at a comparable level of proficiency.

- **Manage people.** Staff represent a very important resource for SMPs. Finding ways to attract, motivate and reward staff is one of the keys to success for SMPs. APEX Team's staff have diverse backgrounds and collectively possess the expertise to provide a wide range of accounting, payroll, tax and advisory services. For example, six employees (ie about 10% of the staff) are human resources (HR) inspectors. APEX Team's staff members hold various national and international accountancy certifications and collectively are fluent not only in Romanian but also in English, French and Russian.

Managing personnel is our biggest challenge. While we are fortunate to have experienced team members, we struggle at the junior level where staff often do not have patience. They want big money right away. In response, we offer substantial support for our employees. We pay for all the qualifications they want to obtain. We pay for training as well and give time off to prepare for professional qualification exams. Investing in our staff is an investment in the future of our firm.

Appendix 2: Best practice case studies

ASCENTOR, ROMANIA

ASCENTOR represents new 'branding', as of 2014, for an audit and accounting firm established in 1995. In 2011, this SMP significantly diversified by strengthening its HR consulting service offerings. The market now views ASCENTOR as a partnership providing advisory, assurance, litigation support and HR consulting and recruitment services to medium-sized and large organisations across all major industries. The firm has two partners and eight staff. Most of ASCENTOR's clients are large Romanian and multinational companies.

Challenges and opportunities

Key environmental factors for ASCENTOR include client expectations about the skill set/level of expertise provided by the firm, given its small size, the characteristics of its clients and the increasing complexity of projects.

Proactive response and tips

- **Serving large clients with a small but dependable team.** As a small firm, ASCENTOR offers services in various areas such as transactions, due diligence, forensic investigations, compliance optimisation, risk management, anti-fraud procedures, design of ethical sales and marketing procedures, operational audits and various audit engagements. ASCENTOR addresses resource limitations by identifying and retaining staff with excellent technical and personal skills and developing an informal network of similar practices with complementary capabilities (eg tax, legal, valuation, insolvency).

From a competency perspective, a firm should be able to address questions covering a wide range of matters. There must be a good cultural and psychological match between a small firm and its employees. If people prefer strict rules, specifications and job descriptions, they will not find them in a small firm like ours, and they will not make it in such an environment. You may be very good professionally, but our staff also need to be independent thinkers. Given the relative complexity of our projects, most of our consultants have some level of professional experience (at least two to three years) and usually they have a Big Four firm background.

- **Exceed client expectations.** Build a close relationship with clients and provide more than your clients expect. Satisfied clients will refer you to other potential clients.

For a small firm, it is all about relationships and trust. All our clients are from referrals from former and current clients and our network. A good team of consultants should be able to interact with the client with minimal supervision. You must excel at your business and do a little more than what clients expect of you. We always identify an additional issue, another matter of concern, some additional opportunity for improvement, something that builds the relationship, and we advise each client on how to improve. Our clients feel that we are really helping them.

- **Find a niche.** SMPs may be able to provide complex services, usually provided only by larger firms, if they identify and focus on the right niche. The choice of services offered should mirror the internal knowledge available. When it does not, informal networks may help as well.

- **Build an informal network.** ASCENTOR relies on a strong informal network to address its clients' diverse needs.

As a small firm, we cannot be specialists on every area (eg taxation); therefore, we refer our clients needing such services to other small firms, usually run by former Big Four colleagues. A small firm cannot master all the competencies in demand from its clients, eg legal, valuation or taxation. It is essential to create an informal network of partners that the firm can turn to. There are many former Big Four colleagues, like me, who decided to set up their own practice across domains. I can phone any of them and mobilise a team of specialists equal to any Big Four team to provide a complete solution to our clients.

Appendix 2: Best practice case studies

- **Attracting staff and managing costs.** Attracting staff and managing costs are challenging for SMPs. In a highly competitive market for talent, smaller firms do not benefit from the reputation that Big Four firms enjoy. Rapid staff turnover and shortages can result in smaller firms having a cost structure similar to that of the Big Four, as salaries are the main cost in this industry. At the same time, clients are more inclined to pay higher fees to large firms. SMPs can compensate, in part, by developing and maintaining a close relationship with their clients and being responsive to client needs in a more timely (almost immediate) manner.

Due to our project-based (one-off) revenue model, as a small firm, unlike a Big Four, do not have significant recurrent revenues. We work daily to attract new clients. It is a difficult market and only [a] few clients are willing to pay market [prices] for quality services. The cost structure is an issue. Our fees are significantly lower than those of a Big Four [firm], while our costs are somehow similar.

The activity of an SMP is heavily dependent on the owner or main business partner, who should ensure the attraction and retention of clients. Most clients have personal contacts with the managing partner and trust him/her to satisfy their requirements.

How do we succeed? For seven years, I have not taken any holiday without having my laptop with me, because the business depends on me. Clients appreciate the availability and speed in reaction, as their business issues cannot wait. As a consultant, you need at least 10 years of experience to develop the required skills and the credibility to attract new clients. I, however, encourage our staff to identify new clients, including through a bonus scheme.

Appendix 2: Best practice case studies

BRADY & ASSOCIATES, IRELAND

Established in 2013, Brady & Associates is based in Dublin Ireland. The firm uses its knowledge of tax and technology to provide added value to clients in a way that many of its competitors cannot. Managing partner Brendan Brady is a member of CPA Ireland's Financial Reporting Sub Committee.

Challenges and opportunities

The biggest challenge facing Brady & Associates is managing people – both clients and staff, eg client expectations, client queries, staff workload. Smart phones are now the norm, and it is easier than ever to text/email/whatsapp or call your accountant with a question or update. Consequently, clients expect swift responses and the instant gratification they are accustomed to. If a client does not receive a response within a day, he/she follows up to see if you received the email sent the day before. Meanwhile, your inbox grows exponentially and, to sort the wheat from the chaff, all emails must be read.

Another major challenge is increased regulation, eg changes to accounting standards, overhaul of the Companies Act, PAYE modernisation, iXBRL mandatory reporting, mandatory online filing, GDPR.

Another big challenge is erosion of the fee base. Clients expect more for less and are more tech savvy. They are now able to prepare and file their own tax returns. Consequently, the perceived value of compliance services is eroding.

Proactive response and tips

- **Manage client expectations.** The firm manages client expectations by being specific about the service provided. Sometimes clients expect an 'accountant on call' service. The firm outlines from the beginning the level of expected interaction, explaining that if the client is paying for a compliance service then tax advice is separate. The firm's website includes a list of fees, and engagement letters document the level of interaction expected with a client on a monthly basis.

Clients who have signed up for a subscription receive a monthly bill as opposed to a large year-end invoice. They also receive a monthly service and are less likely to change firms. Clients agree to a monthly direct debit using the app [gocardless.com](#); the fee comes directly from the client's bank account, thereby removing potential awkward conversations around fees at year-end. The subscriptions also make it easier to have conversations about additional services that clients may request, which previously they would have expected to be included in the year-end fee, eg tax advice or tax planning.
- **Consider hiring specialised staff, including non-accountants.** Hiring specialised staff, for example an information technology expert and a commercial financial professional, has helped Brady & Associates not only manage client expectations but also provide additional billable services. When a client phones to say his accounting software is not responding or that her hardware has crashed, the firm can explain that it is sending an IT expert to help, indicating the rate per hour. There is no longer the misconception that the accountant will provide services of this nature at no cost. Looking forward, the firm sees potential for eventually expanding its non-accounting staff to include, for example, legal and data analytics experts. Proactive firms cannot ignore the impact of AI, data analytics, etc. on the accountancy profession. Firms must be prepared to expand their in-house expertise and service offerings.
- **Find and retain the right staff.** Hiring, training and getting staff to a stage where they are productive and adding value to the firm is a never-ending cycle. Brady & Associates manages this, in part, by hiring trainees that can be moulded to the practice's way of working. Nonetheless, once successful trainees become CPA-qualified, they become highly marketable and receive numerous, and at times more highly paid, alternative career options. To further address its recruiting and retention challenges, Brady & Associates recently began hiring a few CPA-qualified staff who work remotely, ie in rural Ireland as opposed to Dublin with its higher cost of living.
- **Automate where possible.** The firm also uses apps such as Xero, Receipt Bank and auto entry to automate many bookkeeping tasks so data entry does not bog down the staff. The SMP also attempts to standardise work papers so that everyone is working from the same template.

Appendix 2: Best practice case studies

FITZGERALD & PARTNERS, IRELAND

Fitzgerald & Partners – a 20-year-old SMP based in the rural tourist town of Kinsale in County Cork Ireland – proactively addresses the changing environment by ‘turning environmental challenges into opportunities’. Founder and managing partner – Cormac Fitzgerald – has a special interest in the SME sector and is a past president of CPA Ireland who now serves on the PAO’s SMP/SME committee and CPA Council.

Challenges and opportunities

Networking with SMPs across Ireland, Fitzgerald is familiar with the changing role of the SMP. He believes one route to survival and growth, and becoming a successful SMP, is carving out a niche and unique selling point in that sector.

There are so many SMPs competing in the same pond, for the same business... The amount of time, regulation and administration involved in adhering to client’s compliance needs is not understood by the client... It is difficult to ... get fee increases. The loyalty factor that was once there is no longer there.

The need to keep up with changes, regulation, GDPR and technology, and to be constantly innovating and growing, challenges SMPs. Full employment and growing wages make it harder to retain talent and recruit trainees. The emphasis on science, technology, engineering and math (STEM) education, encouraging the younger generation to enter the IT sector, challenges accountancy, perhaps not as “jazzy or cool” as in the past. Fitzgerald explains to candidates that becoming a CPA allows them the flexibility to work in industry or practice, open their own business or practice, be an entrepreneur or enter academia. Accountancy should sharpen its image and market the opportunities more in schools. Accountancy should consider creating junior entrepreneurship programmes similar to BT Young Scientists and encourage students to consider accountancy and the CPA at an early age.

Clients can be demanding on the accountant’s time, and many working for SMPs do not enjoy a good work–life balance and quality of life. The pace of change associated with, for example, staffing and technology can be demanding and stressful.

Irish SMPs have worked ‘through a deep recession with empathy, psychology and deep understanding of working with clients through the perfect storm’.

Many clients have started businesses in the tech sector and require a skill set different from the legacy requirements of SMEs... It is all about growth strategies... The futuristic SMP is becoming a business adviser to help clients deal with growth strategies

HR is a big challenge for SMPs with multinationals such as Google and Facebook competing for talent.

When we train a good CPA, far away, hills can be greener, and they like joining a multinational... It is hard to retain good CPAs and talent because SMPs do not have the deep pockets multinationals have.

We, however, offer a different type of flexibility – flex-time, part-time – to somebody who may have gone through the multinational experience. It suits maybe a more mature staff member, especially in a town like Kinsale, who may [have] move[d] from Dublin or London, and would like to work and be able to drop their kids to school. We offer that flexibility ... as long as the work is at a high standard and professional... The only way we can compete with multinationals is flexibility.

Proactive response and tips

- **Hire the best people.** Recruiting focuses on balancing three things – grades, ability to work as a team, and communication skills.
- **Expand the client base.** In a rural town, expanding the client base, adding value to existing clients and keeping innovating are challenging. Responding to this, the firm runs seminars, networking events and conferences, and produces a quarterly client newsletter (online and in hardcopy). The SMP provides updates via all social media platforms and stays in contact with clients. The firm serves two niche areas – tax planning for foreign expatriates moving to the area and the hospitality sector (eg bars, restaurants, hotels).
- **Build a brand.** The firm is well branded and profiled as a leading business adviser in the SME sector, which accounts for 99% of business in Ireland. The firm writes articles for local media, supports events locally in the heart of the community and constantly aims to innovate in areas such as online accounting. Its Business Centre outsources for SMEs. For a start-up client, the firm provides a start-up guide (downloadable on its website) addressing starting one’s own business. The guide is also available through the firm’s referral network, which includes local banks, estate agents, solicitors, etc.

Appendix 2: Best practice case studies

Fitzgerald & Partners has invested in a good digital presence via social media marketing, digital marketing, building a good brand, developing the brand and becoming the leading SMP in the area. The firm's goals include being the number one CPA firm in the region, remaining the business adviser of choice in the area, and expanding its niche services.

- **Automate where possible.** Online accounts are a growth area. Small start-ups provide their data on a weekly basis, eg they drop it off, mail it or scan and email. The firm processes the data, and inputs it in a package such as Big Red Cloud for about €28 per month. A client can access its data while scuba diving in the Caribbean or driving around Ireland. They can invoice from their device. The firm and client all work off one package and in real time. Clients find value in always being up to date on their accounts in a very simple way. The firm works with whatever package the client prefers (Big Red Cloud, Zero, Surf or an industry-specific package).
- **Business advisory.** The firm views business advisory services – private advice on key points in business to help its growth strategy – as the future. A deep dive into a business via a strengths, weaknesses, opportunities and threats (SWOT) analysis reveals the issues the entrepreneur is facing. Being a good listener is important – running a business can be lonely. SMEs find value in an adviser who understands the key issues facing their business, is independent of their stakeholders and gives objective advice.
- **Invest in accountancy and non-accountancy talent.** The firm will strive to identify more accountants and CPAs to join the practice and seek out a few good business advisers to interface and add value to clients. Any new affiliated business advisers will need to be trustworthy, not those trying to befriend clients and then treat them like an 'onion in order to peel off a couple of layers every so often'.

Appendix 2: Best practice case studies

SOTER & PARTNERS, ROMANIA

A young entrepreneurial accountant founded Soter & Partners in the early 1990s, immediately after the fall of communism in Romania. The founder chose the name Soter (Greek for 'the saviour') to associate a powerful role with accountants and accountancy during a period when many post-Communism managers did not understand the role of accounting.

Challenges and opportunities

Like many SMPs around the globe, especially those in emerging economies, top environmental factors affecting Soter & Partners include rapidly changing accounting and tax legislation and the need to satisfy the demands of clients operating internationally.

Proactive response and tips

- **Listen to the market to seize opportunities and diversify while remaining specialised.** SMPs need to develop a core body of knowledge and skills in one specific area of accounting (eg taxation) and propose new services around their niche. Countries differ in their legal and economic frameworks. SMPs can seize the opportunity to provide niche services in response to the needs of their local market.

While Soter & Partners initially provided mainly bookkeeping and taxation services, by the end of the firm's first decade in the late 1990s, it had evolved to provide an array of services. The firm recruited professionals who were at the time employed by large accounting, auditing and assurance firms. The new partners and staff brought to Soter & Partners fresh ideas and up-to-date knowledge. With its highly qualified staff, the firm seized the opportunity of introducing additional services, especially advisory tailored to addressing continuing changes in legislation, thus transforming a challenge into an opportunity.

In 2000, we started to offer payroll services when Romania implemented the Global income tax system. By differentiating payroll from accounting services and considering it a separate service with additional value for clients, the firm identified a way to generate additional fee revenues. Accounting and payroll are different in terms of the work done for the client. In the eyes of the client, each service should be associated with a separate fee.

Another service introduced in response to market demand is a taxation help-desk. The service is attractive to clients with an accounting and tax department that needs expert advice to clarify tax implications. The firm provides the help-desk service by retainer. This new fee-generating service is successful because taxation rules change quickly in Romania and are complex. Moreover, Romanian tax controllers are strict, and companies are cautious to avoid making mistakes.

Following this strategy, currently about 80% of the firm's revenue is generated by advisory services.

- **Collaborate.** SMPs may address the challenge of having limited resources, in part, by collaborating with other SMPs via a network or alliance both nationally and internationally. Soter & Partners recently joined an international association (ie Morison KSI, comprising 163 firms from 85 countries), the better to serve clients operating internationally. Management believes collaboration with other firms is important for SMPs, eg for referrals and for gaining an understanding of the business environment by conducting regional studies.

We have clients doing business internationally, and they expect us to provide recommendations. Besides referrals, another advantage of belonging to the association is the exchange of ideas and research we do together. By cooperating with other SMPs, we are able to achieve what the Big Four are doing internally. You have to work together to become stronger.

Appendix 3: EG SMP of the Future Survey – Overall findings

An overview of the primary overall findings follows.

- Whether participant's SMP has a skills development plan to address the ever-changing needs of clients
 - o 50% answered yes
- How frequently does the participant's SMP seek out new markets and opportunities to launch new services?
 - o 27% 'always'
 - o 17% 'often'
 - o 26% 'sometimes'
 - o 16% 'rarely'
 - o 14% 'never'.
- What is the SMPs current or intended affiliation with a network, association or alliance?
 - o 30% currently belong
 - o 39% are considering joining one
 - o 31% have no interest in joining.
- Extent ('extremely high', 'high', 'moderate', 'very little', 'none') to which participant's SMP faces competition for clients from various sources.
 - o Other SMPs – 41% 'extremely high' or 'high'
 - o Big Four – 28% 'extremely high' or 'high'
 - o Large accounting firms other than the Big Four – 28% 'extremely high' or 'high'
 - o Advisers/consultants that are unregulated and/or have no professional qualifications – 28% 'extremely high' or 'high'
 - o Qualified practitioners in other fields – 16% 'extremely high' or 'high'
 - o Automated services provided by accounting software or on-line service providers – 16% 'extremely high' or 'high'
- Whether participant's SMP collaborates with other service providers
 - o 32% yes
- Extent ('extremely high', 'high', 'moderate', 'very little', 'none') to which participant's SMP faces competition for staff from various sources.
 - o Other SMPs – 27% 'extremely high' or 'high'
 - o Large firms other than the Big Four – 26% 'extremely high' or 'high'
 - o Big Four – 25% 'extremely high' or 'high'
 - o Industry – 19% 'extremely high' or 'high'
 - o Advisers/consultants that are unregulated and /or have no professional qualifications – 12% 'extremely high' or 'high'
- Extent to which various factors contribute to staff attrition/turnover in participant's SMP.
 - o Salary – 34% 'extremely high' or 'high'
 - o Employment opportunities in other fields – 27% 'extremely high' or 'high'
 - o Work-life balance – 25% 'extremely high' or 'high'
 - o Quality of work at my SMP – 24% 'extremely high' or 'high'
 - o Failure of staff to develop the necessary skills mix to meet client needs – 16% 'extremely high' or 'high'
- Extent ('extremely high', 'high', 'moderate', 'low', 'none') of digital technologies' impact on their SMP 1) currently; 2) expected within the next five years and 3) expected in six years and onward.
 - o Digital technologies currently have an 'extremely high' or 'high' impact – 52%
 - o Digital technologies expected to have an 'extremely high' or 'high' impact within the next five years – 70%
 - o Digital technologies expected to have an 'extremely high' or 'high' impact in six years and onward – 74%
- Whether the participant's SMP is responding to challenges associated with digital technologies and/or has plans to respond to the challenges.
 - o 74% Yes
- Strategies participant's SMP 1) has already used and 2) has plans to use to address challenges associated with digital technologies.
 - o 495 have already adopted and used Cloud options/ 416 plan to
 - o 647 have already developed in-house skills and expertise/330 plan to
 - o 371 have already hired accountancy-qualified staff with additional expertise/302 plan to
 - o 123 have already recruited non-accountants such as data scientists/238 plan to
 - o 293 have already used services of external specialists/310 plan to

Appendix 3: EG SMP of the Future Survey – Overall findings

- Among those indicating that their SMP is already using the strategies noted above to address challenges associated with digital technologies, the level of success their SMP had experienced in using the specified strategy.
 - Cloud – 7% ‘extremely successful’ or ‘successful’
 - Skills and expertise developed in-house – 35% ‘extremely successful’ or ‘successful’
 - Hired accountancy-qualified staff with additional expertise in digital technologies – 31% ‘extremely successful’ or ‘successful’
 - Recruited non-accountants – 32% ‘extremely successful’ or ‘successful’
 - Used services of external specialists – 45% ‘extremely successful’ or ‘successful’
- Whether participants’ SMPs are capitalising on and/or have plans to capitalise on opportunities associated with digital technologies.
 - 78% answered ‘Yes’
- Frequency (‘not applicable’, ‘never’, ‘rarely’, ‘sometimes’, ‘very often’, ‘always’) with which participants’ SMPs use each of 11 specified technologies internally and/or to provide client services (and the purpose of use)
 - Software for preparation of tax returns, financial statement preparation and/or audit support – 70% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive tasks – 82%
 - use this technology to provide services to clients – 70%
 - E-invoicing – 49% utilise this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive tasks – 73%
 - use this technology to provide services to clients – 61%
 - Cybersecurity including data protection – 39% utilise this technology ‘always’ or ‘very often’
 - use this technology to provide protection of information – 78%
 - use this technology to provide services to clients – 38%
 - use this technology to improve efficiency of repetitive tasks – 36%
 - use this technology to support external communication – 30%
 - Cloud – 30% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive activities – 65%
 - use this technology to provide protection of information – 63%
 - use this technology to provide services to clients – 63%
 - use this technology to support external communications – 51%
 - Big data and analytics – 22% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive activities – 63%
 - use this technology to provide services to clients – 55%
 - use this technology to propose new services to clients – 44%
 - Procurement of technology – 21% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive tasks – 68%
 - use this technology to provide services to clients – 63%
 - use this technology to provide protection of information – 53%
 - use this technology to propose new services to clients – 50%
 - Platform-based business models – 16% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive tasks – 57%
 - use this technology to provide services to clients – 54%
 - use this technology to support external communication – 41%
 - Social technologies – 14% use this technology ‘always’ and ‘very often’
 - use this technology to support external communication – 57%
 - use this technology to provide services to clients – 48%
 - use this technology to propose new services to clients – 42%
 - Robotic processes and automation technologies – 13% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive activities – 68%
 - use this technology to provide services to clients – 49%
 - use this technology to propose new services to clients 41%
 - Automation, artificial intelligence (AI) and machine learning – 11% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive tasks – 60%
 - use this technology to provide services to clients – 52%
 - use this technology to propose new services to clients – 42%
 - Cryptocurrencies and distributed ledgers – 6% use this technology ‘always’ or ‘very often’
 - use this technology to improve efficiency of repetitive activities – 36%
 - use this technology to provide services to clients – 36%
 - use this technology to propose new services to clients – 34%
 - use this technology to provide protection of information – 33%

Appendix 3: EG SMP of the Future Survey – Overall findings

- Extent to which ('extremely high', 'high', 'moderate', 'low', 'none') regulation/deregulation 1) currently affect, 2) are likely, within the next five years, to affect and 3) are likely in six years and onward to affect the participant's SMP
 - o Regulation/deregulation currently has an 'extremely high' or 'high impact' – 51%
 - o Regulation/deregulation expected to have an 'extremely high' or 'high' impact within the next five years – 60%
 - o Regulation/deregulation expected to have an 'extremely high' or 'high' impact in six years and onward – 62%
- Whether participant's SMP is responding to challenges associated with regulation/deregulation and/or has plans to respond to the challenges
 - o 77% answered 'Yes'
- Whether participant's SMP is using and/or has plans to use, specified strategies to address challenges associated with regulation/deregulation
 - o Developed in-house skills and expertise – 57% 'Yes'
 - o Hired accountancy-qualified staff with additional expertise – 27% 'Yes'
 - o Hired non-accountants – 13% 'Yes'
 - o Used the services of external specialists – 27% 'Yes'
- Among participants indicating that their SMP is already using the four strategies noted above to address the challenges associated with regulation/deregulation, the level of success their SMP has experienced in using the specified strategy.
 - o Developed in-house skills and expertise – 46% 'extremely successful' or 'successful'
 - o Hired accountancy-qualified staff with additional expertise – 42% 'extremely successful' or 'successful'
 - o Recruited non-accountants – 29% 'extremely successful' or 'successful'
 - o Used services of external specialists – 23% 'extremely successful' or 'successful'
- Whether participants' SMPs are capitalising on and/or have plans to capitalise on opportunities associated regulation/deregulation
 - o 83% answered 'Yes'

Appendix 4: Acronym Directory

ACCA	Association of Chartered Certified Accountants
AICPA (America)	American Institute of Certified Public Accountants
ANAN (Nigeria)	The Association of National Accountants of Nigeria
CECCAR (Romania)	Corpul Expertilor Contabili si Contabililor Autorizati din Romania (Body of Expert and Licensed Accountants of Romania)
CNDCEC (Italy)	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Chartered Accountants and Accounting Experts)
EFAA	European Federation of Accountants and Auditors for SMEs
EG	Edinburgh Group
IAA	Interamerican Accounting Association
IBR-IRE (Belgium)	Instituut van de Bedrijfsrevisoren (Institute of Auditors)
ICAA/CAANZ (Australia & New Zealand)	Institute of Chartered Accountants Australia/ Chartered Accountants Australia & New Zealand
IFAC	International Federation of Accountants
IMA	Institute of Management Accountants
NBA (Netherlands)	Nederlandse Beroepsorganisatie van Accountants (Netherlands Professional Association of Accountants)
PAO	Professional accountancy organisation
SAIPA (South Africa)	South African Institute of Professional Accountants
SME	Small-to-medium-sized Enterprise
SMP	Small-to-medium-Sized accounting practice
SOEL (Greece)	The Institute of Certified Public Accountants of Greece
TURMOB (Turkey)	Union of Chambers of Certified Public Accountants of Turkey
WPK (Germany)	Wirtschaftsprüferkammer (Chamber of Auditors)

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CPA Australia



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Interamerican Accounting Association
(IAA)



Instituut van de Bedrijfsrevisoren (IBR/IRE)



Institute of Chartered Accountants
of India (ICAI)



Institute of Certified Public Accountants
in Ireland (CPA Ireland)



Institute of Certified Public Accountants
in Israel (CPA Israel)



Ordre des Experts Comptables
de Tunisie (OECT)



Nederlandse Beroepsorganisatie
van Accountants (NBA)



The South African Institute of
Professional Accountants (SAIPA)



The Institute of Certified
Public Accountants of Greece (SOEL)



TURMOB (Turkey)