



Future of SMPs: Lessons from the Crisis and Practice Transformation

Webinar, 30 November 2020



Housekeeping



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- **Please be prepared to answer a few short questions**
- **Please type any questions you have into the message chat, stating who you are and from which organisation**
- **Please note that the event will be recorded**

Presenters



Christopher Arnold

Director, Head of SMP/ SME and Research, IFAC

Alex Peal

Joint Managing Partner, James Cowper Kreston and Member, IFAC SMP Advisory Group

Paul Thompson

Director, EFAA and World Bank Consultant



Agenda

- Introductory Remarks (*5 minutes*)
- Lessons from Crisis and Need for Change – Paul Thompson (*15 minutes*)
 - Impact on SMEs and SMPs
 - EU SME Strategy
 - Implications for SMPs
- How to Transform Your Practice – Christopher Arnold / Alex Peal (*50 minutes*)
- Questions & Answers (*15 minutes*)
- Closing Remarks (*5 minutes*)
- Reading

Impact on SMEs and SMPs – Insights from SMEunited Survey



- [The economic impact of COVID-19 on SMEs in Europe](#) (EN), 30 June 2020
- *Initially* biggest concern was liquidity
- *More recently* concern is solvency and recovery
- EU and member state government support measures refocused |
- 90% of SMEs reported loss of turnover; 20% reported total loss of turnover
- 40% of SMEs reported liquidity shortage; 50% in most impacted sectors (e.g., hospitality / retail / construction)

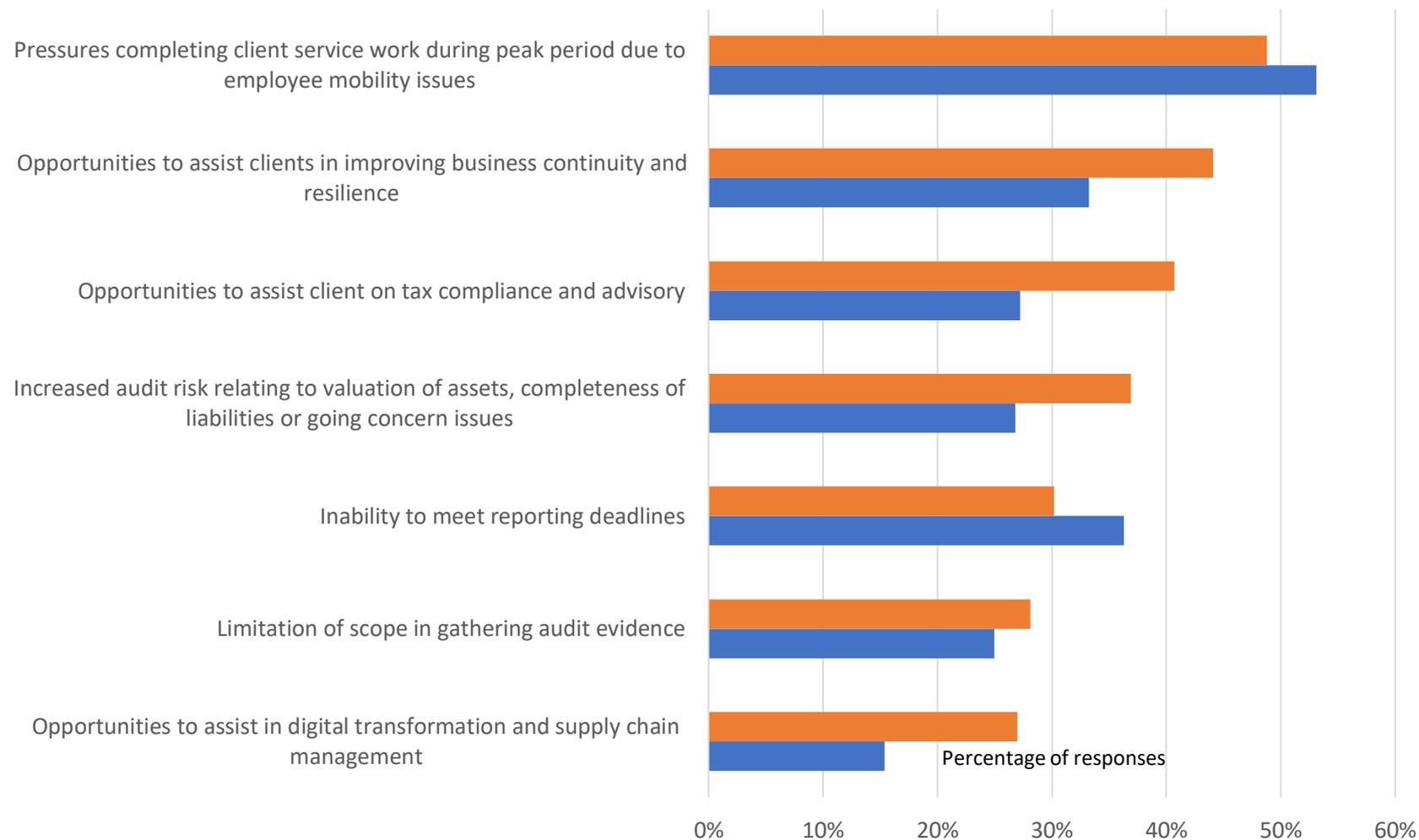


Impact on SMEs and SMPs – Insights from ACCA Surveys I



- On 26 April 2020 ACCA issued [*Covid-19 Global Survey: Inside business impacts and responses*](#) (EN) - 10,000 respondents from over 100 countries
- In late June 2020 ACCA published follow-up with comparisons
- No more recent data **but** trends appear to be constant
- Key findings
 - Businesses are increasingly experiencing cash-flow issues (April – 37%; June – 48%)
 - Cash flow problems are a particularly acute challenge for SMEs (June – 53%)
 - Engagement with audit clients severely disrupted – acceleration of remote auditing
 - Opportunities increasing for audit, accounting and advisory – **see next slide**

Impact on SMEs and SMPs – Insights from ACCA Surveys II

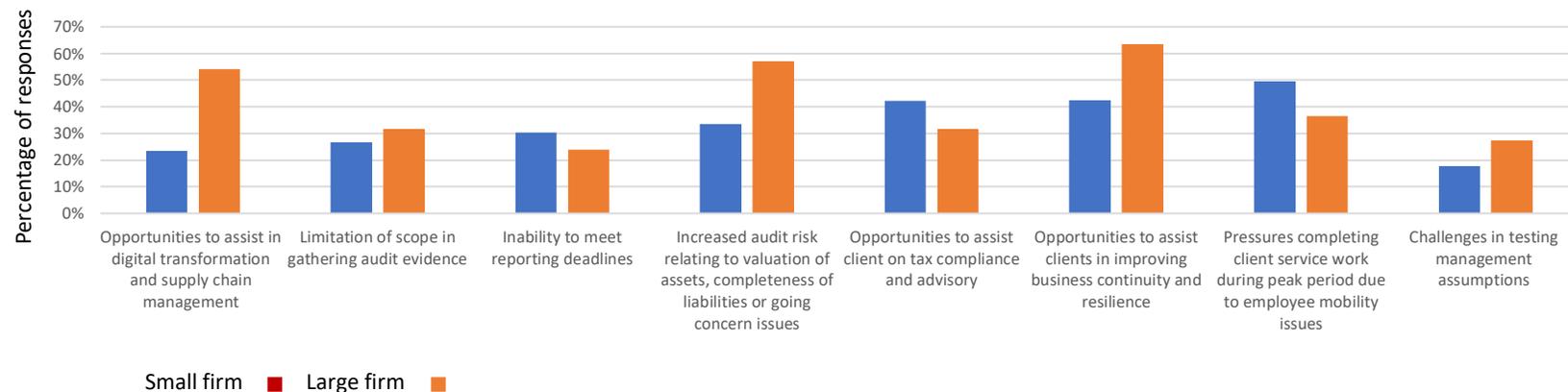


March 2020 ■ June 2020 ■



More than ever before the SMP (Small and Medium Sized Practice) is the trusted adviser to smaller businesses, and the Covid-19 crisis is a call to arms for smaller accountancy firms to transform further. Digital transformation of SMPs is key to accelerating the pace of change, ensuring durability, and driving better understanding of client needs. SMPs now have superb client opportunities to diversify in areas such as improving business resilience and continuity, supply chain management, and broader digital transformation. As catalysts for innovation, SMPs can help businesses develop new revenue streams, transform their business models and support growth and share best practices. But this demands new capabilities and skills within the firm, and potentially culture change too.

What impact is your organisation now seeing? (By size of organisation)



Impact on SMEs and SMPs – Insights from ACCA Surveys IV



- [Global Economic Conditions Survey](#) (EN), joint survey of members of ACCA and the Institute of Management Accountants (IMA, US)
 - Global confidence improved significantly in Q3 2020 among accountants, despite fears of a prolonged economic recession

Impact on SMEs and SMPs – Insights from McKinsey Survey I



- [COVID-19 and European small and medium-size enterprises: how they are weathering the storm](#) (EN)
- Conducted in August 2020, of more than 2,200 SMEs in five European countries—France, Germany, Italy, Spain and the United Kingdom
- Key findings include:
 - Vast majority have seen revenues fall *and* most have bleak outlook
 - About 1 in 10 expect to file for bankruptcy within six months
 - More than half worry they might not be in business in 12 months

Impact on SMEs and SMPs – Insights from McKinsey Survey II



- *“The survey underscores the need to consider both the immediate survival of SMEs as well their longer-term strength. Research has shown that around the world, the productivity of SMEs is well below that of larger companies. As and when the crisis fades, governments might therefore choose to help SMEs strengthen their resilience by, for example, helping them to find new markets or digitize more rapidly. SMEs have the potential to be an economic and employment engine after the crisis, but governments’ responses could prove critical.”*

Impact on SMEs and SMPs - US Small and Medium Practices



- *Initially* top concern was loss of clients
- Most common *initial* responses were cuts in staff hours (27%) and cuts in bonuses etc. (27%); most did not cut staff (75%)
- Most have successfully pivoted
 - Remote working
 - Advisory services (suitable support schemes, cashflow etc.)
- Majority optimistic about revenue growth in 2021
- Many foresee intense M&A activity with some SMPs falling by the wayside

Impact on SMEs and SMPs - Insights from BAG Surveys I



- In October 2020 Business Association of Georgia (BAG) published [BAG Index for Q3 2020](#) (GE)
- BAG Index summarizes the BAG Business Climate and BAG Employment Barometer assessed by senior managers of BAG member businesses
- Key findings:
 - Business situation worsened in Q3 vs. Q2 across all sectors but expectations improved
 - Services and Trade sectors exhibit worst business situation
 - All sectors expect next 6 months to improve; Manufacturing Sector most optimistic

Impact on SMEs and SMPs - Insights from BAG Surveys II



- Key findings (*cont.*):
 - Activity most hindered by weak demand (68%) and legal & admin. barriers (48%)
 - 63% cite regulatory environment as main barrier
 - Only 21% say access to finance is a problem (vs. 47% in Q2)
 - In Q3 BAG Employment Barometer, after being negative in Q1 and Q2, became positive indicating cautious optimism
 - BAG Employment Barometer remained negative for Services Sector
 - Services Sector faces most difficulties finding staff (85%)



EU SME Strategy

- [EU SME Strategy for a sustainable and digital Europe](#) (EN)
- SMEs play a key role in EU's industrial fabric and are central to new industrial approach
- [Strategy](#) (EN) aims to help SMEs to lead the twin transitions, including access to right skills
- SMPs play a key role - helping SMEs recover and make twin transition

Implications for SMPs



- *Smarter, Sustainable, Stronger: Small and Medium Sized Practices Post Crisis* (GE) - client communication, remote working, digital transformation, relationship with SME clients and advisory services
- Mindset, skillset and toolset
- EU SME strategy – assisting SMEs with digital and sustainable transition
- Need for practice transformation



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How to Transform Your Practice

Alex Peal

Joint Managing Partner, James Cowper Kreston

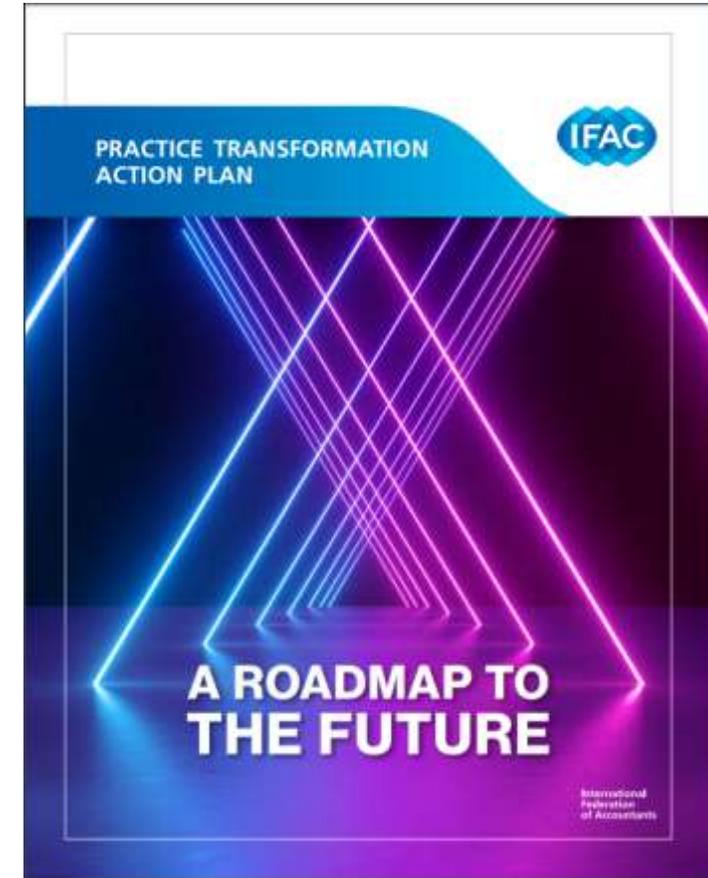
Christopher Arnold

Director, Head of SMP/ SME and Research, IFAC

Preparing Future-Ready SMPs

Practice Transformation Action Plan – A Road Map to the Future

- Embrace Change
- Leverage Technology
- Focus on Talent Management
- Evolve the Firm Operating Model and Build Advisory Services



Embracing Change I

- Change is the new constant – requires an open and **agile mindset**
- Firms need to **dedicate time** to consider their future and new opportunities
- Necessary to **remain relevant**
- It can be a journey – start by taking **small steps**



Embracing Change II

- Key areas to consider:
 - Profits
 - Processes e.g. outsourcing
 - Planning
 - Customer focus - CRM
 - Location



Adopt & Embed Technology I

1. Conduct an Environmental Scan
2. Align with the Long-Term Strategy & Formulate a Realistic Implementation Plan
3. Adopt the Cloud
4. Involve Clients in Technology Decisions
5. Identify and Support an Internal Technology Champion



Leverage Technology I

- **Embracing technology critical to**
 - Improve practice efficiencies
 - Enhance service delivery
 - Motivate staff
 - Expand services
- **Requires**
 - Continuous investment
 - Discussion with other firms and clients
 - Cloud technology



Leverage Technology II

- **Successful adoption & implementation involves**
 - A coordinated approach and strategic plan
 - Internal champions
 - Procedures being designed and enforced
 - Ongoing training for staff at all levels



Recruiting and Managing People I

1. Offer On-going Learning and Continuous Development (digital skills)
2. Empower Staff to Innovate
3. Engage in Transparent Career Progression Conversations
4. Introduce Flex-Time
5. Use a Variety of Recruitment Techniques



Talent Management I

- **An attractive workplace includes a focus on**
 - Importance of people
 - Outlining an inspiring vision for the future
 - Individual career development, training and education
- **New approach to recruitment and managing people involves**
 - Flexible working
 - Focus on staff welfare and work-life balance
 - Remote/ virtual working



Talent Management II

- **Developing Digital Skills**
 - Do not assume knowledge
 - All systems require training
 - Utilize short and regular learning & continuous development
 - Apply a variety of training methods



Building Advisory Services I

1. Move from Transactional to Strategic Services
2. Re-Evaluate the Services provided and Marketing Strategies
3. Move into a Niche Market
4. Use Networks, Associations and Alliances to Add Value
5. Conduct a Regular Strategic Review

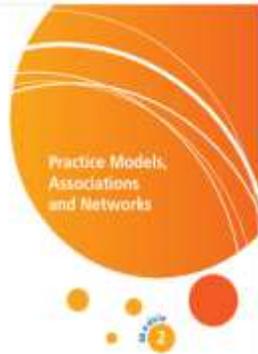


Building Advisory Services II

- Small firms have in-depth knowledge, expertise and trusted relationships with clients
- Advisory is valued as focused on “here and now”
- **When considering new service lines**
 - Steps can be small - no need to be complex or high level
 - Package services – make it easy to understand
 - Explore specialization/ niche markets
 - Cloud accounting systems play a key role



Guide to Practice Management for SMPs



1. Strategic Planning
2. Practice Models
3. Firm Expansion
4. Managing Staff
5. Leveraging Technology
6. Client Relationship Management
7. Risk Management
8. Succession Planning

Knowledge Gateway Articles & Videos

- *Key Factors in Evaluating Software Investment*
- *Cybersecurity is Critical for all Organizations – Large and Small*
- *Developing A Technology Strategy*
- *Transition into Advisory Services – Leveraging Partnerships and Networks*
- *SMP Pacesetters – Embracing Technology*
- *5 Steps to Consider When Making Technology Investments*
- *When it Comes to Talent Retention, Think Flexibly*
- *The Importance of Client Selection and Relationship Management*
- *Encouraging Successful Exit Strategies – Passing the Baton*



Six Ways for SMPs To Evolve and Thrive in the Covid-19 Environment

MAY 1, 2020 | [Monica Foerster](#), [Johnny Yong](#)

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IFAC Resources

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www.ifac.org/SMP



Knowledge Gateway
Global Accountancy Knowledge, Resources & Tools



Questions & Answers (Q&A)

Reading (Georgian unless stated otherwise)



- [Survey of Auditors and Audit Firms on the Impact of the COVID-19 Pandemic on the Market for Audit Services in Georgia](#), World Bank / EU / SARAS
- [Smarter, Sustainable, Stronger: Small and Medium Sized Practices Post Crisis](#), LinkedIn
- [Covid 19 - the SMP's road to recovery](#), ACCA
- [Practice Transformation Action Plan – A Roadmap to the Future](#), IFAC
- [EFAA's Guidance for SMPs resources](#) (EN only)

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