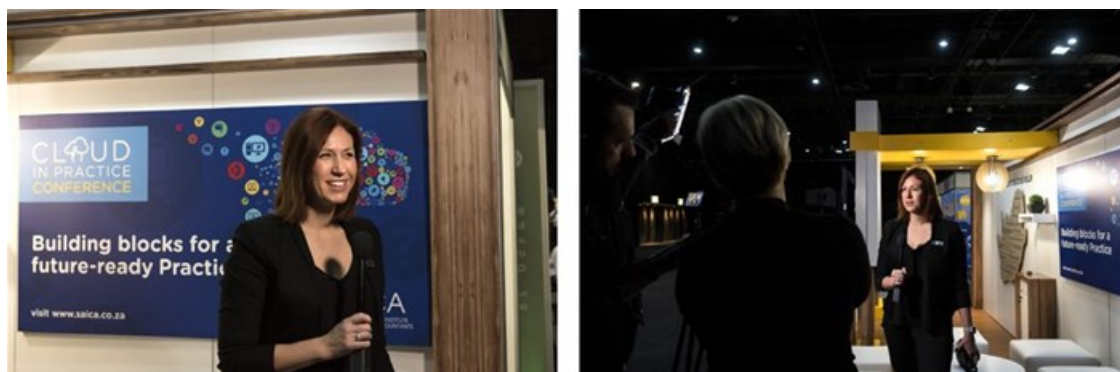


IFAC Global SMP survey results

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In 2018, the International Federation of Accountants (IFAC) again performed its Global Small and Medium Practices (SMP) Survey asking practitioners from small and medium practices across the globe to provide feedback. The survey was designed to be completed by senior SMP professionals, whose clients are predominantly small and medium entities (SMEs). The survey results are aimed to provide a snapshot of key issues, and tracks important trends and developments facing SMPs. This provides a better understanding of the specific challenges and opportunities SMPs and SMEs face globally.



The survey was completed by 6,258 respondents from 150 countries. The majority of respondents at 64% (2016: 71%) were either sole practitioners or practitioners from practices with two to five partners and staff. There were 308 (2016: 150) respondents from South Africa with 51.6% (2016: 60%) of respondents being sole practitioners and 28.6% (2016: 24%) from two-to-five-partner firms. Again the majority of respondents at 68% (2016: 74%) were male, showing a slight increase in the number of female respondents. Almost 88% (2016: 74%) of the respondents were either directors or partners of the firms.

Challenges facing SMPs

For the past three years (2014 – 2016) the challenges identified by SMPs remained predominantly consistent, with the majority of South African respondents viewing nine of the 12 challenges as a moderate, high, or very high challenge. The table below shows a comparison between the responses from South Africans in 2018 versus 2016. Participants were asked to rank the challenges from not being a challenge, to being a very high challenge.

2018 South African Results			2016 South African Results	
Ranking	% Respondents ranking challenges as High & Very High	Challenges facing SMPs	% Respondents ranking challenges as High & Very High	Ranking
1	59%	Rising costs and managing cash flow	51%	1
2	58%	Keeping up with new regulations and standards	47%	2
3	57%	Pressure to lower fees	41%	3
4	45%	Attracting new clients and retaining existing clients	35%	4

5	43%	Attracting new and retaining existing staff (at all levels)	30%	5
6	40%	Succession planning	30%	5
7	39%	Competition (e.g. other practices or professions)	27%	6
8	32%	Technology developments	27%	6
9	13%	Serving clients operating internationally (globalisation)	23%	7

These results show that SMPs are experiencing difficulty in the same areas in 2018 as in 2016. What can also be observed is that the challenges themselves have become more difficult for SMPs year on year.

When comparing South African responses to their international counterparts, 'Pressure to lower fees' is the biggest challenge SMPs face internationally, however it is only rated as being the third biggest challenge in South Africa. It is also interesting to note that from an international perspective, 'rising costs and managing cash flows' has not been cited as a the most significant challenge, however this has been rated as the number-one concern by South Africans. This concern could potentially be as a result of the economic instability and climate in 2017, which resulted in the relatively high [inflation rate](#) of 5.27% in 2017 and 6.34% in 2016 (2018: 4.78% and 2015: 4.58%).

The table below shows the comparison between South African and international respondents in 2018. As in the previous table, participants were asked to rank the challenges from not being a challenge, to being a very high challenge.

2018 South African Results			2016 South African Results	
Ranking	% Respondents ranking challenges as High & Very High	Challenges facing SMPs	% Respondents ranking challenges as High & Very High	Ranking
1	59%	Rising costs and managing cash flow	39%	5
2	58%	Keeping up with new regulations and standards	45%	4
3	57%	Pressure to lower fees	48%	1
4	45%	Attracting new clients and retaining existing clients	46%	2
5	43%	Attracting new and retaining existing staff (at all levels)	39%	5
6	40%	Succession planning	24%	8
7	39%	Competition (e.g., other practices or professions)	46%	2
8	32%	Technology developments	38%	7
9	13%	Serving clients operating internationally (globalisation)	24%	8

Additional topics analysed during the 2018 IFAC SMP Global survey were:

- The extent to which small business will be impacted by types of regulation over the next five years. South African respondents rated 'Data Protection and Privacy' as being the regulatory type to have the biggest impact on business over the next five years. 'Financial and business reporting' was rated as the second largest aspect;
- About 41% of SMPs cited difficulty in 'Attracting next generation talent' as a problem. A lack of candidates with the right mix of skills, was considered to have the greatest impact on both international and South African SMPs; and
- For technology developments introduced or soon to be introduced (in the next 12 months) to better serve the SMPs' clients, the 'Adoption and use of cloud technology' was rated as number one by South African respondents and also rated as the second biggest challenge internationally.

Outlook for 2019

Internationally about one third of SMPs projected that their fee revenues from each of the four service areas, namely advisory and consulting services; tax; audit and accounting; compilation and other non-assurance or related services, would stay the same. South African respondents had a bit more of a positive outlook, since just over a quarter of SMPs projected fees would stay the same and 63% of respondents anticipate at least a slight increase in fees for all services except for Audit and Assurance. Less than half of respondents' anticipated Audit and Assurance fees to either decrease or stay the same for 2019.

SMP development

Additional questions included in the 2018 SMP Global survey related to services provided over and above audit, accounting and tax services. In South Africa the top four additional services provided were management accounting, corporate advisory, and succession planning and business development.

Another new question revealed that the percentage of turnover dedicated to investment in training, marketing, and technology, both South African and international respondents said investment in technology would be their primary focus; and marketing would be set at a lower priority for the next year.

The final question posed to SMPs related to the aspects of the finance manager/ accountant's role in a small business that SMPs think will change most significantly over the next five years. Both South African and international SMPs listed the top two aspects as 'navigating new technologies affecting the traditional accounting and finance roles' and 'Managing cyber security and IT risk'.

Conclusion

Based on the research we can conclude that challenges faced by South African SMPs remained consistent with that of prior years, however these challenges have in certain instances intensified. In an effort to try to alleviate some of these issues, firms are encouraged to focus on implementing new technologies to create efficiencies in operations and alleviate regulatory and compliance burdens. It is also clear that technology is not taking over individuals' jobs but rather the role of the individual is changing. Based on this, firms are looking for new talent who have the right skills to harness and maximise the use of technologies.

Finally, SMPs have a positive outlook on the future as firms have identified opportunities to take on an advisory role in the market and in addition provide new services to clients.

This article includes extracts from the "2016 IFAC Global SMP Survey Report & Summary" and the "New Global SMP Survey Reveals Keys to Growth for Small Accounting Firms" published by the International Federation of Accountants (IFAC) in March 2017 and October 2018 respectively, and is used with permission of IFAC. Such use of IFAC's copyrighted material in no way represents an endorsement or promotion by IFAC. Any views or opinions that may be included in this article are solely those of SAICA, and do not express the views and opinions of IFAC or any independent standard setting board supported by IFAC. Contact Permissions@ifac.org for permission to reproduce, store or transmit, or to make other similar uses of this document.

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