



Business Advice by Accountants to SMEs: Relationships and Trust

Journal:	<i>Qualitative Research in Accounting and Management</i>
Manuscript ID	QRAM-04-2017-0022.R2
Manuscript Type:	Original Article
Keywords:	external accountant, business advice, relationships, trust, SME

SCHOLARONE™
Manuscripts

Business Advice by Accountants to SMEs: Relationships and Trust

Introduction

There is a growing body of literature that focuses on the external relations of SMEs as a means of resource acquisition for decision making (Dyer and Ross 2007; Blair and Marcum 2015; Carey and Tanewski 2016). External accountants are used extensively and they are reported to be the most frequently sourced professional advisor in the small and medium sized enterprise (SME)¹ environment (Kirby et al. 1998; Bennett and Robson 1999; Gooderham et al. 2004; Carey et al 2005; Blackburn and Jarvis 2010; Stone 2011, 2015). The literature details variation in the level and type of accounting advisory services sourced by SMEs (e.g., Carey and Tanewski 2016; Blackburn and Jarvis 2010), yet it provides only limited theoretical insight explaining variation on the extent to which external accountants are used as business advisors (Bennett and Robson 1999; Gooderham et al. 2004).² While agency theory has some application, it provides an incomplete explanation as to why SMEs may or may not choose to buy business advice from their external accountants. This study contributes to the literature by developing a conceptual framework that focuses on the influence of relationships and trust in explaining the SME's decision to purchase business advice from their external accountants. Within the context of this conceptual framework, the study also uncovers significant new leads and insights into the behaviour of SME owner-managers when it comes to purchasing business advice.

Understanding the role that relationships and trust play in enabling the purchase of business advice is important to the accounting profession. The American Institute of Certified Practising Accountants (AICPA) predicts that the future of accounting will no longer be defined by traditional services. Given this transformation in the accounting profession and calls from the AICPA directing the accountant to become a more rounded "trusted business advisor" (Hartstein 2013), this paper is significant and timely as it develops a conceptual model that will assist the

¹ There are varying definitions of SME. In the U.S., a small business encompasses all independent enterprises with fewer than 500 employees (U.S. Census Bureau 2009; U.S. Small Business Administration 2014). However, in the U.K., a SME is a business that employs less than 250 people and includes the following categories: a micro-business <10 people, a small business 10–49 people, and a medium-sized business 50–249 people (see Department for Business Innovation and Skills 2009). In Australia, (see the Australian Bureau of Statistics 2001), a micro-business is <5 employees, a small business is 5–19 employees and a medium-sized business is 20–200 employees.

² We define business advice broadly as ancillary professional services provided by accountants to assist or advise clients in their strategic direction and operational running of their firms. These professional services are usually offered in addition to "traditional" accounting services such as compilation, taxation and auditing services.

1
2
3 profession in better understanding the complex dynamics of the accountant-client relationship in
4 the provision of business advice.
5

6 Our conceptual model distinguishes, for the first time, the antecedent factors of demand
7 for business advice from the enabling roles of relationships and trust. Antecedent in this case
8 refers to the existing conditions of the enterprise (e.g., firm size, institutional debt, firm age, and
9 growth rate or intention to grow). Enabling conditions relate to the trust (ability, integrity,
10 empathy and propensity to trust) emanating from the existing relationship (social rapport,
11 understanding of business needs) that may activate latent demand. Whilst the literature has
12 identified a range of factors associated with the SME's decision to purchase business advice,
13 Blackburn and Jarvis (2010) argue that the influence of these factors is ambiguous. Given this
14 lack of clarity, a primary contribution of our paper is to organise these factors into a conceptual
15 model which distinguishes antecedent demand factors from enabling (mediating) factors
16 (relationships and trust) that are associated with demand for business advice by SMEs. An
17 antecedent demand factor is one that causes an SME to seek advice; such as how to grow the
18 business (i.e., intention to grow, see Gooderham et al. 2004). However, rather than postulating
19 that relationships and trust are antecedents of demand for business advice, our conceptual
20 framework contributes to understanding by suggesting that relationships and trust are pre-
21 conditions enabling latent demand for business advice by SMEs to be realised. An SME might
22 demand advice, but will only purchase the advice when they trust their accountant and the
23 relationship between the SME and their accountant can contribute to nurturing the trust required
24 for an SME to purchase business advice.
25
26
27
28
29
30
31
32
33
34
35
36
37
38

39 We verify the conceptual model by interviewing 20 SME owners and accountants to gain
40 insights into transactional exchanges between SME clients and their accountants. Interview data
41 support the conceptual framework's proposition that relationships and trust are *necessary*
42 conditions for enabling latent demand for business advice. Although demand factors such as size,
43 debt, age, growth and intention to grow will determine an SME's *ex ante* need for advice, the
44 enabling factors of relationships and trust are influential in whether business advice is actually
45 taken up. Our field research also uncovered significant new insights from participants into how
46 specific personality traits of SME owner-managers relating to trust can influence decisions to
47 purchase external business advice. This in turn has provided a deeper and more nuanced
48 understanding of the role of personal trust in the accountant-client relationship, particularly as it
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 relates to decisions to purchase business advice. Our fieldwork also uncovered three additional
4 antecedent demand factors not identified in the extant literature - economic conditions,
5 environmental turbulence and business life-cycle - that influence the decision to purchase
6 business advice.
7
8
9

10 Our results further contribute to the literature by questioning the commonly held belief
11 that the relationship an accountant establishes with an existing SME client, via compliance work,
12 will lead to the provision and take-up of non-compliance advice and support (Blackburn and
13 Jarvis 2010; Gooderham et al., 2004). The application of our conceptual framework in the
14 fieldwork enabled us to unpack this assumption that an already established relationship,
15 developed while providing compliance services, will automatically lead an SME to buy business
16 advice. A more complex range of factors need to be satisfied before a SME purchases business
17 advice.
18
19
20
21
22
23

24 While the fieldwork revealed that all external accountants perceived themselves as
25 having the necessary competence to provide useful business advice, SME owner-managers
26 expressed mixed views on this issue. This is consistent with a number of prior studies which
27 suggest that external accountants do not always have the business expertise necessary to add
28 value as business advisers (Marriott et al. 2008; Burke and Jarratt 2004; Deakins et al. 2001).
29 Ostensibly, external accountants may be well placed to offer business advisory services to their
30 SME clients on the back of compliance services, and indeed are better placed than most other
31 providers (Mole 2002), but they need to convince clients that they have the necessary business
32 expertise beyond their compliance capabilities. In particular, the fieldwork reveals the critical
33 importance of industry-based knowledge to establishing the competence of accountants as
34 business advisers. Findings thus highlight that an expectation gap exists between SME owners'
35 perceptions and external accountants' ability to provide advice.
36
37
38
39
40
41
42
43
44

45 The remainder of the paper is organised as follows. The next section provides a context
46 for our study, an overview of the literature and an explanation of the conceptual framework. This
47 is followed by an explanation of the qualitative research design used to corroborate the
48 conceptual framework, an exposition of the results, and the paper's conclusions, implications and
49 recommendations.
50
51
52
53
54
55
56
57
58
59
60

Context and Unpacking Relationships in Business Advisory Services

The AICPA has predicted that the future of accounting services will be so varied and diverse that the concept of core “traditional” services will no longer be representative of the profession (AICPA 2011, p.44). This has led to calls by the AICPA to change the dynamic of the accountant-client relationship by highlighting the accountant’s more rounded “trusted business advisor” status (Ferguson 2012; Hartstein 2013; ICPAS-CPA Australia Roundtable 2013). Practically, whether or not accountants desire, or are able, to realise this vision remains to be seen. Nevertheless, the AICPA’s prediction reflects a notable trend in the accounting profession over the past decade, namely, that the ‘bread and butter’ compliance services of many accountancy practices such as taxation, compilation and audit are diminishing due to extensive use of computer technology by SMEs for doing their own accounts and to the introduction of audit exemptions in some jurisdictions such as the UK (Doving and Gooderham 2008; Blackburn and Jarvis 2010; Professional Oversight Board 2010; Kitching et al. 2011; Jarvis and Rigby 2012).

As a result, small and medium sized accounting practices (SMPs) have been seeking to widen their portfolio of services by expanding their ancillary services to include ‘business advice’ alongside traditional statutory/compliance-type services (Parker 2001; Anderson-Gough et al. 2002; Greenwood et al. 2002; Gooderham et al. 2004; Berry and Sweeting 2006; Fogarty et al. 2006). These developments mimic trends among the larger accounting practices, for which business advisory services have for some time been an important source of revenue growth to offset a stagnating market in audit and tax services (Anderson-Gough et al. 2002; The Economist 2010; Professional Accountancy Association 2010). Despite this transformation in the accounting profession and calls from the AICPA directing the accountant to become a more rounded “trusted business advisor” (Hartstein 2013), there is a lack of clarity in the literature as to why SMEs purchase business advice from their external accountant.

Research investigating determinants of SME demand for business advice has identified firm size, age, institutional debt, growth rate and intention to grow as factors that drive demand for business advice by SMEs (e.g. Holmes and Nicholls 1989; Kirby et al. 1998; Bennett and Robson 1999; Gooderham et al. 2004; Carey et al. 2005; Berry and Sweeting 2006). The literature also suggests that a number of barriers exist to firms taking up business advice,

1
2
3 including financial costs, concerns over the quality of external advice and a reluctance by SME
4 owner-managers to display weakness to external parties (e.g., Curran and Blackburn 1994;
5 Marriott and Marriott 2000; Huggins and Johnston 2010). The empirical evidence suggests wide
6 variation in the extent to which SMEs purchase advice from their external accountants and the
7 relative influence of the various demand factors remains ambiguous (Blackburn and Jarvis
8 2010).

9
10
11
12
13 It is intuitively appealing to conclude that the relationship an accountant establishes with
14 an SME client through compliance work is important in explaining their use as a business
15 advisor, though theory is underdeveloped and empirical support equivocal. Extant literature on
16 the motivations for owner-managers' engagement with their external accountants refers either
17 implicitly or explicitly to notions of 'relationship' and 'trust', (e.g., Bennett and Robson 1999;
18 Gooderham et al. 2004; Tan et al., 2016). Indeed, Gooderham et al. (2004) argue that the
19 'relational competence' of external accountants explains their prominence as business advisors.
20 This may be linked to the socialisation process that takes place between the accountant and SME
21 client (Roslender 1992). Relationships are the bedrock upon which any alliances are formed
22 between clients and suppliers (Tomkins 2001) and trust is an important aspect of relationships
23 (Schoorman et al. 2007). Tan et al. (2016) go further and argue that locality and communication
24 are important in business advice relationships.

25
26
27
28
29
30
31
32
33
34 The marketing literature explains how the actual process of relationship building evolves
35 during specific service encounters (Price et al. 1995) and how they become established over time
36 (Crosby et al. 1990). Central to successful relationship marketing is a good understanding of the
37 client combined with social rapport (Berry 1995; Hennig-Thurau 2000; Ryals and Payne 2001)³.
38 Compliance-type services require interaction with clients (Claycomb and Martin 2002), leading
39 to the establishment of a relationship. This relationship may enable the SME client to understand
40 the accountant's abilities and competencies as a business advisor, and also enables the
41
42
43
44
45
46

47
48 ³ The relationship marketing literature also suggests that characteristics of the business adviser that are 'offer-
49 related' (i.e. competence, reliability, promptness) and 'person-related' (i.e. empathy, politeness) can affect the
50 relationship as well as the establishment of trust (Grönroos 1990). Accordingly, Gounaris and Venetis (2002)
51 suggest that different dimensions of trust will evolve during the development of a client-supplier relationship and
52 that understanding such relationships is a key to understanding trust. Ongoing business relationships are based on
53 information exchanges that over time lead to trust, which in turn is likely to affect both the quality of the information
54 exchanged and of the relationship developed (Denize and Young 2007). In other words, business relationships may
55 lead to the development of trust between parties over time, by minimising potential uncertainties and facilitating a
56 better understanding of mutual needs and competencies.

1
2
3 accountant to determine the client's needs. As a consequence of their intangible nature, business
4 advisory services exhibit credence attributes and are prone to *ex ante* information problems. The
5 relationship established while providing compliance type services might allow an accountant to
6 overcome information asymmetries associated with business advisory services. We now turn to
7 a discussion of trust in the extant literature.
8
9
10

11 12 **Conceptualising Trust**

13
14
15 The use of the term 'trust' is widespread in the literature examining inter-firm relations. Trust, it
16 is argued, reduces transaction costs (Andaleeb 1992), is a source of competitive advantage
17 (Barney and Hansen 1994), limits uncertainty and opportunism (Achrol 1997), and decreases
18 business risks in hostile or turbulent environments (Puffer, McCarthy and Boisot 2010). Trust is
19 also essential for understanding any business relationship because "... to understand how any
20 [business] relationship works, one must ... address the boundaries of trust within that
21 relationship" (Tomkins 2001, p. 165). The role of trust within organisations has been explored in
22 organisational literature (e.g. Kramer and Tyler 1996; Nooteboom 2002) and in management
23 accounting literature (e.g. Busco et al. 2006). Trust also has been examined in an inter-
24 organisational context (e.g. Tomkins 2001), in the entrepreneurship literature (Welter, 2011), as
25 well as in specific institutional environments (e.g., Puffer et al. 2010; Welter 2011).
26
27
28
29
30
31
32
33

34 Evidence shows that small business owner-managers choose advisors based on 'previous
35 use', personal 'recommendation' and advisors' understanding of their clients' business context
36 (e.g. Bennett and Smith 2004; Edwards et al. 2010; Blair and Marcum 2015). Bennett and
37 Robson (1999) attribute the position of accountants as the leading advisors to SMEs to their
38 status as 'high trust' providers who work within government-backed, self-regulatory frameworks
39 of training, qualification and codes of conduct, all of which reinforce institutional trust (see also
40 Cowton 2009). While trusted sources might provide a means of helping firms to overcome
41 information asymmetries, the role of trust in the SME-accountant relationship and in the
42 dynamics of that relationship lacks conceptual depth.
43
44
45
46
47
48
49

50 In defining trust in the context of this present research, a number of dimensions are
51 relevant. *Perceived trustworthiness* encompasses both cognitive and affective (or emotional)
52 beliefs that one party will not exploit another's vulnerability (Anderson and Weitz 1989; Tyler
53 and Stanley 2007). Indeed, Möllering (2002) argues that perceived trustworthiness is ultimately
54
55
56
57
58
59
60

1
2
3 cognised only through ‘... the eyes of the beholder’ (p. 140). *Trusting behaviour* involves actions
4 that incline one party towards risk, uncertainty or vulnerability to another whose behaviour is not
5 under their control (Zand 1972; Tyler and Stanley 2007). *Trust as a behavioural intention or*
6 *reliance on a partner* refers to a dimension of trust defined by Moorman et al. (1993, p. 82) as
7 the ‘willingness to rely on a partner in whom one has confidence’. *Trust as socially-defined*
8 *phenomenon* is characteristic of the social fabric that facilitates interactions among parties, thus
9 taking into account interpersonal behaviours, communication channels and interpersonal trust
10 ties (Håkansson 1982; Lewicki, McAllister and Bies 1998; Tyler and Stanley 2007).

11
12 While there are many definitions of trust in the literature, our conceptual framework
13 adopts the model of trust developed by Mayer, Davis and Schoorman (1995), which includes
14 factors relating to the trustor (i.e., ability, benevolence and integrity) and the trustee (i.e. the
15 propensity to trust). Trust is a complex issue and the seminal definition by Mayer et al. (1995) is
16 appropriate because it applies to business transactions, such as between accountants and their
17 SME clients, and captures the complex and dynamic elements of trust. This study is
18 contextualised in a business environment (Welter 2011; Welter and Smallbone 2006) and the
19 definition of trust that we adopt recognises that commercial relationships are not governed by
20 personal trust, but are conditional on specific situations (Nooteboom 2002). Mayer et al. (1995)
21 define trust as:

22
23
24
25
26
27
28
29
30
31
32
33
34
35
36 ‘The willingness of a party to be vulnerable to the actions of another party based on the
37 expectations that the other will perform a particular action important to the trustor,
38 irrespective of the ability to monitor or control that other party’ (p. 712).
39
40
41

42 This definition implies that we can never remove all uncertainty precisely because of information
43 asymmetry between the trustor and trustee.
44

45 Mayer et al. (1995) postulate that the three key antecedent characteristics that lead to
46 being trusted are *ability* (competence), *integrity* and *empathy* (benevolence)⁴. *Ability*
47 (competence) is characterised in the present study as the degree to which SME owner-managers
48 perceive their external accountant to possess the skills and knowledge to provide advice, a factor
49
50
51

52
53
54
55
56
57
58
59
60

⁴ Two of the antecedent characteristics of trust (competence, integrity) are also core principles in the code of ethics for professional accountants. The core ethical principles are competence, integrity, objectivity, independence and confidentiality (APES 110, 2008).

1
2
3 identified as influential in Gooderham et al. (2004); *Integrity* is characterised as the extent to
4 which SME owner-managers believe that the external accountant will adhere to a set of
5 principles they find acceptable (i.e., the code of ethics for professional accountants); and
6 *empathy* (benevolence) is characterised as the extent to which SME owner-managers believe that
7 the external accountants will act in their best interests, by understanding and genuinely caring
8 about their clients' business and personal needs. The final element in the Mayer et al. (1995)
9 model is the trustors' *Propensity to trust*, which suggests people differ in their inherent
10 propensity to trust and this is something akin to a personality trait that a person would carry from
11 one situation to another. Gooderham et al. (2004) provides some support for this suggestion
12 about trust, arguing that receptiveness to business advice was influential in small Norwegian
13 businesses' decisions to rely on their accountants as business advisors. Propensity to trust is
14 characterised in the present study, as an SME owner-manager's willingness to trust their
15 accountant.
16
17
18
19
20
21
22
23
24
25
26

27 **Conceptual Framework Explaining SME Demand for Business Advice**

28
29
30 The literature review has identified a number of demand factors associated with the SMEs' *ex*
31 *ante* need for business advice. Although the literature suggests that relationships and trust play a
32 role in the service exchange, the role of relationships and trust in influencing the purchase of
33 business advice by an SME from their external accountant remains unclear. Figure 1 below lists
34 the ex-ante demand factors (1 to 5), the relationship factors (9.1, 9.2), and the trust factors (10.1
35 to 10.5), that have been identified in the literature as potentially influencing a SMEs decision to
36 purchase business advice.
37
38
39
40
41
42
43

44 **Insert Figure 1. Conceptual Framework for Business Advice Derived from the Literature**

45
46
47 Extant research has not fully explained the process behind the role played by relationships and
48 trust in the provision of business advice by accountants to their SME clients. We propose that
49 relationships and trust are necessary conditions that enable or connect SME latent demand for
50 business advice with the external accountant providing such services. In particular, we
51 distinguish the antecedent factors of demand for business advice – such as size, debt, age, growth
52
53
54
55
56
57
58
59
60

1
2
3 rate and intention to grow (see ex-ante demand factors in Figure 1) – from the enabling roles of
4 relationships and trust which are necessary in facilitating latent demand for business advice by
5 SMEs. An SME might demand advice, but we propose that an SME will only purchase the
6 advice when they trust their accountant and the relationship between the SME and their
7 accountant can contribute to nurturing the trust required for an SME to purchase business advice.
8
9

10
11 Our conceptual model thus provides an exploratory framework for how the interplay of
12 social rapport and understanding business needs (two elements identified in the relational
13 marketing literature explaining business relationships between suppliers and clients), as well as
14 *ability* (competence), *integrity*, *empathy* (benevolence), and *propensity to trust* (the antecedent
15 trust factors related to the trustor and trustee identified in Mayer et al. 1995) are the building
16 blocks that assist in forming a quality relationship between the accountant and their client.
17 Figure 2 below depicts how the *ex-ante* demand factors and the enabling (or mediating) role of
18 relationships and trust influence whether business advice is actually taken up by the SME client
19 (the jagged lines in Figure 2 represent relationships between the *ex-ante* demand and the
20 enabling factors and between the enabling factors and the dependent variable). These proposed
21 relationships are examined in our data collection and analysis. Demand factors 6, 7 and 8
22 represent three additional antecedent demand factors not previously identified in the extant
23 literature, which were identified in the fieldwork.
24
25
26
27
28
29
30
31
32
33

34 We contribute to the literature by developing a dynamic conceptual model that provides
35 greater clarity to the purchase of credence services such as business advice by distinguishing the
36 antecedent factors (e.g., firm size, institutional debt, firm age, and growth rate or intention to
37 grow) from the enabling roles of relationships (e.g., social rapport, understanding of business
38 needs) and trust (e.g., ability, integrity, empathy and propensity to trust). This model also will
39 assist the profession in better understanding the complexity of the accountant-client relationship
40 in the provision of business advice. Our fieldwork tests the importance of each conceptual item
41 in relation to an SME's decision to purchase business advice as well as the relationship among
42 the various elements of the conceptual model.
43
44
45
46
47
48
49
50

51 **Insert Figure 2. Proposed Conceptual Framework for Business Advice**
52
53
54
55
56
57
58
59
60

1
2
3 The remainder of the paper is organised as follows. The next section provides an
4 explanation of the qualitative research method used to corroborate the conceptual framework.
5 This is followed by an exposition of the results and the paper's conclusions, implications and
6 recommendations.
7
8
9

10 **Research Methods**

11
12 We used semi-structured interviews to examine our conceptual framework. This approach was
13 considered most appropriate to assist understanding of transactional exchanges between clients
14 and advisors and, more importantly, permitted us to discern the enabling role of relationships and
15 trust in the provision of business advice by external accountants to their SME clients (Anderson-
16 Gough et al. 2002). Data were collected through face-to-face interviews with eight SME owners
17 and twelve accountants in London, England, and in Melbourne, Australia. Face-to-face
18 interviews with business owners and external accountants allowed us to probe the influence of
19 the elements of our conceptual model (antecedent demand factors and the enabling roles of
20 relationship and trust) on SMEs' decisions to purchase business advice from their external
21 accountants.
22
23
24
25
26
27
28
29
30

31 We conducted interviews in two cities to ensure external validity of our interview data.
32 Although contracting environments vary across countries, La Porta et al. (2000) identify both
33 Australia and the UK as having shared common Anglo-Saxon traditions, similar regulatory
34 environments, shared compliance with international accounting standards and international codes
35 of professional conduct, and comparable business approaches. We did not expect that focusing
36 on two institutional (contracting) and cultural environments – in London and Melbourne – would
37 have a significant influence on our findings. However, by conducting interviews in these two
38 jurisdictions and among different (heterogeneous) accounting and SME firms, we ensured that
39 our findings would be more robust and externally valid and, thus, more likely to be useful in
40 understanding our conceptual model.
41
42
43
44
45
46
47
48
49

50 Given the relatively low levels of knowledge about the motivations, characteristics and
51 population of SME firms purchasing business advice from their current external accountants, this
52 study used a purposive sample, following a convention in qualitative research (Kuzel 1992; Chua
53 1996). In order to identify SME firms and accounting practices of potential interest, the research
54
55
56

1
2
3 team in Australia used the assistance of a management consultant to gain access to SME firms,
4 while key accounting informants were approached through their professional memberships of
5 CPA Australia and The Institute of Chartered Accountants in Australia (ICAA). In the UK,
6 researchers relied on gaining access to SME owners through networks and contacts that the
7 researchers had established over many years, while accountants were approached through their
8 membership of the ICAEW.
9

10
11
12
13
14 Initially, 38 SME owners and accounting partners were identified and contacted by the
15 research team. Some were excluded from the fieldwork because they were insufficiently
16 qualified, not interested or unable to participate due to scheduling conflicts. This initial screening
17 process yielded a list of 20 active study participants, including 12 external accountants and eight
18 SMEs. Of the accounting practices, six were 2nd-tier firms with international affiliation, two were
19 medium-sized firms and two were small firms. Eight SME owner-managers – or
20 partner/shareholders of the organisations – were selected on the dual criteria of having some
21 autonomy over decision-making within the enterprises, and having experience dealing with the
22 firms' external relations.
23
24
25
26
27
28
29

30
31 The interviews followed a protocol of 25 broad guiding questions (see Appendix A),
32 instructed by the key elements in the conceptual model. Prior to use, the interview guide was
33 extensively critiqued by several academics and accountants. The interview guide provided scope
34 for exploration of issues that emerged in the interview and, at the same time, allowed for direct
35 corroboration of our conceptual model. Thus, use of an interview protocol addressed the issue of
36 reliability of the qualitative data, whereas replication and verification of similar patterns and
37 themes across the different interviews ensured the external validity of the qualitative data. The
38 interviews were of 60 to 90 minutes duration and took place in the interviewees' workplaces
39 between July 2008 and March 2009. All the interviews were audio recorded and transcribed.
40
41
42
43
44
45
46

47 The 20 participants generated qualitative data that was sufficient to provide reliable
48 variability, to determine the themes related to the components of the conceptual model and to
49 draw conclusions. Our approach in this respect is supported by the findings of Guest et al.
50 (2006), who contended that major themes were usually present after six interviews, that
51
52
53
54
55
56

1
2
3 qualitative data reached a point of saturation at around 12 interviews, and that subsequent
4 interviews no longer provided thematic insight.
5
6

7
8 The interviews provided us with deep insights into the perceptions of the owner-
9 managers and external accountants regarding the influence of the components of the conceptual
10 model. Each interview focused on the business owners' interactions with accountants on firm-
11 related matters rather than individual, personal matters. However, this distinction between
12 'business-specific' and 'person-specific' advice becomes increasingly opaque when owner-
13 managers require advice spanning individual and firm-related issues. This is often the case, for
14 example, in family firms and micro-firms where the income of the firm is indeed that of the
15 individual and there is a blurring of the lines between work and home issues.
16
17
18
19
20
21

22 The main method of analysis involved theme-building around components of the
23 conceptual model. This was initially achieved via the use of open coding – that is, a qualitative
24 data coding process requiring the researchers to go through each transcript line-by-line, breaking
25 down the data by examining, comparing and contrasting it, followed by categorising the
26 interview transcripts (Miles and Huberman 1994). Indeed, all members of the research team read
27 through all the transcripts to build up a thematic analysis of the influence of the components of
28 the conceptual model on SMEs' decisions to purchase business advice. Open coding was
29 performed because it is an iterative process, allowing for the comparison of similarities and
30 differences among the transcripts, as well as building up an understanding of the influence of the
31 various elements of the conceptual model. More importantly, the iterative process undertaken
32 during the review of the transcripts allowed us to gain insights by better understanding the
33 interactions in the evolution of the relationships between accountants and clients, the conditions
34 under which trust develops, and what factors enable decisions to purchase business advice from
35 accountants. Open-coding was conducted over several weeks, and each manuscript's coding
36 scheme was checked independently by at least two members of the research team.
37
38
39
40
41
42
43
44
45
46
47
48

49 **The Market for Business Advisory Services Bought From External Accountants by SMEs**

50
51 Purchases of business advisory services by SMEs from their external accountant are shown in
52 column 4 of Table 1. Results suggest that while some firms relied on their external accountants
53
54
55
56
57
58
59
60

as advisors (SME02, SME05, SME06 and SME07), others purchased a more limited range of advisory services (SME03, SME04), and some purchased no advice (SME01, SME08).

Insert Table 1 here

The types of business advisory services provided by external accountants to SME clients are shown in column 4, Table 2. The advisory services span matters directly relevant to the SME businesses, through to matters that require them to act as trusted confidantes and advisors on private and family matters.

Insert Table 2 here

A review of the business advisory services bought by SMEs (Table 1) and the services offered by accountants to their SME clients (Table 2) suggest the following categories:

- *Financial services*: cash flow and banking, and advice on individual and family issues: superannuation (retirement planning), asset structuring, income distribution, and wealth accumulation strategies.
- *Business operational services*: production efficiency, lease negotiation, payroll, HR or information technology (IT).
- *Business dynamics*: on the purchase, transfer or sale of a business.
- *Intangible services*: being a ‘sounding board’, psychologist and friend.
- *Family services*: wills, estate planning, succession planning and mentoring.

The final column in Table 2 shows estimates of the proportion of total revenue contributed by business advisory services to the accountancy firms. Business advisory services contribute between 20% and 100% of accounting firms’ total revenue. This finding provides empirical support for the contention that accountants are widening their service portfolio (Doving and Gooderham 2008; Blackburn and Jarvis 2010; Kitching et al. 2011; Jarvis and Rigby 2012) and suggests that business advisory services are emerging as an important source of revenue for accountants working in the SME environment. Most accountants acknowledged that the volume of ‘compliance’ work was either shrinking, or likely to diminish in the future, and this was creating pressure to broaden their service offerings. One accountant said: “Accountancy practices

1
2
3 had to move into more areas and I must admit, with the threshold [in the UK] moved up to £1
4 million turnover, there was outcry and there was this feeling that basically accountants, how
5 are they going to survive? All this work was disappearing and that didn't happen. It was just
6 redirected in different directions" (A10). Another accountant stated: "So, I can see a time ...
7 when our compliance work is not going to be as good as it is now and we perhaps will be looking
8 for ways of offering [other] services to our clients ... differentiating ourselves and that might be
9 one of the ways we do it" (A06). This future repositioning by accountants was also recognised
10 by SMEs. One owner-manager explained: "You know, most accountancy firms will not make
11 much money on the audits. They make their money from the consultancy and everything that
12 goes with it" (SME08).

21 All the SME owners indicated that they used a number of external advisors and, despite
22 having existing relationships with their accountants for compliance services, not all SMEs used
23 them additionally as a source of business advice. The final column in Table 1 describes the
24 advisory services SMEs sourced from other professionals. The market for business advice is
25 highly competitive, as highlighted by the following comment from an SME: "I mean ... I get
26 approached. Probably once every two months some business coach or consultant will want to sell
27 their services to me and things like that" (SME02). Although external accountants are already
28 well placed to gain this work because of their ongoing contact while providing compliance
29 services, they clearly need to convince clients to trust that they also have the necessary business
30 expertise to solve the owner-manager's issues.

39 It is noteworthy that most SME owner-managers interviewed indicated that running a firm
40 was not just about 'doing the business' or making a profit; it was also about fulfilling their
41 personal ambitions and life motivations. This is why personal objectives and family issues often
42 affect business strategies and operations. Such findings are by no means unusual and are
43 especially poignant in the case of micro-enterprises (e.g. Parry, 2010). This point was
44 emphasised by several accountants: "When we talk about 'the SME market', we are talking
45 family businesses and, to provide effective advice, you need to understand the family first. .../...
46 SMEs are about the life of an individual, a couple or 2/3 partners; it's not a clinical business and
47 it's not about the delivery of clinical services and that's why we need trust" (A02). Another
48 accountant stated: "The business of the SME is so deeply embedded in that individual's personal
49
50
51
52
53
54
55
56

1
2
3 wealth ... that it is critical the advisor understands the SME requirements and delivers to those
4 requirements” (A04). Many of the services provided to SME clients by external accountants
5 might therefore be described as *business and personal intrinsic* services. These services are
6 essential to the well-being of the individual, the business and the family. They also underline the
7 importance of trust in the SME-accountant relationship.
8
9
10
11
12

13 14 **Results — Relationships and Trust**

15
16 We begin by reviewing the antecedents of demand for business advice (depicted in the left-hand
17 column in Figure 1), followed by investigating the ‘enabling’ role of relationships and trust in
18 SMEs’ decisions to buy business advice.
19
20
21

22
23 *Sources of Demand for Business Advice.* Antecedent demand factors associated with the
24 demand for business advice by SMEs include firm size, institutional debt, firm age, and growth
25 rate or intention to grow (e.g. Holmes and Nicholls 1989; Kirby et al. 1998; Bennett and Robson
26 1999; Gooderham et al. 2004; Carey et al. 2005; Berry and Sweeting 2006). The qualitative
27 approach enabled us to develop our understanding of antecedent factors and uncover a number of
28 additional antecedent factors not identified in the extant literature: specifically, economic
29 conditions, environmental turbulence and business life-cycle.
30
31
32
33
34

35
36 Most SME respondents to this study alluded to what can be generally described as
37 ‘environmental turbulence’ – usually involving market and/or regulatory change – as an
38 important stimulant for seeking external advice. This gives rise to demand for business advice
39 from firms’ external accountants on matters such as structuring or restructuring a business,
40 personal wealth holdings and distributions and purchasing or selling a business. These can be
41 characterised as ‘milestone’ events that prompt SME owners to seek out the services of external
42 accountants.
43
44
45
46
47

48
49 Similarly, adverse economic circumstances – both macro-economic and micro-economic
50 - were identified as important drivers of SME demand for business advice. One accountant cited:
51 “problematic economic times” as a significant driver of demand as well as “more competitive
52 industry or a highly-g geared business” (A04). Another accountant identified two key drivers:
53
54
55
56
57
58
59
60

1
2
3 “The main one ... I think would be a desire for growth ... The second one would be a financial
4 squeeze” (A03).
5
6

7 All firms face succession or business transfer issues, and their external accountants are
8 often their first port of call: “They might just want to talk about the succession of the business for
9 instance ... We’ve got an ageing population ... They need to get their firm fit totally to carry on
10 after they retire ... Inheritance tax. I want to give this property to my son, but I don’t like his
11 wife. I think they might divorce. How can I do this without her getting involved?” (A08).
12
13
14
15
16

17 A firm’s stage in the businesses life cycle was identified as another important factor
18 associated with demand for business advice, although the association appears to be bimodal.
19 One accountant explained: “... demand [for business advice] depends on the phase of the
20 business, maybe a lot of advice early, then when buying or selling a business” (A06). This
21 observation was supported by an SME owner-manager, who said: “Back in the early years if
22 anything happened I’d be on the phone. Different relationship, totally different” (SME04).
23 However, not all accountants agreed. One accountant, highlighting the importance of longer-
24 term relationships in the exchange of business advice, stated: “So I think, generally, it’s the more
25 experienced ones [SMEs] that learn how to use [their] advisors ... and the less experienced ones
26 don’t” (A02). The three additional demand factors uncovered by the fieldwork are depicted in in
27 the left hand column of Figure 2.
28
29
30
31
32
33
34
35
36

37 *Relationships.* Most accountants and SMEs highlighted the importance of relationships in
38 decisions to buy business advice from their external accountants. We asked all participating
39 accountants: “What is the most important factor that causes your clients to stay with you, not
40 only to buy compliance advice, but to go on and buy additional services?” In response, all
41 highlighted the importance of building up a relationship. One expressed it this way:
42 “Relationship, the relationship, there is no doubt the good (accountants) are the ones who
43 maintain the relationship the best” (A02). Highlighting the importance of relationships to SMEs’
44 decisions to rely on their accountants as business advisors, one owner-manager stated: “I’m
45 fortunate [that] I know [the accountant], I’ve known him for 30 years. I’ve always been with
46 [the accountant], and I’ve never been anywhere else really” (SME05).
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 The relationship marketing literature highlights the importance of social rapport to a
4 successful business relationship (Berry 1995; Ryals and Payne 2001; Hennig-Thurau 2000).
5 Most accountants and owner-managers indicate the importance of harmonious interpersonal
6 relations — of ‘liking’ one another — in shaping the relationship. “Likeability. I mean if a client
7 goes to someone, they’ve got to like them” (A08). Another accountant said: “They feel they can
8 talk to you and, if they feel comfortable with you, then they’re more likely to say yes, I can work
9 with this person” (A10). Confirming this sentiment, an SME owner-manager said this: “[My
10 accountant] is very nice, he’s decent, he makes you feel good. Is he the best? I don’t know.
11 Maybe not, but he’s nice to work with. Other people who were supposed to be real hotshots, I
12 couldn’t bear sitting with. [It] makes a difference. Much easier to take advice from someone you
13 like than from someone you don’t” (SME03).
14
15
16
17
18
19
20
21
22

23 Social rapport is central to the development of an ongoing relationship, but these
24 relationships are primarily business-based rather than becoming too personal. One owner-
25 manager stated: “Social rapport is important for building that partnership [and] being part of the
26 team” (SME01). He added, however, that “it’s less [of] a personal relationship. The primary
27 thing has always been the business side for both of us” (SME01). Another succinctly put it: “You
28 can’t have a business relationship with a friend” (SME04). Hence, the majority of owner-
29 managers and accountants displayed a ‘managed’ social relationship and this tended not to spill
30 over into socialising. This was epitomised by one owner-manager: “If I bump into [the
31 accountant] on the street, we shake hands and say ‘how have you been, how are things going for
32 you, what’s happening’ ... that type of thing. But [socialise] no, I would say it’s 90% a
33 professional relationship” (SME07). An accountant expressed a similar sentiment: “You don’t
34 need to socialise outside of work” (A03). Highlighting the importance of social rapport, one
35 SME owner who buys business advice from an accountant stated: “I can pick up the phone and
36 ring [the accountant] and say, ‘mate, what’s the go with’ ... it’s very ... not casual, but relaxed”
37 (SME03). While social rapport is necessary for the maintenance of ongoing business
38 relationships, there is little evidence that it directly influences SMEs’ decisions to also source
39 business advice from their external accountants.
40
41
42
43
44
45
46
47
48
49
50
51
52

53 The relationship marketing literature also highlights the importance of understanding
54 clients’ needs through ongoing relationships in order to promote service exchanges (Berry, 1995;
55
56

1
2
3 Ryals and Payne 2001; Hennig-Thurau 2000). All respondents agreed that accountants were
4 competent at providing compliance advice, but had to ‘earn’ their reputations for broader
5 competency as business advisors. One approach used by accountants to understand their clients’
6 businesses is to make regular visits. One accountant explained: “The key ingredients of caring
7 about your client are taking the time and trouble to understand his business. I visit my clients at
8 their business, and it breaks down the tension” (A05). It’s through this type of relationship that
9 SME clients come to understand the potential for their accountants to add value to their
10 businesses: “They [SME clients] begin to understand [over time] that you form part of their
11 success story” (A05). Hence, the argument that proximity and ongoing communications from the
12 local accountant enhance SME commitment by increasing trust (Tan et al 2016) is supported by
13 these findings.
14
15
16
17
18
19
20
21
22

23 A strong theme emerging from the accountants interviewed was that only after nurturing
24 and developing the relationship over time might SMEs progress from buying compliance
25 services to more broad-ranging advisory services. One accountant explained his approach to
26 nurturing the relationship: “... to build personal relationships takes years ... call it target if you
27 will, I don’t like using the term, but if I specifically say ‘well that’s a family I would like to do
28 business with’, then that might take me five years to build the relationship to the point where
29 they have built enough trust and faith in me as a professional advisor” (A03). Continuity of the
30 relationship was identified as important. One accountant explained: “It is about relationships ...
31 many of my clients say to me: ‘Because I know I can speak to you and I know you are
32 overseeing my work and therefore I’m not having to tell someone new every year my
33 circumstances, that is a very valuable thing for me and that’s the reason why I keep coming to
34 you’” (A06).
35
36
37
38
39
40
41
42
43

44 Our findings show that, while these relationships are built within the broader framework
45 of institutional trust (Bennett and Robson 1999), it is really the individual who is the focus of the
46 relationship and who facilitates the broadening of the service base. Most accountants emphasise
47 the fact that, although they are surrounded by the trappings of a firm — an institutional
48 environment — it is the individual who builds the relationship and ‘cements’ that relationship for
49 the firm, after which an SME might purchase additional advisory services. One accountant
50 stated: “The individual is building the relationship, not the firm” (A03). Another noted: “Our
51
52
53
54
55
56
57
58
59
60

1
2
3 firm is trying to make it about the organisation, but the truth is it's about the individual
4 relationships" (A02). Even when a particular accountant is no longer the single source of advice
5 in the accounting firm's relationship with an SME, the language used implies the retention of
6 some control in the relationship: "I provide one point of contact and then I use the broader skills
7 of the firm" (A06).
8
9

10
11
12 In line with the a priori reasoning in our conceptual model, a consistent theme in our
13 interviews was that relationships were necessary to enable, or connect, SMEs' latent demand for
14 advice with the expertise of their external accountant (see Figure 2). Results suggest social
15 rapport and the accountants' understanding their clients' needs are important conditions that
16 enable the exchange of business advice. A successful relationship allows the accountant to
17 develop an understanding of the client's business needs and for the SME to come to understand
18 the accountant's potential as a business advisor. Social rapport serves to facilitate this
19 understanding. Thus it is argued that relationships assist in reducing information asymmetry and
20 provide greater opportunity for the exchange of business advice. The role of relationships in
21 enabling SMEs latent demand for business advice is depicted in Figure 2.
22
23
24
25
26
27
28
29

30
31 *Trust.* The fieldwork explored the role of trust in the SME-accountant relationship
32 explicitly. Although we heard a number of stories regarding the development of trust from both
33 parties, a common pattern emerged: trust is developed over time through ongoing relationships
34 between accountants and SMEs via the provision of compliance services. "I think trust is earned,
35 trust is never given, so you know there has to be a relationship that aids and abets the
36 development of trust before you can actually go down the track." (A03). As another accountant
37 emphasised: "Trust comes from developing the [existing] relationship" (A6). One SME owner-
38 manager who buys a range of business advisory services stated: "Well I just think it's a 30-year
39 relationship where we totally trust what they do and we've always been satisfied with the
40 standard of the service ... we don't question it. ... But it's almost irrational, in some ways, in the
41 sense of the way we buy everything in today's society. Shop around with the internet and all that.
42 But I mean, with this sort of service it's more complex, isn't it?" (SME05).
43
44
45
46
47
48
49
50
51

52 There was broad consensus among the interviewed SMEs that external accountants are
53 among their most trusted advisors. Accountants' trusted advisor status comes from institutional
54
55
56

1
2
3 trust (e.g. Bennett and Robson, 1999) and is constantly reinforced by their role in ensuring their
4 clients comply with government regulations, such as taxation laws or the Corporations Act
5 (compliance role). One SME owner stated: “We need that advice to make sure we’re sticking
6 with the rules and regulations” (SME02). Another said: “He’s your advisor, your compliance
7 keeper and you certainly in business, [are] relying on somebody to make sure you’re doing what
8 you’ve got to do ... That’s the whole reason why you’re prepared to pay those fees” (SME04).
9 This was recognised by many accountants, who expressed the view that one of their primary
10 roles was to keep their clients clear of regulatory trouble. “I keep their [SME clients] noses
11 clean” (A03).
12
13
14
15
16
17
18

19 While trust appears to develop as the relationship evolves, the results suggest we need to
20 be wary of the unequivocal *a priori* assumption that an already established relationship,
21 developed while providing compliance services, will automatically lead an SME to buy business
22 advice from an external accountant. The next section examines the antecedent elements of trust
23 in our conceptual model: ability (competence), empathy (benevolence), integrity and propensity
24 to trust, and their role in SMEs’ decisions to purchase business advice from their external
25 accountants.
26
27
28
29
30
31

32 *Dimensions of Trust: Competence, Empathy and Integrity*

33
34

35 *Competence.* Accountants and SME owner-managers agree that the core competence of
36 external accountants involves compliance tasks. While all accountants believe they have the
37 capacity to add value to their clients’ firms as business advisors, not all SMEs believed that their
38 accountants were competent in providing other types of business advice. For some accountants,
39 compliance work continues to represent the core business. For others, business advisory work
40 has become an important and growing service (see Table 2).
41
42
43
44
45

46 Accountants demonstrate a variety of techniques for communicating their competence as
47 business advisors. Some emphasise hard work and dedication around compliance services. “My
48 hard work and competence [in compliance work] has created trust,” said one (A03). One SME
49 owner pointed to the sale of their business (a milestone event), which enabled the accountant to
50 demonstrate business acumen: “The accountant really stood up from the sale transaction
51 viewpoint and showed me their worth” (SME04). One accountant said competence was implied
52
53
54
55
56
57
58
59
60

1
2
3 from the initial referral: “Referrals imply you are competent” (A05). However, only one SME
4 owner-manager (SME03) stated that he selected his accountant as a business advisor on the basis
5 of reputation for business acumen, not compliance work.
6
7

8
9 Industry knowledge was identified as critical to establishing the competence of
10 accountants as business advisors. One accountant highlighted the importance of industry
11 knowledge as a particular field of expertise. “Once you get known in the industry ... people walk
12 in wanting to come to you” (A10). This can, however, cut both ways. One owner-manager who
13 made limited use of his accountant as a business advisor argued accountants were ‘out of touch’
14 with his industry, and that he had not received value for money on past business advisory
15 services provided by external accountants. (SME04). He stated: “Most of the accounting firms
16 ... they’ll have their little specialist ... but I don’t know! So many of them are out of touch.
17 They’ve just got no handle on it. No handle on the real world ... and I got sick of up-skilling.
18 Getting them up to speed for them to make comments, so I got sort of frustrated ... paying a
19 couple of thousand dollars to have a chat and not getting anything from it” (SME04). He
20 highlighted the importance of detailed industry knowledge: “They [the accountant] could be
21 more specialised in certain areas that can truly offer advice rather than trying to be a jack of all
22 trades” (SME04).
23
24
25
26
27
28
29
30
31
32
33

34 Consistent with the assertion that external accountants have increasingly developed into
35 multi-disciplinary service providers (see, for example, Blackburn and Jarvis 2010; Fogarty et al.
36 2006; Greenwood et al. 2002; Jarvis and Rigby 2012), a number of accountants expressed the
37 view that they did not need to possess detailed industry or specialised knowledge. Rather they
38 simply needed to know where to source the required knowledge. One accountant from a 2nd tier
39 accounting firms used a supply-chain analogy, saying “accountants are a distribution network”,
40 implying that if they do not possess the requisite expertise, they will find that knowledge for the
41 client (A05). Another accountant indicated that accessing business expertise often meant
42 referring SME clients to others within their businesses: “New standards require more
43 specialisation, so we give more work to other partners who specialise in a particular area” (A03).
44 Another accountant said: “We have one single contact point, but then use the broad skills of the
45 firm ... we say to our clients, ‘we’re your one-stop shop’. Our clients come to us if they need any
46 recommendations to anything else and even very specialist work that we don’t carry out we will
47
48
49
50
51
52
53
54
55
56

1
2
3 go and find it” (A08). The largest 2nd tier accounting firms in our sample (A06) had established a
4 dedicated account manager who sought to direct SME clients to the broad range of business
5 expertise within the firm. Another accounting practice (A08) had focused on increasing their
6 business advice competency, while at the same time outsourcing their compliance work to India.
7
8
9

10
11 Overall, the results show that competence or business acumen of an external accountant
12 is critical before an SME will consider buying business advice. While all external accountants
13 perceive themselves as having the necessary skills to provide useful business advice, owner-
14 managers expressed mixed views on this issue. This is consistent with a number of prior studies,
15 which suggested that external accountants do not always have the business expertise
16 (competence) necessary if they are to add value as business advisors (Marriott et al. 2008; Burke
17 and Jarratt 2004; Deakins et al. 2001). Many SMEs require their accountants to have detailed
18 industry expertise before considering them as potentially useful business advisors. It may be
19 asserted that an expectations gap appears to exist between the needs of SME owners and the
20 supply capabilities of many external accountants.
21
22
23
24
25
26
27
28

29 *Empathy.* Empathy involves the accountant understanding and genuinely caring about the
30 client’s interests. As one accountant noted: “We have an obligation morally and ethically to
31 represent their best interests” (A04). Another said: “No matter how well I get on with someone,
32 if I don’t do the right thing by them ... they wouldn’t hang around.” (A06). Elaborating on how
33 to develop empathy, one accountant explained: “You show you care ... well to me it’s just
34 common sense. I return calls. I speak to them and I give them my honest opinion about
35 everything” (A07). Another accountant said: “Generally we’re not really competing on price.
36 What you’re competing on is almost empathy” (A10). With direct reference to selling business
37 advice, another accountant noted: “Unless you have that empathy ... then it’s never going to
38 happen” (A11). One of the advantages that many external accountants have is their size: they
39 themselves, as SMPs, can relate to the plight of SMEs and the demands of running a smaller
40 firm.
41
42
43
44
45
46
47
48
49

50
51 The interviews revealed a common view that empathy assists accountants to come closer
52 to their clients and thus to develop a deeper understanding of their business concerns. One
53 accountant said: “A lot of it is very personal to their business and that’s why you need this
54
55
56
57
58
59
60

relationship trust because it's that knowledge of their business and their life" (A01). Another accountant stated: "If they've got a problem we talk it through ... they have got nobody on their side. They can't talk to the bank because the problem might be the bank. So we are somebody who's on their side" (A08). An SME owner-manager similarly stressed the importance of empathy to the choice of advisor: "I need someone who understands small business and understands the pressures and workloads of the person [who] runs the company" (SME02).

The fieldwork shows that empathy is a critical ingredient in successful client relationships, but it does not assure that an SME will source business advice from their accountant. Accountants with empathy are perceived by SME owner-managers to genuinely care about their businesses and personal needs, making them more receptive to business advice when offered by accountants. Further insight regarding the role of empathy is that it allows accountants to come closer to their SME clients and thus come to understand their deeper business (and sometimes related personal) problems. In the absence of empathy, an SME is unlikely to rely on the advice of their accountant. Consistent with the prediction in our conceptual model, results suggest empathy is a necessary condition that plays an indirect role in enabling accountants to connect with SMEs' latent demand for business advice.

Integrity. All interviewees maintained that integrity was a critical dimension in the accountant-SME relationship. One accountant said: "If the client does not believe we have integrity, we would not hold them" (A04). The importance of integrity was highlighted by many SMEs. One stated: "As a person I feel integrity is very important" (SME05). Another pointed to the fundamental role of integrity to the ongoing accountant-SME relationship. "Trust is vital to who we are and what we do. It underpins everything we do internally and externally, so I guess integrity would probably be number one if I had to rank them because without that, you start to question everything. It doesn't matter if they've got ability if they don't have integrity" (SME01). Another accountant supported this view: "I would put [integrity] higher than ability" (A06).

When discussing integrity, the discussion frequently turned to honesty, which is perceived to be closely related to integrity. Honesty is one of the most valued qualities in society. If someone is honest they are by implication trustworthy. The primary compliance role of

external accountants requires them to be honest. As previously discussed, one role of external accountants is to ensure that their clients are in compliance with the law. It is this very relationship of “required honesty” that gives prominence to trustworthiness in the accountant-client relationship.

However, as was the case with *empathy*, results suggest that *integrity* is a critical ingredient in successful client relationships, but it does not ensure that an SME will source business advice from their own accountant. Consistent with the prediction in our conceptual model, results suggest integrity does not directly influence SMEs’ decisions to buy business advice from their accountants. This is because *integrity* is fundamental to accountants’ ability to retain their clients, even for basic compliance work. This linkage is depicted by the arrow joining relationships and trust is in Figure 2.

Owner-Manager’s Propensity to Trust. Mayer et al. (1995) argued that a trusting nature, or a greater propensity to trust, was akin to a personality trait. Our results suggest that the personalities of owner-managers can influence the extent to which they seek and purchase external business advice. One accountant respondent stated: “The driver of demand is ... the personality of the SME owners being either self-directed people or people who seek advice to assist them [to] make decisions” (A04). Most owner-managers appeared to conform to one or the other of these characterisations. The group of self-directed individuals’ were more confident about relying on their own judgements and were therefore less likely to buy ongoing advice from their accountants, believing that they or their friends and associates possessed the necessary business expertise. This group would only seek advice, in addition to traditional compliance-type services, in response to an imposed change (e.g., regulatory) or significant event (e.g., sale of business) (SME02, SME04, SME08). The second group appear to have a more trusting nature. These are individuals who like to validate decisions by seeking corroborating advice. This group takes longer to develop their confidence in a particular decision path. They tend to make more considered decisions and are thus more likely to seek ongoing business advice as part of the process of seeking information to guide or corroborate their decisions (SME01, SME03, SME05, SME07)⁵.

⁵ SME06 fell into neither category.

1
2
3 These two SME types are illustrated by the following contrasting attitudes. SME04
4 stated: “Accountants did offer other services but I didn’t want them”. An accountant reinforced
5 this assertion: “[Some] SME clients [are] very driven, they know it all, a lot of them are still
6 mainly one owner, they have created the business, it is hard for them to let go” (A01). Another
7 accountant observed that “those SME owners that are a bit unsure of themselves” were more
8 likely to seek his advice (A07).
9

10
11
12
13
14 Consistent with the prediction in our conceptual model, results suggest SME owner-
15 managers’ propensity to trust plays an indirect role in enabling accountants to connect with latent
16 demand for business advice. SME owner-managers with a more trusting nature (i.e. a greater
17 propensity to trust) are more open to buying business advice, though business advice need not be
18 sourced from the external accountant. For those individuals with a less trusting nature, the
19 accountant needs to very clearly demonstrate their competence and empathy before business
20 advice is sought.
21
22
23
24
25

26
27 A limitation of the fieldwork results is that it is based on a non-random and limited
28 sample of accountants and SMEs. A larger-sample will enable empirical validation of the
29 contention that relationships and trust are necessary conditions for enabling (or mediating) latent
30 demand for business advice. Future research should consider a larger-scale study to explore
31 variation in decision-making by SMEs and to better understand how different contexts within
32 which SMEs operate helps explain variation in their decision. Our fieldwork results also call into
33 question some of the previously held assumptions regarding the development of accountant-SME
34 relations, but these findings need verification via large-scale empirical analysis.
35
36
37
38
39
40

41 42 **Summary and Discussion**

43
44 This paper develops and substantiates with fieldwork a conceptual framework explaining the role
45 of relationships and trust in the SME’s decision to purchase business advice from its external
46 accountant. Our fieldwork shows that relationships and trust, rather than being antecedents of
47 demand for business advice, are in fact necessary conditions for activating (or mediating) latent
48 demand. Although demand factors such as age of the business or intention to grow will
49 determine an SME’s ex ante need for advice, we confirm that it is the enabling or mediating
50 factors of relationships and trust that determine whether business advice is actually taken up.
51
52
53
54
55
56

1
2
3 Corroborating recent studies (Viljamaa 2011; Tan et al., 2016), SME owner-managers
4 demonstrate a discerning approach to the type of advice they require and to the sources from
5 which they will purchase advice. SME owners indicated that they used a number of external
6 advisors and, despite having existing relationships with their accountants for compliance
7 services, not all SMEs used them additionally as a source of business advice.
8
9

10
11
12 The development of a unique relationship between the client and accountant is necessary
13 to enable the SMEs' latent demand for advice. As a result of the intangible nature of professional
14 services, accounting services exhibit credence attributes and are likely to be prone to ex ante
15 information problems. Thus a successful relationship will allow an accountant to develop an
16 understanding of the client's business needs and for the SME to come to understand the potential
17 of their accountant as a business advisor. Accordingly, ongoing interaction between the client
18 and supplier is one important way of overcoming information asymmetries. While social rapport
19 is necessary for the maintenance of ongoing business relationships, there is no evidence to
20 suggest that it directly influences SMEs' decisions to source business advice from their external
21 accountants. Relationships, therefore, have boundaries and are kept strictly professional. At the
22 same time, they play a role in reducing information asymmetry concerning the accountants'
23 competence and the SMEs' latent demand for advice, providing greater opportunity for the
24 exchange of business advice.
25
26
27
28
29
30
31
32
33
34
35

36 Consistent with prior research that finds trust is built over time in client-supplier
37 relationships (e.g. Gounaris and Venetis 2002; Denize and Young 2007; Welter 2011), our
38 fieldwork reveals that ongoing relationships between accountants and SMEs, developed over
39 time while providing compliance services, contributes to the building of trust. There is consensus
40 amongst SMEs that external accountants are among their most trusted advisors. However, the *a*
41 *priori* assumption that already-established relationships between accountants and their SME
42 clients developed while providing compliance services will lead SMEs to buy business advice is
43 not confirmed. In other words, trust is bounded within specific areas of competency and is not
44 easily transferable or extended to other advisory areas.
45
46
47
48
49
50
51

52 The competence or business acumen of an external accountant is critical before an SME
53 will consider buying business advice. While all interviewed external accountants perceived
54
55
56

1
2
3 themselves as having the necessary competence to provide useful business advice, SME owner-
4 managers expressed mixed views on their capability. This is consistent with a number of prior
5 studies that suggest external accountants do not always have the business expertise (competence)
6 necessary to add value as business advisors (Marriott et al. 2008; Burke and Jarratt 2004;
7 Deakins et al. 2001). The fieldwork also revealed the critical importance of industry-based
8 knowledge to establishing the competence of accountants as business advisors. Ostensibly,
9 although external accountants may be well placed to offer business advisory services to their
10 SME clients on the back of compliance services, and indeed are better placed than most other
11 providers (Mole 2002; Tan et al., 2016), they need to convince clients that they have the
12 necessary business expertise beyond their compliance capabilities. The fieldwork, therefore,
13 highlights that an expectation gap exists between SME owners' perceptions and external
14 accountants' ability to provide advice.
15
16
17
18
19
20
21
22
23

24
25 Empathy (benevolence) is critical to a successful client relationship, but it does not
26 ensure that an SME will source business advice from their accountant, suggesting that it plays an
27 indirect role in enabling accountants to connect with SMEs' latent demand for business advice.
28 When an accountant is perceived by their SME client as genuinely caring about their business
29 and personal needs (empathy), they can get closer to their client and thus come to understand
30 their deeper business (and sometimes related personal) problems. In the absence of empathy, an
31 owner-manager is unlikely to rely on the advice of their accountant. These results demonstrate
32 that SME owners exhibit both calculative and affective trust behaviours (e.g. Tyler and Stanley
33 2007); that is, the relationship with their accountants is based not only on diminishing
34 information asymmetries and uncertainties, but also on emotional inputs derived from repeated
35 interactions and information acquired over time.
36
37
38
39
40
41
42
43

44
45 Both accountants and SME owner-managers agreed that integrity was a critical
46 dimension of trust and that, without integrity, the accountant would not retain the SME client. As
47 was with empathy, integrity does not ensure that an SME will source business advice from their
48 accountant and therefore it does not directly influence SMEs' decisions to buy business advice.
49 This is because integrity is fundamental to accountants' ability to retain their clients, even for
50 basic compliance work.
51
52
53
54
55
56
57
58
59
60

1
2
3 The analysis suggests an SME owner-managers' propensity to trust is a necessary
4 condition that plays an indirect role in enabling accountants to connect with SMEs' latent
5 demand for business advice. SME owner-managers with more trusting natures (i.e., a greater
6 propensity to trust) are more open to buying business advice, although business advice need not
7 be sourced from the external accountant. For those individuals with less trusting natures, the
8 accountants need to very clearly demonstrate their competence and empathy before business
9 advice is sought.
10
11
12
13
14
15

16 Our fieldwork identified a number of approaches accountants are using to communicate
17 their competence as business advisors. Some accountants indicated they had created forums and
18 information meetings to keep their clients up to date with changes. In turn, these forums allowed
19 accountants to display their competence potentially leading to further work. Because of the
20 difficulty of accountants developing detailed industry knowledge across multiple industries,
21 smaller accounting practices in particular might restructure their organisations to increase access
22 to detailed industry knowledge. This may involve nurturing a multi-disciplinary network of
23 suppliers, organised around industry expertise, with the accounting practice itself becoming more
24 of a referral hub. Future research might investigate alternative approaches for external
25 accountants to promote their expertise as business advisors.
26
27
28
29
30
31
32
33

34 Our results have important theoretical and practical implications. Theoretically, the
35 development of our conceptual model clarifies how relationships and trust are used by both the
36 accountant and client to overcome credence issues and ex ante information problems. Indeed, the
37 conceptual model distinguishes, for the first time, the antecedent factors of demand for business
38 advice from the enabling roles of relationships and trust. Further, our fieldwork has yielded a
39 number of important new leads and insights into the complex behaviour and motivations of SME
40 managers and owners when it comes to their consideration of whether to purchase business
41 advice from external accountants. Specifically, our research uncovered significant insights into
42 how specific personality traits of SME owner-managers can influence decisions to purchase
43 external business advice. This in turn contributes to a deeper and more nuanced understanding of
44 the role of personal trust in the accountant-client relationship, particularly as it relates to
45 decisions to purchase business advice. Our findings of an expectation gap concerning the
46 competence of the accountant to provide business advice highlights the need for the profession to
47
48
49
50
51
52
53
54
55
56

1
2
3 develop initiatives to strengthen the accountant's business acumen and industry based business
4 knowledge. External accountants are particularly well placed to expand their service offerings to
5 support SMEs, but the challenge is to close the expectation gap by convincing SME clients that
6 they have the expertise to support business success as well as ensuring that the accountant
7 possesses the necessary skills to add value to their clients.
8
9
10
11

12
13 By materially expanding knowledge and understanding of the complex array of factors
14 influencing decisions by SMEs to purchase business advice from their accountants, our findings
15 could assist accountants – particularly smaller practices – when refining their business models in
16 future with a view to promoting a greater uptake of business advisory services. This is a
17 particularly pertinent consideration for accountants at a time when demand for their traditional
18 compliance services is in decline all over the world.
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

References

- Accounting Professional and Ethical Standards, February. (2008), "Compiled APES 110 Code of Ethics for Professional Accountants", in *Handbook of International Auditing, Assurance and Ethics Pronouncements*, International Ethics Standards Board for Accountants, International Federation of Accountants (IFAC), New York.
- Achrol, R.S. (1997), "Changes in the theory of interorganizational relations in marketing: toward a network paradigm", *Journal of the Academy of Marketing Science*, 25(2), 56-71.
- American Institute of Certified Practising Accountants (AICPA). (2011), CPA horizons for 2025: A road map for the future. *Journal of Accountancy*, December 212(6), 44-47.
- Andaleeb, S.S. (1992), "The trust concept: research issues for channels of distribution", *Research in Marketing*, 11, 1-34.
- Anderson, E. and B.A. Weitz (1989), "Determinants of continuity in conventional industrial channel dyads", *Marketing Science*, 8(4), 310-323.
- Anderson-Gough, F., C. Grey, and K. Robson (2002), "Accounting professionals and the accounting profession: linking conduct and context", *Accounting and Business Research*, 32(1), 41-56.
- Australian Bureau of Statistics. (2001), "The Australian Business Register, June 2001. ABS Catalogue No. 1369.0.55.001, Australian Government Publishers, Canberra.
- Barney, J.B. and M.H. Hansen (1994), "Trustworthiness as a source of competitive advantage", *Strategic Management Journal*, 15, 175-190.
- Bennett, R. J. and C. Smith (2004), "The selection and control of management consultants by small business clients", *International Small Business Journal*, 22, 435-462.
- Bennett, R.J. and P.J. Robson (1999), "The use of external business advice by SMEs in Britain", *Enterprise and Regional Development*, 11, 155-180.
- Berry, L.L. (1995), "Relationship marketing of services – growing interest, emerging perspectives", *Journal of the Academy of Marketing Science*, 23(Fall), 4, 236-245.
- Berry, A.J. and R. Sweeting (2006), "The effect business advisors on the performance of SMEs", *Journal of Small Business and Enterprise Development*, 13(1), 33-47.
- Blackburn, R. and R. Jarvis (2010), "The role of small and medium practices in providing business support to small- and medium-sized enterprises", Small and Medium Practices Committee Information Paper, International Federation of Accountants, New York, April, 2010.
- Blair, E.S. and T.M. Marcum (2015), "Heed Our Advice: Exploring How Professionals Guide Small Business Owners in Start-Up Entity Choice", *Journal of Small Business Management*, 53(1), 249–265.
- Burke, G.I., and D.G. Jarratt (2004), "The influence of information and advice on competitive strategy definition in small- and medium-sized enterprises", *Qualitative Market Research: An International Journal*, 7(2), 126-138.
- Busco, C., A. Riccaboni, and R.W. Scapens (2006), "Trust for Accounting and Accounting for Trust", *Management Accounting Research*, 17(1), 11-41.
- Carey, P. and G.A. Tanewski (2016), "The provision of business advice to SMEs by external accountants", *Managerial Auditing Journal*, 31(3), 290-313.
- Carey, P., R. Simnett and G.A. Tanewski (2005), "Providing business advice to small and medium sized enterprises", *Report prepared for CPA Australia*, July 2005.

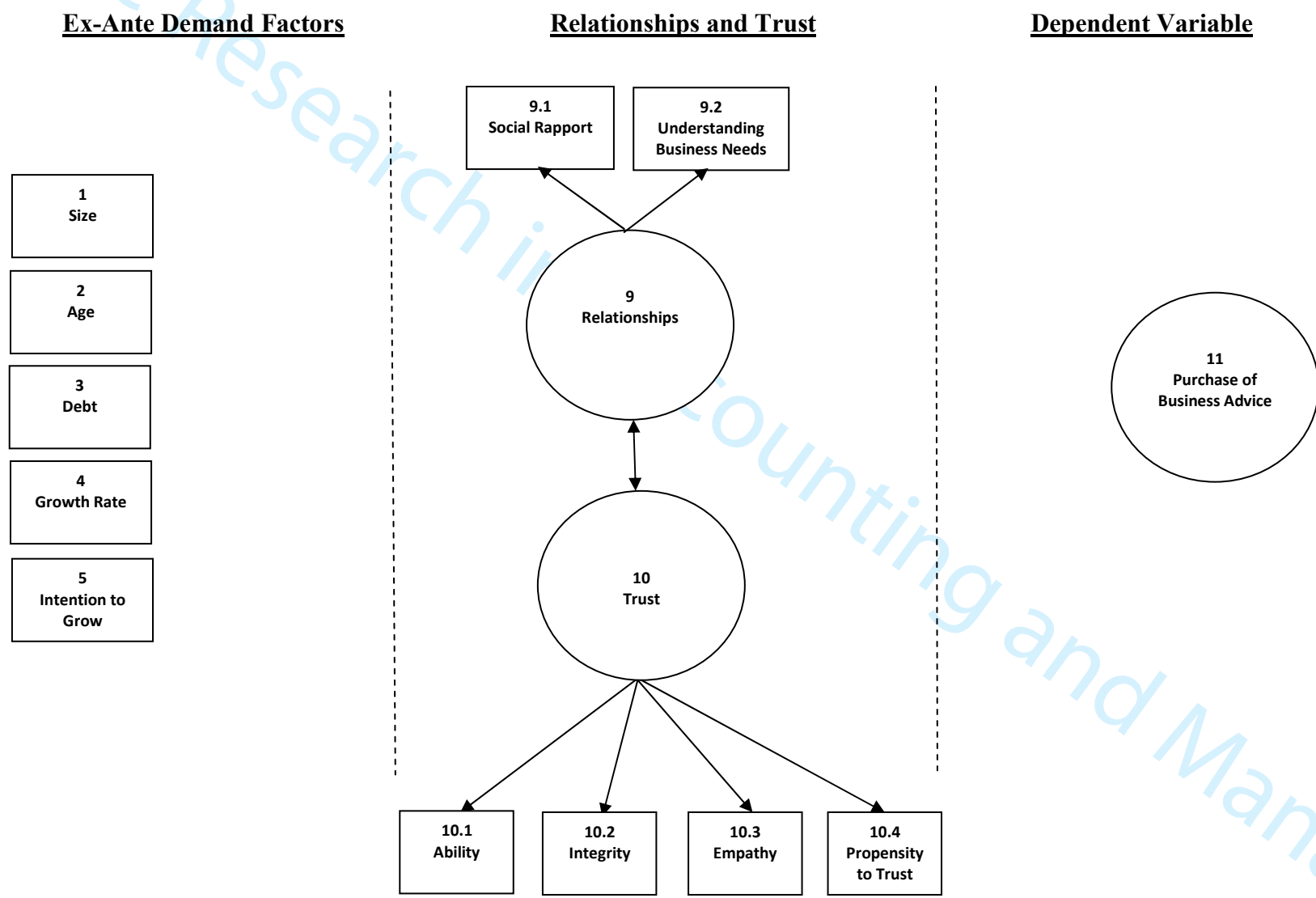
- 1
2
3 Chua W. F. (1996), "Issues in substantive areas of research: Field research in accounting", in
4 A.J. Richardson (Ed.), *Research Methods in Accounting: Issues and Debates*. Research
5 Monograph Number 25, CGA Canada Research Foundation, Vancouver.
- 6 Claycomb, C. and C.L. Martin (2002), "Building customer relationships: an inventory of service
7 providers' objectives and practices", *Journal of Services marketing*, 16(7), 615-635.
- 8 Covaleski, M., M. Dirsmith, J. Heian and S. Samuel (1998), "The calculated and the avowed:
9 techniques of discipline and struggles over identity in Big 6 public accounting firms",
10 *Administrative Science Quarterly*, 43(June), 298-327.
- 11 Cowton, C.J. (2009), "Accounting and the ethics challenge: Remembering the professional
12 body", *Accounting and Business Research*, 39(3), 177-189.
- 13 Crosby, L.A., K.R. Evans and D. Cowles (1990), "Relationship quality in services selling: an
14 interpersonal influence perspective", *Journal of Marketing*, 54(July), 68-81.
- 15 Curran, J. and R.A. Blackburn (1994), *Small firms and local economic networks: The death of
16 the local economy?* London: Paul Chapman/Sage.
- 17 Deakins, D., D. Logan and L. Steele (2001), "The Financial Management of the Small
18 Enterprise", ACCA Research Report No. 64, The Association of Chartered Certified
19 Accountants, Certified Accountants Educational Trust, London.
- 20 Denize, S. and L. Young (2007), "Concerning trust and information", *Industrial Marketing
21 Management*, 36, 968-982.
- 22 Department for Business Innovation and Skills. (2009), "Enterprise Directorate Analytical Unit",
23 available at: [http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/research-and-
24 statistics/statistics/page38573.html](http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/research-and-statistics/statistics/page38573.html) (accessed July 2014).
- 25 Dirsmith, M., J. Heian and M. Covaleski (1997), "Structure and agency in an institutionalized
26 setting: the application and social transformation of control in the Big Six", *Accounting
27 Organizations and Society*, 22(January) 1, 1-17.
- 28 Doving, E. and P.N. Gooderham (2008), "Dynamic capabilities as antecedents of the scope of
29 related diversification: the case of small firm accountancy practices", *Strategic
30 Management Journal*, 29(8), 841-857.
- 31 Dyer, L. M., and C. A. Ross (2007). "Advising the Small Business Client," *International Small
32 Business Journal*, 25(2), 130-149.
- 33 Edwards, P., S. Sengupta and C. Tsai (2010), "The context-dependent nature of small firms'
34 relations with support agencies: A three-sector study in the UK", *International Small
35 Business Journal*, 28(6), 543-565.
- 36 Ferguson, L. (2012), "Gaining (from) your clients' trust", *Journal of Accountancy*, May 213(5),
37 38-43.
- 38 Fogarty, T.J., V.S. Radcliffe, and D.R. Campbell (2006), "Accountancy before the fall. The
39 AICPA vision project and related professional enterprises", *Accounting Organizations and
40 Society*, 31, 1-25.
- 41 Gooderham, P.N., A. Tobiassen, E. Doving, and O. Nordhaug (2004), "Accountants and sources
42 of business advice for small firms", *International Small Business Journal*, 22(1), 5-22.
- 43 Gounaris, S.P. and K. Venetis (2002), "Trust in industrial service relationships: behavioural
44 consequences, antecedents and the moderating effect of the duration of the relationship",
45 *Journal of Service Marketing*, 16(7), 636-655.
- 46 Greenwood, R., R. Suddaby and C.R. Hinings (2002), "Theorizing change: The role of
47 professional associations in the transformation of institutional fields", *Academy of
48 Management Journal*, 45(1), 58-80.
- 49
50
51
52
53
54
55
56
57
58
59
60

- 1
2
3 Grey, C. (1998), "On being a professional in a Big Six firm", *Accounting Organizations and*
4 *Society*, 23(5/6), 569-587.
- 5 Grönroos, C. (1990), *Service Management and Marketing: Managing the Moments of Truth in*
6 *Service Competition*, Lexington Books, Lexington, MA.
- 7 Guest, G., A. Bunce and L. Johnson (2006), "How many interviews are enough?: An experiment
8 with data saturation and variability", *Field Methods*, 18(1), 59-82.
- 9 Håkansson, H. (Ed.). (1982), *International Marketing and Purchasing of Industrial Goods*,
10 Wiley, New York, NY.
- 11 Hartstein, B.D. (2013), "Certified public accountants as future "trusted business advisors" – and
12 how to engage them", *Journal of Financial Service Professionals*, November, 35-39.
- 13 Hennig-Thurau, T. (2000), "Relationship quality and customer retention through strategic
14 communication of customer skills", *Journal of Marketing Management*, 16(1-3), 55-80.
- 15 Holmes, S., & D. Nicholls (1989), "Modelling the accounting information requirements of small
16 businesses", *Accounting and Business Research*, 19(74), 143-150.
- 17 Huggins, R. and A. Johnston (2010), "Knowledge flow and inter-firm networks: The influence of
18 network resources, spatial proximity and firm size", *Entrepreneurship and Regional*
19 *Development*, 22(5), 457-488.
- 20 ICPAS-CPA Australia Roundtable (2013), "Leveraging on Advisory Services for Business
21 Growth", Institute of Certified Public Accountants of Singapore (ICPAS) and CPA
22 Australia, June 2013.
- 23 Jarvis, R. and M. Rigby (2012), "The provision of human resources and employment advice to
24 small and medium-sized enterprises: The role of small and medium-sized practices of
25 accountants", *International Small Business Journal*, 30(8), 944-956.
- 26 Kirby, D.A. and S.H. King (1997), "Accountants and small business development: Filling the
27 expectation gap", *The Services Industries Journal*, 17(2), 294-304.
- 28 Kirby, D. A., B. Najak, and F. Greene. (1998), "Accounting for growth: Ways accountants can
29 add value to small business", The Research Board, ICEW, London.
- 30 Kitching, J., E. Kasperova, R. Blackburn, and J. Collis (2011), "Small company abbreviated
31 accounts: A regulatory burden or a vital disclosure", Institute of Chartered Accountants of
32 Scotland. ASBN. 978-1-904574-80-4
- 33 Kramer, R.M. and T.R. Tyler (Eds). (1996), *Trust in Organizations: Frontiers of Theory and*
34 *Research*, London: Sage.
- 35 Kuzel, A. (1992), "Sampling in qualitative inquiry", in Crabtree, B. and W. Miller (Ed.), *Doing*
36 *Qualitative Research*, Sage, Newbury Park, CA, pp. 31-44.
- 37 Lambert, R.A. (2001), "Contracting theory and accounting", *Journal of Accounting and*
38 *Economics*, 32, 3-87.
- 39 La Porta, R., F. Lopez-de-Silanes, A. Shleifer and R.W. Vishny (2000), "Investor protection and
40 corporate governance", *Journal of Financial Economics*, 58(1-2), 3-27.
- 41 Lee, J.S. and Y. Kwon (2014), "Exploring Key Factors of Application Software Services and
42 Their Relationships for Organizational Success in SMEs", *Journal of Small Business*
43 *Management*, 52(4), 753-770.
- 44 Lewicki, R.J., D.J. McAllister and R.J. Bies (1998), "Trust and distrust: new relationships and
45 realities", *Academy of Management Review*, 22(3), 438-458.
- 46 Martin, C. (2004), "Accountancy practices and the provision of ownership succession advice",
47 *ACCA Research Report RR85*, ACCA, London.
- 48
49
50
51
52
53
54
55
56
57
58
59
60

- 1
2
3 Mariott, N., and P. Mariott. (2000), "Professional accountants and the development of a
4 management accounting service for small firms: Barriers and possibilities", *Management*
5 *Accounting Research*, 11(4), 475-495.
- 6
7 Marriott, N., P. Marriott, J. Collis and D.D. Son (2008), "The Accountant and the Provision of
8 Financial Advice to UK Smaller Companies", *British Accounting Association Annual*
9 *Conference, Blackpool, April*.
- 10 Mayer, R.C., J.H. Davis, and F.D. Schoorman (1995), "An integrative model of organizational
11 trust", *Academy of Management Review*, 20(3), 709-734.
- 12 Miles, M. B. and A. M. Huberman (1994), *Qualitative Data Analysis*. Sage Publications,
13 Thousand Oaks, CA.
- 14 Mole, K. (2002), "Business Advisors' Impact on SMEs: An Agency Theory Approach",
15 *International Small Business Journal*, 20(2), 139-162.
- 16 Möllering, G. (2002), "Perceived trustworthiness and inter-firm governance: empirical evidence
17 from the UK printing industry", *Cambridge Journal of Economics*, 26(2), 139-160.
- 18 Moorman, C., R. Deshpande and G. Zaltman (1993), "Factors affecting trust in market research
19 relationships", *Journal of Marketing*, 75(1), 81-101.
- 20 Nooteboom, B. (2002), *Trust, Forms, Foundations, Functions, Failures and Figures*. Edward
21 Elgar, London.
- 22 Parker, L., (2001), "Back to the future: The broadening accounting trajectory", *British*
23 *Accounting Review*, 33, 421-453.
- 24 Price, L.L., E.J. Arnould and P. Tierney (1995), "Going to extremes: managing and assessing
25 provider performance", *Journal of Marketing*, 59(April), 83-97.
- 26 Professional Oversight Board. (2010), *Key Facts and Trends in the Accountancy Profession*,
27 Financial Reporting Council, London, June.
- 28 Puffer, S.M., D.J., McCarthy and M. Boisot (2010), "Entrepreneurship in Russia and China: The
29 impact of formal institutional voids", *Entrepreneurship Theory and Practice*, 34, 441-467.
- 30 Roslender, R. (1992), *Sociological Perspectives on Modern Accountancy*, Routledge, London.
- 31 Ryals, L. and A. Payne (2001), "Customer relationship management in financial services:
32 towards information-enabled relationship marketing", *Journal of Strategic Marketing*, 9(1),
33 3-27.
- 34 Schoorman, F.D., R.C. Mayer & J.H. Davis (2007), "The integrative model of organizational
35 trust: Past, present, and future", *Academy of Management Review*, 32, 344-354.
- 36 Stone, G. (2015), "Power, dependence and frustration", *Meditari Accountancy Research*, 23(3),
37 250 - 275.
- 38 Stone, G. (2011), "Let's talk: adapting accountants' communications to small business
39 managers' objectives and preferences", *Accounting, Auditing & Accountability Journal*,
40 24(6), 781-809.
- 41 Tan, L.M., Braithwaite, V., and Reinhart, M. (2016). "Why do small business taxpayers stay
42 with their practitioners? Trust, competence and aggressive advice", *International Small*
43 *Business Journal*, 34(3), 329-344.
- 44 The Economist. (2010), "A conflict of interest. A question of holding accountants to account",
45 October 16, 70.
- 46 Tomkins, C. (2001), "Interdependencies, trust and information in relationships, alliances and
47 networks", *Accounting, Organizations and Society*, 26, 161-191.
- 48 Tyler, K. and E. Stanley (2007), "The role of trust in financial services business relationships",
49 *Journal of Services Marketing*, 21(5), 334-344.
- 50
51
52
53
54
55
56
57
58
59
60

- 1
2
3 U.S. Census Bureau (Census). (2009), "A Profile of U.S. Exporting Companies, 2006–07", April
4 9, 2009.
- 5 U.S. Small Business Administration (SBA). (2014), "Office of Advocacy. Frequently Asked
6 Questions", available at: <http://www.sba.gov/category/advocacy-navigation-structure/faqs>
7 (accessed March 2014).
- 8
9 Viljamaa, A. (2011), "Exploring small manufacturing firms' process of accessing external
10 expertise. *International Small Business Journal* 0266242610390595, first published on
11 July 18, 2011 as doi:10.1177/0266242610390595
- 12 Welter, F. (2011), "Contextualizing entrepreneurship: Conceptual challenges and ways forward",
13 *Entrepreneurship Theory and Practice*, 35, 165-184.
- 14 Welter, F. and D. Smallbone (2006), Exploring the role of trust in entrepreneurial activity.
15 *Entrepreneurship Theory and Practice*, 30, 465-475.
- 16 Zand, D.E. (1972), "Trust and managerial problem solving", *Administrative Science Quarterly*,
17 17, 229-239.
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Figure 1. Conceptual Framework for Business Advice Derived from the Literature



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

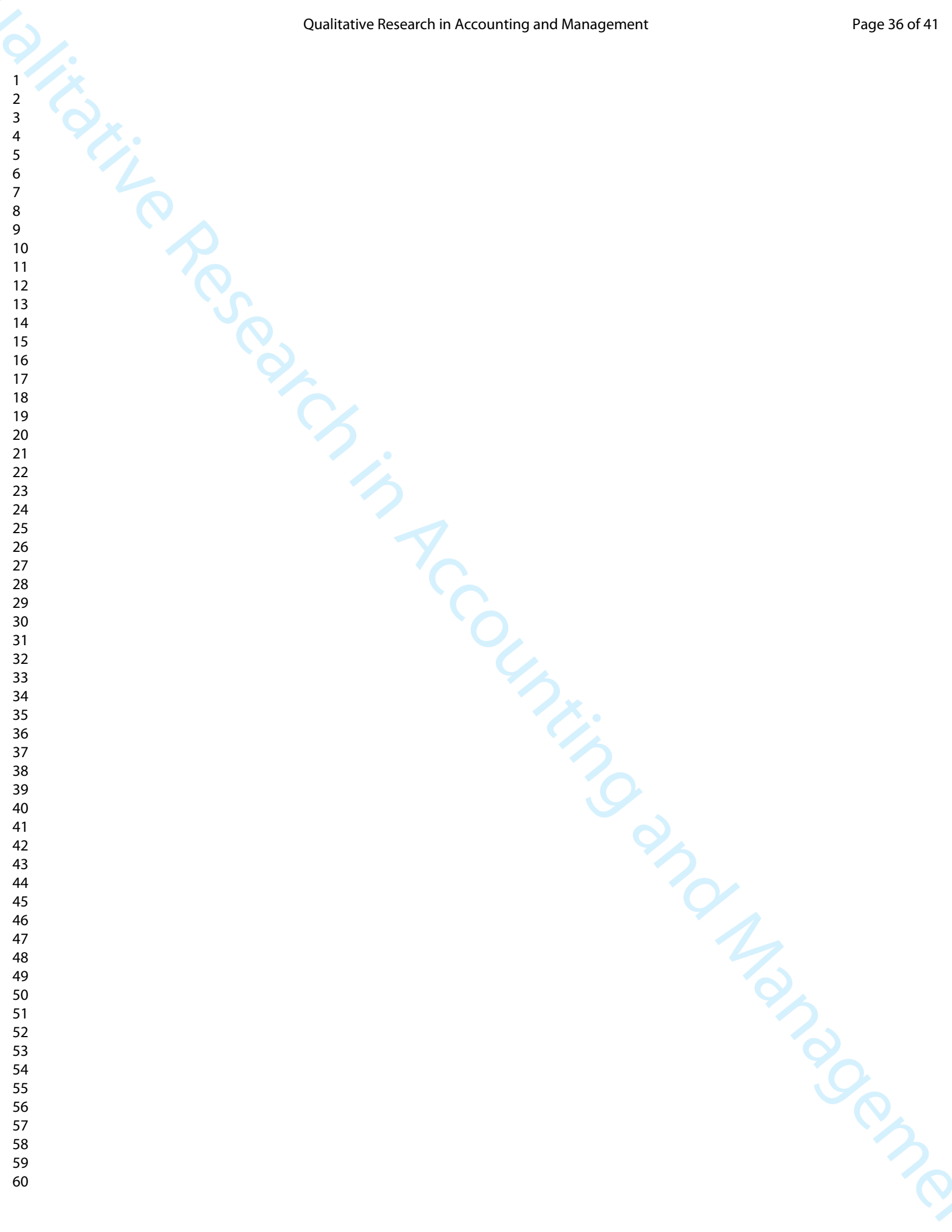


Table 1. SMEs Interviewed: Business Advice Purchased from External Accountant

Company	Sector, Industry, Country	Size: Employees	Business Advisory Services Purchased from External Accountant	Business Advisory Services, Other Advisers
SME01	Wholesale/ Importer consumer products Australia	30	None	Financial Planning (Investments) Mentoring, coaching, strategic planning, benchmarking, Para-legal, human resource support.
SME02	Manufacturing/Wholesale/Exporting Unique Australian Clothing Australia	80	Acquisition and New Business advice. Financial Modelling Assisting with Bank Finance	Textile Industry Consulting Group HR, Marketing
SME03	Packaging Food and Drugs Australia	50	Business Structuring	Task Orientated Marketing, Production
SME04	Retail and Wholesale Australia	180	Sale of Business	Mentoring/Coach HR
SME05	Personal Service – Hairdressing UK	20	Property and Finance Advice Milestone Events, payroll, HR	None
SME06	Retail and Wholesale, Manufacturing Service - Bespoke Clothing Sampling UK	7	Structuring, HR	Regional Business Centre - Various
SME07	Service B-To-B –Design & Marketing UK	5	Financial Advice, General Business Advice	None
SME08	Manufacturing, Wholesale, Retail – furniture and textiles UK	86	None	Payroll, Marketing

Table 2. Accountants Interviewed: Provision of Services to SMEs

Accountant Interviewed	Size of Accountancy Firm Country	Interviewees	Types of Business Advisory Services Provided by Firm	Proportion of Firm Revenue Contributed by Business Advisory Services
A01	2 nd Tier Australia	Partner – SME Accounting Services	Financial Management, Planning, Forecasting, Succession planning, Superannuation, Asset Protection	40%
A02	2 nd Tier Australia	Partner – SME Private Clients	Banking, Wealth Creation, Succession Planning	40%
A03	2 nd Tier Australia	Partner – SME Audit	Financial Statements, Valuation, Business Sale and Purchase, Due Diligence	20%
A04	2 nd Tier Australia	Partner – SME Private Clients	Corporate Advisory, Private Wealth Advisory, Investment Strategy, Succession planning, Business Sale and Purchase Forensic Accounting	60%
A05	2 nd Tier Australia	Partner – SME Private Clients	Structuring, Superannuation, IT, HR, Finance Brokering, Providing Networking	25%
A06	2 nd Tier Australia	Partner – SME Private Clients	Purchase And Sale of Business, Structuring, Financial Management, Wealth Management, Superannuation, Banking	25%
A07	Small Australia	Partner	Financial Planning, Mortgage Broking, Superannuation, Business Strategy, General Business Advice	50%
A08	2 nd Tier UK	Partner – SME Clients	Business Purchase and Sale, HR, Financial Management, Company Secretarial	n/a
A09	Medium UK	Partner – SME Client Services	Company Secretarial, HR, Business Purchase and Sale	50%
A10	Medium UK	Partner	Financial planning, retirement planning	100%
A11	Medium UK	Partner Financial Adviser (Part of Accountancy Firm)	Financial Planning, Retirement Planning, Pensions, Protection	100%
A12	2 nd Tier UK	Partner	Succession planning, Tax audit assistance, Business planning, corporate finance, recruitment advice	20%

Responses to Reviewer's Comments

We take this opportunity to thank you for the opportunity to revise our manuscript and to express our appreciation for your effort and helpful comments. We have redrafted the paper to incorporate your suggestions and we believe the paper is much improved. Responses to each of the comments are explained below:

Editor's Comment

Response

<p>The reviewer has recommended publication, subject to some minor revisions to your manuscript. Therefore, I invite you to respond to the reviewer's comments and revise your manuscript. I think you will find that these comments are relatively straight forward and easy to address. In regard to the last comment (re adding to agency theory), I will leave it with you whether to follow the reviewer's suggestion to elaborate this argument, or to simply remove this claim. I suggest that you make the revisions as quickly as you can, as there may be the opportunity to squeeze your paper into Issue 1 of QRAM for 2018. If not, then it will have to go into Issue 3 for 2018, since Issue 2 is reserved for a special issue.</p>	<p>We are pleased that the reviewer and the editor both consider the paper to be much improved. We also would like to acknowledge the editor's helpful comments and for facilitating a very constructive refereeing process.</p> <p>As suggested by the reviewer, we have removed the claim from the paper that "our conceptual model augments agency theory - the dominant theoretical paradigm explaining demand for accounting and audit services (Lambert 2001)".</p>
--	---

Reviewer's Comments

Response

<p>1. At present, the introduction is rather long and needs to be sharpened, in my view. To this purpose, I would suggest trying to reduce its length and concentrate on the motivations for the study, the key issues and problems at stake, the research objectives and the main contributions. Some of the arguments made in the introduction can be moved to the literature review in the subsequent section, which at present remains predominantly descriptive and unproblematic. In fact, the section titled 'Unpacking relationship in business advisory services' would benefit from the elaboration of some of the points raised in the introduction. Also, I wonder whether it could benefit from the insights offered</p>	<p>We are pleased that the reviewer considers the paper to be much improved. We would like to acknowledge the reviewer's helpful comments and for the very constructive refereeing process.</p> <p>We have reduced the introduction by four pages and have considerably sharpened the focus of the introduction, which is now three-pages long. The introduction focuses on the motivations, the key issues and problems, the research objectives, and the main contributions of the study.</p> <p>As suggested, some of the</p>
---	--

<p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23</p> <p>by more recent studies on the topic (the literature reviewed here is rather outdated). Finally, the key messages learnt from the literature reviewed in this section, and leading to the subsequent sections, could be made more explicit.</p>	<p>argumentation which had been in the introduction has now been moved to the section titled 'Unpacking relationship in business advisory services' as well as into the sections titled 'Conceptualising Trust' and 'Conceptual Framework Explaining SME Demand for Business Advice'.</p> <p>We undertook an extensive literature search with the aim of identifying more recent studies on the topics discussed in the literature review. Our search revealed that we are unable to include any more recent studies (citations) that are relevant to our topic.</p>
<p>24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39</p> <p>2. To my understanding, the literature review on business advisory services and trust leads the authors to draft the theoretical framing in figure 1. However, I would suggest the authors to provide clearer links between the two. A possible way for doing it could be to number each element of the framework in figure 1, or label it with a letter, and then refer to it in the literature review. Each element needs to be clearly derived from the literature, providing critical arguments about its choice as part of the framework.</p>	<p>The paper now explains more clearly the links between the elements of the conceptual framework in Figures 1 and 2 and the literature review. Indeed, we have included an additional figure (see Figure 2) in the paper to more clearly explain the conceptual framework.</p>
<p>40 41 42 43 44</p> <p>3. Similar references to Figure 1 might be provided in the empirical analysis.</p>	<p>Where appropriate we have now made reference to our conceptual model (Figure 2) in the empirical analysis.</p>
<p>45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60</p> <p>4. In the introduction, the authors mention that this research may offer important insights to the accounting profession, as well as accounting bodies. However this point is not fully addressed in the concluding section and may deserve to be strengthened further as a contribution of the paper. What can accounting bodies learn from this research, and how could they benefit from the proposed</p>	<p>We have extended the discussion of implications of research in the conclusion.</p>

theoretical framework? The answer to these questions could be reinforced as part of the conclusion.	
5. Finally, I am not convinced by the assertion that the paper's conceptual model augments agency theory. Agency theory is not fully reviewed in the paper and not clearly embedded in the theoretical framework. As such, this point remains unconvincing in my view. It requires to be explained and elaborated further if the authors wish to provide convincing arguments on this regard. I hope my suggestions will help in refining the paper further.	As suggested by the reviewer, we have removed the claim from the paper that "our conceptual model augments agency theory - the dominant theoretical paradigm explaining demand for accounting and audit services (Lambert 2001)".