

Growing globally:

How SMPs can unlock international ambitions



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Growing globally

How SMPs can unlock international ambitions

About this report

This report considers how more small and medium-sized enterprises (SMEs) can be encouraged to participate in international trade and the role of small and medium-sized accounting practices (SMPs) in helping to achieve this. In doing so, it also examines the potential for SMPs to support clients through the wider provision of international advisory services.

For the purposes of this project, ACCA defines SMEs as businesses with fewer than 250 employees and similarly SMPs as practices with fewer than 250 employees, supporting almost exclusively small and medium-sized business clients.

Although all ACCA's research was global, specific findings from five key markets have also been extracted and presented in this report. These markets are Ireland, Malaysia, Nigeria, Singapore and the UK. They were selected on the basis of their representation of markets in various stages of economic development, and their global and regional importance to international trade, as well as their relatively large concentrations of ACCA membership.

We are grateful for the support of Dr Hang Do, postdoctoral researcher, and Professor Robert Blackburn, associate dean for research, from Kingston Business School's Small Business Research Centre, in the development of this report.





Foreword

Today's small and medium sized enterprises (SMEs) operate in an exciting and demanding globalised environment. As this latest research report reveals, 91% of small and medium sized accounting practices (SMPs) ACCA surveyed have clients engaged in international activity.

This new cross-border reality, with extended supply chains and more complex connections, is fundamentally challenging the business models of the modern SMP. Whether small practitioners choose to focus on their existing core services or expand their offerings to meet emerging client demands, their in-built agility can be a huge advantage in a fast-moving international marketplace.

In gathering the views of over 900 SMPs and SMEs around the world, this research helps illuminate the opportunities and challenges for those engaged in international activity and how best to tackle them. In doing so, it shows a business environment with huge potential for SMPs that are able to develop specialist expertise, think strategically, network effectively, and invest in the right professional development.

As the global body for professional accountants, ACCA is committed to helping our members in SMPs and SMEs maximise growth opportunities and profitability. From the innovations within our qualification, to our ever-expanding range of professional insights and future-focused CPD, we're here to ensure today's ACCA small practitioners are equipped to compete in the brave new world of global business – wherever it takes them.

Helen Brand OBE
Chief executive
ACCA

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Executive summary



SMPs recognise many of the key challenges and opportunities that internationalising SMEs face in today’s global economy. This, alongside SMPs’ reputation as leaders in professional advice, provides them with an excellent platform for delivering additional added-value support to clients.

Nonetheless, although the SMPs surveyed stated that the overwhelming majority of their clients had been involved in some form of international activity over the previous three years, their current provision of relevant support remains focused on a limited number of areas. Indeed, only 24% of SMEs said that they currently use SMP support when internationalising.

As SMEs continue to seek new ways of participating in international trade, partly enabled by developments in technology, practices are being presented with opportunities for expanding their international advisory provision.

Figure ES1 highlights some examples where SMPs may choose to specialise their international service offerings. These are presented around three key stages of internationalisation: market research, strategy and planning and business model optimisation.

The key challenge in taking advantage of such opportunities centres on the risks that inevitably come with introducing new and relevant client services.

ACCA’s findings also revealed the information shown in the following infographics, *SME internationalisation today* and *The advice landscape*.

FIGURE ES1: Examples of possible international advisory provision

Market research	Strategy and planning	Business model optimisation
Market analysis and business intelligence	Cashflow management and forecasting	Adoption of cloud and data analytics software solutions
International tax advisory	Export finance and payments	E-commerce and information technology
Regulatory and customs advisory	Foreign exchange and transfer pricing	Adapting legal, finance and tax structures
Policy and legislative support/engaging with government authorities	Assessment of business risks, effective control planning and mitigation strategies	Identifying domestic government funding/support programmes
Establishing foreign branches or subsidiaries	Developing international networks and value chain participation	Recruitment and training / talent management

SME internationalisation today

Many SMEs and SMPs considered ease of doing business and high growth potential to be important factors when choosing an export destination. Fewer cited geography as being important, possibly because new technologies are reducing its significance as a barrier.



Just under half (**45%**) of SMEs said the main benefits of internationalisation included access to new customers in foreign markets. Respondents also cited increased profitability (**35%**), faster business growth (**33%**) and access to new business networks (**30%**).



For both SMEs and SMPs foreign regulation was the most frequently cited barrier to internationalisation. For SMEs, the second most frequently cited factor was competition (**27%**), while for SMPs it was foreign customs duties (**25%**).



SMEs' future international ambitions are focused on building the capacity of their businesses (cited by **45%**), building networks in foreign markets (**45%**) and developing more products and services or introducing them to market (**44%**).

The advice landscape



A wide breadth of professional advice and support is used by internationalising SMEs, who tend to reach out to different sources as they progress. Government or relevant public agencies (39%) are the most widely used source of professional advice, closely followed by lawyers (35%) and then banks (33%).

Accountants are most likely to be used by SMEs when looking for support on international tax, regulatory compliance, foreign exchange and accessing external finance.



Only 9% of SMPs said they had no clients who had been involved in any international trade activities over the previous three years. Importing and exporting activities were the most common, as was participating in broader international supply chain networks.



Just under half (47%) were not members of any network organisation, potentially missing out on valuable resources that could enable the development of more effective forms of international support.



SMPs rely mainly on internal and informal resources when advising clients about internationalisation. This gradually shifts towards a reliance on more external and formalised resources as practices grow in numbers of employees.

The growth of SME internationalisation comes at a time when SMP business models face a series of challenges to their core revenue streams.

RECOMMENDATIONS

SMPs: Scoping out the offering

The growth of SME internationalisation comes at a time when SMP business models face a series of challenges to their core revenue streams. This also risks threatening SMPs’ longstanding reputation as leaders in professional advice as well as the ‘quasi-finance director’ role they perform for many of their clients.

When looking to offer international advisory services, SMPs can gradually adapt their business models. However, this requires practices to use resources more efficiently, proactively expand their external networks and think strategically about which specific client services will generate demand.

1) Specialisation is key. In developing their international advisory provision, it is vital first to identify an area of the market where the SMP believes the practice has the best opportunity to develop its expertise, resources and intelligence to suit the needs of its clients. SMEs’ demands for international advice vary according to sector and size of their business. Establishing a market focus is more likely to make any future expansion of international support more achievable and successful.

2) Adopt a strategic mindset.

Identifying where the SMP could add the most value through supporting internationalising clients requires an exercise of strategic review and embarking on a subsequent programme of planning and research. The best place to start is with existing clients rather than prospective ones, as they provide a readily accessible (and more approachable) evidence base. This should reveal where demand is likely to be greatest. Making efforts to understand clients’ internationalisation needs can then help to shape the wider international advisory offering.

3) Expand the SMP’s international network.

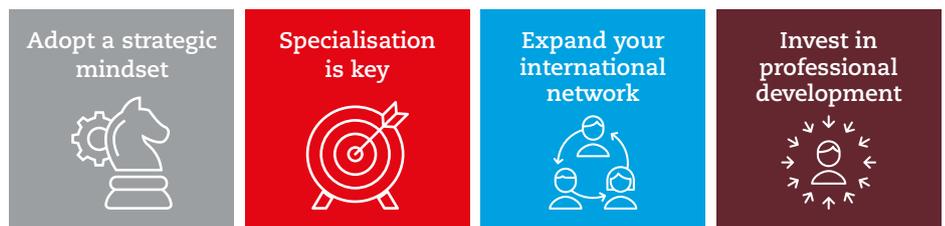
Networks are integral to the development of new professional advisory services but particularly for internationalisation. This is because global value chains often necessitate close and

efficient coordination of activities between businesses. SMPs should therefore aspire to becoming the central referral point for clients seeking the most appropriate source of professional advice.

4) Invest in professional development.

The practice must have highly skilled staff with the appropriate knowledge for clients to recognise the value in the services it offers. Creating a structured programme of staff learning activities on international trade could be useful for SMPs that want to expand their international advisory provision. This could involve introducing formal learning activities across more technical areas of international trade (such as tax, compliance and foreign exchange) as well as working with other firms to develop knowledge networks where staff can learn, collaborate and access good practice.

FIGURE ES2: Enhancing SMP services for clients trading internationally



45%
of SMEs planned to increase their international activities by expanding their business's capacity

SMEs: The finance foundations come first

SMEs see the capacity of their business as the most significant internal barrier to internationalisation. 'Capacity' is often connected with certain risks associated with expansion, including staff ability to respond to new workloads and increased numbers of processes, as well as limited access to financial capital. SMEs aiming to internationalise should therefore focus on development across the following areas.

1) Create a business strategy with global ambitions. Internationalising businesses should ensure that relevant activities form part of a wider strategic plan with detailed and specific growth objectives. This could form the basis of agreed relevant working priorities and the investment needed to achieve international growth. Such an approach can also facilitate a managerial approach to international growth that can be deployed across the business's wider operations.

2) Adopt cloud technologies from the start. Providing a valuable platform for future international expansion, adopting appropriate technologies may provide the business with a real-time flow of information, offering detailed measures across various workflows and complementing existing reporting processes. Each firm will, however, need to adapt its business model and management processes to suit these applications, rather than the other way around.

3) Develop the scalability of the finance function. An internationalising SME's growth trajectory can often be unpredictable, requiring the business to scale up its operations rapidly in order to meet the demands of suppliers, customers and partners. Developing a finance function with the flexibility to withstand these challenges is therefore crucial. Building the right finance function early on can provide greater operational agility, allowing better management of future challenges.

4) Identify where external advice could support the SME's international journey. It is important to consider where external advice may be able to support the business's international objectives, depending on the stage of international growth it has reached. This should be conducted as part of the business's planning process, such as through an internal review programme or through regular meetings with senior management.

FIGURE ES3: Enhancing SME's ability to trade internationally



1. Introduction

Today's small and medium-sized accounting practices (SMPs) are faced with an important question: do they retain a focus on core client services or address new demands from small and medium-sized enterprises (SMEs) for professional advice?

This is partly because SMPs are experiencing a growing number of commercial challenges in a rapidly changing business environment. In particular, technology, internationalisation and deregulation are disrupting the client services that practices have traditionally relied upon for revenue.

Although diversification can be difficult when talent flows are uncertain and competition is fierce, more SMPs are considering new ways of adapting their business models, particularly in the advisory space. Although not appropriate for everyone, international trade is one area where SMPs' unique experience and expertise could lead to the development of new service provision.

Accordingly, this report explores the potential for SMPs to build upon their reputation as world leaders in providing professional advice and, in particular, deliver additional support to those SMEs looking to enter international markets.

At the beginning of 2018, ACCA commissioned two global surveys of finance professionals working for SMEs and SMPs. There were 510 SME respondents and 398 SMP respondents.

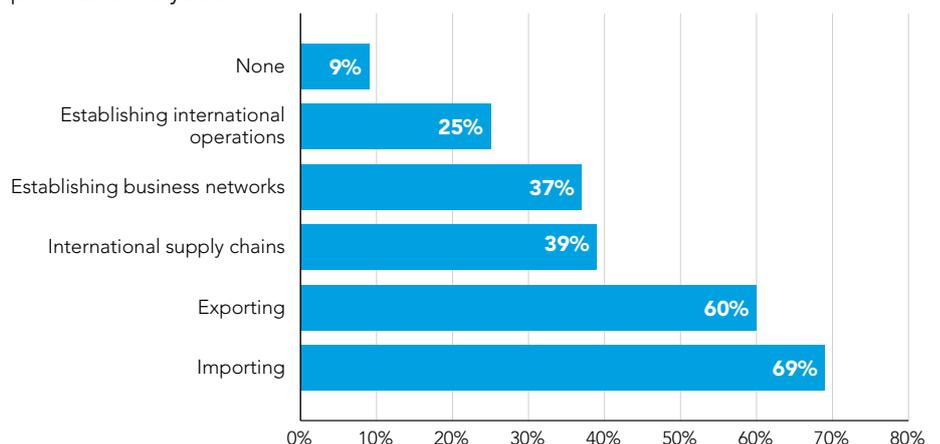
These groups' views and experiences of internationalisation were then compared with one another.

Through this research it was revealed that, of those SMPs who responded, 91% had clients who had participated in a wide range of international trade activities over the previous three years (see Figure 1.1).

This extensive involvement across such a wide range of activities suggests there may well be exciting opportunities for some practices to offer value-added support.

The global survey was complemented by an interview programme as well as two roundtable discussions, which were each held in Lagos, Nigeria and Singapore.

FIGURE 1.1: SMP clients participating in international trade activities over the previous three years



Source: International Trade Survey, ACCA 2018

Defining 'SMP'

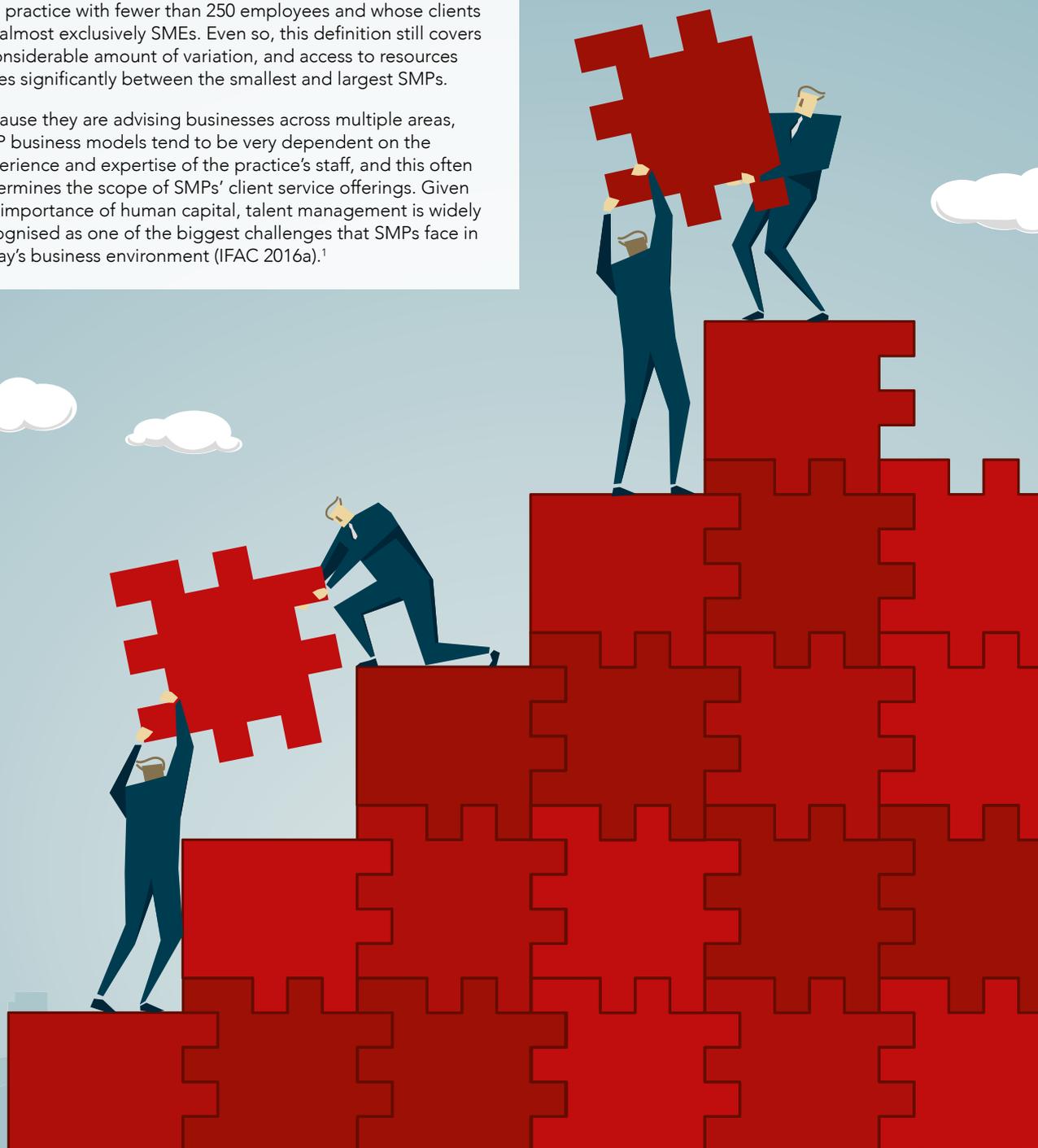
Nearly half of the world's finance professionals (45%) are estimated to be working in SMPs, underlining the sector's importance to the profession (IFAC 2017). At a global level, the profession's client service offering in this sector remains highly focused, with its 'core' activities primarily concentrated on assurance, tax and compliance work (ACCA 2015).

A key rationale for using 'SMP' as a term is to distinguish smaller accountancy firms from larger practices (such as mid-tiers, second tiers and the so-called 'Big Four'). ACCA defines an SMP as a practice with fewer than 250 employees and whose clients are almost exclusively SMEs. Even so, this definition still covers a considerable amount of variation, and access to resources varies significantly between the smallest and largest SMPs.

Because they are advising businesses across multiple areas, SMP business models tend to be very dependent on the experience and expertise of the practice's staff, and this often determines the scope of SMPs' client service offerings. Given the importance of human capital, talent management is widely recognised as one of the biggest challenges that SMPs face in today's business environment (IFAC 2016a).¹

45%

of the world's finance professionals are estimated to be working in SMPs



¹ ACCA research has found that both younger employees and senior partners cite a lack of available roles and pay restrictions in the global SMP sector as some of the key barriers to career progression – particularly in comparison to other sectors of the finance profession (ACCA 2017).

2. The growing demand for professional advice



SMPs are already world leaders in the provision of professional advice. With regular interactions with their clients, many of whom rely on their technical expertise in a number of core areas, practices often emerge as the ‘adviser, confidant, analyst, facilitator, and educator to their clients’ (IFAC 2016a).

This also enables practices to understand the wider business opportunities and challenges for SMEs, which is perhaps why they are frequently recognised as performing a ‘quasi-finance director’ role for many of their clients.

Yet increasingly, SMEs want professional services firms to provide a broader range of support to keep pace with changing trends in internationalisation, technology and business model optimisation. This chapter explores the implications of these trends in the context of the professional advice SMPs already provide for clients.

2.1 ON THE RISE

Advisory and consulting services were predicted to be the fastest-growing area of global service provision for SMPs in 2017 (IFAC 2017). Hence 45% of SMPs predicted fee increases in this area in 2017, up from 35% the year before.² 83% of SMPs already provide some form of advisory and consulting service.³

This rising demand is set to continue and is particularly visible in certain parts of the world. In 2018, ACCA and the Singapore Accountancy Commission surveyed 275 senior executives located in Singapore,

the Association of South East Asian Nations (ASEAN) region and China on the predicted demand for professional advisory services over the next three years (see Figure 2.1).

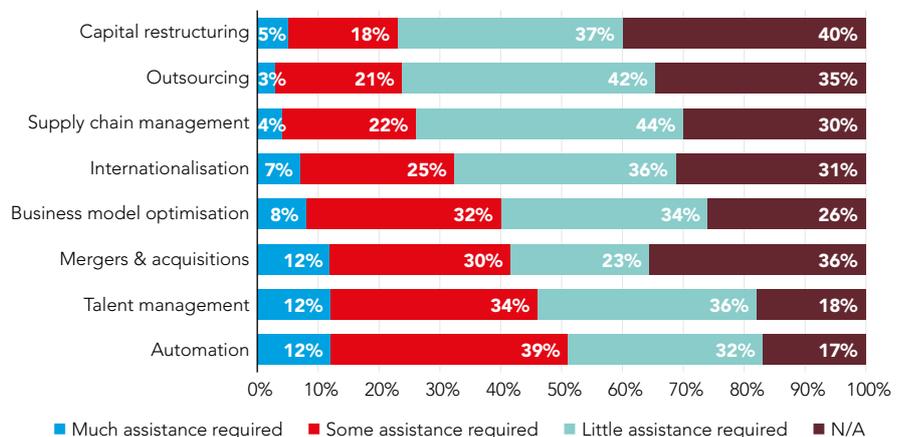
The research found that demand for external advice was expected to grow across a wide range of areas, many of which centred on the implications of automation, talent management, mergers and acquisitions and business model

optimisation. Other notable examples include support for cybersecurity issues and data analytics, most of which barely existed a decade ago.

2.2 CHANGE IS CHALLENGING

The success of SMPs in providing professional advice to SMEs is due to a number of factors. These include staff holding technical expertise in a range of specialist areas, and mostly being

FIGURE 2.1: How new business activities are generating demand for advice



Source: International Trade Survey, ACCA 2018

² 8% predicted substantial increases in 2017 revenues for advisory and consulting services and 37% predicted moderate increases.

³ The most common services were corporate advisory, management accounting, human resources policies and employment regulations.

Those SMPs that are exploring relevant opportunities must think creatively about how they use and develop their existing human capital, as well as how they use their networks to provide SMEs with the opportunities to grow successfully.

members of a regulated professional body. As a result practices are often able to gain the trust of their clients which can make them a more attractive source of external support.

SMPs build upon this trust by obtaining a shrewd understanding of their clients' needs, frequently through their high levels of personal contact with them. This provides a major competitive advantage over alternative sources of professional advice.

Nina Tan, managing director of Business Intelligence and Analytics in Singapore, says that whilst SMPs often have a unique relationship with SMEs, 'this only goes so far. SMPs need to optimise these connections, which they don't always do. If they don't have business acumen across their client services – and particularly when establishing new ones – then that trust is a good door opener and nothing more'.

Indeed, if an SMP does not have a prior track record of providing professional advice in a specific area, understandably, SMEs may not recognise its quality or applicability. As Kelvin Chow, vice chairman of the Guangzhou Institute of Certified Public Accountants in China says, 'practices need to make chief financial officers (CFOs) rethink the support SMPs can provide. They need to persuade businesses they can be helpful by displaying their strength and depth in expertise'.

Taking these steps can be difficult for SMPs, which can often lack enough appropriately skilled staff or have insufficient international coverage to adequately develop their professional advisory service offering.

Despite these difficulties, Mr Chow believes such change is necessary. 'Although auditing services have traditionally been a fundamental and routine part of business practice, the profit from new consulting services is relatively high. Pursuing consulting is how the Big Four began their own business model transition several decades ago. SMPs now need to do the same'.

2.3 THE DIVERSIFICATION QUESTION: STICK OR TWIST?

A growing number of SMPs are today facing a choice in relation to their existing business models: they can either "stick" and focus on 'proven service lines, maintaining control of the practice as well as protecting the business from legal risks' (ACCA 2015), or "twist" and explore new opportunities in order to differentiate themselves from growing competition.

Professor Hu Jian, deputy secretary-general at the Guangzhou Institute of Certified Public Accountants in China, believes that many SMPs are at a crossroads. Whereas before, many specialised in regular audit or assurance services, now SMPs 'do not tend to follow

a fixed business model'. Each of them needs to develop a new approach based on where it has identified additional demand for client services.

For those SMPs aiming to provide a 'generalist' service offering for clients, adopting additional provision like this can be challenging. Consequently, while some smaller practices see diversification as a commercial opportunity, others view such ventures as resource intensive and risky – not least without proven evidence that such a shift will create sustainable revenue streams in the future (Jarvis and Rigby 2012).

Therefore, as business environments become more complex, so the resource pressures on SMPs continue to grow. At the same time, practices are faced with the challenges of needing to ensure the quality of existing services are maintained whilst the provision of additional support meets the expectations of SME customers.

Ultimately, diversification, and the extent to which SMPs proceed with it, is a judgement for practices themselves. Those SMPs that are exploring relevant opportunities must think creatively about how they use and develop their existing human capital, as well as how they use their networks to provide SMEs with the opportunities to grow successfully.



3. Why internationalisation?

‘Internationalisation’ refers to the increasing participation of SMEs in international markets. Commonly associated with exporting, internationalisation is far broader than this activity alone. Importing, supply chain participation, establishing business partnerships and foreign direct investment are all notable examples of relevant activities.

Successful internationalisation is often recognised as generating considerable business benefits, which can include increased efficiency, innovation and productivity, while also potentially generating growth for the wider economy.

Internationalisation therefore presents a powerful example of how SMPs need to adapt their business models to respond to both the changing and increasing demand for professional advice from SMEs. This chapter explores some of the key characteristics of internationalisation today and its implications for SMPs.

3.1 THE STATE OF GLOBAL TRADE

The period since the 1980s has witnessed a notable increase in the number of SMEs participating in international trade, and therefore contributing to global economic growth. Between 1985 and 2007 trade volumes increased at approximately twice the rate of global GDP (‘S.K.’ 2016).

During roughly the same period, trade liberalisation became a key focus among policymakers, and the global economy

has subsequently – albeit gradually – moved towards the removal of import tariffs. Despite this, more recently, there have been growing fears that free trade might now be starting to falter, and this will consequently be ‘affecting business confidence and investment decisions’ (WTO 2018).

Most notably, the 2016 election of President Donald Trump in the United States (US) and, in the same year, the UK’s decision to leave the European Union (EU), was arguably the result, at least to some extent, of growing frustrations with some of the perceived impacts of globalisation, such as immigration and localised disruption of labour markets.

Since President Trump’s election, the US has withdrawn from negotiations on a number of major trade deals, including the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).⁴ Meanwhile, Brexit has led to heightened concerns over the future direction of trade policy in Europe, with the EU representing the largest free trade bloc in the world.

June 2018 also saw the US impose new tariffs for specific imports from China, the EU, Canada and Mexico, partly in an attempt to protect domestic producers. The EU, China, Canada and Mexico have all responded with retaliatory action of their own. Consequently, there are growing concerns that any further escalation, particularly between the US and China, may result in a trade war.

Non-tariff measures have also increased in some regions of the world, partly as a means by governments to protect their domestic industries. In many developing countries, trade and competition in service industries remain restricted. All these factors have added complexity to the global trade policy landscape.

Yet in spite of these events, global trade has nonetheless continued to demonstrate resilience, with the World Trade Organisation (WTO) reporting in 2017 that global economic growth was beginning to experience an upturn. This could still provide a partial boost to global trade over the coming years (WTO 2017).

⁴ TPP aimed to remove barriers between 12 Pacific Rim countries, including Japan and Australia. TTIP was a proposed EU-United States trade accord aimed at dismantling certain regulatory barriers to free trade.

SMEs today have access to a wide variety of cloud-based technologies that enable them to develop their finance function rapidly when internationalising.

3.2 VALUE CHAIN OPPORTUNITIES

A value chain is the series of processes leading to the production of a good or service. Historically, businesses in the same value chain tended to be geographically clustered but recent decades have witnessed a strong trend towards the international dispersion of value chain activities (including processes such as design, production, marketing and distribution).

This is partly the advent of improvements arising from new technologies, the reduction of shipping costs and the creation of new trade agreements. The efficiency of value chains has subsequently increased, leading to new opportunities for SMEs to specialise and enter international markets.

Today, SMEs regularly participate in the production of goods and services, without having to be in close proximity to the rest of the value chain.

3.3 TECHNOLOGY-ENABLED STRATEGIES

SMEs today have access to a wide variety of cloud-based technologies that enable them to develop their finance function rapidly when internationalising.

In particular, relevant software can help businesses to more effectively monitor and manage operations

in international markets. Activities such as processing payroll, compliance activities and employee expenses can now be run centrally via software applications.

This technology also allows SMEs to understand the flows of data within their own systems as well as with business partners and suppliers. This becomes increasingly necessary with the added operational complexity of participating in global value chains.

SMEs often require external advice before exercising judgement when using these new technologies. Indeed, working with professional advisers, this data can be used to support the development of the SME's finance function, which in turn can cater for international growth.

3.4 CROSS-BORDER E-COMMERCE

A growing proportion of cross-border trade is facilitated by online business-to-consumer (B2C) and business-to-business (B2B) e-commerce platforms, otherwise known as online marketplaces. These marketplaces simplify many of the processes conducted by internationally active SMEs.

Although the benefits of e-commerce have been acknowledged for some time now, it was still the case until relatively recently that the majority of such activity was restricted to domestic commerce, particularly in larger economies.

Now, it is estimated that by 2020, the B2C cross-border e-commerce market could reach \$1 trillion in size, according to a report from Accenture and AliResearch, Alibaba's Research Group. The research further predicts that much of this growth will centre on the upturn in consumer power among Asia Pacific markets and particularly China (Erickson & Najberg 2015).

Consequently, many online marketplaces are integrating the provision of a wider range of services, both to attract customers and to facilitate greater SME trading activity. These services include customs clearance, logistics services, foreign exchange, tax rebating and payments. By integrating these services, online marketplaces are offering SMEs ever greater opportunities for scaling up their international activity by simplifying trading processes and reducing the transaction costs they would otherwise face.

3.5 IMPLICATIONS FOR SMPs

Across all these developments in value chains, technology and e-commerce, one consistent theme is the sheer pace of change that is transforming the global trade landscape. SMEs' potential access to customers, partners and suppliers beyond their domestic market is set to continue growing. Accordingly, expectations over the role of SMPs in this context are likely to be transformed.

34%
of SMPs said that serving clients operating internationally was highly or very highly challenging

“The whole trading system has changed. And I think we as SMPs have to be very dynamic now. Fundamentally, we have to follow what is going on and understand the implications for our clients. I think as an adviser that is the key. As the accountant and CFO, if you are able to tell your business, “Look, this is the next step that we anticipate”, I think you are doing very well in this area.”
Angelia Chew, Trade Advisor, AC Trade Advisory, Singapore

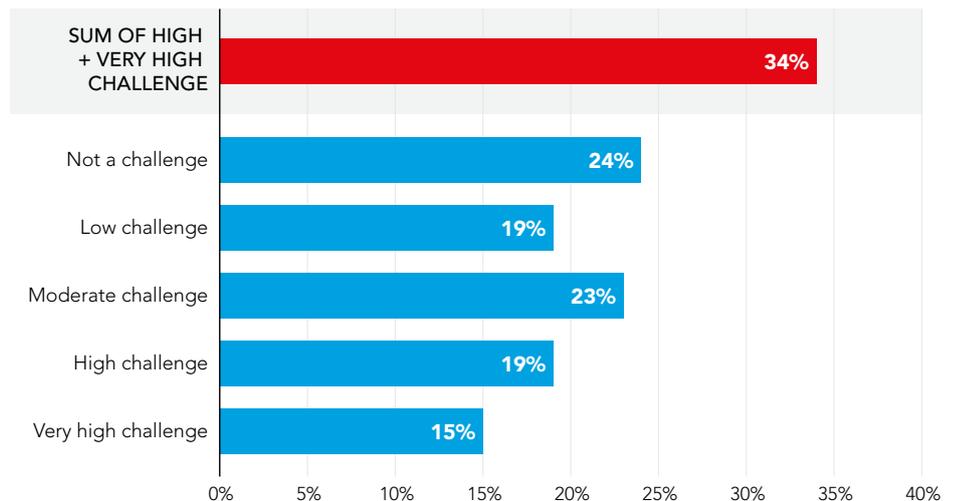
Whether SMPs choose to develop their international advisory provision actively or not, understanding the new realities of this global business environment is important. This will ensure that the advice provided to SME clients continues to remain relevant and effective.

Evidently, this is also presenting considerable challenges for SMPs aiming to keep up with the pace of changing business practices. Recent IFAC Global SMP surveys (IFAC 2016 and 2017) have shown that practices increasingly perceive additional challenges in supporting clients seeking to start or develop their international activity.

In 2016, 34% said that serving clients operating internationally was highly or very highly challenging (see Figure 3.3) (IFAC 2017). In Asia, where cross-border trade is growing rapidly, this impact was even higher, with just under half (48%) making these assessments.

In the next section we explore how both SMEs and SMPs are adapting to this new global business environment.

FIGURE 3.1: Perceived challenge of serving clients who are operating internationally



Source: IFAC 2017

4. Key findings

For SMPs to provide the highest-value advice to their clients, they must first understand how both they themselves and their SME clients perceive the key opportunities in, and barriers to, internationalisation, and the broader advice landscape and the specific role of accountants within that. Accordingly, this chapter explores the main findings from ACCA's SME and SMP international trade surveys.

4.1 INTERNATIONALISATION TODAY

Why do SMEs internationalise in the first place?

The likelihood that an SME will participate in international trade depends on a wide range of factors, but among the most important are the attitudes and behaviours of owner-managers. Indeed, their ability to identify and act on potential opportunities can often be a key determinant of market entry.

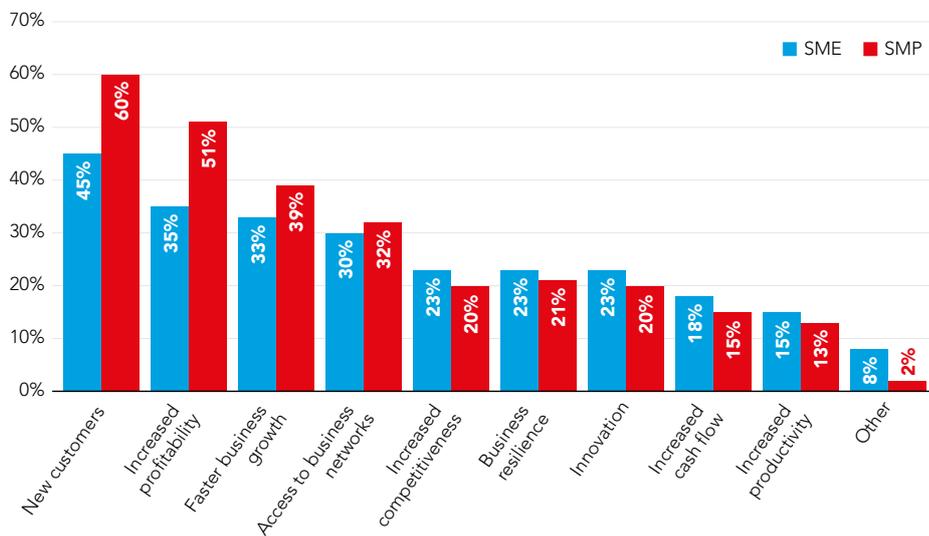
ACCA asked SMEs for the most important reasons behind their organisations' participation in international trade (see Figure 4.1). Similarly, ACCA asked SMPs what they thought were the most important reasons for SMEs to participate in international trade. This was important for determining how effectively practices understood the ways in which their clients recognised the benefits of international trade, which might have implications on the provision of relevant advice.

Just under half (45%) of SMEs cited accessing new customers in foreign markets as the most important reason for why their organisation participated in international markets. Increased profitability (cited by 35%), faster business growth (33%) and accessing new business networks (30%) were also important.

Benefits that were not as widely recognised, especially in advanced economies, included increased competitiveness (cited by 23%), innovation (23%) and productivity (15%). In developing economies such as Nigeria and Malaysia, where SMEs may be less able to derive such benefits from their domestic market, such factors were more likely to be identified.

In comparison, SMPs tended to overestimate the importance that SMEs placed on accessing new customers (60% of SMPs cited this versus 45% of SMEs) and increased profitability (51% versus 35%). This may indicate that, when considering the provision of international advice, SMPs need to consider a broader range of factors relevant to SMEs' international growth objectives.

FIGURE 4.1: The most important reasons for SME participation in international trade



Source: International Trade Survey, ACCA 2018

SMEs viewed ease of doing business, high growth potential and political and socio-economic stability as the most important reasons for choosing an export destination.

Choosing where to trade

Similarly, using exports as a focus, ACCA asked SMEs how important (on a scale of 1 to 5) each of a widely recognised set of factors was in choosing an export destination. ACCA then asked SMPs, from their knowledge and experience, how important they thought these same factors might be for SMEs when choosing their export destination (see Figure 4.2).

Encouragingly, the results broadly show a similarity in the factors that SMEs and SMPs recognise as important when choosing an export destination. SMEs viewed ease of doing business (4.2), high growth potential (4.1) and political and socio-economic stability (4.0) as the most important reasons for choosing an export destination.

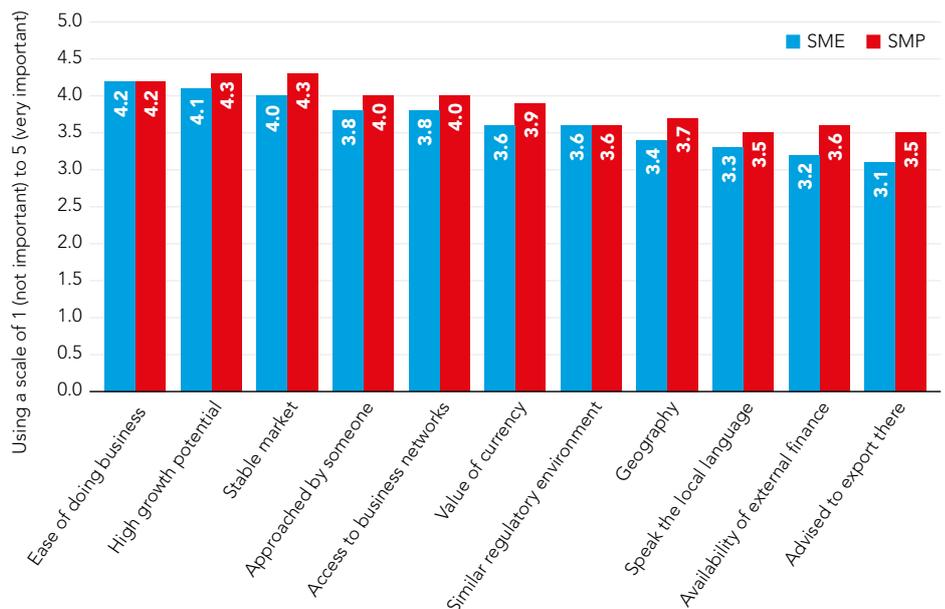
Geography was less significant (scoring 3.4), as was the ability to speak the local language (3.3). This is interesting, as both geographic proximity and cultural similarities have often been recognised as major determinants of the foreign markets with which SMEs are most likely to trade.

It may be the case that technology, through the broader processes of globalisation, is making both distance and cultural barriers less significant obstacles to SME trade.

This may partly be linked with the growth in cross-border e-commerce and online marketplaces. Abigail Li, tax principal at BDO in Hong Kong, explains: 'We are seeing businesses that are highly globalised because their model is centred

on online platforms. In this virtual economy you're not bound by your geographic location. It doesn't matter where you situate yourself so long as you're connected to platforms or alternative e-commerce channels'.

FIGURE 4.2: The importance of various factors when choosing an export destination



Source: International Trade Survey, ACCA 2018

SMPs looking to take advantage of international opportunities may need to think strategically about their approach to networking.



Brexit raises big questions over the future strategic direction of UK and Irish SMPs



Following its referendum in 2016, the UK is scheduled to leave the EU on Friday 29th March 2019. Negotiations continue with the UK and EU still to decide on a range of issues, including their future trading relationship.

Depending on the outcome, Brexit could have significant implications for SMEs trading between the UK and the Republic of Ireland. Indeed, the UK is currently the second biggest recipient of Irish exports whilst the Republic of Ireland is the UK's fifth biggest exports customer.

One of the most important areas of discussion in the Brexit negotiations so far has concerned the land border between Northern Ireland and the Republic of Ireland, which currently exists as a common travel area between the two nations. Whilst both the UK and the EU have already agreed that they want to avoid a "hard border", clarity on what a resolution may look like remains unclear.

Philip McGonigle is a partner at Irish practice MLGM McLaughlin McGonigle in County Donegal, located near to the Northern Ireland border. A large amount of cross-border trade takes place in the local economy and Philip explains that one of the consequences of Brexit has been for more of his clients to begin actively thinking about how existing customer relationships may change.

'Easily 50% of our clients have some element of cross-border trade with their customers because of their geographical situation. I think Brexit will see compliance, advisory services and business planning become key growth areas for us in the short term. So much economic activity is likely to be affected and businesses will require finance professionals to help support them through any transition.'

John McGrane, Director General of the British Irish Chamber of Commerce, says that when it comes to thinking about Brexit businesses can't prepare for a completely blank canvas. He says that for SMPs, 'it's about talking to clients about what might change across specific areas of their business environment, whether that is customers, talent or their supply chain.'

However, John also says that practices need to review how they themselves can mitigate the risk of becoming excluded from certain markets. 'The best way to do this is to form an alliance with a UK or Irish firm under a basis that supports you.'

Cathal Cusack, a partner at Irish practice Cusack Garvey, says many SMPs that have clients currently trading between the UK and Ireland may also need to begin increasing their understanding of other foreign markets. 'We are being pushed to think beyond Brexit. I think more practices are going to have to start developing internationalisation strategies across continental Europe.'

In the meantime, Mark Gold, Partner at UK practice Silver Levene, says that a key challenge his international clients will face in the run up to Brexit – trading in Ireland and elsewhere in Europe – will be currency volatility. 'At the moment the weaker pound may be bad news for importers but it is benefiting exporters. We're not sure how this will change in the coming months and years ahead but our clients will want guidance over how to manage the risk of any increased costs when trading internationally.'

27%
of SMEs viewed competition as a significant barrier, compared with only **18%** of SMPs

Barriers to international trade

Internationalisation can present significant challenges for SMEs and expose them to additional operational risks, particularly given their limited internal resources and potential vulnerability to wider changes in the market.

These risks – or barriers – are often perceived by SMEs as too significant to allow them to engage in international activity. Such barriers can often be separated into those emanating from the business itself (internal) and that from the wider environment in which it operates (external). It is therefore important to understand how SMPs might be able to give better support to businesses in overcoming these barriers, which in turn could encourage more SMEs to internationalise.

ACCA asked SMEs about the most significant barriers to participating in international trade. ACCA similarly asked SMPs what they thought were the most significant barriers for their SME clients (see Figure 4.3). Both responses are detailed below.

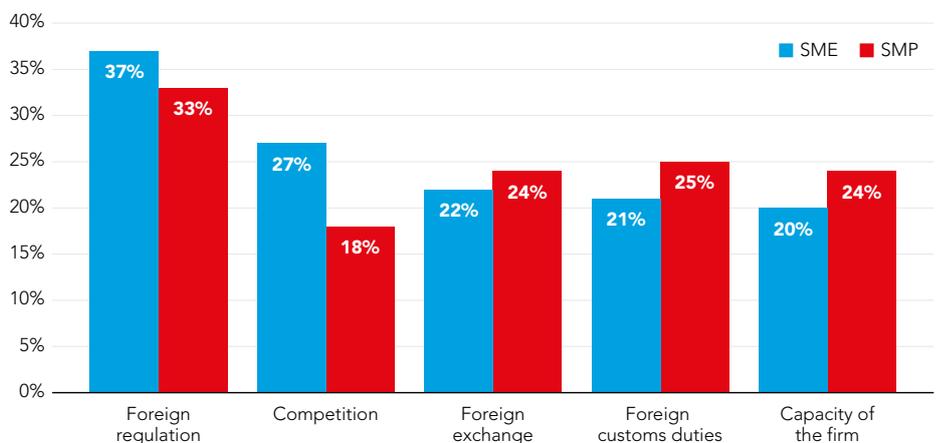
The evidence suggests it is external barriers that are the most common deterrents to internationalisation. Indeed, foreign regulations were frequently cited by SMEs and SMPs (37% and 33% respectively) as among the most significant barriers.

SMPs recognised broadly the same barriers as SMEs. Even so, only 18% of SMPs viewed competition as a significant barrier while in comparison 27% of SMEs did.

Competition might relate to domestic SMEs that already have established supply chains, access to customers and a wider understanding of how the market operates. More broadly, it might simply

suggest a lack of understanding of ways of doing business in a foreign market (given that foreign regulation was most widely recognised as a significant barrier). Internationalising SMEs therefore may require appropriate support to address these competitive disadvantages, such as through networking opportunities and market research.

FIGURE 4.3: The most significant barriers for SMEs participating in international trade



Source: International Trade Survey, ACCA 2018

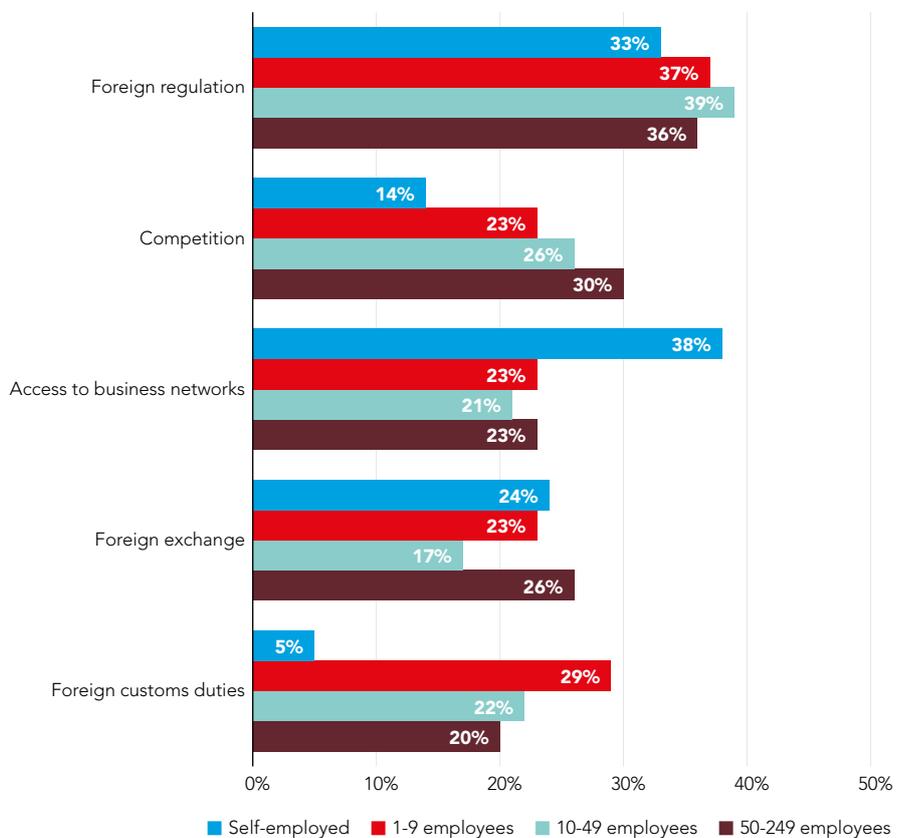
The most frequently cited overall barrier to internationalisation was foreign regulation, cited relatively consistently across businesses of all sizes.

The only internal barrier among the top five concerned issues was the capacity of the firm. This could also be linked to limitations in resources (e.g. a lack of relevant human capital or the underdevelopment of a business’s finance function) with 20% of SMEs identifying this. Meanwhile, factors such as accessing external finance were perceived by far fewer respondents (18%) as significant barriers to internationalisation.

As shown in Figure 4.4, it appears that for medium-sized SMEs (ie those with 50–249 employees), competition represents a much greater barrier (cited by 30%) than for microbusinesses (cited by 23%) and particularly the self-employed (cited by 14%). This may be owing to having to compete with domestic businesses that already have well-established supply chains, distribution channels and business networks.

The most frequently cited overall barrier to internationalisation was foreign regulation, cited relatively consistently across businesses of all sizes. Among the self-employed, access to international networks was most frequently cited as a barrier (38%). Given their limited resources it is logical that networking may represent a significant challenge to such businesses.

FIGURE 4.4: The most significant barriers for SMEs participating in international trade according to business size by number of employees



Source: International Trade Survey, ACCA 2018

44%

of SMEs said they plan to introduce or develop more products and services as part of their international growth strategy

Looking to the future

As a basis for encouraging further SME internationalisation, ACCA wanted to find out whether SMEs planned to increase their international activities (see Figure 4.5).

Given that 20% of SMEs saw capacity as among their most significant barriers to internationalisation (Figure 4.3), it is notable that as much as 45% said they were focusing on expanding their capacity. This could represent a significant opportunity for practices to develop their international advisory provision for clients in the future.

SMEs also focused on building their networks in foreign markets (45% were doing this). This again indicates the need for SMPs to consider the ways in which their own network can help facilitate opportunities for their clients to be introduced to prospective partners, suppliers or customers.

Interestingly, 44% of SMEs said they plan to introduce or develop more products and services as part of their international growth strategy. This is even though only 23% of SMEs perceive innovation and product development as a reason for participating in international trade (as shown in Figure 4.1). There may be a role for SMPs in providing further advice on how research and development might form a relevant component of

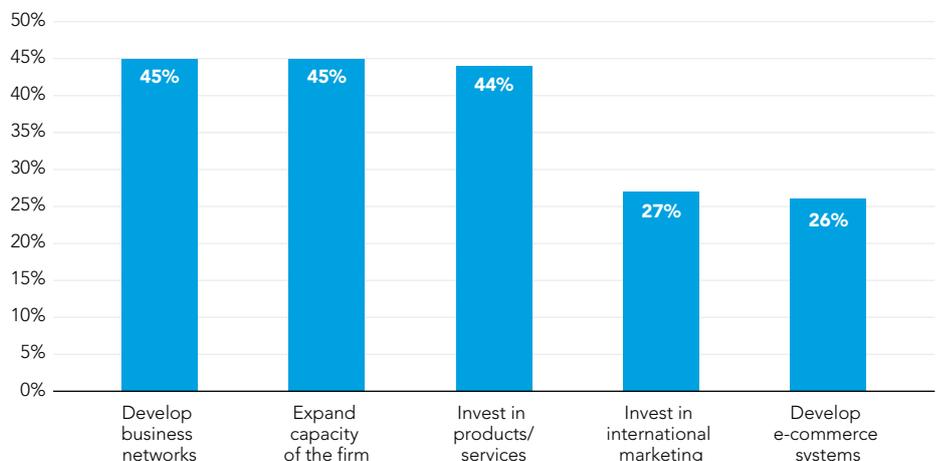
SMEs' growth ambitions at an earlier stage of internationalisation.

In summary, the international ambitions of these SMEs are clear. They want to expand their operations by building capacity, to develop their networks and to invest in their products and services in order to compete in new markets. SMPs should ensure that they investigate the possible provision of new advisory services in order to meet these objectives.

'SMEs looking to upscale their international operations need to engage with the right people in order to pinpoint where best they can participate in global value chains. In looking to build their network they need to find the right people to provide them with relevant market information in order that they can take advantage of any emerging opportunities.'

Valerie Veira, Chief Executive Officer, Jamaica Business Development Corporation, Jamaica

FIGURE 4.5: Top five areas where SMEs plan to increase their international trade activities



Source: International Trade Survey, ACCA 2018

From business model optimisation to accessing external finance, SMEs rely on a broad range of external sources of professional advice that help to shape their international ambitions.

4.2 THE ADVICE LANDSCAPE

As this report has explored, SMEs face a wide range of barriers to internationalising. Accessing the appropriate advice and support can be crucial in overcoming these. From business model optimisation to obtaining external finance, SMEs rely on a range of external sources of professional advice that help to shape their international ambitions.

'I see a gap in advice – few businesses think about how SMPs can support them when entering international trade... or that they actually provide relevant support. The onus is on SMPs to reach out to the business community and communicate what services are available.'

Twaha Kaawaase, Member of IFAC's SMP Committee & Partner, Sejjaaka, Kaawaase & Co, Uganda



Plugging the advice gap seen as a key challenge for the Nigerian market

ACCA Nigeria held a roundtable with SMPs, SMEs and business leaders in April 2018 to discuss how to encourage more businesses to participate in international trade. Many Nigerian SMEs lack access to professional advice – because of either a lack of awareness or cost.

As Lanre Gbadamosi, who runs his own SME, warned, many small businesses fail to conduct the necessary due diligence before attempting to break into new markets, leading to a higher risk of failure.

Seyi Joseph, a finance manager, said that Nigerian small businesses face challenges over improving the efficiency and effectiveness of management decision-making. When such businesses later try to scale up they often face difficulties – largely due to having failed to access the relevant external support to help them adapt their business models.

SMPs need to do more in the Nigerian market to demonstrate the value of their professional advisory services to the wider business community. With regard to internationalisation, it was argued that more SMPs could showcase their ability to provide strategic counsel, as well as facilitating new networking opportunities to allow businesses to reach out to foreign markets.



39%
of SMEs said they were most likely to obtain international advice from governments or relevant public agencies

Where do SMEs get their advice?

ACCA asked SMEs which sources of external advice or support they were most likely to obtain when participating in international trade activity (see Figure 4.6).

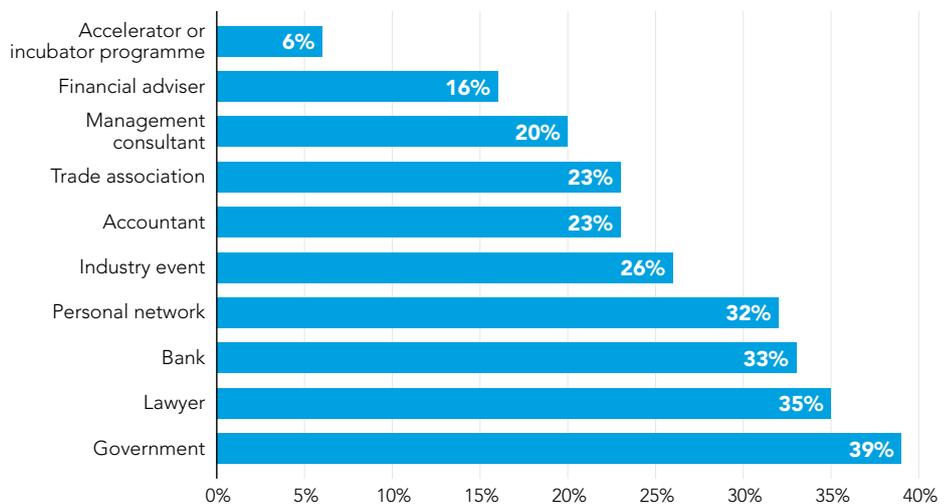
Rather than seeking international advice from a single source, businesses are more likely to approach those sources of professional advice that are most relevant to specific activities. Governments or relevant public agencies were the most cited sources (39%), closely followed by lawyers (35%) and banks (33%).

Dato’ Lock Peng Kuan, a partner at Baker Tilly in Malaysia, recognises this approach by SMEs, noting that businesses tend to reach out to different sources of advice as they move along their internationalisation journey. ‘We will not be the first person to be contacted because they want to assess if there is a business opportunity.

‘Trade associations are sometimes seen by SMEs as more appropriate for this. And then they will go to their accountant to ask for advice on the business environment in the market they’re interested in. The lawyer comes after to clarify issues around certain changes to their business model.’

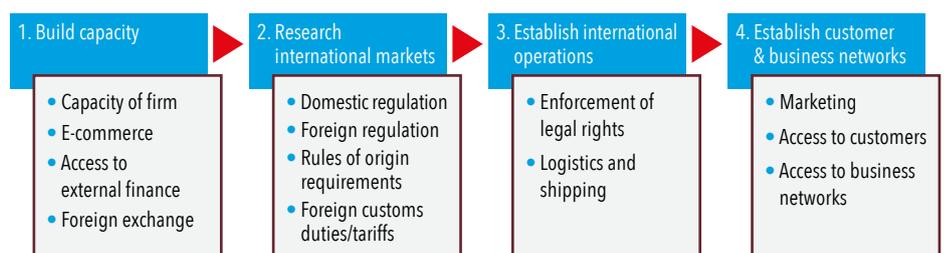
Figure 4.7 shows an example of this activity for an internationalising SME.

FIGURE 4.6: Sources of international advice that SMEs are most likely to obtain



Source: International Trade Survey, ACCA 2018

FIGURE 4.7: Example of an SME’s internationalisation journey and the different stages of accessing appropriate advice



Source: International Trade Survey, ACCA 2018

SMEs typically segment their advice needs according to different stages of their internationalisation journey.

Larger businesses may be more likely to obtain one or a limited number of sources of professional advice, because of the potential benefits of economies of scale and cross-fertilisation. In contrast, SMEs more typically segment their advice needs according to different stages of their internationalisation journey.

The data also suggests that SMPs currently have a relatively limited role in supporting international SME activity, with only 23% using their accountant. This varied at a country level, with accountants being the most used source of advice in Ireland (40%). Even so, the majority of SMPs are unlikely to provide specific support to SMEs on internationalisation and when they do they focus on a number of core areas.

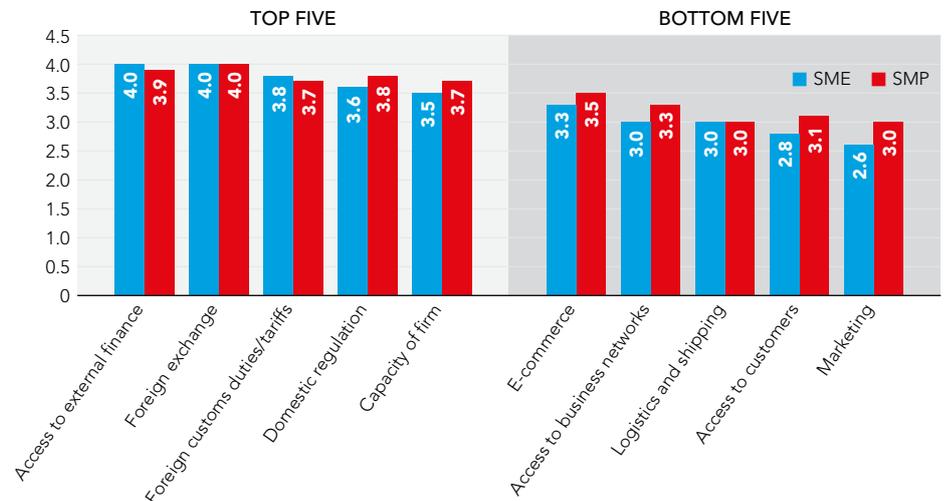
SMPs could also play an important role in referring their clients across their external network. With a close understanding of and proximity to their clients, SMPs will often be able to refer businesses to many of the sources of professional advice listed in Figure 4.6. The next section looks in more detail at the role of accountants in providing international support.

The perceived role of accountants

ACCA asked SMEs and SMPs to what extent they thought accountants were an appropriate source of professional advice in relation to a number of international activities. Figures 4.8 and 4.9 respectively present the findings for the five services for which SMEs perceived accountants as being the most appropriate source of professional advice and the five services they saw as the least appropriate.

Positively, accountants are viewed by SMEs as an appropriate source of advice, particularly for accessing external finance and foreign exchange, the latter of which was for SMEs the third most frequently cited barrier to internationalisation (Figure 4.3). On the other hand, SMEs are less likely to perceive accountants as an appropriate source of advice in helping them expand the capacity of their business or identify customers in international markets.

FIGURES 4.8 and 4.9: Extent to which SMEs and SMPs think accountants are an appropriate source of advice for different aspects of international business



Source: International Trade Survey, ACCA 2018

Many practices identified a key aspect of their role as helping SMEs to understand the importance of e-commerce at an earlier stage of the internationalisation process.

How are accountants used by internationalising SMEs?

As well as perceptions of accountants' roles, ACCA also wanted to see how their advice was used in reality, which is seen in Figure 4.10.

The data again shows that SMPs provide specialist advice in a number of limited areas (primarily accessing external finance and foreign exchange). This suggests there is considerable scope for practices to offer additional support to internationalising SMEs seeking to overcome a wider set of barriers.

This involves demonstrating that practices can support their clients' international activities across a wider range of areas. For example, SMPs claim that they are requested to provide slightly more advice on e-commerce than SMEs think they do. Many practices identified a key aspect of their role as helping SMEs to understand the importance of e-commerce at an earlier stage of the internationalisation process.

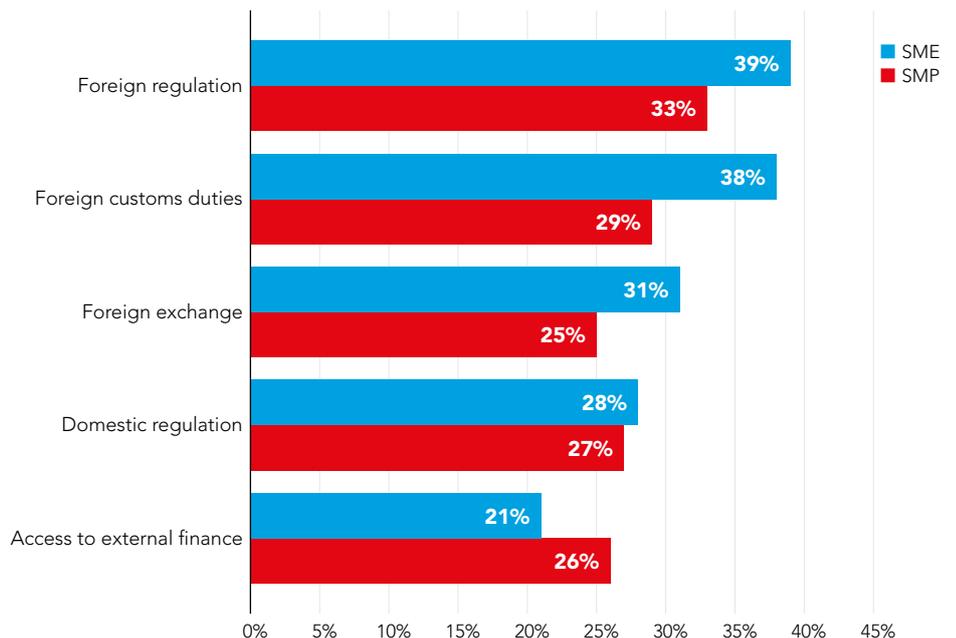
Antoni Gómez, a member of IFAC's SMP Committee and international president of accountancy firm Auren, explains: 'Helping entrepreneurs adopt e-commerce and technology systems in order to develop their internal management structure is an essential part of what we do. When they get to

the stage where they're upscaling their international activity this will allow them to process transactions with customers and suppliers in a far more efficient way'.

Mr Gómez also said that his practice was actively investing in the professional development of its staff in anticipation of

growing demand from clients over e-commerce and wider technology support. 'If we accountants can support businesses on e-commerce this will be a very important value-added service. We need to do more to help businesses to grow – rather than just providing a core service offering'.

FIGURE 4.10: Areas of international advice that SMEs are most likely to request from their accountant



Source: International Trade Survey, ACCA 2018

SMPs looking to take advantage of these opportunities may need to think strategically about their approach to networking.



Belt and Road Initiative offers Chinese SMPs growth opportunities



The Belt and Road Initiative (BRI) is China's ambitious scheme to link Asia and Europe together via a series of massive infrastructure projects in Central Asia, the Middle East, Africa and the Balkans (ACCA/Shanghai Stock Exchange 2017). Announced by Chinese President Xi Jinping in 2013, the BRI remains in its infancy. Nonetheless, clear opportunities exist for SMPs bold enough to take advantage of emerging growth opportunities.

In particular, Professor Hu Jian believes that the BRI can help SMPs narrow the gap in competition between themselves and larger firms. In order to do this, however, they may need to specialise. 'I think that SMPs should concentrate their efforts and specialise in one aspect of BRI activity. By focusing on a specific area, they can embark on becoming experts in niche markets, and then expand out of this small domain to establish a competitive edge'.

Despite this, Professor Jian warns that the sheer scale of the BRI, which involves more than 60 countries, means that SMPs need to think strategically about what support they are able to provide and for which businesses in particular. 'In Vietnam [for example] the accounting standards are different from those in China. For SMPs choosing to support clients participating in cross-border trade between these two countries there are very good opportunities.

'However, they need to establish contact with local firms in order to expand their business scope. This also involves learning about the respective taxation and legal frameworks in both countries. The key is whether SMPs have the courage and strategic planning in order to succeed'.

Consequently, SMPs looking to take advantage of these opportunities may need to think strategically about their approach to networking. For example, depending on their market focus, this might include taking steps to build referral networks and alliances with certain practices in foreign markets, where, as well as obtaining potential new business, they may benefit from knowledge and exercises for sharing best practice.

According to Jason Li, managing partner at Shanghai PKF, the BRI offers growth opportunities for both businesses and practices – but only for those who have first invested in building the right relationships. 'Some of our clients have asked us if we have service packages relevant to the initiative...If we have a client requiring services relevant to BRI, we will recommend the relevant practices in countries along the route to help with the project'.

39%
of SMPs cited their business network as a frequently used resource when preparing international advice

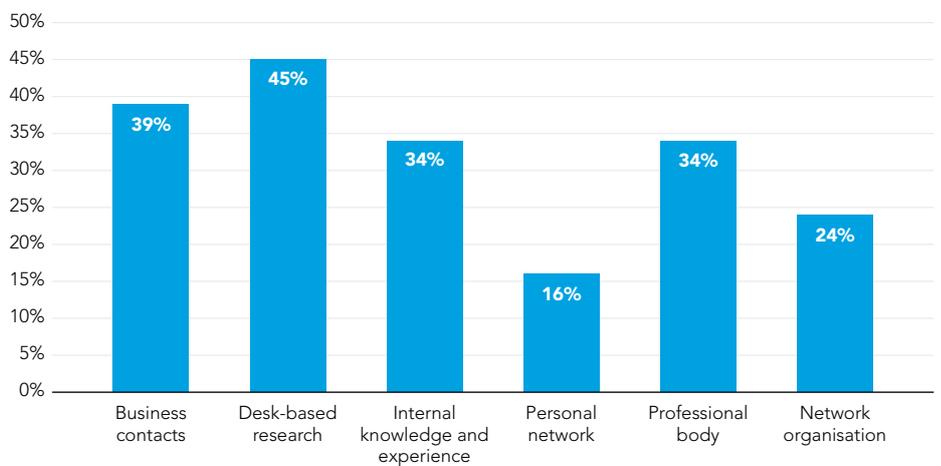
A wide-ranging delivery

It is crucial to consider how SMPs currently prepare the advice and support they provide for international clients so as to determine the ways in which more SMPs might do so in the future. Accordingly, ACCA asked SMPs which resources they most frequently used when preparing appropriate advice and support for SMEs participating in international trade (see Figure 4.11).

Accountancy firms tended to draw upon a wide range of resources when delivering advice to internationalising SMEs. There was a frequent reliance on desk-based research (cited by 45%) for generating advice for clients. This suggests that much of the support that accountants provide to clients is informal rather than specialist expertise, using information often publicly available via government agencies or websites.

Business networks were a frequently cited resource (cited by 39%), ahead of professional bodies (34%) and member associations (24%).

FIGURE 4.11: Resources most frequently used by SMPs in preparing international advice



Source: International Trade Survey, ACCA 2018

The rise of online marketplaces and cross-border e-commerce presents major growth opportunities for accountants.



Pace of change across ASEAN markets discussed at Singapore roundtable

In April 2018, ACCA Singapore held a roundtable with representatives from the SME, SMP and policymaking communities to discuss the role of practices in supporting internationalisation. SMPs were recognised as playing an integral role in helping businesses seeking to access new commercial opportunities in foreign markets.

A new trading landscape

External advice is helping SMEs to realise the trading opportunities that are emerging as a result of new free trade agreements and tax incentives being introduced by governments across the ASEAN region. As Angela Chew, trade advisor at AC Trade Advisory, said: 'There is a lack of understanding amongst SMEs about how free trade agreements can help SMEs to access new clients in foreign markets'.

Equally, the rise of online marketplaces and cross-border e-commerce presents major growth opportunities for accountants. Gabriel Low, CFO of high-tech manufacturers Weidmuller, said: 'E-commerce is changing the terms of trade for businesses everywhere and accountants need to be ready to support this transition'. This should lead to further opportunities for SMPs to advise clients on adapting their business models and integrating new technologies into the operation of their finance function.

How support is changing

Attendees at the Singapore roundtable agreed that accountants should do more to help their clients access relevant networking opportunities. Jan Weidlich, senior manager at BDO Singapore, provided an example of how such support could work. 'I have one client who is going to Shanghai with us on research as they want to set up a company there. So they asked me "Who can I talk to there?" I then linked her up with our counterpart in Shanghai, doing incorporation work'.

Staff development

The discussion also explored how SMPs offering international advisory services need to ensure that staff are appropriately trained and developed on a continuing basis. Helmi Talib, managing partner, of Singapore accountancy firm Helmi Talib & Co., stressed that training must allow staff to know 'how to interact with clients'.

Ryan Piper, regional director at Baker Tilly International, agreed, noting that those firms offering professional services, 'instead of [making] a push on technical expertise, [are] teaching all of their people, regardless of their specialism, how to have strategic conversations with clients'.



There are clear indications that financial management in both the private and public sectors in Kenya needs to be strengthened.

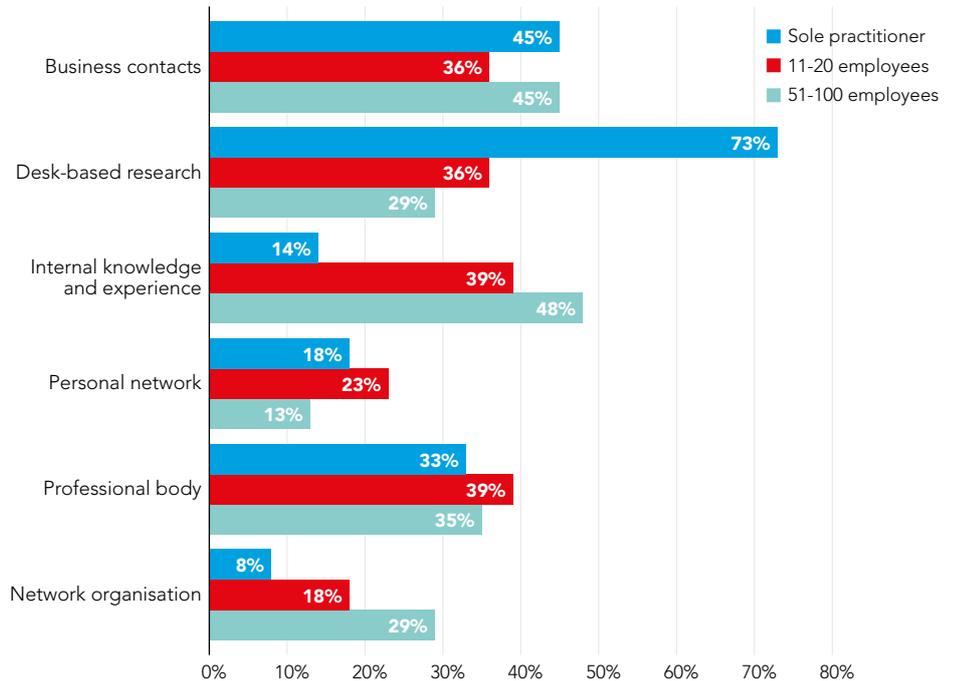
Firms professionalise as they grow

The reliance on different sources of advice changes according to the number of employees a practice has. Figure 4.12 demonstrates this with those practices with 51-100 employees, 11-20 employees and those that are sole practitioners.

Reliance on network organisations for providing international advice increases significantly with firm size. Smaller practices are unlikely to use such resources because they are less likely to be members of such organisations. Meanwhile, larger practices are more likely to use the knowledge and experience of staff to provide client advice.

In contrast, smaller practices are far more likely to use desk-based research and business contacts to research international advice, with microbusinesses in particular being very reliant on desk-based research. This approach, based on informal research and referrals, may be a response to the practical challenges from having limited in-house expertise in internationalisation, as well as having business models based on the core provision of tax, assurance and compliance services.

FIGURE 4.12: Resources most frequently used by SMPs when preparing international advice, according to practice size



Source: International Trade Survey, ACCA 2018

SMPs' focus on internal and more informal resources gradually transitions towards more external and formalised ones as they increase their workforce.

Figure 4.13 provides an illustration of how an SMP may use a range of internal and external sources of information when preparing advice and support for clients participating in international trade.

SMPs' focus on internal and more informal resources gradually transitions towards more external and formalised ones as they increase their workforce.

Under-networked?

Network organisations, such as alliances, associations and referral networks, can be used by practices for a range of benefits and activities. These include training or development opportunities, client referrals and knowledge sharing, which all go to the heart of running a practice.

ACCA asked SMPs whether their practice was a member of an international member association, alliance or network firm (see Figure 4.14).

Among respondents, 33% were members of an international member association or alliance and 20% were part of a network firm. Overall, just under half (47%) did not belong to any network organisations and in the UK this rose to 87%. While some network organisations may not be appropriate for sole practitioners, this nonetheless suggests that many SMPs do not take advantage of the potential benefits.

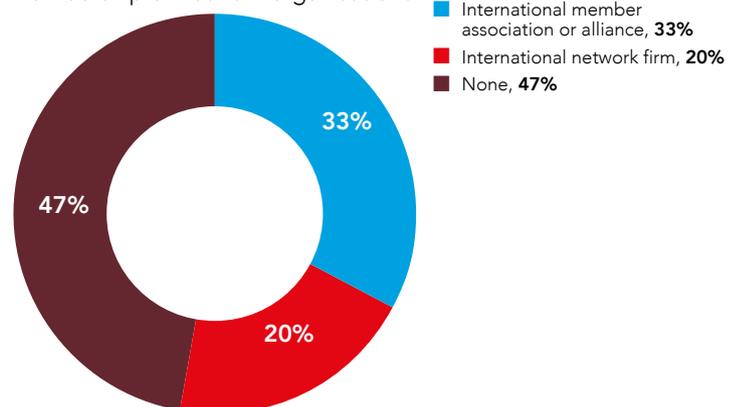
Evidence from IFAC's Global SMP Survey supports these findings (IFAC 2017).

FIGURE 4.13: Activities used by SMPs to prepare international advice



Source: Interviews and roundtable discussions, ACCA 2018

FIGURE 4.14: SMP membership of network organisations



Source: International Trade Survey, ACCA 2018

‘For SMPs looking to do more international advisory work it’s about having a conversation. Speak to those in your network so people begin to know what client services you offer. Trade shows and seminars should be used to promote your practice.’

Abigail Li, Tax Principal, BDO, Hong Kong

It found that only 28% of SMPs ‘belonged to a network (11%) or an association (10%)’. Notably, in the 2015 and 2014 versions of this survey, just under half (48% and 49% respectively) said they had no interest in joining a network, association, or alliance (IFAC 2016 & 2015).⁵ Nonetheless, as the demand for international advisory services continues to grow, the importance of network organisations is likely to increase.

How network organisations vary

There are a range of network organisations offering resources and information, of which practices, in particular, can take advantage when developing their client services. Member associations and alliances are professional services networks that allow firms to access resources and reach out to other participants across international markets.

Equally, SMPs can establish their own referral network where several firms agree to refer or introduce potential clients to one another. All members operate independently within these networks. Aside from these benefits, Paul Russell, owner of Ardagh Consultants Limited in Ireland, says practices can develop through accessing guidance and knowledge sharing: ‘We’ve built a local network of ten practices where each of us has different specialisms. For example, one practice has decided to concentrate more on

taxation where we do more on corporate governance. We regularly bounce ideas off each other. These sorts of alliances help us access more resources without necessarily having to spend more money.’

Network firms tend to be more structured and formalised, with practices often being part of a larger international structure where, for example, a common brand is shared.



The benefits of member associations are found both at home and abroad

Martin Sharp, executive director at international member association DFK International, explains that many of DFK International’s members have experienced growth as a result of taking a proactive approach to networking.

‘Routinely I get contacted from our member firms to ask who would be best placed in other markets to help their clients on a particular issue. We also have alternative channels towards making these connections but there’s nothing like a personal introduction to help create the right platform for the relationship to develop’.

Martin explains that member associations don’t just provide specific introductions: they also organise a number of networking events and conferences across international markets. ‘We find the members most involved in these events at a local level are the most successful in generating client referrals.’

The best way to build a relationship is to establish trust – member associations provide the framework for facilitating this. Clearly, what comes through networking is accountability – it allows you to build trust – practices wanting to refer a client can be more assured that they will be looked after.

Martin stresses that the benefits of member associations are not just international. ‘Many practices find that knowledge sharing at a domestic level is one of the key advantages of participating in an organisation like ours. For example, practices speak to each other to find out different strategies towards helping their clients. It also helps them to become more responsive and comprehensive in the advice they deliver to clients.’

⁵ IFAC’s 2015 survey further identified the perceived benefits associated with membership of formal networks, associations, or alliances as the following: attracting new clients (36%); broadening client service offerings (34%); branding and marketing (32%); training, conferences, and workshops (30%); technical and practice management assistance (30%); attractiveness to international clients (29%); retaining clients expanding in size or operations (28%); strong networking opportunities (28%); risk management and quality control reviews (25%); and attracting and retaining staff (22%) (IFAC 2016).



5. The opportunity and the necessity

Technology today is simplifying the processes and costs traditionally associated with internationalisation. Consequently, more opportunities are being created for SMEs to enter international markets and subsequently a growing proportion of businesses are focusing on expanding their capacity, building networks and developing products, all with a view to succeeding on the global stage.

Therefore an opportunity exists for some SMPs to take advantage of this new business reality – but for all practices it is necessary to adapt to this new landscape in order to ensure that they are not left behind.

Encouragingly, despite the fact that the majority of SMPs do not provide additional support to their clients, many practices already have a good understanding of the opportunities and barriers that clients engaged in international activities regularly encounter.

Those SMPs seeking to develop international support services should consider the fact that businesses are more likely to obtain professional advice related to individual activities. Equally, SMEs of different sizes require different types (and levels) of support. Therefore, businesses will be more likely to recognise the value of a practice's international support if it caters for their specific needs and circumstances.

Through a process of strategic review, SMPs should identify the areas of professional advice where they have the appropriate expertise and experience to add real value. This might involve consulting with existing clients to understand where there could be potential demands for international support.



6. Conclusion

As more businesses seek to take advantage of the opportunities presenting themselves through international trade, the types of professional advice they demand will change accordingly.

For some SMPs, providing additional support to clients involved in international markets will not be feasible. Nonetheless, it is important for all practices to continue recognising the changing realities of how SMEs are operating globally.

For those SMPs that can adapt their service offerings, change doesn't have to take place overnight. Instead, it can emerge as a result of a gradual and strategic approach that seeks to meet the new advice demands as they arise from clients.

Taking advantage of the resources available from network organisations and upskilling employees appropriately are just two of the steps SMPs should be considering so as to adapt to achieve this. While the challenges of diversification are significant, the opportunities for growth may be greater still.

Annexe: Country comparisons

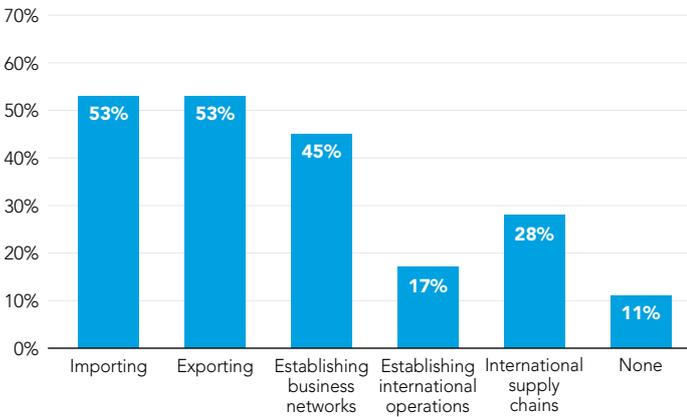
'In Ireland, if you reach a certain scale you have to look to international markets to expand further. Irish SMEs therefore tend to be particularly internationally focused. However, the risk of internationalising when you're too small is that you might not yet have fully developed the right resources or management capabilities to be looking at new markets.'

Cathal Gusack FCCA, Partner, Cusack Garvey, Ireland

Ireland

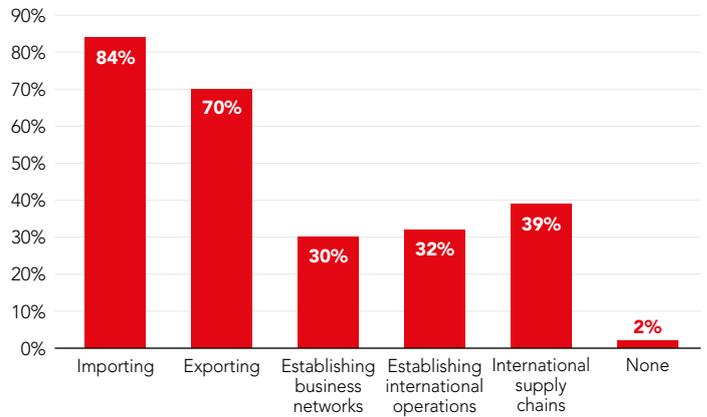
SMEs

SME participation in international trade activities over the last three years

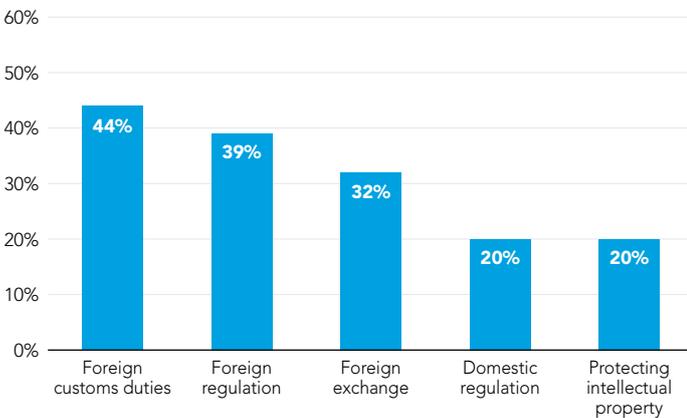


SMPs

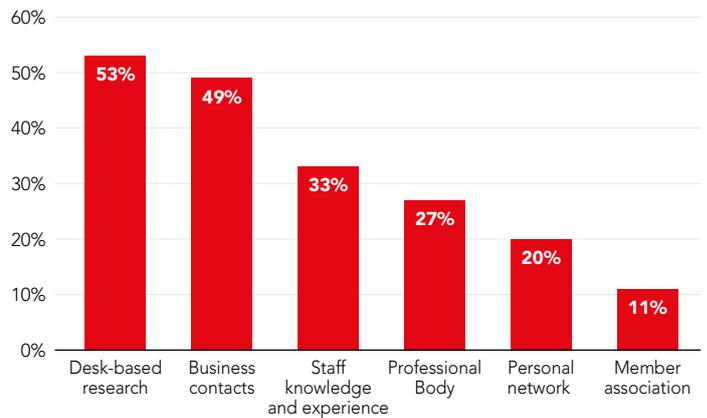
Irish SMP clients participating in international trade activities over the last three years



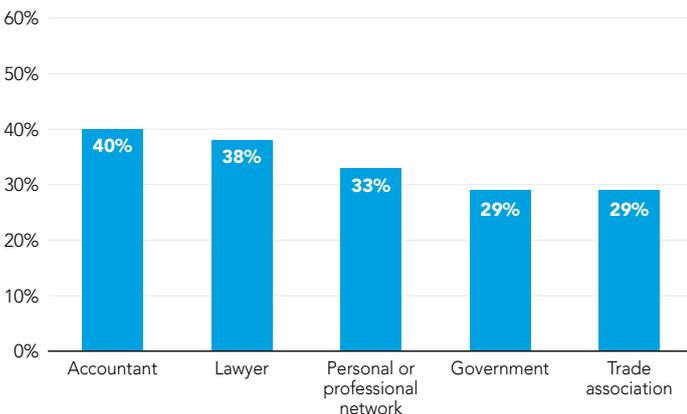
Top five areas of international advice Irish SMEs are most likely to request from their accountant



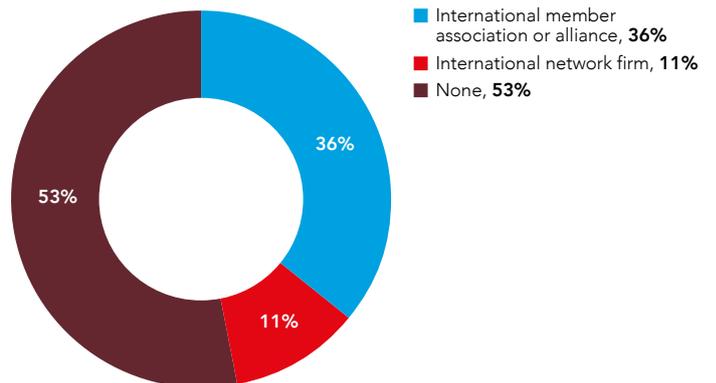
Resources most frequently used by SMPs when preparing international advice



Sources of international advice Irish SMEs are most likely to obtain



SMP membership of network organisations



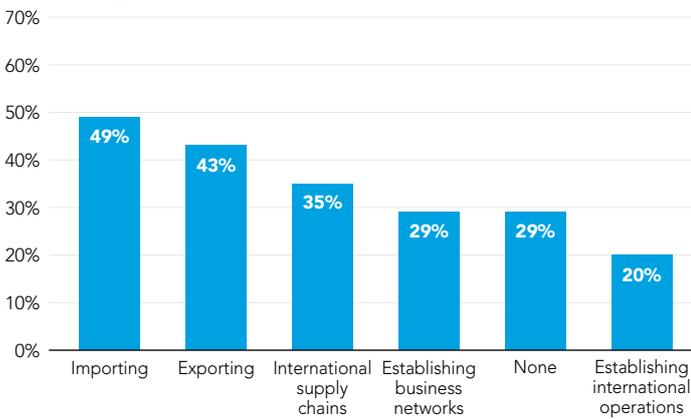
'Internationalisation of SMEs is increasing in Malaysia and economic development across the ASEAN network is only likely to continue improving links between neighbouring markets whilst removing barriers towards trade. This will be a major driving force towards encouraging more smaller practices to offer international advisory services in the future.'

Chong Fah Yow, Managing Partner, Mazars, Malaysia

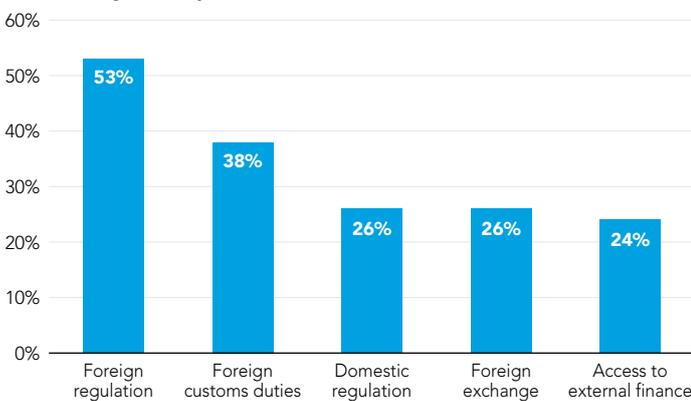
 **Malaysia**

SMEs

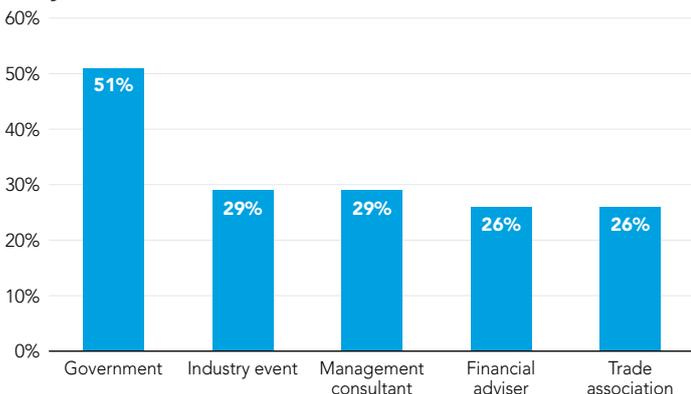
SME participation in international trade activities over the last three years



Top five areas of international advice Malaysian SMEs are most likely to request from their accountant

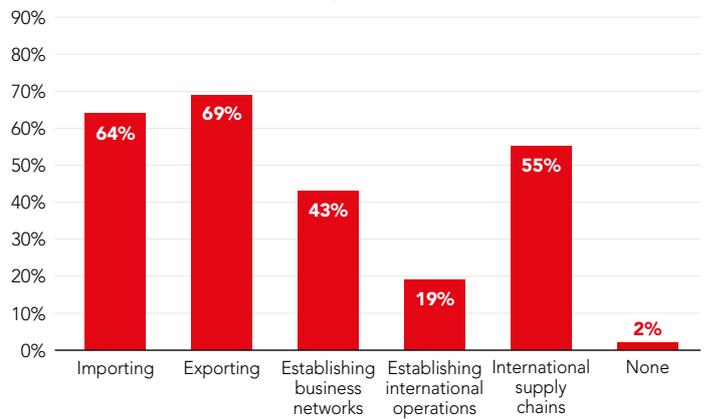


Sources of international advice Malaysian SMEs are most likely to obtain

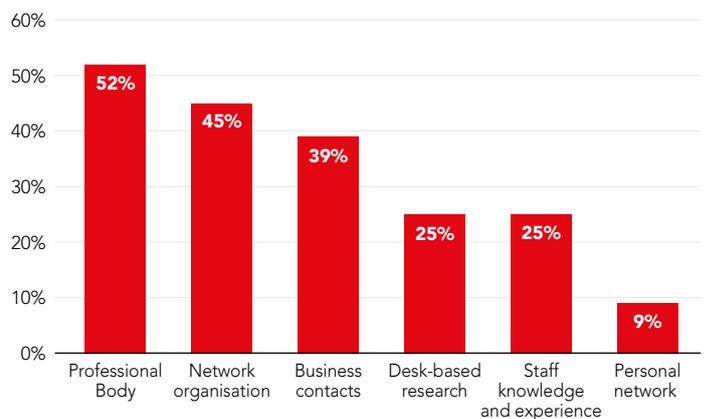


SMPs

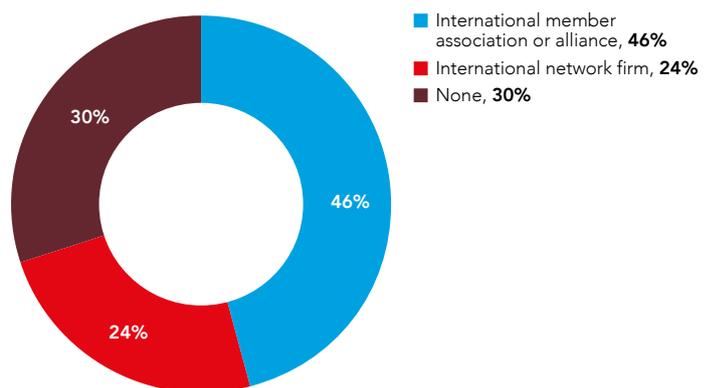
Malaysian SMP clients participating in international trade activities over the last three years



Resources most frequently used by SMPs when preparing international advice



SMP membership of network organisations



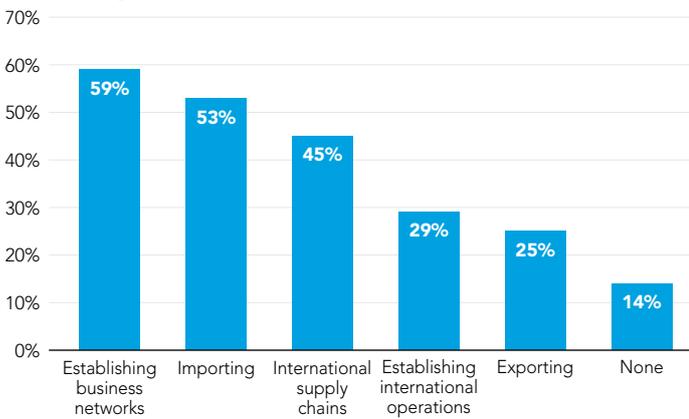
‘There is a need for practices to continue developing their advisory support in order to support SME growth. In particular, SMPs could do more to utilise data analytics in order to provide relevant advice to clients on potential international opportunities. This serves to benefit not just business but to deliver wider economic benefits for Nigeria.’

Boye Oyelami, Managing Partner, Bolsboy International Limited, Nigeria

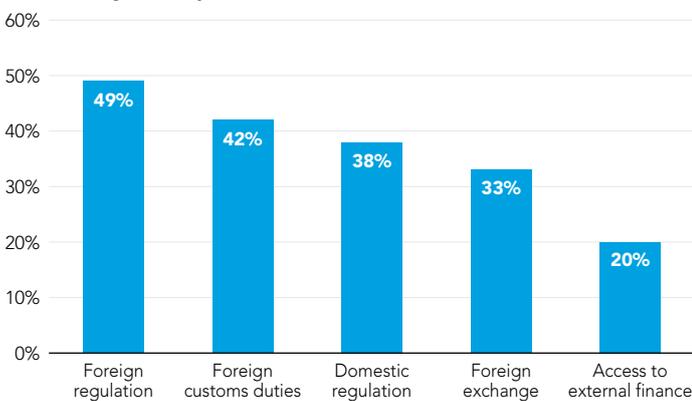
Nigeria

SMEs

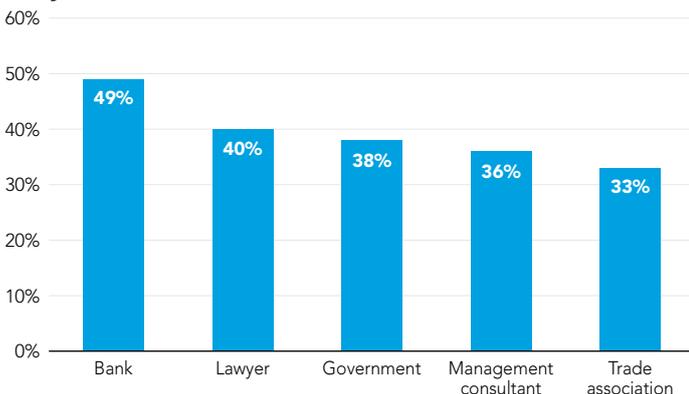
SME participation in international trade activities over the last three years



Top five areas of international advice that Nigerian SMEs are most likely to request

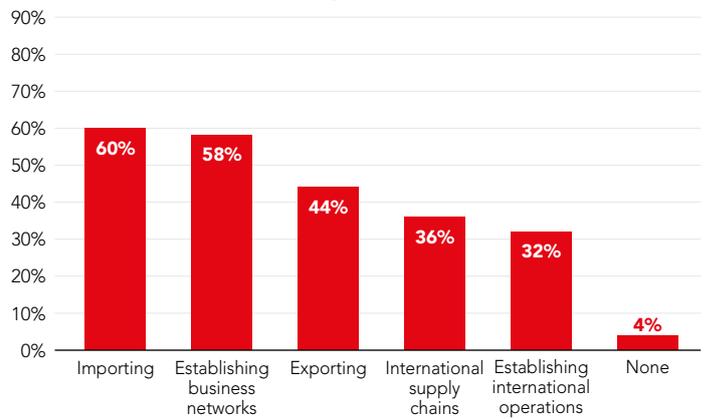


Sources of international advice Nigerian SMEs are most likely to obtain

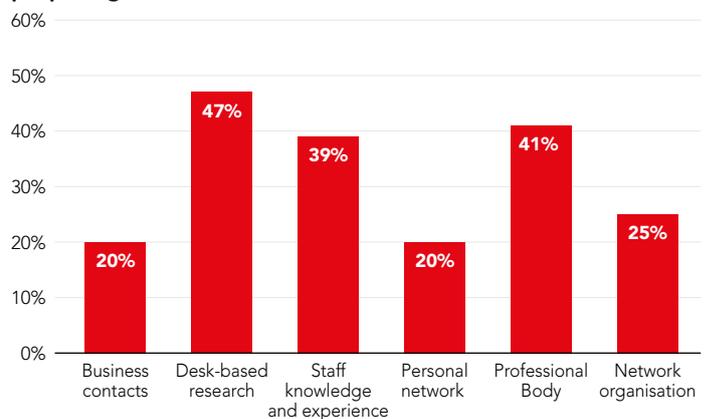


SMPs

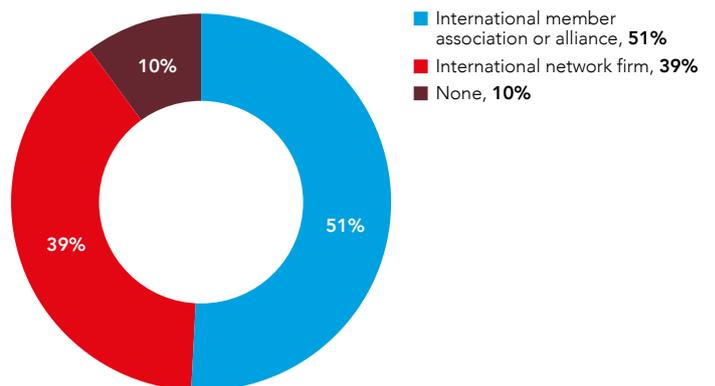
Nigerian SMP clients participating in international trade activities over the last three years



Resources most frequently used by Nigerian SMPs when preparing international advice



SMP membership of network organisations



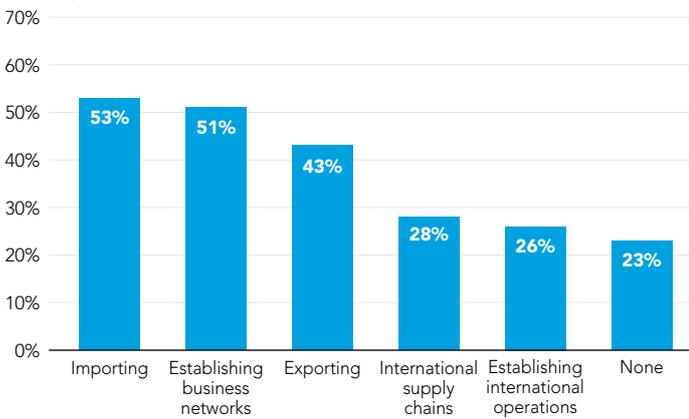
'The Government in Singapore has invested considerably in attracting investment to the country. There [are] a lot of tax and policy incentives for foreign companies to come here, partner with local businesses, and then optimise based on these advantages. In the short term it means that its reputation as a regional trade hub is only set to grow.'

**Nina Tan, Managing Director,
Business Intelligence and Analytics, Singapore**

 **Singapore**

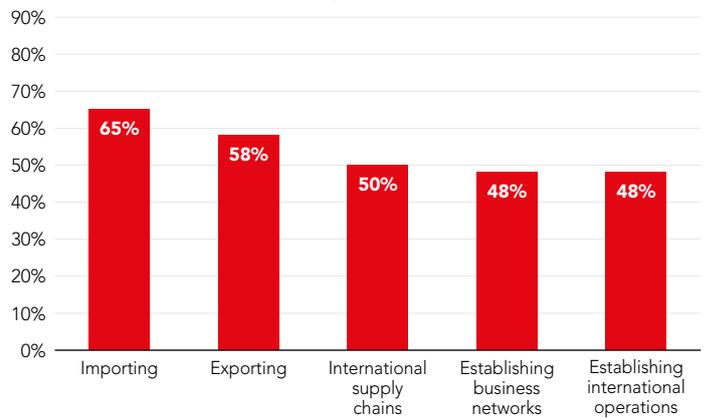
SMEs

Participation in international trade activities over the last three years

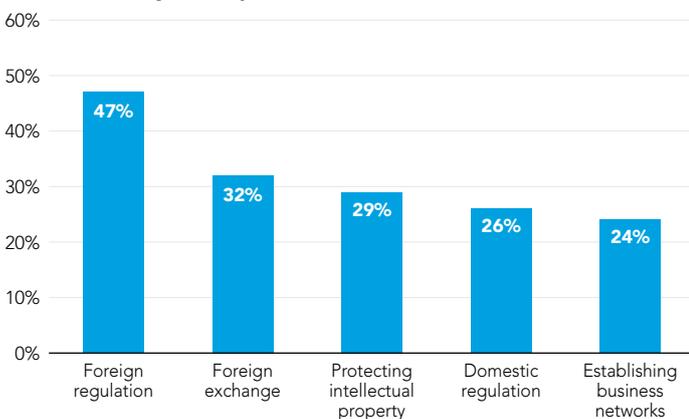


SMPs

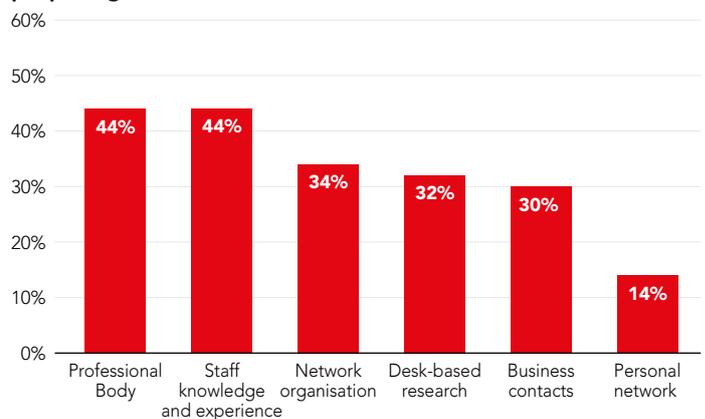
Singaporean SMP clients participating in international trade activities over the last three years



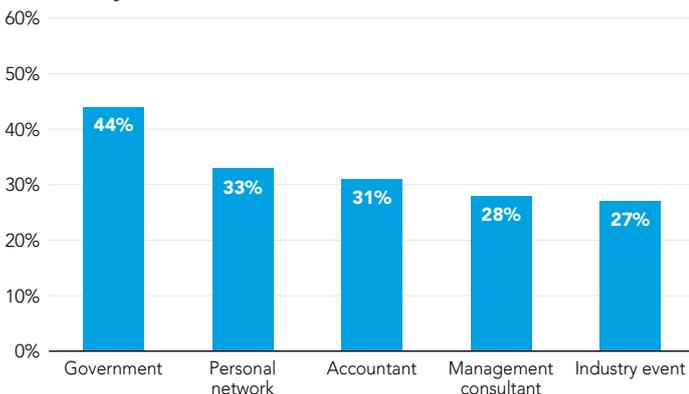
Top five areas of international advice that Singaporean SMEs are most likely to request from their accountant



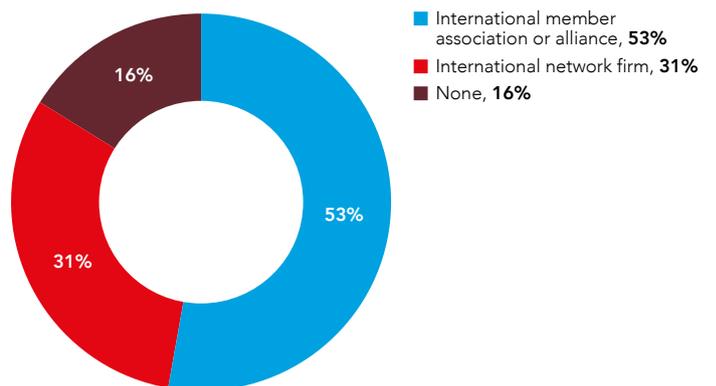
Resources most frequently used by Singaporean SMPs when preparing international advice



Sources of international advice that Singaporean SMEs are most likely to obtain



SMP membership of network organisations



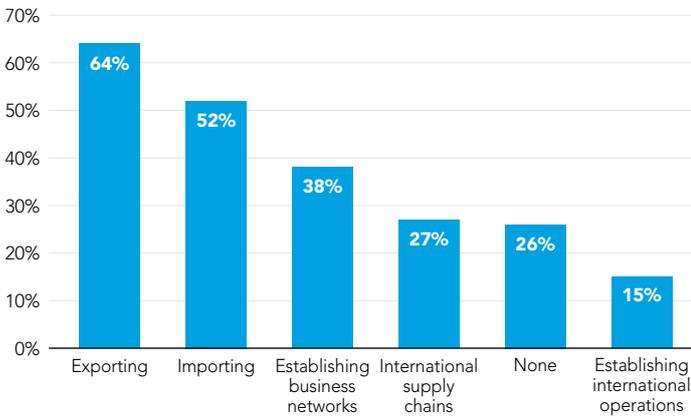
‘There’s definitely a big opportunity for practices to take advantage of those SMEs looking to develop their business in the UK. We can try and plug that gap. Recently our own practice has supported quite a few companies from India wanting to grow their operations in the UK.’

Yogesh Patel, Tax Advisor, Godley & Co, UK

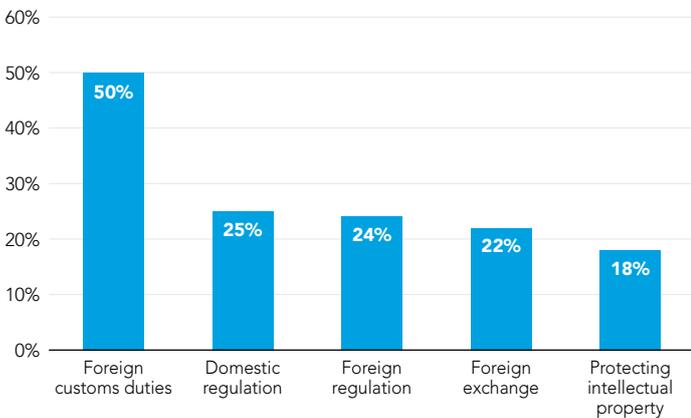
United Kingdom

SMEs

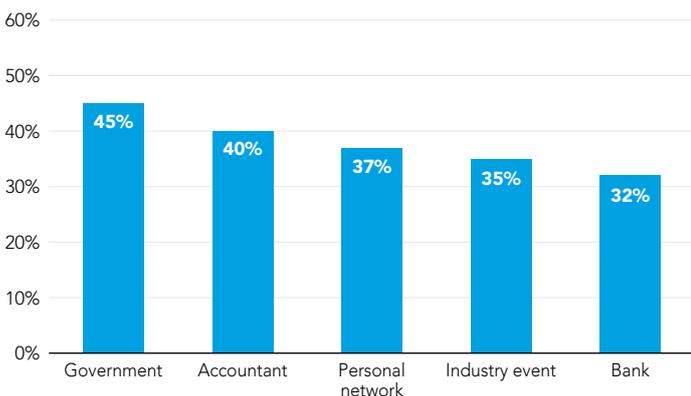
SME participation in international trade activities over the last three years



Top five areas of international advice UK SMEs are most likely to request from their accountant

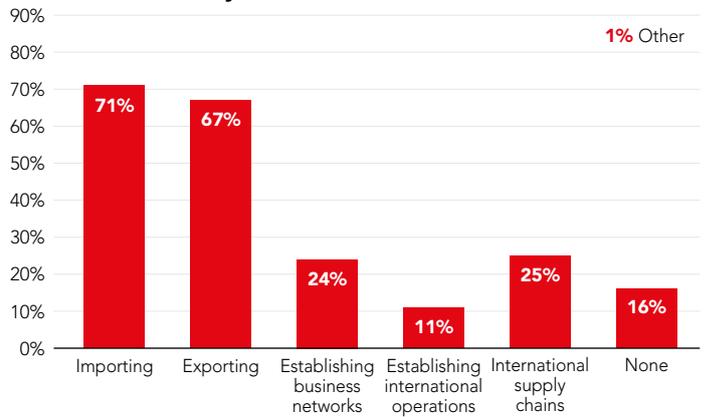


Sources of international advice that UK SMEs are most likely to obtain

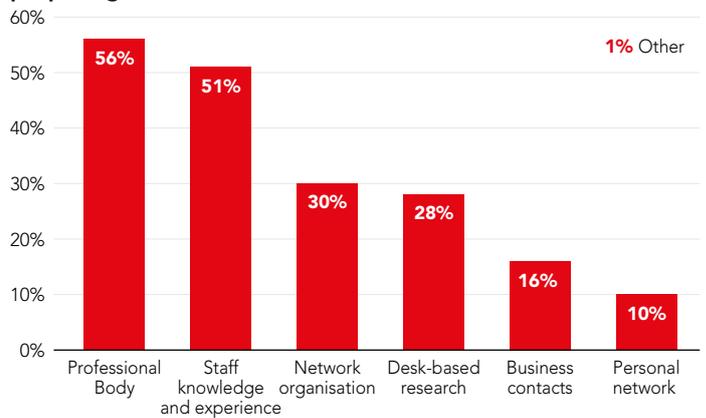


SMPS

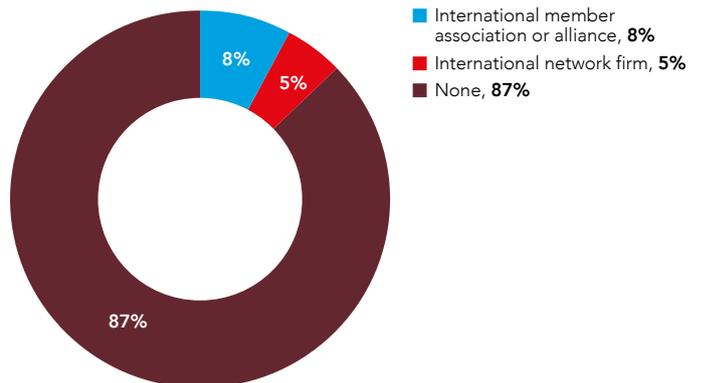
UK SMP clients participating in international trade activities over the last three years



Resources most frequently used by UK SMPs when preparing international advice



SMP membership of network organisations



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About the survey

Separate international trade surveys targeting SMEs and SMPs were drafted for this project and were in the field for approximately one month from March 2018. The call for participants resulted in samples of 510 SME respondents and 398 SMP respondents. These samples were predominantly made up of ACCA members but were also complemented by an external survey panel run by Borderless Access, a global digital MR solutions company.



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