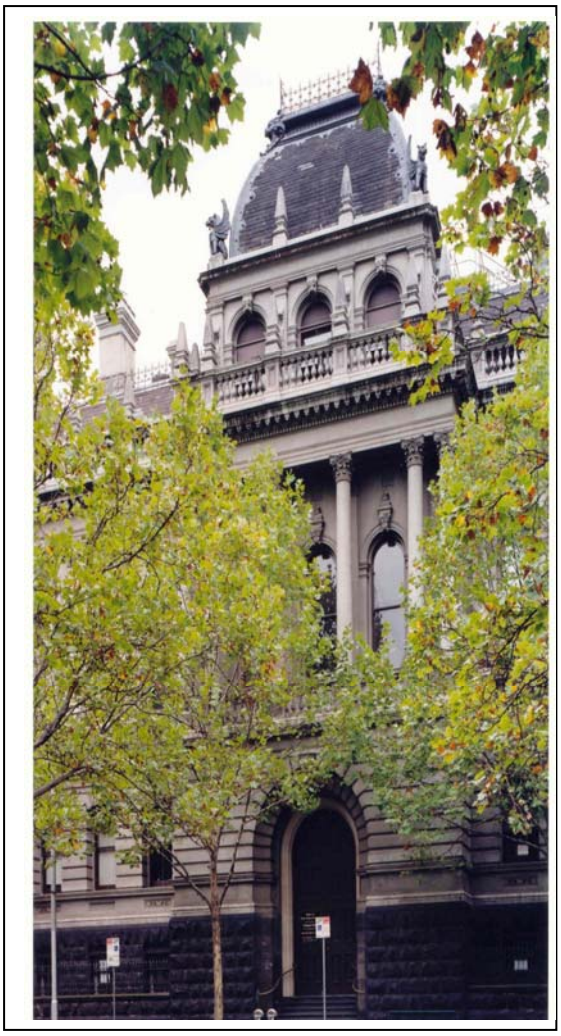

THE USE OF INTERNET REPORTING FOR SMALL BUSINESS AND ACCOUNTANTS

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Ms Kumi Heenetigala
Professor Andrew Clarke
Professor Colin Clark
Professor Ronald Francis
Associate Professor Arthur Tatnall
Dr Wei Dai

Victoria Law School
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Melbourne

NIA RESEARCH GRANT PROJECT 2009-10

NATIONAL INSTITUTE OF ACCOUNTANTS

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This report presents the results of research which was funded by the major 2009 research grant awarded by the National Institute of Accountants. The authors wish to thank the Institute for its grant. It made possible this research at a time when communications via the internet promises to bring radical changes to businesses not only in the way business is conducted but also in the management of businesses. Small businesses, which are innovative and flexible, are likely to be leaders of this revolution. Accountants, such as the members of NIA, who are in many cases small businesses themselves, are well placed to take a leading role in the implementation and use of the new technologies. The authors hope that this report will assist them in this regard.

A study such as this could not have been completed without the assistance and co-operation of accountants and their clients who freely gave of their time and knowledge in the course of completion of the study. We sincerely thank the NIA public practitioners who participated in this study for their generosity in making time available for the interviews and for their commitment to the research by providing answers to many of the difficult questions facing them and their contemporaries. We also wish to thank their small business clients who participated in the study. Their perspectives complemented and confirmed the views of their accountants.

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EXECUTIVE SUMMARY

Introduction

Operation of the business in the current environment is influenced by modern technology. Information technology (IT) has increased the speed and accuracy of distribution and communication of information at a lower cost than ever before. The internet has been the primary architecture of this communication revolution of the 21st century. Phoenix is a system that has been developed by the information technology team at VU to provide interactive on line monitoring and reporting of business activities using the internet technologies. Accountants could use such a system to link into small business activities and provide their services and expertise at the time it is required and before major problems develop.

The purpose of this study is to identify and evaluate the benefits of internet reporting to accountants and small businesses. It is expected the information and communications technology (ICT) could play a major role in facilitating interactions between accountants and small business, reducing the regulatory burdens of small business and improve their efficiency and effectiveness. This research builds on previous research grants, development of the ICT research program at Victoria University that produced the Phoenix Program, and a more recent ARC grant to investigate how to reduce the burden of regulation in small business. This project identified the role of accountants in this process. The study investigated how internet based reporting system can provide assistance to accountants servicing the small businesses sector, monitoring of their business performance and in complying with regulatory requirements.

Significance of the research

This is a significant study because of the rapid developments in new ICT technology, the investment of the Australian Government in ICT capacity and the significance of small business financial performance to the economy in the wake of the global financial crisis. Accountants are key advisors to small business which is the most innovative and flexible sector of the economy and consequently well placed to introduce new ICT innovations. This research is exploratory. It extends knowledge by examining the potential role of accountants in introducing ICT and has particular relevance to the future role of accountants in Australia.

Accountants

There are 100,295 accountants in Australia among whom, 26,000 registered as tax agents in Australia and manage 2 million business related tax returns (Madden 2009).

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Small business in Australia

Small corporations make up the vast majority of the Australian economy, 99.9% of all companies. These 1.38 million companies are vitally important in economic, social and cultural contexts. They employ more than five million members of the Australian workforce (Australia Bureau of Statistics 2007), and are referred to as the 'engine room of the Australian economy'

Our approach

Ethics approval for the study was obtained from the Human Ethics Research Committee of Victoria University.

The research was an exploratory study conducted in two stages.

A literature review investigated previous research on the topic and resulted in an annotated bibliography.

The second stage was an exploratory research study in which members of NIA and their clients were surveyed in one-on-one interviews using a structured questionnaire. The sample of 31 respondents was comprised of twenty two accountants from NIA and nine small business owners/managers.

Approximately half of the accountants had postgraduate qualifications. Nine were the sole directors of their companies.

The small businesses which participated in the study conformed to the small business criteria classified under the corporations law in Australia based on compliance with two of the following: the number of employees (less than 50 employees) turnover (less than $25M) and assets (less than $12.5M). Five of the nine small businesses were owner/managers; five had 1 director and three had 2 directors.

The research questions

The research questions were:

- ☐ What ICT technologies do accountants use to communicate with their small business clients (Chapter 4)?
- ☐ What are the benefits of interactive information technologies using the internet for small business (Chapter 4)?
- ☐ What are the benefits for accountants (Chapter 5)?
- ☐ What are the factors that will inhibit or promote adoption of this innovation by the SME sector (Chapter 6)?
- ☐ What are the major privacy, confidentiality and security issues that need to be addressed (Chapter 7)?
- ☐ What are the criteria that could be used to establish safeguards for confidentiality and security (Chapter 7)?

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- ☐ What is the role of professional bodies such as NIA in educating their members about ICT (Chapter 8)?

The final chapter (Chapter 9) in this report reviewed some of the policy issues that are impacted by the use of ICT by accountants and small business.

What ICT technologies do accountants use to communicate with their small business clients?

This answer to this first research question was addressed in a number of sub-questions.

The reasons why and frequency with which clients contact their accountants and why and how often accountants contact their small business clients.

Both Accountants and Small Business respondents reported that the main reason that small businesses consulted their accountants was for compliance with regulations (particularly preparation of BAS statements and annual taxation returns) but also for bookkeeping, payroll and bank compliance. .
Sixty five percent of small business contacted their accountants at least quarterly while others sought services as required.
Several accountants were proactive in contacting clients, some (9) on a on a regular basis, (weekly, monthly or quarterly) but one reported that time constraints limited this type of activity.

The services required by small businesses

The services required by small businesses could be categorised as: preparation of returns/reports, monitoring business performance, and advice. Advice referred to such things as changes in legislation, taxation in regard to property management and investment. Seven respondents provided management consulting and cash flow advice but management accounting, that included the ongoing monitoring of small businesses, was rare. However, at least two accountants provided clients with services via the web.

Services that were not traditional accounting services included marketing by two accountants and another said that his clients receive newsletters and attended conferences provided by the accountant.

What were the means of communication?

The most widely reported means of communication by 79% of accountants was for small business clients to E-mail files (MYOB, Quicken, and/or Excel files) to their accountant). Small business participants presented a similar picture (section 4.4). Six generally forwarded data to the Accountant via email and two reported that, due to the large size of their files, the data was transferred, physically, on a disk or memory stick.

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Fourteen accountant respondents (67% of that sample segment) stated that they monitored their small business clients' financial performance using this data stored on their computer systems.

The accountant then either generated reports using the same software package as that of their client or downloaded the client's files (and on occasions, data acquired from other sources such as BankLink) into another accounting software package from which reports were then generated.

Many of the accountants also continue to use paper (67%) to transfer information and fax (15%).

Which computer systems are used by accountants and their clients?

Accountants identified twenty two different computer packages that were used to analyse client data. All used MYOB and a majority also used Excel and QuickBooks.

Who make the decisions about ICT systems?

Decisions about selection and implementation of ICT systems were made by the most senior personnel in both accounting firms and their small business client firms. Accountants were more likely (35%) to seek the advice of an IT external consultant. Two small businesses sought advice from their accountant.

What is the current ICT usage?

All the accountants were frequent users of E-mail. They reported using it for everything: client control, financial plans, receiving and transmitting information, liaising, making appointments, on-line training.

The majority of Accountants in this sample (n=17;77%) reported that their firm had a website. Their comments suggested that it was a market expectation that Accounting firms have a website and that having a website demonstrates that the firm is properly established/legitimate. It appeared that for most, the web site did not add much value as little use was made of the web other than acting as a source of contact information for (a small number of) clients. The exceptions were one accounting firm that provided a client portal service on its web site and another that provided educational tools on its site.

Three small business respondents operated interstate and/or overseas and had IT systems that accommodated remote dealings with clients.

Electronic lodgement of government returns (Taxation, BAS, Payroll tax, ASIC returns, Work Cover, etc) was widespread.

How satisfied accountants and clients are with the information technology currently available.

Most Accountant and small business respondents were satisfied with their current IT systems.

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However, more than one identified the problem of poor regional access to broadband and that the internet often 'crashes'. Other respondents identified problems with compatibility, accommodating changes in program technology and difficulties of meeting changes in taxation regulation. They expressed their need for speed, reliability and availability for frequent online banking, wages, paying suppliers, etc.

What future use will be made of ICT?

While some Accountant respondents wondered how they could possibly increase their IT usage given that IT was already used for virtually every business process, the majority concurred that their use of IT will continue to grow (95%) and that this would include expanded use of technology in client dealings (95%). Most small business respondents envisaged increased IT usage in the future.

Both accountants and business respondents expressed interest in new technology. This referred to faster transfer of larger data sets, better remote access, pro-formas for government reports, and technical advances such as much better scanning systems.

What are the benefits of interactive information technologies using the internet for small business?

Respondents were asked to comment on the value of a "continuous online monitoring and access system for small businesses". It was explained that such an Internet-based system, accessible to the accountant and small business client, would include various reporting features and would have a trouble-shooting facility whereby both parties would be alerted should any pre-programmed criteria be met (e.g. evidence of an impending cash flow problem). This section reports their perceptions of the usefulness of such an ICT system,

The majority of Accountants in this study (80%) thought such a system would be useful or very useful. While still positive, small businesses appraised the system as having more utility for Accountants. Although several small businesses (67%) thought such a system would also be useful or very useful for their business, there were concerns about the potential cost of more meetings with accountants, costs that small business would have difficulty meeting.

What are the benefits of using information technologies?

The main benefits reported by the accountants were the ability to offer better service, time savings and information. Better services included faster services, the ability to anticipate problems, easier access to client data that would be more accurate and up-to-date, and improved client relationships. While there was potential to generate greater income through offering more services, there was also an opportunity to reduce costs by being more efficient and having greater understanding of a client's business activity.

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Small business identified the benefits to their businesses of streamlined operations, easy access, automated, remote access, and efficiency.

The benefits of the use of ICT were similar to those identified in previous research. Accountants could offer better services, save time and build close relationships with their clients.

Small business thought that it could help accountants to provide much faster responses, to give small business notice of impending problems and also help the profit drivers of business through better quality data. Small business also saw advantages to their businesses of shorter time frames and less administrative work for small business.

Government, too, could benefit from further developments in ICT. Information would be more accurate and timely.

However, no one wanted the government to have direct access to small business files.

What are the major privacy, confidentiality and security issues that need to be addressed (Chapter 7)?

Both accountants and small businesses addressed concerns about privacy, confidentiality and security issues and suggested safeguards.

Both Accountants and Small Business saw a need for security of access, protection of the data base in case of system failure, and protection against hackers and fraud. Their concerns included risk of hacking, confidentiality, compliance with the privacy act and liability for data integrity.

Safeguards to address concerns about privacy, security and/or confidentiality included password protection, data encryption, backup/disaster recovery facility and agreements that included a Code of Conduct.

What is the role of professional bodies such as NIA in educating their members about ICT (Chapter 8)?

Respondents indicated a high level of satisfaction with the information provided by their Professional Associations. Among the Accountant sample, 80% were satisfied or very satisfied.

Nine Accountant respondents each nominated one or two new (or enhanced) services that they would like to receive from their professional association. These included education and training related activities: more online seminars, seminars in regional areas, technical information, information on management accounting and governance and collaboration with

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other accounting associations. In regards to ICT the suggestions included a portal for government regulators and accountants to share information and ideas.

Conclusion

The results of the study reported the perception of both accountants and small business use of internet, barriers to the use of new technology, benefits of web based technology for accountants and their small business clients and the new opportunities offered by ICT to accountants. The majority of accountants thought such a system would be useful or very useful for small business clients and it will be a useful to service small business clients. The main benefits reported by the accountants were the ability to offer better service, time savings and information. However, small business respondents recognised that the web based ICT would result in ease of transfer of information and increased efficiency. Both accountants and small business clients reported cost as a main barrier. They were also concerned of the privacy and security issues.

Based on the opinions of both groups and literature review, the most important factors that could inhibit the adoption of ICT by small business were cost, lack of time, skills and knowledge. Even though small business may have the capacity to respond quickly to new innovations but both accountants and small business respondents expressed reservations about the adoption of interactive ICT.

The limitations of the study were the small sample size. Although the sample size was small, accountants were distributed across regional and metropolitan areas, and they included a range of gender, age and qualifications. Because it was a 'volunteer' group it may be biased towards those with higher levels of qualifications and interests in adopting newer information technology. Furthermore, the diversity of small business industries represented by their clients suggests that, their views could be representative of the sector However, their very diversity means that the internal firm mechanisms identified in the study as having an impact on perceptions of the innovation may differ if the types of business and their specific use of "ICT were taken into account which could only be done by further research with a much larger sample.

Information technology (IT) was considered an integral part of almost all business activities undertaken by accountants and (most, but not all) small businesses. Typically this included office and accounting software packages, Internet services, email, and voice services. Other than electronic funds transfer (EFT) facilities, the use of Business-to-Business IT applications was relatively minor. Most accountant and small business participants had a business web site; few had achieved productivity/efficiency gains or marketing value from their web site.

Most accountants in this study anticipated that their use of IT would continue to increase and that this would include expanded use of IT in their dealings with small business clients. However, while small businesses also anticipated growing use of IT in the future, not all were predisposed towards greater IT-based interaction with their accountant. For some small businesses, a key benefit of engaging an accountant was to be able to hand over the information and have someone else manage the data manipulation and reporting. Therefore, for small business, the notion of a continuous online monitoring and access system was equated with 'more work' (for the small business).

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The most frequently mentioned needs concerned data transfer compatibility issues and internet access. Some of the policy implications of these findings are as follows.

To promote interactive IT systems both accountants and small business must be made aware of the benefits through relevant accounting and small business associations.

Government's role is to support the development of web based technology which would reduce the burden of compliance with regulation through the development of policies that would encourage small businesses in adoption of this new technology such as specific incentives and support to provide training and subsidies to encourage use of internet based technology. Regulations with regards to security issues should be strengthened to prevent and safeguard systems and include harsher and mandatory penalties for hackers. Bodies such as ASIC and the Australian Taxation Office and a host of industry regulators could have a system that automatically collected and aggregated information in regular standard reports. Finally, improvement in ICT services will not be possible without improved access to the web from all areas and particularly in regional areas of Australia. This is a social justice issue as well as a commercial necessity.

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Chapter 1

Communications through near-ubiquitous, very fast terrestrial optical-fibre and wireless networks, globally connected by networks we call the internet, will dominate the rocket-propelled advance of technology in the second decade of the 21st century.

Garry Barker, 2010 The Age

Introduction

Today's businesses operate in an environment dominated by technological advances affecting telecommunication and information processing. However, none of these changes have had a greater impact on businesses than the growth of information communications technology (ICT) associated with the internet. One has only to think of how rapidly E-Bay has changed buying habits, how Google, Facebook and Twitter have changed, how we hear our news or how mobile phones have changed personal communication. Today, we can purchase a book from the US through Amazon, buy a new golf buggy from the UK, or clothes from China, and pay for them though our on-line banking. We can even do this on an iPhone from our local coffee shop. The internet will not only continue to connect people and organisations but also tag individual items. Your car or your watch may tell the manufacturer where you are and the purpose for which its product is being used. Individual health records are now available from networked health service providers.

Access to individual information is not only valuable to advertisers but, with business-to-business communication, also increases efficiency. Already large companies such as Toyota and banks use communications technology to monitor and manage relationships with service providers and customers in their supply chains. Taxis, trams and trains are all monitored via the internet.

While studies of the use of communications technology in large businesses are numerous, Policy makers are concerned that the opportunities offered to small business offered by more recent developments in communications technology have yet to be fully explored. Accountants are a main source of advice external to small businesses, so ICT has potential to make a major impact on their relationships.

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1.2 The Purpose of this Project

The purpose of this study was to identify and evaluate the benefits of interactive internet reporting to accountants and their small business clients. This research is complementary to a more recent ARC grant to investigate how to reduce the burden of regulation in small business. Before presenting the results of this study it may be useful to describe the factors that influence the adoption of ICT, some recent developments that may be relevant for small business and some developments of ICT in the public sector.

1.3 Adoption of E-Commerce and E-Business

The terms E-Commerce and E-Business are used interchangeably in describing business activities and processes conducted via the internet. E-business is described by Zwass (1994) as the sharing of business information, maintaining business relationships and conducting business transitions by means of internet-based technology. However, Chaffey (2002) defines e-business as the transformation of key business processes through the use of internet technologies and e-commerce and involving more than electronically mediated financial transactions between organizations and customers. Indeed, electronic commerce has been identified with a whole business strategy (Lawson, Alcock et al. 2003) that offers a range of services and opportunities including data exchange, mobile telephone, internet, intranet, and email (Quayle 2002).

In the context of this study, E-commerce specifically refers to two way interactive communication with and access to their small business clients by accountants.

This mode of communication enables ongoing monitoring of the small businesses and their performance and the provision of management accounting services to the businesses. Among the issues that need to be considered include the opportunities and benefits which e-commerce offers, the resources needed, the barriers that must be overcome and the management of risk.

Studies of the adoption of information and communication technologies (ICT) have shown that firm size, degree of exporting, awareness of benefits and customer type appear to dictate how ICT strategies develop in small firms (Lauder and Westall 1997) and yet others refer to factors which inhibit adoption such as the limited resources of personnel, finance and business knowledge of the small firm compared with its larger counterparts (Simmons, Armstrong et al. 2008). A relationship between size of the business and level of adoption of information technology has also been reported.

Personnel factors also influence adoption of ICT. Often this means that the competency, knowledge and willingness of the owner/mangers are the deciding factor in the adoption of new technology (Ramsey, Ibbotson et al. 2003). Entrepreneurship is closely associated with small business and family businesses, especially in start-up or innovative enterprises. Entrepreneurship is associated with high energy levels, creativity, and a positive and decisive mindset, but most entrepreneurs are not very good at long-term planning and also do not usually have the resources to engage in complex system implementation (Muenjohn,

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Armstrong, and Francis, 2010, Johnson et al 2007). There is something of a paradox in the fact that while an entrepreneur is likely to be a high risk taker, the established small business soon grows very risk averse.

Not least in influencing adoption of ICT is the perception of benefits. Several researchers (Simmons, Armstrong et al. 2008) have identified the opportunities offered by e-commerce to small firms. They include the ability to reduce transaction costs, the development of a more level playing field with larger firms, improved communications, the ability to identify and extend marketing efforts, new markets, cost reduction and developing relations with suppliers (Evans and Wurster 1997).

Adoption of ICT has also been linked to improved performance. A study conduced by Mc Clean et al.(2002) reports that e-commerce has improved the productivity of Canadian small businesses and has raised the competitiveness of the Canadian economy. Firms in Canada reported, how important was the adoption of e-business for improving customer relationships?. They found that managing and implementing Internet Business Solutions (IBS) helped them to save money and expand their businesses with new and existing customers. The research findings of the study are that 50.2% of Canadian small businesses were currently using or implementing IBS and a further 20.3% were intending to adopt IBS. IBS is defined as an initiative that combined the internet with networking, software, and computing hardware technologies to enhance or improve existing business processes or to create new business opportunities (Johnston, Wade et al. 2007).

Mc Clean et al (2002) found that the barriers to adoption included the cost of technology, the time required for implementation and uncertainty over the return on their investment. Studies of the barriers to implementation of IT management systems include: cost, lack of time to devote to the implementation and maintenance of IT, lack of knowledge combined with difficulty in finding useful and impartial advice, lack of use of external consultants and vendors, lack of understanding of the benefits that IT can provide, how to measure those benefits and lack of formal planning, the cost of new infrastructure, the time to implement solutions, and uncertain returns on investment (Burgess 2002).

A study conducted by Johnston et al (2007) found that the financial impact of internet business solutions in the European Union industry sector was negative as the cost of full implementation is absorbed.

In addition to these internal factors which influence the adoption of new ITC, external mechanisms have also been found to have an influence. Among these are specific industry and sectoral factors, competitiveness, globalisation, and the growth of the firm in international markets.

Previous research showed that adoption rates of IBS are significantly lower for small businesses than for other larger organisations in the US and the EU (Varian, Litan et al. 2002). Policy makers and individual business decision makers are concerned that small businesses lag behind the larger firms in adoption of wealth creating technologies and that this may adversely affect their economic performance. Accountants have a major influence on financial decisions in small businesses. Yet there is limited literature on internet based solutions for accounting. The few studies of the use of communications technology in small

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business have mainly focussed on the use of the web but the opportunities offered by more recent developments in communications technology have yet to be fully explored.

1.4 Developments in ICT

The technology and use of ICT is diversifying. Several systems enable users to synchronise email, client data, and calendars from their desktops. New business-to-business systems monitor business activities such as orders received, sourcing of suppliers, real-time inventory management and arranging delivery. All this from your mobile! (Dai and Be, 2008;Dai and Uden 2008; Gou et al 2007).

Many large companies are opting for private fibre-optic networks that provide private discrete, very high speed, point-to-point networks rather than public infrastructure.

"A technology called virtualisation –the sharing of computer resources, often held remotely in a 'cloud' – is helping companies save money and energy and improve efficiency" (Barker, 2010 p.15). The 'cloud' is a global data storage and universal delivery system, that stores data in centres anywhere in the world and retrieves the data on demand from any computer location. For small business users, their individual needs for ICT infrastructure, platform, equipments and the majority of the application data can all be taken care of through cloud computing (Dai,2009).

Access to these services is provided by "intermediaries" (OECD, 2010). Internet intermediaries are the middlemen who bring together or facilitate transactions between parties on the Internet. They give access to, host, transmit and index content, products and services originated by third parties. The main functions of internet intermediaries are: i) to provide infrastructure; ii) to collect, organise and evaluate dispersed information; iii) to facilitate social communication and information exchange; iv) to take into account the needs of buyers/and users. Growth areas in this sector include shared web hosting and software services, offered on a subscription basis. The emergence of participative networked platforms, which were a comparatively recent development, is seen as a major future source of revenue for the sector. In 2008 data processing and web hosting intermediaries represented USD 92 billion or 1.4% of GDP value added in the US.

The OECD Report claims that internet intermediaries stimulate employment and entrepreneurship by lowering the barriers to starting and operating small businesses and by creating opportunities for 'log-tail' economic transactions to occur that were not previously possible. Internet intermediaries enable creativity and collaboration to flourish among individuals and enterprises and generate innovation. By enabling individuality and self-expression, they also offer potential improvements to the quality of societies in terms of fundamental values such as freedom and democracy.

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1.5 Recent ICT Developments in the Public Sector

In the public sector, one of the most significant developments is the Extensible Business Reporting Language (XBRL) designed for the transmission of business and financial data (Full details are available on the XBRL web site). Official support from the European Parliament and a mandate from the United States Securities and Exchange Commission appear to endorse XBRL and its suite of 'Tools' as the international standard for the transfer of financial data. The XBRL platform allows recipients of financial information to share, analyse, and report categorised information instantly, with no human intervention, and with no need to re-key or convert data from one system to another.

A big advantage of XBRL is that it can access data from any type of user system, translate it into XBRL, and then export it to any other system in any desired format. This increases the useability of financial statement information, allows integration and comparison of data from different sources for further analyses, and promises major cost savings and gains in efficiency by improving the processes within companies, governments and other organisations.

First introduced in 2001, it is being developed by an international non-profit consortium of major companies, organisations and government agencies. Early adopters include Morgan Stanley, Reuters, and Microsoft. It is particularly valued by the financial institutions. An example is the Deutche Bundesbank, the Reserve bank in Germany, which uses XBRL to monitor and regulate financial statements.

XBRL is platform-neutral which means it is compatible with any computer or software system and can report information compliant with accounting standards or other formats. Accounting bodies around the world are particularly interested in XBRL as it meets with their objectives of providing greater access, quality and breadth of information available to the investing public. The IASB is developing taxonomy to reflect International Financial Reporting Standards (IFRS) that could be widely adopted.

Governments are using ICT to monitor compliance with various laws and other regulations. In Australia the next generation of technologies will be made possible by the roll-out of the national broadband network at an estimated cost of $43 billion.

ICT is also transforming the way the government operates. The Australian government led by the treasury has launched a Standard Business Reporting (SBR) program to reduce the business-to-government reporting burden. It is also investing $4 million in a Standard Business Reporting Program (SBR) based on XBRL. This technology policy initiative aims not only to reduce the administrative burden for business but has a clear set of policy objectives, including participatory democracy, improvements to government efficiency and effectiveness and transparency as a tool for accountability (Madden, 2009). There are obvious advantages to harmonising, co-ordinating and analysing data from a variety of sources whether it is for purposes of security, identifying tax evasion or financial management of the economy.

The collection of agreed reporting terms is called the SBR Taxonomy. A set of reporting definitions has been developed that will eventually make it possible to map government reporting terms directly to the appropriate information in a business's financial/accounting or

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payroll system. This is well under way with over 40 forms already designed to the new formats.

Treasury is the lead agency on SBR, with participation from the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Taxation Office (ATO) and the Australian Bureau of Statistics (ABS), and State and Territory revenue offices (SROs). There has been extensive consultation and collaboration with stakeholder groups, including business, business intermediaries and commercial accounting and business software developers. The stakeholder group referred to above as 'business intermediaries' is a very large group and includes accountants, tax agents, financial advisors, payroll specialists and bookkeepers, as well as business and industry associations. From July 2010, Australian businesses will be able to report directly from their financial, accounting and payroll system with SBR-enabled software, which will offer a quicker and easier way to complete government reporting requirements, freeing up valuable time for other business activities (Brown 2010).

1.6 The use of ICT by Accountants and Small Business

The growth of ICT not only raises the issue on how it is currently being used, but how its development may offer additional resources and opportunities for the relationships between accountants and small and medium sized businesses. Evidence suggests that Small businesses are disproportionately burdened by regulatory requirements. Small businesses are more severely affected by red tape than large companies because small firms are less proficient in dealing with the complexities of regulation and are unable to spread the costs of compliance across large-scale operations. The OECD (2001) in a study of 11 countries showed that businesses employing 1-19 people incurred administration costs for payroll and tax regulations five times higher per employee than firms of 50-500 employees. Another study of manual handling of regulations in the UK showed that small firms (up to 50 employees) had an annual cost per employee of 341 pounds (Lancaster, Jacobsen et al. 2001) compared with only 37 pounds per employee for large firms.

Accountants are key advisors on regulation to all businesses, and independent research demonstrates that accountants are first-choice advisors to small and medium-sized enterprises (Small businesses) (Bennett and Robson 1999; Gooderham 2004; Blackburn, William Eadson et al. 2006).

1.7 Accountants in Australia

There are 26,000 registered tax agents in Australia managing 2 million business related tax returns, and 100,295 accountants (Madden, 2009). There are three major professional associations for accountants in Australia: CPA Australia; the Institute of Chartered Accountants in Australia; and the National Institute of Accountants. This research was funded by a major grant from the National Institute of Accountants.

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With so many developments in ICT and its use for financial reporting, accountants are particularly interested in its potential for cost savings and customer service. A study by Breen and Burgess (2007) of the use of the web by accountants reported that the most significant finding of their study was that "Accountants see their client relationships as the most important aspect of their business" (p.i). The study concluded that further use of ICT technology would depend on clients being assured of the security of their data.

1.8 Small Business

Small corporations make up the vast majority of the Australian economy, 99.9% of all businesses. These 1.38 million companies are vitally important in economic, social and cultural contexts. They employ more than five million members of the Australian workforce and are referred to as the 'engine room of the Australian economy'

Various definitions of small business abound but the one adopted here is that of the Corporations Law (Australian Corporations and Securities Legislation 2009). A company is classified as a small business if it satisfies two of three following conditions:
Consolidated revenue for the financial year is less than $25 million;
The value of gross assets at the end of the financial year is less than $12.5 million;
The company has less than 50 employees at the end of the financial year.

The Australian Bureau of Statistics also has a lesser category that it calls 'micro', which has less than 5 employees. Based on income, the Taxation Department reports that 97% of businesses are micro companies with incomes of less than $2million.

Two thirds of small businesses with less than 20 employees are home-based, and more than half of them do not have any staff at all; an estimated 10-30% of all business owners are in their second or third time to start a new business; and almost 10% of small business operators run two or more businesses concurrently.

The characteristics that are identified with small business (Francis and Armstrong, 2006) are:
They have a relatively small share of their marketplace;
They are privately, often family owned;
They are managed by owners, often owner/managers;
They are independent, in the sense that they are not part of a larger enterprise;
They may have resource constraints.

Family owned businesses are well represented in small businesses and the philosophy of the family or owner/manager will have a major effect on business generally and particularly in relation to the adoption and use of new technology (Breen, Sciulli et al. 2003).

Many small firms occupy niche markets and offer a specialized service or product. Storey (quoted in Fillis and Wagner 2005) identifies three areas where small firms differ from large firms:

i. uncertainty: the small business has a limited customer base and products;

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ii. innovation: refers to the niche role of some firms but also refers to the extremely fast rate at which some firms can grow. Small firms tend to be more likely to introduce essentially new innovations and less committed to existing practices and products; and,
iii. evolution: small firms are more likely to evolve and change.

1.9 Financial Management of Small Business

Financial management is a significant issue for small business, due to the volatility associated with situations such as cash and profit position, reliance on short term debt and need for financial information. Among the common problems faced by small businesses is the lack of time and effort put into planning where the business is heading (Burgess and Schauder 2003).

Good financial management systems contribute significantly to the success of small business. Prior research (Lybaert 1998) shows that management accounting information systems utilised within the small business enterprises (SMEs) have a positive relationship with the performance. Due to the volatility associated with situations such as cash and profit position and reliance on short term debt, need for financial information is important (McMahon and Holmes 1991; Dodge, Fullerton et al. 1994).

McCahey (1986) ranks owner managers as the most important users of financial reports. They are closely followed by banks and other sources of finance. Non managing owners are also ranked highly as users. The types of financial reports provided to lenders are statutory accounts, taxation returns and detailed profit and loss statements.

As small businesses move through the different phases of development additional resources are required. McMahon (1999) reports that a study conducted by Ernest and Young (1997) points out that many small businesses in Australia do not know what is necessary to be investment ready. As a result, they fail to attract external finance required for growth and development. Weaknesses associated with investment readiness are poor internal systems and lack of management information systems. Such failures will not only lead management ability to successfully manage growth; it will also lead to information asymmetry which will make it difficult for potential financiers to appropriately assess the risk and return. The financial reporting requirements to make decisions for investments are: annual budgets and cash-flow forecasts; availability of monthly management information; and audited financial statements. Therefore timely and relevant financial reporting is a key element of investment readiness amongst small businesses in Australia.

A survey conducted by Australian Manufacturing Council (1996b) on financial institutions found that the main problems they experienced with manufacturing small businesses were as follows:

- poor quality financial reporting and management systems: they often found that high quality, up-to-date information is not available on a regular and timely basis, but is provided months in arrears.
- poor understanding of financial information: especially the significance of debtors, creditors and stock cycles and their impact on cash-flow and ability to service debt.

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- lack of business plans or financial forecasts: suggesting that there are no strategies to underpin cash-flow projections and thus the credibility of those projections, and competence of the management is generally questionable.

The minimum documentation required to an application from a potential borrower is:

- profit and loss statement and balance sheets for the last three years, possibly audited by an independent professional accountant;
- cash-flow statement for the current year and cash-flow forecast for the term of the debt;
- projection of the budget for the next twelve months;
- aged debtors, creditors and stock schedules; and
- statement of assets and liabilities of the principals (owners and owner managers).

Among the types of financial information identified above, cash-flow statement and forecasts are reported to be most critical in determining the outcome of a loan application (McMahon 1999). They also report that providers of external finance to small businesses require that their financial reports should be audited by an independent professional auditor.

1.10 Small Business Failures

Small business enterprises (SMEs), described as the "Engine of Growth' of the economy, represent 99% of all business in Australia. Yet, large numbers of small businesses fail in the first five years of business. The reasons for the failure are: no formal reporting requirements, no proper debt management, cash-flow problems, and insufficient reliable information to measure their performance (Watson and Everett 1996). Eighty percent of all new businesses fail due to undercapitalization (Festervand and Forrest 1991). Hence, the financial services offered by accountants can make a significant contribution to the success of a small business.

Large businesses usually engage accountants as an important part of their staff. Small businesses usually cannot afford this and too often 'dump' the year's paper work on their accountant's desk when the tax return is due.

An ongoing affordable system, that automatically monitors business activities, produces reports and signals when the accountant's expertise is required (Dai and Be, 2008, Dai and Uden 2008; Gou et al, 2008), could provide interactive on line monitoring and reporting of business activities. Accountants could use such a system to link into small business activities and provide their services and expertise at the time it is required and before major problems develop.

Empirical research on the use of information technology in small businesses is diverse due to the different characteristics inherent in small businesses including size, location, industry, business strategy and the attitudes towards information technology.

Small businesses are more severely affected by red tape than large companies because small firms are less proficient in dealing with the complexities of regulation and are unable to spread the costs of compliance across large-scale operations. Technological improvements to internet based business applications have reduced the cost of information-intensive activities.

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In this environment, a study of accountants and their use of the internet to communicate with small business clients are very timely.

The National Institute of Accountants awarded their major research grant of 2009 to the research team to investigate this issue.

1.10 Significance of the Research

This is a significant study because of the rapid developments in new ICT technology, the investment of the Australian Government in SBR and the significance of small business financial performance to the economy in the wake of the global financial crisis. Accountants are key advisors to small business which is the most innovative and flexible sector of the economy and consequently well placed to introduce new ICT innovations. This research is exploratory. It extends knowledge by examining the potential role of accountants in introducing ICT and has particular relevance to the future role of accountants in Australia.

1.11 The Purpose of this Project

The purpose of this study was to identify and evaluate the benefits of internet reporting to accountants and their small business clients. This research builds on previous research grants: the development of the Phoenix system (Dai and Uden 2008) and a more recent ARC grant to investigate how to reduce the burden of regulation in small business (special edition of the Journal of Business Systems Governance and Ethics, Vol 4. 2009).

Research questions addressed by this project were:

- ☐ What ICT technologies do accountants use to communicate with their small business clients (Chapter 4)?
- ☐ What are the benefits of interactive information technologies using the internet for small business (Chapter 5)?
- ☐ What are the benefits for accountants (Chapter 5)?
- ☐ What are the factors that will inhibit or promote adoption of this innovation by the SME sector (Chapter 6)?
- ☐ What are the major privacy, confidentiality and security issues that need to be addressed (Chapter 7)?
- ☐ What are the criteria that could be used to establish safeguards for confidentiality and security (Chapter 7)?
- ☐ What is the role of professional bodies such as NIA in educating their members about ICT (Chapter 8)?

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Chapter 2

Methodology

2.1 Introduction

This chapter presents the research methodology used in this study. The aim of the study is to evaluate the use, benefits, barriers and future potential of ICT to accountants and small business clients. The following section discusses the sample selection, data collection and data analysis techniques.

2.2 Methodology

This was an exploratory research study conducted in two stages using quantitative and qualitative methods.

In the first stage a literature review assessed the previous research and identified new developments in ICT relevant to the project. (Heenetigala, Burke and Armstrong 2009).

The information obtained in this exercise informed the development of the questionnaire used in a survey of the accountants in the second stage of the project.

Ethics approval for the study was obtained from the Human Ethics Research Committee of Victoria University.

The total sample was 31 respondents comprised of accountants and their small business clients. The sample of accountants was obtained through the National Institute of Accountants who sent an invitation to 350 of their Victorian members inviting volunteers to participate in the study. Twenty two accountants were interviewed. In the second stage of the project, the accountants who were interviewed were then asked to contact small business clients who were owners/managers of small businesses and invite them to participate. Nine small businesses responded.

The sample selection method could cause bias because the participants were all members of the NIA. However, the sample of respondents represented accountants operating businesses in metropolitan Melbourne, fringe metropolitan areas and rural Victoria. They were well qualified. Over half had postgraduate qualifications and as over three quarters of them had over 10 years experience as accountants, their views would be expected to be reliable and representative of NIA members, if not of the general population of accountants. The small business clients, although small in number, were able to provide complementary data that could be compared with the views of their accountants.

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In the survey of both accountants and small business owner/managers, a one hour interview using a semi-structured interview schedule collected both quantitative and qualitative data. The length of interviews ranged from 20 to 90 minutes for each participant. Data were analysed using SPSS to obtain descriptive statistics of the quantitative measures and by content analysis of the qualitative data

2.3 Outline of the Report

Following the literature review reported in Chapter 1, Chapter 2 describes the methodology and how the project was conducted. Chapter 3 presents the characteristics of the two samples.

The main chapters present the results of the investigations of the research questions. Chapter 4 describes accountant-SME communication: the purpose of most communication, the means of communicating, satisfaction with currently used IT systems and what do accountants and SMEs see as the future direction for ICT.

The benefits of and inhibitors to ITC adoption are presented in chapters 5 and 6. Privacy and confidentiality issues have been shown in previous studies of B-B to be a concern. These are addressed in Chapter 7

Professional bodies have a major role to play in educating their members about new ideas and innovations. Perception of the role of NIA is discussed in Chapter 8.

Chapter 9 summarises the results of the study and presents some recommendations for future research.

2.4 Format of the Report

The format for each of the results chapters is that the text describing the responses to each issue is reported at the beginning of each chapter and references the tables which follow.

The responses from 22 accountants and 9 small businesses were analysed. Where more than one response was possible, the total responses will exceed this number. Where a question may have been inappropriate because of the context in which a respondent operated, tables show the number of respondents who responded.

In this report, to assist the reader, tables referring to the accountants are marked in blue and those referring to SMEs are marked in orange.

2.5 Chapter Conclusion

The current chapter discussed the methodology used in this study, including the outline and the format of the report. The next chapters will discuss the results of the survey.

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Chapter 3

Respondents Characteristics

3.1 Introduction

The characteristics of respondents are important in forming opinions about the sample of accountants and small business of the study. Therefore, this chapter discusses the demographic, business profiles and governance characteristics of both respondent accountants and respondent small businesses.

3.2 Accountants Sample

3.2.1 Demographic Characteristics

The demographic characteristics of the Accountant sample are presented below. The majority (75% Table 3.1) of the accountant respondents, sixteen, were self employed. They described themselves as the owner/principal of the practice (9), managing directors (5), partners (2) and director (1). The remaining accountants indicated that they were employees of their firm.

The age range (Table 3.2) was distributed across the spectrum. Fifty per cent were aged under 50 years, with 18% were over 60 years of age. Most were male (82% Table 3.3). They were well qualified (Table 3.4) with over half (53%) holding postgraduate qualifications and most (86%) having over 10 years experience (Table 3.5).

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Table 3. 1

Respondent Position – Accountants

Position	Number (n)	Percentage* (%)
Owner/Principal	9	41%
Managing Director	5	23%
Partner	2	10%
Manager	1	5%
Director	1	5%
Chief Financial Officer	1	5%
Consultant (former Partner)	1	5%
Internal Auditor and Corporate Secretary	1	5%
Employee Accountant	1	5%

(Sample base: 22 accountants).

Table 3. 2

Respondent Age - Accountants

Age	Number (n)	Percentage (%)
31 - 40 years	3	14%
41 - 50 years	8	36%
51 - 60 years	5	23%
60+ years	4	18%
Not ascertained	2	9%

(Sample base: 22 Accountants)

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Table 3. 3

Respondent Gender - Accountants

Gender	Number (n)	Percentage (%)
Male	18	82%
Female	4	18%

(Sample base: 22 Accountants)

Table 3. 4

Respondent Qualification - Accountants

Qualification	Number (n)	Percentage (%)
Degree/Diploma	10	46%
Post graduate	12	55%

(Sample base: 22 Accountants)

Table 3. 5

Respondent Experience - Accountants

Number Years' Accountancy Experience	Number (n)	Percentage (%)
2 - 5 years	1	5%
6 - 10 Years	2	9%
11+ years	19	86%

(Sample base: 22 Accountants)

Eight of the 22 respondents held multiple professional memberships (Table 3.6) as follows: membership of two associations (n=4); membership of three associations (n=2); membership of five associations (n=1); membership of six associations (n=1). All accountants were members of NIA and some (27%) were also members of two other accounting professional associations. The most important after these two was membership of the Taxation Institute of Australia (14%).

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The sample was distributed across the state (Table 3.7), as follows: the Melbourne CBD (9%); the Melbourne suburbs (60%); and Regional Victoria (32%).

Table 3. 6

Membership of Professional Association(s) - Accountants

Association	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
National Institute of Accountants (NIA)	22	56%	100%
CPA Australia (CPA)	4	10%	18%
Taxation Institute of Australia (TIA)	3	8%	14%
Institute of Chartered Accountants in Australia (ICAA)	2	5%	9%
Australian Institute of Company Directors (AICD)	2	5%	9%
National Tax and Accountants Association (NTAA)	2	5%	9%
Housing Institute of Australia (HIA)	1	3%	5%
Institute of Certified Management Accountants (ICMA)	1	3%	5%
Association of Taxation and Management Accountants (ATMA)	1	3%	5%
Chartered Institute of Secretaries (CIS)	1	3%	5%

(Sample base: 22 Accountants)

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Table 3. 7

Office Location - Accountants

Location	Number (n)	Percentage (%)
Melbourne CBD	2	9%
Melbourne suburbs	13	60%
Regional Victoria	7	32%

(Sample base: 22 Accountants)

3.2.2 Business Profile of Accountants

Approximately a third of the sample specialised in a specific sector of the economy, and 69% (Table 3.8) indicated that small business represented between 60-100% of their client base.

Table 3. 8

Small Business Sectors Serviced - Accountants

Small Business Sector Specialisation	Number (n)	Percentage (%)
Taxi industry	1	5%
Real estate, engineering and IT	1	5%
Business coaching	1	5%
Medical sector	1	5%
Transport, building, land development and humanitarian trust	1	5%
Newsagencies, aged care and the racing industry	1	5%
Does not provide accounting services to SMEs	1	5%
No particular specialisation; provides services across SME sectors	15	68%

(Sample base: 22 Accountants)

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Several respondents commented that the size of their small business client base (Table 3.9) was proportionally larger than the respective fees generated from that client base. For example, one stated that while more than 50% of his clients were small business, only 10% to 15% of fees were generated from this group. Likewise, another stated that while 60% of the client base was small business, only about 40% of the firm's revenue was generated from that group.

Forty one percent of the accountants' businesses (Table 3.14) had one director, 23% had two, and three practices had more.

Table 3. 9

Size of SME Client Base - Accountants

Percentage of Clients that are SMEs	Number (n)	Percentage (%)
21% - 40%	1	5%
41% - 60%	5	23%
61% - 80%	5	23%
81% -100%	10	46%
Does not provide accounting services to SMEs	1	5%

(Sample base: 22 Accountants)

Table 3. 10

Audit Business - Accountants

Conducts Audits for SME Clients	Number (n)	Percentage (%)
Yes	6	27%
Occasionally	3	14%
No	12	55%

(Sample base: 21 Accountants).

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3.2.3 Governance

When the accountants business profile was compared with the small business criteria of the corporations law, all were classified as small businesses:

- ☐ 100% reported revenue < $25 million (Table 3.11)
- ☐ 91% reported assets < $12.5 million (Table 3.12)
- ☐ 100% employed < 50 employees (Table 3.13)

Table 3. 11

Annual Turnover - Accountants

Turnover	Number (n)	Percentage (%)
Less than $100,000	2	9%
$100,000 - $500,000	13	59%
$500,000 - $1,000,000	2	9%
$1,000,000 - $9,000,000	3	14%
$10,000,000+	2	9%

(Sample base: 22 Accountants)

Table 3. 12

Assets - Accountants

Assets	Number (n)	Percentage (%)
Less than $1,000,000	17	77%
$1,000,000 - $10,000,000	3	14%
$11,000,000 - $20,000,000	0	0%
$20,000,000+	1	5%
Not disclosed	1	5%

(Sample base: 22 Accountants)

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Table 3. 13

Number of Employees - Accountants

Number of Employees	Number (n)	Percentage (%)
2 – 5	13	59%
6 – 10	3	14%
11 – 20	3	14%
21 – 50	3	14%

(Sample base: 22 Accountants)

Table 3. 14

Number of Directors - Accountants

Number of Directors	Number (n)	Percentage (%)
1	9	41%
2	5	23%
3	1	5%
4	1	5%
15	1	5%

(Sample base: 17 Accountants)

3.3 Small Business Sample

3.3.1 Demographic Characteristics

The demographic characteristics of the small business sample are presented below. The majority of the small business respondents interviewed were managing directors (5) and 2 worked in a professional capacity as Financial Controller/ Manager (Table 3.15).

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Table 3. 15

Respondent Position – Small Business

Position	Number (n)
Managing Director	5
Financial Controller/Manager	2
Manager	1
Director	1

(Sample base: 9 small businesses)

The majority of respondents (7) were under 50 years of age, and were male (Table 3.16 and Table 3.17). For the small business respondents, the highest level of education was secondary education for 5 of the respondents, while 4 were diploma or degree qualified (Table 3.18).

Among the 9 small businesses 3 were not members of any professional or industry associations. The membership of professional associations were spread across 11 associations (Table 3.19)

Table 3. 16

Respondent Age – Small Business

Age	Number (n)
31 - 40 years	3
41 - 50 years	4
51 - 60 years	2

(Sample base: 9 small businesses)

Table 3. 17

Respondent Gender - Small Business

Gender	Number (n)
Male	7
Female	2

.

(Sample base: 9 small businesses)

Table 3. 18

Respondent Qualification - Small Business

Qualification	Number (n)
Secondary school	5
Degree/Diploma	4

(Sample base: 9 small businesses)

Table 3. 19

Membership of Professional Association(s) - Small Business

Association	Number (n)
Victorian Employers' Chamber of Commerce and Industry (VECCI)	1
National Institute of Accountants (NIA)	1
Taxation Institute of Australia (TIA)	1
Institute of Chartered Accountants in Australia (ICAA)	1
Building Industry Association (BIA)	1
Civil Contractors Federation (CCF)	1
Australian Institute of Management (AIM)	1
Financial Planners Association (FPA)	1
The CEO Institute (CEO)	1
Australian Earthmovers and Road Contractors Federation (AERCF)	1
Restaurant and Catering Victoria	1

(Sample base: 6 small businesses. Includes multiple responses)

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3.3.2 Business Profiles of Small Business

All the small businesses in the sample specialised in a specific sector of the economy (Table 3.20). Most were located in Melbourne suburbs (5) and few (3) were from regional Victoria (Table 3.21). Among the small business respondents in the sample, 5 had over 11 years experience (Table 3.22).

Table 3. 20

Industry - Small Business

Industry	Number (n)
Manufacturing	2
Building/excavation	2
Accounting/bookkeeping	2
Financial services	1
IT	1
Hospitality	1

Table 3. 21

Business Location – Small Business

Location	Number (n)
Melbourne CBD	1
Melbourne suburbs	5
Regional Victoria	3

(Sample base: 9 small businesses)

.

Table 3. 22

Respondent Experience - Small Business

Number Years in Current Position	Number (n)
2 - 5 years	4
11+ years	5

(Sample base: 9 small businesses)

3.3.3 Governance

Small businesses in the study conformed with the small business criteria classified under the corporations law in Australia based on the number of employees (Table 3.23) turnover (Table 3.24) and assets (Table 3.25). Five of the small business has 1 director and three has 2 directors (Table 3.26).

Table 3. 23

Number of Employees - Small Business

Number of Employees	Number (n)
1	1
2 – 5	3
11 – 20	3
21 – 50	2

(Sample base: 9 small businesses)

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Table 3. 24

Annual Turnover - Small Business

Turnover	Number (n)
$100,000 - $500,000	4
$500,000 - $1,000,000	1
$1,000,000 - $9,000,000	2
$10,000,000+	2

(Sample base: 9 small businesses)

Table 3. 25

Assets – Small Business

Assets	Number (n)
Less than $1,000,000	5
$1,000,000 - $10,000,000	4

(Sample base: 9 small businesses)

Table 3. 26

Number of Directors - Small Business

Number of Directors	Number (n)
1	5
2	3
Not ascertained	1

(Sample base: 9 small businesses)

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3.4 Conclusion

This chapter reported on the characteristics of the respondents of the study, both accountants and small businesses; the small businesses were in the lower strata of the small business category in terms of business size.

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Chapter 4

Accountant-Small Business, Business Communication

4.1 Introduction

This chapter addresses the first of the research questions: What ICT technologies do accountants use to communicate with their small business clients?

- ☐ The reasons why and frequency with which clients contact their accountants and why and how often accountants contact their clients.
- ☐ The services required by clients.
- ☐ What are the means of communication?
- ☐ Which computer systems are used by accountants and their clients?
- ☐ How these systems are used and assist in communicating with and monitoring clients' financial situation.
- ☐ How satisfied accountants and clients are with the information technology currently available.
- ☐ What future use will be made of ICT?

4.2 SME-Initiated Contact

The frequency with which small business clients initiated contact with their Accountant varied appreciably (Table 4.1). At the extremes, two Accountant respondents said that this happened weekly, while one reported that, on average, small business clients initiated contact only every six months or so. This variation was also reported by small business respondents. A few (n=3) said they initiated contact with their Accountant on a weekly or fortnightly basis, a couple (n=2) did so each month, and others (n=3) initiated contact only once or twice a year.

The factors that impacted on the frequency with which small business clients initiated contact with their Accountant included:

- ☐ the time of the (financial) year;

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- ☐ the stage in the small businesses business lifecycle (with more contact at the set up and expansion phases);
- ☐ the financial profile of the small business (number of transactions, turnover, cash flow);
- ☐ the profitability of the small business;
- ☐ the level of expertise (in financial management, bookkeeping and accounting software packages) within the small business organisation; and
- ☐ the terms of engagement between the small business and accountant.

The main drivers of client-initiated contact are listed in Tables 4.2 and 4.3). The most frequently mentioned reasons for contacting the Accountant were to do with compliance (particularly preparation of BAS statements and annual taxation returns). The findings from the small business sample also demonstrated that compliance was the key driver for small businesses to initiate contact with their Accountant.

The following quotes represent the views of small businesses:

"We do our own accounting work up to the tax return stage. The tax agent is contacted only at the lodgement stage." (small business)

"I contact the accountant approximately fortnightly, when I have a query about how to maintain the books and record the data in MYOB. The Accountant has a MYOB expert on staff who can advise about the program" (small business).

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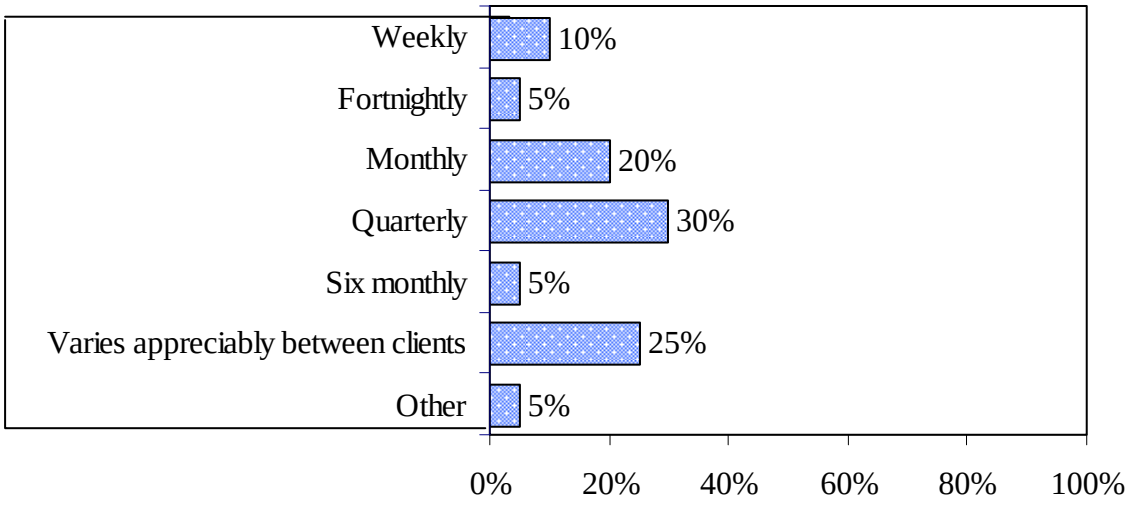
Table 4. 1

Frequency of SME-Initiated Contact - Accountants



(Sample base: 20 Accountants)

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Table 4. 2

Reasons for SME-Initiated Contact - Accountants

Reason	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
statement BAS	17	18%	81%
Annual tax return	12	13%	57%
Bookkeeping	10	11%	48%
Bank compliance	9	10%	43%
Payroll	8	9%	38%
Business consulting/management advice	7	7%	33%
Cash flow	7	7%	33%
Investment advice	6	6%	29%
Establishing new business (ABN, etc), expanding a business	3	3%	14%
Advice re software programs (eg categorising data)	3	3%	14%
Payment of taxation	2	2%	10%
Advice re purchasing/funding	2	2%	10%
Problems(eg Partnership/management issues)	2	2%	10%
Immigration and education	1	1%	5%
Budgeting	1	1%	5%
GST	1	1%	5%
Audit for tax compliance	1	1%	5%
Superannuation	1	1%	5%
Advice re government correspondence	1	1%	5%

(Sample base: 21 Accountants)

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Table 4. 3

Reasons for SME-Initiated Contact - SMEs

Reason	Number (n)
Annual tax return	5
BAS statement	3
Bank compliance	2
Bookkeeping	2
Performance appraisal and advice	1
Investment advice	1
Payroll	1
Cash flow	1

(Sample base: 8 businesses. Includes multiple responses)

4.3 Accountant-Initiated Contact

The frequency with which Accountants initiated contact with small business clients varied appreciably between Accountant respondents and both accountants and small business respondents, indicated that this was most often driven by compliance matters (preparation of BAS Statements and annual taxation returns. Tables 4.6 and 4/7).

Some respondent Accountants contacted small business clients on a regular basis (weekly, monthly, quarterly), while others rarely initiated client contact (Table 4.5) .

Similar reports were made by small business respondents: a few were contacted by their Accountant on a weekly or fortnightly basis (n=3); a couple were contacted each month (n=2); a few were contacted six monthly or annually (n=3).

The following quotes are indicative of the reasons for contacting clients:

- *"On average this is about once to twice a year with smaller clients and four to ten times a year with bigger clients… It also depends on when the crisis occurs."(Accountant)*
- *"[I initiate contact] weekly for payroll, fortnightly for debtors, quarterly for BAS and annually for tax and ASIC returns". (Accountant)*

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- *"I would not initiate contact - time constraints. A small percentage I'd contact for compliance issues, but not on a general basis." (Accountant)*
- *"I regularly contact clients that have opportunities or are refinancing…. [But] with small and family businesses it is not financially viable." (Accountant)*
- *"BAS … then when they're purchasing a new asset and are not sure how to categorise it in their software… Or they need copies of Tax Returns etc when applying for finance." (Accountant)*
- *"After BAS, its IT software support, year end compliance and payment summaries." (Accountant)*
- *"The main reason they contact me is when they have a problem with their accounting package, eg MYOB. The second reason is when they get a letter from the ATO - they ring me for advice" (Accountant).*

Accountant participants classified the small business services (Table 4.4) they provided as follows:

- *Preparation: the preparation of returns/reports and/or*
- *Monitoring: monitoring of the client's business performance and/or advice.*

The only Accountant-initiated service that did not fit any of the above categories was 'marketing activity', which two respondents mentioned.

Table 4. 4

Nature of Accountant-Initiated Services - Accountants

Reason	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
Preparation	17	40%	85%
Monitoring	13	30%	65%
Advice	11	26%	55%
Marketing	2	5%	10%

(Sample base: 20 Accountants)

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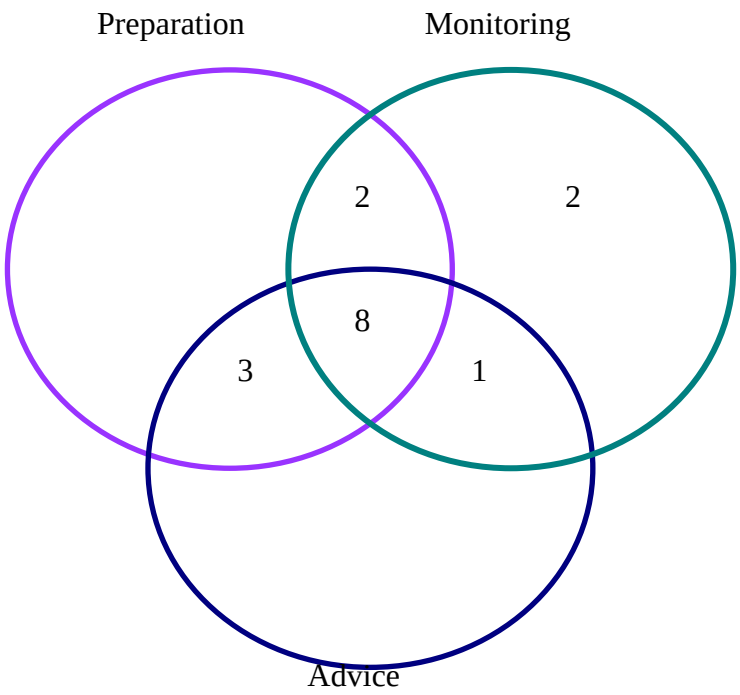
Figure 4. 1

Combination of Services Offered by Accountants



All but six Accountant respondents took the initiative in offering more than one of the above types of services, preparation, monitoring, advice, and marketing, for small business clients. Figure 4.1 shows the combination of services offered.

The following quotes are indicative of the types of contacts made by accountants:

- *"My relationship with my clients is all about financial and management accounting and tax." (Accountant)*
- *"I advise my clients about changes [in the legislation], we discuss their investments and finances… fortnightly, sometimes more often… I'm proactive. It's too late if you wait*

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until the end of the year…. And, then we're ready at the end of the year and I can generate a Profit and Loss whenever one's needed." (Accountant)

- ☐ *"Very proactive … [I contact clients] regarding budgets and forecasts and to monitor and benchmark the client's operations… We benchmark their financial performance to help them manage growth and to pick up on trends and problems early… We send newsletters and run conferences for our clients for example, to inform them about changes in the legislation." (Accountant)*
- ☐ *"To advise clients about changes to the legislation and to send them BAS reminders." (Accountant)*
- ☐ *"Part of management accounting is helping with budget and cash flow …and decision making eg the taxation implications of subdividing a property." (Accountant)*
- ☐ *[Monitoring financial performance is] "rare and more extreme and generally only occurred when a problem arose… it's not routine for small business [to seek this type of service from their accountant] because of cost." (Accountant)*

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Table 4. 5

Reasons for Accountant-Initiated Contact - Accountants

Reason	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
BAS preparation or reminder	10	20%	56%
Annual tax return	9	18%	50%
Cash flow position	5	10%	28%
Marketing information, relationship management	4	8%	22%
Legislative changes	3	6%	17%
Payroll	3	6%	17%
Bookkeeping	3	6%	17%
OH&S/WorkCover	2	4%	11%
Enquiries about compliance	2	4%	11%
Investment advice	2	4%	11%
Bank compliance	1	2%	6%
Various - when a problem arises	1	2%	6%
Group certificates	1	2.0%	6%
Superannuation	1	2.0%	6%
Stimulus Package	1	2.0%	6%
Non-payment of tax bill	1	2.0%	6%

(Sample base: 18 Accountants)

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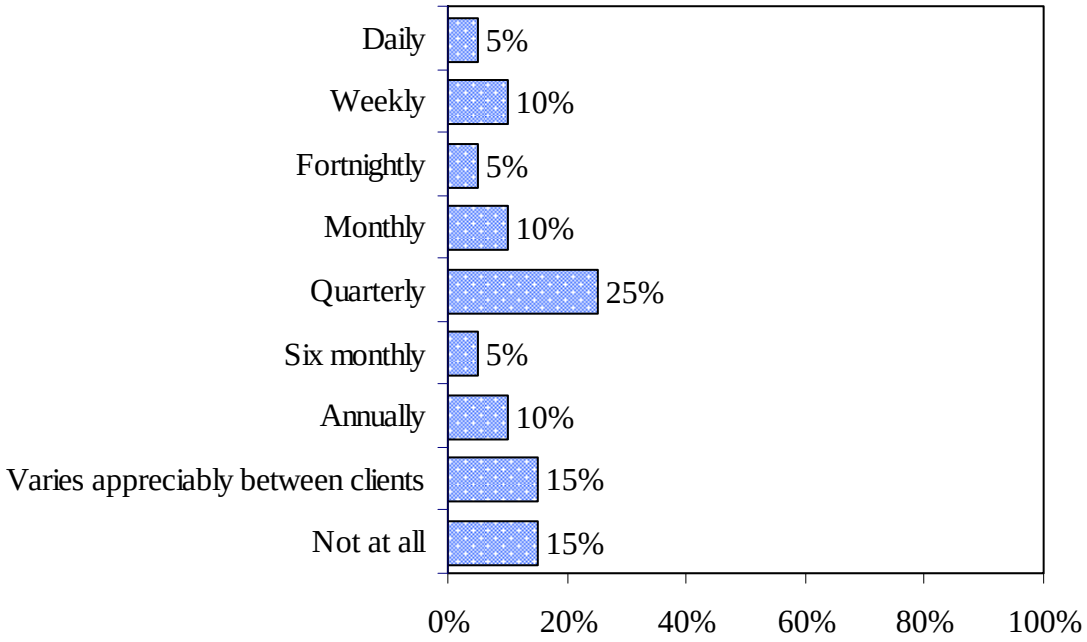
Table 4. 6

Frequency of Accountant-Initiated Contact – Accountants



(Sample base: 20 Accountants)

Table 4. 7

Reasons for Accountant-Initiated Contact - Small Businesses

Reason	Number (n)
Annual tax return	7
BAS statement	5
Cash flow	3
Payroll	2
Business consulting	2
Investment advice	1
Bank compliance	1
Bookkeeping	1
Budgeting	1
OH&S, WorkCover	1

(Sample base: 8 small businesses. Includes multiple responses)

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4.3 The Means of Communication

The majority of Accountant respondents reported (Table 4.8) that most client information was provided to them via emailed file attachments. Small business participants presented a similar picture (section 4.4). Six generally forwarded data to the Accountant via email and two reported that, due to the large size of their files, the data was transferred, physically, on a disk or memory stick. The various types of information sent by small business clients to their respective accountants are listed in the Tables 4.9 (perceptions of accountants) and 4.10 (perceptions of small businesses).

Table 4. 8

Transfer of Small Business Information - Accountants

Mode of Transfer	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
Email	18	40%	90%
Paper	15	33%	75%
Disk	8	18%	40%
Fax	3	7%	15%
Memory stick/USB	1	2%	5%

(Sample base: 20 Accountants)

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Table 4. 9

Types of Small Business Information transferred - Accountants

Information Type	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
Bank statements	13	12%	68%
Bookkeeping records	12	11%	63%
Debtor records	11	10%	58%
BAS information	11	10%	58%
Creditor records	11	10%	58%
Tax return information	10	9%	53%
Cash flow records	9	8%	47%
Payroll information	8	7%	42%
Bank compliance information	5	5%	26%
Accounting statements (eg trial balances)	4	4%	21%
OH&S/ WorkCover information	3	3%	16%
Investment advice information	2	2%	11%
Purchasing and leasing	1	1%	5%
Budgeting	1	1%	5%
Business consulting	1	1%	5%
Superannuation compliance	1	1%	5%
Company annual reports	1	1%	5%
Contracts	1	1%	5%

(Sample base: 19 Accountants)

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Table 4. 10

Reasons for Accountant-Initiated Contact – Small Businesses

Information Type	Number (n)
Bookkeeping records	6
Cash flow records	4
Tax return information	4
BAS information	3
Accounting statements (Profit and Loss, balance sheet)	3
Payroll information	2
Bank statements	2
Creditor records	2
Debtor records	1
Investment advice information	1
Bank compliance information	1

(Sample base: 8 businesses. Includes multiple responses)

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4.4. Electronic Monitoring of Client Information

Fourteen accountant respondents (67% of that sample segment) stated that they monitored their small business clients' financial performance using data stored on their computer systems. As illustrated in table 4.11, most used a number of different computing systems for this purpose.

The most widely reported arrangement was for the small business client to email files (MYOB, Quicken and/or Excel files) to the accountant. The accountant then either generated reports using the same software package or downloaded the client's files (and on occasions, data acquired from other sources such as BankLink) into another accounting software package from which reports were then generated.

Among the small business sample segment, five (of the nine respondents) reported that their accountant regularly monitored their business' performance on a computer system (Table 4.12. While not all were aware which computer packages their accountant used, MYOB, Excel, QuickBooks and Solution6 were mentioned. As two accountants said:

- *"All our clients have Quicken, QuickBooks or MYOB and we download it [their files to our software programs]… The main ones we use are Ceedata and Optimiser, a management accounting tool, and Desktop Super and spreadsheets." (Accountant)*
- *"I do monthly management reporting - reconcile the books… I have all the files for two thirds of my clients on my computer." (Accountant)*

Eleven (79%) of those accountants who monitored their client's information on their computer systems, had received the data via emailed file attachments.

In addition to email, two accountants used remote access software programs to access some of their clients' files. And, as stated earlier, a couple of small business clients physically transferred large files on disk.

No accountant or small business participants reported using a continuous online monitoring system. Irrespective of how the data was transferred, monitoring occurred on a periodic basis (generally after the data had been transferred in 'batch' mode).
The following Table illustrates that there was no standard approach with respect to how often clients transferred data online to the accountant for monitoring.

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Table 4. 11

Systems Used to Monitor Small Businesses Financial Performance - Accountants

Computer Systems	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
MYOB	14	25%	100%
Excel	11	20%	79%
QuickBooks (Quicken)	7	13%	50%
BankLink	3	5%	21%
BGL Simple Fund	2	4%	14%
Client's industry-specific software package	2	4%	14%
Reckon Elite Tax package/Tax Elite	2	3.6%	14.3%
SyBiz Vision	1	2%	7%
APS	1	2%	7%
Send This File	1	2%	7%
Solution6	1	2%	7%
VPN	1	2%	7%
QuickBooks software	1	2%	7%
CeeData	1	2%	7%
Optimiser management accounting software	1	2%	7%
Desktop Super	1	2%	7%
Business Manager software	1	2%	7%
Handisoft	1	2%	7%
Cash Flow Manager	1	2%	7%
Handy Tax	1	2%	7%
eRecord (ATO software)	1	2%	7%
Pastel	1	2%	7%

(Sample base: 14 Accountants)

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Table 4. 12

Frequency of Online Transfer of SME Data for Monitoring by Accountant

Frequency	Number Accountants (n)	Number SMEs (n)
Daily	1	-
Weekly	1	1
Monthly	1	3
Every two months	1	-
Quarterly	1	-
Six monthly	-	1
Occasionally/varies/as required	1	-

4.5 Other Computer Systems

About a third of the accountant respondents mentioned other IT systems:

- *"I use Go To Assist by to [remotely] log onto some clients' systems to do their book-keeping. I can access any information on their systems… I get a code each time, to gain access. Then I take over the client's computer. The client can 'see' me going through their systems… I can download from the client's computer and/or [manipulate data] on-line… It's about $9 for a day pass to access multiple clients' systems…. Clients love it. I've got a trusting relationship with my long term clients… The only negative is that clients can not use the computer while I'm doing it. But, I can do it after hours if that is a problem…You can also get reports." (Accountant)*
- *"I use an Office program to [remotely] access clients' data on their networks (VPNs) via the Internet…I have an agreement with clients, including a privacy clause, to access their networks as needed. I can download data from their systems and send data two ways. I have two screens and I can drag things across from mine to their network. The client operates as normal [while the accountant remotely accesses the system]… We use Go To Assist with smaller clients – they can see what I'm doing. I also use Send This File when sending large amounts of data. You log onto the web site, attach your file and they send*

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an email to tell the client to download it… Most clients are OK about the security." (Accountant)

- *"This is already available. For example, MYOB Enterprise has a dedicated website where the client deposits files and then gives the accountant access rights… There's also a system called PC Anywhere." (Accountant)*
- *"QuickBooks has an online facility. Your data is lodged on their system. The benefits are that if my system crashes, the data's not lost and I can access the data from anywhere." (Accountant)*
- *"ProClarity, a Microsoft business intelligence system is similar." (Accountant)*
- *"There is a new software program called Xero coming. Everything is done on line. The client enters data and the accountant accesses it on line…. It's a New Zealand program… The value for small clients is the low cost to store information on a second party server." (Accountant)*
- *"There is so much capability with the systems already available. Technology is not holding us back. It's the applications – people have difficulty understanding how to use things… This is just another product. It will need a clear value proposition and protection from competitors." (Accountant)*

4.6 The Use of and Satisfaction with Information Technology

This section describes, the decision makers in the implementation of ICT systems, the uses of information technology, satisfaction with current technology and opportunities for future directions.

4.6.1 IT Decision Makers and IT Managers

Among this sample of accounting firms, IT decisions were mostly undertaken in-house, by senior executives (Table 4.13). Just under half engaged external consultants for technical assistance in the later installation and on-going maintenance phases or when undertaking particularly complex IT projects (for example, implementing a new network).

A number of the accounting firms that participated in this study were accredited providers of IT consulting and installation services and had personnel dedicated to these roles.

The use of external IT consultants among small business participants was minimal, although a few commented that they sought advice about accounting software issues from their Accountant. In most small businesses (Table 4.14) the managing director was both the IT manager and the senior decision maker.

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Table 4. 13

IT Decision Makers & IT Managers - Accountants

Main IT Decision Makers	Number (n)	Percentage (%)
Owner(s)/ Principals(s)	5	25%
Partner(s)	3	15%
Director(s)	3	15%
Managing Director	2	9%
IT Consultant (external)	2	9%
Mix (internal & external Consultant)	2	9%
IT Manager/ Department (in-house)	1	5%
CFO	1	5%
Employee Accountant	1	5%

Main IT Managers	Number (n)	Percentage (%)
IT Consultant (external)	7	35%
Mix (internal & external Consultant)	3	15%
Director(s)	2	10%
Owner(s)/ Principals(s)	2	10%
IT Manager/ Department (in-house)	2	10%
Employee Accountant	2	10%
Manager(s)	1	5%
Other	1	5%

(Sample base for each measure: 20 Accountants)

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Table 4. 14

IT Decision Makers & IT Managers - SMEs

Main IT Decision Makers	Number (n)
Managing Director	3
Manager(s)	2
Partner(s)	1
Director(s)	1
Mix (internal & external Consultant)	1
Family member	1

Main IT Managers	Number (n)
Managing Director	3
Mix (internal & external Consultant)	2
Manager(s)	1
Partner(s)	1
Director(s)	1
Family member	1

(Sample base for each measure: 9 businesses)

4.6.2 Current IT Usage

Respondents were asked to describe the main uses of IT within their organisations. Results are summarised in Tables 4.15 to 4.16.

E-mail was widely used by both accountants and small business respondents for messaging and transferring data (Table 4.17 to 4.18) but some difficulties were reported with web sites. These are discussed below.

E-mail

As one small business respondent said of email:

- *"We use it for everything – client control, financial plans, receiving and transmitting information, liaising, making appointments, on-line training, etc." (small business)*

And an accountant agreed:

- *"Email use is growing… For example, I do the payroll for a client in Darwin. He sends Excel information about employees via email and I transfer the data into MYOB and send it back as a pdf file." (Accountant)*

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Web Sites

The majority of Accountants in this sample (n=17;77%) reported that their firm had a website. Their comments suggested that these days, it is a market expectation that accounting firms have a website and that having a website (somehow) demonstrates that the firm is properly established/legitimate. While one firm's website had been established primarily for marketing/ advertising purposes (n=14), little, if any, business had been generated from the site. The website delivered little value to the Accounting firm other than acting as a source of contact information for (a small number of) clients.

The exceptions were one accounting firm that provided a client portal service on its web site and another that provided educational tools on its site.

However, many spontaneously commented along the following lines:

- *"$10,000 spent and no response." (Accountant)*
- *"We make minimal use of it [our website]… very few responses via this channel… [But] it is a 'must have' to be seen as a proper business." (Accountant)*
- *"We're considering using the website for data transfer from clients and where they can access their files." (Accountant)*
- *"We had one but closed it… No time to rebuild it." (Accountant)*
- *"We have a website but it has minimal content… We have a Google front page listing, but no business has been generated from that. Most of our business comes via word of mouth." (Accountant)*

Eight of the nine small business respondents had a business web site which was used as follows:

- *marketing information for customers and potential employees (7 mentions);*
- *provision of contact information (2);*
- *educational tool (reference information for technicians who use the company's products, an electronic newsletter) (2);*
- *facility for clients to lodge a request for a quote (2).*

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Table 4. 15

Current IT Usage - Accountants

IT Usage	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
Accounting software	14	26%	70%
Office software applications	9	17%	45%
Internet applications	7	13%	35%
Online access to Government (ATO, ASIC) and other agencies	7	13%	35%
Data transmission	4	8%	20%
Intranet applications	2	4%	10%
Remote access to client data	2	4%	10%
Remote access to office systems	2	4%	10%
Mobile communications (eg email, diary via i-Phone)	2	4%	10%
Management of client and supplier databases	1	2%	5%
Timing and costing of work units	1	2%	5%
eCommerce	1	2%	5%
Continuing Professional Education	1	2%	5%

(Sample base: 20 Accountants)

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Table 4. 16

Current IT Usage - SMEs

IT Usage	Number (n)
Accounting software	6
Office software applications	6
Internet applications (eg to source supplies)	4
Bookkeeping	2
Data transmission	1
Intranet applications (file sharing, back-office systems)	1

(Sample base: 9 businesses. Includes multiple responses)

Table 4. 17

Current Email Usage - Accountants

Email Usage	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
Message transmission/ communications (internal and external)	15	52%	94%
Transferring data, reports, etc	9	31%	56%
Marketing	2	7%	13%
Receipt of invoices and accounts	1	3%	6%
Informing staff	1	3%	6%
Scheduling meetings, sending agendas	1	3%	6%

(Sample base: 16 Accountants)

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Table 4. 18

Current Email Usage - SMEs

IT Usage	Number (n)
Message transmission/ communications (internal and external)	8
Transferring data, reports, etc (attachments)	2
Invoicing	1

(Sample base: 8 businesses. Includes multiple responses)

4.6.3 Online Lodgement of Government Returns

Electronic lodgement of government returns (Taxation, BAS, Payroll tax, ASIC returns, Work Cover, etc) was widespread.

All but one of the 20 Accountants, who prepared taxation returns and other government returns for small business clients, reported lodging such returns online.
Only one small business respondent (an accounting business) prepared their own tax return. In most cases (n=8) the return was prepared by an Accountant and lodged online (n=7).

4.6.4 Interstate and Overseas Clients

Seventeen (77%) of the accountant respondents had IT systems which included remote access to their office server and mobile email and Internet access. A few also had remote access to their clients' networks.

However, only one serviced overseas clients. In this case, it was a trust run out of London with much of the communication being via Skype. It was pointed out that most Australian accountants have no standing to provide accounting services overseas. Three small business respondents operated interstate and/or overseas and had IT systems that accommodated remote dealings with clients.

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4.6.5 B-2-B IT Usage

Eight Accountant participants mentioned using IT for other business-to-business (B-2-B) purposes as follows:

- marketing (5 mentions);
- staff development (4);
- E-Business (including EFT) (3);
- director meetings (3);
- investing (2);
- teleconferencing (eg via Skype) (2);
- remote and mobile access to office systems (1)
- remote access to clients' desktop (1).

Marketing and staff development were most often cited for B-2-B usage but other uses reported were:

"I use Google Docs spreadsheet for appointments so I can check my diary when I'm away from the office. I get an email every time there's a change made to my diary." (Accountant)
"We use webinars [for professional development] with various associations, remote desktop with clients and Skype for videoconferencing with clients." (Accountant)

Similar business-to-business IT applications were mentioned by small business respondents:

- *Staff development (1 mention);*
- *eBusiness (1);*
- *Remote access to customers' computers via an internet gateway (1);*
- *Teleconferencing via Skype (1).*

4.7 Satisfaction with IT systems

Most Accountant and small business respondents were satisfied with their current IT systems. Among the accountant sample, the mean level of satisfaction was 4.0 (out of a maximum of 5) and among the small business sample the mean level of satisfaction was 3.7 (Tables 4.19 and 4.20.

Among accountant respondents, the main sources of dissatisfaction with the currently available technology were as follows:

- *Poor (broadband) Internet services in regional areas (2 mentions);*
- *The inability of software packages to accommodate the frequent changes to ATO rules (1 mention);*
- *Difficulty keeping up-to-date with the latest offerings due to time constraints (1 mention);*
- *Limitations in MYOB, specifically, the lack of a facility to tailor data entry depending on the corporate structure of the entity.*

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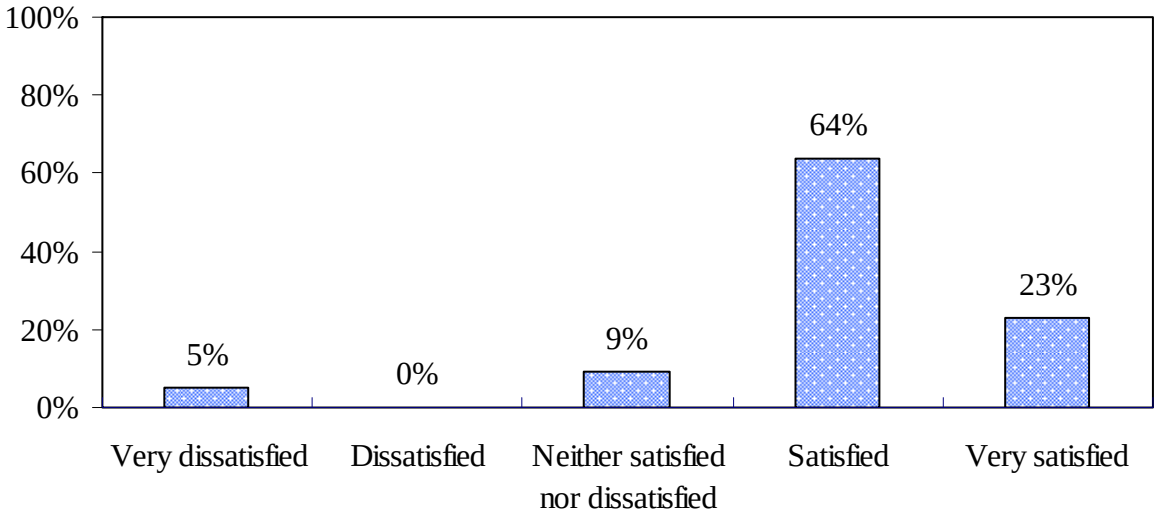
- *"MYOB does not differentiate between (or is not tailored to accommodate) different corporate structures - trusts, corporations, small businesses." (Accountant)*
- *"I am dissatisfied with the internet service available in regional areas… It is intermittent… In terms of software, I am satisfied." (Accountant)*

Different sources of dissatisfaction were mentioned by small business participants, as follows:

- *Inability to adopt more sophisticated IT systems due to customers' limited IT resources (1 mention);*
- *Lack of compatibility between front and back office IT systems (1 mention);*
- *Unreliable Internet service (1 mention).*
- *"The Internet provider can't cope with our requirements… We need speed, reliability and availability for frequent online banking, wages, paying suppliers, etc… The Internet connection crashes often." (small business).*

Table 4. 19

Satisfaction with IT Systems – Accountants



(Sample base: 22 Accountants)

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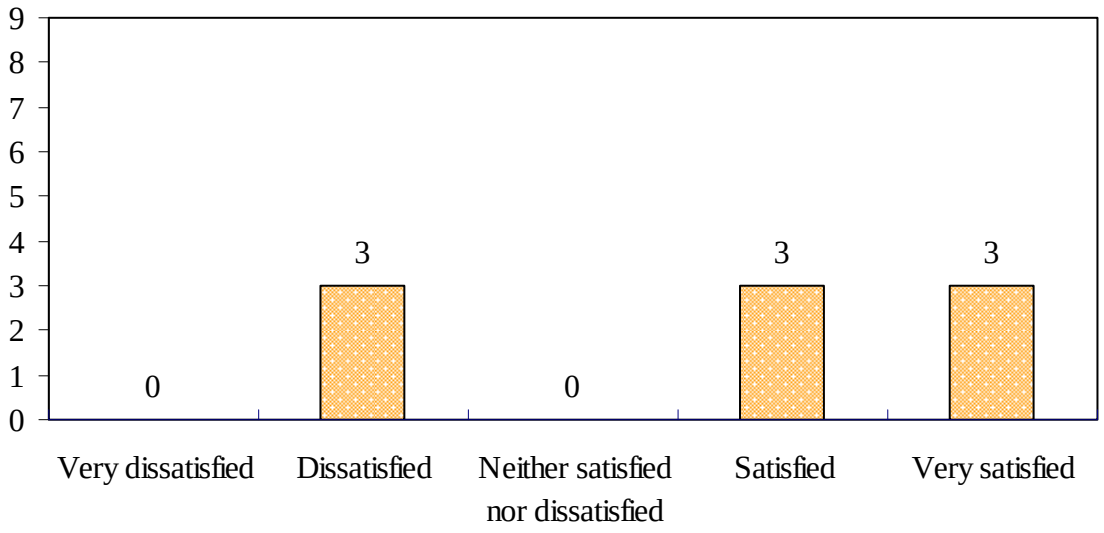
Table 4. 20

Satisfaction with IT Systems – Small Businesses



(Sample base: 9 businesses)

4.8 Future IT usage

While some Accountant respondents wondered how they could possibly increase their IT usage given that IT was already used for virtually every business process, the majority concurred that their use of IT will continue to grow (95%) and that this would include expanded use of technology in client dealings (95%). Likewise, most small business respondents envisaged increased IT usage in the future. "The speed of change will outstrip our ability to get the maximum benefit [from future IT developments]." (Accountant)

4.8.1 Interest in New Technology

Both accountant and small business respondents were interested in new technology:
Accountants: 83% (n=15) of those who were asked about their interest in technology had a 'high' level of interest and the remaining three had a 'moderate' level of interest. Indeed, several respondents emphasised that advice and assistance with IT was one of the key service they provided to their small business clients. A number of Accountants commented that they (and not the software providers) were the first port of call when clients experienced problems with accounting software packages.
All small business respondents expressed a 'moderate' (n=4) or 'high' (n=5) level of interest in new technology.

Thirteen accountants nominated new technology approaches that they would like to adopt in the future, as follows:

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- ☐ *More advanced information transfer systems (for example, to be able transfer greater amounts of information and/or to do this in smarter ways) (4 mentions);*
- ☐ *Client pro forma of different types (for example, a taxation information pro forma, a pro forma that integrated management and tax accounting information) (3 mentions);*
- ☐ *Faster communications systems (2 mentions);*
- ☐ *Better systems to enable client access to their own data/reports held by the Accountant (for example, more user friendly client portals) (2 mentions);*
- ☐ *Improved efficiency measures (2 mentions);*
- ☐ *Popular, low cost marketing technologies (for example, Facebook, Twitter) (1 mention);*
- ☐ *Better systems to transfer financial data (1 mention);*
- ☐ *New approaches to use for target marketing (1 mention);*
- ☐ *New/better scanning systems (for example, a more efficient way to scan documents, as authorised system to enable the use of scanned signatures) (1 mention);*
- ☐ *A teleconference forum (eg via Skype) to enable (time pressured, and often isolated) Small businesses to share ideas and discuss business problems (1 mention);*
- ☐ *An enhanced budget preparation facility (1 mention);*
- ☐ *Online access to overseas Continuing Professional Development offers (1 mention);*
- ☐ *Enhanced facilities to enable Accountants to work remotely (when overseas or interstate) (1 mention).*

Small business participants nominated the following new technology approaches that they would like to adopt in the future:

- ☐ *Company-wide access to all currently used IT systems (rather than restricted access due to cost constraints) (1 mention);*
- ☐ *Further software developments that can then be on-sold to customers (1 mention);*
- ☐ *To switch from Microsoft to AppleMac platform (a safer network in terms of hacking; a more stable program that does not 'freeze') and adopt online MYOB. Online MYOB would overcome the delays experienced with a multiple desktop user licence, would enable staff to access the program from any location, and would include data hosting (backup) (1 mention).*
- ☐ *"I am not at all interested in new technology, but it's essential these days to use the current technology… In the future we'll be using it for everything: faster communications, more information transfer, Twitter, Facebook, etc. It will be driven by*

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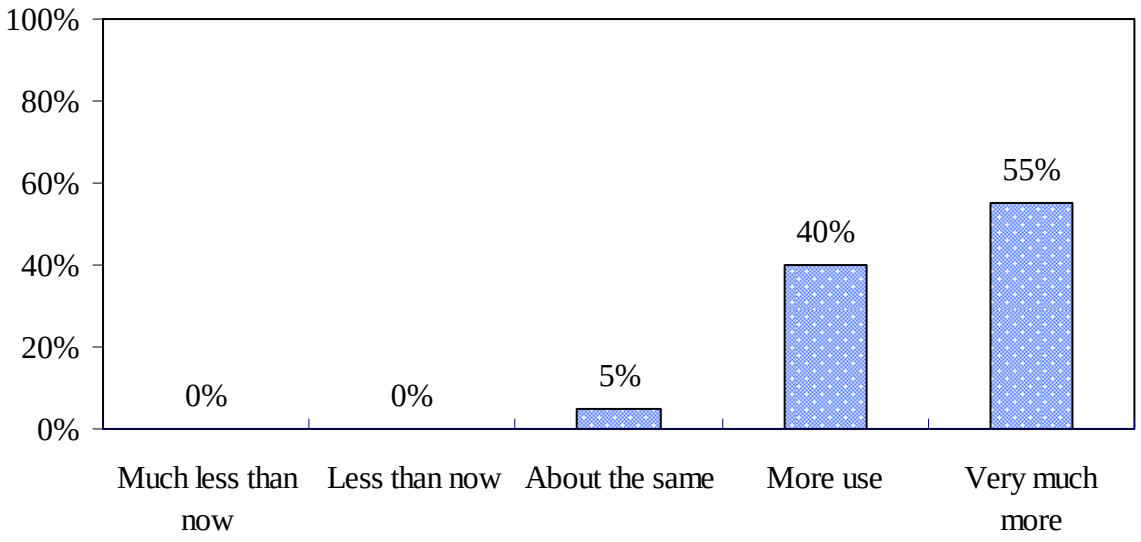
Gen Y kids [employee Accountants]. We're using i-phones now for email, dairy, etc." (Accountant)

- *"I'm interested in anything that makes it easier and delivers efficiencies." (Accountant)*
- *"I'm interested but it's becoming so regulated and things are not linked together – not interactive… [It would be good to] alleviate the paperwork… Hopefully electronic signatures will be accepted soon." (Accountant)*
- *"I'd like a system for clients to complete tax return details on a pro forma, and send it to us." (Accountant)*
- *"Technology makes life more efficient for people. I'm keen to stay up-to-date… And, clients seek my advice about IT issues also." (Accountant)*
- *"I'd like a link between management accountants and financial accountants to avoid re-entering data – some new interactive tax accounting software with remote access." (Accountant)*
- *"I'm very interested in keeping up-to-date and to be able to introduce new ideas to clients… Better efficiency between the firm and clients, better time management." (Accountant)*

Table 4. 21

Anticipated Future IT Use – Accountants



(Sample base: 20 Accountants)

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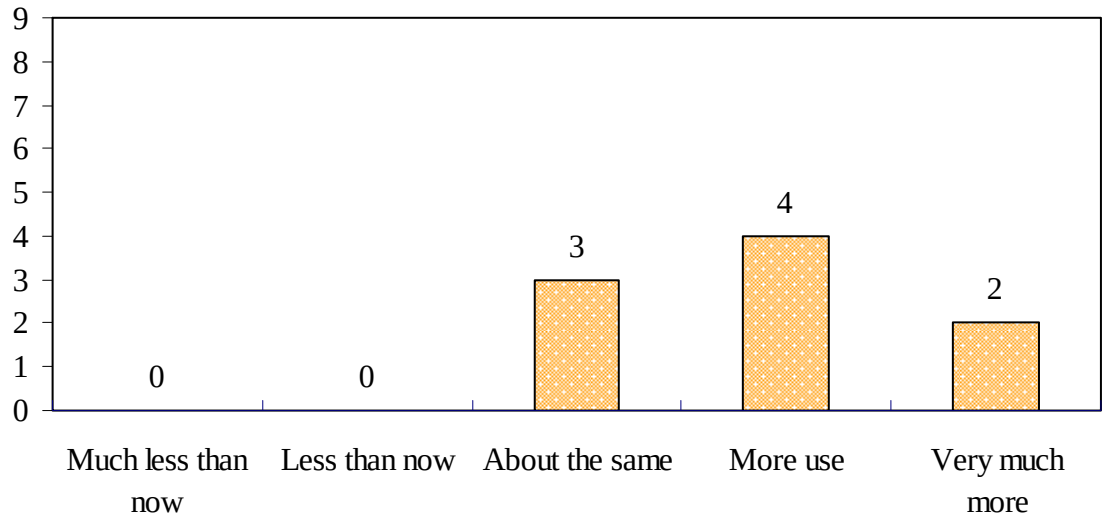
Table 4. 22

Anticipated Future IT Use - SMEs



(Sample base: 9 SMEs)

4.9 The Usefulness of a Continuous Monitoring System to Accountants and Small Business Clients.

Respondents were asked to comment on the value of a "continuous online monitoring and access system for small businesses". It was explained that such an Internet-based system, accessible to the accountant and small business client, would include various reporting features and would have a trouble-shooting facility whereby both parties would be alerted should any pre-programmed criteria be met (eg evidence of an impending cash flow problem). This section reports their perceptions of the usefulness of such an ITC system,

The majority of Accountants in this study (80%) thought such a system would be useful or very useful for (at least some) small business clients and for Accountants who service small businesses (81%) (Table 4.23).

While still positive, small businesses appraised the system as having more utility for Accountants, but several small businesses (67%) thought such a system would also be useful or very useful for their business (Table 4.24) and another thought that this was giving accountants too much information.

Comments included the following:

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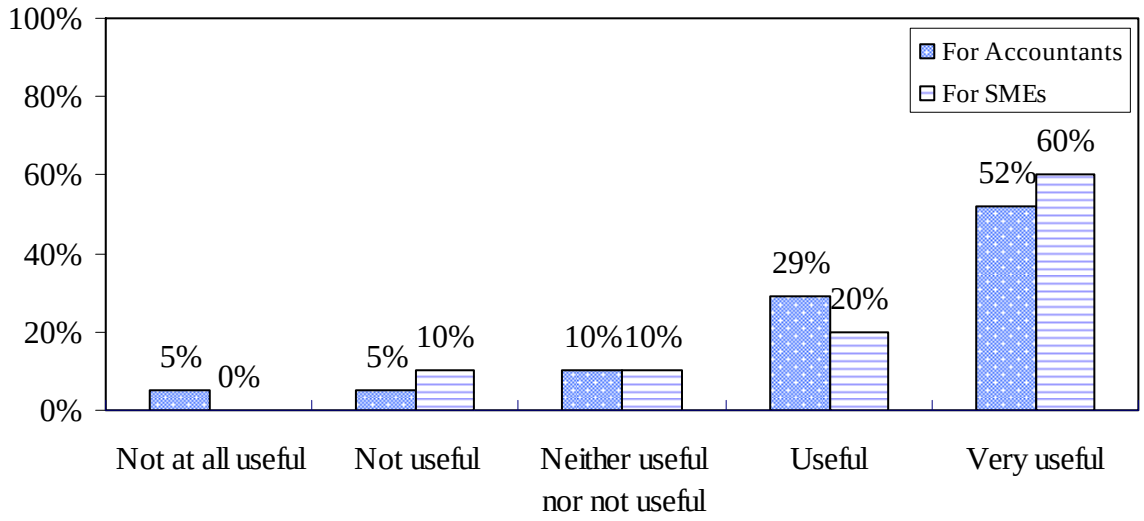
- ☐ "Not useful for a firm that does auditing only and does not monitor client's businesses performance." (accountant)
- ☐ "An early problem detection system would be useful." (Accountant)
- ☐ "We already have such a system - online but not web-based." (small business)
- ☐ "I'm happy with how things are currently done [provide records to the Accountant on disc as required]. No need for this." (small business)
- ☐ "Not useful … Too much information; don't want to give the accountant access to all that … Over-engineering … No need." (small business)
- ☐ "Fantastic! Pick up [problems] early on and make changes [corrections] rather than having to adjust everything later on … Hopefully, it would also enable us to automate government returns." (small business)
- ☐ "We would have to pay more for this … Don't want to pay for day-to-day monitoring; a monthly meeting to review is enough and it's better face to face." (small business).

Table 4. 23

Usefulness of New System - Accountants' Views



(Sample base for each measure: 21 Accountants)

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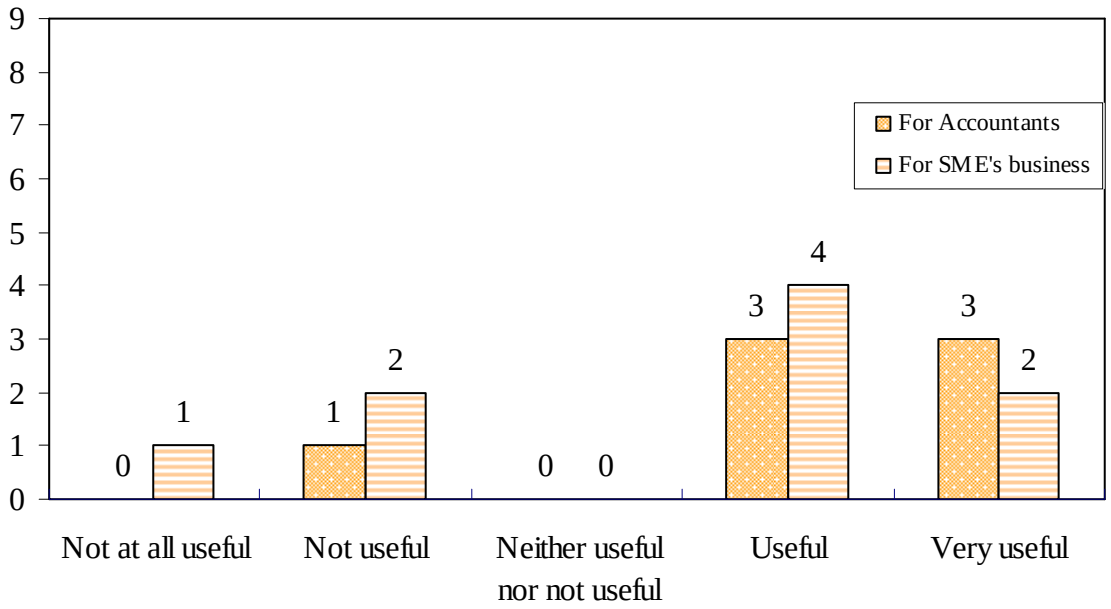
Table 4.24

Usefulness of New System - Small Businesses Views



(Sample bases: 9 Small Businesses)

4.10 Summary

The results of the survey found that accountants are a major source of information and expertise for small firms. They are in frequent contact, sometimes weekly, but most often quarterly. The major purpose of the contacts is to do with compliance, notably with BAS statements and annual returns. Services are varied. Some accountants provide bookkeeping, bank compliance and business management advice to do with cash flow and the taxation implications of business decisions. Others have provided marketing and education and training advice.

The prime means of communication between accountants and clients is via E-mail. A very small number use other opportunities offered by the web and web facilities. In most cases, accountants download data and prepare reports, mainly for government, but also for banks and directors.

Accountants and small businesses were satisfied with their current IT systems. Both MYOB and QuickBooks are among 22 other programs used for information management by small business clients, who can then provide this to their accountants. One accountant directly accesses the client's systems and also does their bookkeeping.

All respondents expressed some interest in new technology and all expected their usage to grow. It was hoped that new systems would be faster, more reliable, manage larger data sets. However, few felt the need for a continuous monitoring system.

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Chapter 5

The Benefits of ICT Systems

5.1 Perceived Benefits

The study canvassed the benefits of ICT systems for accountants, in particular the potential benefits of a continuous online monitoring and access system for accountants, small business clients, and the government. These are summarised in tables 5.1, 5.2 and 5.3 respectively.

5.2 Benefits for Accountants

The main benefits (Table 5.1) reported by the accountants were the ability to offer better service, time savings and information. Better services included faster services, the ability to anticipate problems, easier access to client data that would be more accurate and up-to-date, and improved client relationships. While there was potential to generate greater income through offering more services, there was also an opportunity to reduce costs by being more efficient and having greater understanding of a client's business activity.

They could see the advantages of early identification of problems and closer links with clients. Others had some reservations. They interact only when approached by a client when they have a problem or need for a service.

Apart from the above the accountants also expressed their views, which are quoted below in the quotes:

- "This could be good for some of the big clients; those with over $10M turnover … It would generate fees and cement the relationship." (Accountant)
- "The concept of having a 'window to the business' is good. Automated reporting could be an add-on option, but it would have to be sophisticated and tailored to the particular business." (Accountant)
- "Like BankLink where you can get the clients' bank statements and can code it." (Accountant)
- "I don't see any benefit. I don't need on-going real time access to client information. I deal with clients, event by event." (Accountant)

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- "Time saving … real time information … more accurate and up-to-date information and we don't have to rely on the client providing all the information needed (often it comes in drips and drabs)." (Accountant)
- "It's management by exception, which I like. I like the monitoring system… The benefit over others [packages] is that the accountant has [continual] access to it [the client's data]…. MYOB has something similar but I've not had much luck with it. It must be easy to use and easy to export data." (Accountant)
- "Improved service and less paper-based services." (Accountant)
- "Increased income and profit… Enhanced advisory services." (Accountant)
- "It's a goodness of fit issue. If they're small, they don't need it and can't afford it. If they're large, they probably have systems in place already… Small businesses don't need this; they can see if their bank account goes down… If clients have reporting systems, we can get [electronic] access to them now." (Accountant)
- "Most are very small and in control and know what funds they have… Most don't seek financial advice about the business performance and some are shy – their information is private." (Accountant)
- "The information would only be real time to the extent they [clients] have their information up-to-date… Many small clients do not enter data continuously; they do it in batches…. And, accounts payable systems have an Internet analysis component." (Accountant)
- "It would vary from being useful to very useful… Very useful for those wanting to grow and those with entrepreneurial flair." (Accountant)
- "For some clients it would be particularly useful, but most clients would be resistant." (Accountant)
- "[The benefits would be to] identify the key financial drivers of the business and how they interact and lead to profit… Help them to understand their business and develop strategies." (Accountant)
- "Better monitoring – we could assess the business' performance at any time in real time." (Accountant)
- "I assume it will link with accounting software and so reduce the tax accountant bill at the end of the year. … It would be good for clients to see the cash flow; not just the P&L. It's important for their business and would motivate them to keep the data up-

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to-date… Often clients only peruse their information once a quarter when they do their tax. They don't look at the business performance." (Accountant)

- "Education; help them to understand how their business works – what succeeds… See the trends and develop business strategy." (Accountant)
- "It would save travel time. For example, if a client in the country had a problem with a program, I could get on line and look at it." (Accountant)

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Table 5. 1

Benefits for Accountants

Benefit	Accountant Sample			SME Sample
	Number (n)	Percentage of responses (%)	Percentage of respondents (%)	Number (n)
Enhanced client service	14	14%	70%	4
Fast client notification of problems	13	13%	65%	5
Direct communication with client	11	11%	55%	6
Ability to identify clients' impending financial problems	11	11%	55%	5
Reduced cost (to client)	10	10%	50%	4
The potential for proactive offers of new services	10	10%	50%	4
Efficiency and productivity gains	8	8%	40%	2
Improved client relationship	8	8%	40%	1
Save time	6	6%	30%	3
Easy access to client data; convenience	4	4%	20%	3
Facility to monitor client KPIs	1	1%	5%	-
Accountant access to more accurate, up-to-date, real-time data	1	1%	5%	-
Better understanding of the business' activity	-	-	-	1
Opportunity to generate more fees	-	-	-	1

(Sample bases: 20 Accountants and 8 small businesses who perceived benefits for Accountants)

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5.3 Benefits for Small Business

Small business respondents recognised that the web based ICT would result in ease of transfer of information and increase efficiency (Table 5.2).

They also reported their views on benefits of ICT which are quoted below:

"He could access our information whenever; he wouldn't need to visit and back up our MYOB files [which are too large to email and so have to be put on disk]… It's an accessibility benefit - they can access the data whenever they want - after hours, on the weekend, if I'm away…" (small business)

"[The benefits would be] streamlined operations, easy access, automated, remote access, efficiency." (small business)

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Table 5. 2

Benefits for Small Businesses

Benefit	Accountant Sample			SME Sample
	Number (n)	Percentage of responses (%)	Percentage of respondents (%)	Number (n)
Fast notification of impending problems	11	15%	55%	6
Reduced service response time	11	15%	55%	4
The ability to respond quickly to orders, tenders, etc	10	14%	50%	1
Direct communication	9	13%	45%	5
Reduced cost	9	13%	45%	3
Quicker budget projections	6	8%	30%	3
Would help identify profit drivers of business	5	7%	25%	-
Better quality/more data/up to date data	4	6%	20%	-
Ready access to information (faster decision making)	4	6%	20%	-
Save time	2	3%	10%	-
Minimise amount of work required by client	1	1%	5%	-
Reduced administration	-	-	-	1
Facility to automate government returns	-	-	-	1

(Sample bases: 20 Accountants who perceived some benefits for small businesses; 6 small businesses who perceived some benefits for their respective business)

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5.4 Benefits to Government Regulators

The study also investigated the benefits of ICT for government regulators. Both accountants and small business clients reported information would be more accurate and they would be able to meet government deadlines as a result of web based reporting.

While the majority of accountants in this study did not perceive any direct or flow-on benefits that a continuous online monitoring and access system would deliver to government regulators (Table 5.3), six of the nine small business respondents were able to nominate at least one benefit for government regulators.

However, among both accountant and small business respondents, simply being asked about potential benefits for government raised concerns that the government might have access small business files in the system. All respondents voiced strong objections to this (incorrect) assumption.

- "The information would be more accurate and so there'd be fewer problems with people understating their income [to the ATO], etc." (Accountant)
- "This fits with automated BAS, tax and super returns, which is OK. But, many would not want to, say, flag to the regulator that their earnings had gone up in a quarter." (Accountant)
- "It could not be linked to government. Clients are very nervous about government/ATO getting their details – Big Brother." (Accountant)
- "[Having any government involvement in the system] would be a negative. The government could blame the accountant for not picking up a problem and dealing with it… Legal responsibility issues… If say, someone's insolvent, you have to tell them to pull the pin. If you don't, the legal responsibility can pass to the accountant because you're acting as a quasi director." (Accountant)
- "It could obliterate fraud on GST…. [But] people in small business are terrified when government has access to such things." (Accountant)
- "If the ATO had access to accounts on an on-going basis, we would not support such a system." (small business)

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- "It's OK if it's between the accountant and us … But we don't want ATO having access. For example, if we put something [an entry] in the wrong place, we need the opportunity to correct it." (small business)

Table 5. 3

Benefits for Government Regulators

Benefit	**Accountant Sample**			**SME Sample**
	Number (n)	**Percentage of responses (%)**	**Percentage of respondents (%)**	**Number (n)**
More accurate data	5	30%	39%	4
More businesses would meet government deadlines	4	24%	31%	2
Faster lodgement of returns	1	1	1	3
Increased compliance (eg re GST)	2	12%	15%	1
Less time required for SMEs to prepare returns	1	6%	8%	1
Fits with Government plan to drive eBusiness	1	6%	8%	1

(Sample bases: 9 Accountants and 6 businesses who perceived benefits for government)

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5.4 Summary

The benefits of the use of ICT were similar to those identified in previous research. Accountants could offer better services, save time and build close relationships with their clients.

Small business thought that it could help accountants to provide much faster responses, to give small business notice of impending problems and also help the profit drivers of business through better quality data. Small business also saw advantages to their businesses of shorter time frames and less administrative work for small business.

Government, too, could benefit from further developments in ICT. Information would be more accurate and timely.

However, no one wanted the government to have direct access to small business files.

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Chapter 6

Barriers to Adoption ICT Systems

6.1 Barriers

Barriers to adoption of ICT systems, identified by both Accountants and small businesses, are summarised in Table 6.1 and 6.2.

6.1.1 Barriers to Adoption by Accountants

Fourteen (64%) of responding accountants and four small businesses nominated factors that could or would deter accountants from using ICT (Table 6.1). Most of these factors concerned cost, compatibility and integration with other systems, and training, but privacy, security of access were also important barriers.

The research explored the adoption of a continuous monitoring system. Only three accountants respondents rejected such a system entirely; they maintained that they had no need for such a system and did not perceive any benefits from using it.
A further barrier, particularly in rural areas, was poor internet services.

Some of the comments were:

- "You need to show the cost benefit analysis. What are the time savings? Is it just another system?" (Accountant)
- "With Citrix, I have to inform them [clients] that I'm accessing their data. They know I'm there and can 'see' me there… That way, there are no problems if something [some data] is changed…. You'd need to have a log of what the accountant accesses and when." (Accountant)
- "The only reason would be if it took too long to integrate and set up… [Would need] smooth integration, reasonable subscription and training." (Accountant)

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Table 6. 1

Barriers to Adoption by Accountants

Barrier	Accountant Sample			SME Sample
	Number (n)	Percentage of responses (%)	Percentage of respondents (%)	Number (n)
Cost	8	38%	57%	1
Concerns about security/privacy of data	3	14%	21%	3
Unauthorised access to the data	-	-	-	1
No need; no perceived benefits	3	14%	21%	-
Time required to set up and integrate with other systems	2	10%	14%	-
Implementation and maintenance issues	2	10%	14%	-
Poor Internet service in regional areas	1	5%	7%	-
Accountant's liability	1	5%	7%	-
Lack of expertise/need for training	1	5%	7%	-

(Sample bases: 14 Accountants and 4 businesses who nominated (potential) barriers)

6.1.2 Barriers to Adoption by Small Businesses

Sixteen (73%) accountants and seven small businesses (Table 6.2) nominated factors that could or would deter small businesses from using a continuous online monitoring and access system.

A third of the accountant respondents noted that at least some small businesses would not have the resources (time, computer equipment, IT knowledge and training) required to

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establish and maintain such a system. These issues could cause a small business to be defensive. Other small businesses were not computerised.

Another accountant felt that their clients preferred their accountant to take charge of all record keeping including meeting minutes. Both accountants and small business respondents recognised that the success of any IT depended on the task of timely quality data entry.

Table 6. 2

Barriers to Adoption by Small Businesses

Barrier	**Accountant Sample**			**SME Sample**
	Number (n)	**Percentage of responses (%)**	**Percentage of respondents (%)**	**Number (n)**
Lack of expertise	8	27%	50%	1
Cost	7	23%	49%	3
Privacy concerns	5	17%	31%	3
Time required to set up and manage	3	10%	19%	-
Incompatibility with other systems	2	7%	13%	-
Poor Internet service in regional areas	2	7%	13%	--
No need (eg does not fit with SME monthly reporting cycle); no benefit	1	3%	6%	2
Access to information	1	3%	6%	-
Glitches with new software programs	1	3%	6%	-

(Sample bases: 16 Accountants and 7 businesses who nominated (potential) barriers)

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Among the comments were:

- “The client must accept that the accountant will make a valid contribution. Many are protective or defensive about advice in helping the business.” (Accountant)
- “Some small businesses are not computerised.” (Accountant)
- “Hacking [would be a concern]. We would need to be confident about the data security… It might be incompatible with IT systems for example, if the client has old systems…. And, all new systems have glitches…. I already do a lot of the record keeping for them [small business clients] for example, minutes of meetings. Therefore the client may see the new system as ‘more work for me’. They may prefer that the accountant still does this.” (Accountant)
- “Will it be tailored to industry-specific front of house systems (eg stock system)? Will it be integrated with tax and accounting systems? Need to avoid duplication.” (Accountant)
- “Clients like to leave it to the experts. Some fear change. Some lack confidence.” (Accountant)
- “Computer literacy among clients is low… Country areas will not be able to operate the new system because of broadband access.” (Accountant)
- “The system would be only as good as the client’s data.
- “The accountant could access our information whenever they want to … but, they won’t know whether we’re up-to-date with our data entry. There’s no point them doing it before we close off the books each month. They’d look and, for example, see what looks like poor performance prior to the end of the month and then waste time querying it with us.” (SME)

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6.3 Summary

Both accountants and their small business clients identified similar barriers to adoption of ICT. Both groups of respondents were concerned with the cost, compatibility with existing systems and lack of expertise. Accountants thought that many small businesses lack time, equipment, IT knowledge and training. Some small businesses still did not have computer systems and others were defensive about accepting advice from accountants about their businesses. For regional small business, a major problem was broadband and reliable internet access.

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Chapter 7

Concerns about Privacy, Confidentiality and Security

7.1 Privacy and Security Concerns about ICT

Both accountants and small businesses addressed concerns about privacy, confidentiality and security issues and suggested safeguards which are summarised in table 7.1 and 7.2.

Just under half of both the accountant sample (n=10; 46%) and the small business sample (n=4) nominated concerns about privacy, confidentiality and/or security. They included risk of hacking, confidentiality, compliance with the privacy act and liability for data integrity.

Both accountants and small business saw a need for security of access, protection of the data base in case of system failure, and protection against hackers and fraud.

Their comments reflected their concerns:

"We would need protection of the information in a secure environment." (Accountant)

"Need encryption, passwords and harsher mandatory penalties for hackers." (Accountant)

"There's the question: If my information is on line, then who owns it? What happens when the system goes down? And, they must be 100% guaranteed that no-one else can see their data." (Accountant)

"Would need advice and consent from the client and internal control mechanisms." (Accountant)

"We would need to convince clients that it's safe… All the news reports about hackers!... encryption and passwords are not sufficient. They can be cracked. Maybe something like varying passwords via SMS or a token would work." (Accountant)

"[I'd be concerned about] forgery. Hackers can get around anything." (small business)

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Table 7. 1

Concerns re Privacy, Security& Confidentiality

Barrier	Number Accountants (n)	Number SMEs (n)
The risk of hacking	4	4
The privacy/security of confidential information (including third party information)	3	2
Confidentiality	2	-
Compliance with the Privacy Act	1	-
Restrictions regarding the disclosure of Tax File Numbers	1	-
Viruses	1	-
Liability for data integrity	1	-

(Sample bases: 10 Accountants and 4 small businesses who nominated concerns)

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7.2 ICT Safeguards

Seventeen accountant respondents (77%) and eight small business respondents suggested safeguards (Table 7.2) to address concerns about privacy, security and/or confidentiality.

They included password protection, data encryption, backup/disaster recovery facility and agreements that include a Code of Conduct.

Table 7. 2

Suggested Safeguards

Barrier	Number Accountants (n)	Number SMEs (n)
Password protection	12	7
Data encryption	4	2
Back up/disaster recovery facility	3	-
A (signed) user agreement (eg Code of Conduct or official registration document)	2	1
A secure IP address	2	-
Firewalls	1	2
Digital certificates	1	-
A highly secure password facility (for example SMS, token)	1	-
Prior client authorisation each time the Accountant accesses the system	1	-
A facility to disallow client editing of the data	1	-
A log of the Accountant's access to the system	1	-
Security codes	-	1

(Sample bases: 17 Accountants and 7 small businesses who nominated concerns

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Chapter 8

The Role of Professional Associations

8.1 Introduction

The following section discusses the role of professional associations as reported by the accountants and small businesses. In Table 8.1 and Table 8.2 accountants and small businesses reported the type of information received and their level of satisfaction with the information. They also reported on potential new services that they would like to receive.

8.2 Information Received

All 22 accountant respondents received online information from their professional association(s). As illustrated in the following exhibit, the main types of information received from professional associations were technical updates (for example, regarding changes to government legislation and accounting standards) and information about Continuing Professional Education (CPE) offerings.

Six of the nine small businesses were members of professional and/or industry associations and received information online from their respective associations. One of these small business respondents was unable to provide details about the type of information provided by the association as this went to the Human Resources section.

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Table 8. 1

Information Received from Association(s) – Accountants

Information Type	Number (n)	Percentage of responses (%)	Percentage of respondents (%)
Technical updates (eg re govt legislation, tax, accounting standards)	17	39%	85%
Continuing professional education (CPE), seminars, etc	14	32%	70%
Magazines and newsletters	5	11%	25%
Offers to members	2	5%	10%
Information on association's website	2	5%	10%
Emails	2	5%	10%
Notification of meetings	1	2%	5%
Positions vacant (used to source contractors)	1	2%	5%

(Sample base: 20 Accountants)

Table 8. 2

Information Received from Association(s) - SMEs

Type of Information	Number (n)
Continuing professional education (CPE), seminars, etc	3
Technical/legislative updates	2
Magazines	2
Industry-specific information	2
HR and employment information	1

(Sample base: 5 SMEs. Includes multiple responses)

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8.3 Satisfaction with their Professional Associations

Respondents indicated a high level of satisfaction with the information provided by their professional associations (Table 8.3 to 8.4). Among the accountant sample, 80% were satisfied or very satisfied, the mean level of satisfaction was 4.2 (out of a maximum of 5).

This level of satisfaction is reflected in their comments:

- "I receive a myriad of information: about seminars, taxation changes, standards, etc … It's all very proactive. The NIA is very good. Their seminars are of an excellent standard." (Accountant)
- (The) "NIA is a very professional organisation … as good as CPA." (Accountant)
- "I'm very satisfied. It's quick and easy to read, in point form, not too detailed." (Accountant)

Dissatisfaction was low (5%) and related to (a) too much similar information from too many sources, and (b) a desire for specialised information about changes in HR laws.

Some of the less satisfied reflections were:

- "I am dissatisfied with the relevance and currency [of the information I receive]… There's too much information from multiple sources; overload." (Accountant)
- "Most of the information (eg. new legislation) comes from government. The associations just re-present it in a different format…." (Accountant)
- "I would like more than just tax. More management accounting information: super changes, OH&S changes, workplace laws, etc." (Accountant)
- "I currently receive too much information. I have insufficient time to review it... Interested in receiving (only) practical information about superannuation rules, updates and so on." (Accountant)

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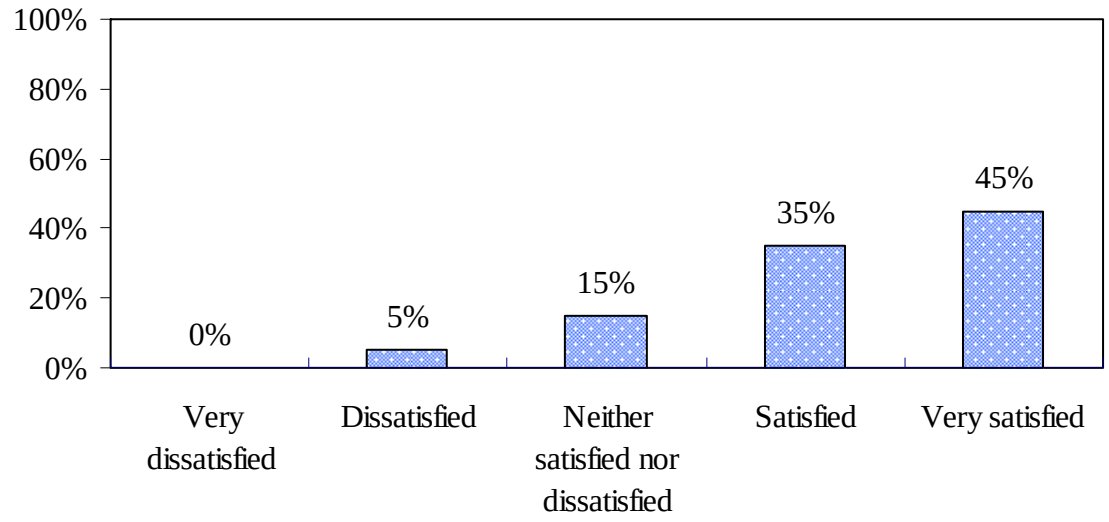
Table 8. 3

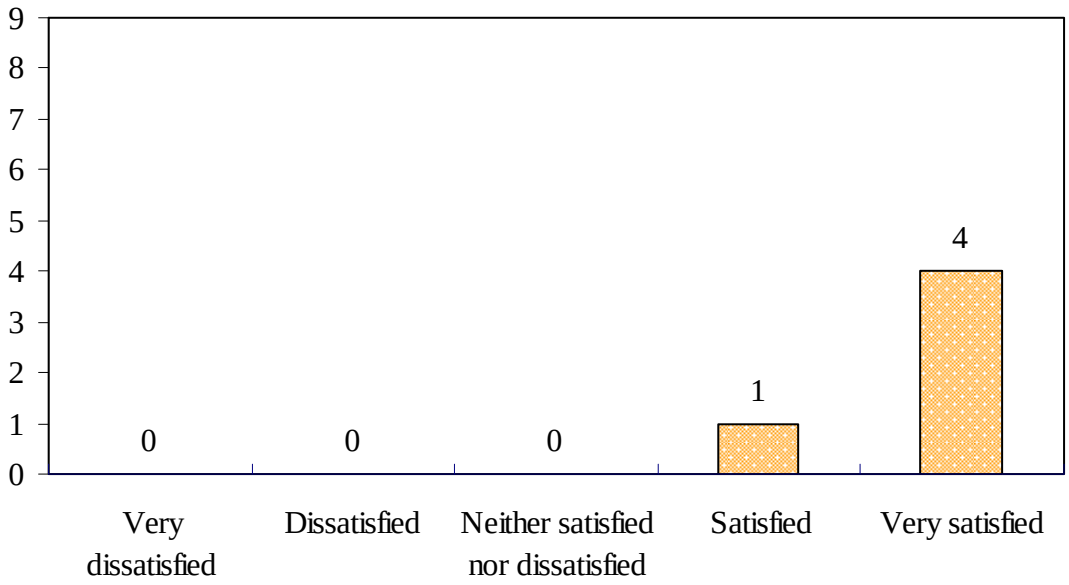
Satisfaction with Association(s) Information – Accountants



(Sample base: 20 Accountants)

Table 8. 4

Satisfaction with Association(s) Information - SMEs



(Sample base: 5 SMEs)

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8.4 Potential New Services

Nine accountant respondents each nominated one or two new (or enhanced) services that they would like to receive from their professional association(s), as follows:

- More online seminars (number of mentions=3);
- Collaboration among accounting associations (eg regarding delivery of CPE) or merging of associations (n=2);
- More technical information (eg on tax, super, OH&S, workplace law) (n=2);
- A portal for government, regulators and Accountants to share information and ideas (n=1);
- (More) CPE seminars in regional areas (n=1);
- Information on industry comparisons and trends (n=1);
- More information on management accounting (n=1);
- More information on company secretary governance issues (n=1).

Some of the less positive responses were as follows:

- “At this stage of my career, I’m not interested in any new services. However, for others, younger people, I’d suggest ‘hands on management of small businesses’ as a seminar topic.” (Accountant)
- “Information presented similarly to that provided by the Australian Bookkeeper Network.” (Accountant).

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Chapter 9

Summary and Conclusions

The characteristics and the size of the sample and the exploratory nature of this research were factors that influenced the conclusions drawn about the use of information technology and the small business-accountant business relationship.

Characteristics that were common to both accountants and small business were that the majority were owners, middle aged, highly experienced, and were located in Melbourne suburbs. Both accountants and small businesses were within the criteria of small businesses specified in the Corporations Act, but most were in the lower strata of the criteria. Analysis of the accountant sample shows that majority of their clients were from the small business sectors, and the revenue generated from them was similar to that expected in small business.

9.1 The Nature of the Small Business-Accountant Business Relationship

The findings from this research suggest that small business use of accounting services can be broadly categorised on a 'business engagement' dimension; the extent to which the accountant is involved in monitoring the performance of the small business and offering advice regarding business strategy.

Those at the 'high' end of the 'business engagement' dimension typically had an arrangement in place whereby their accountant regularly (at least quarterly, and often more frequently than this) consulted with them regarding the performance of the business. With this type of accountant-client service agreement, the accountant was considered an integral part of the business and this was reflected in regular contact between the accountant and small business client. At the 'low' end of the 'business engagement' dimension were small businesses that sought only compliance-related services (for example, preparation of BAS Statements and the annual taxation return) from their accountant. This finding is of particular relevance to the key research question: Is there a market for a continuous online monitoring and access system in the Australian small business market?

As discussed further in this report, both accountants and small business participants in this study indicated that the likelihood of adoption of a continuous online monitoring and access system would be highest among small businesses at the high end of the business engagement dimension (and their accountants) and lowest among small businesses who primarily seek only compliance-related accounting services.

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9.2 The Role of Information Technology

Information technology (IT) was considered an integral part of almost all business activities undertaken by accountants and (most, but not all) small businesses. Typically this included office and accounting software packages, Internet services, email, and voice services. Other than electronic funds transfer (EFT) facilities, the use of Business-to-Business IT applications was relatively minor. Most accountant and small business participants had a business web site, few had achieved productivity/efficiency gains or marketing value from their web site.

Most accountants in this study anticipated that their use of IT would continue to increase and that this would include expanded use of IT in their dealings with small business clients. However, while small businesses also anticipated growing use of IT in the future, not all were predisposed towards greater IT-based interaction with their accountant. For some small businesses, a key benefit of engaging an accountant was to be able to hand over the information and have someone else manage the data manipulation and reporting. Therefore, for small business, the notion of a continuous online monitoring and access system was equated with 'more work' (for the small business).

Notwithstanding the above reservations of some small businesses, the research ascertained that there are unmet needs with currently used IT systems. The most frequently mentioned needs were as follows:

Data transfer: Difficulties transferring large data files via email attachments (eg between small business and accountant) which some 'worked around' by downloading information onto portable devices (USB/memory sticks or disks) which of course then had to be physically transferred from one party to the other.

Compatibility issues: The need for accountants to use multiple accounting packages given the number of different software packages used by their small business clients. This in turn resulted in appreciable 'double-handling' of data and time spent exporting data from one package to another. Lack of compatibility between various IT systems (eg between front and back office systems, between management and taxation accounting systems). Problems associated with frequent changes to government legislation, and hence reporting requirements, which software providers did not always address in a timely manner.

Internet services: Unreliable Internet services in regional areas.

9.3 Reactions to an Online Monitoring and Access Concept

9.3.1 Benefits for Accountants

With only a few exceptions, the accountants and small businesses in this study appraised an online monitoring and access system as being (potentially) useful for accountants who service

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small business clients. The main perceived benefits for accountants, in roughly descending order of importance, can be summarised as follows:

- Convenience: Immediate access to the client's data at any time, from any location, which in turn would deliver a productivity/efficiency benefit and perhaps, a cost-saving to the client (some Small businesses disputed this latter point).
- Problem resolution: The ability to identify and address impending financial problems before such problems escalated to a serious level.
- Strategic insights: The opportunity to develop a better understanding of the client's business dynamics and profitability drivers and to thus be able to provide better strategic advice to the client.
- Enhanced relationship: Increased client satisfaction.

9.3.2 Benefits for Small Businesses

The main perceived benefits for small businesses, in descending order of importance were as follows:

- Problem resolution: the ability to identify and address impending financial problems before such problems escalated to a serious level.
- Speed: reduced service response time by the accountant, which in turn would enable the small businesses to respond quickly to orders and tenders, to make fast budget projections, and to arrange finance at short notice.
- Convenience: continuous, remote access to the small business data by the accountant would minimise demands on the small business time (eg responding to accountant's requests for information).
- Cost: reduced accounting fees (however, not all small businesses perceived cost benefits).

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9.4 Drivers and Barriers to Adoption

In addition to the benefits of an online monitoring and access system, discussed above, the research identified a number of other factors that could facilitate the adoption of the system, as follows.

9.4.1 Drivers

- A clear and convincing statement of the cost benefit(s) particularly savings in time and accounting fees, and ideally, also the type of profitability gains that can result from the business intelligence gleaned from the system.
- User friendliness (including compatibility/integration with other systems, intuitive user interface).
- Tailoring to suit the particular requirements of the small business.
- High level user support (training, assistance in implementing and maintaining the system).
- A facility to manage concerns about (inadvertent) damage to the data for example, pre-approval by the client each time the accountant accesses the data, or a log of user activity).
- A facility to automate government returns.
- High level security protection such as data encryption, firewalls, an enhanced password protection feature, data back-up/redundancy.

The main barriers to adoption for accountants and small businesses, respectively, are listed below.

Accountants

- Cost
- Concerns about data integrity and disputes regarding liability should the data be damaged.
- Concerns about privacy, confidentiality and security.
- Concerns that the government would have access to the data.
- Poor Internet service in regional areas.

Small Business

- Cost.
- Lack of need for small businesses with very simple, small businesses. Poor fit for small businesses that have a monthly operating (and reporting) cycle.
- Limited IT resources (facilities and expertise).
- Additional work involved in entering data and keeping the data up-to-date
- Concerns that the government would have access to the data.
- Concerns about privacy, confidentiality and security.
- Poor Internet service in regional areas.

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9.5 Key Target Audiences

The findings from this project suggest that the following characteristics may define the key small business and accountant target audiences for a new online monitoring and access system.

Accountant Audience

- High level 'business engagement' relationship with (at least some) small business clients. As such, auditors and tax accountants would not be a key target audience.

Small Business Audience

- High level 'business engagement' relationship with the accountant (regular dealings with the accountant entailing performance monitoring and business strategy advice).
- Larger small businesses with more complex business operations (large number of sales, high turnover, etc).
- Small businesses that are at critical stages of the business cycle (setting up a business, expanding a business, etc)
- Small businesses that use 'real time' (or close to) data entry systems.

9.6 Policy

The study has identified number of barriers in determining adoption of internet based technology between the accountant and small business. To make better use of these emerging technologies there is a need to address the issues that will reduce the barriers to such a system.

Ensuring that existing regulations with regards to security issues are strengthened to prevent and safeguard harsher and mandatory penalties for hackers.

To promote interactive IT systems both accountants and small business must be made aware of the benefits through relevant accounting and small business associations.

The Australian government should support the development of web based technology which would reduce the burden of compliance with regulation through the development of policies that would encourage small businesses in adoption of this new technology such as specific incentives and support to provide training and subsidies to encourage use of internet based technology.

One of the important objectives of this project is to reduce compliance for small businesses in related areas. Therefore regulatory bodies such as ASIC and the Australian Taxation Office and a host of industry regulators could have a system that automatically collected and aggregated information in regular standard reports.

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9.7 Recommendations in Designing of a New System

A new system should ensure that of transferring data using external devices or other software should be eliminated. Excel and word format should be designed within the systems requiring ease of transfer. This would require both the accountant and the small business to work within the same system which would result in reduction of costs, time saving and duplication of work. Problems associated with incompatibility with various IT systems being used by both accountant and client would be eliminated and problems associated with frequent changes to legislation should not arise as any new changes will be incorporated by the licensee. A problem that is beyond the control of such a system is the internet services in regional areas.

Professor Colin Ferguson of the University of Melbourne, Centre for Accounting and Industry Partnership concluded from a study of accountancy firms in rural Australia that these kinds of services are already in the horizon. He says that over the next decade as a result of the national broadband network (NBN) and other technological changes, over 25 percent of listed companies would be at risk. As consultants such as accountants dealing with small and medium enterprises would be at danger, because within a couple of decades small to medium businesses which previously went to their accountants once a month or every quarter to get their cash-flow statements would use new programs and powerful computers to capture the services provided by accountants. However the development of ICT and band-with, most service offered by accountants will be threatened. Use of internet for flight bookings and virtual shopping is as a result of the growth of web based technology (Willingham 2010).

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