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Educating Small Firm Accountants in Counselling SME Client

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Purpose: The purpose of this paper is two-fold: first it delineates those competencies that are required by accountants who aspire to function as small-firm business advisers, and second it specifies a programme that secures the development of these skills. The first part of the paper draws on findings from a three-year research project undertaken in Norway whose aim was to identify the core competencies of small-firm accountants who successfully operate as small business advisers. The second part of the paper converts these findings into training and education.

Design/Methodology/Approach: The research project referred to above can be divided into three sub-projects. The first of the sub-projects aimed at identifying those factors that are decisive for small firms in their decision-making regarding the purchase of advisory services. The second sub-project, comprising two studies, examined the characteristics of that minority of small-firm accountants with strong "track-records" as business advisers. Finally, the third sub-project employed quantitative data to further analyze characteristics of "best-practice". All in all the three sub-projects provide significant insights into those competencies that are of key importance to accountants when operating as small firm business advisers.

Findings: One key research finding is the importance of trust in the sense that the accountant must be perceived not only as a highly competent accountant but also as dedicated to the client's business. A second finding is that accountant and client must share a context-specific "language" and understanding of what is at stake. A third finding is that advisory services are developed over time and that their development is dependent on the existence of a consistent strategic intention. It was also observed that accountancy practices that are professionally heterogeneous are more able to generate business advisory services than their more homogenous counterparts and that practices that have developed external networks with other business advisors such as lawyers are also more able to develop business advisory services. These two observations indicate the importance of being able to develop both internal and external networks. This capability is indicative of a broad knowledge base.

Implications: The challenge the second part of the paper addresses is how to take these research findings and develop a business education programme that assists accountants to develop the identified core competencies, i.e. relational, communication and networking skills.

Originality/Value: This second part is of particular importance given the dearth of programmes that addresses the need small-firm accountants are increasingly experiencing to develop business advisory services over and above book-keeping and other traditional accountancy services.

Key Words: Small-firm accountants, Development, Business advisors

1. Purpose

The purpose of this paper is two-fold: first it delineates those competencies that are required by accountants who aspire to function as small-firm business advisers, and second it delineates a programme of professional development that is designed to contribute to the development of these. The first part of the paper draws on findings from a three-year research project undertaken in Norway whose aim has been to identify the core competencies of small-firm accountants who already successfully operate as small-firm business advisers. The second part of the paper describes how these findings have been applied in the development of a training and education program for small-firm accountants who aspire to become small-firm business advisers.

1.1 Core competencies of small-firm accountants

The first part of this paper draws on the Norwegian project "Enhanced value creation in the SME sector: strengthening the impact of authorised accountants" which ran from 2002-2005. The aim of the project has been to identify the core competencies - in terms of volume and breadth of provision of business advice to small firms – characteristic of "best-practice" small-firm accountants.

An important source of competence development in small firms is the external network (Gooderham and Nordhaug, 2001). It has been observed that in terms of the external network of small firm accountants have a key role not least because of their regular interaction over extended periods with their clients (Gooderham and Nordhaug, 2001). In the case of Norway two thirds of small firms employ external accountants to do their book-keeping (Dagens Næringsliv, 2003). As such this means that small-firm accountants in Norway have a unique position in regard to small firms and therefore a unique potential to act as business advisers (Bennet and Robson 1999; Gooderham and Nordhaug, 2000; Gooderham and Nordhaug, 2001; Ram and Carter, 2004).

However, in general small-firm accountants are solely engaged in standardized tasks. Despite, the long-term relationship between the accountant and his/her clients and therefore the potential to act as a business adviser only a minority of Norwegian small-firm accountancy practices offer business advisory services (Gooderham and Nordhaug, 2000; Nordhaug, Døving and Gooderham, 2003). The small minority of accountancy practices who do to a substantial degree act as business advisers are therefore of particular interest because they can provide indications of what is required in order to act as a business adviser. In the research project these best practice accountancy practices have been studied with the intention of identifying and transferring their competencies to other accountancy practices. Our approach has been that these best practice accountancy practices can function as role models and for other practices that are aiming at serving small firms in value creation processes.

One core challenge facing small-firm accountancy practices who are aiming to become business advisers involves how they are to develop their traditional competencies into context-specific relational capabilities. Relational competencies are understood as the ability to act as a client "insider". Becoming an insider depends on the quality of the interaction with the firm which in turn presupposes a high degree of trust. Gooderham and Nordhaug (2000; 2001) argue that the difficulty in meeting this challenge is a key factor hindering larger numbers of small-firm accountants from developing into business advisers. As such a major aim in the research part of the project has been to further analyse the nature of this challenge and to specify how relational competencies may be developed.

2. Key competencies for small-firm business advisers

The research project referred to above can be divided into three sub-projects. The first of the sub-projects aimed at identifying those factors that are decisive for small firms in their decision-making regarding the purchase of advisory services. This sub-project, comprising a quantitative study of Norwegian small firms (Gooderham et al. 2004), revealed that the quality, rather than the longevity, of the relationship between firm and accountant is the critical antecedent of the degree to which small firms use accountants as business advisers. By quality is meant that client firms must perceive the accountant as highly proficient in terms of standard accountancy services. The data suggested that it is only when this perception is in place that firms are receptive to the issue of receiving business advice. The second sub-project, comprising two qualitative studies, examined the characteristics of that minority of small-firm accountants with strong "track-records" as business advisers. Finally, the third sub-project employed quantitative data to further analyze characteristics of "best-practice". All in all the three sub-projects provide significant insights into those competencies that are of key importance to accountants when operating as small firm business advisers. In this paper we will focus on reporting the findings from the second and third of the sub-projects.

2.1 A qualitative approach to the characteristics of "best practice"
The first of the two qualitative studies in the second sub-project analysed nine accountancy firms characterised by well-articulated strategic intentions in regard to offering advisory services to small firms (Tobiassen and Gooderham, 2002) Four of the nine firms derived more than 30 percent of their turnover from advisory services, one derived 15 percent, while the others each derived about 10 percent.

The study reveals three key facets of small-firm accountancy practices that have successfully developed and sustained business advisory services.

First, these practices are highly competent in terms of traditional accountancy services (cf. Gooderham and Nordhaug, 2001). Small-firm accountancy practices have to be perceived as delivering standard accountancy services of high quality because this is critical to establishing the levels of client trust that must be in place prior to any discussion regarding advisory services. In other words the quality of the delivery of standard accountancy services creates the potential for delivering advisory services. This underscored the core finding from the small firm study reported above.

Second, these practices have established a long-term strategic intention in regard to acting as business advisers. Although it is difficult to be precise the study indicates that it takes between five and ten years to expand beyond book-keeping and other traditional accountancy services into advisory services. Thus those practices that derived more than 30 percent of their gross turnover from advisory services had been committed to developing such services over a markedly longer period of time than those practices that derived only 10 percent of their turnover from such services.

Third, these practices regard their client relationships, and the trust that underpins these relationships, as their most important competitive advantage. These trust-based relationships are fundamental to their ability to offer services adapted to their clients' evolving needs. This competitive advantage can be seen as a strategic advantage in the sense that it is hard for potential competitors to imitate it.

A challenge these practices pointed out is their need to continuously expand their knowledge-base in line with their clients' evolving needs. In many cases this involves developing knowledge and skills that lie significantly beyond that which is required in the delivery of standard accountancy practices. Thus if advisory services are going to be an important part of their portfolio of services, small-firm accountancy practices need tools and routines for identifying their clients' needs and a learning capacity to meet these needs. This involves planning and organisation. However, it also involves a particular culture that regards developing and sustaining "absorptive capacity" (Cohen and Levinthal, 1990) in regards to client-oriented learning as critical to the survival of the practice. Another aspect to meeting client needs is sensitivity to the individual, idiosyncratic cultures of their clients. When developing new solutions one has to be mindful of the settings in which these solutions are to be applied. Thus it follows that any programme of professional development must focus on developing an understanding of how different organisational cultures function.

2.2 A further qualitative approach to the characteristics of "best practice"
The second of two qualitative studies in the second sub-project (Lund, 2004; Lund and Gooderham, 2004) also examined "best-practice" small-firm accountancy practices. However, rather than just employing in-depth interviews with such practices the main body of the data was collected thorough observing the interaction of six such practices with their clients in client

meetings. An additional feature of this study was that it also included three "traditional" accountancy practices that were also observed interacting with their clients. That is the study employed two contrasting samples as a means to enhance our understanding of what distinguishes "best-practice" small-firm accountancy practices from those practices that have not developed advisory services.

At a general level it was observed that a common characteristic of the best-practice accountancy practices is their capacity to continuously focus on the development of business advisory services that offer demonstrable value creation for their clients. Again the importance of these practices having a long-term strategic intention coupled to an ability to interact closely with clients was observed.

Three factors in particular distinguished best-practice accountancy practices from traditional practices:

First, traditional accountancy practices, unlike their best-practice counterparts, had no formal agreement with their clients to meet on a regular basis in order to discuss how to enhance value creation.

Second, the professional identities of accountants from the traditional accountancy practices were more narrowly defined that their best-practice counterparts. The former defined themselves exclusively in terms of their ability to deliver standard accountancy services, whereas the latter viewed these as a spring-board to enhanced value creation for their clients.

Third, whereas best-practice accountants interact with their clients in terms of taking their clients' "beyond" their current position, accountants from the traditional practices were more concerned with communicating to their clients the state of the business as it is.

In summary, the study revealed fundamental differences in contractual relationships with clients, in terms of professional identity and role performance.

2.3 A quantitative approach to the characteristics of "best practice"

The findings in the two qualitative studies presented above were substantially supported by a study employing a quantitative approach (Døving and Gooderham, 2005). On the basis of a data set of 257 Norwegian small-firm accountancy practices the study analyses differences in the propensity or ability of small firm accountancy practices to provide a broad scope of advisory services. This is done primarily by drawing on a dynamic capabilities view of the firm (Eisenhardt and Martin, 2000). The findings emphasize the importance of small firm accountancy practices developing relevant dynamic capabilities. One aspect to this involves developing heterogeneous human capital in the sense of recruiting a significant proportion of front-line staff members who are not accountants. At the same time the study indicates that small firm accountancy practices must also have routines in place that ensure the regular development of their human capital. Finally, the study reveals the importance of developing alliances with other service providers such as auditors, banks and lawyers.

All of these developments clearly involve investment not only in the financial sense, but also in terms of time. In other words the process involved in transforming a small firm accounting practice with a narrow scope of business advisory services into an extensive provider of business advisory services is a long-term process. The study suggests that one possible short-cut to developing a capacity for providing a broad scope of business advisory services may be through the expansion of the practice in terms of numbers of front-line staff. However, while this may, if properly managed, further heterogeneity, it does not represent an entirely valid response to the need for strategically anchored internal development routines, or the need to develop external alliances with complementary service providers.

3. Summary of findings

The following points sum up the main findings from the research part of the project:

1. A long-term strategic intention has to be established. The intention needs to be long term because of the time it takes to establish new routines and to integrate them as a part of the firm.
2. Small-firm accountancy practices must encompass not only specialists in standard accountancy services but must also contain individuals with different but complementary competencies. In addition these practices must develop routines for knowledge development which in turn implies a well-developed absorptive capacity. Small-firm accountancy practices enhance their ability to develop advisory services when they interact with external, complementary actors. In other words these practices need to develop the capacity to act as "one-stop-shops" for their clients.
3. Trust between the small-firm accountant and client is decisive. By trust we mean that the accountant must initially be perceived as being a highly competent accountant for thereafter to be perceived as a competent business adviser. Being perceived as a potential business adviser is dependent on the accountant's ability to develop with the client a shared context-specific "language" and understanding of what contributes to value enhancement. The duration of the relationship has no significance – it is the trust which is important.
4. Knowledge and skills regarding how to build and sustain close and lasting relations with clients is of critical importance. A significant part of this involves an expansion of the traditional accountant's professional identity and role definition.

With these results in mind, we will now delineate the main features of the second part of the project, i.e. the development of a programme of professional development aimed at small-firm accountants who aim to become pro-active small firm business advisers.

4. Business education programme - from standard accounting services to advisory services

The purpose of the second part of this paper is to describe how the above research findings were translated into a training and education program. The aim has been to develop a business education programme which provides small-firm accountants with relevant knowledge, tools and practical training in order to engage as business advisers.

An additional purpose is particular to the Norwegian setting. In conjunction with Norwegian law, small-firm accountants currently need only to take a two-year full-time programme of higher education in order to meet the minimum requirements for formal authorisation. This programme has been designed as a supplement to this requirement thus providing an opportunity to achieve a bachelor degree. However, it is important to note that the assumption is that participants are in full-time employment. Thus the programme is to be regarded as a distance educational programme.

The aim of the twelve-month, part-time programme is to strengthen the business advisory knowledge in the small-firm sector by assisting accountants to develop:

i) a more comprehensive theoretical repertoire,
ii) relevant skills in advising clients,
iii) and improved capabilities in building and maintaining professional networks.

Underpinning these aims is the need to enhance the self-confidence of accountants in relation to engaging in an expanded professional role.

The pedagogical approach we have adopted comprises a mix of face-to-face lectures at a common course location supported by teaching materials, course-tutors, and the opportunity to engage in group work using a mix of internet and telephone.

The students' skills will be developed by learning how to apply theoretical knowledge to analyse a self-selected case firm and to engage in business advice with that firm.

Table 1 displays the main research findings and the corresponding elements in the development program.

Table 1 Research findings and elements in the development programme.

"Best practice" – main characteristics	**Elements in the development programme**
Long-term strategic intention re. advisory services Professional development	Strategic tools Application of accounts as a tool for strategic and financial management
Focus on relevant dynamic capabilities Building and developing external and internal competency networks Routines for developing relevant skills	Knowledge management Competence development Network – external alliances Entrepreneurship
Trust and dedicated interaction with clients Cultural challenges	Relational competence Organisational culture
Development of expanded professional identity including confidence building in the role of business adviser Identity building and self-reflection Understanding one's role in client interaction	Role theory/ Role performance Self development Personality training

4. Main characteristics of the program

Table 1 comprises **four dimensions.** The programme has been developed in terms of these dimensions.

1. The first dimension focuses on the accounts as a strategic tool for improving the value creation of clients. If the accounts are to be exploited as a strategic tool it is necessary to have a full overview of the financial tools relevant for dealing with financial issues in SMEs, including balanced score cards and budgeting processes relevant to small firms. Thus the aim of this part of the programme is to combine accounting with strategy.

2. The second dimension aims to explore how routines for absorptive capacity and knowledge development may be developed. In part this involves the establishment of routines for internal knowledge development. In part it involves how to manage external networks comprising complementary providers of advisory services. Finally, there will be a focus on entrepreneurship in order to focus the above in relation to the particular challenges faced by small firms, not least that of their survival.

3. The third dimension of the programme is concerned with how to interact with clients on the basis of clients' own particular organisational cultures. The aim is to equip participants with the tools required for analysing organisational culture. Additionally they will be required to examine their own organisational cultures. This activity will be especially important for those business

advisers who are located in traditional accountancy practices because the norms of these practices will have to be challenged if they are to develop advisory services.

4. The final dimension is about personal development and training in the role as business adviser. This will involve a discussion role theory in relation to the participants own work-situation and how they currently function in the role of business adviser. Business advisors from "best practice" accountancy practices will be employed as cases in order to show how they interpret their role and how they go about planning client meetings.

4.3 Evaluation

In addition to two written examinations the programme will involve group work and a group paper that examines the relevance and applicability of the theoretical tools provided by the programme in relation to the daily challenges faced by small-firm accountants.

Second, and of key importance, the students will be evaluated in terms of individual project work in which the programme's theoretical tools are applied to enhancing the value creation of an actual client firm. The evaluation will include the views of the client firm.

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