

Research Opportunity:

### **The Entrepreneurial Service Business and the Accountant**

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The Irish Investec Purchasing Managers' Index (PMI) of activity in the services sector, which covers businesses from banks to hotels and accounts for 70 per cent of economic output, rose to 61.9 in April from 60.7 in March, the highest reading since February 2007<sup>1</sup>, with figures above 50% indicating growth .

In the services sector, almost all (98%) enterprises are small, defined as having <50 employees (CSO, 2007, p. 83). There are over 83,000 small enterprises in this sector, of which almost half (47%) are family owned.

Findings of the 2013 Global Entrepreneurship Monitor (GEM) research show that the rate of early stage entrepreneurial activity is at its highest since the onset of the economic crisis.

The pipeline of future entrepreneurs also looks very strong as those indicating that they intend to start a business in the next three years increased significantly in 2013 and is now at its highest level since Ireland first became involved in GEM research in 2000.

There was an increase in the rate of Total Early Stage Entrepreneurial Activity (TEA) in Ireland in 2013 - 9.2% up from 6.1% in 2012.

Ireland is now ranked 2nd across the EU-15 and 9th among the EU-28 countries.

One in eleven of the adult population in Ireland are engaged in some aspect of early stage entrepreneurial activity.

32,000 people in Ireland set up new businesses in 2013 and 85% expect to become employers.

Source: GEM <sup>2</sup>report for Ireland 2013

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<sup>1</sup> <http://www.irishtimes.com/business/sectors/retail-and-services/irish-services-sector-hits-seven-year-high>

<sup>2</sup> The (GEM) provides an annual assessment of the entrepreneurial activity, aspirations and attitudes of individuals across a wide range of countries. GEM is the largest on-going study of entrepreneurial dynamics in the world. Initiated in 1999 as a partnership between London Business School and Babson College, the first study covered 10 countries. In 2013, 67 countries participated in the research.

For small enterprises, there is typically no in-house accountant and the only contact with accountants is with the small accounting practice (SAP) that provides the statutory accounting and tax compliance services. These businesses may have evolved their relationship with their external accountant, as it was guided by the entrepreneur into a growth phase.

This area is under-researched and requires an exploration of the literature on the “accountant and the entrepreneurial firm” and a keen interest in survey methodology. ACCA research by Schizas et al. (2012) commented that the issue of value-added services to SMEs by small and medium accountancy practices is on the agenda of the accountancy bodies. Due to deregulation and rising audit thresholds around the world, a reduction in demand for traditional compliance work, so crucial to the income of these practices, has been observed.

A report by Blackburn and Jarvis (2010) for ACCA demonstrates how external accountants can build on a combination of empathy and social rapport to generate trust with their SME clients, once compliance tasks have been completed. Then, practices can go forward and market value-added non-compliance services to their clients.

A survey of the compliance and non-compliance services provided by the SAP to their service sector clients would build on existing work in this area by UK and Irish researchers and reveal valuable insights into the type of services these businesses have received from their external accountant.

A survey of small accounting practices (SAPs) serving entrepreneurial clients in the service sector would initially be undertaken and analysed and then a survey of service firms founded in the last ten years would be carried out to establish the satisfaction levels of these firms with their accountant and any expectations gaps. There may be some interviews with senior accountancy stakeholders to round off the work and establish an agenda for improved service towards these entrepreneurial firms.

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