The 2014 IFAC Global SMP Survey asked practitioners operating in small- and medium-sized practices (SMPs) a number of questions about the challenges they face, the market factors and technologies most likely to affect them in the future, the consulting services they provide, and their performance, both in 2014 and projected for the year ahead. In addition, respondents were asked about their small- and medium-sized entity (SME) clients, including questions around the challenges they face, exposure to financial crimes, access to finance, and the extent of their international operations. For the full report, see www.ifac.org/SMP.

ABOUT THE 2014 SURVEY & PROFILE OF RESPONDENTS

The 2014 IFAC Global SMP Survey was conducted between November 3 and December 29, 2014. The purpose of the annual survey is to understand the business environment facing SMPs and their SME clients. The 2014 survey was completed by 5,083 respondents from 135 countries.

The report includes not only a summary of overall insights, but also a summary of the results by region and size of practice. Nearly half of the 2014 respondents were from Europe (46%), although Asia (17%), Africa (15%), and the Middle East (11%) were also well represented. The fewest responses were received from Central and South America (5%), North America (5%), and Australasia/Oceania (1%). Over 70% of respondents were sole practitioners or from practices with 5 or fewer partners and staff, and 71% of respondents had the title of Partner, Sole Proprietor, or Owner.

Although some regions, countries, and larger SMPs were not well represented in the survey results, the report includes a summary of all results. For this reason, caution should be exercised when attempting to generalize survey results to specific countries, specific regions, or SMPs of all sizes.
CHALLENGES FACING SMPs

Consistent with previous years’ surveys, the biggest challenges facing SMPs at the end of 2014 were attracting new clients (58% rated as a high or very high challenge) and keeping up with new regulations and standards (57%), while dealing with pressure to lower fees (51%), rising costs (50%) and differentiating from the competition (50%) were not far behind. These challenges were perceived to be the strongest in the Middle East (at least 65% rated each challenge as a high or very high challenge) and were generally lower in North America (47% or less) and Australasia/Oceania (48% or less). The top challenges SMPs were facing in 2014 will likely not subside soon, as the majority of respondents believed that the regulatory environment and competition (61% and 57%, respectively) will have a high or very high impact on their practice over the next 5 years.

MEMBERSHIP IN A NETWORK, ASSOCIATION, OR ALLIANCE

Joining a network, association, or alliance is a way for SMPs to address some of their challenges, for example, increasing their capacity to meet the evolving demands of their clients and serving as a channel for new client referrals. Only 27% of respondents reported that their practice currently belongs to a network, association, or alliance, although 24% are considering joining one. The results indicate that practices in Australasia/Oceania (34%) and Asia (32%) were most likely to belong to a network, association, or alliance, as were larger practices (69% for practices with 21 or more partners and staff) and practices with higher percentages of SME clients that operate internationally (36% for SMPs with more than 10% of clients operating internationally).

TECHNOLOGIES AFFECTING SMPs OVER THE NEXT 5 YEARS

Technology is also a source of concern for SMPs (46% rated it as a high or very high challenge) as it is fast changing and often costly to implement and/or learn. When asked whether various technologies will impact their practice over the next 5 years, respondents indicated that business intelligence/data analysis software (47% rated as high or very high) and client relationship management/document management software (43% rated as high or very high) were projected to have the most impact. Respondents’ views of technology were generally consistent across practice sizes, but SMPs in the Middle East, Africa, and Central and South America were more likely to expect a higher impact from these technologies than those in other regions.

SMP PERFORMANCE IN 2014

In terms of SMP performance in 2014, 72% of respondents reported practice fee revenue stayed the same (31%) or increased (41%) from 2013. This same pattern emerged in every region except for Europe, where respondents were equally likely to report that practice fee revenues stayed the same (32%) as increased (32%). The survey results also indicated that larger practices saw the most improvement in practice fee revenues in 2014 compared to 2013 (60% of respondents in practices with 21 or more partners and staff reported an increase).

SMP OUTLOOK FOR 2015

SMPs were somewhat optimistic about the year ahead with projections for a moderate increase (projected by 28%–37% of respondents) in fee revenues across four areas (i.e., accounting, advisory, audit/assurance, and tax) slightly outweighing expectations that fee revenues will stay the same (projected by 31%–36% of respondents). Audit and assurance services was the only exception with respondents slightly more likely to believe that revenues will stay the same (31%) than increase moderately (28%) in 2015. Similar to the results for 2014 performance, results by region were generally consistent, but Europe was less optimistic as European respondents were most likely to predict that revenues will stay the same for each service line (37%–45%). Also, the 2015 outlook was
brightest among respondents at larger firms (55% of respondents in practices with 21 or more partners and staff predicted an increase), while sole practitioners generally had the lowest expectations for 2015 (only 37% predicted an increase).

As half of all respondents believe that revenues from advisory and consulting services will increase in 2015, it is interesting to note the types of advisory and consulting services that SMPs provide. Nearly all respondents (93%) provide some form of consulting, with tax planning (76%) and corporate advisory services (61%) being the most common. Not surprisingly, larger SMPs were more likely to provide various consulting services than smaller practices and sole practitioners.

**CHALLENGES FACING SME CLIENTS**

The remainder of the survey asked respondents about the experiences of their SME clients. The survey results indicate that SMEs face a variety of challenges. Respondents reported that rising costs (67% rated as a high or very high challenge) and economic uncertainty (66%) were the two most pressing challenges. Rising costs were perceived as most challenging for SMEs in the Middle East (80%) and Africa (78%), while economic uncertainty presented the greatest challenge in the Middle East (81%), Europe (73%), and Africa (66%).

**SME CLIENTS’ ACCESS TO FINANCE**

Many SMEs have had difficulty accessing new finance, as 87% of respondents reported that at least some of their SME clients seeking financing experienced difficulty in this area. However, for most, a relatively small portion (less than 25% of total clients) experienced difficulty. The extent of difficulty experienced in accessing new finance was relatively equally distributed, but it appears that in the Middle East (84%), Africa (76%), and Europe (76%), SMEs are facing the most difficulty accessing finance. In contrast, SMEs in Central and South America (54%) were reported to face the least difficulty accessing finance.

**FINANCIAL CRIMES EXPERIENCED BY SME CLIENTS**

Regarding SMEs’ experiences with financial crimes, 54% of respondents reported that at least one of their SME clients experienced some type of financial crime in 2014, but volume of crimes overall was low as most often less than 5% of SMPs’ total clientele experienced a financial crime. Of the crimes that respondents’ SME clients experienced, the two most common were asset misappropriation/theft (36%) and financial statement/accounting fraud (30%). These two types of crime varied by region in that asset misappropriation/theft was most common in Africa (58%) and Australasia/Oceania (55%), and financial statement/accounting fraud was most prevalent in the Middle East (58%). The results also reveal differences by practice size with sole practitioners reporting the lowest likelihood of SME clients experiencing these crimes (29% and 21%, respectively), and the largest practices reporting the highest likelihoods (49% and 40%, respectively).

**INTERNATIONAL OPERATIONS OF SME CLIENTS**

A relatively low percentage of respondents have SME clients that operate internationally. Overall, a majority of respondents (57%) reported that only 0-5% of their SME clients had international operations. Not surprisingly, sole practitioners had the lowest percentage of SME clients with international operations, with only 28% reporting that more than 5% of their SME clients had international operations, and the largest practices had the highest percentage (69% of practices with 21 or more partners and staff reported that more than 5% of their SME clients had international operations).
IFAC Activities in Support of SMPs

IFAC supports the SMP sector through a number of initiatives to raise the profile and build the capacity of SMPs globally. With input and guidance from the SMP Committee, IFAC represents SMPs’ interests to standard setters and regulators, facilitates the sharing of tools and resources to help them compete in the global marketplace, and speaks out to raise awareness of their role and value, especially in supporting SMEs.

Key IFAC publications include:

- Guide to Review Engagements
- Good Practice Checklist for Small Business, Second Edition

The results of the survey have been considered by the SMP Committee and will be used to help direct IFAC’s SMP activities going forward. To learn what IFAC is doing to support SMPs, and in particular address some of the current and emerging challenges and opportunities highlighted in this report, please visit the IFAC website: www.ifac.org/SMP.

IFAC has developed the Global Knowledge Gateway (www.ifac.org/Gateway), an online portal for accountancy news, discussions, resources, and thought leadership from IFAC, its member organizations, and other notable groups and individuals. The Gateway is a place for SMPs to access high-quality resources, in particular, in the areas of audit & assurance, practice management, ethics, and business reporting.

To subscribe to receive SMP press releases and news, as well as The Latest, a bimonthly update from the Global Knowledge Gateway, visit the IFAC website: www.ifac.org/subscriptions.
The mission of the International Federation of Accountants® (IFAC®) is to serve the public interest by:

- Contributing to the development of high-quality standards and guidance;
- Facilitating the adoption and implementation of high-quality standards and guidance;
- Contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and
- Speaking out on public interest issues.

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IFAC also wishes to thank the many member bodies, regional organizations, accountancy groupings, and other organizations that helped translate the survey and/or promoted it in their newsletters, bulletins and journals, etc. For a full list of acknowledgments, see the report on our website: www.ifac.org/SMP.