

**ENHANCING SERVICES PROVIDED BY SMALL- AND MEDIUM ACCOUNTING
PRACTITIONERS IN SOUTH AFRICA**

by

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Declaration

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A handwritten signature in black ink, appearing to read 'Ramphelane Edward Hlakudi', written over a horizontal line.

(Signed) R.E. Hlakudi

09 June 2022

Dedication

This thesis is dedicated to my Lord, who granted me the courage, wisdom and strength to complete the work.

I also dedicate this work to my late father, Thipa Solomon Hlakudi, my late mother, Leshidi Hlakudi, my late brother, Mokgoneng Albert Hlakudi, and my late sister, Mohwelesago Hlakudi.

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Abstract

This study responded to a worldwide call by the International Federation of Accountants (IFAC), a global advocacy body for the accountancy profession, for more research into small and medium practices (SMPs). SMPs, which employ a large number of professional accountants, represent the majority of accountancy practices in the world.

South Africa's National Development Plan indicates that new jobs are likely to be created by growing small and medium enterprises (SMEs). SMPs, as trusted advisors to SMEs, provide important professional services that assist SMEs to become sustainable businesses, and create the jobs required by the local economy. The business advisory needs of SMEs are mainly fulfilled by SMPs, which somehow appear not to understand the former's needs. Developing an understanding of the relationship between SMPs and SMEs is crucial for the accounting profession, policy makers and the academic community.

The study sought to propose a framework for SMPs, to enhance the services they provide to SMEs, viewed through the lens of the theory of the business. A pragmatist paradigm was employed to provide a philosophical foundation for the empirical study, which was mainly inductive and exploratory, as little information on this topic is available in the literature. A mixed methods methodology was used, comprising a literature review, an Interactive Qualitative Analysis (IQA) survey, and the analysis of secondary data.

The challenges preventing SMPs from enhancing the services they provide to SMEs were identified via a literature study and explored by means of a survey which

garnered the views of SMP owner-practitioners regarding the drivers of these obstacles, while the needs of SMEs were determined by analysing secondary data. The findings of the literature study, IQA survey and secondary analysis were triangulated to inform the development of a framework, with inputs being received from SMP owner-practitioners on the relevance and completeness of the 55 statements included in that framework. This work contributes to the scholarly body of knowledge, the practice of SMPs, and the theory of business, with the identified areas of concern for SMPs being 1) automation/artificial intelligence; 2) keeping up with new regulations and standards; and 3) competition from unqualified accountants/new entrants to the industry.

Setsopolwa

Dinyakišišo tše di arabetše boipiletšo bja lefase ka bophara bjo bo dirilwego ke Mokgatlo wa Bodišhabatšhaba wa Bašomi ba Tekodišišo ya Ditšhelete (IFAC), e lego setheo sa lefase ka bophara sa tšwetšopele ya phrofešene ya balekodišiši ba ditšhelete, go dira dinyakišišo tše ntši ka ga dikhamphanipotlana le tša magareng (di-SMP). Di-SMP, tše di thwetšego bašomi ba bantši ba diphrofešenale ba tekodišišo ya ditšhelete, di emetše bontši bja mešomo ye mentši ya ditiro tša boleko di bja ditšhelete mo lefaseng.

Leanotlhabollo la Bosetšhaba la Afrika Borwa le laetša gore go na le kgonagalo ya gore mešomo ye meswa e ka hlongwa ke dikgwebopotlana le dikgwebo tša magareng tše di golago (di-SME). Di-SMP, bjalo ka baeletši bao ba tshephagalago ba di-SME, di fana ka ditirelo tše bohlokwa tše di thušago di-SME go ba dikgwebo tša go ya go ile, le go hloma mešomo ye e nyakwago ke ekonomi ya ka mo nageng. Dinyakwa tša keletšo ka ga kgwebo tša di-SME di phethagatšwa kudu ke di-SMP, tše ka dinako tše dingwe di bonalago di sa kgone go kwešiša dinyakwa tša di-SME. Go ba le kwešišo ya kamano magareng ga di-SMP le di-SME go bohlokwa go phrofešene ya tekodišišo ya ditšhelete, go bao ba beago melao le go setšhaba sa dirutegi.

Dinyakišišo di be di nyaka go šišinya motheo wa di-SMP, go maatlafatša ditirelo tše di fanago ka tšona go di-SME, tše di bonwago ka leihlo la teori ya kgwebo. Seemo sa ditiragalo ka fao di lego ka gona se dirišitšwe go fana ka motheo wa filosofi ya dinyakišišo tše di fanago ka bohatse, tše kudu di bego di le na le mabaka ebile di utolla, ka ge tshedimošo ye nnyane ka ga hlogotaba ye e hwetšagala ka dingwalong. Mekgwa ye e kopantšwego e šomišitšwe, gomme yona e akaretša tekodišišo ya

dingwalo, diphatišišo tša Tshekatsheko ya Boleng bja Kamano (IQA), le tshekatsheko ya tshedimošo ye e kgobokeditšwego ke ba bangwe.

Ditlhohlo tše di thibelago di-SMP go maatlafatša ditirelo tša tšona tše di di abelago di-SME di ile tša hlathwa ka go dirwa ga dinyakišišo tša dingwalwa le go lekodišišwa ka diphatišišo tše di ilego tša hwetša maikutlo a beng le bašomi ba di-SMP mabapi le dilo tše di hlohleletšago mapheko a, mola e le gore dinyakwa tša di-SME di ile tša tsebja ka go sekaseka tshedimošo ye e kgobokeditšwego ke ba bangwe.

Dikutollo tša dinyakišišo tša dingwalo, diphatišišo tša IQA le tshekatsheko ya dingwalo tše dingwe di ile tša arolwa ka makala a mararo go hlama motheo, fao e lego gore maikutlo ao a hweditšwego go beng le bašomi ba di-SMP mabapi le go ba maleba le go felela ga ditatamente tše 55 di akareditšwego ka fao tlhakong yeo. Mošomo wo o tsenya letsogo go tsebo ya dirutegi, go tiro ya di-SMP, le go teori ya kgwebo, fao makala ao a hlobago boroko a di-SMP e lego 1) bohlale bja maitirišo/bja batho; 2) go sepelelana le melawana le melaotshepedišo ye meswa; le 3) phenkgišano go tšwa go bašomi ba tekodišišo ya ditšhelete bao ba hlokago mangwalo a dithuto/bao ba sa tšwago go tsena ka mo intastering ye.

Tshobokanyo

Thutopatlisiso eno e ne e tsibogela pitso ya lefatshe ka bophara ya Mokgatlho wa Bodišhabatšhaba wa Babalatlotlo (IFAC), mokgatlho wa lefatshe o o bulelang porofesene ya bobalatlotlo, ya gore go nne le dipatlisiso tse dingwe mo difemeng tse di potlanana (diSMP). DiSMP tse di thapang palo e e kwa godimo ya babalatlotlo ba porofesenale, di emela bontsi jwa difeme tsa bobalatlotlo mo lefatsheng.

Thulaganyo ya Bosetšhaba ya Tlhabololo ya Aforikaborwa e kaya gore go na le kgonagalo ya gore ditiro tse dintšhwa di tlaa tlhamiwa ka go godisa dikgwebopotlana (diSME). DiSMP, jaaka bagokolodi ba ba ikanngwang ke diSME, di tlamela ka ditirelo tsa botlhokwa tsa porofesenale tse di thusang diSME go nna dikgwebo tse di tsweledisegang, gore di tlhame ditiro tse di tlhokegang mo ikonoming ya selegae. Ditlhokego tsa kgakololo ya kgwebo tsa diSME di fitlhelelwa thata ke diSMP, tse go lebegang di sa tlhaloganye ditlhokego tsa diSME mo go kalo. Go tlhaloganya kamano magareng ga diSMP le diSME go botlhokwa mo porofeseneng ya bobalatlotlo, mo go ba ba dirang dipholisi le mo baruteging.

Thutopatlisiso e ne e batla go tshitshinya letlhomeso go thusa diSMP go tokafatsa ditirelo tse ba di tlamelang diSME, mme seno se lebeletswe ka leitlho la tiori ya kgwebo. Go dirisitswe molebo o o lebelelang katlego ya tiriso go tlamela ka motheo wa filosofi wa thutopatlisiso eno ya maitemogelo, e e neng e ikaegile thata ka kelotlhoko le tlhotlhomiso, ka ntlha ya fa go se na tshedimosetso e e kalo mo setlhogong seno mo dikwalong. Go dirisitswe mokgwa o o tswakantsweng o o akareditseng tshekatsheko ya dikwalo, tshekatsheko ya Tirisano ya Tokololo e e Lebelelang mabaka (IQA), le tokololo ya *data* ya bobedi.

Dikgwetlho tse di thibelang diSMP go tokafatsa ditirelo tse di di tlamelwang diSME di supilwe ka go buisa dikwalo le go tlhotlhomisiwa ka tshekatsheko e e boneng megopolo ya beng/badiri ba diSMP malebana le gore dikgoreletsi tseno di bakwa ke eng, fa ditlhokego tsa diSME di supilwe ka go lokolola *data* ya bobedi.

Diphitlhelelo tsa go buisa dikwalo, tshekatsheko ya IQA le tokololo ya bobedi di sekasekilwe gore di thuse go tlhama letlhomeso, mme go bonwe dikakgelo go tswa mo go beng/badiri ba diSMP malebana le go nna maleba le go felela ga dipolelo tse 55 tse di akareditsweng mo letlhomesong leo. Tiro eno e akgela mo letlotlong la kitso ya borutegi, tiragatso ya diSMP, le tiori ya kgwebo, mme dikarolo tse di supilweng di tshwenya diSMP ke 1) itiriso/botlhale jo e seng jwa tlhologo; 2) go lepalepana le melawana le dipeelo tse dintšhwa; le 3) kgaisano go tswa mo babalatlotlong ba ba se nang borutegi/ba bantšhwa mo indasetering.

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List of Acronyms

Abbreviation	Meaning
AAA	American Accounting Association
AAT	Association of Accounting Technicians
ACCA	Association of Chartered Certified Accountants
ACET	African Centre for Economic Transformation
AICPA	American Institute of Certified Public Accountants
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BER	Bureau for Economic Research
BRICS	Brazil, Russia, India, China and South Africa
CA(SA)	Chartered Accountant South Africa
CFA	Chartered Financial Analyst
CIPC	Companies and Intellectual Property Commission
CISA	Certified Information Systems Auditor
COVID	Coronavirus Disease
CPA	Certified Public Accountant
CPAA	Certified Public Accountants of Australia
CPAI	Certified Public Accountants of Ireland
CPD	Continuing Professional Development
CPI	Corruption Perception Index
DART	Detailed Affinity Relationship Table
DSBD	Department of Small Business Development
EME	Exempt Micro Enterprise

EU	European Union
FNB	First National Bank
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
HR	Human resources
ICAN	Institute of Chartered Accountants of Namibia
IES	International Education Standard
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIASA	Institute of Internal Auditors of South Africa
IQA	Interactive Qualitative Analysis
IRBA	Independent Regulatory Board for Auditors
IRD	Interrelationship Diagram
ISA	International Standards on Auditing
ISACA	Information Systems Audit and Control Association
IT	Information Technology
MAFR	Mandatory Audit Firm Rotation
OECD	Organisation for Economic Cooperation and Development
QSE	Qualifying Small Enterprise
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
SARS	South African Revenue Service
SAIT	South African Institute of Tax Practitioners

SBC	Small Business Corporation
SEDA	Small Enterprise Development Agency
SID	System Influence Diagram
SME	Small- and Medium Enterprise
SMME	Small-, Medium- and Micro Enterprise
SMP	Small- and Medium Accounting Practice
UIF	Unemployment Insurance Fund
UK	United Kingdom
UNISA	University of South Africa
USA	United States of America
US GAAP	Generally Accepted Accounting Principles (United States)

Terminology

Term	Definition	Source
Audit practice	The practice of a registered auditor who offers professional services to the public, for a reward.	Auditing Professions Act 26 of 2005 (Republic of South Africa) (RSA) 2005:s.1)
Assurance services	The engagements that involve the evaluation or measurement of a subject matter that is the responsibility of another party against suitable criteria in order to express a conclusion that provides the intended user with a level of assurance about the subject matter.	Hasan, Maijoor, Mock, Roebuck, Simnett and Vanstraelen 2005:92
Business	The organised effort by individual(s) to produce and sell, for a profit, goods and services that satisfy the needs of society.	Pride, Hughes & Kapport 2014:29

Business advice	Ancillary professional services provided by a professional accountant to assist in or advise a client concerning its strategic direction and operational running of the business.	Blackburn, Carey & Tanewski 2018:379
Business advisory services	Services designed to provide decision-assistive information to internal stakeholders, rather than to assist external stakeholders, and maintain information integrity.	Carey & Tanewski 2016:293
Non assurance services	Services provided by the auditor to its clients other than the assurance services.	Ramzan, Ahmed & Rafay 2020:389
Practitioner	A professional accountant – see the specific term.	IFAC 2012a:xvii
Professional accountant	An individual possessing the academic-, professional- and practical experience-criteria, determined by a recognised professional accountancy body, for awarding of such body’s professional credential.	IFAC 2012a:xvii

Professional services	Services requiring accountancy or related skills, performed by a professional accountant or registered auditor, and including auditing, review, other assurance and related services, accounting, taxation, management accounting and financial management.	IFAC 2012a:xvii
Registered auditor	An individual or firm registered as an auditor with the Independent Regulatory Board for Auditors of South Africa.	Auditing Professions Act 26 of 2005 (Republic of South Africa (RSA) 2005:s.1)
Small- and medium practices (SMPs)	Accounting practices, whose clients are mostly SMEs, that employ a small number of professional staff, do not ordinarily audit the accounts of listed companies, and primarily provide non-assurance services.	International Federation of Accountants (IFAC) 2016a:10
Small- and medium accounting practitioner	A professional accountant with authority to bind the small- and medium practice	IFAC 2012a:xvii

with respect to the performance of an engagement.

Small- and medium enterprises (SMEs)	Definitions of SMEs vary widely across countries and regions, although the common global criteria include the number of full time employees, annual turnover and the amount of total assets of the business.	Refer to section 2.3
Sustainability	Refers to the capacity to support, maintain or endure.	Kopnina & Blewitt 2015:4.
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.	Turcu 2013:696; UN 1987:15

Chapter 1

Introduction to the Study

1.1 Background

This study explores the challenges hindering the provision of services to Small- and Medium Enterprises (SMEs) by Small- and Medium Practices (SMPs). In this study, services refer to “professional services” and include, assurance and non assurance services (refer to the list of terminology). SMPs are on the supply side of a relationship in which SMEs, its main clientele, are the demand side. With the poor performance by SMEs – both internationally (Raveendra, Singh, Singh & Kuamar 2018:345; Salisu & Bakar 2018:1) and in South Africa (Mlotshwa & Msimango-Galawe 2020:2) – it may hold higher expectations of the services offered by its SMP-advisors. From the demand perspective of this relationship, research commissioned by the Association of Chartered Certified Accountants (ACCA) (2010:36) found that SMEs’ expectations are often regarded as out of line with SMPs’ perceptions of the ideal relationship with its SME-clients. Scholars (Blackburn, Carey & Tanewski 2018:360; De Bruyckere, Verplancke, Everaert, Sarens & Coppens 2017:60; Kirby & King 1997:300) agreed that an expectation gap exists amongst SME-owners’ perceptions and SMP-practitioners’ ability to provide business advice. Concerning the supply side of this relationship, Blackburn et al (2018:379) and Carey (2015:181) noted that SMPs do not necessarily boast the capacity and competence to provide SME-clients with business advisory services. Other concerns confronting SMPs include the exponential evolvement of accounting technology (Mhlongo 2021:133; Otete 2020:35; De Bruyckere et al 2017:58).

In 2010, IFAC's SMP-committee commissioned a study on the role of SMPs in providing business support to SMEs, prompted by the apparent shift in the market, away from traditional statutory compliance-type services towards satisfying a SME-demand for business advisory services (Carey & Tanewski 2016:293; IFAC 2010:4). Furthermore, in an attempt to narrow this gap in the literature, IFAC, a global body for the accountancy profession, commissioned academia to conduct a comprehensive review of post-2010 SMP-literature, in order to extend the body of knowledge in respect of SMPs and to formulate an updated understanding of the relationship between SMPs and SMEs (IFAC 2016a:4). Thus, several areas for future research were identified by IFAC studies, including, but not limited to, 1) the need to focus on SMPs separately from accountants in general, 2) exploring the SMP-SME relationship from the perspective of SMPs, and 3) expanding research regarding SMPs' strategic intentions and attitudes toward the provision of business advisory services (IFAC 2016a:6).

This study directly responds to IFAC's call for further research on SMPs, and focuses on exploring the challenges hindering SMPs from providing services that meet the needs of SMEs – an area that has not yet been researched (refer to section 1.2.4, where the research gap in the scholarly body of knowledge is addressed). These challenges should be understood, and SMPs should be guided, by means of a framework, to enhance services provided to SMEs. The framework may assist SMPs to overcome its challenges and, in turn, improve the sustainability of both SMPs and SMEs. Furthermore, SMEs rely on SMPs for business acumen to help grow its businesses (Kaawaase 2022:74; Otete 2021:48; Chalu 2019:56; Spence, Agyemang & Rinaldi 2013:2), as accountants have been established as the most popular source of external advice and support for SMEs (IFAC 2016a:6). Hence, there is a great need

to investigate the challenges frustrating SMPs in assisting SMEs. The sustainability of SMEs is vital to job creation, poverty reduction and sustainable economic development, however, the success rate of SMEs is extremely low and negatively impacts South Africa's sustainable development (Fatoki 2018:1). Thus, SMEs need all the help it can get.

SMPs are believed to employ a large number of professional accountants in practice and represent the majority of accounting practices in the world (Kaawaase 2022:74; Chalu 2019:56; Katambo 2016:1; IFAC 2015:8;), rendering it a force to be reckoned with. Kaawaase, Bananuka, Kwizina and Nabaweesi (2019:166) indicate that the importance of SMPs in developing economies cannot be under rated, as they do not only provide employment but are also a major source of advise and support to SMEs that constitute the majority of businesses in developing economies. SMPs are linked to SMEs – firstly, SMEs are SMP's main source of clients (Kaawaase 2022:74), and secondly, SMPs are a separate category of SMEs (Malo, Fortin & Heroux, 2022:1; Alam & Nandan 2010:467). In this sense, SMPs and SMEs are closely connected. SMEs (and by implication, SMPs) are globally perceived as the way to boost development of the economy (i.e improvement of the living conditions of people in a country), especially developing economies (Mohr 2015:520; Mutezo 2015:24). These business entities play an important role in South Africa, as a developing economy, not only to create jobs but also to contribute towards transforming the apartheid legacy patterns of business ownership (RSA 2012:140). Fatoki (2018:2) posited that approximately 91% of formal business enterprises in South Africa are SMEs, contributing between 52% and 57% towards the gross domestic product (GDP). Despite the globally accepted view that SMEs are a much-needed panacea promoting economic development – particularly with regard to its contribution towards job

creation, poverty eradication and the equitable distribution of income – it was found that 40% of South African SMEs fail within the first year-, 60% in the second year-, and 90% in the first ten years of operation, owing to a number of challenges that impede its survival (Bushe 2019:1). Furthermore, poor accounting and bookkeeping practices were proven the primary factor influencing the failure of SMEs in the UK and Nigeria (Ihua 2009:204), Sri Lanka (Yaparathne & Ishara 2021:1), Somaliland (Duale, Njeru & Karemu 2015:27) and unavailability of financial records contributed to the downfall of many SMEs in South Africa (OlaREWaju & Msomi 2021:112; Myeko & Madikane 2019:7). The failure of SMEs and the influence of SMPs in that regard, have to be investigated and elucidated.

To introduce this study, this chapter provides a background by contextualising SMEs, SMPs, and the relationship between the two, with a brief introduction to the available literature, revealing the research gap in the scholarly body of knowledge and catalysing the research problem. Thereafter, the study's main and secondary research objectives are introduced, preceding the overall research plan pursued in order to achieve the main research objective. The research's value to stakeholders is briefly discussed, and the chapter concludes with the summary and outline of the research study.

1.2 Literature Review and Research Gap

This section briefly introduces the literature on the topic and the evaluation of the relevance of SMPs and SMEs in theory and practice. It provides a brief overview of SMEs and SMPs in terms of its definitions, and is followed by a discussion of the available literature in respect of such, leading to the research gap.

1.2.1 Small- and Medium Enterprises

Ayyagari, Beck and Demirguc-Kunt (2007:416) indicated that definitions of “SMEs” vary, based on the author, the context, and the country where the term is defined. Ekpenyong and Nyong (1992:4) pronounced that the annual turnover and employee count, lay the foundation for defining SMEs in Canada, the United Kingdom (UK), and the United States of America (USA). In South Africa, the National Small Business Act 102 of 1996 (RSA 1996: s. 1(xv)), the National Small Business Amendment Act 26 of 2003 (RSA 2003a) and the National Small Business Amendment Act 29 of 2004 (RSA 2004), regulate and define smaller businesses as medium-, small-, very small-, and micro enterprises (SMMEs), based on certain characteristics and the threshold per sector. Despite the lack of a single definition of SMEs, literature suggests that SMEs hold mutual characteristics and are defined in terms of the quantitative thresholds of employees, assets, and turnover or revenues determined by various countries (Edinburgh Group 2013:9). A definition of a SME in the context of this study is discussed in detail in section 2.3.

1.2.2 Small- and Medium Accounting Practices

The term “SMP” grew popular amongst professional accounting bodies but is seldom found in academic literature (ACCA 2018:12; Husin & Ibrahim 2014:57; IFAC 2010:10). A definition and the meaning of SMP varies by country and SMPs represent a significant part of the accounting profession (IFAC 2016a:10; Katambo 2016:11). Although a precise, global definition of the SMP may be misleading, IFAC has elected to define SMPs as “accounting practices whose clients are mostly SMEs; employ a small number of professional staff, do not ordinary [sic] audit the accounts of listed companies, and most of their [sic] work is the provision of non-assurance services” (IFAC 2016a:10). Scholars classify SMPs as knowledge-intensive service-businesses

that use the knowledge of its employees to provide solutions to problems faced by its SME-clients (Malo et al 2022:2; Kaawaase et al 2019:165; Otete 2018a:55; Carey & Tanewski 2016:293). A definition of the SMP relevant to this study is unpacked, in detail, in section 2.2.3, and the characteristics and classification are addressed in sections 2.2.4 and 2.2.5, respectively.

1.2.3 The relationship between Small- and Medium Accounting Practices and Small- and Medium Enterprises

In order to understand how SMPs can enhance the services provided to SMEs, it is important to outline the general context within which this relationship operates. Although the relationship between SMPs and SMEs is primarily an economic one (Spence, Agyemang & Rinaldi 2012:12), it is an associative relationship, primarily built on trust and competence (Hasle, Bager & Granerud 2010:407; Jarvis & Rigby 2012:945). An “accountant” is generally perceived as one of the most trusted professional service providers (ACCA 2010:12; Blackburn et al 2018:358). Furthermore, IFAC (2010:15) posited that the provision of business advisory services to SMEs, and focusing on financial management, trust, competency, culture and communication, are significant variables, leveraging the SMP-SME relationship. Research studies evince that SMEs frequently employ accountants to provide business advise (De Bruyckere et al 2017:52; IFAC 2010:26; Leung, Raar & Tangey 2008:5; Strike 2013:303).

Despite the closeness of the relationship, there is often a mismatch in expectations amongst SMPs and SMEs (Hasle et al 2010:405). Therefore, it is of vital importance to understand the needs of SMEs and the services SMPs provide to meet these needs. A detailed discussion concerning the relationship between SMPs and SMEs is presented in section 2.5. As a SMP is a business selling its services to its clientele

(mainly SMEs), the theoretical lens that best explains the practical problem, is the theory of the business. The “theory of the business” is one of the foremost theoretical perspectives applied in order to understand the assumptions that shape the behaviour of businesses (Drucker 1994:95). These assumptions concern markets; identifying customers and competitors, their values and behaviour; technology and its dynamics; a business’s strengths and weaknesses; and what a business receives payment for. The theory of the business is further debated in section 2.4.

1.2.4 Research gap

Although an abundance of research exists concerning large practices worldwide, studies on SMPs have gained little momentum over the years and are scarce in both developed and developing countries. In 2016, IFAC conducted a global review of the literature on SMPs in order to obtain new evidence on the role of SMPs in providing business support to SMEs (IFAC 2016a). Pursuant to this literature review, limited studies emerged from the African context.

IFAC commissioned global SMP annual surveys between 2014 and 2018 (IFAC 2014; IFAC 2015; IFAC 2017; IFAC 2018) and questioned SMP owner practitioners across the globe about the challenges they face, the consulting services they provide, difficulties in attracting next generation talent and the technologies most likely to affect their practices in future. The analysis of the profile of the respondents to IFAC surveys indicate that between 12% and 15% of the respondents were from Africa, and more than 70% of these were either sole practitioners or from practices with five or less partners and staff. From the 2016 global review of literature and the survey studies, IFAC identified gaps in the literature on SMPs, including gaps in the African context.

Several researchers (Das, Kundu & Bhattacharya 2020; Dinka 2019; Gachara & Munjuri 2018; Razak, Abdullah & Ersoy 2018; Van Scheers 2018) have studied the challenges confronting SMEs in developing countries. A review of scant literature on SMPs revealed further studies undertaken in developing countries, such as the study undertaken in South Africa by Coetzee, Barac and Seligmann (2019) that investigated the way SMPs deal with professional and commercial logic for sense-making and legitimisation of its strategies and practices, to remain sustainable as audit practices in a changing environment. Bray (2016) examined those factors that affect job satisfaction and the intention to quit, amongst employees at SMPs in South Africa. A master's dissertation by Mhlongo (2021) focused on the use of data analytics by SMPs. A study by Smith and Marx (2021) examined the corporate governance practices disclosed by large- and medium-sized audit firms in South Africa, where the medium audit firms may possibly be linked to SMPs.

Studies conducted in East Africa investigated the adoption of audit software by SMPs (Otete 2020), the impact of the COVID-19 pandemic on SMPs (Otete 2021), and how human capital deployment strategies influence the competitiveness of SMPs (Otete 2018b). Malaysian researchers (Han, Arumugam & Arokiasamy 2018) determined the contributing factors towards the sustainable competitive advantage of SMPs and key findings of the research highlighted the deficiencies in the core competencies of the practices. Ugandan scholars (Kaawaase et al 2019) examined the interactive effects of professionalism in the relationship between the intellectual capital and performance of SMPs, in the context of a developing economy. Kaawaase (2022) examined how SMPs in emerging economies build on and anchor dynamic auditing capability, to operate in a turbulent business environment occasioned by the COVID-19 pandemic. In Tanzania, the study by Chalu (2020) examined the relationship between factors and

the successful adoption of international auditing standards by SMPs. Katambo (2016) evaluated the effects of networking on the performance of SMPs in Nairobi, Kenya. The study undertaken by Kolvereid and Amo (2021) investigated the relationship between three central dimensions of quality (i.e., human resource quality, information technology quality and service quality) in small accounting firms and firm performance. Other relevant research studies focused on the provision of business advice by SMPs to SMEs (ACCA 2010; Blackburn et al 2018; Carey 2015; Carey & Tanewski 2016; Gooderham, Toblassen, Doving & Nordhaug 2004). Banham and He (2014) explored the relationship between accounting professionals and SMEs, in terms of the supporting role accounting professionals provide in serving SMEs, and services SMEs expect from the accounting professionals, but excluded the challenges faced by SMPs to deliver on the needs or fulfil the needs of SMEs. Nandan (2010) discussed the pressures on SMPs and its ability to meet the SMEs' management-accounting needs. Jarvis and Rigby (2012) conducted a study on the provision of human resource support to SMEs, by SMPs. A study performed by De Bruyckere et al. (2017) provided a literature review of the role of SMPs as service providers to SMEs. However, it appears that no study had been conducted regarding the challenges hindering the provision of services to SMEs by SMPs and no framework had been developed to assist SMPs in overcoming obstacles to the provision of enhanced services to SMEs.

1.3 Research Problem Statement

IFAC commissioned academics to conduct research in order to supplement the body of knowledge with regard to SMPs' provision of business support to SMEs (refer to section 1.1), in acknowledgement of the gap in the literature regarding the work performed by SMPs – both in the academic literature (scholarly work), as well as in

the popular, scientific literature (practice). With research findings demonstrating that SMEs exhibit significant reliance on the services or advice received from SMPs (Spence et al 2013:2), it is important that SMPs understand its role and how to appropriately respond to SME-needs – including identifying hinderences to the fulfilment of SME-needs. It appears that the available scholarly- and practical literature are not sufficiently developed to inform SMPs on its role as business advisors to SMEs. For the purpose of this study, three possibly unexplored areas, requiring sufficient insight by SMPs, were identified:

- the needs of SMEs, in order to assist sustainability and support growth;
- whether the type of SMP-services rendered meet these needs; and
- whether SMPs are appropriately geared to deliver the services required.

Underlying these concerns is the lack of SMP-identification of hinderences impeding the required service delivery.

The problem statement is described via the theoretical lens of the theory of the business, that considers the business from the point of view of its result (Altindag, Zehir & Acar 2011:21), that is, from the client-perspective, namely SMEs. SMPs may not sufficiently understand the business environment in which SMEs operate, including the society, the market, clients and technology. Moreover, SMPs may not have clear practice missions to guide the provision of professional services that meet the needs of SMEs. In essence, in the context of this study, the theory of the business assumes that the priority of SMPs is to satisfy the needs of SMEs, its main clientele. Thus, SMPs must overcome the challenges preventing them from providing services that meet the needs of SMEs.

The theory of the business is based on three fundamental assumptions, namely 1) assumptions regarding the environment of the business (i.e., society and structure,

the market, the client and technology), that define what a business is paid for, 2) assumptions concerning the mission, that define what a business considers to be meaningful results (i.e., how the business envisions itself contributing to the economy and society at large), and 3) assumptions with reference to core competencies, that define where a business must excel to maintain leadership (Daly & Walsh 2010:501; Drucker 1994:100). For the purposes of this study, these competencies, that are expected to be demonstrated by SMPs, are regarded as vital to the delivery of services that meet the needs of SMEs, its principal clientele. Therefore, core competencies refer to those resources and capabilities that present SMPs with a competitive advantage, in order to provide enhanced service to SMEs and achieve profitability, eventually addressing the primary research objective of this study and resolving the identified research problem (the theory of the business is further debated in section 2.3). This discussion leads to the following problem statement:

South African SMPs may not be sustainable, owing to lack of sufficient understanding of the needs of its main clientele (SMEs); whether the type of services rendered meet these needs; and whether the practice is properly geared to enable delivery of the required services. This gives rise to the notion that little is known concerning the challenges hindering SMPs in the provision of services to SMEs.

1.4 Primary and Secondary Research Objectives

In order to address the research problem, the following primary research objective is sought to be achieved:

To develop a framework that provides SMPs with insight concerning the needs of SMEs, as its main clientele, and the challenges confronting SMPs, that are hindering the fulfilment of these needs.

By attaining this primary research objective, an understanding of the determinants associated with successful- and especially long-term SMP-SME relationships, as well as the determinants linked to less successful- and particularly short-lived client-advisor relationships, will be enhanced. Finally, it should improve the interventions implemented by South African SMPs to enable the relevant service delivery to SMEs and enhance its overall business sustainability rates.

The following secondary research objectives are framed to facilitate the attainment of the primary research objective:

1. To determine the principal challenges confronting SMPs and hindering them in meeting the needs of SMEs. This secondary objective was achieved via a literature study.
2. To determine the drivers of the challenges hindering the provision of services by SMPs to SMEs. This objective was achieved by a survey of SMP practitioners, employing the interactive qualitative analysis (IQA) technique.
3. To understand the SMP-related needs of SMEs. This objective was achieved through document analysis, using secondary data.
4. To develop a framework that guides SMPs in overcoming the hindrances to providing services and meeting the needs of SMEs, by triangulating the results of the three research methods, i.e., the literature study (SMP-challenges), the survey (the drivers of the challenges), and document analysis (the needs of SMEs).
5. To test the guidance framework for SMPs to enhance the provision of services to SMEs. This secondary objective was achieved via a survey.

1.5 Research Plan

Addressing the primary and secondary research objectives, required a scientific research plan. It should be noted that this section merely provides a basic overview of the research plan, including the research methodology and research methods deployed by this study, whereas the overall research plan is explained in greater detail in chapter 3. As the study originates from a practice problem (refer to section 1.1 above), resolved by utilising scientific research methods that contribute to the scholarly body of knowledge, the study is founded in the “pragmatism paradigm” (Creswell 2014:10). This paradigm is relevant to the present study as it provides a philosophical framework for the application of multiple research strategies, to address a practical research problem, by achieving different research objectives (Creswell 2014:10). Firmly linked to this paradigm, a “mixed methods methodology” is executed to address the research problem and achieve the primary research objective. A major tenet of pragmatism concept is that qualitative and quantitative methods are compatible, hence, rendering mixed methods the methodology most suited to this study.

Due to the limited scholarly body of knowledge, an exploratory inductive research design was followed. To address the second secondary research objective, namely to determine the drivers of the challenges hindering the provision of services to SMEs by SMPs, IQA was deployed, using elements of both a qualitative and quantitative approach. Secondary data was collected and analysed to achieve the third secondary research objective, namely to understand the SMP-needs of SMEs. Although a pragmatic paradigm forms the foundation of the study, the quantitative part of the study is guided by elements of the “positivism paradigm”, whereas the qualitative part of the research is guided by elements of the “interpretivism paradigm” with a mixed methods research methodology.

“Research methodology” is defined as the process that should be followed to realise the research design (Mouton 2011:56). The methodology generally assumes one of three forms, i.e., quantitative research, qualitative research, or mixed methods research (Creswell 2014:12) - the latter combining qualitative and quantitative methods (Saunders, Lewis & Thornhill 2009:595). A mixed methods research approach was selected as it provided the opportunity to achieve all five secondary research objectives, a result that would have been impossible to attain utilising either qualitative or quantitative research methods, only. Relevant primary quantitative and qualitative empirical data was collected from sampled SMP owner-practitioners. The reason for selecting SMP owner-practitioners was to obtain such practitioners’ views regarding the challenges hindering the provision of services to SMEs. These views were compared to the perceptions or experiences of SME owner-managers (recipients of services from SMPs) concerning the need for services provided by SMPs.

The study employed a literature review at an exploratory stage, in order to identify the challenges or key issues, prior to using a survey to collect primary data. These affinities were correlated by the views and/or experiences of selected SMP owner-practitioners. Comparison of the affinities identified from the literature review and those from the responses by the SMP owner-practitioners, eliminated respondent bias. The size of the population was not known, however, the population comprised of South African SMP owner-practitioners. A rebuttable presumption was inferred, that SMPs are registered with different professional accountancy bodies, and the population was therefore assumed to comprise of practitioners affiliated with the South African Institute of Chartered Accountants (SAICA) and the South African Institute of Professional Accountants (SAIPA). The researcher disseminated a questionnaire to a sample of SMP owner-practitioners.

The relevant ethical considerations were observed in the collection of primary and secondary data. The targeted populations of this study involved the direct or indirect participation of human respondents and institutions, thus creating an obligation to protect the rights and interests of human respondents and institutions. Therefore, research ethics approval for different phases of the data gathering process was obtained (refer to annexures G, H and I).

Based on this research study, it was feasible to develop a framework that portrays the challenges hindering SMPs' provision of services to SMEs. To conceptualise the research plan, methodology and research methods, the process adopted to address the primary research problem and achieve the primary research objective, is depicted in figure 1.1 below.

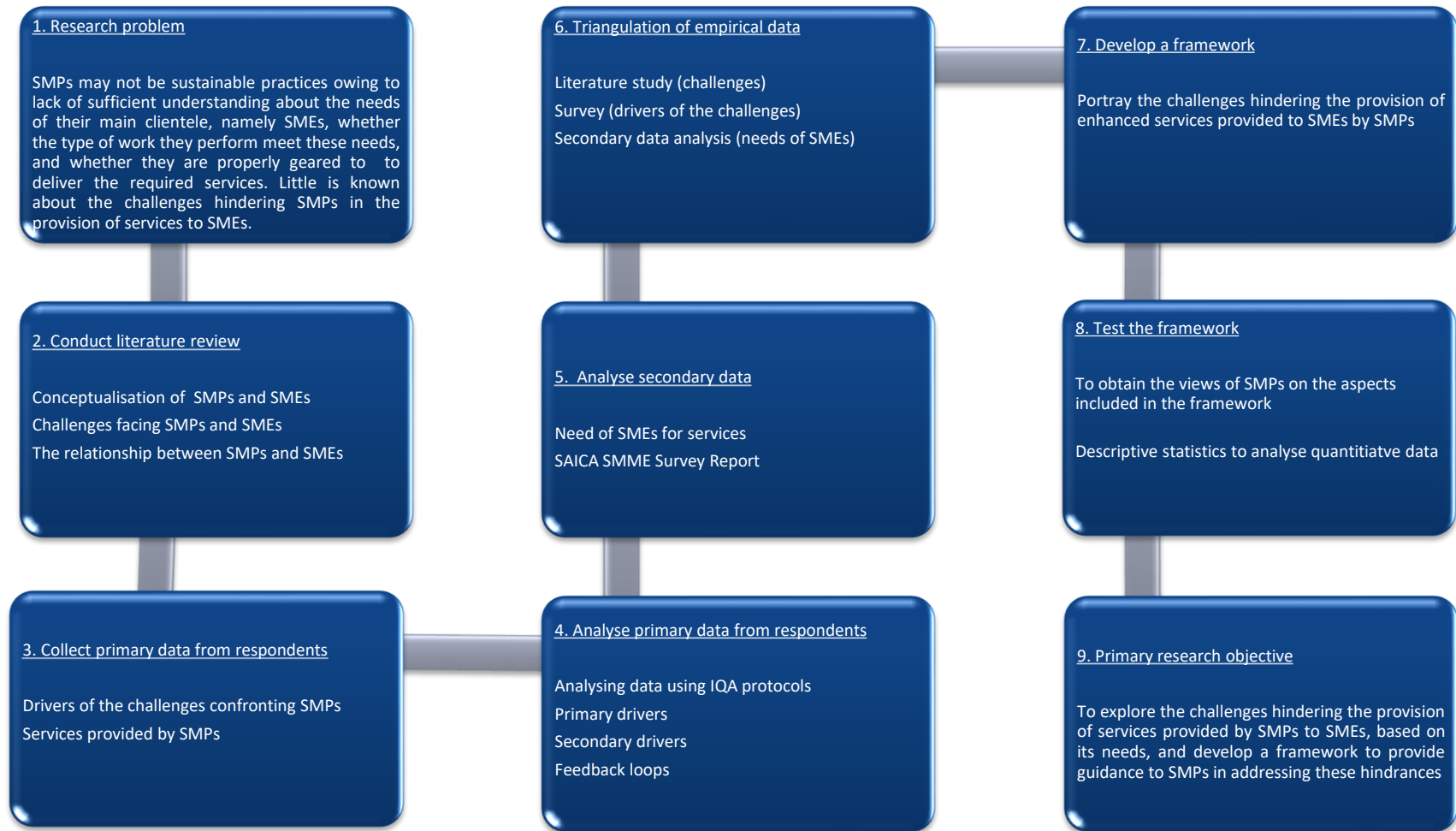


Figure 1.1: Schematic presentation of the research plan

(Source: own)

1.6 Importance and Benefits of the Study

This study explores the relationship between SMPs and SMEs, particularly, investigating the challenges hindering the provision of enhanced SMP-services, including business advice, to SMEs. The principal contribution of this study is a framework, comprising aspects that SMPs are recommended to implement in order to provide services that meet the needs of SMEs. The existing gap in the literature is the lack of adequate knowledge regarding the different ways SMPs can enhance the services provided to SMEs. Expanded in-depth knowledge of the services SMPs provide to SMEs, the services required by SMEs to improve its business, and ways these services can be enhanced, will benefit both SMEs and SMPs – contributing to the sustainability of SMEs and ultimately serving the country's economic development. The benefit to SMEs will include business growth and the advantage to SMPs will consist of customised service provision, resulting in growing its client base. This study provides specific, valuable contribution to the relevant stakeholders' interests, as follows:

- a) Guidance is provided to South African SMP owner-practitioners concerning ways to improve services provided to SMEs. A framework was developed depicting aspects to be considered by SMPs, in order to enhance the services provided to SMEs. The improved services by SMPs will accrue benefits to both SMPs and SMEs. SMPs will benefit by way of an increased client base, and SMEs will be able to improve sustainability of its businesses.
- b) The present study responds to a direct call by the global advocacy body for the accountancy profession, IFAC (2016:6), for additional research focussing on SMPs, as little is known about the SMP-SME relationship from the perspective of SMPs. This

study narrows this gap in the current body of knowledge and practice, by augmenting the literature in respect of SMPs, via the findings providing evidence concerning the challenges hindering SMPs' provision of better services to SMEs.

- c) The South African government's National Development Plan focuses on SMEs with regard to economic growth (RSA 2012:140). Since SMPs are like SMEs, the study informs the policy makers in the identification of additional support to SMEs and SMPs, via relevant recommendations and conclusions pertaining to the identified research problem and primary research objective. SMPs will render services and/or provide business advice that will assist SMEs to grow its businesses. Ultimately, the country will boast an improved success rate of SMEs, a substantial driver of the South African economy, and, in turn, much needed jobs will be created by both SMEs and SMPs.
- d) The study provides new knowledge, both relative and relevant to the researched topic. In particular, a contribution is made to the body of knowledge in the field of accounting sciences (and related disciplines), as well as to the scientific community, via the developed framework. The study provides relevant and value-added recommendations and conclusions, pertaining to the identified research problem and primary research objective, by means of a framework that portrays the aspects that SMPs can consider in order to enhance the provision of services to SMEs.

1.7 Summary of the Chapter

This chapter presents an introductory background to the identified research problem, and includes a brief overview of SMPs and SMEs and its relationship, with reference to the

available literature, leading to the research gap. The research problem is presented together with the primary research objective and the corresponding secondary objectives. The applicable research plan, including the selected methodology, is briefly introduced. Finally, the chapter concludes with a discussion of the benefits of the study to relevant stakeholders.

1.8 Outline of the Study

In order to facilitate the presentation of a comprehensive and coherent thesis, this study adopts the structure described below.

Chapter 1: Introduces the study and the research design.

Chapter 2: In this chapter, emphasis is placed on addressing the first secondary research objective, namely to determine the challenges confronting SMPs, with the intent to support the achievement of the primary research objective of this study. In order to achieve this, a literature review of SMPs and SMEs is conducted. Focus is directed to the definitions of SMPs and SMEs, the relationship between these two forms of business, and the challenges faced. The classification of SMPs by professional bodies in South Africa, is also discussed. The theory underpinning the present study is outlined, in detail.

Chapter 3: A detailed discussion of the selected research design is presented, including the paradigm, the research methodology deployed, and the methods adopted in execution of this research study. A comprehensive explanation and illustration of the survey instruments, together with the relevant questions employed to obtain data from the respondents, are provided. Ethical research considerations and credibility aspects are highlighted.

Chapter 4: This chapter comprises the analysis of both primary, qualitative and quantitative data, collected from respondents. The analysis of primary data via the IQA protocols and secondary data via secondary analysis, is discussed in detail. Different research methods are triangulated with the aim to developing a framework, subsequently tested via a survey and analysed using relevant, descriptive statistical techniques.

Chapter 5: Provides a summary of the results and recommendations that emerged from the study findings. The identified research problem, the primary research objective and secondary research objectives are revisited, and conclusions are reached with reference to the results of the literature study and empirical studies. Recommendations are made to SMP management and staff, the SME-clients, and professional accountancy bodies. This chapter summarises and concludes the study, presenting a framework guiding SMPs in respect of enhanced service delivery to SMEs. Limitations encountered during the study, and the contribution of the study (practical and theoretical) to the relevant stakeholders, are discussed. Finally, the chapter presents avenues for future research and the overall conclusion to the study.

Chapter 2

Literature and Contextualisation

2.1 Introduction

The previous chapter presented the background from which this study emerged. The aim of this chapter is to discuss the literature related to SMPs and SMEs, as well as its interaction.

In the first instance, SMPs, as small- and medium accounting practices¹, are defined and contextualised in a global and the South African context, in view of the observed increased attachment of the relationship between SMPs and SMEs² (i.e., SMPs continue to be the preferred business advisors to SMEs). Secondly, the theory that underpins the study – the theory of the business – is introduced. Thirdly, as the study is concerned with the hindrances to SMP-service delivery to SMEs, the latter is defined and contextualised. Fourthly, the relationship between SMEs and SMPs is examined, with a view to understand why SMEs employ SMPs as professional services providers. The rest of the chapter is devoted to gaining greater insight into this relationship and the interaction, by focussing on the challenges faced by both SMPs and SMEs, the support it receives, as well as the services that are demanded and provided. The second section presents a theoretical basis for understanding the needs of SMEs and the type or nature of the services provided by SMPs, that forms the basis of the empirical study.

¹ Note that no reference is made to 'micro' accounting practices in the literature.

² Although 'micro' may be included in SMMEs, it is assumed that micro enterprises will not make use of the services of SMPs

2.2 Contextualising Small- and Medium Accounting Practices

2.2.1 Introduction

According to the study conducted by IFAC, the global advocacy organisation for the accountancy profession, representing the views of the largest and reputable professional accountancy bodies in the world, it seems that there is no common understanding amongst the IFAC member bodies of what a “SMP” entails (IFAC 2016a:10). Jarvis and Rigby (2012:945) indicated that, although the term SMP is widely used in the accounting profession, it is not a term commonly used in small business literature. Therefore, providing a precise, universal definition of a SMP will be misleading, as the meaning of SMPs varies per jurisdiction (IFAC 2016a:10). Nonetheless, an underlying reason for defining SMPs is to provide distinctiveness and distinguish SMPs from the large accounting practices. For example, in the USA, small audit firms are defined in terms of the number of listed public clients (Comrix & Huang 2015:14; Defond & Lennox 2011:25). In South Africa, small audit firms are classified in terms of the number of partners who are registered auditors (Coetzee 2015:77; Independent Regulatory Board for Auditors (IRBA) 2017). With SMPs representing a significant portion of the accounting profession (IFAC 2016a:10), it is important, to both the accounting profession and the body of knowledge, to unpack the SMP-concept. This section commences with a discussion of the literature relating to small- and medium business-definitions, since SMPs belong to the domain of small- and medium businesses. Thereafter, it proceeds with analysis of the various definitions of the term “SMP” by professional bodies, particularly IFAC.

2.2.2 Defining small- and medium businesses

SMPs are like SMEs and conform to the general framework for the study of small business literature. It is, thus, important to understand SMPs in the context of small businesses. However, it has always been difficult to present a rigorous definition of the small business (D'Amboise & Muldowney 1998:226). Nevertheless, there is a considerable consensus among researchers (Keeble, Bryson & Wood 1998:12; Matthews 2013:13; Proudlock, Phelps & Gamble 1999:245) as to what constitute a “small”- versus a “large” business. The question arises whether this general consensus is also applicable to the professional services sector.

Upon further analysis of individual studies, Bolton (1971:4) argued that it is necessary to draw a legal distinction between those businesses that are owner-managed and controlled, and those where the proprietor is not in a dominant managerial position – either owing to the size of the business or the dilution of ownership, or both. Proudlock et al. (1999:245) indicated that different size-definitions are required in the context of the professional service sector, and utilised the definition of “small professional service providers” that was developed by Keeble et al. (1998:12) to define the research respondents, based on the delineation criteria that 1) businesses must employ 25 or less employees; 2) businesses must be privately owned, forming no part of a larger business; and 3) the business owner must manage and predominate, with no outside control. It is of interest to deduct that certain delineation criteria are similar to the essential features of a “private company” in South Africa, namely 1) prohibition from offering any of its securities to the public; and 2) restriction with regards to transferability of its securities (RSA 2008: s. 8(2)(b)). Keeble’s criteria for selecting the research respondents were

supported by various scholars (Bello, Radulovich, Javalgi, Scherer & Taylor 2016:413; D'Amboise & Muldowney 1998:226; Glancey, Greig & Pettigrew 1998:254) who contended that a "small professional services provider" is economically defined in terms of being independently owned, controlled by one distinct individual, and employing less than 25 staff. However, other scholarly researchers (eds. Empson, Muzio, Broschak & Hinings 2015:2; Reihlen & Apel 2006:141; Von Nordenflycht 2010:156) did not support the definition of a "professional service business" based on the quantitative measure, rather defining this type of business in terms of its distinctive characteristics, namely 1) knowledge intensity; 2) low capital intensity; 3) professionalised workforce; and 4) governance and identity. These characteristics are discussed in detail, in section 2.2.3.

According to Berisha and Pula (2015:22) and Bolton (1971:1), a small business cannot be sufficiently defined in terms of employment, assets, revenue, output, or any other arbitrary single quantity, nor would the same definition be relevant throughout the economy. Bolton (1971:1) posited that an economic definition, rather than a quantitative definition of a small business, would be deemed appropriate. From an economic perspective, scholars reported that the primary reference for a qualitative definition of the "small business" defines three essential characteristics of small businesses: 1) relatively small share of the market, in economic terms; 2) managed by its owners or part-owners in a personalised manner, and not through the medium of a formalised management structure; and 3) independence, in the sense that it does not form part of a big business and is relatively free from outside control in its principal decisions (Berisha & Pula 2015:22; Bolton 1971:1; Hatton, Seville & Vargo 2012:8).

Many similarities exist amongst small businesses that provide tangible goods and its counterparts that provide intangible professional services (the focus of this study). The latter provide clients with expert strategic advice and services, that is relatively intangible and concerned with problem solving and policy making (Keeble et al 1998:12). Reihlen and Apel (2006:141) concurred that, despite differences between businesses within the professional service industry, it primarily specialises in the creation, validation and application of knowledge, in order to solve client problems. In addition, Bello et al. (2016:413) noted that professional service businesses are specialised providers of knowledge-intensive, high-skill services, that utilise a well-educated professional workforce, and represent the norm in fields such as law, accounting, management consulting, and engineering.

Although other researchers (Armitage, Webb & Glynn 2016:32; Berisha & Pula 2015:18; D'Amboise & Muldowney 1998:226) operationalised a definition of "small business" in terms of quantitative thresholds (i.e., value of assets, annual turnover and number of employees), these measures appear arbitrary and do not acknowledge the essential characteristics of management, ownership structure, and other unquantifiable aspects, that distinguish them from large businesses more easily than quantitative indicators (Berisha & Pula 2015:26; Bolton 1971:1). However, scholars (eds. Empson et al 2015:3; Reihlen & Apel 2006:141; Von Nordenflycht 2010:156) studying the professional services sector, mainly use qualitative characteristics to define small businesses. Thus, it is imperative to include the qualitative characteristics when defining small businesses, and quantitative indicators should not be the sole determinants for defining a small business, particularly with regard to the professional services sector.

It therefore appears that the dilemma of defining a small business is desultory and may be unraveled by applying a combination of quantitative and qualitative indicators. This combined approach in defining a small business in the professional services sector appears appropriate, as asserted earlier. The qualitative definition emphasises those characteristics of small businesses that distinguish its performance and its challenges, which differ significantly from those of larger businesses. Precisely for this reason, it is apparent that a universal definition of a small business may not be tenable, given the various indicators that could be used to define it.

2.2.3 Defining small- and medium accounting practices

Goyal (2007:74) identified the essential characteristics that connote a “SMP”, in the absence of a scientifically tested definition of a SMP: 1) it is a proprietorship or small partnership; 2) it mostly offers services in a single location; 3) it is more reliant on traditional services; 4) it holds few sources of income; 5) it mostly services SMEs; 6) it disburses nil or negligible expenditure in respect of human resources and research; and 7) it does not belong to any national or international network (Goyal 2007:74). Nearly a decade later, IFAC developed a definition of a SMP using different characteristics than those suggested by Goyal (2007). The objective of IFAC in defining the SMP was to provide guidance on the subject to its global member-bodies. IFAC (2016a:10) defined SMPs as accounting practices that exhibit the following characteristics: 1) its clients are mostly SMEs; 2) it employs a small number of professional staff; 3) it does not ordinarily audit the accounts of listed companies; and 4) the majority of its work entails the provision of non-assurance services (refer to section 2.5 for a detailed discussion of these characteristics).

This study did not attempt to conceptualise the term “SMP” based on the South African definition of a SME, however, adopted IFAC’s definition of SMP as it is widely known and accepted by IFAC member bodies worldwide. Katambo (2016:11) defined SMPs as professional practices whose clients are mostly SMEs, they use external sources to supplement limited in-house technical resources and they employ few staff. These characteristics identical to those of IFAC. In comparing the essential characteristics of a SMP as identified by Goyal (2007) to that of IFAC (2016a), a number of differences are identified, such as 1) nil or negligible expenditure on human resources and research; 2) not forming part of any national or international network; and 3) more reliance on traditional services. With regard to the first aspect, building on the study of Goyal (2007), Blackburn, Carey and Tanewski (2010:17) and Jarvis and Rigby (2012:949) argued that SMPs do invest in human resources and research and are providing these advisory services to SME clients. Thus, it could be argued that SMPs are continuously incurring significant expenditure on human resources. As far as the second aspect is concerned, Salmanovič (2009:62) – in his study of accounting services’ internationalisation – discovered that SMPs have started to internationalise its practices, however, it is confronted with a multitude of barriers and issues, compared to large accounting practices. This finding was confirmed a few years later by the Edinburg Group (2013:4) concluding that, although a small number of SMPs are slowly engaging in international activities and are servicing clients with an international component, several SMPs are still forgoing opportunities that may be derived from internationalisation. Finally, with regard to the last aspect, Sarens, Everaert, Verplancke and De Beelde (2015:155) found that SMPs are actively diversifying its service offering, by providing a range of business

advisory services to SMEs. This finding is confirmed by Carey (2015:16) in his study of business advice and SME performance, discovering that SMPs had provided business advisory services to at least 70 percent of SMEs. As a result, it could be argued that SMPs are continuously diversifying its practice revenue via the provision of business advisory services to SME clients, rather than generating revenue solely from traditional services. Hence, the prevalence of business advisory service provision by SMPs, lends incentive and support to the accounting profession to continue promoting the expertise of SMPs as business advisors to SMEs.

It appears that the differences between the characteristics of SMPs as identified by IFAC (2016a) and Goyal (2007), are attributable to a significant change in the SMP landscape between 2007 and 2016. Therefore, IFAC's conceptualised characteristics of a SMP may be assumed to be more relevant and were compared to the existing literature, in an attempt to develop a scientific definition of a SMP. Thereafter, the tested characteristics of a SMP, in addition to other characteristics of small and medium business discussed above, were considered in order to select the respondents in the study, as these characteristics appear to be supported by the small businesses-literature and are widely recognised by the accounting profession. To unpack the IFAC-definition of SMPs in more detail, the term "accounting practice" is deliberated in the context of accounting, and as a professional service business type.

2.2.3.1 Accounting practice

The first aspect mentioned in the IFAC-definition of a SMP (IFAC 2016a:10), is the term "accounting practice", which is not specifically defined in the literature. The term "public practice" has been noticeably considered by accounting literature (Certified Public

Accountants of Ireland (CPAI) 2010: s. 13; Institute of Chartered Accountants of Namibia (ICAN) 2014: s. 1(l); SAICA 2017:8). In South Africa, public practice is defined as a practice of a chartered accountant or registered auditor, who places professional services at the disposal of the public, for reward (RSA 2005: s. (1); SAICA 2017:8). In Namibia, public practice refers to “the practice of a person who performs the functions of an accountant or auditor, referred to as an “accountant” or “auditor”, and that bestows their services at the disposal of the public for compensation, but do not include services that are materially at the demand of any one person or of the state” (ICAN 2014: s. 1(l)). In the USA (USA 2002: s. 2(11)(A)), the term “public accounting firm” is used to denote an accounting practice. A public accounting firm is defined as “a proprietorship, partnership, incorporated association, limited liability company, limited liability partnership or other legal entity that is engaged in the practice of public accounting, or the preparation or issue of audit reports”. In Ireland, public practice means “practice as a public accountant in the capacity of sole principal, in partnership or through the medium of a body corporate or otherwise, and practice as applied to an accountant shall have the same connotation” (CPAI 2010: s. 13). The term “practice” conveys the provision of services, including accounting and related services, in respect of which the relevant skills have been acquired by a member, by reason of their training and qualifications, to persons other than their employer (CPAI 2010: s. 13.5.2). As is apparent from this discussion, the term “accounting practice” is not widely used and, thus, to better understand the term, it would be meaningful to deconstruct this term. For purposes of textual analysis, the term may be regarded as a phenomenon that holds direct relevance to the terms “accounting” and

“practice”. The sections below explore literature on “accounting as a social science” and “accounting practice”.

2.2.3.2 Accounting as a social science

“Accounting” is a systematic process of identifying, recording, measuring, classifying, verifying, summarising, interpreting and communicating financial information (BusinessDictionary.com 2017). Accounting is a science of recording, classifying and summarising daily business transactions, and includes the checking, analysing, interpreting, and reporting of the same to the parties interested in the affairs of the individual business, government or the nation to which the transaction relate (Estes 1973:26). The American Accounting Association (AAA) defines accounting as “the process of identifying, measuring and communicating economic information to permit informed judgements and decisions by users of the information” (AAA 1966:1). According to Carey (1968:2), accounting can be defined in terms of its functions, namely 1) a discipline that provides financial and other information essential to the efficient conduct and evaluation of the activities of any business; 2) provision of information that is essential for (i) effective planning, control and decision making by management, and (ii) discharging the accountability of businesses to investors, creditors, government agencies and other external users; and 3) the development and analysis of data, the testing of its validity and relevance, and the interpretation and communication of the resulting information to intended users.

These abovementioned functions of accounting are supported by Taufu’i (1996:10), who conceptualised accounting as an information system, that provides financial information and other information for rationalising economic decisions concerning a business, taken

by decision makers who are internal or external stakeholders to the business. Okoye and Ezuqwu (2009:20) concurred that accounting is a business information system, designed to communicate significant principles and other business information to support informed judgements and decisions taken by the users. Accordingly, accounting forms a vital element of any business and plays a critical role in the success or failure of contemporary business institutions, including decisions made by investors (Ibarra & Velasco 2015:84; Zimmerman 2015:503).

Given the importance of accounting to the business environment, true comprehension of the concept demands consideration from a scientific point of view. The literature relating to accounting encompasses a heterogeneity of definitions, owing to the dynamic nature of accounting, that defies the established captivity of a single, static definition (Taufu'i 1996:10). Accounting may be described as a "discipline", as signified by its presence in the curriculum of academic institutions. Prior to exploration of the literature in search of existing scholarly definitions of "accounting", one should consider to which body of knowledge the discipline of accounting belongs. The question is whether accounting is in the nature of a social science, or not. The answer to this question depends on two considerations, namely 1) whether in practising accounting or in professing the principles thereof, a social approach is possible and advisable; and 2) whether the subject matter that the science of accounting records, classifies, summarises, checks, analyses, interprets and reports, are related to man as a member of society (Estes 1973:26).

According to Hopwood (1974:1), accounting revolves around people, and human and social factors are clearly amongst the most important aspects of the design and operation of any accounting system. Furthermore, Hopwood (1974:2) argued that accountants are

always required to mould a number of working assumptions concerning the way people are motivated, how they interpret and use accounting information, and how their accounting systems are suited to the realities of power and influence in a business. Puxty and Lowe (1990:55) argued that accounting is concerned with how accounting reports affect people and the relationships between them. Moreover, human actions are the accounting inputs, and the output (of accounting information) is, likewise, a human action. These arguments confirm the statement made by the AAA that:

The primary purpose of accounting reports is to influence action, that is, behaviour. Additionally, it can be hypothesized [sic] that the very process of generating information, as well as the behaviour of accountants will affect the behaviour of others. In short, by its very nature, accounting is a behavioural process (AAA 1966).

It is evident that human nature dominates the contextual nature of accounting. It can, thus, be assumed that accounting is contained within the social sciences, i.e., the study of the group life of man (Estes 1973:26). Roy and MacNeill (1967:11) concurred that accounting, by its nature, operates within a broad socio-economic environment, and the knowledge required of the professional accountant cannot be sharply compartmentalised. Sudaryanti, Sukoharsono, Baridwan and Mulawarman (2015: 534) agreed that, from an ontological perspective, accounting, by its nature, is a social practice. Thus, being a social practice, accounting is interdependent to its context in its form, functioning, and the consequences of its operation, and holds inter-connecters as part of the social world (Cooper, Taylor, Smith & Catchpowle 2005:953). Cooper et al. (2005:952) argued that accounting should be evaluated in terms of its contribution to the notion of social well-being. Therefore, the accounting function should be constantly examined, re-examined,

interrogated, and criticised, within the world of knowledge (Sudaryanti et al 2015:534). Lutfillah, Sukoharsono, Mulawarman and Prihatiningtias (2015:787) proclaimed that accounting is the process of social, economic and cultural knowledge, applied to regulate the activities on the market.

Researchers generally agree that accounting is a social science and it should appreciate those aspects of social science that are concerned with the behaviour of formal businesses. As numerous scholars confirm that accounting resides in the social sciences sphere, it is important to proceed by defining “accounting” within its domain in relation to this study. Upon analysis of the above definitions, it is evident that accounting is not, as many suppose, confined to financial information or just another term for “bookkeeping”. Moreover, the concept “information system” is pervasive across all definitions. Therefore, it is essential to understand its meaning. According to Alrabei (2014:186) an information system is a correlated group of components that collect, receive, process, save and distribute information, in order to support decision-making and control in a business. This information system provides information for making business decisions (Ibarra & Velasco 2015:85).

In summary, accounting is a discipline that provides financial and non-financial information, essential to effective planning, control and decision-making by management and other intended users. The emphasis of this definition is twofold, namely 1) accounting as a discipline of social science, supported by scientific literature and the presence of accounting in the academic curriculum; and 2) accounting as an information system that should provide relevant and faithfully represented information to assist the intended users

when rendering economic decisions concerning the operations and performance of the business.

2.2.3.3 Accounting practice as a professional service business

After having discussed accounting as a discipline, it is imperative to discuss accounting practice as a form of business. Gould and Kolb (1964:63) define a “business” in terms of the economic theory of production. In terms of this theory, business is described as a production unit through which inputs of the production factors are combined to create or manufacture and sell goods for a profit. Business is also defined as an institution that buys matter, transforms it in some way, and then sells it with the purpose of making a profit. It is apparent that this definition emphasises the combination of the factors of production for profit and organisation of the production process. Pride et al. (2014:29) define business as the organised effort of individuals to produce and sell, for a profit, the goods and services that satisfy the needs of society. It is evident that business is defined in terms of profit.

However, Peter Drucker, the father of modern management and inventor of the corporate society (Flaherty 1999:1) emphatically argued that business cannot be defined or explained in terms of profit (Drucker 1954:35). He asserted that the business must be defined in terms of its purpose, that the only valid description of business purpose is the intention to create a customer (Drucker 1954:35), and it is that customer who determines the identity of a business. In prioritising the customer, Drucker broke with the conventional wisdom of defining the business based on what it produced - rather contemplating the business from the customer’s point of view. In order to link practice to business, it is meaningful to define the term “practice”. According to business dictionaries

(Dictionary.com 2017; BusinessDictionary.com 2017), practice is defined as a business where a professional or number of associated professionals offer services. For this reason, it appears that an accounting practice is also a business, as it possesses essential characteristics of a business, namely the organisation of people, the provision of services and a profit motive.

As a practice is a business where a professional or number of associated professionals offer services, it appears that the “accounting practice” resides in the world of professional service businesses, classified within the professional services sector. It would, therefore, be appropriate to discuss accounting practice as a form of business within the context of a profession. Accountancy is usually regarded as a profession, although there is no agreement on exactly what it means to be a profession or to have professional status (Perks 1993:2). A “profession” is a vocation by which a professed knowledge of some department of learning or science is used in its application to the affairs of others, or used in the practice of an art founded upon it (Perks 1993:2; Shapero 1985:23). Reference to “the affairs of others” implies the existence of clients, and those working in a profession tend to perceive themselves as meeting the needs of their clients (Perks 1993:2). According to social scientists (Gould & Kolb 1964:542), the term “profession” denotes occupations that require a highly specialised knowledge and skill; acquired— at least in part— by courses of a more or less theoretical nature and not by practice alone; assessed by some form of examination, either at a university or some form of other formal training institution; and conveying— to the persons who possess it— considerable authority in relation to clients. Therefore, in modern society, a professional is usually someone who has completed the equivalent of, at least, a degree, that holds the number and array of

courses certified by a professional society (Shapero 1985:23), and a professional is an individual who is a member of one of the learned or skilled professions.

There is universal consensus amongst social scientists (Perks 1993:2; Roy & MacNeill 1967:31; Shapero 1985:23) that a well-established profession embodies common characteristics, namely 1) renders essential services to society; 2) is governed by ethical principles; 3) holds requirements for admission to the profession; and 4) executes disciplinary procedures for members who behaved improperly.

It is deemed relevant to contextualise these characteristics to the accounting profession. The first characteristic, of serving the society, resonates well with IFAC's policy position (IFAC 2011:2), stating that "the sustainability of the accounting profession depends upon the quality of the services provided by its members and on the profession's capacity to respond effectively and efficiently to the demands of the economy and society". Furthermore, a professional accountancy body holds an important responsibility to its community and the public interest, not only to its current clients or employers or to itself. Tilt (2009:11) posited that professional accountants perform a crucial function towards improving social justice and contributing to social- and environmental benefits, on a global level. Mintz (2014:164) suggested that the idealised purpose of every true profession is to contribute to improving the general welfare of humankind or to serve the public interest. A distinguishing attribute of the accountancy profession is its acceptance of the responsibility to act in the public interest (IFAC 2016b:167). "Public interest" is the net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any gesture, decision or policy (IFAC 2012b:1).

The second characteristic (i.e., compliance with ethical principles), is relevant to the accountancy profession in the sense that IFAC member-bodies are obliged to comply with the IFAC Code of Ethics for Professional Accountants (Ackers & Eccles 2015:521). This code is developed by the International Ethics Standards Board for Accountants (IESBA). IESBA is an independent standard-setting body that develops an internationally appropriate Code of Ethics for professional accountants. The objective of IESBA is to serve the public interest, by setting high-quality ethics-standards for professional accountants (IFAC 2016b). The fundamental ethical principles contained in the Code of Ethics are devoted to the promulgation and observation thereof by the accounting profession (IFAC 2016b). The reputation for independence, integrity and social responsibility to the public, is fairly unique to the accountancy profession.

As far as the third characteristic (i.e., holding requirements for admission to the profession) is concerned, IESBA has developed the Framework for International Education Standards (IES) for professional accountants and aspiring professional accountants, with a view to promote quality and consistency in professional accounting education around the globe (IFAC 2015). IESBA's mission is to serve the interests of the public by fortifying the worldwide accountancy profession via the development and improvement of professional accounting education (IFAC 2015). IESBA seeks to attain its mission via the development, adoption and implementation of IES. The IES enhance the quality of global professional accounting education by stipulating requirements for 1) admission to professional accounting education programs; 2) initial professional development of aspiring professional accountants; and 3) continuing professional development of professional accountants (IFAC 2015:4). This framework provides a

conceptual base for IESBA to continue developing and supporting the adoption and implementation of IESs (IFAC 2015:5). Furthermore, it helps IFAC member-bodies in activities related to the learning and development of professional accountants and aspiring professional accountants (IFAC 2015:5).

The fourth and final characteristic (i.e., disciplining of improper conduct) resonates well with the statements of membership-obligations issued by the IFAC Board, particularly statement number 6, dealing with investigation and discipline. This statement obligates IFAC member-bodies to implement a just and effective investigative- and disciplinary system for its members (IFAC 2012c:35). The constitution-rules of IFAC member-bodies are required to provide for the investigation and discipline of misconduct, including breach of professional standards and rules by its individual members and member-firms. Misconduct may include any criminal activity, acts or omissions, likely to bring the accountancy profession into disrepute; breach of professional standards; breach of ethical requirements; and unsatisfactory work (IFAC 2012c:35).

Empson et al. (eds. 2015:4) approved the definition of “professional service businesses” as businesses where the majority of income-generating staff are members of established professions. This could include a wide range of knowledge-intensive activities and emerging professions, such as management consulting, executive research and advertising (Brock, Leblebici, & Muzio 2014:1; Chang & Birkett 2004:8). These professional service businesses provide expert advice and services to clients. Examples of professional service businesses include accounting, engineering, management consultancy and legal services (Chang & Birkett 2004:8). Professional service businesses, such as law firms, investment banks, consulting firms and auditing firms, are

regarded as businesses of the so-called “tertiary sector” (Kaiser & Ringlstetter 2011:3). The tertiary sector includes all services that require direct contact between the provider and consumer and that appear largely intangible prior to, during and after the contact (Kaiser & Ringlstetter 2011:3). It is apparent that businesses in this sector are knowledge-intensive, holding the problem-solving competence of its employees at its core. Alvesson (1995:6) and Kaiser and Ringlstetter (2011:3) argued that human capital is the dominant factor of these businesses, and it differs from labour-intensive or capital-intensive businesses.

Strategic human resource management researchers (Alvesson 2000:1101; Teo, Lakhani, Brown & Malmi 2008:684) defined “knowledge-intensive businesses” as businesses where most of the work may be said to be of an intellectual nature and where well-educated, qualified employees form the major part of the workforce. In these businesses, knowledge-workers are employed to solve complex problems through the development of creative and innovative solutions (Kaiser, Kozica, Swart & Werr 2015:79; Kegel 2006:20). Furthermore, professional service businesses provide intangible solutions to the problems of its clients by utilising the knowledge of its employees (Ditillo 2004:20). Finally, these professional service businesses draw on intellectual capital as a crucial resource in creating value for its clients, with knowledge and information being key components (Chang & Birkett 2004:8).

Scholars of strategic business literature (Alvesson 1995:6; Kaiser & Ringlstetter 2011:3; Kaiser et al 2015:79; Teo et al 2008:684; Von Nordenflycht 2010:156) concurred that professional service businesses that provide knowledge-intensive services maintain certain unique characteristics, such as 1) being highly knowledge-intensive, with services

delivered by individuals holding higher education qualifications; 2) being frequently linked to scientific knowledge development within the relevant area of expertise; 3) involving a high degree of discretionary efforts and personal judgements by the experts delivering the service; 4) rendering the delivery of services in adherence to the constraints of professional norms, including prioritising clients' needs above profits and respecting the limits of professional expertise; 5) exhibiting significant incidents of problem solving and non-standardised production; 6) featuring less dependence on physical capital and a high degree of independence by practitioners; 7) the insignificance of traditional concrete (material) assets and cruciality of employees' minds and networks, customer relationships, manuals and systems for supplying services; and 8) considerable dependence on the loyalty of key personnel. The above characteristics of a professional service business resonate well with the features of an accounting practice as a form of business, in the sense that accounting practices need to deploy individuals with professional qualifications and empathy to provide professional services that fulfil the needs of clients, whilst adhering to the canons of professional ethics.

In summary, it is evident that accounting practice is one of the professional service businesses that provide knowledge-intensive services, for these reasons: 1) professional accountants are members of a recognised professional body; 2) accounting practices are businesses; 3) the income of the accounting practices are generated by staff members who are members of professional bodies; 4) professional accountants hold high educational levels by virtue of complying with the educational requirements of academic institutions and affiliated professional bodies; 5) an accounting practice relies heavily on its professional staff in order to provide solutions to unstructured client-issues; and 6)

accounting practices provide knowledge-intensive services, such as auditing, accountancy, taxation and advisory services.

2.2.4 Characteristics of small- and medium accounting practices

As discussed in section 2.2.3, a SMP is defined as an accounting practice that exhibits the following characteristics: 1) its clients are mostly SMEs; 2) it employs a small number of professional staff; 3) it does not ordinarily audit the accounts of listed companies; and 4) its work primarily comprises the provision of non-assurance services (IFAC 2016a:10). These characteristics informed the selection of key informants for the purposes of gathering empirical data for this study and are discussed in detail, below.

2.2.4.1 Small- and medium enterprise-clientele

“Clients” are the customers of a personal service provider, or of the principal of an agent, or of a contractor (BusinessDictionary.com 2017). For the purpose of this study, the principal clients of SMPs are SMEs (refer to section 2.3 for the discussion on SMEs). Empirical studies (Blackburn et al 2010; World Bank 2017) established that SMEs are the major client pool of SMPs, and SMPs have consistently been found to be the greatest source of professional services to SMEs. SMEs’ need for SMP-support is principally created by the SMEs’ lack of internal accounting knowledge (IFAC 2016a:8). SMEs typically employ SMPs for compliance and monitoring services, such as tax returns, statutory audits, and annual returns to the regulators (Carey & Tanewski 2016:290). Thus, it is evident that SMEs become SMP clients as a result of a lack of in-house expertise (e.g., no accounting personnel). A significant proportion of SMEs are owner-managed family businesses, characterised by family involvement (Hiebl 2013:149). Therefore, the SMP’s understanding of the family context of the SME is of paramount importance to the

provision of business advisory services (Blackburn, Carey & Tanewski 2014:10). SME-clients are characterised by information opacity, such as the inability to provide audited financial statements (Mutezo 2015:22). Therefore, SMEs often demand audit services from SMPs in order to access external funding, and eventually become the clients of SMPs. Bolton (1971:26) asserted that an SME client is one that renders a contribution to the community in terms of providing value-added, personal service to the customer. Therefore, an SME owner-manager is one willing to contribute their experience towards the service of their community.

2.2.4.2 Staff employed

IFAC does not provide a clarification of the number that constitutes “few professional staff”, as the selected number of professional staff employed by SMPs will differ from one country to another. However, since SMPs are regarded as a form of SME and, in South Africa, SMEs are classified as businesses with less than 250 employees (refer to section 2.3.3), accounting practices would be classified as SMPs in South Africa when they employ less than 250 professional staff.

2.2.4.3 Limited audit services

In order to understand what an unlisted audit client is, it is important to explore the definitions of a “listed entity” and an “audit client”. A listed entity is defined as an entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or marketed under the regulations of a recognised stock exchange or other equivalent body (IFAC 2016a:149; SAICA 2017:7). An audit client is an entity in respect of which a firm of registered auditors conducts an audit engagement (SAICA 2017:7). The inference may be drawn that the size and nature of the client base are considerations in deciding whether

or not an accounting practice is classified as small, medium or large, as an accounting practice cannot be classified as an SMP should it regularly audit the financial statements of listed companies. However, the mandatory audit firm rotation (MAFR), to be implemented by IRBA with effect from 1 April 2023, could create opportunities for SMPs to audit listed entities via joint audit arrangements (IRBA 2019).

2.2.4.4 Non-assurance services

In order to understand what non-assurance services entail, it is necessary to define an assurance- or audit engagement. An “assurance- or audit engagement” is an engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users, other than the responsible party, concerning the outcome of the evaluation or measurement of a set of financial statements, in accordance with the criteria of the financial reporting standards (SAICA 2017:3). The term typically refers to an independent review or audit. A “non-assurance engagement”, by default, is an engagement that does not impact the level of confidence in the validity of the financial statements. Non-assurance- or audit services are services that do not provide a degree of confidence to the intended users. These services include taxation and advisory services, such as accounting advisory- and financial management advisory services, business performance services, internal audit, corporate finance services, corporate recovery services, financial risk management services, and IT advisory- and forensic services (SAICA 2017:7). This characteristic implies that SMPs mainly provide business advisory services to SME-clients.

2.2.5 Classification of small- and medium accounting practices in South Africa

It is of value to contextualise South African SMPs— as the main unit of analysis in this study— with regard to the legislation and regulations that it is guided by. In South Africa, SMPs are affiliated to recognised, professional accountancy bodies and are defined in accordance with the requirements of that professional body. IRBA categorises audit practices into sole proprietor-, small-, medium- and large practices, based on the number of partners in the audit practice, who are registered auditors (IRBA 2017), whereas SAICA's classification is based on the number of partners in the accounting practice, who are chartered accountants (SAICA 2017). For the purposes of this study, an “audit practice” is the practice of a registered auditor who places professional services at the disposal of the public, for a reward (Coetzee 2015:4; RSA, 2005:s1), whilst “accounting practice” refers to the practice of a professional accountant, providing professional services to the public, for a reward (IFAC 2012c(xiv)).

IRBA, a professional body that regulates registered auditors, provides for registration of audit practices as a sole proprietor, partnership and personal liability company (RSA 2005: s. 38(1)). A “sole proprietor” refers to a proprietor who is a registered auditor, a “partnership” is where all partners are individuals who are themselves registered auditors, and a “personal liability company” is a private company with share capital and with joint and several liability for directors (RSA 2005: s. 38). In the case of a personal liability company, the Auditing Professions Act (RSA 2005: s. 38(3)(a)) requires that the individuals, who are registered auditors, should be the shareholders of the company. IRBA has delineated the classification of audit practices according to the number of audit partners/directors (IRBA 2017). A “partner” is any individual holding the authority to bind

the firm with respect to the performance of an engagement (IFAC 2012a). Thus, the audit practices are classified into sole proprietors, and small-, medium- and large practices. The classification of audit practices is depicted in table 2.1, below.

Table 2.1: South African classification of audit practices

Classification	Number of partners
Large practices	20+
Medium practices	5-19
Small practices	2-4
Sole proprietor	1

(Source: IRBA 2017)

It is evident, from table 2.1, that a SMP should be a registered audit practice, not exceeding 19 partners. Any audit practice with at least 20 partners is regarded as a large practice, whereas a small practice starts with a minimum of two partners. Professional staff who are registered auditors, but not partners/directors, are not included in the calculation of the number of partners for classification purposes (IRBA 2017). SAICA also classifies accounting practices in terms of the number of partners, however, slightly different from IRBA's classification, as presented in table 2.2, below.

Table 2.2: South African classification of accounting practices

Classification	Number of partners
Large practices	10+
Medium practices	6-9
Small practices	2-5
Sole proprietor	1

(Source: SAICA 2017)

Interestingly, a quantitative measure, i.e., the number of partners, is the criterion applied by both professional bodies for classifying audit firms and accounting practices. According to SAICA, a SMP is an accounting practice with a maximum of 10 partners/directors, whereas IRBA classifies a SMP as an audit practice with less than 20 partners. IRBA classifies a small firm as having a minimum of one partner and a maximum of four partners/directors, whilst SAICA indicates that a small firm holds a minimum of two and less than five partners. It is important to note that the difference between the terms “accounting practice” and “audit practice” is linked to the qualifications of the owner(s). For example, a registered auditor qualifies to be a professional accountant, but a professional accountant is not necessarily a registered auditor. Moreover, an audit practice is owned by a registered auditor, not a professional accountants, but a registered auditors can own an accounting practice.

It is concerning that there is lack of consistency between SAICA and IRBA in the number of partners that constitute a medium-sized firm/practice. The difference in the determining number of partners is significant, rendering it difficult to identify a medium-sized firm/practice. A medium-sized firm with more than 10 partners, according to IRBA’s

classification, represents a large accounting practice in terms of SAICA's classification. It is evident that there is no consensus between SAICA and IRBA in terms of what constitutes a medium-sized firm, based on the number of partners. It may be argued that a medium-sized firm with more than 10 partners will not usually employ only a few professional staff, but rather a large staff establishment. Therefore, per SAICA's definition, a SMP cannot be deemed to be a practice/firm with more than 10 partners. Hence, for the purpose of this study, a SMP would be a practice with a minimum of one partner and a maximum of 10 partners/directors.

2.3 Contextualising Small- and Medium Enterprises

2.3.1 Introduction

The main objective of this study is to develop a framework to assist SMPs in enhancing services provided to SMEs, therefore, it is necessary to lay a theoretical foundation regarding what SMEs entail, being the principal clients of SMPs. This section reviews available literature relating to the various definitions of SMEs in global and local contexts. For the purposes of this study, quantitative criteria such as the number of full-time paid employees, annual turnover and gross asset value, as prescribed by the Small Business Act (RSA 1996), are applied to classify businesses as micro, very small, small and medium.

2.3.2 Small- and medium enterprises in a global context

Considering the importance of SMEs for many global economies and that SMEs constitute over 95% of businesses in most countries of the world (Otete, 2021:39), it is appropriate to discuss and provide a panorama view of SMEs in a global context. As

previously stated, the study is not limited to South Africa, but a direct response to a call made by a global advocacy body for the accountancy profession (see section 1.1).

As indicated in section 1.2.1, there is no widely recognised definition of a “small business”, as the classification of business as “large-scale” or “small-scale” is a subjective and qualitative judgement (Ekpenyong & Nyong 1992:4). This assertion is supported by Abor and Quartey (2010:219), indicating that the literature provides no single definition of what a “SME” constitutes. The first definition of a SME was formulated by Bolton (1971:1), that distinguished between an economic and quantitative definition of the term (refer to section 2.2.2). The term SME is substituted by various definitions, based on the different sectors of the economy. For example, in the UK, a small firm in the mining sector is classified based on the number of employees (200 or less), and in the retail sector, it is classified based on turnover (£50 000 - £200 000 - British pound sterling) (Bolton 1971:1). Definitions of SMEs vary based on the author, the context, and the country where the term is defined (refer to section 1.2.1). Hence, to clarify the confusion in a comparable measure, table 2.3 provides a comparable definition of a SME for developed- and developing countries, based on the number of employees.

Table 2.3: Comparative definition of small- and medium enterprises (SMEs) based on the number of employees

Country/Region	Micro enterprise	Small enterprise	Medium enterprise	Country classification
USA	1-19	20-99	100-499	Developed
EU	1-9	10-49	50-249	Developed
Brazil	1-9	10-49	50-99	Developing
China	-	>300	300-2000	Developed
Ghana	1-5	6-29	30-99	Developing
South Africa	>5	20-49	50-200	Developing
India	0	0	0	Developing
Egypt	1-4	5-14	15-49	Developing
Malaysia	>5	5-50	51-150	Developing
Russia	-	15-100	101-250	Developing

(Source: Edinburgh Group 2013:9)

As may be gleaned from table 2.3 above, SMEs are not assessed similarly across the globe. In the USA, a small business is a business with 20 to 99 employees - classified as a medium enterprise in Ghana. The European Union (EU) and Brazil apply the same limit to classify small enterprises, i.e., as a business employing 10 to 49 employees. However, different thresholds are applied by the EU and Brazil to classify medium enterprises. Therefore, according to the USA and EU, medium enterprises employ between 250 and 500 employees, however, in South Africa these businesses would be categorised as large businesses - as it employs more than 200 employees. In China, the term “micro” enterprise is not defined, however, a small enterprise is a business that employs less than 300 employees, whilst a medium enterprise is classified as a business employing

between 300 and 2000 employees. This large employee-threshold may be attributed to China's sizable population and the labour-intensity of its SME sector. It is interesting to note that India does not define its SMEs based on the number of employees, but rather on the annual turnover (Edinburgh Group 2013:9). Africa's numerical classification is relatively lower, as compared to the developed countries. The differences could be attributed to the large population size of the developed countries, when compared to developing countries. Among the BRICS (Brazil, Russia, India, China and South Africa)-member countries, South Africa is the only member classifying micro enterprises. This could be attributed to South Africa's large, informal SME sector.

In summary, a global comparison of SMEs is extremely challenging, owing to the fundamental differences relating to the level of the thresholds that differentiate SMEs. Thus, no universal definition of SMEs exists, as businesses differ with regard to its respective levels of turnover, employment and asset base. This lack of a universal SME-definition complicates a comparison between countries.

2.3.3 Small- and medium enterprises in South Africa

In South Africa, the worldwide term "SMEs" is commonly amended to "SMMEs", being small-, micro- and medium enterprises, and these terms are used interchangeably in literature (Mutezo 2015:17; RSA 2004; Urban & Naidoo 2012:146). SMMEs include informal businesses operating in the informal sector of the economy, whereas SMEs are formal businesses conducting their activities in the formal sector of the economy. For the purposes of this study, the term "SMEs" was used as it is most unlikely that micro enterprises will make use of the services of SMPs. According to Berry, von Blottnitz, Cassim, Kesper, Rajaratman and van Seventer (2002:1), SMEs encompass a wide

variety of businesses, from established, traditional family businesses employing more than a hundred people. The most commonly used framework that provides guidance on a definition of a “SME” is the National Small Business Amendment Act 26 of 2003 (Abor & Quartey 2010:221; Mutezo 2015:17; RSA 2003a). In addition, the National Small Business Act 102 of 1996 (RSA 1996: s. 1(xv)), and the National Small Business Amendment Act 26 of 2003 and Act 29 of 2004, regulate and define smaller businesses as SMMEs, based on the quantitative thresholds of the full-time equivalent of paid employees, annual turnover, and gross asset value, excluding fixed property (RSA 2003a; RSA 2004).

In 2019, the Minister of Small Business Development amended the definition of a “small business”, as contained in the Schedule to the National Small Business Act 102 of 1996 (RSA 1996) read with the National Small Business Amendment Act 26 of 2003 and Act 29 of 2004 (RSA 2003a; RSA 2004), with regard to 1) new turnover thresholds to account for inflation; 2) two thresholds, instead of three, to define small business; 3) removal of the third threshold of “total gross asset value” from the definition; and 4) collapsing the “very small enterprise”-class or -category into the “micro enterprise”-category (Department of Small Business Development (DSBD) 2019:1). Many users found this size- or class category unhelpful and inconsistent with international practice. The proposed proclamation defines small business as

a separate and distinct business entity, together with its branches or subsidiaries if any, including cooperative enterprises, managed by one owner or more[,] predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the

schedule and classified as a micro, a small or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 of the schedule [sic] (DSBD 2019:1).

The DSBD (2019:2) refined these categories per sector or sub-sector in accordance with the standard industrial classification. Although, there is no single definition of SMEs in South Africa (Mutezo 2015:21), scholars (Berisha & Pula 2015:18; Matthews 2013:13) agreed that SMEs hold mutual characteristics and are defined via quantitative thresholds. Owing to the complications related to a single definition of a SME, the new National Small Enterprise Act (DSBD 2019:2) defines small business per sector and sub-sectors, applying the total full-time equivalent of paid employees and total annual turnover, as factors, as depicted in table 2.4, below.

Table 2.4: Small- and medium enterprise (SME) thresholds in different sectors

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class of business	Total full-time equivalent of paid employees	Total annual turnover (less than) R'000 000
Agriculture	Medium	51 – 250	35
	Small	11 – 50	17
	Micro	0 – 10	7
Mining and Quarrying	Medium	51 – 250	210
	Small	11 – 50	50
	Micro	0 - 10	15
Manufacturing	Medium	51 – 250	170
	Small	11 - 50	50
	Micro	0 - 10	10

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class of business	Total full-time equivalent of paid employees	Total annual turnover (less than) R'000 000
Construction	Medium	51 - 250	170
	Small	11 - 50	75
	Micro	0 - 10	10
Catering, accommodation & other trade	Medium	51 - 250	40
	Small	11 - 50	15
	Micro	0 - 10	5
Finance and business services	Medium	51 - 250	85
	Small	11 - 50	35
	Micro	0 - 10	7.5

(Source: DSBD 2019)

Based on table 2.4 above, it can be deduced that each size or class of business (e.g., micro, small and medium) holds the same threshold of the total full-time equivalent of paid employees, across all economic sectors. For example, small- and medium businesses in all sectors or sub-sectors of the economy employ up to 50 and 250 employees respectively, whilst a micro business employs a maximum of 10 of the full-time equivalent of paid employees. The total annual turnover-threshold varies according to each sector or sub-sector, and size or class, of business.

Having discussed the definition of a SME in the context of the National Small Business Act and the DSBD, it is equally important to consider other relevant legislation defining small businesses in South Africa. The Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 (RSA 2003b), the B-BBEE Amendment Act 46 of 2013 (RSA 2013),

and the Income Tax Act 58 of 1962 (RSA 1962), are deemed relevant for the purposes of SME-classification. The B-BBEE Amendment Act (RSA 2013) read in conjunction with the codes of good practice on B-BBEE, categorises businesses as exempt micro enterprises (EME), qualifying small enterprises (QSE) and generic enterprises, in terms of the amount of annual turnover for a particular financial year. The EMEs are classified as start-up businesses with an annual turnover of less than R10 million, whilst QSEs are those businesses with an annual turnover of more than R10 million, but less than R50 million. Finally, generic enterprises are classified as those businesses with an annual turnover of more than R50 million. The South African Revenue Services (SARS) does not apply one single definition of a small business, and utilise several definitions for different purposes. For example, section 12E(4)(a) of the Income Tax Act (RSA 1962) defines a “small business corporation” (SBC) as a business with an annual turnover of not more than R20 million, in addition to other qualifying criteria. Furthermore, for capital gains tax purposes, a small business is described as a business with a total net asset value of less than R10 million.

From the above discussion, it is evident that there is no universal definition of a SME, and SME-classification differs amongst countries and even within a country (e.g., South Africa). While SMEs operate in almost all industries, it varies significantly in respect of its nature and importance, from industry to industry. This study focuses primarily on SMEs that are formally registered with the South African government, with less than 200 employees, and employing the services of a professional accountant. The present study adopted the definition of a SME as per the National Small Business Amendment Act of 2003 (RSA 2003a), discussed above. The next section discusses the theory of the

business, in order to investigate its appropriateness to this study. As an accounting practice is a business, the theory of the business may be the most appropriate foundation of this study.

2.4 The Theory of the Business

2.4.1 Introduction

Having established that the accounting practice is a professional service business that provides knowledge-intensive services to the general public, it is necessary to consider the theoretical framework relevant to this form of business. Flaherty (1999:90) indicated that every practice evolved from a theory, even if the practitioner was unaware of it. Without a theory, based on a logical foundation, it would be difficult to discuss the future of the practice of accounting, and even to describe the accounting profession to the public (Carey 1965:114). Moreover, the present study has established that accounting is a discipline within a branch of knowledge, therefore the accounting practice should be discussed in the context of the existing theoretical framework. MacNeill (1962:345) noted that a professional practice, regardless of its nature, is an economic unit with the elements of a business. This section presents “the theory of the business”, a well-recognised modern management theory (Daly & Walsh 2010:500), as the theoretical framework underpinning this study. This study envisions a framework for SMPs, as professional service businesses, to overcome its challenges and provide enhanced services to SMEs, leading to improvement for both SMPs and its principal clients, SMEs.

First, the theory is introduced generally, followed by an unpacking of specific elements relevant to this study, namely specifications of the theory and the survival needs of the business. The section concludes with a summary of the theory of the business.

2.4.2 Introducing the theory of the business

The theory of the business was conceptualised by Peter Drucker, an Austrian-American management consultant, educator and author, who argued that every organisation, whether a business or not, holds a theory of the business, built upon an assumptive framework that guides and nurtures the business activities (Drucker 1994:96; Fieft 2013:86). Daly and Walsh (2010:502) and Drucker (1994:96) contended that a valid theory that is clear, consistent and focused, is extraordinarily powerful and, with multiple transformations to the business environment since the 1940s, Drucker's theory may present such a valid theory. Drucker (1994:96) suggested that a business exists as it is built on assumptions that shape it – assumptions about what it does, how it performs, how it is structured, how it operates, how it creates value and how it gets paid for what it does. The theory of the business offers a unique perspective of a business, and provides a grounded view of the role played by the assumptions, as the fundamental building blocks of the specific business (Chandler 1996:52; Drucker 1994:96). The theory of the business influences the definition of the business' goals and objectives, the choice of business structure, the choice of business policies, the formation and development of business culture, and the processes a business employs in executing the work (Drucker 1994:101; Kaufman 2008:1). Hence, for the purposes of this study, Drucker's theory of the business may provide guidance to SMPs in terms of its business purpose, business structure and -operations, and in respect of how SMPs create value for SME-clients and

receive payment for the services rendered. Drucker (1994:95) defined his theory of the business as:

...the assumptions that shape any business's behaviour, dictate its decisions about what to do and what not to do, and defines [sic] what the business considers meaningful results. These assumptions are about markets. They are [sic] about identifying customers and competitors, [its] values and behaviour. They are [sic] about technology and its dynamics, about the strengths and weaknesses of a business. These assumptions are about what a business gets paid for. They are [sic] what I call a *theory of the business*...".

It can be deduced, from the above definition, that Drucker's theory of the business is based on three fundamental assumptions, namely 1) assumptions related to the business environment: society and its structure, the market, the customer, and technology; 2) assumptions concerning the mission of the business; and 3) assumptions regarding the core competencies needed to accomplish the business mission (Arjoon 2000:161; Chandler 1996:52; Daly & Walsh 2010:501; Drucker 1994:99; Silver, Markus & Beath 1995:365).

Drucker positioned assumptions and the theory of the business at the centre of the business, from which all other systems and activities stem (Daly & Walsh 2010:503). Thus, the theory becomes the birthplace of the business, the spiritual home of the business, and the place from which the philosophy of the business flows (Daly & Walsh 2010:503). The underlying root cause of the malaise experienced by so many large and successful businesses worldwide, is that its theory of the business no longer works (Drucker 1994:96).

According to this theory, a business is perceived from the point of view of its result, that is, from the client's perspective (Altindag et al 2011:21). Therefore, the theory of the business provides answers to these questions: "Who is the client and what does the client value?" and "What is the underlying economic logic that explains how we can deliver value to clients at an appropriate cost?" (Drucker 1994:96; Goyanes 2014:745). Drucker's theory of the business is thus *inter alia* rooted in customer orientation, that is, a business approach emphasising client-needs and satisfaction as the priority of the business (Altindag et al 2011:21). Within the context of this study, the theory of the business assumes that the priority of SMPs is to satisfy the needs of SMEs, its principal clientele. Thus, SMPs must overcome the challenges preventing it from providing services that meet the needs of SMEs. Each one of the theory's fundamental assumptions is discussed below.

2.4.2.1 Business environment

One of the fundamental assumptions of the theory of the business is the assumption apropos of the environment in which the business operates (Daly & Walsh 2010:502; Drucker 1994:99). According to Drucker (1994:99), the business environment is composed of society and its structure, the market, the customer and technology. The assumptions regarding the business environment defines what a business is paid for. Chandler (1996:52) stated that managers must draw assumptions concerning markets, customers and technologies, when rendering business decisions. In relation to this study, SMPs are required to make assumptions regarding the market for professional services, understand the needs of SME-clients and comprehend the relevant technologies required to deliver services that meet these needs. Silver et al. (1995:365) asserted that the

success or failure of businesses depend on whether businesses understand its external environments of potential markets and various trends, undertake missions consistent with its markets and develop the core competencies needed to accomplish business missions. This implies that SMPs need to understand the external environment in which it operates, define mission statements for its practices and demonstrate the core competencies needed to achieve these missions. Although the theory of the business is a well-researched foundation for business studies, rapidly changing business environments may lead to necessary modifications to the theory.

2.4.2.2 Mission

The second fundamental assumption of the theory is the assumption apropos of the mission of the business, defining what a business considers to be meaningful results, i.e., how a business envisions itself making a difference in the economy and society at large (Drucker 1994:100). Davis, Ruhe, Lee and Rajadhyaksha (2007:99) undertook a research study in respect of the effectiveness and results of mission statements, and found that mission statements that contain ethical statements delivered meaningful results. The results of this study implies that SME-clients may be inclined to desire services from those SMPs demonstrating adherence to ethical values. Furthermore, Davis et al. (2007:100) observed that mission statements fail to deliver the anticipated results when there is lack of consensus amongst staff regarding its core components.

2.4.2.3 Core competencies

The assumptions concerning core competencies define where a business should excel to maintain leadership (Daly & Walsh 2010:501; Drucker 1994:100). Core competencies refer to a business's collective knowledge apropos of how to coordinate diverse

productions skills and technologies (Prahalad & Hamel 1990:1). According to Prahalad and Hamel (1990:7), core competencies should fulfil three criteria, namely 1) provide potential access to a wide variety of markets; 2) render a significant contribution to the perceived client-benefits of the end product; and 3) be difficult to imitate by competitors. The core competencies are the harmonised combination of various resources and skills that differentiate a business in the industry and ensure the long-term, sustainable development and excellence in business (Yang 2015:173). For the purpose of this study, core competencies refer to resources and capabilities that bestow, upon SMPs, a competitive advantage to provide better services to SMEs and achieve long-term profitability. Daly and Walsh (2010:509) declared that the skills and competencies required by managers in modern management are rapidly changing and operate at a much more fundamental-, intellectual- and theoretical level, than previously understood. This confirms the theoretical proposition that core competencies must befit reality.

Regarding the core competencies required to accomplish the business mission, knowledge is the primary factor of economic development, with conventional factors of production - such as land, labour and capital - although not abolished, having become secondary (Akram, Siddiqui, Nawaz, Ghauri & Cheema 2011:131). Employee knowledge and -competencies have become the vital component of developed economies and the most sustainable and inimitable source of competitive advantage (Akram et al 2011:127). However, knowledge is not the only core competency needed to achieve the business mission, and SME-clients expect SMPs, as its service providers, to invest in resources, such as technology, finance and human resources, to be able to demonstrate the requisite capacity and competencies to provide services that meet its evolving needs.

These core competencies provide SMPs with a competitive advantage in delivering services to SME-clients and, therefore, accomplishing SMPs' mission statements. A valid theory of the business holds certain specifications, as discussed below.

2.4.3 The specifications of a valid theory of the business

Daly and Walsh (2010:502) and Drucker (1994:100) described four specifications of a valid theory of the business, namely 1) the assumptions about the environment, mission, and core competencies must benefit reality; 2) the assumptions in all three areas must complement one another; 3) the theory of the business must be known and understood throughout the business; and 4) the theory of the business has to be constantly tested. Firstly, Drucker (1994:95), supported by Arjoon (2000:161), explained that business leaders pursue unsuccessful and fruitless activities as the assumptions on which the business was built and is being run to, are no longer suited to the reality. These are the assumptions that shape any business's behaviour, dictate its decisions regarding what to do and what not to do, and most importantly, define the expected results (Drucker 1994:96). Daly and Walsh (2010:502) suggested that when a theory shows the first signs of becoming obsolete, it is time to reconsider and again examine which assumptions concerning the environment, mission, and core competencies, most accurately reflect reality. Once the conditions of obsolescence emerge, the theory of the business has become outdated and management has to take corrective action (Daly & Walsh 2010:502; Drucker 1994:101). This implies that, once SMPs are aware of the changes required with regard to the elements of the theory of the business, SMPs must understand the evolving needs of SME-clients, review the services provided to it, and develop the capabilities and resources required, to benefit reality and prosper over the long term.

Secondly, assumptions in respect of all three areas (i.e., environment, mission and core competencies) must complement one another. When these assumptions are working in harmony with one another, it creates a valid theory of the business (Daly & Walsh 2010:502; Drucker 1994:100). For instance, businesses must employ capable individuals to exploit the opportunities that arise when markets, technologies and core competencies change. Drucker (1994:96) and Trienekens and Beulens (2001:471) emphasised the changing suitability between the business and its environment, and indicated that changes must lead to new theories of the business.

Thirdly, for the theory of the business to be known and understood throughout the business, it has to be purposeful and conscious, enabling leaders to easily articulate it (Kaufman 2008:1). Drucker (1994:101) argued that, as the theory becomes successful, a business tends to increasingly take its theory for granted, becoming less and less conscious of it. Then the business becomes sloppy, begins to cut corners and start pursuing what is expedient, rather than what is right. Furthermore, the business stops considering and questioning its theory of the business. This signifies that SMPs should know and understand its theory of the business and constantly reflect on it, to ensure that it suits the realities of the present day.

Fourthly, Drucker (1994:101) argued that the theory of the business is not set in stone, but rather a hypothesis in respect of concepts (i.e., society, markets, customers and technology) that are subject to constant change. As business context changes, there is a need to rethink a theory that is stagnating and to take effective action to evolve, steering the business's behaviour towards the new realities of its environment, with a new definition of its mission, and with new core competencies to be developed and acquired

(Drucker 1994:101). Businesses that were very successful at one time, may find itself in a crisis, as every theory of the business eventually becomes obsolete (Drucker 1994:101; Latham 2013:18). Latham (2013:28) observed that learning is a continuous strategic process that constantly tests the theories of the business, to ensure success today, tomorrow and into the future.

2.4.4 The survival needs of the business

The theory of the business is based on five dimensions that provide a panoramic view of the nature of the business, as a whole. These dimensions are termed, by the theory, as survival needs of a business and, together, define the areas in which each business, to survive, has to reach a particular standard of performance and produce results above a minimum level (Carey 1965:115; Drucker 1958:87). Drucker (1958:87) indicated that a business possessing all five survival needs holds a theory of the business upon which the practice can be built. These functions include 1) human organisation designed for joint performance; 2) the business existing in the society and economy; 3) the purpose of the business being to supply goods and services; 4) the business operating in a changing economy and a changing technology; and 5) profitability being the requirement for business survival. Each one of the survival needs is discussed below.

2.4.4.1 Human organisation

Drucker (1958:85) asserted that the first requirement of business is that there be an effective, human organisation. As previously stated (refer to section 2.2.3.3 above), SMPs are professional service businesses that provide knowledge-intensive services to clients; depend extensively on the skills and relational capacities of its employees; and its human resources are, arguably, key resources (Alvehus 2017:31; Kaiser et al 2015:78; Kaiser &

Ringlstetter 2011:3). Scholars agreed that human capital is the most significant, or even the only significant, strategic and crucial factor of success, and plays a central role in determining the performance of professional service businesses (Alvehus 2017:31; Domsch & Hristozova 2006:3; Dunford, Snell & Wright 2001:702). Shapero (1985:23) posited that the professional worker is the critical resource of any professional activity and the most important managerial decision in the conduct of professional activities is recruiting. Furthermore, the importance of the recruiting activity cannot be overemphasised (Shapero 1985:24) and the distinctive competence of a professional service business is the skill of its staff (Kaiser & Ringlstetter 2011:7; Pfeffer 1994:21). This confirms why well-managed professional service businesses emphasise attraction, development and building a strong culture, to retain skilled professionals who constitute the basis of its success (Pfeffer 1994:21).

Boxall and Purcell (2000:184) concurred that professional service businesses must practise highly selective recruitment and dedicated staff development, to ensure it can consistently offer clients high quality service in respect of complex business issues. This implies that SMPs should implement a human resource strategy that supports the current and competitive goals of the practice, by attracting and motivating professionals with the sort of skills and motivations needed in this competitive sector (Boxall & Purcell 2000:187). Moreover, this strategy should encourage professionals in original thought, and assist the building of the type of skills needed for new business capabilities and technological advances, in order to meet client-expectations. Kaiser and Ringlstetter (2011:7) posited that a human resource strategy must be a resource-oriented strategic management approach, building human resources within a business. The human

resource strategy provides a conceptual basis for the assertion that key human resources are the foundation of competitive advantage.

In conclusion, it is evident, from the discussion, that SMPs are knowledge-intensive forms of businesses, therefore, requiring a human resource strategy that includes attracting, developing and retaining talented people, and is key in achieving the business objectives and ensuring continuity and survival. This links to the elements of competency requirements for a sound business, included in the empirical investigation of this study (refer to annexure D).

2.4.4.2 Business exists in the society and economy

Business exists to provide a specific service to society - it has to be in society, in a community, and perform its work within a social setting (Drucker 1974:264). Businesses do not exist in a social- and ethical vacuum (Hunger & Wheelen 1993:65). Furthermore, businesses prevail as society needs a particular product or service and can perpetually exist relatively unchecked, should it assume responsibility for its actions and acknowledge its role in the larger society (Hunger & Wheelen 1993:65). According to Drucker (1974:106), a business exists only as long as society and economic roleplayers believe that it performs a necessary, useful, and productive function. For the purposes of this study, SMPs exist within a society and the economy, for the sole purpose of providing services to clients, principally SMEs. It is deemed necessary to consider a definition of the term “society”. According to the Oxford English Dictionary (2022), “society” is the aggregate of people living together in a fairly ordered community. Gould and Kolb (1964:674) defined a society as the aggregate of people of both sexes and all ages, bound

together in a self-perpetuating group and having its own fairly unique institutions and culture.

According to Birch, Peacock, Wellen, Hossein, Scott and Salazar (2017:1), society refers to a collective group of people who share a common set of social institutions, social norms (e.g., beliefs, conventions) and geographical area (e.g., territory). Understanding the relationship between business and society is critical, in order to grasp the concept of contemporary society (Birch et al 2017:5). Furthermore, there is general consensus that business is a force for the good of society (Birch et al 2017:5; Sastry 2011:246). However, there is apparently no consensus among scholars regarding the role of business in society. The late University of Chicago professor and Nobel laureate economist, Milton Friedman (Friedman 1982:133) asserted that

there is one and only one social responsibility of business, that is, to use its resources and engage in activities designed to increase its profits as long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.

Moreover, Friedman (1970:1) argued that, in a free-market system, a business executive is an employee of the owners of the business, and actions such as granting amenities for a community or reducing pollution or employing the unemployed, transpire at the expense of business profits, and is tantamount to fraud. Friedman's views support the agency theory, contending, *inter alia*, that managers' interests and incentives must be entirely aligned with those of shareholders, and that executives must be monitored and controlled in order to prevent any manoeuvring that takes funds away from shareholders (Googins, Mirvis & Rochlin 2007:27). Friedman's fundamental argument is that business

involvement in the social arena is a threat to freedom (Friedman 1982; Sturdivant & Vernon-Wortzel 1990:12). Friedman (1982:16) contended that when economic power is combined with political power, concentration of power seems almost unavoidable. On the other hand, if economic power is retained in separate hands from political power, it can serve as a check of and a counter to political power (Friedman 1982:16). Friedman further argued that the “business of business is business”, and not social issues or politics. It is, thus, evident that Friedman did not support the assertion that a business holds a social responsibility to the society within which it exists.

Peter Drucker (1974:281) adamantly disagreed with Friedman’s views, averring that Friedman’s position to eschew the social responsibility of business, is not tenable. Drucker argued that business and the other institutions of our society cannot be pure, however desirable that may be. Self-interest alone compels it to be concerned with society and community and to be predisposed to shoulder responsibility beyond its own primary areas of task and responsibility (Drucker 1974:281). Friedman’s arguments support the views of Columbia law professor, Adolf A. Berle (1954:169), who posited that business powers are powers in trust for shareholders. Berle further asserted that all powers granted to a business, or the management of a business, are always necessarily exercisable only for the benefit of shareholders. However, Harvard professor E. Merrick Dodd (1932:1149) averred that an intellectual rationale for business responsibility toward society as a whole should be championed. Cochran (2007:449) supported the argument that business is of service to the community, rather than a source of profit to its owners. Dodd further claimed that business is the economic institution of society and society may therefore demand that business be carried on in such a way as to protect the interests of

the community (Dodd 1932:1162). This controversy was fuelled by the New Jersey Supreme Court (*A.P Smith Manufacturing Company v. Ruth Barlow* 1953(13) NJ 143(A)), that held that corporations are legally authorised to make philanthropic donations to the society, and supported Professor E. Merrick Dodd's arguments. Interestingly, Adolf A. Berle (1954) was convinced by the court's decision that the state had authorised corporations to withhold a portion of its profits from its shareholders, channelling it to non-profit organisations and other good causes (Berle 1954:169). Several theorists (Drucker 1974; Frederick 1994; McGuire 1963) addressed the responsibility of business as greater than simply rendering a profit for its owners - also bearing an obligation to stakeholders (Byerly 2013:7). McGuire (1963:144) argued that the modern business corporation should recognise that, in this day and age, it can no longer pursue the single goal of profit, to the complete neglect of its overall objective. Thus, business has an obligation to society and should pursue profitability via socially acceptable channels. The principle of "profit above all" is anti-social and immoral (McGuire 1963:273). Moreover, business today must take an interest in politics, in the welfare of the community, in education, in the well-being of its employees, and the whole social world around it (McGuire 1963:273).

Frederick (1994:151) supported this notion and argued that business has an obligation to provide service beyond profit, however, without denying itself profit. Furthermore, according to a McKinsey global survey (McKinsey & Company 2006:1), business executives in 116 countries overwhelmingly embrace the idea that the role of business in society goes far beyond simply meeting shareholder-obligations. Googins et al. (2007:28) concurred that business should generate returns to investors, but should balance that with contribution to the broader public good. Consequently, the relationship between

business and society resulted in the extension of the social contract theory, to include not only society and government, but also business (Byerly 2013:6). The social contract theory seeks to understand and determine what roles, relationships, and responsibilities each of us holds relative to the whole of society and its collective well-being (Byerly 2013:6). According to Steiner and Steiner (1985:12), a “social contract” refers to a working relationship between society and its institutions, that frames the interconnections between the institution and society as a whole, and among institutions. Steiner and Steiner (1985:12) postulated that the fundamental interrelationship between business and society implies that business operates basically to serve society’s interests, in a manner conceived by society. Thus, the implied social contract brought business into an acknowledged relationship with society, and the notion emerged that business functions by public consent (Byerly 2013: 7).

2.4.4.3 The purpose of the business

According to Dolenc, Stubelj and Laporšek (2012:51), shareholder theory and stakeholder theory are two main theories defining the primary objective or purpose of the business. According to the shareholder theory, the primary purpose of a business is usually defined as value maximisation for shareholders, whereas the stakeholder theory defines the primary purpose more broadly, from the perspective of all its stakeholders (Dolenc et al 2012:51-52). The critical question is: “what is the reason for the existence of a business?”. According to Drucker (1954:37), the only valid definition of “business purpose” is the creation and satisfaction of the customer. In prioritising the customer, Drucker broke with the conventional wisdom of defining the business based on what it produced, considering the business from the customer’s point of view. Flaherty (1999:88)

quoted Drucker and posited that no product had any value until it found a customer. Drucker (1954:37) proclaimed:

[sic] It is the customer who determines what a business is, what the business thinks it produces is not of first importance, what the customer thinks he is buying, what he considers value is decisive, it determines what a business is, what it produces and whether it will prosper.

In terms of the economic “theory of the firm”, customers choose to become entrepreneurs by establishing businesses and they are the basic building blocks of this theory (Spulber 2009:2). Therefore, from an economic- and business point of view, it is evident that the customer is the foundation of a business and ensures its survival. In line with the objectives of this study, the primary business purpose of SMPs is to provide services that meet the needs of SMEs (its main clientele), and not profit maximisation.

The economic theory of the firm makes a fundamental assumption that profit maximization is the basic objective of every firm (Jones 2004:24; McGuire 1963:272; Mohr 2015:144; Spulber 2009:67). According to the economic theory of the firm, entrepreneurs are strong-willed, rational individuals, with a measure of desire to obtain the greatest possible amount of long-run profits. However, McGuire (1963:273) averred that he had never met a businessperson (although there may be such examples) who declared that maximum profit was the objective of their business. McGuire (1963:273) argued that realising the greatest possible profit over the long term, consistent with being a corporate citizen, would be the primary purpose of many businesses, if not most. Conversely, Drucker (1954:36) emphatically claimed that profit maximisation is irrelevant to the purpose of a business and that profitability is not the purpose of a business, but

rather a limiting factor. He argued that the concept of profit maximisation is actually worse than irrelevant for the purpose of understanding the behaviour of business, therefore, profit is not the explanation-, cause- or rationale of business behaviour and business decisions, but the test of its validity.

According to Jones (2004:68), businesses produce goods and services in anticipation of consumers wishing to purchase such, in sufficient quantity for the business to render a profit. This explains the “theory of the supply”, that examines the behaviour of firms in terms of the quantities of goods and services to be supplied at different prices (Mohr 2015:143). It is logical that the supply of these goods and services transpires in a market. According to Mohr (2015:5), a “market” is any contact or communication between potential buyers and potential sellers of goods or services. Drucker (1954:37) posited that, since the purpose of a business is to create a customer, a business must, therefore, possess a marketing function. Marketing is the distinguishing factor and the unique function of the business and any enterprise that fulfils itself via marketing a product or a service, is a business (Drucker 1954:37). Drucker (1954:67) declared that for a business to possess market standing, it should formulate its market-standing objectives. To be able to set these objectives, a business must first establish: 1) its market; 2) who the customer is; 3) where customers are; 4) what customers buy; 5) what customers consider as “value”; and 6) the customer’s unsatisfied wants or needs (Drucker 1954:67). These critical questions will assist the business to analyse its products or services, according to the customers’ needs. These questions support the secondary objective of this study (refer to section 1.4), in that SMPs need to understand the needs of SMEs to be able to

tailor its service offering to these needs. In the empirical investigation of this study, the needs of SMEs are taken into account (refer to section 3.2.3.3).

2.4.4.4 Changing economy and technology

Any business exists in a larger economic context and concerns regarding general business conditions are mandatory to any future business plans (Drucker 1954:89). Since the operation of an economic system is a dynamic process, one aspect of economic activity is change (Gould & Kolb 1964:62). From an economic perspective, this change (i.e., upswing and downswing) in the overall level of economic activity over a period of time, is referred to as a “business cycle” (Mohr 2015:411). The “economic environment” of a country is defined as the overall form or state of the respective country’s economy (Bruwer 2016:110). The economic environment comprises micro-economic- and macro-economic factors. Micro-economic factors focus on the individual parts of the economy, such as the decisions of individual consumers, households, businesses or other organisations, whereas macro-economic factors are concerned with issues that affect the economy as a whole, such as total production, income and expenditure, economic growth, inflation, the balance of payments and aggregate unemployment (Mohr 2015:11). Furthermore, Mohr (2015:143) indicated that one of the foremost tasks of micro-economic theory is to explain and predict how businesses behave and respond to changes in market forces and economic policies. Therefore, the economic environment in which the business operates (i.e., the business environment) is a complex web of interconnected forces affecting the social-, political-, ethical-, economic-, technological-, environmental- and market dimensions of the world (Rainey 2010:157).

Businesses operate in a rapidly changing economic environment (Amiri & Amiri 2014:28). A “business” is a specific organ of growth, expansion and change, and can exist only in an expanding economy (Drucker 1954:39). Drucker (1958:86) claimed that business must not only adapt to change in its operating environment, but for it to survive, it must also strive to innovate.. Businesses across the world are engaged in a relentless struggle to stay ahead of these forces, that appear to expand and accelerate over time (Rainey 2010:1). The post-war years, particularly the late 1950s and 1960s, have witnessed what has generally become known as the “information revolution”, signifying the dramatic extent to which the demand and supply of information have increased, resulting in the development of information science and a new technology (Glautier & Underdown 1974:19). An increased demand for information has arisen from an awareness that, for businesses to remain competitive and to progress or even to survive, more information is needed regarding the economic environment in which it operates (Glautier & Underdown 1974:27).

The 1970s heralded the development of information technology (IT) and an increased demand by management for information concerning the businesses (Amiri & Amiri 2014:29; Hobijn & Jovanovic 2001:1204; Lyytinen & Rose 2003:558). Amiri and Amiri (2014:29) noted that management information systems were redeveloped to support new accountant-roles. Gouws and Koornhof (1998:68) declared that the business environment of the 1990s has been subjected to rapid change and resulted in an uncertain and complex business environment. IT considerably influences the business world and social life today (Güney 2014:854). Furthermore, technological development modified task execution methods in the scope of accounting activities, i.e., accounting

transactions are now executed via electronic media (Güney 2014:854). Dimitriu and Matei (2014:841) contended that, owing to rapid changes in technology, businesses - including accounting practice - are generally influenced by digitisation, the intense potential created by the internet, the implications of big data, and the growing importance assigned to data mining. Therefore, these developments have created the proper context for the emergence of new concepts, such as cloud computing (Ma 2012:305).

Indisputably, the emergence of the cloud computing paradigm has influenced, and will continue to influence, the way of doing business (Hoberg, Wollersheim & Krcmar 2012:1). There is no universal or standard definition of “cloud computing”, even though it is not a completely new concept (Ma 2015:11; Oliveira, Thomas & Espadanal 2014:498). However, Buyya, Yeo, Venugopal, Broberg and Brandic (2009:601) define cloud computing as a type of parallel- and distributed system, comprising of a collection of interconnected- and virtualised computers, that are dynamically provisioned and characterised as one or more unified computing resource, based on service-level agreements. Therefore, the basic principles that drive cloud computing, combined with the activities executed by accounting software providers, have led to the emergence of “cloud accounting”, also referred to as “online accounting”. Cloud accounting provides accounting services by means of cloud computing solutions. Accounting practices have become particularly interested in the adoption of cloud computing, and an increasing number of professional accountants have been providing cloud-based accounting solutions to their clients (Ma 2015:18). Researchers (Morgan & Conboy 2013:5; Oliveira et al 2014:498; Sobragi, Maçada & Oliveira 2014:80) concurred that cost reduction is the key factor that led to the adoption of cloud accounting by various businesses.

2.4.4.5 Profitability

Scholars (Doyle 1994:123; Hambrick & D'Aveni 1988:5; Hofstrand 2006:1; Khan 2017:217) agreed that profitability is the primary objective of any business and without profitability, the business will not survive in the long run. Doyle (1994:124) posited that “profitability” is the basis for defining the success of a business and is a widely cited measure of performance. Khan (2017:217) observed that SMEs apply profitability criteria to render decisions, owing to its simple conceptual underpinnings and use, and since profit is important to the sustainability of any business. This implies that a profitable business is perceived as efficient, both in terms of operation as well as investment. Spence and Rutherford (2001:132) posited that, where the experience of running a SME is described in a financially-oriented way, social issues tend not to be prioritised in the business-life. According to Gould and Kolb (1964:543), there is no special technical meaning attached to the term “profit” in any of the social sciences, except in economics, where it is usually used in the plural, as “profits”.

In the discipline of economics, profit is broadly defined via three (overlapping) categories as 1) income accruing to institutionally-identified categories of income receivers; 2) theoretically abstracted, residual, non-functional income; and 3) returns for the performance of entrepreneurial functions (Gould & Kolb 1964:543). According to Mohr (2015:147), the economist’s definition of profit is, however, not the same as the accountant’s definition of profit. This is because economists consider all costs, including implicit costs, whilst accountants only consider explicit costs - based on recorded transactions and events (Jones 2004:153). Doyle (1994:124) noted that accounting profit is essentially an arbitrary choice by accountants and easily manipulated. Therefore,

accounting profit is an *ex post* concept, based on recorded transactions (Mohr 2015:147). “Economic profit” is the difference between total revenue from the services rendered and total explicit- and implicit costs. “Accounting profit” is the difference between total revenue from the services rendered and total explicit costs. Therefore, it appears that a theoretically abstract, residual definition of profit is the most amenable for accounting purposes, as it refers to “profit” as a residual of the gross revenue of a business over all costs, with the exclusion of implicit costs.

The economic theory of the firm makes a fundamental assumption that profit maximisation is the basic objective of every firm (De Scitovszky 1943:57; Jones 2004:24; Mohr 2015:144; Spulber 2009:67). Despite the overwhelming popularity of profitability in both business- and academic literature, the profit maximisation approach as the primary objective of a business, has been the subject of criticism by scholars (Doyle 1994:124; Drucker 1954:47; Khan 2017:219). Khan (2017:219) listed several of the common critiques of profit maximisation, namely 1) the definition of the word “profit” in profit maximisation is vague; 2) resource wastage caused by unnecessary production, as businesses produce more and more in an effort to maximise profit; 3) risks associated with profit generation are usually ignored; and 4) profit maximisation ignores the time value of money. Doyle (1994:124) cited a number of practical-, methodological- and conceptual criticisms of profitability, namely 1) accounting profit is essentially an arbitrary choice by accountants and easily manipulated; 2) businesses fail to consider the additional capital required to generate profit; 3) measures of accounting profit are fatally flawed, as a conceptual measure of the value of the business. By focusing on transient profit, business owners trade off the interests of stakeholders (i.e., shareholders,

employees, clients and the community) and the business's long-term chances of survival (Doyle 1994:124).

Drucker (1954:47), with regard to the theory of the business, predicated that the objective of the business is not to maximise a profit, but to avoid a loss. According to Drucker (1951:35), the central fact of modern economy is not profit, but loss, not the expectation of ending up with a surplus, but the inevitable and real risk of ending up with an impoverishing deficit, and the need to avoid this loss by mitigating the risks. Therefore, business must produce the premium to cover the risks inevitably involved in its operation, and the costs of remaining in business. The only source for this premium is profit (Drucker 1951:37; Drucker 1954:47). Flaherty (1999:87) confirmed that profit should not be viewed as a reward for risk; but rather as future cost to cover today's unintended operating crises and tomorrow's uncertain innovative decisions. Drucker (1951:51) defined profit in terms of its function in business and argues that profit is a mixture of risk premiums against the future costs of staying in business. Furthermore, profit is not a cause, but the result of the performance of a business in marketing, innovation and productivity (Drucker 1954:46). Drucker argued strenuously that there are no results inside the business, but only costs, efforts, problems, frictions and crises (Flaherty 1999:88).

As stated above, it is not the purpose of a business to render a profit, nor its social duty to operate at a profit. The source of the business purpose is the creation and satisfaction of the customer; and the social duty of the business is to avoid loss and to increase the productivity of the resources entrusted to it (Drucker 1951:51). Therefore, according to Drucker, profitability is only the yardstick to measure business performance and the fulfilment of these two duties to society (Drucker 1951:51; Drucker 1954:46). In his study

of setting business objectives and measuring performance, Doyle (1994:123) introduced the notion of a tolerance zone, whereby the business meets the minimum expectations of all its key stakeholders, rather than focusing on profitability as a measure of performance. This notion is supported by Karns (2011:338), who indicated that maximising the interests of stakeholders has been the dominant paradigm for understanding the purpose-, role- and conduct of business. Scholars (Donaldson & Preston 1995:75; Karns 2011:339; Freeman, Wicks & Parmar 2004:367) view stakeholder wealth-satisfaction as a “morally deficient” paradigm and as unethical management behaviour that focuses solely on the interest of shareholders, rather than the interest of employees and clients. McGuire (1963:273) argued that, at the one extreme, we appear to have discarded the maximisation of profits, and at the other, it would appear contrary to human nature to expect businessmen to attempt to minimise profits. Therefore, the proper goal-level for profit would be somewhere below the maximum and above the minimum. Many businessmen would contend that they desired to attain the maximum profits possible within the social-, economic-, and other constraints on its behaviour, dictated by the environment (McGuire 1963:273). Furthermore, profit is not a claim against the business but the claim of the business, without which business cannot survive.

The assertion that the social responsibility of business is only to increase its profit, is no longer tenable, in a world where governments are actively encouraging private business-solutions to public problems (Coombes & Nicholson 2021:125). In South Africa, the National Development Plan (RSA 2012:140) requires SMEs to create jobs to improve the economic growth. Since SMPs are like SMEs, this policy requirement applies to SMPs as

well. SMPs, as business advisors to SMEs, have a role to play, to assist SMEs to become sustainable businesses and create the jobs required by the developing economy. SMPs, as professional service businesses, are expected to render a profit when providing services to SME-clients, in order to survive. However, the provision of better services to SMEs by SMPs, at a minimum cost, should be a requirement for the survival of SMPs.

2.4.5 Summary of the theory of the business

This section introduced Drucker's theory of the business and its value to business as a distinct and well recognised modern management theory. The discussion on the theory highlighted the role played by assumptions in shaping businesses and how they need to be incorporated into business planning, in a more meaningful manner. It attempted to make sense of an increasingly changing business environment, and originated from the fundamental challenges that businesses are faced with, worldwide. The discussion claimed that the skills and competencies that business leaders require in modern management are rapidly changing and require constant review. The theory of the business is a hypothesis, concerning that which is subject to constant change, such as society, markets, clients and technologies. The discussion on the theory outlined the survival-needs of any business, providing a theoretical basis for the empirical results of this study, as this study is grounded upon the theory of the business in relation to the challenges experienced by SMPs (refer to figure 2.2 for the conceptualisation of the challenges within the theory).

The fundamental assumptions of the theory of the business and the survival-needs of the business are summarised in figure 2.1, below.



Figure 2.1: Theory of the business

(source:own)

From the above summary, it can be deduced that three fundamental assumptions of the theory of the business form the basis for the survival-needs of the business, linked to one or more survival needs. For example, the assumptions concerning core competencies refer to a combination of various resources and skills that render a competitive business advantage (refer to section 2.4.2.3), and may be linked to the survival need of human organisation, referring to business having to employ individuals possessed of the knowledge and skills to provide services to clients (refer to section 2.4.4.1), and the assumptions relating to the environment are linked to the ever-changing economy and technology (i.e., markets, clients, competitors and technologies). This implies that businesses need to understand the markets, clients, technologies and competition, in order to provide services that meet the needs of clients and the society at large. Similarly, assumptions concerning the environment of the business could also be linked to the

supply of services to clients, with the objective of earning a profit to ensure the survival of the business. Finally, the assumptions regarding the specific mission, refer to the role of business in the economy and society, i.e., providing services that serve the needs of society.

2.5 The Relationship between Small- and Medium Practices and Small- and Medium Enterprises

2.5.1 Introduction

As discussed in section 1.2.3, the relationship between SMPs and SMEs is a close relationship, mainly built on trust (Gooderham et al 2004:8; Hasle et al 2010:407). Researchers (ACCA 2010:41; Carey & Tanewski 2016:291; De Bruyckere et al 2017:52; Hartstein 2013:36; Otete 2021:39) agreed that accountants are one of the most trusted professional service providers in the SME environment. Kriel (2014) posited that SMPs play a dual role, by serving SMEs whilst themselves being SMEs. This implies that SMPs share characteristics with SMEs and face similar challenges. Having made the case in the extant literature for researching the SMP-SME relationship, as a basis for providing enhanced services to SMEs, it is important for the present study to discuss this relationship in the context of the scholarly body of knowledge, drawing on the theoretical lens that best explain the practical problem, namely the theory of the business (refer to section 2.4). The theory of the business is one of the foremost theoretical perspectives applied to understand the assumptions that shape the behaviour of businesses (Drucker 1995:95).

In the context of this study, the theory of the business was employed to understand the assumptions that shape the relationship between SMPs and SMEs. These assumptions relate to markets, and identifying customers and competitors - their values and behaviour. It relates to technology and its dynamics, and the strengths and weaknesses of a business. The general context of the SMP-SME relationship is clearly important and should be investigated. The sections that follow discuss the context of the SMP-SME relationship and the factors determining this relationship. Finally, the theory of the business (refer to figure 2.1) is updated, incorporating these determining factors (refer to figure 2.2).

2.5.2 Contextualising the relationship

In order to understand how SMPs can enhance the services provided to SMEs, it is meaningful to outline the general context wherein this relationship operates. The SMP-SME advisory relationship has been the subject of considerable research, with SMPs *inter alia* depicted as an antidote to SME-failure caused by financial mismanagement, an enabler of SME-growth, and a reliable provider of professional services (Stone 2015:250). Reay, Pearson and Gibb Dyer (2013:212) claimed that the relationship between SMPs and SMEs is crucial, and can be improved via 1) repeated interaction or embeddedness; 2) learning orientation of the advisor; and 3) the development of trust. For an exchange of business advice to be successful, personal relationships must develop, that allow explicit- and implicit assumptions and -obligations to be explored, and allow trust to develop (Bennett & Robson 2005:256). Ngai (2005:582) posited that, regardless of size, businesses are encouraged to adopt client-relationship management, in order to create and manage the relationships with its clients more effectively. Moreover, an enhanced

relationship with one's clients can ultimately lead to greater client loyalty and -retention and, also, profitability. This clearly confirms the theoretical assumption that client's needs and satisfaction are the priority of any business.

The relationship between SMPs and SMEs is viewed through the lens of the theory of the business. This theory illuminates ways for the business to deal with clients and seeks to maximise profitable relationships by increasing the value of the relationship to both the service provider and the client (Daly & Walsh 2010:504; Drucker 1994:96; Mugunthan & Kalaiarasi 2017:6431). Heirati, Henneberg, Richter and Harste (2018:1) asserted that the successful management of business relationships is critical for many professional service businesses, such as SMPs, in order to address the complex client-needs of, in this case, SMEs. Therefore, it is important for SMPs to hold its theory of the business (refer to figure 2.1) to effectively manage client-relationships and tailor services to evolving client-needs. According to Kempeners (1995:1629), a key factor in the relationship between supplier (SMP) and client (SME) is the quality of the relationship, that determines the probability of continued interchange between supplier (SMP) and client (SME) in the future. A good quality relationship supposes a satisfactory relationship, whereas poor relationship-quality supposes an inadequate relationship. High relationship-quality signifies that the client (SME) can rely on the service provider (SMP)'s integrity and has confidence in the future performance of the service provider (SMP), as the level of past performance has proven consistently satisfactory (Kempeners 1995:1631). It can be argued that trust and performance are determinants of relationship-quality and the key considerations by SMEs in demanding services from SMPs. The study undertaken on behalf of ACCA (2010:45) found that the relationship between SMPs and SMEs primarily features the following

factors: 1) providing a personal touch; 2) building rapport and trust; 3) educating the client; and 5) providing quality service. Liu, Li, Shi and Liu (2017:286) and Heirati et al. (2018:10) examined the determinants of business relationships in the context of the social exchange theory and the relational exchange theory. These theories posit that social determinants, such as trust, personal communication and interdependence, govern the exchange-relationship between supplier and client via social connections and informal practices (Heirati et al 2018:10; Liu et al 2017:286). The next section discusses the determinants of the relationship between SMPs and SMEs, namely 1) trust; integrity and empathy; and 2) competence.

2.5.3 Determinant factors

To comprehend the relationship between SMPs and SMEs, it is deemed of importance to examine the determinants associated with this relationship, identified in the preceding section. Blackburn et al. (2014:1) and Schizas, Jarvis and Daskalakis (2012:6) agreed that SME's propensity to trust, as well as the competence, empathy and integrity of a SMP, are significant determinants of the relationship between SMPs and SMEs, and fundamental qualities impacting a SMP's ability to retain SME-clients. Schoorman, Mayer and Davis (2007:345) contended that competence, empathy and integrity can contribute to trust in a group of organisations. Therefore, comprehending the role that trust and its dimensions play in motivating the purchase of services by SMEs from SMPs, is material to both SMPs and SMEs.

The objective of this section and subsequent sections is not to measure these determinants in the context of SMP services, but rather to indicate the effect each may have on the SMP-SME relationship, for example, trust of SMEs in their SMPs is based

on SMPs' performance, empathy, competence and the quality of service, hence may be beneficial to both parties.

2.5.3.1 Trust, integrity and empathy

Mayer, Davis and Schoorman (1995:714) postulated that one factor affecting the trust between parties involves the traits (i.e., distinguishing qualities) of the trustor. Therefore, the concept of "interpersonal trust" emerges. Mayer et al. (1995:714) described interpersonal trust as the expectation held by an individual or a group that the word, promise, and the verbal- or written statement of another individual or group, can be relied upon. Interpersonal trust is, thus, characterised, for the purpose of the present study, as the expectation, held by the SME owner-manager(s) or group of SME-owners, to rely on the word, promise, and verbal- or written statement of SMP-practitioner(s). Thus, for the SME owner-manager to bestow trust on a SMP practitioner, will depend on the personal traits of the SMP practitioner. Scholars (Dedahanov & Rhee 2015:1845; Laeequddin, Sahay, Sahay & Waheed 2010:64; Levine & Schweitzer 2015:89; Mayer et al 1995:714; Tzafrir & Dolan 2004:118) agreed that trustee-qualities that uniquely affect interpersonal trust are ability, empathy and integrity, and evolve from frequent contact amongst individuals.

Frowe (2005:34) posited that trust is an essential component of what it means to be a professional. Therefore, the issue of professional trust emerged as an important concept in the business literature (Tan, Braithwaite, & Reinhart 2016:331). Trust is essential to the understanding of any business relationship, as understanding the operation of any business relationship requires examining the boundaries of trust within that relationship (Blackburn et al 2018:362; Reddrop & Mapunda 2015:94). Blackburn et al. (2010:13)

argued that trust is developed through a relationship established over time between parties, in order to facilitate better understanding of mutual needs, and trust enhances competencies and assists in minimising potential risks. Relationships are the bedrock of any alliance, such as those between SMPs and SMEs, and trust is a vital aspect of these relationships (Schoorman et al 2007:344). In the context of this study, trust is a material determinant in understanding the relationship between SMPs and SMEs. Reddrop & Mapunda (2015:102) noted that trust results from accumulated experiences, over time, and is consolidated through repeated interactions. Through trust, and repeated guidance leading to solutions that reinforce that trust, SMPs provide strategic-, financial-, and, perhaps most importantly, business advice, to guide SMEs (Reay et al 2013:212).

Trust reduces transaction costs, is a source of competitive advantage, limits uncertainty and opportunism, and decreases business risks in hostile or turbulent environments (Barney & Hansen 1994:189; Blackburn et al 2018:361; Dyer & Chu 2003:64). Bennett and Robson (1999:177) and Blackburn et al. (2018:361) attributed the position of SMPs as the leading advisors to SMEs, to its status as “high trust”-providers, working within self-regulated frameworks of training, qualification and codes of conduct, all of which reinforce institutional trust. Bennett and Robson (2005:260) argued that advisors with a high level of self-regulation are expected to hold the highest level of trust and impactfulness.

It is necessary to gain clarity concerning the meaning of trust in the context of a business relationship, such as the SMP-SME relationship. The compounding literature related to “trust” has generated much debate and divergent opinions concerning what trust is, what it is not, and how trusting relationships are created (Connel, Ferres & Travaglione 2003:570). To date, there is no universally accepted scholarly definition of trust (Atkinson

& Butcher 2003:283; Von der Ohe 2014:51), owing to “trust” being a socially constructed phenomenon (Mayer et al 1995:712; Sendjaya & Pekerti 2010:644; Von der Ohe 2014:51). Scholars (Blackburn et al 2018:361; Möllering 2002:140; Moorman, Deshpande & Zaltman 1993:82; Tyler & Stanley 2007:335) agreed that a definition of trust involves several dimensions, such as 1) perceived trustworthiness; 2) trusting behaviour; 3) trust as behavioural intention or reliance on a partner; and 4) trust as a socially defined phenomenon. “Perceived trustworthiness” include both cognitive and effective beliefs, that one party will not exploit another’s vulnerability (Möllering 2002:140). “Trusting behaviour” entails actions that encourage one party towards risk, uncertainty or vulnerability to another, whose behaviour is not under its control (Tyler & Stanley 2007:335). “Trust as a behavioural intention” refers to trust as the willingness to rely on a partner in whom one has confidence (Moorman et al 1993:82). “Trust as a socially defined phenomenon” relates to characteristics of the social fabric that facilitates interactions amongst parties, thus, considering interpersonal behaviours, communication channels and interpersonal trust ties (Mayer et al 1995:712).

In the context of this study, these trust dimensions imply that, first, it is believed that SMPs will not exploit the SMEs’ vulnerability. Second, SMEs are exposed to risks, uncertainty, and vulnerability, when bestowing trust on SMPs. Third, SMEs will bestow trust on SMPs in whom it has confidence. Finally, trusting behaviour is a social construct that facilitates interaction between SMPs and SMEs. Hence, Bennet and Robson (2005:258) defined trust as a simple measure of the anticipated level of confidence by the SME-client in the outcomes it may receive from the SMP-advisor. According to Rousseau, Sitkin, Burt and Camerer (1998:395), trust is a psychological state involving the intention to accept

susceptibility, based upon positive expectations of the intentions or behaviour of another. Martins (2000:28) noted that trust is a process where a trustor (SME) relies on a trustee (SMP) to act according to specific prospects that are important to the trustor, without taking advantage of the vulnerability of the trustor. Liu et al. (2017:228) argued that trust is the belief that one's partner is honest and interested in the business's welfare. These definitions appear vague and more concerned with the confidence aspects than the business aspects. Therefore, it is necessary to investigate how trust is perceived in the context of the business relationship.

Von der Ohe (2014:52) indicated that trust is a method of assisting people to make a choice and act, by reducing the complexity of the environment when irregular information prohibits a rational decision. Mayer et al. (1995:712) defined trust as the willingness of a party to be susceptible to the actions of another, based on the prospect that the other will execute a particular action vital to the trustor, irrespective of the ability to monitor or control that other party. Mayer et al. (1995:721) argued that if levels of ability, empathy and integrity are all perceived to be high, the trustee (SMP) would be deemed quite trustworthy. Researchers (Laequddin et al 2010:57; Ring & Van de Ven 1992:489; Tyler & Stanley 2007:335) concurred that risk and trust are related, and owing to the risks inherent to transactions, trusting parties must concern themselves with the trustworthiness of the other party.

According to Ring and Van de Ven (1992:489), as a business transact more frequently with another party, it increases the likelihood that it will be able to exercise greater autonomy without fearing a loss of control, in subsequent transactions. Laeequddin et al. (2010:53) argued that the decision to trust requires multiple judgements, and should be

measured from the risk perspectives and not be limited to trustee qualities or - characteristics. Becerra and Gupta (2003:33) found that, with greater frequency of communication, the trustee's individual characteristics become more visible to the trustor and can be expected to have a greater impact, when the trustor evaluates the trustee's trustworthiness. This means that the trustor (SME) can be expected to rely more heavily on the larger amount of information directly available concerning the trustee (SMP)'s intentions and behaviour in the relationship.

Owing to the variety of definitions of "trust" in literature, the present study adopted a definition of trust derived from Mayer et al. (1995:717), that postulates three basic features or characteristics of "trustworthiness", namely 1) competence; 2) integrity; and 3) empathy. This definition is suited to the present study, as it applies to business transactions, such as the relationship between SMPs and SMEs, and captures the complex and dynamic elements of trust.

"Integrity" refers to the trustor's perception that the trustee (SMP) adheres to a set of principles that the trustor (SME) finds acceptable (Blackburn et al 2018:363; Dedahanov et al 2015:1846; Mayer et al 1995:719). Within the ambit of this study, integrity is characterised as the extent to which SME owner-managers believe that the SMP practitioners will adhere to a set of principles as contained in the code of professional conduct (Blackburn et al 2018:363). For instance, SMEs will not seek advice from SMPs unless SMEs perceive that the SMP practitioner's judgement is unbiased, devoid of conflicts of interest, and and they respect the confidentiality of the SME's information. When the trustor (SME) believes the trustee (SMP)'s principles to be unacceptable, the

trustee (SMP) is perceived not to possess integrity, and trust will be lacking (Dedahanov et al 2015:1846; Schoorman et al 2007:346).

“Empathy” is defined as the degree to which the business advisor (in this case, a SMP) possesses a “warm, considerate and caring” attitude towards the SME-client (Aurifeille & Medlin 2009:9; Blackburn et al 2010:14). Furthermore, empathy reflects the extent to which an individual holds positive intentions or a desire to assist the trustor (Levine & Schweitzer 2015:89). In the context of this study, empathy refers to the extent to which a SMP is believed to act in good faith towards the SME, aside from an egocentric profit-motive (Lassoued & Hobbs 2015:101; Mayer et al 1995:718; Von der Ohe 2014:64). Therefore, trusted advisors are expected to prioritise the needs of their clients above their own (Strike 2013:302). Empathy requires a SMP to display a warm, considerate and caring attitude (Blackburn et al 2010:14; Bojanic 1991:31). Mayer et al. (1995:718) claimed that empathy suggests that the trustee (SMP) displays a measure of particular attachment to the trustor (SME).

Results of the study commissioned by ACCA (2010:13) indicated that, for SMPs to become effective advisors to SMEs, it needs to develop empathy with the SMEs. In terms of the theory of this study, empathy forms part of the core competencies needed by practitioners to accomplish the missions of their accounting practices. The study conducted by Bojanic (1991:34) found that empathy was related to client-satisfaction, however, SME-respondents indicated that SMPs were not responsive to its needs, nor were SMEs satisfied with the personal attention it received from SMPs. This confirms a few of the challenges confronting SMPs (refer to section 2.6) and SMPs need to recognise and respond effectively to these areas of concern, should it wish to retain SME-clients in

a highly competitive environment. This is supported by the theory of the business, i.e., that client-needs and -satisfaction should be a priority of any business.

In conclusion, individuals who are perceived to have empathy are perceived to be less likely to exploit a potential trustor, and consequently, are more likely to be trusted (Levine & Schweitzer 2015:89). Therefore, empathy plays a crucial role in the building of interpersonal trust (Levine & Schweitzer 2015:89) and SMEs are more likely to purchase professional services from those SMPs whom they believe will act in its best interests, by understanding and genuinely caring about its business needs. This is in line with the theory underpinning this study, that provides a vision for the business to deal with clients more effectively (refer to figure 2.1).

2.5.3.2 Competence

“Competence” is defined as the degree to which clients perceive that the service provider possesses the required skills and knowledge to provide the service (Laequddin et al 2010:57; Mayer et al 1995:717). In the context of this study, competence is the degree to which SME owner-managers perceive its SMP-advisors to possess and maintain professional knowledge and skill, at the level required to provide competent professional services (Blackburn et al 2018:362). The competence of the SMP and the SME’s receptiveness to business advice, are significant determinants of the SME’s demand for advice (Blackburn et al 2014:5). The existence of a relationship between SMPs and SMEs enables SMEs to understand the abilities and competencies of SMPs, as business advisors, therefore assisting SMPs to understand the needs of SMEs (Blackburn et al 2018:361). The theory of the business posits that business managers need core competencies to achieve the missions of their businesses and maintain good leadership.

Thus, the skills and competencies of SMPs are critical in meeting the needs of SMEs, a concept that the theory underpinning this study is rooted in. In the study conducted by Carey and Tanewski (2016:306), it was found that the perceived competence of the SMP practitioner to provide business advisory services to the SME, is positively associated with SME-expenditure on business advisory services and SMEs' reliance on its SMPs as business advisors. Moreover, Carey and Tanewski (2016:294) indicated that information asymmetry will arise when the SME is unable to establish whether the SMP is sufficiently qualified or competent to act in the best interest of the SME.

In conclusion, a SME will only demand services from a SMP if the SME owner-manager perceives the SMP-advisor to be a competent source of advice.

2.5.3.3 Quality of service

Although competence, integrity and empathy are the determinants of the relationship between SMPs and SMEs, and key qualities of the trustee (SMP) in building this relationship, quality of service was also found to have a direct influence (Gooderham et al 2004:16). In the study undertaken by Aga and Safakli (2007:85), service quality was found to have a positive effect on the client satisfaction of the professional accounting businesses. Gooderham et al. (2004:17) noted that SMEs purchase services from SMPs when they perceive the services provided by SMPs to be of high quality. Since SMPs are professional service businesses, service quality has a significant bearing on the relationship with its SME-clients. According to Baron, Harris and Hilton (2009:167), quality is the lifeblood that generates increased patronage, competitive advantage and long-term profitability for service-based businesses, such as SMPs. Ngai (2005:585) posited that high-quality client service is key to improving client retention rates and maintaining a good

relationship with clients. In line with the fundamental assumptions of the theory of the business, quality of service is an area where a SMP must excel, in order to maintain leadership and accomplish the mission of the accounting practice. Moreover, the theory postulates that client-needs and -satisfaction are the priorities of any business.

“Service quality”, as perceived by clients, is the extent of the discrepancy between clients’ expectations and perceptions concerning services (Murphy & Farmar 1993:10; Zeithaml, Parasuraman & Berry 1990:19). The client’s quality-perception depends on the degree to which quality expectations are confirmed or contradicted by experience (Scheuing & Christopher 1993:20). This notion of confirmation or negation of quality expectations, gives rise to the concept of “perceived service quality”. Baron et al. (2009:168) described perceived service quality as the gap between client-perceptions and -expectation of a service. In the context of this study, perceived service quality represents the instance when a SME-client experience that the services provided by the SMP meets its needs (refer to figure 2.2). Therefore, it is important for SMPs to understand the needs of SMEs, to enable it to tailor its service offering to the needs and quality expectations of SME-clients. There is pervasive consensus amongst scholars (Baron et al 2009:169; Bojanic 1991:28; Grönroos 1984:38; Murphy & Farmar 1993:11) that service quality is a measure of how well the service delivered matches client-expectations. Grönroos’ (1984:40) service quality model posited that when clients’ experiences exceed the service expectations, the perceived quality is positive. According to Grönroos (1984:38), perceived service quality can be divided into two quality dimensions, namely 1) technical quality; and 2) functional quality. The technical quality dimension refers to that which a client receives as a technical solution to their problem, whereas the functional quality

dimension refers to how the technical quality is delivered to clients (Baron et al 2009:169; Grönroos 1984:38; Scheuing & Christopher 1993:21). Within the ambit of this study, technical quality refers to professional services provided by SMPs to SMEs, that meet the technical needs of the SMEs, whereas functional quality refers to the method of delivering professional services to SME-clients.

Zeithaml et al. (1990:16) indicated that service quality is more challenging to evaluate than goods quality, as clients do not evaluate service quality solely on the outcome of a service, and the only criteria relevant to evaluating service quality are defined by clients. This assertion is supported by Baron et al. (2009:168), who claimed that service quality is based on the notion that it is the client's perception of quality that is important and all other judgements are, essentially, irrelevant. Scheuing and Christopher (1993:21) and Zeithaml et al. (1990:20) agreed that key determinants that influence clients' level of expectations are: 1) word-of-mouth communications; 2) personal needs of clients; 3) previous experience with using a service; and 4) external communications from service providers. It is evident that these quality determinants are crucial to building the relationship between SMPs and SMEs, since it influences the expectations by SMEs. Other researchers (Aga & Safakli 2007:85; McLachlin 2000:141; Murphy & Farman 1993:3; Zeithaml et al 1990:21) shared the view that the general evaluative criteria of service quality are: 1) reliability; 2) responsiveness; 3) assurance; 4) empathy; and 5) tangibles. Aga and Safakli (2007:85) described these dimensions as follows: 1) reliability, as the ability to perform the promised service dependably and accurately; 2) responsiveness, as the willingness of employees to provide prompt service to clients; 3) assurance, as the knowledge and courtesy of employees and their ability to inspire trust

and confidence; 4) empathy, as pertaining to caring, individualised attention provided to clients; and finally 5) tangibles, as referring to the physical evidence of service. Zeithaml et al. (1990:21) suggested that reliability is the most important feature of a service-based business, followed by responsiveness. Therefore, reliability and responsiveness refer to the SMP's development of trust with SME-clients, via consistent and predictable actions, over a period of time. Reliability is also based on the integrity or honesty of the SMP-advisors and the stability of the business environment in which a SMP operates.

2.5.4 Summary

The section discussed SMPs and SMEs in both the South African- and global contexts, and further debated the relationship between the two forms of businesses, viewed through the lens of the theory of the business. The existence of a business relationship between SMPs and SMEs is supported by a vast amount of scientific literature. It was established that SMEs may refrain from utilising professional services offered by SMPs, unless SMEs perceive that SMPs 1) possess the skills and knowledge to provide the required services (competence); 2) will adhere to a set of principles that the SMEs regard as acceptable (integrity); and 3) will act in its best interests, and beyond an egocentric profit-motive (empathy). Quality of service was found to be a key determinant of the relationship. Notwithstanding the significance of the leveraged relationship between SMPs and SMEs, it is important to understand the challenges confronting SMPs and SMEs, that usually impede its survival.

2.6 Challenges Confronting Small- and Medium Practices and Small- and Medium Enterprises

2.6.1 Introduction

The SME-sector faces several challenges, despite the critical role of SMEs in job creation (Bushe 2019:15; Fatoki 2018:2; Mutezo 2015:27). In South Africa, government has positioned SMEs on its priority list for boosting economic growth and job creation (RSA 2012:140). Despite the identified, positive contributions of SMEs to national economies, South Africa endures one of the world's highest SME-failure rates (Mutezo 2015:27). In 2016, the Small Enterprise Development Agency (SEDA) commissioned the Bureau for Economic Research (BER) at the University of Stellenbosch, to conduct research in respect of South Africa's SME-sector. The research revealed key challenges confronting SMEs, including 1) inadequate access to finance and credit; 2) poor infrastructure; 3) low levels of research and development; 4) onerous labour laws; 5) inadequately educated workforce; 6) inefficient government bureaucracy; 7) high levels of crime; and 8) lack of access to markets (BER 2016:7). It would be interesting to compare the failure rates of SMEs to those of SMPs. There is, thus, a need to investigate the challenges hindering SMPs to provide services that meet the evolving needs of SMEs. Since the present study is concerned with SMPs assisting SMEs, there can be no doubt that SMPs have a significant role to play in assisting SMEs to overcome key challenges.

It is equally important to explore the challenges faced by SMPs, in order to establish if SMPs are confronted by any obstacles that may impede its ability to provide enhanced services to SMEs. In 2014, IFAC conducted a global SMP-survey, in an attempt to understand the business environment faced by SMPs and its SME-clients. The survey

questioned practitioners at SMPs in respect of the challenges they face, the advisory services they provide, technologies most likely to affect them in the future, and their current and projected revenue (IFAC 2015:3). Furthermore, questions were posed to SMPs with regard to its SME client base, including questions concerning the challenges it faces, exposure to financial crimes, access to finance, and its engagement in international activities (IFAC 2015:3). The survey revealed key global challenges confronting SMPs, including the attraction of new clients, the ability to stay abreast of new regulations and standards, the pressure to lower fees, rising costs, and differentiating from the competition (IFAC 2015:12). Similarly, SMEs were found to be confronted with challenges related to rising costs, economic uncertainty, difficulties in accessing finance, and financial crime (IFAC 2015:4).

Subsequent IFAC global SMP survey (IFAC, 2017:4) revealed that African SME clients continued to face many challenges with most of the respondents viewing economic uncertainty (74%), rising costs(78%), differentiating from competition(62%), and difficulties in accessing finance (72%) as a high or very high challenge for their SME clients. Other studies (Ciccotosto, Nandan & Smorfitt 2008:331; De Bruyckere et al 2017:58; Nandan 2010:72) ranked staffing, human resources, workloads, knowledge management, remaining informed via continuous professional development, stress levels, and evolving technology, as key areas of concern to SMPs. Many of these challenges are addressed by the theory of the business, as it relates to the business environment (e.g., society, clients, markets and technologies) and core competencies needed by SMPs to accomplish the business mission (refer to figure 2.2).

It can be argued that the survival of SMPs is at risk, owing to the challenges that they are facing. This study provides an opportunity to narrow the gap in the literature, as a framework was developed to guide SMPs, in order to understand the challenges hindering them from providing services that meet the needs of SMEs. The challenges faced by SMPs are discussed in the context of the theory of the business, in the next section.

2.6.2 Challenges faced by small- and medium accounting practices

SMPs are confronted with many challenges, around the world - in general - and in developing countries - in particular. Understanding the challenges faced by SMPs becomes a prerequisite to ensuring its increasing contribution to business development and the economy, in general. The literature study revealed 10 challenges confronting SMPs, as discussed below.

2.6.2.1 Technology developments

“Keeping up with technology” was found to be one of the areas of concern for SMPs (Ciccotosto et al 2008:327; Otete 2020:35), based on the IFAC study (IFAC 2018:4). A further analysis of the survey results reveal that SMP practitioners reported technological issues, such as lack of in-house skills and expertise; adoption and use of cloud options; provision of business insights from data analytics; utilising technology in serving clients; and recruitment of non-accountants (e.g., IT specialists and data scientists). Technologies, such as Blockchain, presents challenges to SMPs working in the audit industry and calls for strategic transformation in this area (Liu, Wu & Xu 2019:26; Thottoli, Thomas & Ahmed 2019:530). Kaawaase (2022:76) posited that pre Covid-19 pandemic,

SMPs in Uganda were already faced with a challenge of inability to keep up to date with technological developments.

According to Shaffer, Gaumer and Bradley (2020:41), between 400 million and 800 million of today's jobs will be automated by 2030, resulting in explosive labour market disruptions. This assertion is supported by Gustafsson and Jerking (2021:14), indicating that automation of processes could lead to a knowledge gap amongst accountants, as new working methods that are created by technology require SMPs to acquire new skills and competencies. Basic accounting functions requiring the predictable task of data collection and data processing, such as payroll, auditing, bank reconciliation, risk assessment, and invoice- and payment processing, have already been automated (Shaffer et al 2020:41).

The emergence of new, online technologies and a mobile, internet culture, have driven a proliferation of cloud-based accountancy software and are impacting the accounting profession in profound and unprecedented ways (Hood 2018:2; Zhang & Zhang 2019:180; Parnham 2015:1). Thus, it is evident that IT is pervasive in the business world and achieving a high level of competence in operating IT to perform their tasks, is crucial for accountants. It is not only about keeping up with rapidly changing technology - of serious importance to accountants are concerns of being replaced by technology (Frederiksen 2018:5; Gustafsson & Jerking 2021:14; Islam 2017:1). Hence, technology certainly has played a role in undermining the value of hard-won accountancy qualifications (Parnham 2015:2). Nevertheless, technology cannot replace human judgement and -wisdom that SME-clients really desire from its SMPs (Hood 2018:3). Kokina, Gilleran, Blanchette and Stoddard (2021:163) noted that the digital workforce has

arrived, and SMPs are required to engage in digital upskilling, to be part of this new way of working. It can, thus, be argued that, as SMEs' business operations are becoming increasingly automated, SMPs will need to compensate for declining practice revenue, generated from basic accounting functions, by providing business-advisory services to SME clients.

The Association of Accounting Technicians (AAT) conducted a survey of 250 accountants and bookkeepers, and identified three areas that have the biggest impact on the accounting profession (Harper 2018:1). These areas include 1) automation, where tasks such as input, processing and output are automatically delivered by software; 2) cloud, which changes the way professionals store data; and 3) new developments in accounting software. Cloud computing is one of the latest technological innovations and presents businesses with unique opportunities and challenges (Kloppers & Van den Bergh 2019:161). Hood (2018:3) posited that lack of IT resources by SMPs could affect its ability to audit clients and, thus, further diminish the pool of auditors available to provide services to SMEs in an economical manner. Despite the widespread belief that the emergence of tremendous advances in IT represent a major challenge to SMPs, there is an almost equally widespread belief that it could also offer solutions to many of the profession's problems, and present opportunities for significant growth (Hood 2018:3; Zainuddin & Sulaiman 2016:468). Interestingly, Kloppers and Van den Bergh (2019:161) found that SMPs appear to be more positive toward technology and more agile and capable of deploying technology, than large practices. Notwithstanding the challenges associated with automation, it is essential for SMPs to develop new skills and the competencies required to take part in, or even lead, automation efforts within its practices, and to

become critical advisors to SMEs approaching these new technologies. The theory of the business specifies that SMPs need core competencies, which may include, *inter alia*, IT competencies, to enable achievement of the business mission (refer to figure 2.2).

2.6.2.2 Attracting and retaining staff

In the knowledge-industry, talent attraction and retention of key employees are among the major challenges facing businesses and must be managed, to ensure survival in the 21st century and to maintain a competitive advantage (Boštjančič & Slana 2018:7; Cegarra-Leiva, Sánchez-Vidal & Cegarra-Navarro 2012:91). The increased competition for talent and the shortage of qualified talent, are concerns for professional service businesses, such as SMPs, particularly in markets where growth opportunities are envisaged (Hinge Research Institute 2018:3; Prince 2015:1; Sheridan 2017:3; Suseno & Pinnington 2017:216). Attracting talented job applicants is a key human resources task that significantly affects business performance (Hauswald, Hack, Kellermanns & Patzelt 2015:963). Otete (2018a:54) posited that clients can only judge the performance of SMPs through interaction with the professional staff deployed on the engagement. Kaawaase (2022:76) noted that pre Covid-19 pandemic, SMPs in Uganda were already faced with a challenge of staff constraints. With the global acknowledgement of the unequivocal value of talent as a competitive weapon, talent management has increasingly received scholarly attention, over the past decade (Tlaiss, Martin & Hofaidhllaoui 2017:426). In the survey conducted by IFAC, SMPs worldwide cited major challenges relating to talent management, amongst others: 1) difficulty in attracting next generation talent (54%); 2) concerns of technology impacting jobs and opportunities (27%); 3) competing for talent with larger practices (57%); and 4) lack of candidates with the right mix of skills (66%)

(IFAC 2018:6). These concerns are directly addressed by the theory of the business, as talent management forms part of the core competencies required of the SMP owner-practitioner, in order to accomplish the mission of the accounting practice (refer to figure 2.2).

The IFAC (2018:6) global SMP survey-results are supported by the findings of a study by Malo, Fortin and Héroux (2020:35), that attracting and retaining qualified staff are a challenge for SMPs, particularly in an industry already burdened by this issue and witnessing increasing competition. It can, thus, be argued that the inability of SMPs to attract new- and retain qualified and experienced staff, renders it challenging to position its practices as “employers of choice” in the accounting profession. This argument is supported by Boštjančič and Slana (2018:7), claiming that only those businesses that recognise talent as a crucial factor and invest resources into it, will be successful in the war for talent.

As with large practices, SMPs grapple with maintaining a delicate balance between the quantity/quality of its human capital and the volume of work, and where its skills can be optimally deployed to serve SME-clients (Otete 2018a:54). In the market for professional services, such as the one in which SMPs operate, SME-clients can only judge the performance of SMPs via interaction with the professional staff deployed on the assignment. This signifies that SMPs’ inability to attract qualified staff will render it challenging to meet the expectations of SME-clients and to remain competitive in future. In a study by Han et al (2018:1) concerning sustainable, competitive advantages of SMPs, human capital was highlighted as one of the deficiencies in the core competencies of SMPs. In the financial markets worldwide, talent is recognised as an indisputable, key

ingredient in delivering quality audits (ACCA 2013:4). Therefore, attracting, motivating and retaining talent are always difficult for SMEs, owing to its size and lack of emphasis on human resource management (Wee 2013:35). More importantly, attracting, developing and also retaining talented individuals, have become some of the most important goals of human resource management practices in the past two decades (Pittino, Visinstin, Lenger & Sternard 2016:75; Wirba 2017:2).

According to Kaliannan, Abraham and Ponnusamy (2016:396), the principal challenge faced by most of the SMEs, including SMPs, is the so-called “brain-drain”, leading to a lack of the appropriate talent. Ciccotosto et al. (2008:331), in their study relating to issues facing SMPs, rated staffing and human resources as areas of concern for SMPs. This finding is supported by the survey results of the 3rd Annual Accounting Firm Operations and Technology survey, that revealed staff recruitment and -retention as key challenges for all surveyed SMPs (Johnston, Garrett & Tankersley 2016:46). The research conducted by Sheridan (2017:3) on the fundamental challenges facing SMPs, revealed that attracting qualified professionals has a high or very high impact on practices.

The retention of key employees is critical to the long-term health and success of any business (Wee 2013:35; Wirba 2017:2). Specifically, retaining competent professionals is turning out to be extremely challenging for many accounting practices (Prince 2015:1). Equally so, there is a mounting pressure for professional accountants to upskill their talent, and to avoid becoming obsolete, they must learn and develop new skills that will allow them to stay competitive and relevant in the field (Hood 2018:6).

2.6.2.3 Succession planning

Rothwell (2016:6) defines “succession planning” as the process of identifying critical management positions and the assembling of talented people to fill key leadership positions, in order to ensure leadership continuity in central positions. Succession is an event that is, sooner or later, encountered by all businesses, regardless of its size (Durst & Wilhelm 2012:639). In the survey study conducted by Dennis (2005:47), 62 percent of surveyed SMPs indicated that succession planning is an essential issue to its practices. Thus, businesses should afford succession planning the highest priority, in order to avoid the situation of “falling into a hole”, that is – unfortunately – quite common. Motwani, Levenburg and Schwarz (2006:479) identified succession planning as the single most important matter requiring the attention of a firm’s leadership. Succession planning was found to be the biggest issue confronting the accounting profession, by various scholars (Pickering 2010:360; Wadeson & Ciccotosto 2013:178). A Certified Public Accountants of Australia (CPAA) small business survey (CPAA 2018:47) revealed that more than a third of SMP-respondents do not possess a succession- or exit plan for its practices. Wadeson and Ciccotosto (2013:178) noted that SMP-practitioners do not devote the needful time or effort to successful succession planning, even though the significance to the practice is lucid and recognised by practitioners. Sawers and Whiting (2014:92) confirmed that a sizeable proportion of SMEs, including SMPs, still lack a formal, written succession plan.

Ciccotosto et al. (2008:327) conducted a qualitative research study on the issues facing Australian SMPs, and clearly identified succession planning as a significant consideration and challenge for these practices. The results of a survey study by the American Institute

of Certified Professional Accountants (AICPA) supported this finding, revealing that succession planning is one of the top five issues confronting SMPs (AICPA 2017). Tysiac (2016:27) noted that, despite the aging of the accounting profession, accounting practices appear to have made little progress toward formalising and implementing succession plans. This implies that, when experienced partners leave the practice, they take with them not only the capacity to do the work, but also the accumulated wisdom and corporate memory they have acquired (Wadeson & Ciccotosto 2013:178). In the context of the theory underpinning this study, a succession plan is one of the core competencies needed by SMP owner-practitioners to accomplish the mission of their accounting practices (refer to figure 2.2). A succession plan provides assurance that SMPs will have competent individuals available to continue providing services to clients , particularly during periods of economic uncertainty.

2.6.2.4 Attracting and retaining clients

Attracting new clients and retaining existing clients, were cited by respondents to the latest IFAC global SMP survey (IFAC 2018:10) as, collectively, a key challenge confronting their practices. This is a prominent challenge in the African context, as survey respondents to the IFAC study rated this aspect as “very high” on the scale of challenges besetting their practices (IFAC 2017:12; IFAC 2016a:12). Kaawaase (2022:76) found that pre Covid-19 pandemic, SMPs in Uganda were already faced with a challenge of inability to retain clients. Sudacevschi (2016:718) stated that the competitive environment is becoming strained and SMPs must develop its marketing strategies to advertise its specialised services, in order to retain old clients and acquire new clients. In the context of the theory of the business, the client is the focal point, therefore, identifying clients and

competitors, their values and behaviour, and understanding client-needs, are crucial to the development of the theory of the business. According to Kotler and Connor (1977:72), the marketing of professional services comprises organised activities and -programs by professional services businesses, such as SMPs, that are designed to retain present clients and attract new clients, by satisfying their needs through the delivery of appropriate services, in a manner consistent with credible, professional goals and norms. This implies that the marketing strategy employed by a SMP to attract new clients should be consonant with the profession's canons of ethics (Kotler & Connor 1977:73).

Tankersley (2018:1) claimed that, in the SMP environment, referrals by existing clients and other professionals is one of the most popular ways to attract new clients. This contention was supported by the findings of a study by Taylor and Archer (1994:41), highlighting four aspects of professional services marketing, namely 1) attract clients; 2) convince clients to buy from you; 3) inspire clients to return; and 4) excite clients sufficiently to tell others. Another aspect that is added to professional services marketing, is the process to communicate the practice's greater ability to deliver services to clients (Aquila & Marcus, 2004:20), thus, communication in an attempt to persuade prospective clients that the practice can better serve their needs than its competitors. Zwetsloot and Does (2015:130) suggested that a well-designed website can be used as a communication tool to attract new clients and generate more revenue.

According to Berkovi (2014:244), attracting clients takes time, effort and patience, and requires a dedicated budget and adequate resources. Berkovi (2014:242) denoted the four most trusted information sources for attracting clients as: 1) word of mouth; 2) business development staff; 3) webinar; and 4) printed material. Therefore, existing, loyal

clients can assist with attracting new ones, by providing referrals and allowing the publications of testimonials, both of which can be stimulated by a proactive business development team. Day, Denton and Hickner (1988:287) claimed that client satisfaction is unquestionably the principal determinant in retaining current clients, and one indicator of client satisfaction is whether an existing client recommends the business to another individual or business. Whilst attracting new SMP-clients is important, retaining current clients is relatively more essential, for two reasons. Firstly, it can be costly – in terms of time and effort – to attract new clients. Secondly, clients who leave the practice often do so because they are dissatisfied (Day et al 1988:288). Hence, it is evident that developing relationships with existing clients and other practices are undisputable marketing strategies utilised to attract new clients, and providing quality service is crucial to retaining existing clients.

2.6.2.5 Pressure to lower fees

Global surveys have consistently identified the pressure to lower fees as one of the primary challenges faced by SMPs (IFAC 2016a:4; IFAC 2017:4; IFAC 2018:10). Ettredge, Fuerherm and Li (2014:256) found that audit fees decreased significantly during periods of financial crisis, as practices were under pressure to allow client fee concessions, and such lower fees were associated with reduced audit quality. Otete (2021:48) noted that the pandemic has exerted downward effect on the fees paid by the clients. Scholars (Abdullah, Mazaloomi & Poordadashi 2016:11; Broberg, Tagesson, Argento, Gyllengahm & Mårtensson 2017:344) agreed that time budget pressure is the largest cause of reduced audit quality, whilst Mazza and Azzali (2018:135) indicated that SMPs are under pressure to reduce fees when the client holds a sound IT-control

environment and functioning internal controls. Conversely, other studies (Meidawati & Assidiqi 2019:118; Pham, Duong, Pham & Ho 2017:429) found that high audit fees have a negative impact on the audit quality, i.e., the higher the audit fees, the lower the audit quality. The economic malaise has likely contributed to increased concerns related to fee pressure amongst many SMPs (IFAC 2012d:1; Sonu, Ahn & Choi 2017:135). SMPs are finding that pressure to lower the fees in respect of its professional services continues to present a significant challenge and can be attributed to, *inter alia* 1) clients' determination to curtail expenditure towards professional fees; 2) globalisation and the benefits of reduced costs resulting from outsourcing to more economical services; and 3) technological advances resulting in certain tasks being performed by a device (IFAC 2012d:1).

Pressure by SME-clients on SMPs, to reduce accounting fees, has prompted SMPs to adopt innovative strategies in order to discover alternative sources of income, to compensate for reduced revenue from original clients (Alam & Nandan 2010:470). In a study by Chu, Simunic, Ye and Zhang (2018:129), it was revealed that SMPs charge lower audit fees, owing to its competitive disadvantage to the large practices. Olsson and Arnold (2017) indicated that there is a risk that fee pressure may directly impact the viability of certain SMPs, that may be unable to continue operations, or decide to provide only particular services. Therefore, SMP-practitioners need to develop skills and adopt the strategies required to cope with the pressure to lower fees. These strategies may include 1) improving client relationships; 2) enhancing quality and experience; and 3) utilising technology (IFAC 2018). In the context of the theory of the business, downward

fee pressure is driven by the increasingly chaotic business environment and the needs of clients (refer to figure 2.2).

2.6.2.6 Competition from unqualified accountants and threat of new entrants

The IFAC global SMP survey revealed that 46 percent of the SMPs, worldwide, cited the ability to differentiate from competition as a significant challenge confronting its practices (IFAC 2018:10). The dynamics of the rapidly changing economic environment and the volatile market for accounting services, have continued to pose major challenges to the operation of SMPs (Kirui 2020:73). As such, competition with larger practices has continued to present massive challenges for SMPs, as large practices adopt defensive fee-discounting strategies to counter the lower fees introduced by new SMPs entering the market for audit services (Grant, Harber & Minter 2018:91; Wu, Wang & Li 2018:445). This assertion was confirmed by Bills, Hayne and Stein (2021:545), claiming that SMPs encounter cooperation (i.e., collaboration between business competitors) when it aligns itself with other independent businesses, in order to form business networks.

The increase in unqualified accountants taking advantage of the new opportunities, could pose serious problems for the profession (Parnham 2015). Since there are no regulatory laws in place, as is the case with solicitors and doctors, anyone is at liberty to call themselves an “accountant”, without any form of training or professional qualification (Organisation for Economic Cooperation and Development (OECD) 2009:34). Although unqualified accountants normally hold limited skills sets, SMEs are still turning to them for business advice (Parnham 2015). Unregulated accountants are often able to charge lower fees for their services, *inter alia*, as they are not required to pay membership fees to professional bodies. It appears that several SME owner-managers do not consider

qualifications, when selecting an accountant for business advice. Hence, the risk of receiving unsound advice that these SMEs are taking, may reflect poorly on the accounting profession as a whole, as such advice could have a negative effect on SMPs growth and development, resulting in the deterioration of the accountancy industry's hard-earned trusted and reputable status.

2.6.2.7 Keeping up with new regulations and standards

The IFAC global SMP survey (IFAC 2018:10) revealed that 45 percent of SMPs perceived “keeping up with new regulations and standards” as one of the significant challenges confronting its practices. Kaawaase (2022:76) noted that pre Covid-19 pandemic, SMPs in Uganda were already faced with a challenge of inability to keep up to date with new regulations and standards. In the study conducted by the Edinburg Group – a coalition of 16 professional accountancy bodies from across the world – the respondents cited having to keep up with new regulations and standards as impacting negatively on the operations of SMPs – such impact expected to extend to the following few years and beyond (Street, Albu, Albu & Webber 2019:10). This links with the theory of the business, as regulatory changes are factors that emanate from the external environment and SMPs should constantly study these changes, in order to evaluate that its theory of the business remains in line with the realities of today (refer to figure 2.2). Notably, South African SMPs are experiencing a phase where there are many changes and amendments to legislation, requiring accountants to keep up to date (Street et al 2019:10). The theory of the business posits that the skills and competencies that business owners require in modern management are rapidly changing, and this may include skills and competencies relating to new regulations and standards. In a study by Malo et al. (2020:35), it was noted that

regulations have burdened audit firms and its efforts to manage its business, since the introduction of regulatory measures following the corporate failures of the early 2000s. Defond and Lennox (2011:21) found that the enactment of the Sarbanes Oxley Act coincided with a large reduction in the number of SMPs operating in the audit market. The regulatory burden has significant impacted those SMPs holding fewer resources (Malo et al 2020:35). Logie and Maroun (2021:131) noted that the increased cost of observing regulations and the consequences of non-compliance with international standards on auditing, have resulted in SMPs being associated with the provision of lower quality audits in the assurance market. Whilst regulations may provide opportunities for offering additional services, they may also restrict service offerings (Street et al 2019:51). For example, in South Africa, the introduction of mandatory audit relief prompted SMPs to modify its goals and strategies, with specific reference to a shift from audit services to advisory services (Coetzee 2015:264). SMPs face the challenge of paying the costs of compliance with inspections on audit quality, conducted by the regulatory board for auditors, based on a percentage of the total fees declared to IRBA annually, for assurance work invoiced by the SMP in the previous calendar year (Coetzee 2015:77). The capacity for SMEs to survive, grow and compete, can be adversely impacted by complex regulation (IFAC 2015:6; IFAC 2016a:10). Chalu (2019:54) recommends that policies on the adoption of international standards on auditing should not only focus on compliance but also consider the resources under the disposal of SMPs. Since SMPs are essentially SMEs, and given the importance of SMPs with regard to job creation, and economic growth and -prosperity throughout the global accountancy profession, addressing proportionality in regulation and rule-making is crucial to SMPs' survival.

2.6.2.8 Serving clients operating internationally

According to Perera, Rahman and Cahan (2003:27), “globalisation” is defined as the international integration of production and markets. SMPs are highly exposed to globalisation, as a result of SME-clients’ involvement in international activities (ACCA 2018:4). Therefore, SMPs recognise many of the key challenges and -opportunities faced by internationalised SMEs in today’s global economy (ACCA 2018:6; Edinburgh Group 2013:19). The need for advice becomes increasingly relevant when SMEs decide to undertake international business activities, therefore SMPs need to carefully examine and assess the services they provide to such SMEs (IFAC 2016a:15).

The lack of knowledge related to foreign markets, has been identified as a major risk and a barrier to SMEs trading overseas (ACCA 2018:22; Loane & Bell 2006:474). In the survey study conducted by ACCA on how SMPs can unlock international ambitions, only 24 percent of surveyed SMEs sought advice from SMPs, when embarking on international activities (ACCA 2018:6). Evidently, serving clients operating internationally is presenting considerable challenges to SMPs, as the majority of SMPs are still facing the challenge of providing guidance to SMEs beyond its core area of expertise, such as business advisory services in respect of international activities (Edinburgh Group 2013:22).

Serving clients that operate internationally was viewed as one of the primary challenges confronting SMPs, by global survey respondents (IFAC 2016a:4; IFAC 2017:4). In Asia, where cross-border trade is expanding, nearly half (48%) of the respondents cited internationalisation as the top challenge besetting their practices. SMPs must closely follow the steps of their SME-clients’ efforts to internationalise, and render effective services that meet the evolving needs of the SMEs (Kee, Khalid, Kok, Lau & Yu 2013:48).

The capacity to exploit mediums that enable SMPs to achieve international connections and network, is critical for its practices to be competitive (Kee et al 2013:48). SMPs have the potential to become a key agent for the internationalisation of SMEs, should it be able to provide SMEs with the advice it needs (Edinburgh Group 2013:32; IFAC 2014:25). SMPs appear to be falling short of grasping the potential offered by international business, with only one in five providing the services its clients may need to operate internationally and take advantage of growing markets (Edinburgh Group 2013:8). According to Baskerville and Hay (2010:285), survival of accounting firms and the careers of its partners have been substantially affected by its ability to form and maintain affiliations with global businesses. Many SMPs experience difficulties in applying International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), perceiving many features of these standards as ill-adapted to the circumstances of its practices (Kee et al 2013:78; Street et al 2019:52). Evidently, providing international advisory services to SMEs is a competitive necessity for SMPs, and SMPs' hesitancy to develop its international advisory provision actively and attempt to understand the new realities of this global business environment, remain primary challenges. SMPs need to demonstrate core competencies (e.g., technical knowledge of foreign laws) to serve clients operating internationally (refer to section 4.6.8) and achieve the business mission. Moreover, fulfilling the needs of clients is the only valid definition of a "business purpose" and a central theme of the theory of the business (refer to figure 2.2).

2.6.2.9 Rising costs

Since SMPs are SMEs, rising costs present a challenge to SMPs (refer to section 4.6.3). "Rising costs" has been consistently cited as one of the top challenges faced by SMPs

(IFAC 2016a:4; IFAC 2017:4). The high start-up costs for businesses, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMEs (Abor & Quartey 2010:224). In an African context, SMP-respondents identified rising costs as a significant challenge (57%) confronting their practices (IFAC 2017:4). This implies that costs related to operating a business in Africa are high, and the issue of bureaucratic red tape could be a contributing factor. Specifically, African empirical studies (Asongu & Odhiambo 2019:263; Fatoki 2014:922; Olawale & Garwe 2010:735) found that the cost of energy and electricity; high transport costs; elevated interest rates; high taxes; and soaring inflation- and exchange rates; are the principal challenges to conducting business in Africa and present key obstacles to the growth of small businesses.

According to Harber, Marx and De Jager (2020:222), the mandatory rotation of audit firms in South Africa, from 2023, will result in considerable costs being imposed on audit firms, including SMPs, in the form of set up- and transition costs, as well as costs incurred to submit and present competitive tenders in order to secure audit engagements. This implies that SMPs will have to incur additional costs to compete with larger practices in order to attract new clients, an area of concern for SMPs, as these costs are not recoverable from clients via increased fees. Nevertheless, SMPs tend to benefit from the mandatory rotation of audit firms, as more opportunities to compete for audit appointments become available. In line with the fundamental assumptions of the theory of this study, managing rising costs through proper cost management techniques is a competency that SMP owner-practitioners need and must excel in, in order to own successful accounting practices (refer to figure 2.2).

2.6.2.10 Managing cash flow and late payments

Managing “cash flow and late payments” consistently emerged as a significant challenge confronting SMPs in Africa (IFAC 2016a:12; IFAC 2017:12; Mhula-Links 2017:23). This implies that a number of SMPs in Africa are at risk of insolvency and the issue of late payments by government and big clients could be a major contributing factor, as poor working capital management and late payment problems are primary causes of SME failures (Paul & Boden 2011:732). Furthermore, SMEs tend to rely on short-term funds and, thus, efficient working capital becomes crucial for its survival and growth, owing to its profound impact on business profitability and risk (Baños-Caballero, García-Teruel & Martínez-Solano 2010:511; Orobias, Padachi & Munene 2016:95). According to Chalmers, Sensini and Shan (2020:58), working capital management involves all decisions that impact creditors, inventory, trade receivables and -cash, and cash equivalents. Therefore, in a study by Uwonda and Okello (2015:1), it was found that cash flow management significantly influenced the sustainability of SMEs. In addition, literature pertaining to SME financing indicates that businesses that are unable to generate sufficient operating cash flow are more susceptible to bankruptcy (Gupta, Wilson, Gregoriou & Healy 2014:649). According to Paul, Devi and Teh (2012:777), SMEs with shorter credit terms and -debtor’s collection periods, perform better than those with lengthier credit terms and extended collection periods. In a study by Thwala and Phaladi (2009:533) concerning problems confronting SMEs, it was established that late payment by government is one of the determinants of SME-failures in South Africa. In the SME survey undertaken by SAICA, late payment by clients was cited by the respondents as one of the material reasons for SME failure in South Africa (SAICA 2016:14). The late- or non-payment of valid invoices

and claims, hold dire consequences for both public- and private enterprises, particularly SMEs. This is because delays and non-timeous payment for services rendered by SMEs, negatively impacts job creation and the economy (RSA 2018:1). Therefore, to stimulate the growth of SMEs, the South African government implemented a strict 30-day payment policy for SMEs (RSA 2018:1; SAICA 2016:17). This signifies that government entities are required, by law, to pay valid invoices and claims presented by SMEs within 30 days from the date of receipt, and failure to do so will be regarded as financial misconduct by the officers responsible for the late- or non-payment of such invoices and claims (RSA 2018:1). Since SMPs are also SMEs (refer to section 2.2.2) and face the same challenge, this policy requirement is applicable and of great assistance to SMPs, as well.

Skills to manage cash flow and late payments by clients are core competencies needed by SMP owner-practioners to achieve the missions of their accounting practices, in line with the assumptions of the theory of the business (refer to figure 2.2).

2.6.3 Challenges faced by small- and medium enterprises

The challenges confronting SMEs were briefly discussed in section 1.2.4. This section discusses the challenges in detail, by examining the relevant literature.

Katua (2014:467) posited that SMEs are confronted with numerous challenges that substantially impede its progress and growth and, subsequently, SMEs' contribution to economic development. A review of extant literature (Adisa, Abdulraheem & Mordi 2014:6; Cant & Wiid 2013:714; Chinomona & Maziriri 2015:835; Fatoki 2014:924; Kamunge, Njeru & Tirimba 2014:1; Katua 2014:467; Kongolo 2010:2293; Muriithi 2017:39-40; Mwobobia 2012:114) revealed findings concerning the major challenges faced by SMEs in Africa. Some of the key challenges include 1) poor management skills

and -competencies; 2) lack of education and training; 3) lack of access to finance; 4) poor record keeping and information management; 5) corruption; and 6) government policy and regulations. Each of these key challenges is discussed, below.

2.6.3.1 Poor management skills and competencies

There is considerable evidence that SMEs that lack the relevant managerial skills and -competencies, and management experience, tend to fail (Fatoki 2018:3; Lose & Tengeh 2015:14348; Muriithi 2017:41; Okpara 2011:160). Ates, Garengo, Cocca and Bititci (2013:37) opined that lack of management skills obstructs business growth and contributes to business failure. Muriithi (2017:37) observed that poor management skills present a key challenge that besets SMEs worldwide, and is attributable to the lack of managerial expertise by most SME owner-managers. Bouazza, Ardjouman and Abada (2015:104) and Kamunge et al. (2014:14) pronounced that the availability of managerial skills and -experience positively affect the performance and growth of SMEs. Bouazza et al. (2015:104) emphasised that management skills and -competencies are necessary for SMEs to survive and achieve growth, and the positive growth pattern of SMEs is attributable to its managerial skills. Fatoki (2014:925) observed that a critical factor in the success of a new SME, is the ability of its initial leadership to continue to overcome new obstacles, as the business evolves. Kamunge et al. (2014:6) reflected that good management signifies a need for proper planning, control, and organising skills, as well as proper staffing, consisting of qualified and competent employees. Competency is developed from a managerial skill to consolidate both tangible and intangible resources to improve capabilities that, upon excelling, results in competencies (Muriithi 2017:41), whereas management skills are sets of complimentary knowledge-skills and

competencies possessed by the SME owner-manager, and can render the SMEs more efficient (Adisa et al 2014:10; Bouazza et al 2015:104).

Muriithi (2017:42) posited that the lack of managerial skills is even more prevalent in top management, where the lack of core competencies and capabilities remain a principal challenge for SMEs in Africa and other parts of the world. In the study by Adisa et al. (2014:1), it was found that SME owner-managers do not possess the required managerial skills to effectively manage their businesses. Consequently, SME owner-managers are ill prepared to face changes in the business environment and to plan appropriate modifications to technology (Kamunge et al 2014:6). In the context of this study, the lack of managerial skills and competencies by SMEs provide SMPs with an excellent platform for delivering additional advisory services to such SME-clients.

2.6.3.2 Lack of formal education and training

Various scholars (Chinomona & Maziriri 2015:840; Fatoki 2014:925; Okpara 2011:165; Phillips, Moos & Nieman 2014:87; Smit & Watkins 2012:6326) acknowledged that a lack of education and training amongst SME owner-managers present a primary obstacle, confronting several SMEs. According to Bowen, Morara and Mureithi (2009:17), education is one of the factors that has had a profoundly positive impact on the growth of businesses. Those business owners holding larger stocks of human capital – in terms of education and/or vocational training – are better positioned to adapt their businesses to constantly changing business environments (Bowen et al 2009:17; Fatoki 2014:925; Kamunge et al 2014:6). Mwobobia (2012:116) ventured that entrepreneurial education and -training play a vital role in stimulating entrepreneurship and self-employment. It is, thus, deemed meaningful to understand how education and training impact SMEs.

Adisa et al. (2014:10) pronounced that SME owner-managers who are educated and possess the required skills, self-confidence and technical knowledge, attain high growth rates in their business, and are always successful. This is supported by Bouazza et al. (2015:104), claiming that businesses with a skilled- and well-educated workforce are probably more efficient. Moreover, the long-term existence and sustainability of these businesses are certain (Muriithi 2017:41). The study by Yeboah (2015:24) reported that the level of education of the SME owner-manager has the most significant influence on the growth of the business. This conclusion was upheld by numerous studies (Bouazza et al 2015:104; Fatoki 2014:925; Fatoki 2018:3; Muriithi 2017:42) recognising that low levels of education and training are linked to the critical failure factors of SMEs in most African countries. Bruwer (2016:272), in a study on managerial conduct and the internal control activities of South African SMEs, recommended that employees of South African SMEs should be provided with essential training in business and management sciences, in order to acquire a generic and basic knowledge of commerce. It can, thus, be concluded that lack of education and training of SME owner-managers provide SMPs with an opportunity to offer business advisory services to SMEs.

2.6.3.3 Lack of access to finance

Chinomona and Maziriri (2015:840) remarked that finance is regarded as the “life blood” of any business, be it big or small. The study by Kamunge et al. (2014:14) established that access to finance affords a business better opportunities, resulting in improved business performance. A survey study undertaken by the World Bank, on the status of SME access to finance in Africa, revealed lack of access to finance as the foremost constraint impeding the operations and growth of African SMEs, compared to other parts

of the world – where the problem was moderate (Beck & Cull 2014:17). This is supported by the survey of SME owners conducted by SAICA (2016:16), where respondents cited lack of access to finance as one of the most significant barriers to starting a new business in South Africa. In Algeria, lack of access to finance is posited to be a principal barrier to the growth of SMEs, and it accounts for high rates of failure amongst those SMEs (Bouazza et al 2015:103). Researchers (Adisa et al 2014:7; Gichuki, Njeru & Tirimba 2014:20; Shah, Nazir, Zaman & Shabir 2013:65) have observed that the key challenges hindering SMEs from accessing finance include high comparative interest rates; strict collateral requirements; unwillingness of individuals to act as guarantors; and a short payment period. Thus, SME owner-managers experience immense difficulties to access finance from financial institutions, owing to the aggressive behaviour of these institutions when providing loans to SMEs (Bouazza et al 2015:104; Shah et al 2013:65).

Fatoki (2014:925) and Smit and Watkins (2012:6326) established that lack of access to finance is one of the most common causes of business failure in South Africa. Smit and Watkins (2012:6326) argued that this failure is attributed to South African bankers, who are less inclined to finance SMEs owing to its perceived high level of risk and a weak expected return. In addition, considerations such as SME owner-managers' inability to draw up business plans; the lenders inability to determine the SME's credit risk owing to lack of information about its business; low levels of entrepreneurship; and a high failure rate; are regarded as contributing factors (Smit & Watkins 2012:6326). In Nigeria, lack of funding occasioned by rigid lending practices, pose many problems, that tend to impede the start up and sustainability of SMEs (Adisa et al 2014:7). In Kenya, inadequate access to finance is the greatest obstacle to female-owned SMEs, that often lack information on

how to apply for a loan, lack the necessary collateral to obtain one, or face discriminatory laws or practices related to finance and credit (Mwobobia 2012:114). In consonance with Phillips et al. (2014:87), Chinomona and Maziriri (2015:840) noted that female-owned SMEs in South Africa have been particularly disadvantaged in the past, as they did not own any property to be leveraged as collateral for loans, and needed their husbands' permission to enter into financial agreements.

Evidently, lack of access to finance occasioned by rigid lending practices, pose many problems that tend to impede the growth and sustainability of African SMEs. In conclusion, the challenge created by the lack of access to finance is exacerbated by SMEs' inability to manage cash flow and debtors – presenting an opportunity for SMPs to provide cash flow advice to SMEs.

2.6.3.4 Poor record keeping and information management

According to Ademola, Olukotun, James and Olore (2012:58), “record keeping” is the art of recording business transactions in a systematic manner, so that the financial position of the business can be ascertained readily, at any time. Ademola et al. (2012:65) stated that many SMEs do not keep business records and therefore do not even know whether it experiences growth in its businesses. Chelimo and Sophia (2014:434) and Gichuki et al. (2014:7) attested that keeping accurate records is fundamental for a successful business to remain organised and profitable, particularly for promoting the growth and development of SMEs (Adisa et al 2014:7; Chelimo et al 2014:434; Madurapperuma, Thilakerathne & Manawadu 2016:191; Okpara 2011:160).

The study by Madurapperuma et al. (2016:189) found that the majority of the SMEs do not keep complete accounting records, owing to a lack of accounting knowledge and the

high cost of hiring professional accountants. This limits financial institutions in providing finance to SMEs, as these institutions rely on past financial performance, as an indicator of future profitability (Gichuki et al 2014:7). Therefore, this circumstance provides SMPs, as trusted advisors to SMEs, with an opportunity to assist SMEs with proper maintenance of accounting records and information management, as part of additional value added support.

2.6.3.5 Corruption

A major challenge confronting businesses in Africa, is corruption (Bouazza et al 2015:103; Kanu 2015:14; Muriithi 2017:43). “Corruption” is a concept that cannot be easily defined, for what is recognised as corruption by one society, might not be perceived as such by another society (Kanu 2015:13; Mohammed 2013:120). Indeed, defining corruption is a daunting and challenging venture. Researchers (Kanu 2015:13; Mohammed 2013:120) provided a succinct definition of the term “corruption” as “abuse of entrusted power by a person entrusted with a position of authority in order to [acquire] illicit benefits for private gain”.

In a study by Aterido, Hallward-Driemeier and Pages-Serra (2007:4), it was found that corruption reduces employment growth, by affecting both the growth of SMEs and large businesses. With specific reference to SMEs, Okpara (2011:160) argued that corruption undermines the trust and confidence of SME owners. Gbetnkom (2012:13) observed that the effect of corruption, in the form of bribery payments, is significantly deleterious to the growth of SMEs. To SME owners, this signifies the expenditure of additional money outside the budget, in order to fund unwarranted activities and incur unproductive costs, that reduce their revenue and affect business performance (Gbetnkom 2012:7; Muriithi

2017:43). Bribery payments are regarded as a financial crime – a form of corruption rated by surveyed SME-respondents as one of the challenges faced by SMEs in South Africa (SAICA 2016:10).

In Sierra Leone, corruption amongst SMEs is invariably evident in the forms of bribery, misappropriation of cash by employees, extortion, fraud, kickbacks, cronyism and nepotism (Kanu 2015:15).

Transparency International's Corruption Perception Index (CPI) indicated that some of the most corrupt countries in the world are situated in Africa (Corruption Watch 2018:20; Muriithi 2017:43; Transparency International 2018:11). The CPI is related to perceptions of the extent of corruption amongst public office bearers and politicians, by entrepreneurs and business people, as well as country analysts (Govori 2013:706). South Africa is ranked 43rd on the index, with 1st being the least corrupt country in the world (Transparency International 2018:2). The practice of corruption continues to undermine the efforts and commitment by African governments to reduce poverty and boost economic growth, via SME-development (Muriithi 2017:43).

Okpara (2011:160) noted that bribery, dishonesty, and other illegal business behaviours, are the principal challenges confronting African SMEs, and have hampered business entrepreneurship on the African continent. Corruption contributed to the diversion of support programmes targeted for the development of SMEs (Kanu 2015:15). Conversely, despite the negative impact of corruption on SMEs, corruption is beneficial to SMEs when the bribe paid to a public official results in the award of a business contract to the SME (Kanu 2015:16). Whether this can be regarded as an ethical outcome, is debatable.

2.6.3.6 Government policy and regulations

Regulatory constraints imposed by the government, is one of the factors that hamper SME development (Nieuwenhuizen 2019:676). Bouazza et al. (2015:103) and Matarirano, Chiloane-Tsoka and Makina (2019:2) agreed that compliance with tax regulations, complicated rules and over-regulating, can heavily impair the growth and performance of SMEs. The research study by the OECD found that South African labour laws reduce employment turnover and wage flexibility, that limits the ability of SMEs to expand and adjust to the more extensive competition that arises from regulatory changes and lower trade barriers (OECD 2020:43). The study undertaken by the World Economic Forum (2017:268) on global competitiveness among 140 countries, identified government bureaucracy as one of the most obstructing factors to conducting business in South Africa. Meyer and Meyer (2017:131) noted that lack of business growth in South Africa can be attributed to an unfavourable business climate and inadequate policy support by government.

In the South African context, Ayandibu and Houghton (2017:136) commented that insufficient government support is a fundamental challenge faced by SMEs. For example, SMEs have to pay registration, licenses fees and taxes imposed by government legislation, that impact its growth and development (Ayandibu & Houghton 2017:136; Cant & Wiid 2013:709). The World Bank (World Bank 2018) found that it takes 45 days to start a business in South Africa and there are 7 procedures involved. It takes less time (25 days) in Kenya and 14 days in Ghana, and there is an average of 7 procedures involved in dealing with business registration issues. Evidently, the importance of SMEs to the economy of a country drives the importance of government policies that support

SMEs, including regulations that enable it to operate efficiently and reduce compliance costs (Govori 2013:703). The level of red tape required by government and large private sector businesses were both perceived, by SME-respondents, as prominent challenges confronting SMEs and key obstacles to the start-up of a business in South Africa (SAICA 2016:10). The red tape faced by SMEs provides SMPs with an opportunity to furnish SME-clients with advice on regulatory compliance. In conclusion, more supportive business regulations can provide SMEs with opportunities to grow and innovate, and possibly render a profound contribution to the formal sector of the economy (ACET 2021:53).

2.7 Grounding the Study in the Theory of the Business

The theory of the business explains both the success of businesses and the related challenges these businesses are confronted with (Drucker 1994:96). Furthermore, the theory endeavours to make sense of an increasingly challenging business environment and the challenges faced by business managers (Daly & Walsh 2010:509). Thus, in the context of this study, the challenges confronting SMPs and SMEs are viewed through the lens of the theory of the business, as these challenges are rooted in the fundamental assumptions of the theory (refer to figure 2.1 above). For example, from the supply side (SMPs), the challenges of competition and the threat presented by new entrants to the industry; attracting and retaining clients; pressure to lower fees; and to adjust to technological changes; are all based on the fundamental assumptions concerning the environment of the business, i.e., what SMPs are paid for. Challenges relating to a lack of talent; overwhelming regulations and standards; poor cash flow and late payments;

and a lack of access to international clients; all require SMPs to develop new core competencies, to overcome the challenges and eventually achieve the missions of the accounting practices. From the demand side (SMEs), most of the challenges faced by SMEs, such as poor management skills and competencies; a lack of formal education and training; and poor record keeping and information management (refer to section 2.6.3); all require SME owner-managers to develop core competencies, in order to overcome these challenges. The challenges confronting both SMPs and SMEs can be overcome by adopting the theory of the business and the related fundamental assumptions. The drivers of the challenges hindering SMPs from providing enhanced services to SMEs, based on the results of the empirical study, namely 1) automation; 2) talent management; 3) cost management; and 4) attracting and retaining clients (refer to section 4.5); are grounded in the theory of the business, as depicted in figure 2.2, below. First, constant technological changes effect pressure on SMPs to provide automated services and may require SMPs to develop new core competencies, in order to deliver services. Therefore, automation can be linked to the assumptions about core competencies, required to accomplish the business mission. Second, attracting and retaining clients relate to the assumptions concerning the specific mission of the business, indicating how a SMP envisions itself contributing to the economy and society at large, by providing services that meet the needs of society. Considering that a valid purpose of the business is to create a customer, providing such service that fulfils the needs of clients is the central theme of the theory of the business.



Figure 2.2: Theory of the business supporting the drivers of small- and medium practices' (SMP) challenges (Source: own)

Third, talent management is related to the assumptions regarding core competencies, as talented people would enable SMPs to enhance the services provided to clients, and thereby accomplishing the business mission. Furthermore, talent management is similar to the first survival need of a business, namely human organisation, as a business requires an effective organisation of human beings to perpetuate itself. Fourth, managing costs is a core competency needed by SMPs to provide affordable services to SMEs and can improve profitability, therefore, contributing to the success of SMEs and the society at large. If these challenges are addressed via the theory of the business, both SMPs and SMEs will become sustainable businesses and create jobs needed by the economy and society at large. Finally, the four drivers discussed above are the areas of core competencies where SMPs must excel, in order to maintain leadership.

2.8 Chapter Summary

In this chapter the definitions of SMPs and SMEs were examined and it was noted that there is neither consensus, nor a single and generally acceptable global definition of either SMPs or SMEs. However, IFAC's definition of a SMP provided global guidance on that which constitutes a SMP, and was subsequently adopted by various professional accounting bodies, globally. Within the South African context, a discussion regarding the classification of SMPs by SAICA and IRBA, was presented. The theory of the business and its dimensions were comprehensively discussed as a foundation for the study. Thereafter, the relationship between SMPs and SMEs was extensively examined and the literature indicated that the relationship between the two entities is mainly based on mutual trust. However, despite their significance to economic growth and job creation, SMPs and SMEs face a myriad of challenges. The chapter concluded in grounding the challenges of SMPs and SMEs within the theory of the business. The next chapter presents the research design, consisting of the research paradigm, methodology, and research methods.

Chapter 3

Research Design

3.1 Introduction

In chapter 2, the literature review underpinning the empirical study conducted to address the research objectives, was provided. This chapter documents the research design, in order to address the research objectives. The primary objective of this study (refer to section 1.4) is to deliver a framework that will offer guidance to SMPs, in order to enhance services provided to SMEs, based on its needs. Hence, the exploratory inductive research design includes a philosophical paradigm and a sound research methodology. These are discussed in the next section. The supporting research methods, based on a mixed method methodology, that includes data gathering and analyses techniques, follow. In addition, the trustworthiness of the data, such as the ethical considerations, and the credibility, confidentiality and transferability of the data, and the research assumptions and -limitations, are discussed.

3.2 Research Design

Leedy and Ormrod (2015:20) and Saunders et al. (2009: 600) broadly described “research” as the systematic collection and interpretation of information for the clear purpose of discovering new knowledge. A “research design” is the general plan guiding the researcher on how to go about answering the research questions or addressing the objectives (Creswell 2014:41; Saunders et al 2009:136). Therefore, the philosophical assumption (or paradigm), the methodology (or approach), and the specific research methods of data collection, analyses and interpretation, are interrelated and underpin the

practice of research (Creswell 2014:31). This section should be read in conjunction with 1) section 1.3, where the research problem is briefly described, relating to the lack of knowledge in respect of the challenges faced by SMPs, that are hindering the enhancement of services provided to SMEs – its main clientele; 2) section 1.4, where the main research objective is stated, i.e., to develop a framework or guideline that will provide SMPs with insight into the needs of SMEs, and how challenges hinder the achievement of these needs. For this, study, due to the limited literature available on the topic, an exploratory inductive design was followed.

3.2.1 Research paradigm

The first component, forming the cornerstone of the broader research design, is the research paradigm (Saunders et al 2009:108). Scholars have agreed that a “paradigm” is an acceptable model, or pattern, or a belief system, or worldview, that guides the research action (Eriksson & Kovalainen 2008:16; Feilzer 2010:7; Kivunja & Kuyini 2017:26; Krauss 2005:759). Teddlie and Tashakkori (2009:4) declared that a “worldview” is completely supported by the assumptions associated with that view. Creswell (2014:35) posited that a worldview is the general philosophical orientation about the world and the nature of research, that a researcher brings to a study. Kivunja and Kuyini (2017:6) indicated that a “research paradigm” provides a theoretical framework for selecting an appropriate research methodology. Creswell (2014:36) identified three worldviews that are widely used in today’s literature, namely positivism, interpretivism and pragmatism. Teddlie and Tashakkori (2009:5) described “positivism” as the worldview that adopts a scientific method comprising the rigorous testing of a hypothesis, using data consisting of quantitative measurements. “Interpretivism” is defined as the worldview that is interested

in how people, as individuals or a group, interpret and understand social events and settings (Eriksson & Kovalainen 2008:19), usually following a qualitative approach. Lastly, “pragmatism” is a deconstructive paradigm that debunks theoretical concepts of “truth” and “reality”, and focuses on the outcomes of research, or the primary importance of the research question or objective, and the application of multiple methods of data collection to inform the issue under study (Teddlie & Tashakkori 2009:7; Watkins & Gioia 2015:12). This study applied three research methods, each founded within either a qualitative or quantitative approach. Therefore, the research paradigm selected must inform both approaches, namely a positivism paradigm for the quantitative part of the study and an interpretivism paradigm for the qualitative part of the study. Considering the three paradigms alluded to above, the most appropriate research paradigm for investigating the research problem of this study was the pragmatism paradigm. Pragmatism is certainly not new to the social sciences, and several meaningful literature reviews relating to pragmatism are available (Feilzer 2010:7; Johnson & Onwuegbuzie 2004:14), discussing the concept both as a general belief system for the social sciences and as a philosophical orientation for mixed methods research (Denscombe 2008:273; Robson 2011:29; Teddlie & Tashakkori 2009:7; Watkins & Gioia 2015:12). To be “pragmatic”, in the general use of the word, indicates a concern for practical matters, and being guided by practical experience rather than theory (Robson 2011:27). A major tenet of the pragmatism-concept is that qualitative- and quantitative methods are compatible (Teddlie & Tashakkori 2009:15). The primary objective of this research paradigm is to determine the effectiveness of the meaning of affinities, in terms of its practical consequences. Pragmatism views knowledge as being both produced and based on the reality of the

world one experiences and lives in (Teddlie & Tashakkori 2009:74). This suggests that the way in which respondents judge the existence of a relationship between affinities, regarding the phenomenon that is researched, was an important point of departure for this study. Pragmatism sets aside contentious issues of truth and reality, and philosophically acknowledges that there are singular and multiple realities that are open to empirical inquiry, and orients itself toward solving practical problems in the real world (Feilzer 2010:8). Thus, the main reason for selecting pragmatism as the research paradigm for this study, is to solve a real-world practical research problem, by exploring the challenges hindering the enhancement of services provided by SMPs to SMEs, based on SME-needs, by means of a framework. Furthermore, this paradigm is relevant for the study, as it provides a foundation for applying multiple research methods to address the same research problem, by achieving specific secondary research objectives (Teddlie & Tashakkori 2009:15). In this study, the researcher employed a combination of quantitative and qualitative methods to address the same research problem, in order to achieve the primary research objective of the study. Pragmatism serves as a foundation for both engaging the literature and interpreting data. Therefore, the research strategy inquiry, discussed in the subsequent section, had to adhere to the principles of pragmatism.

3.2.2 Methodology

The second component of the broader research design is the strategy of inquiry (methodology or approach) followed in the research, that is primarily influenced by the research paradigm discussed above (refer to section 3.2.1). Creswell (2014:12) proposed that “research strategies” are types of inquiry within qualitative-, quantitative- and mixed methods approaches, that provide specific direction to procedures in a research design.

In line with the pragmatism research paradigm, the methodology applied to this study is a mixed methods approach. This is because the research study implements three research methods, each founded within either a qualitative or quantitative approach. Watkins and Gioia (2015:12) supported the notion of a mixed method approach and contended that this approach is rooted in pragmatism.

“Mixed methods research” is an approach to inquiry where the researcher collects both quantitative (closed-ended) and qualitative (open-ended) data, integrates the two forms of data, and then draws interpretations based on the combined strengths of both sets of data, to understand the research problems (Creswell 2015:2; Frels & Onwuegbuzie 2013:184; Watkins & Gioia 2015:11). Creswell (2015:2) put forth a core assumption of the mixed method approach as the researcher-combination of statistical trends (quantitative data) with stories and personal experiences (qualitative data), where that collective strength provides a more insightful understanding of the research problem than other approaches alone. Robson (2011:167) and Watkins and Gioia (2015:13) claimed that integrating qualitative and quantitative research methods provide certain advantages, namely 1) the increased validity of findings, owing to triangulation; 2) an opportunity to take advantage of the strengths of each approach; 3) a complete and comprehensive picture of the research topic; 4) the ability to resolve different research questions; 5) the ability to manage complex phenomena and -situations; and 6) the refinement of research objectives (hypothesis development and testing).

In this study, the “phenomenon” refers to the practical problem, namely the challenges hindering the enhancement of services provided by SMPs to SMEs – an area that has not been investigated before, yet various parties have expressed the need for such

research (refer to section 1.2.4). As mentioned, in line with the pragmatism research paradigm, the methodology applied to this study is the mixed methods approach (QUAL (perceptions) → quan (drivers) + quan (descriptive statistics)). According to the pragmatism paradigm, the researcher is required to set aside their own experiences and only consider the respondent's views. Following data collection, affinities identified from the data analysis are applied to develop a framework, that forms the basis of the scholarly investigation and is supported by a review of the existing literature. It is common cause that inductive logic is particularly useful to a researcher during the initial exploration of a research phenomenon, as was the case in this study.

3.2.3 Research methods

Following consideration of the research paradigm, and consequently the strategy of inquiry, the research methods represent the last of the three components of the broader research design. Creswell (2014:16) and Watkins and Gioia (2015:3) asserted that “research methods” are the techniques that are applied to confirm the methodological underpinning of a study, and are applied by the researcher for the purposes of collecting, analysing and interpreting data. Thus, if the “methodology” is the theory behind the research, then “methods” are tasks that should be completed in conjunction with the research methodology, to help address the relevant, posed research objective or question, with the principal aim to mitigate and/or solve the identified research problem (Watkins & Gioia 2015:3). In this study, three research methods were applied, namely a comprehensive literature study (research method 1); a survey using Interactive Qualitative Analysis (IQA) (research method 2); and document analysis (research method 3). These research methods were applied in different phases, to achieve the main

research objective and secondary research objectives. Lastly, the assertions applied to develop a framework were tested, by means of a survey. The section below briefly discusses the research methods employed in this study, within the ambit of the conceptual framework depicted by figure 3.1 (see next page).

The conceptual framework provides a visual presentation of the research methods and procedures followed in this study. The flow of the conceptual framework is a presentation of the main aspects of the study, namely the research problem, the identification of challenges driving the debate in respect of the research problem, and the development of a draft framework, leading to a final framework that addresses the main research objective. The literature study was conducted in order to identify the principal challenges driving the debate regarding the research problem. The circles represent the empirical data collection and analysis. The triangle is a control measure, strengthens the data obtained, and provides credibility to the research findings and results. Each research method is briefly discussed in the next section.

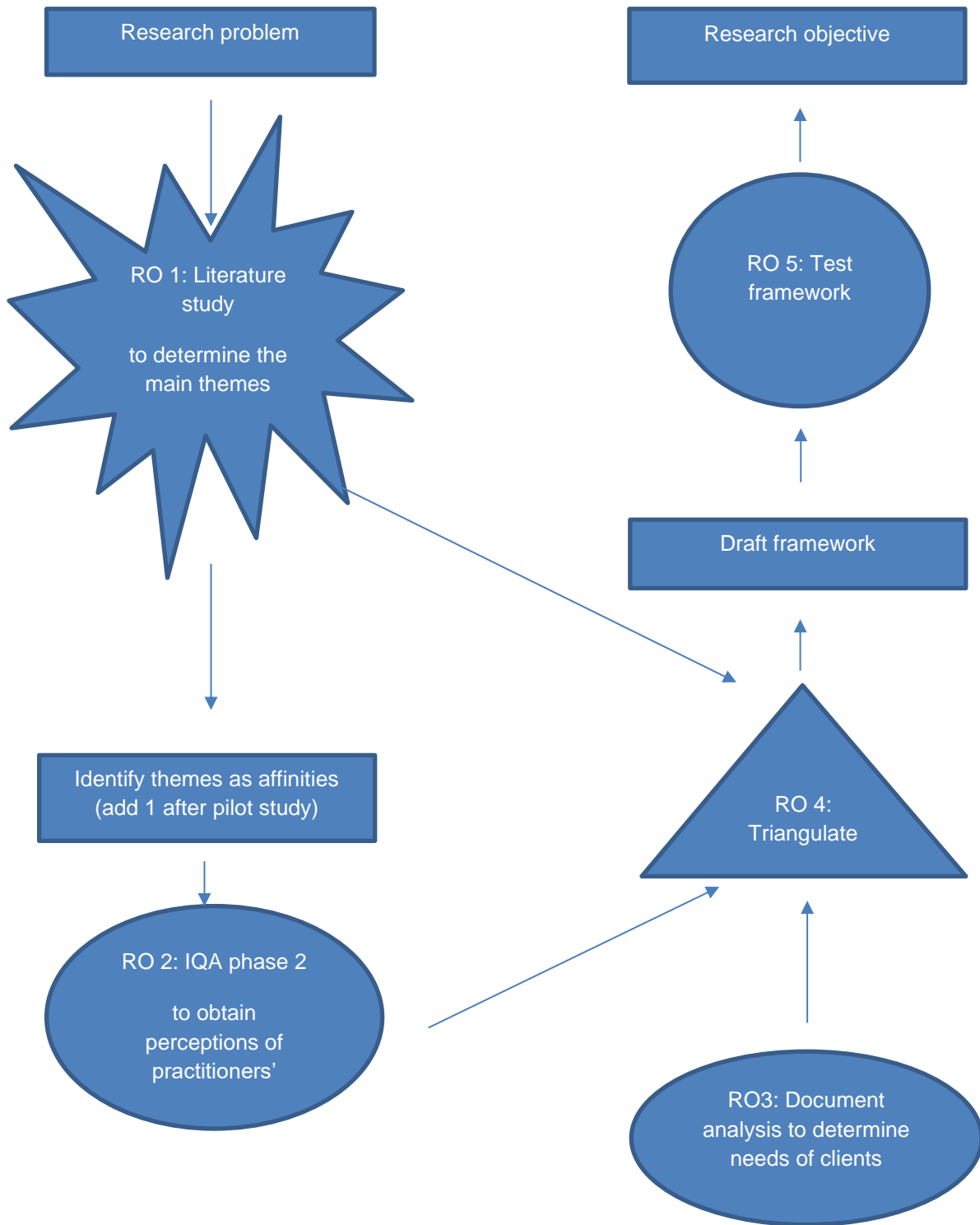


Figure 3.1: Conceptual framework of the research design

(Source: own)

3.2.3.1 Literature study: Themes

The first step in addressing the main research objective of this study, was to identify the obstacles or hindrances to SMPs in its delivery of services to SMEs, based on SME-needs (RO 1 in figure 3.1), via an in-depth review of extant literature. After conducting the literature study, it was deemed unnecessary to conduct an empirical investigation, as the literature was well-documented. Hence, the literature study (as reported in chapter 2), viewed through the theoretical lense of the theory of the business, was deemed sufficient. This step also included the identification and description of affinities – the concept used for the IQA method (Northcutt & McCoy 2004:100), namely the challenges confronting SMPs in meeting the needs of SMEs. The literature review provides the theoretical basis to any study, confirming that the foundation of a study lies within the current body of knowledge (Saunders et al 2009:61) – for this study, it refers to the challenges identified. To ensure that the list is complete and valid, a pilot study was conducted, that resulted in refining the theme descriptions and an additional theme (refer to section 3.3.2). Refer to annexures B and C for the initial list of affinities and its descriptions, as identified by the literature study, and the list comprising the additional theme, identified during the pilot study.

3.2.3.2 Survey: Interactive Qualitative Analysis

For the second step, the IQA focus group method was used (QUALITATIVE leading to quantitative), however, it was limited to the second phase of the method, namely completion of the Detailed Affinity Relationship Table (DART) using inductive reasoning, that can be classified as a survey method (Northcutt & McCoy 2004:47). Phase 2 of the IQA comprises three sub-phases. In sub-phase 1, practitioners were required to consider

the existence of a relationship between affinities (as identified by the literature – section 3.2.3.1) by completing a detailed DART. In sub-phase 2, theoretical coding of the affinities were conducted and the respondents investigated the links between the affinities, by developing propositions from their own interpretation, leading to the construction of the Interrelationship Diagram (IRD). Sub-phase 3 generated the System Influence Diagram (SID) – a visual representation of the entire system of influences of drivers and outcomes, both primary and secondary (Northcutt & McCoy 2004:48), in order to determine how the different affinities influence each another. This step addresses the secondary research objective 2 (RO 2 in figure 3.1). Refer to section 3.3 for a detailed discussion.

3.2.3.3 Document analysis

In step 3, a document analysis (quantitative) was conducted, whereby the researcher scrutinised the analysis of a survey-based study conducted by SAICA (2016) to establish the needs of SMEs in relation to the services provided by SMPs (possible expectation gap) – addressing the secondary research objective 3 (RO 3 in figure 3.1). Where deemed appropriate, or when a gap was identified, additional literature was consulted. However, the main aim of this document analysis was to provide a control (step 4 – triangulation, addressing RO 4 in figure 3.1) to ensure that the challenges confronting SMPs (the principal focus of this study) are considered via the lens of its clients' expectations. Refer to section 3.4 for a detailed discussion.

3.2.3.4 Testing the final framework

Finally, a survey was used to test the framework developed subsequent to analysing, interpreting and integrating the results and findings of the previous research methods. Refer to RO 5 in figure 3.1 and to section 3.5 for a detailed discussion.

In the next sections the empirical research methods adopted by this study are discussed, in greater detail.

3.3 Empirical Research Method 1

3.3.1 Introduction

The study adopted the second phase of the IQA method. This resulted in the use of a survey. Surveys can be either qualitative or quantitative by nature (Saunders et al 2009:362). The IQA phase 2 was previously used in the study conducted by Human-Vogel and Petegem (2008:458), where it was classified as a qualitative study.

The second phase of the IQA requires the respondents to select an option reflecting the existence and the direction of a relationship between pairs of variables or affinities, as recorded by Northcutt and McCoy (2004:81), illustrated by the DART. The reason for this decision was the researcher's identification of the affinities via an extensive review of the literature, rather than using the IQA phase 1, that entails a specific focus group interview method. The literature review was not thematically conducted, but rather a general literature review was performed. However, after studying the literature and presenting the outcome to a IQA specialist whom was assisting with the application of the research method, after a lengthy debate between the student, supervisor and specialist, and owing to the richness of information obtained by the literature review, it was deemed unnecessary to conduct the first phase of the IQA (i.e focus groups).

Consequently, the researcher identified 12 affinities (refer to annexure C) derived from a comprehensive literature review (refer to chapter 2) – and a further affinity was added, as discussed in section 3.3.2. According to Northcutt and McCoy (2004:xxi), IQA is an

approach to qualitative research, grounded in systems theory, whose principal purpose is to depict the meaning of a phenomenon in terms of elements (affinities) and the relationships among them. The IQA produces a systematic representation of a phenomenon, derived from respondents' experiences of the phenomenon under investigation (Bargate 2014:11). Northcutt and McCoy (2004:16) suggested that the principal purpose of IQA-research is to "explore reality in consciousness rather than reality itself". A review of literature indicate that the IQA method has been used in South Africa, specifically in the economic- and management sciences fields (Bargate 2014:13; Du Preez 2015:16; Nienaber 2013:150).

Owing to the richness of the information available and achieving the first secondary research objective by addressed the question: "What are the components of the system" (Northcutt & McCoy 2004:28), and owing to the lack of scholarly work on the topic of the study, it was deemed more relevant to focus on the second question, namely "How are the components related to each other" (Northcutt & McCoy 2004:28). Therefore, respondents were required to consider the existence of a relationship between affinities and whether it is consistent with recent theories regarding human causal judgement (Griffiths & Tenenbaum 2005:334), with reference to the second phase of the IQA method. The method's main objective is to represent meanings of a specific research phenomenon in terms of themes – these are called "affinities". Thus, the principal unit of analysis is the perceived relationship between affinities and the quantity of votes that a relationship draws from the constituency under study. The output of an IQA research process is to explicate the cause and effect or influence of affinities in a system, delineating the pattern of influence amongst the elements by means of a system influence

diagram (Northcutt & McCoy 2004:48). For this study, it relates to understanding the aspects that are the main drivers of the challenges SMPs are facing, in order to establish a meaningful work environment for SMPs to address the needs of SMEs.

3.3.2 Affinity completeness and descriptions

It is the nature of the IQA methodology to require respondents to consider how certain affinities are related, in a system of cause-and-effect relationships (Nienaber 2013:151; Northcutt & McCoy 2004:81). Affinities are usually the product of the focus group members' perception of their personal experiences, and do not necessarily correspond to theoretical constructs (Human-Vogel & Van Petegem 2008:458). To facilitate this study, a comprehensive literature review was performed in order to identify the affinities. The affinities were composed with a less academic construction and/or technical language, and were subjected to verification for conceptual clarity by experienced academics in the field of economic- and management sciences. Northcutt and McCoy (2004:100) explained that affinities should be descriptive and "grounded in the text", via reference to specific quotes or literature surveys. In describing the affinities, a researcher has to remain faithful to the language used by the respondents, particularly English – as the language used widely in the business world.

As the affinities and its descriptions were derived from the extant literature, a completeness- and validity test was conducted to ensure that 1) all relevant affinities were included; 2) all listed affinities were relevant in addressing the main research objective; and 3) the description was clear and correct. To incorporate the pragmatism paradigm, a pilot study was conducted and obtained the views of successful SMP owner-practitioners. Prior to participation, respondents were assured of the confidentiality of the

information. The preliminary affinities were defined, and presented to the respondents (refer to annexure B). The affinity list was sent to five reviewers, all of whom are involved with SMPs, with the instruction to ensure that all relevant affinities were included (completeness), and that descriptions were clear and understandable (construct validity). Table 3.1 presents the standing of these individuals (their anonymity was guaranteed, hence reference is made to reviewer 1, 2, etc.), indicating their suitability to comment on the affinities and its descriptions.

Table 3.1: Pilot study: Reviewers' qualifications, experience and involvement in small- and medium accounting practices (SMPs)

Reviewer	Qualifications	Experience	SMP involvement
1	PhD, Registered Auditor (RA)	25 years in the SMP environment	Audit Partner
2	PhD, Chartered Accountant (South Africa (CA(SA)))	30 years in the SMP environment	Director
3	PhD, CA(SA)	20 years in the SMP environment	Director
4	Hons Bcompt	20 years in the SMP environment	Director
5	MCom, CA(SA)	10 years in the SMP environment	Audit Partner

(Source: own)

Following review of the document, a lengthy interview was conducted with each reviewer, ranging from one to two hours. All reviewers agreed with the list of 12 affinities, documented in annexure B. The reviewers offered various further suggestions, namely:

- Reviewer 1 and reviewer 2 agreed that lack of support by the professional accountancy bodies presented one of the challenges confronting SMPs, and suggested that it should be included as an additional affinity. These reviewers indicated that professional bodies are not performing an advocacy role on behalf of the SMP, especially when managing enquiries by SARS and keeping SMPs informed of the constant changes in legislation promulgated by SARS. Furthermore, reviewer 3 indicated that continuing professional development (CPD) programmes offered by professional accountancy bodies do not cater for the needs of SMPs, but rather for those of the larger practices. Therefore, after having consulted the literature (Brouard, Bujaki, Durocher & Neilson 2017:228; IFAC 2016a:21; Nandan & Ciccotosto 2014:4), “lack of support by the professional accountancy bodies” was added as affinity 13 (refer to annexure C);
- Reviewer 1, supported by reviewer 3, indicated that the non-existence of a statutory body that regulates accountants is concerning, particularly to SMPs, as it is difficult for SME-clients to differentiate between registered and unregistered accountants. This opinion supports affinity 4, i.e., “competition from unqualified accountants” (refer to annexure C), whose operations do not arise from affiliation to any professional accountancy body, and who continue to provide professional services to SMEs, despite lacking the required competencies;
- Reviewer 3 mentioned that SMPs need to maintain the standard of service to retain SME-clients and differentiate themselves from unregistered and unqualified

accountants. This view relates to affinities 8 and 4, i.e., “retaining existing clients”, and “competition from unqualified accountants”, respectively (refer to annexure C);

- Reviewer 2 mentioned that lack of collaboration between SMPs and practitioners in the legal profession poses challenges for SMPs with regard to diversification of its service offering. Therefore, the lack of a diversified service offering by SMPs was suggested as an affinity. However, the suggested affinity can be related to affinity 1, “attracting new clients”, and affinity 8, “providing professional services that meet the needs of clients” (refer to annexure C);
- Reviewer 3 claimed that inadequate human resources at SMPs is a challenge that often results in a conflict of interests, as one practitioner may have to offer conflicting professional services to the same client. This challenge relates to affinity 2, “talent management” (refer to annexure C);
- Reviewer 5 named “commoditisation” of services as one of the challenges confronting SMPs, since professional services provided by SMPs are becoming interchangeable, as with commodities, and are easily available at cheaper prices. Consequently, the quality of professional services provided by SMPs is under threat and the reviewer suggested that commoditisation of services be added as an additional affinity. However, commoditisation relates to affinity 3, “automation” (refer to annexure C);
- Reviewer 3 opined that too much emphasis on external auditing in the training programme for South African CAs is a limiting factor for SMPs, owing to the lack of specialisation in other areas, such as taxation, financial management, and advisory services. This relates to affinity 2, i.e., “talent management”, as SMPs need to attract, develop and retain staff to provide an array of services (refer to annexure C);

- Reviewer 4 proposed that lack of infrastructure and financial support are the principal challenges confronting SMPs. These aspects relate to finances and are covered by affinity 11, i.e., “managing cash flow and late payments”, hence, it was not separately added to the list of affinities (refer to annexure C);
- Reviewer 1 declared that it is overwhelming to keep abreast of the constant changes in legislations, however, this aspect relates to affinity 6, i.e., “keeping up with new regulations and standards” (refer to annexure C).

Following analysis of the input from the reviewers, and the IQA methodology where related sub-affinities are clustered into one theme or affinity, a final list of affinities and descriptions was prepared (refer to annexure C).

3.3.3 Respondents and sampling

The finalised list of affinities was sent to prospective respondents. Respondents were selected according to the criteria of “distance and power” (Bargate 2014:13; Northcutt & McCoy 2004:72) in relation to the phenomenon being studied. In essence, this refers to a person who has an interest in the phenomenon and can bring about change to the phenomenon (Northcutt & McCoy 2004:72). In terms of the IQA method, sample representativity refers to a participant having personal experience of the affinities under study, from a particular perspective resulting from their affiliation to a certain constituency. The respondents to this study’s survey were selected as they are accounting practitioners at SMPs that are affiliated with SAICA and SAIPA, and share a direct and common experience of the phenomenon under scrutiny. The responding practitioners had to be personally responsible for providing services to SMEs, in the form of compliance and/or business advisory services. The size of the SMP population was unknown to the

researcher and, consequently, a sample of 30 respondents was selected using non-probability judgemental sampling methods. In terms of non-probability sampling methods, the sample selection is not based on probability, but rather on creating a purposive quasi-random sample of respondents, based on the researcher's subjective judgement (Saunders et al 2009:233). For the purposes of this study, respondents were selected based on the inclusion criteria adopted. Respondents were chosen based on contacts that the researcher has, contacts of colleagues, and professional firms identified on the Internet.

The following criteria was used:

a) A South African SMP professional accountant whom is:

- registered as owner/practitioner/director/partner of his/her respective practice;
- holds an authoritarian position within his/her practice;
- holds a professional accounting or related qualification; and
- is registered with a recognised controlling professional body of accountants affiliated to IFAC.

b) A South African SMP professional who complies with the requirements above must be involved with a South African SMP that:

- adheres to the definition of an SMP as defined by IFAC;
- is a sole proprietorship, partnership, close corporation, co-operative or a private company;
- is registered with SAICA or SAIPA;
- employs between one and 250 employees;
- has between one and 20 partners/directors;

- has mainly SME client base;
- does not audit the financial statements of a listed client; and
- mainly provides non-assurance services.

It was established that a total of 30 respondents were sufficient for the study (refer to section 4.2.1 for a discussion concerning the characteristics of the respondents). This number was approved, following consultations with a statistician as well as an established researcher – that has experience of using only the second phase of the IQA research method and had such research articles published in highly rated academic journals. As previously stated, the size of the SMP population was unknown to the researcher, hence, the researcher also applied convenience sampling, arbitrarily selecting those practitioners that were easily accessible, particularly those residing in the Gauteng province. Thereafter, snowball sampling was executed, whereby other suitable practitioners were identified from information provided by those already included in the sample. Both these sampling techniques are linked to non-probability sampling (Saunders et al 2009:240).

3.3.4 Detailed Affinity Relationship Table

Northcutt and McCoy (2004:47) described the “DART” as the matrix containing all the perceived relationships in the system. In order to perform the theoretical coding of the affinities, respondents were asked to indicate their understanding of the relationship between two affinities and to decide which affinity of every pair is the most influential (refer to section 3.3.3 above for the discussion regarding the selection of respondents). To start the process, respondents were supplied with the DART, comprising 13 affinities, and were required to complete the DART by considering three possible relationships among all combinations of the affinities (refer to annexure D). Consistent with Griffiths and

Tenenbaum's (2005:336) model of casual support in human judgement, respondents were required to indicate the relationship between pairs of affinities and the direction of the relationship, ($1 \rightarrow 2$ when affinity 1 influences affinity 2), or ($1 \leftarrow 2$ when affinity 2 influences affinity 1), or indicating the absence of any relationship at all ($1 < > 2$). It should be emphasised that respondents were not required to consider the strength of the relationship between pairs of affinities, but only to indicate their perception of the directionality of the relationship. Respondents also had the option of writing a short comment on their understanding of the direction of the relationships. The respondents' responses had to be taken at face value and accepted as indicative of their true intentions and understanding. Nevertheless, respondents' written "if-then" comments on the relationships were inspected to verify the extent to which the meaning of each written response is consistent with the direction of the relationship, as indicated by the respondent. The recording of the three relationships are explicated and illustrated in the DART (refer to annexure D), a survey circulated to respondents for completion.

After each DART was completed by the respondents and returned to the researcher, the 30 ART's were used to compile a summarised DART, in respect of all the respondents. The construct-pair table was used to tally the votes for each relationship among all possible combinations of the affinities and was then subjected to a power analysis (refer to section 3.3.5 for a detailed discussion), as described by Northcutt and McCoy (2004:156), in order to determine the optimal number of relationships that explains the most variance in the system. This exercise is built on a quantitative methodology, hence, the mixed method approach of the IQA as used in this study (QUALITATIVE leading to quantitative).

3.3.5 Pareto principle and conflict analysis

Following analysis of the data obtained via the DART, a Pareto analysis was conducted. It is a reasonably rigorous and powerful technique for achieving and documenting the degree of consensus amongst the research respondents. The analysis is based on the Pareto principle, named for the nineteenth-century Italian economist Vilfredo Pareto (Human-Vogel & Van Petegem 2008:459; Juran & Godfrey 1951:39; Nienaber 2013:174; Northcutt & McCoy 2004:156). The “Pareto principle” is mostly known in an economic context, where it refers to the principle that 20 percent of the variables in a system will account for 80 percent of the total variation in outcomes (Juran & Godfrey 1951:39). This implies that a minority of the relationships in any system will account for a majority of the variation within the system. For example, in an organisation, 80 percent of the profits will be generated by approximately 20 percent of the clients, or in terms of the wealth distribution, 80 percent of the wealth of a nation is usually owned by 20 percent of the population (Human-Vogel & Van Petegem 2008:459; Nienaber 2013:174). In IQA, the Pareto analysis is employed to determine the minimum number of relationships to be included in the eventual respondent-framework, that explains the maximum amount of variation in the system (Human-Vogel & Van Petegem 2008:459; Northcutt & McCoy 2004:157). It is common cause that a number of affinity pairs with votes in opposing directions will emerge. Therefore, a conflict analysis was conducted to identify the pairs with relationships in opposing directions (Human-Vogel & Van Petegem 2008:459). Northcutt and McCoy (2004:157) explained that the first step in compiling a Pareto protocol is to count the frequencies or precise number of relationships from the respondent sample, until the indicated relationships have been summarised. Thereafter,

the relationships are arranged in a descending order of frequency, using the Pareto protocol and the power analysis, that represents the views of the interrelationships for each affinity (refer to section 4.2.2.2).

3.3.6 Inter-Tabular Relationship Diagram (IRD)

Northcutt and McCoy (2004:170) indicated that the “IRD” is a matrix comprising a system’s affinity pairs or relationships, and it is created in order to rationalise the system. In this matrix, arrows are indicative of the types of relationships between the affinities. When the arrow points from affinity 1 to affinity 2, it indicates that 1 is perceived to have a direct influence on 2. The result of this study’s IRD is presented in section 4.2.2.3. Northcutt and McCoy (2004:170) noted that for each pair of affinities, two arrows should be present, one pointing upwards and/or the second one pointing left. Thus, the IRD indicates whether each affinity in a pair is perceived to be a driver or an outcome, or if there is no relationship at all between the affinities in the pair. Following calculation of the deltas, affinities are sorted numerically in decreasing order of delta frequency, in order to identify the relative drivers (causes) and outcomes (effects) in the system. It is important to recognise that a delta (Δ) value is calculated for each affinity per row, by noting the number of arrows facing inward or left, and subtracting the total from the number of arrows facing outward or up (Human-Vogel & Van Petegem 2008:459; Nienaber 2013:177). Deltas with positive values were noted as drivers or causes, as they influence other affinities more than they are influenced, because their arrows are outward, that is, toward other affinities. Deltas with negative values were noted as outcomes or effects, as they are influenced by other affinities, because their arrows are inward, that is, coming from other affinities (Human-Vogel & Van Petegem 2008:461).

To enable construction of a System Influence Diagram (SID), which is the next step, all the affinities needed to be classified as drivers, pivots (neutral), or outcomes, of which the meaning is explained in table 3.2. The affinities are classified using the values in the Δ and the “Out” and “In” columns of the IRD (refer to section 4.2.2.3).

Table 3.2: Classification of affinities

No	Name of driver	Meaning
1	Primary driver	Fundamental causes or sources of influence in the system (Northcutt & McCoy 2004:32)
2	Secondary driver	Affinities that are influenced by the primary drivers, but are, nevertheless, relative causes (Northcutt & McCoy 2004:32)
3	Secondary outcomes	Affinities that are influenced by secondary drivers, but, in turn, influence the primary outcomes (Northcutt & McCoy 2004:32)
4	Primary outcomes	Affinities that are only outcomes, except for feedback loops (Northcutt & McCoy 2004:33)
5	Pivots or neutral	Affinities that have an equal number of Ins and Outs (Northcutt & McCoy 2004:173)

(Source: Northcutt & McCoy 2004)

Primary drivers and outcomes are identified by applying two rules, namely 1) a driver with the highest number of “Outs”, regardless of the number of “Ins”, is designated the primary driver – this suggests that the primary driver influences many affinities but is not

influenced by other affinities; and 2) a driver with the lowest number of “Outs” but zero “Ins”, is designated as the primary driver – suggesting that a primary driver with zero “Ins” influences other affinities in the system but is not influenced by other affinities (Human-Vogel & Van Petegem 2008:464). Pivots are affinities holding an equal number of “Ins” and “Outs”, influencing other affinities whilst they are equally influenced by the same affinities (Human-Vogel & Van Petegem 2008:464; Northcutt & McCoy 2004:173). Nienaber (2013:178), indicated that a secondary driver is a relative cause or effect on other affinities in a system, containing both “Outs” and “Ins” in the IRD, however, holding more “Outs” than “Ins”. A secondary outcome reveals a relative effect, and is identified when there are both “Ins” and “Outs”, but there are more “Ins” than “Outs” (Northcutt & McCoy 2004:173). Affinities are structured in order of Δ values and the relationships for all the affinities, as illustrated in the IRD, are transferred and depicted visually.

3.3.7 System Influence Diagram

Northcutt and McCoy (2004:174) explained that the “SID” is a visual depiction of an entire system of influences and outcomes, and is created by representing the existing information in the IRD as a system of affinities and the relationships amongst it. Human-Vogel and Van Petegem (2008:4654) stipulated that the SID is constructed on the premise that the relationships of the affinity with the highest delta value (generally the primary driver) with all other affinities, are investigated first. It is important to understand that the SID is often too complex to be meaningful, therefore a simpler, more parsimonious depiction is sought, by identifying and eliminating redundant links, according to each delta value. Thus, the process of eliminating redundant links resulted in a more refined representation of the relationships between affinities. Furthermore,

during the process of eliminating redundant links, the lower frequency in conflicting affinity pairs was reconciled, by adding the links with the lower frequency – if it were not already represented in the system. In this way, not only relationships with majority votes were included, but the relationships that were in the minority are finally represented in the system, as well. The cluttered SID is presented in figure 4.2, in section 4.2.2.4.

Following the addition of the minority links, the entire SID was inspected for redundant links, to ensure validity. In order to achieve only one representative system of the relationships among the affinities, it was important to meticulously follow the elimination procedure (Human-Vogel & Van Petegem 2008:464). This process results in obvious advantages regarding the reliability of the findings, since it is impossible for two researchers – applying the same method correctly – to arrive at different representations of system. The final uncluttered SID is presented in figure 4.3, in section 4.2.2.4. Thereafter, the feedback loops based on the loops in the uncluttered SID, were discussed (refer to section 4.2.2.6).

3.3.8 Strengths and limitations of the method

The first strength of the IQA method is that theoretical coding of the affinities is conducted directly by the respondents, by indicating how various constructs are related (Bargate 2014:13; Du Preez 2015:113; Human-Vogel & Van Petegem 2008:456; Nienaber 2013:172; Northcutt & McCoy 2004:49). Hence, the usual issues of subjectivity and validity are less problematic, as the respondents conducted their own theoretical coding – not the researcher. The second strength is the process of the data analysis, whereby an audit trail is created, where each step and decision in the analysis are accounted for (Human-Vogel & Van Petegem 2008:456). Furthermore, the IQA data analysis process

allows the views of all respondents to be reflected and not just the majority of the views, that are statistically significant (Human-Vogel & Van Petegem 2008:481). The third strength is that data analysis is, as far as possible, free from researcher bias and uncontaminated by the researcher's subjective interpretation, as the researcher is the facilitator of the process (Bargate 2014:11). Finally, the results represent the respondents' framework and not a framework based on the researcher's interpretation of the patterns in the data (Human-Vogel & Van Petegem 2008:456).

According to Price and Murnan (2004:66), a limitation of research is "systematic bias" that is beyond the researcher's control and could inappropriately affect the research findings. Conversely, a delimitation is a systematic bias intentionally introduced to the study, by the researcher. Thus, "limitations of the research study" are those characteristics of research design or methodology that impacted or influenced the interpretation of the research findings (Labaree 2017). Price and Murnan (2004:66) claimed that there are two major categories of limitations in research studies, i.e., threats to internal validity and threats to external validity. Therefore, a research design that possesses internal validity is one that is free from bias or free from systematic error, whereas external validity refers to the sample results accurately representing the results of the entire population, had it been assessed (Price & Murnan 2004:66). The research method applied to this study was subject to certain limitations (refer to section 3.7.3).

3.4 Empirical Research Method 2

3.4.1 Introduction

The document analysis research method was used to achieve the third research objective of this study, i.e., understanding the needs of SMEs that should be addressed by SMPs (refer to figure 3.1). Bowen (2009:27) posited that previous research literature is a source of data requiring that the research rely on the description and interpretation of data, rather than having access to the raw data, for analysis. Document analysis is a research technique where documents are interpreted by the researcher in order to give voice and meaning to the content (Bathmanathan, Rajadurai & Sohail 2018:4).

3.4.2 Rationale for using document analysis

There is common consensus among researchers (Ahmed 2010:9; Bathmanathan et al 2018:4; Bowen 2009:28) that the document analysis method is used mainly to supplement information collected via different research methods, and seldomly used as the principal research method. Bowen (2009:28) asserted that document analysis is often employed in combination with other research methods, as a means of triangulation and to facilitate theory building. This is the case in the present study, as the researcher applied document analysis in combination with other research methods, such as a comprehensive literature review, a survey using the IQA (phase 2) focus group method, and a survey , in order to achieve the identified research objectives (refer to figure 3.1 above).

In 2016, SAICA, South Africa's foremost professional accountancy body and one of the leading professional accounting bodies in the world (SAICA 2018:26) conducted a study in respect of SMEs and data was collected in this regard (SAICA 2016). The researcher

decided to use this study conducted by SAICA, as it suited the research objectives of this study, i.e., focussing on the needs of SMEs within the South African context, and the analysis of the SAICA report adequately addresses the third research objective of this study. Furthermore, the primary method of data collection of the SAICA study was appropriately suited to this research. Therefore, the decision was made to utilise the 2016 SAICA SME report as the primary source of data, in order to understand the needs of SMEs, with a view to addressing the third research objective of this study. Even though SAICA was unable to provide the raw data, it furnished the researcher with a detailed analysis of the data, that was not available to the public. This was utilised to gain a better understanding of SME-needs (refer to section 4.3 for a discussion of the results). And a well known qualitative researcher confirmed that the use of document analysis was sufficient and appropriate in this circumstances. Hence, it is important to understand the methodological reasoning applied by SAICA in obtaining the data, discussed next.

3.4.3 Data obtained

First, it was important to the researcher to determine the purpose of the SAICA study, that generated the data utilised in the present study (SAICA 2016). This influenced a number of determinants, such as the targeted population, the sample size, the phrasing of the survey questions, and the general context of the research study (Johnston 2017:622; Saunders et al 2009:273). The 2016 SAICA SME survey (SAICA 2016:18) sought to determine the type of services that SME owner-managers could demand from their local SMP practitioner, in order to add value to their businesses. SMEs employ SMPs to perform accounting- and auditing-related services, hence, SMPs are regarded as trusted advisors to SMEs (refer to section 2.7.3).

Second, Saunders et al. (2009:274) declared that data collected by large, well-known and reputable businesses, are likely to be reliable and trustworthy. This is the case in this study, as the survey-based secondary data was collected by SAICA, South Africa's foremost professional accountancy body and one of the leading professional accounting bodies in the world (SAICA 2018:26). Therefore, the data utilised to achieve the research objectives of this study, was reliable and trustworthy.

Third, Johnston (2017: 622) indicated that it is vital for the document analyst-researcher to have access to adequate documentation from the primary research, including information detailing the procedures followed in the collection of the data. Moreover, in any research, the time when the data was collected must be considered (Johnston 2017:623). For purposes of this study, the researcher obtained access to the SAICA study, including the survey, analysis of the survey responses, the research findings, and the published report, although the raw data was no longer available. SAICA collected the data five to six years ago, in 2016, and the data was therefore deemed relevant and current within the context of the research topic under scrutiny.

Last, Johnston (2017:623) claimed that secondary survey-based data cannot be evaluated without knowledge of the methodology applied to obtain the data. Saunders et al. (2009:274) argued that the document analyst must be knowledgeable of the research method applied by the primary researcher. In performing document analysis, issues with the survey method, including the survey instrument, had to be considered (Goodwin 2012:21). SAICA utilised the survey method to collect data concerning the needs of SMEs. The survey comprised the demographic of the respondents, likert scale statements, and open-ended questions – of which several aligned with the objectives of

this study. The survey was distributed to SMP practitioners affiliated with SAICA, for dissemination to and completion by their SME-clients. The sampling frame for the document, subject to present analysis and supplemented by the corresponding summarised data, held a response count of 143. Therefore, the sample size cannot statistically be a representative of the SME-sector, owing to the unknown population. Finally, in evaluating how the original data was collected, the researcher examined how issues such as sampling, response rates, missing responses, and bias, were managed in the SAICA SME survey (Johnston 2017:623; Saunders et al 2009:274), and formed a conclusion regarding the reliability of the secondary data.

3.5 Triangulation

In order to address the fourth research objective (RO 5 in figure 3.1) and to develop the draft framework, the results from the three research methods, i.e., the literature study, the IQA phase 2, and the document analysis, were triangulated (refer to section 4.4). The literature study identified the challenges confronting SMPs, while the IQA phase 2 determined the views of SMPs in terms of the drivers of the challenges it faces. Finally, a document analysis provided data concerning the of needs of SMEs and challenges SMEs are facing.

3.6 Emperical Research Method 3

To address the fifth secondary research objective (RO 5 in figure 3.1), namely to test the draft framework (refer to section 4.5) in order to achieve the main research objective, this step was conducted by means of a survey . A questionnaire was developed only after

triangulation of data from the first three research methods was completed. The questionnaire included both open-ended and closed-ended questions, using a five measurement point Likert-style rating scale for the latter, and was developed based on the results of the triangulation (refer to annexure F).

The 30 respondents to the IQA survey (refer to section 3.3.3 above) were targeted for the questionnaire, however, as the questionnaire's purpose was only to test the framework, it was expected that not all would respond. Only 10 SMP owner-practitioners responded to the questionnaire. Descriptive statistics were utilised to analyse the quantitative data collected by means of closed-ended questions. This involved calculating the mean, that is, the most frequently used measure of central tendency, and the median, that is, ranking all the values in ascending order and finding the mid-point (refer to section 4.6). Where the mean provides an average, the median provides clarity on whether most respondents agreed with the statement, or not. The latter was applied to determine whether the 33.33 percent response rate was adequate.

Furthermore, the open-ended questions allowed the respondents the opportunity to provide further feedback, in the event that they disagreed. Table 3.3 provides a summary of the standing of the respondents in terms of their qualifications, experience and level of involvement in a SMP. The anonymity of these respondents was guaranteed, hence, reference is made to reviewer 1, 2, 3, and such.

Table 3.3: Framework testing: Reviewers, qualifications, experience and involvement in small- and medium accounting practices (SMPs)

Reviewer	Qualifications	Experience	SMP involvement
1	CA (SA)	20 years in the SMP environment	Proprietor
2	Certified Public Accountant (CPA (SA))	10 years in the SMP environment	Director
3	Certified Information Systems Analyst (CISA)	6 years in the SMP environment	Director
4	CPA (SA)	6 years in the SMP environment	Director
5	CPA (SA)	6 years in the SMP environment	Audit Partner
6	CA (SA)	8 years in the SMP environment	Director
7	CA (SA)	6 years in the SMP environment	Director
8	CA (SA)	5 years in the SMP environment	Director
9	CPA (SA)	5 years in the SMP environment	Director

Reviewer	Qualifications	Experience	SMP involvement
10	CA (SA)	6 years in the SMP environment	Associate Director

(Source: own)

From table 3.3 above, it can be deduced that 10 SMP practitioners responded to the survey . Five respondents are CAs (SA), affiliated with SAICA, the largest professional accountancy body in South Africa. Four respondents are professional accountants registered with SAIPA, the second largest professional body in South Africa, whilst one respondent is a Certified Information Systems Auditor (CISA), affiliated with the Information Systems Audit and Control Association (ISACA). All respondents have more than five years experience in the SMP environment and are decision-makers in their practices, as well. The credentials of the respondents affirm that the aspects included in the framework represent a true reflection of the challenges hindering SMPs from providing enhanced services to SME-clients.

3.7 Trustworthiness

3.7.1 Ethical considerations

3.7.1.1 Introduction

“Ethics” refer to a set of moral principles that researchers abide by to protect study participants or respondents from harm by the researchers or the research process (Hennink 2014:46). According to Bruwer (2016:145), “ethical considerations” refer to a collection of morals and/or values that bind a society and should be considered by a researcher when undertaking research, with the objective to provide assurance that the

manner in which the particular research study will be performed, will be in utmost good faith. Saunders et al. (2009:600) described “research ethics” as the appropriateness of the researcher’s behaviour in relation to the rights of those who become the subject of a research project, or who are affected by it. Mutezo (2015:105) emphasised the importance of the researcher’s ethical responsibility to the participants/respondents and that the researcher must do everything in their power to protect the physical-, social-, and psychological welfare, and to honour the dignity and privacy, of the participants/respondents. This implies that, when a researcher observes ethical considerations, it serves as a reasonable assurance that their research study will be conducted in a fair, unbiased and humane manner.

The codes of research ethics outline fundamental ethical guidelines for surveys, that a researcher should consider, namely 1) approval to conduct the study; 2) informed consent and self-determination; 3) anonymity and confidentiality; and 4) minimisation of harm (Hennink 2014:46). These guidelines focus on how ethical factors were addressed in this study.

3.7.1.2 Approval to conduct the study

Respondents were invited to participate in the study and written consent (refer to annexure A) was obtained from SMP practitioners, as the respondents in the IQA method, to complete the ART (refer to annexure D). Written ethical clearance to acquire data from SMP practitioners was obtained from the Research Ethics Review Committee of the College of Accounting Sciences at the University of South Africa (ethics research certificate reference number 2019_CAS_003) (refer to annexure H). With regard to the document analysis conducted in respect of the information obtained from SAICA, written

permission was obtained from SAICA (refer to annexure J). Furthermore, written ethical clearance was obtained from the Research Ethics Review Committee of the College of Accounting Sciences (ethics research certificate reference number: 2017_CAS_048) (refer to Annexure G). An invitation to participate in the study was sent to prospective respondents and written consent was obtained from SMP owner-practitioners (refer to annexure E) as the respondents to the survey (refer to annexure F). Written ethical approval was granted by the Research Ethics Review Committee of the College of Accounting Sciences at the University of South Africa, to obtain data from SMP practitioners via interviews and questionnaires (ethics research certificate reference number: 2021_CAS_029) (refer to annexure I).

3.7.1.3 Informed consent and self-determination

Informed consent and self-determination refer to respondents' right to determine whether they wish to participate in the research study and their right to refuse participation, without any negative consequences (Hennink 2014:46; Robson 2011:200). The principle of "voluntary participation in research" describes the nature of the research project as well as the nature of one's participation in it (Mutezo 2015:106). Respondents were furnished with sufficient, relevant, and accurate information concerning the study, in a comprehensible format, in order to enable them to make an informed decision as to whether or not to partake in completing the IQA DART. Furthermore, respondents were informed of any potential risks or benefits resulting from participation, and how data would be used and protected. Informed consent was initially sought during recruitment of the respondents and reinforced prior to the respondents' electronic completion of the DART. Respondents were informed that participation in the study did not compel them to

complete the DART, and that they are free to cease completion of the DART at any given time. Before any respondent could take part in this research study, each respondent had to agree to voluntarily participate in the study. The same process was followed in respect of the testing of the framework.

3.7.1.4 Anonymity and confidentiality

According to Robson (2011:208), the anonymity and privacy of those who participate in the research process, should be respected. The anonymity and right to privacy of respondents and the data they provide are two ways in which the welfare and interests of respondents can be protected (Mutezo 2015:106). Furthermore, it is the researcher's responsibility to respect the confidentiality of the respondents' information and maintain the anonymity of the respondents. As with the process of obtaining informed consent discussed above, respondents were informed of their right to privacy at the recruitment stage and it was reinforced prior completion of the DART. In addition, respondents were assured of their anonymity, both during the completion of the DART and following completion of the research study, as well as the confidential treatment of all information they provided. The same was applied for the testing of the framework.

3.7.1.5 Minimisation of harm

A key concern to any researcher, is avoiding harm to the research participants or respondents. The researcher must attempt to reduce any risk of harm, arising from the research. The present study adopted certain measures to mitigate this risk, such as 1) obtaining informed consent from the respondents; 2) protecting the anonymity and confidentiality of the respondents; 3) availing respondents of the right to withdraw from the study, at any time.

3.7.2 Credibility, dependability, transferability and confirmability

The quality criteria in respect of qualitative research studies are credibility, dependability, transferability and confirmability (Korstjens & Moser 2018:120; Leedy & Ormrod 2015:106).

In this study, credibility was achieved by triangulating the data collected from different research methods, i.e., the literature study, the IQA phase 2, and the document analysis (refer to section 4.4). The results of triangulation informed the development of the draft framework. Questions included in the survey instruments were supported by the data collected via these research methods.

To ensure dependability, the researcher employed a qualitative expert to review the IQA survey method applied to this study. The expert examined the processes of data collection, data analysis and the results of the study, and confirmed the accuracy of the findings, in line with this research method and supported by the data collected.

To ensure confirmability of the results, respondents performed a theoretical coding of the affinities, independently from the researcher. Furthermore, a draft framework was tested via a survey of SMP owner-practitioners (refer to annexure F). Based on the results of the testing, all the elements of the framework were supported by the respondents.

To obtain assurance concerning transferability criteria, the research study provides a “rich description” of the respondents and the research process followed (Korstjens & Moser 2018:122) by discussing the demographics of the respondents (refer to section 3.3.3) and the research design (refer to section 3.2). The documented research design includes: 1) the research paradigm; 2) the research methodology; 3) research methods; 4) sampling procedures; 5) survey instruments; and 6) data analysis techniques. These were

executed to ensure transferability of the research findings to similar situations and contexts.

Finally, findings and recommendations of the study were communicated to SMP management, SME-clients and professional accountancy bodies.

3.7.3 Assumptions and limitations

A possible limitation of the study is the research bias by the researcher towards the data and data generation, which is the nature of the mixed methods study. The study was exploratory by nature and mainly inductive as little information was available on the topic. The IQA's rigorous process addresses the risk of research bias by ensuring that the voice of the respondents is valued and supplements the voice of the researcher (Bargate 2014:17; Du Preez 2015:113). The selection of the research methods for the present study may have led to research bias. Nevertheless, the research methods selected endeavoured to limit the researcher's subjectivity in analysing the data. Moreover, the researcher implemented control measures, discussed in detail in chapter 3, to limit the research bias and subjectivity.

The non-availability of a database presenting accurate records of SMPs, both nationally and at provincial level, was a limiting factor. The size of the targeted population (SMP practitioners) and the number of existing South African SMPs, were unknown to the researcher. To overcome this hurdle, reliance was placed upon membership databases obtained from certain professional bodies that SMP owner-practitioners are affiliated to, i.e., SAICA and SAIPA. The sample size was a limitation, as all respondents were based in the Gauteng province, although the empirical results of this study were not intended to be representative of the entire South African SMP population or to be extrapolated to

the population of SMPs in the country. Nevertheless, it is likely that SMP owner-practitioners from other provinces may hold alternative views regarding the challenges hindering their practices from providing enhanced services to SMEs. This gives rise to an avenue for future research(see section 5.6).

The statements utilised to develop a framework were tested with a limited number of SMP owner-practitioners, however, the sample was deemed sufficient, considering that these practitioners were key respondents to the IQA survey, as well. Despite the limitations of the present study, its contributions provide value to the relevant stakeholders and, undoubtedly, opens avenues for future research.

3.8 Chapter Summary

This chapter comprised the research process followed by this study, and a detailed discussion of the various stages of the mixed methods approach adopted. In particular, the secondary analysis and IQA research methods were explained, including the strength and limitations of each method. Finally, the ethical considerations and trustworthiness aspects were considered. The next chapter outline and present the data analysis, the results, and the findings.

Chapter 4

Data Analysis and Research Findings

4.1 Introduction

The primary objective of this study is to develop a framework that provides SMPs with insight into the needs of its main clientele (SMEs), and the challenges faced by SMPs that are hindering the fulfilment of these needs. The overall research design for achieving the primary objective was presented in chapter 3, where the various research methods applied to this study are discussed and a rationale is provided for the selection of these strategies of inquiry. Initially, three research methods were employed, i.e., a literature study; the IQA (phase 2); and a document analysis. Owing to the vast extant research on the topic, a literature study was undertaken in order to identify the challenges as affinities, rather than utilising a focus group (IQA phase 1). IQA (phase 2) was applied to determine the drivers and outcomes of the challenges confronting SMPs. The document analysis was employed in order to understand the needs of SMEs.

In this chapter, the findings from these three research methods are presented, whereafter the findings are triangulated in order to develop a preliminary framework. Following triangulation, the results of the testing of the preliminary framework via a survey distributed to the SMP practitioners that responded to the IQA phase of the study, are presented. The chapter concludes by presenting the refined framework.

4.2 Challenges of Small- and Medium Accounting Practitioners

A literature study was conducted, and 12 challenges were derived and identified as affinities (refer to annexure B), rendering the preliminary list of affinities. Thereafter, these affinities were tested for completeness and relevance, by a pilot study (refer to section 3.3.2 for a detailed discussion), followed by the addition of one more theme (refer to annexure C for the final list). The literature study replaced the first phase of the IQA, as explained in section 3.2.3.1. In this section, the demographics of the SMP practitioners that responded (refer to annexure D for the questionnaire that was circulated) are provided, followed by a discussion of the results of the second phase of the IQA.

4.2.1 Demographics

A total of 30 responses were received from SMP practitioners, affiliated with various professional accountancy bodies. It was initially planned to engage only SMP practitioners registered with SAICA and SAIPA, however, upon scrutiny of the survey responses, affiliations with other professional accountancy bodies were noted. The majority of the respondents are registered with SAICA (53%), and/or SAIPA (37%), and/or the South African Institute of Tax Practitioners (SAIT) (20%), with 17 percent of respondents selecting other options. The high response rate by SAICA- and SAIPA members is attributed to the use of convenience sampling techniques, as members of these professional bodies were purposively included in the sampling population, since these two professional bodies are the two largest, professional accountancy bodies in South Africa, with more than 40 000 and 25 000 members, respectively. Respondents that indicated membership of other professional bodies, are affiliated with ISACA, the

Institute of Internal Auditors of South Africa (IIASA), and the Chartered Financial Analyst (CFA) Institute.

In terms of the number of partners/directors, 64 percent of the respondents are sole practitioners, 30 percent of respondent-practices hold between one and five partners/directors, three percent hold six but less than 19 partners/directors, and three percent hold more than 20 partners/directors. With regard to number of years in practice at a SMP, 17 percent of the respondents indicated such involvement of less than one year, 53 percent indicated one to five years, 17 percent more than five years with a maximum of 10 years, three percent more than 10 years with a maximum of 15 years, and finally, 10 percent more than 15 years. As far as staff compliment is concerned, 30 percent of the respondents have no employees, 50 percent have between one and five employees, 13 percent have between six and 19 employees, and 7 percent have 20 or more employees. This confirms the literature reports, in that SMPs provide employment opportunities for many professional accountants, globally (IFAC 2016a:6). The services that respondents provide to their clients include audits and independent reviews (63%), bookkeeping and accounting (77%), human resources (HR) and payroll (37%), statutory services (40%), risk management (28%), cash flow and investment planning (37%), and other advisory services (10%).

In conclusion, it is evident that the demographic data of respondents represent the views of SMPs affiliated with various professional bodies, improving the credibility of the data. Although most respondents have been partners or directors for five years or less (70%), they have been in practice for a longer period, as can be verified by their professional status, with most professional bodies requiring three years practical experience prior to

awarding a professional designation. In addition, the findings support the literature in terms of defining SMPs according to its characteristics (refer to section 2.2.4). All the SMPs surveyed have indicated SMEs as its principal client pool, employ a small number of professional staff, and provide, *inter alia*, non-assurance services. As the respondents include a variety of SMPs – based on its sizes and staff and the type of services delivered to SMEs – the data obtained is transferable.

4.2.2 Interactive Qualitative Analysis

As discussed in sections 3.2.3.2 and 3.3, where the IQA method was presented, the results of the following steps are presented in this section, namely the DART, Pareto protocol, IRD, SID, the primary drivers, and the feedback loop discussions.

4.2.2.1 Detailed Affinity Relationship Table

The questionnaire distributed to respondents included a DART (refer to Annexure D), whereby respondents had to indicate how they perceive the relationship between two affinities, using an if/then relationship (if 1 (influences) → 2 (indicating the direction of the relationship), then (interpretation of the relationship)). According to Northcutt and McCoy (2004:149), this process is a form of theoretical coding, specifically referred to as “independent coding”. Respondents were requested to indicate the perceived relationships between different pairs of affinities. Thirty respondents returned the completed DARTs. In order to tally the precise number of votes, obtain the frequencies of each relationship or affinity received, and to ensure the arithmetic accuracy of the counting exercise, the researcher and an independent controller counted the number of votes for each pair, independently. Thereafter, the total was recorded on the summarised DART. Moreover, to reduce possible errors, this number on the summarised DART was

reconciled with the respondents' number of votes for a relationship. The number of votes was then documented in a frequency affinity pair order table and the sum of the total of votes (frequencies) was recorded at the end of the table. In total, a maximum of 4680 ($\sum = n(n-1)30$ where n = number of affinities) votes were possible for 156 ($\sum = n(n-1)$) affinity pair relationships (refer to table 4.1, columns two and three for the summary of the votes per affinity pair relationship) – e.g, in line 1, affinity 12 influences affinity 8, as indicated by 26 respondents.

4.2.2.2 Pareto protocol

After collecting the completed DARTs, a rigorous- and power analysis technique was applied to achieve and document the degree of consensus among the respondents. This process entailed the presentation of the affinities in descending order of frequency, using the Pareto protocol and a power analysis table. The Pareto protocol is a statistical technique that calculates the frequency of each relationship indicated on the DARTs. This technique is based on the Pareto principle, i.e., that 80 percent of the effects are derived from 20 percent of the causes. In the resulting table, frequencies are listed in descending order, which signifies that the affinity pair with the most votes is at the top of the table and the rest of the affinity pairs are arranged in descending order (from highest to lowest). The Pareto protocol also involve the process of identifying conflicting relationships among different pairs of affinities, with reference to relationships that attract votes in both directions (refer to tables 4.1 and 4.2).

Table 4.1: Affinities in descending order of frequency using Pareto protocol

	Affinity Pair Relationship	Frequency Sorted (Descending)	Cumulative Frequency	Cumulative Percent (Relation)	Cumulative Percent (Frequency)	Power
1	8 < 12	26	26	0.6	1.9	1.23
2	1 < 3	22	48	1.3	3.4	2.16
3	6 < 13	22	70	1.9	5.0	3.10
4	2 > 8	21	91	2.6	6.5	3.97
5	4 > 7	21	112	3.2	8.0	4.84
6	4 > 8	21	133	3.8	9.5	5.70
7	6 > 8	21	154	4.5	11.1	6.57
8	1 < 4	20	174	5.1	12.5	7.36
9	1 < 7	20	194	5.8	13.9	8.16
10	8 < 10	20	214	6.4	15.4	8.95
11	1 < 6	19	233	7.1	16.7	9.68
12	2 < 13	19	252	7.7	18.1	10.40
13	3 > 10	19	271	8.3	19.5	11.12
14	3 > 5	18	289	9.0	20.7	11.77
15	6 > 10	18	307	9.6	22.0	12.42
16	10 > 11	18	325	10.3	23.3	13.07
17	1 < 2	17	342	10.9	24.6	13.65
18	1 < 10	17	359	11.5	25.8	14.23
19	3 > 8	17	376	12.2	27.0	14.81
20	3 > 12	17	393	12.8	28.2	15.39
21	7 < 12	17	410	13.5	29.4	15.97
22	1 < 12	16	426	14.1	30.6	16.48
23	1 < 13	16	442	14.7	31.7	16.99

	Affinity Pair Relationship	Frequency Sorted (Descending)	Cumulative Frequency	Cumulative Percent (Relation)	Cumulative Percent (Frequency)	Power
24	2 < 3	16	458	15.4	32.9	17.49
25	2 < 10	16	474	16.0	34.0	18.00
26	4 < 13	16	490	16.7	35.2	18.51
27	5 < 13	16	506	17.3	36.3	19.02
28	7 > 8	16	522	17.9	37.5	19.52
29	9 < 12	16	538	18.6	38.6	20.03
30	5 < 6	15	553	19.2	39.7	20.47
31	8 < 13	15	568	19.9	40.8	20.90
32	2 > 9	14	582	20.5	41.8	21.27
33	2 < 12	14	596	21.2	42.8	21.63
34	6 > 9	14	610	21.8	43.8	22.00
35	7 > 11	14	624	22.4	44.8	22.36
36	1 < 5	13	637	23.1	45.7	22.65
37	2 < 6	13	650	23.7	46.7	22.94
38	2 < 11	13	663	24.4	47.6	23.24
39	3 > 7	13	676	25.0	48.5	23.53
40	5 < 10	13	689	25.6	49.5	23.82
41	7 < 8	13	702	26.3	50.4	24.11
42	7 < 10	13	715	26.9	51.3	24.40
43	8 > 9	13	728	27.6	52.3	24.70
44	8 < 11	13	741	28.2	53.2	24.99
45	1 < 8	12	753	28.8	54.1	25.21
46	2 > 5	12	765	29.5	54.9	25.43
47	2 > 6	12	777	30.1	55.8	25.65

	Affinity Pair Relationship	Frequency Sorted (Descending)	Cumulative Frequency	Cumulative Percent (Relation)	Cumulative Percent (Frequency)	Power
48	3 > 6	12	789	30.8	56.6	25.87
49	3 > 9	12	801	31.4	57.5	26.09
50	4 > 12	12	813	32.1	58.4	26.31
51	8 < 9	12	825	32.7	59.2	26.53
52	12 < 13	12	837	33.3	60.1	26.75
53	1 < 9	11	848	34.0	60.9	26.90
54	5 > 6	11	859	34.6	61.7	27.05
55	9 < 13	11	870	35.3	62.5	27.20
56	1 < 11	10	880	35.9	63.2	27.28
57	2 < 7	10	890	36.5	63.9	27.35
58	2 > 10	10	900	37.2	64.6	27.43
59	2 > 12	10	910	37.8	65.3	27.51
60	7 > 9	10	920	38.5	66.0	27.58
61	7 > 12	10	930	39.1	66.8	27.66
62	7 < 13	10	940	39.7	67.5	27.74
63	9 < 11	10	950	40.4	68.2	27.81
64	1 > 2	9	959	41.0	68.8	27.82
65	1 > 7	9	968	41.7	69.5	27.82
66	1 > 12	9	977	42.3	70.1	27.83
67	3 > 4	9	986	42.9	70.8	27.83
68	4 < 10	9	995	43.6	71.4	27.84
69	5 > 8	9	1004	44.2	72.1	27.84
70	7 > 10	9	1013	44.9	72.7	27.85
71	9 > 10	9	1022	45.5	73.4	27.85

	Affinity Pair Relationship	Frequency Sorted (Descending)	Cumulative Frequency	Cumulative Percent (Relation)	Cumulative Percent (Frequency)	Power
72	9 < 10	9	1031	46.2	74.0	27.86
73	10 > 12	9	1040	46.8	74.7	27.86
74	10 < 13	9	1049	47.4	75.3	27.87
75	2 > 4	8	1057	48.1	75.9	27.80
76	2 < 5	8	1065	48.7	76.5	27.74
77	2 < 9	8	1073	49.4	77.0	27.67
78	3 > 11	8	1081	50.0	77.6	27.60
79	3 < 13	8	1089	50.6	78.2	27.54
80	10 < 11	8	1097	51.3	78.8	27.47
81	11 < 13	8	1105	51.9	79.3	27.40
82	1 > 8	7	1112	52.6	79.8	27.26
83	1 > 9	7	1119	53.2	80.3	27.13
84	6 > 12	7	1126	53.8	80.8	26.99
85	1 > 5	6	1132	54.5	81.3	26.78
86	2 > 7	6	1138	55.1	81.7	26.57
87	4 > 6	6	1144	55.8	82.1	26.36
88	4 < 6	6	1150	56.4	82.6	26.15
89	5 > 9	6	1156	57.1	83.0	25.94
90	5 < 12	6	1162	57.7	83.4	25.72
91	6 < 7	6	1168	58.3	83.8	25.51
92	6 < 12	6	1174	59.0	84.3	25.30
93	7 > 13	6	1180	59.6	84.7	25.09
94	1 > 11	5	1185	60.3	85.1	24.81
95	2 > 3	5	1190	60.9	85.4	24.53

	Affinity Pair Relationship	Frequency Sorted (Descending)	Cumulative Frequency	Cumulative Percent (Relation)	Cumulative Percent (Frequency)	Power
96	2 < 4	5	1195	61.5	85.8	24.25
97	2 > 11	5	1200	62.2	86.1	23.97
98	3 < 10	5	1205	62.8	86.5	23.68
99	3 > 13	5	1210	63.5	86.9	23.40
100	4 > 10	5	1215	64.1	87.2	23.12
101	4 > 11	5	1220	64.7	87.6	22.84
102	4 < 12	5	1225	65.4	87.9	22.56
103	5 < 7	5	1230	66.0	88.3	22.27
104	5 < 9	5	1235	66.7	88.7	21.99
105	5 > 11	5	1240	67.3	89.0	21.71
106	5 < 11	5	1245	67.9	89.4	21.43
107	5 > 12	5	1250	68.6	89.7	21.14
108	6 > 7	5	1255	69.2	90.1	20.86
109	6 < 10	5	1260	69.9	90.5	20.58
110	7 < 11	5	1265	70.5	90.8	20.30
111	8 > 11	5	1270	71.2	91.2	20.02
112	10 < 12	5	1275	71.8	91.5	19.73
113	11 < 12	5	1280	72.4	91.9	19.45
114	1 > 3	4	1284	73.1	92.2	19.10
115	1 > 10	4	1288	73.7	92.5	18.74
116	1 > 13	4	1292	74.4	92.7	18.39
117	3 < 7	4	1296	75.0	93.0	18.04
118	3 < 12	4	1300	75.6	93.3	17.68
119	4 > 9	4	1304	76.3	93.6	17.33

	Affinity Pair Relationship	Frequency Sorted (Descending)	Cumulative Frequency	Cumulative Percent (Relation)	Cumulative Percent (Frequency)	Power
120	5 > 10	4	1308	76.9	93.9	16.97
121	9 > 12	4	1312	77.6	94.2	16.62
122	11 > 12	4	1316	78.2	94.5	16.27
123	1 > 4	3	1319	78.8	94.7	15.84
124	1 > 6	3	1322	79.5	94.9	15.42
125	2 < 8	3	1325	80.1	95.1	14.99
126	3 < 5	3	1328	80.8	95.3	14.56
127	3 < 6	3	1331	81.4	95.5	14.14
128	3 < 11	3	1334	82.1	95.8	13.71
129	4 < 5	3	1337	82.7	96.0	13.29
130	4 < 7	3	1340	83.3	96.2	12.86
131	4 < 8	3	1343	84.0	96.4	12.44
132	5 > 7	3	1346	84.6	96.6	12.01
133	5 < 8	3	1349	85.3	96.8	11.58
134	6 < 9	3	1352	85.9	97.1	11.16
135	6 > 11	3	1355	86.5	97.3	10.73
136	6 < 11	3	1358	87.2	97.5	10.31
137	6 > 13	3	1361	87.8	97.7	9.88
138	9 > 11	3	1364	88.5	97.9	9.46
139	10 > 13	3	1367	89.1	98.1	9.03
140	2 > 13	2	1369	89.7	98.3	8.53
141	3 < 4	2	1371	90.4	98.4	8.04
142	4 > 5	2	1373	91.0	98.6	7.54
143	4 < 11	2	1375	91.7	98.7	7.04

	Affinity Pair Relationship	Frequency Sorted (Descending)	Cumulative Frequency	Cumulative Percent (Relation)	Cumulative Percent (Frequency)	Power
144	6 < 8	2	1377	92.3	98.9	6.54
145	7 < 9	2	1379	92.9	99.0	6.05
146	8 > 10	2	1381	93.6	99.1	5.55
147	8 > 12	2	1383	94.2	99.3	5.05
148	8 > 13	2	1385	94.9	99.4	4.55
149	12 > 13	2	1387	95.5	99.6	4.06
150	3 < 8	1	1388	96.2	99.6	3.49
151	3 < 9	1	1389	96.8	99.7	2.92
152	4 < 9	1	1390	97.4	99.8	2.35
153	4 > 13	1	1391	98.1	99.9	1.78
154	9 > 13	1	1392	98.7	99.9	1.21
155	11 > 13	1	1393	99.4	100.0	0.64
156	5 > 13	0	1393	100.0	100.0	0.00
	Total Frequency	1393	Equal Total Frequency	Equals 100%	Equals 100%	Power = E-D

(Source: own)

The results of the Pareto protocol as presented above, consists of six columns, namely 1) affinity pair relationship; 2) frequency sorted descending; 3) cumulative frequency; 4) cumulative percentage (relation); 5) cumulative percentage (frequency); and 6) power. The first column comprises the number of affinity pair relationships, in this case, 156, with column 2 indicating the affinity pairs. The third column depicts the total number of frequencies voted and sorted in descending order, which is 1 393 votes of a possible 4 680 (29%). Interestingly, only one affinity pair relationship had no vote, signifying that

respondents did not perceive any relationship between the two affinities, namely affinity 5 influencing affinity 13. The fourth column contains the running total or cumulative frequency, where each entry is the frequency of votes cast for an affinity pair, added to the total previous total. The fifth column is the cumulative percentage (relation) that depicts each affinity relation as a percentage of the aggregate number of affinity pairs, in this case 1/156 (0,64). The sixth column is a cumulative percentage (frequency) based on the number of votes cast (1 393). Therefore, each entry is the percentage of votes cast for an affinity pair, added to the previous total. The last column, the power column, is an index of the degree of optimisation of the system, and is simply the difference between cumulative percentage (frequency) and cumulative percentage (relation). The purpose of the cumulative frequency and cumulative relation columns is to assist in determining affinity pairs that should be considered when compiling the IRD. These last two columns of the Pareto protocol table also serve as an indicator of the cut off point for inclusion and/or exclusion of the affinity pairs in or from the IRD. The power reached its maximum point at affinity 74 (as highlighted in table 4.1), which is an indication that 74 of the 156 relationships constitute 75.3 percent of the variations in the system. This implies that the first 74 affinity relationship pairs should be used for the next step.

It was also necessary to identify any conflicting relationships among the 74 affinity pair relationships included in the IRD. The conflicting relationships are those relationships with arrows pointing in both directions. They are affinities that elicited frequencies indicating both a cause and an effect. The twelve conflicting relationships for the respondents are indicated in table 4.2 below. Based on the table, it is apparent that there are two conflicting pairs for each of the twelve relationships (for example, 7→10 and 7←10), thus, an

inclusion of 24 pairs. Therefore, a choice had to be made in respect of each of the 24 pairs. This is because the IRD allows for only one of two possibilities with respect to each relationship, and not both. The most logical choice was to use the most frequently occurring pair (highest vote count). Conflicting affinity pairs with the lower frequencies were disregarded in constructing the IRD, and the higher frequencies per pair were included. For relationship 9→10 and 10→9, that both had equal numbers, the first relationship was selected. As a result, conflicting relationships with the highest frequencies (coloured in grey in table 4.2) were used in compiling the initial IRD. This resulted in 62 (74 minus 12) relationships instead of the initial 74 relationships.

Table 4.2: Conflicting affinity relationships

Number	Affinity pair relationship	Frequency sorted
9	1←7	20
65	1→7	9
17	1←2	17
64	1→2	9
21	7←12	17
61	7→12	10
22	1←12	16
66	1→12	9
25	2←10	16
58	2→10	10
28	7→8	16
41	7←8	13
30	5←6	15

Number	Affinity pair relationship	Frequency sorted
54	5→6	11
33	2←12	14
59	2→12	10
37	2←6	13
47	2→6	12
42	7←10	13
70	7→10	9
43	8→9	13
51	8←9	12
71	9→10	9
72	9←10	9

(Source: own)

4.2.2.3 Interrelationship Diagram

The IRD is a matrix containing the affinity pairs or relationships identified by the Pareto protocol of a system, and is presented in table 4.3, below.

Table 4.3: Interrelationship diagram (IRD)

	1	2	3	4	5	6	7	8	9	10	11	12	13	OUT	IN	Δ
3	↑	↑		↑	↑	↑	↑	↑	↑	↑		↑		10	0	10
13	↑	↑		↑	↑	↑	↑	↑	↑	↑		↑		10	0	10
6	↑	↑	←		↑			↑	↑	↑			←	6	2	4
10	↑	↑	←	↑	↑	←	↑	↑	←		↑	↑	←	8	4	4
11	↑	↑					←	↑	↑	←				4	2	2
4	↑		←				↑	↑		←		↑	←	4	3	1
12	↑	↑	←	←			↑	↑	↑	←			←	5	4	1
7	↑	↑	←	←				↑	↑	←	↑	←	←	5	5	0
2	↑		←		↑	←	←	↑	↑	←	←	←	←	4	7	-3
5	↑	←	←			←		↑		←			←	2	5	-3
9	↑	←	←			←	←	←		↑	←	←	←	2	8	-6
8	↑	←	←	←	←	←	←		↑	←	←	←	←	2	10	-8
1		←	←	←	←	←	←	←	←	←	←	←	←	0	12	-12
Total														62	62	62

(Source: own)

In this diagram, the affinities are classified as either drivers or outcomes, or where there is no dominant relationship, as neutral (where the number of “Ins” is equal to the number of “Outs”). This classification is based on the values in the Delta (Δ) column, as well as the “Out” and the “In” columns of the IRD. All the affinities that have positive Δ values are classified as drivers, whereas those with negative Δ values are classified as outcomes. In instances where the deficit between the “Out” and the “In” columns is equal to a zero Δ, that affinity is classified as a circular or a pivot. Affinities with only positive Δ due to only “Out” and no “In”, are classified as primary drivers. Affinities with a negative Δ due

to only “Ins” and no “Outs”, are classified as primary outcomes (refer to section 3.3.6 for the discussion of the arrows and explanation of these terms). The drivers and outcomes are presented below in table 4.3, in a tentative SID assignment, from the strongest influencer, to the affinity being influenced the most.

Table 4.4: Tentative System Influence Diagram (SID) assignments

Affinity	Affinity description	Classification
3	Automation/artificial intelligence	Primary driver
13	Lack of support by professional accountancy bodies	Primary driver
6	Keeping up with new regulations and standards	Secondary driver
10	Rising costs	Secondary driver
11	Managing cash flow and late payments	Secondary driver
4	Competition from unqualified accountants	Secondary driver
12	Threat of new entrants to the market	Secondary driver
7	Pressure to lower fees	Neutral
2	Talent management	Secondary outcome
5	Serving clients operating internationally	Secondary outcome
9	Succession planning	Secondary outcome
8	Retaining existing clients	Secondary outcome
1	Attracting clients	Primary outcome

(Source: own)

Seven drivers, five outcomes and one neutral, were identified. Affinities 3, 13, 6, 10, 11, 4 and 12 are being classified as drivers, with 3 and 13 being designated as primary drivers. Affinity 7 was classified as a pivot or neutral. Affinities 2, 5, 9 and 8 were classified as outcomes, with affinity 1 being classified as a primary outcome. From the IRD and

tentative SID assignment, a diagram was drafted to visually present the relationships amongst the affinities, as discussed in the next section.

4.2.2.4 System Influence Diagram

This section discusses the cluttered and uncluttered SIDs, together with the findings of the relationships between the affinities. In order to present the links of the affinities within the system, a cluttered SID was developed using the affinities according to the tentative SID assignment, as presented in table 4.3 above. A cluttered SID provides a visual representation incorporating all the relationships in the system (refer to figure 4.1). This first version of the SID contains each relationship-link present in the IRD, i.e., 62 in total.

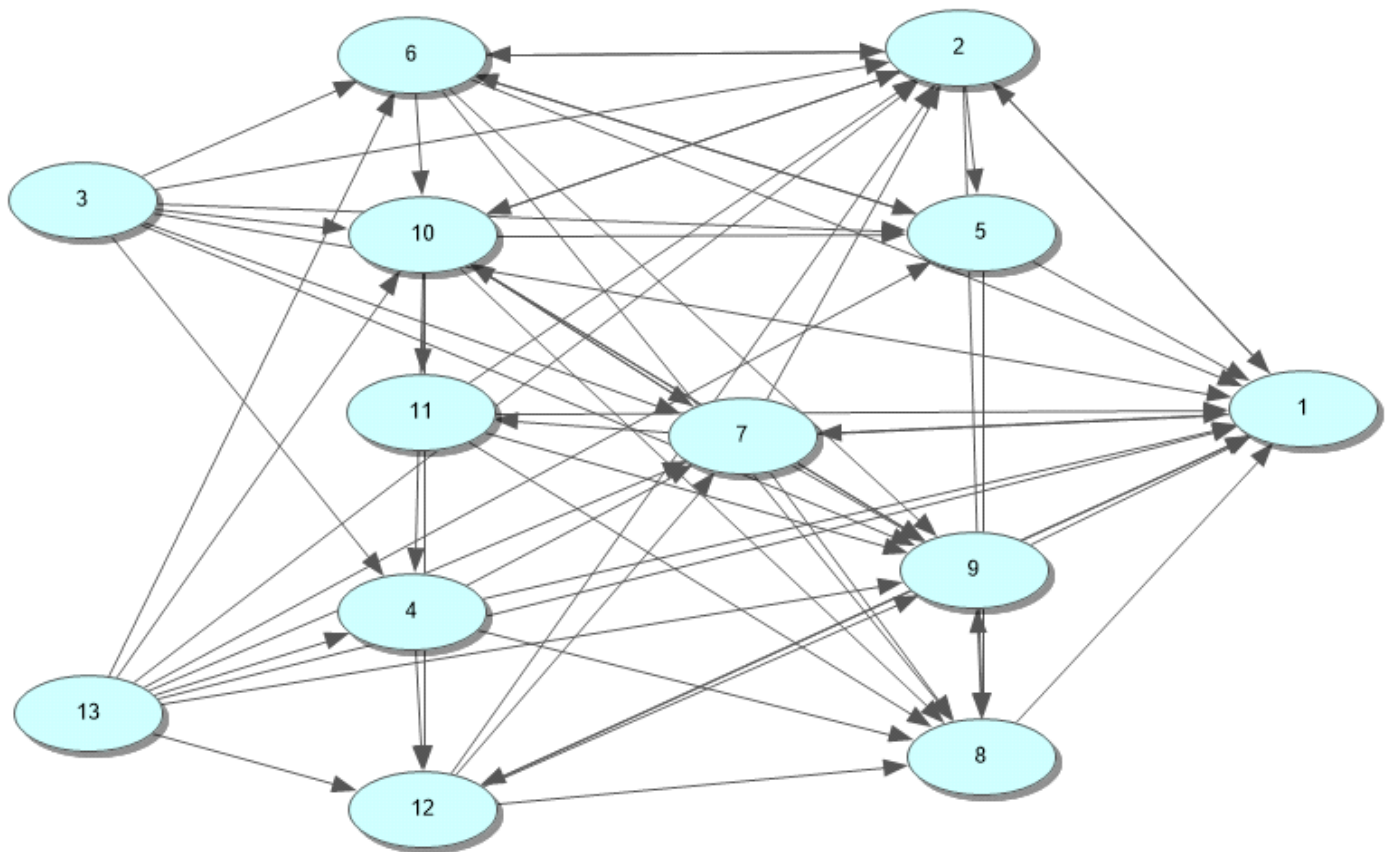


Figure 4.1: Cluttered System Influence Diagram (SID)

(Source: own)

Even though the cluttered SID is comprehensive and rich in data, it is difficult to interpret, owing to the affinities that are interlocked. The large number of affinities in this cluttered SID leads to saturation of the links in the system, and results in a very complex diagram. Because of this complexity, this cluttered SID would not be of much value to drawing conclusions, as it may be difficult to interpret. For this reason, it was essential for the SID to be uncluttered, by removing the redundant links, resulting in a clear picture of the primary drivers, the secondary drivers, and the neutral-, secondary- and primary outcomes, as collectively perceived by the respondents. The researcher examined the relationship between the highest positive delta and the highest negative delta. The removal of the redundant links commenced with comparing affinities at the extreme left to the extreme right, then working back to the left. The researcher removed duplicate paths between the two affinities, according to its delta values and SID assignments. For example, if 1 influence 2, and 2 influences 3, but 1 also influences 3, the latter link was eliminated, as 1 also influences 3 via 2. The 12 conflicting pairs rendered the uncluttering of the SID impossible, and as the pair that received the highest number of votes was initially included in the analyses (refer to table 4.2), it was revoked, and the lower voted pair was included, where required. After the uncluttering exercise, the final uncluttered SID for the respondents is presented in figure 4.2, below.

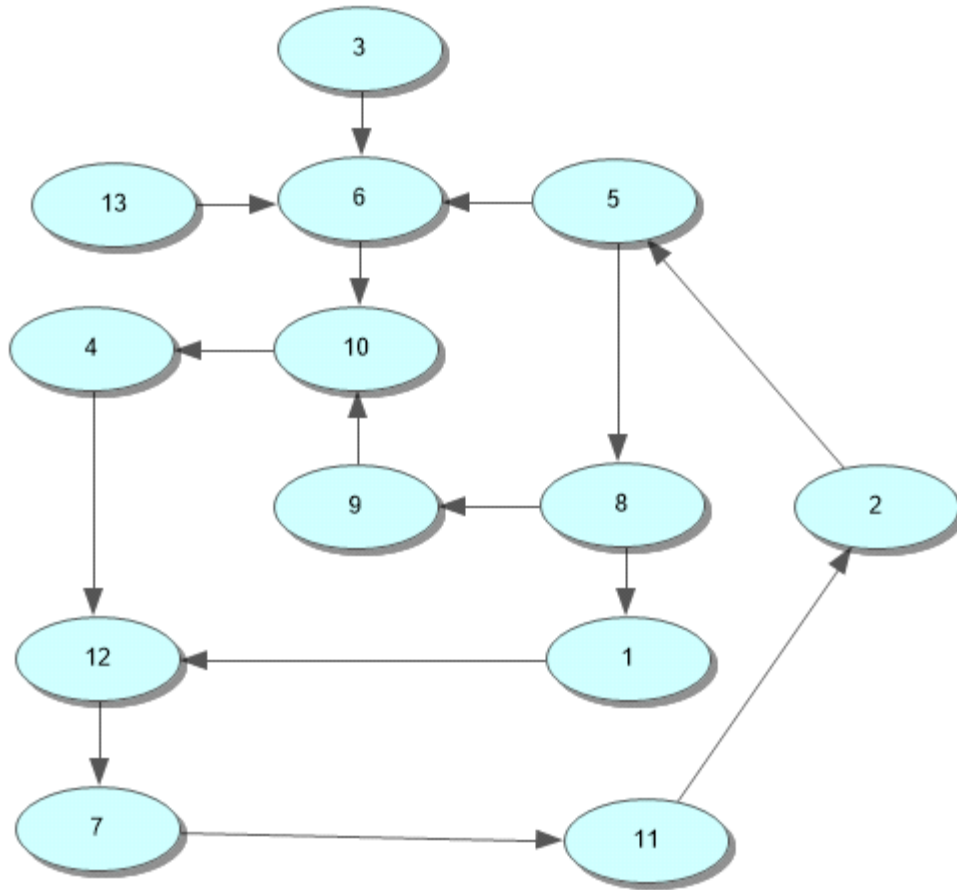


Figure 4.2: Final uncluttered System Influence Diagram (SID)

(Source: own)

Following the steps of the IQA method, the final uncluttered SID indicates two original primary drivers, however, no primary outcomes. With reference to figure 4.3 above, respondents identified “automation/artificial intelligence’ (affinity 3) and the “lack of support by professional accountancy bodies” (affinity 13), as the primary drivers in the system. It is evident that respondents perceived these affinities to be fundamental causes of influence on other affinities in this system, leading to the principal challenges experienced by SMPs in providing relevant services to its clients. As discussed in section 1.3, little is known concerning the challenges faced by SMPs, that are hindering the enhancement of services provided by SMPs to SMEs (its main clientele). Therefore,

identifying these two primary influencers on the challenges experienced by SMPs, is the first contribution to addressing the research objective of this study. Interestingly, the “lack of support by professional bodies” was not strongly addressed in the literature, however, it was identified by practitioners participating in the preliminary investigation as the thirteenth affinity (refer to section 3.3.2) – supporting the notion that the data gathered during this study is relevant. Another interesting aspect is that both these affinities influenced the rest of the system via affinity 6 “keeping up with new regulations and standards”, that refers to the rules of conduct for SMPs (refer to section 2.6.2.7).

4.2.2.5 Primary drivers

As the primary drivers do not form part of a feedback loop, where the affinities and its relationships are discussed in greater depth, the two primary drivers are debated in this section. Where respondent-participants specifically furnished their opinion on the relationship, such individual is identified by a “[P]”, followed by the number allocated to the particular participant, i.e., from 1 to 30.

- *Affinity 3: Artificial intelligence/automation*

One respondent [P7] contented that automation/artificial intelligence introduces opportunities as well as threats to business. Most respondents held a common view that automation lends an advantage over competitors, i.e., SMPs who have automated its functions are likely to serve the needs of the clients more efficiently and effectively. SMPs utilising modern, advanced technology, will beat competition by other practices [P3]. Thus, a SMP that had automated its functions will overcome the challenges hindering the provision of services to SMEs, therefore it can be seen as a potential opportunity for SMPs. Two additional aspects that were mentioned by respondents under this affinity, is

costs, and keeping up with new regulations and standards. First, a respondent [P30] indicated that technological costs associated with automation or artificial intelligence are currently higher for SMPs. This links with affinity 10 (“rising cost”) in the sense that automation will inherently increase the costs of running a practice and doing business – which can be seen as a potential threat that should be managed. However, automation can help SMPs gain a competitive advantage, as they can serve SME-clients in a more agile manner – thus higher cost to automate may lead to a competitive advantage. Furthermore, the identification of potential higher cost owing to automation, confirms the literature regarding the challenges confronting SMPs, as the rising costs of conducting business was identified as one of the causes of failure of emerging SMEs (refer to section 2.6.2.9). Since SMPs are also SMEs (refer to section 2.2.2), this assertion is also applicable to SMPs. Secondly, linking to the aspect of cost, respondents indicated that an investment in technology may aid in keeping the SMP abreast of new regulations and standards [P10, P30], and can reduce the costs of keeping up to date [P23], an extremely important component of SMP service delivery, as the accounting profession is highly regulated. Furthermore, literature indicated that compliance with laws and regulations is one of the challenges that impede the survival of SMEs (refer to section 2.6.2.7). Since SMPs are also SMEs, an investment in automation/artificial intelligence will assist SMPs to enhance compliance and regulatory services provided to SMEs, in fulfilment of SME-needs.

- *Affinity 13: Lack of support by the professional accountancy bodies*

Firstly, the lack of support by the professional accountancy bodies is interpreted by the respondents as the lack of guidelines and educational support provided by professional

accountancy bodies to address the specific needs of SMPs. Respondents indicated that subscriptions to professional bodies are too costly for SMPs [P18], and the cost of quality reviews by independent bodies are so high that the recoverability of fees from clients is ultimately reduced [P15]. This links to affinity 10 (“rising costs”), as SMPs are required to pay these costs, to remain allowed to practice. It is evident that respondents opined that the costs associated with compliance with professional bodies’ rules and regulations have a negative impact on the financial sustainability of SMPs. Interestingly, one respondent noted that professional accountancy bodies do not educate the public concerning the value of accountants to society and why their services should be highly regarded [P9] – an issue that could be further researched.

Secondly, with reference to figure 4.3, lack of support by the professional accountancy bodies, as a primary driver, also has a direct influence on affinity 6, “keeping up with new regulations and standards”. This link is supported by respondents’ comments, i.e., “the lack of support by professional accountancy bodies has a direct influence on SMPs to keep up to date with changes in regulations and standards [sic]” [P13], and

as the accounting profession is highly regulated by both professional bodies and government laws, lack of keeping up to date with regulations and standards may result in SMPs either losing its trading license or being heavily fined. It also has a direct influence on the services delivered to its clients – both adherence to accounting related regulations and standards when conducting services, as well as adherence to all government laws and regulations for the SMP and SME [P14].

Thirdly, the link between affinities 13 and 6 supports the literature on the role of professional accounting bodies in developing SMPs, where professional accountancy

bodies are expected to issue guidelines to assist and develop SMPs (IFAC 2016a:21). Respondents agree that constant communication of changes in standards by the professional accountancy bodies, and the opportunity for public comment by SMPs prior to implementation of new standards, are good support systems for the growth and survival of SMPs. The respondents are of the view that SMPs have a role to play in influencing changes in regulations and standards affecting the environment in which it operates. As stated by [P21]: “If professional accountancy bodies cannot support SMPs [,] then SMP[s] will never be able to keep up with regulations and standards in a cost-effective manner”.

4.2.2.6 Feedback loops

The SID indicates three feedback loops, that display how the affinities interact with each other in the system. These are presented and discussed below.

- *Feedback loop 1: Competence and cost drivers for success*

Feedback loop 1 (refer to figure 4.3) consists of the following affinities: Affinity 5 – “Serving clients operating internationally” → Affinity 6 – “Keeping up with new regulations and standards” → Affinity 10 – “Rising costs” → Affinity 4 – “Competition from the unqualified accountants” → Affinity 12 – “Threat of new entrants to the industry” → Affinity 7 – “Pressure to lower fees” → Affinity 11 – “Managing cash flow and late payments” → Affinity 2 – “Talent management” → Continuous. Therefore, the feedback loop is labelled “competence and cost drivers for success”.

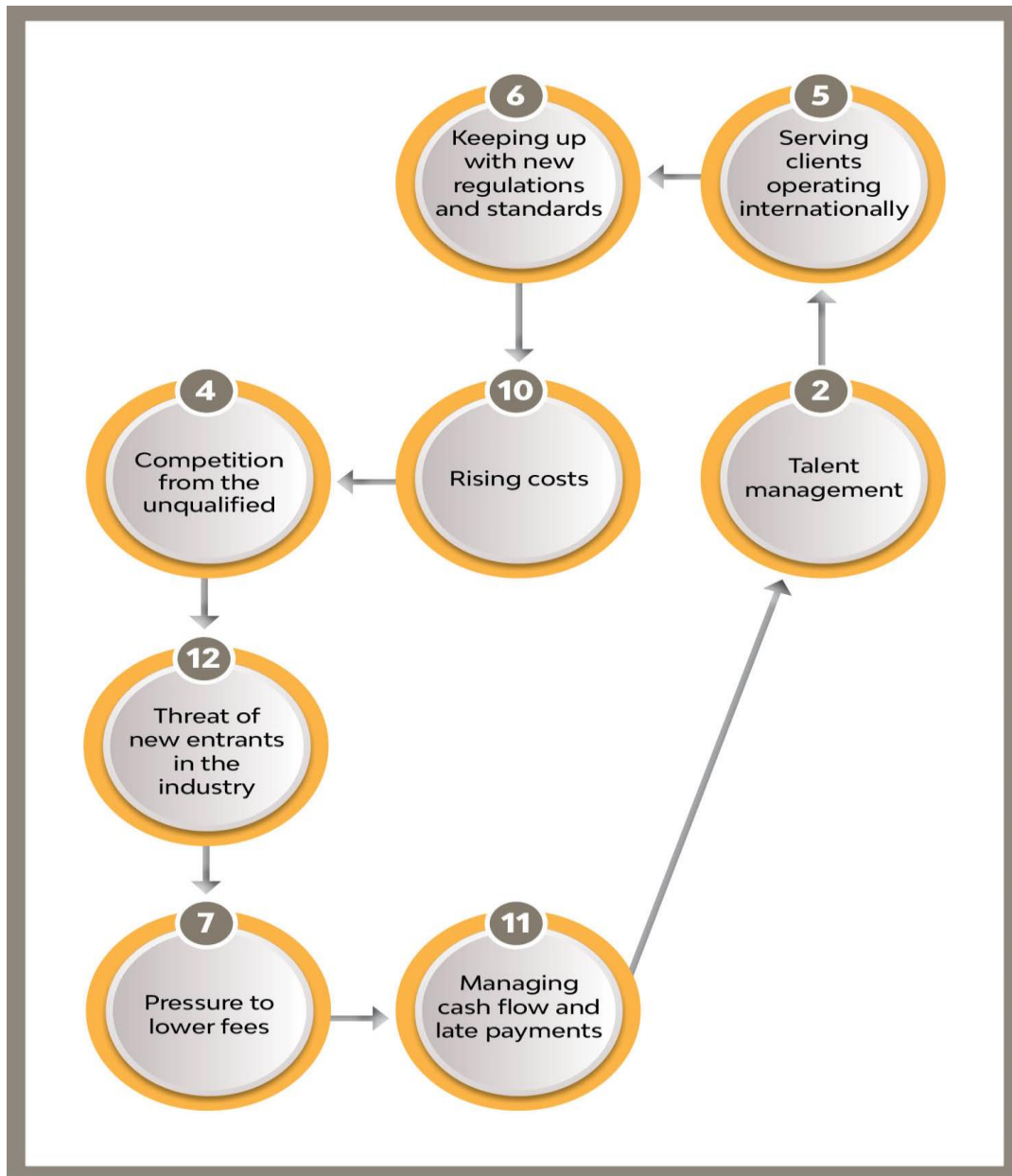


Figure 4.3: Feedback loop 1- Competence and cost drivers for success

(Source: own)

Affinity 5, “serving clients operating internationally”, serves as the starting point for the feedback loop and has a direct influence on affinity 6, “keeping up with new regulations and standards”. With the international business borders becoming blurred, many of the clients of SMPs move into the arena of international business, presenting additional laws,

rules and requirements to the business. SMPs must not only assist its clients in adhering to these laws, rules and requirements (as part of advisory services), it must also ensure that the relevant country's regulations and standards are adhered to, providing accounting- or assurance services. This links with affinity 10, "rising costs", as additional costs will be incurred to provide these services to clients, i.e., studying the country's rules and requirements and obtaining knowledge on how clients' transactions should be recorded. However, literature indicates that SMPs do not possess the capacity and expertise to serve international clients, restricting its ability to take advantage of opportunities offered by international markets (refer to section 2.6.2.8). Therefore, if SMPs are able to access professional contacts in foreign countries, either personal contacts or via its membership of a professional body with a memorandum of understanding, this could potentially benefit its SME-clients. This provides SMPs with an opportunity to develop knowledge and information resources, in order to guide SMEs through the red tape challenges associated with internationalisation. Respondents indicated that serving clients operating internationally will motivate SMPs to keep abreast of the latest developments and changes in laws and regulations [P10, P13].

Another aspect highlighted by respondents is that keeping up with new regulations and standards require SMPs to invest in technical resources, that increases the costs of running a practice [P9, P21]. Compliance with new regulations and standards is largely influenced by government laws and the rules of professional conduct imposed on SMPs. The respondents' views support the literature, in that SMPs lack in-house resources to keep up with changes in laws and regulations, resulting in the appointment of external experts to fulfil the compliance requirements (refer to section 2.6.2.7). One respondent

[P21] suggested that the rising business costs will stifle the ability to keep updated with laws and standards, in the short run. Therefore, it can be argued that a reduction in the red tape associated with compliance with regulations and standards, will reduce the costs of running a practice.

Affinity 10, “rising costs”, also influences affinity 4, “competition from the unqualified accountants”, and affinity 12, “threat of new entrants to the industry”. Respondents mentioned that the excessive increase in costs creates pressure on SMEs to contract the services of unqualified accountants [P7], as their services are likely less expensive [P10], increasing competition from the unqualified professionals, with potentially more new entrants to the SMP-related market. Respondents indicated that unfair competition from the unqualified accountants can reduce SMP profit and render it difficult to cope with rising costs [P13]. This links to affinity 7, “pressure to lower fees”, as competition from the unqualified accountants may exert pressure on SMPs to reduce fees for professional services. Respondents believed that rising costs may push SMEs, the principal clientele of SMPs, to seek cheaper services from the unqualified accountants. To address the problem of unqualified accountants, it is recommended that accounting services should be a regulated occupation, where an individual would be unable to identify themselves as an accountant without having complied with certain requirements. Furthermore, respondents opined that competition from the unqualified accountants complicates new entrance to the industry, as a new entrant is unlikely to professionally survive in the highly competitive environment [P30]. Unqualified professionals have little red tape and regulations to contend with, rendering it easier for them to establish a practice and start competing with qualified accountants [P10]. The introduction of new accounting packages

and cloud-based solutions that generate instant financial information, pose serious threats to existing SMPs in the industry. Although not part of the feedback loop, this notion links to the primary driver, affinity 3, “automation/artificial intelligence”, as financial information that was traditionally generated by human beings, can now be produced instantly, by a device. Therefore, an investment in automation will assist SMPs to counter competition from the unqualified accountants and the threat of new entrants to the industry. Hence, the link between affinity 12, “threat of new entrants to the industry” and affinity 7 “pressure to lower fees”, requires further discussion. A respondent [P10] noted that new entrants to the industry may exert pressure on SMPs to reduce its fees, in order to retain existing customers and attract new ones. New entrants to the industry will likely charge lower fees, in order to penetrate the market and exert pressure on the existing SMPs to reduce its fees in response to the price competition. A typical example of the threat of new entrants to the industry is the introduction of accounting packages by the banks, that have exerted immense pressure on SMPs to reduce fees for services provided to SMEs. An increasing pressure to lower fees is also attributed to, *inter alia*, commoditisation of accounting services, that renders previously unique services generic and widely available, resulting in the reduction of accounting prices in response to the new competitors entering the industry. A respondent [P4] argued that the threat of new entrants causes a SMP to reduce its fees, as new entrants might charge their services far below the market rates. Hence, this practice will force the existing players to lower their fees as well [P7, P21]. This links to the next affinity relationship, namely affinity 7, “pressure to lower fees”, and affinity 11, “managing cash flow and late payments”. Respondents [P4, P23] mentioned that pressure to lower fees will force a SMP to further

restrict an already tight budget, and derail any effort in the management of cash flow. Another respondent [P13] also suggested that cash flow and payment terms are being impacted by the pressure to lower fees, since reducing fees can result in liquidity issues for SMPs. One respondent [P15] suggested that the increasing pressure to lower fees exerted by clients and the competition, may result in SMPs becoming less tolerant towards client-debtors and extending less lenient terms for deferred payment arrangements and payment plans. A respondent [P30] commented that efficient cash flow management and offering early settlement discounts to clients, could assist SMPs in cushioning the pressure of fee reduction, whilst improving cash flow. Finally, this feedback loop is completed through the influence of affinity 11, “managing cash flow”, on affinity 2, “talent management”. One respondent [P21] argued that a SMP that is unable to manage its cash flow, will struggle to meet its remuneration commitments, resulting in talent leaving the practice. This affinity links back to affinity 5, “serving clients operating internationally”, where competence and a well-trained pool of employees are required to meet clients’ needs to conduct business internationally.

Within the feedback loop, further discussion is required in respect of cost management. Both affinities 10 and 11 support the literature on the challenges confronting SMEs and SMPs (with SMPs also being SMEs, and majority of the clients of SMPs being SMEs), as “rising costs” (refer to section 2.6.2.9) and “poor cash flow and late payments” were identified as major obstacles impeding the survival of SMPs (refer to section 2.6.2.10). Affinity 7, “pressure to lower fees” is another risk directly linked to cost management. Firstly, challenges related to “rising costs” and “cash flow and late payments” present SMPs with an opportunity to provide effective cash flow advice to SMEs. Secondly,

“pressure to lower fees” suggests (and this was supported by a respondent [P1]) that failure by SMPs to effectively manage its fee structure, may cause severe pressure on cash flow and late payments by clients. Thirdly, it is evident from the respondents’ opinions that affinities 7 and 10 impact the financial sustainability and going-concern ability of the SMPs. Therefore, addressing these challenges is paramount to the success and survival of SMPs. Fourthly, affinity 10 corroborates the literature concerning the challenges confronting SMEs, as poor management skills and competencies were identified as principal, root causes of a great number of SME failures (refer to section 2.6.3.2). One example of poor managerial skills by SME owner-managers is the inability to manage cash flow. This is supported by the findings of the survey study (refer to section 4.3.2) that SME owner-managers need guidance on how to manage cash flow, evidenced by a very high mean score. This afford SMPs the opportunity to provide cash flow advice to SMEs, whilst improving its own management of cash flow and late payments.

- *Feedback loop 2: Retaining and expanding the client base*

Feedback loop 2 (refer to figure 4.4), comprises the following affinities: Affinity 5 – “Serving clients operating internationally”→ Affinity 8 – “Retaining existing clients”→ Affinity 9 – “Succession planning”→ Affinity 10 – “Rising costs”→ Affinity 4 – “Competition from unqualified accountants”→ Affinity 12 – “Threat of new entrants to the industry”→ Affinity 7 – “Pressure to lower fees”→ Affinity 11 – “Managing cash flow and late payments”→ Affinity 2 – “Talent management”→ Continuous. Therefore, the feedback loop is labelled “retaining and expanding the client base”.

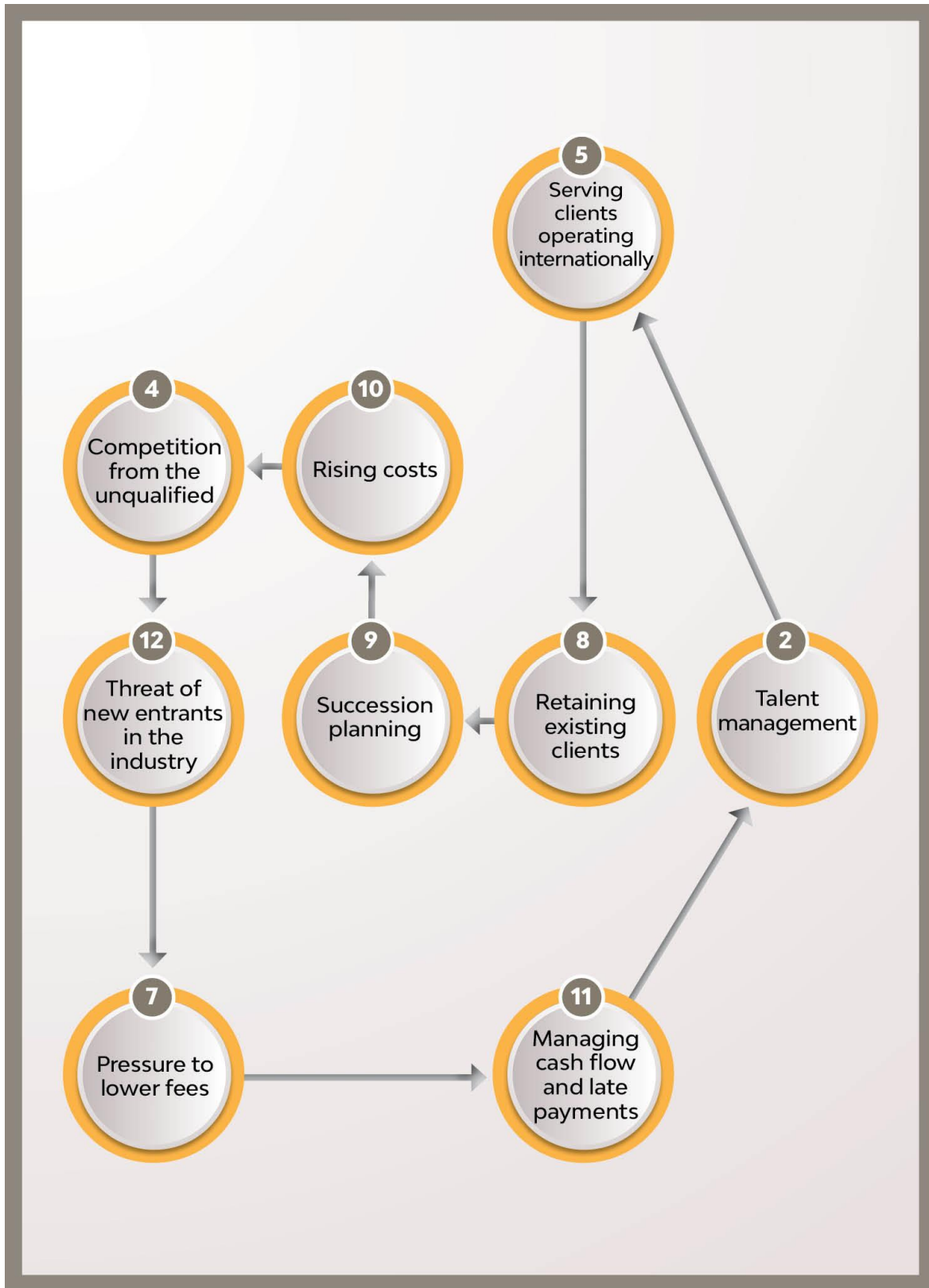


Figure 4.4: Feedback loop 2- Retaining and expanding client base (Source: own)

The second feedback loop also commences with affinity 5, “serving clients operating internationally”, that has direct bearing on affinity 8, “retaining existing clients”. A respondent [P10] opined that, when SMPs are associated with international clients or local clients operating internationally, it reflects positively on its reputation and local clients will be motivated to retain such a SMP’s services. One respondent [P7] concurred that the ability to service international customers creates trust in the current client base, resulting in client retention. In contrast, another respondent averred that SMPs focusing on serving international clients may end up losing local clients [P3]. It is logical that SMPs with an entrenched international network would be able to retain clients with similar international aspirations. Furthermore, more internationally focused SMPs are better equipped to assist existing clients in developing international business, from a standing start. In conclusion, most respondents perceive SMPs that provide assurance and advisory services to international clients or clients with an international footprint, to be reputable and competent. The views of the respondents support the literature on the internationalisation of SMEs and SMPs (refer to section 2.6.2.8), as SMEs are moving to internationalise its businesses, whereas SMPs appear to be foregoing the potential offered by internationalisation. There is an expectation gap between the needs of SMEs and the services provided by SMPs, as SMPs are not adequately assisting SMEs to take advantage of the opportunities provided by global markets.

Respondents indicated that affinity 8, “retaining existing clients”, influences affinity 9, “succession planning”. A respondent [P30] indicated that the ability to retain existing clients assists in retaining talent and ensuring succession planning. Inability to retain clients generally results in staff resignations that, in turn, affect succession planning [P9].

Another respondent highlighted that the retention of existing clients will provide financial aid to support the firm in forging a succession plan and -strategy [P10]. It is evident from the respondents' views that retaining existing clients provides a basis for efficient succession planning. It could be argued that it would be a futile exercise for a SMP to embark on a succession drive should such SMP practitioner not have the ability to provide services that meet the needs of clients, in order to retain the existing clients.

Affinity 9, "succession planning", directly influences affinity 10, "rising costs". The feedback loop suggests that succession planning by SMPs gives rise to additional costs, such as training expenses. This was confirmed by one respondent [P2]. Respondents held a common view that rising costs impedes SMEs' ability to carry out effective succession planning, as increasing costs adversely affect cash retentions, that have a direct impact on the succession plan of the entity [P7, P10, P3]. This signifies that SMPs need financial resources to implement the succession plan, that will increase the costs of running a practice. The findings of this affinity relationship support the literature in respect of the challenges confronting SMPs, as the lack of a formal succession plan was identified as one of the top five challenges faced by SMPs (refer to section 2.6.2.3).

From affinity 10 to affinity 2, this feedback loop overlaps with feedback loop 1, and is, thus, not included in the discussion again. To increase the client base, SMPs should, *inter alia*, expand its expertise via networks and partnerships, and via training staff and utilising external experts. Communicating with SME owner-managers is important in understanding the SMEs' needs, enhancing trust between SMEs and SMPs and introducing new services to meet the needs of SMEs.

- *Feedback loop 3: Servicing clients at reasonable costs*

The final feedback loop consists of the following affinities (refer to figure 4.5 below):

Affinity 5 – “Servicing clients operating internationally” → Affinity 8 – “Retaining existing clients” → Affinity 1 – “Attracting clients” → Affinity 12 – “Threat of new entrants to the industry” → Affinity 7 – “Pressure to lower fees” → Affinity 11 – “Managing cash flow and late payments” → Affinity 2 – “Talent management” → Continuous. Therefore, the feedback loop is labelled “servicing clients at reasonable costs”.

The final feedback loop also starts with affinity 5, “servicing clients operating internationally”, that has a direct influence on affinity 8, “retaining existing clients”. This affinity pair relationship repeats itself, and as it was discussed as part of feedback loop two, it will not be discussed again here. Affinity 8 influences affinity 1, “attracting clients”. One respondent [P14] indicated that the SMP wishing to attract new clients must retain existing clients, causing such clients to spread a good word regarding the excellent and quality services offered by the SMP. It can be more expensive to attract new clients than retaining existing clients, therefore existing clients can attract new clients via referrals and trust [P14, P16]. Should a SMP be able to retain existing clients, this will likely serve as a good indication to potential clients of the SMP’s good dealings and maintenance of professional relationships.

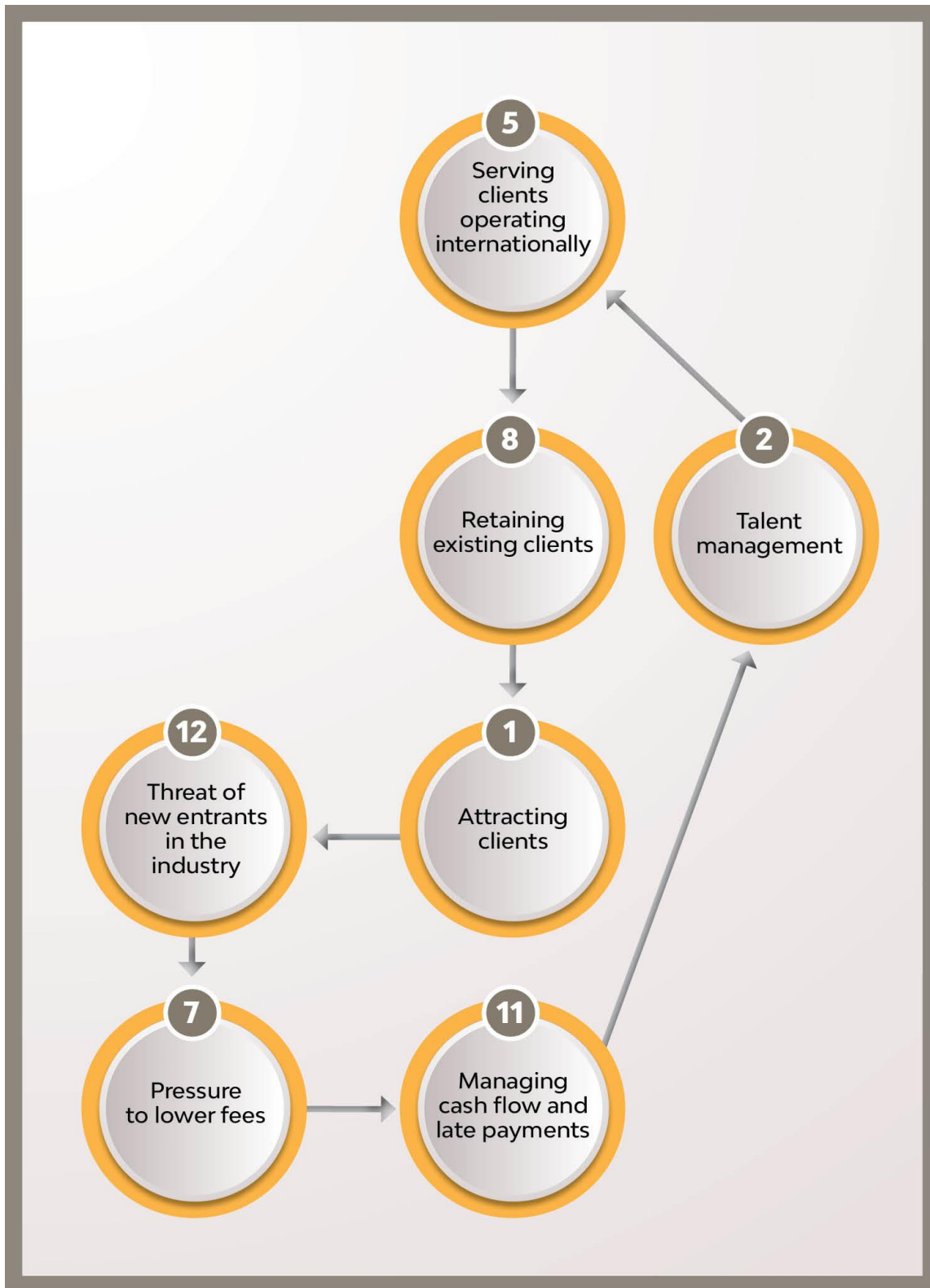


Figure 4.5: Feedback loop 3 – Serving clients at reasonable costs

(Source: own)

Another aspect emphasised by the respondents is that new clients are mostly obtained from referrals by existing clients, therefore it is important to satisfy the needs of existing clients [P13]. Pressure to attract new clients may result in the compromising of services offered to existing clients [P7], that should always be protected. This is mainly achieved by understanding the needs of clients, and then providing quality services to meet these needs – leading to both retaining existing clients and attracting new clients.

The feedback loop indicates that affinity 1, “attracting clients”, directly influences affinity 12, “threat of new entrants to the industry”. However, most comments from respondents indicated that affinity 12 should influence affinity 1. This was a conflicting pair (refer to table 4.2), where 16 respondents indicated that affinity 12 influences affinity 1 and only nine, the reverse. However, to resolve all the conflicts in the final, uncluttered SID, the minority flow (1 → 12) had to be accepted. A respondent [P7] affirmed that new entrants to the industry increases competition and this might have a knock-on effect on the ability to attracting clients. This statement was supported by other respondents, concurring that new entrants to the accounting profession can negatively influence the SMPs’ ability to attract new clients, owing to increased competition [P13, P21, P23]. However, as nine respondents did agree that affinity 1 influences affinity 12, it can be argued that the directional links are not valid, as all nine respondents did not provide explanations of the relationship in terms of their personal experiences. From affinity 12 to affinity 2, this feedback loop overlaps with feedback loop 1 and feedback loop 2, and is thus, again, repeated in the discussion. In conclusion, to serve SME-clients at a reasonable cost, SMPs should increase the focus on providing distinct value-added services to SMEs, as the value of services impacts the demand for services by SMEs. Therefore, SMPs should

consider setting prices for professional services based on the SMEs' perceived value of such services.

4.3 The Challenges and Needs of Small- and Medium Enterprises

As discussed in chapter 3, one of the research objectives of this study is to understand the needs of SMEs, in relation to the services provided by SMPs. To address this objective, the 2016 SAICA SME report (SAICA 2016) was utilised, whereby a document analysis research method was applied, in order to extract relevant information (refer to section 3.4). In this section, the demographics of the respondents to the SAICA survey are first reported, following which the questions relating to the challenges and the needs of SMEs are analysed, in order to identify the specific needs of SMEs that relate to the potential services that SMPs can provide.

4.3.1 Demographics of respondents

In total, 143 usable responses were collected. Regarding age, the majority (81%) of the respondents were between 36 and 65 years old. This indicates that respondents are mature SME owner-managers, with, potentially, years of experience in the business. This enhances the validity and reliability of the responses. Regarding the type of business form, 86 percent of the respondents are trading as close corporations and companies. Respondents are managing formal entities, that are registered and regulated by the South African government, rather than unregistered businesses operating in the informal sector of the economy. Furthermore, most of the respondents (76%) are in senior management positions (chief executive officers and managing directors). Therefore, the decision makers and those in need of services provided by SMPs, participated in the survey. The

relative mature age, regulated business form and senior position of respondents, are all contributing factors to improve the validity and reliability of the data obtained.

In terms of the National Small Business Amendment Act No 26 of 2003 (RSA 2003a), SMEs are classified as small- and medium enterprises, based on the number of employees, the size of its turnover and the gross value of its assets (refer to section 2.3.3). Considering the Act's classification regarding turnover, 96 percent of the respondents fall within the small business category, whereas only four percent of the respondents could be classified as medium sized enterprises. As indicated in section 3.4, a survey was distributed to SMPs, for dissemination to its SME-client pool, and the high response rate supports the literature (refer to section 2.5) that SMEs in the small business category are the main client pool of SMPs. This also supports the literature that the SME sector within the South African economy is dominated by the small businesses category (Mutezo 2015:26). Conversely, the poor response rate by the medium-sized category indicates that SMPs are still facing challenges related to accessing clients, in this category.

Another classification of SMEs appointed by the Act (refer to section 2.3.3), is the number of employees. Using this classification criteria, all respondents fall within the small enterprise category as their businesses employ less than 50 employees. Further analyses reveal that 47 percent of the businesses employ between two and five employees, 18 percent between six and nine employees, and 19 percent between 10 and 19 employees. Although 52 percent of the respondents did not expect their staff complement to increase in the next 12 months, 31 percent did expect moderate increase –indicative of a stable future or even the potential growth of the business. Conversely, only 10 percent of the respondents anticipated a moderate decrease in the staff complement in the following 12

months period. With half of respondents indicating a stable future and a third indicating a slight growth, the responses are mostly viewed as positive. The literature indicates that 75 percent of SMEs in South Africa fail within their first two years of operation, owing to several challenges that impede its survival (refer to section 2.6.3). However, the respondents are from well established businesses, as 48 percent have been in operation between seven and 10 years and 52 percent between 10 and 15 years. This, again, support the reliability of the data obtained from respondents.

4.3.2 Challenges and needs

With regard to the questions regarding SME-challenges, a 5-point Likert-type scale was applied to acquire inputs from respondents, with “1” rating a factor not regarded as a challenge and “5” reflecting an aspect perceived as extremely challenging. The results are provided in table 4.5, below.

Table 4.5: Challenges faced by small- and medium enterprises (SMEs)

Challenge	Mean
Economic uncertainty	4.132979
Rising cost	4.175532
Competition	3.138298
Difficulties accessing finance	3.398936
Compliance with regulations	3.569149
Keeping up with new technology	2.691489
Attracting and retaining staff	2.797872
Financial crime	2.265957

(Source: own)

“Economic uncertainty” and “rising cost” both obtained very high mean scores of 4.133 and 4.176, respectively. Further, linking to the theme of finances, “difficulties accessing finances” were also rated high (3.399). The score in respect of “compliance with regulations” (3.569) indicates that SMEs either do not know how to comply, or regulations are too vast and stringent. Areas where risk management can assist SMEs include “competition” (3.138); “keeping up with new technology”; “attracting and retaining staff”; and “financial crime”; with the latter three elements representing lesser challenges, as indicated by the respondents.

On the question dealing with the most important reasons for SME failure, a 7-point Likert-type scale was used to derive respondents’ opinions, where “1” represented an aspect not regarded as a major reason, and “7” presented a major reason. The results are provided in table 4.6, below.

Table 4.6: Important reasons for small- and medium enterprise (SME) failure

Important reason for SME failure	Mean
They are not good at managing cash flow	5.595745
Their debtors pay them late	5.595745
They do business with clients who don't pay them	5.414894
They don't take the time to deal with essential administration	5.159574
They have overhead levels that are too big	5.037234
They lack internal business processes to help the company function	4.888298
They are unable to survive on the margins that the market dictates	4.734043
They have become victims of business risks that they were unaware of and did not mitigate	4,712766
They don't take advice early enough	4.452128

Important reason for SME failure	Mean
They have seen an increase in the number of competitors in the market	4.308511
They are unable to manage their labour issues	4.271277

(Source: own)

Although all the listed reasons rated a high score, “poor cash flow management”, “late payment by debtors”, “bad debts”, “no time for essential administration”, and “high overhead levels”, each obtained a very high mean score of above 5, signifying that these are the major reasons for SME failure. As with the SME challenges discussed above, four of the five major reasons indicated by the respondents link to the theme of finances. Another reason linked to finances include “low margins in the market” (4.73). Apart from the “inability to manage labour issues”, other reasons can all link to a lack of risk management (i.e., “lack of business processes”, “threatening business risks”, “lack of advice”, and “competitors increase”).

Concerning the question related to SMPs’ ability to provide value added services to SMEs, a 7-point Likert scale was applied to acquire respondent-views, where “1” represented absolutely no value added and “7” presented massive value added. The results are depicted in table 4.7, below.

Table 4.7: Value added services provided by small- and medium accounting practices (SMPs)

Valued added services	Mean
Handle statutory returns: Submissions to SARS	5.876289
Full accounting function/monthly accounts	5.779412
Handle monthly payroll and consequent payments	5.753425
Handle statutory returns: Submissions to CIPC	5.528090

Valued added services	Mean
Perform annual risk assessment	5.475000
Optimising business-, estate- and personal tax	5.457143
Monthly updates on the health of the business, including an action plan	5.390244
Audit/Independent review of accounts	5.324324
Help manage my cash flow	5.304348
Handle statutory returns: Submissions to UIF	5.236842
Handle statutory returns: Other submissions governed by legislation	5.213115
Handle statutory returns: Submissions to Stats SA	5.205128
To assess and mitigate risk in business	5.173913
Manage debtor collections	5.170732
Help with labour relations issues, including HR function	5.090909
Help raise finance when needed	5.052632
Investment advice	4.738095
Provide full HR function	4.657143
Provide BEE advice/certificates/verification/audit	4.521739

(Source: own)

All value-added services obtained a very high mean score, indicating that SME-respondents believe SMPs can add value in all the areas listed. Of the 19 aspects tested, 16 indicated a mean score of between 5.876 and 5.053, with “investment advice” (4.738), “provision of full human resources (HR) function” (4.657) and “Black Economic Empowerment (BEE) services” (4.522), scoring lower.

Again, the aspects can be clustered into specific themes. The handling of statutory returns in terms of submissions to SARS, Companies and Intellectual Property Commission (CIPC), Unemployment Insurance Fund (UIF), Stats SA, and other legislation, are linked to the theme of “compliance with laws and regulations”, presenting the highest overall

scores. This supports literature in that SMEs depend on SMPs to comply with legislation relevant to its businesses (refer to section 2.6.2.7). Other value-added services linked to “compliance with laws and regulations” include “audit/independent review of accounts” (5.324) and “BEE advice/certificates/verification/audit services” (4.522). Although these services are no longer compulsory in terms of the legislation regulating SMEs, it is interesting to note that respondents view these services as adding value to their businesses.

Linked to the theme of “payroll and the HR function”, are “monthly payroll and consequent payments” (5.753), “providing a full HR function” (4.657) and “help with labour relations, including the HR function” (5.091). Other value-added services that received high mean scores are linked to the theme of “bookkeeping/accounting”, namely “full accounting function/monthly accounts” (5.779) and “monthly updates on health of the business” (5.390). Within the theme of “risk management”, areas where SMPs can assist include “performance of annual risk assessment” (5.475) and “assessment and mitigation of business risk” (5.174). Linked to the theme of finance, aspects include “help manage cash flow” (5.304), “manage debtor collections” (5.171), “help raise finance when needed” (5.053) and “investment advice” (4.738). The “taxation” theme (optimising business-, estate- and personal tax) indicates that respondents do require a measure of assistance in these areas, hence, a high mean score of (5.457).

In summary of the above, aspects that occurred in all three questions (challenges of SMEs, reasons for SME failure, and SMP value adding possibilities), revealed three main themes, namely “finances”, “risk management” and “compliance with laws and regulations”. These themes were recurring and generally obtained the highest scores.

SMPs should be aware of these needs of its clients and manage its own challenges in such a way that enables the provision of quality services to SMEs.

In order to minimise the 38 challenges and needs to a more workable number, for the purpose of triangulation (refer to section 4.4), the items were clustered into three themes. As only one item scored a mean below the average (“financial crime” in table 4.3), it was decided to include all 38 items in the process. Table 4.8, below, visualises how the items were clustered into the themes. If there is no challenge, failure reason and/or services required, it is indicated as “None” in the relevant column.

Table 4.8: Development of themes for small- and medium accounting practices (SME) challenges, -failures and -needs

Challenge	Failure reason	Services required	Items	Themes
<ul style="list-style-type: none"> • Economic uncertainty (1) • Difficulties accessing finance (2) • Rising cost (3) 	<ul style="list-style-type: none"> • Not managing cash flow (4) • Poor debtor payments (5) • Poor client creditworthiness (6) • Market margins too low (7) • High overhead (8) 	<ul style="list-style-type: none"> • Manage cash flow (9) • Manage debtor collections (10) • Help raise finance when needed (11) • Investment advice (12) 	<ul style="list-style-type: none"> • Economic uncertainty • High costs and cash flow • Obtain and advice on finances 	Finances
Competition (13)	Increase of number of competitors (14)	None	Competitors	Risk Management/ Business advice
Compliance with regulations (15)	None	<ul style="list-style-type: none"> • Handle statutory returns: SARS, 	<ul style="list-style-type: none"> • Handling of statutory returns 	Compliance with regulations

Challenge	Failure reason	Services required	Items	Themes
		CIPC, Department of Labour (UIF), other legislative submissions, StatsSA (16-20) <ul style="list-style-type: none"> • Optimise business, estate and personal tax (21) • Audit / Independent review of accounts (22) 	<ul style="list-style-type: none"> • Audit/ Independent reviews • General laws and regulations 	
Keeping up with new technology (23)	None	None	New technology	Risk Management / Business advice
Attracting and retaining staff (24)	Not managing labour issues (25)	<ul style="list-style-type: none"> • Help with labour issues (26) • Provide full HR function (27) • Provide BEE services (28) 	HR matters	Risk Management / Business advice
Financial crime (29)	<ul style="list-style-type: none"> • Not managing business risks (30) • No advice (31) 	<ul style="list-style-type: none"> • Perform annual risk assessment (32) 	Risk management	Risk Management/ Business advice

Challenge	Failure reason	Services required	Items	Themes
		<ul style="list-style-type: none"> • Updates on business health (33) • Assess and mitigate risks (34) 		
None	<ul style="list-style-type: none"> • Non-managing administration (35) • Lack business processes (36) 	<ul style="list-style-type: none"> • Handle accounting function (37) • Handle payroll (38) 	Administrative matters	Risk Management/ Business advice

(Source: own)

Under the theme “Finances”, 12 items were combined and reduced to three, namely “economic uncertainty”, “high cost and cash flow”, and “obtain advice on finance”– all referring to aspects pertaining to money and the management thereof. With regard to the first item, only one original item is included and refers to the poor economic climate of the country in general, and specifically affecting SMEs. Aspects such as “downgrading by the rating agencies”, “unstable political climate”, and the “looting of state and private sector funds”, to name a few, complicate matters for small businesses with regard to obtaining financial support, planning for future business activities, or even concerning investing in capital spending in order to expand the business. Hence, this is a standalone item. The second item combine eight items, all referring to “cost and cash flow management”, with main aspects including the “increase in various costs”, and the “struggle to manage debtors with related cash flow management”. SMEs are sensitive to cash flow difficulties and will therefore choose to do business with clients reputed to pay promptly. For

example, late payments by government and big businesses render it extremely difficult for SMEs to manage cash flow related problems. The last item combines three items and refers to the need of SMEs to obtain finances, and the need for advice on investments and related aspects.

Under the theme “compliance with regulations”, eight items were combined to form three items, namely “handling of statutory returns”, “audit/independent reviews” and “general laws and regulations”, although all eight items relate to the need of SMEs for services that will assist it to comply with various laws and regulations. First, “handling of statutory returns”, where five items were combined into one aspect, refers to the administrative duty of businesses to adhere to formative requirements related to the completion and filing of documents with government departments. Second, “audit/independent review” refers to the need of SMEs to have its financial statements examined by an independent auditor with the objective of expressing an opinion as to its fairness or compliance with an identified financial reporting framework and any applicable statutory requirements. Third, “general laws and regulations” refers to the need of SMEs to receive guidance on adherence to laws and regulations that may affect its business – including the very complex South African tax law. On the one hand, all these items refer to the “red tape” that SMEs are bounded by, where compulsory regulations appear to be excessive, rigid or redundant, and hinder or prevent action or decision making. On the other hand, government “red tape” that results in failure to pay SMEs on time, complex tender processes, delays in registering businesses and issuing licenses, to name but a few, limits the ability of SMEs to grow and create jobs, as required by the South African government’s national development plan.

Under the theme “risk management or business advice”, 18 items were combined into five items, namely “competitors”, “new technology”, “HR matters”, “risk management” and “administrative matters”. Regarding the first item, two items were combined and it refers to the increase in the number of competitors of SMEs. SMEs are facing intensified competition, not just from other SMEs, but also from large businesses and industry giants. Competition complicates SMEs’ ability to attract new clients in a market that is mostly dominated by big businesses – holding more resources and a stronger existing client base. Aspects such as the ability to adapt to the rapidly changing market demand, technological change, and capacity constraints related to knowledge, innovation and creativity, render it extremely difficult for SMEs to manage competition. Competition can drastically harm small businesses in various ways, hence, it is one of the important reasons for SME failure. “Keeping up with new technology”, the second item, is increasingly important to all businesses, however, technology was rated as one of the lesser challenges confronting SMEs. Technology is one of the aspects of risk management, as new technologies have cost implications and SMEs without access to capital may find it difficult to keep up with latest technologies in order to mitigate business risks. Under the third item, five items were reduced to one item, all referring to HR or related matters. Aspects range from “attracting and retaining competent staff” to “assistance with labour and related issues”. The fourth item combines six items relating to various areas where SMPs can advise SMEs with regard to its risk management. It includes aspects such as “general risk management practices and advice”, “financial crime”, and “advice on the soundness of the business”. “Financial crime” refers to any kind of criminal conduct relating to money or to financial services, and typically includes,

inter alia, bribery and corruption, fraud, tax evasion, and money laundering. The risk management process may assist SME owner-managers to identify significant risks that are a threat to the success or existence of their businesses, and implement processes to mitigate the risk. Aspects such as “inability to manage business risks”, “lack of business advice”, and “lack of businesses processes”, indicate that SMEs do not adequately apply risk management practices, probably owing to limited resources dedicated to this important area. “Advice on the health of the business” refers to SMEs’ need for advice related to the four main areas of financial health, namely liquidity, solvency, profitability and operating efficiency. However, of the four areas, it is generally accepted that the best measurement of the business’s financial health is the level of its profitability. The need for this type of advice provides SMPs with an opportunity to assist SMEs with the analysis and interpretation of financial statements, including developing an action plan to address the areas requiring improvement. The last item incorporates four administrative matters, where SMEs express the need for SMPs to assist with and include general administrative duties, establishing and maintaining business processes, and the handling of accounting and payroll services. This indicate that SMEs do not spent essential time or effort on administration and do not possess the resources to manage accounting and related functions in-house.

4.4 Triangulation

As aforementioned, three research methods, namely a literature study, IQA phase 2, and document analysis, were applied to achieve the research objectives of this study. Thus, by triangulating data collected via these different research methods, the researcher

attempted to create confidence in the evidence, that generates credibility. Furthermore, by examining the information collected via different methods, the researcher was able to corroborate findings across data sets and reduce the impact of potential bias that can exist in a single study (Bowen 2009:28). According to Noble and Heale (2019:67), four types of triangulation are recognised. However, the one relevant to this study is methodological triangulation, that promotes the utilisation of several data collection methods. In this chapter, the findings of two of the three methods were presented, above. The first research method employed was a comprehensive literature review (refer to chapter 2), used to identify twelve challenges as affinities. The affinities were tested for completeness and construct validity by means of a pilot study, resulting in 13 affinities. The second method, IQA phase 2, was applied to obtain the views of practitioners, to determine the drivers (influencing factors) and outcomes (factors being influenced by the drivers) of the challenges confronting SMPs. The third research method, document analysis, was employed to understand the needs of SMEs. In this section, triangulation is applied to increase the credibility and validity of the research findings obtained via these three methods. “Credibility” refers to trustworthiness and how believable the findings is (Noble & Heale 2019:67), and “validity” is concerned with the extent to which a study accurately reflects or evaluates the concept or ideas being investigated (Noble & Heale 2019:67; Saunders et al 2009:157). Therefore, triangulation was applied to enhance the reliability and validity of the research findings derived from the research methods, utilised to explain the needs of SMEs and the challenges hindering SMPs in fulfilling these needs. Central to triangulation is the notion that methods leading to the same results, lend more confidence in the research findings (Noble & Heale 2019:67). Therefore, comparing the

data collected via the three research methods is a form of triangulation in research, thought to mitigate the weakness presented by each data collection method. The results of triangulating the three methods are depicted in table 4.9, below. The first column refers to affinities developed by the extensive literature study in respect of the challenges faced by SMPs. Twelve challenges were identified (see section 2.6), whereas the thirteenth challenge was identified during piloting of the study (refer to section 3.3.2). The challenges and needs of SMEs are listed under the first row heading, as discussed in section 4.3.2.

The researcher then linked the affinities based on 1) the literature review (refer to the sections indicated in the first column of the table); 2) the IQA and subsequent discussion of the primary drivers and feedback loops (refer to sections 4.2.2.5 and 4.2.2.6); and 3) the document analysis (see section 4.3.2). The rows and columns were linked by allocating a number to each cell that was deemed as having a relevant link, resulting in 39 links. The source of the link's establishment is indicated by an "A" (supported by the literature review), "B" (supported by practitioners – IQA), and "C" (supported by SME needs – document analysis of secondary data). Each of the 39 links and its relevant source(s) are discussed thereafter.

Table 4.9: Triangulation of research data

Challenges of SMPs (supported by extant body of knowledge with reference to discussion in literature)	Challenges and needs of SMEs										
	Finances			Compliance			Risk management/Business advice				
	Economic Uncertainty	Cash flow and high costs	Obtain and advice on finances	Handling of statutory returns	Audit/ independent reviews	General laws and regulations	Competitors	New technology	HR matters	Risk management	Administrative matters
Automation/artificial intelligence (section 2.8.2.1)	1ABC			2ABC	3ABC	4ABC		5ABC			
Keeping up with new regulations and standards (section 2.8.2.7)		6AC		7ABC	8ABC	9ABC		10ABC			11ABC
Rising costs (section 2.8.2.9)	12ABC	13ABC									
Managing cash flow and late payments (section 2.8.2.10)	14AC	15ABC	16ABC								
Competition from the unqualified accountants (section 2.8.2.6)	17ABC	18ABC		19ABC						20ABC	21ABC
Threat of new entrants to industry (section 2.8.2.6)				22BC	23AC						

Challenges of SMPs (supported by extant body of knowledge with reference to discussion in literature)	Challenges and needs of SMEs												
	Finances				Compliance			Risk management/Business advice					
	Economic Uncertainty	Cash flow and high costs	Obtain and advice on finances	Handling of statutory returns	Audit/ independent reviews	General laws and regulations	Competitors	New technology	HR matters	Risk management	Administrative matters		
Pressure to lower fees (section 2.8.2.5)	24ABC				25ABC								
Talent management (section 2.8.2.2)			26ABC		27ABC	26ABC		26ABC					
Serving clients operating internationally (section 2.8.2.8)	28AC		29AC			30ABC		31ABC					
Succession planning (section 2.8.2.3)	32AC		33ABC	34ABC				33ABC					
Retaining existing clients (section 2.8.2.4)			<u>35ABC</u>					35ABC					
Attracting clients (section 2.8.2.4)			36ABC					36ABC					
Lack of support by professional bodies	37BC		38BC		39BC	38BC		38BC					

Challenges of SMPs (supported by extant body of knowledge with reference to discussion in literature)	Challenges and needs of SMEs										
	Finances			Compliance			Risk management/Business advice				
	Economic Uncertainty	Cash flow and high costs	Obtain and advice on finances	Handling of statutory returns	Audit/ independent reviews	General laws and regulations	Competitors	New technology	HR matters	Risk management	Administrative matters
(section 3.3.2)											

(Source: own)

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	Automation/Artificial Intelligence	Finances (Economic Uncertainty)
1A	Literature confirms the link, as the emergence of new online technologies has driven a proliferation of cloud-based accountancy software and there is a concern that automation (also referred to as Artificial Intelligence) could destroy jobs that require minimal digital skills, as computer algorithms can perform many of the functions performed by humans. This will cause irreversible damage to the labour market, creating economic uncertainty for SMEs and SMPs. Conversely, automation assists businesses to alleviate economic uncertainty and may potentially increase jobs that require digital skills.	
1B	IQA respondents indicated that, with the advent of the fourth industrial revolution, clients are interested in entities that have invested in automation. The global lockdown owing to the Covid19 pandemic, that resulted in a poor economic outlook, further emphasised the importance of automation and the utilisation of technology in terms of attracting and retaining clients. IQA respondents also indicated that individuals possessed of technological skills are the ones who will retain employment in the fourth industrial revolution.	
1C	SME respondents attested that “economic uncertainty” is linked to the theme of “finances” and was highly rated by respondents (mean 4.133) as one of the main challenges faced by SMEs.	
Summary	It appears that automation may represent a contentious aspect for SMPs. SMEs may desire assurance that its SMP is employing the latest technology in performing its duties, however, with economic uncertainty confronting many SMEs, its receptiveness and ability to afford these enhanced services, are of	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	concern. SMPs will be required to automate particular functions, that may result in job losses for some individuals.	
Number	Automation/Artificial Intelligence	Compliance (Managing Statutory Returns)
2A	The literature review confirmed the link, as automation enables SMEs and SMPs to mechanise its business processes, from the collection and management of financial data through to the formulating of computations and submission of statutory returns (compliance automation).	
2B	The link was also confirmed by the IQA respondents, by indicating that modern accounting packages and cloud-based solutions will most likely improve the organisation of financial data, that will result in enhanced decision making and assist with the management of statutory returns.	
2C	SME respondents confirmed the link and have highly rated the management of statutory returns (mean 5.876) as one of the services that can add value to SMEs, therefore confirming SME's high demand of this service.	
Summary	There is general consensus that automation can assist SMPs to enhance the provision of services related to statutory returns, to SMEs.	
	Automation/Artificial Intelligence	Compliance (Audit or Independent Reviews)
3A	The literature review confirmed that SMPs' lack of automation- or IT resources could affect its ability to audit clients and further diminish the pool of auditors available to provide assurance services to SMEs in an economical manner (efficiently and cost effectively).	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
3B	IQA respondents further attested to the link that SMPs with automated operations are likely to overcome the challenges hindering the provision of services, including audit/independent reviews, and serve the needs of SME-clients more efficiently and effectively, leading to cost saving.	
3C	SME respondents corroborated the link and have rated the audit or independent review of accounts (mean 5.324) as one of the services that add value to SMEs, confirming the high demand by SMEs of this service.	
Summary	Automation can improve the efficiency and cost effectiveness of the audit- or independent review process. SMPs holding automated operations are possessed of a competitive advantage in the delivery of assurance services.	
	Automation/Artificial Intelligence	Compliance (General Laws and Regulations)
4A	Literature confirms the link, as compliance automation is not just a matter of implementing a software solution in order to digitally file the statutory returns, but entails considering the entire process of complying with relevant laws and regulations. Therefore, automation can assist SMPs to not only comply with general laws and regulations, but also extend that assistance to its clients.	
4B	IQA respondents supported the link, as investment in technology may aid SMPs in keeping abreast of new regulations and standards, and enhance the provision of compliance services to SMEs.	
4C	SME respondents highly rated compliance with regulations (mean 3.569) as one of the challenges confronting SMEs.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
Summary	Automation, via software that manages the process from start to finish, can assist SMPs in keeping abreast of new laws and regulations, and can enhance the provision of services to SMEs relating to general compliance with laws and regulations.	
	Automation/Artificial Intelligence	Risk Management/Business Advice (New Technology/HR Matters/Risk Management/Administrative Matters)
5A	The literature review confirmed the link that SMEs' business activities are becoming increasingly automated, where tasks such as input, processing and output, are automatically delivered by a device or software, therefore SMPs' investment in automation can enhance administrative services provided to SMEs.	
5B	The link is also confirmed by the IQA respondents, indicating that modern accounting packages and cloud-based solutions can perform the bookkeeping function, as the financial information traditionally generated by accountants is produced instantly, by a device. IQA respondents highlighted that automation may improve the manner in which a SMP provides services to its clients. Participants further indicated that, should SMPs utilise the latest accounting technology, client service will be enhanced. It appears that automation can also enhance the provision of other risk management/business advisory services by SMPs, to SMEs.	
5C	SME respondents supported the link and have rated "lack of risk management", including "lack of business processes" (mean 4.888), "threatening business risks" (mean 4.712) and "lack of advice" (mean 4.452) as important reasons for SME	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	<p>failure. Furthermore, respondents rated “bookkeeping or full accounting function” high (mean 5.779), along with “handling of monthly payroll and consequent payments” (mean 5.753) as part of services that can add value to SMEs, therefore confirming a high demand of these services by SMEs. “Keeping up with new technology” (mean 2.691) was rated by the respondents as one of the lesser challenges confronting SMEs.</p>	
Summary	<p>Clerical work, traditionally performed by accountants, can now be performed by a device, leading to the accountant being replaced by automation, driving bookkeeping prices down. The benefit may be an increase in convenience and speed, resulting in improved services. SMPs may also be in a better position to provide additional risk management services/business advice to its clients.</p>	
	<p>Keeping up with New Regulations and Standards</p>	<p>Finances (Cash Flow and High Costs)</p>
6A	<p>The literature review indicated that the capacity of SMPs to survive, grow and compete, can be adversely impacted by complex and rapidly changing regulations and standards, resulting in costs for the SMPs, that they would want to recover from SME-clients, therefore resulting in higher costs to SMEs.</p>	
6C	<p>SME respondents rated “rising costs” (mean 4.176) as one of the major challenges faced by SMEs.</p>	
Summary	<p>SMPs are confronted with the rising cost of compliance related to the rules and requirements of professional accountancy bodies, as well as other related new regulations and standards. SMPs may desire to offset these costs through SMEs</p>	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	via increased fees, however, it remains unknown whether SMEs will be amenable to absorbing additional costs.	
	Keeping up with New Regulations and Standards	Compliance (Handling of Statutory Returns)
7A	The literature review affirmed the link that “keeping up with new regulations and standards” provides opportunities for SMPs to render compliance services, such as managing the statutory returns that are relevant to meet the needs of clients.	
7B	IQA respondents supported the link, as “keeping up with new regulations and standards” is largely influenced by governmental laws and regulations, and rules of professional conduct imposed on SMPs by professional bodies, therefore influencing the provision of compliance services by SMPs to SMEs, such as managing the statutory returns.	
7C	The link is confirmed by SME respondents, as managing statutory returns is linked to the theme of “compliance with laws and regulations” and was highly rated by SMEs (mean 5.876), therefore confirming SMEs’ need for this service.	
Summary	Keeping up with various compliance requirements related to statutory returns may be overwhelming to both SMPs and its SME clientele, and as such, SMEs need SMPs who are abreast of the latest developments in the specific industry, in order to entrust it with the management of statutory returns to various authorities. Hence, apart from professional regulations and standards, SMPs should keep abreast of the new regulations and standards relevant to a specific SME.	
	Keeping up with New Regulations and Standards	Compliance (Audit/Independent Reviews)

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
8A	The literature review corroborated the link that “keeping up with new regulations and standards” provides opportunities for SMPs to provide SMEs with quality audits or the independent review of accounts.	
8B	IQA respondents supported the link, as “keeping up with new regulations and standards” is largely influenced by government laws and regulations, and the rules of professional conduct imposed on SMPs by professional bodies, therefore influencing the provision of audits or the independent review of accounts. IQA respondents also indicated that stringent requirements by the professional bodies entail that SMPs cannot audit clients in certain industries.	
8C	SME respondents further confirmed the link and rated the “audit or independent review of accounts” (mean 5.324) as one of the services that add value to SMEs, confirming SMEs high demand of this type of service.	
Summary	Stringent requirements by the professional bodies entail that SMPs cannot audit clients in certain industries. The limited pool of audit clients need auditors who are abreast of the latest developments in respect of new regulations and standards.	
	Keeping up with New Regulations and Standards	Compliance (General Laws and Regulations)
9A	The literature review attested to the link that “keeping up with new regulations and standards” provides opportunities for SMPs to assist SMEs to comply with general laws and regulations relevant to its businesses.	
9B	IQA respondents indicated that SME-clients need accountants who are abreast of the latest developments in the industry and a new client cannot be accepted	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	unless the SMP possesses the knowledge of the regulations applicable to the industry that the client operates in.	
9C	SME respondents highly rated “compliance with regulations” (mean 3.569) as one of the challenges confronting SMEs.	
Summary	SMEs need assistance from SMPs regarding compliance with general laws and regulations relevant to its businesses. Apart from general laws and regulations (i.e., labour laws) that SMPs should be knowledgeable of, the SMP could be required to be possessed of additional expertise, for example, with regard to specific laws and regulations relevant to the industry that the SME is operating in.	
	Keeping up with New Regulations and Standards	Risk Management/Business Advice (New Technology, HR Matters, Risk Management)
10A	A review of the literature indicated that deregulation in business via the introduction of mandatory audit relief has prompted SMPs to modify its goals and strategies with specific reference to a shift from audit services to advisory services, resulting in the need for SMPs to possess different competencies.	
10B	IQA respondents indicated that SMPs that hold sound technical knowledge and keep abreast of standards and regulations, will be availed of increased opportunities to attract clients, becoming a one stop solution for the client (provide business advice). Respondents further indicated that amendments to regulations and standards prompt businesses to seek business advice.	
10C	SME respondents supported the link and rated “lack of risk management”, including “lack of business processes” (mean 4.888), “threatening business risks”	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	(mean 4.712) and “lack of advice” (mean 4.452), as important reasons for SME failure.	
Summary	Proficiency in respect of regulations and standards may offer opportunities to SMPs to provide business advisory services to SMEs. SMPs must determine the nature of its clients’ business advisory needs and acquire the required competencies to enable it to fulfil such.	
	Keeping up with New Regulations and Standards	Risk Management/Business Advice (Administrative Matters)
11A	“Keeping up with new regulations and standards” affects the provision of accounting- and payroll services by SMPs to SMEs, as SMPs are required to keep abreast of various laws and regulations, for example, the latest accounting standards.	
11B	IQA respondents indicated that SMPs exhibiting that they are keeping abreast of new regulations and standards, inspire the confidence of existing clients and improve client retention.	
11C	SME respondents highly rated administrative matters such as “full accounting function/monthly accounts” (mean 5.779) and “management of monthly payroll and consequent payments” (mean 5.753) as the type of services that could add value to SMEs.	
Summary	The provision of accounting- and payroll functions to SMEs depend on the SMPs’ knowledge of the latest accounting standards and legislation, that should be acquired by those SMPs desiring to meet the needs of its clients.	
	Rising Costs	Finances (Economic Uncertainty)

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
12A	The literature review confirmed the link, as high transport costs, soaring interest rates, increasing taxes and exchange rates (all linked to the current economic uncertainty) are the key obstacles to the growth of emerging SMEs and SMPs in South Africa.	
12B	IQA respondents indicated that, should the rising costs of running SMPs surpass the revenue, it will result in the closure of practices.	
12C	SME respondents corroborated the link, as “economic uncertainty”, linked to the theme of “finances” was highly rated by respondents (mean 4.133), as one of the main challenges faced by SMEs.	
Summary	“Economic uncertainty”, resulting in, <i>inter alia</i> , higher costs for both SMEs and SMPs, is a constant concern, that could result in the closure of SMPs.	
	Rising Costs	Finances (Cash Flow and High Costs)
13A	The link is confirmed by the literature review, as high transport costs, soaring interest rates, increasing taxes and inflation, will likely compel higher priced professional services, eventually increasing SMEs’ overhead levels– - having to pay elevated prices for services rendered by SMPs.	
13B	IQA respondents supported the link, as rising costs propel SMPs to offset expenses towards its SME clientele, and elevated prices compel SMEs to seek services at cheaper rates from unqualified accountants.	
13C	The link is confirmed by SME respondents, as “poor cash flow management” (mean 5.595) and “high overhead levels”, that include SMP fees (mean 5.037) are both linked to the theme of “finances”, and were highly rated by SMEs as important	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	reasons for SME failure. "Rising cost" was highly rated (mean 4.175) by SME respondents as a major challenge confronting SMEs.	
Summary	The increasing costs associated with running a SMP is eventually transferred to SMEs, the main clientele of SMPs. With challenges related to rising costs and poor cash flow faced by SMEs, it may not be able to afford the higher prices charged by SMPs, resulting in the potential loss of clients.	
	Managing Cash Flow and Late Payments	Finances (Economic Uncertainty)
14A	The literature review confirmed the link that economic uncertainty owing to slow economic activity results in businesses (SMEs) being more susceptible to bankruptcy, due to the inability to generate sufficient cash flow to finance its operations. Therefore, SMPs will experience cash flow problems owing to late payments or non-payments by SMEs.	
14C	SME respondents corroborated the link, as "economic uncertainty", linked to the theme of "finances" was highly rated by respondents (mean 4.133), being one of the major challenges faced by SMEs.	
Summary	Managing cash flow and late payments are challenges confronting SMPs, more so, during difficult economic times. Hence, SMPs must assist its clients in becoming financially stable, resulting in prompt settlement of its accounts.	
	Managing Cash Flow and Late Payments	Finances (Cash Flow and High Costs)
15A	The link is supported by the literature review, in that SMEs that are unable to generate sufficient operating cash flow, are more susceptible to bankruptcy. Since	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	SMEs are clients of SMPs, cash flow issues and elevated costs experienced by SMEs will affect the cash flow position of SMPs.	
15B	IQA respondents supported the link by indicating that SMPs that fail to manage its fee structure effectively may experience severe cash flow pressure, and late payments and bad debt by SME clients. IQA respondents further indicated that the space in which SMPs operate is driven largely by the public sector, where timeous payment is a concern, ultimately affecting small practitioners' ability to operate optimally.	
15C	SME respondents confirmed the link, as "poor cash flow management" (mean 5.596) and "high overhead levels" (mean 5.037) linked to the theme of "finances" were highly rated by respondents, <i>inter alia</i> , as important reasons for SME failure – resulting in late- or non-payment of SMPs.	
Summary	Rising costs, managing cash flow and late payments, are concerns for both SMPs and SMEs. Furthermore, government as client results in timeous payment concerns. Hence, SMPs must manage these concerns by, <i>inter alia</i> , a well-structured fee basis.	
	Managing Cash Flow and Late Payments	Finances (Obtain Financing and Advice on Finances)
16A	The literature review confirmed the link by indicating that SMEs tend to rely on short-term funds, therefore, efficient working capital becomes crucial for its survival and growth, owing to its profound impact on business profitability and risk. SMPs should be able to assist its clients in obtaining financing, and provide proper advice on the management thereof.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
16B	IQA respondents indicated that proper cash flow management and prompt payment by clients lead to the financial sustainability of SMPs and its ability to service clients.	
16C	SME respondents highly rated a need for advice in respect of “cash flow management” (mean 5,304), “debtors management and collections” (mean 5.171), “raising finance” (mean, 5,053) and “investment advice” (mean 4.738), as services that can add value to its businesses, confirming SMEs’ need for these services.	
Summary	Access to finance and the need for advice regarding the management of finances and late payments, are main challenges confronting SMEs, and the provision of financial advice by SMPs to SMEs is key to the survival of both SMEs and SMPs.	
	Competition from Unqualified Accountants / Threat of New Entrants to the Industry	Finances (Economic Uncertainty)
17A	Economic uncertainty results in increased competition from unqualified accountants, as they provide services at a lower cost, even though it may result in the delivery of poor quality services. This creates pressure on SMPs to reduce the price of professional services to SMEs. The threat of new entrants to the industry, such as accounting packages introduced by the banks and IT companies	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	providing accounting services, bear economic uncertainty to existing SMPs in the industry.	
17B	IQA respondents confirmed the link and indicated that economic uncertainty results in clients that need to cut cost, including moving their business to unqualified accountants. IQA respondents further indicated that unqualified accountants are proposing a cheaper solution to an already low-margin industry, thus the competition from the unqualified accountants impact the available client pool. IQA respondents confirmed the link that new entrants to the industry increases competition (economic uncertainty) and might have a knock-on effect on the ability to attract SME clients.	
17C	SME respondents confirmed the link, as “economic uncertainty”, linked to the theme of “finances” was highly rated by respondents (mean 4.133), as one of the main challenges faced by SMEs.	
Summary	The public is often unable to differentiate between qualified and unqualified accountants. Owing to economic uncertainty, SMEs are appointing unqualified accountants – as their fee structure is lower - resulting in SMPs losing its clientele. New entrants to the industry are presented as some form of automation, that threatens SMPs who are reluctant to embrace technology.	
	Competition from Unqualified Accountants / Threats of New Entrants to the Industry	Finances (Cash Flow and High Costs)
18A	The literature review supported the link, as unqualified accountants are often able to charge less fees for their services, as they are not obliged to pay subscription fees to professional bodies, resulting in various concerns regarding the quality of	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	<p>the services provided. SMEs are taking advantage of these lower fees, to improve their cash flow and contain the rising costs. Furthermore, new competitors entering the industry can either threaten or decrease the market share and profitability of existing SMPs, by charging lower fees to acquire a market segment.</p>	
18B	<p>IQA respondents supported the link, as high costs create pressure for SMEs to appoint unqualified accountants, as their services are generally less expensive, therefore, increasing competition from the unregulated accountants. IQA respondents indicated that the threat of competition causes SMEs to implement cost cutting measures.</p>	
18C	<p>SME respondents corroborated the link, as “poor cash flow management” (mean 5.596) and “high overhead levels” (mean 5.037), linked to the theme of “finances”, were highly rated by respondents, <i>inter alia</i>, as important reasons for SME failure – resulting in the late or no payment of SMPs. “Rising cost” was highly rated (mean 4.175) by SME respondents as a grave challenge confronting SMEs.</p>	
Summary	<p>Building on the fact that economic uncertainty is threatening the existence of SMEs, the resulting increase in costs and poor cash flow compel SMEs to cut costs, where possible. This results in the appointment of unqualified accountants or the employment of new SMPs entering the industry, at a lower fee, without any apparent realisation by SMEs concerning the potential effect on its businesses.</p>	
	<p>Competition from Unqualified Accountants</p>	<p>Compliance (Management of Statutory Returns)</p>
19A	<p>The literature review confirmed the link, as SMEs are still turning to unqualified accountants to manage statutory returns, despite such unqualified accountants</p>	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	holding deficient skill sets, and lacking professional qualifications and membership of professional bodies – that may offer a measure of protection to SMEs when mistakes/wrong-doing by the SMP occur.	
19B	IQA respondents supported the link, as unqualified accountants faces little red tape and regulations to comply with, and it is easier for them to establish a practice and start competing with SMPs, by providing statutory compliance services to SMEs.	
19C	SME respondents affirmed the link and has highly rated “handling of statutory returns” (mean 5.876) as type of service that can add value to SMEs.	
Summary	Narrow skill sets, lack of professional qualifications, and less red tape to comply with, render it easier for the unqualified accountants to enter the market of managing statutory returns for SMEs, at a lower cost.	
	Competition from the Unqualified Accountants	Risk Management/Business Advice (Risk Management)
20A	The link is confirmed by the literature review, as unqualified accountants normally possess narrow skill sets, however, SME clients are still turning to them for business advice, including risk management. The risk that SMEs are taking in receiving bad advice from unqualified accountants, reflects poorly on SMPs.	
20B	IQA respondents supported the link, as unqualified accountants provide cheaper services that are substandard (inferior business advice) and unqualified accountants do not always inform SMEs of risks to its businesses.	
20C	SME respondents supported the link and rated “lack of risk management”, including “lack of business processes” (mean 4.888), “threatening business risks”	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	(mean 4.712) and “lack of advice” (mean 4.452), as important reasons for SME failure.	
Summary	When SMEs appoint unqualified accountants, generally lacking skills and competence, also with regard to the management of business risks, the SMEs are acquiring inferior advice and the SMP lose a (potential) client.	
	Competition from Unqualified Accountants / Threat of New Entrants to the Industry	Risk Management / Business Advice (Administrative Matters)
21A	The literature review confirmed that, since no legislation regulate the title of “accountant”, anyone is at liberty to call themselves an “accountant” without having acquired a professional qualification, and provide accounting services and payroll functions to SMEs. The literature review further indicated that IT developments have simplified bookkeeping and other traditional accounting services. Therefore, other service providers increasingly offer accounting services and financial advice, traditionally provided only by accountants. New entrants to the industry, such as IT companies and accounting packages developed by the banks, are competing with SMPs in respect of the provision of accounting- and payroll services to SMEs.	
21B	IQA respondents indicated that unqualified accountants have little regulation to comply with, therefore it is easier for them to establish a practice and start competing with qualified accountants, by providing accounting services and payroll functions to SMEs. IQA respondents indicated that SME-clients have the	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	option to utilise free accounting packages, such as those offered by First National Bank (FNB), to address the full accounting function.	
21C	SME respondents highly rated administrative matters, such as “full accounting function / monthly accounts” (mean 5.779) and “handling of monthly payroll and consequent payments” (mean 5.753), as the type of services that could add value to SMEs.	
Summary	As unqualified accountants have less regulations to adhere to, it is easier for them to enter the market in order to provide SMEs with administrative functions, such as bookkeeping and payroll, in competition with SMPs, that must adhere to both stringent general laws, and professional rules and -regulations. The threat of new entrants affects the competitive environment for the existing SMPs and influences the ability of SMPs to achieve profitability.	
	Threat of New Entrants to the Industry	Compliance (Handling of Statutory Returns)
22B	IQA respondents confirmed the link, as new entrants to the industry, such as the introduction of new accounting packages by the banks – that generate instant financial information and can manage the submission of statutory returns to the relevant authorities - pose serious threats to the sustainability of SMPs.	
22C	SME respondents confirmed the link and highly rated “handling of statutory returns” (mean 5.876) as a type of service that can add value to its businesses, thereby indicating a high demand for this service.	
Summary	New entrants to the industry introduce automated software packages (i.e., Sage’s automated tax filing system), that can manage the submission of returns to	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	statutory bodies, posing a threat to SMPs, as it may be dispossessed of its niche market.	
	Threat of New Entrants to the Industry	Compliance (Audit or Independent Review)
23A	The literature review indicated that technological companies (new entrants to the industry) are set to challenge the audit firm’s traditional dominance of the audit market, as clients have started dividing audit work among technology-companies and the audit firms – that ultimately are required to issue audit opinions in respect of the financial statements.	
23C	SME respondents confirmed the link and highly rated “audits / independent reviews” (mean 5.324) as a type of service that can add value to its businesses, thereby indicating a high demand for this service.	
Summary	Technology-companies are challenging audit firms owing to its superior technological experience, and software companies are taking advantage of its data processing- and analytical strengths. However, audit firms are still required to sign off on the technological components of an audit. Hence, this is a potential threat that must be managed by SMPs.	
	Pressure to Lower Fees	Finances (Economic Uncertainty)
24A	The literature review indicated that economic uncertainty caused by a lower volume of economic- or business activities, owing to slow economic growth and a volatile economic environment, will create pressure on SMPs to reduce fees for professional services to its clients.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
24B	IQA respondents corroborated the link, indicating that the current South African economy is bleak and increasing fees annually has become problematic, as clients are resisting fee increases. Therefore, the pressure on SMPs to retain existing clients at lower fees, are increasing.	
24C	SME respondents confirmed the link as “economic uncertainty”, linked to the theme of “finances” was highly rated by respondents (mean 4.133), as one of the major challenges faced by SMEs.	
Summary	Economic uncertainty creates downward pressure on fees and resulting in challenging conditions for SMPs, owing to the potential decline in client base and a deterioration of practice margins.	
	Pressure to Lower Fees	Compliance (Audit / Independent Reviews)
25A	The literature review confirmed that clients that successfully exert pressure on auditors to reduce fees, are more likely to receive accounting misstatements, therefore, fee pressure is associated with reduced audit quality.	
25B	IQA respondents supported the link, as clients and competitors exert pressure on SMPs to lower fees. SMPs are then rendered unable to keep up with regulations and standards, therefore, the quality of the audit work delivered to clients is compromised.	
25C	SME respondents confirmed the link and rated “audit / independent review of accounts” (mean 5.324), as one of the services that can add value to SMEs, thereby confirming a high demand for this service.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
Summary	Undue pressure on SMPs to lower audit fees may affect the quality of the audit or independent review services provided to SMEs, as SMPs will experience pressure to reduce budgeted audit hours or hourly rates, in response to fee pressure.	
	Talent Management	Finances (Obtain Financing and Advice on Finances) / Compliance (Management of Returns / General Laws and Regulations) / Risk Management / Business Advice (New Technology / HR Matters / Administrative Matters)
26A	The literature review supported the link, in the sense that SMPs face difficulties in attracting accountants that possess the skills required to provide advisory services in respect of a variety of aspects. The provision of business advisory services requires SMPs to attract, develop and retain staff with specialised skills. SMEs expect SMPs to possess skills in management accounting, problem solving, communication, business acumen, interpersonal skills and strategic thinking. Accountants need specific competencies in order to deliver business advisory services.	
26B	IQA respondents noted that a competent talent base results in an improved service offering to clients. IQA respondents indicated that experienced and talented staff will convince clients to choose continuity (business advice), rather than once-off services. IQA respondents emphasised that SMPs executing effective talent management will always be ahead of new technologies and	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	effectively automate the services offered to clients. IQA respondents further mentioned that possessing qualified personnel inevitably lead to keeping up with new regulations and standards.	
26C	SME respondents rated “compliance with regulations” (mean 3.569), “difficulties accessing finance” (mean 3.339), “attracting and retaining staff” (mean 2.798) and “keeping up with new technology” (mean 2.691), as challenges faced by SMEs. Respondents highlighted “lack of internal business processes” (mean 4.888), “threatening business risks” (mean 4.713), “lack of advice” (mean 4.452), and “inability to manage labour issues” (mean 4.271), as important reasons for SME failure. “Full accounting function” (mean 5.779), “monthly payroll and consequent payments” (mean 5.753), “handling of statutory returns” (mean 5.528), “risk assessment and mitigation” (mean 5.174), “annual risk management” (mean 5.475), “updates on business health” (mean 5.390), “raising finance” (mean 5.053), “help with labour issues”, including “HR function” (mean 5.091), and “investment advice” (mean 4.738), were perceived (by respondents) as services that could add value to SMEs.	
Summary	SMEs expect SMPs to possess skills related to various aspects of business, in order to be effective advisors. This expectation creates pressure on SMPs to acquire specific competencies in order to deliver a wide variety of advisory services to SMEs.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	Talent Management	Compliance (Audit / Independent Review of Accounts)
27A	The literature review corroborated the link that talent is recognised as an indisputable, key ingredient, in delivering quality audits. This signifies that lack of talented staff may disadvantage SMPs in providing quality audit services to clients.	
27B	IQA respondents supported the link and indicated that key, professional staff prefer remaining with SMPs that offer them training, in order to keep abreast of amendments to laws and regulations affecting the accounting- and auditing fraternity. Respondents further indicated that clients prefer to be served by knowledgeable and experienced staff, and require audits that will have a strategic impact and add value to the business.	
27C	SME respondents confirmed the link and highly rated “audit / independent review of accounts” (mean 5.324), as one of the services that can add value to SMEs, thereby confirming a high demand for this service.	
Summary	Providing quality audits, that add value to the client, signifies attracting individuals possessed of the appropriate skills, training them, and supporting their career development. Talent is one of the pillars of an audit quality management programme.	
	Serving Clients Operating Internationally	Finances (Economic Uncertainty)
28A	The literature review confirmed the link that economic uncertainty (i.e., as caused by the COVID 19 pandemic) has had a dramatic impact on many economies and global trade, with nearly all global business activities either temporarily shut down	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	or significantly decreasing, hampering the prospects of SMPs serving clients that operate internationally.	
28C	SME respondents corroborated the link, as “economic uncertainty” linked to the theme of “finances” was highly rated by respondents (mean 4.133), as one of the main challenges faced by SMEs.	
Summary	Periods of economic uncertainty are characterised by an economic downturn to the global economy and business disruptions, affecting SMPs’ ability to provide services to clients that operate internationally.	
	Serving Clients Operating Internationally	Finances (Obtain Financing and Advice on Finances)
29A	The literature review indicated that SMPs are exposed to globalisation owing to its SME-clients that are involved in international activities. Literature further highlights that lack of access to export financing is one of the challenges faced by SMEs, seeking to internationalise. As trusted advisors to SMEs, SMPs are well placed to assist SMEs with raising the finance needed when embarking on different types of international activities.	
29C	SME respondents viewed “difficulties in accessing finance” (mean 3.399) as one of the challenges SMEs are confronted with. “Help raise finance when needed” (mean 5.053), was highly rated as a service that can add value to SMEs.	
Summary	SMPs, as trusted advisors to its clients, must assist in acquiring financing to support clients’ international activities.	
	Serving Clients Operating Internationally	Compliance (General Laws and Regulations)

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
30A	The literature review affirmed the link, as international advisory services provided by SMPs to clients that operate in the global environment mainly include taxation, guidance in respect of customs duties, foreign legislation, and currency hedging.	
30B	IQA respondents supported the link, as serving clients operating internationally will propel SMPs to keep abreast of the latest developments in respect of and amendments to the laws and regulations of foreign countries, in order to provide compliance services that meet the needs of such SMEs.	
30C	SMEs respondents highly rated “compliance with regulations” (mean 3.569), as one of the most commanding challenges confronting SME owner-managers.	
Summary	SMPs that fail to keep up with new regulations and standards will experience difficulty in providing professional services to prospective clients operating internationally, as complex foreign regulations and standards (i.e., the Sarbanes Oxley Act and the United States Generally Accepted Accounting Principles) need to be complied with.	
	Serving Clients Operating Internationally	Risk Management / Business Advice (New Technology / HR Matters / Risk Management / Administrative Matters)
31A	A review of literature confirmed the link that the availability of resources required for the development of skills represents the major determinant of whether SMPs can offer a wide variety of advisory services related to international activities. The literature review further indicated that SMPs face difficulties in applying	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	international accounting standards and find the circumstances of its practices to be ill-adapted to many of the features of global standards.	
31B	IQA respondents supported the link, by indicating that SMPs are not only required to assist its SME-clients in adhering to foreign laws and regulations, but must also ensure that the risk of non-compliance with these laws and regulations is mitigated, when providing assurance and advisory services to internationalised SMEs. IQA respondents further indicated that clients operating internationally require knowledge on artificial intelligence and extensive knowledge in respect of technology.	
31C	SME respondents confirmed the link and rated “full accounting function” (mean 5.779), “annual risk assessment” (mean 5.475), “mitigation of business risks” (mean 5.174), and “help with labour relations issues, including HR function” (5.091), as services that can add value to SMEs. “Keeping up with new technology” (mean 2.691) was perceived by the respondents to be one of the challenges faced by SMEs.	
Summary	SMEs conducting international business activities are exposed to various risks and need SMPs with technical knowledge of international activities to assist it in managing these risks and/or provide business advice.	
	Succession Planning	Finances (Economic Uncertainty)
32A	The literature review confirmed the link that, during periods of economic uncertainty, it is vital that SMPs and SMEs update its succession plans, in order to ensure that its businesses are nimble, efficient and successful.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
32C	SME respondents corroborated the link, as “economic uncertainty” linked to the theme of “finances” was highly rated by respondents (mean 4.133), as one of the major challenges faced by SMEs.	
Summary	Succession planning responds to business disruptions, particularly during uncertain economic times, and is vital to ensure that the business is nimble, efficient, and remains successful.	
	Succession Planning	Finances (Obtain Financing and Advice on Finances) / Risk Management / Business Advice (New Technology / HR Matters / Risk Management / Administrative matters)
33A	The link is supported by the literature review, as lack of succession- or exit plans is one of the top challenges confronting SMPs, and should be afforded the highest priority by businesses to ensure leadership continuity in key positions, in order to avoid the risk of business failure - that is quite common for SMPs and SMEs.	
33B	IQA respondents affirmed the link that succession planning is important to new clients, as they wish to be assured that the SMP will be able to provide professional services in future -a necessary feature should it desire to continue serving the future needs of clients. IQA respondents indicated that, as SMPs develop its own succession plans, it will be in a better position to advise its SME-clients on how to develop internal business processes that will ensure the continuity of its businesses. IQA respondents further highlighted that a succession	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	<p>plan instills confidence in clients that the entity will outlive its founders, and still be in existence to provide future services. Being possessed of the latest technology lends a competitive advantage in the retainment of current staff, for the purposes of developing a succession plan.</p>	
33C	<p>SME respondents highly rated a need for “cash flow advice” (mean 5.304), “debtors management and collections” (mean 5.171), “raising finance” (mean 5.053), and “investment advice” (mean 4.738), as services that can add value to its businesses, confirming the importance of these services to SMEs. SME respondents further viewed “keeping up with new technology” (mean 2.691), “lack of internal businesses process” (mean 4.888), “lack of knowledge about business risks” (mean 4.712), and “lack of advice” (mean 4.452), as challenges faced by SMEs and important reasons for SME failure. Whereas “annual risk assessment” (mean 5.475) and “mitigation of business risks” (mean 5.174), as well as “administrative functions” such as “full accounting function” (mean 5.79) and “handling of monthly payroll functions” (5.753) were viewed as services that can add value to SMEs.</p>	
Summary	<p>Accounting practitioners who have devoted their careers to building their practices, need to ensure that their clients are taken care of when they leave their practices. Therefore, having a succession plan is critical to ensuring that SMPs provide effective and sustainable financial- and other advice to SMEs.</p>	
	<p>Succession Planning</p>	<p>Compliance (Management of Statutory Returns / Audits or</p>

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
		Independent Reviews / General Laws and Regulations)
34A	The literature review confirmed the link and indicated that a sizeable proportion of SMEs and SMPs still lack adequate succession plans.	
34B	IQA respondents indicated that there are situations where managers and partners resign from firms owing to the regulatory burden that accompanies audits and, as such, this affects succession planning. Respondents further indicated that SMPs that are keeping up with new regulations and standards, can plan for succession, correctly.	
34C	SME respondents confirmed the link and rated “compliance with regulations” (mean 3.569) as one of the challenges faced by SMEs, whereas “handling of statutory returns” (mean 5.876), and “audits or independent reviews” (mean 5.324), were viewed as services that can add value to SMEs.	
Summary	SMPs must develop a formal succession plan to ensure the availability of key employees who are capable of meeting the ever-changing compliance demands of SMEs.	
	Retaining Existing Clients	Finances (Obtaining Financing and Advice on Finances) / Compliance / Risk Management / Business Advice (New Technology / HR Matters / Risk Management / Administrative Matters)

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
35A	The literature review confirmed the link that client satisfaction is, unquestionably, the key determinant to retaining existing clients. Literature further indicated that one indicator of client satisfaction is whether the existing client recommends the business to another individual or entity. Clients who leave the practice, often do so owing to dissatisfaction with the service(s) received – both assurance and advisory.	
35B	IQA respondents supported the link that experienced employees will assist with providing consistent service and retaining clients. Respondents further mentioned that utilisation of the latest technology, lends a competitive advantage in retaining existing clients. Continuous improvement of skills is important to ensure that accountants continue to provide quality service to clients. Expertise, abilities and the attitude of professional accountants, are essential in retaining existing clients.	
35C	SME respondents viewed “full accounting function” (mean 5.779), “monthly payroll and consequent payments” (mean 5.753), “handling of statutory returns” (mean 5.528), “risk assessment and mitigation” (mean 5.174), “annual risk management” (mean 5.475), “updates on business health” (mean 5.390), “raising finance” (mean 5.053) and “help with labour issues, including HR function” (mean 5.091), as services that could add value to their businesses.	
Summary	Clients seek quality services and a key requirement to retaining clients is for SMPs to demonstrate to SME-clients that its services are not merely valuable, but necessary. SMPs must understand the needs of SMEs and its experiences of the services received from SMPs.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	Attracting Clients	Finances (Obtaining Financing and Advice on Finances) / Compliance / Risk Management / Business Advice (New Technology / HR Matters / Risk Management / Administrative Matters)
36A	The literature review indicated that, in order for SMPs to acquire new clients, it must develop professional service-marketing strategies, that are consonant with the profession's canons of ethics. A review of literature further denoted that one of the most popular ways to attract new clients is to request referrals by existing clients and to communicate the practice's greater ability to deliver services to clients.	
36B	IQA respondents supported the link that new clients are mostly acquired from referrals by existing clients, spreading a good word about the excellent quality services offered by the SMP. Respondents further indicated that should a SMP display sound technical knowledge and keep abreast of standards and regulations, its ability to attract clients will increase. A SMP that retains qualified, professional staff, will be attractive to clients, as good work is associated with quality. SMPs offering the latest technology that renders the client's work easy, will win more clients.	
36C	SME respondents viewed "full accounting function" (mean 5.779), "monthly payroll and consequent payments" (mean 5.753), "handling of statutory returns" (mean 5.528), "risk assessment and mitigation" (mean 5.174), "annual risk management"	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	(mean 5.475), “updates on business health” (mean 5.390), “raising finance” (mean 5.053) and “help with labour issues, including HR function” (mean 5.091), as services that could add value to their businesses.	
Summary	SMPs operate in a highly competitive environment and, in order to attract new clients, the SMP must develop a professional marketing strategy that is in line with the accounting profession’s canons of ethics. Referrals by current clients, competence, professional staff, and utilisation of the latest technology, also enhance opportunities to attract new clients.	
	Lack of Support by the Professional Bodies	Finances (Economic Uncertainty)
37B	IQA respondents confirmed the link, as periods of economic uncertainty propel professional accountancy bodies to support SMPs, by developing guidelines, tools and resources, to aid SMPs’ agility and innovation in assisting SME-clients to manage difficult economic conditions.	
37C	SME respondents corroborated the link, as “economic uncertainty” linked to the theme of “finances” was highly rated by respondents (mean 4.133), as one of the major challenges faced by SMEs.	
Summary	Support by professional bodies is necessary during periods of economic uncertainty to assist SMPs, and in effect, also SMEs, to navigate the economic difficulties.	
	Lack of Support by the Professional Bodies	Finances (Obtain Financing and Advice on Finances) / Compliance (Management of Statutory Returns /

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
		General Laws and Regulations) / Risk Management / Business Advice)
38B	IQA respondents supported the link that, should professional accountancy bodies not play an advocacy role by promoting SMPs' services and skills, then SME-clients will opt for the traditional "big four" audit firms, as they may not be aware of SMPs. IQA respondents mentioned that lack of support by professional bodies can limit the time available to provide services to new clients and decrease the quality of services offered by SMPs. IQA respondents indicated that SMPs believe that the professional bodies are not sufficiently supportive with regard to the exploration of opportunities presented by technology.	
38C	SME respondents perceived "finances" and "help raise finance when needed" (mean 5.053), "manage debtor collections" (mean 5.171), "manage cash flow" (mean 5.304), "compliance with regulations" and "handling of statutory returns" (mean 5.876), "business advice" and "full accounting function" (mean 5.779), "monthly payroll and consequent payments" (mean 5.753), "risk assessment and mitigation" (mean 5.174), "annual risk management" (mean 5.475), "updates on business health" (mean 5.390), and "help with labour issues, including HR function" (mean 5.091) as services that could add value to their businesses.	
Summary	SMPs opine that professional accountancy bodies do not provide adequate support, particularly by issuing guidelines to SMPs on ways to offer a broader array of business advice to SMEs.	

Link No.	Challenges faced by Small- and Medium Accounting Practitioners	Challenges and needs of Small- and Medium Enterprises
	Lack of Support by the Professional Bodies	Compliance (Audit / Independent Reviews)
39B	The link is supported by IQA respondents, as lack of support by professional bodies will adversely affect SMPs' capacity to keep up with new regulations and auditing standards. IQA respondents further highlighted that stringent requirements by the professional bodies entails that SMPs are prohibited from auditing clients in certain industries. However, professional bodies could compel mandatory joint audits, in order to assist SMPs in acquiring the requisite experience.	
39C	SME respondents viewed "audit or independent review of accounts" (mean 5.324) as one of the value-added services to SMEs.	
Summary	Support (i.e., guidelines, materials and training) provided to SMPs by professional accountancy bodies, relating to the application of new regulations and auditing standards, is valuable in contributing to the delivery of quality audits that add value to clients. Compulsory joint audits with large audit firms will enable SMPs to gain the experience required, to be allowed to audit clients from all industries.	

(Source: own)

4.5 Framework

From the triangulation presented, a draft framework was developed, based on the main research objective, consisting of aspects that SMPs should consider in facing its challenges, and, at the same time, meeting the needs of its clients (refer to annexure K). The draft framework only included aspects that were mentioned in all three of the

research methods utilised. The initial- or draft framework consisted of 55 items within 11 areas, linked to the 13 affinities (two of the affinities were combined, hence, the initial 13 affinities were reduced), that are summarised in table 4.10 below.

Table 4.10: Summary of areas covered in guidance framework

Areas in draft framework	Number of items
Automation (artificial intelligence)	11
Keeping up with new regulations and standards	10
Rising costs	3
Managing cash flow and late payments	5
Competition from the unqualified accountants / Threats of new entrants	7
Pressure to lower fees	2
Talent management	4
Serving clients operating internationally	4
Succession planning	2
Attracting new clients / Retaining clients	4
Lack of support by the professional accountancy bodies	3

(Source: own)

As indicated above, from the triangulation of the scholarly body of knowledge, the views of practitioners and the needs of SMEs, the areas of concern for SMPs that received the most diverse attention is 1) automation or artificial intelligence; followed by 2) keeping up with new regulations and standards - with 11 and 10 Items respectively; 3) competition from the unqualified accountants / new entrants to the industry – seven items; and 4) managing cash flow and late payment – with five items; rendering these four items of the most prominent concern (and perhaps representing the greatest vulnerabilities) to the SMP, in its quest to fulfil the needs of SMEs.

4.6 Testing of Framework and the Final Framework

To test the framework, 10 of the initial 30 respondents (refer to section 3.3.3) responded by rating their level of agreement with the triangulation-identified statements included in the framework (refer to Annexure F for the questionnaire distributed to the respondents, and section 3.6 for the demographics of respondents). The data gathered by means of the questionnaire resulted in two types of information per statement: 1) support or rejection of the statement, resulting in a test of the statement discussed in that section; and 2) additional information that may be included in future studies (refer to section 5.7). Based on the results of the testing data, all elements within the draft framework were supported by the respondents. Hence, the draft framework can be accepted as the final framework.

4.6.1 Automation or artificial intelligence (AI)

A summary of results of the statements on automation or AI is evident in table 4.11 below, following which the results are briefly discussed in the context of the framework and potential future studies.

Table 4.11: Testing of “automation or artificial intelligence (AI)”

Statement	N	Min	Max	Median	Mean
Automation gives / will give your practice a competitive advantage on delivering advisory services.	10	4	5	5	4.80
Automation improves other services, such as bookkeeping.	10	3	5	5	4.70
Automation gives / will give your practice a competitive advantage on delivering assurance services.	10	3	5	5	4.60
Automation assists / will assist with efficiency of the audit / independent review process.	10	3	5	5	4.60

Statement	N	Min	Max	Median	Mean
Your practice needs additional skills / expertise to automate services.	10	3	5	5	4.50
Automation assists / will assist with efficiency of statutory returns as a service.	10	3	5	5	4.50
Automation lower costs of other services, such as bookkeeping.	10	2	5	5	4.30
Automation assists / will assist with efficiency of the compliance to laws and regulations as a service.	10	1	5	4.5	4.10
It is feasible to automate some of the services and activities in your practice.	10	1	5	4	3.70
Job losses have occurred / will occur due to automation.	10	2	5	3	3.40
Costs associated due to automation is absorbed by your clients.	10	2	4	3	2.90
Your clients pressure you to automate services.	10	1	4	3	2.80
Automation has led / leads to a loss of market share.	10	1	3	2.5	2.40

(Source:own)

From table 4.11 above, it can be deduced that respondents viewed automation as an important aspect. Respondents indicated that automation is feasible (mean score of 3.70), with several indicating that clients are pressuring them to automate (mean score of 2.80) and clients are even willing to absorb the cost thereof (mean score of 2.90), whilst a low mean score of 2.40 indicates that respondents mostly did not agree that automation lead to loss of the market share. The positive view is further supported by the overall mean scores of 3 and above for all statements, except the last three, and eight statements obtaining a score of above 4 out of 5, indicating that the respondents agreed with the statements highlighted in the framework for SMPs (refer to section 4.4 and annexure K). Furthermore, the eight statements all relate to benefits associated with automation, that include competitive advantage, improved services, skills

development, and lower costs. The first aspect relates to the perceived competitive advantage provided by automation when providing advisory and assurance services, with two statements, obtaining a high mean score of 4.80 and 4.60, respectively. This signifies that automation can afford SMPs a favourable business position with regard to the provision of assurance- and advisory services to clients, therefore, differentiating SMPs from the competition. The second aspect relates to efficiencies provided by automation, during the provision of services. Respondents popularly perceived automation as a tool that can improve the provision of bookkeeping services (mean score of 4.70) and lower the cost of such services (mean score of 4.30). This signifies that accounting processes are performed by a device, with less human involvement and, eventually, at lower costs.

Also, respondents agreed that automation improves the efficiency of audits or independent reviews (mean score of 4.60), and statutory returns and compliance with laws and regulations (mean scores of 4.50 and 4.10, respectively). This confirms the aspects included in the framework for SMPs, in that basic accounting functions requiring the collection and processing of data, have already been automated. The third aspect deals with the skills / expertise needed to automate services, where respondents viewed automation as an area that requires additional skills, as evident by a mean score of 4.50, however, they also indicated that job losses may occur owing to automation (mean score of 3.40). This implies that SMPs need to attract staff with specialised IT knowledge, to implement automation at its practices, and, if possible, attempt to minimise job losses.

Although automation is important and can lower the costs of providing other services, the expense to the SMP is very high, confirmed by the relative low mean score of 2.90 in respect of the statement that clients absorb such cost. Respondents supported the

matter, identifying the availability of financial resources and capital expenditure as areas that may require further investigation: “Automation is expensive and SME clients are not willing to carry or share the burden of the costs” (SMP 2); “Financial resources to afford automation are not available” (SMP 6); and “Capital expenditure relating to automation is a serious concern” (SMP 3).

Other aspects, not included in the framework, include security threats and literacy levels. First, security threats relate to additional security risks that are associated with the implementation of automation. One respondent stated that: “The threat is the added risks that come with automation, such as cyber security threats, risk of clients’ full data being vulnerable to theft or corrupt [sic]” (SMP7). Second, literacy levels refer to a lack of IT skills and knowledge by SMEs, the main clientele of SMPs. Respondents highlighted the literacy levels of SME clients as a challenge to the implementation of automation at their businesses, stating that: “Most of our clients are not used to automation, therefore, it becomes a challenge doing business with them as some of them are computer illiterate” (SMP 1); “The readiness of clients in South Africa to adapt to new dynamics is a concern” (SMP 3); and

Automation has a capability of providing real-time exceptions and increases efficiencies of firms to be more pro-active rather than reactive, however, the remaining threat/challenge is the digital competencies of individuals and related adaptability to embrace change in the regime of 4th Industrial Revolution [sic] (SMP 10).

These two additional aspects should be further investigated in future studies.

4.6.2 Keeping up with new regulations and standards

Regarding the matter of whether respondents keep up with new legal- and professional regulations and standards, the results are presented in table 4.12.

Table 4.12: Testing of “keeping up with new regulations and standards”

Statement	N	Min	Max	Median	Mean
Keeping abreast of accounting- and payroll standards and legislation is required by your practice’s clients.	10	3	5	4	4.10
The stringent regulations and requirements by professional accounting bodies hinder the practice to secure clients in specialised industries.	10	2	5	4	4.00
Clients request auditors who are abreast of the latest developments regarding regulations and standards to ensure quality audits.	10	3	5	4	4.00
New regulations and standards are opening opportunities for your practice to increase advisory services.	10	2	5	4	3.90
To keep up with new professional regulations and -standards are overwhelming.	10	2	5	4	3.70
To maintain competency levels to be able to service clients’ compliance to laws and regulations (current and new developments per industry) are overwhelming.	10	2	5	4	3.60
To maintain competency levels for the completion of clients’ statutory returns (current and new developments per industry) are overwhelming.	10	2	5	3.5	3.50
To keep up with new laws and regulations applicable to your practice’s clients are overwhelming.	10	1	5	4	3.40
To keep up with new regulations and standards is costly.	10	1	5	3	3.20
Costs of compliance with new regulations and standards are absorbed by your practice’s clients.	10	1	5	3	3.10

(Source: own)

Respondents perceived “keeping up with new regulations and standards” as an area that present both challenges and opportunities for their practices. For example, respondents agreed that new regulations and standards are creating opportunities for

SMPs to broaden its advisory services (mean score of 3.90). Conversely, stringent regulations and red tape by professional bodies are perceived as barriers to entry, preventing SMPs from securing clients in specialised industries (mean score of 4.00). All ten statements obtained an overall mean score of 3 and above, indicating that respondents agreed with the aspects contained in the framework (refer to section 4.4 and annexure K). The statements all relate to four aspects, namely clients require that SMPs are up to date with guidance and regulations; such may create opportunities to increase services; however, such upkeep with guidance and regulations also bear a cost effect; and it can be overwhelming in various ways.

Clients' requirements regarding the maintenance of accounting- and payroll standards, and knowledge of legislation (mean score of 4.10) and developments, to ensure quality audits (mean score of 4), strengthens the need for SMPs to ensure they are abreast of new regulations and standards. This implies that SMPs that fail to keep up with new legislative- and regulatory developments, will be unable to serve the needs of clients operating in an environment where legislation and standards are rapidly evolving. Although keeping up-to-date may create new opportunities (mean score of 3.90), especially related to advisory services, it does result in additional cost (mean score of 3.20), that may be absorbed by the SMP-clients (mean score of 3.10). This was supported by respondents that stated: "Costs of compliance (particularly on assurance) outweigh the benefits of continuing in assurance practice, more often than not, recovery is below 50 percent" (SMP 2); and "At times, standards and regulations are contradictory and difficult to implement. The training costs involved to acquaint employees with these new standards is expensive and often unplanned for" (SMP 10). Linking to the latter quote, respondents indicated that they may be overwhelmed, in terms of work load, in respect of the competency levels required for compliance with

laws and regulations (means core of 3.60), as well as statutory returns (mean score of 3.50), as one respondent commented: “The issue around CPD while trying to make money is frustrating, in a day you are required to attend online webinar [sic] and conferences and be recoverable at the same time, it does not work for most SMP [sic]” (SMP 3). Also, interesting to note, is that changes to professional standards (mean score of 3.70) obtained a higher score than changes to clients’ related laws and regulations (mean score of 3.40).

An additional aspect mentioned by respondents, that is not included in the current framework, is the administrative burden associated with keeping up with new regulations and standards, and may be further investigated: “New regulations cause more [sic] administrative burden to our practice to concentrate on our clients [sic] and incompetence provided [sic] by SARS officials worsen our ability to provide services to our clients” (SMP 1).

4.6.3 Rising costs

Respondents were requested to rate their level of agreement with certain statements, relating to rising costs. A summary of the results is evident in table 4.13, below.

Table 4.13: Testing of “rising costs”

Statement	N	Min	Max	Median	Mean
Economic uncertainty is leading to higher costs of running your practice.	10	2	5	5	4.40
Increase in costs, transferred to clients, result in the loss of clients.	10	2	5	4.5	4.20
Economic uncertainty may lead to the closure of your practice.	10	1	5	4.5	4.10

(Source: own)

Respondents agreed with the statements regarding the negative impact of economic uncertainty on the costs of running a practice and the related effect of losing clients. This is further supported by the overall mean score of above 4, in respect of all the statements. Respondents agreed that cost is always a concern for SMPs:

As it stands, the cost of running practice, including fixed cost of paying staff, is very high, we have to pay for institutions to keep the designation and the cost of doing business in a form of tendering is very high [sic] (SMP 3);

even more so, during times of economic uncertainty (mean score of 4.40): “Economic uncertainty due to COVID 19 led to closure of many businesses and had a direct impact on the emerging practices” (SMP 1).

Moreover, respondents perceived that clients are not willing to absorb additional costs (mean score of 4.20) and economic uncertainty may lead to the closure of SMPs (mean score of 4.10). Therefore, an inference can be made that managing rising costs during periods of economic uncertainty is of importance to both SMPs and SMEs. Another aspect, not included in the framework, relates to rising costs owing to COVID 19-enforced remote working, and should be further investigated in future studies:

There has been rising costs due to COVID, such as remote working charges, more time spend on audits explaining and bridging gap of remote auditing, costs incurred on working remotely, such as increase in miscommunication within the team and with the clients. We have been able to on-charge sim card costs to the client as a replacement of the travel charge, however, costs incurred for taking longer to finish an audit have not been able to be recharged (SMP 7).

4.6.4 Managing cash flow and late payments

The results of testing the management of cash flow and the related late payments by clients, are presented below.

Table 4.14: Testing of “managing cash flow and late payments”

Statement	N	Min	Max	Median	Mean
During times of economic uncertainty, late payments are challenging at your practice.	10	3	5	5	4.70
During times of economic uncertainty, managing cash flow is challenging at your practice.	10	3	5	5	4.40
Late payments by government clients make it difficult for your practice to manage its cash effectively.	10	1	5	5	4.10
A proper fee structure assists / will assist your practice to manage cash flow and late payments.	10	3	5	5	4.00
Your practice’s clients request advisory services on cash flow management.	10	1	5	3	2.60

(Source: own)

When scrutinising table 4.14 above, it is evident that respondents overall agreed that managing cash flow and late payments are challenging tasks at their practices (confirmed by the overall mean score of 4.10 and above, in respect of the three related statements), yet SMEs apparently do not require advisory services to be assisted with this matter (mean score of 2.60). However, one participant indicated that:

Cash flow availability is critical in SMPs and no one understands that an accountant is supposed to provide cash flow management solutions, yet they cannot pay their expenses on time. Late payments therefore lead to clients losing confidence in our practices and ultimately, loss of clients (SMP 2).

The first two aspects refer to late payments and cash flow management during uncertain economic items, perceived by respondents as key challenges at their practices – the mean scores of 4.70 and 4.40, respectively, indicate that these are very serious issues. “There is a challenge with invoices not being paid on time, some

clients have even requested payment arrangements, they are still paying, but slower than before” (SMP 7), and:

We are a labour-intensive industry and it is difficult for staff if they are not paid on time as agreed in the contract, therefore the delays in payment from clients is slowly killing SMPs because we lose key staff, reputation and SMPs do not have reserves or luxury overdraft (SMP 3).

The third aspect particularly addresses late payments by government clients, where respondents indicated that such incidents render cash flow management difficult (mean score of 4.10). Although a policy obliging government departments to pay small businesses within 30 days has already been implemented (refer to section 2.6.2.10), SMPs are not experiencing the effect of this policy, as stated by one respondent:

[Thirty] days grace period of settling invoices is still a challenge and it becomes difficult for firms to manage cash flows [sic]. This has also resulted into [sic] firms taking out business loans to meet its financial obligations, requiring firms to pay interests on loans taken (SMP 10).

Late payment by government is a common threat to the cash flow of SMPs and, without cash flow, SMPs will not be able to meet its financial obligations.

Respondents agreed that a proper fee structure for clients could assist in managing cash flow and late payments (mean score of 4.00). This may, possibly, include fixed price agreements concluded with clients, to ensure consistent cash flow at the practice, as stated:

Invoice payable upon receipt, as opposed to 15 days or more, is the new normal, but not all the clients honour the payment agreement, which results in poor cash flow. Failure to agree on a monthly retainer with the clients make it hard [sic] when coming [sic] to healthy cash flow (SMP 8).

4.6.5 Competition from unqualified accountants and the threat of new entrants to the industry

These two items were combined, as it was a natural flow derived from the triangulation. The results of testing the level of competition from unqualified accountants and the threat of new entrants to the industry, are depicted below, following which the results are briefly discussed in the context of the framework and potential studies.

Table 4.15: Testing of “competition from unqualified accountants and the threat of new entrants to the industry”

Statement	N	Min	Max	Median	Mean
The quality of services provided by unqualified accountants is questionable, due to incompetence.	10	3	5	4.50	4.20
Unqualified accountants compete with your practice in providing the handling of statutory returns to clients at a lower cost.	10	2	5	4	3.90
The regulated accountant is threatened by audit data analytical tools introduced by new entrants to industry.	10	2	5	4	3.78
The audit market is currently competitive because of the new entrants to the industry.	10	2	5	4	3.70
Lower fees charged by unqualified accountants in the industry result / may result in your practice losing clients.	10	1	5	3.50	3.70
Competition from new entrants to the industry results in loss of clients and / or reduced market share in your practice.	10	1	5	3	3.20
The regulated accounting profession has increased red tape leading to a market loss of your practice to the unqualified accountant.	10	1	5	3	2.89

(Source: own)

From the results presented in table 4.15 above, respondents mostly agreed with the statements regarding the level of competition from unqualified accountants and new entrants to the industry, as presented in the framework (refer to section 4.4 and annexure K). This is supported by the overall mean score of above 3, except that SMPs do not perceive an increase in red tape by the accounting profession to result in loss of market share (mean score of 2.89). Apart from the latter statement, the six statements relate to three aspects. First, the questionable quality of services provided by unqualified accountants (mean score of 4.20), supported by respondents: “Many clients prefer unqualified accountants, due to short cuts done [sic] by them.” (SMP1). Second, such services are then performed at a lower cost, that may result in client loss for the SMP (mean scores of 3.2 and 3.20), as stated:

The sector currently is experiencing a flood of new entrants and is becoming very competitive and clients will always look for cheaper services, considering that the economy is not doing well, and everyone is looking at areas where they can save costs (SMP 9).

Third, a highly competitive audit market exists, owing to new entrants and the related services provided (mean scores of 3.90, 3.78 and 3.70), as indicated by respondents: “The threats of new entrants, especially those with a market niche and competitive advantage of utilising emerging technologies to provide accounting and auditing services [sic]. It is difficult for existing firms to accelerate with the pace of these emerging technologies” (SMP 10), and “[Clients] have evolved faster than audit methodologies and tools, as such clients are always looking for the most technology savvy auditor in terms of tools and knowledge, as such a business like us in the SME space loses out” (SMP 7). It is evident that the audit market has evolved and new role players in the industry are utilising new technologies, to deliver audit services.

Another aspect that was not included in the framework, relates to BEE credentials. This aspect should be further investigated in future studies. This signifies that SMPs that are BEE compliant stand a better chance of securing clients, where the BEE status is a requirement. One respondent supported this: “New entrants [to] the market with higher BEE scores have also resulted in our SMP losing government [contracts] and the level of allocation of [sic] public sector work.” (SMP 7).

4.6.6 Pressure to lower fees

A summary of results of the statements relating to the pressure to lower fees, is evident in table 4.16 below, following which the results are briefly discussed in the context of the framework.

Table 4.16: Testing of “the pressure to lower fees”

Statement	N	Min	Max	Median	Mean
Economic uncertainty puts pressure on your practice to reduce fees for professional services.	10	3	5	4.5	4.40
During times of economic uncertainty, not reducing fees results / may result in loss of clients by your practice.	10	2	5	5	4.20
Undue pressure on your practice to reduce fees affects the quality of audit services provided to clients.	10	2	5	4	4.00

(Source: own)

Respondents agreed that the pressure to lower fees is a challenge confronting their practices. This is further supported by the overall mean score of 4 and above for all the statements, indicating that respondents agreed with the statements highlighted in the framework (refer to section 4.4 and annexure K). The three statements all relate to declining fees during uncertain economic times, and the related impact on the quality of audit services and the client base. Respondents indicated that periods of

economic uncertainty exert pressure on SMPs to reduce fees (the mean score of 4.40 confirms that it is a serious issue): “Pressure to lower fees emanates more from the COVID 19 implications that created economic uncertainties and, in those situations, I succumb to the pressure of lowering the fees” (SMP 8).

One participant indicated that fees are automatically lowered, owing to reduced client activity: “Due to the economy having had to trade with restrictions for some of financial year 2020 and 2021 years [sic], clients in industries such as hospitality and travel have [experienced] fee decreases, as there has been less activity” (SMP 7). Furthermore, failure to reduce fees during this period, may result in a loss of clients (mean score of 4.20). This implies that the downward pressure on fees may negatively impact the viability of SMPs to continue operations, or may compel the decision to reduce costs by only providing certain services.

Undue pressure on SMPs to lower fees, may also affect the quality of audit services (mean score of 4.00). One respondent opined:

Although there has been lower trade, there is a heightened risk of material misstatements and fraud, as people are under pressure to meet their own commitments, salary cuts have negatively affected the economy, uncertainty around going [concerns] has also [increased] procedures performed in this area, thus making it difficult to reduce fees and still provide quality work” (SMP 7).

This implies that reduced fees will render it challenging for practices to perform the engagement in accordance with the applicable technical- and professional standards.

4.6.7 Talent management

Respondents were requested to rate their level of agreement with certain statements relating to talent management at their practices, and a summary of the results is

evident in table 4.17 below. The results are briefly discussed in the context of the framework and future studies.

Table 4.17: Testing of “talent management”

Statement	N	Min	Max	Median	Mean
Providing training and career development programmes may assist your practice in attracting staff with the right knowledge and skills.	10	3	5	5	4.5
To deliver quality audits, staff with specified assurance skills and -competencies are appointed by your practice.	10	3	5	5	4.3
Clients expect your practice to appoint people with specified advisory-type skills and competencies to provide a wide variety of advisory services.	10	2	5	4.50	4.2
Training and career development of staff implemented at your practice assist in delivering services that add value to clients.	10	3	5	4	4.1

(Source: own)

Respondents positively perceived talent management as an important aspect to their practices. The positive view is further supported by the overall mean score of above 4 for all the statements, indicating that respondents agreed with the statements included in the framework (refer to section 4.4 and annexure K). In summary, the four statements related to appointment practices and career development programmes. First, the appointment of competent staff, possessed of the relevant assurance skills and competencies, is needed in order to deliver quality audits (mean score of 4.3), and clients expect advisory services to be provided by staff with specialised skills and competencies (mean score of 4.3).

Second, respondents indicated that training and career development programmes can assist in attracting talent (mean score of 4.5) and with delivering services that add value to clients (mean score of 4.1), applicable even to one-man practices:

[sic] Still alone in the practice at this stage, talent management [is] therefore not applicable, except that my professional development as the partner becomes key, to ensure that I keep on providing quality service and [keep] abreast [of] the latest trends in the industry (SMP 8).

An additional aspect mentioned by one respondent, that is not included in the framework, is the employment of incentives to manage the loss of talent and a high staff turnover rate. This aspect should be further investigated in future studies: “Attracting and retaining talent at the practice is a challenge[,] as managers have a high turnover rate. Incentives need to be put in place to manage this” (SMP 7).

4.6.8 Serving clients operating internationally

With regard to the aspect of whether respondents engage in international activities and serve clients operating internationally, the results are presented in table 4.18 and, thereafter, discussed within the ambit of the framework.

Table 4.18: Testing of “serving clients that operate internationally”

Statement	N	Min	Max	Median	Mean
Business advice to clients on how to obtain funding to finance international activities is required by your practice.	10	1	5	4	4.00
Staff with technical knowledge of foreign laws and regulations is required to provide advice on compliance to your practice’s clients that operate internationally.	10	1	5	4	3.89

Statement	N	Min	Max	Median	Mean
Staff technical knowledge of international activities is required to provide advice to your practice's clients that operate internationally.	10	1	5	3	3.78
Global economic downturn and business disruptions affect the ability of your practice to deliver services to clients operating internationally.	10	1	5	3	3.40

(Source: own)

From table 4.18 above, it can be deduced that respondents agreed with the statements relating to serving clients operating internationally, supported by the mean scores of above 3, for all the statements. Although respondents expressed a need to provide business advice to clients seeking funding to finance international activities (mean score of 4.00), the global economic downturn and business disruptions negatively affected the ability of SMPs to provide services to these clients (mean score 3.40).

Lack of technical knowledge of foreign laws and regulations (mean score of 3.89) and international activities (mean score of 3.78) is always a concern for SMPs, however, this knowledge is a precondition to the provision of business advice to clients operating internationally. "Our practice requires highly qualified staff to serve international clients" (SMP 1), and "[sic]...although indicating that [the] costs of obtaining [sic] people who are conversant with such laws[,] is high" (SMP 2). These views indicate that respondents agreed with the statements included in the framework (refer to section 4.4 and annexure K).

4.6.9 Succession planning

A summary of the results of the statements in respect of succession planning is presented in table 4.19 below, followed by a brief discussion of the results, discussed in the context of the framework and potential future studies.

Table 4.19: Testing of “succession planning”

Statement	N	Min	Max	Median	Mean
Succession planning is vital during period(s) of economic uncertainty to ensure that your practice is agile and efficient, and remains successful.	10	1	5	5	4.44
Succession planning is critical in ensuring that your practice continues providing services to clients.	10	1	5	5	4.44

(Source: own)

It is evident that respondents acknowledged the importance of succession planning to their practices. Respondents viewed succession planning as vital during periods of economic uncertainty (mean score of 4.44) – “With the economic uncertainty, it is difficult to embark on talent management, therefore the practice cannot implement a succession planning successfully” (SMP 8). Respondents further indicated that succession planning is critical to ensuring that SMPs continue providing services to clients (mean score of 4.4) – “A succession plan for every business / practice is important, to ensure continuation of clients’ services in [the] case where the director/founder is unable to continue with [the] daily running of the practice” (SMP 9), and “Most of our business [sic] does not understand the importance of succession planning and [it] affects clients very bad [sic]” (SMP 1). The positive views of the respondents confirmed the statements included in the framework (refer to section 4.4). Needless to say, succession planning should be prioritised by SMPs, to ensure that clients continue receiving services, even after departure of the founders of the practice.

Additional aspects relating to succession planning, that are not included in the framework, include the capital and incentives required to implement succession planning. These aspects should be further investigated by future studies. First,

concerning the aspect of capital: “More often than not, SMPs have no capital to invest in practices to be expansive and we are therefore “one man shows”” (SMP 2). Second, incentives are needed to encourage staff to remain with SMPs, to assume key leadership positions and to ensure leadership continuity: “Lack of incentives due to [the] economic downturn and pressure to lower fees, makes [sic] it difficult to retain talent, therefore, makes [sic] it difficult to have a clearer succession plan” (SMP 10), and

“Succession planning is [a] difficult task at the firm, as there are always opportunities outside of [the] practice, as well as abroad, for senior management, including partners [.] [We] have seen an increase in resignations. It is also extremely difficult to replace or find suitable candidates. Some of the succession measures in place include 3-year cycle bonus schemes, competitive salary packages, flexible working hours, [and] overall wellness programmes” (SMP 7).

4.6.10 Attracting and retaining clients

These two items were, based on the triangulation, combined as one. Respondents were requested to rate their level of agreement with certain statements, relating to attracting new clients to and retaining existing clients at their practices. A summary of the results is evident in table 4.20, below. The results are briefly discussed in the context of the framework and future studies.

Table 4.20: Testing of “client attraction and client retention”

Statement	N	Min	Max	Median	Mean
Referrals by the existing clients is a strategy utilised by your practice to attract clients.	10	4	5	5	4.7
A professional marketing strategy is required to attract new clients.	10	4	5	5	4.6

Statement	N	Min	Max	Median	Mean
Staff with the required skills and attitude is essential to retain existing clients.	10	3	5	5	4.5
When quality services that are necessary for clients are provided, your practice's existing clients are retained.	10	3	5	5	4.5

(Source: own)

Respondents perceive “client attraction and -retention” as important to their practices. The positive view is further supported by the overall mean score of 4.5 and above, in respect of all the statements, rendering this the area that obtained the overall highest mean score and indicating that the respondents agreed with the statements highlighted in the framework (refer to section 4.4 and annexure K). The statements related to strategies ordinarily utilised by SMPs to attract new clients, namely referrals by existing clients (mean score of 4.7) and marketing strategy (mean score of 4.6), corroborated by the respondents: “Clients tend to value [the] price or cost of the service as opposed to its quality, in order to stay, referrals have assisted a [lot]” (SMP 2). Staff holding the required skills and attitude is essential to retaining existing clients (mean score of 4.5): “Happy staff will produce quality work and ultimately the client will be happy” (SMP3). Lastly, respondents opined that SMPs that provide quality services are likely to retain existing clients, supported by the mean score of 4.5.

An additional aspect, that is not included in the framework, is the mandatory audit firm rotation. This matter should be further investigated in future studies. The mandatory audit firm rotation signifies that public interest entities or listed companies should rotate their auditors after a certain period, and is perceived to create a number of challenges and opportunities with regard to attracting new clients and retaining existing clients. One respondent stated that:

Attracting new clients is also a challenge[,] as clients still seek to appoint Big Four firms [sic] and our listed entities that have[,] over the years[,] grown and listed on the JSE during their own growth phase with us[,] need to rotate in terms of mandatory audit firm rotation, but is a challenge to get a large client to replace them [sic] (SMP 7).

4.6.11 Lack of support by professional accountancy bodies

The results of testing the lack of support by professional accountancy bodies are presented in table 4.21 below, following which the results are briefly discussed in the context of the framework.

Table 4.21: Testing of “lack of support by professional accountancy bodies”

Statement	N	Min	Max	Median	Mean
Mandatory joint audits can assist your practice to benefit from the technical expertise of other practice(s), resulting in improved quality of service.	10	3	5	5	4.60
Your practice needs support from the professional accountancy bodies to help clients to navigate the economic difficulties.	10	2	5	4	4.40
Your practice needs training and guidelines from professional accountancy bodies on auditing standards to deliver quality audits to clients.	10	2	5	4	4.00

(Source: own)

Overall, respondents strongly agreed with the statements relating to the lack of support by professional accountancy bodies. This is further supported by the overall mean score of 4 and above, in respect of all the statements, indicating that respondents agreed with the statements included in the framework (refer to section 4.4 and annexure K). First, a mean score of 4.60 suggests that the majority of respondents

believed that mandatory joint audits can assist a SMP to benefit from the technical expertise of other SMPs, should it work together: “The professional body must also ensure adherence to laws and [regulations], [and the] mandatory rotation of audit firms to ensure that new entrants and small practices are given a chance to enter the private sector” (SMP 9). Second, respondents supported the assertion that SMPs need support by professional accountancy bodies during difficult economic times (mean score of 4.40), with respondents indicating that professional bodies are indeed providing such support: “The practice is receiving adequate support from the professional body[,] SAIPA has become proactive in terms of identifying how to support its members[,] to be able to support [its] clients under these unfavourable economic conditions” (SMP 8), or that they do not rely on this support alone:

Our firm[,] in terms of giving support for navigating [sic] economic difficulties as well as auditing[-] and accounting standards, [holds] an in-house JSE accredited IFRS specialist as well as support from the international network and[,] as such[,] very little guidance is sought from the professional body. Our in-house specialist, however, does attend the seminars and gives [sic] us[,] at the firm[,] the necessary feedback (SMP 7).

Third, respondents indicated that SMPs require training and guidelines in respect of auditing standards, in order to deliver quality audits to clients (mean score of 4.00): “Since we pay hefty subscriptions, they should offer free training courses for our CPDs. This will certainly aid in keeping down our costs[,] while ensuring that quality is maintained” (SMP 2), and, specifically, to prevent unethical practices:

The sector has seen a lot of negative publicity as a result of unethical [behaviour] by practitioners[,] and the professional body needs to provide [sic] more awareness

to the industry to avoid [the] negative publicity that the sector has experienced in the past years (SMP 9).

An additional aspect mentioned by respondents, not included in the current framework, is the matter of the subscription fees charged by the professional bodies, that requires further investigation by future studies: “Professional bodies seem to only exist for purposes of charging subscription fees and de-register members who have outstanding fees without worrying about [the] reasons for non-payment” (SMP 6).

4.7 Chapter Summary

The focus of this chapter was on data analysis, the results and a discussion pertaining to the data collected via three research methods. The findings provide qualitative and quantitative support concerning the challenges hindering SMPs from enhancing services delivered to SMEs. This was particularly important to address the second, third and fourth research objectives of this study. The data collected were analysed to provide background information in respect of the sampled SMPs, supported by demographic information of these SMPs. “Artificial intelligence or automation” and “lack of support by the professional accountancy bodies” emerged as primary drivers of the IQA method, followed by three feedback loops. Themes were developed from the secondary data, in order to understand the challenges, failures, and needs of SMEs. The findings of the first two research methods were triangulated with the vast amount of literature on the topic, and assertions were applied in order to develop a final framework that was verified by SMP practitioners.

Chapter 5

Conclusions and Recommendations

5.1 Introduction

This chapter provides a holistic view of the study, from the research problem identified, to the conclusion based on the findings and the results of the empirical work, and to the contribution of the study in view of the research objectives. Recommendations concerning the primary research objective, i.e., to develop a framework that illuminates the needs of SMEs – as the principal clientele of SMPs – and the challenges faced by SMPs that are hindering the fulfilment of such needs, are provided. These elements are discussed in the context of the contribution to practice and the body of knowledge, through the lens of the theory underpinning the study, i.e., the theory of the business. Finally, revenues for future research are featured, followed by the conclusion to the research study.

5.2 The Problem Statement Revisited

Following a thorough investigation of the scholarly- and practice literature, a research gap was identified (refer to section 1.2.4) that SMPs are facing challenges to fulfil the needs of its principal clientele, SMEs, presented via three problem areas, namely 1) SMPs do not sufficiently understand the needs of SMEs, in order to assist its sustainability and support its economic growth; 2) the type of work SMPs perform may not fulfil the needs of SMEs; and 3) whether SMPs are appropriately equipped to deliver the services required, remain uncertain. Underlying these concerns is the neglect by SMPs to identify the obstacles that prevent it from delivering the required

services, resulting in the notion that little is known regarding the challenges hindering SMPs in the provision of services to SMEs.

5.3 Research Objectives Revisited

The main aim of this study was to explore the challenges hindering the provision of services by SMPs to SMEs, in order to meet its needs, and to develop a framework (refer to annexure K) to guide SMPs in addressing the obstacles preventing it from delivering the required services. The study intended to address the following secondary objectives, in support of attainment of the main objective:

- To determine the main challenges that SMPs are facing, hindering its fulfilment of the needs of SMEs;
- To determine the drivers of the challenges hindering the provision of services by SMPs to SMEs, as perceived by practitioners;
- To understand the accountancy needs of SMEs;
- To develop a framework that guides SMPs in overcoming the hindrances to providing services to and meeting the needs of SMEs; and
- To test the guidance framework for SMPs, in order to enhance the provision of services to SMEs.

The next section presents a conclusion, the contribution of the literature and the findings, and the results of the empirical work executed, based on the research objectives that were used to guide the investigation and assist with achievement of the main research objective.

5.4 Conclusion and Contribution

In this section, a conclusion to the overall findings of the study is presented. Then, the contribution to the body knowledge is provided, as well as the support of the theory of the business. The contribution to practice is included in the next section, namely recommendations, that is based on the developed framework (see annexure K).

5.4.1 Automation

Automation or artificial intelligence (AI) serves as an important driver (one of only two primary drivers) in providing services to clients, and pervasively impacts all other drivers included in the framework. Automation or artificial intelligence involves leveraging technology in the delivery of services to clients. Based on the findings from the triangulated data, it can be concluded that automation:

- lends a competitive advantage;
- reduces the costs of services;
- improves the efficiency of services; and
- requires skills / expertise to implement.

Automation renders an important contribution to the body of knowledge, practice and the theory of the business, as discussed below.

5.4.1.1 Contribution to the body of knowledge

Extant literature is nearly silent on the subject of the relationship between automation and SMPs' service delivery to clients. This study fills this gap in the literature, by proposing a framework to assist SMPs in this regard. Thus, developing this framework, by aligning automation or artificial intelligence to the challenges and needs of SMEs, provides a significant contribution to the body of knowledge. Specific contributions include:

- automation or artificial intelligence will enhance the provision of statutory returns by SMPs to SMEs;
- automation will improve the efficiency and cost effectiveness of the audit or independent review process;
- automation will assist both SMPs and SMEs in keeping abreast of new laws and regulations, and enhance compliance therewith;
- automation can improve the provision of risk management- / business advisory services; and
- an increased level of automation will amplify the level of IT skills required to implement automation.

5.4.1.2 Contribution to theory

One of the fundamental assumptions of the theory of the business is the assumptions concerning the core competencies required to accomplish the business mission (refer to figure 2.1), and although changes to the environment includes IT, the specific competencies are not included. Automation has been added to the theory of the business, by expanding the core competencies required to accomplish the business mission (refer to figure 2.2). Thus, automation should be regarded as an additional core competency required by SMPs to deliver services that fulfil the needs of SMEs. In terms of the theory of the business, client satisfaction is a priority of any business, therefore, automation contributes to the theory, by improving the efficiency of services to satisfy the client's needs.

5.4.2 Talent management

In the guidance framework, talent management serves as a driver to the provision of services to SME-clients. "Talent management" refers to the ability of SMPs to attract, develop and retain key professional staff, to service clients. The results of a verified

framework confirm practitioners' general perceptions of talent management, as concluded below:

- training and career development programmes can attract staff possessed of the appropriate knowledge and skills;
- training and staff career development programmes can assist practitioners to deliver value-added services to clients;
- it is necessary to attract staff holding specified assurance skills and competencies, in order to deliver quality audits to clients; and
- the appointment of individuals with specified advisory types of skills and competencies, creates expectations by clients.

Overall, practitioners believe that, in order to realise the goals of their practices, they need to appoint and retain talented staff.

Talent management renders the following contributions to the body of knowledge, practice and the theory of the business.

5.4.2.1 Contribution to body of knowledge

Talent management appears to be one of the aspects that has not been explored, in depth, by extant literature relating to the provision of services by SMPs to SMEs. A framework for SMPs to enhance the services provided to SMEs, is non-existent in the literature. This study reduces the gap in the literature, by proposing this framework. Therefore, developing this framework by aligning talent management to the challenges and needs of SMEs, renders a significant contribution to the scholarly body of knowledge. Specific contributions include the following:

- the more SMPs are able to attract, develop and retain talent, the more it will realistically be able to provide quality audits, that add value to clients; and

- the specific competencies of SMP practitioners will enhance the provision of a wide range of business advisory services to SME-clients.

5.4.2.2 Contribution to theory

As aforementioned, one of the fundamental assumptions of the theory of the business is the assumption concerning the core competencies required to fulfil the mission of the business (refer to figure 2.1). Talent management should be regarded as a core competency required by SMPs to accomplish the mission of the practice. Talent management was added to the theory of the business, as talent is recognised as an indisputable key ingredient to the delivery of quality services (refer to figure 2.2). Therefore, talent management complements the core competencies required to achieve the business mission, and produces competent people to provide quality services that fulfil the needs of clients.

5.4.3 Attracting and retaining clients

Attracting new clients and retaining existing clients are challenging to SMPs. Based on the findings of the triangulated data, the following conclusions were drawn regarding the attraction of new clients and retaining existing clients:

- referrals by existing clients can attract new clients;
- a professional marketing strategy is required to attract new clients;
- staff possessed of the required skills and appropriate attitude is required, in order to retain clients; and
- quality services are required to retain existing clients.

The concepts of attracting new clients and retaining existing clients contribute the following to the body of knowledge, practice and the theory of the business:

5.4.3.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs is lacking in the literature. Attracting new clients and retaining existing clients are aspects that have not been explored in depth by extant literature relating to the provision of services by SMPs to SMEs. This study fills this gap in the literature, by proposing a SMP framework. Therefore, developing this framework by aligning the concepts of attracting new clients and retaining existing clients to the challenges and needs of SMEs, contributes to the body of knowledge. Specific contributions include the following:

- the more SMPs market its services utilising a marketing strategy developed in line with the profession's code of conduct, the more it will realistically attract new clients;
- the more competent SMPs are perceived to be, the more it can attract SME-clients;
- the more existing clients refer new clients to SMPs, the more SMPs will attract new clients and become trusted advisors, as well;
- the more SMPs utilise technology to deliver services, the more likely it becomes that it can attract new clients;
- the higher the expectations of the SMEs regarding the quality of the services provided by the SMP, the more SMEs will be willing to remain as clients of the SMP;
- the more the SMP understand the needs of its SME-clients, the more the SMEs will be willing to remain as clients of the SMP; and
- the more the SMP deliver not only valuable, but necessary services to SMEs, the more likely it will be that the SMEs will remain with the SMP as clients.

5.4.3.2 Contribution to theory

The assumptions regarding the mission relate to how business envisions itself making a difference to the economy and in the society at large (refer to figure 2.1). The concept of “attracting and retaining clients” was added to the theory of the business (refer to figure 2.2), as it contributes to the mission of the business. This contribution occurs as business fulfils its purpose of creating and satisfying the customer, and renders a meaningful contribution to the economy and society at large, by supplying services that are needed by the society. Business exists owing to society’s need of a particular product or service, therefore, the needs of society drive the mission of the business.

5.4.4 Rising costs

Practitioners believe that rising costs is a key challenge facing their practices. Based on the tested framework, practitioners offered the following conclusions regarding rising costs, in the context of economic uncertainty:

- economic uncertainty is resulting in the higher costs of running a practice;
- the increase in costs, that are transferred to clients, results in the loss of clients;
and
- economic uncertainty may lead to the closure of the practice.

The concept of “rising costs” contributes the following to the body of knowledge, practice and the theory of the business:

5.4.4.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs, is absent from the literature. This study reduces the gap in the literature, by proposing this guiding framework. Therefore, developing this framework by aligning rising costs to the challenges and needs of SMEs, contributes to the body of knowledge. A specific

contribution is the evidence that the rising costs during periods of economic uncertainty is a constant concern, that will result in the closure of the majority of SMPs.

5.4.4.2 Contribution to theory

The assumptions regarding the environment of the business, include society and its structure, the markets, the customer, and technology (refer to figure 2.1). “Cost management” is the process of planning and controlling the costs associated with running a business, and was added to the theory of the business (refer to figure 2.2) as reducing the costs of running a business can render a meaningful contribution to the society at large, by enabling the business to supply services at affordable prices. Furthermore, proper management of costs can improve profitability – a widely accepted measure of the performance of a business and a key requirement for business survival, to ensure the fulfilment of the duties of the business to society.

5.4.5 Keeping up with new regulations and standards

Practitioners believe that keeping up with new regulations and standards is an aspect that brings both challenges and opportunities to their practices. The findings of the verified framework confirm the following conclusions associated with the concept of keeping up with new regulations and standards:

- it is required by clients, particularly keeping up with accounting- and payroll standards;
- it restricts practitioners from securing clients in specialised industries;
- it assists auditors in the provision of quality audits to clients;
- it creates opportunities for the provision of advisory services;
- it is costly;
- it is overwhelming, in terms of maintaining the competency levels required to appropriately service clients; and

- it is administratively overwhelming to both SMPs and SMEs.

The concept of keeping up with new regulations and standards contributes the following to the body of knowledge, practice and the theory of the business.

5.4.5.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs does not exist in the literature. “Keeping up with new regulations and standards” is one of the aspects that has not been explored in depth by extant literature relating to the provision of services by SMPs to SMEs. This study reduces the gap in the literature, by proposing this framework. Specific expansions include the following:

- the more SMPs are perceived to be competent with regard to regulations and standards, the more they will have the opportunity to provide business advice on new regulations and standards, to SMEs;
- SMPs’ technical knowledge of new regulations and standards will enhance the quality of the audit services provided to clients;
- a high volume of new regulations and standards will increase the administrative burden for SMPs, in terms of maintaining the competency levels needed to comply;
- rapid changes to regulations and standards will increase the related costs of compliance; and
- stringent regulations will reduce the prospects for SMPs to secure clients in specialised industries.

5.4.6 Competition from unqualified accountants / threats of new entrants

Competition from unqualified accountants and new entrants to the industry, is a challenge facing SMPs. Based on the results of the verified framework, concerns regarding unqualified accountants and threats of new entrants can be encapsulated as follows:

- unqualified accountants provide questionable quality services, owing to incompetence;
- unqualified accountants provide services at lower cost;
- unqualified accountants attract clients by charging lower fees;
- new entrants have increased competition in the audit market;
- new entrants utilise data analytical tools to deliver audit services; and
- competition from new entrants reduces the market share for SMPs.

Competition from the unqualified accountants and/or new entrants to the industry contributes the following to the body of knowledge, practice and the theory of the business.

5.4.6.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs, is wanting in the literature. Competition from the unqualified accountants and/or threats of new entrants to the industry, is one of the aspects that has not been explored in depth by extant literature relating to the provision of services by SMPs to SMEs. This study narrows the gap in the literature, by proposing this framework. Thus, developing this framework by aligning competition from the unqualified accountants and/or threats of new entrants to the industry with the challenges and needs of SMEs, renders a novel contribution to the body of knowledge. Specific contributions include:

- the more incompetent unqualified accountants are, the less the quality of the services provided to clients will be;
- the cheaper the services the unqualified accountants provide to clients, the more SMPs will lose clients to the unqualified accountants;

- the more the new entrants to the industry utilise new technologies to deliver services, the more SMPs will forfeit clients to the new entrants, as clients require technologically advanced service providers;
- The more unqualified accountants holding narrow skill sets provide services at a lower cost, the more SME-clients will receive bad business advice;
- The regulation of the accountancy profession will reduce or eliminate the number of unqualified accountants in the market, offering accounting services; and
- The more new entrants to the industry utilise technology and data analytics to deliver services, the more SMPs will be willing to adopt these technologies to provide services, as well.

5.4.7 Managing cash flow and late payments

Managing cash flow and late payments, is a challenge facing practitioners.

Conclusions drawn from testing of the framework, include the following:

- managing cash flow and late payments are challenging, during times of economic uncertainty;
- late payments by government-clients complicate effective cash flow management; and
- a proper fee structure could assist SMPs to manage cash flow and late payments effectively.

The concept of managing cash flow and late payments, as a challenge faced by SMPs, contribute the following to the body of knowledge, practice and the theory of the business.

5.4.7.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs, is non-existent in the scholarly literature. This study closes this gap in the literature, by proposing this

framework. Managing cash flow and late payments, is one of the aspects that has not been explored in depth in the extant literature relating to the provision of services by SMPs to SMEs. Therefore, developing this framework by aligning the management of cash flow and late payments to the challenges and needs of SMEs, renders a significant contribution to the scholarly body of knowledge. Specific contributions include the following:

- times of economic uncertainty will result in negative cash flow and late payments by clients;
- the more that fees are properly structured, the more SMPs will realistically be able to improve cash flow and reduce late payments; and
- The more government-clients pay for services timeously, the more SMPs will be able to boast improved cash flow.

5.4.8 Serving clients operating internationally

According to the guidance framework, serving clients operating internationally is a challenge facing SMPs. Practitioners believe that internationalisation could create business opportunities; however, it could also present challenges to those SMPs seeking to internationalise. Conclusions concerning internationalisation, include the following:

- clients require business advice in order to obtain funding to support internationalisation;
- SMPs require staff with technical knowledge of foreign laws and regulations, in order to advise those clients seeking to internationalise;
- SMPs need staff with technical knowledge of international activities to advise clients operating internationally; and

- the global economic downturn and business disruptions affect SMPs' ability to deliver services to clients operating internationally.

The challenge associated with serving clients operating internationally, contributes the following to the body of knowledge, practice and the theory of the business.

5.4.8.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs, is absent from extant literature. Serving clients operating internationally, is one of the aspects that has not been explored in depth by existing literature relating to the provision of services by SMPs to SMEs. This study renders an important contribution to the body of knowledge, by developing a SMP framework via aligning the concept of serving clients operating internationally to the challenges and needs of SMEs. Specific contributions include the following:

- the more SMPs service clients that operate internationally, the more realistically it can provide business advice concerning international finance;
- the less competent SMPs are with regard to foreign laws and regulations, the more difficult it will be to provide business advice to clients operating internationally;
- the more SMEs engage in international activities, the more SMPs will be inclined to acquire technical knowledge of foreign laws and regulations and international activities, in order to provide appropriate business advice to SMEs; and
- the more SMEs engage in international activities, the more SMPs will be required to provide business advice to SMEs, in order to manage the risks associated with internationalisation.

5.4.9 Lack of support by the professional accountancy bodies

Lack of support by the professional accountancy bodies influences the perceptions of practitioners in respect of the role that professional accountancy bodies may play to assist SMPs to overcome its challenges. Conclusions regarding this aspect include:

- practitioners need support from the professional bodies to assist clients to navigate economic difficulties;
- practitioners require training and guidelines relating to auditing standards, in order to deliver quality audits to clients; and
- mandatory joint audits can bring about technical expertise and improve the quality of service.

The concept of lack of support by the professional accountancy bodies as a challenge faced by SMPs, contributes the following to the body of knowledge, practice and the theory of the business.

5.4.9.1 Contribution to body of knowledge

This study contributes to the body of knowledge, by identifying lack of support by the professional accountancy bodies as a new challenge hindering the provision of services to SMEs by SMPs. This study closes the gap in the literature, by proposing this framework. A framework for SMPs to enhance its services, has not been developed before. Developing this SMP framework involves aligning the lack of support by professional accountancy bodies to the challenges and needs of SMEs, and rendering a further contribution to the body knowledge. Specific contributions can be summarised as follows:

- support by the professional accountancy bodies during times of economic difficulties will assist SMPs to provide business advice to SMEs, in order to navigate the stormy economic seas; and

- guidelines, materials and training in respect of new regulations and auditing standards, provided by the professional accountancy bodies, will assist SMPs to deliver quality audits, that add value to clients.

5.4.10 Pressure to lower fees

The pressure to reduce fees, is a challenge facing SMPs. Based on the verified framework, practitioners concluded that:

- economic uncertainty creates pressure on SMPs to reduce fees;
- failure to reduce fees during times of economic uncertainty, may result in the loss of clients; and
- undue pressure on SMPs to reduce fees, affects the quality of audit services provided to clients.

The concept related to the pressure to lower fees as a challenge faced by SMPs, contributes the following to the body of knowledge, practice and the theory of the business.

5.4.10.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs, is not found in the existing literature. This study closes this gap in the literature, by proposing this framework. Developing this framework involves aligning the concept regarding the pressure to lower fees to the challenges and needs of SMEs, thereby rendering a significant contribution to the body of knowledge. Specific contributions include the following:

- a state of economic uncertainty will create pressure on SMPs to reduce fees; and
- pressure to reduce audit fees will lower the quality of the audit and/or independent review services, as SMPs will be inclined to limit the scope of work to be performed, in response to fee pressure.

5.4.11 Succession planning

Based on the verified framework, practitioners presented the following conclusions concerning succession planning, in the context of economic uncertainty:

- succession planning is vital during periods of economic uncertainty, in order to ensure a practice that is agile and efficient, and that remains successful; and
- succession planning is critical to ensure that SMPs' continuous provision of services to clients – mainly SMEs.

The concept of succession planning as a challenge faced by SMPs, contributes the following to the body of knowledge, practice and the theory of the business.

5.4.11.1 Contribution to body of knowledge

A framework for SMPs to enhance services provided to SMEs, does not exist in the literature. Succession planning is one of the aspects that has not been explored in depth by extant literature relating to the provision of services by SMPs. This study fills this gap in the literature, by proposing a framework. Developing this framework involves aligning the concept of succession planning to the challenges and needs of SMEs, therefore, rendering an important contribution to the body of knowledge. Specific contributions include the following:

- a succession plan, particularly during uncertain economic times, is required to assist SMPs to be agile, efficient and successful;
- a succession plan is critical, to ensure that SMPs provide uninterrupted business advisory services to SMEs; and
- a succession plan is necessary, to ensure the availability of a pipeline of key employees, capable of providing compliance services to SMEs.

5.5 Recommendations

Based on the findings of the literature study and empirical studies, this section provides recommendations to or implications for various stakeholders, in order to enhance services provided by SMPs, to SMEs. The relevant stakeholders include SMP management, staff working at SMPs, SME-clients, and professional accountancy bodies. The recommendations are based on the contribution each concept renders to the best interest of the affected stakeholders, as discussed below.

5.5.1 Management of small- and medium accounting practices (SMPs)

Stemming from the discussion above, SMP management can mitigate the challenges hindering SMPs from fulfilling the needs of SMEs, by implementing the following recommendations at its practice, based on the contribution of each concept.

5.5.1.1 Automation

SMP management should adopt automation, in order to provide:

- competitive advisory services;
- bookkeeping services at reduced costs;
- competitive assurance services;
- an efficient audit or independent review process;
- efficient statutory returns services; and
- efficient compliance services.

Furthermore, SMP management should:

- arrange staff training, in order to acquire additional skills / expertise, to automate services;
- automate services, wherever it is feasible; and
- investigate whether the cost of automation can be absorbed by clients.

5.5.1.2 Keeping up with new regulations and standards

Keeping up with new regulations and standards, is one of the significant challenges facing SMPs. To overcome this challenge, SMP management should:

- train staff to keep abreast of accounting- and payroll standards and - regulations;
- request professional accountancy bodies to advocate for relaxation of the stringent regulations and requirements in respect of specialised industries;
- train audit staff in respect of the latest developments in regulations and standards, in order to deliver quality audits;
- seize opportunities offered by new regulations and standards, in order to provide new advisory services;
- assign technical staff to keep up with overwhelming new professional regulations and -standards;
- train staff to maintain competency levels, in order to service clients with regard to compliance with laws and regulations;
- train staff to maintain competency levels, in order to assist clients with statutory returns;
- designate staff to assist clients to keep up with new laws and regulations;
- automate services to reduce the costs of keeping up with new regulations and standards; and
- transfer the costs of compliance with new regulations and standards to clients.

5.5.1.3 Rising costs

SMP management should implement measures to mitigate the impact of rising costs on the practice, by means of the following:

- being aware of and managing rising costs during uncertain economic times;

- opting to transfer the increase in costs to clients, despite the risk of losing clients; and
- being aware of times of economic uncertainty and managing rising costs appropriately, to avoid the closure of practice.

5.5.1.4 Managing cash flow and late payments

The concept of managing cash flow and late payments was identified as one of the drivers of the challenges facing SMPs. To address this challenge, SMP management should implement the following measures:

- adopt early payment terms, in order to deal with late payments during times of economic uncertainty;
- agree on payment arrangements with clients, in order to manage cash flow during uncertain economic times;
- lobby government to adhere to a 30 days payment policy in respect of small businesses;
- implement monthly retainers, in order to manage cash flow and late payments; and
- provide advisory services to clients concerning cash flow management.

5.5.1.5 Competition from unqualified accountants and threats of new entrants

Unqualified accountants and new entrants to the industry, are posing serious dilemmas for the accounting profession. To solve this issue, SMP management should:

- educate clients to consider quality and qualifications when appointing accountants;

- automate the management of statutory returns, in order to reduce the costs of service;
- implement audit data analytical tools to manage the threats of new entrants to the industry;
- differentiate the practice from the competition posed by new entrants, by providing quality audit services;
- introduce value-based pricing, in order to mitigate the lower fees charged by unqualified accountants;
- provide services that meet clients' needs, to avoid losing them to new entrants to the industry; and
- challenge the regulated accounting profession to reduce the red tape.

5.5.1.6 Pressure to lower fees

The pressure to lower fees, continues to present a significant challenge to SMPs. To mitigate this challenge, SMP management can consider the following:

- in times of economic uncertainty, be prepared for the reduction in fees that may be required by clients and that must be managed, in order to protect both the client (quality services) and the practice (retaining clients); and
- discuss, with the SME-client, the impact of a reduced fee on the quality of the audit services to be provided.

5.5.1.7 Talent management

The increased competition to recruit talent and the shortage of qualified individuals, are concerning to professional service businesses, including SMPs. SMP management can employ the following initiatives, in order to address concerns related to talent management:

- utilise training and career development programmes to attract staff with the appropriate knowledge and skills required by the practice;
- appoint staff with specific assurance skills and competencies, in order to deliver quality audits;
- appoint staff with specified skills and competencies, to provide advisory services to clients; and
- train and develop staff, in order to deliver value added services to clients.

5.5.1.8 Serving clients operating internationally

Serving clients operating internationally is presenting a considerable challenge to SMPs. SMP management can implement the following measures in order to address this challenge:

- offer business advice to clients regarding ways to obtain funding in order to finance international activities;
- recruit staff with technical knowledge of foreign laws and regulations, in order to advise clients;
- recruit staff with technical knowledge of international activities, in order to advise clients; and
- be prepared for global economic downturn and business disruptions that may affect a practice's ability to service international clients.

5.5.1.9 Succession planning

SMPs lack formal succession plans, even though the importance to the practice is clear and acknowledged. SMP management should:

- implement succession planning, especially during uncertain economic times, in order for the practice to remain agile, efficient and successful; and

- implement succession planning to ensure the continued provision of services to clients.

5.5.1.10 Attracting and retaining clients

SMP management should implement measures to overcome the challenging task of attracting and retaining clients. These measures can include, but are not limited to, the following:

- utilise referrals by existing clients to attract new clients;
- implement a professional marketing strategy, in order to attract new clients;
- appoint staff with the required skills and attitude, in order to retain existing clients; and
- provide quality services, in order to retain existing clients.

5.5.2 Small- and medium accounting practices' staff

SMP staff should execute the following:

- attend training arranged by management, in order to acquire additional skills / expertise to automate services;
- attend training in respect of the latest developments in accounting- and payroll standards and legislation, to be abreast of amendments;
- attend training in respect of the latest developments regarding regulations and standards, in order to deliver quality audits;
- attend training to maintain competency levels, in order to service clients in respect of compliance with laws and regulations;
- attend training to maintain competency levels, in order to assist clients with statutory returns;
- provide advice to clients, in order to keep up with new laws and regulations;
- provide advice to clients in respect of cash flow management;

- educate clients to consider quality and qualifications, when requiring services from accountants;
- participate in career development programmes provided by the employer, in order to improve skills, to deliver quality audits to clients;
- attend training to develop skills, in order to deliver value added services to clients;
- offer business advice to clients in respect of ways to obtain funding in order to finance international activities;
- provide quality services, in order to retain existing clients;
- utilise support received from the professional accountancy bodies in order to assist clients to navigate stormy economic seas; and
- attend training conducted by and apply guidelines received from the professional accountancy bodies, in order to provide quality audits to clients.

5.5.3 Small- and medium enterprises' clients

SME owner-managers should implement the following recommendations, to enable SMP practitioners to provide services that meet its needs:

- invest in technology;
- attend training in respect of new laws, regulations and standards;
- attend training related to new technologies, in order to improve IT skills;
- ask for qualifications and consider quality, when in need of services from accountants;
- seek advice from SMP practitioners concerning ways to manage economic uncertainty;
- seek advice from SMP practitioners regarding ways to manage cash flow;
- demand quality services from SMPs;

- communicate the need for specific services to SMP practitioners;
- assume the responsibility to study the laws and regulations relevant to their businesses;
- seek advice from SMP practitioners in respect of ways to obtain funding in order to finance international activities;
- pay SMPs timeously, in order to take advantage of early settlement discounts offered by SMPs;
- agree on payment arrangements with SMPs, in order to manage cash flow during uncertain economic times;
- lobby government to adhere to a 30 days payment policy in respect of small businesses;
- request SMP practitioners to reduce professional fees, during times of economic uncertainty;
- retain SMPs as service providers only if it provides quality services; and
- retain SMPs as service providers only if services are provided by staff possessed of the required skills and attitude.

5.5.4 Professional accountancy bodies

Lack of support by the professional accountancy bodies hinders SMPs from enhancing services provided to clients – mainly SMEs. Recommendations to professional accountancy bodies include, but are not limited to, the following:

- implement mandatory joint audits arrangements, in order to assist SMPs to benefit from the technical expertise of other practices and improve its quality of service;
- provide support to SMPs in order to assist its clients to navigate the stormy economic seas; and

- provide training and guidelines on auditing standards, in order to assist SMPs to provide quality audits to clients.

5.6 Avenues for Future Research

The results of the present study provide a platform for future research concerning the framework for accounting practitioners to enhance services provided. Throughout this study, various avenues for further research were identified, that were influenced by the empirical data and the researcher's own interests. These avenues for further research are indicated below:

- to determine the financial resources and capital expenditure required, in order to implement automation at SMPs;
- to understand the impact of cyber security threats on SMPs, owing to the adoption of automation;
- to assess the literacy levels of SMEs, in respect of implementing automation;
- to determine the administrative burden of SMPs, associated with keeping up with new regulations and standards;
- to understand the rising costs of SMPs, owing to COVI—19 – attributed to remote working;
- to evaluate the impact of SMPs' BEE credentials and the related allocation of public sector work;
- to evaluate the effectiveness of employment incentives in the management of loss of talent and a high staff turnover rate, at SMPs;
- to determine the capital investment and incentives required, in order to implement succession planning at SMPs;

- to explore the impact of mandatory audit firm rotation for SMPs, on client attraction and -retention;
- to determine the perceived value, for SMPs, of subscription fees charged by the professional accountancy bodies;
- the final framework for SMPs should be tested by means of deductive reasoning, to obtain the views of a larger audience;
- more recent views of SMEs, especially the potential change in views after COVID, should be obtained and incorporated in future studies; and
- professional accountancy bodies should investigate ways to educate the public concerning the value of accountants to society and why their services should be highly regarded.

5.7 Overall Conclusion

This study focused on exploring the challenges hindering the provision of services by SMPs to SMEs, and included acquiring an in-depth understanding of the needs of SMEs, as well as the proposal of a framework. This framework aims to assist SMPs to enhance its service offering, fulfil the needs of SME-clients, and improve the overall sustainability of both SMPs and SMEs. The literature study was reported in chapter 2, the data collected was analysed and the results were discussed in chapter 4, and relevant conclusions and recommendations were presented – in relation to the research problem, primary research objective and the corresponding secondary research objectives – in chapter 5.

The results showed that the main drivers of the challenges hindering SMPs in fulfilling the needs of SMEs are 1) automation; 2) keeping up with new regulations and standards; 3) competition from unqualified accountants and new entrants to the

industry; and 4) managing cash flow and late payments. From the demand side, the study also identified determinants such as finances; compliance with laws and regulations; risk management; and business advice; as areas that SMEs require assistance with.

The aspects included in the framework can benefit professional accountancy bodies, in terms of tailoring the support initiatives targeted to SMPs. SMEs can benefit from the framework, as it will reduce information asymmetry in the selection of future business advisors. The framework will guide SMEs to understand the determinants associated with the provision of business advice provided by SMPs.

Ensuring cost effective technology, keeping up with new regulations and standards, managing cash flow and late payments, and responding to competition and threats of new role players in the industry, are the fundamental challenges that SMPs should address in order to service SMEs more effectively. It is foreseen that addressing the challenges and needs of both SMPs and SMEs could be vital to the growth and sustainability of both businesses, the eradication of poverty and unemployment, and consequently, lead to the growth of the South African economy.

“The only valid definition of business purpose is to create a customer”

Peter F. Drucker

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Annexure A: Information sheet and informed consent form

Dear Practitioner

My name is Mr Ramphelane Edward Hlakudi from the Department of Auditing at the University of South Africa (Unisa). You are invited to participate in an academic research study entitled: *A Framework for Small and Medium Accounting Practitioners to enhance services provided*. This study is conducted under the supervision of Prof Philna Coetzee and has received written ethical approval from the Research Ethics Committee of the College of Accounting Sciences at Unisa. Should require, a copy of the approval letter can be made available.

You were selected to participate in this survey because you are a practitioner at a Small and Medium-sized Practice (SMP), registered with a recognised professional accountancy body in South Africa. The purpose of the survey is to explore the challenges confronting SMPs in South Africa to enhance service delivery to clients.

The survey is developed to be anonymous, meaning that your name will not be recorded anywhere, and no one will be able to link you to the responses you provided. You are, however, under no obligation to complete the survey and you can withdraw from the study prior to submitting the survey. We do not foresee that you will experience any negative consequences by completing the survey. Consequently, you will not be able to withdraw from the study once you have clicked the send button based on the anonymous nature of the survey. You will not be reimbursed or receive any incentives for your participation in the survey. I undertake to keep any information provided herein confidential, not to let it out of my possession and to report on the findings from the perspective of the participating group and not from the perspective

of an individual. The records will be kept for five years for audit purposes where after it will be permanently destroyed.

Thank you for your willingness to complete the attached questionnaire (Document: QUESTIONNAIRE). It consists of two parts:

PART A – limited personal information that is relevant to the study and the analyses of Part B

PART B – the Detailed Affinity Relationship Table (DART), indicating your perception of the relationship that a specific issue (or affinity) may have on other issues. The guideline on how to complete the DART is contained within the document. A second document (DESCRIPTIONS OF AFFINITIES) is attached to explain the meaning of each of the issues that you need to report on

If you choose to participate in this survey it will take not more than 30 minutes of your time. Your time is valuable and therefore I am grateful for your willingness to participate in this research study.

Please contact me should you have any questions or comments regarding the study. By completing the DART and sending it back to hlakure@unisa.ac.za you have indicated that you read and understand the information above and give your consent to participate in the study on a voluntary basis.

Yours sincerely

Mr Ramphelane Edward Hlakudi

Senior Lecturer

Department of Auditing

College of Accounting Sciences

Tel: (012) 429 4049 / Cell: 061 461 4965

Email: hlakure@unisa.ac.za

Prof Philna Coetzee

Study leader

Email: philnacoetzee1@gmail.com

CONSENT TO PARTICIPATE IN THIS STUDY

A Framework for Small- and Medium Accounting Practitioners to enhance services provided.

I, _____ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable).

I am aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I have received a signed copy of the informed consent agreement.

Participant Name & Surname..... (please print)

Participant Signature.....Date.....

Researcher's Name & Surname.....(please print)

Researcher's signature.....Date.....

Annexure B: Preliminary list of affinities and descriptions

AFFINITY NAME	AFFINITY DESCRIPTIONS
1. Attracting clients	This challenge can be described as the ability of the SMP practitioner to sign new clients.
2. Talent management	This challenge can be described as the ability of the SMP practitioner to attract, select, develop and retain key professional staff.
3. Automation/artificial intelligence	This challenge can be described as the threat posed when a device performs accounting functions which would otherwise only be expected of the human brain.
4. Competition from the unqualified accountants	This challenge describes the rise of accountants not registered or affiliated with professional accountancy bodies providing professional services to Small- and Medium Enterprises (SMEs), despite lacking the required competencies.
5. Serving clients operating internationally	This challenge refers to SMP practitioner with offices in more than one country and providing professional services to clients undertaking international activities under diverse rules and regulations.
6. Keeping up with new regulations and standards	This challenge can be described as the rules made by government and standards imposed by the professional accountancy bodies impacting the capacity of SMPs to survive, grow and compete.
7. Pressure to lower fees	This challenge can be described as the willingness of the SMP practitioner to accept exert pressure by clients or competitors to charge lower fees for professional work.

AFFINITY NAME	AFFINITY DESCRIPTIONS
8. Retaining existing clients	This challenge can be described as the ability of the SMP practitioner to keep an existing client by providing professional services that meet the client's needs.
9. Succession planning	This challenge can be described as the process where SMP practitioner plans for the future transfer of ownership.
10. Rising costs	This challenge can be described as the rising costs of running an accounting practice in South Africa.
11. Managing cash flow and late payments	This challenge can be described as the process of tracking receipts and payments as well as bad debts of an SMP.
12. Threat of new entrants in the industry	This challenge can be described as the threat the new competitors pose to an existing SMPs within the finance and accounting services sector.

Annexure C: Final list of affinities and descriptions

AFFINITY NAME	AFFINITY DESCRIPTIONS
1. Attracting clients	This challenge can be described as the ability of SMPs to sign new clients.
2. Talent management	This challenge can be described as the ability of SMPs to attract, develop and retain key professional staff.
3. Automation/artificial intelligence	This challenge can be described as the threat posed when a device performs accounting functions, replacing the human brain.
4. Competition from the unqualified accountants	This challenge describes the rise of accountants not registered or affiliated with any professional accountancy bodies and are providing accounting services to clients, despite lacking the required competencies.
5. Serving clients operating internationally	This challenge refers to SMPs providing professional services to clients undertaking international activities under diverse laws and regulations.
6. Keeping up with new regulations and standards	This challenge can be described as the laws and regulations of government and regulatory standards imposed by the professional accountancy bodies impacting the capacity of SMPs to survive, grow and compete.
7. Pressure to lower fees	This challenge can be described as the willingness of SMPs to accept exert pressure by clients or competitors to charge lower fees for professional work.
8. Retaining existing clients	This challenge can be described as the ability of SMPs to keep existing clients by providing professional services that add value and/or meet the client's needs.
9. Succession planning	This challenge refers to the identification of critical management positions and the planning for talent to assume key leadership positions.

AFFINITY NAME	AFFINITY DESCRIPTIONS
10. Rising costs	This challenge can be described as the rising costs of running an accounting practice in South Africa.
11. Managing cash flow	This challenge can be described as the process of timeously tracking receipts, payments and late or non-payment for services provided.
12. Threat of new entrants in the industry	This challenge can be described as the threat that new competitors, (e.g. other SMPs and/or accounting packages provided by the banks) pose to existing SMPs.
13. Lack of support by the professional accountancy bodies	This challenge describes the lack of guidelines and support by professional accountancy bodies to address the specific needs of SMPs (e.g. lack of communication, training, and advocacy role).

Annexure D: Survey distributed to respondents

(DETAILED AFFINITY RELATIONSHIP TABLE / DART)

PART A: PERSONAL INFORMATION

1. Indicate the number of partners / directors at your practice (choose 1 for sole proprietor or director)

1	<input type="text"/>	2 - 5	<input type="text"/>	6 - 19	<input type="text"/>	20 and more	<input type="text"/>
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2. Indicate your professional qualification(s). Please choose all applicable

SAICA	<input type="checkbox"/>
SAIPA	<input type="checkbox"/>
SAIT	<input type="checkbox"/>
SAIBA	<input type="checkbox"/>
Other:	_____

3. Indicate the number of full-time employees at your practice

0	<input type="text"/>	1 - 5	<input type="text"/>	6 - 19	<input type="text"/>	20 and more	<input type="text"/>
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4. Indicate the type of service/s provided by your practice. Please choose all applicable

- 4.1 Audit and/or independent review
- 4.2 Bookkeeping / Accounting
- 4.3 Human Resources / Payroll
- 4.4 Statutory returns
- 4.5 Risk management
- 4.6 Manage cash flow / financial planning and investment advise
- 4.7 Other advisory services: _____

5. Indicate the number of years you have been a sole proprietor / partner / director at a Small and Medium-sized Accounting Practice

< 1 1 - 5 >5 - 10 >10 - 15 >15

PART B: DETAILED AFFINITY RELATIONSHIP TABLE

Please complete the attached table below by indicating what you think the direction of the relationship between two affinities is. Use the affinity descriptions as identified and discussed during the focus group to help you with this task.

For example:

If you think that 1 influences 2, then indicate 1 → 2

If you think that 2 influences 1, then indicate 1 ← 2

If you think that there is no relationship between 1 and 2, then indicate 1 < > 2.

NOTE: An arrow may only go in one direction. Although you may feel that the direction of the relationship can go both ways, you must indicate the direction you think illustrates the strongest or most important influence.

NOTE: Use a specific example from your own experience to illustrate your point rather than a vague statement.

Affinities	Example of Possible relationships
1. Attracting clients	If Principle 1 influences Principle 2 then:
2. Talent management	1 → 2
3. Automation/artificial intelligence	
4. Competition from the unqualified accountants	If Principle 2 influences Principle 1 then: 1 ← 2
5. Serving clients operating internationally	If there is no relationship between
6. Keeping up with new regulations and standards	principles: 1 < > 2
7. Pressure to lower fees	
8. Retaining existing clients	
9. Succession planning	
10. Rising costs	
11. Managing cash flow and late payments	
12. Threat of new entrants in the industry	
13. Lack of support by professional accountancy bodies	

Focus Group – Detailed Affinity Relationship Table

Affinity Pair Relationship USE → OR ← OR < >	Give a practical example using an IF/THEN statement to explain the relationship according to your personal experience
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End

**Annexure E: Information sheet and informed consent
(INTERVIEWS AND QUESTIONAIRES)**

PARTICIPANT INFORMATION SHEET: SMP PRACTITIONER

Ethics clearance reference number: 2021_CAS _029

12 August 2021

Title: A Framework for Small- and Medium Accounting Practitioners to enhance services provided

Dear Prospective Participant

My name is Mr Ramphelane Edward Hlakudi in the Department of Auditing in the College of Accounting Sciences at the University of South Africa. This study is conducted under the supervision of Prof Philna Coetzee towards the completion of a Doctor of Philosophy (PhD) in Accounting Sciences at the University of South Africa. We are inviting you to participate in a study entitled “A Framework for Small- and Medium Accounting Practitioners to enhance services provided”.

WHAT IS THE PURPOSE OF THE STUDY?

The primary objective of this study is to explore the challenges hindering the enhancement of services provided by Small- and Medium Accounting Practitioners (SMPs) to Small and Medium-sized Enterprises (SMEs). These challenges should

provide guidance, by means of a framework, as to how practitioners of South African SMPs can enhance the services provided to SMEs.

WHY AM I BEING INVITED TO PARTICIPATE?

As you are a professional accountant who is a full member of either the South African Institute of Chartered Accountants (SAICA) or South African Institute of Professional Accountants (SAIPA), and you are part of an SMP providing services to SMEs.

WHAT IS THE NATURE OF MY PARTICIPATION IN THIS STUDY?

You are required to complete a questionnaire and once you have completed the questionnaire, the researcher will contact you to schedule an interview at a convenient time using MS Team, Zoom or Whatsup. Please take note that the interview will be recorded and will take approximately one hour. You will be asked about your perceptions pertaining to the challenges faced by your practice in providing services to SMEs.

CAN I WITHDRAW FROM THIS STUDY EVEN AFTER HAVING AGREED TO PARTICIPATE?

This research study is voluntary, and you are under no obligation to consent to participation. If you do decide to take part, you will be asked to sign a written consent form. You are free to withdraw from this study at any time and without giving a reason.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

As you are a professional accountant at an SMP, your participation in this study will assist you to understand the challenges hindering the enhancement of services

provided by your practice to SME clients. This understanding will assist your practice to tailor its services to meet the needs of SMEs.

ARE THERE ANY NEGATIVE CONSEQUENCES FOR ME IF I PARTICIPATE IN THE RESEARCH PROJECT?

There are no negative consequences.

WILL THE INFORMATION THAT I CONVEY TO THE RESEARCHER AND MY IDENTITY BE KEPT CONFIDENTIAL?

Your name will not be recorded anywhere, and no one will be able to link you to the responses you provided. All the data, any publications, or other research reporting methods such as conference proceedings will only report on the data with reference to subject areas. Your anonymous data will be used as part of a doctoral thesis and may also be used for other purposes, such as journal articles, research report, and/or conference proceedings. Individual respondents will not be identifiable in any such report.

HOW WILL THE RESEARCHER(S) PROTECT THE SECURITY OF DATA?

The researcher will store paper-based documents of your answers for a period of five years in a locked cupboard on the premises of Mr Ramphelane Edward Hlakudi or Unisa. For future research or academic purposes, electronic information (e.g. your typed report or recordings of your report) and subsequent transcriptions) will be stored on a password-protected computer. Future use of the stored data will be subject to further research ethics review and approval if applicable. Paper-based documents will be shredded after the period of five years and electronic data will be permanently deleted from the hard drive of the researcher.

WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

No payment or any incentives are offered for participating in this study.

HAS THE STUDY RECEIVED ETHICS APPROVAL?

This study has received written approval from the Research Ethics Review Committee of the College of Accounting Sciences of Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

HOW WILL I BE INFORMED OF THE FINDINGS/RESULTS OF THE RESEARCH?

If you would like to be informed of the final research findings, please contact Ramphelane Edward Hlakudi on Tel: 012 429 4049 Cell: 061 461 4965; Email: hlakure@unisa.ac.za. The findings are accessible for two years. Should you require any further information about any aspect of this study, please contact Ramphelane Edward Hlakudi.

Should you have concerns about the way in which the research has been conducted, you may contact Prof Philna Coetzee on Cell: 082 557 8833; Email: [Philna Coetzee CoetzeeGP@tut.ac.za](mailto:Philna.Coetzee@tut.ac.za). Contact the research ethics chairperson of the College of Accounting Sciences, Prof Lourens Erasmus on Tel: 012 429 8844; Cell: 072 622 1054 Email: erasmlj1@unisa.ac.za if you have any ethical concerns.

Thank you for taking time to read this information sheet and for participating in this study.

Thank you.

Mr Ramphelane Edward Hlakudi

Senior Lecturer

Department of Auditing

College of Accounting Sciences

University of South Africa

CONSENT TO PARTICIPATE IN THIS STUDY

A Framework for Small- and Medium Accounting Practitioners to enhance services provided.

I, _____ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable).

I am aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I agree to the recording of the interview.

I have received a signed copy of the informed consent agreement.

Participant Name & Surname..... (please print)

Participant Signature.....Date.....

Researcher's Name & Surname.....(please print)

Researcher's signature.....Date.....

Annexure F: Questionnaire to test the draft framework

QUESTIONNAIRE

A Framework for Small- and Medium Accounting Practitioners to enhance services provided

Automation/artificial intelligence

Rate your level of agreement with the following statements by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
It is feasible to automate some of the services and activities in your practice.					
Your clients pressure you to automate services.					
Costs associated due to automation is absorbed by your clients.					
Your practice needs additional skills/expertise to automate services.					
Job losses have occurred/will occur due to automation.					
Automation assists/will assist with efficiency of statutory returns as a service.					
Automation assists/will assist with efficiency of the audit/independent review process.					

Automation assists/will assist with efficiency of the compliance to laws and regulations as a service.					
Automation gives/will give your practice a competitive advantage on delivering assurance services.					
Automation improves other services, such as bookkeeping.					
Automation lower costs of other services, such as bookkeeping.					
Automation gives/will give your practice a competitive advantage on delivering advisory services.					
Automation has led/leads to a loss of market share.					

Please provide your thoughts on the threat/challenges of automation of services delivered by your practice to your clients. Please indicate other aspects that were not include in the list above.

Keeping up with new regulations and standards

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
To keep up with new regulation and standards is costly.					

Costs of compliance with new regulations and standards are absorbed by your practice's clients.					
To keep up with new professional regulations and standards are overwhelming					
To keep up with new laws and regulations applicable to your practice's clients are overwhelming.					
To maintain competency levels for the completion of clients' statutory returns (current and new developments per industry) are overwhelming.					
To maintain competency levels to be able to service clients' compliance to laws and regulation (current and new developments per industry) are overwhelming.					
Keeping abreast with accounting and payroll standards and legislations is required by your practice's clients.					
The stringent regulations and requirements by professional accounting bodies hinder the practice to secure clients in specialised industries.					
Clients request auditors who are abreast with the latest developments on regulations and standards to ensure quality audits.					
New regulations and standards are opening opportunities for your practice to increase advisory services.					

Please provide your thoughts on the challenges faced by your practice regarding keeping up with new regulations and standards. Please indicate other aspects that were not include in the list above.

Rising costs

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
Economic uncertainty is leading to higher costs of running your practice.					
Economic uncertainty may lead to the closure of your practice.					
Increase in costs, that are transferred to clients, result in the loss of clients.					

Please provide your thoughts on rising costs in your practice. Please indicate other aspects that were not include in the list above.

Managing cash flows and late payments

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
During times of economic uncertainty, managing cash flow is challenging at your practice.					
During times of economic uncertainty, late payments is challenging at your practice.					
Your practice's clients request advisory services on cash flow management,					
A proper fee structure assists/will assist your practice to manage cash flow and late payments.					
Late payments by government clients make it difficult for your practice to manage its cash effectively.					

Please provide your thoughts on the challenges of managing cash flows and late payments in your practice. Please indicate other aspects that were not include in the list above.

Competition from the unqualified accountants/ threat of new entrants in the industry

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
Lower fees charged by the unqualified accountants in the industry results/may result in your practice losing clients.					
The quality of services provided by the unqualified accountants is questionable due to incompetence.					
Unqualified accountants compete with your practice on providing handling of statutory returns to clients at a lower cost.					
The regulated accounting profession has increased red tape leading to a market loss of your practice to the unqualified accountant.					
Competition from new entrants in the industry results in loss of clients and/or reduced market share in your practice					
The audit market is currently competitive because of the new entrants in the industry.					
The regulated accountant is threatened by audit data analytical tools conducted by the new entrants in the industry.					

Please provide your thoughts on the challenges faced by your practice regarding competition from the unqualified accountants/ threats of new entrants in the industry. Please indicate other aspects that were not include in the list above.

Pressure to lower fees

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
Economic uncertainty puts pressure on your practice to reduce fees for professional services.					
Undue pressure on your practice to reduce fees affects the quality of audit services provided to clients.					
During times of economic uncertainty, not reducing fees results/may result in loss of clients by your practice.					

Please provide your thoughts regarding undue pressure on your practice to lower fees. Please indicate other aspects that were not include in the list above.

Talent management

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
Clients expect your practice to appoint people with specified advisory-type of skills and competencies to provide a wide variety of advisory services.					
To deliver quality audits, staff with specified assurance skills and competencies are appointed by your practice.					
Training and career development of staff implemented at your practice assist in delivering services that add value to clients.					
Providing training and career development programmes may assist/assist your practice in attracting staff with the right knowledge and skills.					

Please provide your thoughts on the challenges of implementing talent management in your practice. Please indicate other aspects that were not include in the list above.

Serving clients operating internationally

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
Global economic downturn and business disruptions affect the ability of your practice to deliver services to clients operating internationally.					
Business advice to clients on how to obtain funding to finance international activities is required by your practice.					
Staff with technical knowledge on international activities is required to provide advice to your practice's clients that operate internationally.					
Staff with technical knowledge on foreign laws and regulations is required to provide advice on compliance to your practice's clients that operate internationally.					

Please provide your thoughts on the challenges of serving clients operating internationally by your practice. Please indicate other aspects that were not include in the list above.

Succession planning

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
Succession planning is vital during period(s) of economic uncertainty to ensure that your practice is agile, efficient and remains successful.					
Succession planning is critical in ensuring that your practice continue providing services to clients.					

Please provide your thoughts on the challenges of implementing succession planning in your practice. Please indicate other aspects that were not include in the list above.

Attracting and retaining clients

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
When quality services that are necessary for clients are provided, your practice's existing clients are retained.					

Staff with the required skills and attitude is essential to retain existing clients.					
A professional marketing strategy is required to attract new clients.					
Referrals by the existing clients is a strategy utilised by your practice to attract new clients.					

Please provide your thoughts on the challenges faced by practice regarding client attraction and retention. Please indicate other aspects that were not include in the list above.

Lack of support by professional accountancy bodies

Rate your level of agreement with the following aspects by marking X in the box that matches your view most closely where 1 = strongly disagree; 2= disagree; 3 = neither agree nor disagree; 4= agree; 5= strongly agree.

Answer Options	1	2	3	4	5
You practice needs support from the professional accountancy bodies to help clients to navigate the economic difficulties.					
Your practice needs training and guidelines form professional accountancy bodies on auditing standards to deliver quality audits to clients.					

Mandatory joint audits can assist your practice to benefit from technical expertise of other practice(s), resulting in improved quality of service.					
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Please provide your thoughts on the support or lack thereof provided by professional accountancy bodies to your practice. Please indicate other aspects that were not include in the list above.

Annexure G: Ethics approval to obtain secondary data



UNISA COLLEGE OF ACCOUNTING SCIENCES ETHICS REVIEW COMMITTEE

Date 2017-09-19

Dear Mr E Hlakudi

ERC Reference:
2017_CAS_048
Name: Mr E Hlakudi
Student/ Staff #:90102762

**Decision: Ethics Approval from
2017-09-19 to 2022-09-18**

Researcher: Mr E Hlakudi

hlakure@unisa.ac.za

Working title of research:

**Framework for Small and Medium sized Accounting Practices to Enhance Services
Provided**

Qualification: Postgraduate research

Thank you for the application for research ethics clearance by the Unisa College of Accounting Sciences Research Ethics Review Committee for the above mentioned research. Ethics approval is granted for the period indicated above.

The application was reviewed by the College of Accounting Sciences Research Ethics Review Committee on 19 September 2017 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment, and approved.

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the College of Accounting Sciences Research Ethics Review Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of



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participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.

5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No field work activities may continue after the expiry date of this certificate.

Note:

The reference number of this certificate should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,

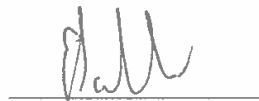


Ms L Grebe

Chair of CAS RERC

E-mail: grebel@unisa.ac.za

Tel: 012 429 4994



Prof E Sadler

Executive Dean CAS

Annexure H: Ethics approval to conduct focus groups



UNISA COLLEGE OF ACCOUNTING SCIENCES ETHICS REVIEW COMMITTEE

Date 2019-01-17

Dear MR RE Hlakudi

ERC Reference:
2019_CAS_003
Name: RE Hlakudi
Student/ Staff #: 90102762#

**Decision: Ethics Approval from
2019-01-17 to 2022-01-17**

Researcher:

Working title of research:

A Framework for Small and Medium Accounting Practitioners to enhance services provided

Qualification: PhD Accounting Sciences

hlakure@unisa.ac.za

Thank you for the application for research ethics clearance by the Unisa College of Accounting Sciences Research Ethics Review Committee for the abovementioned research. Ethics approval is granted for the period indicated above.

*The application was reviewed by the College of Accounting Sciences Research Ethics Review Committee, on **15 January 2019** in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment, and approved.*

The proposed research may now commence with the provisions that:

- 1. Research ethics clearance is granted for the focus group discussions only.**
- 2. Subsequent research methods and instruments e.g. questionnaires or interviews must be submitted for research ethics clearance.**
2. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
3. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the College of Accounting Sciences Research Ethics Review Committee.



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4. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
5. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
6. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
7. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
8. No field work activities may continue after the expiry date of this certificate.

Note:

The reference number of this certificate should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Prof L J Erasmus
Chair of CAS RERC
E-mail: erasmlj1@unisa.ac.za
Tel: 012 429 8844



Prof L Ntsalaze
Acting Executive Dean CAS

UNISA COLLEGE OF ACCOUNTING SCIENCES ETHICS REVIEW COMMITTEE

Date 2019-07-18

Dear Mr RE Hlakudi,

**Decision: Ethics Approval from
2019-07-18 to 2022-07-17**

Original ERC reference :
2019_CAS_003
Additional ERC reference :
2019_CAS_027
Name: RE Hlakudi
Student/ Staff #: 90102762#

Researcher: RE Hlakudi
hlakure@unisa.ac.za

Working title of research:

A Framework for Small and Medium Accounting Practitioners to enhance services provided

Qualification: PhD in Accounting Sciences

Thank you for the application for research ethics clearance, **of your research instrument and extension of your research methodology to include the distribution of a Group Affinity Relationship Table**, by the Unisa College of Accounting Sciences Research Ethics Review Committee. Ethics approval is granted for the period indicated above.

*The application was reviewed by the College of Accounting Sciences Research Ethics Review Committee on **17 July 2019** in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment, and approved.*

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the College of Accounting Sciences Research Ethics Review Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.



4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No field work activities may continue after the expiry date of this certificate.

Note:

The reference number of this certificate should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Prof L J Erasmus
Chair of CAS RERC
E-mail: erasmlj1@unisa.ac.za
Tel: 012 429 8844



Prof L Ntsalaze
Acting Executive Dean CAS

Annexure I: Ethics approval to conduct surveys



UNISA COLLEGE OF ACCOUNTING SCIENCES RESEARCH ETHICS REVIEW COMMITTEE

Date: 10 August 2021

Dear Mr RE Hlakudi,

ERC Reference # :
2021_CAS_029

Name : RE Hlakudi

Staff no: 90102762

**Decision: Ethics Approval from
10 August 2021 to 9 August
2024**

Researcher(s): Mr Ramphelane Edward Hlakudi (hlakure@unisa.ac.za)

Supervisor: Prof Philna Coetzee (philnacoeztee1@gmail.com)

**Working title of research:
A Framework for Small and Medium Accounting Practitioners to enhance services
provided**

Qualification: PhD and non-degree

Thank you for the application for research ethics clearance by the Unisa College of Accounting Sciences Research Ethics Review Committee for the above-mentioned research. **Ethics approval is granted for data collection through interviews and questionnaires.** The certificate is valid for the period **10 August 2021 to 9 August 2024.**

*The **low risk application** was **approved** by the CAS RERC on **10 August 2021** in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.*

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the CAS RERC.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.



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4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No fieldwork activities may continue after the expiry date (**9 August 2024**). Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:

*The reference number **2021_CAS_029** should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.*

Yours sincerely,

Signature : **Prof Lourens Erasmus**



Chair of CAS RERC

E-mail: erasmli1@unisa.ac.za

Tel: (012) 429-8844

Signature : **Dr Chisinga Chikutuma**



Digitally signed by Dr CN Chikutuma,
PhD
DN: cn=Dr CN Chikutuma, PhD,
o=CAS: Unisa, ou=Acting Head: Office
for Graduate Studies,
email=chikucn@unisa.ac.za, c=ZA
Date: 2021.08.11 15:43:16 +02'00'

Acting head: Office for Graduate Studies
and Research

By delegation from the Executive Dean:
College of Accounting Sciences

E-mail: chikucn@unisa.ac.za

Tel: (012) 429-3401

Annexure J: Confidentiality and non-disclosure agreement (only partial)



**CONFIDENTIALITY AND NON-DISCLOSURE
AGREEMENT**

by and between

**THE SOUTH AFRICAN INSTITUTE OF CHARTERED
ACCOUNTANTS**

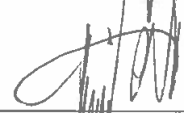
and

UNIVERSITY OF SOUTH AFRICA

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SIGNED AT JOHANNESBURG ON THE 29th DAY OF September 2016



for and on behalf of
**SOUTH AFRICAN INSTITUTE OF
CHARTERED ACCOUNTANTS**


Duly Authorised
Willie Botha

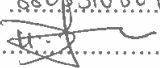
Name of Signatory

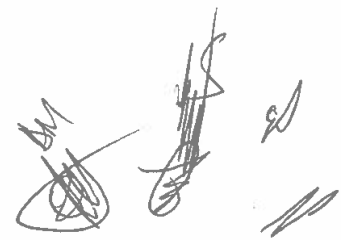
Senior Executive : Assurance and Practice -

Designation of Signatory

Witnesses

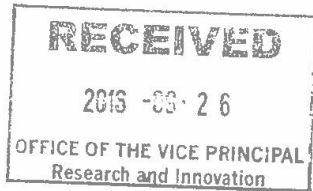
Name: MT MOJAPelo
 I.D. Number: 8509206122089
 Signature:  Date: 29/09/2016

Name: Numa Mkoloto
 I.D. Number: 8803310869085
 Signature:  Date: 29/09/2016



SIGNED AT Pretoria ON THE DAY OF 28/09 2016

for and on behalf of
UNIVERSITY OF SOUTH AFRICA

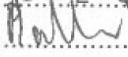


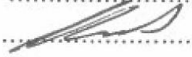
Duly Authorised
Vice Principal: Research and Innovation

Name of Signatory Lessing Labuschagne


Designation of Signatory

Witnesses

Name: E Sadler
I.D. Number: 15412040015087
Signature:  Date: 27/9/2016

Name: S Smulders
I.D. Number: 7409140092087
Signature:  Date: 28/9/2016



UNDERTAKING BY EMPLOYEES

I, the undersigned,

Ramphele Edward Hlakyali

Full Names:

7602075635082

Identity Number

Senior Lecturer: Auditing

Designation

being an employee or director or other officer of the **University of South Africa** ("UNISA") bind myself to UNISA and to the **South African Institute of Chartered Accountants** ("**SAICA**") on the following terms and conditions:

I acknowledge that:

1. I have read the Non-Disclosure Agreement ("the agreement") between UNISA and **SAICA** to which this undertaking is **Annexure "A"**. The defined terms in the agreement shall have the same meanings in this undertaking as in the agreement;
2. The Confidential Information which has or will be supplied to UNISA by **SAICA** in terms of the agreement, and which UNISA is going to disclose to me in the course of my employment by UNISA:
 - 2.1 is the exclusive property of **SAICA**; and
 - 2.2 is strictly confidential.
3. I undertake to both UNISA and **SAICA** that:
 - 3.1 I shall keep all the information referred to in **clause 2** above strictly confidential and shall not disclose it to anyone either during the period that I am a director of or employed by the UNISA or at any time thereafter;
 - 3.2 I shall be bound by all the terms of the agreement insofar as they are relevant to me and I am capable of being bound thereby; and

3.3 During the (2) year period of the Agreement, I shall make no use, of any nature whatsoever, of the confidential information, other than the use required by UNISA to be made thereof.

DATED at Retona this 17th day of September 2018

Signature of Employee: 

UNDERTAKING BY EMPLOYEES

I, the undersigned,

Georgina Phillipina Coetzee
Full Names:

6507270067083

Identity Number

Deputy Executive Deau: CAS
Designation

being an employee or director or other officer of the **University of South Africa** ("UNISA") bind myself to UNISA and to the **South African Institute of Chartered Accountants** ("**SAICA**") on the following terms and conditions:

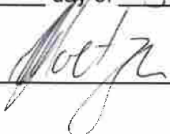
I acknowledge that:

1. I have read the Non-Disclosure Agreement ("the agreement") between UNISA and **SAICA** to which this undertaking is **Annexure "A"**. The defined terms in the agreement shall have the same meanings in this undertaking as in the agreement;
2. The Confidential Information which has or will be supplied to UNISA by **SAICA** in terms of the agreement, and which UNISA is going to disclose to me in the course of my employment by UNISA:
 - 2.1 is the exclusive property of **SAICA**; and
 - 2.2 is strictly confidential.
3. I undertake to both UNISA and **SAICA** that:
 - 3.1 I shall keep all the information referred to in **clause 2** above strictly confidential and shall not disclose it to anyone either during the period that I am a director of or employed by the UNISA or at any time thereafter;
 - 3.2 I shall be bound by all the terms of the agreement insofar as they are relevant to me and I am capable of being bound thereby; and

3.3 During the (2) year period of the Agreement, I shall make no use, of any nature whatsoever, of the confidential information, other than the use required by UNISA to be made thereof.

DATED at Pretoria this 17 day of September 2018

Signature of Employee:



Annexure K: Framework for small- and medium accounting practitioners

Framework statement

Automation

No	Statement
1	Automate the provision of advisory services to be competitive
2	Automate the provision of bookkeeping services
3	Automate the provision of assurance services to be competitive
4	Automate the audit or independent review process to be efficient
5	Train staff to obtain additional skills/expertise to automate services
6	Automate the provision of statutory returns to be efficient
7	Automate the provision of bookkeeping services to reduce costs
8	Automate the provision of compliance services to be efficient
9	Automation of services is feasible at SMPs
10	Automation may cause job losses – be prepared to either train staff or reduce staff
11	Investigate whether cost of automation can be absorbed by your clients

Keeping up with new regulations and standards

12	Train your staff to be abreast with accounting and payroll standards and regulations.
13	Request professional accountancy bodies to advocate for relaxation of the stringent regulations and requirements in specialised industries.

14	Train audit staff on the latest developments on regulations and standards to deliver quality audits.
15	Grasp opportunities offered by new regulations and standards to provide new advisory services.
16	Assign technical staff to keep up with overwhelming new professional regulations and standards.
17	Train staff to maintain competency levels to service clients on compliance to laws and regulations
18	Train staff to maintain competency levels to assist clients with statutory returns.
19	Designate staff to assist clients to keep up with new laws and regulations.
20	Automate services to reduce costs of keeping up with new regulations and standards.
21	Transfer costs of compliance with new regulations and standards to clients.

Rising costs

22	Be aware and manage rising costs during uncertain economic times.
23	Do not transfer increase in costs to clients to avoid loss of clients.
24	Be aware of times of economic uncertainty and manage rising costs appropriately to avoid the closure of practice.

Managing cash flow and late payments

25	Adopt early payment terms to deal with late payments during times of economic uncertainty.
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26	Agree on payment arrangements with clients to manage cash flow during uncertain economic times.
27	Lobby government to adhere to 30 days payment policy for small businesses.
28	Implement monthly retainers to manage cash flow and late payments, including a fee structure for clients.
29	Provide advisory services to clients on cash flow management.

Competition from the unqualified accountants / Threat of new entrants in the industry

30	Educate clients to consider quality and qualifications when demanding services from accountants
31	Automate the handling of statutory returns to reduce costs of service
32	Implement audit data analytical tools to manage threats of new entrants in the industry.
33	Differentiate your practice from competition by new entrants by providing quality audit services.
34	Introduce value-based pricing to mitigate lower fees charged by the unqualified accountants
35	Provide services that meet clients' needs to avoid losing them to new entrants in the industry.
36	Challenge the regulated accounting profession to reduce red tape.

Pressure to lower fees

37	In times of economic uncertainty, be prepared that lower fees may be required by clients and must be managed to protect both the client (quality service) and the practice (retaining client).
38	Discuss with SME client the impact of a reduced fee on the quality of audit services to be provided.

Talent management

39	Use training and career development programmes to attract staff with the right knowledge and skills for the practice.
40	Appoint staff with specific assurance skills and competencies to deliver quality audits.
41	Appoint staff with specified skills and competencies to provide advisory services to clients.
42	Train and develop staff to deliver value added services to clients.

Serving clients operating internationally

43	Offer business advice to clients on how to obtain funding to finance international activities.
44	Recruit staff with technical knowledge on foreign laws and regulations to advise clients.
45	Recruit staff with technical knowledge on international activities to advise clients.
46	Be prepared on global economic downturn and business disruptions that may affect a practice's ability to service international clients.

Succession planning

47	Implement succession planning, especially during uncertain economic times, for the practice to remain agile, efficient and successful.
48	Implement succession planning to ensure continued provision of services to clients.

Attracting new clients / Retaining existing clients

49	Use referrals by the existing clients to attract new clients.
50	Implement a professional marketing strategy to attract new clients.
51	Appoint staff with required skills and attitude to retain existing clients.
52	Provide quality services to retain existing clients.

Lack of support by the professional accountancy bodies (3 items)

53	Perform joint audits to benefit from technical expertise of other practices and improve quality of service.
54	Obtain support from the professional accountancy bodies to help clients navigate the economic difficulties.
55	Obtain training and guidelines on auditing standards from the professional accountancy bodies to provide quality audits to clients.

Annexure L: Editorial certificate

Editorial Certificate

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