IN PRACTICE
Helping SMPs Meet the Challenges and Seize the Opportunities of Tomorrow

Giancarlo Attolini is Chair of IFAC's Small and Medium Practices Committee.

Helping SMPs Meet the Challenges and Seize the Opportunities of Tomorrow

The following interview with Giancarlo Attolini, Chair of IFAC’s Small and Medium Practices (SMP) Committee looks at the current environment in which SMPs operate and advises on how they can best meet the challenges and seize the opportunities of tomorrow.

IFAC recognises 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.

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.

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 characterised 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.

How can SMPs best overcome economic uncertainty and other challenges?

• 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 new 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.

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

- First, internationalise – 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 internationalise 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.

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.

Copyright © March 2012 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Contact permissions@ifac.org for permission to reproduce, store, or transmit this document.