RESEARCH REPORT 127

SMEs and their Advisers: Measuring Trust and Confidence

SMEs and their Advisers: Measuring Trust and Confidence

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Executive summary

Supporting the offering of value-added services to SMEs by professional accountants is of the utmost importance to the profession as deregulation and rising audit thresholds around the world continue to eat away at the demand for traditional compliance work on which many accountancy practices once relied for their income.

Research commissioned by ACCA, as well as a good deal of the literature on business support, suggests that the key to marketing value-added services is the nexus between competence and professionalism on the one hand and personal rapport and trust on the other. Some accountants do well out the combination of SMEs' confidence and trust but substantial barriers remain; as a rule, it is difficult to engage smaller businesses in the supply of value-added services and many take no external advice at all.

Despite the substantial insights it has generated, most of the relevant research to date is qualitative in nature and its findings are hard to generalise to the general business population. This limitation is particularly important when evaluating the performance of public business-support schemes and their interaction with the accounting profession. Researchers have therefore called for validation of their findings through large, and ideally, international, studies making use of quantitative techniques.

This report is a first attempt to provide such validation. It builds on a 2010 survey of 1,777 businesses, each with fewer than 250 employees, in six countries, which was jointly commissioned by ACCA, CGA-Canada and CNDCEC, the Italian professional body for accountants, and carried out by Forbes Insights.

Its approach builds on a conceptual framework which defines trust and confidence based on a thorough review of the academic literature. We apply factor analysis to SMEs' choice of advisers, combined with a series of tests derived from the literature, in order to obtain and validate measures of SMEs' need for trust and confidence, and then use their correlation with SMEs' use of individual advisers in particular areas to derive measures of the trust and confidence that different sources of advice enjoy among businesses. The result is a profile of the relative strengths and weaknesses of different advisers, as well as a plot of the preferences of the SME population in each country – a complete map of the deeper drivers of demand for business advice.

While further corroboration is necessary, this research offers substantial insights into the state of the market for business advice, with particular relevance to the profession and its development. Arguably, the following findings merit particular attention.

- Trust and confidence are two distinct notions and there are ways of inferring measures of the two from quantitative data.
- SME owners and managers in many countries see accountants as all-round business experts, but only the role of the expert financial adviser is truly universal.
- Trust is important but it cannot be taken for granted: specialists can struggle to build trust because SMEs are wary of their ability to abuse the relationship.
- Non-specialist advice is fairly widespread and accountants with strong community ties are significant providers, but smaller businesses face barriers.
- Value-added business advice is chiefly buyer-driven: marketing to the right clients is likely to be more effective than trying to sell to the reluctant.
- Accountants provide a good deal of generalist advice under a 'minimalist' model of provision, which may not be sustainable in the long term.
- Government-funded advice cannot compete with private sector advisers, but it still has a role to play, mostly as an independent broker between SMEs and experts.

1. Introduction

In July 2010, ACCA published a two-country qualitative study (Blackburn et al. 2010) discussing how trust is developed between accountants and the owner/managers of small and medium-sized enterprises (SMEs). That report demonstrated how professional advisers, particularly those in small and medium-sized practices (SMPs) build on the competent performance of compliance tasks and then on successful demonstrations of empathy and social rapport in order to generate trust between themselves and SME clients. The research demonstrated how this dynamic combination of competence and rapport allows some practising accountants to market value-added, non-compliance services to their clients, either directly or through a 'brokerage' model based on referrals to more specialist advisers in the accountants' networks. This is not an altogether new finding: Bennett and Robson (2004), for instance, find that the combination of trust and contractual controls leads to superior service outcomes than trust alone.

The agenda implied in this work, namely supporting the offering of value-added services to SMEs by professional accountants, is of the utmost importance to the profession as deregulation and rising audit thresholds around the world continue to eat away at the demand for the traditional compliance work on which many accountancy practices once relied on for their income (Blackburn and Jarvis 2010). Moreover, there is evidence that the profession is slowly but surely embracing this agenda. One study of accountants working with SMEs in Malaysia (Devi and Samujh 2010) identifies as many as 34 value-added service lines into which practices surveyed were hoping to diversify.

Yet despite the wide use of accountants by SMEs in different countries (Forbes Insights 2010; Blackburn and Jarvis 2010) and a high degree of client satisfaction with the services of accountancy practices (Berry 2006), there is also evidence that not all SMPs manage to market non-compliance services effectively, and thus a small number of heavy users account for most of the services received (Gooderham et al. 2004). Key supply-side constraints identified by Jarvis and Rigby (2011) included the need to focus on proven service lines and to maintain control; uncertainty about actual demand for value-added services; reluctance to rely on new 'expert' staff who have not established rapport with the clients; ethical, legal and insurance-related concerns; and, finally, the lack of professional development opportunities for practitioners. Moreover, the relative importance of competence and rapport is understood differently by SMEs and their advisers. If anything, business owners and managers tend not to emphasise rapport to the extent that accountants do (Blackburn et al. 2010).

Finally, many SMEs do not take external advice at all on a number of issues, even from sources such as friends and family that cost very little to access (Forbes Insights 2010; Schizas and Jarvis 2009). Moreover, SMPs coexist in many countries with a network of publicly funded business support which acts by turns as a competitor and a marketing resource for practitioners. The prospects for successful marketing of value-added services can therefore appear daunting.

2. Research questions

The research literature on business support provided to SMEs by SMPs is still relatively young, but already three important questions have emerged from it, which this study aims to address.

First, a number of studies (Blackburn et al. 2010; Jarvis and Rigby 2011) have called for large, and ideally international, surveys to validate what have, to date, been mostly qualitative findings. Yet it is unclear from their discussion of the evidence how such quantitative data can begin to provide the rich information required for accurate assessment of the perceived competence of the profession and the level of rapport developed with SMEs. Moreover, it is hard to imagine how such assessments can be extended to government-funded support, shedding light on the relative complementarities between this and SMP advice. This is an important point in many other respects, as government-funded support, lacking the crucial test of a true, competitive market, is in need of regular, wholesale evaluation.

Second, as Blackburn et al. (2010) point out, it is not known how far accountants and other advisers really stray from their narrow traditional areas of expertise. Value-added services, while nominally forming an important agenda for the profession, may well still be a small niche in need of much further development.

Finally, while the progression from establishing competence and rapport with accountants and other advisers to providing value-added services might be possible in theory and observed in many cases as a means of developing SME demand for advice, this progression need not be the norm; advisers may well be using other means of marketing their services to a far greater extent, especially in countries beyond those most frequently studied.

ALTERNATIVE APPROACHES TO THE STUDY OF BUSINESS SUPPORT

Positivism and phenomenology are two alternative research philosophies often regarded as being at the extreme ends of a continuum of methods available to the social scientist. Researchers are often faced with the question of where the balance should lie in the investigation of social phenomena, because these typically have both observable and unobserved dimensions (Bryman 1984). The research that has examined the relationship between accountants and SMEs, and in particular the role that trust plays in this relationship, has in the main adopted a phenomenological approach. This approach aims to develop a deep understanding of ambiguous and multidimensional concepts through exploratory techniques (Easterby-Smith et al. 1994; Harrigan 1983). Although the research examining trust in the relationship between accountants and SMEs has been insightful and useful to the accounting profession in the development of policy and to other SME stakeholders in understanding the role accountants play in supporting SMEs, there is a recognised need to understand whether, and how, these general findings extend to the wider population.

The positivist approach focuses on developing and testing hypotheses and generalising research findings from data, most commonly survey data. This approach has been adopted in the present study to address research questions as to the extent to which previous findings about the trust between SMPs and SMEs are generally valid. Indeed, while both Blackburn et al. (2010) and Jarvis and Rigby (2011) are qualitative works aimed at capturing the rich information typically required in the analysis of relationships, they nevertheless call for the validation of the currently available qualitative findings by using data from large, and ideally international, surveys. This is not to suggest that qualitative methods have nothing further to say on this matter. It is, rather, a call for more nuanced work, in keeping with Bryman's warning (1984) that there can be no clear or exclusive correspondence between the research philosophies of positivism and phenomenology and what are often portrayed as their respective methods.

3. Familiarity, confidence and trust

Part of the problem associated with employing quantitative studies of trust and confidence is the issue of what these notions actually entail and how they can be defined in a way that will facilitate measurement. Blackburn et al.'s review of the literature on trust (2010) identifies a number of definitions containing some or all of the following elements:

- willingness to enter into a relationship that exposes oneself to risk
- willingness to accept vulnerability to another party's behaviour
- the cognitive and affective belief that others will not take advantage of one's vulnerability
- a network of behaviours, communication channels and ties that facilitate interactions.

On closer inspection, all the above ultimately correspond to the ways in which the expectations that social actors have of their counterparties may be frustrated, and frustrated expectations of this sort are understood to underlie many of the operational problems experienced by businesses (Lau et al. 2001). A typology of frustrated expectations was first considered by Barber (1983), who identifies three routes to disappointment: a discontinuity in the expected natural or moral order; a lack of technical competence of actors in their respective roles; or the failure of counterparties to honour their fiduciary obligations – their duties and incentives to prioritise the interests of others.

Building on these three dimensions of expectation, Luhmann (2000) draws a distinction between 'familiarity', 'confidence' and 'trust', of which only the latter two are specific to individual counterparties. The distinction between confidence and trust parallels that between the 'business' and 'individual' manifestations of trust identified by Mouzas et al. (2007) or the one between 'calculative' and 'affective' trust drawn by Tyler and Stanley (2007). Table 3.1 demonstrates how the three dimensions of expectation can be distinguished.

The last two rows of Table 3.1 illustrate the distinct advantage, for the purposes of quantitative validation, of Luhmann's typology (2000) over other approaches to the nature of trust. It formulates distinct, testable hypotheses concerning the perceptions that counterparties form about their relationships, and testing these does not hinge on subjects' interpretation of 'trust', 'confidence' or any other notion, allowing researchers to approach these subjects without the need for rich qualitative evidence. Without this property, it is impossible to ensure that the researcher's measures of trust and confidence (whether they be single items on a questionnaire or more complex instruments) actually correspond to the notion in question.

Importantly, Luhmann (2000) notes that although, at the macro or institutional level, reliance on trust tends to rise at the expense of reliance on competence (and vice versa), this need not be the case in individual relationships. This allows for the existence of different combinations of trust and competence, and therefore for their interaction. Building on this observation, a rough typology of expectations, counterparty roles and stakes in social and business relationships is proposed in Table 3.2.

Table 3.1: Distinguishing between trust, confidence and familiarity

Dimension	Trust	Confidence	Familiarity
Focus of disappointment (Barber 1983)	Fiduciary duty	Effectiveness	Natural/moral order
Dimension of 'trust' (1) (Mouzas et al. 2007)	Individual trust	Business trust	N/A
Dimension of 'trust' (2) (Tyler and Stanley 2007)	Affective trust	Calculative trust	N/A
Nature of contingency (Luhmann 2000)	Risk	Danger	Danger
Attribution of outcomes (Luhmann 2000)	Internal	External	Non-personal
Perception of alternatives (Luhmann 2000)	High	Low	None

Table 3.2: A typology of counterparty relationships

Expectations	Relationship	Counterparty	Stakes
Neither trust nor confidence	Casual	Observer	None or trivial
Trust without confidence	Conversation	Sounding board	Embarrassment
Confidence without trust	Transaction	Instrument	System failure
Both trust and confidence	Partnership	Partner	Mission failure

4. Validating the trust x competence framework

The literature on business support often refers to accountants (or others) as 'trusted' advisers of SMEs, a claim usually documented by reference to the frequency with which the services of accountants are used by SMEs (Blackburn and Jarvis 2010). In fact, as discussed in Chapter 3, trust, confidence and frequency of use are not synonymous and the former two cannot be inferred from the latter. This has implications for the theory and practice of business support, because evaluations based on penetration rates or even purely on policy outcomes can misrepresent important underlying factors (Pawson and Tilley 1997), in this case the reputational and intellectual capital accrued by advisers. This might in turn account for the adverse effects of structural change on the use of publicly funded business support documented by Bennett (2008): it risks destroying valuable capital or assuming it exists when it does not.

A FIRST ATTEMPT: THE FORBES INSIGHTS (2010) STUDY

In order to validate the 'trust x competence' framework in a quantitative study, it is necessary to establish some constructs that correspond to the two notions, which requires comprehensive data on the use of advisers by SMEs. Forbes Insights (2010), a report jointly commissioned by ACCA, CGA-Canada and CNDCEC, the Italian professional body for accountants, provides such data, derived from a survey of 1,777 businesses, each with fewer than 250 employees, in six countries (see Table 4.1) drawn from the Forbes Insights readership.

Since it would appear that unobserved factors such as trust and confidence had not been examined in a quantitative study before, it was very difficult to hypothesise how they might interact with institutional and cultural factors. Therefore, in addition to the obvious objective of representing the sponsors' home markets, the choice of countries in which SMEs would be interviewed by Forbes Insights was dictated by the need for diversity. In particular, that study aimed:

- to include countries of different sizes and at widely divergent levels of development
- to ensure adequate representation among the relative 'winners' and 'losers' of the global economic downturn of 2008–9
- to encompass both common and civil law systems
- to ensure a balance between resource, manufacturing and service-based economies, and
- to incorporate national cultures across the spectrum of collectivism vs. individualism, which might create a predisposition for different patterns in the use of advice.

The definition of an SME employed by Forbes Insights (2010) is, of necessity, an arbitrary one. SME and small business definitions are dictated at the national and sometimes international level by the objectives and preoccupations of policymakers rather than by the pursuit of an accurate proxy for business 'size'. Consequently they vary substantially between countries in qualitative as well as quantitative ways. As ACCA (2010) demonstrates, however, employment is a criterion common to almost all SME definitions as employed in practice, not least

Table 4.1: The Forbes Insights (2010) sample

	Approximate number of employees					
	None	1 to 9	10 to 49	50 to 99	100 to 249	Total
Canada	15	98	110	46	46	315
China	5	46	127	41	38	257
Italy	7	43	120	45	51	266
Singapore	17	72	121	69	58	337
South Africa	5	50	128	40	38	261
United Kingdom	20	124	114	44	39	341
Total	69	433	720	285	270	1,777

because it lends itself readily to statistical application. Other common measures, namely turnover- and asset-based ones, rely heavily on the availability of reliable financial information on the population of SMEs, which is by no means assured. Even qualitative SME definitions stress the importance of organisational structure, resources and controls, for which headcount is arguably a better proxy than turnover, assets or other commonly used criteria. The 250-employee cut-off is the most commonly cited employment threshold for SME definitions globally (Kushnir et al. 2010) and has the added advantage of broadly aligning the Forbes Insights (2010) definition with the one employed by the European Commission and consequently by governments in the EU member states, of which two were represented in the sample. No other definition would have adequately covered more than one country.

The survey asked respondents to name the advisers they engaged in seven areas:

- taxation
- financing
- financial management
- legal and regulatory matters
- marketing
- business operations
- technology.

For each of these areas of advice, respondents were prompted to choose up to 3 out of 11 types of adviser, favouring the ones they used most often:

- friends and family
- trade or professional associations
- local business associations and chambers of commerce
- professional colleagues and networks
- accountants
- attorneys
- banks and other credit providers
- Internet resources
- government resources
- others, or
- none.

Forbes Insights (2010) originally performed a cluster analysis on this data, arriving at four distinct groups of SMEs, which it named Confidence Seekers, Community Networkers, Skeptics and Go-it-Aloners, based on their propensity to seek expert advice and/or employ community-based resources as a form of business support.[1]

Table 4.2: Forbes Insights (2010) clustering by country

Use of advice cluster	Canada	China	Italy	Singapore	South Africa	UK	Total
Community Networkers	36.2%	29.2%	41.4%	34.1%	16.5%	6.5%	27.0%
Skeptics	16.8%	10.5%	19.9%	15.4%	18.0%	45.7%	21.8%
Confidence Seekers	23.8%	55.3%	20.7%	35.0%	61.3%	41.3%	38.9%
Go-It-Aloners	17.1%	3.9%	14.3%	10.4%	3.8%	6.5%	9.5%
Unclassified	6.0%	1.2%	3.8%	5.0%	0.4%	0%	2.8%

1. Note that the use of the word 'confidence' by Forbes (2010) does not correspond to the notion of 'confidence' as discussed elsewhere in this paper. For the sake of completeness, the dataset used in the present study includes all 'unclassified' cases. These were suppressed as outliers in the original study as their responses appeared to be erratic and indicative of some misunderstanding of the question or a desire to 'move on' to the end of the survey.

Confidence Seekers were found to value both expert advice and social rapport. Community Networkers, the second most populous group, were those whose support networks focused largely on social rapport. Skeptics were presented as focused mostly on expert advice, while Go-it-Aloners used almost no external advice. Table 4.2 presents the breakdown of SMEs in the Forbes study by country and advice cluster.

Significantly, Forbes Insights (2010) reports correlations between advice-seeking behaviour as represented by the four cluster groups and some significant policy variables, such as ease of accessing finance, revenue growth and customer acquisition, as well as self-reported learning outcomes from the experience of the global economic downturn of 2008–9. Overall, Forbes Insights (2010) provides much food for thought but leaves room for a more rigorous treatment. The present study visits this question through a) a factor analysis of adviser choices and b) two distinct tests against hypotheses derived from Luhmann (2000).

FACTOR ANALYSIS

In performing a factor analysis of adviser choices, the authors were aware of the limitations of the Forbes Insights (2010) data. Each combination of adviser and subject matter (except non-use of advice) was entered into the analysis as a dummy, for a total of 70 items. As discussed in Lingard and Rowlinson (2005), a sample of over 1,000 is considered to be 'excellent' for the purposes of such analysis. So is a sample with a subject-to-item ratio of over 10. The Forbes Insights (2010) data yield a sample of 1,777 and a ratio of 25.4. Even if the analysis were to be performed solely on the least populous of the country sub-samples (China), the analysis would yield a subject to item ratio of 257/70=3.7, which is close to the median reported for such studies. Crucially, Lingard and Rowlinson (2005) also suggest that, where sufficiently strong factor loadings can be derived, the effect of sample size on the adequacy of the analysis tends to be minimised.

As Table 4.3 demonstrates, the Forbes Insights data lend themselves quite readily to factor analysis (KMO=.664; Bartlett's χ^2=17,324). Nonetheless, because the advice-seeking variables are by their nature significantly correlated, as are trust and confidence, an oblique Promax rotation was used. Six of the resulting factors (see Figure 4.1) appear to be particularly significant and together account for 21% of the total variance in the use of advice (Table 4.2).

Of those, some (see Table 4.5 and the Appendix) clearly correspond to the use of a specific type of adviser or the use of an adviser in a specific context. Factor 3 corresponds to the use of online resources, Factor 6 corresponds to the use of business associations, and Factor 4 corresponds to friends and family who take an active role in advising on core business functions. Factor 5 appears to correspond to a willingness to 'read up' or engage with the corpus of literature on an issue, whether in the form of government guidance or books and magazines.

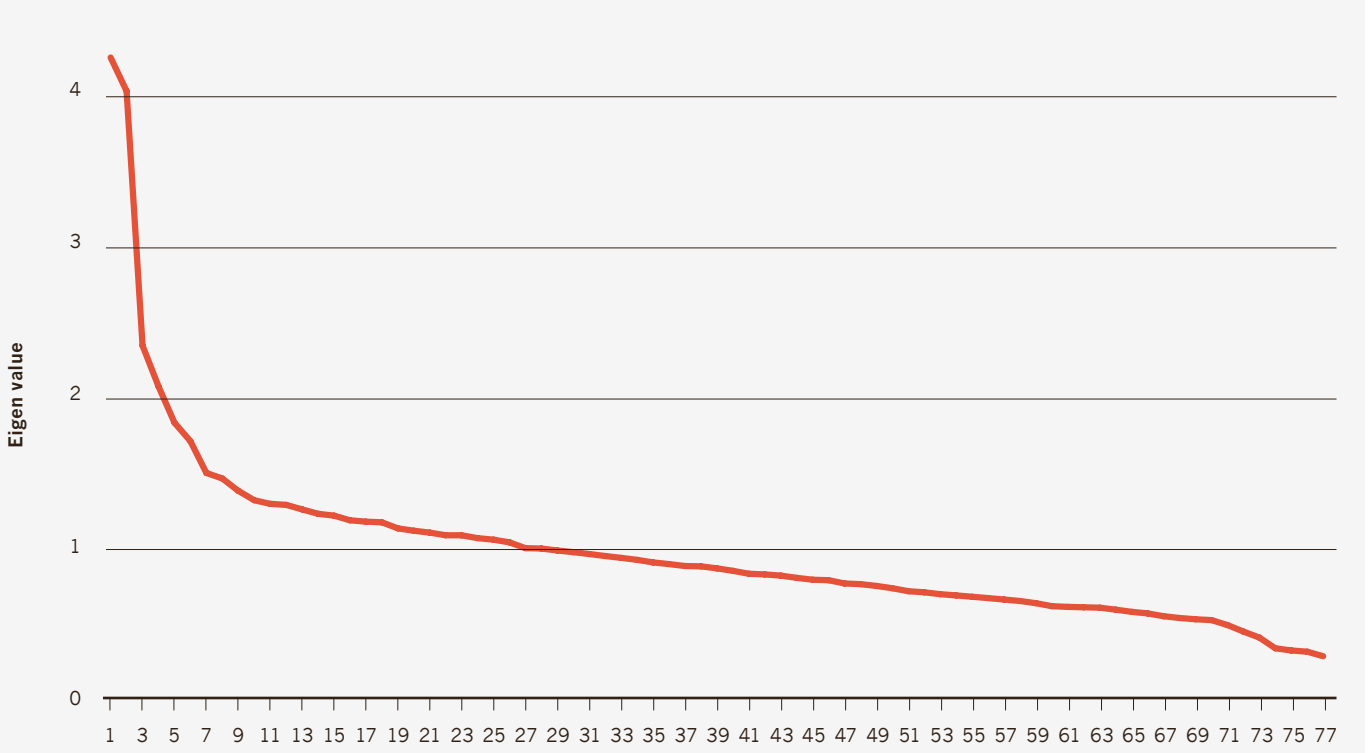
Table 4.3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin measure of sampling adequacy.		.664
Bartlett's Test of Sphericity	Approx. Chi-Square	17324.081
	Df	2926
	Sig.	.000

Table 4.4: Total variance explained

	Initial Eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings
Component	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total
1	4.246	5.515	5.515	4.246	5.515	5.515	3.072
2	4.025	5.227	10.742	4.025	5.227	10.742	2.983
3	2.346	3.046	13.788	2.346	3.046	13.788	2.117
4	2.077	2.697	16.486	2.077	2.697	16.486	2.123
5	1.837	2.386	18.872	1.837	2.386	18.872	2.410
6	1.716	2.228	21.100	1.716	2.228	21.100	2.175

Figure 4.1: Cluster analysis scree plot



The Scree plot displays the variance associated with each factor and is used to determine how many factors are distinct and significant enough to be retained in the analysis. Typically the plot shows a distinct break between the steep slope of the large factors and the gradual trailing of the rest (the scree).

This leaves the two most significant factors, which do appear to match in one sense the typologies derived from Luhmann (2000). Factor 2 corresponds to the use of advisers within their most narrow areas of expertise, while Factor 1 corresponds more loosely to the use of community resources and advisers in non-traditional areas of expertise. Together these two appear to account for 11% of the variance in use of advice.

The six factors correspond reasonably well to the four groups identified by the Forbes Insights (2010) clustering exercise. Community Networkers exhibit high loadings of the 'community cross-over' and 'business association' factors. Confidence Seekers exhibit high loadings of the 'use of experts' and 'reading up' factors, while Skeptics exhibit negative loadings on all factors, especially 'Reading up', 'Community cross-over' and 'Business association'. Finally, Go-it-Aloners exhibit very negative loadings on all factors, especially the 'use of experts'.

Table 4.5: A summary of factor loadings (see Appendix for details)

	Component					
	1	2	3	4	5	6
Interpretation	**Community crossover**	**Use of experts**	**Internet use**	**Family and friends**	**'Reading up'**	**Business associations**
Variables with high loadings	Friends and family – tax	Accountants – tax	Internet – tax	Friends and family – marketing	Government – tax	Business association – tax
	Trade, professional association – financing	Bank – financing	Internet – financing	Friends and family – operations	Government – regulatory	Business association – financing
	Business association – financial management	Accountants – financial management	Internet – financial management	Friends and family – technology	Internet – marketing	Business association – marketing
	professional network – regulatory	Attorney – legal and regulatory	Internet – regulatory		Books and magazines – marketing	Business association – operations
	Accountant – marketing	Internet – technology	Internet – marketing		Books and magazines – operations	Business association – technology
	Attorney – operations					
	Bank – technology					

Table 4.6: Reconciliation of factor and cluster analysis results

	Mean factor loading					
Forbes Insights (2010) clusters	**Community cross-over**	**Business association**	**Use of experts**	**'Reading up'**	**Internet use**	**Family and friends**
Community Networkers	0.457	0.522	–0.529	–0.081	0.173	0.304
Skeptics	–0.407	–0.464	–0.155	–0.603	–0.277	–0.332
Confidence Seekers	–0.262	0.092	0.810	0.579	0.160	0.175
Go-it-aloners	–0.532	–0.546	–1.161	–0.866	–0.472	–0.690
Unclassified	4.209	–0.826	–1.004	0.381	–0.118	–0.425
Total	–0.122	0.024	0.029	–0.011	0.003	0.012

TESTS DERIVED FROM LUHMANN (2000)

So far, it has been suggested that only two factors are particularly useful in explaining the variation in the use of advisers by SMEs that could correspond to 'trust' and 'confidence-seeking' behaviours. These are, however, still arbitrary labels derived by 'eyeballing' the data. To ensure that the factors discovered here are a good match for the notions of trust and confidence discussed in the literature, two further tests derived from Luhmann (2000) are performed below.

The first of these tests considers the role of attributions and perceived stakes in distinguishing the effects of trust and confidence. Given a set of expectations defined by trust, the stakes are defined in terms of risk and attributions for failure would tend to be more internal, while in one defined by confidence the stakes tend to be defined in terms of danger and attributions for failure tend to be external. It is possible to test this in the case of financing efforts because the Forbes Insights (2010) dataset records details of the success or otherwise of financing applications, as well as giving one proxy for external attributions of financing outcomes from banks (degree of agreement with the statement 'We are too small to obtain bank finance').

Ordinal regression analysis results (χ^2=204; p<.000; see Table 4.7) suggest that in the case of financing, increased loadings of the 'community cross-over' factor tend to reduce the tendency of unsuccessful applicants (especially as compared with the most successful ones) to agree that they are too small to obtain bank financing (external attribution). This is true even after accounting for employment and turnover size-band, the predominant type of customer (consumers or other businesses), the country in which the SMEs were based, and their legal form and growth rates, both current and forecast.[2] Under alternative specifications, a similar but weaker effect is obtained for the business association factor. No symmetrical effect was found to result from high loadings of the 'expert factor'.

2. With the exception of the financing outcome variable and its interactions, this will be the set of variables implied when the term 'all other things being equal' is used below.

Table 4.7: Results of ordinal regression analysis: Locus of attributions

	Estimate	Std. error	Wald	df	Sig.	95% Confidence interval	
						Lower bound	Upper bound
Got all the finance applied for	1.232	0.299	16.990	1	0.000	0.646	1.819
Got most of the finance applied for	0.849	0.275	9.551	1	0.002	0.311	1.388
Got some of the finance applied for	0.514	0.274	3.518	1	0.061	–0.023	1.052
Community cross-over	0.233	0.241	0.935	1	0.334	–0.239	0.705
Expert	–0.011	0.279	0.002	1	0.968	–0.557	0.535
Internet	–0.066	0.071	0.846	1	0.358	–0.206	0.074
Friends and family	0.018	0.082	0.051	1	0.822	–0.142	0.179
Reading up	–0.058	0.075	0.590	1	0.442	–0.206	0.090
Business association	–0.196	0.073	7.243	1	0.007	–0.339	–0.053
Got all finance * Community	–0.896	0.302	8.816	1	0.003	–1.488	–0.305
Got most finance * Community	–0.597	0.273	4.793	1	.029	–1.132	–.063
Got some finance * Community	–0.596	0.280	4.520	1	.033	–1.146	–.047
Got all finance * Expert	0.153	0.316	0.233	1	0.630	–0.467	0.773
Got most finance * Expert	0.146	0.303	0.232	1	0.630	–0.447	0.739
Got some finance * Expert	0.150	0.303	0.246	1	0.620	–0.443	0.743

Note: The regression analysis also controlled for employment, turnover, legal status, type of customer (B2B vs B2C), turnover growth (past and expected) and country. Note also that the dependent variable was coded as (1 = total agreement ... 5 = total disagreement), and that a negative coefficient suggests a positive effect.

The second test reflects perceptions of alternatives. Luhmann (2000) predicts that in a setting dominated by trust, SMEs should treat their adviser of choice as one of many alternatives. Thus one can test whether the factors correspond to Luhmann's typologies by considering their effect on the range of advisers used by SMEs. Biases are eliminated by focusing only on advisers working outside their traditional field of expertise.

A 'use of non-specialists' variable was computed for the purposes of this test as the sum of advice dummies denoting non-specialist advice in those areas where an identifiable specialist existed. These areas were tax (accountants, government and books), financing (accountants and finance providers), financial management (accountants and finance providers) and legal or regulatory matters (solicitors, government and books). The bulk of SMEs in the sample (85%) were found to be using at least some non-specialists.

Ordinal regression analysis results (χ^2=746; p<.000; see Table 4.8) suggest that high loadings of all factors apart from the 'expert' factor are strongly associated (p<0.000) with a wider range of non-specialist advice on specialist areas. The 'community cross-over' factor, as predicted, stands out: its effect is larger by a significant margin than that of any other.

It is important to note that businesses with fewer than 50 employees are, other things being equal, less inclined to use 'non-expert' advice, and increasingly reluctant with decreasing size. A similar mild effect was observed for the $5m– $9.9m turnover size-band. Since advice orientations are already controlled for, these findings could reflect a certain level of risk aversion or lack of relevant in-house expertise, which would normally complement external advice. This finding suggests that business support is best focused on businesses below the official SME threshold of many countries. At any rate, these findings support the suggestion that a framework of trust vs confidence can help explain much of the variation in advice-seeking behaviour among SMEs. As anticipated by Luhmann (2000), there is a small, significant negative correlation (r=-0.133, p<0.000) between the two factors but all combinations of the two are possible.

Table 4.8: Results of ordinal regression analysis: Use of 'non-specialist' advice

							95% Confidence interval	
		Est.	Std. error	Wald	Df	Sig.	Lower bound	Upper bound
Location	Community cross-over	1.097	0.080	190.002	1	.000	0.941	1.252
	Expert	0.047	0.064	0.546	1	0.460	–0.078	0.173
	Internet	0.752	0.061	153.554	1	.000	0.633	0.871
	Friends and family	0.546	0.068	64.034	1	.000	0.412	0.679
	Reading up	0.455	0.063	52.023	1	.000	0.331	0.578
	Business association	0.736	0.063	135.503	1	.000	0.612	0.860
	Less than $2m turnover	–0.518	0.325	2.536	1	.111	–1.156	0.120
	$2m to $4.9m turnover	–0.266	0.326	0.667	1	0.414	–0.905	0.373
	$5m to $9.9m turnover	–0.573	0.334	2.946	1	0.086	–1.227	0.081
	$10m to $24.9m turnover	–0.380	0.348	1.189	1	0.276	–1.063	0.303
	No employees	–0.683	0.375	3.317	1	0.069	–1.418	0.052
	1 to 9 employees	–0.662	0.221	8.989	1	0.003	–1.094	–0.229
	10 to 49 employees	–0.323	0.179	3.241	1	0.072	–0.674	0.029
	50 to 99 employees	0.041	0.206	0.040	1	0.841	–0.362	0.444

Note: The regression analysis also controlled for employment, legal status, type of customer (B2B vs B2C), turnover growth (past and expected) and country; only significant effects are highlighted on this table.

5. Developing measures of trust and confidence

If, as suggested above, the advice-seeking factors established so far truly correspond to notions of trust and confidence, then it ought to be possible to use their correlation with the use of individual advisers as an indirect means of benchmarking the latter's perceived competence and entrepreneurs' willingness to trust them. As discussed above, these will vary not only between groups of advisers but also between areas of advice. Tables 5.1 and 5.2 summarise the findings as they apply to the accounting profession, while Table 5.3 summarises the findings as they apply to all types of adviser in the specific area of regulatory advice, which has been cited by Jarvis and Rigby (2010) as one of UK accountants' most common 'value-added' services.

Note that in all cases the interaction of high (top quartile) loadings of the 'trust' and 'competence' seeking factors are controlled for, which Blackburn et al. (2010) imply is crucial to the development of a value-added offering beyond compliance.

On the basis of the above, it is clear that accountants are treated as having significant expertise in taxation, financial management and financing, but also some expertise in regulatory matters. On the other hand, accountants rarely provide operations and marketing advice and tend to do so largely on the basis of trust. On the whole, both factors drive demand for advice and tend to increase the scope of the offering received from accountants. Nonetheless, it appears that demand is additionally driven to a great extent by those business owners who consider their accountant to be a personal friend or confidant, as high loadings of the 'friend and family' factor tend to correlate very strongly with the use of accountants for regulatory advice. Alternatively, this correlation could be because cash-strapped businesses are using accountants already engaged for other purposes as a free resource, in the manner described by Jarvis and Rigby (2011). Accountants may be sourcing some of their non-specialist business from local business associations or chambers of commerce as a result of

Table 5.1: Advice-seeking factors as determinants of use of accountants' advice, by subject

	Tax		Financing		Financial management		Regulation		Marketing		Operations		Technology	
Community	–0.222		0.029		–0.274		0.046		1.867	***	0.130		0.609	***
Expert	2.015	***	1.073	***	1.421	***	0.215	*	–0.019		0.055		0.296	
Internet	–0.077		–0.182	*	–0.014		0.029		–0.333	*	0.033		–0.015	
Friends and family	0.439	***	0.875	***	0.192	**	0.303	***	0.098		0.240	**	0.743	***
Reading up	–0.882	***	–0.230	**	0.190	**	–0.132		·0.030		–0.118		–1.099	***
Business association	–0.186	**	–0.284	***	–0.015		–0.077		0.202		0.155		0.427	***
High trust and confidence	–0.640		–0.068		–0.203		0.315		–0.404		–0.866	**	–0.438	

Note: *p<0.1 ; **p<0.05; ***p<0.01 coefficients are derived from binomial regression analysis also controlling for employment and turnover size band, legal status, type of customer (B2B vs B2C), turnover growth (past and expected) and country.

Table 5.2: Advice-seeking factors as determinants of use and scope of accountants' advice

	No use		Scope of advice		Scope of 'non-expert' advice	
Community cross-over	0.894	***	0.387	***	0.656	***
Expert	2.162	***	1.523	***	0.063	
Internet	–0.063		–0.081		–0.004	
Friends and family	0.646	***	0.653	***	0.317	***
Reading up	–0.133		–0.264	***	–0.107	
Business association	–0.139		–0.021		0.178	**
High trust and confidence[a]	1.288		–0.068		–0.075	

Note: *p<0.1 ; **p<0.05; ***p<0.01 coefficients for the 'no use' variable are derived from binomial regression analysis also controlling for employment and turnover size band, legal status, type of customer (B2B vs B2C), turnover growth (past and expected) and country.
a. Coefficients for the scope variables are derived from ordinal regression. For these regressions the coefficient given for the interaction effect corresponds to the absence of interaction.

formal or informal brokerage. This appears to corroborate a similar finding by Blackburn et al. (2010). Alternatively, it is also possible that the accountants' ties to business organisations allow accountants to act as brokers. At any rate, the lack of a significant interaction effect involving the 'expert' and 'community crossover' factors is conspicuous and conflicts with previous findings.

Finally, Table 5.2 suggests that accountants offer some advice that SME owner-managers could, at least in theory, obtain by looking up the relevant information on government websites, the Internet or specialist publications. This offers some support to the conclusion that most accountants' regulatory and other value-added offering is not far removed from a generalist service, suggesting that the model of advice identified by Jarvis and Rigby (2011) as 'minimalist' might extend to the supply of other types of advice and may be the most common of the three models they identify. This also suggests that factors such as owner-managers' time-constraints, education and access to information or the Internet will tend to influence their demand for advice from accountants.

Similarly, it is possible to use this method to benchmark the offering of different types of provider in terms of their ability to inspire confidence and trust. Table 5.3, for example, demonstrates that the legal profession is seen by SMEs as the foremost authority on regulation, followed by the government, business associations and, to some extent, accountants. It also suggests that professional networks and indeed the government are trusted as sources of advice on regulation regardless of perceived competence. That said, the legal profession does not appear to enjoy much trust from SMEs and is engaged in regulatory advice mostly out of a need for technical competence. This may appear paradoxical but is in fact in line with the findings of past research. In fact, this echoes Hilton and Migdal (2005): 'private clients express considerable concern regarding a lawyer's ability to act opportunistically within the relationship'. This combination of high levels of confidence and low levels of trust is observed elsewhere in the data from the present research. The reason for it might be that the more expertise the adviser is seen as having, the more asymmetric the distribution of information and power between the two counterparties and the more capable of abusing the relationship the adviser is perceived to be.

Table 5.3: Advice-seeking factors as determinants of demand for regulatory advice, by provider

	Friends and family		Trade or prof. body		Local business association		Prof. colleagues or network		Accountants		Attorney	
Community cross-over	0.007		0.051		0.023		1.875	***	0.046		–1.000	***
Expert	–0.097		–0.195	**	0.311	***	0.186		0.215	*	1.770	***
Internet	0.439	***	–0.032		–.167	*	0.169	*	0.029		–0.391	***
Friends and family	0.696	***	0.579	***	0.180	*	0.175		0.303	***	–0.543	***
Reading up	–0.185		0.193	**	0.269	***	–0.438	***	–0.132		0.605	***
Business association	0.298	**	0.571	***	0.274	***	–0.587	***	–0.077		0.018	
Trust and confidence	0.251		–0.314		–0.105		–0.288		0.315		0.095	
	Finance providers		**Internet resources**		**Books and magazines**		**Government**		**Other**		**None**	
Community cross-over	0.256	*	0.291		0.144		0.828	***	–0.223		–0.647	**
Expert	–0.462	**	0.029		–0.310	*	0.366	***	–0.010		–2.163	***
Internet	–0.850	***	2.348	***	0.546	***	–0.183	**	–0.114		–0.461	*
Friends and family	0.179		0.292	*	–0.256		0.233	**	–0.172		–1.133	***
Reading up	0.405	***	–0.628	***	0.309	**	1.096	***	0.469	***	–1.094	***
Business association	0.488	***	–0.197		0.228		–0.049		–0.006		–0.359	
Trust and confidence	–0.093		–0.004		0.362		0.747	*	1.089		–2.733	**

Note: *p<0.1 ; **p<0.05; ***p<0.01 coefficients are derived from binomial regression analysis also controlling for employment and turnover size band, legal status, type of customer (B2B vs B2C), turnover growth (past and expected) and country.

The findings summarised in Table 5.3 suggest that the combination of strong preferences for both trust and confidence does not encourage the use of accountants as such. Rather, it encourages the use of regulatory advice in general. This suggestion is further reinforced by the fact that no individual adviser benefits strongly from this effect. One implication of this finding is that it might be possible to generalise key findings from Jarvis and Rigby (2011) and Blackburn et al. (2010) to advisers other than accountants, at least in the area of regulatory advice.

IS THE ACCOUNTANT'S ROLE UNIVERSAL?

A similar process to the one discussed above would allow a rough benchmarking of advisers' performance across countries. Table 5.4 summarises the results of an array of multiple binary regressions which demonstrate this approach in the case of accountants. These findings suggest that the expertise of accountants in the 'core' area of taxation is less universally accepted in China and South Africa than other countries included in this study, as is their expertise in the 'non-core' areas of regulation and operations. In China, Italy and South Africa trust in accountants providing tax or operations advice also appears to be lower than in other countries studied here. So does the strength of interaction effects from the combination of trust- and confidence-seeking behaviours. The above factors suggest an altogether different status for the profession in these countries than the one documented in well-researched markets such as the UK. In keeping with the findings of Schizas and Jarvis (2009), it is likely that differences in internal resources, particularly the financial competence of owner–managers in these countries (Hussain et al. 2006), might account for some of the difference. Alternatively, it is possible that, insofar as it is the deregulation of audit and financial reporting that is prompting accountants to offer a wider range of services, some countries have gone further down this path than others and therefore enjoy more diversified SMP offerings.

GOVERNMENT SUPPORT, SMES AND THE PROFESSIONAL ACCOUNTANT

Finally, exactly the same analysis can be performed in the case of government support and guidance. The findings above suggest that government guidance competes with the services of accountants primarily through the effect of the 'reading up' factor, which involves, to some extent, the owner–manager's propensity to seek out written government guidance. While it is reasonable to expect that government would benefit from being a neutral party that can be trusted not to exploit the adviser relationship for financial gain, the findings summarised in Table 5.5 suggest this is almost never the case, regardless of location. As expected, a negative – if only very marginally significant – trust effect was found in the case of taxation, as owner-managers (who, after all, are usually after advice on tax planning as well as mere compliance) are likely to perceive a conflict of interest on the part of government agencies, which have an interest in maximising state revenues. In the case of regulation, government resources are seen as both authoritative and trusted because here it is the government itself that defines useful advice. Finally, SMEs are less likely to seek out government-funded advice on financial management as their needs for a combination of trust and confidence increase. This effect may help to further account for the findings of Blackburn et al. (2010), as this combination of needs is linked to a preference for purchased, as opposed to free, advice, and could therefore be a driver of value-added service use.

Surprisingly, no significant tax expertise effect emerged from the analysis, except in South Africa. This is counter-intuitive as the tax authorities should, in theory, be considered the ultimate authority on tax issues. A probable explanation for this is that owner-managers elsewhere are more likely to seek advice not on tax compliance but on tax planning, on which the government does not generally advise. A more surprising finding emerged in Italy, where government advisers were perceived as having some degree of expertise in operational matters. While this is not the place to discuss what precisely this expertise might cover, it is worth noting that this finding is corroborated by a recent study (Forbes Insights 2011), in which business executives in Italy rated government support agencies highly in terms of their understanding of business needs and willingness to take risks.

Table 5.4: Advice-seeking factors as determinants of demand for accountants' advice, by country

Expertise	Main effect (Canada, UK)		National deviations							
			China		Italy		Singapore		South Africa	
	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
Tax	2.515	.000	–1.020	0.009	0.134	0.780	1252.888	1.000	–0.752	0.058
Financing	1.265	.000	–.507	0.142	–.238	0.492	9.708	1.000	–0.163	0.586
Financial management	1.639	.000	–0.184	0.567	–.324	0.299	–2.521	1.000	–0.298	0.337
Regulatory	0.428	0.049	–.561	0.095	0.137	0.668	461.570	0.999	–0.785	0.029
Marketing	1.495	0.392	–2.180	0.226	–0.654	0.715	–65.008	1.000	–2.303	0.209
Operations	0.814	0.006	–1.518	.000	–0.389	0.325	18.298	1.000	–1.238	0.001
Technology	0.961	0.056	–0.784	0.286	–0.550	0.400	6.145	1.000	–1.279	0.268

Trust	Main effect (Canada, Singapore, UK)		National deviations							
			China		Italy		Singapore		South Africa	
	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
Tax	0.505	0.196	–0.298	0.514	–1.382	0.007			–1.196	0.022
Financing	–0.002	0.997	0.044	0.928	–0.070	0.873			0.154	0.753
Financial management	–0.486	0.224	0.129	0.784	0.305	0.492			–0.011	0.983
Regulatory	0.205	0.615	0.282	0.545	–0.409	.374			–0.434	0.480
Marketing	14.364	0.121	–12.685	0.172	–12.139	0.191			–12.843	0.166
Operations	1.557	0.001	–1.474	0.006	–1.524	0.002			–1.652	0.005
Technology	–0.040	0.966	1.099	0.278	0.599	0.541			1.387	0.296

High Expertise and Trust	Main effect (Canada, Singapore, UK)		National deviations							
			China		Italy		Singapore		South Africa	
	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
Tax	0.049	0.971	–0.476	0.772	–0.781	0.675			–1.656	0.341
Financing	0.283	0.709	–0.789	0.535	–0.819	0.480			–0.213	0.833
Financial management	–1.265	0.181	1.464	0.286	1.017	0.418			1.020	0.415
Regulatory	1.381	0.232	17.887	0.999	–1.857	0.180			–1.507	0.383
Marketing	6.221	0.321	–6.964	0.277	–6.669	0.293			–7.122	0.265
Operations	1.517	0.124	–3.155	0.027	–3.833	0.003			–2.195	0.092
Technology	0.724	0.046	–17.851	0.999	–20.630	0.998			–19.501	0.998

Note: Coefficients are derived from binomial regression analyses (one per area of advice) also controlling for employment and turnover size band, legal status, type of customer (B2B vs B2C) and turnover growth (past and expected). The coefficients reported here are those of Country x Factor interactions in each of the regressions.

Table 5.5: Advice-seeking factors as determinants of demand for government advice, by subject and country

Expertise	Main effect (Canada, UK)		National deviations							
			China		Italy		Singapore		South Africa	
	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
Tax	–0.035	0.885	0.420	0.187	0.534	0.245			0.552	0.083
Financing	–0.321	0.406	0.112	0.803	0.419	0.425			0.641	0.214
Financial management	0.285	0.622	–0.270	0.701	–0.219	0.748			–1.000	0.163
Regulatory	0.499	0.030	–0.108	0.724	–0.399	0.330			–0.210	0.492
Marketing	–0.079	0.921	0.197	0.814	–0.443	0.609			0.452	0.600
Operations	–0.617	0.251	0.668	0.261	1.248	0.050			0.382	0.557
Technology	–0.669	0.600	0.724	0.583	0.559	0.673			0.567	0.679

Trust	Main effect (Canada, Singapore, UK)		National deviations							
			China		Italy		Singapore		South Africa	
	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
Tax	–0.610	0.144	0.113	0.826	0.295	0.592	2.153	1.000	0.069	0.902
Financing	0.338	0.478	–0.368	0.501	–0.524	0.343	2.075	1.000	–0.987	0.194
Financial management	0.004	0.997	–0.278	0.813	0.285	0.791	–0.509	1.000	0.820	0.490
Regulatory	1.200	0.001	–0.491	0.256	–0.351	0.402	–1.235	1.000	–0.380	0.441
Marketing	0.540	0.644	–0.191	0.873	–0.448	0.705	–35.626	0.999	0.369	0.770
Operations	0.653	0.291	–0.754	0.280	–0.494	0.455	–37.415	0.999	–0.868	0.295
Technology	–4.039	0.233	3.901	0.252	4.129	0.224	–33.883	0.999	0.910	0.803

High Expertise and Trust	Main effect (Canada, UK)		National deviations							
			China		Italy		Singapore		South Africa	
	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.	Coeff	Sig.
Tax	–0.301	0.738	–0.241	0.853	0.758	0.677			–0.707	0.549
Financing	20.783	0.998	–21.061	0.998	–21.185	0.998			–20.949	0.998
Financial management	–2.935	0.066	1.617	0.438	2.031	0.296			3.092	0.154
Regulatory	1.106	0.172	–0.677	0.570	18.062	0.999			–0.824	0.464
Marketing	16.927	0.999	–17.029	0.999	–17.860	0.999			–15.220	0.999
Operations	–1.086	0.437	1.304	0.479	1.793	0.336			0.649	0.738
Technology	10.282	0.999	7.613	1.000	8.144	1.000			–16.058	0.999

Note: Coefficients are derived from binomial regression analyses (one per area of advice) also controlling for employment and turnover size band, legal status, type of customer (B2B vs B2C) and turnover growth (past and expected). The coefficients reported here are those of Country x Factor interactions in each of the regressions.

6. Discussion

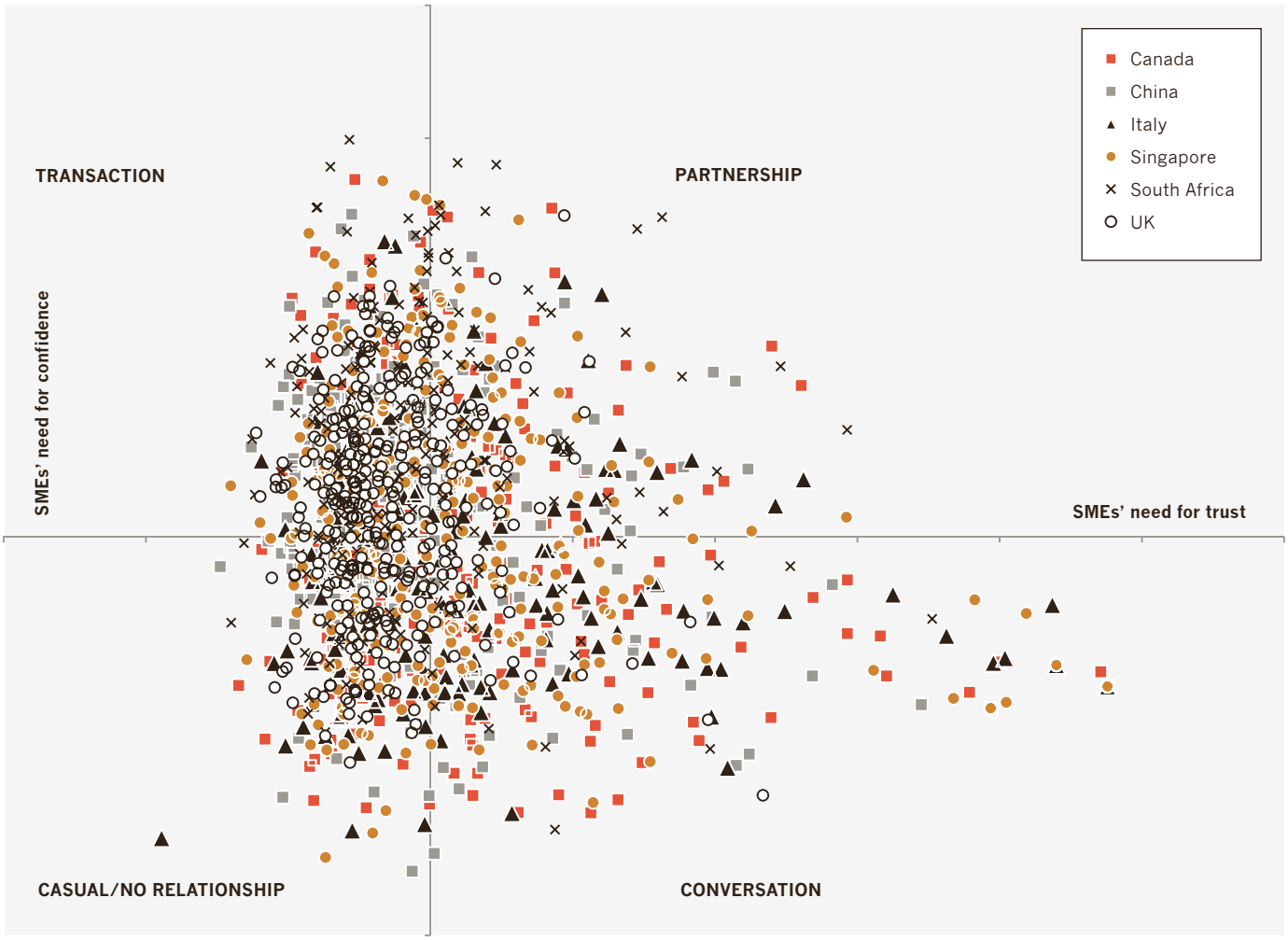
IMPLICATIONS FOR THE ACCOUNTING PROFESSION

The first implication of the above findings is that they demonstrate how it is possible, despite very significant limitations, to proxy the extent to which a type of adviser is recognised as being competent or trustworthy, using constructs derived from large quantitative studies. This approach even allows for trust that is compartmentalised by subject matter rather than universal, as required by Blackburn et al. (2010). This 're-reading' of the survey data is essential from a critical realist point of view (see Kitching et al. 2008), as measures of market share and penetration can misrepresent the reputational, social and intellectual capital of advisers that underlies their advice offering. While the results do not perfectly replicate the findings of Blackburn etal. (2010), they do nonetheless show that a combination of the need for trust and confidence does lead SMEs to seek regulatory advice, as well as prompting them to pay for advice on financial management, and that accountants are able to capitalise on this need to some extent because they are seen as having a certain degree of technical expertise in these matters.

The second implication is that the diversification of accountants' service offerings will depend on the structure and segmentation of the market, which varies not only by country or location but also by subject matter. Blackburn and Jarvis (2010) anticipate that the small size of the potential market for value-added services may be prohibitive for practitioners. To this observation, the present study adds a measure of quantification: if trust is the main means of crossing over from one's narrow area of expertise into new ones, then it ought to follow from the findings here that the potential for doing so will be greater, all other things being equal, in subject areas with a high trust loading such as marketing or technology than in regulation, and greater in markets such as Italy or Canada, where Forbes Insights (2010) identified the greatest concentration of Community Networkers, than in the UK, where the concentration was lowest.

More generally, as Figure 6.1 shows, in a trust x confidence plot it is the casual and transactional areas that are the most densely populated, and hence will represent the bulk of potential demand from the point of view of the

Figure 6.1: Trust and confidence-seeking scores of SMEs in the sample



business adviser. From a market segmentation point of view, it is easier for advisers to add value to transactional relationships rather than try to monetise conversations (both terms used in the same sense as in Table 3.2) because more SMEs are likely to have preferences consistent with the former than the latter model.

Another implication of the findings is the importance of the role of the client in prompting diversification in the services of practising accountants. While the role of practice resources and strategic intent is clearly important for this task (Døving and Gooderham 2008), client characteristics and resources clearly account for a great deal of the variation in advice-seeking behaviour, and it is possible that proactive clients, as opposed to proactive advisers, account for most of the product diversification taking place. This is consistent with the finding by Jarvis and Rigby (2011) that a great deal of regulatory advice by practitioners (under what they call the 'minimal' model of delivery) is demand-driven, does not entail a strategic choice on the part of the practice and is not approached in terms of a distinct business model.

Finally, it is possible to consider the extent to which the business development models extrapolated here from Blackburn et al. (2010) and Jarvis and Rigby (2011) for value-added advice might be generalised beyond the UK, from which they are predominantly derived, and beyond the accounting profession. The findings above suggest that both the breadth of expertise attributed to the accounting profession and the degree to which accountants are trusted with commercially sensitive operational matters are greater in the UK and Canada than in the other countries studied here. In particular, it is notable that the accountant's close expert relationship with tax administration and regulation is not universal, although in all the countries considered here the profession is regarded by SME owners and managers as being expert in financial management and sourcing finance: insofar as a universal role exists for the accountant, it is more likely to be that of a financial adviser. If corroborated by further research, these findings might suggest an important agenda for the profession in countries where the perceived expertise of the accountant is narrower. While it is possible that owner-manager competences may explain some of the difference in perceptions of the profession, further corroboration will be required to confirm this.

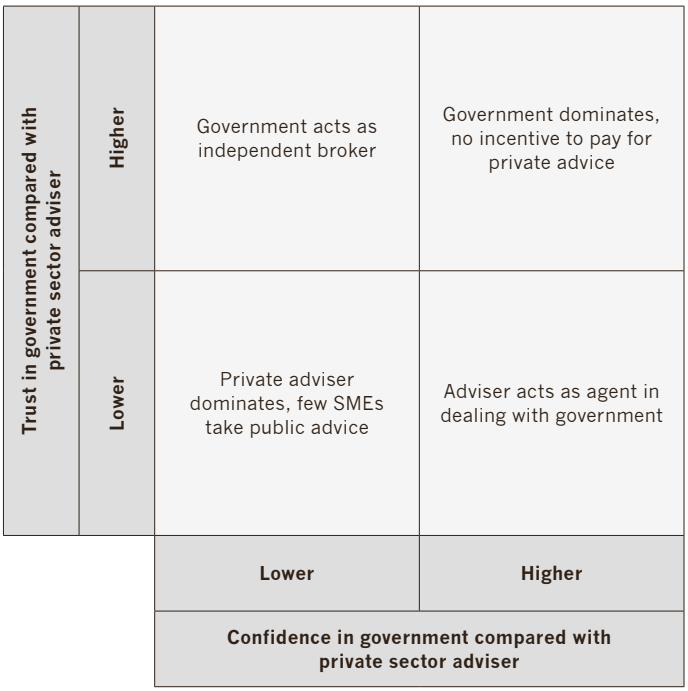
IMPLICATIONS FOR THE DESIGN OF BUSINESS SUPPORT

Perhaps the most compelling application of these findings is to the design of business support. If, as suggested by the literature, the starting point for value-added adviser relationships is technical competence, then generally speaking it is the area of legal and regulatory advice, where the government can make use of its expert status and substantial amounts of trust among SMEs, which provides the most promising trigger for value-added services. National differences exist, of course – in Italy, for instance, some government agencies also appear to have actual operational expertise and could provide particularly useful focal points for business support, while in South Africa tax authorities are seen as having relevant expertise in tax planning.

But beyond regulatory matters, the lack of trust and perceived expertise is a major obstacle to the development of publicly funded business support in all the countries studied for this report. In some areas of advice, such as tax, the government may appear to have expertise by definition but actually does not, as SMEs seek advice not on compliance but on the management of their tax liabilities. There is no means of inferring from the Forbes Insights (2010) data the feasibility of building trust in government-funded advisers or improving perceptions of their competence, but the narrow range of advice they can give authoritatively to SMEs means that opportunities to demonstrate competence and win trust will be relatively rare. This means that, at least in the countries discussed here, government-funded support can only be widely marketed on the basis of zero cost, and must rely heavily on referrals to private sector advisers.

These findings may suggest a methodology for matching government support mechanisms to complementary private sector resources. As a rule, if private sector advisers enjoy both more trust and more confidence among the SME sector, government support should be used only by extremely price-sensitive businesses, or on an ad hoc, relationship basis, or not at all. Conversely, if government enjoys both more trust and more confidence than private sector advisers, one would expect that no SMEs would take private sector advice, unless perhaps from sources such as friends and family, which are free to seek out and access. If government enjoys more trust but less confidence, it should be able to act as a trusted, independent broker, referring SMEs to more knowledgeable advisers. Finally, if government enjoys more confidence but less trust, which is very likely in subjects such as tax or regulation, where the interests of the state and the business are sometimes seen as opposed, the private sector adviser is used as an agent, whose task is to look out for and represent the interests of the SME. It is partly for this reason that the combination of trust and confidence is often necessary, as documented by Blackburn et al. (2010), Jarvis and Rigby (2011) and the findings in this report: when acting as an agent in the case of taxation or regulation, the trusted adviser must be able at least to match the competence of government agencies.

Figure 6.2: Performance of government support vis-à-vis a hypothetical private sector adviser



While a statistically robust comparison is not possible in the present study, comparing the findings in Tables 5.4 and 5.5 suggests that, in general, accountants are more likely than government-funded advisers to be seen as either competent or trustworthy across advice areas, while an 'independent broker' model of engagement would only be preferable in the case of financial management. This model might also be more appropriate in the case of financing and tax advice in Italy and South Africa, while the 'agent' model might be appropriate in China for marketing, operations and regulation.

7. Conclusions and recommendations

This research has yielded some impressive and interesting results, which should be of particular interest to policymakers and the profession. While there is still much scope for refining the methodology and exploring its potential, the following conclusions can be drawn for now.

TRUST AND CONFIDENCE ARE TWO DISTINCT NOTIONS AND THERE ARE WAYS OF INFERRING MEASURES OF THE TWO FROM QUANTITATIVE DATA

Both the review of the literature and the empirical results described here demonstrate that the needs for trust and for confidence each influences advice-seeking behaviours in unique ways, and that observing the effects of this on the use of individual types of advice for specific business issues can provide a measure of the adviser's perceived competence and trustworthiness. For policymakers, this means that a great deal of the reputational capital built by providers of business support can be measured, making the allocation of public funds to business support more efficient. In fact, the above discussion suggests that contrasting the reputational capital of private sector and government-funded advisers could also provide policymakers with a basis for deciding on appropriate patterns of collaboration between the two sectors. Governments should consider using versions of this methodology

SME OWNERS AND MANAGERS IN MANY COUNTRIES SEE ACCOUNTANTS AS ALL-ROUND BUSINESS EXPERTS, BUT ONLY THE ROLE OF THE EXPERT FINANCIAL ADVISER IS TRULY UNIVERSAL

The findings suggest that, in countries such as Canada, Italy or the UK, the accountant's expertise is seen as being extremely broad, encompassing not only traditional competences such as financial management or tax, but also less traditional ones such as regulation, IT and operations. It is much narrower, however, in the emerging economies in the sample, namely China and South Africa, where only the core skill-set of the accountant is acknowledged. Possibly accountants are less embedded in the day-to-day operations of SMEs in these countries, partly because a certain amount of financial competence is required within SMEs themselves if they are to make the most of an accountant's broader skills. Moreover, it is likely that differences in the pace of the deregulation of auditing and financial reporting have forced practitioners in some countries to broaden their competences more than those in other countries.

These findings should demonstrate to the accounting profession globally that it is possible for practitioners to cement a reputation as business experts and, by implication, to survive without relying on compliance work. This may, however, require some degree of re-education, not only for professionals but also for local business owner–manager populations.

TRUST IS IMPORTANT BUT IT CANNOT BE TAKEN FOR GRANTED

Professional expertise is a double-edged sword: the greater the perceived expertise of the adviser, the greater the information asymmetry between adviser and client – and the harder it is to build trust. Accountants, with their high perceived level of expertise, can never entirely be free of this effect. This is part of the reason why the combination of high levels of trust and confidence in any adviser is so rare and, moreover, why the importance of this combination is common to all business advisers, rather than just accountants.

Non-specialist advice is fairly widespread and accountants with strong community ties are significant providers, but smaller businesses face barriers.

The majority of businesses (85%) take advice from non-specialist sources on a wide range of subjects, although there are complementarities between such advice and internal resources, which means that smaller businesses are less likely to make significant use of it. Accountants benefit from a good deal of this demand for non-specialist advice, capitalising where they can on personal rapport and their embeddedness in local business communities. In particular, ties to local business associations are a significant source of demand for such advice, which accountants use to their advantage.

VALUE-ADDED ADVICE IS CHIEFLY BUYER-DRIVEN

In all six of the very diverse countries studied in this report, the bulk of the SME populations are businesses with little desire for trusted counterparties and therefore most advice relationships are casual or merely transactional. When business advisers provide value-added services, the initiative is more likely to lie with the relatively small share of proactive clients who make a point of getting as much as possible out of existing relationships. In light of our findings, it appears that the procession from casual/no relationship to transaction and then partnership as described by Blackburn et al. (2010) and Jarvis and Rigby (2011) is quite typical of the journey to value-added services internationally.

For the adviser community, this means that seeking out more proactive clients is likely to be more rewarding than trying to coax more reluctant ones into buying value-added services. Therefore, practising accountants' lack of focus on business development may be less accidental and less sub-optimal than the literature has assumed. Advisers still need enhanced business development capabilities, but ideally these should focus more on customer segmentation and the development of distinct value-added service lines than client development.

ACCOUNTANTS PROVIDE A GOOD DEAL OF GENERALIST ADVICE UNDER A 'MINIMALIST' MODEL OF PROVISION

The findings suggest that many of the services provided by accountants outside their traditional field of expertise can be obtained to some extent by owner-managers by accessing free or cheap guidance available online and offline. This lends support to the view that a 'minimalist', demand-driven mode of provision is common among advisers to SMEs, which, unless built upon more systematically, might not be a sustainable source of income. Professionalising the supply of such services is an agenda that the profession must take very seriously.

GOVERNMENT-FUNDED ADVICE CANNOT COMPETE WITH PRIVATE SECTOR ADVISERS, BUT IT STILL HAS A ROLE TO PLAY

While further corroboration is necessary, the above findings suggest that government-funded advice cannot function as the primary source of advice on any of the business issues examined in this survey, although in theory government agencies can function as independent brokers in the case of financial management. In some markets, such as Italy and South Africa, there is also a similar role for government agencies in the areas of tax and access to finance. Finally, in the more dirigiste environment of China, accountants may have a wider role as independent agents mediating between business and government.

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Appendix: Results of factor analysis

	Component					
	1	2	3	4	5	6
Friends and family consulted on tax issues	0.545	–0.168	0.109	0.257	0.024	0.066
Trade or professional association consulted on tax issues	–0.003	0.070	0.032	0.069	0.104	0.086
Business association/chambers of commerce consulted on tax issues	0.054	–0.105	0.090	0.250	0.094	0.491
Professional colleagues/network consulted on tax issues	0.068	0.071	–0.044	0.004	–0.054	0.040
Accountant consulted on tax issues	–0.137	0.585	0.013	0.075	–0.048	–0.048
Attorney consulted on tax issues	–0.001	0.053	0.010	0.049	0.077	0.096
Bank or credit provider consulted on tax issues	0.054	0.170	–0.009	0.060	0.070	0.178
Internet resources consulted on tax issues	0.037	0.077	0.616	0.061	0.029	0.026
Books and magazines consulted on tax issues	0.016	–0.004	0.086	0.049	0.047	0.062
Government resources consulted on tax issues	–0.137	0.301	–0.027	0.194	0.481	0.122
Other consultant/adviser consulted on tax issues	–0.115	–0.050	0.017	–0.071	0.168	–0.063
Friends and family consulted on financing issues	0.004	0.045	0.061	0.104	0.122	0.039
Trade or professional association consulted on financing issues	0.441	–0.153	0.022	0.113	0.116	0.022
Business assoc./chambers of comm. consulted on financing issues	0.125	0.047	0.061	–0.001	0.027	0.451
Professional colleagues/network consulted on financing issues	0.055	0.091	0.123	0.110	0.074	0.135
Accountant consulted on financing issues	–0.045	0.322	0.015	0.303	0.080	–0.006
Attorney consulted on financing issues	0.064	–0.002	0.042	0.065	0.037	0.106
Bank or credit provider consulted on financing issues	–0.177	0.580	–0.052	0.091	0.187	0.075
Internet resources consulted on financing issues	–0.029	–0.023	0.586	0.061	0.083	0.079
Books and magazines consulted on financing issues	0.129	–0.051	0.119	0.032	0.028	0.074
Government resources consulted on financing issues	–0.063	0.016	–0.006	0.120	0.343	0.238
Other consultant/adviser consulted on financing issues	–0.013	0.066	–0.034	0.066	0.047	0.034
Friends and family consulted on financial management issues	0.123	0.124	0.132	0.301	–0.069	0.299
Trade or prof. assoc. consulted on financial management issues	0.078	0.088	–0.011	0.043	–0.038	0.157
Bus. assoc./chambers of comm. consulted on financial management	0.621	–0.039	0.020	0.071	0.098	0.150
Professional colleagues/network consulted on financial management	–0.056	–0.031	0.118	0.145	0.099	0.081
Accountant consulted on financial management issues	–0.151	0.549	0.049	0.084	0.224	0.040
Attorney consulted on financial management issues	0.071	–0.005	–0.005	0.018	0.042	0.094
Bank or credit provider consulted on financial management issues	–0.051	0.240	0.005	0.096	0.288	0.158
Internet resources consulted on financial management issues	–0.009	–0.089	0.543	0.129	0.131	–0.018
Books and magazines consulted on financial management issues	–0.071	–0.175	0.118	0.264	0.284	0.118
Government resources consulted on financial management issues	0.067	–0.010	0.035	0.009	0.005	0.040
Other consultant/adviser consulted on financial management issues	0.269	0.036	–0.040	0.021	0.243	0.036
Friends and family consulted on legal or regulatory issues	0.031	0.002	0.150	0.345	0.012	0.150
Trade or prof. association consulted on legal or regulatory issues	0.040	0.045	0.030	0.283	0.069	0.253
Bus. assoc./chambers of comm. consulted on legal/regulatory issues	0.001	0.112	0.006	0.116	0.133	0.191
Prof. colleagues/network consulted on legal or regulatory issues	0.516	–0.021	0.080	0.058	–0.069	–0.105
Accountant consulted on legal or regulatory issues	0.034	0.034	0.010	0.024	–0.035	0.019
Attorney consulted on legal or regulatory issues	–0.252	0.582	–0.070	–0.071	0.318	0.070

	Component					
	1	2	3	4	5	6
Bank or credit provider consulted on legal or regulatory issues	0.055	–0.121	–0.073	0.087	0.125	0.177
Internet consulted on legal or regulatory issues	0.043	0.043	0.649	0.145	0.014	–0.039
Books and magazines consulted on legal or regulatory issues	0.046	–0.093	0.164	–0.037	0.099	0.012
Government resources consulted on legal or regulatory issues	0.202	0.166	–0.017	0.185	0.401	0.002
Other consultant/adviser consulted on legal or regulatory issues	–0.067	0.047	–0.031	–0.002	0.175	0.046
Friends and family consulted on marketing issues	0.005	0.137	0.094	0.641	0.100	0.075
Trade or professional association consulted on marketing issues	–0.022	0.246	–0.067	0.078	0.008	0.192
Bus. assoc./chambers of commerce consulted on marketing issues	0.025	0.190	–0.051	0.159	0.053	0.546
Professional colleagues/network consulted on marketing issues	–0.074	0.250	0.160	–0.020	0.178	–0.027
Accountant consulted on marketing issues	0.620	–0.116	–0.024	0.028	0.005	0.021
Attorney consulted on marketing issues	0.104	–0.090	0.020	0.037	–0.030	0.098
Bank or credit provider consulted on marketing issues	0.131	–0.097	0.029	0.079	–0.035	0.103
Internet consulted on marketing issues	–0.062	0.295	0.412	0.059	0.440	0.032
Books and magazines consulted on marketing issues	0.156	0.068	0.028	0.001	0.535	0.038
Government resources consulted on marketing issues	0.097	–0.056	0.046	0.013	0.028	0.082
Other consultant/adviser consulted on marketing issues	–0.068	0.043	–0.016	–0.021	0.063	0.030
Friends and family consulted on operations issues	–0.026	0.113	–0.006	0.576	0.156	0.033
Trade or professional association consulted on operations issues	–0.075	0.164	0.027	0.145	0.107	0.117
Bus. assoc./chambers of comm. consulted on operations issues	0.010	0.310	0.021	–0.058	0.047	0.510
Professional colleagues/network consulted on operations issues	–0.067	0.223	0.047	0.127	0.140	0.091
Accountant consulted on operations issues	0.064	0.020	0.064	0.062	–0.015	0.099
Attorney consulted on operations issues	0.670	–0.121	0.022	0.004	0.074	0.062
Bank or credit provider consulted on operations issues	0.070	–0.068	0.020	0.053	0.010	0.101
Internet consulted on operations issues	0.304	0.207	0.382	0.069	0.375	–0.021
Books and magazines consulted on operations issues	–0.034	0.143	0.059	0.114	0.423	–0.039
Government resources consulted on operations issues	0.020	0.024	0.022	0.011	0.067	0.056
Other consultant/adviser consulted on operations issues	–0.009	0.160	–0.057	–0.001	0.146	0.034
Friends and family consulted on technology issues	–0.003	0.040	0.160	0.593	–0.016	0.108
Trade or professional association consulted on technology issues	–0.043	0.090	0.022	0.123	0.189	0.140
Bus. assoc./chambers of comm. consulted on technology issues	0.054	–0.048	0.026	0.021	0.065	0.631
Professional colleagues/network consulted on technology issues	–0.063	0.177	–0.043	0.058	0.063	0.061
Accountant consulted on technology issues	0.154	–0.052	0.030	0.102	–0.095	0.155
Attorney consulted on technology issues	0.079	–0.072	0.008	0.041	–0.017	0.114
Bank or credit provider consulted on technology issues	0.672	–0.227	0.028	–0.040	0.070	0.046
Internet consulted on technology issues	–0.103	0.534	0.260	0.088	0.313	–0.109
Books and magazines consulted on technology issues	–0.038	0.382	0.048	0.117	0.373	–0.048
Government resources consulted on technology issues	0.057	–0.019	0.053	0.012	0.053	0.027
Other consultant/adviser consulted on technology issues	–0.038	0.094	–0.053	–0.026	0.060	–0.005

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