



EUROPEAN FEDERATION OF ACCOUNTANTS AND AUDITORS FOR SMES

WHAT CAN THE EUROPEAN PROFESSION LEARN FROM THE 2018 IFAC GLOBAL SMP SURVEY?

HOW DO THE IFAC GLOBAL 2018 SMP SURVEY RESULTS FOR EUROPE COMPARE TO THE GLOBAL VIEW?

AND WHAT CAN SMPS AND THEIR PROFESSIONAL ACCOUNTANCY ORGANIZATIONS LEARN?

BY

PAUL THOMPSON, DIRECTOR AT EFAA

The [2018 IFAC Global SMP Survey](#) asked practitioners from small- and medium-sized practices (SMPs) across the globe about their challenges, with a close look at the impact of technology and talent issues. Particularly, it gauged how much SMPs plan to invest in technology, training and marketing, their projected revenues across various practice areas, and the types of advisory and consulting services they provide. Of the 6,258 respondents from 150 countries that completed the survey, almost 40% were from Europe. This article provides a summary of the European results and selected comparisons with the global picture. Finally, this article presents potential implications of the findings for SMPs and European professional accountancy organizations (PAOs).

Respondents

A large number of European respondents were concentrated in certain countries (including Italy,

Romania, Russia, France, United Kingdom, Germany and Spain). Due to this, care needs to be taken when interpreting the data.

A majority (64%) of respondents were either sole practitioners or practitioners from practices with two to five partners and staff. Most (69%) of these responses came from partners, sole proprietor, or owners, and most were male.

The high response rate from Europe was aided by promotion by the [European Federation of Accountants and Auditors for SMEs \(EFAA\)](#), [Accountancy Europe](#) and the World Bank's [Centre for Financial Reporting Reform \(CFRR\)](#).

Three Top Challenges for European SMPs

The top 3 challenges faced by European respondents were keeping up with new regulations and standards (61%), attracting new clients and retaining existing ones (54%) and competition, either from other

WHAT CAN THE EUROPEAN PROFESSION LEARN FROM THE 2018 IFAC GLOBAL SMP SURVEY?

practices or professions (44%). In 2016, keeping up with new regulations and standards was the top challenge (47%), attracting new clients was the second top challenge (47%), and pressure to lower fees came in third (41%). The top challenge of keeping up with new regulations and standards has significantly increased in its intensity in the past two years and represents a much greater challenge for European SMPs than for SMPs globally. Meanwhile, experiencing pressure to lower fees has fallen out of the top 3 challenges in Europe at 39% but continues to be the top challenge globally at 48%.

CHALLENGES FACING SMPs

Challenge	Europe*	Global*
Keeping up with new regulations and standards	61%	45%
Attracting new clients and retaining existing clients	54%	46%
Competition (e.g., other practices or professions)	44%	46%
Technology developments	41%	38%
Pressure to lower fees	39%	48%
Rising costs and managing cash flow	38%	39%
Attracting new and retaining existing staff (at all levels)	38%	39%
Serving clients operating internationally (globalization)	22%	24%
Succession planning	18%	24%

*Combining high and very high

Implications for SMPs and PAOs

European professional accountancy organizations (PAOs) need to ask themselves whether they are doing enough, or have plans in place, to help their SMPs keep up with new regulations and standards as well as attract and retain clients. The former may demand increased advocacy directed at regulators and

standard setters to slow the pace of change and reduce complexity and volume. The latter may require PAOs to promote the role of accountants and the purpose and value of professional services offered by SMPs.

Talent and Technology

The survey addressed in detail issues of talent and technology, as these are often seen as key to the future success of SMPs. Questions on talent focused on the ability to attract and retain next generation staff. Over half of European SMP respondents (52%) reported difficulties attracting next generation talent, double the 26% (30% for all respondents) that said they have no difficulty.

The top challenge facing European SMPs when attracting next generation talent is the lack of candidates with the right mix of skills (74%). The most common talent management initiatives European SMPs have introduced or are planning to introduce in the next 12 months are flexible working hours or work days (48%), and virtual work arrangements, including working from home or off-site (38%).

Regarding technology development issues, the survey revealed that the adoption and use of cloud options for client interface and servicing (e.g. virtual CFO services) was the most common technology that has been implemented or plans to be implemented in the next 12 months by European SMP respondents (36%).

Implications for SMPs and PAOs

WHAT CAN THE EUROPEAN PROFESSION LEARN FROM THE 2018 IFAC GLOBAL SMP SURVEY?

European PAOs may need to consider whether they are doing enough to assist their SMP members to attract and retain talent, especially finding next generation talent with the right mix of skills. SMPs may need to be more flexible in work hours, location and arrangements if they wish to remain an attractive destination for younger people. Meanwhile, allied with their transition into advisory/consulting services, many European SMPs are investing in cloud solutions to support the likes of virtual CFO services. PAOs should consider how they can help stimulate and inform the market for high quality, affordable cloud solutions.

SMP Investments

The 2018 survey included a question asking what percentage of total practice revenue do SMPs anticipate allocating to the following areas over the next 12 months: training (e.g., technical, soft skills, mentoring etc.); marketing, branding and business development; and technology investment (e.g., software, hardware, cloud etc.). On average, European SMPs expected to invest the most in technology followed by training in the coming year. This mirrors the global results.

Implications for SMPs and PAOs

European PAOs need to consider what steps they might take to help the market provide high quality, affordable technology and training solutions for SMPs and to help SMPs invest wisely in these solutions.

SMP Outlook

Respondents were asked whether they expect practice fee revenue growth in four service areas over the next 12 months. These service areas include the following: accounting, compilation and other non-assurance/related services (e.g. agreed-upon procedures engagements); audit and assurance (including review and other assurance engagements); tax (including compliance and planning); and advisory/consulting and other services.

Respondents from Europe were, in general, less optimistic regarding increases for all four service lines than the rest of the world. Barely 20% of European SMPs anticipated revenue increases for audit and assurance services, compared to 36% of respondents globally. This reinforces reports that this service line continues to decline in importance as a source of revenue for SMPs, especially in Europe. The bright spot is advisory/consulting services, with some 43% of European respondents predicting revenue growth in this area in the coming year. The shift from audit and assurance towards advisory is likely being driven by a range of factors including SMEs taking advantage of increasing audit thresholds and opting not to have an audit, as well as the growing realization that SMPs can add value through expert advice.

Implications for SMPs and PAOs

If they have not already done so, SMPs should consider offering business advisory. Technology developments have greatly enabled SMPs to offer

WHAT CAN THE EUROPEAN PROFESSION LEARN FROM THE 2018 IFAC GLOBAL SMP SURVEY?

insightful advice built on data analytics, provided remotely and in real-time. PAOs meanwhile need to examine whether they are doing enough to help SMPs transition from a traditional compliance-based model to one focused on advisory and consulting services. PAOs might wish to learn how their counterparts in the US and Australia, where SMPs have already witnessed significant growth in these areas, encourage and support SMPs making this change.

FORECASTED FEE INCREASES BY PRACTICE AREA

Service	Europe*	Global*
Advisory / consulting and other services	43%	51%
Tax	30%	40%
Accounting, compilation, and other non-assurance related services	28%	36%
Audit and assurance	20%	36%

*Combining moderate and substantial increase

Business Advisory and Consulting Services

The three most frequently provided business advisory and consulting services by European SMPs in 2018 were corporate advisory (51%), management accounting (39%) and human resources, policies and procedures/employment regulations (37%).

Implications for SMPs and PAOs

As trusted business advisors, SMPs must constantly be on the lookout for the opportunity to offer new services that clients will find useful. Their PAOs should be prepared to help in this endeavor.

Concluding Remarks

Overall, the results suggest that the keys to future success for European SMPs are leveraging technology, attracting top talent, playing a leading role in building trust in financial and non-financial information, and being the trusted business advisor for their main constituent.

European PAOs will find the survey data useful for helping them to determine how best they can help their SMPs realize their potential for growth. PAOs are encouraged to contact IFAC to obtain data from their jurisdiction.

WHAT CAN THE EUROPEAN PROFESSION LEARN FROM THE 2018 IFAC GLOBAL SMP SURVEY?

ABOUT EFAA

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to small and medium-sized entities (“SMEs”) both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs.

CONTACT ADDRESS

EFAA – European Federation of Accountants and Auditors for SMEs

4, Rue Jacques de Lalaingstraat B-1040 Brussels, Belgium

T +32 2 736 88 86 | F +32 2 736 29 64 | info@efaa.com

www.efaa.com | Twitter @EFAAforSMEs