

HELPING SMALL- AND MEDIUM-SIZED PRACTICES MEET THE CHALLENGES AND SEIZE THE OPPORTUNITIES OF TOMORROW

Interview with Giancarlo Attolini, Chair, IFAC Small and Medium Practices (SMP) Committee

About Giancarlo Attolini

Giancarlo Attolini became chair of the Small and Medium Practices Committee in January 2012 having served as deputy chair in 2010-11. Nominated by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC), he has been a member of the committee since January 2008 and served as deputy chair in 2010.

Q. How important are small- and medium-sized accountancy practices?

Small- and medium-sized practices or SMPs constitute the vast majority of accountancy practices worldwide and, in many areas of the world, are believed to employ the majority of professional accountants working in practice. SMPs provide a broad range of high-quality professional services—from the traditional audit, accounting, and tax services, to value-adding business advisory—to meet the needs of their clients who are typically small- and medium-sized entities (SMEs). SMEs are crucially important to the health and stability of the global economy: SMEs account for the for the majority of private sector GDP, employment, and growth globally, and, moreover, hold the key to the global economy's recovery from one of the deepest economic downturns in modern times.

IFAC recognizes that addressing the needs of SMPs and SMEs is important. And its members echo this sentiment. The most recent [IFAC Global Leadership Survey](#), which polls the presidents and chief executive officers of IFAC member bodies, found that addressing the needs of SMPs and SMEs is the second most important issue facing the Global Accountancy Profession in 2012.

Q. Why do SMEs often choose SMPs for various professional services?

Our global research as summarized in the IFAC information paper [The Role of SMPs in Providing Business Support to SMEs](#), has indicated that SMEs look to SMPs for a range of professional services for various reasons, most notably their reputation for competency and trust, responsiveness, and geographical proximity.

Q. Why did IFAC establish the SMP Committee? What is its role?

In recognition of the importance of SMPs, especially in supporting SMEs, IFAC created the SMP Committee in 2006. Since then IFAC, largely at the behest of its member bodies, has increased its commitment to helping cultivate robust SMPs. Today the SMP Committee supports SMPs in various ways. It does this primarily through IFAC member bodies—helping them support their SMP stakeholders. The committee develops guidance and tools and works to ensure the needs of the SMP and SME sectors are considered by standard setters, regulators, and policy makers. The committee also speaks out on behalf of SMPs to raise awareness of their role and value and the importance of the small business sector overall.



Q. What changes do you see in the global landscape in so far as SMPs are concerned?

The global economy has changed a lot in the past few years and the accounting industry has not escaped these changes. Hence, it's no surprise to find that SMPs are facing a changed economic and regulatory landscape—one characterized by significant challenges, but also with great opportunities if the results of the fourth quarter [IFAC SMP Quick Poll](#) are anything to go by. The poll revealed that regulatory burdens and economic woes continue to top the list of challenges faced by SMPs and their small business clients. Of course, the overall results mask some significant regional variations. But a key lesson, if there is one, for SMPs is that they are best placed to thrive in the new global economy by changing with the times.

Q. What are the key challenges that SMPs are facing?

The fourth quarter [IFAC SMP Quick Poll](#) pulled in over 2,400 responses from around the world thanks to the promotion efforts of many IFAC member bodies. In all regions barring Europe, burden of regulation ranked as the top challenge faced by practitioners' small- and medium-sized entity clients. Meanwhile, economic uncertainty ranked as the top challenge in Europe. When accountants were asked to name the biggest challenge facing their practices, keeping up with new standards and regulations ranked first, followed by attracting and retaining clients in almost all regions (in Asia, these top two were reversed).

The poll showed that respondents were generally more positive about 2012 compared with 2011, though Europeans were noticeably less optimistic about the future than those from other regions. As the global economy starts to pick up, SMPs should adapt to capitalize on the emerging opportunities.

Q. How can SMPs best overcome economic uncertainty and other challenges?

While SMPs are facing significant challenges, the poll showed that respondents were generally more positive about 2012 compared with 2011. As the global economy starts to pick up, there will be emerging opportunities and SMPs should be ready to adapt to embrace them.

First, boost marketing and promotion efforts – According to the poll, growth in practice fees will be driven primarily by winning business from new clients. This will demand more and smarter promotion and marketing efforts that should focus on what distinguishes SMPs—as mentioned before, most notably their reputation for competency and trust, responsiveness, and geographical proximity. Accounting and compilation services are perhaps worth special focus as poll respondents saw this as the fastest growing source of revenue, and the marketability of compilations should increase with the release of the International Auditing and Assurance Standards Board's revised [standard on compilation engagements](#).

Second, focus on advisory/consulting services – These services, ranging from tax consulting and financial management to newly emerging services like wealth management and advice on sustainable business practices, are a crucial growth area for SMPs. The poll found it was the second fastest growing source of revenue after accounting and compilation. But perhaps most telling was the finding that insufficient partner time and marketing services to clients jockeyed for the position as the top challenge in building advisory/consulting services work. This suggests SMPs need to free up partner time to make it work, perhaps use value-based pricing to ensure a good return, and, as mentioned previously, increase their marketing and promotion. The poll also revealed that an existing client relationship is the main reason that SMEs seek advisory/consulting services, suggesting practices should, where ethical rules allow, promote them to existing clients.



Q. In what ways has the world changed and how can SMPs change with it?

First, internationalize – Cross-border trade, in goods and services, and investment is growing exponentially and great advances in transportation, IT, and communications infrastructure are making the world a smaller place. As a result, SMEs are increasingly doing business internationally. SMPs will, therefore, need to internationalize themselves if they are to effectively support these SMEs. A good place to start is to have a strategy, which might include joining an international network or association of practices, possibly to affiliate with a national firm with international connections. The value of an international network or association comes from the local knowledge that member firms can offer to clients. This means even a small practice can help a client go global and may help the practice retain clients that might otherwise choose a larger firm.

Second, exploit emerging technologies – Emerging technologies like cloud computing offer the opportunity to both increase your practice's service offerings and, generally, do more with less. From a remote location, SMPs can now provide SMEs with a full range of services, from basic book-keeping and payroll to virtual CFO, in a way that is safe, secure, and more cost effective than traditional face-to-face delivery. SMEs can thus enjoy many of the same benefits of having an in-house professional accountant that larger entities enjoy.

Q. What are the potential implications for policy makers, regulators, and standard-setters?

Even at a time of global economic uncertainty, concerns around regulation and standards are still uppermost in the minds of SMPs and SMEs for whom compliance may be disproportionately burdensome. And according to an earlier poll, the nub of this concern seems to be the pace or speed with which regulation and standards are changing, more than complexity and volume.

Regulation is intended to bring benefits, for example by helping markets operate fairly and efficiently. We somehow need to ensure that these benefits outweigh the burden and are widely recognized. IFAC has spoken out on these issues. IFAC believes that regulatory reform should not create unreasonable obstacles for the progress of SMEs: costs and complexities that will impose burdens on, and threaten the sustainability of, the small business sector must be carefully examined. In addition, international standards should be applicable, accessible, and cost-effective for SMPs and SMEs. The committee plays a pivotal role here by stressing the need for a stable platform of regulation and standards that are relevant to SMEs and SMPs and capable of being applied in a manner proportionate to size of practice or entity.

Q. What role can individual SMPs play in shaping the global policy, regulation and standard setting agenda?

While an individual SMP may feel that it is too small to make a difference or that it lacks the capacity to contribute in a significant way, it needs to be remembered that the strength of the SMP voice comes from their sheer numbers. Therefore, it is important that we all play our part, no matter how small, and get involved in some way, be that by writing a comment letter on an exposure draft, responding to a survey or poll, or participating in the initiatives of the SMP Committee. The challenge, however, is to ensure one cohesive, clear, and collective message. The SMP Committee aims to act as a mouthpiece for the voice of SMPs. The committee has an online Discussion Board and conducts regular polls, which we encourage our member bodies to promote to their SMPs so that we can channel the voices from a global representation of this sector.



See www.ifac.org/SMP to learn more about the IFAC SMP Committee and its support for SMPs through collaboration with IFAC member bodies.

IFAC RESOURCES

The following resources (all free of charge) are accessible via IFAC's SMP Committee website at www.ifac.org/SMP.

- Publications:
 - [Guide to Practice Management for Small- and Medium-Sized Practices](#) (PM Guide) and accompanying Companion Manual;
 - [Guide to Using ISAs in the Audits of Small- and Medium-Sized Entities](#) (ISA Guide);
 - [Guide to Quality Control for Small- and Medium-Sized Practices](#) (QC Guide);
 - [Companion Manual](#) to accompany the QC and ISA Guides; and
 - [The Role of SMPs in Providing Business Support to SMEs](#).
- Quarterly [eNews](#) and [Resources and Tools](#) for access to relevant links in these areas: [Business Advisory](#), [Practice Management](#), and [Implementation](#).

For translations of the SMP Guides, filter by language in the Publications and Resources area of the IFAC site: www.ifac.org/publications-resources.

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