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THE SMALL BUSINESS EXPERT ADVICE GAP ⁸⁹/₆₄₈₆

AND THE ROLE OF PUBLIC ACCOUNTANTS

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ALAN FERGUSON CAMERON

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ABSTRACT

Small business allegedly has a shortfall in accounting and related business expertise. Public accountants have been criticised for not adequately meeting this need thus creating a small business expert advice gap. The implication of this criticism, if true, is that public accountants are not performing the role expected of them by society.

Commentators have referred to various barriers which prevent public accountants from meeting small business needs for their services. However, there has been little attempt to structure these factors into a consistent conceptual framework. This thesis develops and tests such a conceptual framework as a necessary prerequisite towards narrowing such a gap. A large-scale survey of small firms, public accountants and third parties was undertaken in New Zealand in 1991 to explore the role of public accountants in relation to small business and the factors inhibiting the discharge of that role. It was found that the main role expected of public accountants is to provide compliance services, give accounting-related advice, be concerned for clients' financial health and actively seek out client problems (which was not, however, generally perceived to be actually carried out in practice). An expectation gap was found between expected roles and actual roles except for the provision of compliance services.

Of the twenty-eight factors postulated as causing a small business expert advice gap, thirteen factors were perceived as causing a gap, ten factors were not perceived as causing a gap and opinion was divided on the remaining five factors. The main gap factor is the small business wish to use only the minimum of public accountants' compliance services. This is attributed mainly to cost-constraints on the part of small business rather than a perceived lack of public accountant competence to supply other services. The main gap factor attributable to public accountants is their lack of communication skills. On the question of fees, public accountants regard their fees as being reasonable, but small business and third parties regard them as being unreasonable. Further analysis revealed that whereas compliance services are regarded as cost-beneficial, opinion is divided as to the cost-effectiveness of business advisory services. Compliance services are perceived as being of high quality but many business advisory services as being of lower quality. This indicates a performance gap in the area of public accountants' business advisory services.

A perception gap is indicated by the fact that public accountants, small business and third parties have significantly different opinions concerning the role of public accountants, the quality of their services, and the factors causing an expert advice gap. Public accountants generally take a more favourable view of their own role and performance than do small business and third parties.

To narrow the small business expert advice gap, public accountants are recommended to adopt a more proactive approach, upgrade their communication skills, improve the quality and the cost-effectiveness of their business advisory services and reduce fees.

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