

ROAD TO DIGITAL: WHAT ARE THE OBSTACLES FOR SMES AND SMPS?

SURVEY

APRIL 2021

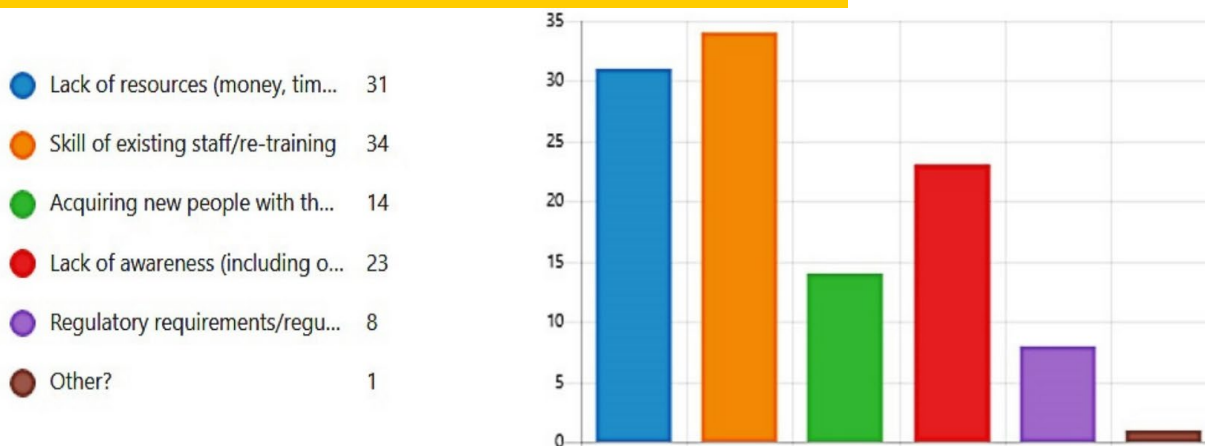
HIGHLIGHTS

The need for SMEs to digitalise is more pressing than ever. The COVID pandemic has reinforced the case for SME digitalisation by showing how digitalised business models can foster SMEs' resilience.

Digitalisation helps to diversify the business model, improve efficiency and foster competition with SME peers and larger companies. Digitalisation also enables innovation, and new and unique services design that allow companies to grow and prosper.

But what then are the main challenges for SME digitalisation, and how should small and medium sized accounting practices (SMPs) prepare to help their SME clients? Accountancy Europe asked 39 leaders and member bodies representatives, who have direct experience working with SMEs or deal with SME policies in their countries.

WHAT ARE THE MAIN OBSTACLES TO SMES' DIGITALISATION?



EXISTING SKILLS

The most important obstacle identified was existing employees' skill set deficiencies – and retraining them with relevant skills. This contrasts with the challenge of acquiring new staff with necessary digital skills, which only less than half of respondents flagged as a main challenge for SMEs.

This shows that it may be more practicable for SMEs to retrain existing workforce than hiring new employees. Policymakers should support retraining and reskilling programmes for existing SME employees, at least as much as incentivising SMEs to employ new digital-savvy workers – unless absolutely necessary.

SMEs' existing service providers and advisors, such as accountants, should also be equipped to advise and support their SME clients' digital and investment transition at least at the basic level, rather than SMEs having to employ new service providers, except obviously in highly specialised and specific areas.

LACK OF RESOURCES

Respondents flagged lack of resources (money, time) as the second most pressing obstacle for SMEs' digitalisation. This indicates that financing – whether provided by the private sector or governments and the EU – remains one of the most effective policy tools to foster digitalisation of smaller businesses.

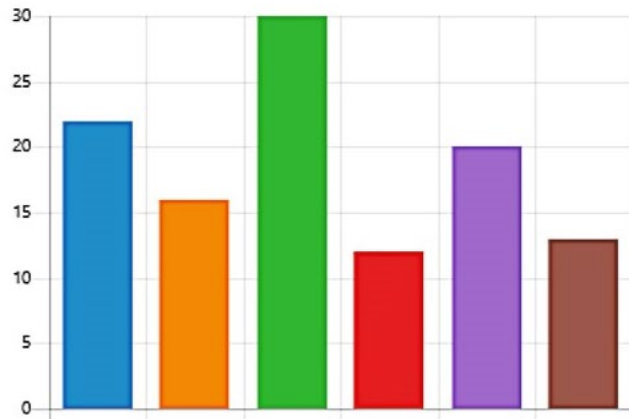
LACK OF AWARENESS

This featured as the third most commonly cited obstacle. Digitalisation and technology investments' potential benefits are yet to convince all SME owner-managers. Others are aware of the need to digitalise and have taken steps in that direction but lack knowledge on where to invest or which digital steps could be most beneficial for their business. This highlights the need for campaigns centred on awareness raising, exchange of best practices and peer support.

The next set of questions deals with digitalisation among small and medium accounting practices (SMPs), who are [SME's key advisors](#).

WHAT ARE THE CHALLENGES FOR SMALL PRACTICES/SME ACCOUNTANTS FROM DIGITALISATION?

● Lack of awareness of digital o...	22
● Costs/administrative burden	16
● Changing your organisation's ...	30
● Client resistance to digitalisati...	12
● Obtaining necessary external ...	20
● Resistance to digitalisation fro...	13
● Other?	0



SMPs also need to digitalise their own practices and service offerings to best support their SME clients with digitalisation.

CHANGING THE ORGANISATION'S STRUCTURE AND CULTURE

Our members indicated that changing the organisation's structure and culture would be one of digitalisation's main obstacles.

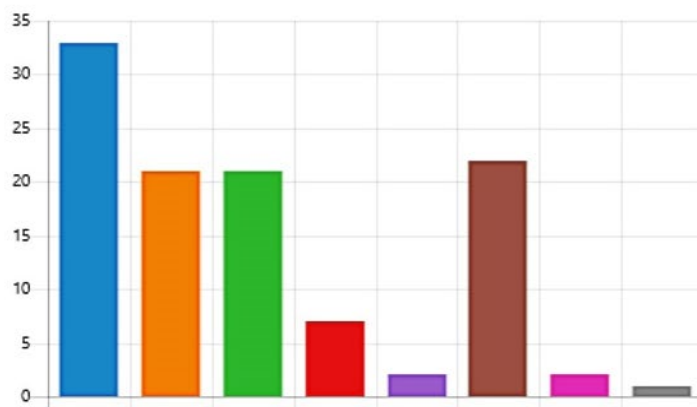
The fact that a great majority of respondents picked this as the main digitalisation challenge for small accounting practices is both encouraging and discouraging. It is positive that the main obstacle relates to attitudes and accustomed ways of doing things, rather than something tangible. Conversely, it is difficult to conclude what policy measures could be introduced to bring about the necessary mentality change in accounting practices.

National institutes of accountants and auditors, responsible for the education and oversight of the accountancy profession, can have a major role to play in this area. Investing in accountants' digital educational programmes (and skill sets) could have a major impact in bringing about the mentality change needed. The other two most cited obstacles (lack of awareness of digital opportunities and obtaining necessary external expertise/re-skilling of existing staff) are comparable to the ones cited for SMEs above.

WHAT ARE THE BENEFITS FOR SMALL PRACTICES/SME ACCOUNTANTS?

According to our surveyed members, efforts made at helping accountancy practices digitalise would be worth it.

● Cost savings and efficiency gai...	33
● More interesting work i.e. aut...	21
● Expanding services (geographi...	21
● Better work-life balance	7
● Better client contact	2
● Better quality of services	22
● Better staff management	2
● Other?	1



Four potential benefits were highlighted by the respondents:

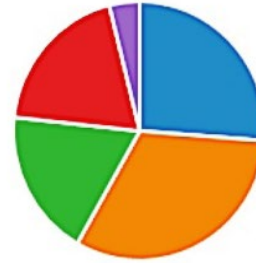
1. cost savings and efficiency gains
2. more interesting work (stemming from automation of more mundane tasks)
3. expanding both the geographic scope and variety of potential services offered, and
4. a better quality of services.

These aspects would benefit accountants' SME clients too. It would give them new and more convenient ways of accessing services, and provide them with easy access to business advice to help grow their businesses. There is also the benefit of higher quality accounting services and potential lower costs.

Finally, the respondents indicated concrete areas where digitalisation would impact the work of small practitioners and SME accountants.

HOW WOULD DIGITALISATION IMPACT THEIR WORK?

● Remote working	27
● Automation of basic accounti...	33
● Client contact/relationships	19
● Practice management, govern...	20
● Other?	4



Respondents pointed to the automation of basic accounting and services such as tax reporting, audit and financial reporting as the areas most impacted by digitalisation. This is followed by remote working, changes in client contact and relationships, and the management and governance of the accounting practice itself.

All these are areas fundamental to the ways in which accountants work, and again highlight the need for cultural and mentality changes inside accountancy practices. But with so many benefits for the practices themselves, and for the SME clients that they serve, the profession should not hold back its efforts to evolve into added value service providers in a digital era.

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