Predicting the benefits that small business owners obtain from their accounting practitioners

by

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I declare that the thesis,

"PREDICTING THE BENEFITS THAT SMALL BUSINESS OWNERS OBTAIN FROM THE RELATIONSHIP WITH THEIR SMALL ACCOUNTING PRACTITIONERS"

is my own work, that all the sources used or quoted have been indicated and acknowledged by means of complete references, and that this thesis has not been submitted previously by me for a degree at any other university.

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Adele Oosthuizen

9 July 2018

Abstract

Predicting the benefits that small business owners obtain from the relationship with their small accounting practitioners

Small accounting practitioners have been identified as the most important small business advisors; unfortunately, research suggests that small business owners do not necessarily obtain the expected benefits from the relationship. Previous studies have indicated that the types of services that SMMEs source from their external accountant and the way in which these services are offered to SMMEs play an important role in the relationship. It is however still unclear how these factors contribute to such owners' perceptions of the benefits they obtain. In response, the purpose of this study was to develop a predictive model which will, firstly, provide guidance to these owners regarding the services they need to source from their accounting practitioners, in order to improve the benefits; and secondly inform the latter about small business clients' expectations of service quality and how to improve their service delivery concomitantly, to supply the expected benefits. The study therefore analysed the perceptions of 422 small business owners using structural equation modelling. Results confirm that their perception of benefits obtained is dependent upon both the frequency with which SMMEs source different services from their accountants and the latter's ability to offer high levels of service quality. The study supports previous findings that small business owners perceive the services relating to annual financial statements to be of limited benefit. It was found that SMMEs that frequently source other routine accounting services, tax related and general advisory service obtain higher levels of compliance and management benefits. It is therefore advised that small business owners more frequently source these services. Based on the significant positive relationship between the levels of service quality and the perceptions of both compliance and management benefits, it is suggested that small accounting practitioners put effort into enhancing their levels of service quality to small business owners, specifically with regard to reliability and responsiveness.

Keywords: Entrepreneurial venture, service quality, small accounting practitioner, small business, small business accounting services, small business advisory services, small business compliance services, small business owner

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Blessed be the name of God forever and ever, for He alone has all the wisdom and all power. World events are under his control. He removes kings and sets others on their thrones. He gives wise men their wisdom and scholars their intelligence.
Daniel 2:20-21

I dedicate this thesis to my parents, Koos and Annatjie Jacobs. Thank you for always supporting and believing in me.

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Abbreviations

ACCA	Association of Chartered Certified Accountants
AFS	Annual Financial Statements
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant (South Africa)
CFA	Confirmatory factor analysis
CFP	Certified Financial Planner
CIPC	Companies and Intellectual Property Commission
COMPLIANCE BENEFIT	Compliance benefits
EFA	Exploratory factor analysis
FSB	Financial Services Board
GEM	Global Entrepreneurship Monitor
IFAC	International Federation of Accountants
IFRS	International Financial Accounting Standards
IRBA	Independent Regulatory Board of Auditors
PAF	Principle Axis Factoring
PAYE	Pay-as-you-earn (Employee tax)
RA	Registered Auditor
RBV	Resource based view
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
SAP	Small accounting practitioner
SBO	Small business owner
SDL	Service-dominance logic
SEM	Structural equation modelling
SME	Small and medium enterprise

SMME	Small, medium and micro enterprise
SMP	Small and medium practices
TCE	Transaction cost economics

CHAPTER 1

INTRODUCTION

"Entrepreneurs need to source the services of a competent professional accountant who can support their business today but also lead it into the large business it is likely to become."
– Association of Chartered Certified Accountants (2013:17)

1.1   Introduction

Small accounting practitioners (SAPs) are the most commonly used small business advisors (Bennett & Robson, 2010; Han & Benson, 2010: 556; Schizas, Jarvis & Daskalakis, 2012), yet the evidence is inconclusive as to whether small business owners (SBOs) perceive the relationship with their external accountant as beneficial.

The overall purpose of this study is twofold: firstly to provide guidance to entrepreneurs and/or SBOs regarding the services they need to source from their external accountant, to enable them to obtain the necessary compliance, business survival, and growth related benefits. Secondly, it will inform small accounting practitioners (SAPs) of the way in which they should offer accounting services to their small business clients to ensure that they realise the benefits expected from their relationship.

To achieve this overall purpose, the study will develop a model which will predict SBOs' perceptions of the benefits they obtain from the relationship with their external accounting practitioners. The model will consider how the following interrelationships predict SBO perceptions of the benefits that they obtain: the interrelationship between (1) the frequency by which Small medium and micro enterprises (SMMEs) source different types of accounting services from their external accountant; and (2) the SAP's ability to offer good quality service.

The study will be conducted in two parts: a literature review and an empirical study. The literature review will draw from the existing body of knowledge to identify the types of services that small businesses source from their external accountants, the possible drivers of accounting service quality in this context and the benefits that SBOs could

reasonably expect to obtain from the relationship with their external accounting practitioner. Results from the literature study will be used to justify the hypothesised framework of the interrelationships between the types and frequency of services sourced, service quality levels and SBOs' perceptions of the benefits obtained.

The empirical part of this study will use structural equation modelling (SEM) to test the validity and reliability of the hypothesised framework based on data collected from a sample of South African SBOs.

This chapter serves as an introduction by way of providing a background to the study, a brief literature review and a description of the research problem. This is followed by an explanation of how the purpose and objectives of the study will address the research problem. To ensure that the purpose and objectives are achieved, the study will answer a set of research questions and test the hypotheses presented in the conceptual framework developed for the purposes of the study. The chapter further provides definitions of the constructs to be used and a brief description of the research design and methods applied in the study. Justification for conducting the study is provided by highlighting its theoretical and practical contributions. This is followed by a delineation of the study and a discussion of the ethical considerations. In conclusion, an outline of the remainder of the study is given by schematically linking the objectives of the study to the purpose of each chapter.

1.2   Background to the Study

Small businesses have been compared to seedlings from which large companies grow (Nandan, 2010:68); therefore, entrepreneurial activity is commonly believed to play a key role in economic growth through job creation (Dvouletý, 2017: 56; Elliott, 1983: 305; Naidu & Chand, 2012; Nawaz, 2012: 49).

In South Africa, the National Planning Commission under the leadership of Trevor Manuel, in 2012 announced the National Development Plan (NDP), with one of its objectives being to reduce the unemployment rate in South Africa from almost 25 percent in June 2012 to 6 percent by 2030. This translates into the creation of 11 million jobs over an 18-year period. Small, medium, and micro enterprises (SMMEs) have been identified in the plan as a major contributor to the creation of new jobs.

Currently however, according to the 2015/2016 Global Entrepreneurship Monitor (GEM) report, South Africa's established business rate (i.e. businesses surviving for more than 3½ years) of 3.4 percent is disturbingly low, ranking 53rd out of 60 economies that participated in the survey (Herrington & Kew, 2016).

There are numerous reasons why small businesses fail, one of them being that their owners often lack the skills to manage a business successfully (Deakins, Logan & Steele, 2001: 8; Marriott & Marriott, 2000: 486; McChlery, Godfrey & Meechan, 2005: 4; Olson, Blomkvist, Dergard & Jonsson, 2004: 2; Panday, 2013: vii; Roodt, 2005: 18; Sian & Roberts, 2009: 289; Stone, 2011b: 782). Many novice entrepreneurs also have little or no appreciation of the demands and the difficulties involved in owning a small business (Kirby & King, 1997: 295; Nandan, 2010: 65).

To assist entrepreneurs to understand and overcome these difficulties, proponents of the Strategic formulation school of entrepreneurship thought have focused their attention on research questions which are centred on the use of business plans, owner capabilities and their credentials to enhance entrepreneurial performance (Cunningham & Lischeron, 1991: 56; Kuratko, Morris & Schindehutte, 2015: 4). In accordance with this ontological view, this study builds on the premise that the success of a small or entrepreneurial business venture is dependent upon these owners' financial management abilities and that in the absence of these skills, they should be sourced externally (Everaert, Sarens & Rommel, 2010: 94; Kamyabi & Devi, 2011: 82).

It is therefore of grave concern that SBOs are reported to lack the necessary financial skills to produce, understand and adequately utilise financial information to facilitate proper decision-making and control (Brown, Saunders & Beresford, 2006; McChlery et al., 2005: 8,23; Mitchell & Reid, 2000: 386; Nandan, 2010: 69; Sian & Roberts, 2009: 289,291,301).

Small accounting practitioners are excellently positioned to bridge the financial skills and resource gap experienced by SMMEs (Blackburn & Jarvis, 2010; Breen, Sciulli & Calvert, 2003; Debono, 2014; Devi & Samujh, 2010; Gooderham, Tobiassen, Døving & Nordhaug, 2004; Kirby & King, 1997; Lavia López & Hiebl, 2015; Nandan, 2010; Nawaz, 2012; Praulins & Bratka, 2014). This is generally because they have an

established relationship with the small business client, accompanied by sufficient knowledge of their business resulting from compliance related engagements (Blackburn & Jarvis, 2010: 12; Carey, 2015: 182; Devi & Samujh, 2010: 6; Gooderham et al., 2004: 4,5). In addition, as trained professionals, accountants are generally believed to be equipped with the necessary skills to provide appropriate financial information and advice to an array of different clients (Carey, 2015; Schizas et al., 2012: 5). It is therefore not surprising that accountants have been proven to be the most commonly used small business advisors (Bennett & Robson, 2010; Berry, Sweeting & Goto, 2006; Han & Benson, 2010: 556; Mole, 2002; Schizas et al., 2012: 6).

The relationship that SBOs have with their accounting practitioners could therefore be regarded as very important (Gooderham et al., 2004: 5; Kirby & King, 1997: 294; Nandan, 2010: 66). This is particularly true if viewed from the perspective adopted by this study, that the role of the small accounting practitioner is to assist SMMEs to overcome any lack of accounting and financial management skills, by: (1) providing financial and management accounting information; and (2) improving the way in which this information is used for internal and external decision-making and control purposes.

The literature study presented in Chapter 2 provides support for this premise and further reveals that SBOs could expect to derive both compliance and management benefits from their relationship with their accounting practitioner.

Despite the importance of this role, there is contradictory evidence as to whether SBOs actually obtain the necessary benefits from the relationship with their external accountants. On the positive side, scholars such as Collis and Jarvis (2000, 2002) and Sian and Roberts (2009: 291) have indicated that SBOs rely on their accountants to prepare and explain financial information. In addition, small accounting practitioners were also perceived to be well-equipped in dealing with the issues faced by small businesses (Blackburn, Tanewski & Carey, 2010: 12). Burke and Jarratt (2004: 133) reported that small businesses have the perception that accountants provide sound operational advice on matters such as purchasing decisions, reporting practices and taxation.

By contrast, certain other studies have reported that SBOs do not perceive the relationship with their accountants as particularly beneficial (Bennett & Robson, 2010; Halabi, Barrett & Dyt, 2010; Marriott & Marriott, 2000; Nandan, 2010: 66), including the comment that accountants are "too busy and disorganised, too fee conscious, and that many are simply not trained or equipped to provide a full range of services" (Kirby & King, 1997: 295). In addition, it has been suggested that small accounting practitioners just "know the business in a general way, see only broad problems and offer only general solutions" (Nandan, 2010: 74).

These inconclusive findings point to the possibility that the expected benefits that SMMEs should derive from the relationship with their accountants cannot be assumed to be an automatic occurrence.

1.3   Literature Review

In recent years several scholars have investigated aspects of the relationship between the small business owner/entrepreneur and small accounting practitioners (Allee & Yohn, 2009; Blackburn & Jarvis, 2010: 11; Blomkvist, Johansson & Malmström, 2016; Carey & Tanewski, 2016; Carey, 2015; Devi & Samujh, 2010; Dyer & Ross, 2008; Halabi et al., 2010; Herrington & Kew, 2013; Jing, Avery & Bergsteiner, 2014; Leung, Raar, Tangey & Monger, 2010; Nandan, 2010; Schizas et al., 2012; Schwarze, 2008; Sian & Roberts, 2009; Stone, 2011a, 2012, 2011b). These studies have used a variety of qualitative and quantitative research methods and provided valuable insights into the possible factors that may affect this relationship. Yet, these investigations were conducted in an ad-hoc manner with the result that to date, there is no holistic understanding of the interrelationship between these different factors and how they contribute to improving the benefits that SBOs obtain from the services they source. This study aims to address this gap by investigating how the following sets of factors possibly affect the benefits that SBOs obtain from their accounting practitioners:

- The frequency by which SMMEs source different types of services from their external accounting practitioners and
- The way in which small accounting practitioners offer these services to their small business clients, i.e. levels of service quality.

1.3.1 The types of services sourced

The types of services sourced from the external accountant impact the financial and accounting information obtained (Kirby & King, 1997; Marriott & Marriott, 2000; Nandan, 2010: 73) and it is therefore important, where internal financial management skills are limited, that SMMEs source a range of different services from their external accounting practitioner (Blackburn & Jarvis, 2010: 17; Devi & Samujh, 2010: 53). Unfortunately, SBOs are known to mainly source compliance related services from their accountants (Blackburn & Jarvis, 2010: 15; Collis, 2003: 22; Nandan, 2010: 69; Samujh & Devi, 2010: 3). This is because the role of the accountant is often perceived to be just that: of preparing and/or reviewing statutory financial statements and compiling tax returns (Blackburn, Carey & Tanewski, 2010: 23; Blackburn & Jarvis, 2010: 18; Sian & Roberts, 2009; Stone, 2011a: 799).

The usefulness of statutory accounts to small businesses is increasingly being questioned. Scholars, such as Collis, (2012); Halabi et al. (2010) and Marriott and Marriott (2000), reported that SBOs perceive statutory accounts to hold limited decision-making and control benefits. Kirby and King (1997) have also indicated that when SMMEs merely source basic bookkeeping and compliance services, clients do not obtain appropriate or adequate information to support planning, decision-making and control.

Contrastingly, it is broadly accepted that SBOs who regularly source management accounting and advisory services from their accountants obtain more benefit from the relationship (Blackburn, Carey, et al., 2010; Carey, 2015; Samujh & Devi, 2010). By seeking external business advice, SBOs were documented to have enhanced their learning and capabilities for future decision-making (Blomkvist et al., 2016: 209; Sian & Roberts, 2009: 291). Additional benefits, such as faster adaption to the environment, optimised resource management, growth and, ultimately, better performance have also been suggested (Argilés & Slof, 2003; Carey, 2015; Lavia López & Hiebl, 2015: 111).

Despite these reported benefits, it has been found that there is a reluctance amongst SBOs to actively seek business advice (Blackburn & Jarvis, 2010: 18,19) and, although there has been an increase in the advisory services offered by SAPs (Carey, 2008),

SBOs still do not source advisory services to the extent necessary to obtain sufficient benefit (Blackburn, Carey, et al., 2010: 4; Blomkvist et al., 2016: 215; Ciccotosto, Nandan & Smorfitt, 2008; Łobacz, Głodek, Stawasz & Niedzielski, 2016; Marriott & Marriott, 2000).

1.3.2 Levels of service quality offered by SAPs

The conflicting evidence regarding the benefits that SBOs obtain from the financial information and the services received from their accountants may point to the possibility that it is not simply the types and services sourced which may influence the benefits obtained, but also the way in which these services are offered. Kirby and King (1997: 295) were amongst the first to identify the importance of service quality, commenting that: "small accounting practitioners are letting their clients down by not providing the services sourced in a professional way that meet the needs or requirements of their small business clients". Since then, scholars such as Aldhizer, Turner and Shank (2002: 61), Baba (2008), Bagieńska (2016), Bennett (2007), Devi and Samujh (2010: 45), Fleischman, Walker and Johnson (2010: 252) and Saxby and Indiana (2004: 75) have all agreed that service quality is an important factor influencing the relationship between the small business owner and small accounting practitioner.

Over the past two decades, several studies have analysed the service quality within a professional services context (Bennett, 2007; Brown, Swartz & Brown, 1989; Haksever, Cook & Chagani, 1996; Ojasalo, 2001; Sharma & Patterson, 1999; Stuart, 1998). Within the field of accounting, audit quality as a topic has been extensively studied (Behn, Carcello, Hermanson & Hermanson, 1997; Boon, McKinnon & Ross, 2008; Carcello, Hermanson & McGrath, 1992; Fernando, Abdel-Meguid & Elder, 2010). Surprisingly, studies investigating the levels of functional service quality offered by small accounting practitioners are limited and those that did address this problem focused on a restricted range of service items (Aldhizer et al., 2002; Bennett & Robson, 2000; Haines, Wadsworth & Bjornson, 1999; Turner, Aldhizer & Shank, 1999). No previous study has specifically analysed the interrelationship between service quality, types of services sourced and/or the benefits that SMMEs obtain from the relationship with their external accountant (Groff, Slapničar & Štumberger, 2014; Sundgren & Svanström, 2012). In addition, it is still unclear which dimensions of service delivery

are perceived to be more important to SBOs when considering the levels of service quality offered by their external accounting practitioner.

According to Brady and Cronin (2001: 34) the conceptualisation and measurement of service quality have been one of the most debated and controversial topics in marketing literature to date and, as a result, different scales have been developed to measure service quality. These scales include, amongst others: the Nordic School framework, developed by Grönroos (1988), the SERVQUAL model (Parasuraman, Zeithaml & Berry, 1988), the SERVPERF model (Brady & Cronin, 2001) and Turner, Aldhizer and Shank's (1999) 13 items Professional Services Quality scale.

Amongst those listed, the SERVQUAL, developed by Parasuraman, Zeithaml and Berry (1985, 1988, and 1994), remains the most prominent and widely used (Naik, 2010; Nyeck, Morales, Ladhari & Pons, 2002; Ojasalo, 2001; Waldmann & Raghavan, 2002) and will also be used in this study to measure the levels of service quality. The SERVQUAL uses a 22-item scale, investigating responsiveness, reliability, assurance, empathy and tangibles. Levels of service quality are established through a "disconfirmation" technique, i.e. the difference between service expectations and perceptions of actual service delivery.

Studies performed in other professional service environments, such as Information Technology (IT) (Jiang, Klein, Parolia & Li, 2012; Kang & Bradley, 2002) and the medical profession (Brown et al., 1989), provided grounds for adapting the standardised 22-item SERVQUAL scale to reflect the specific requirements of the different contexts in which the service quality is measured. It is recommended that the SERVQUAL scale be adapted to reflect the specific environment in which it is used (Aykan & Aksoylu, 2015). For the purposes of this study, the scale will therefore be adapted to reflect the specific aspects of service quality that SBOs require from their small accounting practitioners.

1.3.3 Relationship between types of services sourced and service quality

Factors relating to service quality have been stated to contribute to SBOs' reluctance to source advisory services from their accountants (Blackburn & Jarvis, 2010; Burke & Jarratt, 2004; Marriott & Marriott, 2000). Recently, several studies have concluded that

SBOs just use advisory services once a relationship of trust (which is a construct of service quality) has been established with the accounting practitioner (Blackburn, Carey, et al., 2010; Hafeez & Andersen, 2014; Kamyabi & Devi, 2011; Kautonen, Zolin, Kuckertz & Viljamaa, 2010; Łobacz et al., 2016; Welter, 2012). Trust is a variable of service quality, substantiating the hypothesised relationship between the types of services that SMMEs source from their external accountants and service quality. According to Parasuraman et al. (1985) service quality levels are measured as the difference between service expectations and perceptions of service quality. Service expectations are known to be a factor of previous experience (Ganesh & Haslinda, 2014: 1194; Grönroos, 1990; Gummesson, 1987) i.e. the types of services previously sourced from accountants could be seen to influence clients' service quality expectations. The relationship between types of accounting services sourced and service quality expectations have not been tested empirically in an accounting/advisory context. Consequently, the full extent to which service quality affects the types of services sourced are not yet known.

1.3.4 A South African perspective on the relationship between the small business owner and small accounting practitioner

The bulk of the literature on the Small Accounting Practitioner–Small Business Owner (SAP-SBO) relationship is derived from the UK, European and Australian sources (Blackburn & Jarvis, 2010 11; Nandan, 2010:70). The relationship between South African SBOs and SAPs are unique, mainly because South African accountants are known to be highly skilled and sought after professionals. According to the recent World Economic Forum Global Competitiveness Report 2015 – 2016, South Africa has been ranked, first amongst 140 other economies for its strength in auditing and financial reporting standards. Conversely, however, the report commented on the country's inability to build a skilled labour force and creating sufficient employment (120th in the world), and its burdensome government regulations (120th). This was also confirmed by the recent GEM report, which ranked education and skills amongst the lowest in the world (Herrington & Kew, 2016: 4). This unique environment, which hosts a combination of highly skilled accountants, a highly regulated business environment, and the low skills levels of the general population, may generate interesting research findings (Kirsten & Fourie, 2012: 461).

Lavia López and Hiebl, (2015:110) identified the need to understand the management accounting practices in developing countries to allow for comparison to developed economies. This demand has been echoed by the Association of Chartered Certified Accountants (ACCA) (2013a:14) and Nandan (2010:70), stating the need to produce research findings at a global level to better theorise the small business demands on small practices. As emphasised by Blackburn and Jarvis, (2010:7): "Even though compliance requirements vary between different jurisdictions, it is often assumed that the prominence of accountants in SME external relations is universal. How universal such patterns of external advice seeking behaviour remain open to question."

1.4   Defining the Constructs and Terminology

It is necessary to define certain constructs used in the title as well as throughout the chapters of the study. These constructs are: small business, entrepreneurial venture, small business owner, small accounting practice, small accounting practitioner, service quality, advisory services and compliance services. This section merely states the definitions as they are used in the study. Logical arguments for deriving these definitions are given in the relevant sections of the literature review.

1.4.1   Small business

A *small business* will be defined in accordance with the South African National Small Business Act, 1996: "a small business is a separate and distinct business entity, including co-operatives enterprises and non-governmental organisations managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector of the economy and which can be classified as a micro, a very small, small or a medium enterprise by satisfying the criteria as set out in the Schedule to the Act". In line with international trend, the criteria set out in the Act are based on the number of employees, turnover and net asset value. The Schedule to in the Act was amended in the South African National Small Business Amendment Bill, 2003 in an attempt to reflect more realistic economic conditions.

A small business, for the purposes of this study, will include micro, very small, small and medium enterprises as defined by the act using *solely* the upper employee number ranges of the Schedule to the South African National Small Business Amendment Bill,

2003. This practice is in line with other international studies. (ACCA, 2012; Bennett, 2007; Burke & Jarratt, 2004; Collis, 2012; Han & Benson, 2010; Howorth & Westhead, 2003; McChlery et al., 2005; Panday, 2013).

The study will therefore include all SMMEs (as defined) up to a maximum of 200 employees.

1.4.2 Entrepreneurial venture

According to Rwigema and Venter (2004: 7) innovation, growth potential and broad vision distinguishes an entrepreneurial venture from a small business. According to Hisrich et al. (2017) the objective of growth has become the most prominent factor to differentiate between the two types of SMMEs and an entrepreneurial small business venture could therefore be defined as: "... an SMME (as defined) where the principal objective is growth"(41).

1.4.3 Small business owner (SBO)

Literature differentiates between a small business owner and an entrepreneur.

A *small business owner* in this study refers to any person who separately or jointly owns, by means of capital contribution or shareholding, any form of small business or entrepreneurial venture as defined.

It is important to note that for the purposes of this study, the term 'SBOs' will therefore include entrepreneurs.

1.4.4 Small Accounting Practice (SAP)

In line with related studies*, a small accounting practice* for the purposes of this study will be defined as any practice or office with ten partners or less offering accounting, audit, tax and/or related advisory services to predominantly small businesses (Carey, 2008; McChlery et al., 2005; Sian & Roberts, 2009). These practices may operate independently or as part of a group.

Previous studies have indicated that owners of small businesses prefer to use the services of SAPs and that the clients of SAPs are mainly small businesses (Blackburn

& Jarvis, 2010; Carey, 2008; Gooderham et al., 2004; Kuene & Kuene, 2015). Therefore, when referring to accountants used by small businesses it is assumed this denotes small accounting practitioners/practices.

1.4.5 Small Accounting Practitioner

A small accounting practitioner refers to a professional accountant acting as a manager, partner or director in a small accounting practice as defined.

1.4.6 Service quality

For the purposes of this study service quality is defined in line with the definitions subscribed to by the American view of service-logic and applied by (Parasuraman et al., 1985, 1988, 1994) in their development of the SERVQUAL framework. Accordingly, service quality is a general opinion the client forms regarding its delivery. The level of service quality is measured by adopting the disconfirmation view, i.e. the levels of service quality is measured as the gap between the client's expectations and perceptions of the performance of the service provider in providing the service.

1.4.7 Advisory services

This study adopts the term 'advisory services'; however, these services are also referred to as 'business advisory services', 'management advisory service' 'management consulting service', or, when provided by an external auditor, 'non-assurance services'. The professional auditing standards adopt the term 'consulting engagements'. The International Assurance and Auditing Standards Board (IAASB) (2016:158) states: "Consulting engagements involve an analytical process that typically involves some combination of activities relating to objective setting, fact finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results and sometimes implementation and follow-up. Generally the work performed is only for the use and benefit of the client". This is also the definition that will be used for the purposes of this study.

1.4.8 Compliance services

The term compliance refers to "the confirmation that a person or organisations meets the requirements of accepted practices, legislation, prescribed rules or regulations, specific standards or the terms of a contract" (Business Dictionary, 2017). Compliance services would therefore relate to the services offered by accounting practices to ensure a small business' compliance to accepted accounting practices, tax legislation, Companies and Intellectual Property Commission (CIPC) requirements and other relevant legislation. These services will include- but may not be limited to - the preparation and audit or review of annual financial statements (general bookkeeping services that allows for the preparation of annual financial statements will be included as compliance services for the purpose of this study), completion of tax returns and CIPC services as well as Broad-Based Black Economic Empowerment (B-BBEE) certification.

1.5 Research Problem

The background of the study has made it clear that despite small accounting practitioners being the most commonly used small business advisors, SMMEs do not necessarily obtain the expected compliance and financial management benefits from this relationship. Evidence from previous research suggests that the benefits that SBOs obtain from the relationship with their accountants are influenced by (1) the types of services they source (Blackburn & Jarvis, 2010; Collis, 2012; Lavia López & Hiebl, 2015; Nandan, 2010), and (2) the way in which these services are offered by SAPs (Bagieńska, 2016; Groff et al., 2014; Kirby & King, 1997; Sundgren & Svanström, 2012).

Although the relationship between different types of services and benefits have been described and to some extent tested (Carey, 2008; Collis, 2012; Collis & Jarvis, 2002; Łobacz et al., 2016; Nandan, 2010; Samujh & Devi, 2010), it is unclear exactly which benefits could be associated with which types of services. It is also unknown how the frequency by which these services are sourced influence the extent to which the intended benefits are obtained (Everaert et al., 2010: 96; Leung et al., 2010).

Service quality plays an important role in the relationship between SBOs and small accounting practitioners (Bagieńska, 2016; Groff et al., 2014; Kirby & King, 1997; Schwarze, 2008). Although several studies have highlighted the impact that the different dimensions of service quality may have on the types of services sourced and the benefits obtained (Blackburn & Jarvis, 2010; Carey & Tanewski, 2016; Groff et al., 2014; Hafeez & Andersen, 2014; Łobacz et al., 2016), no single study provides a holistic understanding of the interrelationship between these aspects.

Research on the relationship between the South African small accounting practitioner and small business owner has been limited and a need therefore exists to investigate the relationship from a South African perspective.

The research problem thus deals with the overall lack of benefit that SMMEs obtain from their relationship with their external accounting practitioners. Specifically, the extent to which the interrelationship exists between (1) the frequency by which South African SMMEs source different types of services, and (2) the level of service quality that impact small business owners' perceptions of the compliance and financial management benefits that they gain from this relationship.

Given the research problem, the purpose of this study is to develop and test a predictive model, which will:

- Provide guidance to entrepreneurs and/or SBOs concerning the services they need to source from their accounting practitioners, in order to gain the expected financial management benefits necessary for business survival and future growth; and
- Inform small accounting practitioners of what small business clients' expectations of service quality are and how to improve their service delivery in line with these expectations in order to permit the realisation of the expected financial management benefits.

1.6 Research Objectives

To realise the overall purpose, primary and secondary research objectives will be set. These objectives will be achieved by means of answering specific research questions.

1.6.1 Primary research objectives

TABLE 1.1 (below) indicates the primary research objectives and questions set for this study.

TABLE 1.1: Primary research objectives and questions

The primary objectives of this study are to:	The primary research questions are:
• Determine whether there is a significant positive relationship between the frequency with which SMMEs source different types of accounting services and the SBOs' perception of benefits received from the accounting practitioner.	• Is there is a significant positive relationship between the frequency with which SMMEs source different types of accounting services and SBOs' perception of the benefits received from their accounting practitioner?
• Determine whether there is a significant positive relationship between the levels of service quality offered by SAPs and the SBOs' perceptions of the benefits received from the accounting practitioner.	• Is there a significant positive relationship between the levels of service quality offered by SAPs and the SBO's perceptions of the benefits received from the accounting practitioner?
• To determine whether there is a significant positive relationship between the levels of service quality offered by SAPs and the frequency with which SMMEs source different accounting services.	• Is there is a significant positive relationship between the levels of service quality offered by SAPs and the frequency with which SMMEs source different accounting services?

1.6.2 Secondary research objectives

To achieve this overall purpose and primary objectives, the study will be conducted in two parts: a literature review and an empirical study. Each of these parts will contribute to achieving its own set of secondary objectives which will also be used to provide a logical structure for the remainder of the study.

TABLE 1.2 sets out the secondary research objectives and questions to be answered by the literature review and **TABLE 1.3** sets out the secondary research objectives, the questions and hypotheses to be answered by the empirical study.

Literature review

TABLE 1.2: Secondary research objectives and questions relating to the literature review part of the study

The objective of the literature study is to:	The following secondary questions will be answered through the literature review:
• Define financial management within a SMME context	What is a suitable definition of financial management within an SMME context?
• Obtain an understanding of the role of the small accounting practitioner	What is the role of the small accounting practitioner?
• Determine the benefits that SBOs could reasonably expect from the relationship with their accounting practitioners	What benefits could SBOs reasonably expect to obtain from the relationship with their accounting practitioners?
• Determine and categorise the different types of services that SAPs offer to small business clients	What different types of service categories do SAPs offer to their small business clients?
• Develop a scale for measuring service quality offered by small accounting practice	What items should be included in a scale to measure the service quality offered by small accounting practitioners?

Empirical study

TABLE 1.3: Secondary research objectives and questions relating to the empirical part of the study

The objective of the empirical study is to:	The following secondary questions will be answered through the study:
• Identify the aspects of service quality that are the most important to SBOs	Which aspects of service quality are the most important to SBOs?
• Determine whether there is a significant difference between SBOs' expectations of accounting service quality and their perceptions of the actual accounting service quality received from small accounting practitioners	Is there is a significant difference between SBOs' expectations of accounting service quality and their perceptions of the actual accounting service quality received from small accounting practitioners?
• Identify valid and reliable constructs (manifest variables) to measure SBOs' perception of the benefits obtained from the relationship with their accountant	What are the valid and reliable manifest variables to measure small business owners' perception of the benefits obtained from the relationship with their accountant?
• Identify valid and reliable constructs (manifest variables) for measuring the frequency of different types of services	What are the valid and reliable constructs (manifest variables) for measuring the frequency of different types of services?
• Identify valid and reliable constructs (manifest variables) for measuring the levels of service quality offered by SAPs	What are the valid and reliable constructs (manifest variables) for measuring the levels of service quality offered by SAPs?
• To compare the constructs for measuring service quality offered by	How do the constructs for measuring service quality offered by small

small accounting practitioners to the original SERVQUAL constructs	accounting practitioners compare to the original SERVQUAL constructs?
• To test the validity of the postulated measurement model for predicting the benefits that SBOs obtain from their accounting practitioners	Is the postulated measurement model for predicting the benefits that SBOs obtain from their accounting practitioners valid?
• To test the validity of the postulated structural model for predicting the benefits that SBOs obtain from their accounting practitioners	Is the postulated structural model for predicting the benefits that SBOs obtain from their accounting practitioners valid?

1.7 Hypothesised Model

To achieve the primary objectives set out in **TABLE 1.2** (above), the study will test the relationships as shown in the hypothesised model presented in **FIGURE 1.1**. The model indicates the hypothesised interrelationships between: (1) the frequency by which SMMEs source different types of accounting services from their external accountants; and (2) the levels of service quality offered by small accounting practitioners as well as SBOs perceptions of the benefits they obtain from the relationship with their external accounting practitioner.

It is important to note that the hypothesised model shown in FIGURE 1.1 represents the hypothesised relationships between the constructs (latent and manifest variables) as derived from the literature study presented in Chapters 3 and 4. The validity and reliability of these variables will first be tested (Refer to Chapter 6) before the final hypotheses are set and the measurement and structural models are postulated and tested.
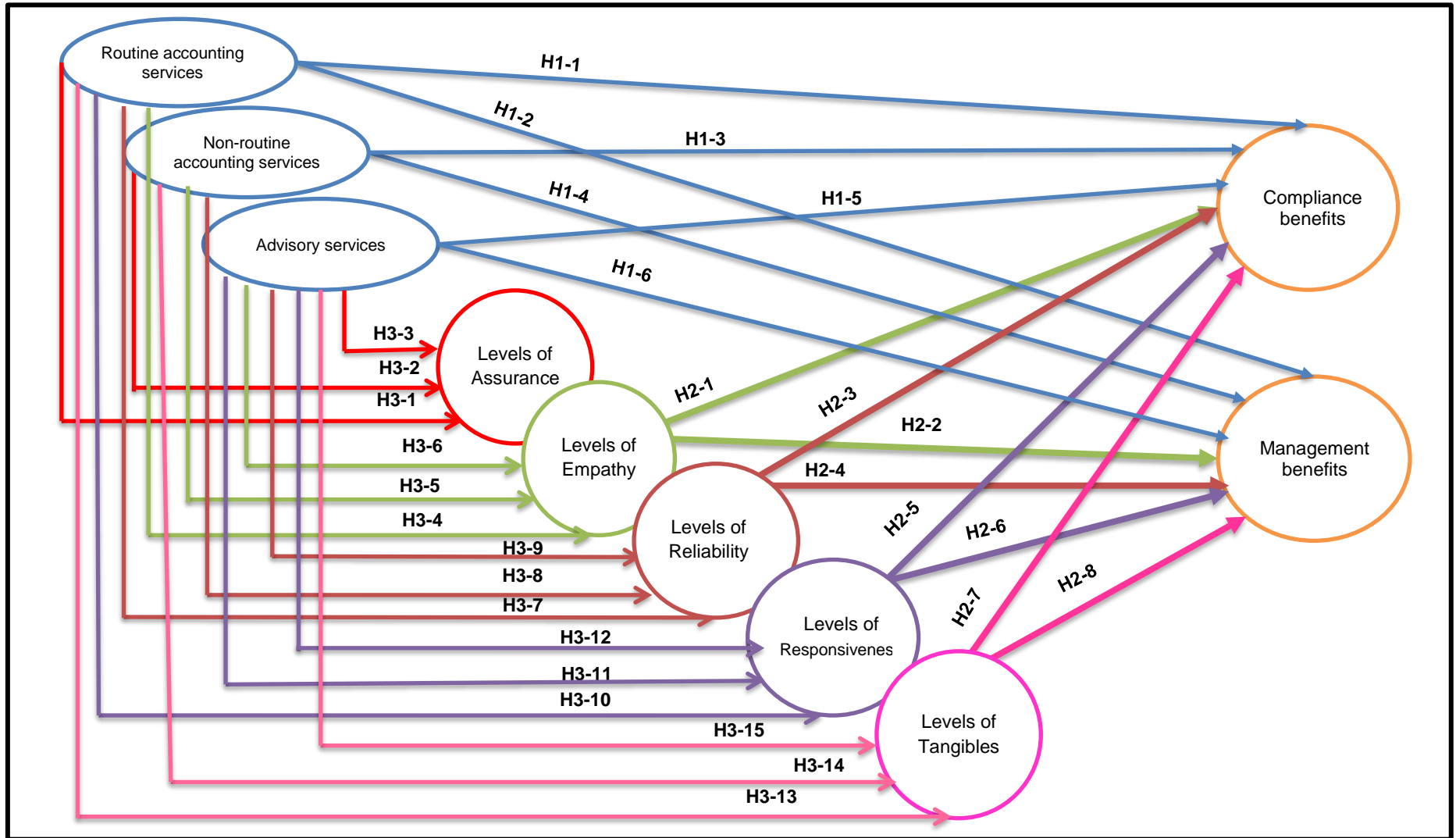
FIGURE 1.1: Hypothesised model for predicting SBOs' perception of external accounting service benefits

This study will test and conclude on the null hypothesis (H_0) presented in TABLE 1.4 below. The alternative hypotheses (H_A) are assumed and will be presented together with the final structural model and hypotheses in Chapter 6.

TABLE 1.4: Hypothesised relationships

H1	**There is a significant positive relationship between the frequency with which SMMEs source different types of accounting services and the SBOs' perception of benefits received from the accounting practitioner.**
H1-1	There is a significant positive relationship between the frequency by which SMMEs source routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-2	There is a significant positive relationship between the frequency by which SMMEs source routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-3	There is a significant positive relationship between the frequency by which SMMEs source non-routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-4	There is a significant positive relationship between the frequency by which SMMEs source non-routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-5	There is a significant positive relationship between the frequency by which SMMEs source advisory services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-6	There is a significant positive relationship between the frequency by which SMMEs source advisory services and the SBOs' perception of management benefits received from the accounting practitioner.
H2	**There is a significant positive relationship between the levels of service quality that small accounting practitioners offer to their SMME clients and SBOs' perceptions of the benefits they obtain from their external accounting practitioner**
H2-1	There is a significant positive relationship between the levels by which SAPs deliver the assurance dimensions of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-2	There is a significant positive relationship between the levels with which SAPs deliver the assurance dimensions of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-3	There is a significant positive relationship between the levels with which SAPs deliver the empathy dimensions of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.

H2-4	There is a significant positive relationship between the levels with which SAPs deliver the empathy dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-5	There is a significant positive relationship between the levels with which SAPs deliver the levels of the reliability dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-6	There is a significant positive relationship between the levels with which SAPs deliver the levels of the reliability dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-7	There is a significant positive relationship between the levels with which SAPs deliver the levels of the responsiveness dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-8	There is a significant positive relationship between the levels with which SAPs deliver the levels of the responsiveness dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-9	There is a significant positive relationship between the levels with which SAPs deliver the levels of the tangible dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-10	There is a significant positive relationship between the levels with which SAPs deliver the levels of the tangible dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H3	**There is a significant positive relationship between the frequency with which SMMEs source different types of services and the levels of service quality that SAPs offer their small business clients**
H3-1	There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the assurance dimension of service quality.
H3-2	There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the assurance dimension of service quality.
H3-3	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the assurance dimension of service quality.
H3-4	There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the empathy dimension of service quality.
H3-5	There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the empathy dimension of service quality.

H3-6	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the empathy dimension of service quality.
H3-7	There is a significant positive relationship between the frequency by which SMMEs source routine services and the levels with which SAPs deliver the reliability dimensions of service quality.
H3-8	There is a significant positive relationship between the frequency by which SMMEs source non-routine services and the levels with which SAPs deliver the reliability dimension of service quality.
H3-9	There is a significant positive relationship between the frequency by which SMMEs source advisory services and the levels with which SAPs deliver the reliability dimension of service quality.
H3-10	There is a significant positive relationship between the frequency by which SMMEs source routine services and the levels with which SAPs deliver the responsiveness dimension of service quality.
H3-11	There is a significant positive relationship between the frequency by which SMMEs source non-routine services and the levels with which SAPs deliver the responsiveness dimension of service quality.
H3-12	There is a significant positive relationship between the frequency by which SMMEs source advisory services and the levels with which SAPs deliver the responsiveness dimension of service quality.
H3-13	There is a significant positive relationship between the frequency by which SMMEs source routine services and the levels with which SAPs deliver the tangible dimension of service quality.
H3-14	There is a significant positive relationship between the frequency by which SMMEs source non-routine services and the levels with which SAPs deliver the tangible dimension of service quality.
H3-15	There is a significant positive relationship between the frequency by which SMMEs source advisory services and the levels with which SAPs deliver the tangible dimension of service quality.

1.8 Research Design and Methodology

The study will use a formal research design, consisting of a literature study and an empirical study, to answer the research questions and to test the hypotheses (Cooper & Schindler, 2011: 720).

1.8.1 Literature Review

The literature review sets out to provide insights into existing knowledge relating to the use of financial and management accounting in small businesses and the role of the small accounting practitioner to ensure that the benefits associated with good financial management are realised. The literature study informed the development of the research questionnaire. In addition, it also provides theoretical support for the hypothesised relationships between: (1) the frequency of different types of services sourced; (2) the levels of service quality; and (3) the benefits that SBOs obtained from the relationship with their accountant.

The aim of utilising the literature review is to integrate previous literature that is believed to relate the relationship of small accounting practitioner with the factors influencing this relationship.

1.8.2 Empirical Study

The empirical part of this study will address the research problem from a positivistic paradigm, i.e. it will test hypotheses derived from an existing body of knowledge. Deductive conclusions regarding these hypotheses will be drawn from the quantitative analysis of data obtained from representative samples of SBOs (Mouton, 1996: 33).

The study uses a cross-sectional, ex post facto design. The purpose of this part of the study is to (1) identify the most important aspects of service quality offered by small accounting practitioners; (2) to determine the levels of service quality offered by small accounting practitioners; and (3) to provide statistical evidence in support of the postulated measurement and structural model for predicting the perception of accounting service benefits.

Sampling and data collection

To achieve the overall purpose, primary data were collected using convenient sampling techniques. Survey data from 424 SBOs (as defined) was used to conduct the empirical analysis

Research instrument

Survey data was collected using a self-administered questionnaire. The literature review was used to development the questionnaire. A copy of the research questionnaire is attached in Appendix A-1.

Analysis of data

The empirical part of this study will make use of different inferential statistical techniques including structural equations modelling to achieve the objectives of the study.

Detailed discussions of the research design and methods applied in this study are provided in Chapter 5.

1.9 Contribution of the Study

The study sets out to provide the following theoretical and practical contributions:

1.9.1 Theoretical contributions

The study's unique theoretical contributions lie in the development of a predictive model that will provide an understanding of how the types and frequency of services sourced by small business owner, and the levels of service quality offered by small accounting practitioners, influence SBOs' perception of the benefits received from the relationship with their accounting practitioner.

Over the past fifteen years, various scholars have expressed concerns that research in the field of small business accounting is disconnected, with researchers mostly following their own agenda. As a result contributions have not systematically contributed to building a coherent body of knowledge (Blackburn & Jarvis, 2010;

Lukka, 2010: 110; Marriott & Marriott, 2000; Mitchell & Reid, 2000; Nandan, 2010; Olson et al., 2004).

This study will address this concern by providing a first step into obtaining a holistic understanding of the complex interrelationship of the factors known to affect the relationship between the small business owner and small accounting practitioner.

Measuring non-financial benefits of accounting and advisory services

Research analysing the benefits derived from accounting and advisory services have mainly considered its economic benefits. Studies performed by Bennett (2000), Bennett and Robson (1999), Carey (2015), and Husin and Ibrahim (2014), have hypothesised a positive relationship between enhanced SMME performance and the sourcing of business advice, but the evidence from these studies has been mixed and inconclusive. Carey (2015: 182) asserted that scholars should be mindful of the fact that benefits as a construct are not easily quantifiable and that it is therefore inappropriate to measure benefits in financial terms only. To address this concern this study will contribute by measuring small business owner *perceptions* of benefits.

Establish the drivers of service quality in SAPs

Studies investigating service quality within an accounting environment mostly relate to advisory service quality in larger accounting practices (Aldhizer et al., 2002; Behn et al., 1997; Turner et al., 1999). Like the way in which other small businesses differ from large business, SAPs differ dramatically from large and even mid-tier practices, both in terms of the services offered (Blackburn & Jarvis, 2010:20) and the clients they service (Samujh & Devi, 2010). To generalise findings of research performed in large audit firms to SAPs, cannot be regarded as sound practice.

Although previous studies have indicated the importance of service quality in the relationship between the small business owner and the accountant (Bagieńska, 2016; Blackburn & Jarvis, 2010; Sundgren & Svanström, 2012), limited studies have investigated the impact that service quality has on the relationship between the small business owner and small accounting practitioner. A recent study by Groff et al. (2014) addressed this problem to some extent, by studying the service quality offered by

SAPs using the perception only dimensions of SERVQUAL and its relationship to customer retention. This study will add to the findings from Groff et al. (2014) by measuring both the perceptions and expectation dimension of service quality and assessing its relationship with the types of services sourced as well as the perception of benefits obtained. The study will further investigate the phenomenon from a developing country perspective, which may provide unique findings.

Provide a South African perspective to address the gap of an inadequate international research based for comparative purposes

The majority of studies relating to small businesses accounting practices and the relationship between the small business owner and small accounting practitioner have been conducted in the UK and Australia. There is therefore an inadequate international research base making the comparison between SMPs in different jurisdictions very difficult (Blackburn & Jarvis, 2010). Several authors and journal editors have called for studies from other regions of the world in order to build an internationally representative knowledge base (Blackburn & Jarvis, 2010; Lavia López & Hiebl, 2015; Nandan, 2010). This study will contribute to addressing this gap, which is important given an ever-increasing global environment.

Limited research into the relationship between the South African small business owner and the small accounting practitioners exists. South Africa's uniqueness stems from the combination of it being a developing economy while it is simultaneously regarded as a leader in terms of its accounting practices (Kirsten & Fourie, 2012: 462). In sharp contrast however, the country ranks amongst the lowest in terms of small business survival rates, attributed largely to low general skills levels (World Economic Forum, 2016). Findings from this study may provide insight into how a developing country such as South Africa could harvest the benefits of having highly skilled accounting staff and use it to build its entrepreneurial capabilities. Pressure is mounting on South African Universities to "decolonise" their curricula. To facilitate such a process it is becoming more important for South African faculty members to build African specific academic theory. In addressing this national concern, it is anticipated that this study will contribute in a small way to such a process.

1.9.2 Practical benefits of the study

Findings from this study should hold the following practical benefits:

Benefits to the SBOs and entrepreneurs

Enhancing entrepreneurial activity is very important in all economies and it is therefore essential that small businesses are supported by all means possible to ensure that they survive and grow into strong established enterprises (Burke & Jarratt, 2004: 126; Deakins et al., 2001: 10; Ireland & Webb, 2007: 892; Naidu & Chand, 2012: 245). This is particularly true within a South African context where all the indicators of entrepreneurial activity are reported to be in dire straits (Brijlal, Enow & Isaacs, 2014; Herrington & Kew, 2016; Kirsten & Fourie, 2012: 460; Wolmarans & Meintjes, 2015). As highly skilled professionals, South African small accounting practitioners have an obligation to support SMMEs to ensure survival and growth (Kirsten & Fourie, 2012: 460).

Lavia López and Hiebl (2015: 111) called for research that would assist small accounting practitioners to generate valuable advice and in so doing help to reduce SMME failure. While the importance of financial management skills to SBOs and entrepreneurs has long been established, a lack of financial management skills has been identified as a major contributor to business failure (Blomkvist et al., 2016: 209; Chittithaworn, Islam, Keawchana & Yusuf, 2011; Kotzè, 2008: 36; McChlery et al., 2005: 3; Nawaz, 2012: 49; Roodt, 2005: 31). It is therefore important that SMMEs source the right combination of services from their external accounting practitioner to ensure that any lack in financial management skills are overcome.

A study published by the ACCA (2013: 3) has revealed that financial management is not *only* important for survival, but that it is also a crucial contributor to securing small business growth. It is therefore even more important that small entrepreneurial business ventures, i.e. those with a growth orientation, source the appropriate combination of compliance and advisory services. This study will provide an understanding of the frequency with which SMMEs should source different types of services from their external accounting practitioners to obtain the required benefit.

This study will further provide an understanding of SBOs' perceptions of what the most important dimensions of service quality are. This should provide small accounting practitioners with the means to better service their small business clients and, as such, enhance entrepreneurial activity through improved support and increased financial management skills.

This study would therefore contribute by raising the awareness of SBOs, of: firstly, the types of services they need to source from their accountants to ensure that the relationship they have with them results in overcoming their lack of financial management skills within their businesses; and secondly, the levels of service quality that they need to demand from their accountants.

Benefits to small accounting practitioners

The competitive environment in which SAPs operate is constantly changing because of market and regulatory dynamics (Bennett and Robert, 2001). Similar to other jurisdictions, the South African Companies Act 71 of 2008 that was promulgated in May 2011, no longer required private companies to be subject to an external audit. This has had a dramatic impact on the compliance services offered by the SAPs and requires them to be innovative in offering complementary advisory services. According to Bennett and Robert (2001), there is insufficient literature on the strategies that SAPs need to deploy to improve their competitiveness in dynamic market conditions. Although this study does not specifically address the strategies of SAPs, it aims provide SAPs with an understanding of how to improve their service offering to SBO. In addition, results from this study would provide the accountant with a better understanding of how SBOs make decisions regarding the choice of accountants and services provided. Research has shown a relationship between service quality and SBO's willingness to acquire advisory services (Carey & Tanewski, 2016; Mauerer & Nissen, 2014). By focusing on the factors identified, the accountant should be able to improve their service to SBOs and in doing this, improve their own competitiveness.

Benefits to professional bodies

According to the ACCA (2013: 3) it is important that a "new wave" of professional accountants be encouraged to embrace high standards of providing accounting

services and financial advice. The results from this study could provide professional bodies with an understanding of the soft skills required by their members in SAPs to meet the changing demands on their competencies and knowledge base.

Results from this study could inform professional accounting bodies of the soft skills training that should be addressed during the continuous professional development (CPD) programmes offered to their members in SAPs.

1.10 Delineation of the Study

The study serves as a starting point to gaining a holistic understanding of the factors affecting the benefits that SBOs secure from the relationship with their accounting practitioners. It will investigate just those aspects relating to: (1) the frequency by which different types of services are sourced; and (2) the way in which the service is offered, i.e. service quality.

A review of the literature revealed that factors relating to: the small business owner (experience, qualification, age etc.), the small business (age, industry, size, etc.) and the accounting practitioner (experience, professional qualification, length of the relationship etc.) may also influence the relationship and the benefits obtained. These factors fall outside the scope of this study.

Studies in the field of entrepreneurship normally differentiate between SBOs and entrepreneurs. The definition of SBOs used in this study includes the owners of small businesses and entrepreneurial ventures. It will therefore not distinguish between SBOs and entrepreneurs. Theoretical justification for this practice is provided in Chapter 2.

1.11 Ethical Considerations

Due care was taken to ensure the research was conducted in such a way as not to harm or offend any individual, group or organisation. The necessary permission was obtained before distributing the questionnaire to respondents. The research was conducted openly in terms of the purpose of the study. Respondents were given the opportunity to take part in the study but were under no obligation to do so.

In addition, participants will remain anonymous and the findings of the research will be made freely available to all interested parties. There further was no falsification of data and the work is free of any form of plagiarism.

The questionnaire used in this study was submitted to the University of Pretoria's ethics committee with approval awarded on 5 February 2014 (Refer to Appendix A-2 for the ethical approval letter). Permission was granted by both the SAICA and SAIPA to administer some of the questionnaires through their members. These permission letters are attached to .

1.12 Chapter Layout

FIGURE 1.2 and **FIGURE 1.3** provide a schematic breakdown of the sections of the study, the chapters, and the purpose and objectives that will be addressed in each.

This diagram will be used to structure the remainder of the thesis in a logical manner.

FIGURE 1.2: Literature review objectives linked to chapter layout

Empirical study

- To identify the aspects of service quality that are the most important to small business owners
- To determine the levels of service delivery offered by South African SAPs
- To identify valid and reliable constructs (manifest variables) to measure small business owners' perception of the benefits obtained from the relationship with their accountant
- To identify valid and reliable constructs (manifest variables) for measuring the frequency of different types of services
- To identify valid and reliable constructs (manifest variables) for measuring the levels of service quality offered by SAPs and compare this to the original SERVQUAL construct
- To test the validity and reliability of the postulated measurement model for predicting the perception of accounting service benefits and
- To test the validity and reliability of the postulated structural model for predicting the perception of accounting service benefits

Overall objective: *To develop a model that predicts how (1) the types and frequency of services sourced by small business owner, (2) their service quality expectations; (3) and levels of service quality offered by small accounting practitioners influence small business owners' perception of the benefits received from the relationship with their accounting practitioner.*

Chapters

Chapter 5
The purpose of this chapter is to:
- Describe the research design and methods followed to conduct the empirical part of the study

Chapter 6
The purpose of this chapter is to:
- Describe the sample using descriptive statistics and frequency analysis
- Determine the aspects of service quality that are most important to small business owners
- Determine whether there is a statistically significant difference between small business owners' expectations and perceptions of service quality
- Identify valid and reliable constructs (manifest variables) for measuring the frequency of different types of services, service expectations, service quality levels and perceived benefits
- Test the validity and reliability of the postulated measurement and structural models for predicting the perception of accounting service benefits

Chapter 7
The purpose of this chapter is to:
- Explain the findings of the study in relation to the research questions and hypotheses
- Conclude on the overall and secondary objectives of the study
- Identify the limitations of the study and
- Identify areas of future research

FIGURE 1.3: Empirical study objectives linked to chapter layout

CHAPTER 2

ENTREPRENEURSHIP THEORY AND THE FINANCIAL MANAGEMENT OF SMALL BUSINESSES

"No entrepreneur ever sets out to build a top notch finance department. Entrepreneurs set out to build successful businesses and over time they find, sometimes reluctantly but inevitably, that they need a finance function to help them get there."
ACCA (2013)

2.1. Introduction

This study makes use of a literature review and empirical study to achieve its purpose and objectives. The said review provides insights into the body of knowledge which underlies the research problem. It also informs the development of the research questionnaire and provides support for the relationships hypothesised in the conceptual framework

The literature review is presented in three chapters of which this is the first. The purpose of this chapter is to:

- Contextualise the study within the field of entrepreneurship and small business management
- Define financial management in a small business context
- Determine the benefits that SBOs should derive from financial management as defined and
- Determine the role of the small accounting practitioner in supporting the small business owner.

2.1.1. Contextualising the Study within the Field of Entrepreneurship

This study is conducted in the field of small business management and entrepreneurship and it is therefore important to situate the contribution within this overall body of knowledge in particular.

The next section will therefore commence by defining the concepts of a small business and small business owner as they apply to this study.

2.1.2. Operational definition of a small business and small business owner

Small businesses are normally differentiated from large businesses in terms of specific legislative parameters (Carey, 2008: 22). In line with international practice, the South African National Small Business Amendment Act 26 of 2003 has set the following qualitative and quantitative parameters to differentiate between small, micro, and medium enterprises operating in different sectors of the economy.

The qualitative criteria, which relate to the ownership and structure of the business, require a small business to: (1) be a separate and distinct business entity; (2) not be part of a group of companies; (3) be managed by the owners; (4) be a natural person, sole proprietorship, a partnership or a legal person such as a company or a close corporation. The quantitative criteria as set out are based on the number of employees, turnover, and net asset value.

For the purpose of this study, the definition of a small business used will include micro, very small, small and medium enterprises (SMMEs) as defined by the quantitative criteria set out in the Schedule to the South African National Small Business Amendment Bill, 2003. It is worthy to note that the term SMME is unique to the South African context. Elsewhere micro enterprises are generally excluded from the terminology and only referred to as small and medium enterprises (SMEs). As this study is conducted in South Africa the terms SMME was therefore adopted.

As far as the quantitative criteria are concerned, the study will use only the number of employees as the criterion to differentiate between a small and large organisation. The decision to exclude the turnover and net asset value from the quantitative criteria is in line with the practice adopted in related international small business accounting studies (ACCA, 2012; Bennett, 2007; Burke & Jarratt, 2004; Collis, 2012; Han & Benson, 2010; Howorth & Westhead, 2003; McChlery et al., 2005; Panday, 2013). The reasons for using the number of employees as the only criterion to delineate SMMEs are, firstly, to allow for international comparison. The "number of employee" criterion is less varied between various jurisdictions than the turnover and net asset criteria

(Carey, 2008: 22). Secondly, these latter criteria become obsolete if not frequently adjusted for inflation. The small business criteria reflected in the Schedule to the South African National Small Business Amendment Bill were last updated in 2003; as a result they may not be a realistic reflection of the criteria in the current economic situation. Thirdly, except for the agriculture sector, the criterion of number of employees is the same across all industry sectors and therefore allows for a uniform delineation of the definition.

A small business for the purposes of this study is therefore defined as: *A micro, very small, small and medium enterprise (SMME) operating as a separate and distinct business entity, including co-operative enterprises and non-governmental organisations managed by one or more natural owners, which including its branches or subsidiaries, if any, has a maximum of 200 employees.*

Concurring with the definition of a small business, a small business owner, for the purposes of this study, refers to: *any person who separately or jointly owns, by means of capital contribution or shareholding, any form of small business.*

It is important to reiterate that the operational definition of a small business owner in the context of this study includes both a small business owner and an entrepreneur as defined within entrepreneurship literature.

2.1.3. A small business versus an entrepreneurial venture

Within the field of entrepreneurship, the terms 'small business owner' and/or 'entrepreneur' are often used interchangeably when referring to the owner of a small business. Nieman and Nieuwenhuizen (2014: 9) assert that it is important to distinguish between a small business owner and an entrepreneur. Wickham (2006: 41), however, argues that rather than trying to draw a distinction between these individuals, it is more valuable to distinguish what they manage, i.e. between the small business and the entrepreneurial venture. This study specifically investigates the perceptions of SBOs; the focus is therefore placed on 'ownership'. Commonly accepted definitions of an entrepreneur do not include ownership as a prerequisite for being classified as an entrepreneur (Baron, 2003: 253; Berglann, Moen, Røed & Skogstrøm, 2011: 8; Carlsson, Braunerhjelm, McKelvey, Olofsson, Persson &

Ylinepaa, 2013; Gartner, 1989: 47; Kuratko, 2016: 5; Morris, Pryor & Schindehutte, 2012). Wickham's (2006: 41) argument with respect to differentiating between a small business and an entrepreneurial venture, rather than a small business owner and an entrepreneur, is adopted for this study as the use of the latter terms may result in an inaccurate or confusing delineation of constructs.

Using the distinguishing features of an entrepreneur (Nieman & Nieuwenhuizen, 2014: 8), **TABLE 2.1** draws on the work of various scholars to provide a summary of how SMMEs could be categorised as either a small business or an entrepreneurial venture.

According to Hisrich et al. (2017) the objective of growth has become the most prominent factor to differentiate between the two types of SMMEs; an entrepreneurial small business venture could therefore be defined as: "... an SMME (as defined) where the principal objective is growth"(41).

TABLE 2.1 indicates that management activities are important for all SMMEs. This study focuses on their financial management and it could consequently be argued that this is important to both small and entrepreneurial ventures. It is, however, noteworthy that although financial management is important to all SMMEs, the function plays a more important role in entrepreneurial ventures where the principal objective is that of "growing the business" (Brinckmann, Salomo & Gemuenden, 2011: 217; Olson et al., 2004: 12). The relationship between financial management and growth is explored in more detail in sections 2.3 and 2.4.3 of this chapter.

TABLE 2.1: Differences between small businesses and entrepreneurial ventures

Distinguishing features of entrepreneurship	Difference between a small business and an entrepreneurial venture	References
Innovation and opportunity identification	Both small businesses and entrepreneurial ventures need entrepreneurial activity in the start-up phase; however, in a small business the entrepreneurial activity tapers off once the business is established, with the owner being satisfied with inflationary growth. Employees of entrepreneurial ventures are encouraged to continue seeking new opportunities with the aim of growing the business. Most small businesses are seen to seek opportunity just in the start-up phase of the business.	(Avlonitis & Salavou, 2007: 566; Baron, 2003: 253; Carland, Hoy, Boulton, Carland & Carland, 1984: 355; Carlsson et al., 2013: 914; Kuratko, 2016: 5; Morris et al., 2012: 2; Nieman & Nieuwenhuizen, 2014: 280; Shane & Venkataraman, 2000; Sidik, 2012: 377)
Taking risk	The risk-appetite within entrepreneurial ventures is high. Employees are encouraged to develop new and smarter ways of deploying resources with the aim of generating a return higher than the weighted average cost of capital. Small businesses are perceived to be more risk averse and the aim is to maintain the business as is, without being actively involved in new marketing or innovative practices.	(Berglann et al., 2011: 8; Carlsson et al., 2013; Hisrich et al., 2017: 5; Morris et al., 2012: 9; Timmons, Adams & Spinelli, 2015)
Growing the venture	Growth is the overarching objective in an entrepreneurial venture, with the financial aim being to maximise value. A small business is normally not dominant in its field and the owner does not engage in innovative practices with the aim of growing the business. The financial aim of a small business is to sustain the lifestyle of the owner.	(Carland et al., 1984: 357; Gartner, 1989: 47; Morris et al., 2012; Poutziouris, 2003; Stewart Jr., Watson, Carland & Carland, 1999: 204; Wickham, 2006)
Managing the business	Management and leadership are essential in both small businesses and entrepreneurial ventures. Operational management in both types of SMMEs is concerned with survival. Entrepreneurial ventures have a stronger focus on strategic management, i.e. decisions regarding the strategic objectives, direction, market position and expansion, are more important).	(Carland et al., 1984: 357; Morris et al., 2012; Nieman & Nieuwenhuizen, 2014: 11; Wickham, 2006)

Source: Own compilation

Davidsson (2004: 4) argues that a disadvantage of defining concepts within the field of entrepreneurship is that the definitions stem from two distinctly different social reality views accepted by scholars. These views are illustrated in **FIGURE 2.1.**

First Social Reality

- Self-employment
- Owner manager of an independent business
- Small business management
- Family business
- Stages of development models

Some element of innovation at start-up and also for survival in this capacity over time

Second Social Reality

- Micro level actors – agents of change for renewal of society or economy and organisations
- Intrapreneurs
- Corporate venturing and organisational rejuvenation
- Change agency outside the profit sector

Innovation is the thrust throughout

Start-up of new, independent ventures

ENTREPRENEURSHIP

FIGURE 2.1: Social realities of entrepreneurship

Source: Davidsson (2004)

According to Davidsson, (2004:5) the two social reality views could be summarised as follows:

- The first social reality is that entrepreneurship is viewed as pertaining to independently owned small firms and their owner-managers. In addition, the risk/reward structure is radically different, with a much wider span of possible financial gains. The focus is placed on small business management and there tends to be more flexibility between work and leisure; while

- The second social reality takes a broader view of entrepreneurship and embraces topics such as innovation and creativity. It is developed along the lines

of Schumpeter's "new combinations" approach. According to this view, entrepreneurs do not necessarily need to own a business venture, and the view therefore makes room for the inclusion of topics such as corporate venturing, organisation rejuvenation and topics outside the profit sector.

These two views represent different ontological views of reality; therefore, one is not better or worse than the other: they are just different. The research problem presented in this study falls within the first social reality view of entrepreneurship, i.e. that of self-employed individuals who own and manage an SMME. The study specifically addresses the issue of financial management in this context.

2.1.4. Small business management and entrepreneurship literature

Entrepreneurship as a field of study is interdisciplinary and consists of a diversity of theories (Moroz & Hindle, 2012: 781). As a result the field has developed in a "disjointed manner borrowing, building upon and adapting theoretical and conceptual work from various different fields" (Kuratko et al., 2015: 9). In response to this problem Kuratko et al. (2015) developed a "framework of frameworks" which ties together existing frameworks in the field of entrepreneurship to form a cohesive unit (Refer to **FIGURE 2.2**).

FIGURE 2.2 depicts the "framework of frameworks for entrepreneurship" as the interconnection of the major strands of entrepreneurship frameworks currently employed, with the aim of logically structuring contributions in the field. The first of the fundamental frameworks represented in the "framework of frameworks" is the school of entrepreneurship thought and will be used to position this study in the overall body of knowledge. The said framework divides entrepreneurship literature into specific activities (Kuratko et al., 2015: 4). Although the applicability of some of the other frameworks may be debated, this study focuses specifically on financial management as an important activity within an SMME context; as such the given framework will be used to position the study in the field of entrepreneurship.
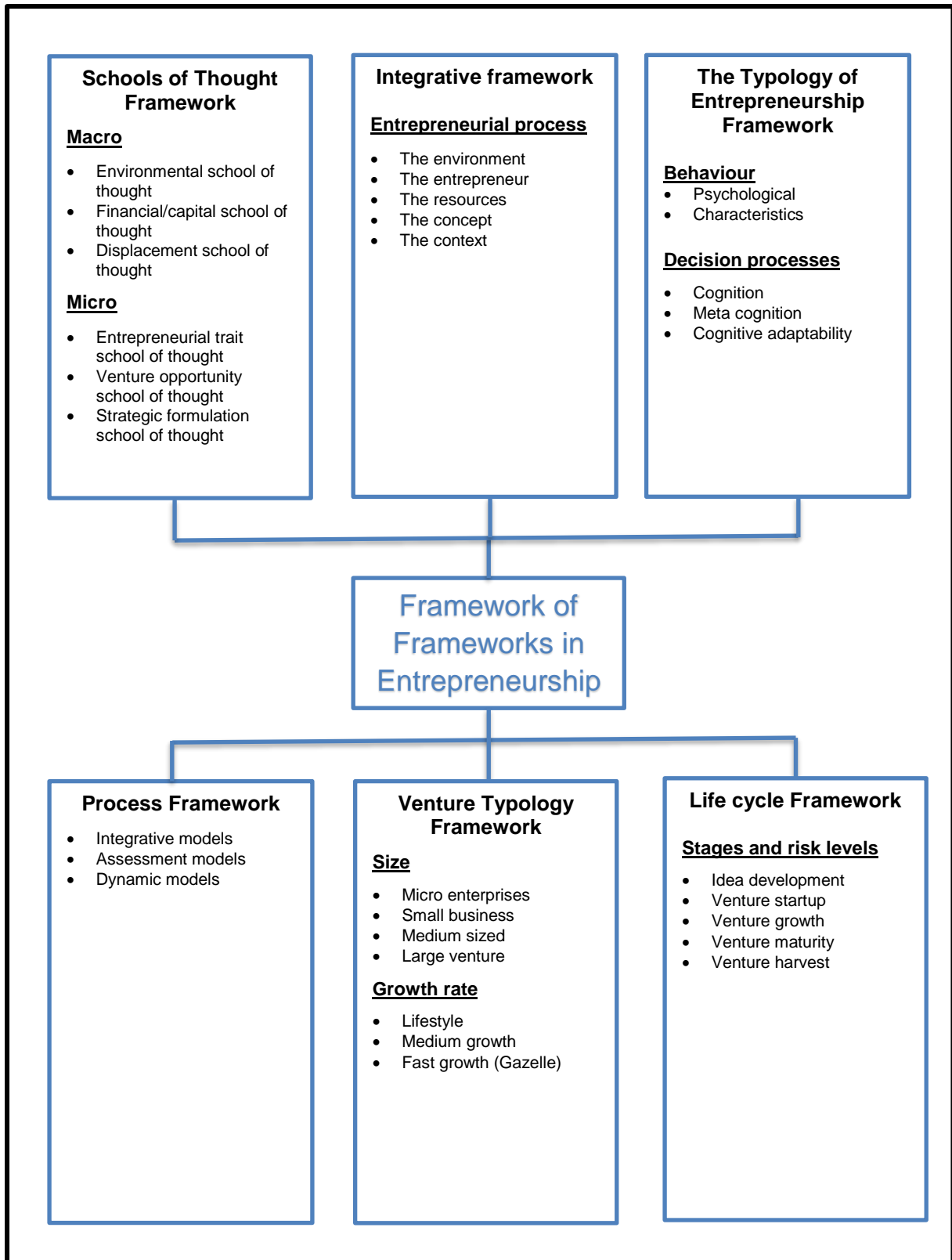
FIGURE 2.2: Framework of frameworks in entrepreneurship

Source: Kuratko et al. (2015: 9)

According to Kuratko et al. (2015: 4), entrepreneurship activities could be viewed either from a micro or macro perspective. Although these views are different, each addresses the conceptual nature of entrepreneurship from a different angle. The micro-view of entrepreneurship relates to the factors internal or specific to the entrepreneur, which determine entrepreneurial success or failure. This represents the inside-out approach to entrepreneurship. The micro-view consists of the following schools of thought:

1. *Entrepreneurial trait:* This school of thought is centred on the study of successful people who exhibit similar characteristics, which could increase the probability of success for the others who imitate them (Kuratko et al., 2015: 4). Research questions in this area generally involve, "What personality characteristics do you have, what are your capabilities and what are your credentials?"(Bhat & Khan, 2014: 84), focusing on the ability of the individual and the abilities that contribute to establishing and growing business ventures. Cunningham and Lischeron (1991: 56) state that entrepreneurial ability is measured through expertise, technical knowledge and technical plans. This further assumes that in the absence of skills SBOs or entrepreneurs should source these skills externally.

2. *Venture opportunity:* The emphasis of this school of thought falls on innovation and the ability to recognise opportunities. Proponents of this school investigate topics that consider the search for ideas, development of concepts and the implementation of venture opportunities.

3. *Strategic formulation:* Studies related to this school of thought typically emphasise the planning process in successful venture development (Kuratko et al., 2015: 4). One way to view strategic formulation is as a leveraging of unique elements (Bhat & Khan, 2014: 781). Unique markets, unique people, unique products, or unique resources are identified, used, or constructed into effective venture formations (Porter, 1991: 95).

The macro-view of entrepreneurship thought presents studies that focus on the external factors which contribute to the success or failure of entrepreneurial ventures. These factors are often beyond the control of individual entrepreneurs. The following three schools of thought represent this view:

1. *Environmental*: This school of thought deals with the external factors that affect the potential entrepreneurs' motivation and ability to start a venture: either is applicable. The focus is placed on the socio-political environment and the external factors that may exert either a positive or negative effect on the moulding of entrepreneurial desires (Kuratko et al., 2015). These include institutions, values and morals, which strongly influence the development of entrepreneurs (Bruyat & Julien, 2000: 165).

2. *Financial or capital*: This school of thought is based on the capital-seeking process. The search for seed and growth capital and financial management is a major focus of this school (Bhat & Khan, 2014: 179). Certain literature is devoted specifically to this process, whereas other sources tend to treat it as a segment of the entrepreneurial process. This school views the entire entrepreneurial venture from a financial management perspective (Bhat & Khan, 2014: 178).

3. *Displacement:* Proponents of this school focus on the negative side of group phenomena. The central belief is that the group prevents a person from advancing, or eliminates some elements which they may need in order to advance (Kuratko et al., 2015). As a result, the person may feel "displaced" from the group. Examples might be political, cultural or economic factors (Nieman & Nieuwenhuizen, 2014: 11). As a result, the frustrated individual will be projected into an entrepreneurial pursuit out of his or her own motivations to succeed. Research has noted that individuals fight adversity and tend to pursue adventure when they are prevented or displaced from doing other activities (Nieman & Nieuwenhuizen, 2014: 30,31).

This study is positioned within two schools of thought, from the micro perspective within the entrepreneurial trait school and from a macro perspective within the financial or capital school of thought. Firstly, from the entrepreneurial trait viewpoint, the study argues the importance of financial management skills as an "entrepreneurial ability" which contributes to the success or failure of the SMME. The study further contends that in the absence of these skills SBOs should source the skills externally – from the small accounting practitioner. Secondly, from a macro perspective, the study focuses on the importance of financial management in the ability to obtain and grow capital.

The next section synthesises available literature to determine the purpose of financial management in small and entrepreneurial business ventures and the benefits that SBOs and entrepreneurs should obtain from effective management of this type. These benefits will then be used to consider the role of the external accountant regarding the small business and the benefits that the small business owner should derive from the relationship with their accountant.

2.2. Financial Management in Small Businesses

Scholars subscribing to the entrepreneurship trait view have long established that financial management is important for small business success and growth (Blomkvist et al., 2016: 209; Chittithaworn et al., 2011; Kotzè, 2008: 36; McChlery et al., 2005: 3; Nawaz, 2012: 49; Roodt, 2005: 31). The lack of financial management has further been identified as a major contributor to small business failure (Collis & Jarvis, 2002: 100; Halabi et al., 2010: 175; Kotzè, 2008: 35; Lavia López & Hiebl, 2015: 82; Mazzarol, Reboud & Clark, 2015: 4,16; Mellemvik, Monsen & Olson, 1988: 102). A study by Panday (2013: 80), which investigated the causes of small business failure in South Africa, concluded that financial management is *the* most critical component in determining whether a business is successful or not. Similarly, research conducted by the ACCA (2013: 3) revealed that financial management is not just important for small business management, but that it is also one of the major contributors to small business growth, and therefore especially important for ventures with an entrepreneurial focus.

"Financial management" as a concept is widely used, but it often has very different meanings depending upon the context in which it is employed. It is therefore important that **financial management** and its intended benefits within a small business context are properly defined and explained. Acceptable definitions of the concept normally consist of an explanation of the activities involved in financial management and a statement of the objectives of these activities**. TABLE 2.2** provides a breakdown of the activities and objectives typically included in acceptable definitions of financial management.

TABLE 2.2: Activities and objectives included in generally accepted definitions of financial mangement

Activities	References
Prepare accounting and management accounting information	CIMA (2005); Correia & Uliana (2015)
Use information for decision-making	Correia & Uliana (2015); Halabi et al. (2010); Schwarze (2008); Wolmarans & Meintjes (2015)
Use information for control	Collis & Jarvis, (2002); Correia & Uliana (2015); Wolmarans & Meintjes (2015)
Objectives	
Create value for shareholders	Correia & Uliana (2015); Wolmarans & Meintjes, (2015)
Create value for stakeholders	CIMA (2005)

Source: Own compilation

Combining the different activities and objectives it could be argued that financial management relates to: the application of accounting and management accounting principles to inform the decisions and to support control over the sources and applications of funds in a way that would create, protect, and increase stakeholder value.

The problem with these generally accepted definitions of financial management are that they are normally formulated from the perspective of larger organisations. According to White (1983), "a small business is not a little big business"; in other words, the management principles and techniques applied by large organisations cannot be assumed to be best practices for SMMEs. Financial management in large organisations is perceived as a function of top management, separated from the normal bookkeeping and accounting functions (Brinckmann et al., 2011: 223). This function in SMMEs is however very different, comprising a far broader set of activities (Wolmarans & Meintjes, 2015: 95). A need therefore exists to develop an operational

definition for financial management as it applies to small businesses; such a definition should include the following aspects:

2.2.1. Financial accounting and bookkeeping

Within a small business context it is the responsibility of the business owner to ensure that proper record keeping systems exist (Nieman & Nieuwenhuizen, 2014: 96), that annual financial statements are prepared, audited or reviewed (Carey, 2008; Collis, 2003; McMahon, 1999) and that timely tax returns are submitted (McMahon, 2001). These accounting and compliance related activities form part of the finance function in small businesses (ACCA, 2012) and should therefore be included in any definition of financial management.

2.2.2. Management accounting

Until recently, it was commonly believed that the larger the organisation, the greater the need for management accounting information (Mitchell & Reid, 2000: 387; Perren, 2000). This may have implied that SMMEs do not need comprehensive management accounting systems. However, in contradiction of that view, it is now known that because small businesses are faced with similar complexities to their larger counterparts and because they are more prone to failures, management accounting information is especially important in this context (Lavia López & Hiebl, 2015: 82; Nandan, 2010: 69).

Preparing management accounts within a small business context forms part of the accounting and bookkeeping function and should therefore be included in an acceptable definition of financial management in this context.

2.2.3. Liquidity and profitability

Maximising the value of the organisation is the overall long-term financial objective that the majority of large for-profit organisations pursue (Brijlal et al., 2014: 343).Securing this long-term objective is dependent on achieving the following short-term objectives: liquidity and profitability (Schwarze, 2008: 143; Wolmarans & Meintjes, 2015: 108). Although also important for larger organisations, these objectives, which focus on short-term survival, are known to be more critical in small

businesses (ACCA, 2013a: 8; Collis & Jarvis, 2002: 100; Davila, Foster & Jia, 2010: 96; Krog, 2007; Lucas, Prowle & Lowth, 2013: 3; Mazzarol et al., 2015: 9; Mitchell & Reid, 2000; Naidu & Chand, 2012: 249; Nguyen, 2001: 73; Panday, 2013: 81; Praulins & Bratka, 2014: 79; Rogers, 2014: 23; Webley, 2011).

2.2.4. Growth

As previously indicated, entrepreneurial business ventures differ from small businesses in the sense that an entrepreneurial organisation is innovative and constantly seeks new opportunities to ensure continuous growth (Wickham, 2006: 5). A study performed by Poutziouris (2003) which analysed the business and personal goals of SBOs suggested that just a minority of SBOs are in fact growth motivated. Instead, the majority were found to be life-style motivated. Since this study includes owners of both small and entrepreneurial ventures as defined, an acceptable definition of small business financial management should include the objective of growth. Consideration should nevertheless be given to the fact that the objective of growth may be more applicable to entrepreneurial business ventures as defined.

Combining the aspects above, the following general definition of financial management as it applies to SMMEs is proposed: *Financial management in a small business context refers to the preparation and application of financial accounting and management accounting information to control and make decisions regarding the sources and allocation of funds, in a way that ensures the creation, protection, and increase in the value of the business by means of managing compliance, liquidity, profitability, and growth. - (Researcher's synthesis, 2017)*

A schematic breakdown of this definition is presented in FIGURE 2.1 which depicts how it is applicable to the owners of small businesses and to entrepreneurial ventures as defined.
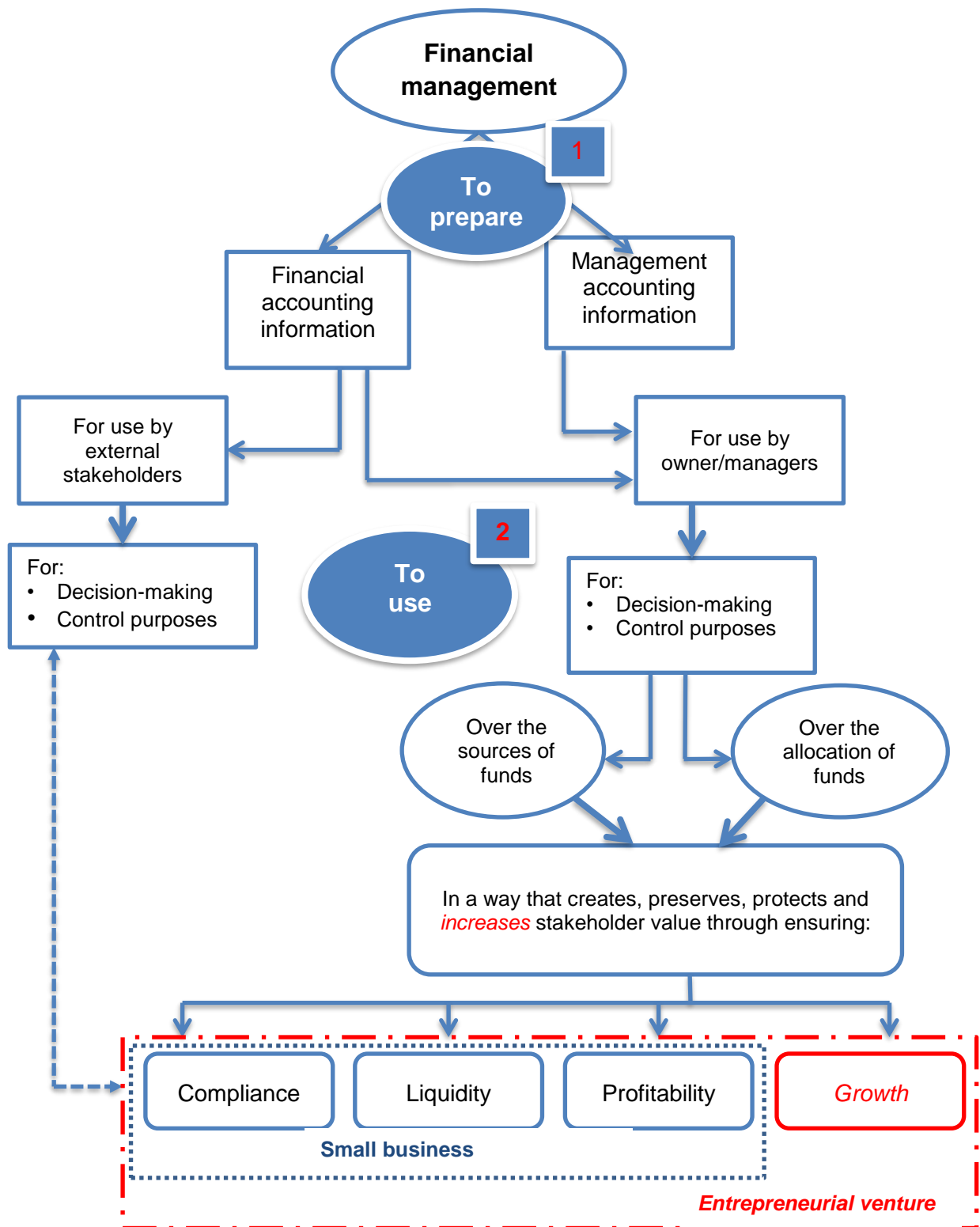
FIGURE 2.3: Financial management in small businesses

Source: Researcher's own synthesis

The proposed definition of financial management (refer to **FIGURE 2.1**), indicates that effective financial management in small businesses is dependent on:

1   The preparation of relevant, accurate and timely financial and management accounting information (Chua, 1986: 609; Collis & Jarvis, 2002: 100; Halabi et al., 2010: 168; McChlery et al., 2005: 24; Nandan, 2010: 89; Sian & Roberts, 2009: 289); and

2   The utilisation of the information prepared for decision-making and control purposes (Brown et al., 2006; Lavia López & Hiebl, 2015; McChlery et al., 2005: 8,23; Mitchell & Reid, 2000: 386; Nandan, 2010: 69; Sian & Roberts, 2009: 289,291,301).

2.3. The Need for Financial Information in SMMEs

Financial information, provided through the accounting and bookkeeping systems, is seen to be the raw material of the finance function, as it provides information to enable and/or enhance decision-making and control (ACCA, 2013b: 7; Argilés & Slof, 2003; Bagieńska, 2016: 20; Burns & Scapens, 2000; Collis & Jarvis, 2000: 15–19). This is true for all businesses; however, the need for timely, accurate and reliable financial information is often greater in small ones. This is due to the higher levels of volatility associated with unstable cash flow and profit positions and an over-reliance on short term debt (Lavia López & Hiebl, 2015; McChlery et al., 2005; Nandan, 2010).

Users of accounting information are either external or internal to the organisation (ACCA, 2013a; Nguyen, 2001: 72; Stice & Stice, 2014: 8). Whether users are internal or external affects their decision-making and control needs, and consequently their perception of what is regarded as relevant information (Sian & Roberts, 2009: 289; ACCA, 2013a: 7). Accordingly, accounting information could be classified as either "financial accounting" or "management accounting" information (Halabi et al., 2010: 163; McChlery et al., 2005: 6; Mellemvik et al., 1988: 101). Using this classification, the study proceeds to describe the benefits that SMMEs should derive from using (1) financial accounting, and (2) management accounting information.

2.3.1. Benefits that small businesses should derive from financial accounting information

Financial accounting information is normally associated with preparing annual financial reports which include an income statement, balance sheet and cash flow statement (Brijlal et al., 2014: 343; Husin & Ibrahim, 2014; Wolmarans & Meintjes, 2015: 95). These reports are usually prepared using an acceptable accounting framework, for example the International Financial Reporting Standards (IFRS) for SMEs (ACCA, 2013a, 2013b) and need to be subjected to an external audit or independent review.

Several studies have confirmed that the majority of SMMEs prepare financial reports at least on an annual basis (Carrahera & Van Auken, 2013; Collis, 2012; Collis & Jarvis, 2000: 19; Sian & Roberts, 2009: 302). Although such reports are widely prepared and contain information that is highly relevant for internal financial analysis (Brijlal et al., 2014: 343), it was found that just a small percentage of organisations actually use the information contained within financial reports for internal decision-making and control purposes (Argilés & Slof, 2003; Halabi et al., 2010: 167; Wolmarans & Meintjes, 2015: 109). These results are however not surprising, if it is considered that main purpose of financial reports is to communicate the financial position of the venture to *external users* (e.g. government and its agencies, banks and other providers of finance) (Collis & Jarvis, 2002: 67; Halabi et al., 2010: 173; McChlery et al., 2005: 6). Therefore, as expected, research has demonstrated that the main reasons why SMMEs prepare financial reports are to obtain compliance and financing benefits.

Compliance benefits relate to those benefits that a SMME obtain from the confirmation that it meets the requirements of accepted practices, legislation, prescribed rules or regulations, specific standards or the terms of a contract" (Business Dictionary, 2017).

Within a South- African context, small businesses are generally subject to the following:

- **Statutory compliance** and in specific relation to the finance function depending on whether a company is classified as a public or non-public entity the independent audit or review of annual financial statements and its submission to the CIPC;
- **Tax compliance** such as Income tax, Value added tax (VAT), Pay-as-you-earn (PAYE) and Unemployment insurance fund (UIF);
- **Various other legislation**, such as by-laws, licencing and BBEEE certification (Barnardt, 2016: 33).

Some scholars found compliance mostly as a burden (for example Blackburn & Jarvis, 2010: 16; Ritchie & Richardson, 2000: 453; Sian & Roberts, 2009: 303). Jurisdictions that place a low compliance burden on organisations, especially small businesses are commonly viewed as an environment which enables entrepreneurial activity (Herrington & Kew, 2013; Ram & Carter, 2001: 41; Sian & Roberts, 2009: 303). Although compliance is often viewed as a burden, it is important that small business owners regard their compliance responsibilities as important, because it holds the following benefits:

- The ability to continue with business: Obtaining contracts from larger companies or from government, specifically in South Africa requires organisations to comply with legislations such as having tax clearance, submitting up to date financial statements to the CIPC or complying with BBEEE codes (Barnardt, 2016: 33). Non-compliance may therefore result in a small business not being awarded or losing lucrative contracts. It could further result in businesses having to pay unnecessary penalties or fines. Such payments may put tremendous pressure on cash flows rendering it unable to meet short-term obligations. (Nieman & Nieuwenhuizen, 2014: 14).
- Potential investors typically require audited financial reports before investing into a business venture. The value of a business is normally determined based on evidence obtained from the financial records and financial statements of the organisation (Nieman & Nieuwenhuizen, 2014: 182). Inaccurate or incomplete

financial records may therefore adversely impact the value of the business. In South Africa a business or property cannot be sold without a tax clearance certificate (Barnardt, 2016: 33).

- Compliance provides SBOs with peace of mind. Amoako (2013: 81) found that tax compliance SBOs to severe emotional stress. Owners are responsible for ensuring that their companies remain compliant to relevant legislation (Carey, 2008; Collis, 2012; Nandan, 2010).

- Financing benefits relate to the SMEs' ability to raise external capital or to sustain its current funding needs. The ability to raise additional funds is known to be one of the greatest inhibitors to small business growth. Producing good quality financial reports have been indicated to increase SME's ability to raise finance, as it signals a good control environment (Agyei-Mensah, 2011: 3781; Amoako, 2013: 73). Financiers often require financial reports to be audited or reviewed so as to assess tax liabilities, evaluate performance, and to establish credit risk when deciding whether to award credit or to provide financing (ACCA, 2013a: 7). Collis & Jarvis (2002: 108) in their study found that statutory accounts played an important role in maintaining good relationships with financial institutions and as such sustaining SMEs' funding needs.

2.3.2. Benefits that small businesses should derive from management accounting information

Management accounting refers to the financial systems specifically implemented to assist management in their duties which may consist of, amongst others, monthly or annual reporting of profit, budgetary planning and control, performance reports, product or service costing and investment appraisal (McChlery et al., 2005: 6; Wanderley, Miranda, de Meira & Cullen, 2011: 112). Management accounting is prepared from sources internal or external to the organisation, using historical and/or forecast information to address specific internal decision-making, planning and control needs (Debono, 2014: 10; Lavia López & Hiebl, 2015: 82; Nguyen, 2001: 72). Lavia López and Hiebl's (2015) systematic review of seventy-three published research articles on management accounting in SMMEs between 1985 and 2012 revealed that small businesses obtain specific benefits from the use of management accounting.

TABLE 2.2 below includes the benefits reported by Lavia López and Hiebl (2015: 107) and also additional research such as formal academic studies and journal articles published on the topic subsequent to 2012.

TABLE 2.3: Benefits from using management accounting in small businesses

Benefit	Findings	References
Operational decision-making	Higher use of management accounting facilitates and allows for improved decision-making	(Chand & Dahiya, 2010; De Lema & Duréndez, 2010; Nandan, 2010; Villarmois & Levant, 2011)
	Low usage results in less accurate cost calculation and product pricing	(Brierley, 2011; Lucas et al., 2013)
Operational controls	Higher use of management accounting results in the improvement of controls	(Amat, Carmona & Roberts, 1994; Chand & Dahiya, 2010)
	Higher usage results in improved quality control	(Chand & Dahiya, 2010)
	Higher use of management accounting results in greater optimisation of resources	(Lucas et al., 2013: 5; Villarmois & Levant, 2011)
	Standardisation of skills resulting in improved efficiency	(Amat et al., 1994)
Strategic decision-making	Higher use of management accounting facilitates improved strategic analysis	(Chand & Dahiya, 2010; Garengo & Bititci, 2007)
	High usage enables long-term development	(McChlery et al., 2005; Nguyen, 2001)
	More usage enables innovation	(Blomkvist et al., 2016; Garengo & Bititci, 2007)
	Low usage results in less competitiveness	(De Lema & Duréndez, 2010)
Performance benefits	High usage improves overall profitability and performance	(Garengo & Bititci, 2007; Marriott & Marriott, 2000; Nguyen, 2001)
	Low usage results in business failure	(Halabi et al., 2010)

Source: Adapted and expanded from Lavia López & Hiebl (2015: 107)

Based on evidence presented, it is obvious that it is important for SMMEs to prepare both financial and management accounting information; their doing so should contribute to them obtaining the following benefits:

- Compliance benefits;
- An enhanced ability to obtain and sustain funding;
- Enhanced operational decision-making and control;
- Enhanced strategic decision-making; and
- Enhanced financial performance, but its absence could be a contributor to business failure.

2.3.3. Importance of using financial information to achieve the objectives of financial management

The previous section argues that it is beneficial for SMMEs to prepare financial and management accounting information; however, it is important to note that it is not the mere presence of this information, but its application that results in the specific benefits of financial management being attained. As stated by Gibson (1992: 221): "Successful financial management in small businesses requires the availability of information *and* its deployment through a variety of financial management techniques". For this reason, the second aspect of the definition of financial management addresses the practical application of financial information, i.e. how the information should be used to make decisions and exercise control to achieve the financial objectives of the SMME.

The financial management definition proposed in this study identifies the objectives of financial management in SMMEs as (1) compliance, (2) liquidity, (3) profitability, (4) growth. Continuously achieving these objectives should result in the long-term maximisation of value. However, such an achievement is dependent on performing a variety of accounting and finance related activities. **TABLE 2.3** provides support for the type and importance of different financial management activities to be performed so as to ensure that the benefits of preparing financial information are reaped.

TABLE 2.4: Types and importance of financial management activities in SMMEs

Type of financial management activity	Importance of the financial management activity	Source
Compliance related activities		
Prepare statutory accounts Prepare and submit tax returns Ensure compliance with various other legislation	Compliance varies depending on the jurisdiction that the organisation operates in and the legal form of the organisation. Jurisdictions that place a low compliance burden on organisations, especially small businesses, are commonly viewed as environments which enable entrepreneurial activity. Although often perceived as burdensome, it is important that SBOs regard their compliance responsibilities seriously, because of the risks of non-compliance, such as legal action taken against the SMME, penalties awarded, emotional stress caused, and an inability to tender for contracts and to obtain finance.	(Collis & Jarvis, 2002: 101; Blackburn & Jarvis, 2010: 16; Herrington & Kew, 2013, Nieman & Nieuwenhuizen, 2014: 12; Ram & Carter, 2001: 41; Ritchie & Richardson, 2000: 453; Sian & Roberts, 2009: 303)
Liquidity management		
Working capital management and cash management	Previous studies have indicated that working capital management, especially cash management, is the most important financial management activity in small businesses. The reason is that they generally have a higher proportion of current assets relative to large firms, less liquidity, volatile cash flows, and a reliance on short-term debt.	(Ahmad, Mohammad & Wan, 2015; Collis & Jarvis, 2002: 100; Mazzarol, 2014: 2; Naidu & Chand, 2012: 256; Paul & Boden, 2012: 3; Roth, Envick & Anderson, 2002: 40; Schwarze, 2008: 143; Welsh & White, 1981: 32; Yazdanfar & Öhman, 2014: 442).
	Practices regarding working capital management as well as profitability are much more relevant than those regarding a balance sheet or strategic finance.	(Wolmarans and Meintjes, 2015).

Type of financial management activity	Importance of the financial management activity	Source
	Similarly, financial practices related to cash flow and decision-making were reported to be more relevant than those related to planning or analysing.	
	Cash in the bank is considered by most SBOs as an indication of "real performance".	(Halabi et al., 2010: 174; Nawaz, 2012: 63)
	There is a strong relationship between efficient cash flow, working capital management and profitability in SMMEs.	(Afrifa, Tauringana & Tingbani, 2014; Gul, Khan, Rehman, Muhammad Tauseef, Khan & Khan, 2013; Mazzarol et al., 2015: 143; Yazdanfar & Öhman, 2014)
	There is a negative relationship between the cash conversion cycle and profitability, suggesting that a small business is able to improve its profitability by speeding up its cash cycle, thereby improving its working capital efficiency.	(Enqvist, Graham & Nikkinen, 2014; Yazdanfar & Öhman, 2014)
	Working capital such as cash management and inventory management together with enterprise risk management significantly influence the financial performance of SMMEs.	(Nyabwanga, 2012: 5807)
	Cash management activities affect the longevity of family owned restaurants.	(Webley, 2011: 132)
	Poor cash management was also found to be a major cause of small business failure.	(Naidu & Chand, 2012: 256; Panday, 2013: 3)
Profitability related activities (Management of gross profits and net profits)		
Cost control Pricing decisions Sales volumes Budgeting	Neo-classical economic theory is built on the assumption that the goal of most businesses is to maximise shareholder value. Recently, this view has attracted severe criticism, resulting in scholars embracing a broader "managerial perspective", emphasising that owners of smaller businesses have primary goals	(Collier, 2005: 221; Perren & Grant, 2000; Poutziouris et al., 2005, Scapens, 2006)

Type of financial management activity	Importance of the financial management activity	Source
	other than profitability and wealth objectives. Although maximising profits or cash flows are not the only goals owners of small businesses may have, maintaining profitability remains of the utmost importance to the existence and survival of these businesses.	
	Better profits enable small businesses that seek external financing to demonstrate their ability to service their loan requirements.	(Poutziouris, 2003: 203).
	It has also been shown that profitable small business ventures can sustain their independence since they have internally generated finance to sustain survival and growth and therefore build long-term value.	(Mazzarol et al., 2015: 3; McMahon, 2001)
Growth		
Product – market decisions Budgeting Cash management Quality control Strategic management accounting Risk management Investment decisions Financing decisions	Profitability and growth are inseparable from the objective of value maximisation. It is often presumed that growth is a desirable objective of all SBOs, because growth is perceived to be associated with increased profits and financial rewards. However, as indicated earlier, just a minority of SBOs are growth motivated. It is also this higher propensity towards taking risks, the constant search for new or innovative ideas with the aim of achieving higher financial rewards, which separates an entrepreneur from a small business owner. The objective of growth is therefore a unique feature, which distinguishes a small business from an entrepreneurial business venture.	(Nguyen, 2001: 109; Nieman & Nieuwenhuizen, 2014; Poutziouris, 2003: 197; Sian & Roberts, 2009: 290; Wickham, 2006)

Type of financial management activity	Importance of the financial management activity	Source
	To ensure economic growth it is important that small businesses be supported to grow into medium and large entrepreneurial ventures.	(Alhammadi & Shahadan, 2014; Dvouletý, 2017; Nawaz, 2012)
	To manage growth oriented SMMEs requires a specific focus on financial management in order for them to survive and prosper. Growth may result in financial stresses such as cash-flow difficulties and excessive use of debt. These financial problems create a critical need for improved financial control which could come about through an upgrading of financial reporting and analysis systems.	(ACCA, 2012; Alhammadi & Shahadan, 2014; McMahon & Davies, 1994)
	Growth cannot be left to chance. It requires strategic growth objectives and plans, which need to be backed up by financial plans and strategic management accounting information. Strategic planning is therefore essential to support small business growth. For an entrepreneur to become more strategically oriented, they need to explore ways of using the financial management information to generate and evaluate new business opportunities. This typically involves the development of long-term growth plans prepared in line with strategic objectives. These plans need to be broken down into short-term plans and be supported by strategic management accounting information.	(ACCA, 2012: 6; Breen et al., 2003: 3; Van Kogh & Cusumano, 2001: 53; McMahon, 2001; Nieman & Nieuwenhuizen, 2014; Scapens, 2006; Stewart Jr. et al., 1999: 205)
	A close watch on cash positions reduces the risk of overtrading in a growing business.	(ACCA, 2012: 6; Mazzarol et al., 2015).

Type of financial management activity	Importance of the financial management activity	Source
	Monitoring levels of repeat business might be a good indicator of overall customer satisfaction (ACCA, 2012: 6), while measuring the percentage of sales from new products could help monitor the health of a new product pipeline.	(ACCA, 2012: 6)
	Performance management assists the control over particular aspects of a business. Owners of a growing business are unable to know the exact detail of each activity. A monthly financial overview that summarises key performance indicators and business performance, highlights areas that need further investigation and the attention of the entrepreneur. It is important that these indicators are measured against the strategic plans and objectives of the organisation and that correct action can be taken pro-actively.	(ACCA, 2013b: 9; Breen et al., 2003)

Source: Own compilation

2.4. The Relationship between the Benefits, Purpose and Financial Management Activities of SMMEs

There is a relationship between the objectives of financial management, the benefits obtained from financial information and financial management activities performed. These relationships are set out in **TABLE 2.4.** The green arrows in the table indicate that activities such as completing tax returns and preparing annual financial statements are required for obtaining compliance benefits. Performing compliance related activities are known to enhance an SMME's ability to sustain or obtain funding.

Managing cash flows, inventory, accounts receivable and accounts payable will ensure that a venture remains liquid. In turn, proper liquidity management is proven to contribute to enhanced operational decision-making and control, and provide short-term financing benefits (green arrows in **TABLE 2.4**).

To remain in business, SMMEs need to be profitable. Activities such as managing margins, budgeting and break-even analysis are known to enhance operational decision-making and control (green arrows in TABLE 2.4). Improved decision-making is correlated with long-term profitability, which in turn leads to an improved ability to raise funds to support future growth and profitability. Although compliance related activities and liquidity management to some extent contribute to the success of a small business (blue arrows in **TABLE 2.4**), it is solely through the active management of profitability and growth that the value will truly be maximised (red arrows in **TABLE 2.4**). This assertion is substantiated through finance theory, which states that value is equal to the present value of future cash flows (Correia & Uliana, 2015). As such, the long-term value of a small business can be maximised only through growing future cash flows. This growth will only be achieved through increasing sales, decreasing costs and reducing the perception of risk.

Effective financial management therefore contributes to small business survival and growth, resulting in long-term value maximisation. It should further be noted that in its absence, financial management has been proven a major contributor to small business failure.

TABLE 2.5: The relationship between the benefits of financial information and the objectives of financial management

Benefits of financial information	Objectives of financial management and the related decision-making and control activities			
	Compliance	**Liquidity**	**Profitability**	**Growth**
	Activities	Activities	Activities	Activities
Compliance benefits	• Prepare and submit statutory accounts • Prepare and submit tax returns and payment of taxes • Ensure compliance with applicable legislation			
Financing benefits	• Submission of financial statements or accounting records	• Cash flow management • Budgeting • Inventory management • Debtors management • Accounts payable management	• Monitor sales volumes • Monitor operating costs • Monitor gross profit margin • Break-even analysis • Budgeting • Business planning • Inventory management • Quality control • Performance management	• Strategic planning • Strategic management accounting • Performance management • Investment decisions • Source financing for expansion
Operational decision-making and control benefits				
Strategic decision-making				
	To achieve the overall objective of value maximisation; and **Which in its absence a cause of business failure**			

Source: Own contribution

2.5. The Role of the Small Accounting Practitioner

Although the literature is very specific about the benefits that small businesses could derive from effective financial management, numerous studies have expressed concerns regarding the inadequate use of financial and accounting information and financial management techniques in such businesses (Halabi et al., 2010: 163; Lohr, 2012: 35; Marriott & Marriott, 2000; Naidu & Chand, 2012: 256; Nandan, 2010; Sian & Roberts, 2009: 298). Several studies have found the financial management activities performed by SMMEs to be inadequate for the challenges they face (Abanis, Sunday, Burani & Eliabu, 2013; Agyei-Mensah, 2011; Nyabwanga, 2012; Poutziouris, Michaelas & Soufani, 2005).

Various scholars have indicated that small accounting practitioners are excellently positioned to assist SBOs to overcome the lack in financial skills experienced by small businesses (Blackburn & Jarvis, 2010; Breen et al., 2003; Debono, 2014; Devi & Samujh, 2010; Gooderham et al., 2004; Kirby & King, 1997; Lavia López & Hiebl, 2015; Nandan, 2010; Nawaz, 2012; Praulins & Bratka, 2014).

*The resource based theory, transaction cost economic*s, and *agency theory* are amongst the concepts most commonly used to explain and justify the outsourcing behaviour of accounting services to external accounting practitioners: Each of these theories views the SBOs' decision to outsource accounting services from a unique perspective. Respectively, each of these perspectives is valid in its own right: the decision was therefore taken to use a combination of them to understand the outsourcing of accounting services and to justify the role of the small accounting practitioner.

2.5.1. Resource based view (RBV)

Proponents of the RBV perceive an organisation as a collection of physical and intangible resources that are leveraged to generate a potential competitive advantage (Gamble, Peteraf & Thompson, 2016: 108). Accordingly, a resource is defined as a unique bundle of assets or capabilities, which if utilised in distinctive ways, could produce a competitive advantage (Barbera & Hasso, 2013: 272; Kamyabi & Devi, 2011). Strategic management literature suggests that a business' resources,

particularly non-imitable ones, are fundamental drivers of both performance and competitive advantage (Łobacz & Głodek, 2015: 489).

It has been stated that smaller organisations are more vulnerable than larger organisations because they lack the necessary in-house resources and capability for survival and growth (Gooderham et al., 2004). They therefore need to identify external resources which, through outsourcing arrangements, could be turned into a potential source of competitive advantage (Barbera & Hasso, 2013: 272; Baron & Ensley, 2006). The resource based literature provides a framework for developing an understanding of the potential role that the external accounting practitioner plays in overcoming limited in-house financial management skills and capacity and in so doing, helps smaller firms to achieve a competitive advantage (Blackburn, Tanewski, et al., 2010: 16; Praulins & Bratka, 2014: 98).

Accountants are educated in analytical techniques and are expected to continuously develop their knowledge base and technical skills to maintain their expert status (Dyer & Ross, 2007: 132). External advice from the accountant, through their expertise in financial management, is able to supply a range of competencies that support the small business' intangible resources, thereby providing the said competitive advantage (Barbera & Hasso, 2013; Blackburn, Tanewski, et al., 2010; Gooderham et al., 2004).

In line with the views of the resource based view, this study argues that the services and advice provided by an accountant constitute a scarce resource in themselves. Therefore, by outsourcing accounting services, SMMEs should hypothetically gain a competitive advantage.

2.5.2. Transaction cost economics (TCE)

In contrast to the RBV, proponents of transaction cost economics (TCE) view the outsourcing decision as financial in nature. The TCE perspective regards organisations as a set of internal activities and external market relations. It attempts to predict which activities an organisation will choose to outsource, based on its financial value (Widener & Selto, 1999: 47). Accordingly, the decision to outsource or internalise accounting related services will be dependent upon the comparative transaction cost

of using in-house resources and capabilities versus making use of an external accounting practitioner (Everaert et al., 2010: 94).

TCE is situated in the neo-classical strand of economic theory (Scapens, 2006: 12) and therefore assumes bounded rationality, i.e. that "human actors are rational beings, and based on the available information, they will always make optimum economic decisions" (Chua, 1986: 603,604). It is against this unrealistic assumption that the majority of the criticism of TCE theory is focussed: Firstly, the assumption that human actors are rational and will always make optimum economic decisions has, through financial behaviour studies, been proven to be false (Scapens, 2006: 6). An example within the context of this study is that SBOs do not seek financial advice because doing so is perceived as an outward sign of their managerial weakness (Blackburn & Jarvis, 2010: 5). Secondly, the assumption that decision-makers have access to all the relevant information to make optimum economic decisions is also questioned in this context due to the uncertainty regarding the frequency of transactions, the behaviour of the accountant and the environment in which the small business operates.

Financial considerations have been stated to be the most prominent factor in determining whether to outsource the function (Everaert, Sarens & Rommel, 2007). Some studies have established cost reduction as the most important motivation for outsourcing (Everaert et al., 2007: 717; Kamyabi & Devi, 2011: 81) while numerous others have cited cost as deterring the outsourcing of accounting services, specifically that of consigning advisory services to external accounting practitioners (Devi & Samujh, 2010: 34; Nandan, 2010: 65; Sian & Roberts, 2009: 301).

While cost has been indicated as a reason for either sourcing, or not sourcing, accounting services, the decision seems to be influenced by certain qualitative factors, such as service quality and perception of value (Nawaz, 2012: 61; Schizas et al., 2012: 5). The impact of service quality, including the perception of value for money, is explored in more detail in Chapter 3.

2.5.3. Agency theory

According to Jensen and Meckling (1976), an agency relationship is "a contract under which one or more principals engage an agent or steward to perform some service on their behalf and delegate some decision-making authority to the agent". Agency theory argues that a firm consists of a network of complex contractual relationships between various stakeholders. Agency theory predicts a moral threat if the desires of the principal and the agent are in conflict. Literature suggests that these threats could be reduced by: (1) incentivising agents to act in the best interests of the principal, and/or (2) coming up with arrangements whereby the principal has access to the information that allows him or her to verify agent behaviour (Carey, 2008: 16).

The agency rationale is classically applied in large companies where there are external shareholders and the audited accounts play a "stewardship role" in the agency relationship between shareholder (the principal) and directors (the agents) (Collis, 2012). The auditing services offered by external accountants serve as a method of providing principals with the assurance that the financial information supplied by the agent is a fair representation of the actual state of affairs in that organisation (Carey, 2008: 17).

In the past, the owners or shareholders of the organisation were considered the major and only principal/s of an organisation. However, resulting from stakeholder activism, supported by a drive for improved corporate governance, the understanding of what constitutes a principal has been broadened to include all stakeholders. In small companies, a principal will therefore be regarded as anyone with an interest in the organisation who is distant from the actions of management and is unable to verify them (Collis, 2003: 15). Principals in a small business context would therefore include external shareholders, lenders, creditors and tax authorities.

Financial reporting is undertaken to address the decision-making and control needs of investors, who are identified as the defining group of users of large company accounts. However, whilst investors in large companies require financial statements that will allow them to assess the stewardship of management, the investors in small companies are in most cases both owner and manager. Therefore, the agency relationship that exists between the shareholders and directors of large companies is not replicated in small

companies. Nevertheless, previous research demonstrates that there is a demand for audited accounts by the owner-managers of many small companies, who are identified as the main users of the statutory financial statements. This suggests the possibility that other agency relationships exist in small companies or that the audited accounts of small companies have different uses from those of large companies (Collis & Jarvis, 2000: 19)

Small businesses are known for close-knit agency relationships, i.e., as mentioned, the owners are normally the managers of the business, reducing the need for auditing services (Sian & Roberts, 2009: 290). As a result, non-public entities (i.e. those businesses that have limited public liability) in most jurisdictions are now exempt from the compulsory audit requirement and, at most, require an independent review (Blackburn & Jarvis, 2010; Carey, 2015; Collis, 2012).

The RBV, TCE theory, and the agency theory combined, provide insight into the reasons why SBOs outsource accounting related functions and therefore, into what the role of the small accounting practitioner should be. Transaction cost economics (TCE) and the RBV are concerned with decisions regarding the outsourcing of the accounting and/or finance functions in an attempt to overcome the lack of skills and resources within the small business (Hafeez & Andersen, 2014: 19; Kamyabi & Devi, 2011: 81). Agency theory, on the other hand, is concerned with how statutory and compliance services offered by accounting practitioners mitigate agency risks.

Based on the principles of TCE, the RBV and agency theory, it could be argued that through the outsourcing of accounting and finance related functions, small accounting practitioner assist small businesses in the following ways:

- As trained professionals with specialised knowledge and skills, the external accounting practitioner is able to provide higher quality financial information and financial management skills (Barbera & Hasso, 2013: 272; Everaert et al., 2007: 719; Hafeez & Andersen, 2014: 20; Kamyabi & Devi, 2011: 81)
- By providing value for money services, accountants could assist in the effective utilisation of resources in that they are theoretically able to provide higher quality financial skills at a reduced rate (Blackburn & Jarvis, 2010: 15)

- Outsourcing provides owners/entrepreneurs with the opportunity to focus on core capabilities and resources to create new opportunities through optimised utilisation of external sources (Kuene & Kuene, 2015: 3)
- Sourcing compliance and related services overcome issues relating to agency risks (Carey, 2008: 16).

It could therefore be argued that the theoretical role of the small accounting practitioner is to:

1. Assist SBOs or entrepreneurs to overcome the constraints that they experience relating to a lack of financial skills and resources, so as to ensure that the purpose and benefits resulting from effective financial management are achieved and
2. Provide statutory and compliance services in order to address the agency concerns present within the business venture.

2.6. Conclusions

The purpose of this chapter was to contextualise the study within the broader field of entrepreneurship, to derive a definition of financial management as it applies to small businesses and entrepreneurial ventures, to describe the benefits that SBOs should obtain from effective financial management, and to establish the role of the small accounting practitioner.

The social reality view of entrepreneurship accepted in this study is that of the owner manager and his/her role in small business management. In terms of schools of thought, it was argued, from a micro activity perspective, that SBOs or entrepreneurs need financial management skills as an 'entrepreneurial trait'. From a macro perspective, it was further reasoned that effective financial management would ensure sufficient funding to support SMME survival and growth.

The boundaries of what constitutes financial management are different in SMMEs when compared to large organisations. Hence, the study proposes that financial management in SMMEs could be defined as: The preparation and application of financial and management accounting information to control and make decisions

regarding the sources and allocation of funds, in a way that ensures the creation, protection, preservation of stakeholder value by means of managing compliance, liquidity, profitability, and growth.

In applying effective financial management, as defined, the owners of SMMEs could reasonably be expected to secure the following benefits: compliance benefits; an enhanced ability to obtain and sustain funding; enhanced operational decision-making enhanced operational control and enhanced strategic decision-making.

Evidence from the literature review nonetheless suggests that SMMEs, due to a lack in resources and skills, do not secure these benefits. RBV and TCE theory contend that when SMMEs lack specific skills or resources internally these should be externally sourced. Agency theory presents the case for using external accountants to protect the rights of stakeholders not directly involved in managing the SMME.

Derived from the theories presented, this study proposes that the role of the small accounting practitioner is to offer services which will assist the small business owner with the necessary skills and resources to prepare financial and management accounting information to support decision-making and control over the sources and allocation of funds in such a way as to ensure the creation, protection, preservation and increase of stakeholder value through ensuring compliance and managing liquidity, profitability and growth.

CHAPTER 3

SERVICES AND BENEFITS OFFERED BY THE SMALL ACCOUNTING PRACTITIONER

"It is hard not to over-emphasise the importance of the role of the accounting professional to a small business, where distinct business functions cannot be resourced and formalised. In fast- growing businesses, the role becomes even more important: entrepreneurs need to source the services of a competent professional who can support the business today but also lead them into the large business it is likely to become." – ACCA, (2013)

3.1 Introduction

The previous chapter contextualised the study within the field of entrepreneurship and suggested a definition of financial management within a small business context. Using the RBV, TCE and agency theory it was further argued that the overarching role of the small accounting practitioner is to assist SBOs through the services they offer to overcome the latter's possible lack of financial management skills and resources. In outsourcing this role to SAPs, it was established that Small medium and micro enterprises (SMMEs) should obtain the following benefits from their relationship with their accounting practitioner, associated with effective financial management:

- compliance benefits;
- an enhanced ability to obtain and sustain funding;
- enhanced operational decision-making;
- enhanced operational control; and
- improved strategic decision-making.

The presumed role of the small accounting practitioner leads to the following questions, which are central to the research problem: Do SBOs obtain these expected benefits resulting from their relationship with their accountants, and if not, why not?

Related to the abovementioned issues, the purpose of this chapter is to produce a systematic and reasoned argument in support of the hypothesised relationships

between the frequency with which SBOs source the different types of services and their perception of benefits obtained.

The objectives of this chapter are:

- To determine the benefits that SBOs could reasonably expect from the relationship with their accounting practitioners and
- To determine and categorise the different types of accounting services that SAPs offer to small business clients.

3.2 The Benefits Obtained From the Services Sourced from the Small Accounting Practitioners

Previous studies indicated that between 65% and 95% of all small businesses make use of the services offered by an external accountant (Bagieńska, 2016: 23; Bennet & Robson, 1999; Berry et al., 2006; Chrisman & Mcmullan, 2004; Everaert et al., 2007: 717). It is therefore not surprising that a number of scholars have questioned, either directly or indirectly, the benefits that SBOs obtain from this relationship. These studies have reported mixed results.

On the positive side, Collis and Jarvis (2000, 2002) indicated that SBOs trust their accountants to prepare accurate and reliable financial information. Gooderham, Tobiassen et al. (2004: 16) reported that small businesses rely on accountants as their only source of financial advice and therefore tend not to seek any other external advisory services. According to Blackburn, Tanewski, et al. (2010: 12) small accounting practitioners were also perceived to be well equipped to deal with the issues faced by small businesses and, because such practitioners are themselves business owners, they were perceived to be better equipped to deal with the issues that small businesses face. Berry et al. (2006: 67) further found that among the various types of advisors available to businesses of this type, accountants were perceived to be the most trusted resource.

In contrast, though, studies by Bennett and Robson (2010), Halabi, Barrett and Dyt (2010), Marriott and Marriott (2000), and Nandan (2010: 66) have reported that SBOs do not perceive the relationship they have with their accountants as particularly

beneficial. Sian and Roberts (2009: 289) concluded that: "SBOs rely on accountants to prepare financial statements, but they are often left bewildered by the complexity of the information provided". Interviews conducted by Kirby and King (1997: 295) stated that external accountants were found to be "too busy and disorganised, too fee conscious and that they were simply not trained or equipped to provide a full range of services". In addition, it has been suggested that small accounting practitioners only "know the business in a general way, see only broad problems and offer only general solutions" (Nandan, 2010: 74). A more recent South African study by Kirsten and Fourie (2012: 459) reported that the interventions offered by accounting professionals to improve the financial management skills of SBOs had limited impact.

These contradictory findings point to the fact that the expected benefits which SBOs should derive from their relationship with accountants should not be assumed to be spontaneous, but that these may be influenced by a range of factors. Literature has provided some evidence of what these factors may be, but to date it is still unknown exactly what these factors are and what the interrelationship between them is.

3.2.1 Measurement of benefits

To address this problem, the current study aims to provide insight into the factors influencing the benefits that SBOs gain from the relationship with the external accounting practitioner. As a first step in achieving this aim, a proxy for measuring these benefits had to be developed.

Quantitative studies investigating the benefits which SBOs gain from sourcing accounting and advisory services have mainly considered their economic or financial benefits. According to Carey (2015: 182), the main disadvantage of using financial performance as a proxy for benefits is the issue of establishing causality. He further commented that: "benefits as a construct [is] also not easily quantifiable" and concluded that: "to measure benefits in financial terms only is not appropriate". Although, in response to the comments above, Carey's (2015) follow-up study did include some estimates of SBOs' perception of the benefits obtained from advisory services, the majority of the study still focused on the economic benefits derived from these services. A need therefore exists to obtain an understanding of SBOs' perceptions of the benefits they receive from the services sourced.

In response, this study measured these perceptions.

TABLE 3.1 provides an analysis of how the expected benefits identified from literature sources (refer to Chapter 2) were operationalised into questionnaire items. A five-point scale was used to measure these perceptions (refer to Appendix A-1 – Section D of the questionnaire). The "item reference" indicated in the table refers to the reference assigned to the questionnaire item and is used for the statistical analysis. A detailed discussion and justification for using different scales are presented in Chapter 5 of this study.

TABLE 3.1: Operationalising the measurement of SBOs' perceptions of benefits obtained from a relationship with their accountant

		THEORY LEVEL		**RESEARCH LEVEL**	
Conceptual Level	*Conceptual Components*	*Conceptual Definitions*	*Operational components*	*Operational Definitions (Questionnaire items-Section D)*	*Item ref.*
Perception of compliance benefits	Compliance benefits	The confirmation that the small business meets the requirements of accepted practices, legislation, prescribed rules or regulations, specific standards or the terms of a contract	Remain tax compliant	The services I source from my accountant help my business to remain tax compliant	TAX COMPLIANCE
			Remain compliant with relevant laws and regulation	The services I source from my accountant contribute to my business' compliance with relevant laws and regulations	LEGAL COMPLIANCE
	Financing benefits	Enabling the small business to obtain and manage short and long-term sources of finance	Compliance with the requirements of the financiers	The financial information I obtain from my accountant is mainly prepared because it is required for external reporting to banks, creditors, SARS and the CIPC	EXTERNAL REQUIREMENT
Perception of management benefits	Operational financial management	Using financial information for operational decision-making and control to ensure liquidity and profitability	Operational management	The financial information obtained from my accountant enhances my ability to manage my business	MANAGE BUSINESS
			Operational decision-making	The financial information I receive from my accountant supports my business decisions	DECISION-MAKING
			Operational control	The financial information I receive from my accountant is useful as an operational tool in controlling the profitability of my business	CONTROL
	Strategic financial management	Using financial information to support long-term investment and financing decisions to facilitate growth	Strategic management	The services I source from my accountant enhances my ability to manage my business strategically	STRATEGIC MANAGEMENT
Perception of general benefit	Financial management skills	The range of skills required to prepare and use financial information for decision-making and control purposes	Financial management skills	My accountant assists me in using the financial information prepared to better manage my business	ASSIST USING
				I understand the financial information I receive from my accountant	UNDERSTAND
				Where applicable, my accountant explains the financial information he/she prepared	EXPLAIN INFORMATION
				The services sourced from my accountant helps to overcome the financial skills lacking within my business	PROVIDE SKILLS
	Overall benefit	General perception of whether the relationship is perceived as being beneficial as a whole	Overall benefit	Overall, I would rank the relationship I have with my accountant as beneficial to my business	OVERALL BUSINESS

Source: Own compilation

3.3   The Factors Affecting the Benefits that SBOs Obtain from the Relationship with their Small Accounting Practitioner

There are a multitude of interrelated factors, which may affect the way in which businesses use accounting information and services. Such factors differ from business to business, from industry to industry and from country to country (Scapens, 2006: 10). According to Scapens (2006: 6), this heterogeneity creates limitations when conducting statistical/positivist research in the field because such research is unable to include the diversity of aspects which may impact on accounting practice. Because this study follows a positivistic research paradigm, the inability to identify *all* factors that may influence SBOs' perception of benefits is an inherent limitation.

However, after an extensive review of literature on the relationship between the small business owner and small accounting practitioner, the researcher found that the majority of factors identified and or tested could be grouped into one of the following five categories:

1.   The frequency with which SMEs source different types of accounting services
2.   The way in which SBOs offer the services, i.e. service quality
3.   Small business owner factors: e.g. age, gender, experience, qualifications and so forth
4.   Small business factors e.g. size, industry, age of the business etcetera and
5.   Small accounting practitioner factors, such as qualifications, experience, gender and the like.

This study's unique contribution lies in the fact that it proposes and tests a predictive model of the factors affecting the benefits that SBOs obtain from the relationship with their accounting practitioner. It should be noted that this study just provides a starting point to obtaining a holistic understanding of these factors. As a starting point, therefore, and to limit the scope, this study will only investigate the inter-relationship between the frequency with which SBOs source different accounting services; SBOs' perceptions of the levels of service quality offered and SBOs' perceptions of the benefits they receive from their external accounting practitioners. It is nevertheless recommended that future studies build on this initial model to include additional factors.

3.4 The Types of Services Offered by Small Accounting Practitioners

Similar to the way in which small businesses differ from large businesses, SAPs differ dramatically from large practices, both in terms of the services offered (Blackburn & Jarvis, 2010: 20; Kuene & Kuene, 2015) and the clients they service (Samujh & Devi, 2010).

Literature has broadly categorised accounting services into: (1) traditional accounting services; and (2) advisory services (Blackburn & Jarvis, 2010; Carey, 2008, 2015; Collis, 2012; Devi & Samujh, 2010):

3.4.1 Traditional accounting services

Traditional accounting services refer to those services offered by the external accountant to prepare accounting information which is either considered necessary to manage the business properly or mandatory for compliance purposes (Everaert et al., 2007: 717). Accordingly, accounting services of this type can be classified as bookkeeping, monthly reporting and year-end accounting services consisting of statutory and compliance services and the completion and submission of tax returns.

Everaert et al. (2010: 93) further classified traditional accounting tasks as being either routine or non-routine. The former are those tasks which require relatively straightforward or standardised procedures. They require less judgment on the part of the accountant (Everaert et al., 2010: 95) and typically include record keeping and monthly reporting. Non-routine tasks on the other hand are more complex and require more judgment from the accountant (Everaert et al., 2010: 95), such as tax compliance and year-end reporting procedures.

In line with the above-mentioned classifications and associations, this study analyses the types of services, according to the frequency with which they are sourced, from the accountant. It will specifically investigate the relationship between the frequency of types of services sourced (routine and non-routine traditional accounting services) and the perception of benefits received from the said sourced services. (Refer to **TABLE 3.2** for the classification of traditional accounting services as routine or non-routine.)

3.4.2 Advisory services

The International Assurance and Auditing Standards Board (2016) defines advisory services as: "the rendering of professional services in the course of assisting or advising clients in any aspect of business management". According to Bennett and Robson (2000: 197), the advisory services offered to SBOs are closely linked to the objectives of the business and normally exclude the provision of basic information.

Considering the definitions above and the financial management role that the small accounting practitioner fulfils, advisory services in the context of this study refer to: "The services offered by small accounting practitioners to assist SBOs to manage the liquidity, profitability, and growth of their businesses (refer to **TABLE 2.4**). These exclude all bookkeeping, financial reporting and compliance related services."

TABLE 3.2 furnishes an analysis of how different scholars have used and categorised accounting services into traditional and advisory types of services. The symbol "x" in the table indicates that the service category was identified and used in that particular study to delineate types of services. In this study, categories indicated in bold are used to measure the types and frequency of services sourced. It should further be noted that the "*" symbol next to a service category indicates that the particular categories may be unique or possess unique attributes within the South African context. Further explanations of these categories are provided at the bottom of the table.

TABLE 3.2: Services offered by SAPs to small businesses and supporting literature

Services	Statistical item reference	References								
		(Everaert et al., 2007: 717)	(Devi & Samujh, 2010: 43)	(Collis, 2003)	(Blackburn & Jarvis, 2010: 15)	ACCA, (2013: 13)	McChlery, et al. (2005: 6)	(Doving & Gooderham, 2008: 850)	(Carey, 2008)	(Collis & Jarvis, 2000: 84)
Routine traditional accounting service										
Bookkeeping Recording of purchases, sales and related cash transactions	BOOKKEEPING	x	x							
Monthly reporting and management accounts services	MANAGEMENT ACCOUNTING	x		x	x	x	x			x
Filing of VAT returns	VAT RETURNS	x	x					x		
Payroll and PAYE services	PAYE RETURNS		x					x		
Non-routine traditional accounting services										
Drafting of annual financial statements *including year- end adjustments	DRAFTING AFS	x								x
Audit or independent review of annual financial statements	AUDIT/REVIEW		x	x	x	x	x	x		x
Filing annual income tax returns	TAX RETURNS	x	x	x	x					
Statutory and secretarial services (CIPC and other regulatory services)	CIPCA		x					x		
Advisory services		X	X		X			X	X	X
Tax planning and advisory	TAXPLANNING		x	x				x		
Advisory services relating to the start-up of the business	START UP ADVICE									
Business start-up			x					x		
Business plans			x							
Business start-up financing			x							
Advisory services relating to the management of the working capital and profitability of the business	OPERATIONAL ADVICE			x						x
Budgets					x	x	x	x		
Break-even analysis						x				

Services	Statistical item reference	(Everaert et al., 2007: 717)	(Devi & Samujh, 2010: 43)	(Collis, 2003)	(Blackburn & Jarvis, 2010: 15)	ACCA, (2013: 13)	McChlery, et al. (2005: 6)	(Doving & Gooderham, 2008: 850)	(Carey, 2008)	(Collis & Jarvis, 2000: 84)
							References			
Creditor reporting							x			
Costing reports						x	x			
Debtor analysis							x	x		
Design and review of internal control systems			x							
Cash flow forecasting			x		x	x	x			
Profit improvements			x							
Performance management							x			
Standard costing and variance analysis						x				
Analysis of financial information				x		x				
Advisory services relating to strategic financial management of the business, including investment and financing decisions	STRATEGIC ADVICE									
Business valuation			x							
Company listing			x							
Due diligence			x							
Grant applications and sourcing			x							
Internal audit			x							
Industry trends and competitor analysis					x	x				
Investment appraisal							x			
ISO compliance			x							
Liquidation or business rescue			x							
Loan application			x							
Mergers and acquisitions			x					x		
Strategic planning			x					x		
Financing arrangements			x	x						
Business succession planning								x		
Other services										
IT systems			x		x			x		
HR and recruitment			x					x		

Services	Statistical item reference	References								
		(Everaert et al., 2007: 717)	(Devi & Samujh, 2010: 43)	(Collis, 2003)	(Blackburn & Jarvis, 2010: 15)	ACCA, (2013: 13)	McChlery, et al. (2005: 6)	(Doving & Gooderham, 2008: 850)	(Carey, 2008)	(Collis & Jarvis, 2000: 84)
Forensic accounting	**OTHER**		x							
Financial planning and advice***					x			x		
Training and skills development								x		

* According to the South African Companies Act (2008) annual financial statements of public companies are not permitted to be drafted and audited by the same (RA) Registered Accountant; the drafting and auditing of financial statements have therefore been separated for the purposes of this study.

*** In South Africa, personal financial planning services are governed by the (FSB) Financial Services Board and are allowed to be performed by a (CFP) Certified Financial Planner. Although some accountants are CFPs this item has not been included in the questionnaire to avoid any possible suspicion from respondents that there may be legal repercussions when completing the questionnaire.

Source: Own compilation

TABLE 3.2 above presents the way in which the different types of services could be categorised and used to develop a scale to measure the frequency with which SBOs source different types of accounting services. The classification is summarised as follows:

- Routine traditional accounting services
- Non-routine traditional accounting services
- Advisory services
- Other services.

3.5 The Relationship between the Frequency of the Types of Services Sourced and the Benefits that SMMEs should obtain from Sourcing Accounting Services

This study argues that the role of the small accounting practitioner is to assist small businesses through the services that they offer to overcome the latter's lack of financial management skills. In SAPs fulfilling this role, small businesses and entrepreneurial ventures should obtain the benefits and objectives associated with effective financial management in their businesses.

For small businesses to receive all the expected benefits from a relationship with their external accounting practitioners, it is assumed that they should source a variety of both traditional and advisory services (Carey, 2015: 182; Han & Benson, 2010; Nandan, 2010: 73; Niemi, Kinnunen, Ojala & Troberg, 2016: 169). However, a study conducted by Everaert et al. (2007: 717) has indicated that SBOs make use of the services offered by small accounting practitioners to varying degrees. Results show that a mere 18% of the small businesses which use the services of external accountants follow a total outsourcing strategy and that the remaining 82% use a combination of internal staff and the services offered by the external accounting practitioner. The majority of SBOs therefore only make use of a selective range of services offered by the small accounting practitioner, which may reasonably contribute to the fact that small businesses do not necessarily obtain the required benefits from their relationship with their accountants.

This study therefore proposes that there is a relationship between the types and frequency of services sourced from the small accounting practitioner and the benefits that SBOs obtain from their relationship with their external accountants.

Based on the arguments presented above, one would expect to observe similarities between the types of services offered and activities required for effective financial management as identified in Chapter 2. The relationship between each of the service categories identified in **TABLE 3.2** and the expected financial management benefits (refer to Chapter 2, **TABLE 2.4**) will be explored in the following sections, with the purpose of refining the following broad hypothesis into more specific secondary hypotheses.

H1   There is a significant positive relationship between the frequency with which SMMEs source different types of accounting services and the SBOs' perception of benefits received from the accounting practitioner.

3.5.1 Relationship between the frequency by which SBO's source traditional accounting services and the benefits obtained

Traditionally, the role of the external accountant was seen as being only to provide monitoring and compliance services to meet audit and tax related requirements (Blackburn, Tanewski, et al., 2010; Breen et al., 2003; Carey, 2008; Gooderham et al., 2004). Although the accounting profession has witnessed a shift towards the notion that small accounting practitioners are increasingly being used for business advisory and support services (Bennett, 2007; Dyer & Ross, 2007), evidence suggests that small accounting practitioners are still overwhelmingly used to provide just traditional accounting services (Collis & Jarvis, 2000: 17, 2002; Doving & Gooderham, 2008). Samujh and Devi (2010: 73) reported that SAPs spend 60% of their time on compliance work: mainly tax filing, auditing, and secretarial services.

According to Marriott and Marriott (2000: 476) the demand for these traditional accounting services is still mainly driven by regulatory requirements. As a result these services are often referred to as a "distress purchase" (Blackburn & Jarvis, 2010) and their usefulness questioned. Collis and Jarvis (2000: xiii) reported that SBOs perceived their statutory accounts to be useful only if viewed in conjunction with other sources of

information, to confirm and verify results, or to establish directors' emoluments. These findings were supported by Marriott and Marriott (2000) who indicated that SBOs perceive statutory accounts to have few benefits in supporting decision-making and control. In addition, Kirby and King (1997) have indicated that when only basic bookkeeping and compliance services are sourced, clients do not obtain appropriate or adequate information to support planning, decision-making and control. These results are however not surprising in that the purpose of statutory accounts is to provide information to a wide range of users, normally external to the organisation (Halabi et al., 2010: 168; Sian & Roberts, 2009).

It is therefore expected that year-end financial reporting services have been stated to largely provide small businesses with tax and audit compliance benefits (Collis & Jarvis, 2000: 16; Everaert et al., 2007: 722; Halabi et al., 2010: 174) but very few management benefits (Marriott & Marriott, 2000: 486; McCaffry, 2014). A study by Nawaz (2012: 51) found that merely a third of SBOs use the financial information prepared by accountants for internal decision-making purposes. The reasons indicated for these minimal decision-making benefits are:

- Year-end financial reports were never intended for internal decision-making purposes. For example, where financial statements were specifically produced for tax purposes SBOs were of the opinion that they had limited use, because the figures were deliberately kept low to reduce their tax liability (Halabi et al., 2010: 173)
- Financial reporting standards were developed for larger organisations, from the viewpoint that capital markets are the most important user group. Such standards are therefore not always appropriate for medium and smaller entities as the output is aimed at a different set of users with different needs. The existence of "unique SMME factors, such as close-knit agency relationships and a tendency to aim for survival and stability over profit maximisation and growth" (Sian & Roberts, 2009: 290) is not taken into consideration. In addition, due to their complexity, owners often find it hard to follow accounting reports prepared in accordance with the generally accepted accounting rules (Kirby & King, 1997: 295)

- Financial reports are often outdated by the time they are prepared and presented to the small business owner (Sian & Roberts, 2009: 302).The annual statements were mainly used to compare income and costs with past periods or for a confirmatory function. If such information is to be useful for decision-making and control instead, it must be timely and produced more frequently (Everaert et al., 2007: 722). The study by McChlery et al. (2005: 19) found that 72.6% of respondents felt strongly (scoring 4 or 5) that the annual financial statements are not useful because they merely replicate their own internal accounts.

Although the majority of research findings point to the fact that small businesses derive very little or no management benefit from these traditional service offerings, some studies have nonetheless indicated the following range of possible benefits:

- Non-compliance, especially tax compliance, may subject the small business owner to severe emotional stress (Amoako, 2013: 81). Owners are responsible for ensuring that their companies remain compliant with relevant legislation (Carey, 2008; Collis, 2012; Nandan, 2010). Non-compliance may further result in penalties and fines, putting the organisation under financial pressure (Barnardt, 2016: 33; Wolmarans & Meintjes, 2015).

- Obtaining contracts from larger companies or from government, specifically in South Africa, requires organisations to comply with legislation such as possessing tax clearance, submitting up to date financial statements to the CIPC and complying with BBEEE codes (Barnardt, 2016: 33). Non-compliance may therefore result in a small business not being awarded lucrative contracts, or losing them.

- The value of a business is normally determined based on evidence obtained from the financial records and financial statements of the organisation (Nieman & Nieuwenhuizen, 2014: 182). Inaccurate or incomplete financial records may therefore adversely affect the value of the business.

- Compliance further signals a well-controlled environment, resulting in financiers being less willing to grant funding to entrepreneurs where compliance requirements are not adhered to (Agyei-Mensah, 2011: 3781; Amoako, 2013: 73).

- *Improved operational control:* Collis (2012: 441) demonstrated that SBOs voluntarily make use of audit services as these are seen to provide a safeguard on accounting systems and records. The reason is that these services provide owners and management of larger non-public entities with an independent verification that internal controls are upheld and further serve as a confirmation that the internal records are free of significant misstatement (Carey, 2008: 183; Collis, 2003: 15). McMahon and Davies (1994) concluded that comprehensive financial reporting and insightful financial analysis lead to improved financial control, and that this in itself could significantly increase the chances of a small enterprise prospering through growth.

- *Financing benefits:* The studies by Allee and Yohn (2009: 24), Collis (2003) and Collis and Jarvis (2002: 108) all indicated that audited financial statements play an agency role in the relationship that small business have with their banks. Consequently, it was found that this resulted in improved access to credit and reduced interest rates.

- *Operational management benefits:* A comparative study amongst six countries, including South Africa, established that by sourcing traditional services from accountants, small businesses are provided with a "good deal of generalist advice" (Schizas et al., 2012: 25). Burke and Jarratt (2004: 135) reported small accounting practitioners to be a good source of operational advice but not to be a high value source of strategic advice. In addition, a recent study by Niemi et al. (2016: 169) indicated that small businesses which experience financial distress are more likely to engage external accountants for voluntary audit services in order to obtain management advice.

As stated, previous studies have established a relationship between routine and non-routine transactions and frequency of accounting tasks (Everaert et al., 2010; Kamyabi & Devi, 2011), i.e. whether the task is performed daily, weekly, monthly or annually (Everaert et al., 2010: 98). SMMEs typically source traditional accounting services such as completing tax returns, monthly reporting, audits or independent reviews on a monthly or annual basis. Widener & Selto (1999: 51) and Williamson (1987: 618) discovered that frequent or recurrent services were more likely to be performed internally whereas non-routine transactions were found to be outsourced. The studies performed by Everaert et al. (2010) and Kamyabi and Devi (2011) both found an

association between the outsourcing behaviour and tasks performed more frequently, i.e. daily, weekly and monthly.

As traditional accounting services are performed periodically, the presence of frequency is implied. As such, the literature presented in support of the hypothesis merely focused on the relationship between the types of services sourced and benefits obtained from sourcing such services.

TABLE 3.3 (below) provides a schematic representation of the relationship between the frequency of the types of services offered by small accounting practitioners and the benefits expected from these services.

TABLE 3.3: The relationship between the frequency of different types of traditional accounting services**, financial management activities and the benefits expected to be obtained from sourcing different accounting services**

Types of service sourced Refer to TABLE 3.2	Item ref	Corresponding financial management activity	Financial objective	Expected benefit
		Refer to TABLE 2.4 (Chapter2)		
Routine traditional accounting services				
Bookkeeping services	BOOKKEEPING	• Recording of transactions	All financial objectives are dependent on the proper recording of financial transactions	
Monthly reporting and management accounts	MANAGEMENT ACCOUNTING	• Prepare management accounting information	• Liquidity • Profitability	• Operational management benefits
Filing VAT returns	VAT RETURNS	• Prepare and submit returns and payment of taxes	• Compliance	• Compliance benefit
Payroll and PAYE services	PAYE RETURNS	• Prepare and submit returns and payment of taxes • Ensure compliance with applicable legislation	• Compliance	• Compliance benefit
Non-routine traditional accounting services				
Drafting of annual financial statements (including year-end adjustments)	DRAFTING AFS	• Prepare and submit statutory accounts	• Compliance • Liquidity • Profitability • Growth	• Compliance benefits • Operational management benefits • Financing benefits
Audit or independent review of annual financial statements	AUDIT/REVIEW	• Submission of financial statements or accounting records	• Compliance	• Compliance • Financing benefits
Filing annual income tax returns	TAX RETURNS	• Prepare and submit returns and payment of taxes	• Compliance	• Compliance
Statutory and secretarial services (CIPC and other regulatory services)	CIPC Services	• Ensure compliance to applicable legislation	• Compliance	• Compliance

Source: Own compilation

TABLE 3.3 synthesised the evidence from the literature presented in the section above and in Chapter 2 to illustrate how the different types of services offered by small accounting practitioners correspond to financial management activities, resulting in small businesses gaining from the specific objectives and benefits of effective financial management. The item reference indicates the reference given to the questionnaire item, which was used when performing the statistical analysis.

Based on the arguments presented, the commonly accepted view is that SBOs mainly derive compliance benefits, but very few management benefits, when sourcing traditional accounting services from their accountants. The evidence, however, is not conclusive regarding the said benefits obtained from such accounting services. The study will therefore test the following hypotheses (Refer to **TABLE1.4**):

H1-1   There is a significant positive relationship between the frequency by which SMMEs source routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.

H1-2   There is a significant positive relationship between the frequency by which SMMEs source routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.

H1-3   There is a significant positive relationship between the frequency by which SMMEs source non-routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.

H1-4   There is a significant positive relationship between the frequency by which SMMEs source non-routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.

3.5.2 Relationship between the frequency of sourcing advisory services and benefits obtained

The role of accountants has developed over time from the stereotypical "bean counter" image typically associated with bookkeepers, into a role that comprises a much wider range of duties (Jones & Abraham, 2007). It has been argued that a general shift in the accounting role has taken place – from mere information provision to extended

information facilitation – (Burns & Scapens, 2000) and that this has resulted in the expectation that small accounting practitioners should progressively move towards being business advisors (Jones & Abraham, 2007). Accordingly, these types of practices have expanded their range of services to include different types of advisory services (Devi & Samujh, 2010: 1).

This shift has sparked a surge of research studies, investigating the advisory role of small accounting practitioners. These studies have suggested that if small businesses want to derive benefits from their external accountants they should source both compliance and advisory services, because compliance services on their own provide limited benefit (Bagieńska, 2016; Bennett & Robson, 2010; Blackburn, Tanewski, et al., 2010: 30; Devi & Samujh, 2010; Han & Benson, 2010; Łobacz & Głodek, 2015; Łobacz et al., 2016; Nandan, 2010). Consequently, it is now commonly accepted that SBOs who regularly source advisory services from their accountants should obtain more benefits from the relationship than those who do not (Blackburn, Carey, et al., 2010; Carey, 2015; Samujh & Devi, 2010).

As previously indicated, SMMEs play a vital role in all economies and are the key generators of employment and income worldwide (Dvouletý, 2017: 12). However, the majority of SMMEs in emerging economies cannot compete effectively due to their internal resource gap (Crispus, Karanja, Mwangi & Nyaanga, 2013: 4; Kamyabi & Devi, 2011: 81). The RBV argues that smaller businesses are more vulnerable than their larger counterparts because they lack the necessary resources and capability for survival and growth (Gooderham et al., 2004). Because of competitive pressures and the mentioned resource gaps, they are often forced to optimise the use of their external resources in order to lessen costs and create new opportunities: in this case, using the relationship with their external accounting practitioner to improve financial management skills and derive advantage (Kamyabi & Devi, 2011: 81).

According to Praulins and Bratka (2014: 98), "a small business might engage its external accountant to provide advice which directly assists performance (e.g. strategic advice on growing revenue), or advice that has an indirect impact on performance, such as advice directed at improving management control (e.g. advice on regulatory compliance, risk, systems or performance reviews), finance structure

(sourcing funds) or financial planning (insurance or investment)". In addition, Han and Benson (2010: 552) concluded that assistance and advice are also very valuable for SBOs and entrepreneurs to compensate for their lack of human capital and thus facilitate overcoming possible problems in managing their businesses. By seeking external advice, SBOs were documented to have enhanced their learning and capabilities for future decision-making (Sian & Roberts, 2009: 291).

As stated, financial management can be broadly divided into two areas: (1) preparing information for internal and external use, and (2) using the information to achieve the small business' short-term and long-term financial objectives. Compliance services relate mainly to preparing financial information, where advisory services deal with applying information for decision-making and control purposes. To achieve the objectives and benefits of financial management, small businesses would therefore benefit more from frequently sourcing a range of advisory services (Refer to Section 3.4).

TABLE 3.4 illustrates the relationship between the types of advisory services, financial management activities and the benefits expected from these activities.

TABLE 3.4: The relationship between the different types of advisory services, financial management activities and the benefits expected to be obtained from sourcing different accounting services

Types of advisory service-		Corresponding financial management activity	Financial objective	Expected benefit
Refer to TABLE 3.1	**Q Item ref**	**Refer to TABLE 2.3 (Chapter2)**		
Tax planning and advisory	Tax planning	• Prepare and submit tax returns and payment of taxes • Ensure compliance with applicable legislation	• Compliance • Profitability	• Compliance benefit • Operational management benefit
Advisory services relating to the start-up of a new business	Start-up advice		• Compliance • Liquidity • Profitability	• Compliance benefit • Operational management benefits • Financing benefits
Business start-up		• Ensure compliance with applicable legislation		
Business plans		• Sourcing finance • Financial planning		
Business start-up financing		• Sourcing finance		
Advisory services relating to the management of the working capital, cash low and profitability of the business	Operational advice		• Liquidity • Profitability • Growth	• Operational management benefits • Strategic management benefits • Financing benefits
Budgets		• Budgeting		
Break-even analysis		• Break even analysis		
Creditor reporting		• Accounts payable management		
Costing reports		• Pricing decisions		
Debtor analysis		• Debtors management		

		• Operational control • Quality control		
Design and review of internal control systems		• Operational control • Quality control		
Cash flow forecasting		• Cash flow management		
Profit improvements		• Monitor sales volumes • Monitor operating costs • Monitor gross profit		
Performance management		• Performance management		
Standard costing and variance analysis		• Monitor operating costs • Inventory management		
Analysis of financial information		• Business planning		
Advisory services relating to the growth of the business, including valuations investment appraisals and financing	Strategic advice	• Strategic planning • Strategic management accounting • Investment decisions	• Growth • Maximisation of value	• Strategic management benefits • Financing benefits
Business valuation				
Company listing				
Due diligence				
Grant applications and sourcing of finance				

Source: Own compilation

Studies performed by Bennett (2000), Bennett and Robson (1999), and Carey (2015) have hypothesised a positive relationship between enhanced financial performance and the sourcing of business advice. Findings from these studies have nevertheless been mixed and inconclusive, leaving room to investigate the benefits derived from advisory services further.

Although there has been an increase in the advisory services offered by accountants, SBOs still do not use external accountants for management accounting and/or advisory services to such an extent that they are provided with all the benefits required (Blackburn, Carey, et al., 2010: 4; Ciccotosto et al., 2008; Marriott & Marriott, 2000). Research has further indicated that there is a reluctance amongst SBOs to actively seek business advice (Blackburn & Jarvis, 2010: 18,19; Nandan, 2010).

An international comparative study by Schizas et al. (2012: 24) which investigated the relationship between SBOs and their advisors established that, in developed countries such as Canada, Italy or the UK, small accounting practitioners were perceived to command a very broad range of expertise, encompassing not only traditional competences such as financial management or tax, but also less traditional ones, such as regulation, advisory and IT operations. Unexpectedly, the study discovered that in the emerging economies, specifically China and South Africa, the views regarding the role of accountants were much narrower, with SBOs acknowledging just the core skill-set of the accountant. The report further indicated that it is possible for practitioners to cement a reputation as business experts and, by implication, to survive without relying on compliance work. In South Africa, it is therefore important that small accounting practitioners focus on promoting advisory services to their clients. Professional bodies should also make a deliberate effort to promote the full skillset of their members.

In contrast with traditional accounting services, advisory services are classified as non-routine services, i.e. sourced on an ad hoc basis (Everaert et al., 2007: 722). The frequency by which SMMEs source these types of services may therefore have an impact on the benefits obtained. As a result a decision was taken to measure the impact of the frequency by which SMMEs source advisory services on the perception of benefits obtained.

Therefore based on discussions presented it is proposed that SBOs that more frequently source advisory services from their external accountant should perceive their relationship as being more beneficial than those who do not. Evidence of the benefits obtained from advisory services is nonetheless contradictory and inconclusive and the study will therefore test this assumption. The study will therefore test the following hypotheses (Refer to **TABLE1.4**):

H1-5   There is a significant positive relationship between the frequency by which SMMEs source advisory services and the SBOs' perception of compliance benefits received from the accounting practitioner.

H1-6   There is a significant positive relationship between the frequency by which SMMEs source advisory services and the SBOs' perception of management benefits received from the accounting practitioner.

3.6   Conclusion

This study argues that the benefits that SMMEs obtain from their small accounting practitioner are influenced by (1) the frequency with which they source different types of services, and (2) the level of service quality offered by the said practitioner.

The purpose of this chapter was to investigate existing literature on the relationship between the different types of services offered by small accounting practitioners and the benefits that small businesses should realise from their relationship with their external accounting practitioner. To achieve this purpose, it was important to categorise the different types of accounting services that SAPs offer to their small business clients according to the frequency of use, and to determine how SMMEs, by sourcing a range of these different services from their external accountant, could gain the benefits of effective financial management.

The literature study presented in this chapter indicated that small accounting practitioners offer a range of routine and non-routine traditional accounting services, advisory services and an assortment of various other types of related services.

In terms of the relationship between different types of services and benefit received, it is observed that the common perception is that SMMEs derive limited benefit from sourcing compliance services. Findings in this regard are inconclusive, however. Although it is assumed that SMMEs which regularly source advisory type services should derive more benefit from the relationship with their external accounting practitioner, this relationship has not been empirically confirmed.

The next chapter investigates existing literature relating to the relationship between the levels of service quality offered by small accounting practitioners and the benefits that SMMEs gained from their external accounting practitioner.

CHAPTER 4

SERVICE QUALITY AND PERCEPTION OF BENEFITS

"Trust me, is the least trustworthy thing an accountant can say to a client. Instead they need to demonstrate these qualities through service delivery".
(Green, 2007: 13)

4.1 Introduction

In the previous chapter it was argued that there is a relationship between the frequency with which Small medium and micro enterprises (SMMEs) source different types of services and SBOs' perceptions of the benefits obtained from the relationship with their accounting practitioners.

This chapter presents literature relating to service quality and critically evaluates how these factors affect the given relationship. The purpose is to produce a systematic and reasoned argument for developing a scale to measure the service quality offered by SAPs. In addition, theoretical support will be adduced for the hypothesised relationships between: (1) the levels of accounting service quality and SBOs' perceptions of benefits obtained from the services sourced; and (2) the levels of accounting service quality and the frequency with which SMMEs source different types of services.

4.2 Importance of Service Quality in Offering External Accounting Services to SMMEs

Kirby and King (1997: 295) commented that: "small accounting practitioners are letting their clients down by not providing the services offered in a professional way to meet the needs or requirements of their small business clients". Various scholars have subsequently agreed that service quality is an important aspect to consider in the relationship between the SBO and SAP (Aldhizer et al., 2002: 61; Baba, 2008; Bennett, 2007; Devi & Samujh, 2010: 45; Fleischman et al., 2010: 252; Saxby, Elen & Koski, 2004: 75). According to Bennett (2007:435), client satisfaction attained by means of offering quality services has become an increasingly important aspect in evaluating professional services, especially those in the accounting and advisory fields. A recent study by Bagieńska (2016: 19) found quality of service to be *the* most

important factor for an entrepreneur to actively engage with their accountant. Baron, Warnaby and Hunter-Jones (2014) emphasise that when service is viewed as the primary form of exchange, in this case accounting related services, the importance of service quality cannot be underestimated.

The services offered by SAPs are technical in nature, but although technical quality is critical to the success of the organisation (Fleishman, Johnson & Walker, 2016) it is not regarded as a source of competitive advantage (Gummesson, 2007: 7). This is especially true for accountants, operating in an era where basic accounting functions are increasingly automated. Such automation makes differentiation based on the technical quality of financial reports and tax returns almost impossible. In the previous chapter it was argued that by including advisory services into their product portfolios, SAPs could overcome some of the risks associated with only offering basic accounting services. However, Samujh and Devi (2010) stated that merely offering a diversified range of services is not enough to secure a sustainable competitive advantage. The reason is that all accountants are qualified to offer the same types of services and it is therefore the way in which these services are offered, i.e. the functional service quality which will result in gaining an advantage over competitors.

The possibility of low perceptions of service quality should be of concern to SAPs operating in a highly competitive environment. Saxby, et. al. (2004: 75) found that higher levels of service quality in accounting firms are associated with higher levels of customer satisfaction, which in turn lead to repeat business and, ultimately, to higher levels of income. In addition, service quality has also been found to contribute to productivity and profitability (Baron et al., 2014: 156; Gummesson, 2007: 14; Haksever et al., 1996; Zeithaml, Berry & Parasuraman, 1996). Accounting practitioners should therefore focus attention on maximising service quality. Given the importance of the latter in the relationship between the SBO and SAP, this study will address the relationship between SBOs' perception of the levels of service quality and their perception of the benefits obtained.

Research concerning aspects of service delivery and service quality is mainly situated within the field of marketing; it is therefore important to gain a brief theoretical understanding of developments in the area of service quality.

4.2.1 Background to service quality theory

Originally, tradable items were viewed as either goods or services, with services being seen as a particular type of "product" (Vargo & Lusch, 2008: 26). The differences between goods and services were emphasised employing the criteria of intangibility, inseparability, heterogeneity and perishability (Harmse, 2012: 40; Moeller, 2010: 359; Parasuraman et al., 1985) and, based on these, research set out to develop and improve the understanding of service quality (Martin, 2012: 5).

However, over time, several scholars started to voice their concerns regarding the validity of defining services using the four criteria (Gummesson, 2007; Gummesson & Grönross, 2012; Vargo & Lusch, 2008), recognising that they constitute just some of the numerous dimensions that could help define any offering or marketing situation (Grönroos, 1997: 5–6; Martin, 2012: 6). Research stemming from such critics has resulted in the product-dominant logic of marketing being replaced by a service-dominant logic (Grönross, 1999: 328; Gummesson & Grönross, 2012: 485). As a result, service is now considered by a faction of service marketing scholars as being the primary form of exchange, with goods additionally regarded as supporting the service-provision process (Grönross, 1999: 328; Vargo & Lusch, 2008: 26).

This shift away from the product view towards a service-logic view has resulted in the theory that service quality improvements are an essential strategy for ensuring business success and survival (Harmse, 2012: 60; Waldmann & Raghavan, 2002: 17). However, while there is general agreement amongst scholars and practitioners regarding the importance of service quality, it is also regarded as an abstract concept that is difficult to define and to measure (Brady & Cronin, 2001; Ganesh & Haslinda, 2014: 1189; Waldmann & Raghavan, 2002: 18; Walker, Fleischmann & Johnson, 2012; Zeithaml, Parasuraman & Berry, 1985: 41). It is therefore not surprising that there has been ongoing debate and extensive research in the field of service quality (Baron et al., 2014: 156; Martin, 2012: 13), specifically with regard to what constitutes it and how it should be measured.

This debate takes place mainly in terms of two competing perspectives: the Nordic or European School and the American School (Brady & Cronin, 2001: 35):

Nordic School

The seminal work of Scandinavian scholars such as Grönroos (1984, 1990), Gummesson (1987, 2007) and Vargo and Lusch (2004, 2006) formed the basis of the Nordic school of thought on service marketing. Proponents regard a customer-based approach (service-dominance) as fundamental to conceptualising service quality. Accordingly, the product and service are regarded as inseparable, and it is argued that customer service is actually what a customer buys (Grönroos, Von Koskull & Gummerus, 2015). Service quality is defined in terms of the dimensions of technical quality and functional quality (Kang & James, 2004; Walker et al., 2012). The methodological approach adopted is to study services directly in their marketing context and report on how changing marketing contexts influence the logic required for effective marketing (Grönroos, 2006: 317). Inductive case study research aimed at theory generation is therefore recommended, which allows for the study of complexity and ambiguity, which in turn favours relevance. (Gummesson & Grönross, 2012: 481).

The American School

The American school, dominated by the work of Cronin and Taylor (1994) and Parasuraman et al. (1985;1988 and 1994), defines service quality in terms of the five functional dimensions of reliability, responsiveness, assurance, empathy, and tangibles. Proponents of this view subscribe to a service-logic approach to conceptualising service quality. Accordingly, the product and service are perceived as two separate aspects of the value offering. Service is viewed as an important, but not the sole, aspect that customers buy. Contributions in this school of thought subscribe to a positivistic paradigm, using deductive reasoning to test hypotheses and generalise findings.

Within the field of marketing, the Nordic School is seen to be more progressive and is the preferred approach to view service quality problems. However, the research problems in this study are argued from a positivistic paradigm, using survey data to test hypotheses. As such, the definitions and research instruments of the American school will be adopted for the purposes of this study.

Service quality will therefore be defined as*: "*a general opinion that the client forms regarding service delivery, measured as the gap between the client's expectations and perceptions of the performance of the service provider in providing the service" (Parasuraman et al., 1985, 1988, 1994).

4.3 Models and Measures of Service Quality

For more than a decade, scholars in the field of marketing, from both the Nordic and American Schools, have been spending considerable time and effort to develop, critique and apply different models and measures of service quality for various scenarios (Martin, 2012: 3). According to Brady and Cronin (2001: 34), the conceptualisation and measurement of service quality have been the most debated and controversial topics in market literature to date.

TABLE 4.1 presents a summary of the most prominent frameworks used to test service quality. The appropriateness of each of these methods is also evaluated in the context of this study.

TABLE 4.1: Service quality models/frameworks and an evaluation of their applications to measure service quality in a small business context

Model	Key aspects/assumptions	Constructs	Evaluation and suitability to context of this study
Nordic model of service quality (Grönroos, 1984, 1988)	Service quality depends on the technical (what) and functional quality (how) of an organisation, filtered through its corporate image. Functional quality is, however, regarded as more important than technical quality. It was the first of the models to suggest that service quality should be measured as the difference between service quality expectations and service quality perceptions.	**Functional Quality** • Attitudes and behaviour • Accessibility and flexibility • Reliability and trustworthiness • Reputation and credibility **Technical Quality** • Professionalism and skills	The Nordic School proposes the use of qualitative research methods to assess service quality. The model therefore does not offer a measurement instrument and is therefore not deemed suitable for the purposes of this quantitative study
SERVQUAL (Parasuraman et al., 1985, 1988, 1994)	The model presents an analytical tool, which allows for the systematic measurement of service quality. The levels of service quality are measured by means of five "service gaps". Service gaps are also referred to as "disconfirmation", which holds that the levels of service quality are derived from measuring the magnitude of and the direction between service delivery and service quality expectation. Five service gaps are measured, each addressing a different aspect of the service encounter. In line with the service logic view accepted by the American School, the model only addresses functional service quality.	• Tangibles • Empathy • Responsiveness • Reliability • Assurance	This model is deemed appropriate for the purpose of this study for the following reasons; it: • Provides a measurement scale • Measures the GAP between perceptions and expectations (tests disconfirmation) which is required to measure levels of service quality • Has been empirically tested in a wide variety of industries

SERVPERF (Cronin & Taylor, 1992)	Uses the perceptions part of the SERVQUAL scale to test performance only. It therefore only measures customer experiences, not customer expectation. Reduces scale items by 50%. Similar to the SERVQUAL, it only measures functional service quality.	• Tangibles • Empathy • Responsiveness • Reliability • Assurance	The development has sparked intense academic debate that is still not resolved. Empirical findings are inconclusive regarding the convergent and discriminant validity of the SERVPERF scale. Boulding et. al. (1993:24) state that "our results are incompatible with both the one-dimensional view of expectations and the gap formation for service quality. Instead, we find that service quality is directly influenced only by perceptions" (as referenced in Waldmann & Raghavan (2002)). Andronikis and Bellou (2010:259) concluded that the SERVQUAL is theoretically and empirically superior to the SERVPERF scale. The current study aims to assess the relationship between the frequencies by which SBOs source different the types of services and their perceptions of the levels of service quality. The SERVQUAL is therefore preferred because it will determine the levels of service quality as the difference between service perceptions and expectations.
13-item SERVQUAL (Turner et al., 1999)	The scale was developed to access the service quality of management advisory services offered by large accounting firms. The scale includes 10 items from Parasuraman et al.'s (1988) SERVQUAL scale, two items relating to the knowledge of the professional and one item relating to ethics. The scale excluded items relating to tangibles as it is argued that tangibles have a limited impact in the context of professional service delivery.	• Competence • Credibility • Responsiveness; and • Reliability	Limited justification is provided for original SERVQUAL items deleted from the scale. The scale will not be used for the purposes of this study, as it has not been thoroughly tested for reliability and validity.

Brady and Cronin's hierarchical approach (Brady & Cronin, 2001)	Attempts to combine various service quality models through a multi-dimensional hierarchical construct. Proposes that quality perceptions are based on the evaluations of three primary dimensions. Each of these three dimensions is in turn impacted by three sub-dimensions	Interactions • Attitude • Behaviour • Expertise Outcome • Waiting time • Tangibles • Valence Physical environment • Ambience • Design • Social factors	Only applicable to service organisations where the physical environment plays an important role in influencing perceptions, e.g. restaurants. The model does not provide a measuring scale. This model has also not been tested empirically by other scholars. The scale is not suitable to measure service quality in a professional services environment.
Kang's hierarchal structure of service quality (Kang & James, 2004)	Combines aspects of the Nordic Model with the SERVQUAL. Suggests that technical, functional and image factors should all be measured to obtain a full understanding of service quality. It further found that functional quality had a much larger impact on image than technical quality. In a follow up study Kang confirms the five factor structure as proposed by the SERVQUAL and provides empirical evidence that perceived service quality is based on technical and functional components	**Functional Quality** **Technical Quality**	Uses an adapted SERVQUAL scale to measure functional quality but does not offer a universal instrument to measure technical quality. Kang and James (2004) provided evidence to support the possibility that the high multi-collinearity reported in various SERVQUAL studies may point to the possibility that functional service quality be treated as a second order latent variable. The study will consider the possibility when performing statistical tests on the constructs.

Source: Own Compilation

The evaluation presented in **TABLE 4.1** above indicates that the SERVQUAL is the most appropriate model to use as a basis for developing a service quality scale within a small accounting practice context.

The appropriateness of the SERVQUAL scale is demonstrated by the fact that the majority of service quality studies in different industries have used this scale, developed by Parasuraman, Zeithaml and Berry (1985, 1994), to measure service quality. Nyeck et al. (2002: 101) reviewed 40 previous studies which utilised the SERVQUAL framework as research instrument and concluded [that] "…it remains the most complete measuring tool when attempting to conceptualise and measure service quality". As for its continuous use, Martin (2012: 7) reflecting on his 25 year journey as editor of the *Journal of Services Marketing* states that although very little new knowledge could be added to marketing literature through the adaption of SERVQUAL, it remains the most commonly used method to measure service quality.

4.4   Accounting Related Service Quality Studies

As indicated, service quality is a key aspect to consider when investigating in the relationship between the SBO and the SAP. Nevertheless, few service quality studies have been conducted in a small accounting practice environment.

A literature search on 'accounting service quality' revealed that the majority of service quality studies in the field of accounting investigate audit quality. These studies mostly deal with the technical aspect of statutory audits (Behn et al., 1997; Boon et al., 2008; Cano Rodríguez & Sánchez Alegría, 2012; Carcello et al., 1992; Fernando et al., 2010; Pham, 2014; Sundgren & Svanström, 2012). Audit quality falls outside the scope of this study, as it is very different from the functional aspects of quality addressed here. Where audit quality studies included functional aspects of service quality, results were included in **TABLE 4.2**. This table provides an overview of the methods and findings of the most prominent of the functional service quality studies performed since 1995 in the area of accounting, advisory and audit service delivery.

TABLE 4.2: Previous service quality studies in the field of accounting

Author	Context	Purpose of the study	Conceptual framework used	Methodology	Findings
(Behn et al., 1997)	Audit satisfaction in big audit firms	Investigate the relationship between client satisfaction, attributes of audit quality, auditors being changed and controller experience	None	Quantitative	Found a significant positive relationship between audit quality attributes and client satisfaction. Responsiveness, executive involvement, interaction with the audit committee industry expertise, experience with staff and previous relationship were found to have an effect on client satisfaction.
(Haines et al., 1999)	Accounting firms general	Evaluate the application of SERVQUAL in accounting firms	SERVQUAL	Qualitative – Literature based study. No measurement performed	Accounting firms should focus on the five determinants presented in the SERVQUAL should they wish to improve their service quality.
(Turner et al., 1999)	Management advisory services in large accounting firms	Examine the determinants of management advisory quality from the client's perspective	13 item SERVQUAL (7 point scale)	Quantitative, survey, regression analysis	SERVQUAL appears to be viable for measuring service quality. Except for the lack of support for a separate empathy dimension, the study's results indicate that MAS quality dimensions are similar to those identified by (Parasuraman et al., 1988). It further concluded that responsiveness and reliability issues are more important in explaining service quality.
(Aldhizer et al., 2002)	Medium tier advisory and accounting firms	Determine the reliability and validity and explanatory value of SERVQUAL for consultancy firms	13 item SERVQUAL (7 point scale)	Quantitative – Survey analysed through regression analysis	13-item scale found to be a viable instrument for differentiating client perceptions of consulting service quality. Suggests that tangibles are not a construct for measuring service quality in professional services firms.

Author	Context	Purpose of the study	Conceptual framework used	Methodology	Findings
(Waldmann & Raghavan, 2002)	Medium sized accounting and management consulting firm	Test the SERVPERF scale to measure perception of accounting service quality	SERVPERF (9 point scale)	Quantitative, case study	In this study, the SERVPERF scale was found to explain the variation in the service quality of accounting and consulting firms to a large extent. Found strong unidimensional tendencies and strong internal consistencies.
(Saxby et al., 2004)	Large accounting firm	To examine the relationship between service quality and both client satisfaction and firm/client conflict in an accounting firm setting.	SERVPERF using 5 point Likert scale	Quantitative, survey, regression analysis	The study confirms that service quality is positively related with clients' satisfaction in accounting firms and negatively related to firm/client conflict. Accounting firms can increase client satisfaction by concentrating on reliability and assurance.
(Ismail, Haron, Ibrahim & Isa, 2006)	Large audit firms in Malaysia	To explore the relationship between audit service quality, customer satisfaction and customer loyalty	SERVQUAL using 7 point 22-item scale	Quantitative	The public listed companies were satisfied with the tangible dimension but were dissatisfied with the other four dimensions. Most dissatisfaction was reported with the dimension of empathy. Customer satisfaction was found to mediate the relationship of reliability and customer loyalty partially.
(Bennett, 2007)	Small business advisors	To assess an expectations-based approach to service evaluation (by SMMEs) of government advice services.	Purpose specific instrument, covering, professionalism, technical expertise, speed of response, competence, helpfulness and providing an impartial view	Qualitative interviews and quantitative survey, frequency analysis	Results demonstrate a mixture of expectations ranging from specific service wants to a range of softer and quality elements. Comparison of the varied expectations with the level of satisfaction and impact shows business advisory services to be strongest where the SMME client is most focused on what it seeks and where the quality expectations are not too demanding.
(Walker et al., 2012)	Internal management	Measure the service quality of internal	SERVQUAL	Quantitative, regression analysis	Results of a survey on management accounting service show that service providers are not delivering the quality of service those

Author	Context	Purpose of the study	Conceptual framework used	Methodology	Findings
	accounting function	management accounting services			users expect, with communications being the weakest aspect of service quality.
(Sundgren & Svanström, 2012)	Swedish small audit practices	Investigates how service quality affects the SBO's choice of purchasing non-audit services from the auditor.	Accounting and auditing quality measured through one general question each	Quantitative, regression analysis	Found the length of auditor-client relationship is positively related to sourcing non-audit services. In addition, established a positive association between perceived quality of audit services and the likelihood of a client purchasing non-audit services from the auditor.
(Groff et al., 2014)	Accounting service quality in micro firms	To examine whether a professional qualification increases the quality of accounting services, as perceived by the customers, as well as the relationship between service quality and customer retention.	SERVPERF using a 5 point Likert scale	Quantitative, SEM	Found a relationship between the professional qualification of the accountant and small business clients' perceptions of the competency dimension of service quality. The study further reported a relationship between the responsiveness, assurance and empathy dimensions of service quality and accountant retention.
(Fleishman et al., 2016)	Internal management accounting function	Develop and test a scale to measure perceptions of management accounting service quality based on Grönroos' (1978; 1983; 1984) model	Kang and James' 2004 adaption of Grönroos' service quality model and SERVPERF	Quantitative, survey, using structural equation modelling	Validates the use of SERVPERF to measure dimensions of accounting service quality. Found strong unidimensional factor analysis that confirms a multi-dimensional model of service quality. Study further supports Kang and James' (2004) adaption of Grönroos' service quality model.

Source: Own compilation

Although this study draws from the findings presented in **TABLE 4.2**, not all these findings can be generalised to the context of this study. The majority of previous studies presented in **TABLE 4.2** were conducted in large accounting practices (Behn et al., 1997; Ismail et al., 2006; Saxby et. al., 2004; Turner et al., 1999) and to reiterate, SAPs are dramatically different from their large and even mid-tier counterparts, both in terms of the services offered (Blackburn & Jarvis, 2010:20) and the clients they service (Samujh & Devi, 2010).

Another portion of the studies presented in the table investigated internal management accounting services (Fleishman et al., 2016) or just advisory service quality (Aldhizer et al., 2002; Bennett, 2007; Walker et al., 2012). The current study is different from the previous studies, in the sense that it investigates the levels of service quality in compliance and advisory services offered by SAPs.

Of the studies presented in TABLE 4.2, the study performed by Groff et al. (2014) is the closest in nature to the current study, which also measured service quality for the full range of services offered by SAPs. This study, however, utilised a non-adapted SERVPERF model to measure service quality, i.e. it measured perceptions alone, using a limited range of items. The current study used the SERVQUAL scale to measure service disconfirmation as suggested by Parasuraman et al. (1988).

4.5 Adapting the SERVQUAL Scale to Measure Service Quality Offered by SAPs

From the analysis above it is clear that the SERVQUAL provides a valid and reliable instrument for measuring service quality in a variety of industries. However, Aykan and Aksoylu (2015: 28), and Carman (1990) indicate that the five generic dimensions of the SERVQUAL instrument should be considered just as a starting point and that additional measures should be added to improve its usefulness in specific contexts. As a result, it has become common practice to add or make minor changes to the generic SERVQUAL. Some of these studies include Fleischman et al. 2010, Jiang et al. 2012, Kang & Bradley 2002, Turner et al. 1999, and Weekes, Scott & Tidwell, 1996.

These dimensions are measured using 22 standardised scale items. As mentioned above, the SERVQUAL model proposes evaluating five service gaps. According to

Parasuraman et al. (1985: 46), the service disconfirmation is the most important of all the gaps presented in the model because it can be regarded as a function of the first four gaps. This is in line with the view expressed by Grönroos (1984: 11) [that] "quality is what a customer perceives", i.e. the difference between quality expectation and perception. In order to enhance quality, it is therefore important for SAPs to manage the gaps that exist between expectations and perceptions (Wolniak & Skotnicka-Zasadzien, 2012: 1245; Zeithaml et al., 1996).

Following an extensive review of relevant available literature, the researcher decided to include an additional 11 items in the original scale. **TABLE 4.3** provides a justification from the literature for these items

TABLE 4.3: Additional items – added to measure accounting service quality

	Question	Traits	Explanation	References
1	Excellent SAPs keep frequent contact with their clients	Communication	The types and frequency of communication with clients have been indicated to be positively related with a client's perceptions of accounting service.	(Blackburn & Jarvis, 2010; Breen et al., 2003: 8; Dyer & Ross, 2007: 137; Johnson, Webber & Thomas, 2007; Mauerer & Nissen, 2014: 120; Stone, 2011a)
2	Excellent SAPs communicate pro-actively with their clients	Communication	Pro-active communication from the accountant has been seen to be a catalyst for the usefulness of financial information received.	(ACCA, 2013b: 14; Berry, 2006: 10; Burke & Jarratt, 2004: 128; Carey, 2008: 53; Collier, 2005: 330; McChlery et al., 2005: 22)
3	Excellent SAPs are able to legally manage their clients' tax liability	Competency	Literature has indicated that accounting service quality is often equated to the ability of the SAP to manage the SBO's tax liability.	(Blackburn, Tanewski, et al., 2010: 5; Breen et al., 2003: 7; Everaert et al., 2007: 722; Mazzarol et al., 2015: 5)
4	Excellent SAPs understand their clients' business and the dynamics of the environment they operate in	Competency	Small business clients require the accounting practitioners to be competent and have expert knowledge in the areas where the latter are consulted.	(Aldhizer et al., 2002; Barbera & Hasso, 2013: 272; Everaert et al., 2010; Hafeez & Andersen, 2014: 25; Turner et al., 1999)
5	Excellent SAPs are experienced	Competency	SBOs' perception of accounting practitioner's experience affects their perception of service quality.	(Bennett, 2007: 437; Berry, 2006; Blackburn, Carey, et al., 2010: 6; Burke & Jarratt, 2004: 133; Carcello et al., 1992: 7; Nandan, 2010: 72; Stone, 2011a: 784)
6	Excellent SAPs always act ethically	Ethical	Ethical behaviour is regarded an integral part of the accounting profession.	(Blackburn, Carey, et al., 2010; Brown et al., 1989; Carey, 2008; Carnegie & Napier, 2010; Devi & Samujh, 2010; Fleishman et al., 2016; Turner et al., 1999)
7	Excellent SAPs are conservative in dealing with their clients' affairs	Ethical	SAPs have been criticised for their "narrow bookkeeper" image, hindering them from providing practical advice to SBOs. In contrast, other literature has indicated that external accountants are appointed specifically for their tendency to be conservative.	(Carnegie & Napier, 2010: 360; Devi & Samujh, 2010; Nandan, 2010)

	Question	Traits	Explanation	References
8	Excellent SAPs are honest in their dealings	Ethical	Behaving in an honest manner is a fundamental principle of ethical behaviour and personal ethics that professional accountants subscribe to. Honesty is seen to be connected to ethics and competence and is therefore perceived to influence the perceptions of service quality within the accounting profession.	(Blackburn & Jarvis, 2010: 26; Carnegie & Napier, 2010: 370; Hafeez & Andersen, 2014: 23; Herrbach, 2001: 790)
9	Excellent SAPs provide a wide range of accounting related services	Range of services	Several studies have indicated that in order to improve their service to small businesses, accounting practitioners should widen their service offering.	(Blackburn & Jarvis, 2010; Jarvis & Rigby, 2011; Samujh & Devi, 2010)
10	Excellent SAPs offer value added advice as part of their bookkeeping and compliance services	Value added service	It has been stated that accountants should offer value added advice as part of traditional accounting services.	(Devi & Samujh, 2010; Kirby & King, 1997: 298; Marriott & Marriott, 2000: 477; Schizas et al., 2012: 5)
11	Excellent SAPs offer value for money services	Value for money	Through providing value for money services accountants could assist in the effective utilisation of resources in that they are able to provide higher quality financial skills at a reduced rate.	(ACCA, 2013a; Burke & Jarratt, 2004; Carey, 2008; Collis & Jarvis, 2000; Everaert et al., 2010; Kamyabi & Devi, 2011; Mauerer & Nissen, 2014; McChlery et al., 2005; Scapens, 2006)

Source: Own Compilation

Two questions were removed from the original SERVQUAL scale for the purposes of this study. **TABLE 4.4** provides a justification for removing these questions from the scale.

TABLE 4.4: Justification for SERVQUAL items not used

Question	Traits	Explanation
Excellent accounting practices will insist on error free records	Assurance	These items in the SERVQUAL deal with the accountant providing accurate invoices and statements. Feedback from experts indicated that respondents might be confused by this statement, not knowing whether it relates to their business' accounting records or those of the accounting practice.
Customers of excellent accounting practices will feel safe in transactions.	Ethical	This item deals with the ethical behaviour of the provider. Because of the integral role of ethics in the accounting profession, this question was replaced with three items that address ethical behaviour as it relates to the accounting profession (as indicated above).

Source: Own compilation

TABLE 4.5 indicates how service quality theory is operationalised into the 31-item scale which was used to measure service quality in this study. In line with the practice adopted in other SERVQUAL studies, the instrument wording was changed to reflect accounting specific terminology (Groff et al., 2014; Saxby et.al., 2004; Walker et al., 2012).

It is important to note that the researcher categorised the additional items as indicated in TABLE 4.3 according to the 5 dimensions of SERVQUAL using Parasuraman et al.'s, (1988) **definition of each dimension. The validity and reliability of each of these dimensions will be substantiated using factor analysis (refer to Chapter 7).**

TABLE 4.5: Operationalising service quality theory in the small business context

THEORY LEVEL　　　　　　　　　RESEARCH LEVEL

Conceptual Level	Conceptual Components	Conceptual Definitions	Operational components	Source	Operational Definitions (Questionnaire items)	*Item ref
Service Quality	Reliability	Refers to whether the organisation is reliable in providing prompt service. "Is the service provided as promised?" Reliability reflects the organisation's consistency and certainty in terms of performance	Timely	SERVQUAL	When excellent SAPs promise to do something by a certain time, they do	Do as promised
			Accurately	SERVQUAL	Excellent SAPs will perform the service correctly the first time	First-time-right
			Timely	SERVQUAL	Excellent SAPs inform clients exactly when services will be performed	Informs
			Timely	SERVQUAL	Excellent SAPs give prompt service to clients	Prompt
	Responsiveness	Refers to whether the organisation's employees are helpful and capable of providing fast service. It measures the employees' receptiveness towards clients;	Helpful	SERVQUAL	When a customer has a problem, excellent SAPs will show a sincere interest in solving it	Solving problems
			Responsive	NEW QUESTION (TABLE 4.3)	Excellent SAPs offer value added advice as part of their bookkeeping and compliance services	Value-added services
			Responsive	NEW QUESTION (TABLE 4.3)	Excellent SAPs provide a wide range of accounting related services	Range of services
			Helpful	SERVQUAL	Excellent SAPs are always willing to help clients	Helpful
			Responsive	SERVQUAL	Excellent SAPs are never too busy to respond to clients' requests	Not too busy
			Pro-active communication	NEW QUESTION (TABLE 4.3)	Excellent SAPs keep frequent contact with their clients.	Proactive communication
			Pro-active communication	NEW QUESTION (TABLE 4.3)	Excellent SAPs communicate proactively with their clients	Contact

Conceptual Level	Conceptual Components	Conceptual Definitions	Operational components	Source	Operational Definitions (Questionnaire items)	*Item ref
	Assurance	Refers to the knowledge and courtesy of employees and their ability to convey trust and confidence	Competency	NEW QUESTION (TABLE 4.3)	Excellent SAPs are able to legally manage their clients' tax liability	Manage tax
			Trust	SERVQUAL	The behaviour of excellent SAPs instils confidence in clients	Confidence
			Trust	SERVQUAL	Clients of excellent SAPs trust their accountants in handling their affairs	Trust
			Courtesy	SERVQUAL	Excellent SAPs are consistently courteous towards clients	Courteous
			Competency	SERVQUAL	Excellent SAPs are competent in providing the services they offer	Competent
			Competency	SERVQUAL	Excellent SAPs have the knowledge to answer clients' questions	Knowledge
			Competency	NEW QUESTION (TABLE 4.3)	Excellent SAPs understand their clients' business and the dynamics of the environment they operate in	Understand business
			Competency	NEW QUESTION (TABLE 4.3)	Excellent SAPs are experienced	Experienced
			Ethical	NEW QUESTION (TABLE 4.3)	Excellent SAPs always act ethically	Ethical
			Ethical	NEW QUESTION (TABLE 4.3)	Excellent SAPs are conservative in dealing with their clients' affairs	Conservative
			Ethical	NEW QUESTION (TABLE 4.3)	Excellent SAPs are honest in their dealings	Honest

Conceptual Level	Conceptual Components	Conceptual Definitions	Operational components	Source	Operational Definitions (Questionnaire items)	*Item ref
	Empathy	Refers to the capacity of one person to identify with another's experience. Empathy is demonstrated through the provision of caring, individualised attention to customers.	Empathy	SERVQUAL	Excellent SAPs will give clients personal attention	Personal attention
			Convenience	SERVQUAL	Excellent SAPs make it convenient for their clients to contact them	Convenience
			Empathy	SERVQUAL	Excellent SAPs have their clients' best interest at heart	Best interest
			Empathy	SERVQUAL	Excellent SAPs will understand the specific needs of their clients	Understand needs
			Value for money	NEW QUESTION (TABLE 4.3)	Excellent SAPs offer value for money services	Value for money
	Tangibles	Refers to the service provider's physical environment, equipment, people, communication, and material.	Physical facilities	SERVQUAL	Excellent SAPs have modern looking offices and equipment	Equipment
			Physical facilities	SERVQUAL	The physical facilities at excellent SAPs are visually appealing	Facilities
			Tangibles	SERVQUAL	Employees at excellent SAPs are neat in their appearance	Appearance
			Tangibles	SERVQUAL	Communications, documents and statements received from excellent SAPs are visually appealing	Appealing documents

The item reference relates to the item number used to analyse the survey data presented in chapters 6 and 7

Source: Own compilation

4.6 The Relationship between Service Quality, the Types of Services Sourced and the Benefits Received from Small Accounting Practitioners

The literature presented in this section provides the theoretical basis for the hypothesised predictions of the interrelationship between service quality, the frequency with which different types of services are sourced, and the benefits that SBOs obtain from the relationship with their accounting practitioners. The overarching hypotheses are (Refer to **TABLE 1.4**)

H2 **There is a significant positive relationship between the levels of service quality that small accounting practitioners offer to their SMME clients and SBOs' perceptions of the benefits they obtain from their external accounting practitioner.**

H3 **There is a significant positive relationship between the frequency with which SMMEs source different types of services and the levels of service quality that SAPs offer their small business clients**

Literature support for these interrelationships is discussed in line with the five SERVQUAL dimensions.

4.6.1 Assurance

Assurance relates to the knowledge and courtesy of employees and their ability to convey trust and confidence (Parasuraman et al., 1988). The main components of assurance are competency, trust, and ethical behaviour. Literature providing support for the relationship that each of these components have with the frequency of types of services sourced will be discussed in turn.

4.6.2 Competency

Competency is a fundamental principle with which all members of the IFAC accounting body are required to comply (Blackburn, Carey, et al., 2010: 28). Competency, from the perspective of SBOs, is not merely determined by the accountant holding relevant paper qualifications, but is instead a practical demonstration of technical abilities (Marriott & Marriott, 2000: 18). Accounting practices, including SAPs, are regarded as knowledge-

intensive in nature, placing heavy demands on the competency and professional expertise of their employees (Ciccotosto et al., 2008).

Several studies have found that that while accountants were perceived as competent suppliers of compliance and accounting-based advice, they generally do not possess the necessary skills to add benefit through providing business advice for their specific industry (Blackburn, Carey, et al., 2010: 6; Burke & Jarratt, 2004: 128; Jarvis & Rigby, 2011: 9). Turner et al. (1999) established that competency was not a significant factor in determining service quality in large audit firms. Instead, respondents were more concerned with responsiveness and reliability. The reason provided was that respondents perceived all service providers to be almost equally competent, i.e. they perceived a lack in variation between these service providers. These findings were confirmed by Leung et al. (2010: 24), indicating that SMMEs are more concerned with "the speed of response rather than with issues associated with the accountants' technical and professional expertise". According to Turner et al. (1999: 25), these findings do not suggest that competency is not an important dimension of service quality, but instead that it is a basic condition for offering compliance services and that accountants cannot afford to be incompetent.

In terms of advisory services, Carey and Tanewski (2016: 290) reported that the purchase of business advice is significantly and positively associated with the perceived competence of the external accountant. In addition, when accountants are not perceived as competent advisors, SMMEs purchase less advice over time. Gooderham, Tobiassen, et al. (2004); Mauerer and Nissen (2014) and Svanström (2012) all argue that because advisory services are intangible, it is important to demonstrate competence in the compliance services offered and, in this way, build trust with the client. The external accountant is frequently not used as a source of business advice because the SMME perceives him or her as not possessing sufficient business acumen (Blackburn, Carey, et al., 2010).

However, given its importance, it is of concern that SAPs are not always perceived as being competent. In studies which reported dissatisfaction with accountants, reference is often made to their lack of competency, especially with regard to advisory services (Blackburn & Jarvis, 2010; Burke & Jarratt, 2004: 128; Gooderham et al., 2004; Kirby &

King, 1997; Marriott & Marriott, 2000). Bennett and Robson (2010: 444) reported that most SBOs find sourcing business advice not to be beneficial, based on the lack of competency demonstrated by service providers. A study by (Xiao & Fu, 2009: 436) found that Chinese accountants are not competent to provide sound business advice to their small business clients. Kautonen et al. (2010: 190) commented that using advisors who are not competent might have a detrimental effect on the benefits obtained from the advice.

Although SBOs perceive accountants not to be competent advisors, Blackburn and Jarvis (2010: 30) as well as Devi and Samujh (2010: 45) established that accounting practitioners perceive themselves to be adequately competent to present an array of different advisory services and, in this way, add value for their clients.

Although the evidence is mixed regarding the competency of accountants in relation to the scale and type of provision of compliance and noncompliance advice to SMEs, the literature suggests a positive relationship between the competency of the SAP and the benefits obtained from the services sourced. It could also be argued that there is a positive relationship between the perceived competency of the SAP and the frequency with which SMMEs source different types of services.

Trust

Trust is regarded as an integral part of providing accounting and related services to SMMEs (Blackburn, Tanewski, et al., 2010: 5; Hafeez & Andersen, 2014: 28; Kautonen et al., 2010: 192; Mauerer & Nissen, 2014: 113). Debono (2014: 179) concludes that trust forms the basis of the small business – accountant relationship, and that there can be no interaction without trust. The relationship between the SBO and the accounting practitioner is established over a period (Blackburn, Carey, et al., 2010). The point of initial contact with the accountants is normally through compliance services. As the relationship develops and the owner learns to trust the external accounting practitioner, she or he may start using the latter for business advice. It is therefore argued that a key determinant of the take-up of noncompliance services from external advisers is the development of trust (Bennett & Robson, 2010; Blackburn, Carey, et al., 2010).

A study by Gooderham, Tobiassen, et al. (2004) revealed that the quality of the relationship between the SAP and client is the most important predictor of the degree to which small firms use accountants as business advisers. Studies performed by Everaert et al. (2010); Hafeez and Andersen (2014: 28) and Kamyabi and Devi (2011) all discovered a significantly positive relationship between trust in the external accountant and the tendency to outsource accounting and related services. Sourcing these services is not automatic; in some instances the SMME might not purchase other non-statutory (business advisory) services from their external accountant for several years after the initial trust relationship has been built. Nawaz (2012: 61) found that even when the accountant may not be perceived by the SBO as being the most competent, the owner would not change accountants because of the existence of trust. The establishment of such a trust-based relationship with owners and accountants needs frequent contact and long-term relationships so that they come to know each other very well.

SBOs obtain maximum benefit from the information and advice presented by the accountant when trust is fundamentally driven by the belief that the accountants share their own vision (Debono, 2014: 178). However, this trust is built on the assumption that the accounting practitioner will provide advice that is in the best interest of its clients (Burke & Jarratt, 2004: 136). In essence, the latter trust the accountants as much as they trust themselves; this is reflected in their reliance on the accountants.

Ethical behaviour

The accounting profession considers it necessary to project an image of respectability, built on its reputation of acting ethically (Carnegie & Napier, 2010: 360). Although this image has been damaged by some recent national scandals, the ethical behaviour of professional accountants is viewed as providing a safeguard to clients (ACCA, 2013c: 12). Carey (2008: 61) states that external accountants convey information about the nature and quality of their services through their reputation, which suggests expertise and ethics. This ethical behaviour is prescribed through codes of conduct established around the following five fundamental principles of IFAC: (1) Integrity; (2) Objectivity; (3) Professional competence; (4) Confidentiality and (5) Professional behaviour. Understanding and behaving in accordance with fundamental principles of ethical

behaviour are regarded as an essential competency of SAPs (Blackburn, Tanewski, et al., 2010: 26). Carcello et al. (1992: 6) have identified ethical behaviour as core to driving service quality in large audit firms. Bennet and Robson (1999: 42) claim that the accountants' ethical behaviour is a source of trust. This is supported by the findings of a study performed by Ciccotosto, Nandan and Smorfitt (2008: 331), which reported that SAPs viewed ethical behaviour as very important because, by appointing a professional accountant who subscribes to ethical standards, SBOs are more likely to be offered better service.

Literature links ethical behaviour within the accounting context with competency and trust (Kautonen et al., 2010; Łobacz et al., 2016; Schizas et al., 2012). This relationship, based on competence, trust and ethical behaviour, has earned accounting practitioners their reputation as SBOs' most commonly used business advisers (ACCA, 2013c). In addition, these three dimensions have been indicated as critical to service quality when providing external accounting services (Blackburn, Tanewski, et al., 2010: 7; Devi & Samujh, 2010; Schizas et al., 2012: 21).

The proposition in the literature is therefore that once accountants have demonstrated technical competency and ethical behaviour in conducting compliance work, a relationship of trust is built, resulting in the possibility that they will be called upon for noncompliance advice and support. It is consequently argued that there is a positive relationship between the assurance dimension of service quality and the frequency with which they source different types of services, as well as the benefits that SBOs obtain from their accountants.

The study will therefore test the following hypotheses (Refer to **TABLE 1.4**):

H2-1   There is a significant positive relationship between the levels by which SAPs deliver the assurance dimensions of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner

H2-2   There is a significant positive relationship between the levels with which SAPs deliver the assurance dimensions of service quality and the SBOs' perception of management benefits received from the accounting practitioner.

H3-1 There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the assurance dimension of service quality.

H3-2 There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the assurance dimension of service quality.

H3-3 There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the assurance dimension of service quality

4.6.3 Reliability

The reliability dimension refers to the ability of the service provider to perform the service as promised, accurately and on time (Parasuraman et al., 1988). According to Turner et al. (1999: 24), reliability with regard to delivering accounting services includes the ability to deliver the service in line with the time deadlines, costs and range of services.

Timeliness of the accountants' interventions is considered as an advantage of using SAPs instead of large or medium ones (Marriott & Marriott, 2000: 18). Furthermore, from the literature, it is evident that the importance of reliability is dependent upon the types of services sourced. Tax returns need to be submitted accurately and on time to tax authorities, so as to avoid fines and penalties (ACCA, 2013a; Barnardt, 2016). In South Africa, all registered Close Corporations (CCs) and non-public entities need to submit annual financial statements to comply with CIPC requirements. SAPs are therefore required to offer a reliable compliance service to small business clients (The Government of the Republic of South Africa, 2008). Turner et al. (1999: 24) assert that accountants who clearly communicate realistic performance expectations, rather than unrealistically high ones, may positively influence a client's overall perceptions of the services offered.

As noted earlier, research has indicated that the financial information which SAPs provide to their clients is often outdated, limiting its usefulness for internal decision-making and control (Burke & Jarratt, 2004; Halabi et al., 2010). To ensure SMMEs

obtain the maximum benefit from the services sourced, it is important that information is provided to them in a timely manner.

Clients are only able to source services from accountants if the SAP offers such a service. It could therefore be stated that there is a positive relationship between the range of services offered and the frequency in which SBOs source these services. Marriott and Marriott (2000: 20) indicated that SBOs are not comfortable sourcing advisory services from their accountants, believing that accountants are "out-of-touch" with business reality, making the advice unreliable.

Based on evidence presented in the literature, it is anticipated that there should be a positive relationship between the reliability of the services offered by SAPs; the frequency by which different types of services are sourced; and SBOs' perceptions of the management compliance benefits obtained. The following hypotheses will therefore be tested:

H2-5   There is a significant positive relationship between the levels with which SAPs deliver the levels of the reliability dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.

H2-6   There is a significant positive relationship between the levels with which SAPs deliver the levels of the reliability dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.

H3-7   There is a significant positive relationship between the frequency by which SMMEs source routine services and the levels with which SAPs deliver the reliability dimensions of service quality.

H3-8   There is a significant positive relationship between the frequency by which SMMEs source non-routine services and the levels with which SAPs deliver the reliability dimension of service quality.

H3-9   There is a significant positive relationship between the frequency by which SMMEs source advisory services and the levels with which SAPs deliver the reliability dimension of service quality.

4.6.4 Responsiveness

Responsiveness relates to the ability of the organisation's employees to be helpful and capable of providing rapid service. It measures the employees' receptiveness towards clients (Parasuraman et al., 1988). Responsiveness is reflected through the small accounting practice's ability to communicate proactively and to deliver the service as promised in a helpful manner (Carcello et al., 1992: 8).

Various authors have commented on the importance of accountants being proactive in their actions and communication with clients (ACCA, 2013b: 14; Berry, 2006: 10; Burke & Jarratt, 2004: 128; Carey, 2008: 53; Collier, 2005: 330; McChlery et al., 2005: 22). A study by Leung et al. (2010: 24) reported that Australian SMMEs are more dissatisfied with their accountants' responsiveness than with their competency.

Responsiveness within an accounting context refers to the ability of the accountant to (1) allow for pro-active communication with clients and to (2) offer a range of services to enable accountants to respond to client needs before they become problematic (Turner et al., 1999: 25).

Pro-active communication

There is a relationship between the types and frequency of communication that SAPs have with clients and clients' perceptions of service quality. Dyer and Ross (2007: 137), and Johnson et al. (2007) reported that clients prefer informal, face-to-face interactions with their accountants or business advisors. A study by Breen et al. (2003: 8) found that the majority of small business clients in their sample considered meeting with their accountants four times a year as adequate. Mauerer and Nissen (2014: 114) proposed that constant communication with clients is required when advisory services are offered in order to keep the said clients satisfied. Although Devi and Samujh (2010: 41) suggested that SAPs should communicate with their clients more frequently using electronic forms of communication, Blackburn and Jarvis (2010) and Stone (2012: 21) found that SBOs preferred face-to-face interaction. McChlery et al. (2005: 22) indicated continuous and proactive communication with the accountant to be a catalyst for sound financial management in small businesses. This is confirmed by Debono (2014: 177) who states that the accountant needs to employ effective communication strategies to

ensure that the information they provide is actionable in the organisation. Waldmann's and Raghavan's (2002: 23,24) study on service quality in large accounting practices found that communication was the most important service quality dimension, followed by reliability and competence. It was also identified as a significant determinant of audit client satisfaction (Behn et al., 1997: 7). Turner et al. (1999: 24) suggest that client expectations could be enhanced by monitoring and communicating progress throughout the engagement.

It can therefore be concluded that proactive and effective communication is important to SBOs and that improved communication could contribute to their having a better perception of not only the compliance but also the management benefits that they obtain from their external accounting practitioner.

Range of services

SBOs expect, apart from routine compliance services, that their accountant could provide them with advice on broad and specific aspects of their business (Nandan, 2010: 66). These services include, amongst others, financial planning, management accounting and information system, forensic accounting, cost reduction, succession planning and pricing decisions. While accountants perceive themselves as having the expertise and skills to provide the majority of the above mentioned services, they have not been forthcoming in moving beyond their traditional service areas (Kirby & King, 1997). In fact, studies in the UK, Australia, and Malaysia found that the majority of SAPs refer their clients to external professional advisors, instead of providing the service themselves (Blackburn, Eadson, Lefebvre & Gans, 2006; Devi & Samujh, 2010: 5; Leung et al., 2010: 5; Marriott & Marriott, 2000).

Growth oriented small businesses need accountants that are reliable providers of advisory services and support them with business advice, emergency advice and financial management assistance to improve their performance (Husin & Ibrahim, 2014: 60). Although SAPs have changed the nature of their service provision, this shift is not regarded as sufficient to address the needs of their clients (Blackburn & Jarvis, 2010: 12). Without SAPs offering a wide range of services SBOs cannot obtain the appropriate compliance and advisory benefits from them.

H2-7   There is a significant positive relationship between the levels with which SAPs deliver the levels of the responsiveness dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.

H2-8   There is a significant positive relationship between the levels with which SAPs deliver the levels of the responsiveness dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.

H3-10   There is a significant positive relationship between the frequency by which SMMEs source routine services and the levels with which SAPs deliver the responsiveness dimension of service quality

H3-11   There is a significant positive relationship between the frequency by which SMMEs source non-routine services and the levels with which SAPs deliver the responsiveness dimension of service quality.

H3-12   There is a significant positive relationship between the frequency by which SMMEs source advisory services and the levels with which SAPs deliver the responsiveness dimension of service quality.

A recent study by Groff et al. (2014: 5) reported that SBOs perceive the reliability and responsiveness dimensions of service delivery in SAPs as measuring the same latent construct. This notion is confirmed by Bennett and Robson (2010) and Blackburn, Carey, et al. (2010) who argued that a key determinant of the take-up of non-compliance services from external advisers is the development of trust, built up through offering a reliable compliance service which is offered in a way that is responsive to customer needs. Turner et al. (1999:18) reported a high co-linearity between the constructs of service quality dimensions, concluding that responsiveness and reliability are the most important dimensions of service quality offered by large accounting practices.

2.6.1. Empathy

Empathy refers to "the capacity of a person to experience as another" (Business Dictionary, 2017). For the purposes of the SERVQUAL framework, empathy is demonstrated through the provision of caring, individualised attention to customers (Parasuraman et al., 1988).

Empathy in the context of accounting studies has been described as understanding and genuinely caring about the clients' interests; it requires the accountant to take time to understand the clients' business and personal needs (Turner et al., 1999: 25). The SAP's ability to demonstrate empathy has been indicated as very important to develop successful client relationships and the provision of business advisory services (Blackburn, Carey, et al., 2010). It could therefore be argued that there is a positive relationship between the accountant's ability to provide their services with empathy and the frequency with which SMMEs advisory services.

It has been reported that SBOs perceived that their accountants did not add value to their businesses and that they lacked awareness of their needs (McChlery et al., 2005: 19,23). Empathy is seen to be essential if small business accountants want to add real value to clients. Offering a "value for money" service is therefore regarded as an aspect of the empathy dimension of service quality.

Although the literature do not specifically provide support for the relationship between empathy and the benefits that SMMEs obtain from accountants, these relationships have been noted in terms of building trust and value for money. Both of which are variables measuring empathy in the SERVQUAL scale.

Value for money

Offering a 'value for money' service has been indicated as one of the most important factors affecting the use of external accountants (Blackburn & Jarvis, 2010: 15; Burke & Jarratt, 2004: 133; Carey, 2008: 236; Collis & Jarvis, 2000; Kirby & King, 1997: 298; Marriott & Marriott, 2000: 477; McChlery et al., 2005: 19; Nawaz, 2012: 61; Schizas et al., 2012: 5).

Literature provides support for the relationship between the SBOs' perception of value for money and the frequency by which SMMEs source different types of services that from their external accountant. Collis (2012: 449) argues that the value of compliance services should be understood in the context of the agency theory, i.e. compliance work performed by the external accountant is necessary to protect the interests of external stakeholders such as the government and providers of finance. It is therefore not surprising that compliance work is generally viewed by SBOs as a necessary cost of doing business, but one which adds little, if any, value to the business (Blackburn, Carey, et al., 2010: 22; Marriott & Marriott, 2000: 476).

In contrast, a study by Carey (2008) found that over 80% of SMME respondents who purchase business advice are satisfied that they derive a financial benefit from such advice. ACCA (2013a: 5) concluded that accountancy expertise can be particularly cost-effective when it involves high-value activities, such as tax planning or advice.

Unfortunately, resulting from their low financial literacy levels and weak financial skills, SBOs often perceive these services as not offering sufficient value for money (Nandan, 2010: 71). Lohr (2012: 35) reported that the vast majority of the SBOs indicated that they would benefit from additional information and advice, but that they were reluctant to request the help of an external accountant since this could result in increased charges. According to Devi and Samujh (2010: 16), SMMEs find it difficult to assess the benefits of well-tailored advice and support without experiencing them; therefore, they undervalue these services. As a result, they either do not use advice services or underuse them, and display minimal willingness to pay the market value that good quality, impartial advice might cost. Bennett and Robson (2005) assert that when offering advisory services to SMMEs, the information asymmetry that exists between buyer and seller is the main hurdle to overcome. It is therefore important to build a relationship of trust to convince SBOs that the service will offer them value for money (Devi & Samujh, 2010: 45).

Gummesson (2007: 7) warns companies operating in the professional services field not to adopt a too narrow technically orientated view of service quality; instead, they should shift their attention towards understanding how, through the process of service delivery, real value and benefit is added to the small business client. In the context of this study,

SAP should therefore not only provide technically accurate financial information, but also add value by explaining, interpreting or advising clients about the implications of the information presented. External accountants who are involved in the bookkeeping and preparation of financial statements are more familiar with the client's business and are therefore able to provide basic advisory services as an extension of the typical services offered (Blackburn, Carey, et al., 2010: 32; Niemi et al., 2016: 169). It has also been reported that small business clients expect to receive such business advice as part of the traditional services sourced from their accountants (Burke & Jarratt, 2004: 133; Devi & Samujh, 2010). Marriott and Marriott (2000: 477) explain that value could be added to SMMEs by modifying the traditional accounting services as follows: (a) by providing advice on a more frequent basis; (b) by providing it more quickly; (c) by providing basic segmentation, perhaps by product line or customer; and (d) by providing a more user-friendly presentation and explanation.

According to Schizas et al. (2012: 24), it is through providing such value added initiatives that the relationship between the SAP and SBO progresses to a place where the accountant is viewed as being a trusted business partner. It could therefore be said that to offer basic business advice as a value added service to clients may improve their perception of the benefits obtained, which in turn increases trust. This trust-based relationship may result in more frequent use of other advisory services offered by the accountant (Bennett & Robson, 2005: 258; Jarvis & Rigby, 2011; Łobacz et al., 2016).

Offering service in a manner which encourages the perception that the accountant is empathetic to the SBO's needs should therefore have a positive relationship on the frequency with which different types of services are sourced, and the benefits that can be gained from the relationship. The study will therefore test the following hypotheses (Refer to **TABLE 1.4**):

H2-3   There is a significant positive relationship between the levels with which SAPs deliver the empathy dimensions of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.

H2-4   There is a significant positive relationship between the levels with which SAPs deliver the empathy dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.

H3-4   There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the empathy dimension of service quality.

H3-5   There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the empathy dimension of service quality.

H3-6   There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the empathy dimension of service quality

4.6.5 Tangibility

Tangibility refers to the service provider's physical environment, equipment, people and communication as well as material. Since there is no physical element to be assessed in services, clients often trust the tangible evidence that surrounds services when making their assessment (Parasuraman et al., 1988).

Turner et al. (1999) excluded items relating to tangibility from the scale developed to test advisory service quality offered by large audit firms. It was argued that tangibles have a limited effect in the context of professional service delivery. The reasons may be: (1) that accounting and advisory services are often conducted at the client's offices, reducing the importance of the physical facilities; (2) delivering accounting and advisory services does not require the use of any specialised equipment; (3) tangibles are perceived to be important whereas judging the technical quality is very difficult and subjective. Everaert et al. (2010: 108) found that small business clients do not find it difficult to determine whether accountants accurately perform their accounting tasks, and as a result, tangibles are being perceived to be of lesser importance in this context.

Although tangibility has been indicated as an unimportant aspect of service delivered by SAPs, there is currently no empirical evidence to support the decision to exclude this

dimension when measuring the professional service quality. A decision was therefore taken to include SERVQUAL items relating to physical facilities and tangibles as part of the survey instrument. However, before including these in the structural equations model, the validity of the construct first had to be tested.

H2-10   There is a significant positive relationship between the levels with which SAPs deliver the levels of the tangible dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.

H2-11   There is a significant positive relationship between the levels with which SAPs deliver the levels of the tangible dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.

H3-13   There is a significant positive relationship between the frequency by which SMMEs source routine services and the levels with which SAPs deliver the tangible dimension of service quality.

H3-14   There is a significant positive relationship between the frequency by which SMMEs source non-routine services and the levels with which SAPs deliver the tangible dimension of service quality.

H3-15   There is a significant positive relationship between the frequency by which SMMEs source advisory services and the levels with which SAPs deliver the tangible dimension of service quality.

The study used a self-developed questionnaire to measure the frequency of services sourced and the perception of benefits obtained and an adapted scale to measure the levels of service quality. It is therefore important to note that the hypotheses argued were confirmed for inclusion in the structural model once the different constructs were statistically validated by means of principle component analysis. (Refer to Chapter 6.)

4.7   Conclusion

The chapter presented a logical argument concerning the importance of service quality as a factor affecting the relationship between the SBO and SAP. Consistent with the

evidence obtained from literature, it was decided that an adapted SERVQUAL scale would be the most appropriate measure of service quality in this context.

The chapter continued by providing systematic support for the hypothesised relationship between the levels of accounting service quality and SBOs' perceptions of benefits obtained from the services sourced as well as the relationship between the levels of accounting service quality and the frequency with which SMMEs source different types of services. These hypotheses are:

TABLE 4.6: Hypothesised relationships

H1	**There is a significant positive relationship between the frequency with which SMMEs source different types of accounting services and the SBOs' perception of benefits received from the accounting practitioner.**
H1-1	There is a significant positive relationship between the frequency by which SMMEs source routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-2	There is a significant positive relationship between the frequency by which SMMEs source routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-3	There is a significant positive relationship between the frequency by which SMMEs source non-routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-4	There is a significant positive relationship between the frequency by which SMMEs source non-routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-5	There is a significant positive relationship between the frequency by which SMMEs source advisory services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-6	There is a significant positive relationship between the frequency by which SMMEs source advisory services and the SBOs' perception of management benefits received from the accounting practitioner.
H2	**There is a significant positive relationship between the levels of service quality that small accounting practitioners offer to their SMME clients and SBOs' perceptions of the benefits they obtain from their external accounting practitioner**
H2-1	There is a significant positive relationship between the levels by which SAPs deliver the assurance dimensions of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.

H2-2	There is a significant positive relationship between the levels with which SAPs deliver the assurance dimensions of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-3	There is a significant positive relationship between the levels with which SAPs deliver the empathy dimensions of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-4	There is a significant positive relationship between the levels with which SAPs deliver the empathy dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-5	There is a significant positive relationship between the levels with which SAPs deliver the levels of the reliability dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-6	There is a significant positive relationship between the levels with which SAPs deliver the levels of the reliability dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-7	There is a significant positive relationship between the levels with which SAPs deliver the levels of the responsiveness dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-8	There is a significant positive relationship between the levels with which SAPs deliver the levels of the responsiveness dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-9	There is a significant positive relationship between the levels with which SAPs deliver the levels of the tangible dimension of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-10	There is a significant positive relationship between the levels with which SAPs deliver the levels of the tangible dimension of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H3	**There is a significant positive relationship between the frequency with which SMMEs source different types of services and the levels of service quality that SAPs offer their small business clients**
H3-1	There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the assurance dimension of service quality.
H3-2	There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the assurance dimension of service quality.
H3-3	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the assurance dimension of service quality.

H3-4	There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the empathy dimension of service quality.
H3-5	There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the empathy dimension of service quality.
H3-6	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the empathy dimension of service quality.
H3-7	There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the reliability dimensions of service quality.
H3-8	There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the reliability dimension of service quality.
H3-9	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the reliability dimension of service quality.
H3-10	There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the responsiveness dimension of service quality.
H3-11	There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the responsiveness dimension of service quality.
H3-12	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the responsiveness dimension of service quality.
H3-13	There is a significant positive relationship between the frequency with which SMMEs source routine services and the levels with which SAPs deliver the tangible dimension of service quality.
H3-14	There is a significant positive relationship between the frequency with which SMMEs source non-routine services and the levels with which SAPs deliver the tangible dimension of service quality.
H3-15	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the levels with which SAPs deliver the tangible dimension of service quality.

CHAPTER 5

RESEARCH DESIGN AND METHODOLOGY

5.1. Introduction

The overall purpose of this study is to develop a predictive model of SBOs' perceptions of the benefits obtained from their external accounting practitioners. To achieve this purpose, the study is divided into two distinct sections: a literature review and an empirical analysis.

The literature review (Chapters 2, 3 and 4) provided insight into the body of knowledge underlying the research problem. It was also used to guide and inform the development of the research questionnaire. It further presented systematic and reasoned arguments in support of the relationships hypothesised and presented in the conceptual framework.

The empirical part of this study used statistical modelling to test how well the survey data fits the conceptual framework developed from the literature study.

The purpose of this chapter is to describe the research design and methodology applied in executing the empirical part of this study. It begins by explaining the research paradigm, followed by a justification of the research design. The methodology section describes: (1) the development of the research instrument used to collect data, (2) the data collection methods used, and (3) a justification of the data analysis and statistical techniques used to test the hypotheses.

5.2. Research Paradigm

A paradigm is a set of assumptions about the world, and involves a philosophy regarding the proper topics and techniques for inquiry into that world (Punch, 2014: 31). Paradigms are generally classified as follows:

- Positivism, which is built around the research philosophy that an objective account of the world can be given and that the function of science is to develop descriptions and explanations in the form of universal laws (Punch, 2014: 17).

- Interpretivism concentrates on the meanings that people bring to situations and how they make sense of the world. This paradigm is mostly associated with qualitative methods using inductive reasoning to answer research questions (Punch, 2014: 17).
- Constructivism assumes that realities are local, specific, and constructed. Because experiences are socially and experientially based, it argues that findings cannot be generalised because realities depend on the individuals or groups holding them (Punch, 2014: 17).

This research is constructed from a positivistic paradigm. The researcher therefore approaches the study from the ontological view which assumes that the world out there is real and measureable, and that it exists independently of our subjective perception of it (Creswell & Creswell, 2018).

Studies conducted from a positivistic paradigm further aim to provide an objective reality against which the researcher can compare claims and ascertain truth. As such, it is assumed that there are general patterns of cause and effect that can be used as a basis for predicting and controlling natural phenomenon (Creswell & Creswell, 2018). In line with this view, the study was designed is to discover the predictive patterns in terms of how the frequency by which SMMEs source different types of accounting services and the service quality offered by SAPs relates the SBO's perceptions of the benefits obtained from their SAP. To achieve this, the study will test hypotheses that were derived from an existing body of knowledge (Refer to chapters 3 and 4). Deductive conclusions regarding these hypotheses will then be drawn from the quantitative analysis of data obtained using a representative sample of small business owners (Mouton, 1996: 145).

It is further assumed that the research will be free of subjective bias and objectivity will be achieved, if strict methodological protocol is followed (Creswell & Creswell, 2018). As such findings with regard to the SBO samples' perceptions and expectations will be assumed generalizable to the population. The methodological protocol which was followed in the study and the limitations regarding sampling and representation will be assessed in the respective sections to follow.

5.3. Research Design

To empirically evaluate the merit of the research hypotheses requires a strategy that provides unambiguous empirical evidence (Mouton & Marais, 1996). This strategy is represented in the research design. According to Hofstee (2006), the research design outlines the preferred approach to achieve the objectives of a research project. It also directs the collection and analysis of data (Leedy & Ormrod, 2010: 85). For this to be achieved, Cooper and Schindler (2011: 138,140) suggested that the research design address the type, scope, time frame, and purpose of the study. Table 5.1 provides a breakdown of how the design considerations identified by Cooper and Schindler, (2011: 138,140) influenced the research design followed in this study.

TABLE 5.1: Justification for the chosen research design

Design consideration	Design options available	Design option chosen	Justification
The type of research	Exploratory or formal design	Formal design	Formal studies are normally built on the findings of exploratory research to generate scientific knowledge. As this study builds on the findings of previous studies, it is classified as a formal study and therefore makes use of precise procedures and data source specifications to answer the predetermined research questions and to test the hypotheses presented in the conceptual framework.
The purpose of the study	Reporting, descriptive, causal-explanatory or causal-predictive	Causal predictive	The purpose of this study is to develop a model to predict how the frequency of the types of services sourced and the levels of service quality influence SBOs' perceptions of the benefits obtained from the external accounting practitioner. Based on the purpose, this study can therefore be classified as a causal-predictive study.
The time frame	Cross sectional or longitudinal	Cross-sectional	A cross sectional study involves participants from different groups being compared at a specific point in time. (Leedy & Ormrod, 2010: 186). This study is a cross sectional study and presents a comparison of the types of services sourced by SBOs, SBO expectations and perceptions
	Ex post facto (after the fact) or experimental	Ex post facto	An experimental design aims to control and/or manipulate the variables associated with the study. In contrast, an *ex post facto* design does not require the researcher to manipulate the variables under investigation and can only report on "what has happened" or "what is happening". To achieve the purpose of this study the researcher was required to investigate aspects of the SAP-SBO relationship as *experienced* and *perceived* by the SBO; therefore an *ex post facto* design was most appropriate.

Source : Adapted from Cooper and Schindler (2011: 138-140).

In terms of the arguments presented in **TABLE 5.1** the design of this study could be described as a formal, ex post facto study, which used cross-sectional data to test a predictive model of SBOs' perceptions of the benefits obtained from the relationship with their external accounting practitioners.

5.4. Methodology

The concept "methodology" in this study refers to the general techniques employed to examine the research questions (Hofstee, 2006: 108). It furnishes details on the development of the research instruments, the data collection, sampling design and a description of how the data will be analysed.

5.4.1. Research instrument

In line with the positivistic research paradigm employed, a structured, self-administered questionnaire was used to collect primary data from SBOs. The questionnaire was designed and tailored to verify and analyse their needs and expectations and to allow for possible modifications in the way that accounting services are offered. The following aspects were considered in designing the questionnaire:

- All questions included in the questionnaire were informed by literature and mapped to the research objectives;
- Care was taken to ensure that language used was straightforward and did not include unnecessary jargon , and
- Care was given to organise questions in a coherent manner. The questionnaire was ordered in a logical manner, starting with demographic questions, which were regarded as non-threatening to the respondents and quick to answer.

Types of questions

Questions (or items) used in questionnaires can be classified as either unstructured with an open ended response, or structured with a closed ended response (Cooper & Schindler, 2011: 329). It was necessary to measure SBOs' perceptions and expectations to achieve the purpose of this study. This consequently required the extensive use of direct rating scales. As a result, the questions included in the

questionnaire mainly consisted of closed ended responses. Open-ended responses were just used to allow respondents to include options that might not have been covered by the closed response questions.

The different categories of questions required the use of diverse types of scales to allow for the quantitative analysis of the responses. A combination of 4- point and 7-point Likert-type scales was used to measure the said SBOs' perceptions and expectations.

The next section specifically addresses the design of questionnaires, giving consideration to questionnaire design, types of question and types of scales as discussed previously.

Questionnaire design

The questionnaire (refer to Appendix A-1) consists of six sections (A to F).

Section A of the survey collected demographic data from South African small business owners. Section B gathered data concerning the small business venture.

Section C sought information on the types and frequency of services that small business clients source from the accountants and consisted of 14 items (refer to Chapter 3). Respondents were given the choice to include any other services they had previously sourced and for which no specific question was included in the questionnaire. A 5-point direct rating scale was used to measure the frequency. Options varied between "1", representing never, and "5", representing very often (monthly).

Section D collected data on SBOs' perceptions about the benefits they gained from the services sourced. The benefits included in the questionnaire were obtained from literature sources and justified in Chapter 2. A four-point direct rating scale was used to judge perceptions of benefits, with "1" representing "strongly agree" and "4" representing "strongly disagree". A 4-point scale instead of a 5-point Likert scale was used to eliminate a default median-response (Cooper & Schindler, 2011: 299).

Sections E and F collected data on service expectations and service perceptions required to measure the levels of service quality, in other words the service expectation gap (E minus F). Section E required respondents to rank their expectations relating to 31 service delivery items. Using the same 31 items, section F required respondents to rank their perception of the actual service delivery. The items included in the questionnaire were based on nineteen (19) independent items which were selected from the original 22-item SERVQUAL scale developed by Parasuraman, Zeithaml & Berry (1988). Two items from the original scale were excluded as they did not logically apply to the small business accounting environment and were perceived as possibly detracting from the overall quality of the questionnaire. In terms of an extensive literature review about aspects affecting service quality in accounting and other professional service organisations, eleven (11) additional items were added to the scale. Justification for the items included was presented in Chapter 4.

A seven-point scale was used where "1" represented a very negative response and "7" a very positive response to service items. Although some SERVQUAL studies have reverted to using a 5-point scale (Turner et al., 1999) the majority have kept to the original 7-point scale. Accordingly, this study also made use of a 7-point scale to measure service quality.

Mitigating non-response bias

Non response bias is introduced bias in statistics resulting from a significant difference between those who responded to a survey and those who did not. To limit the possible impact of non-response bias, the following were considered in the design and administration of the questionnaire:

- Care was taken to ensure that the language used was straightforward and did not include unnecessary jargon, which may deter respondents from taking part in the study.
- Care was further given to organise questions in a logical manner. The questionnaire was organised in a logical manner starting with biographic and

background questions which were regarded as non-threatening to the respondents and quick to answer.

- The researcher obtained responses using different forums and methods to ensure that responses are obtained from a variety of respondents.

- Participants were made aware that any information give is completely confidential (Refer to Appendix A-1 – Cover letter).

- In cases where the questionnaires were administered by the researcher, care was taken to assure the respondents of the purpose of the study and to eliminate any perceived threats and

- Constant reminders to complete the questionnaire were send to on-line participants.

Measurement quality

Measurement quality refers to the extent to which the measurement score consistently reflects the true value of the underlying characteristic intended to be measured (Diamantopoulos & Schlegelmilch, 2010: 32). Measurement error reflects the degree to which the observed measurement score differs from the true score. This total measurement error is made up of two types of error: (1) systematic and (2) random error (Diamantopoulos & Schlegelmilch, 2010: 33). The former error occurs in a consistent manner, whereas random error manifests itself in a variable fashion: sometimes an overestimation and at times an underestimation.

The extent to which a measure is free from random error is referred to as *reliability*, while the extent to which a measure is free from both systematic and random error is termed *validity* (Diamantopoulos & Schlegelmilch, 2010: 33). Reliability therefore refers to the consistency of the measure in repeatedly finding equivalent results (Leedy & Ormrod, 2010: 93). Validity, on the other hand, refers to the degree to which the measuring instrument actually measures what it is supposed to do. This type of validity is also referred to as "internal validity" (Cooper & Schindler, 2011: 280). Reliability is a necessary, but not sufficient, condition for internal validity (Diamantopoulos & Schlegelmilch, 2010: 33; Leedy & Ormrod, 2010: 93). Both reliability and validity are therefore needed for sound measurement in a research study (Cooper & Schindler, 2011: 283).

Reliability

Reliability is mainly concerned with the following three estimates: stability, equivalence and internal consistency. Table 5.2 provides a breakdown of how these reliability estimates can be measured.

TABLE 5.2: Reliability estimates

Estimate	Type of test	What is measured?	Method
Stability	Test-retest	Whether the instrument will provide the same results over time	Correlation
Equivalence	Interrater reliability	Whether the instrument will provide the same result when multiple indicators are used to measure a construct	Correlation
Internal consistency	Cronbach's Alpha (α)	Whether the instrument items are homogeneous and reflect the same underlying construct	Specialised correlation formula

Source: Adapted from Cooper & Schindler (2011: 284)

For this study, the issue of internal consistency was of greatest concern, as multiple indicators were used. Internal consistency can be measured though the coefficient of reliability (Cronbach's alpha). The Cronbach's alpha estimates the proportion of true score variance that is captured by the items by comparing the sum of item variances with the variance of the sum scale. If the coefficient alpha is zero, then there is no score, but only error in the items. The variance of the sum will then be the same as the sum of variances of the individual items. If all items are perfectly reliable, that is, they measure the same thing, then the coefficient alpha will be equal to 1 (Hair, Black, Babin & Anderson, 2010: 125). Literature suggests that the Cronbach's alpha coefficient must be at least 0.7 or higher to be reliable (Eiselen & Uys, 2005).

Internal validity

According to Diamantopoulos and Schlegelmilch (2010: 34), when justifying internal validity, the aim is to establish whether the instrument actually measures what it was intended to. It is widely accepted that when estimating internal validity the following forms of validity must be considered: (1) content validity, (2) criterion validity, and (3) construct validity. **TABLE 5.3** provides a summary of how these forms are estimated.

TABLE 5.3: **Validity estimates**

Estimate	What is measured?	Method
Content validity Face validity	The extent to which a measure appears to measure the characteristic it is supposed to The extent to which a measure seems to capture the universe of all relevant items under study	Subjective assessment of appropriateness Panel of experts
Criterion validity Concurrent validity Predictive validity	The extent to which the predictor is adequate in capturing the relevant aspects of the characteristic (criterion) The extent to which a measure is related to another measure (criterion), with both measured at the same point in time The extent to which current scores on a given measure can predict future scores of another measure (the criterion)	Correlation between the measure and criterion Correlation between the scores obtained on the measure and the criterion Same as above
Construct validity	The extent to which a measure behaves in a theoretically sound manner	Factor analysis

Source: Adapted from Cooper and Schindler (2011: 284) and Diamantopoulos and Schlegelmilch (2010: 35)

Content validity: Pre-testing the instrument before it is used is important, as this often brings to light item ambiguities and other sources of bias and error (Eiselen & Uys, 2005: 2). In the case of this study, the following experts were asked to pre-test the questionnaire:

- Two academics, both owners of small businesses and professional accountants, were asked to complete and comment on the questionnaire
- Two experts in the field of statistics were also consulted on the probable effectiveness of the instrument. Feedback was specifically requested with regard to the questionnaire design and potential statistical analysis to ensure that the research objectives would be achieved
- Two SBOs, a quantity surveyor and a graphic designer, were asked to complete and comment on the SBO questionnaire. Due to the length of the questionnaire, the pre-testers were asked to see if respondents' attention could be maintained and if they felt that the survey had a natural flow and
- A language editor was also consulted to ensure that the questionnaires were simple to understand, free from ambiguities and language related errors.

After receiving feedback and comments, the researcher then made adjustments and finalised the questionnaire that was given to SBOs to complete.

Factor analysis was used to establish the criterion and construct validity of the research instruments. According to Williams, Brown and Onsman (2012: 2), analysis of this type is the most suitable method for evaluating the construct validity of a scale, test or instrument. Exploratory factor analysis was used to uncover the latent dimensions of the opinion-related questions applied in this study (Eiselen & Uys, 2005: 104).

5.4.2. Data collection

Data collection involves defining the target population, consideration of the sampling methods, sample(s) size and data collection methods.

Targeted populations and sampling

The unit of analysis in this study is South African SBOs. Based on the definition of a SBO as set out in Chapter 1, the population consists of a person who owns a separate and distinct business entity, including a co-operative enterprise or a non-governmental organisation located in South Africa with less than 200 employees. Due to the nature and magnitude of the target population, it was not feasible to obtain measurements from each individual in the population (N). It was consequently deemed more practical to obtain measurements from a representative sample (n) of each target population.

Survey samples can be broadly divided into two types: probability and non-probability samples (Cooper & Schindler, 2011: 364).

A probability-sampling scheme is one in which every unit in the population has a chance (greater than zero) of being selected in the sample, and this probability can be determined (Diamantopoulos & Schlegelmilch, 2010: 14). A survey based on a probability sample can, in theory, produce statistical measurements of the target population that are unbiased (the expected value of the sample mean is equal to the population mean) and have a measurable sampling error, which can be expressed as a confidence interval (Cooper & Schindler, 2011). According to the fundamental principles of probability sampling, a probability based survey sample requires the construction of a list of the target population (the sample frame), a randomised process for selecting units from the sample frame (selection procedure) and a method of contacting selected units to enable them to complete the survey (data collection mode). A non-probability sampling scheme, on the other hand, is any sampling method where some elements of the population have no chance of selection or where the probability of selection cannot be accurately determined (Diamantopoulos & Schlegelmilch, 2010: 14).

Statistical theory holds that only surveys based on probability samples can be used to create sound statistical inferences about a larger target population (Cooper & Schindler, 2011). While recognising this limitation, Punch (2014: 243) commented that social science research has in recent years become more tolerant towards the use of

non-probability sampling techniques because of the growing practical problem of obtaining access to large and neatly configured sampling plans of probability sampling.

Due to the lack of a single and comprehensive register of South African SBOs it was not possible to obtain an adequate sampling frame. In addition, Diamantopoulos and Schlegelmilch (2010:14), stated that non-probability sampling is also deemed appropriate when the time and cost involved in conducting probability sampling is very high.

A non-probability sampling techniques, was therefore deemed appropriate to collect data from the population. According to Cooper & Schindler (2011: 199), the following non-probability sampling techniques are available for consideration:

- Convenience sampling, which is used to obtain data from respondents that are conveniently available and willing to take part in the study.
- Judgemental sampling involves a process whereby the researcher or experienced individual selects the sample based upon some appropriate characteristic of the sample member.
- Quota sampling involves a process whereby the researcher classifies the population by pertinent properties and determines the desired proportions of the sample for each class. Respondents are then selected accordingly.
- Snowball sampling involves initial respondents to be selected through probability sampling. Additional respondents are then obtained by means of referral from initial respondents.

According to Cooper and Schindler (2011), the extent to which the research results can be generalised from the sampling population to the target population depends not only on the representativeness of the chosen sample, but also on the number of participants in the sample. The data analysis techniques required to achieve the purpose of this study are dependent on a large sample size.

In the absence of an available population list, the cost involved in gathering data and the large sample size required, a convenient sampling technique was used to select the sample. As a result, any individuals meeting the definition of a SBO were deemed

suitable for inclusion in the sample. This study used the number of employees as criteria for classifying a small business. Any responses obtained from owners of businesses employing more than 200 employees were excluded from the database.

Data collection methods

Data was collected using a survey which was administered using both electronic and paper based questionnaires. Obtaining survey data from willing SBOs proved to be a major challenge in conducting this study. As a result, primary data was collected from SBOs using three methods of collection:

1. The South African Institute of Chartered Accountants and the South African Institute of Professional Accountants gave permission for the questionnaires to be distributed through their members. Members were asked to send a link to the SBO's electronic questionnaire, to their small business clients.
2. The researcher also administered manual surveys at two local and one national small business network events.
3. An electronic survey questionnaire was emailed to a database of approximately 6 000 South African SBOs which was purchased from an independent third party.

As the study applied convenient sampling techniques using a variety of collection methods, the response rate could not be determined.

Sample size

There is a range of different procedures to determine sample size. Cooper and Schindler (2011: 374) indicate that the sample size should be governed by the extent of precision and confidence desired; they concluded that the eventual choice is normally a trade-off between confidence and precision. Diamantopoulos and Schlegelmilch (2010: 17) recommend that decisions regarding sample size should consider the precision required; the level of confidence needed; the variability in the population of the characteristic of interest and the types of analysis to be performed.

This study made use of non-probability sampling because of the absence of an adequate sample frame. It was therefore not possible to estimate margins of error and

confidence intervals. Sample size tables suggest a sample size of 384 as being appropriate for large populations, providing a 95% confidence interval and allowing for a 5% margin of error. In addition, Leedy and Ormrod (2010: 214) declare that beyond a certain size (N = 5 000), the population size becomes almost irrelevant and suggest that a sample size of 400 sample elements will be adequate.

The type of analysis to be used was regarded as the most important consideration in determining the adequacy of the sample size. The study made use of structural equation modelling (SEM) to determine the interrelationship between types and frequency of services sourced, SBO perceptions of levels of service quality and the perceptions of benefits obtained from services sourced. SEM was performed on the data obtained from the SBOs. Hair et al. (2010: 662) emphasised that when determining minimum sample sizes for the purpose of conducting such modelling, consideration should be given to the model complexity, communalities and under-identified constructs.

Hair et al. (2010: 662) provided the following rules of thumb regarding sample sizes based on the model complexity and basic measurement model characteristics:

- Minimum sample size of 100: This is appropriate for models containing five or fewer constructs, each with more than three observed variables and with high item communalities.
- Minimum sample size of 150: This is appropriate for models containing seven or fewer constructs, modest communalities and no under-identified constructs.
- Minimum sample size of 300: This is appropriate for models with seven or fewer constructs, lower communalities and/or multiple under-identified constructs.
- Minimum samples size of 500: This is appropriate for models with large numbers of constructs, some with lower communalities and/or fewer than three measured items.

In line with the suggested guidelines, a sample size between 300 and 500 SBO participants is regarded adequate for testing the conceptual model proposed by this study.

Missing data

Data was collected from 444 small business owners. The application of structural equations modelling requires the use of a complete data set and the issue of missing values therefore needed to be addressed prior to performing any further analysis. The major culprit of missing data in this study was attributed to questionnaire fatigue, which is a common disadvantage when using questionnaires consisting of a large number of response items (Eiselen & Uys, 2005). Questionnaire fatigue has also been stated as a criticism of using the SERVQUAL scale (Cronin & Taylor, 1994).

Hair et al. (2010: 659) suggested the following acceptable remedies where missing data represents less than 10% of the overall item responses:

- Complete case (listwise deletion) approach;
- All-available (pairwise deletion);
- Imputation techniques (e.g. mean substitution); and
- Model-based approaches (e.g. full imputation maximum likelihood (FIML) and Multiple Imputation).

To select the most appropriate method for dealing with missing values in this study consideration was given to: (1) the nature of the responses, i.e. considering the number of missing values: (2) the type of item measurement; and (3) whether the data used followed a multi-variate normal distribution.

The sections of the small business owner questionnaire that was included in the SEM consisted of the items which tested for the frequency of the types of services sourced (Section C), the perception of benefits and usefulness of accounting information and services (Section D), the service quality expectations (Section E) and the perception of service quality (Section F). These sections consisted of 86 questionnaire items with 439 small business respondents included in the data set. Excel was used to analyse the extent and impact of missing values. It was found that 17 questionnaires captured on the datasheet had more than 16 missing value items. A decision was taken exclude these questionnaires from the dataset resulting in the sample size being reduced from 439 to 426.

After deleting these questionnaires 263 item responses were still missing. **TABLE 6.1** (below) shows the distribution of missing values across the different measurement scales.

TABLE 6.1: Distribution of missing values across the different measurement scales

Instrument	Number of missing values
Frequency of types of services sourced	147
Perception of benefits and usefulness	52
Service quality expectations	29
Service quality perceptions	35
	263

Source: Output from Excel analysis of missing data

These 263 missing items represents 0.72% of the potential item responses totalling 36 464. A decision was taken to impute missing data by mean substitution using SPSS. Whilst it is acknowledged that methods like FIML and Multiple Imputation have clear advantages over traditional methods of imputation, it should be noted that these "superior" methods assumes: (1) that data has a multivariate normal distribution; and (2) that a Likert type scale with five or more points were used to measure variables (Hair et al., 2010: 259). Both these criteria were not met in this study and as such, FIML and Multiple Imputation were considered inappropriate to address missing values. Should Listwise deletion be used, the output revealed that the total effective sample size would be deduced considerably (to 330 respondents) and this method was therefore deemed inappropriate.

All imputation methods, assume that data values are missing at random. Little's MCAR test was used to determine whether the remaining 263 missing values in the data set occurred randomly. Little's MCAR test indicated a non-significant value of 0.37 indicating that missing values occurred randomly, allowing data to be imputed.

The basic idea underlying imputation by substitution is to replace the missing values with the mean or median value from the set of valid item responses. This method of imputation is the most widely used, mainly because of its ease of use. Due to the

length of the questionnaire, the alternative imputation method, i.e. regression imputation was not feasible. The reason is that it is highly unlikely that identical responses would be found from the sample resulting in responses with missing data being deleted. This would consequently lead to considerable reduction in sample size. The data used for structural equations modelling consisted of scaled responses, and therefore using the median instead of the mean to substitute values was considered more appropriate. Using imputation by median substitution, resulted in four-hundred-and-twenty-six **(n = 426)** cases being retained in the imputed sample.

5.4.3. Data analysis

Data processing generally begins with the editing and coding of data. According to Diamantopoulos and Schlegelmilch (2010: 40), editing involves checking the data collection forms for omissions, legibility and consistency in classification. Coding involves assigning numbers or other symbols to answers so that the responses can be grouped into a limited number of classes or categories (Cooper & Schindler, 2011: 456). For the purposes of this study, a research assistant was appointed to capture the manually administered survey questionnaires on a pre-prepared Excel spreadsheet. The assistant used a coding table provided in the margin of the questionnaire to capture the data. This table was prepared to facilitate faster and more accurate data capturing. The researcher verified the accuracy of each questionnaire that was manually captured.

Qualtrics was used to administer on-line surveys. The questionnaire was coded not to allow for obvious invalid entries, such as an age below 16 or above 100. Unanswered questions were flagged before a respondent could move to a next section of the questionnaire, minimising the risk of accidental missing values. Such survey data was exported into Excel and merged with the manual survey data. Questionnaires with large sections of incomplete sections were not included in the data set. The researcher further performed analytical tests on the spreadsheet data to identify invalid entries, which was subsequently removed.

After the verification, the data were ready for further analysis. IBM® SPSS® (Statistical Package for the Social Sciences) was used to compile the descriptive and basic inferential statistics. IBM® SPSS® Amos (version 24) was utilised to conduct the SEM.

Descriptive analysis and frequency analysis

In quantitative research, data analysis is normally used to refer to the process of categorising collected data into constituent parts in order to obtain answers to research questions. Descriptive statistics provides preliminary insights as to the nature of the responses obtained and reflects the distribution of values for each variable of interest (Diamantopoulos & Schlegelmilch, 2010: 73).

The following descriptive statistics were used:

- Frequency analysis was performed to describe the demographic characteristics of the SBOs included in the sample;
- Frequency analysis of the different types of services sourced;
- Frequency analysis of SBOs' perceptions of benefits obtained;
- Frequency analysis of SBOs' service quality expectations; and
- Frequency analysis of SBOs' perceptions of actual service quality received.

Inferential statistics

Inferential statistics is the method used to draw conclusions about the population itself. In other words, while the descriptive analysis allows for the researcher to generalise from the sample to the population, inferential analysis allows the researcher to make inferences about the population on the basis of data obtained from the samples (Punch, 2014: 270). When the focus of the analysis is placed on estimation or hypothesis testing, such as in this study, inferential statistics is utilised to make inferences about the population (Diamantopoulos & Schlegelmilch, 2010: 65). Various statistical techniques are available to make statistical inferences. This study made use of the following inferential statistics to answer research questions and to reach conclusions on the hypotheses set:

- Paired t-tests: A paired t-test was used to determine whether there are significant differences between SBOs' perceptions and expectations of service quality.
- Exploratory factor analysis: Exploratory factor analysis performed in this study was mainly used to reduce the number of variables for measuring service

quality. It was further employed to compare the service quality construct found in this study with the original five SERVQUAL constructs and to reach conclusions on the determinants of small business accounting services quality.

- Item analysis: Cronbach's alpha test was utilised to measure the extent to which each individual item is highly correlated with the scale as a whole (Eiselen & Uys, 2005: 116). This test is aimed at providing assurance of the reliability of the measurement scale used.

- SEM: SEM was employed to test the postulated measurement and structural models, so as to predict the perceived benefits that SBOs obtain from the relationship with their external accounting practitioner.

Both factor analysis and SEM as applied in this study are now considered in greater detail.

Paired t-tests

The paired sample t-test is used to determine whether the mean difference between two sets of observations is zero (Leedy & Ormrod, 2010: 282). To establish whether there are statistically significant differences between SBOs' perceptions and expectations of accounting service quality, this study will compare the mean scores of each item using paired samples t-tests.

Factor analysis

Exploratory factor analysis and confirmatory factor analysis are two statistical approaches employed to examine the internal validity of a measure. Both are used to investigate the theoretical constructs or factors that might be represented by a set of items (Hair et al., 2010: 94). They are therefore utilised to reveal any latent variables measured through a set of observed variables (Costello & Osborne, 2005: 2). Confirmatory factor analysis (CFA) or exploratory factor analysis (EFA) are the techniques most commonly applied to determine the underlying factor structure of measurement scales. The use of CFA is suitable in cases where standardised measuring instruments are used. As this study utilised a combination of newly developed and adapted scales, the application of CFA to determine the validity of the

measurement scales was not regarded as appropriate, and EFA was therefore applied.

Principle Component Analysis (PCA) and Principle Axis Factoring (PAF) are commonly used extraction methods. Although these two techniques provide similar results, PAF was chosen to illustrate the validity of the measuring instruments since this is regarded as a more robust form of factor analysis (Beaumont, 2012: 5; Costello & Osborne, 2005: 2).

Promax rotation is an oblique rotation method, which is preferred when the factors to be identified are believed to be correlated (Hair et al., 2010: 93). Previous studies which have used the SERVQUAL to measure service quality have found high levels of multi-collinearity and covariance (Fleishman et al., 2016; Kang & Bradley, 2002), so that the employment of Promax rotation was therefore regarded as appropriate.

The calculation of the Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity was carried out to indicate that the matrix of item inter-correlation can be extracted. Eigenvalues (> 1) were used to determine the number of factors to be extracted (Hair et al., 2010: 109); the cumulative variance explained provided measurement of the balance between the number of factors used and the level of variance explained by those factors .

Item analysis

An item analysis was then performed on each factor to determine its reliability. The most widely used index for determining the reliability of a measurement scale is Cronbach's alpha, with a commonly accepted reliability threshold value of > 0.7 (Hair et al., 2010: 125).

Nomological validity examines whether the correlations between the constructs in the measurement theory makes sense (Hair et al., 2010: 691). Evidence of nomological validity will be obtained by comparing the factor structure obtained through the EFA to existing theory and measurement models (Hair et al., 2010: 94).

SEM

The primary research objectives of the study are to:

- Determine whether there is a positive relationship between the frequency with which SMMEs source different types of accounting services and the SBOs' perception of benefits received from the accounting practitioner
- Determine whether there is a positive relationship between the levels of service quality offered by SAPs and the SBOs' perceptions of the benefits received from the accounting practitioner and
- Determine whether there is a positive relationship between the levels of service quality offered by SAPs and the frequency with which SMMEs source different accounting services.

Various statistical methods are available to measure the relationship between these variables; for example, multiple regression, factor analysis, multivariate analysis of variance, discriminant analysis and so forth. However, each of these techniques is only able to examine a single relationship between dependent and independent variables (Hair et al., 2010: 629). In contrast, SEM combines factor analysis, multiple regression analysis and path analysis, and therefore allows for simultaneous testing of measurement and multiple structural relationships (Hair et al., 2010: 629).

The principal objective of SEM is to simultaneously explain the pattern of a series of inter-related dependence relationships between a set of latent (unobserved) constructs, each determined by one or more measured (observed) variables (Reisinger & Turner, 1999: 71). Latent variables are theoretical constructs, which can only be established to exist as a combination of other measurable variables. As such, the SEM expresses the linear causal relationship between separate sets of latent constructs (which may have been derived by two or more separate factor analyses) (MacCullum & Austin, 2000: 216).

A SEM is, then, a hypothesised pattern of directional and non-directional linear relationships among a set of measured and latent variables. These directional relationships imply some sort of a directional influence of one variable on another. Non-directional relationships are correlational and imply no direct influence

(MacCullum & Austin, 2000). The purpose of applying SEM in this study is to account for variation and covariation in the variables representing the types and frequency of services sourced from accountants, levels of service quality as well as perceived benefits. Although SEM models can be tested in different ways (Hair et al., 2010: 635) state that all such models are distinguished by the following three characteristics:

- An estimation of multiple interrelated dependence relationships;
- An ability to represent unobserved concepts in these relationships and account for measurement error in the estimation process; and
- Define a model to explain the entire set of relationships.

As the criteria above are all applicable in this context, SEM is regarded as the best method to test the hypotheses set out in the conceptual framework described in the previous chapter.

For the purposes of this study, a confirmatory SEM modelling strategy was employed. In such a strategy, the researcher specifies a single model and subsequently uses SEM to assess how well the model fits the data (MacCullum & Austin, 2000: 216).

According to Diamantopoulos and Siguaw (2011: 5), the basic components of SEM are:

- Postulating and testing a measurement model and
- Postulating and testing the structural model.

The measurement model describes how each latent variable is operationalised via its observed variables, and considers measurement error (MacCullum & Austin, 2000). To construct a measurement model requires defining the individual constructs and determining items which are to be used as measurement variables (Hair et al., 2010: 654). A path diagram is normally drawn to illustrate the measurement model.

The results obtained from the EFA were used to postulate the measurement model. The relationships in the path diagram are translated into linear equations for the structural and the measurement part as well as for the error terms in the model (Hair et al., 2010: 656). Error terms of the endogenous latent variables account for the fact

that other variables influence the latent variables in addition to the specified variables in the model (MacCullum & Austin, 2000: 218). The equations are then transferred into parameter matrices which imply a certain covariance matrix (Diamantopoulos & Siguaw, 2011).

Parameters are estimated using a fitting function, which specifies how closely the hypothesised covariance matrix matches the empirical covariance matrix. The fitting function most often used is the maximum-likelihood function, which has consistently proven to provide robust estimates of parameters (Kenne Pagui & Canale, 2016: 281). Furthermore, it provides several fit functions to assess how well the theoretical model fits the data (Diamantopoulos & Siguaw, 2011).

The maximum likelihood (ML) estimation technique was also incorporated in this study to obtain parameter estimates for both the measurement and structural models.

Univariate and multivariate normality

ML assumes that data is continuous and that the variables follow a multivariate normal distribution (Byrne, 2016: 267). Given the nature of the scales used, there is a risk that the data may fail to meet the assumption of univariate and multivariate normality (Flora, Curran, Humphris, Currie, Wallace, Rutter, Glonti, Compernolle, Bourdeaudhuij & Feuillet, 2004: 470).

Although the ML estimate is considered robust to moderate violations of the normality assumption, it is still advised that the assumption be tested before conducting SEM (Bagozzi & Yi, 2012: 29; Byrne, 2016: 267; Hair et al., 2010: 661). The reason is that as data become increasingly non-normal, the χ^2 value derived from ML estimation becomes excessively large. This may lead to inappropriate efforts to modify hypothesised models to meet model fit criteria. However, given the high value of the χ^2 value, these efforts could lead to inappropriate modifications to theoretically sound models (Byrne, 2016: 268; Curran, West & Finch, 1996: 17).

The normality of the indicator variables was evaluated using skewness and kurtosis. To test for multivariate normality, the critical ratio (CR), calculated in AMOS, was used. The CR value represents Mardia's normalised estimate (z-statistic) of multivariate

skewness, which according to Bentler (2005: 105) should not be higher than 5 or 6. If the data provides evidence of multivariate non-normal distribution, further analysis needs to be performed, to ensure that no invalid interpretations are made based on ML estimation techniques (Byrne, 2016: 267).

According to Hair et al. (2010: 76), outliers are the most likely cause of data skewness. The Mahalanobis d-squared values (calculated in AMOS) were made use of to detect observations farthest from the centroid (Refer to APPENDIX B, TABLE B-1). It is clear in from the wide gap in Mahalanobis d_2 values between the first two cases (413 and 244) and the third case (307) that these two items are outliers. According to Byrne (2016: 279) cases that are clear outliers should be deleted from the dataset. As such, a decision was taken to delete the first two cases from the data set (n = 426 – 2 = 424)

The univariate skewness and kurtosis and the multivariate kurtosis based on the revised dataset (n = 424) are presented in **TABLE 5.4**.

TABLE 5.4: Assessment of normality

Variable	min	max	skew	c.r.	kurtosis	c.r.
Honest	-6.000	3.000	-1.333	-11.181	6.960	29.186
Audit/review	1.000	5.000	-.330	-2.770	-.387	-1.624
Tax planning	1.000	5.000	-.052	-.433	-1.264	-5.301
Tax returns	1.000	5.000	-.739	-6.195	.165	.690
Drafting AFS	1.000	5.000	-.282	-2.369	.946	3.967
Assist to use	1.000	4.000	-.213	-1.789	-.638	-2.675
Strategic management	1.000	4.000	-.655	-5.495	.425	1.782
Control	1.000	4.000	-.483	-4.051	-.059	-.247
Decision-making	1.000	4.000	-.475	-3.980	-.152	-.638
Manage business	1.000	4.000	-.609	-5.111	.220	.922
Legal compliance	1.000	4.000	-.807	-6.765	.883	3.703
Tax compliance	1.000	4.000	-.719	-6.030	1.179	4.943
Bookkeeping	1.000	5.000	.051	.429	-1.726	-7.236
Operational advise	1.000	5.000	.873	7.321	-.549	-2.301
Start-up advise	1.000	5.000	1.297	10.879	.467	1.958
Management accounting	1.000	5.000	.080	.673	-1.553	-6.511
PAYE returns	1.000	5.000	.333	2.796	-1.669	-7.000
Vat returns	1.000	5.000	.057	.474	-1.750	-7.338
Strategic advise	1.000	5.000	.945	7.925	-.415	-1.742
Pro-active communication	-6.000	3.000	-1.209	-10.143	1.459	6.119
Frequent contact	-6.000	3.000	-.956	-8.019	.879	3.687
Prompt	-6.000	3.000	-1.391	-11.665	3.169	13.289

Variable	min	max	skew	c.r.	kurtosis	c.r.
Inform when	-6.000	3.000	-1.104	-9.262	2.077	8.711
Value-added service	-6.000	3.000	-1.078	-9.038	2.114	8.866
Accurate	-6.000	3.000	-1.246	-10.451	2.759	11.570
Solve problem	-6.000	3.000	-1.552	-13.017	4.414	18.509
Do as promised	-6.000	3.000	-1.235	-10.354	1.847	7.747
Understand needs	-5.000	5.000	-1.148	-9.625	3.533	14.816
Best interest	-6.000	3.000	-1.470	-12.327	4.163	17.456
Convenience	-5.000	3.000	-.869	-7.291	3.018	12.656
Understand business	-5.000	3.000	-1.217	-10.209	2.994	12.555
Knowledgeable	-5.000	3.000	-1.354	-11.359	4.591	19.250
Competent	-5.000	4.000	-1.043	-8.744	4.893	20.517
Courteous	-5.000	3.000	-.602	-5.051	3.397	14.246
Conservative	-5.000	5.000	-.279	-2.343	3.340	14.007
Trust	-6.000	5.000	-1.707	-14.319	6.665	27.947
Multivariate					**269.405**	**52.902**

The recommended maximum level of skewness and kurtosis for a CFA with ML estimations is a maximum ± 2 for skewness and a maximum ± 7 for kurtosis (West, Finch & Curran, 1995: 58). The skewness presented in **TABLE 5.4** ranged between -1.552 to 1.298 and the data was mostly negatively skewed. Kurtosis ranged between -1.750 and 6.960. Non-normality of the data was anticipated as most of the respondents preferred to agree or strongly agree with the survey dimensions, indicating that the bulk of the values (including the median) lie to the right of the mean. The skewness and kurtosis fell within the acceptable univariate normality parameters as indicated by West, Finch and Curran (1995: 58). However, it is important to note that univariate normality is not an automatic guarantee of multivariate normality (Byrne, 2016: 120; Schermelleh-Engel, Moosbrugger & Müller, 2003: 26)

Mardia's normalised estimate was therefore used as an indicator of multivariate kurtosis. **TABLE 5.4** reveals a Mardia's estimate to have a CR value of 52.902, which is considerably higher than the recommended level of 5 or 6 proposed by Bentler (2005: 105). It could therefore be concluded that the data lacks multivariate normality, which may lead to invalid conclusions being reached when ML estimation techniques are used (Byrne, 2016: 267; Flora et al., 2004: 469; Schermelleh-Engel et al., 2003: 27).

The most commonly suggested approach for dealing with such multivariate non-normal data is to apply the asymptotic distribution-free (ADF) estimation technique. This technique is known to be less sensitive to the assumptions of normality than ML (Nevitt & Hancock, 2001: 354). However, ADF requires a very large sample size (N ≥ 1 000) and, given the sample size of the data set used in this study (N = 424), ADF was considered inappropriate. According to West et al. (1995: 65), bootstrap procedures could be used in dealing with multivariate non-normal data. Bootstrapping is a resampling procedure by which the original sample is considered to represent the population. As such, it could be used to generate an approximate standard error for many statistics that AMOS computes without having to satisfy the assumption of multivariate normality (Byrne, 2016: 267; Nevitt & Hancock, 2001: 354). By comparing, the initial ML standard errors with those reported for the bootstrapped samples, it is possible to observe whether the standard errors are almost similar. If this is the case, it can be concluded that the ML generated parameter estimates can be relied upon, even though the assumption of multivariate normality was not met (Byrne, 2016: 270). Bootstrapping was therefore employed in this study to determine any bias in parameter estimates and bootstrapped sample application was conducted for the final SEM model.

The next step in the SEM process is to test the validity of the measurement model using all manifest and latent variables identified during the EFA phase. In assessing the validity of the measurement model, the following steps were considered:

- Establishing acceptable levels of goodness-of-fit (GOF) and
- Evaluating the overall construct validity.

Establishing acceptable levels of goodness-of-fit

The goodness-of-fit (GOF) describes how well the observed data fits the pre-defined model. GOF indices provide a numerical summary of the discrepancy between the observed variables and the values expected in terms of the statistical model in question.

A very large array of GOF statistics exists. Hair et al. (2010: 678) recommends that multiple fit indices should be used to ensure that appropriate GOF conclusions are

reached. It is further suggested that at least one statistic of each of the following GOF statistical categories should be included in the analysis:

- Chi-square (χ^2) and degrees of freedom (df)
- Absolute fit index (i.e. AGFI, RMSEA or SRMR)
- Incremental fit index (i.e. CFI or TLI)
- Goodness of fit index (i.e. GFI, CFI or TLI, etc.)
- Badness of fit index (i.e. RMSEA or SRMR, etc.).

One statistic from each of these categories was selected; its application to this study is discussed in the section to follow.

Chi-square ($\chi 2$)

The Chi-Square (χ^2) value is the traditional measure for evaluating overall model fit. It tests the null hypothesis that the observed sample and the SEM estimated covariance matrices are equal (Hair et al., 2010: 666). The statistical probability is associated with measuring the traditional *p*-value. An insignificant result at a 0.05 threshold, will be an indication of good model fit while a significant result will afford an indication of 'badness of fit' (Hooper, Coughlan & Mullen, 2008: 53).

The χ^2 possesses two mathematical properties that are problematic in using it as "a goodness of fit" statistic. The first is that χ^2 is a function of sample size, resulting in the χ^2 value increasing if the sample size increases. The second is that a larger number of observed variables will result in a greater χ^2 value. For these reasons, it is recommended that the χ^2 is just used with other indicators to assess overall GOF (Byrne, 2016: 125).

Degrees of freedom (DF) represent the amount of mathematical information available to estimate model parameters. Since the χ^2 is sensitive to sample size, the ratio between χ^2 and degrees of freedom (CMIN/DF) is used solely to compensate for the limitation of using the chi-square. A ratio of < 3 is considered good, with values < 5 sometimes being permissible (Hu & Bentler, 1999: 9)

Goodness of fit (GFI) and adjusted goodness of fit index (AGFI)

The Goodness-of-Fit statistic (GFI) was created as an alternative to the Chi-Square test and calculates the proportion of variance that is accounted for by the estimated population covariance (Hooper et al., 2008: 54). The index demonstrates how closely the model comes to replicating the observed covariance matrix by considering the variances and covariances accounted for by the model fit (Diamantopoulos & Siguaw, 2011). This statistic ranges from 0 to 1, with a value of 0.95 indicating good fit (Hu & Bentler, 1999). However, when there are a large number of degrees of freedom in comparison to sample size, the GFI displays a downward bias (Hair et al., 2010: 667). In addition, it has also been found that the GFI increases as the number of parameters increases, and also exhibits an upward bias with large samples (MacCullum & Austin, 2000). Given the sensitivity of this index, it has become less popular in recent years and it has even been recommended that it should not be used (Hooper et al., 2008: 54).

Related to the GFI is the AGFI, which adjusts the GFI based upon degrees of freedom, with more saturated models reducing fit (Hair et al., 2010: 667). Less complex models are therefore preferred, whereas models that are more complicated are penalised. In addition to this, AGFI tends to increase with sample size. Similar to the GFI, AGFI values also range between 0 and 1, so that values > 0.8 are generally accepted to indicate well-fitting models (Hu & Bentler, 1999: 12). Given the often detrimental effect of sample size, these two fit indices are not relied upon as stand-alone indices; however, given their historical importance they are often reported (Hooper et al., 2008: 54)

Comparative fit index (CFI)

The CFI is an incremental fit index that is an improved version of the normed fit index (NFI) (Hair et al., 2010: 668). The index was developed to assess the model fit for small sample sizes (Hooper et al., 2008: 55). This statistic assumes that all latent variables are uncorrelated and compares the sample covariance matrix with this null model. Values for this statistic range between 0.0 and 1.0, with values closer to 1.0 indicating good fit. A cut-off criterion of CFI ≥ 0.90 and above is normally associated with good model fit (Hair et al., 2010: 669).

The root mean square error of approximation (RMSEA)

The RMSEA was developed to correct the tendency of the χ^2 to reject models with a large sample or large number of observed variables. The RMSEA reports how well the model, with unknown but optimally chosen parameter estimates, would fit the populations covariance matrix (Byrne, 1989: 98). This is one of the most commonly used and 'most informative fit indices' (Diamantopoulos & Siguaw, 2011: 85) due to its sensitivity to the number of estimated parameters in the model. In other words, the RMSEA favours parsimony in that it will choose the model with the lesser number of parameters. Values of less than 0.05 indicate good fit whereas values as high as 0.08 indicate reasonable errors of approximation in the population (Byrne, 2016: 99). The most commonly used cut-off value is 0.06, the one presented by Hu and Bentler (1999: 19) A key advantage of RMSEA is that a confidence interval can be constructed, indicating the range of RSMEA values for a given level of confidence (Hair et al., 2010: 667). A narrow confidence interval would argue for good precision of the RMSEA value (Byrne, 2016: 99).

The PCLOSE measures the p-value for testing the null hypothesis that the population RMSEA is no greater than .05: If the PCLOSE value is greater than 0.5, then it is concluded that the fit of the model is "close". If the PCLOSE value is less than 0.5, it is concluded that the model's fit is less than close fitting (i.e., the RMSEA is greater than 0.05) (Kenny, Kaniskan & McCoach, 2015: 487).

A simple rule of thumb for index values that distinguishes good models from poor models across situations cannot be offered. It is therefore typical to use a set of indices to provide adequate evidence of model fit. Hair et al. (2010: 672) suggest that appropriate cut-off values for the aforementioned GOF indices should be based on model characteristics such as sample size and the number of observed variables in the model. **TABLE 5.5** provides the guidelines used in this study as cut-off values for GOF based on the model complexity characteristics.

TABLE 5.5: Cut-off values of GOF indices for assessing the validity of the postulated measurement and structural models

	N > 250		
	M < 12	**12 < M > 30**	**M ≥ 30**
χ^2	Insignificant p-values even with good fit are expected	Significant p-values are expected	Significant p-values are expected
CMIN/DF	< 3 good fit < 5 permissible	< 3 good fit < 5 permissible	< 3 good fit < 5 permissible
AGI	> 0.9 good fit > 0.8 permissible	> 0.9 good fit > 0.8 permissible	> 0.9 good fit > 0.8 permissible
CFI	> 0.95 or better	> 0.92	> 0.90
RMSEA	Values < .07 with CFI of > .95 or higher Range: Close range is better PCLOSE of > 0.05	Values < .07 with CFI of > .92 Range: Close range is better PCLOSE of > 0.05	Values < .07 with a CFI > .90 Range: Close range is better PCLOSE of > 0.05
M = number of observed variables; N applies to number of observations per group when applying CFA to multiple groups at the same time|			

Source: Compiled by researcher using cut-off values presented by Hair et al. (2010: 672) and Hu and Bentler (1999)

The findings of this study are based on the responses of a sample of 424 (>250) SBOs. The postulated measurement and structural model consist of 41 (>30) observed variables. The cut-off values indicated in the right hand column of **TABLE 5.5** were therefore used to test whether the postulated model is a good representation of the data collected, i.e., whether the model demonstrates goodness of fit. Indications of inadequate model fit mean that the source of such a misfit would have to be investigated.

Modification indices

Information derived from the modification indices (MI) provides an indication of the extent to which the hypothesised model is appropriately described. MI therefore signals parameters that may be misspecified (Byrne, 2016: 101).

According to Byrne (2016: 125), large modification indices suggest that the measurement error covariance results from systematic rather than random measurement errors. As such, it could be assumed that these errors are derived from characteristics specific to the item or the respondents. Hair et al. (2010: 712) therefore suggest that adjustments to model specification are permissible through the modification indices (MIs) if it makes theoretical sense to do so.

Where the specified model does not provide evidence of adequate model fit, the MIs will be investigated for possible sources of misfit.

Subsequent to establishing the GOF of the measurement model, it is important to evaluate the overall validity of the measurement model.

The construct validity of the measurement model

Construct validity is the extent to which a set of measured items actually reflects the theoretical latent constructs that those items are designed to measure (Hair et al., 2010: 708). It consequently determines the accuracy of the measure itself, which is one of the primary objectives of CFA and SEM.

When assessing construct validity, both issues of convergent and discriminant validity need to be assessed. As this study made use of continuous data, presented on an ordinal scale, it is also important to compare the parameter estimates obtained from ML techniques with Bayesian estimation results (Byrne, 2016: 268).

Establishing convergent validity

Convergent validity is the extent to which items that are indicators share a high proportion of variance (Hair et al., 2010: 710). When indicators of latent variables are correlated with one another to an acceptable extent, convergent validity is achieved. Evidence of this type of validity can be established when each item has a significant

loading on its specified factor. Both standardised and non-standardised regression weights were utilised to establish convergent validity. The average variance extracted (AVE) and composite reliability were calculated to provide additional proof of convergent validity (Hair et al., 2010: 709).

Further tests of convergent validity are calculating the average variance extracted (AVE) and the composited reliability (CR) test.

The AVE is calculated as the mean variance extracted for the items loading on a construct and is a summary indicator of convergence. The value is calculated as the sum of all squared standardised loadings, divided by the number of items (Hair et al., 2010: 709). An AVE of 0.5 or higher is recommended as practically significant (Hair et al., 2010: 117). An AVE below 0.5 indicates that, on average, more error remains in the item than is explained by the latent factor structure imposed on the measure.

The CR value is computed as the squared sum of factor loading for each construct divided by the sum of the error variance terms for that construct (Hair et al., 2010: 710). High composite reliability indicates that internal consistency exists, meaning that the measures all consistently represent the same latent construct. Similar to the Cronbach's alpha, the rule of thumb is therefore 0.7 or higher (Hair et al., 2010: 125).

Establishing discriminant validity

Discriminant validity is the extent to which a construct is truly distinct from other constructs: the higher the discriminant validity, the more evidence that the construct is unique from other constructs and vice versa (Bagozzi & Yi, 2012). The presence of cross-loadings implies possible discriminant validity concerns (Hair et al., 2010: 710). If two constructs are theoretically separate constructs, then it is expected that the correlation between them would be low or moderate in line with theoretical grounding. A correlation > 0.85 would suggest the absence of discriminant validity between the constructs (Bagozzi & Yi, 2012).

Hair et al. (2010: 723) states that a simple correlation analysis does not provide strong evidence of discriminant validity. A more conservative approach compares the square root of the AVE of estimates for each factor with the inter-construct correlations. This

provides evidence that each indicator loads higher on its theoretical construct than on any other factors. Both the correlations between constructs and the comparing square root of the AVE with the inter-construct correlations were made use of to determine discriminant validity.

Bayesian estimates

The ML technique was developed as an estimation technique using continuous data. Where ordinal scales are used to construct a SEM, it is advised that both ML and Bayesian estimation methods be used to compare the parameter estimates (Byrne, 2016: 269; Flora et al., 2004: 476) to ensure accurate conclusions.

In ML estimation, the true values of the model parameters are considered fixed but unknown and the estimates are considered random but known. By contrast, Bayesian methods assume that all unknown parameters may incorporate a level of uncertainty that can be defined by a probability distribution. Bayesian methods consequently do not provide single outcome values, but rather an interval with a probability that the interval contains the regression coefficient. The uncertainty is captured by a distribution that is defined before observing the data and is called the prior distribution (or prior). In addition, the observed evidence is expressed in terms of the likelihood function of the data. The data likelihood is then used to weigh the prior and this product yields the posterior distribution, which is a compromise between the prior distribution and the likelihood (Van de Schoot & Depaoli, 2014: 77).

The standard error (SE) values produced by the Bayesian estimations in AMOS represent the estimated standard error that indicates, "how far the estimated posterior means may lie from the true mean". A small SE value signifies that they are very close to the true values (Byrne, 2010:155). The SD is the "likely distance between the posterior mean and the unknown true parameter", which is the equivalent of standard error in ML estimation (Byrne, 2010: 155). Therefore, by comparing the Bayesian estimates with the ML estimates for a given CFA model, it is possible to assess the extent of bias of the ML derived estimates. If the Bayesian estimates are not different from the ML estimates of the hypothesised CFA model, the model can be assumed to be valid. The Bayesian estimation method will be applied to the measurement scales used in the model.

Once the validity of the measurement model is established, the structural model is postulated and tested. The structural model considers indices that capture the structural relationships between the latent variables as well as indices to assess the model as a whole (Hair et al., 2010: 657). The structural relationships postulated in the structural model represent the hypothesised relationships.

For a hypothesis to be supported through SEM, different criteria must be met. According to Gaskin and Lim (2016), these criteria can be classified as global or local tests. Global tests include model fit indices and establishing the variance explained (R^2). Local tests refer to testing the model parameters through investigating *p*-values. Once the requirements of model fit and variance explained are satisfied, then only is it possible to draw conclusions regarding the significance and direction of relationships. For each of the postulated models, the study firstly assessed the overall model fit using the same model fit indices and cut-off values discussed in the previous section. Secondly, the variance explained was analysed and finally, the conclusions regarding the set hypotheses were made based on the p-values calculated.

Parameter estimates

The structural relationships were assessed with the total coefficient of determination, which shows the strength of the relationships together (Diamantopoulos & Siguaw, 2011). Squared multiple correlations are calculated for each observed variable. The coefficient of determination (R^2) indicates how well the group of observed variables captures the changes in the latent variable. Coefficients are between zero and one. The closer the coefficient (R^2) is to one, the better the observed variable captures the changes in the latent variable (Diamantopoulos & Siguaw, 2011).

5.5. Conclusion

This chapter provided a description of the research methodology applied in this study. An explanation for conducting the research from a positivistic paradigm was offered, including a justification for the chosen research design, that is, a formal, ex-post facto survey. Usable data was collected from a sample of 424 South African SBOs, employing a self-administered questionnaire. The statistical techniques that precede the actual results presented in Chapter 6 were explained and verified. Apart from the

descriptive statistics, inferential statistics were applied to test the hypotheses. The statistical tests used to test the hypotheses include factor analysis and SEM.

The next chapter explains and interprets the most significant results of executing the above techniques. **FIGURE 1.3** (below) presents a framework of the objectives and the purpose of each chapter constituting the empirical part of the study.

Empirical study

- To identify the aspects of service quality that are the most important to SBOs
- To determine the levels of service delivery offered by South African SAPs
- To identify valid and reliable constructs (manifest variables) to measure SBOs' perception of the benefits obtained from the relationship with their accountant
- To identify valid and reliable constructs (manifest variables) for measuring the frequency of different types of services
- To identify valid and reliable constructs (manifest variables) for measuring the levels of service quality offered by SAPs and compare this to the original SERVQUAL construct
- To test the validity and reliability of the postulated measurement model for predicting the perception of accounting service benefits and
- To test the validity and reliability of the postulated structural model for predicting the perception of accounting service benefits.

Overall objective: *To develop a model that predicts how (1) the types and frequency of services sourced by SBOs, (2) their service quality expectations; (3) and levels of service quality offered by SAPs influence SBOs' perception of the benefits received from the relationship with their accounting practitioner.*

Chapters

Chapter 5
The purpose of this chapter is to:
- Describe the research design and methods followed to conduct the empirical part of the study.

Chapter 6
The purpose of this chapter is to:
- Describe the sample using descriptive statistics and frequency analysis
- Determine the aspects of service quality that are most important to SBOs
- Determine whether there is a statistically significant difference between SBOs' expectations and perceptions of service quality
- Identify valid and reliable constructs (manifest variables) for measuring the frequency of different types of services, service expectations, service quality levels and perceived benefits
- Test the validity and reliability of the postulated measurement and structural models for predicting the perception of accounting service benefits

Chapter 7
The purpose of this chapter is to:
- Explain the findings of the study in relation to the research questions and hypotheses
- Arrive at a conclusion on the overall and secondary objectives of the study
- Identify the limitations of the study and
- Identify areas of future research.

FIGURE 1.3 Empirical study objectives linked to chapter layout

CHAPTER 6

DATA ANALYSIS

6.1. Introduction

The literature review revealed that the benefits which SBOs obtain from the relationship with their external accounting practitioner are influenced by: (1) the frequency by which Small medium and micro enterprises (SMMEs) source different types of services; and (2) the way in which these services are provided. To date, however, the extent of the interrelationships between these constructs has been unknown. This study aims to address this gap by developing a predictive model, which will:

- Provide guidance to entrepreneurs and/or SBOs regarding the services they need to source from their accounting practitioners, in order to gain the expected financial management and compliance benefits necessary for business survival and future growth; and
- Inform SAPs of what small business clients' expectations of service quality are as well as how to improve their service delivery in line with these expectations, in order to permit the realisation of the expected financial management benefits.

The previous chapter provided a description of the research design and methods that were used to achieve the objectives of the study. The purpose of this chapter is to discuss the statistical analysis of the data to ensure that the overarching research questions are answered. To do so the analysis will be presented in five sections: (1) a descriptive analysis of the sample and frequencies; (2) exploratory factor analyses to determine the validity and reliability of the measurement scales used in the study; (3) confirmatory factor analysis to test the validity of the measurement model; (4) postulating the revised structural model and hypotheses based on the findings of the factor analyses; and (5) testing the revised structural model and hypotheses. The chapter will then be summarised.

6.2. Descriptive Statistics of the Sample and Frequency Analysis

According to Diamantopoulos and Schlegelmilch (2010: 73) descriptive analysis provides a useful first step in data analysis. One of the limitations of non-probability sampling, as applied in this case, is that generalisation can only be assumed for the sample selected. Demographic analysis provides a means to understand the characteristics of the sample and will assist with the interpretation and generalisation of the results

This section therefore commences with a detailed and logical analysis of the demographic information of SBOs and the respective SMMEs included in the sample. This will be followed by a description of the types of accounting services sourced by SBOs, their perception of benefits obtained from their relationship with their accountant and their expectations and perceptions of service quality

6.2.1. Demographic characteristics of the SBOs and the SMMEs included in the sample

Frequency analysis was performed to describe the demographic characteristics of the SBOs included in the sample. Just the data pertaining to the objectives of this study was analysed (refer to Section A of the questionnaire presented in Appendix A-1).

TABLE 6.1: Gender of the respondents

		Frequency	Percent	Valid Percent	Cum Percent
Valid	Female	136	32.1	32.2	32.2
	Male	286	67.5	67.8	100.0
	Total	**422**	**99.5**	**100.0**	
Missing	System	2	.5		
Total		**424**	**100.0**		

TABLE 6.1 indicates that the gender profile of respondents was unequally divided, with 32.2% (n = 136) female and 67.8% (n = 286) male respondents.

TABLE 6.2: Levels of education

		Frequency	Percent	Valid Percent	Cum Percent
Valid	Less than matric	7	1.7	1.7	1.7
	Matric (Grade 12)	73	17.2	17.3	18.9
	National diploma (3 years)	72	17.0	17.0	35.9
	Bachelor or BTech (degree)	60	14.2	14.2	50.1
	Postgraduate degree(s) and/or professional qualification(s)	179	42.2	42.3	92.4
	Other (specify)	32	7.5	7.6	100.0
	Total	**423**	**99.8**	**100.0**	
Missing	System	1	.2		
Total		**424**	**100.0**		

The respondents are considered well educated, with the majority (73.5%, n = 72 + 60 + 179) being in possession of a tertiary or professional qualification (refer to **TABLE 6.2**). According to Herrington and Kew (2016), higher education and training have been shown to enhance entrepreneurial efficiency. It is also known that higher levels of education positively influence individuals' self-efficacy and self-confidence, increasing the chances of such individuals not only starting a business but also being able to successfully navigate competitive and changing business environments (Dyer & Ross, 2007: 130). It has furthermore been found that entrepreneurs with higher levels of education are more comfortable with accounting information (Halabi et al., 2010) and, as a result, may have been more willing to take part in the survey than those individuals who are less comfortable with such information. Once again, while care was taken to attract a wide variety of respondents, ethically no respondents was coerced into completing the questionnaire.

TABLE 6.3: Financial qualifications of respondents

		Frequency	Percent	Valid Percent	Cum Percent
Valid	No	248	58.5	66.5	66.5
	Yes (please specify)	125	29.5	33.5	100.0
	Total	**373**	**88.0**	**100.0**	
Missing	System	51	12.0		
Total		**424**	**100.0**		

Respondents were asked whether they possessed any finance or related qualifications. Of the SBOs that responded to this question, 66.5%, (n = 248) indicated that they had not received any finance or accounting related training while 33.5% (n = 125) had (refer to **TABLE 6.3** above).

TABLE 6.4: Own perception of knowledge and understanding of accounting

		Frequency	Percent	Valid Percent	Cum Percent
Valid	No knowledge and understanding	5	1.2	1.2	1.2
	Very basic knowledge and understanding	76	17.9	18.0	19.1
	Reasonable knowledge and understanding	171	40.3	40.4	59.6
	Very good knowledge and understanding	128	30.2	30.3	89.8
	Expert knowledge and understanding	43	10.1	10.2	100.0
	Total	**423**	**99.8**	**100.0**	
Missing	System	1	.2		
Total		**424**	**100.0**		

The majority of respondents (70.7%) considered themselves to have a reasonable to very good knowledge and understanding of accounting. Ten percent (10%) indicated an expert knowledge and understanding of accounting. Surprisingly only 19.2% of respondents considered themselves to have basic or no knowledge and understanding of accounting (refer to **TABLE 6.4**). Even when considering the respondents' high levels of education and financial training their perceptions of accounting knowledge and understanding are still considered proportionately high. Previous studies which measured the financial

literacy of entrepreneurs have indicated that the actual literacy levels of respondents were significantly lower than the entrepreneurs' perception of their financial literacy levels (Brown et al., 2006: 176).

Overall, the sample of SBOs consisted of a majority of male South African SBOs with higher than average levels of education. The majority considered themselves to have attained reasonable to expert levels of accounting knowledge and understanding. These demographics were reflected upon in analysing the findings of the SEM. Care was also be taken in generalising the findings of this study to SBOs falling outside the general demographics as described.

The next section describes the demographics of the SMMEs included in the sample. Only data pertaining to the purpose of this study was analysed (refer to Section B of the questionnaire presented in Appendix A-1). **TABLE 6.5** provides the output of descriptive statistical analysis performed in SPSS.

TABLE 6.5: Number of employees

		Frequency	Percent	Valid Percent	Cum Percent
Valid	1 employee namely the owner	57	13.4	**13.4**	16.4
	More than 1 but less than 6 employees	128	30.2	**30.2**	43.6
	More than 6 but less than 50 employees	190	44.8	**44.8**	88.4
	More than 50 but less than 200 employees	49	11.6	11.6	100
	Total	**424**	**100.0**	**100.0**	

The SMMEs represented in the study (refer to **TABLE 6.5**) consisted of 43.6% ($n = 185$) micro enterprises as classified by the *South African National Small Business Amendment Bill* (2003); in other words, enterprises with 5 or fewer employees. Forty-five percent (44.8%, $n = 190$) of small businesses included in the sample could be classified as small or very small enterprises with more than 5 but up to 50 employees. Of the sample 11.6% ($n = 49$) of the respondents owned a medium enterprise as classified by the *South African National Small Business Amendment Bill* (2003) with between 50 and 200 employees.

It is commonly accepted that businesses move through different developmental or growth stages. It has also been found that the relationship that a SBO has with his/her accountant changes over time, depending on the business' stage of business development (Burke & Jarratt, 2004; Dyer & Ross, 2007; Welter, 2012).

TABLE 6.6: Age of the business

		Frequency	Percent	Valid Percent	Cum Percent
Valid	Less than 3.5 years	17	4.0	4.0	4.0
	3.5 to 7 years	57	13.4	13.5	17.5
	8-11 years	70	16.5	16.5	34.0
	12-15 years	56	13.2	13.2	47.3
	More than 15 years	223	52.6	52.7	100.0
	Total	**423**	**99.8**	**100.0**	
Missing	System	1	.2		
Total		**424**	**100.0**		

Indicated in **TABLE 6.6** above is the breakdown of the age of the small businesses included in the sample. The vast majority (96%, n = 406) of them could be classified as established businesses operating for longer than 3.5 years. Fifty-three percent (52.7%, n = 223) had operated for longer than 15 years, 13.2% (n = 56) had been operating from 12 to 15 years and 16.5% (n = 70) from seven up to 12 years. These businesses are all mature and the owners should have experience in dealing with accountants. Approximately thirteen percent (13.4%, n = 57) of the businesses included in the sample have been operating between 3.5 and 7 years while a mere 4% (n = 17) of the small businesses are classified as start-up businesses, operating for less than 3.5 years.

TABLE 6.7: Forms of business ownership of SMMEs

		Frequency	Percent	Valid Percent	Cum Percent
Valid	Not registered	6	1.4	1.4	1.4
	Sole ownership	38	9.0	9.0	10.4
	Partnership	9	2.1	2.1	12.5
	Close corporation	159	37.5	37.6	50.1
	Company (public)	0	0	0	50.1
	Company (private)	191	45	45.1	95.2
	Business trust	7	1.7	1.7	96.9
	Other (please specify)	13	3.1	3.1	100.0
	Total	**423**	**99.8**	**100.0**	
Missing	System	1	.2		
Total		**424**	**100.0**		

TABLE 6.7 indicates that the majority of the SMMEs included in the sample consist of private companies (45.1 %, *n* = 191), close corporations (CCs) (37.6%, *n* = 159) and sole proprietors (9%, *n* = 38). Just over one percent (1.4%, n = 6) of the businesses were not registered, and operated in the informal sector. The remaining (8%) was made up of a variety of other business forms.

TABLE 6.8: Employment of an internal accountant

		Frequency	Percent	Valid Percent	Cum Percent
Valid	Yes	251	59.2	59.5	59.5
	No	171	40.3	40.5	100.0
	Total	**422**	**99.5**	**100.0**	
Missing	System	2	.5		
Total		**424**	**100.0**		

Literature has indicated that SBOs often do not possess the necessary financial skills nor do they have the resources to employ people with appropriate skills to manage their businesses. However, 60% (*n* = 251) of the SMMEs included in the sample employ a person internally responsible for accounting and related duties though 40% (*n* = 171) do not do so (refer to **TABLE 6.8**).

6.2.2. Frequency of different types of services sourced

Section C of the questionnaire consisted of 12 items, collecting data on the types and frequency of accounting services that are sourced from accounting practitioners. A summary of the frequencies of types of services sourced is presented in **FIGURE 6.1** below. The findings are discussed from the top down as they are depicted in the figure.
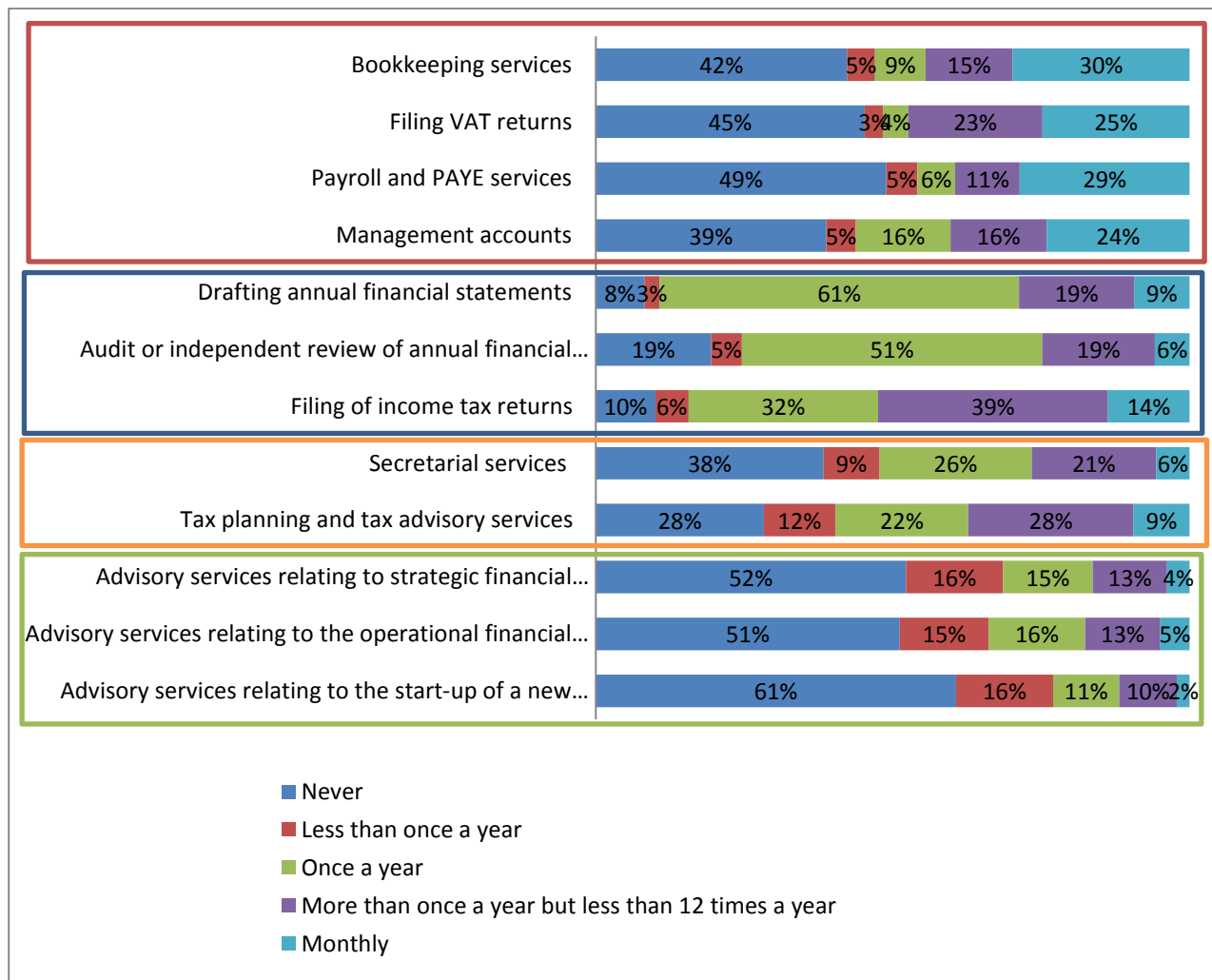
FIGURE 6.1: Types and frequency of services sourced from the external accounting practitioner

Based on its frequency distribution, the data was categorised into four groups consisting of items that followed a similar distribution. The first group of services comprises bookkeeping, filing of VAT returns, payroll and PAYE services and management accounting services. These services are typically performed on a monthly basis. The second group of services relates to year-end compliance services and consists of the drafting of annual financial statements, audit, or review of annual financial statements

and filing income tax returns. The third group of services include secretarial and tax planning and advisory services. These services could be seen as ad-hoc compliance services. The fourth group of services comprises advisory type services and includes strategic, operational and start-up advisory services. The frequency distribution of each group is discussed separately.

Monthly accounting services are normally sourced when no accounting staff are employed. Forty percent of the respondents indicated that they do employ an internal accountant or administrator to perform accounting duties (Refer to **TABLE 6.8**). It is therefore not surprising that between 39% and 49% of respondents indicated that they have never sourced bookkeeping, VAT, payroll related and management accounting services from their external accountants. Fourteen percent (5% + 9%) of respondents indicated that they do not regularly source bookkeeping services. Seven percent do not regularly source VAT services, while 11% do not regularly source payroll and PAYE services. Thirty percent of respondents have indicated that they source bookkeeping services, 25% source VAT services and 29% source payroll and PAYE services on a monthly basis.

Literature generally regards management accounting services as a form of advisory services (Halabi et al., 2010; Lavia López & Hiebl, 2015). Such services are aimed at providing information to improve management decision-making (Blackburn & Jarvis, 2010; Lavia López & Hiebl, 2015). Similar to the other monthly services, 24% of the SMMEs source management accounting services on a monthly basis, while 32% (16% + 16%) source these at least annually and 5% less than once a year. From the data presented it seems that South African SBOs which source monthly accounting services, either source or obtain management accounting services as an added benefit from their accounting practitioners. This preliminary analysis also points to the possibility that South African SBOs which do not use the external accountant to perform basic accounting services therefore rely on their internal accounting staff or the owner to provide and interpret the necessary management accounting information.

Drafting of annual financial statements and the audit or review of annual financial statements follow a similar pattern in terms of frequency of use, with 89% of respondents indicating that they require their accountant to draft financial statements while 76% require them to audit and review financial statements at least on an annual basis. Sixty

one percent (61%) of SBOs indicated that their accounting practitioner annually drafts their financial statements and 51% indicated that they use this practitioner for an annual audit or internal review. Nineteen percent of SBOs indicated that their accountants perform these two services more than once a year but not monthly. Some of the SBOs, 9% and 6% respectively, have, however, indicated that they utilise these services on a monthly basis. It is assumed that these respondents may have perceived drafting and review of financial statements as part of their bookkeeping and management accounting services.

Eighty four percent (84%) of the respondents have indicated that they source income tax services at least on an annual basis from their accounting practitioner. Income tax services are sourced in a similar way to the services of drafting annual financial statements. The South African Income Tax Act requires some companies and individuals to submit provisional tax returns, and as such, 39% indicated they source the service more than once a year, but less than 12 times a year. Thirty-two percent (32%) of respondents indicated that they make use of the service annually and 14% monthly.

Secretarial and tax planning services seem to be sourced in a similar way. Thirty-eight percent (38%) of respondents indicated never having used secretarial services. Nine percent (9%) have utilised the services but not annually, whereas 53% of the respondents have indicated they source secretarial services at least once a year.

Twenty eight percent (28%) of respondents have indicated that they use their external accounting practitioner to provide tax planning or tax advisory services. Twelve percent (12%) have made use of the services but do not do so on an annual basis, while 59% of the respondents source this service at least once a year.

The frequency distributions indicate that SBOs mostly use SAPs to provide year-end compliance services, followed by monthly accounting and bookkeeping services. From the descriptive analysis presented, it is clear that SBOs do not regularly source advisory type services from their accounting practitioners. This is in line with findings by other studies (Blackburn & Jarvis, 2010; Carey, 2015; Devi & Samujh, 2010; Doving & Gooderham, 2005) which indicated that SBOs source limited advisory services from their accountants.

Only thirty two percent (32%) of SBOs claim to regularly (at least on an annual basis) source strategic and operational advisory services from their accountants, with more than 50% of respondents indicating that they have never done so. Sixty one percent of SBOs indicated that they did not use their accountant to assist in the start-up phase of their business or to assist in preparing a business plan. This statistic is disturbing in view of the findings of a recently published study by the ACCA: that to establish proper financial management systems during the start-up phase of the business is one of the most important factors contributing to small business success (ACCA, 2013: 5).

6.2.3. Small business owner's perceptions of benefits obtained

FIGURE 6.2 offers a graphic representation of the frequency distribution of small business owners' perceptions of the benefits they obtain from the services sourced from their accounting practitioner.

The benefits included in the questionnaire were developed from the literature. In addition, the respondents were asked whether, overall, they perceived their relationship with their accountant as beneficial.

It is clear from FIGURE 6.2, item 12 that SBOs perceive the relationship with their external accounting practitioner as beneficial, with 39% strongly agreeing and 53% agreeing that the relationship with their accountant is beneficial. Only eight percent (8%) disagreed with the statement. This may explain previous inconclusive findings about whether SBOs perceive their relationship with accountants as being beneficial. Although the majority of respondents in this study perceive their relationship with their accountants in this light, some SBOs regard it as having limited benefit.
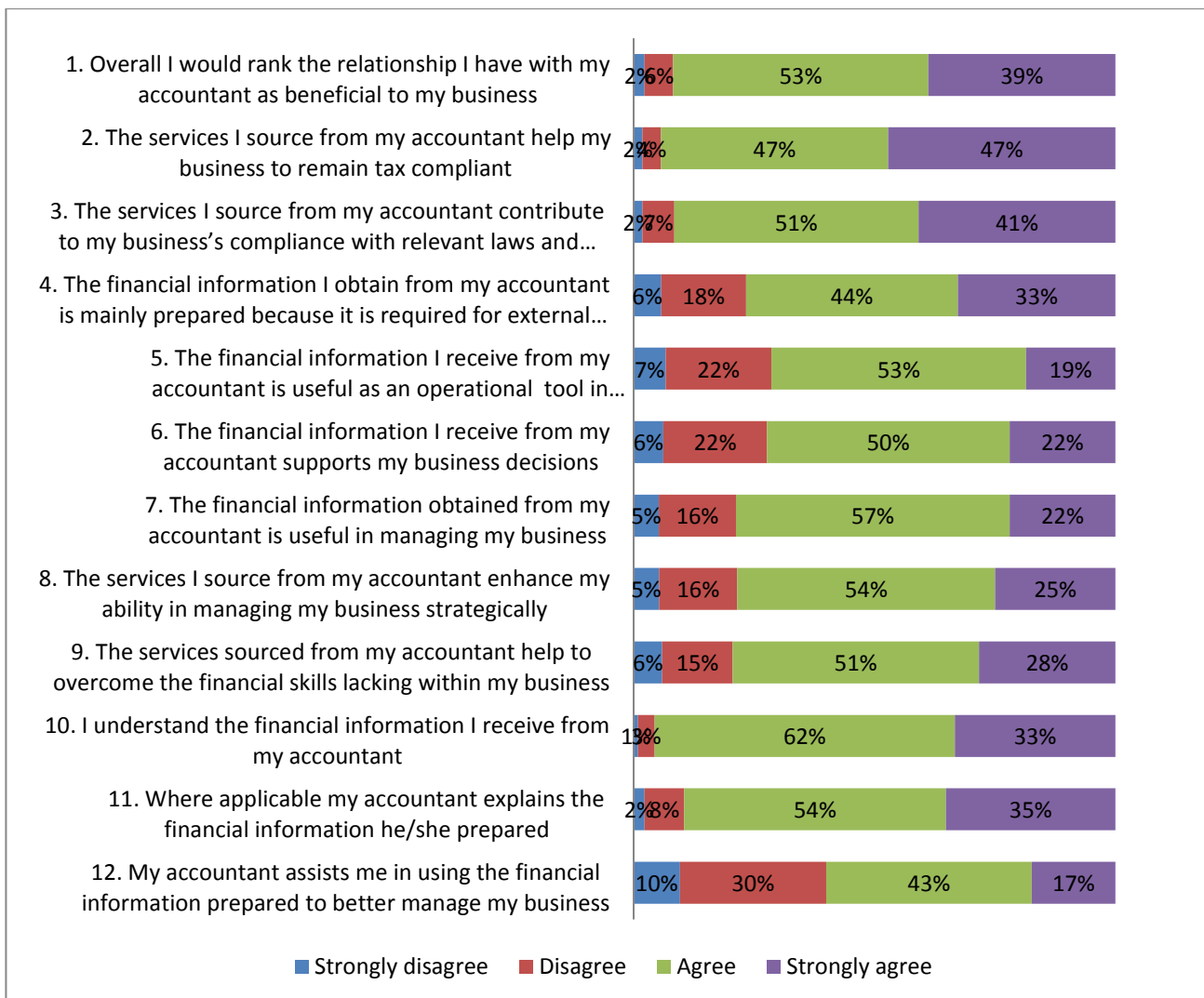
FIGURE 6.2: **Perception of benefits obtained from the services sourced from the accounting practitioner**

The data presented in the frequency table indicate that SBOs perceive compliance related services to provide the most benefit (refer to **FIGURE 6.2**, items ranked 2nd to 4th). Ninety four per cent (47% +47%) of SBOs taking part in the study either agreed or strongly agreed that the services they source from their accounting practitioner assisted them in remaining tax compliant. Forty one percent (41%) of respondents strongly agreed while 51% agreed that the services sourced from the accountant contributed to the business complying with relevant laws and regulations. In total, 77% of the respondents agreed (44% agreed and 33% strongly agreed) that the information they obtained from the accountant was prepared mainly because it was required for external reporting to banks, creditors, SARS and the CIPC.

When considering SBOs' perception of management benefits (refer to items 5 to 8 in **FIGURE 6.2**), the frequency table indicates that the majority of respondents agreed that the information and services obtained from their accountants are useful for operational management, control and decision-making. However, the perception of the "management type" benefits is less positive when compared to compliance related benefits (**FIGURE 6.2**, items 2 to 4). Only 19% of respondents strongly agreed that the information received from the accountant is useful for controlling the business, whereas 22% strongly agreed that the information supports decision-making and enhances their ability to manage the business. Fifty three percent (53%) of respondents agreed with the statement that the information obtained is useful for controlling the business, 57% that the information supports decision-making and 54% that it enhances their ability to manage the business. Between 20% and 30% however indicated that they obtain limited operational management, control and decision-making benefits from the services and information sourced from their external accounting practitioner.

Literature has indicated that SBOs outsource those activities where they lack skills. Items 9 to 12 (refer to **FIGURE 6.2**) address the benefit of overcoming the skills lacking within the small business. Seventy nine percent (79%) of the respondents indicated that the services they source from their accountant assist them to overcome the financial skills missing from their business: 51% agreed and 28% strongly agreed with the statement. Similar to the responses regarding management benefits, 21% indicated that the services sourced do not assist them to overcome financial management skills absent from the business.

Surprisingly, 95% of respondents indicated that they understand the information that the accountant prepared, of whom 33% strongly agreed and 62% agreed. This is inconsistent with research performed in other parts of the world. (Halabi et al., 2010: 163; Marriott & Marriott, 2000) have found that SBOs do not use the information obtained by accounting practitioners, as they do not understand the information that is prepared. The reasons for these inconsistent findings are:

- That the majority of respondents indicated that they possess good to expert accounting and financial knowledge and understanding (Refer to **TABLE 6.4**) and
- That the majority (89%) of the respondents indicated that their external accountant explains the financial information he/she has prepared (item 12, **FIGURE 6.2**). Once again, this is inconsistent with the findings reported in the studies by (Halabi et al., 2010; Nandan, 2010), which indicated that accountants do not do so.

Although the SBOs indicated that their accountant explains the information prepared, 40% (10% + 30%) of respondents disagreed with the statement that the accountant assists them in using the information prepared to manage their business better. This may possibly explain why SBOs perceive that they obtain management benefits to a lesser extent compared to compliance benefits. It may also be an aspect of service delivery that SAPs could focus on in an attempt to improve the former.

6.2.4. SBOs' expectation and perception of accounting service quality

The sections to follow will provide an analysis and discussion of the frequency distribution and the mean statistics of the service quality perceptions and expectations.

FIGURE 6.3 illustrates the frequency distribution of the SBOs' expectations of accounting service delivery (hereafter **SE**). The items are listed in order of importance based on the mean average (from highest to lowest – refer to **TABLE 6.3)**

Excellent SAPs...

Statement	Disagree	Neutral	Somewhat agree	Agree	Totally agree
[SE5] will when they have promised to do something by a certain time, do it	1%	2%	7%	22%	68%
[SE30] are honest in their dealings	1%	5%	7%	24%	64%
[SE19] always act ethically	1%	5%	9%	22%	63%
[SE9] are able to legally manage their clients' tax liability	1%	4%	11%	25%	60%
[SE6] will when a customer has a problem, show a sincere interest in solving it	3%	3%	9%	25%	60%
[SE21] are competent in providing the services they offer	1%	4%	10%	31%	53%
[SE27] have their clients' best interest at heart	2%	4%	9%	31%	53%
[SE13] are always willing to help clients	2%	4%	12%	30%	52%
[SE12] give prompt service to clients	2%	4%	10%	32%	51%
[SE18] will have clients that trust them to handle their affairs	2%	4%	14%	28%	52%
[SE7] perform the service right the first time	2%	4%	13%	30%	51%
[SE22] have the knowledge to answer clients' questions	2%	4%	12%	37%	46%
[SE17] have behaviour that instils confidence in clients	1%	5%	12%	34%	47%
[SE25] make it convenient for their clients to contact them	2%	4%	11%	39%	44%
[SE 11] inform clients exactly when services will be performed	3%	5%	13%	31%	49%
[SE31] offer value for money services	2%	8%	11%	32%	48%
[SE 28] understand the specific needs of their clients	3%	5%	11%	38%	43%
[SE26] are experienced	2%	5%	13%	38%	43%
[SE20] consistently be courteous towards clients	1%	7%	15%	32%	44%
[SE24] give clients personal attention	2%	5%	16%	38%	40%
[SE8] offer value added advice as part of their bookkeeping and compliance...	2%	7%	16%	29%	45%
[SE23] understand their clients' business and the dynamics of the...	2%	7%	15%	36%	40%
[SE10] provide a wide range of accounting related services.	2%	6%	21%	35%	35%
[SE16] communicate pro-actively with their clients	3%	8%	19%	33%	37%
[SE14] are never too busy to respond to client requests	3%	7%	20%	33%	36%
[SE29] are conservative in dealing with their clients' affairs	4%	11%	20%	35%	31%
[SE15] keep frequent contact with their clients	3%	10%	22%	36%	29%
[SE4] prepare communications, documents and statements that are visually...	5%	15%	30%	28%	22%
[SE3] have employees that are neat in their appearance (T)	6%	15%	32%	25%	22%
[SE2] have physical facilities that are visually appealing (T)	23%	34%	23%	14%	6%
[SE1] have modern looking offices and equipment (T)	28%	37%	16%	11%	8%

Legend: Disagree ■ Neutral ■ Somewhat agree ■ Agree ■ Totally agree

FIGURE 6.3: **Small business owner's accounting service quality expectation**s

TABLE 6.9: Mean scores of SBOs' accounting service expectations (ranked from highest to lowest)

	Do as promised	Honest	Ethical	Manage tax	Solve problem	Competence	Best interest	Helpful	Prompt	Trust	Right	Knowledgeable
N	424	424	424	424	424	424	424	424	424	424	424	424
Mean	6.52	6.42	6.39	6.36	6.35	6.29	6.28	6.25	6.23	6.23	6.22	6.19

	Confidence	Experienced	Inform	Value for money	Understand needs	Best interest	Courte ous	Personal attention	Value added service	Understand business
N	424	424	424	424	424	424	424	424	424	424
Mean	6.19	6.18	6.17	6.15	6.13	6.11	6.09	6.08	6.08	6.05

	Range of services	Pro-active communication	Not too busy	Conservative	Contact	Appealing documents	Appearance	Facilities	Equipment
N	424	424	424	424	424	424	424	424	424
Mean	5.92	5.91	5.91	5.77	5.76	5.45	5.40	4.26	4.08

Source: SPSS Output

In accordance with the original SERVQUAL scale, in this study a 7-point scale was used to measure service quality; however, because few respondents indicated responses between 1 and 4, it was decided to group responses 1 and 2 together, indicated as "disagree", and responses 3 and 4 together, indicated as "neutral" (refer to **FIGURE 6.3**). Responses ranking expectations as a 5 were indicated as "somewhat agree", a 6 as "agree" and a 7 as "totally agree". It is important to note that this grouping was only applied to improve the overall usefulness of the frequency analysis. It was not used in the application of any other statistical analysis.

It is clear from **FIGURE 6.3** that the majority of service quality items included in the questionnaire are perceived by the SBOs as being important. With the exception of items relating to the tangible dimensions of the SERVQUAL, in other words, appealing documents, modern equipment, appealing facilities and the neat appearance of the staff, more than 50% of respondents either "agree" or "totally agree" that they expected their accountants to provide quality service on all other items. The overall importance of all items except for those relating to the tangible dimension is confirmed by the mean scores presented in **TABLE 6.9**. The results indicate that 23 out of the 31 items had high means of more than "6"; that is, on average respondents perceived the majority of items included in the scale to be very important in terms of the service delivered by external accounting practitioners.

Of these, the following aspects of service delivery seem to be regarded by SBOs as the most important based on their expectations; in other words, 60 percent and more indicated that they "totally agree":

- Deliver services as promised (mean = 6.52)
- Are honest in their dealings (mean = 6.42)
- Act ethically (mean = 6.39)
- Are able to manage clients' tax liability legally (mean = 6.36)
- Evidence the ability to show a sincere interest in solving customer problems (mean = 6.35)

As expected, the aspects relating to tangible aspects of service delivery were regarded as less important, with means reported of between 4.08 and 5.45.

In addition, aspects relating to communication with clients (not being too busy to attend to clients, keeping frequent contact and pro-active communication) seem to be less important to SBOs than other aspects of service quality.

6.2.5. Difference between SBOs' expectation and perceptions of service quality

The same 31 items used to measure SBOs' expectation of service delivery were used to measure their perceptions of the actual levels of service quality. If the real perceptions are subtracted from the ideal expectations, the result is the so-called quality gap (Parasuraman et al., 1988). It is to be anticipated that the expectations of clients as to the ideal or desirable value of service delivery should naturally be rated higher by them than their actual perceptions regarding the service delivery. However, it is important to determine whether there are significant differences between such perceptions and expectations. To establish whether there are statistically significant differences between SBOs' perceptions and expectations of accounting service quality, this study will compare the mean scores of each item using paired samples t-tests. Results of these tests are reported in **TABLE 6.10** below.

TABLE 6.10: Difference between the small business owner's expectation and perception of service quality

Description		Mean	N			Paired Differences					t	df	Sig. (2-tailed)
						Mean	Std. Devia-tion	Std. Error mean	95% Confidence Interval				
									Lower	Upper			
1. Have modern looking offices and equipment	Perception	4.75	424	1.527	0.074	0.68	1.51	0.07	0.54	0.82	9.29	423.00	0.00
	Expectation	4.08	424	1.624	0.079								
2. Have physical facilities that are visually appealing	Perception	4.77	424	1.479	0.072	0.51	1.47	0.07	0.37	0.65	7.18	423.00	0.00
	Expectation	4.26	424	1.486	0.072								
3. Have employees that are neat in their appearance	Perception	5.55	424	1.248	0.061	0.15	1.33	0.06	0.03	0.28	2.38	423.00	0.02
	Expectation	5.4	424	1.262	0.061								
4. Communications, documents and statements that are visually appealing	Perception	5.47	424	1.279	0.062	0.02	1.29	0.06	-0.11	0.14	0.26	423.00	0.79
	Expectation	5.45	424	1.196	0.058								
5. Deliver services as promised	Perception	5.72	424	1.454	0.071	-0.79	1.50	0.07	-0.94	-0.65	-10.84	423.00	0.00
	Expectation	6.52	424	0.917	0.045								
6. Show sincere interest in solving customer problems	Perception	5.94	424	1.398	0.068	-0.41	1.38	0.07	-0.54	-0.28	-6.17	423.00	0.00
	Expectation	6.35	424	1.039	0.05								
7. Perform the service right the first time	Perception	5.72	424	1.415	0.069	-0.50	1.44	0.07	-0.64	-0.36	-7.15	423.00	0.00
	Expectation	6.22	424	1.045	0.051								
8. Offer value added advice as part of their bookkeeping and compliance service	Perception	5.54	424	1.506	0.073	-0.54	1.52	0.07	-0.68	-0.39	-7.24	423.00	0.00
	Expectation	6.08	424	1.083	0.053								
9. Ability to legally manage clients' tax liability	Perception	6.08	424	1.315	0.064	-0.27	1.30	0.06	-0.40	-0.15	-4.33	423.00	0.00
	Expectation	6.36	424	0.986	0.048								
10. Provide a wide range of accounting related services	Perception	5.77	424	1.307	0.063	-0.15	1.30	0.06	-0.27	-0.03	-2.40	423.00	0.02
	Expectation	5.92	424	1.079	0.052								

Description		Mean	N			Paired Differences					t	df	Sig. (2-tailed)
						Mean	Std. Devia-tion	Std. Error mean	95% Confidence Interval				
									Lower	Upper			
11. Inform clients exactly when services will be performed	Perception	5.6	424	1.445	0.07	-0.57	1.53	0.07	-0.71	-0.42	-7.63	423.00	0.00
	Expectation	6.17	424	1.078	0.052								
12. Give prompt service to clients	Perception	5.74	424	1.439	0.07	-0.50	1.41	0.07	-0.63	-0.36	-7.26	423.00	0.00
	Expectation	6.23	424	1.047	0.051								
13. Are always willing to help clients	Perception	5.99	424	1.282	0.062	-0.25	1.28	0.06	-0.37	-0.13	-4.07	423.00	0.00
	Expectation	6.25	424	1.025	0.05								
14. Are never too busy to respond to client requests	Perception	5.71	424	1.439	0.07	-0.19	1.53	0.07	-0.34	-0.05	-2.61	423.00	0.01
	Expectation	5.91	424	1.115	0.054								
15. Keep frequent contact with their clients	Perception	4.89	424	1.76	0.085	-0.88	1.73	0.08	-1.04	-0.71	-10.40	423.00	0.00
	Expectation	5.76	424	1.128	0.055								
16. Communicate pro-actively with their clients	Perception	5.18	424	1.742	0.085	-0.73	1.66	0.08	-0.89	-0.57	-9.09	423.00	0.00
	Expectation	5.91	424	1.154	0.056								
17. Have behaviour that instils confidence in clients	Perception	5.85	424	1.45	0.07	-0.34	1.41	0.07	-0.47	-0.20	-4.91	423.00	0.00
	Expectation	6.19	424	1.008	0.049								
18. Clients trust them to handle their affairs	Perception	6.02	424	1.358	0.066	-0.21	1.31	0.06	-0.33	-0.08	-3.27	423.00	0.00
	Expectation	6.23	424	1.038	0.05								
19. Always act ethically	Perception	6.27	424	1.111	0.054	-0.11	1.05	0.05	-0.21	-0.01	-2.22	423.00	0.03
	Expectation	6.39	424	1.016	0.049								
20. Are consistently courteous towards clients	Perception	6.24	424	1.109	0.054	0.16	1.10	0.05	0.05	0.26	2.91	423.00	0.00
	Expectation	6.09	424	1.047	0.051								
21. Are competent in providing the services they offer	Perception	6.22	424	1.15	0.056	-0.06	1.18	0.06	-0.18	0.05	-1.11	423.00	0.27
	Expectation	6.29	424	0.997	0.048								

Description		Mean	N			Paired Differences					t	df	Sig. (2-tailed)
						Mean	Std. Devia-tion	Std. Error mean	95% Confidence Interval				
									Lower	Upper			
22. Have the knowledge to answer clients' questions	Perception	6.1	424	1.182	0.057	-0.09	1.14	0.06	-0.20	0.02	-1.62	423.00	0.11
	Expectation	6.19	424	0.992	0.048								
23. Understand their clients' business and the dynamics of the operating environment	Perception	5.75	424	1.429	0.069	-0.30	1.37	0.07	-0.44	-0.17	-4.57	423.00	0.00
	Expectation	6.05	424	1.029	0.05								
24. Give clients personal attention	Perception	5.82	424	1.448	0.07	-0.27	1.38	0.07	-0.40	-0.14	-3.99	423.00	0.00
	Expectation	6.08	424	0.978	0.048								
25. Make it convenient for their clients to contact them	Perception	6.26	424	1.111	0.054	0.08	1.19	0.06	-0.03	0.20	1.47	423.00	0.14
	Expectation	6.18	424	0.989	0.048								
26. Are experienced	Perception	6.05	424	1.228	0.06	-0.06	1.26	0.06	-0.18	0.06	-1.00	423.00	0.32
	Expectation	6.11	424	1.061	0.052								
27. Have their clients' best interest at heart	Perception	6	424	1.273	0.062	-0.28	1.29	0.06	-0.40	-0.15	-4.43	423.00	0.00
	Expectation	6.28	424	1.042	0.051								
28. Understand the specific needs of their clients	Perception	5.81	424	1.355	0.066	-0.32	1.36	0.07	-0.45	-0.19	-4.79	423.00	0.00
	Expectation	6.13	424	1.056	0.051								
29. Are conservative in dealing with their clients' affairs	Perception	5.92	424	1.188	0.058	0.15	1.16	0.06	0.04	0.26	2.65	423.00	0.01
	Expectation	5.77	424	1.139	0.055								
30. Are honest in their dealings	Perception	6.34	424	1.078	0.052	-0.08	1.02	0.05	-0.18	0.02	-1.61	423.00	0.11
	Expectation	6.42	424	0.989	0.048								
31. Offer value for money service	Perception	5.85	424	1.405	0.068	-0.31	1.40	0.07	-0.44	-0.17	-4.51	423.00	0.00
	Expectation	6.15	424	1.053	0.051								

The data in **TABLE 6.10** shows that for 24 out of the possible 31 items, service expectations exceed the perception of actual service delivery, i.e. reported negative mean values. Of these 24, 19 item pairs demonstrated statistically significant mean differences at a 95% confidence level. It could therefore be concluded that the levels of service quality offered by small accounting practices are lower than what SBOs expect.

Noteworthy is the fact that the service delivery item which ranked highest in terms of expectations, namely, the accountant's ability to deliver services as promised (refer to TABLE 6.3), also yielded the second highest mean difference of -0.792 (t_{423} = -10.85, p < .001) (see item number 5). The finding suggests that SAPs wishing to improve their service quality should start by focusing on delivering services as promised.

In addition, the service delivery items relating to (1) the frequency of contact with clients (see item 15), and (2) proactive communication with clients (see item 16), reported the following mean differences respectively, -.875 (t_{423} = -10.41, p < .001) and -0.731 (t_{423} = -9.09, p < .001). Refer to **TABLE 6.10**. Interestingly, both these items relate to the communication that SAPs conduct with their clients.

From the analysis above, it can be concluded that SBOs expect their accounting practitioners to offer higher levels of service quality. It is concerning that for the 31 items measured, 19 items indicated statistically significant differences between service expectations and service quality. The actual levels of service quality offered are, however, not in line with these high levels of expectation. This is specifically the case with delivering the service as promised and communicating with clients in a proactive manner.

Seven items measured positive service levels, in other words, for these items the SBOs' perceptions of service delivery on average exceeded their expectations. Interestingly, all the items which measure the tangible aspect of service delivery reported positive service levels (items 1 to 4). Items 1, 2 and 3 measured significant positive differences. It could therefore be concluded that the offices, equipment, facilities and appearance of staff of SAPs exceed the expectations of their small business clients. This finding is not surprising, as the services offered by professional service firms are regarded as intangible and should therefore not be impacted by the tangibles aspects of service

delivery (Greenwood, Li, Prakash & Deephouse, 2002: 661). This statistic should however be interpreted with caution. Service quality in professional service firms are a factor of the quality of staff employed (Hitt, Bierman, Uhlenbruck & Shimizu, 2006). Tangible factors such as the offices they work in and having modern equipment may serve as hygiene factors to staff (Greenwood et al., 2002: 663). Its absence may result in the accounting practice finding it difficult to attract and retain quality staff.

In addition, although SBO may not regard these tangibles as important in terms of service delivery, it may send subjective signals of service quality. Grönroos (1990) refers to this as corporate image in the experience of service quality. For example, a SBO may prefer to appoint a SAP with modern looking office buildings because it is perceived that such an accountant is more successful, and therefore should offer better levels of service quality.

SBOs' perception of actual service delivery for items 20 and 29 were also reported to be significantly better than the expectation of such service delivery. These results indicate that SAPs are more conservative and more courteous than what SBO actually require.

6.3. Exploratory Factor Analysis

An evaluation of the relationships presented in the structural equation model (SEM) would be problematic if the quality of the measurement instruments used to measure the latent variables were called into question (Diamantopoulos & Siguaw, 2011). To obtain meaningful results from SEM a valid measurement theory is therefore required (Diamantopoulos & Siguaw, 2011).

To ensure this, the purpose of this section is to identify valid and reliable constructs (manifest variables) to measure: (1) SBOs' perception of the benefits obtained from the relationship with their accountant; (2) the frequency of different types of services presented; and (3) the levels of service quality offered by SAPs.

The sections to follow report the results of the EFA, which was performed to determine the reliability and validity of the scales, used to measure the different constructs and also to determine the factor structure underlying each one of these constructs. Results

from the EFA were then used to postulate the measurement model, which was tested by means of a covariance matrix in AMOS.

6.3.1. EFA of SBOs' perceptions of the benefits obtained

This factor analysis aims to determine the latent variables of the 12-item perception related scale designed to SBOs' perception of the benefits they receive from the information prepared and services sourced from the accountant. The purpose of factor analysis is to reduce the number of variables to a situation where as few factors as possible are used in a way that still allows these factors to contain as much information as possible.

Three rounds of factor analysis were performed. Results for the first two rounds of analysis, including justifications for items deleted, are presented in **APPENDIX C, TABLES C-1 to C-7**).

TABLE 6.11: KMO and Bartlett's Test -SBO perception of benefits (3rd round)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.886
Bartlett's Test of Sphericity	Approx. Chi-Square	1770.972
	df	21
	Sig.	.000

The KMO for the third round of analysis was recalculated at a level of 0.886 > 0.7 (refer to **TABLE 6.11**). A value of >0.7 indicates that there is enough correlation between pairs of items and that a factor analysis is therefore warranted. Barlett's Test indicated that a factor analysis may be useful with p-values smaller than 0.05 (p = 0.000). Initial Eigenvalues drawn from analysis are indicated in **TABLE 6.12** below.

TABLE 6.12: Total variance explained - SBO perceptions of benefits (Round 3)

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	4.326	61.798	61.798
2	1.034	14.771	76.569
3	.409	5.847	82.416
4	.386	5.521	87.936
5	.340	4.855	92.791
6	.301	4.307	97.098
7	.203	2.902	100.000

Extraction Method: Principal Axis Factoring

From **TABLE 6.12** one may observe that there are two initial Eigenvalues greater than one. These two values explain 77% of the information in the seven items. This is regarded as acceptable for the purposes of this analysis. **TABLE 6.13** (below) indicates the Pattern Factor Matrix for the third round of factor analysis.

TABLE 6.13: Pattern Matrix - SBO perceptions of benefits (Round 3)

	Benefits factor	
	1	2
Manage the business	.549	
Tax compliance		.872
Legal compliance		.693
Decision-making	.826	
Operational control and management	.918	
Strategic management	.892	
Assistance to use information	.782	

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalisation.[a]

a. Rotation converged in 3 iterations.

TABLE 6.13 above illustrates that two factors were extracted, with all factors indicating a factor loading > 0.5 (Hair et al., 2010: 125).

All the items that loaded onto the benefits factor 1 relate to the SBOs' perceptions of the **management benefits** that they obtain from the service and information sourced from the external accountant.

An item analysis was performed to determine the extent to which the items are collectively correlated with the scale. The objective of such an analysis is to locate the items that do not successfully reflect the intended latent variable and therefore threaten the internal consistency of the scale in which it was included. Poor items fail to discriminate between different levels of the latent variable they were intended to reflect, and/or will furthermore fail to reflect a common latent variable. The items that did not contribute to the internal consistency of the latent dimensions in question are flagged and considered for elimination. The study measures reliability using the item-total correlation calculated through the Cronbach's alpha, and the change in the subscale reliability if the item were to be deleted.

A standardised Cronbach's alpha (α) of .0.908 (Refer to TABLE C-8) was generated, indicating a good level of internal consistency of the data, since 0.908 > 0.7. **TABLE 6.14** (below) provides an indication of the item-total statistics.

TABLE 6.14: Item-total statistics – SBO perception of management benefits (MANAGEMENT BENEFITS)

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Manage business	11.38	8.207	.699	.902
Decision-making	11.47	7.758	.790	.883
Operational management and control	11.53	7.654	.834	.874
Strategic management	11.41	7.944	.796	.882
Assist to use	11.69	7.677	.731	.897

TABLE 6.14 shows that α would not increase if any of the items were to be deleted; all the items identified in the factor analysis therefore remained included under the MANAGEMENT BENEFITS factor and were used for further analysis (Refer to TABLE C-8).

The following items were found to have the highest loading on benefits factor 2 in order of loading (refer to the pattern matrix, **TABLE 6.13**):

- "The services I source from my accountant help my business to remain tax compliant"; and
- "The services I source from my accountant contribute to my business's compliance with relevant laws and regulations".

Both the items, which loaded onto the **benefits factor 2**, relate to SBOs' perceptions of the **compliance benefits** they obtain from their external accounting practitioners.

A standardised Cronbach alpha (α) of 0.757 was calculated, pointing to sufficient internal consistency of the data, since 0.757 > 0.7 (refer to **TABLE C-7**).

According to Hair et al. (2010: 702) latent variables should ideally be measured by at least three variables. However, if the "external requirement" item were included as a manifest variable the Cronbach alpha would only be 0.587, which is below the required threshold of 0.7. Nevertheless, upon excluding the "external requirement" item the Cronbach alpha increases to an acceptable level of 0.757 (refer to **TABLE C-7**). It was therefore decided to remove the "external requirement" item from any further analysis. The compliance benefit factor was therefore measured using just two items, namely tax compliance and legal compliance.

Face validity

Face validity refers to the extent to which a measure is related to measures of other concepts in a manner that is consistent with theoretical expectations.

The two latent variables identified to represent the types of benefits that SBOs obtain from their relationship with external accounting practitioners were: compliance and management benefits. This is consistent with the theoretical expectations that the benefits received from the services offered by SAPs would consist of these benefits (refer to Chapter 3).

Based on the results of the factor analysis, the following items originally included in the questionnaire were found not to be adequate items for measuring perception of accounting service benefits and should in future be excluded from a similar scale:

1. "The services sourced from my accountant help to overcome the financial skills lacking within my business"
2. "The financial information I obtain from my accountant is mainly prepared because it is required for external reporting to banks, creditors, SARS and the CIPC"
3. "I understand the information I obtain from my external accountant"
4. "My accountant assists me in using the financial information prepared to better manage my business" and
5. "Overall I would rank the relationship I have with my external accountant as beneficial".

On closer investigation, items 1, 3 and 4 were not worded in a way to describe a specific benefit. Item 2, "external requirement", resulted in reliability concerns and was therefore excluded from further analysis. Item 5 measured the "overall benefit", explaining the cross loading on both the compliance and management benefit factors, and was therefore also excluded from further analysis.

Using the results from the factor analysis **compliance benefits** in the context of this study is therefore defined as the benefits that SMMEs obtain from remaining compliant with tax and other legislation. **Management benefits** on the other hand is defined as the benefits that SMMEs gain in terms of using financial information for decision-making, strategic and operational management and operational control.

6.3.2. EFA of the frequency of the different types of service sourced

The analysis is intended to determine the underlying factors in the 12-item scale that were developed to measure the types of services which SBOs source from their accounting practitioners, based on their frequency of use. Two rounds of factor analysis were performed. Results for the first round of analysis, including justifications of items removed from the analysis, are contained in APPENDIX C, TABLES C-9 to C-11)

The KMO and the Bartlett's test of frequency for the second round of factor analysis are presented in **TABLE 6.15** below.

TABLE 6.15: KMO and Bartlett's Test - Frequency of services sourced (2nd Round)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.821
Bartlett's Test of Sphericity	Approx. Chi-Square	1636.807
	df	36
	Sig.	.000

The KMO for the second round of analysis was recalculated at a level of 0.821 > 0.7 and $p < 0.05$ ($p = 0.000$) (refer to **TABLE 6.15**). A factor analysis was therefore warranted.

Initial Eigenvalues of the second round of analysis are indicated in **TABLE 6.16,** which shows that three initial Eigenvalues are greater than one (i.e. 3.892, 1.556, and 1.106). These three factors explain 73% of the information in the nine remaining items, which, for the purposes of this analysis, is regarded as acceptable.

TABLE 6.16: Total Variance Explained - Frequency of services sourced (2nd Round)

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	3.892	43.241	43.241
2	1.556	17.290	60.531
3	1.106	12.288	72.819
4	.706	7.847	80.665
5	.502	5.573	86.238
6	.368	4.090	90.329

Extraction Method: Principal Axis Factoring

Only the first 6 rows of output are indicated in the table

TABLE 6.17 (below) indicates the Pattern Factor Matrix for the second round of factor analysis, with the various items belonging to each of the two factors and the loading (weight) on each item.

TABLE 6.17: Pattern Matrix – Frequency of services sourced (2nd round)

	Factor		
	1	**2**	**3**
Drafting AFS			.731
Audit/Review			**.427**
VAT returns	.833		
Payroll and PAYE	.724		
Start-up advice		.765	
Operational advice		.810	
Strategic advice		.933	
Bookkeeping	.797		
Management accounting	.702		

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalization.[a]

a. Rotation converged in 5 iterations.

TABLE 6.17 above makes it clear that three factors can be extracted. The following items demonstrated a high loading (> 0.5) on factor 1 of the types of services: bookkeeping services, management accounting services, submitting VAT returns, payroll and PAYE services. All these relate to routine accounting services, which are normally sourced on a monthly basis by small businesses that do not employ internal accountants or bookkeepers to perform basic accounting services. As such, this factor is referred to as **routine services.** An item analysis is performed to determine the extent to which the items are collectively correlated with the scale. The routine services factor demonstrates a sufficient level of internal consistency with an α of 0.851 > 0.7 (refer to **APPENDIX C, TABLE C-12**). **TABLE 6.18** (below) provides an overview of the item total statistics.

TABLE 6.18: Item-Total Statistics – Routine services

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Bookkeeping	8.278	18.265	.715	.539	.798
Management accounting	8.335	19.382	.696	.522	.807
VAT returns	8.349	18.387	.712	.511	.799
Payroll and PAYE returns	8.519	19.042	.636	.425	.832

Based on the analysis of the item total statistics (**TABLE 6.18**) none of these items needed to be deleted, as they would not increase the value of Cronbach's alpha. The monthly services factor was therefore measured using four items: bookkeeping services, management accounting services, VAT services and payroll and PAYE services.

The types of services in factor 2 (refer to the pattern matrix presented in **TABLE 6.17**) consist of three items, namely start-up advisory services, operational advisory services and strategic advisory services. The items loading onto factor 2 all relate to **advisory types of services**. The reliability statistics indicate a standardised Cronbach's alpha (α) of .878 (> 0.7) (Refer to **APPENDIX C, TABLE C-13**), pointing to a sufficient level of internal consistency of the factor items.

TABLE 6.19 (below) furnishes an overview of the item total statistics.

TABLE 6.19: Item-Total Statistics – Advisory services

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Start-up advice	3.98	5.482	.716	.523	.868
Operational advice	3.70	4.660	.766	.609	.826
Strategic advice	3.77	4.643	.816	.668	.777

Based on the analysis of the item total statistics (**TABLE 6.19**) none of these items needed to be deleted, as they would not considerably increase the value of Cronbach's alpha. The advisory services factor was therefore measured using three items: start-up

advisory services, operational management services, and strategic management services.

The types of services factor 3 consists of include: drafting of annual financial statements and the audit or review of these statements. This factor can be described as **year-end services** because the items loading onto the factor relate to such services which are typically performed on an annual basis.

Audit however demonstrates a low loading of just 0.427 (refer to the pattern matrix presented in **TABLE 6.16**), but because there was only one other item which loaded onto factor 3, a decision was taken to measure the internal consistency (refer to **TABLE 6.20**) of the factor to determine whether it should be retained for further analysis.

TABLE 6.20: Item analysis –Year-end accounting services

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.485	.490	2

The standardised Cronbach alpha which provides an indication of the reliability of the latent variables was calculated as $\alpha = .0485$ (> 0.7) (refer to **TABLE 6.20**), pointing to an insufficient level of internal consistency of the factor items. Using these items as manifest variables to measure year-end services as a latent variable, might therefore distort the results of further analysis and these items were therefore treated separately. Although these two services are normally sourced on an annual basis, it could be argued they should not be grouped together. The main reason is that entities which are classified as public entities are legally prohibited from having these two services offered by the same external accountant. SMMEs that source either one of the services may hold very different expectations and perceptions of the role of the external accountant. Consequently, grouping the services together may lead to distorted findings.

Based on the results of the first round of analysis, the services relating to tax planning and the completion of tax returns were excluded because these items did not load onto

any factor (refer to **APPENDIX C, TABLE C-11**). However, services relating to the taxation are regarded as fundamental ones offered by small accounting practices. Descriptive analysis also indicated that 95% of SBOs use the service offered by their accounting practitioner to ensure that they remain tax compliant (refer to **FIGURE 6.1**). These items were therefore treated as separate endogenous variables when performing further analysis.

Face validity

The factor groupings suggested by the EFA were in line with the types of services groupings used in other small business accounting studies, and as anticipated, they were similar to the way in which the types of services were categorised in the literature review section of this study (refer to Chapter 3, **TABLE 3.2**).

Based on the results of the EFA, the different types of services were grouped into routine accounting services and advisory services. The non-routine services (tax planning services, submitting income tax returns, drafting annual financial statements, and the audit or review of financial statements) were used as single item measures. According to Hair et al. (2010: 736), single item measures, although not ideal, are acceptable where the item measures a specific characteristic. (This issue is dealt with in more detail when the construction of the overall measurement model is described below.)

6.3.3. EFA of SBOs' perceptions of service quality levels

The purpose of the factor analysis performed in this section is *firstly*, to reduce the number of variables for measuring service quality, *secondly* to compare the service quality construct found in this study with the original five SERVQUAL constructs and *thirdly* to arrive at a conclusion on the determinants of the quality of small business accounting services.

As noted, the SERVQUAL model holds that levels of service quality (SL) should be measured as the difference between service expectation (SE) and the perception of the actual service delivery (SP). Because an adapted SERVQUAL scale was used in this study, levels of service quality were measured in the same way (i.e. $SL = SP - SE$). Where service perceptions (SP) are higher than service expectations (SE) a positive

service level score is reported and where the perceptions of actual service delivery (SP) are worse than expectations (SE) a negative service level score is reported.

It will be recalled that Parasuraman, Zeithaml and Berry (1985) identified assurance, empathy, reliability, responsiveness, and tangibles as the dimensions of service quality. The analysis aims to determine the latent variables underlying the 31 perception-related items, which measure the levels of service quality (SL) offered by external accounting practitioners to their SMME clients. The service quality scale used consists of 31 items, which includes 20 items that were adapted from the original 22-item SERVQUAL scale. Eleven additional items were added based on the evidence collected from various literature sources (refer to Chapter 4 for the justification of these items).

Three rounds of EFA were performed. Results for the first and second rounds of analysis, including justifications of items removed from the analysis, are to be found in **APPENDIX C, TABLES C-14 to C-19**)

The third round of analysis indicated the following results:

- High level of correlation between the pairs of items with the KMO at a level of 0.943 > 0.7. Barlett's Test of Sphericity indicated that a factor analysis might be useful with the p-values = 0.000 (refer to **TABLE 6.21**, below)

- Three initial Eigenvalues are greater than one. These four values explain 69.8% of the variance in the remaining 20 items of the scale, and for the purpose of this analysis, this is acceptable (refer to **TABLE 6.22** below).

TABLE 6.21: KMO and Bartlett's Test - Service levels (3ʳᵈ round)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.943
Bartlett's Test of Sphericity	Approx. Chi-Square	6703.896
	df	190
	Sig.	.000

TABLE 6.22: Total Variance Explained - Service levels (3rd round)

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	**10.618**	**53.091**	**53.091**
2	**1.761**	**8.804**	**61.895**
3	**1.578**	**7.889**	**69.785**
4	.806	4.032	73.817
5	.632	3.160	76.977
6	.543	2.713	79.690

Extraction Method: Principal Axis Factoring

Only first 6 rows of output are indicated in the table

TABLE 6.23 (below) records the pattern matrix from the third round of EFA.

TABLE 6.23: Pattern Matrix - Service Levels (3rd round)

	Factor		
	1	**2**	**3**
Modern equipment			.825
Facilities			.820
Do as promised		.833	
Solve problem		.655	
Accurate		.628	
Value-added service		.612	
Inform		.730	
Prompt		.747	
Frequent contact		.963	
Pro-active communication		.927	
Trust	.612		
Ethical	.784		
Courteous	.801		
Competent	.920		
Knowledgeable	.760		
Understand business	.603		
Convenience	.781		
Best interest	.642		
Understand needs	.626		
Honest	.861		

Extraction Method: Principal Axis Factoring

Rotation Method: Promax with Kaiser Normalisation.[a]

a. Rotation converged in 6 iterations.

The service level (SL) pattern matrix (**TABLE 6.23)** after the third round of analysis shows three factors with acceptable factor loadings and no double loadings at a level > 0.6.

The reliability of each of the factors identified was measured by means of an item analysis. One of the objectives of this study is to identify valid and reliable constructs (manifest variables) for measuring the levels of service quality offered by SAPs and compare this to the original SERVQUAL construct. The purpose of such an analysis was two-fold: (1) to determine whether the factor structure proposed has a solid

theoretical underpinning (face validity); and (2) to make recommendations for a reliable and valid instrument to measure service quality within a small accounting practice context.

Each of the service level factors identified during the factor analysis process was assessed against the dimensions of the original SERVQUAL scale.

Measuring the reliability of SL factor 1

The standardised Cronbach alpha provides an indication of the reliability of the latent variables of SL factor 1. An alpha (α) of 0.958 (> 0.70) was calculated for the 10 items identified in the pattern matrix to measure SL factor 1. This value indicates a sufficient level of internal consistency of the factor items. (Refer to **APPENDIX C, TABLE C-20**.)

TABLE 6.24 (below) provides an overview of the item total statistics, which will be used to identify any source of inconsistencies.

TABLE 6.24: Item-Total Statistics – SL _factor 1

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Trust	56.13	58.187	.781	.635	.954
Ethical	55.97	58.179	.815	.735	.953
Courteous	56.27	58.588	.752	.600	.955
Competent	56.07	57.898	.853	.767	.951
Knowledgeable	56.17	57.736	.859	.759	.951
Understand business	56.30	58.594	.758	.623	.955
Convenience	56.18	58.464	.806	.701	.953
Best interest	56.08	57.209	.858	.770	.951
Understand needs	56.23	57.501	.812	.697	.953
Honest	55.93	58.267	.836	.769	.952

Based on the analysis of the item total statistics (**TABLE 6.24**) none of these items needed to be deleted, as they would not increase the value of Cronbach's alpha.

TABLE 6.25 compares the structure for SL factor 1, identified through conducting the EFA, with the dimensions of the original SERVQUAL scale.

TABLE 6.25: SL factor 1 factor structure compared to the original SERVQUAL dimensions

Q#	Description	Factor loading	Refer to TABLE 4.5	
			Operational construct	SERVQUAL Dimension
Trust	I trust my SAPs to handle my affairs	.612	Trust	New item
Ethical	My external accounting practitioner always acts ethically	.784	Ethical	New item
Courteous	My external accounting practitioner is consistently courteous towards me.	.801	Courtesy	Assurance
Competent	The SAP I use is competent in providing the services their practice offer	.920	Competency	Assurance
Knowledgeable	My external accounting practitioner has the knowledge to answer my questions.	.760	Competency	Assurance
Understand business	The external accounting practitioner I use, understands the business and the dynamics of the environment in which my business operates	.603	Competency	New item
Convenience	The external accounting practitioner I use, makes it convenient for me to contact him/her	.781	Convenience	Empathy
Best interest	The external accountant I use, has my best interest at heart	.642	Empathy	Empathy
Understand needs	The external accounting practitioner I use, understands my specific needs	.626	Empathy	Empathy
Honest	My external accounting practitioner is honest in his/her dealings.	.861	Ethical	New item

Source: Researcher's own compilation (factor loadings were taken from **TABLE 6.23)**

TABLE 6.25 (above) demonstrates that all the original SERVQUAL items (shaded) which loaded onto SL factor 1 relate to either the assurance or the empathy dimensions of the SERVQUAL scale. In the context of service quality, assurance refers to the knowledge and courtesy of employees and their ability to convey trust and to act in an ethical manner (Parasuraman et al., 1988). Empathy in the same context refers to the capacity of a person to experience as another does. Empathy is demonstrated through

the provision of caring, individualised attention to customers (Parasuraman et al., 1988). All the new items included under SL factor 1 also comfortably fit the descriptions of the assurance and empathy dimensions.

Based on the findings of this study, it could be concluded that SBOs perceive the assurance and empathy dimensions of the original SERVQUAL scale to be similar. This finding concurs with that of Groff, Slapničar and Štumberger (2014), conducted within a small accounting practice context.

The assurance and empathy dimensions of service quality should therefore be treated as one construct in the said context.

The following questionnaire items were excluded from the analysis, owing to either low factor loadings or inadequate reliability: "experienced", "personal attention", "conservative"; and "value for money". Items "experienced", "conservative", and "value for money" are additional items that were added to the SERVQUAL scale for the purpose of this study. It is nonetheless important to note that the exclusion of these items does not imply that they are not important aspects of the relationship between SBOs and SAPs, but rather that these items were not valid and/or reliable variables for measuring service quality in this study.

Measuring the reliability of SL factor 2

A standardised Cronbach alpha (α) of 0.935 (>0.7) was calculated for SL factor 2, pointing to a sufficient level of internal consistency of the factor items (refer to APPENDIX C, TABLE C-21).

TABLE 6.26 (below) affords an overview of the item total statistics, which was used to identify any source of inconsistencies.

TABLE 6.26: Item-Total Statistics (SL factor 2)

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Do as promised	-4.20	76.763	.781	.655	.923
Solve problem	-4.58	79.218	.752	.627	.925
Accurate	-4.50	77.716	.772	.661	.924
Value-added service	-4.46	77.550	.729	.563	.927
Inform	-4.43	76.255	.780	.669	.923
Prompt	-4.50	77.139	.826	.727	.920
Frequent contact	-4.13	74.318	.734	.711	.928
Pro-active communication	-4.27	74.235	.784	.749	.923

Based on the results of the item total statistics (**TABLE 6.26**), none of these items needs to be deleted, as they will not increase the value of Cronbach's alpha. The latent variable (SL factor 2) was therefore measured by all the manifest variables indicated in **TABLE 6.26**.

TABLE 6.27 compares the factor structure found for SL_factor 2 within the original SERVQUAL factor construct. Factor loadings presented in the table are obtained from the pattern matrix (refer to TABLE 6.23).

TABLE 6.27: SL factor 2 compared to constructs of the original SERVQUAL scale

| Q# | Description | Factor loading | Refer to TABLE 4.5 | |
			Operational constructs	SERVQUAL Dimensions
Do as promised	When my accounting practitioner promises to do something by a certain time, he/she always does.	.833	Timely	Reliability
Solve problem	When I have a problem, my external accounting practitioner shows a sincere interest in solving it.	.655	Helpful	Responsiveness
Accurate	My accountant performs the service right the first time.	.628	Accurately	Reliability
Value-added service	My accountant offers value added advice as part of the services I source.	.612	Responsive	New item
Inform	The accounting practice I use informs me of exactly when the services will be performed.	.730	Timely	Reliability
Prompt	The accounting practice I use gives me prompt service.	.747	Timely	Reliability
Frequent contact	My accountant frequently contacts me.	.963	Communication	New item
Pro-active communication	The accounting practice I use communicates pro-actively with me.	.927	Communication	New item

Source: Researchers' own compilation (factor loadings obtained from TABLE 6.23)

TABLE 6.27demonstrates that the SERVQUAL items, which loaded onto SL Factor 2, all relate to the reliability or responsiveness dimensions of the scale. The item "value-added service", which was an additional item added to the SERVQUAL scale, also meets the definition of responsiveness. The new items "frequent contact" and "pro-active communication" specifically concern the accountants' ability to communicate in a proactive manner with their clients. It would therefore be logical to include these

variables as additional measures of responsiveness within the small accounting practice context. The latent variable therefore relates to SBOs' perceptions of the levels of reliability and responsiveness offered by the SAP.

Results from a study performed by Turner, Aldhizer and Shank (1999) also found the reliability and responsiveness dimensions of the SERVQUAL scale to be represented by one construct. It could therefore be concluded that SAPs' ability to offer a reliable and responsive service is viewed in a similar way by SBOs.

The following questionnaire items were excluded from further analysis:

- "Manage tax": "My accountant helps me to legally manage my tax liability"
- "Range of services": "The accountant I use provides a wide range of offers a wide range of accounting and related services";
- "Helpful": "The accountant I use is always willing to help" and
- "Not too busy": "The accountant I use is never too busy to respond to my requests".

Items "manage tax" and "range of services" were new ones added for the purpose of this study. Contrary to the theoretical suggestions, these items did not seem to be measures of service quality. Items "helpful" and "not too busy" are original SERVQUAL items, both relating to responsiveness. Based on the evidence presented through the EFA, the SAPs' availability when required does not seem to be a measure of service quality in this context.

Measuring the reliability of SL factor 3

A standardised Cronbach alpha (α) of 0.740 (Refer to **APPENDIX C**, **TABLE C-22**) was calculated, pointing to a sufficient level of internal consistency of the factor items, since $0.813 > 0.7$. As the factor consists of just two items, an overview of the item total statistics would have been of limited use and was therefore not presented.

TABLE 6.28 shows the structure for SL factor 3 compared to dimensions of the original SERVQUAL constructs.

TABLE 6.28: SL factor 3 compared to constructs of the original SERVQUAL scale

| Q# | Description | Factor loadings | Refer to TABLE 4.5 | |
			Operational constructs	SERVQUAL constructs
Modern equipment	Have modern looking offices and equipment	.825	Tangibles	Tangibles
Facilities	Have physical facilities that are visually appealing	.820	Tangibles	Tangibles

Both these items represent variables used in the original SERVQUAL to measure tangibles. SL factor 3 can therefore be described as SBOs' expectations with regard to tangibles and will hereafter be abbreviated as **Tangibles.**

Items "appearance" and "appealing documents" should, according to the original SERVQUAL scale, also measure tangibles. Although these items loaded onto the tangibles construct (Refer to **APPENDIX C, TABLE C-17**), the loadings were low, and the items were therefore excluded from any further analysis.

The descriptive analysis indicated that items relating to tangibles were of the least importance to SBOs in the context of sourcing external accounting services (Refer to **FIGURE 6.3**). In addition, results from the paired t-tests (Refer to Section 6.2.5) show that in contrast to the other service quality items, SBOs' perception exceeds their expectation in terms of tangible aspects of service delivery. Several scholars investigating service quality in professional or accounting environments have excluded the tangibles dimension when measuring service quality in professional or accounting service environments (Behn et al., 1997; Fleishman et al., 2016; Turner et al., 1999). Although tangibles were identified as a separate construct, based on the evidence presented, it was decided not to retain this dimension for any further analysis.

6.3.4. Measuring service quality offered by small accounting practices

The original SERVQUAL scale was adapted to measure the levels of service quality offered by SAPs in this study. The adapted scale consisted of 20 original SERVQUAL items and 11 additional items. In terms of evidence obtained from the EFA, 13 of the original SERVQUAL items were retained. Of the additional items, just five were retained.

In line with the results of the EFA, it is proposed that service quality offered by SAPs be measured by only two factors, the first consisting mainly of the assurance and empathy dimensions of the SERVQUAL scale, and the second consisting of the responsiveness and reliability dimensions of this scale. The fact that this study supports the view that service quality in this context should be measured through just two dimensions is not surprising. Babakus and Boller (1992: 254) suggest exercising caution when using the standard SERVQUAL dimensions, as each may greatly vary depending on the context in which it is used. Weekes, Scott and Tidwell, (1996: 36) propose that the SERVQUAL dimensions should be used merely as a starting point from which to improve usefulness. Studies that have used an adapted SERVQUAL scale have reported fewer than five constructs (Groff et al., 2014; Walker et al., 2012), with the dimensions often overlapping (Isberg, 2010: 2). Those studies that have found similar dimensions reported concerns regarding high covariances and unidimensionality (Fleishman et al., 2016; Kang & James, 2004; Waldmann & Raghavan, 2002).

Using the SERVQUAL scale within a professional services environment Gilbert (2000: 178) and Kang and Bradley (2002: 160), identified a two dimensional service scale to measure service quality, and advocate that service quality in such a context should be measured by means of analysing: (1) the personal aspects of service quality and (2) the technical competency of the professional. This study supports this notion, with the assurance and empathy construct aligning to the technical aspect identified by Kang and Bradley (2002: 160), and the responsiveness and reliability dimension with the personal aspects of service delivery. The study will from here onwards refer to the assurance and empathy construct as the technical aspects service quality **(Technical aspects)** and the reliability and responsiveness as the personal dimension of service quality **(Personal aspects)**.

In accordance with the findings of Kang and Bradley (2002) this study use **technical aspects of service quality** to refer to small business clients' perceptions of the SAP's professional competency and professional behaviour. In the case of this study, it refers to the SAP's professional competence and professional behaviour. It therefore measures SBOs' perceptions of the accountants' competency, knowledge, understanding the clients' business and needs, acting in an ethical manner and gaining the clients trust (Refer to **TABLE 6.25**). It is worth noting that the technical aspects of service quality measured in this study reflect client perceptions and that these perceptions may differ from actual technical quality as referred to by Kang and James (2004)

The **personal aspect of service quality** will be used to deal with clients' requirements and expectations. This construct therefore measures the 'people skills' of the accountant. (Kang & Bradley, 2002). It includes the attributes of the accountant to be helpful, communicate pro-actively and to deliver services in a timely manner. (Refer to TABLE 6.27)

6.4. Revised Hypothesised Model

The hypothesised model presented in Chapters 1 and 5 was developed from evidence collected during the literature review. It is nevertheless important to update the initial model to reflect the measurement structure obtained by conducting EFA.

Based on the results obtained through EFA it was concluded that the benefits that SBOs obtain from the relationship with their accountants consist of two latent variables, that is, management and compliance benefits. Management benefits are measured by four manifest variables and compliance benefits by just two.

The original hypothesised model included three types of services based on the frequency with which they are sourced, i.e. routine compliance services, non-routine compliance services and advisory services. Results from the EFA confirmed two constructs: routine accounting services and advisory services. As expected, the items classified as non-routine compliance services did not load on a single factor, because these items are non-routine and sourced when needed. They include the submission of

income tax returns and other activities mentioned earlier. These items are measured by means of a single variable.

As stated previously, SERVQUAL items relating to tangibles are normally not included when measuring professional services (Turner et al., 1999); hence this measure was not be retained for further analysis.

Using the results obtained from the EFA, a revised hypothesised model was constructed and is presented in **FIGURE 6.4**.
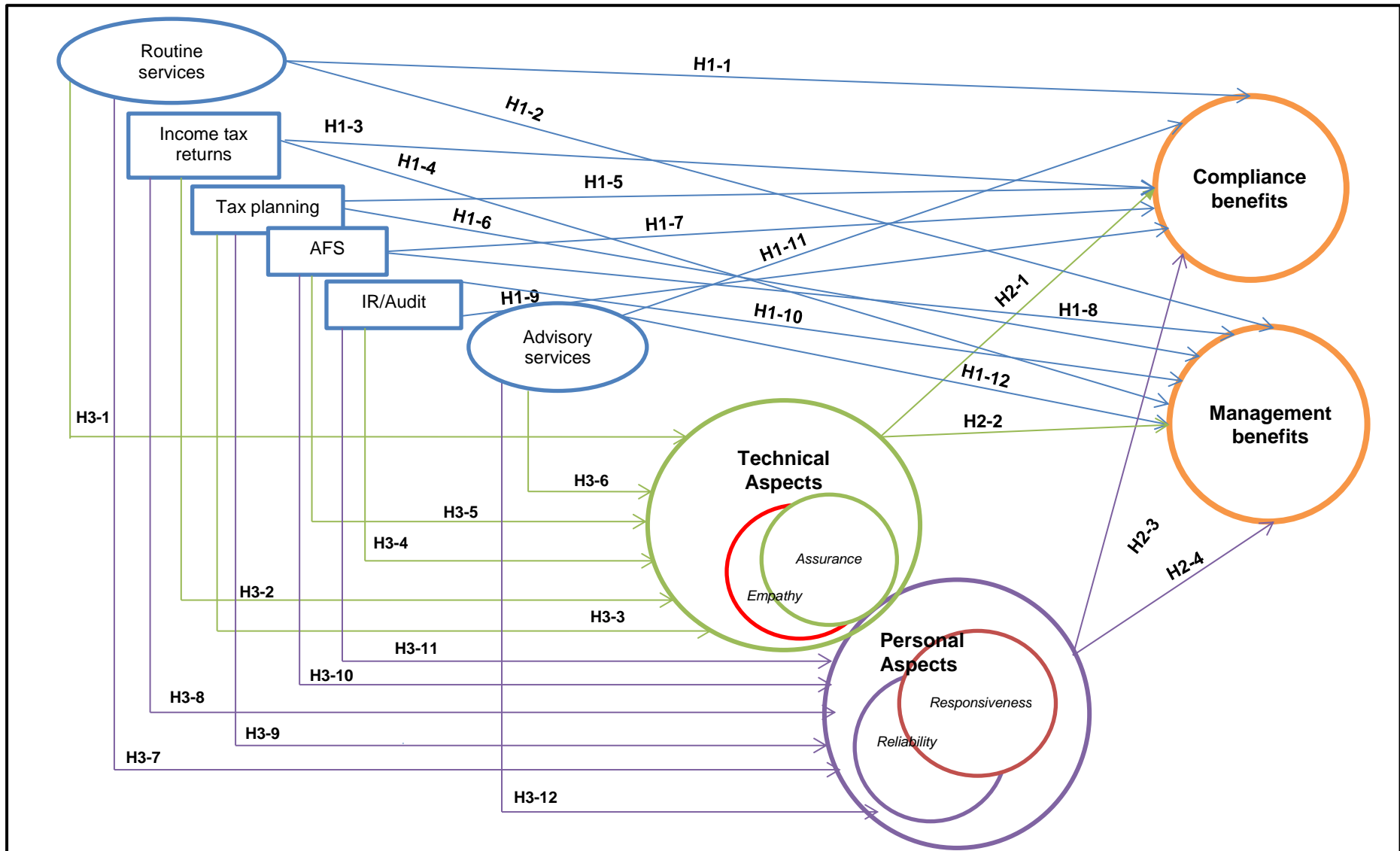
FIGURE 6.4: **Revised hypothesised model for predicting the perception of benefits that SBOs obtain from their accountants**

FIGURE 6.4 represents the outline of the hypothesised relationships between the latent variables measured in this study. This study tested and arrived at a conclusion as regards both the null (H_0) and alternative hypotheses (H_A) presented in **TABLE 6.29** below.

TABLE 6.29: Revised hypotheses to be tested through structural equations modelling

H1	Relationship between the frequency with which SMMEs source different types of accounting services and the SBOs' perception of benefits received from the accounting practitioner.
H1-1$_{(0)}$	There is no significant positive relationship between the frequency with which SMMEs source routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-1$_{(A)}$	There is a significant positive relationship between the frequency with which SMMEs source routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-2$_{(0)}$	There is no significant positive relationship between the frequency with which SMMEs source routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-2$_{(A)}$	There is a significant positive relationship between the frequency with which SMMEs source routine accounting services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-3$_{(0)}$	There is no significant positive relationship between the frequency with which SMMEs source the completion of income tax returns from the accountant and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-3$_{(A)}$	There is a significant positive relationship between the frequency with which SMMEs source the completion of income tax returns from the accountant and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-4$_{(0)}$	There is no significant positive relationship between the frequency with which SMMEs source the completion of income tax returns from the accountant and the SBOs' perception of management benefits received from the accounting practitioner.
H1-4$_{(A)}$	There is a significant positive relationship between the frequency with which SMMEs source the completion of income tax returns from the accountant and the SBOs' perception of management benefits received from the accounting practitioner.
H1-5$_{(0)}$	There is no significant positive relationship between the frequency with which SMMEs source tax planning services and the SBOs' perception of compliance benefits received from the accounting practitioner.

H1-5(A)	There is a positive relationship between the frequency with which SMMEs source tax planning services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-6(0)	There is no significant positive relationship between the frequency with which SMMEs source tax planning services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-6(A)	There is a significant positive relationship between the frequency with which SMMEs source tax planning services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-7(0)	There is no significant positive relationship between the frequency with which SMMEs source services to prepare annual financial statements and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-7(A)	There is a significant positive relationship between the frequency with which SMMEs source services to prepare annual financial statements and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-8 (0)	There is no significant positive relationship between the frequency with which SMMEs source services to prepare annual financial statements and the SBOs' perception of management benefits received from the accounting practitioner.
H1-8(A)	There is a significant positive relationship between the frequency with which SMMEs source services to prepare annual financial statements and the SBOs' perception of management benefits received from the accounting practitioner.
H1-9(0)	There is no significant positive relationship between the frequency with which SMMEs source independent review or audit services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-9(A)	There is a significant positive relationship between the frequency with which SMMEs source independent review or audit services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-10 (0)	There is no significant positive relationship between the frequency with which SMMEs source independent review or audit services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-10(A)	There is a significant positive relationship between the frequency with which SMMEs source independent review or audit services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-11 (0)	There is no significant positive relationship between the frequency with which SMMEs source advisory services and the SBOs' perception of compliance benefits received from the accounting practitioner.
H1-11(A)	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the SBOs' perception of compliance benefits received from the accounting practitioner.

H1-12 (0)	There is no significant positive relationship between the frequency with which SMMEs source advisory services and the SBOs' perception of management benefits received from the accounting practitioner.
H1-12(A)	There is a significant positive relationship between the frequency with which SMMEs source advisory services and the SBOs' perception of management benefits received from the accounting practitioner.
H2	**Relationship between the levels of service quality that SAPs offer to their SMME clients and SBOs' perceptions of the benefits they obtain from their external accounting practitioner**
H2-1(0)	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-1(A)	There is a significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner
H2-2(0)	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-2(A)	There is a significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the SBOs' perception of management benefits received from the accounting practitioner
H2-3(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.
H2-3(A)	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner
H2-4(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the SBOs' perception of management benefits received from the accounting practitioner.
H2-4(A)	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the SBOs' perception of management benefits received from the accounting practitioner
H3	**Relationship between the levels of service quality that small accounting practices offer their small business clients and the frequency** with **which SMMEs source different types of services**
H3-1(0)	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source routine services

H3-1$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source routine services
H3-2$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source the completion of income tax returns
H3-2$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source the completion of income tax returns
H3-3$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source tax planning services
H3-3$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source tax planning services
H3-4$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source services to prepare annual financial statements
H3-4$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source services to prepare annual financial statements
H3-5$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source independent review or audit services
H3-5$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the frequency with which SMMEs source independent review or audit services
H3-6$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspect of service quality and the frequency with which SMMEs source advisory services
H3-6$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the technical aspect of service quality and the frequency with which SMMEs source advisory services
H3-7$_{(0)}$	There is no positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source routine services
H3-7$_{A)}$	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source routine services

H3-8(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source the completion of income tax returns
H3-8(A)	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source the completion of income tax returns
H3-9 (0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source tax planning services
H3-9 (A)	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source tax planning services
H3-10(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source services to prepare annual financial statements
H3-10(A)	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source services to prepare annual financial statements
H3-11(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source independent review or audit services
H3-11(A)	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source independent review or audit services
H3-12(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source advisory services
H3-12(A)	There is a significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the frequency with which SMMEs source advisory services

6.5. Testing the Hypothesis Using SEM

SEM consists of two phases:

- Postulating and testing the validity of the overarching measurement model and
- Postulating and testing the structural model.

6.5.1. Postulating and testing the validity of the overarching measurement model

The validity of the postulated measurement model was assessed by means of assessing the model fit of the covariance matrix. To perform such an assessment the observed variables are set as endogenous variables and all factors and error terms operate as independent variables (exogenous variables) in the model. The following observed variables were identified as single item latent variables: tax-planning services (Tax planning), the submission of income tax returns (Tax returns), preparing annual financial statements (Drafting AFS) and the audit or review of annual financial statements (Audit/Review). Although single item constructs are not recommended, this is permissible when the construct is simple and lacks nuance and complexity (Hair et al., 2010: 701). The items indicated adhere to these criteria, as their behaviour is directly observable and each item is sufficiently different to constitute a single construct. Theoretical justification for using single variable constructs was provided in the previous chapter.

FIGURE 6.5 furnishes an illustration of the postulated overarching measurement model.
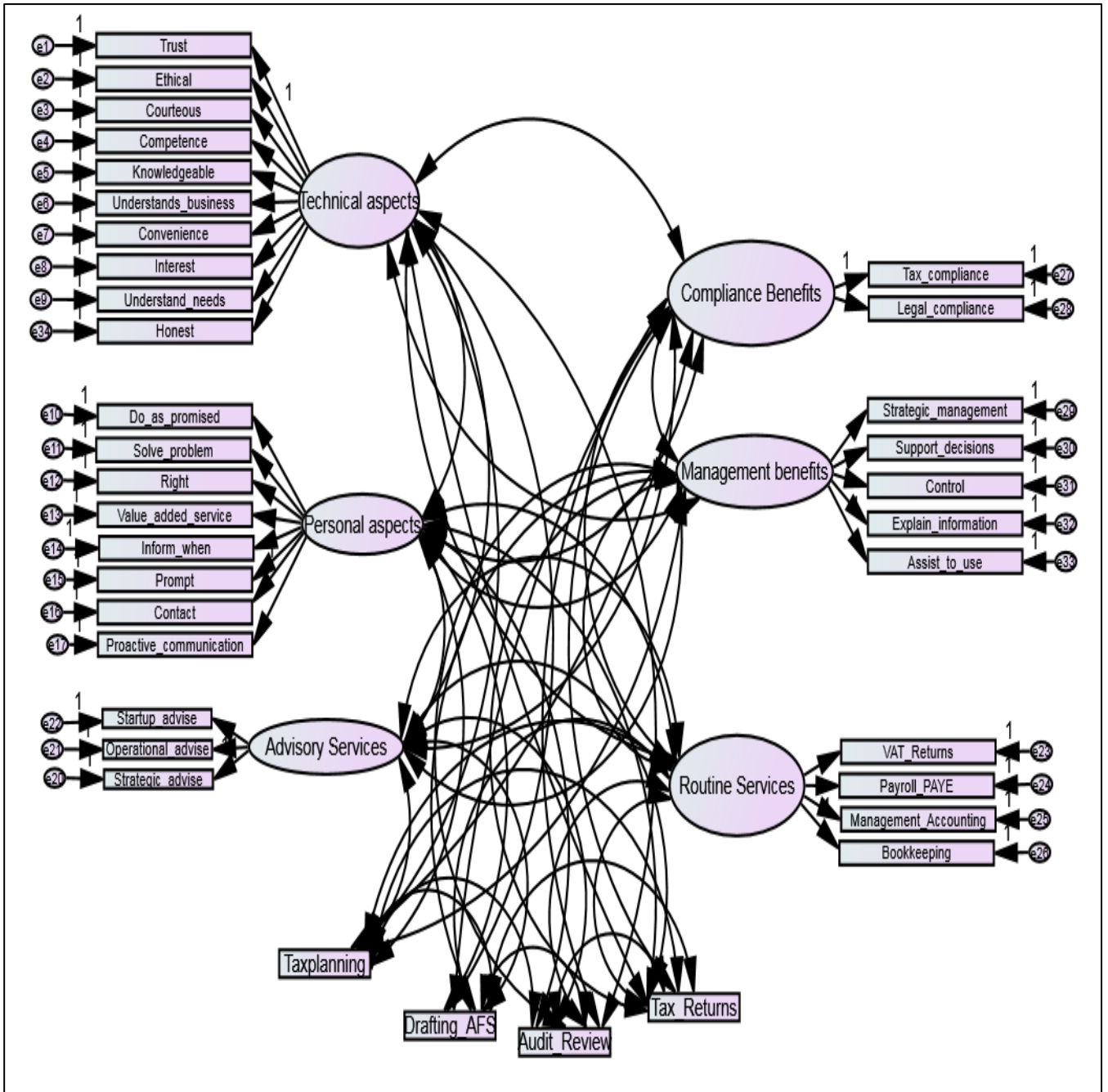
FIGURE 6.5: The overarching measurement model

To assess the validity of the postulated measurement model, the following were considered:

- levels of goodness-of-fit (GOF) and
- the overall construct validity.

Goodness-of-fit (GOF) of the postulated measurement model

The GOF indices discussed in Chapter 5 and the cut-off values presented in TABLE 5.5 were applied to establish the GOF of the overarching measurement model presented in **FIGURE 6.5.** The model converged and the solution was admissible. The fit indices of the model are reported in **TABLE 6.30** below.

TABLE 6.30: Fit indices of measurement model

Model	χ^2	d.f	p	CMIN/DF	AGFI	CFI	RMSEA
Measurement Model	1396.8	553	0.000	2.526	0.809	0.916	0.060 LO = .056; HI = .064 PCLOSE = 0.000

Source: Constructed by researcher using AMOS output

TABLE 6.30 shows the model to have a chi-square (χ^2) value of 1 396, with 553 degrees of freedom, resulting in a significant p-value of .000. The significant p-value implies that the null hypothesis of exact fit (RMSEA = 0) was rejected ($p < .05$). The assumption of exact fit for complex models is, however, highly unlikely and the rejection of the null hypothesis was therefore not surprising.

Results from the CFA show the measurement model to have acceptable fit, reporting an AGFI of 0.809 (< 0.8) and a CFI of 0.916 (>0.9). The RMSEA of 0.060 is lower than the threshold of > 0.07 and ranges between a low of 0.56 and a high of 0.64. The PCLOSE are however below the recommended value of 0.05. As a result, the feasibility of adjusting modification indices were investigated to establish whether the measurement model could be improved (refer to **TABLE 6.31**).

TABLE 6.31: Modification indices based on the covariance between error terms

			M.I.	Par Change
e16	**<-->**	**e17**	**180.074**	**.826**
e14	<-->	e15	29.141	.179
e12	<-->	e16	20.137	-.225
e10	**<-->**	**e11**	**38.734**	**.228**
e9	<-->	e16	20.125	.193

		M.I.	Par Change
e8 <--> e9		27.840	.135
e3 <--> e4		21.812	.123

TABLE 6.31 reports a large modification index (MI) value (indicated in **BOLD**) for the covariance of error terms of "e16 and e17", that is, 180.074. According to Hair et al. (2010), the hypothesised model may be modified to account for the MIs, but only if such modifications are theoretically supported. Error term "e16" relates to item "frequent contact" while "e17" relates to item "pro-active communication". Both these items measure the SBOs' ability to communicate with small business clients in a pro-active manner. It is therefore considered reasonable to co-vary these error terms (refer to TABLE 4.5 in Chapter 4).

MIs in AMOS are based on a univariate approach: it is therefore important to add only one parameter at a time when re-specifying models, as the MI values could change substantially from one tested adjustment to another (Byrne, 2016: 145). Therefore, in building an alternative measurement model, it seemed reasonable to proceed by first adding to the model error covariances that have the largest MIs, in this instance the MI between "e16" and "e17". The estimation process of the revised measurement model 2 converged and the solution was admissible. The fit indices of the model are presented in **TABLE 6.32** (on the next page).

Subsequent to executing the revised measurement model 2, large MIs indicating a covariance between error terms "e10 and e11" of 38.734 were still reported. Error term "e10" is the error term for item "do as promised", whereas error term "e11" is linked to the accounting practitioners' ability to show a sincere interest in solving it". The researcher initially classified the item "do as promised" to measure timeliness and the item "solve problem" to measure helpfulness (Refer to TABLE 4.5 in Chapter 4). However, upon reflecting, it could be argued that these two items are related in the sense that when accountants deliver on their promise to do something, this demonstrates their commitment to solving problems. The covariance of error terms is therefore justified and reflected in the respecified measurement model. The estimation process of the revised measurement model 3 converged and the solution was admissible. The fit indices of the model are reported in **TABLE 6.32**.

Following the execution of measurement model 3, the covariance between error terms "e7" and "e8" still indicated a large MI of 28.788. The error term "e7" is linked to item "best interest while error term "e8" is linked to "Understand needs". Both measure the accounting practitioner's ability to demonstrate empathy towards their clients (refer to Table 4.5 in Chapter 4) and it may therefore be argued that there is theoretical justification for adjusting for the covariance of error terms in the measurement model. The estimation process of the revised measurement model 4 converged and the solution was admissible. The fit indices of the model are also recorded in **TABLE 6.32**.

TABLE 6.32: Summary of the fit indices for the re-specified measurement models

Model	χ^2	d.f	p	CMIN/DF	AGFI	CFI	RMSEA
Measurement Model 2 **Adjusting for MI between "e16 and e17"**	1 183	552	.000	2.144	.835	.937	0.052 (LO = 0.048 and HI = 0.056) PCLOSE = .194
Measurement Model 3 **Adjusting for MI between "e10" and "e11" in addition to "e16" and "e17"**	1 145	551	000	2.078	.840	.941	0.051 (LO = 0.046 and HI = 0.55) PCLOSE = .401
Measurement Model 4 **Adjusting for MI "e8 and e9 in addition to "e16 and e17" and "e10" and "e11"**	1 114	550	.000	2.024	.844	.0944	0.049 (LO = 0.045 and HI = 0.053) PLOSE = .598

Source: Constructed by researcher using AMOS output

Based on the goodness of fit indices presented in **TABLE 6.32**, measurement model 4 had the best fit. The revised measurement model 4 has a χ^2 of 1 114, with 550 degrees of freedom, resulting in a significant *p*-value of .000. The significant *p*-value implies

that the null hypothesis of exact fit (RMSEA = 0) is rejected. The CMIN/DF ratio of 2.024 is well above the "good fit" threshold of smaller than three.

Results from the CFA demonstrate good model fit, reporting an AGFI of 0.841 (> 0.8), a CFI of 0.944 (> 0.9). The RMSEA of 0.049 also demonstrates "good fit" (< 0.07). Given a 90% confidence interval, the RMSEA lies between 0.045 and 0.053. An acceptable PCLOSE of 0.598 (> 0.05) was reported.

Overall, it could therefore be concluded that the observed data fits the measurement model. Once "goodness of fit" is established, it is important to assess the validity and reliability of the measurement model.

The construct validity of the measurement model

Construct validity is the extent to which a set of measured items actually reflects the theoretical latent constructs that those items are designed to measure (Hair et al., 2010: 708). It therefore determines the accuracy of the measure itself, which is one of the primary objectives of CFA and SEM.

When assessing construct validity both issues of convergent and discriminant validity need to be assessed. As this study made use of continuous data, presented on an ordinal scale, it was also important to compare the parameter estimates obtained from ML techniques with Bayesian estimation results (Byrne, 2016: 268).

Convergent validity of the overarching measurement model

Convergent validity is the extent to which items that are indicators share a high proportion of variance (Hair et al., 2010: 710). When indicators of latent variables are correlated with one another to an acceptable extent, convergent validity is achieved. Evidence of convergent validity can be established when each item has a significant loading on its specified factor. Both standardised and unstandardised regression weights were used to establish convergent validity. The average variance extracted (AVE) and composite reliability were calculated to provide additional proof of convergent validity (Hair et al., 2010: 709).

TABLE 6.33 displays the unstandardised estimate, its standard error (abbreviated S.E.), and the estimate divided by the standard error (abbreviated C.R. for Critical Ratio). Each unstandardised regression coefficient represents the amount of change in the dependent or mediating variable for each one-unit change in the variable predicting it. The probability value associated with the null hypothesis that the test is zero is displayed under the P column.

Based on a probability level of 0.05, the C.R. needs to be >±1.96 before the hypothesis that the estimate equals zero can be rejected. According to Byrne, (2016: 85) estimates with non-significant C.R. values need to be considered for deletion. The unstandardised regression weights for the adjusted measurement model are presented in **TABLE 6.33.**

TABLE 6.33: Unstandardised Regression Weights for the adjusted measurement model

			Estimate	S.E.	C.R.	P
Ethical	<---	Technical aspects	.638	.048	13.405	***
Courteous	<---	Technical aspects	.677	.042	16.158	***
Competent	<---	Technical aspects	.862	.041	21.154	***
Knowledgeable	<---	Technical aspects	.818	.041	20.054	***
Understand business	<---	Technical aspects	1.007	.049	20.659	***
Convenience	<---	Technical aspects	.742	.044	16.932	***
Best interest	<---	Technical aspects	.971	.046	21.169	***
Solve problem	<---	Personal aspects	.859	.045	19.226	***
Accurate	<---	Personal aspects	.945	.046	20.400	***
Value-added service	<---	Personal aspects	.926	.050	18.604	***
Inform	<---	Personal aspects	1.000			
Prompt	<---	Personal aspects	.982	.043	22.591	***
Frequent contact	<---	Personal aspects	.964	.060	15.971	***
Understand needs	<---	Technical aspects	1.024	.047	21.607	***
Trust	<---	Technical aspects	1.000			
Do as promised	<---	Personal aspects	.932	.049	18.953	***
Pro-active communication	<---	Personal aspects	.994	.056	17.855	***
VAT returns	<---	Routine services	.982	.060	16.292	***
PAYE returns	<---	Routine services	.885	.062	14.228	***
Management accounting	<---	Routine services	.934	.056	16.538	***
Operational advice	<---	Advisory services	.954	.044	21.531	***
Start-up advice	<---	Advisory services	.765	.040	18.954	***
Strategic advice	<---	Advisory services	1.000			
Bookkeeping	<---	Routine services	1.000			
Tax compliance	<---	Management benefits	.736	.064	11.476	***

			Estimate	S.E.	C.R.	P
Legal compliance	<---	Management benefits	1.000			
Manage business	<---	Compliance benefit	.866	.053	16.447	***
Decision-making	<---	Compliance benefit	1.000	.054	18.651	***
Control	<---	Compliance benefit	1.046	.052	20.006	***
Strategic management	<---	Compliance benefit	.955	.051	18.827	***
Assist to use	<---	Compliance benefit	1.000			
Honest	<---	Technical aspects	.673	.037	18.187	***

TABLE 6.33 provides proof of construct validity in that all the regression coefficients in this model are positive and significantly different from zero beyond the .01 level (***). No additional items therefore needed to be deleted from the model.

TABLE 6.34 reports the standardised factor loadings. For the purposes of this study, an individual item loading of >0.5 is regarded as acceptable (Byrne, 2016: 256).

TABLE 6.34: Regression weights for adjusted measurement model

			Estimate
Ethical	<---	Technical aspects	.598
Courteous	<---	Technical aspects	.690
Competent	<---	Technical aspects	.826
Knowledgeable	<---	Technical aspects	.799
Understand business	<---	Technical aspects	.814
Convenience	<---	Technical aspects	.713
Best interest	<---	Technical aspects	.828
Solve problem	<---	Personal aspects	.797
Accurate	<---	Personal aspects	.828
Value-added service	<---	Personal aspects	.778
Inform	<---	Personal aspects	.825
Prompt	<---	Personal aspects	.884
Frequent contact	<---	Personal aspects	.697
Understand needs	<---	Technical aspects	.838
Trust	<---	Technical aspects	.843
Do as promised	<---	Personal aspects	.789
Pro-active communication	<---	Personal aspects	.756
VAT returns	<---	Routine services	.784
PAYE returns	<---	Routine services	.693
Management accounting	<---	Routine services	.796
Operational advice	<---	Advisory services	.842
Start-up advice	<---	Advisory services	.768
Strategic advice	<---	Advisory services	.912
Bookkeeping	<---	Routine services	.792
Tax compliance	<---	Management benefits	.703

			Estimate
Legal compliance	<---	Management benefits	.866
Manage business	<---	Compliance benefit	.756
Decision-making	<---	Compliance benefit	.838
Control	<---	Compliance benefit	.887
Strategic management	<---	Compliance benefit	.844
Assist to use	<---	Compliance benefit	.776
Honest	<---	Technical aspects	.749

The factor loadings were high, ranging from 0.912 to 0.598 (all within the threshold of greater than 0.5 but smaller than 1.0).

A further test of convergent validity is that of calculating the average variance extracted (AVE) and the composited reliability (CR) test. The AVE is calculated as the mean variance extracted for the items loading on a construct and is a summary indicator of convergence. The value is calculated as the sum of all squared standardised loadings divided by the number of items (Hair et al., 2010: 709). An AVE of 0.5 or higher is recommended (Gaskin & Lim, 2016). An AVE below 0.5 indicates that on average more error remains in the item than what is explained by the latent factor structure imposed on the measure (Gaskin & Lim, 2016).

The CR value is computed as the squared sum of factor loading for each construct divided by the sum of the error variance terms for that construct (Hair et al., 2010: 710). High composite reliability indicates that internal consistency exists, meaning that the measures all consistently represent the same latent construct. Similar to the Cronbach's alpha, the rule of thumb is therefore 0.7 or higher (Hair et al., 2010: 125).

TABLE 6.35 provides a summary of the validity statistics, calculated using an AMOS plug in developed by Gaskin and Lim (2016). The table indicates the calculated values for the AVE, composite reliability (CR) and discriminant validity statistics for each construct. The AVEs for all constructs presented in **TABLE 6.35** are above the 0.5 threshold; similarly, the composite reliability values for all constructs are above 0.7. The results therefore support the convergent validity of the measurement model.

TABLE 6.35: Summary of the validity statistics of the final measurement model

	Composite Reliability	Average variance extracted (AVE)	Multiple Squared Variance	Technical aspects	Personal aspects	Advisory services	Routine services	Management benefits	Compliance benefits
Technical aspects	0.937	0.598	0.67	**0.774**					
Personal aspects	0.932	0.634	0.67	0.818	**0.796**				
Advisory service	0.88	0.711	0.243	0.456	0.216	**0.843**			
Routine services	0.851	0.589	0.208	0.209	0.214	0.108	**0.767**		
Management benefit	0.765	0.622	0.417	0.137	0.215	0.291	0.082	**0.789**	
Compliance benefits	0.912	0.675	0.417	0.493	0.068	0.155	0.034	0.09	**0.822**

Notes: Diagonal elements (bold) are the square root of the variance shared between the constructs and their indicators (AVE). Off-diagonal elements are the correlations among constructs. For discriminant validity, diagonal elements should be larger than off-diagonal elements.

Source: Gaskin and Lim (2016)

Discriminant validity of the overarching measurement model

Discriminant validity is the extent to which a construct is truly distinct from other constructs (Bagozzi & Yi, 2012). A correlation > 0.85 suggests the absence of discriminant validity between the constructs (Bagozzi & Yi, 2012). The correlations table presented in **TABLE 6.35** supports evidence in favour of discriminant validity as all values are below 0.85. The correlation between Technical aspects and Personal aspects is, however, reported at 0.818, which is very close to the cut off value (Refer to **TABLE 6.35**).

A stronger test of discriminant validity is to compare the square root of the AVE of estimates for each factor with the inter-construct correlations. Such evidence of discriminant validity is contained in **TABLE 6.35** (on the previous page). The results point to a possible discriminant validity concern, as the square root of the AVE for Personal aspects is less (0.796) than its correlation with Technical aspects (0.818).

The result is however not surprising, as various authors have raised concerns of discriminant validity when using the SERVQUAL scale, specifically in professional services environments (Fleishman et al., 2016; Gilbert, 2000; Kang & James, 2004; Kang & Bradley, 2002). Gaskin and Lim (2016) suggest the use of a second order latent variable when encountering discriminant validity concerns. Using such a variable to measure service quality when offering professional services has also been advocated by (Fleischman et al., 2010)

In addition to assessing the original model, this study assesses a second model which includes a 2nd order latent variable for measuring overall service quality to account for any discriminant validity problems.

Bayesian estimation of adjusted measurement model

As this study made use of continuous data, presented on an interval scale, it is also important to compare the parameter estimates obtained from ML techniques with Bayesian estimation results (Byrne, 2016: 268).

Output of the Bayesian estimates for the measurement model is presented in **APPENDIX D, TABLE D-1**. The output shows all SE values to be zero or close to

zero, indicating that the estimates are very close to the true values. The low SD values indicate that the estimates provided by the Bayesian estimates for the adjusted measurement model and the ML estimates are not very different, confirming the validity of results using ML as an estimation technique. Results presented through ML estimation techniques could therefore be accepted.

Goodness-of-fit (GOF) of the revised measurement model (including a 2nd order latent variable)

To address the discriminant validity concerns identified in the previous section, the revised measurement model, which includes a 2nd order latent variable to account for overall service quality, will be tested. The latent variable to measure overall service quality levels will be referred to as SERVICE QUALITY LEVELS. The following additional hypothesis (refer to **TABLE 6.29**) was tested, resulting from the revised structural model, which includes a 2nd order latent variable.

Additional hypotheses tested through the structural model, which includes a 2nd order latent variable for service quality, are advanced in **TABLE 6.36.**

TABLE 6.36: Additional hypotheses testing the impact of a 2nd order latent variable for service quality

H2	Relationship between the overall levels of service quality and the perception of benefits received from the accounting practitioner
H2-5$_{(0)}$	There is no significant positive relationship between the levels of **overall service quality** offered by SAPs and the SBOs' **perception of compliance benefits** received from the accounting practitioner.
H2-5$_{(A)}$	There is no significant positive relationship between the levels of **overall service quality** offered by SAPs and the SBOs' **perception of compliance benefits** received from the accounting practitioner.
H2-6$_{(0)}$	There is no significant positive relationship between the levels of **overall service quality** offered by SAPs and the SBOs' **perception of management benefits** received from the accounting practitioner.
H2-6$_{(A)}$	There is no significant positive relationship between the levels of **overall service quality** offered by SAPs and the SBOs' **perception of management benefits** received from the accounting practitioner.
H3	Relationship between the types of services sourced and the overall levels of service quality offered by SAPs

The alternative measurement model is presented in **FIGURE 6.6**.
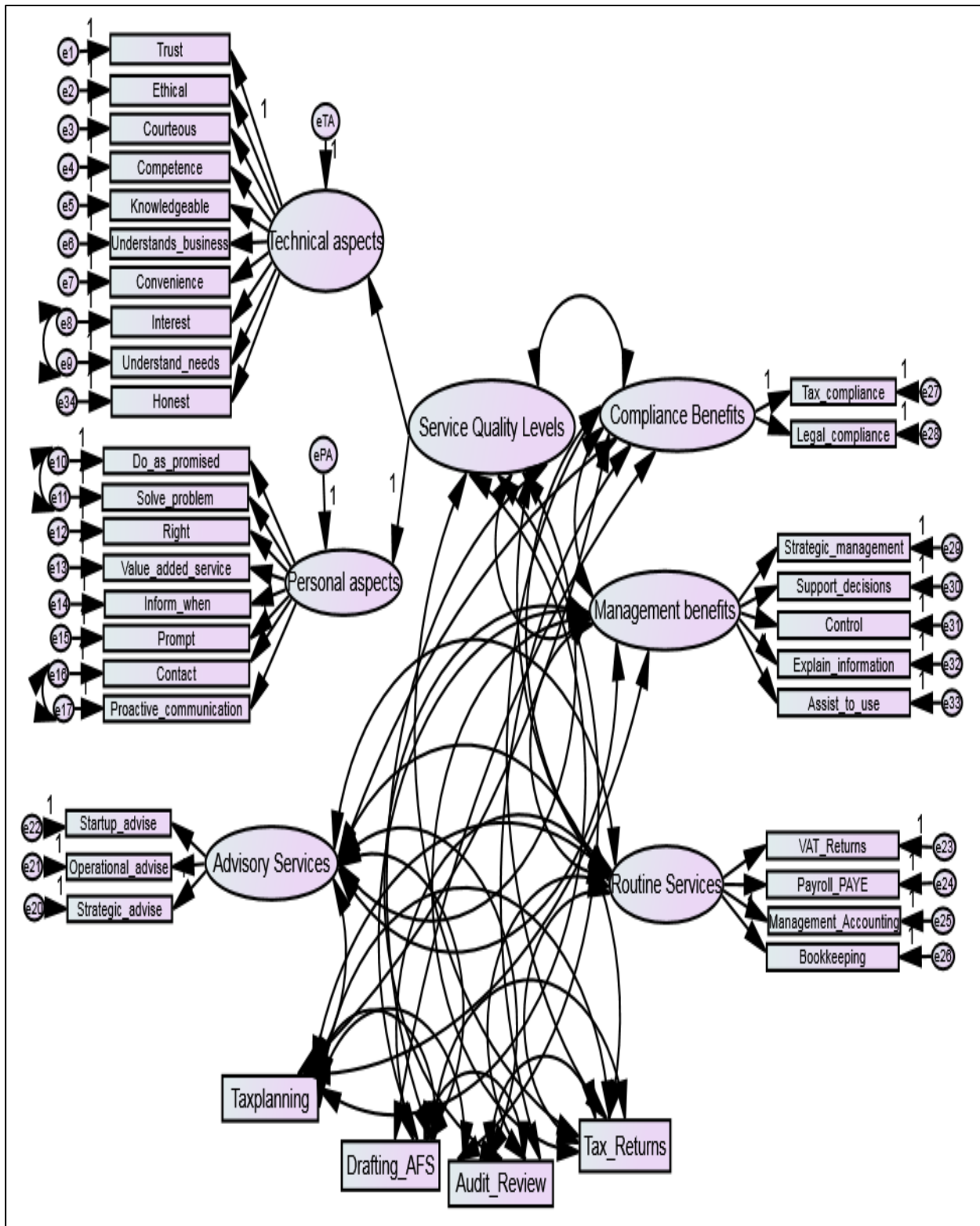
FIGURE 6.6: Revised measurement model including 2nd order latent variable

The estimation process for the revised measurement model converged and the solution was admissible. **TABLE 6.37** below reports the summary of goodness of fit indices for the revised measurement model.

TABLE 6.37: Goodness of fit indices for the revised measurement model

Model	χ^2	d.f	p	CMIN/DF	AGFI	CFI	RMSEA
Revised measurement model (with 2nd order LV)	1 126.4	557	0.000	2.022	0.844	0.944	0.049 LO = .045; HI = .053 PCLOSE (0.607)

The revised measurement (with 2nd order LV), demonstrates excellent "goodness of fit". It has a χ^2 of 1 126.4, with 619 degrees of freedom, giving a *p*-value of .000. The CMIN/DF ratio of 2.022 (< 3) indicates good fit. Both absolute and incremental fit statistics are acceptable, namely an AGFI of 0.844 (> 0.8), and a CFI of 0.944 (> 0.9). The RMSEA of 0.049 (> 0.07) shows that the model demonstrates a good fit with the population's covariance matrix. Given a 90% confidence interval, the RMSEA lies between .045 and .053. In addition, an acceptable PCLOSE value of 0.607 (>0.05) was reported. Overall, it could be concluded that the model demonstrates a very good overall fit with the data.

Construct validity of the revised measurement model (including a 2nd order latent variable)

Proof of construct validity is presented through the standardised and unstandardised factor loadings. All the unstandardised regression coefficients of this model are positive and significantly different from zero beyond the 0.01 level.

TABLE 6.38 indicates the calculated values for the AVE, composite reliability (CR) and discriminant validity statistics for each construct.

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TABLE 6.38: Model Validity Measures- Revised measurement model with 2nd order LV

	Composite Reliability	Average variance extracted (AVE)	Multiple Squared Variance	Technical aspects	Personal aspects	Advisory services	Routine services	Management benefits	Compliance benefit	Service quality levels
Technical aspects	0.937	0.598	0.000	**0.774**						
Personal aspects	0.932	0.634	0.000	0.456	**0.796**					
Advisory services	0.880	0.711	0.243	0.137	0.271	**0.843**				
Routine services	0.851	0.589	0.208	0.493	0.204	0.305	**0.767**			
Management benefits	0.766	0.623	0.417	0.216	0.164	0.143	0.305	**0.789**		
Compliance benefit	0.912	0.675	0.417	0.399	0.252	0.181	0.379	0.219	**0.822**	
Service quality levels	0.904	0.825	0.222	0.447	0.405	0.319	0.440	0.219	0.109	**0.908**

Source: Gaskin and Lim (2016)

The AVE for all constructs presented in **TABLE 6.38** is above the 0.5 threshold while, similarly, the composite reliability for all constructs is above 0.7. The results therefore support the convergent validity of the measurement model.

The square root of the AVE for each construct is also lower than the inter-construct correlation (refer to **TABLE 6.38**), consequently indicating no discriminant validity concerns. It could therefore be concluded that in addition to improving model fit, including a 2nd order latent variable for service quality in the hypothesised measurement model also eliminated discriminant validity concerns.

Bayesian estimation for the revised measurement model which includes a 2nd order latent variable)

Output of the Bayesian estimates for the measurement model, which includes a 2nd order latent variable for service quality, is presented in **APPENDIX D, TABLE D-2**. The output shows all SE values to be zero or close to zero, indicating that the estimates are very close to the true values. The low SD values indicate that the estimates provided by the Bayesian estimates for revised 2nd order measurement model and the ML estimates are not very different, confirming the validity of results using ML as an estimation technique. Structural model assessment using ML estimation techniques could therefore accepted.

6.5.2. Testing the hypotheses using the structural benefits model (without 2nd order latent variable for service quality)

With the measurement models validated through CFA the next step is to fit the structural model using path analysis (Hair et al., 2010). To perform this step the study makes use of a confirmatory modelling strategy. This strategy involves the researcher specifying a single model composed of a set of relationships, and employs SEM to assess how well the model fits the data. If the proposed model yields acceptable fit, it is supported.

Concerns regarding discriminant validity are common when using the SERVQUAL scale; the study therefore tested and compared two structural models, one excluding and one including a 2nd order latent variable for service quality.

For a hypothesis to be supported through SEM, different criteria must be met. The first criterion is to establish model fit, followed by an assessment of the variance explained (R^2). Only once the requirements of model fit and variance explained are satisfied, is it possible to arrive at conclusions regarding the significance and direction of relationships, based on the *p*-values calculated. These steps were performed for each of the two postulated benefit models.

Goodness of fit for benefits model 1 (without 2nd order latent variable for service quality)

The postulated model tested in this section represents the hypothesised model, which is illustrated in **FIGURE 6.4**. This model does not include service quality as a 2nd order latent variable.

The estimation process for the revised measurement model converged and the solution was admissible. **TABLE 6.39** contains a summary of the fit statistics of the postulated benefits model depicted in **FIGURE 6.4.**

TABLE 6.39: Summary of the fit statistics of the postulated benefits model (without 2nd order LV)

Model	χ^2	d.f	p	CMIN/DF	AGFI	CFI	RMSEA
Benefits model 1	1 552.6	551	0.000	2.818	0.811	0.899	0.066 LO = .062; HI = .070 PCLOSE (0.00)

The evidence presented in **TABLE 6.39** suggests that the model does not provide adequate model fit. Although the AGFI of .811 lies above the recommended threshold of 0.8, the CFI of 0.899 does not support adequate fit.

The RMSEA of 0.066 is below the required > 0.07 threshold. The PCLOSE of 0.000 indicates a poorly fitting model.

To improve model fit the modification indices (MIs) were investigated for possible areas where the model could be improved (refer to **TABLE 6.40**). MIs relating to the covariance between error terms were first investigated.

TABLE 6.40: Modification indices for postulated benefits model 1

	M.I.	Par Change
eTA <--> ePA	235.730	.958
emb <--> ecb	78.665	.128
e29 <--> em	26.519	.070
e28 <--> ec	61.292	.116

Error terms "eTA" and "ePA" are linked to the two latent variables measuring service quality, i.e. Technical aspects and Personal dimensions. As both items measure aspects related to service quality there was theoretical justification to include the covariance between the error terms in the structural model.

Compliance benefits and management benefits are both latent variables developed to measure benefits. The covariance between the error terms linked to these constructs ("emb" and "ecb") was therefore supported theoretically and the structural model was adjusted to reflect the error terms as free parameters.

Similar to the process followed to respecifying the measurement model to account for MIs, each of the covariances was included one at a time, starting with relationships that demonstrated the largest MI. After each adjustment, the model fit was investigated for improvement and the MIs were validated to determine any further improvements.

The MIs for regression weights did not show any structural paths additional to those specified in the hypothesised model. Adjustments were therefore solely made for the covariance between error terms.

FIGURE 6.7 illustrates the benefits model after modification to reflect the correlation in error terms suggested.
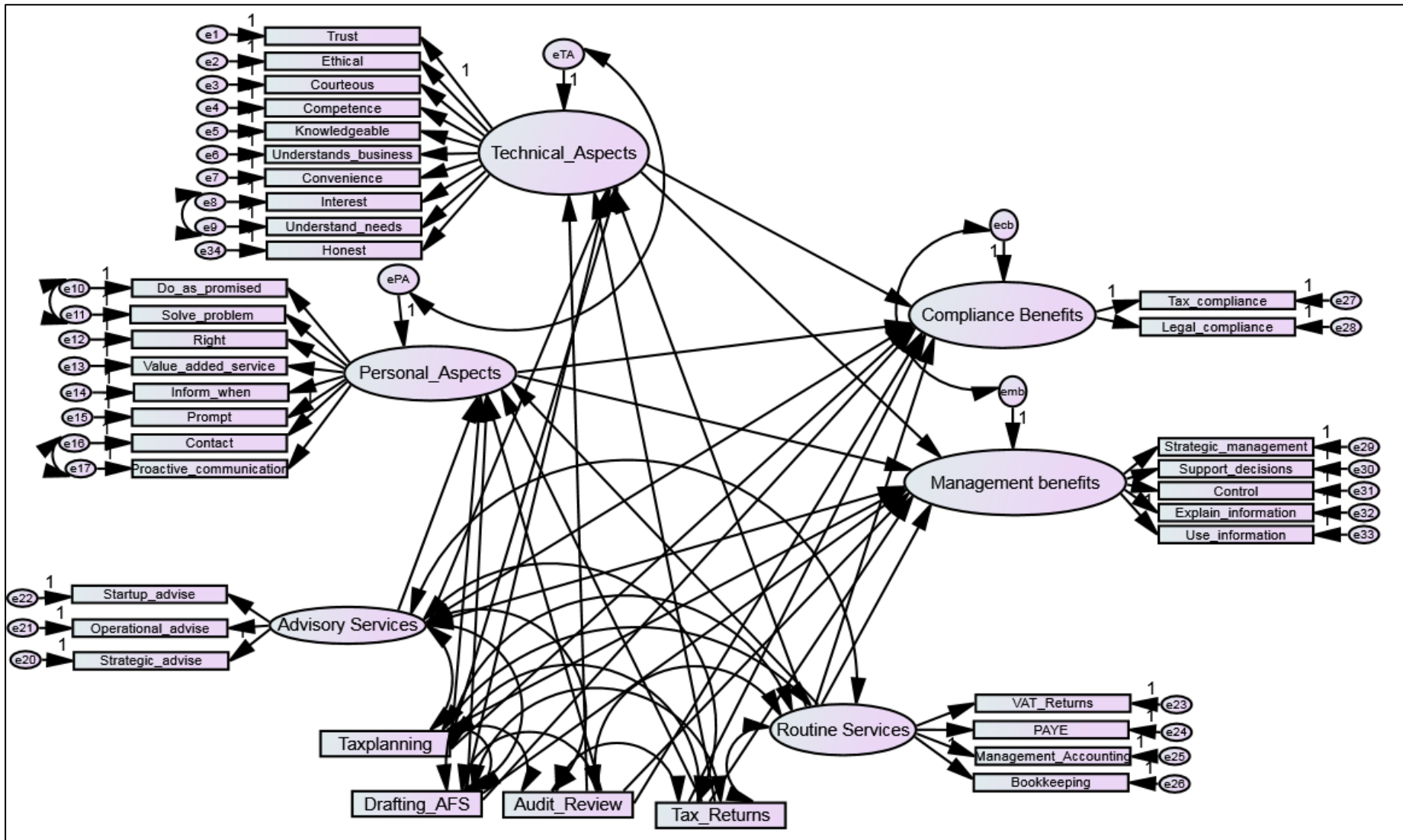
FIGURE 6.7: Adjusted benefits model

TABLE 6.41 presents the fit statistics after the model was adjusted to reflect all modification. The adjusted benefits model converged and the solution was admissible.

TABLE 6.41: Fit statistics of the benefits model after adjusting for the MI

Model	χ^2	d.f	p	CMIN/DF	AGFI	CFI	RMSEA
Benefits model after adjusting for MIs	1 098.4	549	0.000	2.001	0.844	0.944	0.049 LO = .045; HI = .053 PCLOSE (0.683)

The adjusted benefits model demonstrates good model fit. The χ^2 is 1 098.4, with 549 degrees of freedom. As anticipated, the hypothesis of exact fit (RMSEA = 0) was rejected, based on a statistically significant p-value of 0.000. The CMIN/DF ratio of 2.001 is well below the threshold of three. A comparison of the baseline indices indicates an AGFI of 0.844 (> 0.8) and a CFI of 0.944 (> 0.9). The RMSEA is equal to 0.049 and, assessed at a 90% confidence level, lies between 0.045 and 0.053, all below 0.07. In addition, the PCLOSE (0.683) is also well above the threshold of 0.05.

Overall, it could therefore be concluded that the data gathered from the sample of SBOs regarding the perception of the benefits obtained from their external accounting practitioners, were adequately presented through the adjusted benefits model presented in **FIGURE 6.7**.

Parameter estimates for adjusted benefits model (without 2nd order latent variable)

Once the model fit of the model was established, the next step involved testing the hypothesis as presented in **TABLE 6.29**.

The adjusted benefits model was estimated to include all paths including those that are statistically non-significant.

TABLE 6.42 was constructed from the AMOS output**.** It reflects the standardised regression weights, the *p*-values (based on the unstandardised regression weights), which measure the significance of the CR for each of the hypotheses presented in **TABLE 6.29**. The p-values indicate whether the regression weight is statistically

significant in predicting the endogenous variable at a 0.001, 0.05 and 0.1 level (two-tailed). The total effects between items were used to provide more insight into the regression weights (refer to **TABLE 6.42**).

TABLE 6.42: Regression weights relating to the adjusted benefits model (without 2nd order latent variables)

			Standardised regression weights (r^2)	P-value		Label
Technical aspects	<---	Drafting AFS	.053	.337		H3-4
Technical aspects	<---	Advisory services	.167	.011	**	H2-6
Technical aspects	<---	Audit/review	.073	.163		H3-5
Personal aspects	<---	Tax returns	-.047	.399		H2-8
Technical aspects	<---	Tax planning	.138	.024	**	H3-3
Personal aspects	<---	Tax planning	.142	.021	**	H2-9
Technical aspects	<---	Tax returns	-.009	.874		H3-2
Technical aspects	<---	Routine services	-.102	.152		H3-1
Personal aspects	<---	Routine services	.046	.522		H2-7
Personal aspects	<---	Advisory services	.127	.055	*	H2-12
Personal aspects	<---	Audit/review	.037	.482		H2-11
Personal aspects	<---	Drafting AFS	-.002	.972		H2-10
Compliance benefit	<---	Personal aspects	.176	.097	*	H2-3
Management benefits	<---	Personal aspects	.358	***		H2-4
Management benefits	<---	Drafting AFS	.025	.594		H1-8
Management benefits	<---	Audit/review	.029	.507		H1-10
Management benefits	<---	Tax returns	.015	.742		H1-4
Compliance benefit	<---	Drafting AFS	.065	.255		H1-7
Compliance benefit	<---	Audit/review	.023	.661		H1-9
Compliance benefit	<---	Tax returns	.126	.028	**	H1-3
Compliance benefit	<---	Advisory services	-.006	.933		H1-11
Compliance benefit	<---	Tax planning	.143	.023	**	H1-5
Management benefits	<---	Advisory services	.235	***		H1-12
Compliance benefit	<---	Technical aspects	.094	.371		H2-1
Management benefits	<---	Technical aspects	.019	.824		H2-2
Management benefits	<---	Routine services	.129	.037	**	H1-2
Management benefits	<---	Tax planning	.163	.002	**	H1-6
Compliance benefit	<---	Routine services	.129	.082	*	H1-1

*$p < 0.1$ (two-tailed)
**$p < 0.05$
***$p < 0.001$

The model consists of 28 paths. However, as highlighted in **TABLE 6.42**, only twelve are statistically significant.

The relationship between the frequencies of accounting services sourced and the perceptions of benefits received

In terms of the results reported in **TABLE 6.42**, owners of SMMEs that frequently source tax-planning services ($r^2 = 0.143$; $p < 0.05$), the service of submitting income tax returns ($r^2 = 0.126$; $p < 0.1$) and routine accounting services ($r^2 = 0.129$; $p < 0.1$) perceive the relationship with their accountant to provide significant compliance benefit. Interestingly, although services such as drafting annual financial statements and the audit or review of annual financial statements display positive relationships with compliance benefits, the relationships are not statistically significant in predicting compliance benefit. Advisory services are normally sourced to assist the SBO to resolve internal issues. The reported negative relationship ($r^2 = -0.06$) between the frequency with which SMMEs source advisory services and SBOs' perceptions of the level of compliance benefits they obtain is expected.

Advisory services ($r^2 = 0.235$; $p < 0.001$), tax planning services ($r^2 = 0.163$; $p < 0.05$) and routine accounting services ($r^2 = 0.129$; $p < 0.05$) reported a significantly positive relationship with management benefits. Based on the evidence presented, SMMEs that more frequently source tax planning services and routine accounting services from their external accounting practitioner experience significantly more compliance and management benefits.

Upon comparing the variance in both compliance and management benefits exhibited by each service, it could be stated that SMMEs which regularly source tax-planning services perceive the relationship with their external accountant as most beneficial ($r^2 = 0.142$), followed by routine accounting services ($r^2 = 0.129$) and then by the submission of income tax returns ($r^2 = 0.126$) (refer to **TABLE 6.42**). As anticipated, tax-related services provide the highest level of compliance benefit whereas advisory services furnish the highest level of management benefits. The perceptions of those SBOs that only source services relating to the preparation of annual financial statements or their independent review/audit are that these services offer limited compliance or management benefits.

The relationship between the frequencies of accounting services sourced and the personal aspects of service quality

The results contained in **TABLE 6.42** indicate that there is a significant positive relationship between the frequency with which SMMEs source tax-planning ($r^2 = 0.142$; $p < 0.05$)) and advisory services ($r^2 = 0.127$; $p < 0.05$) and the level of personal aspects of service delivery offered by accounting practitioners' routine accounting services. In other words, SMMEs that frequently source advisory type services report a higher perception of the levels of personal aspects of service delivery (reliability and responsiveness) than those who do not regularly source such services from their external accounting practitioners. On the other hand, it is interesting to note that there is a negative relationship, between the services of drafting of AFS ($r^2 = -0.002$) and completing tax returns ($r^2 = -0.047$), and the personal aspects of service quality. In other words, SMMEs that regularly source the services of preparing AFS or submission of tax returns display a negative perception of the personal dimension of service quality offered by their external accounting practitioner. Although these relationships are negative, it is not statistically significant. There is also no statistically significant relationship between sourcing routine accounting services ($r^2 = 0.046$) and the audit/review of financial statements ($r^2 = 0.037$) with the personal dimension of service quality offered.

It could therefore be concluded that SMMEs that more frequently source advisory types of services from their accountant perceive their accountants to offer higher levels of service quality in terms of the personal aspects. It may therefore be reasoned that that SAPs that offer high levels of service quality in terms of the personal aspects, has clients that more frequently source advisory types of services.

The relationship between the frequencies of accounting services sourced and technical aspects of service quality

The technical aspects of service delivery showed similar results to those reported for the personal dimension. Once again, the frequency with which SMMEs source tax planning ($r^2 = .138$; $p < 0.05$) and advisory services ($r^2 = 0.167$; $p < 0.05$) records a significant positive relationship with the perceptions of the technical aspects of service quality (refer to **TABLE 6.42**). Services relating to the drafting of AFS and its audit or

review exhibit a positive relationship with technical service quality, but this is not statistically significant. SMMEs that regularly source income tax returns (r^2 = -0.009) and routine accounting services (r^2 = -0.102) report a negative relationship with technical service quality; however these relationships were not significant.

The relationship between the personal aspects of service quality and the perception of benefits

TABLE 6.42 indicates that the personal dimension of service quality has a statistically significant positive relationship with both the perception of management benefits obtained (r^2 = 0.176; $p < 0.1$) and compliance benefits (r^2 = 0.358; $p < 0.001$). Personal aspects of service quality in this study refer to the ability of the accountant to be responsive and reliable in their service offering. It could therefore be stated that SBOs that hold a high perception of the reliability and responsiveness of their accountants' service delivery, would also perceive their relationship to deliver significantly more compliance and management benefits. The results illustrate that higher levels of personal aspects of service quality has a substantial positive effect on SBO's perceptions of both the management and compliance benefits they receive from their external accountants.

The relationship between the personal aspects of service quality and the perception of benefits

In contrast with the findings stated in the previous section, results show no statistically significant relationship between the technical aspects of service quality and the perception of management (r^2 = 0.094) or compliance benefit (r^2 = 0.019). As stated, technical aspects of service quality in the context of this study refers to the perception that SBOs have of the competency of their accountants and include the dimensions of assurance and empathy (Refer to Section 6.3.2).

It could therefore be concluded that The results illustrate that higher levels of technical aspects of service quality has no substantial effect on SBO's perceptions of both the management and compliance benefits they receive from their external accountants.

Bootstrapping to address the multi-variate non-normal data (adjusted benefits model)

The study uses maximum likelihood to determine parameter estimates, and as a result requires data to be continuous and multivariate normal (Byrne, 2016: 331–335). The data used in this study was mainly categorical and did not meet the assumption of multivariate normality. Byrne (2016: 331–335) suggests that bootstrapping procedures be used as a way to deal with multivariate non-normal data. The study made use of the Monte Carlo method to determine bootstrap results for 2 000 samples. The following bootstrap results are presented in **APPENDIX F**:

- The standard errors between the standardised and unstandardised regression weights using actual data and the bootstrap results (refer to TABLES F-1 and G-3);
- The bias-correlated percentile method at a 90% confidence interval (two tailed) for the standardised regression weights (refer to TABLE F-2); and
- The standard errors between the covariance and variance using actual data and the bootstrap results (refer to TABLES F-4 and F-6).

The ML standard errors are almost similar to those reported for the bootstrapped samples. The results from the bias correlated percentile method indicate the same 12 paths to be significant as those identified through the ML analysis. It could therefore be concluded that ML generated parameter estimates can be relied upon, even though the assumption of multivariate normality was not met.

6.5.3. Testing the hypotheses using the structural benefits model (WITH 2nd order latent variable for service quality)

The results from the model presented above should, however, be considered within the context of the possible discriminant validity concerns highlighted earlier. To address these concerns, a model, which includes a 2nd order latent variable, was assessed. **FIGURE 6.8** depicts the structural benefits model, *which included a 2nd order latent* variable measuring overall service quality.
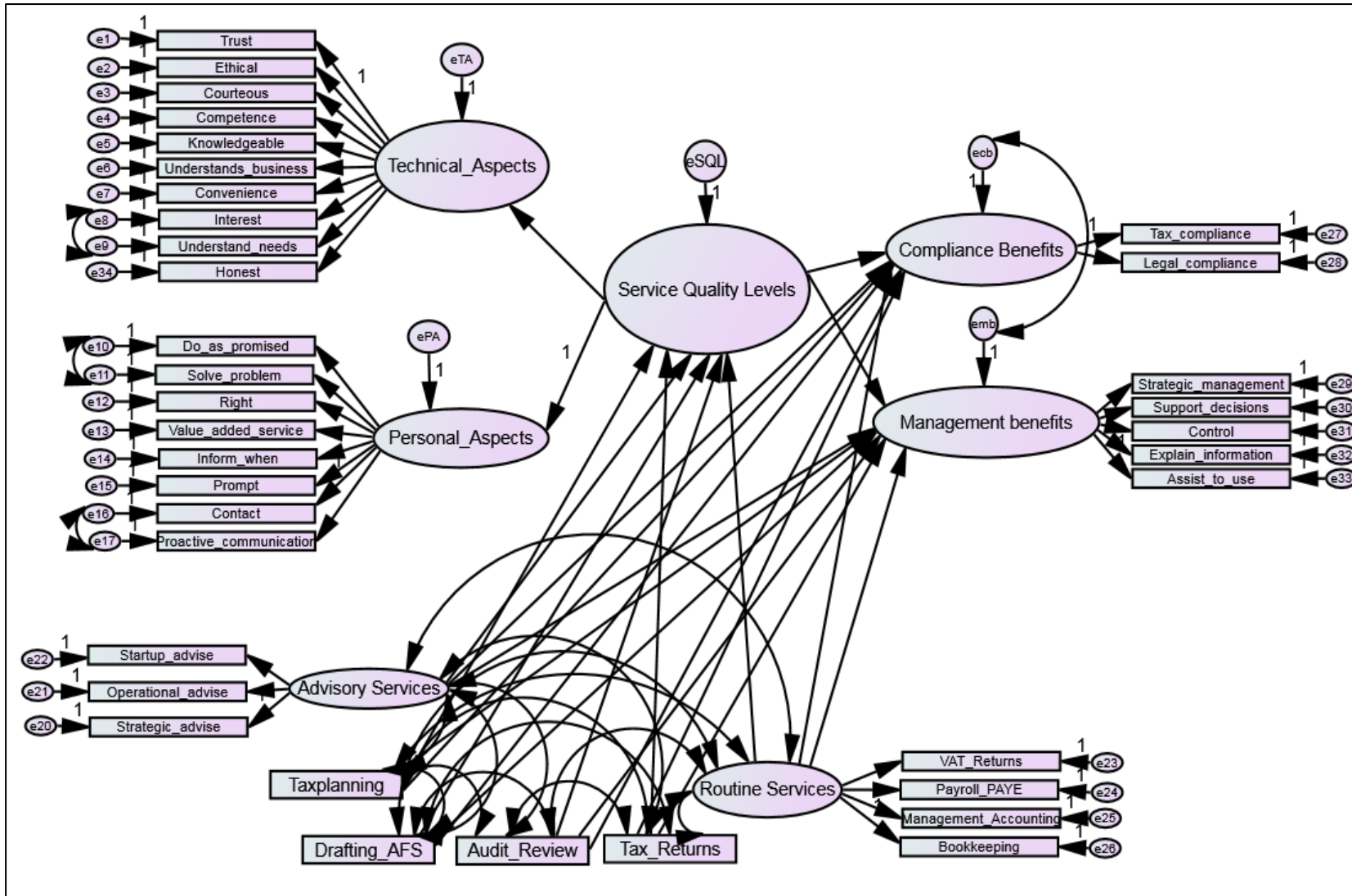
FIGURE 6.8: Structural benefits model (with 2nd order latent variable)

Goodness of fit for benefits model 1 (incl. 2nd order latent variable)

The estimation process for the revised measurement model converged and the solution was admissible. **TABLE 6.43** summarises the fit statistics of the postulated benefits model (incl. 2nd order latent variable) in **FIGURE 6.8.**

TABLE 6.43: Summary of the fit statistics of the benefits model (incl. 2nd order latent variable)

Model	χ^2	d.f	p	CMIN/DF	AGFI	CFI	RMSEA
Benefits model	1 111.1	556	0.000	*1.998*	0.844	0.944	0.049 LO = .045; HI = .053 PCLOSE (0.692)

The benefits model (incl. 2nd order latent variable) yields similar GOF statistics to those reported for the first benefits model. The χ^2 is 1 111, with 556 degrees of freedom. As expected, the hypotheses of exact fit (RMSEA = 0) is rejected, based on a statistically significant p-value of 0.000. The CMIN/DF ratio of 1.998 is well below the threshold of 3. A comparison of the baseline indices indicates an AGFI of 0.844 (> 0.8) and a CFI of 0.944 (> 0.9). The RMSEA is equal to 0.049 and, assessed at a 90% confidence level, lies between 0.045 and 0.052, all below the required 0.07 cut-off value. The PCLOSE of 0.692 is also acceptable.

Overall, it could therefore be concluded that the data gathered from the sample of SBOs regarding the perception of the benefits obtained from their external accounting practitioners, are adequately presented through the benefits model (including the second order latent variable).

Parameter estimates for the benefits model (incl. 2nd order latent variable)

The benefits model (incl. 2nd order latent variable for service quality) was once again estimated to include all paths, including those that are statistically non-significant. The results obtained from this structural model differ from the results presented in the previous section, in the sense that this model measures overall service quality by means of one construct. The results were therefore be used to arrive at conclusions on hypotheses relating to service quality constructs at an "overall" level (refer to **TABLE 6.36**, Hypotheses H2 and H3). Results relating to the relationships between the frequencies with which different types of service are sourced and the perceptions of both management and compliance benefits remain unchanged in this model and were therefore not included in the tables or discussed.

TABLE 6.44 was constructed from the AMOS output. It reflects the standardised regression weights, the *p*-values (based on the unstandardised regression weights), which measure the significance of the CR for each of the hypotheses indicated above. The p-values presented in **TABLE 6.44** indicate whether the regression weights were statistically significant in predicting the endogenous variable at a 0.01, 0.05, and 0.1 significance level (two-tailed).

TABLE 6.44: Regression weights relating to the benefits model (incl. 2nd order latent variable)

			Standardised regression weights	P-value		Label
Service quality levels	<---	Advisory services	.148	.028	**	$H3_{(0)}$
Service quality levels	<---	Audit/review	.050	.348		$H3_{(0)}$
Service quality levels	<---	Tax returns	*-.039*	.490		$H3_{(0)}$
Service quality levels	<---	Tax planning	.151	.016	**	$H3_{(0)}$
Service quality levels	<---	Routine services	.006	.936		$H3_{(0)}$
Service quality levels	<---	Drafting AFS	.014	.806		$H3_{(0)}$
Compliance benefit	<---	Service quality levels	*.268*	***		$H2_{(0)}$
Management benefits	<---	Service quality levels	*.384*	***		$H2_{(0)}$

*$p < 0.1$ (two-tailed)
** $p < 0.05$
*** $p < 0.001$

TABLE 6.44 indicates that four out of the eight service quality paths tested through the benefits model (incl. 2nd order latent variable) are statistically significant. As was anticipated, the results obtained for the overall service quality measure are similar to the results obtained from the model, which investigated the two dimensions of service quality: Personal aspects and Technical aspects.

The relationship between overall service quality (SERVICE QUALITY LEVELS) and the frequency by which SMMEs source different types of accounting services

The results reported in **TABLE 6.44** indicate that there is a significant positive relationship between the frequency by which SMMEs source tax-planning (Tax planning) ($r^2 = 0.151$; $p < 0.05$) and advisory services (Advisory services) ($r^2 = 0.148$; $p < 0.05$) and the overall service quality offered by accounting practitioners. It could therefore be said that SMMEs which frequently source advisory types of services have a higher perception of the levels of overall service quality than those who do not regularly source such services from their external accounting practitioners. Once again, there is a negative relationship between SMMEs that more frequently sourcing basic tax compliance (tax returns) services

($r^2 = .151$) and the perception of the overall levels of service quality (refer to **TABLE 6.44**) Although there is a negative relationship the relationship is not significant. There is, furthermore, no statistically significant relationship between sourcing routine accounting services (r^2 of 0.06), the audit/review of financial statements (r^2 of 0.050) and preparing AFS (r^2 of 0.014), with perceptions of the overall levels of service quality.

The relationship between service quality (SERVICE QUALITY LEVELS) and the perceived benefits that SMMEs obtain from the relationship with their SAP.

TABLE 6.44 indicates that the perceptions of the overall levels of service quality display a statistically significant positive relationship with both the perception of management benefits ($r^2 = 0.384$; $p < 0.001$) and compliance benefits ($r^2 = 0.268$; $p < 0.001$) obtained. It could therefore be stated that SBOs that report a higher perception of the overall levels of service quality, will also perceive the relationship with their external accountants to deliver higher levels of compliance and management benefits. The results further demonstrate that the perception of overall levels of service quality has a substantial positive effect on both management and compliance benefits.

Bootstrapping and addressing concerns of multivariate non-normal data (benefits model incl. 2nd order latent variable for service quality)

To address the concerns relating to the assumption of multivariate normality when using the ML method to establish parameter estimates, bootstrap results for the benefits model, which includes a 2nd order latent variable, are reported in **APPENDIX G**.

Once again, only the results relating to the hypotheses dealing with overall levels of service quality are discussed.

The ML standard errors (refer to **TABLE G-1**) are almost similar to those reported for the bootstrapped samples. The results from the bias correlated percentile method (refer to **TABLE G-2**) demonstrate the same four paths to be statistically significant when compared to those identified through the ML analysis. It could therefore be concluded that,

ML generated parameter estimates can be relied upon, even though the assumption of multivariate normality was not met.

6.6. Conclusion

The purpose of the chapter was to provide the findings pertinent to addressing the research objectives and hypotheses predicted.

Overall, the sample of SBOs consists of a majority of South African male SBOs with higher than average levels of education. The majority consider themselves to command reasonable to expert levels of accounting knowledge and understanding. The SMMEs included in the sample consist mainly of established to mature non-public companies, with the majority of them employing a person internally to perform accounting functions.

Findings from the frequency analysis performed on the types of services sourced, indicate that the sample of SMMEs mostly use SAPs to provide year-end compliance services. This is followed (in frequency) by monthly accounting and bookkeeping services. It is clear from the findings presented that SBOs do not regularly source advisory types of services from their accounting practitioners. Overall, SBOs perceive the relationship with their external accounting practitioner as beneficial with respect to all of the items included in the questionnaire.

When measuring the levels of service quality, it was found that SBO's expectations of service quality exceeded their perception of actual service levels for 25 out of the possible 31 item pairs. Of these, 18 item pairs demonstrated statistically significant differences.

EFA was used to identify valid and reliable constructs to measure SBOs' perception of the benefits obtained from the relationship with their accountant; the frequency of different types of services presented and the levels of service quality offered by accounting practitioners. The constructs identified were utilised to construct a revised set of hypotheses.

CFA procedures were employed to assess the validity of the measurement models. All the CFA models showed acceptable model fit and convergent validity. Discriminant validity concerns were raised between the Technical aspects and Personal dimension constructs of service quality. To address the concerns a second structural model, which includes a 2nd order latent variable for service quality, was also tested. Concerns regarding multivariate normality were addressed using Bayesian estimation techniques.

Once the CFA models were validated, the structural models were postulated based on the relationships hypothesised. Both postulated SEM models (for predicting the benefits that SBOs obtain from their relationship with their accounting practitioners) fit the data well. In other words, the models discussed are present in the data obtained from the sample of small owners, and therefore afford a reflection of their relationship with their accounting practitioners. The final SEM models were also subjected to bootstrap estimation to compare the ML derived estimates. The process confirmed that the ML derived estimates were reliable and therefore interpretable.

The next chapter interprets the findings based on the research objectives and will highlight the outcomes, both favourable and unfavourable, in relation to the hypotheses.

CHAPTER 7

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

"Research consists of seeing what everybody else has seen, but thinking what no one else has thought" – Albert Szent-Gyorgyi (1986)

7.1 Introduction

Accounting practitioners have been identified as the most important small business advisors; however, research evidence suggests that SBOs do not necessarily obtain the expected benefits from the relationship with their accountants.

Previous studies have indicated that the types of services which Small, Medium and Micro enterprises (SMMEs) source from their external accountant and the way in which these services are offered to small business clients play an important role in this relationship. It is nonetheless still unclear how these factors contribute to SBOs' perceptions of the benefits they obtain from their external accountant.

Based on the abovementioned gap in knowledge, the overall purpose of this study was to develop and test a predictive model, to:

(1) Provide guidance to entrepreneurs and/or SBOs concerning the services they need to source from their accounting practitioners, in order to gain the expected financial management benefits necessary for business survival and future growth and

(2) Inform small accounting practitioners of what small business clients' expectations of service quality are and how to improve their service delivery in line with these expectations in order to permit the realisation of the expected financial management benefits.

The previous chapter offered a detailed analysis of the data to achieve the set objectives. This chapter discusses the findings in relation to the primary and secondary research questions and hypotheses of the study. The hypotheses are rejected based on the statistical techniques performed in Chapter 6. The scientific and practical significance of the study is subsequently highlighted. This is followed by an overall

summary and conclusion. The chapter ends by considering the limitations of the study and making recommendations regarding areas of future research.

7.2   Discussion of the Findings

To achieve its overall purpose, the study was conducted in two parts: a literature review and an empirical study. Each of these contributed to achieving its own set of secondary objectives. A discussion of these objectives is undertaken here, followed by that of the primary objectives and hypotheses.

7.2.1   Discussion of the results obtained from the literature review

The following objectives were set for the literature review section of the study:

- To define financial management within a SMME context
- To obtain an understanding of the role of the SAP
- To determine the benefits that SBOs could reasonably expect from the relationship with their accounting practitioners
- To determine and categorise the different types of services that small accounting practices offer to small business clients and
- To develop a scale for measuring service quality offered by small accounting practices.

Results from each of these objectives are discussed in turn.

7.2.2   Defining financial management within a SMME context

The literature review revealed that the boundaries of what constitutes financial management are different in SMMEs if compared to large organisations. is the researcher has concluded that financial management in SMMEs should be defined as: *"The preparation and application of financial and management accounting information to control and make decisions regarding the sources and allocation of funds, in a way that ensures the creation, protection, preservation of stakeholder value by means of managing compliance, liquidity, profitability, and growth".*

7.2.3 The role of the SAP

Evidence from the literature review suggests that SMMEs do not obtain the necessary support to overcome any of their deficiency in financial management skills from the relationship with their external accounting practitioner. The RBV and TCE theories suggest that when SMMEs lack specific skills or resources internally, these should be sourced externally. Agency theory presents the case for using external accountants to protect the rights of stakeholders not directly involved in managing the SMME.

Derived from the theories presented, this study proposes that the role of the SAP is: (1) to offer services which will assist the SBO to overcome any skills or resources it lacks in preparing financial and management accounting information; and (2) to use this information to support decision-making and control over the sources and allocation of funds, in a way that will ensure the creation, protection, preservation and increase of stakeholder value through ensuring compliance and managing liquidity, profitability and growth.

Identify the benefits that small business should obtain from their relationship with their accounting practitioners

The literature suggests that if accounting practitioners perform their role as explained, the owners of SMMEs could reasonably expect to secure: (1) compliance benefits; (2) an enhanced ability to obtain and sustain funding; (3) enhanced operational decision-making; (4) enhanced operational control; and (5) enhanced strategic decision-making from the relationship with their SAP.

These benefits were used to develop a scale for measuring SBOs' perceptions of the level of benefits that they obtain from the relationship with their external accounting practitioner. (Refer to **APPENDIX A-1, Section C**.) This study specifically measured SBO *perceptions* of benefits to overcome the concern raised by Carey (2015) regarding the inadequacy of financial measures in establishing the levels of benefit that SBOs obtained from a relationship with SAPs.

Determine and categorise the different types of services that SAPs offer to small business clients

Based on the methods applied and the results of previous studies, which investigated the services provided by SAPs, this study classified the types of services into:

- Routine accounting services: These services are normally sourced on a monthly basis and include services such as bookkeeping, payroll and PAYE and the filing of VAT returns
- Non-routine accounting services: These services include the accounting services that are normally not sourced on a monthly basis, such as the year-end audit or annual reviews, filing income tax returns and preparing financial statements
- Advisory services: These services include services such as start-up advice, operational and strategic advice and tax planning
- Other services, such as BBBEE certification and due diligence work.

This classification was used to develop a second scale, which measures the frequency by which SMMEs source different types of services from their external accounting practitioners. (Refer to **APPENDIX A-1, Section D**.)

Develop a scale for measuring service quality offered by small accounting practices

Acknowledging the benefits and limitations of alternative frameworks, a decision was taken to use an adapted SERVQUAL scale and position the study in the Marketing school of thought regarding the measurement of service quality.

The original 22-item SERVQUAL scale was adapted to include the following eleven additional items (refer to **TABLE 4.3**):

- Pro-active communication – 2 items were added
- Competency – 3 items were added
- Ethical behaviour – 3 items were added
- Range of services – 1 item was added

- Value added services – 1 item was added
- Value for money – 1 item was added.

Two questions were removed from the original scale as they were found to be confusing or not relevant in the context (refer to **TABLE 4.4**).

7.2.4 Discussion of the results obtained from the empirical part of the study

Prior to analysing the results obtained from the empirical part of the study, it is important to understand the demographic profile of the sample as this assists in contextualising the results obtained. The demographics of both the SBOs and the small businesses included in the sample were analysed using descriptive statistics.

Overall, it will be recalled, the sample consists of a majority of South African male SBOs with higher than average levels of education. Most consider themselves to have attained reasonable to expert levels of accounting knowledge and understanding.

The SMMEs included in the sample consist largely of established to mature non-public companies, with the majority (60%) of them employing a person internally to perform accounting functions.

The following secondary objectives were set for the empirical part of the study:

- To identify the aspects of service quality that are the most important to SBOs
- To determine whether there is a significant difference between SBOs' expectations of accounting service quality and their perceptions of the actual accounting service quality received from small accounting practitioners
- To identify valid and reliable constructs (manifest variables) to measure SBOs' perception of the benefits obtained from the relationship with their accountant
- To identify valid and reliable constructs (manifest variables) for measuring the frequency of different types of services
- To identify valid and reliable constructs (manifest variables) for measuring the levels of service quality offered by SAPs
- To compare the constructs for measuring service quality offered by small accounting practitioners to the original SERVQUAL constructs

- To test the validity of the postulated measurement model for predicting the benefits that SBOs obtain from their accounting practitioners and

- To test the validity of the postulated structural model for predicting the benefits that SBOs obtain from their accounting practitioners.

Results from the empirical part of the study are discussed according to each of these objectives under the five broad headings.

The aspects of service quality that SBOs expect from excellent SAPs

Studies investigating service quality within an accounting environment relate mostly to advisory service quality in larger accounting practices (Aldhizer et al., 2002; Behn et al., 1997; Turner et al., 1999). As noted, though, small accounting practices differ dramatically from large and even mid-tier practices, both in terms of the services offered (Blackburn & Jarvis, 2010:20) and the clients they service (Samujh & Devi, 2010). This study specifically addresses this concern by identifying and analysing the aspects of service quality that SBOs regard as the most important.

Results from the frequency analysis demonstrate that the majority of service quality items included in the questionnaire are perceived as being expected by the SBOs. With the exception of the items relating to tangibles, the majority of respondents indicated that they "agree" or "fully agree" that they regard all items as expected in the service delivery provided by excellent accountants. The means scores indicate that 23 of the 31 items yielded scores in access of "6" out of a possible "7". It could therefore be concluded on average the perception of SBOs included in the sample is that all aspects of accounting service quality from small accounting practices are expected to be excellent.

Of these 22 items, the following aspects of service delivery are perceived by SBOs to rank highest in terms of their expectations (refer to **TABLE 6.9**):

1. The accountants' ability to **deliver services as promised**
2. The accountant **being honest** in his/her dealings
3. The accountants' ability to always **act ethically**

4   The accountants' ability to **manage their clients' tax liability in a legal manner** and

5   The accountants' ability to show a sincere interest in solving customer problems.

For all five items, 60 percent and more of respondents indicated that they "fully agree" that the item is expected of excellent SAPs. The IFAC Code of Ethics for Professional Accountants (2006: 1104) defines integrity as "being straight forward and honest in all professional and business relationships". Upon closer inspection, it was noted that the first four items indicated above can be related back to the definition of integrity. It is therefore concluded that more than all the other aspects of service quality included in this study, SBOs expect their accountants to act with integrity.

The results further indicated that SBOs' expectations, with regard to the tangible aspects of service quality from excellent accountants, were low. Previous studies which used the SERVQUAL to investigate professional service quality excluded the four items measuring tangibles from the scale used (Fleishman et al., 2016; Saxby, et.al., 2004; Turner et al., 1999). Based on the low expectations reported with regard to tangibles, it is recommended that items measuring these aspects be excluded when measuring professional service quality. In the light of the practice adopted in previous research and the results obtained from the frequency analysis, a decision was taken to exclude items relating to the tangible dimension of service quality from the analysis performed through SEM.

Surprisingly, SBOs were also found to have lower expectations with regard to their accountant's ability to communicate pro-actively with clients when compared to the other aspects of service quality. Yet several studies have indicated pro-active communication as being a crucial part of accounting service delivery (Blackburn & Jarvis, 2010; Breen et al., 2003: 8; Dyer & Ross, 2007: 137; Mauerer & Nissen, 2014: 120). The impact of this discrepancy is addressed in the following section.

Differences between SBOs' expectations of accounting service quality and their perceptions of the actual service quality received from their SAPs

To establish whether there are statistically significant differences between SBOs' perceptions and expectations of accounting service quality, comparisons were made of the mean scores of each item using paired samples t-tests. The mean scores for service expectations exceeded the scores for actual service delivery for 24 out of the possible 31 items. Of these, 18 item pairs demonstrated statistically significant mean differences.

Noteworthy is the fact that although pro-active communication is not perceived to be expected from excellent SAPs, the result reports a large discrepancy between service expectations and service delivery in this regard. This is in line with the finding reported by Walker, Fleischmann and Johnson (2012) which concluded that communication was the weakest aspect of advisory services offered to small business clients. Of particular concern is that the item which ranked highest in terms of SMME expectations, that is, "the ability of accountants to deliver services as promised" reported the third highest mean difference score. Moreover, the obvious link between pro-active communication and the accountant's ability to offer the services as promised is noteworthy.

Based on the results of the t-tests, it can be concluded that South African SAPs are not delivering the levels of service quality that clients expect, with communications being the weakest aspect, followed by delivering the service as promised.

Constructs for measuring SBOs' perception of the benefits obtained from the relationship with their accountant

From the list of benefits included in the questionnaire, the factor analysis identified two latent variables to represent the benefits that SBOs obtain from their relationship with external accounting practitioners: compliance benefits and management benefits.

Compliance benefits were measured using two variables: "tax compliance" and "legal compliance". Compliance benefits in the context of this study are therefore defined as

the benefits that SMMEs obtain from remaining compliant with tax and other legislation.

Management benefits were measured through the following variables: "managing the business" "enhanced decision making", "improved operational control and management", "better strategic management" and "assistance to use information". Management benefits in the context of this study are therefore defined as the benefits that SMMEs gain in terms of using financial information for decision-making, strategic and operational management and operational control.

Constructs for measuring different types of services sourced

Results from the EFA identified latent variables similar to those identified in the literature review section of this study. (Refer to **Chapter 3, TABLE 3.2**.) The constructs used to measure the different types of services are routine accounting services and advisory services.

Routine accounting services refer to the services typically sourced on a monthly basis and bookkeeping and management accounts, the filing of VAT returns and payroll and PAYE services. SMMEs that do not employ a full-time accountant usually source these services from their external accounting practitioner.

Advisory services include start-up, operational and strategic advice. The non-routine accounting services, as identified in the literature review: tax planning services, submitting income tax returns, preparing AFS and the audit or review of these, were included as single item latent variables in the postulated measurement and structural models.

Constructs for measuring SBOs' perceptions of service quality levels

The EFA was conducted on the items included in the adapted SERVQUAL scale. The purpose of such an analysis was firstly, to reduce the number of variables for measuring service quality, secondly to compare the service quality construct found in this study with the original five SERVQUAL constructs, thirdly to reach a conclusion

on the determinants of small business accounting services quality and finally, to propose a scale for measuring the levels of service quality offered by SAPs.

According to Brady and Cronin (2001: 34) the conceptualisation and measurement of service quality has been one of the most debated and controversial topics in marketing literature to date and as a result, different scales have been developed to measure service quality. These include: the Nordic school framework, developed by Grönroos (1988); the SERVQUAL model (Parasuraman et al., 1988), the SERVPERF model (Brady & Cronin, 2001); and the 13 items professional services scale devised by Turner, Aldhizer and Shank, 1999).

Although it was not the main purpose of the study, the findings relating to the measurement of service quality contribute to the ongoing debate concerning the validity of the SERVQUAL constructs in professional service environments. In contrast to the five constructs identified by Parasuraman et al. (1988), in terms of results from the EFA, this study proposed that accounting service quality as offered by small accounting practices, be measured by means of three constructs: the technical aspects of service quality, the personal aspects and the tangible aspects.

The original SERVQUAL scale was adapted to measure the levels of service quality offered by SAPs. In the light of evidence obtained from the EFA, 13 of the original SERVQUAL items were retained. Of the additional items, only five were retained. The study therefore proposed a revised 18-item scale to measure service quality within a small accounting practice context.

Considering the results of the EFA, it was further proposed that service quality offered by SAPs be measured by just two constructs; the first mainly consisting of items included under the assurance and empathy dimensions of the SERVQUAL scale and the second consisting of items relating to the responsiveness and reliability dimensions of the SERVQUAL scale. This practice is common. Babakus and Boller (1992: 254) advise exercising caution when using the standard SERVQUAL dimensions, while Weekes, Scott and Tidwell (1996: 36) suggest that the SERVQUAL dimensions should be used merely as a starting point from which to improve usefulness. Studies that have utilised an adapted SERVQUAL scale have reported

fewer than five constructs (Groff et al., 2014; Walker et al., 2012) in which the dimensions often overlap (Isberg, 2010: 2; Turner et al., 1999). Studies that confirmed the original SERVQUAL dimensions reported concerns regarding high covariances and unidimensionality (Fleishman et al., 2016; Kang & James, 2004; Waldmann & Raghavan, 2002).

Within a professional services environment, Gilbert (2000: 178) and Kang and Bradley (2002: 160) also identified a two dimensional service scale to measure service quality. In line with the study by Kang and Bradley (2002: 160), this study combined the assurance and empathy constructs of the original SERVQUAL scale and referred to it as the technical aspects of service quality. Assurance relates to the knowledge and courtesy of employees and their ability to convey trust and confidence (Parasuraman et al., 1988). Empathy in the context of accounting studies has been described as understanding and genuinely caring about the clients' interests; it requires the accountant to take time to understand the clients' business and personal needs (Turner et al., 1999: 25). The concepts of empathy (which includes taking the clients' best interest at heart, convenience and understanding the clients' business) and assurance (which includes competency and knowledge) may seem unrelated. However, upon considering the relationship that both these concepts have with ethical behaviour and trust, they become reconcilable. Knowledge, competency, understanding the clients' business, being courteous to clients and having their best interest at heart are all aspects required by the International Federation of Accountants (IFAC) (2006: 1104) code of ethics for accountants. According to Blackburn, Carey, et al. (2010) competency, ethical behaviour and trust are considered "non-negotiable" for accounting professionals. Bennet and Robson (1999: 42) claim that the accountants' ethical behaviour is a source of trust. These findings are also reiterated by the results reported in this study, whereby SBO indicated that they have very high expectations with regard to the integrity of their SAPs.

For the purposes of this study, the concept **technical aspects of service quality** is defined as small business owners' perception of their accountants' professional competency and behaviour. It is measured through SBOs' perceptions of the accountants' competency, knowledge, understanding the clients' business and needs, their ability to act in an ethical manner and gaining the client's trust.

The **personal aspect of service quality** deals with clients' requirements. This construct consists mainly of the reliability and responsiveness dimensions of the original SERVQUAL scale. It is defined as SBOs' perceptions of the accountants' attributes of being helpful, communicating pro-actively and being able to deliver services in a timely manner.

7.2.5 Discussion of the results obtained through hypothesis testing

The following primary objectives were set for the study:

- To determine whether there is a significant positive relationship between the frequency with which SMMEs source different types of accounting services and the SBOs' perception of benefits received from the accounting practitioner
- To determine whether there is a significant positive relationship between the levels of service quality offered by SAPs and the SBOs' perceptions of the benefits received from the accounting practitioner and
- To determine whether there is a significant positive relationship between the levels of service quality offered by SAPs and the frequency with which SMMEs source different accounting services.

These primary objectives of the study were achieved through hypothesis testing. Results are discussed in turn.

The relationship between the frequency by which SMMEs source different types of accounting services and the perception of benefits obtained

The literature is inconclusive as to whether small business owners do in fact perceive the relationship with their external accounting practitioner as beneficial. The results presented in the previous chapter provide some insight into the relationship between the frequency by which SMMEs source different types of accounting services and the perception of benefits obtained.

The frequency analysis performed on the sample of South African SMMEs concurs with the results of previous international studies (Blackburn & Jarvis, 2010: 15; Collis, 2003: 22; Nandan, 2010: 69; Samujh & Devi, 2010: 3) that the majority of SMMEs just

use external accountants to provide year-end compliance services. The most prominent compliance service sourced is the drafting of AFSs (89% of SMMEs make use of this service at least on an annual basis), followed by the completion and submission of income tax returns while the third most used compliance type service is the independent review, or audit of the AFS.

The frequency analysis further indicated that between 38 and 40 percent of SMMEs regularly source monthly accounting (routine) services, with between 40 and 50 percent indicating that they have never done so (Refer to **FIGURE 6.1**). This result was to be expected as 60% of respondents have indicated that someone internal to the organisation is responsible for performing basic bookkeeping and accounting duties (Refer to **TABLE 6.8**).

Previous studies have also reported that SMMEs do not source advisory services and as a result do not obtain the expected benefit from the relationship with their external accounting practitioners (Blackburn, Carey, et al., 2010: 4; Blomkvist et al., 2016: 215; Ciccotosto et al., 2008; Łobacz et al., 2016; Marriott & Marriott, 2000). It was clear from the frequency analysis that South African SMMEs, rather like their international counterparts, do not regularly source advisory types of services from their accounting practitioners. This study shows that more than half of respondents have never sourced general advisory services from their practitioner. However, almost 60% of respondents (refer to **FIGURE 6.1**) have indicated that they seek tax advice from their accountants at least once a year.

In terms of their perception of benefits, the frequency analysis shows that the majority (>50%) of SBOs perceive the relationship with their external accounting practitioner as beneficial with respect to all of the items included in the questionnaire. Fifty three (53%) percent of SBOs "strongly agreed" and 39% "agreed" overall, that their relationship with their accountant is beneficial. It is therefore concluded that South African small business owners mostly perceive that the relationship that they have with their accounting practitioner holds benefit.

Considering the results discussed above the next step was to establish, by means of hypothesis testing, the relationships between the frequencies by which SMMEs source

different types of accounting services and the SBOs' perceptions of benefits. The hypotheses were tested using SEM. Results from such empirical testing are used to either accept or reject the null and alternative hypotheses set out in **TABLE 7.1**

TABLE 7.1: Hypotheses for testing the relationship between the frequency with which SMMEs source different types of accounting services and the perceptions of benefits obtained

H1-1(0)	There is no significant positive relationship between the frequency with which SMMES source routine accounting services and the SBOs' perception of compliance benefits received from the accounting practitioner.	Reject
H1-1(A)	There is a significant positive relationship between the frequency with which SMMES source **routine accounting services** and the SBOs' perception of **compliance benefits** received from the accounting practitioner.	**Fail to reject (*)**
H1-2(0)	There is no significant positive relationship between the frequency with which SMMES source **routine accounting services** and the SBOs' perception of **management benefits** received from the accounting practitioner.	Reject
H1-2(A)	There is a significant positive relationship between the frequency with which SMMES source **routine accounting services** and the SBOs' perception of **management benefits** received from the accounting practitioner.	**Fail to reject (**)**
H1-3(0)	There is no significant positive relationship between the frequency with which SMMES source the completion of income tax returns from the accountant and the SBOs' perception of compliance benefits received from the accounting practitioner.	Reject
H1-3(A)	There is a positive relationship between the frequency with which SMMES source the **completion of income tax returns** from the accountant and the SBOs' perception of **compliance benefits** received from the accounting practitioner.	**Fail to reject (**)**
H1-4(0)	There is no significant positive relationship between the frequency with which SMMES source the completion of income tax returns from the accountant and the SBOs' perception of management benefits received from the accounting practitioner.	Fail to reject
H1-4(A)	There is a significant positive relationship between the frequency with which SMMES source the **completion of income tax returns** from the accountant and the SBOs' perception of **management benefits** received from the accounting practitioner.	**Reject**
H1-5(0)	There is no significant positive relationship between the frequency with which SMMES source tax planning services and the SBOs' perception of compliance benefits received from the accounting practitioner.	Reject

H1-5(A)	There is a significant positive relationship between the frequency with which SMMEs source **tax planning services** and the SBOs' perception of **compliance benefits** received from the accounting practitioner.	**Fail to reject** **(**)**
H1-6(0)	There is no significant positive relationship between the frequency with which SMMEs source tax planning services and the SBOs' perception of management benefits received from the accounting practitioner.	Reject
H1-6(A)	There is a positive relationship between the frequency with which SMMEs source **tax planning services** and the SBOs' perception of **management benefits** received from the accounting practitioner.	**Fail to reject** **(***)**
H1-7(0)	There is no positive relationship between the frequency with which SMMEs source services to prepare AFS and the SBOs' perception of compliance benefits received from the accounting practitioner.	Fail to reject
H1-7(A)	There is a positive relationship between the frequency with which SMMEs source services to **prepare AFS** and the SBOs' perception of **compliance benefits** received from the accounting practitioner.	**Reject**
H1-8 (0)	There is no positive relationship between the frequency with which SMMEs source services to prepare AFS and the SBOs' perception of management benefits received from the accounting practitioner.	Fail to reject
H1-8(A)	There is a positive relationship between the frequency with which SMMEs source services to **prepare AFS** and the SBOs' perception of **management benefits** received from the accounting practitioner.	**Reject**
H1-9(0)	There is no positive relationship between the frequency with which SMMEs source independent review or audit services and the SBOs' perception of compliance benefits received from the accounting practitioner.	Fail to reject
H1-9(A)	There is a positive relationship between the frequency with which SMMEs source **independent review or audit services** and the SBOs' perception of **compliance benefits** received from the accounting practitioner.	**Reject**
H1-10 (0)	There is no positive relationship between the frequency with which SMMEs source independent review or audit services and the SBOs' perception of management benefits received from the accounting practitioner.	Fail to reject
H1-10(A)	There is a positive relationship between the frequency with which SMMEs source **independent review or audit services** and the SBOs' perception of **management benefits** received from the accounting practitioner.	**Reject**
H1-11 (0)	There is no positive relationship between the frequency with which SMMEs source advisory services and the SBOs' perception of compliance benefits received from the accounting practitioner.	Fail to reject
H1-11(A)	There is a positive relationship between the frequency with which SMMEs source **advisory services** and the SBOs' perception of **compliance benefits** received from the accounting practitioner.	**Reject**

H1-12 (0)	There is no positive relationship between the frequency with which SMMEs source advisory services and the SBOs' perception of management benefits received from the accounting practitioner.	Reject
H1-12(A)	There is a positive relationship between the frequency with which SMMEs source advisory services and the SBOs' perception of management benefits received from the accounting practitioner.	**Fail to reject (***)**

*   *p < 0.1 (two-tailed)*
**   *p < 0.05*
*** *p < 0.001*

Literature supports the notion that the frequency by which SMMEs source different types of accounting services will affect the benefits that these enterprises obtain from their external accounting practitioners (refer to Section 3.5). Accordingly, the regression weights reported indicate that all types of services have contributed positively towards explaining some degree of the variance in management and compliance benefits. However, only six of the twelve hypotheses tested demonstrated significant relationships between the types of services sourced and the perception of benefits received.

The results further demonstrate that SBOs who source routine accounting services more frequently have a significantly more positive perception of the level of management and compliance benefits they obtain from the relationship with their accounting practitioner than those who use their accounting services less frequently. As indicated, such services include monthly bookkeeping, management accounting and the filing of VAT returns. It was anticipated that the filing of VAT returns would provide the perception of compliance related benefits (refer to **TABLE 3.3**). As bookkeeping is necessary for compiling annual financial statements and management accounts it was anticipated for this service to provide the perception of compliance and management related benefits (refer to **TABLE 3.3**). There is abundant literature on the necessity and management benefits that SMMEs could obtain from the use of management accounting information (Brijlal et al., 2014; Devi & Samujh, 2010; Lavia López & Hiebl, 2015; Marriott & Marriott, 2000; Nandan, 2010). Failing to reject the hypotheses that there are significant positive relationships between the frequency by which SMMEs source routine accounting services and SBOs' perceptions of both compliance and management benefits obtained was therefore not surprising.

In line with expectations, the study further found that SBOs who frequently source services relating to the filing of income tax returns, had a significantly higher perception of the level of compliance benefits obtained from the said relationship (refer to **TABLE 3.3**). The study also reported a weak negative relationship between SBOs who frequently use their accountants to file income tax returns and their perception of management benefits.

To date, there has been an ongoing debate as to whether these types of services provide any form of benefit to the SBOs. In most jurisdictions, including South Africa, drafting of AFS and an independent audit or review of such statements is compulsory, which explains the rate of frequency by which these services are sourced and compliance benefits are therefore expected (refer to **TABLE 3.3**). Previous studies have suggested that SMMEs could obtain the following benefits from preparing annual financial statements: (1) improved operational control (Burke & Jarratt, 2004: 135; Collis, 2012: 441; McMahon & Davies, 1994; Schizas et al., 2012: 25); (2) financing benefits (Agyei-Mensah, 2011: 3781; Allee & Yohn, 2009: 24; Amoako, 2013: 73; Collis, 2003; Collis & Jarvis, 2002); and (3) improved operational management (Niemi et al., 2016: 169). The study therefore hypothesised significant positive relationships between the frequency with which SMMEs source services relating to the drafting and audit or review of financial statements and their perceptions of both compliance and management benefits received. However, contrary to these hypotheses, no significant relationships were found. Based on SBO perceptions, the study therefore supports the views of scholars such as Halabi et al. (2010: 173), Kirby and King (1997) and Sian and Roberts (2009: 290) that services relating to the preparation and review of annual financial statements offer limited benefit to SMMEs.

A possible explanation for why SBOs entertain the perception that they gain significant compliance benefits from the filing of income tax returns, but not from the service related to the preparation and review of AFS, may lie in the harsh fines and penalties that South African Revenue Services (SARS) places on individuals and businesses that are non-tax compliant. In comparison, the implications for those that do not meet the requirements of the Companies Act are limited. This notion was supported by Amoako (2013: 81), who proposed that non-compliance, especially tax compliance, subjects the small business owner to severe emotional stress. The severe impact on

SBOs, should their business not be tax compliant, was also emphasised by Barnardt (2016: 33) as well as Wolmarans and Meintjes (2015). Niemi et al. (2016: 169) in fact found that SBOs who regularly source tax related services from their external accountant were less likely to source voluntary audit services. Linked to this finding, this study also found a significant positive relationship between the frequency by which SMMEs source tax planning advice and their perception of the level of compliance and management benefit obtained. As such, it is suggested that by sourcing tax related services (tax returns and tax advisory services) SMMEs could gain more compliance and management benefit.

It is broadly accepted that SBOs who regularly source advisory services from their accountants obtain more benefit from the relationship than those who do not (Blackburn, Carey, et al., 2010; Carey, 2015; Samujh & Devi, 2010). The hypotheses tested indicate that there is a significant positive relationship between the frequency with which SMMEs source advisory type services (both general advisory and tax planning) and the perception of the level of management benefit obtained. This aspect is of particular concern, as the results from the frequency analysis indicate that the majority of SMMEs have never made use of the advisory services offered by a SAP. This may explain why previous studies have reported mixed results regarding the benefits obtained from the relationship with an external accountant.

As expected, results from the empirical tests indicate that there is no significant relationship between sourcing advisory services and obtaining compliance benefits (refer to **TABLE 3.4**). Similarly, there is no significant relationship between sourcing compliance related services and the perception of management benefits obtained.

The practical implications of these findings to both SBOs and SAPs are further explored in Section 7.3.2.

The relationship between the levels of service quality and the perception of the benefits obtained

Evidence from previous research suggests that the benefits that SBOs obtain from the relationship with their accountants are not only influenced by the types of services they source, but also the way in which these services are offered by SAPs (Bagieńska, 2016; Groff et al., 2014; Kirby & King, 1997; Sundgren & Svanström, 2012).

The paired sample t-tests demonstrated that there are significant differences between SBOs' expectations and perceptions of service quality. By investigating the hypothesised relationships, it is possible to obtain an understanding of the relationship between the levels of service quality and SBOs' perceptions of benefits obtained.

The purpose of this section of the study was therefore to determine whether the clients of SAPs that offer higher levels of service quality have an enhanced perception of the benefits they obtain from their accountants.

To address possible discriminant validity concerns, the hypotheses were tested using two structural models. The first measured service quality utilising two latent variables; that is, the technical aspects and the personal dimension. The second tested revised hypotheses by means of including a second order latent variable that measured levels of overall service quality. Results from the first model, which do not include a second order variable, were not disregarded, as discriminant validity concerns over the SERVQUAL are well documented (Kang & James, 2004; Waldmann & Raghavan, 2002; Walker et al., 2012) and have become an acceptable limitation when applying the model.

Empirical results obtained by means of conducting SEM were used to either accept or reject the null and alternative hypotheses set out in **TABLE 7.2** and **TABLE 7.3.**

TABLE 7.2: Hypotheses for testing the relationship between the levels of service quality and the perceptions of benefits obtained

H2-1(0)	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.	Fail to reject
H2-1(A)	There is a significant positive relationship between the levels with which SAPs deliver the **technical aspects of service quality** and the SBOs' perception of **compliance benefits** received from the accounting practitioner	**Reject**
H2-2(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal dimensions of service quality and the SBOs' perception of management benefits received from the accounting practitioner.	Fail to reject
H2-2(A)	There is a significant positive relationship between the levels with which SAPs deliver the **technical aspects** of service quality and the SBOs' perception of **management benefits** received from the accounting practitioner	**Reject**
H2-3(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal aspects of service quality and the SBOs' perception of compliance benefits received from the accounting practitioner.	**Reject**
H2-3(A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal aspects** of service quality and the SBOs' perception of **compliance benefits** received from the accounting practitioner	**Fail to reject (*)**
H2-4(0)	There is no significant positive relationship between the levels with which SAPs deliver the technical aspects of service quality and the SBOs' perception of management benefits received from the accounting practitioner.	**Reject**
H2-4(A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal aspects of service quality** and the SBOs' **perception of management benefits** received from the accounting practitioner	**Fail to reject (***)**

* p < 0.1 (two-tailed),   ** p < 0.05,   *** p < 0.001

TABLE 7.3: Hypothesis testing using the structural model which included a second order latent variable for service quality

H2-5(0)	There is no significant positive relationship between the overall levels of service quality offered by SAPs and the SBOs' perception of compliance benefits received from the accounting practitioner.	**Reject**
H2-5(A)	There is a significant positive relationship between the levels of **overall service quality** offered by SAPs and the SBOs' **perception of compliance benefits** received from the accounting practitioner.	**Fail to reject (*)**
H2-6(0)	There is no significant positive relationship between the levels of **overall service quality** offered by SAPs and the SBOs' **perception of management benefits** received from the accounting practitioner.	**Reject**
H2-6(A)	There is a significant positive relationship between the levels of **overall service quality** offered by SAPs and the SBOs' **perception of management benefits** received from the accounting practitioner.	**Fail to reject (***)**

* p < 0.1 (two-tailed), ** p < 0.05, *** p < 0.001

Results from testing the structural model, which included a second order latent variable (refer to **TABLE 7.3)** indicated that there are statistically significant relationships between the overall levels of service quality and the perceptions both of the levels of compliance benefits and of the management benefits obtained from the accountant. In other words, the study provides evidence that the clients of SAPs that are perceived to offer higher levels of service quality also perceive their relationship to offer more compliance and management benefits. These findings concur with the literature that suggested such positive relationships (Bagieńska, 2016; Groff et al., 2014; Kirby & King, 1997; Sundgren & Svanström, 2012).

Following on from this conclusion, the next step is to understand the relationships that exist between the different aspects of service quality and the level of compliance and management benefits obtained. The results from the structural model, which did not include a second order latent variable, yielded no statistically significant relationship between the perception of technical aspects of service quality and the perception of the levels of compliance and management benefits.

In contrast, the overall measure of service quality, the latent variable, which measures the personal aspects (reliability and responsiveness) of service quality, demonstrated statistically significant relationships between the perceptions of compliance and management benefits.

Upon closer investigation, the results are not as surprising as it first seemed. Turner et al. (1999) using their 13-item scale adapted from the SERVQUAL identified the following four dimensions: competency, credibility, reliability and responsiveness. The competency dimension was found to be similar to the assurance dimension of the SERVQUAL and the credibility dimension similar to the empathy dimension of the SERVQUAL. Akin to the current study, Turner et al. (1999) found competency and credibility (i.e. technical aspects of service quality) not to be significant factors in determining overall advisory service quality in large audit firms. Instead, it was stated that respondents were more concerned with responsiveness and reliability (i.e. personal aspects of service quality). The reason provided was that respondents perceived all service providers to be almost equally competent and credible, i.e. they perceived a lack in diversity amongst these service providers. These findings were confirmed by Leung et al. (2010: 24), indicating that SMMEs are more concerned with "the speed of response rather than with issues associated with the accountants' technical and professional expertise". Turner et al. (1999: 25) stated that these findings do not suggest that competency and credibility are not important dimensions of service quality, but instead, that it is a basic condition for offering compliance services and that accountants cannot afford to be perceived as incompetent.

Similarly, in this context and in line with Turner et al. (1999), it is therefore argued that the technical aspect of service delivery would not result in the perception of a specific benefit, but that in its absence, the client would seek an alternative accounting practitioner. It is further claimed that like the findings reported in larger organisations, the owners of SMMEs are more concerned with the reliability and responsiveness (personal aspects) of service quality, since it drives their perception of the level of benefits obtained. It is also concluded that overall service quality is an important aspect in the relationship between the SBO and their SAP.

The technical aspects of service quality as defined in this study reflect SBOs' perceptions of the accountants' competency, knowledge, understanding of the client's business and needs, their ability to act in an ethical manner and gaining the client's trust. It could be argued that all the concepts included in the definition directly relate to the concept of trust. Recently, this concept and the role it plays in small business networks has gained substantial research interest (Blackburn, Tanewski, et al., 2010:

5; Hafeez & Andersen, 2014: 28; Kautonen et al., 2010: 192; Mauerer & Nissen, 2014: 113). According to Debono (2014: 179) trust forms the basis of the small business – accountant relationship and that there can be no interaction without trust. In addition, the relationship between the SBO and the accounting practitioner is established over a period (Blackburn, Carey, et al., 2010). The point of initial contact with the accountants is normally through compliance services and it is therefore important that SAPs ensure that they act in a way that will promote trust.

The relationship between the levels of service quality and the frequency with which SMMEs source different types of accounting services

Carey and Tanewski (2016: 290) reported that the purchase of business advice is significantly and positively associated with the perceived competence of the external accountant. In addition, when accountants are not perceived as competent advisors, SMMEs purchase less advice over time. Gooderham, Tobiassen, et al. (2004); Mauerer and Nissen (2014) and Svanström (2012) all argue that because advisory services are intangible, it is important to demonstrate competence in the compliance services offered and, in this way, build trust with the client.

Literature therefore supports the notion that higher levels of service quality will result in the client trusting the accountant and as a result, clients will be prone to source more advisory type services from their accountants. **TABLE 7.4** presents the specific hypotheses (excluding the second order latent variable) that were tested in this regard. **TABLE 7.5** presents the hypotheses (including the second order latent variable) that were tested.

TABLE 7.4: Hypotheses for testing the relationship between the levels of service quality and the frequency of different types of services sourced – Results from the structural model excluding the 2nd order latent variable for service quality

H3-1$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspect of service quality and the frequency with which SMMEs source routine services	Fail to reject
H3-1$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the **technical aspect** of service quality and the frequency by which SMMEs source **routine services**	**Reject**
H3-2$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspect of service quality and the frequency with which SMMEs source the completion of income tax returns	Fail to reject
H3-2$_{(A)}$	There is a positive relationship between the levels with which SAPs deliver the **technical aspects** of service quality and the frequency by which SMMEs source the **completion of income tax returns**	**Reject**
H3-3$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspect of service quality and the frequency by which SMMEs source tax planning services	Reject
H3-3$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the **technical aspect of service quality** and the frequency by which SMMEs source **tax planning services**	**Fail to reject (**)**
H3-4$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspect of service quality and the frequency by which SMMEs source services to prepare AFS	Fail to reject
H3-4$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the **technical aspect of service quality** and the frequency by which SMMEs source services to **prepare AFS**	**Reject**
H3-5$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the technical aspect of service quality and the frequency by which SMMEs source independent review or audit services	Fail to reject
H3-5$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the **technical aspect of service quality** and the frequency by which SMMEs source **independent review or audit services**	**Reject**
H3-6$_{(0)}$	There is no significant positive relationship between the levels with which SAPs deliver the personal dimensions of service quality and the frequency by which SMMEs source advisory services	Reject
H3-6$_{(A)}$	There is a significant positive relationship between the levels with which SAPs deliver the **technical aspect** of service quality and the frequency by which SMMEs source **advisory services**	**Fail to reject (**)**

H3-7(0)	There is no positive relationship between the levels with which SAPs deliver the personal dimensions of service quality and the frequency by which SMMEs source routine services	Fail to reject
H3-7A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal dimensions** of service quality and the frequency by which SMMEs source **routine services**	**Reject**
H3-8(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal dimensions of service quality and the frequency by which SMMEs source the completion of income tax returns	Fail to reject
H3-8(A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal dimension** of service quality and the frequency by which SMMEs source the **completion of income tax returns**	**Reject**
H3-9 (0)	There is no significant positive relationship between the levels with which SAPs deliver the personal dimension of service quality and the frequency by which SMMEs source tax planning services	Reject
H3-9 (A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal dimension** of service quality and the frequency by which SMMEs source **tax planning services**	**Fail to reject (**)**
H3-10(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal dimension of service quality and the frequency by which SMMEs source services to prepare AFS	Fail to reject
H3-10(A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal dimension** of service quality and the frequency by which SMMEs source services to **prepare AFS**	**Reject**
H3-11(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal dimension of service quality and the frequency by which SMMEs source independent review or audit services	Fail to reject
H3-11A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal dimension** of service quality and the frequency by which SMMEs source **independent review or audit services**	**Reject**
H3-12(0)	There is no significant positive relationship between the levels with which SAPs deliver the personal dimension of service quality and the frequency by which SMMEs source advisory services	Reject
H3-12(A)	There is a significant positive relationship between the levels with which SAPs deliver the **personal dimension** of service quality and the frequency by which SMMEs source **advisory services**	**Fail to reject**

*$p < 0.1$ (two-tailed), ** $p < 0.05$, *** $p < 0.001$*

TABLE 7.5: Hypotheses for testing the relationship between the levels of service quality and the frequency of different types of services sourced – Results from the structural model including the 2nd order latent variable for service quality

H3-13(0)	There is no positive relationship between the overall levels of service quality offered by SAPs and the frequency with which SMMEs source routine services	Fail to reject
H3-13(A)	There is a significant positive relationship between the **overall levels of service quality** offered by SAPs and the frequency with which SMMEs source **routine services**	**Reject**
H3-14(0)	There is no significant positive relationship between the overall levels of service quality offered by SAPs and the frequency with which SMMEs source the completion of income tax returns	Fail to reject
H3-14(A)	There is a significant positive relationship between the **overall levels of service quality** offered by SAPs and the frequency with which SMMEs source the **completion of income tax returns**	**Reject**
H3-15(0)	There is no significant positive relationship between the overall levels of service quality offered by SAPs and the frequency with which SMMEs source tax planning services	Reject
H3-15(A)	There is a significant positive relationship between the **overall levels of service quality** offered by SAPs and the frequency with which SMMEs source **tax planning services**	**Fail to reject (**)**
H3-16₀)	There is no significant positive relationship between the overall levels of service quality offered by SAPs and the frequency with which SMMEs source services to prepare AFS	Fail to reject
H3-16 (A)	There is a significant positive relationship between the **overall levels of service quality** offered by SAPs and the frequency with which SMMEs source services to **prepare AFS**	**Reject**
H3-17(0)	There is no significant positive relationship between the overall levels of service quality offered by SAPs and the frequency with which SMMEs source independent review or audit services	Fail to reject
H3-17 (A)	There is a significant positive relationship between the **overall levels of service quality** and the frequency with which SMMEs source **independent review or audit services**	**Reject**
H3-18₀)	There is no significant positive relationship between the overall levels of service quality offered by SAPs and the frequency with which SMMEs source advisory services	Reject
H3-18(A)	There is a significant positive relationship between the **overall levels of service quality offered** by SAPs and the frequency with which SMMEs source **advisory services**	**Fail to reject (**)**

* p < 0.1 (two-tailed), ** p < 0.05, *** p < 0.001

The empirical results for both structural models (refer to **TABLE 7.4** and **TABLE 7.5**) indicate no statistically significant relationship between all aspects of service quality (overall service quality, technical aspects, and personal dimensions) and the frequency with which SMMEs source traditional accounting services (completing tax returns, routine accounting services, drafting of AFS and the audit or independent reviews of financial reports). In fact, the relationships between the frequency with which SMMEs source routine accounting and income tax returns indicated negative relationships to the level of service quality. In other words, SMMEs that regularly source routing and income tax return services have a negative perception of their external accountants' levels of service quality. A recent study by Niemi et al. (2016) suggests that professional body affiliation improves the quality of work that external auditors provide to SMMEs.   Interestingly, in South Africa, persons that offer routine services are not required to have a professional accounting qualification. The results could therefore suggest the relationship between the levels of service quality offered and the professional body affiliation of persons offering basic accounting services.

Contrasting with the findings above, the results demonstrated statistically significant positive relationships between all aspects of service quality and the frequency with which SMMEs source advisory types of services. The study therefore confirms the argument that small accounting practices that offer higher levels of service quality are more frequently used for advisory type services (Carey & Tanewski, 2016; Gooderham et al., 2004; Mauerer & Nissen, 2014) . These findings are in line with the expectations that clients source such services from accountants solely when a relationship of trust has been built. Such a relationship of trust is built through quality service delivery (Svanström & Sundgren, 2012).

7.3   Significance of the Finding

In achieving its overall purpose, the study contributes both theoretically and practically to the body of knowledge.

7.3.1   Theoretical significance

Over the past fifteen years, various scholars have expressed concerns that studies relating to the relationship between SAPs and SMMEs are disconnected, with researchers mostly pursuing their own agenda. (Blackburn & Jarvis, 2010; Lukka, 2010: 110; Marriott & Marriott, 2000; Mitchell & Reid, 2000; Nandan, 2010; Olson et al., 2004). Although previous studies have identified a range of factors influencing the relationship between the SBO and SAP, an overall understanding of the interrelationship between these factors is missing.

In achieving its overall purpose, this study contributes mainly towards the holistic understanding of the interconnection of the factors affecting the SBO and accounting practitioner relationship. The predictive model developed and tested provides support that there are significant positive interrelationships between: (1) the frequency by which SMMEs source different types of services; (2) the levels of service quality that SAPs offer their small business clients and (3) SBOs' perceptions of the benefits obtained from the relationship with their accounting practitioner.

On a smaller scale, the study contributes to the ongoing debates regarding the measurement of service quality, specifically as it relates to professional service organisations. The study supports arguments in favour of the disconfirmation theory as applied in the SERVQUAL model (Parasuraman et al., 1988). It further advocates an adapted 13-item scale to measure service quality in small accounting practices.

Several calls have been made for studies investigating the relationship between the SBO and small accounting practices in the developing regions of the world so as to build an internationally representative knowledge base (Blackburn & Jarvis, 2010; Lavia López & Hiebl, 2015; Nandan, 2010). This study contributes to addressing this gap and, from a South African perspective, it adds to the minimal existing research in this field. This study also addresses the need for creating and expanding specific African knowledge. In terms of international comparability, it is interesting to note that

the findings of this study, to a large extent, are in line with the results of related international findings.

7.3.2 Practical implications of the study

According to Scapens (2006: 1), accounting practice is affected by a range of interrelated factors and it is the role of researchers in the field to produce an understanding of the "complex mish-mash of inter-related influences which shape these practices in individual organisations". The predictive model developed in this study specifically focused on gaining an understanding of how service quality and the types of service that SMMEs source from their external accountant may impact SBOs' perceptions of the benefits obtained from this relationship. Such an understanding has implications for both the SBOs and SAPs.

Implications of the study for the entrepreneur or SBO

Enhancing entrepreneurial activity is very important in all economies, but it is especially true within a South African environment, where economic growth is hindered by low survival rates for small businesses (Brijlal et al., 2014; Herrington & Kew, 2016; Kirsten & Fourie, 2012: 460; Wolmarans & Meintjes, 2015). One of the reasons given for such poor entrepreneurial performance is that SBOs lack the necessary financial management skills to ensure the long-term survival and growth of their businesses (Halabi et al., 2010: 175; Lavia López & Hiebl, 2015: 82; Mazzarol et al., 2015).

As highly skilled professionals, South African SAPs should possess the necessary skills to support their SMME clients (Kirsten & Fourie, 2012: 460). Based on the assumptions of the RBV and TCE theory, it is argued that the role of the SAP is to assist the SBOs to overcome the problems associated with a lack of financial management skills within their business. However, to ensure that SMMEs obtain the benefits associated with effective financial management from their accountants, it is necessary for them to source a wide range of services from the external accounting practitioner.

Results from this study demonstrate that various significant relationships exist between the frequency with which SMMEs source different types of accounting services and the perception of benefits obtained. The findings present insights into how SMMEs could enhance the benefits they obtain from their external accountant by sourcing certain types of services more frequently.

SMMEs operating in the formal sector of the South African economy are forced, through legislation, to engage the services of an external accounting practitioner. Accordingly, the study reports that the majority of SBOs source the services of drafting their annual financial statements, the audit or review of these statements and the filing of income tax returns from an external accounting practitioner, at least on an annual basis. Although the South African Companies Act (2008) requires that companies submit audited or reviewed annual financial statements to the Companies and Intellectual Property Commission (CIPC), the study suggests that SBOs do not consider the accountants' role in fulfilling this requirement as adding significant compliance benefits. In addition to compliance benefits, literature also suggested that these services could offer management benefits in the form of improved operational control and management and financing benefits (refer to TABLE 3.3). However, the study reported no significant relationships between services relating to the preparation and audit or review of financial statements and management benefit. The researcher would however recommend caution when interpreting these results. The results indicate that while SBOs perceive these services to offer limited benefit, it does not suggest that the preparation and audit or review of annual financial statements is not necessary, or that it does not provide any benefit to the SMME. What the results do however imply is that SMMEs that source services relating just to the preparation and review of AFS from their accountants should not expect to gain benefits relating to enhanced decision-making, operational control or strategic and operational management. It is therefore recommended that SBOs who lack the necessary financial management skills to run and grow their businesses, consider sourcing additional services from their SAPs. This then begs for an answer as to what types of services SMMEs should source, if they wish to gain more benefits from their external accountant.

The study shows that SMMEs that more frequently source routine accounting services (monthly accounting and bookkeeping) perceived the relationship as not merely providing significantly more compliance benefits, but significantly more management benefits too. Monthly accounting and bookkeeping services are normally sourced by SMMEs that do not employ an internal accountant. It is therefore recommended that owners of start-up businesses that cannot afford the services of a full-time accountant source routine accounting services from an external accountant. This should assist them in overcoming any difficulties associated with the lack of financial management skills. It is however suggested that these services are sourced from a competent professional accountant. The negative relationship (although not significant) between the frequency by which SMMEs source routine services and service quality suggests that SAPs that offer these types of services may not all provide quality service.

In terms of tax related services (tax returns and tax planning services), the study indicates that SMMEs that source such services more frequently should obtain more compliance and management benefits than those that source them less frequently. It is therefore advised that SMMEs start by sourcing these services from their accountant.

Like sourcing routine accounting services, SMMEs that more frequently source tax planning services perceive their accountants as offering greater levels of compliance and management benefits than those who do not frequently source these services. In addition, evidence indicates that those SMMEs that source advisory services more frequently perceive the relationship with their SAP as providing significantly greater levels of management benefits. Consistent with other studies (Carey & Tanewski, 2016; Fleishman et al., 2016; Turner et al., 1999), this study supports the notion that SMMEs only source advisory types of services once business owners feel that their external accountant is competent, knows their business and that he/she would act ethically and courteously towards them (i.e. deliver high levels of the personal aspects of service quality). By seeking external business advice, SBOs were documented as having enhanced their learning and capabilities for future decision-making (Blomkvist et al., 2016: 209; Sian & Roberts, 2009: 291). Previous research has also indicated that as a consequence, additional benefits, such as faster adaption to the environment,

optimised resource management, growth and ultimately, better performance have been suggested (Argilés & Slof, 2003; Carey, 2015; Lavia López & Hiebl, 2015: 111).

Based on the evidence presented, it is therefore advised that SBOs actively work towards building a relationship of trust with a professional accountant who offers high levels of service quality. It is further recommended that once such a relationship is established, the SBO, in addition to basic accounting and compliance services, should also source advisory types of services. Such advisory services will be helpful specifically for entrepreneurial ventures when faced with profitability, liquidity, growth or finance related issues. This is also important in the light of a study by the ACCA (2013) which concluded that financial management is not an outcome of a growing business, but the result thereof.

Implications of the study to the SAP

One should recall that the competitive environment in which SAPs operate is constantly changing because of market and regulatory dynamics (Bennett and Robert, 2001). In a fashion akin to other jurisdictions, the South African Companies Act 71 of 2008 that was promulgated in May 2011, no longer requires private companies to be subject to an external audit performed by a chartered accountant (CA(SA)). Instead, these companies may opt to have an independent review performed by an accountant belonging to other professional accounting bodies. This has had a dramatic impact on the compliance services offered by the SAPs, especially those owned by CAs, as it now requires them to be innovative in offering complementary advisory services.

In addition, the accounting profession has been identified as one of the professions under severe threat as a result of technological advances such as artificial intelligence and machine learning (Harbison, 2017). Small accounting practices are specifically threatened by the developments in cloud-based accounting solutions and electronic tax solutions (ACCA, 2016: 22). According to Bennett and Robert (2001), there is a need for SAPs to develop and deploy strategies to improve their competitiveness under dynamic market conditions. Several scholars have stressed the need for accounting practices to expand their service offering, to include more advisory types of services (Blackburn, Tanewski, et al., 2010; Devi & Samujh, 2010). This strategy

will not just ensure their own survival, but will also assist SBOs to overcome any inadequacy in financial management skills, which they may experience. Consistent with suggestions made by Blackburn and Jarvis (2010), the findings of this study also demonstrate a reluctance amongst South African SMMEs to source advisory services from their external accounting practitioners.

A further concern is that the study found that SBOs perceive services relating to the audit and review of annual financial statements to offer limited benefit. This perception, could have a severe impact on the pricing of such services and may explain why it has been reported as being seen as a "grudge purchase" (Blackburn & Jarvis, 2010). Based on the findings, it is suggested that SAPs should not be surprised if SBOs do not perceive their services as offering value for money.

In the face of these threats, the researcher suggests that SAPs see the opportunities presented by cloud based solutions. This technology could be used to lower the variable cost associated with preparing annual financial reports. Such cost savings should be transferred to the SMME client in the form of providing value-added advice. This advice is supported by a recent report released by the World Economic Forum in conjunction with Accenture (2017) on how digital transformation will impact professional services industries. Recommendations from this report suggest that professionals work with "machines" to create a better future.

Previous studies have indicated a relationship between service quality and SBOs' inclination to source advisory services (Carey & Tanewski, 2016; Gooderham et al., 2004; Mauerer & Nissen, 2014). Results from the paired t-tests revealed statistically significant differences between SBOs' expectations and their perceptions of service quality for the majority of items tested. It could therefore be concluded that the levels of service quality offered by South African SAPs are not aligned to client expectations and may explain the reluctance of SBOs to source advisory services. The notion is further supported in that the results demonstrate that small business clients who have higher perceptions of the levels of service quality offered by their accounting practitioner, source advisory types of services on a more frequent basis.

It is therefore strongly recommended that small accounting practitioners pay active attention to the way in which they offer services to their small business clients. Evidence suggests that by improving the overall levels of service quality, SAPs will enhance their clients' perceptions of the benefits obtained. Interestingly, the results confirm that the technical aspects of service delivery, which in this case consist of variables measuring competency, trust, ethical behaviour, and empathy, comprise a basic assumption of accounting service quality. In other words, if an accountant does not offer these aspects of service delivery, clients will seek services from an alternative accounting practitioner. The findings further support the argument that by offering services in a reliable and responsive manner, accounting practitioners may improve their clients' perceptions of the level of benefits obtained. Previous studies also reported a strong relationship between responsiveness, reliability and the level of trust that SBOs have in their accountants (Blackburn, Carey, et al., 2010). Machines or robots are unable to fulfil human emotions, such as empathy and trust. It is therefore recommended that SAPs who wish to overcome the threat of legislative changes or cloud computing, focus on improving service delivery to small business clients.

Based on the mean scores of SBOs' expectations, it is advised that SAPs gain the trust of their clients by delivering services as promised, being honest in their dealings, acting ethically, managing their clients' tax liability in a legal manner and showing a sincere interest in solving their customers' problems. Considering the recent scandals that have shaken the South African accounting profession, it is important to emphasise the obligation that accountants have, to act in an ethical manner.

In terms of the weakest aspects of service delivery (measured through t-tests), it is recommended that SAPs consider the possible impact of not communicating pro-actively with clients on their ability to deliver services as promised.

7.4   Conclusions

The structural model developed to predict the levels of benefit that SBOs obtain from the relationship with their accounting practitioner demonstrated good fit with the data collected from the sample of South African SBOs. **FIGURE 7.1** affords a summary of the statistically significant relationships as established by means of the hypothesis testing using SEM.
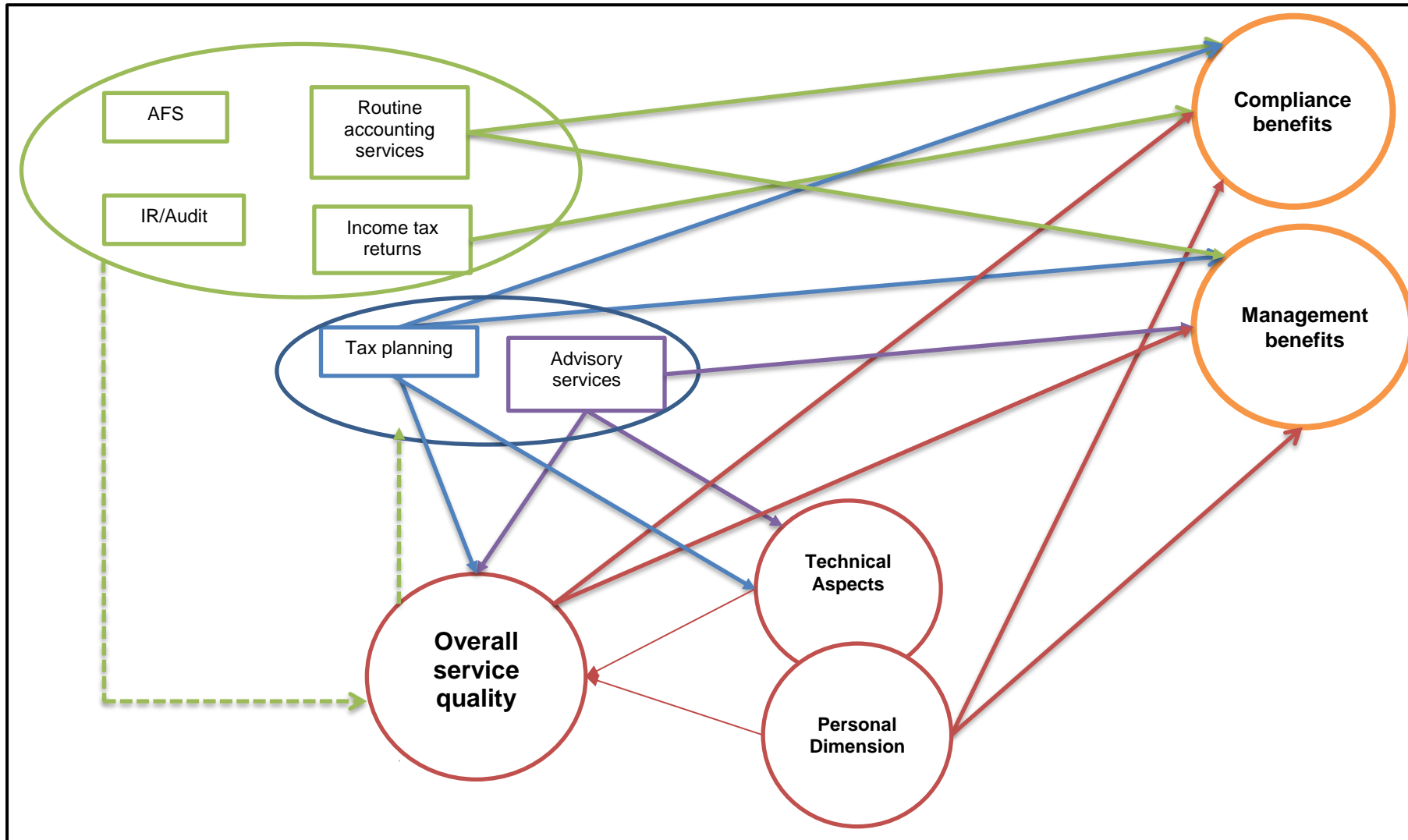
FIGURE 7.1: Graphic representation of the hypotheses that demonstrated significant relationships

Based on the results (Refer to **FIGURE 7.1**) it is concluded that the services typically offered by SAPs could assist SMME in obtaining both compliance and management benefits. The level of attaining such benefits is however dependent firstly on SMMEs sourcing the right types of services and secondly, the accounting practitioners' ability to offer high levels of service quality.

The study found that SMMEs which regularly source routine accounting services, tax related and general advisory services, gain greater levels of compliance and management benefits. It is therefore advised that SMMEs seeking to overcome the lack of financial management skills within their organisations should source a combination of routine accounting services, tax planning, and general advisory services from a competent external accounting practitioner whom they trust.

Despite previous claims that SMMEs could obtain both compliance and management benefits from preparing and reviewing annual financial statements, the study confirms that SBOs perceive these services to be of limited benefit, i.e. that these do not provide them with significant compliance or management benefits.

Unfortunately, the majority of SMMEs included in the study use their accounting practitioner solely to prepare and review their AFS. As trained professionals, SAPs should have the necessary skills to assist SBOs and entrepreneurs to overcome their lack of financial management skills. Results from this study show a significant relationship between the levels of service quality and SMMEs' tendency to source advisory services. It is therefore suggested that SAPs enhance their levels of service quality to SBOs. The results of such behaviour should encourage SBOs to source advisory services on a more frequent basis. In addition, by accountants improving service quality, small business clients will have an enhanced perception of the benefits they could obtain from the former.

On the other hand, SBOs who wish to obtain optimum benefit from the relationship with their external accountant should actively seek guidance from other entrepreneurs and/or SBOs regarding the services they need to source from their external accountant, to enable them to obtain the necessary compliance and growth related benefits to ensure business survival.

7.5   Limitations

The findings and conclusions from this study should be considered in relation to its limitations. The latter stem from the research methods and measures applied to answer the research question.

Previous studies have highlighted that the relationship between the SBO and the SAP evolves over time and that the types of services sourced are dependent on the length of the relationship and the developmental stage of the business. The study made use of an ex post facto, cross sectional research design. As such, the findings are based on past events, which merely provide a snap shot at a specific point in time. The study could therefore not consider how the constructs included in the model alter over an extended period.

The measurement scales used in the study result in further limitations. The study used SBOs' perceptions to test the level of benefits they obtain from their accounting practitioner. Accounting is a specialised professional service and SBOs may therefore be ignorant of the benefits they should obtain from a relationship with their external accounting practitioner.

Although the SERVQUAL scale is the most commonly used measure of service quality, it has attracted a fair amount of criticism over the years. An issue, such as unidimensionality, which was present in this study, is a common phenomenon when using the SERVQUAL scale. To mitigate the risks associated with unidimensionality, the study considered the results obtained from a model that includes overall service quality as a second order latent variable.

Survey data was collected from a conveniently selected sample, using a self-administered questionnaire. Although the researcher consciously targeted a variety of audiences in gathering the survey data, the sample mainly consisted of highly skilled, white male SBOs. Caution should therefore be exercised in generalising the findings to owners of SMMEs with low representation in the study.

To limit the scope, this study simply investigated the relationship between the frequency of various types of services sourced and levels of service quality and SBOs'

perceptions of the benefits they obtain from a relationship with their accounting practitioners. Other factors of small business, such as industry, the age of the business and so forth, or SAP factors, such as qualifications, experience and the like, may also impact the relationship between the SBO and the SAP.

7.6 Recommendations for Future Research

The study aimed to provide a starting point in obtaining a holistic understanding of the factors affecting the benefits that SBOs obtain from the relationship with their accounting practitioner. It is therefore recommended that the model be refined and expanded. Recently, emphasis has been placed on the role that value for money and trust play in the relationship between the SBO and SAP. Although this study attempted to include these aspects, it was not possible to establish their full impact, as they were included only as single item measures in the adapted SERVQUAL scale.

Giving consideration to its prevalence in the literature, it is recommended that more refined scales for measuring value for money and trust are developed. These scales should then be used to investigate the relationship between value for money and trust with the different types of services sourced, the perceptions of service quality and the perception of benefits. In addition, future studies could refine the predictive model by investigating the possible mediating effect that small business and/or small business owner factors may have on the model.

Literature further suggests that a relationship of trust be created over a period. It is recommended that research be conducted to gain understanding of how the relationship between the SBO and the SAP alters as the small businesses evolve.

The study included just South African SBOs. It is recommended that the study be repeated in developed and other developing economies to compare and confirm the results.

It is also recommended that the model be expanded to include different moderating effects; for example, the size of the business, the industry, the business form of the SMME and the professional body affiliation of the accountant.

Data obtained from self-administered questionnaires often lack the richness and nuance of data obtained by means of interviews. It is therefore recommended that the results of the study be corroborated by applying qualitative research methods too. Using such methods may allow the researcher to obtain data from respondents who may otherwise feel intimidated by a questionnaire dealing with accounting or finance related issues. Comparing the results obtained, by means of qualitative and quantitative research methods, would allow for a balanced understanding of the interrelationship between the constructs included in the model. It would also provide an understanding of additional relationships, which may be used to expand the existing model.

The study suggests that technical competency plays a role in accountants retaining small business clients. This study just assessed SBOs' perceptions of the technical competency of SAPs. According to the Nordic model (Fleishman et al., 2016; Kang & James, 2004), clients are not able to accurately assess the technical competency of professional services. It is therefore recommended that a study be conducted amongst SAPs to assess whether they have the technical ability to not only provide basic accounting services, but advisory services too.

The study could also be expanded to include other small business service providers such as small business coaches, business incubators and financiers.

It has been suggested that digital technologies, machine learning and artificial intelligence is impacting the accounting profession dramatically. Studies assessing the extent of the impact that these technologies have on SAPs and how it could be used to improve accounting service delivery to SMMEs, are needed.

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APPENDIX A-1: Small business owner questionnaire

Faculty of Economic and Management Sciences
Department of Business Management

RESEARCH QUESTIONNAIRE

Dear Respondent

The following questionnaire is part of a doctoral study entitled: "Small business owner perceptions of service quality and the benefits obtained from accounting practitioners". It will be highly appreciated if you, as a **small business owner / entrepreneur**, would participate in the research study.

The main purpose of the study is to determine what small business owners' expectations and perceptions are with regards to the levels of service quality offered by their small accounting practitioner and to evaluate how service quality impacts the perceived benefits that small business owners obtain from the services sourced from their accountants.

It is aimed that the feedback obtained from this study would inform small accounting practitioners on how to closer align their service delivery to the expectations and needs of their small business clients.

The study involves an <u>anonymous</u> survey. The answers you give will be treated as **STRICTLY CONFIDENTIAL**. The results of the study will be used for academic purposes and on request may be reported to small business accountants to inform them of their levels of service quality.

Please feel free to contact the researcher if you need any information concerning the questionnaire.

<u>Research conducted by</u>:   Adele Oosthuizen

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Please contact my supervisors, Dr M. Botha, at melodi.botha@up.ac.za and Prof J Van Vuuren jurie.vanvuuren@up.ac.za should you have any questions or comments regarding the study.

Instructions for completion of the questionnaire:

1. Please answer the questions in the attached questionnaire as completely, objectively and honestly as possible. This should not take more than **15 minutes** of your time.
2. **Please mark the option which reflects your answer the most accurately with an (X) in the space provided**.
3. Please answer all the questions as this will provide more information to the researcher so that an accurate analysis and interpretation of data can be made.

Section A: Details of the small business owner / entrepreneur and business

Mark the applicable option with an (X).

V1

1. Indicate your gender.

Female	1
Male	2

V2

2. Indicate your ethnic group.

Indian	1
Coloured	2
Black	3
White	4
Other (please specify)	5

V3

3. How old are you (years)?	

V4

4. Indicate your highest level of education.

Less than matric	1
Matric (Grade 12)	2
National Diploma(3 years)	3
Bachelor or BTech Degree	4
Post-graduate degree/s and/or professional qualifications	5
Other (please specify)	6

V5

5. Do you have any finance related qualifications?

No	1
Yes (please specify)	2

V6

6. Indicate your perception of your own knowledge and understanding of accounting? (Accounting for the purposes of the questionnaire refers to the general recording of transactions and basic financial reporting).

I have no knowledge and understanding of accounting	1
I have a very basic knowledge and understanding of accounting	2
I have a reasonable knowledge and understanding of accounting	3
I have a very good working knowledge and understanding of accounting	4
I have expert knowledge and understanding of accounting	5

V7

7. How long have your business existed?

Less than 3½ years	1
Between 3 ½ 7 years	2
Between 7 – 11 years	3
Between 11 - 15 years	4
More than 15 years	5

V8

8. Number of employees in your business venture?

The business has no employees yet	1
The business has one employee, namely the owner	2
The business has more than one but less than 6 employees	3
The business has 6 or more but less than 50 employees	4
The business has 50 or more but less than 200 employees	5
The business has more than 200 employees	6

V9

9. In which one of the following industry sectors does your business venture fall?

			V10	
Agriculture	1			
Mining & quarrying	2			
Manufacturing	3			
Electricity, gas & water	4			
Construction	5			
Retail, motor trade & repair services	6			
Wholesale trade, commercial agents & allied services	7			
Catering, accommodation & other trade	8			
Transport, storage & communications	9			
Finance & business services	10			
Community, social & personal services	11			
Other (please specify)	12			

10. Form of ownership of your business venture?

		V11	
Not registered	1		
Sole proprietorship	2		
Partnership	3		
Close corporation	4		
Company (Public)	5		
Company (Private)	6		
Business trust	7		
Other (please specify)	8		

11. Approximate annual turnover / sales of your business venture?

		V12	
Below R 3 million per year	1		
Between R 3 million and R 4 million per year	2		
Between R 4 million and R 6 million per year	3		
Between R 6 million and R 13 million per year	4		
Between R13 million and R16 million per year	5		
Between R16 million and R19 million per year	6		
Between R19 million and R26 million per year	7		
More than R 26 million per year	8		

12. In addition to your external or auditor accountant, do you employ or have any other person perform accounting and related tasks?

		V13	
Yes	1		
No	2		

13. Which sources of finance are used in your business? Please mark **all** that apply.

Loans from owners or shareholders	1	V14	
Equity from owners or shareholders	2	V15	
Venture Capital	3	V16	
Bank loan	4	V17	
Bank overdraft	5	V18	
Loan from the IDC or any other development fund	6		
Trade creditors	7		
Other (please specify)	8		

Section B: Details of services sourced from the accountant

14. Did the professional body that your accountant belongs to impact your choice of which accountant to used?

Yes	1
No	2

V19

15. Which professional qualification and professional accounting body/bodies does your accountant belong to? Please mark all the options that apply.

I do not know which professional body my accountant belongs to	
ACCA/FCCA and a member of the Association of Chartered Certified Accountants (ACCA)	1
ACMA/FCMA and a member of the Chartered Institute of Management Accountants (CIMA)	2
CA(SA) and a member of the South African Institute of Chartered Accountants (SAICA)	3
Professional Accountant (SA) and a member of the South African Institute of Professional Accountants (SAIPA)	4
Registered Auditor and a member of the Independent Regulatory Board of Auditors (IRBA)	5
Other (please specify)	6

V20
V21
V22

16. Indicate how often you have each of the following types of contact with your accountant?

	Services	Never	Less than once a year	Once a year	More than once a year but less than 12 times a year	Monthly)	
1.	Face-to-face meetings	1	2	3	4	5	V23
2.	Telephone conversations	1	2	3	4	5	V24
3.	E-mail	1	2	3	4	5	V25
4.	Newsletters	1	2	3	4	5	V26
5.	Social events	1	2	3	4	5	V27
6.	Training	1	2	3	4	5	V28
7.	Other (please specify and indicate how many times during the year you had this kind of contact)	1	2	3	4	5	V29

Section C: Frequency with which different types of services are sourced

17. Listed below are services generally offered by small accounting practitioners. We would like to know how often do you source the following services and from your accountant.

	Services	Never	Less than once a year	Once a year	More than once a year but less than 12 times a year	Monthly)		
1.	Bookkeeping services	1	2	3	4	5	V30	
2.	Management accounts	1	2	3	4	5	V31	
3.	Drafting annual financial statements	1	2	3	4	5	V32	
4.	Audit or independent review of annual financial statements	1	2	3	4	5	V33	
5.	Filing VAT returns	1	2	3	4	5	V34	
6.	Filing income tax returns	1	2	3	4	5	V35	
7.	Tax planning and tax advisory services	1	2	3	4	5	V36	
8.	Payroll and PAYE services	1	2	3	4	5	V37	
9.	Secretarial services (CIPC and other regulatory services)	1	2	3	4	5	V38	
10.	Advisory services relating to the start-up of a new business including business plans and obtaining start-up finance	1	2	3	4	5	V39	
11.	Advisory services relating to the operational financial management of the business (such as budgeting, cash flow management, profit improvement programmes)	1	2	3	4	5	V40	
12.	Advisory services relating to strategic financial management of the business (such as growth and expansion decisions, capital investment decisions, acquiring additional finance)	1	2	3	4	5	V41	
13.	Please indicate any other services which you have sourced from your accountant and how often it was offered	1	2	3	4	5	V42	

Section D: Perception of the usefulness and benefits obtained from the services sourced from the accountant

18. Listed below are statements regarding the benefits and the usefulness of services and information sourced from accountants providing services to small businesses. Indicate your level of agreement with the following statements

	Statement	Strongly Disagree	Disagree	Agree	Strongly Agree		
1.	The services sourced from my accountant help to overcome the financial skills lacking within my business	1	2	3	4	V43	
2.	The services I source from my accountant enhance my ability in managing my business strategically	1	2	3	4	V44	
3.	The services I source from my accountant help my business to remain tax compliant	1	2	3	4	V45	
4.	The services I source from my accountant contribute to my business's compliance with relevant laws and regulations	1	2	3	4	V46	
5.	The financial information I receive from my accountant supports my business decisions	1	2	3	4	V47	
6.	The financial information I receive from my accountant is useful as an operational tool in controlling my business	1	2	3	4	V48	
7.	The financial information I obtain from my accountant is mainly prepared because it is required for external reporting to banks, creditors, SARS and the CIPC	1	2	3	4	V49	
8.	I understand the financial information I receive from my accountant	1	2	3	4	V50	
9.	The financial information obtained from my accountant is useful in managing my business	1	2	3	4	V51	
10.	Where applicable my accountant explains the financial information he/she prepared	1	2	3	4	V52	
11.	My accountant assists me in using the financial information prepared to better manage my business	1	2	3	4	V53	
12.	Overall I would rank the relationship I have with my accountant as beneficial to my business	1	2	3	4	V54	

Section E: Service quality

19. This section of the survey deals with your **EXPECTATIONS** regarding various aspects of service delivery by small accounting practitioners **in general**. On a scale of 1 to 7 indicate your agreement with each of the following statements regarding service delivery by small accounting practitioners to you as a small business owner.

	Statement	Strongly disagree			Neutral			Strongly agree		
1.	Excellent small accounting practices have modern looking offices and equipment.	1	2	3	4	5	6	7	V55	
2.	The physical facilities at excellent small accounting practices are visually appealing.	1	2	3	4	5	6	7	V56	
3.	Employees at excellent small accounting practices are neat in their appearance.	1	2	3	4	5	6	7	V57	
4.	Communications, documents and statements received from excellent small accounting practitioners are visually appealing.	1	2	3	4	5	6	7	V58	
5.	When excellent small accounting practitioners promise to do something by a certain time, they do.	1	2	3	4	5	6	7	V59	
6.	When a customer has a problem, excellent small accounting practitioners will show a sincere interest in solving it.	1	2	3	4	5	6	7	V60	
7.	Excellent small accounting practitioners will perform the service right the first time.	1	2	3	4	5	6	7	V61	
8.	Excellent small accounting practitioners will offer value added advice as part of their bookkeeping and compliance services.	1	2	3	4	5	6	7	V62	
9.	Excellent small accounting practitioners are able to legally manage their clients' tax liability.	1	2	3	4	5	6	7	V63	
10.	Excellent small accounting practitioners will provide a wide range of accounting related services.	1	2	3	4	5	6	7	V64	
11.	Excellent small accounting practitioners inform clients exactly when services will be performed.	1	2	3	4	5	6	7	V65	
12.	Excellent small accounting practitioners give prompt service to clients.	1	2	3	4	5	6	7	V66	
13.	Excellent small accounting practitioners are always willing to help clients.	1	2	3	4	5	6	7	V67	
14.	Excellent small accounting practitioners are never too busy to respond to client requests.	1	2	3	4	5	6	7	V68	
15.	Excellent small accounting practitioners keep in frequent contact with their clients.	1	2	3	4	5	6	7	V69	
16.	Excellent small accounting practitioners communicate pro-actively with their clients	1	2	3	4	5	6	7	V70	
17.	The behaviour of excellent small accounting practitioners instils confidence in clients.	1	2	3	4	5	6	7	V71	
18.	Clients of excellent small accounting practitioners trust their accountants in handling their affairs.	1	2	3	4	5	6	7	V72	
19.	Excellent small accounting practitioners always act ethically.	1	2	3	4	5	6	7	V73	
20.	Excellent small accounting practitioners are consistently courteous towards clients.	1	2	3	4	5	6	7	V74	
21.	Excellent small accounting practitioners are competent in providing the services they offer.	1	2	3	4	5	6	7	V75	
22.	Excellent small accounting practitioners have the knowledge to answer clients' questions.	1	2	3	4	5	6	7	V76	

		Strongly disagree			Neutral			Strongly agree		
23.	Excellent small accounting practitioners understand their clients' business and the dynamics of the environment in which they operate.	1	2	3	4	5	6	7	V77	
24.	Excellent small accounting practitioners will give clients personal attention.	1	2	3	4	5	6	7	V78	
25.	Excellent small accounting practitioners make it convenient for their clients to contact them	1	2	3	4	5	6	7	V79	
26.	Excellent small accounting practitioners are experienced.	1	2	3	4	5	6	7	V80	
27.	Excellent small accounting practitioners have their clients' best interest at heart.	1	2	3	4	5	6	7	V81	
28.	Excellent small accounting practitioners will understand the specific needs of their clients.	1	2	3	4	5	6	7	V82	
29.	Excellent small accounting practitioners are conservative in dealing with their clients' affairs.	1	2	3	4	5	6	7	V83	
30.	Excellent small accounting practitioners are honest in their dealings.	1	2	3	4	5	6	7	V84	
31.	Excellent small accounting practitioners offer value for money services.	1	2	3	4	5	6	7	V85	

20.   The following statements relate to your perception about your small accounting practitioner. On a scale of 1 to 7 please indicate the extent to which you agree with each of the following statements regarding service delivery by your small accounting practitioners.

	Statement	Strongly disagree			Neutral			Strongly agree		
1.	My accountant has modern looking offices and computer equipment.	1	2	3	4	5	6	7	V86	
2.	My accountant has physical facilities which are visually appealing.	1	2	3	4	5	6	7	V87	
3.	Employees at the accounting practice I use are neat in their appearance.	1	2	3	4	5	6	7	V88	
4.	Materials associated with the accounting practice I use (such as documents or statements) are visually appealing.	1	2	3	4	5	6	7	V89	
5.	When my accountant promises to do something by a certain time, he/she does so.	1	2	3	4	5	6	7	V90	
6.	When I have a problem, my accountant shows a sincere interest in solving it.	1	2	3	4	5	6	7	V91	
7.	My accountant performs the service right the first time.	1	2	3	4	5	6	7	V92	
8.	My accountant offers value added advice as part of the services I source.	1	2	3	4	5	6	7	V93	
9.	My accountant helps me to manage my tax liability legally.	1	2	3	4	5	6	7	V94	
10.	The accounting practice I use provides a wide range of accounting related services.	1	2	3	4	5	6	7	V95	
11.	The accounting practice I use informs me of exactly when the services will be performed.	1	2	3	4	5	6	7	V96	
12.	The accounting practice I use gives me prompt service.	1	2	3	4	5	6	7	V97	
13.	The accounting practice I use is always willing to help.	1	2	3	4	5	6	7	V98	

14.	The accounting practice I use is never too busy to respond to my requests.	1	2	3	4	5	6	7	V99	
15.	My accountant frequently contacts me.	1	2	3	4	5	6	7	V100	
16.	The accounting practice I use communicates pro-actively with me.	1	2	3	4	5	6	7	V101	
17.	The behaviour of my accountant instils confidence in me.	1	2	3	4	5	6	7	V102	
18.	I trust my accountant in handling my affairs.	1	2	3	4	5	6	7	V103	
19.	My accountant always acts ethically.	1	2	3	4	5	6	7	V104	
20.	The accountant I use is consistently courteous towards me.	1	2	3	4	5	6	7	V105	
21.	The accountant I use is competent in providing the services they offer.	1	2	3	4	5	6	7	V107	
22.	My accountant has the knowledge to answer my questions.	1	2	3	4	5	6	7	V108	
23.	My accountant understands my business and the dynamics of the environment in which it operates.	1	2	3	4	5	6	7	V109	
24.	My accountant gives me personal attention.	1	2	3	4	5	6	7	V110	
25.	My accountant is experienced.	1	2	3	4	5	6	7	V111	
26.	The accounting practice I use makes it convenient for me to contact them.	1	2	3	4	5	6	7	V112	
27.	My accountant has my best interests at heart.	1	2	3	4	5	6	7	V113	
28.	My accountant understands my specific needs.	1	2	3	4	5	6	7	V114	
29.	My accountant is conservative in dealing with my affairs.	1	2	3	4	5	6	7	V115	
30.	My accountant is honest in his/her dealings.	1	2	3	4	5	6	7	V116	
31.	The service I receive from my accountant offers good value for money.	1	2	3	4	5	6	7	V117	

THANK YOU FOR VERY MUCH FOR COMPLETING THIS QUESTIONNAIRE

APPENDIX A-2: Ethical clearance certificate

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

RESEARCH ETHICS COMMITTEE

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11 March 2014

<u>**Strictly confidential**</u>

Prof JJ van Vuuren
Department of Business Management

Dear Professor van Vuuren

Project:	A gap analysis of the relationship between small business owners and small business accountants
Researcher:	A Oosthuizen
Student No:	11345439
Promoter:	Prof JJ van Vuuren
Co-promoter:	Dr M Botha
Department:	Business Management

Thank you for the application you submitted to the Committee for Research Ethics, Faculty of Economic and Management Sciences.

I have pleasure in informing you that the above study was approved on an *ad hoc* basis on 10 March 2014. The approval is subject to the candidate abiding by the principles and parameters set out in the application and research proposal in the actual execution of the research.

The approval does not imply that the researcher, student or lecturer is relieved of any accountability in terms of the Codes of Research Ethics of the University of Pretoria if action is taken beyond the approved proposal.

The Committee requests that you convey this approval to the researcher.

We wish you success with the project.

Sincerely

p.p. PROF BA LUBBE
CHAIR: COMMITTEE FOR RESEARCH ETHICS

cc: Dr M Botha
      Prof AF Grobler
      Student Administration

Members: Prof BA Lubbe (Chair); Prof RS Rensburg (Deputy Chair) ; Prof HE Brand; Dr CE Eresia-Eke; Prof JH Hall; Prof JF Kirsten; Dr MC Matthee; Prof JE Myburgh; Dr SG Nienaber; Ms K Plant; Prof C Thornhill; Prof R van Eyden; Prof SR van Jaarsveld, Dr M Wiese
Administrative officer: Mr M Deysel

TABLE B-1: Observations farthest from the centroid (Mahalanobis distance)

Observation number	Mahalanobis d-squared	p1	p2
413	134.339	.000	.000
244	130.063	.000	.000
307	104.046	.000	.000
166	103.666	.000	.000
143	94.080	.000	.000
29	92.889	.000	.000
174	88.940	.000	.000
114	87.561	.000	.000
206	85.109	.000	.000
108	83.961	.000	.000
162	83.494	.000	.000
42	82.098	.000	.000
11	81.777	.000	.000
45	81.366	.000	.000
181	79.885	.000	.000
54	79.516	.000	.000
381	78.097	.000	.000
380	76.924	.000	.000
358	76.552	.000	.000
226	73.767	.000	.000
191	73.706	.000	.000
130	73.480	.000	.000
86	72.555	.000	.000
372	72.319	.000	.000

APPENDIX C: Exploratory Factor analysis (Additional output)

Small business owners' perceptions of benefits – Round 1

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (hereafter KMO) was calculated at a level of 0.919. As 0.919 > 0.7,

TABLE C-1: KMO and Bartlett's Test - SBO perception of benefits

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.919
Bartlett's Test of Sphericity	Approx. Chi-Square	2886.714
	df	66
	Sig.	.000

The initial Eigenvalues drawn from the analysis are indicated in **TABLE C-2** below.

TABLE C-2: Total Variance Explained (SBO perceptions of benefits)

Factor	Initial Eigenvalues		
	Total	**% of Variance**	**Cumulative %**
1	**6.148**	**51.237**	**51.237**
2	**1.343**	**11.190**	**62.427**
3	.893	7.440	69.866
4	.724	6.034	75.900
5	.538	4.480	80.380
6	.527	4.389	84.769
7	.412	3.433	88.202
8	.376	3.130	91.331
9	.315	2.629	93.960
10	.285	2.373	96.333
11	.244	2.033	98.366
12	.196	1.634	100.000

Extraction Method: Principal Axis Factoring

TABLE C-3 (below) indicates the pattern matrix with the various items belonging to each of the two factors and the loading (weight) of each item.

TABLE C-3: Pattern Matrix[a] (SBO perceptions of benefits)

	Factor	
	1	**2**
Provide financial skills	.485	
Manage the business	.642	
Tax compliance		.742
Legal compliance		.599
Decision-making	.913	
Operational management and control	.998	
External requirement		.519
Understand		.
Strategic management	.941	
Explain information	.450	
Assistance to use	.813	
Overall benefits	.426	.422

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalisation.[a]

a. Rotation converged in 3 iterations.

The following two items showed a low loading (< 0.5) on the **benefits factor 1: "**My accountant explains the financial information" and "the services I source assist me to overcome my lack of financial management skills". The items will therefore be excluded from a next round of analysis.

Benefits factor 2 consists of the following items: tax compliance, legal compliance and external requirements. Each of these variables has a significant loading (> 0.5) on just one factor. "Overall benefits" item has a low double loading on both factors. The item measures the overall perception of benefit and a double loading on both factors is therefore logical. This item was therefore excluded from a second round of analysis.

TABLE C-4: KMO and Bartlett's Test - SBO perceptions of benefits (Round 2)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.885
Bartlett's Test of Sphericity	Approx. Chi-Square	1808.128
	df	28
	Sig.	.000

The KMO for the second round of analysis was calculated at a level of 0.885 > 0.7 and *p* = 0.000. (Refer to TABLE C-4.)

TABLE C-5: Total Variance Explained - SBO perceptions of benefits (Round 2)

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	**4.337**	**54.213**	**54.213**
2	**1.280**	**16.005**	**70.217**
3	.750	9.370	79.588
4	.407	5.084	84.672
5	.383	4.792	89.464
6	.340	4.247	93.711
7	.300	3.754	97.465
8	.203	2.535	100.000

Extraction Method: Principal Axis Factoring

TABLE C-6 (below) indicates the Pattern Factor Matrix for the second round of factor analysis with the various items belonging to each of the two factors and the loading (weight) of each item.

TABLE C-6: Pattern Matrix - SBO perceptions of benefits (Round 2)

	Factor	
	1	**2**
Manage business	.624	
Tax compliance		.806
Legal compliance		.636
Decision-making	.865	
Control	.953	
External requirement		**.407**
Strategic management	.906	
Assist to use	.782	

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalisation.

a. Rotation converged in 3 iterations.

TABLE C-6 above indicates that two factors were extracted with the item "external requirement" indicating a loading below 0.5. This factor consists of just two variables. The internal consistency of the factor will therefore be considered in order to decide whether or not to use the factor for further analysis. (Refer to TABLE C-7).

TABLE C-7 Item total statistics for benefits factor 2

Item-Total Statistics				
	Scale Mean if Item Deleted	**Scale Variance if Item Deleted**	**Corrected Item-Total Correlation**	**Cronbach's Alpha if Item Deleted**
Tax compliance	6.36	1.431	.518	.341
Legal compliance	6.41	1.377	.476	.376
External requirement	**6.68**	**1.333**	**.254**	**.757**

A third round of factor analysis was performed to **exclude** the "external requirement" item (Refer to TABLE 6.11).

TABLE C-8: Item analysis SBO perceptions of management benefits

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.908	.909	5

Frequency by which different types of services are sourced

TABLE C-9: KMO and Bartlett's Test - Frequency of services sourced

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.843
Bartlett's Test of Sphericity	Approx. Chi-Square	1997.806
	df	66
	Sig.	.000

The KMO was calculated at a level of 0.843. As 0.843 > 0.7 (refer to TABLE C-9), Bartlett's Test indicates that a factor analysis could be used as the *p*-value is smaller than 0.05 (*p* = 0.000).

The Initial Eigenvalues drawn from the analysis are indicated in **TABLE C-10** below.

TABLE C-10: Total Variance Explained – Frequency of services sourced

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	4.541	37.844	37.844
2	1.639	13.658	51.502
3	1.149	9.576	61.078
4	.997	8.311	69.389
5	.844	7.035	76.423
6	.621	5.176	81.599

Extraction Method: Principal Axis Factoring

Only the first 6 lines of output are shown

From **TABLE C-10** it will be appreciated that three initial Eigenvalues are greater than one, which means that three factors could be identified and used in the analysis. These three values explained 61**%** of the information, which is regarded as acceptable.

TABLE C-11 indicates the Pattern Factor Matrix for the first round of factor analysis with the various items belonging to each of the two factors and the loading (weight) of each item. Just those items with a loading above 0.4 were indicated on the matrix.

TABLE C-11: Pattern Matrix – Frequency of services sourced

	Factor		
	1	**2**	**3**
Bookkeeping	.873		
Management accounting	.740		
Drafting AFS			**.489**
Audit/review			.589
Vat returns	.774		
Tax returns			
Payroll and PAYE	.682		
Tax planning			
S_CIPC			
Start-up advice		.770	
Operational advice		.821	
Strategic advice		.956	

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalisation.

a. Rotation converged in 5 iterations.

TABLE C-11 above shows that three factors could be extracted. The following items were significant (> 0.5) loading on just one factor: Types of services that factor 1 consists of: bookkeeping services, management accounting services, submitting VAT returns, payroll and PAYE services. Factor 2's type of services comprises three items: start-up advisory services, operational advisory services and strategic advisory services and factor 3's types of services consist of drafting of AFS and audit or review of AFS.

Items relating to the completion of income tax returns, tax planning services and CIPC services did not load on any factor and were therefore not included in a second round of analysis. As factor 3 consists of just two items, a decision was taken to retain the item relating to the "drafting AFS" even though it had a loading of below 0.5.

Reliability statistics of the types of services factors

TABLE C-12: Item analysis - Monthly services

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.850	.851	4

TABLE C-13: Item analysis - Advisory services

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.877	.878	3

Levels of service quality offered by small accounting practitioners

The KMO was calculated at a level of 0.961, indicating a high value of correlation between pairs of items (Refer to TABLE C-14). Bartlett's Test indicated that a factor analysis might be useful because of the p-values being smaller than 0.05.

TABLE C-14: KMO and Bartlett's Test - Service levels (Round 1)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.961
Bartlett's Test of Sphericity	Approx. Chi-Square	10679.589
	df	465
	Sig.	.000

The Initial Eigenvalues (> 1) drawn from the analysis are indicated in **TABLE C-15.** Four initial Eigenvalues are greater than one, explaining 66.962% of the information in the original 31 items.

TABLE C-15: Total Variance Explained - Service levels (Round 1)

Factor	Initial Eigenvalues		
	Total	**% of Variance**	**Cumulative %**
1	**15.793**	**50.944**	**50.944**
2	**2.044**	**6.593**	**57.537**
3	**1.831**	**5.908**	**63.445**
4	**1.090**	**3.517**	**66.962**
5	.896	2.890	69.852
6*	.815	2.630	72.481

Extraction Method: Principal Axis Factoring

*Only the first six rows of the output

TABLE C-16 (below) indicates the Pattern Factor Matrix with the various items belonging to each of the four factors and the rotated loading (weight) of each item

TABLE C-16: Pattern Matrix - Service Levels (Round 1)

	Factor			
	1	**2**	**3**	**4**
Modern equipment				.738
Facilities				.880
Appearance				**.468**
Appealing documents				**.379**
Do as promised		.681		
Solve problem		.589		
Accurate		.736		
Value-added service		.678		
Manage tax		.736		
Range of services		.546		
Inform		.625		
Prompt		.638		
Helpful		**.421**	**.305**	
Not too busy			**.468**	
Frequent contact			.903	
Pro-active communication			.851	
Confidence		**.302**	**.327**	
Trust	.583			
Ethical	.722	.336		
Courteous	.795			
Competent	.877			
Knowledgeable	.730			
Understand business	.618			
Personal attention	**.488**		**.465**	
Convenience	.775			
Experienced	**.529**		**.375**	
Best interest	.725		.306	
Understand needs	.693		.301	
Conservative	.587			
Honest	.864			
Value for money	.553			

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalisation

a. Rotation converged in 6 iterations.

The service level pattern matrix (**TABLE C-16)** shows that the items "appearance", "appealing documents", "helpful", "not too busy", "confidence", "personal attention", and

"experienced" have low (< 0.5) or relatively low (< 0.6) double loadings. These items were therefore excluded from a second round of analysis.

The second round of analysis (refer to APPENDIX C, TABLE C-17 and C-18) shows the following results:

- The KMO at a level of 0.952 > 0.7. Bartlett's Test of Sphericity indicated that a factor analysis may be useful with the p-values = 0.000
- Three initial Eigenvalues are now greater than one. These three values explain 65.9% of the variance in the remaining 24 items of the scale

TABLE C-17: KMO and Bartlett's Test - Service levels (Round 2)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.952
Bartlett's Test of Sphericity	Approx. Chi-Square	7894.247
	df	276
	Sig.	.000

TABLE C-18: Total Variance Explained -Service levels (Round 2)

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	12.382	51.590	51.590
2	1.829	7.619	59.209
3	1.597	6.654	65.863
4	.961	4.003	69.867
5	.819	3.411	73.278
6*	.677	2.820	76.098

Extraction Method: Principal Axis Factoring

* Only first 6 rows of output are indicated in the table

TABLE C-19: Pattern Matrix - Service Levels (Round 2)

	Factor		
	1	**2**	**3**
Modern equipment			.825
Facilities			.806
Do as promised		.852	
Solve problem		.674	
Accurate		.664	
Value-added service		.658	
Manage tax	**.332**	**.465**	
Range of services		**.403**	
Inform		.771	
Prompt		.772	
Frequent contact		.945	
Pro-active communication		.911	
Trust	.601		
Ethical	.779		
Courteous	.814		
Competent	.906		
Knowledgeable	.752		
Understand business	.600		
Convenience	.788		
Best interest	.662		
Understand needs	.638		
Conservative	**.582**		
Honest	.886		
Value for money	**.525**		

Extraction Method: Principal Axis Factoring

 Rotation Method: Promax with Kaiser Normalisation

a. Rotation converged in 6 iterations

After a second round of analysis, the pattern matrix (TABLE D-19) indicates item "manage tax" to have a low double loading. Considering the number of manifest variables loading onto factor 1, a decision was taken to delete items with a loading below 0.6 from the analysis (Hair et al., 2010). Deleting these items was also reasonable considering that once they were deleted there were ten remaining manifest variables loading on to Service level factor 1. Items "range of services", "conservative" and "value for money" were then also deleted when performing a next round of analysis. In addition, the average factor

score increased once the low loading items were deleted, improving the quality of the measurement model.

Reliability statistics of service level factors

C-20: Item analysis (Service levels – Factor 1)

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.957	.958	10

C-21: Item analysis (Service levels – Factor 2)

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.933	.935	8

C-22: Item analysis (Service levels - Factor 3)

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.813	.813	2

TABLE D-1: Bayesian statistics for overarching measurement model

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Regression weights											
Ethical<--Technical aspects	0.638	0.001	0.049	1	0.637	0.547	0.738	0.184	0.132	0.455	0.865
Courteous<--Technical aspects	0.678	0.001	0.043	1	0.677	0.596	0.764	0.076	-0.009	0.516	0.838
Competent<--Technical aspects	0.862	0.001	0.041	1	0.861	0.785	0.946	0.13	0.054	0.72	1.032
Knowledgeable<--Technical aspects	0.818	0.001	0.041	1	0.818	0.739	0.901	0.11	0.099	0.666	0.986
Understand business<--Technical aspects	1.004	0.001	0.049	1	1.002	0.911	1.101	0.121	0.128	0.811	1.212
Convenience<--Technical aspects	0.743	0.001	0.044	1	0.742	0.658	0.83	0.059	0.043	0.565	0.911
Best interest<--Technical aspects	0.969	0.001	0.046	1	0.967	0.881	1.061	0.186	0.291	0.778	1.215
Solve problem<--Personal aspects	0.858	0.001	0.046	1	0.857	0.772	0.949	0.083	-0.054	0.678	1.024
Accurate<--Personal aspects	0.941	0.001	0.047	1	0.94	0.851	1.039	0.167	0.134	0.768	1.16
Value-added service<--Personal aspects	0.926	0.002	0.051	1	0.924	0.832	1.031	0.235	0.121	0.754	1.17
Prompt<--Personal aspects	0.979	0.002	0.043	1.001	0.977	0.898	1.067	0.193	0.107	0.815	1.182
Frequent contact<--Personal aspects	0.962	0.001	0.061	1	0.961	0.846	1.085	0.161	0.305	0.717	1.277
Modern equipment<--tangibles	0.8	0.007	0.141	1.001	0.795	0.537	1.098	0.237	0.209	0.335	1.407
Understand needs<--Technical aspects	1.023	0.001	0.047	1	1.022	0.933	1.119	0.156	0.171	0.837	1.248
Do as promised<--Personal aspects	0.93	0.002	0.05	1	0.928	0.837	1.034	0.169	0.049	0.713	1.135
Pro-active communication<--Personal aspects	0.992	0.001	0.056	1	0.989	0.886	1.106	0.229	0.314	0.787	1.287
VAT returns<--Routine services	0.971	0.002	0.063	1.001	0.967	0.853	1.1	0.227	0.098	0.753	1.294
PAYE returns<--Routine services	0.874	0.001	0.061	1	0.872	0.758	0.996	0.142	0.077	0.642	1.155
Management accounting<--Routine services	0.92	0.001	0.054	1	0.919	0.817	1.03	0.129	-0.005	0.737	1.141
Operational advice<--Advisory services	0.948	0.001	0.044	1	0.948	0.863	1.036	0.059	-0.118	0.782	1.12
Start-up advice<--Advisory services	0.759	0.001	0.04	1	0.758	0.682	0.837	0.038	-0.1	0.601	0.907
Tax compliance<--Management benefits	0.717	0.002	0.068	1	0.716	0.587	0.857	0.117	-0.044	0.483	0.993
Manage business<--Compliance benefit	0.859	0.002	0.053	1	0.858	0.76	0.964	0.136	0.065	0.679	1.09

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Decision-making<--Compliance benefit	0.992	0.001	0.054	1	0.99	0.892	1.102	0.213	0.04	0.811	1.224
Control<--Compliance benefit	1.036	0.002	0.053	1	1.035	0.938	1.147	0.252	0.314	0.825	1.306
Strategic management<--Compliance benefit	0.946	0.001	0.051	1	0.945	0.852	1.052	0.234	0.197	0.763	1.181
Honest<--Technical aspects	0.674	0.001	0.038	1	0.673	0.603	0.749	0.16	0.144	0.526	0.83
Means											
Tax planning	2.771	0.002	0.067	1	2.772	2.638	2.9	-0.061	-0.047	2.502	3.021
Tax returns	3.441	0.001	0.053	1	3.441	3.337	3.544	0.004	0.006	3.241	3.659
Drafting AFS	3.192	0.001	0.046	1	3.191	3.102	3.282	0.022	-0.066	3.014	3.372
Audit/Review	2.86	0.002	0.054	1	2.861	2.754	2.966	-0.016	-0.026	2.601	3.064
Intercepts											
Trust	-0.218	0.002	0.064	1	-0.218	-0.345	-0.093	0.005	0.009	-0.457	0.036
Conservative	0.146	0.002	0.057	1	0.146	0.037	0.258	0.003	-0.06	-0.087	0.361
Courteous	0.139	0.001	0.053	1	0.14	0.035	0.241	-0.031	-0.125	-0.086	0.338
Competent	-0.069	0.002	0.057	1	-0.069	-0.181	0.043	-0.036	0.035	-0.311	0.13
Knowledgeable	-0.088	0.002	0.056	1	-0.088	-0.198	0.021	-0.008	-0.059	-0.324	0.131
Understand business	-0.298	0.002	0.067	1	-0.297	-0.434	-0.168	-0.079	0.032	-0.561	-0.058
Convenience	0.086	0.002	0.057	1	0.086	-0.026	0.198	-0.029	0.025	-0.17	0.306
Best interest	-0.292	0.002	0.064	1.001	-0.292	-0.419	-0.166	-0.016	-0.006	-0.556	-0.022
Understand needs	-0.33	0.002	0.066	1.001	-0.33	-0.46	-0.2	-0.01	0.039	-0.59	-0.073
Do as promised	-0.799	0.002	0.071	1	-0.799	-0.941	-0.66	-0.051	-0.007	-1.098	-0.517
Solve problem	-0.436	0.002	0.067	1	-0.436	-0.568	-0.306	-0.018	-0.063	-0.698	-0.164
Accurate	-0.506	0.002	0.072	1	-0.505	-0.65	-0.368	-0.093	0.036	-0.836	-0.217
Value-added service	-0.526	0.002	0.073	1.001	-0.526	-0.67	-0.383	-0.02	0.001	-0.849	-0.229
Inform	-0.575	0.002	0.076	1.001	-0.575	-0.725	-0.426	0.006	0	-0.862	-0.29
Prompt	-0.511	0.002	0.07	1	-0.511	-0.648	-0.376	-0.022	-0.04	-0.765	-0.239
Frequent contact	-0.881	0.003	0.086	1	-0.88	-1.055	-0.713	-0.063	0.052	-1.253	-0.558
Pro-active communication	-0.737	0.003	0.082	1.001	-0.736	-0.899	-0.577	-0.027	-0.051	-1.058	-0.441
Modern equipment	0.694	0.002	0.074	1	0.694	0.55	0.841	0.02	0.037	0.373	0.975
Facilities	0.522	0.002	0.074	1	0.521	0.378	0.668	0.055	-0.019	0.262	0.818
Strategic advice	1.957	0.001	0.061	1	1.958	1.836	2.078	-0.011	0.097	1.707	2.216
Operational advice	2.026	0.001	0.063	1	2.026	1.906	2.149	0.001	-0.067	1.765	2.258
VAT returns	2.82	0.001	0.085	1	2.82	2.655	2.988	0	0.024	2.476	3.132
PAYE returns	2.647	0.002	0.086	1	2.647	2.479	2.811	-0.046	-0.03	2.281	2.99
Management accounting	2.828	0.002	0.079	1	2.827	2.673	2.981	0.006	-0.031	2.521	3.148
Start-up advice	1.746	0.001	0.056	1	1.747	1.636	1.854	-0.05	-0.007	1.507	1.968
Bookkeeping	2.883	0.002	0.086	1	2.882	2.715	3.052	0.039	-0.015	2.573	3.227

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Tax compliance	3.373	0.001	0.03	1	3.372	3.315	3.432	0.059	-0.07	3.248	3.485
Legal compliance	3.32	0.001	0.034	1	3.32	3.253	3.387	0.02	0.051	3.18	3.451
Manage business	3.003	0.001	0.039	1	3.003	2.93	3.078	0.052	-0.13	2.859	3.159
Decision-making	2.895	0.001	0.041	1	2.895	2.816	2.977	0.059	-0.029	2.737	3.053
Control	2.841	0.001	0.04	1	2.841	2.764	2.92	0.046	-0.027	2.678	2.991
Strategic management	2.961	0.001	0.038	1	2.961	2.886	3.035	0.013	-0.059	2.828	3.121
Assist to use	2.684	0.001	0.044	1	2.684	2.599	2.771	0.037	-0.015	2.52	2.863
Honest	-0.09	0.002	0.049	1	-0.089	-0.187	0.005	-0.04	0.017	-0.281	0.083
Covariances											
Technical aspects<->Personal aspects	1.169	0.003	0.113	1	1.164	0.966	1.409	0.341	0.317	0.794	1.703
Technical aspects<->Tangibles	0.351	0.003	0.088	1.001	0.348	0.187	0.534	0.221	0.13	0.044	0.754
Personal aspects<->Tangibles	0.456	0.003	0.105	1.001	0.453	0.257	0.673	0.171	0.113	0.076	0.867
Drafting AFS<->Tangibles	0.06	0.003	0.075	1.001	0.058	-0.084	0.213	0.098	0.059	-0.238	0.362
Tax returns<->Tangibles	-0.033	0.003	0.083	1.001	-0.034	-0.196	0.13	0.017	0.044	-0.375	0.292
Routine services<->Advisory services	0.744	0.003	0.104	1	0.74	0.555	0.963	0.28	0.127	0.371	1.207
Drafting AFS<->Advisory services	0.23	0.002	0.06	1	0.23	0.115	0.353	0.082	0.138	-0.019	0.468
Tax returns<->Advisory services	0.177	0.002	0.068	1	0.175	0.046	0.315	0.129	0.311	-0.086	0.441
Tax planning<->Advisory services	0.779	0.002	0.091	1	0.776	0.61	0.963	0.262	0.377	0.474	1.26
Audit/Review<->Advisory services	0.284	0.002	0.071	1	0.282	0.15	0.427	0.15	0.066	0.012	0.581
Tangibles<->Advisory services	-0.028	0.003	0.095	1.001	-0.026	-0.219	0.156	-0.079	0.102	-0.443	0.362
Tangibles<->Routine services	-0.161	0.003	0.117	1	-0.161	-0.395	0.064	-0.069	0.097	-0.626	0.256
Personal aspects<->Advisory services	0.318	0.003	0.084	1	0.316	0.16	0.489	0.132	0.062	0	0.642
Technical aspects<->Advisory services	0.276	0.002	0.072	1	0.274	0.139	0.422	0.141	0.054	-0.024	0.581
Technical aspects<->Routine services	0.108	0.002	0.089	1	0.107	-0.066	0.287	0.031	0.182	-0.269	0.468
Drafting AFS<->Technical aspects	0.113	0.002	0.056	1	0.112	0.005	0.226	0.105	0.078	-0.114	0.352
Technical aspects<->Management benefits	0.189	0.001	0.04	1.001	0.187	0.113	0.271	0.174	0.039	0.046	0.38
Personal aspects<->Routine services	0.28	0.003	0.104	1	0.277	0.08	0.495	0.162	0.175	-0.093	0.736
Drafting AFS<->Personal aspects	0.098	0.001	0.065	1	0.097	-0.031	0.225	-0.006	0.178	-0.162	0.366
Tax returns<->Personal aspects	0.047	0.002	0.075	1	0.047	-0.099	0.196	0.057	0.04	-0.254	0.378

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Audit/Review<->Personal aspects	0.133	0.002	0.076	1	0.132	-0.015	0.283	0.043	0.02	-0.143	0.451
Tax returns<->Routine services	0.625	0.003	0.092	1	0.622	0.455	0.814	0.208	0.096	0.268	1.053
Tax planning<->Routine services	0.872	0.004	0.117	1	0.869	0.655	1.11	0.304	0.741	0.474	1.698
Audit/Review<->Routine services	0.319	0.002	0.089	1	0.315	0.15	0.501	0.189	0.118	-0.012	0.772
Drafting AFS<->Tax planning	0.355	0.003	0.068	1.001	0.354	0.227	0.493	0.15	-0.014	0.047	0.656
Drafting AFS<->Compliance benefit	0.138	0.001	0.036	1	0.137	0.068	0.21	0.099	0.168	-0.004	0.299
Tax returns<->Compliance benefit	0.129	0.001	0.042	1	0.128	0.046	0.215	0.081	0.118	-0.024	0.297
Tax returns<->management benefits	0.166	0.001	0.039	1	0.165	0.092	0.244	0.089	0.041	0.013	0.311
Tax planning<->Compliance benefit	0.394	0.002	0.056	1	0.392	0.29	0.509	0.239	0.215	0.197	0.632
Tax planning<->Management benefits	0.258	0.002	0.048	1.001	0.256	0.168	0.358	0.225	0.089	0.087	0.471
Compliance benefit<->Management benefits	0.272	0.001	0.031	1.001	0.271	0.214	0.338	0.288	0.16	0.171	0.415
Drafting AFS<->Routine services	0.518	0.002	0.082	1	0.516	0.366	0.685	0.231	0.233	0.237	0.947
Tax planning<->Technical aspects	0.304	0.002	0.08	1	0.302	0.15	0.463	0.106	0.132	-0.012	0.63
Tax returns<->Audit/Review	0.197	0.002	0.065	1	0.196	0.07	0.329	0.074	0.084	-0.03	0.466
Drafting AFS<->Tax returns	0.296	0.001	0.057	1	0.295	0.187	0.41	0.091	-0.092	0.042	0.514
Tax returns<->Tax planning	0.465	0.002	0.079	1	0.463	0.317	0.629	0.214	0.155	0.182	0.825
Audit/Review<->Management benefits	0.098	0.001	0.039	1.001	0.098	0.022	0.174	0.011	0.069	-0.058	0.255
Tax planning<->Audit/Review	0.281	0.002	0.077	1	0.28	0.131	0.437	0.096	0.056	0.009	0.602
Tax planning<->Personal aspects	0.374	0.003	0.093	1	0.373	0.193	0.562	0.117	0.169	0.013	0.825
Tax planning<->Tangibles	-0.017	0.004	0.104	1.001	-0.016	-0.224	0.185	-0.117	0.352	-0.509	0.384
Drafting AFS<->Audit/Review	0.348	0.002	0.058	1.001	0.346	0.238	0.465	0.13	0.008	0.136	0.611
Audit/Review<->Tangibles	0.131	0.003	0.084	1	0.129	-0.032	0.299	0.056	0.076	-0.21	0.504
Compliance benefit<->Personal aspects	0.411	0.002	0.056	1	0.408	0.308	0.53	0.287	0.161	0.218	0.668
Routine services<->Management benefits	0.259	0.002	0.055	1	0.257	0.155	0.374	0.208	0.074	0.066	0.492
Compliance benefit<->Routine services	0.38	0.002	0.063	1	0.378	0.261	0.512	0.238	0.21	0.162	0.644
Compliance benefit<->Advisory services	0.358	0.002	0.051	1	0.356	0.264	0.464	0.238	0.066	0.179	0.592
Advisory services<->Management benefits	0.151	0.002	0.043	1.001	0.15	0.067	0.237	0.092	0.111	-0.004	0.323

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Drafting AFS<->Management benefits	0.123	0.001	0.033	1	0.122	0.061	0.191	0.192	0.242	-0.006	0.278
Compliance benefit<->Tangibles	0.107	0.001	0.056	1	0.106	-0.005	0.219	0.009	0.195	-0.124	0.346
Tax returns<->Technical aspects	0.051	0.002	0.064	1	0.05	-0.074	0.181	0.04	0.085	-0.223	0.297
e16<->e17	0.875	0.002	0.086	1	0.871	0.72	1.052	0.308	0.106	0.603	1.257
e8<->e9	0.164	0.001	0.032	1	0.163	0.103	0.231	0.204	0.116	0.052	0.318
e10<->e11	0.248	0.001	0.046	1	0.246	0.163	0.343	0.225	0.085	0.078	0.485
COMPLIANCE BENEFIT<->Technical aspects	0.305	0.002	0.047	1.001	0.303	0.218	0.405	0.267	0.193	0.128	0.516
AUDIT/REVIEW<->Technical aspects	0.162	0.001	0.066	1	0.161	0.034	0.291	0.002	0.152	-0.12	0.437
AUDIT/REVIEW<->COMPLIANCE BENEFIT	0.156	0.001	0.043	1	0.155	0.076	0.243	0.097	0.067	-0.025	0.331
Tangibles<->MANAGEMENT BENEFITS	0.063	0.001	0.051	1	0.063	-0.035	0.164	0.055	0.121	-0.166	0.273
Personal aspects<->MANAGEMENT BENEFITS	0.233	0.002	0.047	1.001	0.232	0.147	0.328	0.147	-0.057	0.054	0.413
Variances											
Technical aspects	1.241	0.003	0.121	1	1.235	1.024	1.494	0.316	0.282	0.779	1.838
Personal aspects	1.661	0.005	0.169	1	1.652	1.349	2.007	0.278	0.336	1.038	2.486
Tangibles	2.052	0.021	0.386	1.001	2.011	1.408	2.934	0.64	0.614	0.992	3.662
Routine services	2.033	0.007	0.224	1	2.022	1.625	2.504	0.36	0.525	1.215	3.295
Advisory services	1.343	0.003	0.118	1	1.338	1.125	1.588	0.228	0.149	0.906	1.836
Management benefits	0.368	0.001	0.044	1	0.366	0.287	0.46	0.253	0.075	0.214	0.568
Compliance benefit	0.501	0.002	0.054	1	0.499	0.402	0.61	0.211	0.04	0.307	0.712
e1	0.481	0.001	0.039	1	0.479	0.411	0.562	0.325	0.168	0.353	0.653
e2	0.864	0.002	0.062	1	0.861	0.751	0.993	0.27	0.077	0.662	1.184
e3	0.598	0.001	0.044	1	0.597	0.518	0.686	0.255	0.225	0.45	0.828
e4	0.409	0.001	0.034	1	0.406	0.348	0.479	0.331	0.137	0.297	0.581
e5	0.449	0.001	0.035	1	0.447	0.386	0.521	0.302	0.273	0.33	0.643
e6	0.614	0.001	0.05	1	0.611	0.525	0.719	0.366	0.33	0.444	0.865
e7	0.628	0.001	0.047	1	0.626	0.542	0.726	0.262	-0.019	0.455	0.821
e8	0.519	0.001	0.042	1	0.517	0.442	0.607	0.274	0.146	0.372	0.731
e9	0.534	0.001	0.044	1	0.531	0.454	0.626	0.284	0.052	0.388	0.721
e10	0.834	0.002	0.065	1	0.832	0.714	0.969	0.238	0.061	0.619	1.138
e11	0.672	0.002	0.054	1	0.669	0.573	0.785	0.301	0.154	0.467	0.929
e12	0.648	0.002	0.053	1	0.646	0.551	0.758	0.26	0.128	0.46	0.869
e13	0.87	0.001	0.067	1	0.866	0.75	1.013	0.323	0.162	0.634	1.174
e14	0.743	0.002	0.061	1	0.74	0.631	0.87	0.25	0.081	0.533	1.008
e15	0.426	0.001	0.038	1.001	0.425	0.355	0.504	0.201	0.121	0.288	0.586
e16	1.548	0.003	0.114	1	1.543	1.344	1.787	0.315	0.167	1.121	2.027

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
e17	1.168	0.002	0.088	1	1.165	1.007	1.353	0.25	0.05	0.877	1.562
e18	1.008	0.012	0.223	1.001	1.013	0.552	1.436	-0.08	0.086	0.143	1.84
e19	0.242	0.02	0.357	1.002	0.287	-0.591	0.823	-0.843	1.244	-1.602	1.14
e20	0.252	0.001	0.042	1.001	0.252	0.171	0.34	0.148	0.131	0.091	0.445
e23	1.145	0.003	0.111	1	1.14	0.939	1.375	0.262	0.079	0.785	1.625
e24	1.607	0.002	0.132	1	1.6	1.366	1.886	0.346	0.321	1.172	2.273
e25	0.97	0.002	0.095	1	0.966	0.795	1.168	0.281	0.182	0.645	1.39
e22	0.519	0.001	0.042	1	0.518	0.44	0.604	0.16	-0.095	0.357	0.692
e26	1.116	0.003	0.109	1	1.112	0.914	1.341	0.225	0.156	0.722	1.628
e27	0.192	0.001	0.02	1	0.192	0.154	0.233	0.125	0.083	0.104	0.275
e28	0.105	0.001	0.03	1	0.106	0.044	0.161	-0.159	0.027	-0.01	0.213
e29	0.263	0.001	0.02	1	0.262	0.226	0.306	0.314	0.223	0.183	0.354
e30	0.199	0	0.017	1	0.198	0.167	0.234	0.238	0.126	0.139	0.27
e31	0.139	0	0.014	1	0.138	0.113	0.167	0.241	0.09	0.095	0.207
e32	0.173	0.001	0.016	1.001	0.173	0.145	0.207	0.426	0.746	0.115	0.261
e33	0.31	0.001	0.025	1	0.309	0.264	0.362	0.283	0.095	0.214	0.419
e21	0.477	0.001	0.048	1	0.476	0.386	0.576	0.182	0.144	0.312	0.702
e34	0.419	0.001	0.032	1	0.417	0.361	0.484	0.261	0.051	0.316	0.593
Drafting AFS	0.915	0.002	0.066	1	0.912	0.795	1.052	0.247	0.06	0.7	1.193
Tax returns	1.234	0.003	0.086	1	1.231	1.075	1.413	0.211	-0.023	0.959	1.606
Tax planning	1.881	0.003	0.131	1	1.876	1.639	2.151	0.29	0.283	1.392	2.543
Audit/Review	1.29	0.004	0.094	1.001	1.285	1.12	1.492	0.289	-0.002	0.975	1.7

TABLE D-2: Bayesian statistics for revised measurement model (including second order LV)

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Regression weights											
Courteous<--Technical aspects	0.683	0	0.043	1	0.682	0.602	0.768	0.108	0.026	0.498	0.877
Competent<--Technical aspects	0.869	0	0.042	1	0.868	0.79	0.954	0.167	0.117	0.712	1.06
Knowledgeable<--Technical aspects	0.825	0	0.042	1	0.823	0.745	0.911	0.143	0.096	0.651	1.038
Understand business<--Technical aspects	1.014	0	0.05	1	1.013	0.919	1.117	0.151	0.12	0.8	1.245
Convenience<--Technical aspects	0.748	0	0.045	1	0.748	0.662	0.838	0.098	0.061	0.576	0.938
Best interest<--Technical aspects	0.978	0	0.047	1	0.977	0.889	1.075	0.15	0.061	0.802	1.231
Understand needs<--Technical aspects	1.031	0	0.049	1	1.03	0.939	1.13	0.145	0.048	0.858	1.279
Solve problem<--Personal aspects	0.856	0	0.046	1	0.855	0.769	0.949	0.139	0.064	0.681	1.065
Accurate<--Personal aspects	0.942	0	0.047	1	0.941	0.854	1.038	0.174	0.096	0.764	1.19
Value-added service<--Personal aspects	0.926	0	0.05	1	0.925	0.832	1.028	0.16	0.127	0.723	1.198
Prompt<--Personal aspects	0.978	0	0.043	1	0.977	0.897	1.066	0.151	0.002	0.826	1.192
Frequent contact<--Personal aspects	0.959	0	0.061	1	0.958	0.843	1.08	0.104	0.037	0.703	1.22
Modern equipment<--Tangibles	0.796	0.002	0.144	1	0.792	0.523	1.089	0.198	0.357	0.303	1.595
Conservative<--Technical aspects	0.644	0	0.049	1	0.643	0.55	0.742	0.078	0.06	0.43	0.856
Do as promised<--Personal aspects	0.928	0.001	0.05	1	0.927	0.834	1.03	0.155	0.053	0.748	1.147
Pro-active communication<--Personal aspects	0.989	0	0.056	1	0.988	0.883	1.103	0.128	0.05	0.74	1.231
VAT returns<--Routine services	0.974	0	0.062	1	0.972	0.856	1.101	0.176	0.144	0.717	1.336
PAYE returns<--Routine services	0.877	0	0.063	1	0.876	0.758	1.005	0.157	0.101	0.636	1.173
Management accounting<--Routine services	0.923	0	0.055	1	0.922	0.82	1.035	0.163	0.105	0.725	1.174
Operational advice<--Advisory services	0.949	0	0.045	1	0.948	0.864	1.039	0.134	0.046	0.776	1.163
Start-up advice<--Advisory services	0.76	0	0.04	1	0.76	0.683	0.841	0.078	0.073	0.598	0.947
Tax compliance<--Management benefits	0.718	0.001	0.069	1	0.717	0.586	0.858	0.13	0.21	0.403	1.081
Manage business<--Compliance benefit	0.858	0	0.053	1	0.856	0.76	0.967	0.191	0.105	0.66	1.096
Decision-making<--Compliance benefit	0.992	0	0.053	1	0.991	0.892	1.1	0.163	0.052	0.81	1.229
Control<--Compliance benefit	1.037	0	0.053	1	1.035	0.939	1.146	0.217	0.143	0.838	1.301
Strategic management<--Compliance benefit	0.947	0	0.051	1	0.945	0.853	1.051	0.191	0.083	0.756	1.174
Honest<--Technical aspects	0.679	0	0.038	1	0.678	0.608	0.756	0.148	0.068	0.535	0.855
Technical aspects<--Service quality levels	0.749	0.001	0.069	1	0.747	0.619	0.891	0.195	0.197	0.484	1.074

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Means											
Tax planning	2.773	0	0.066	1	2.773	2.643	2.902	0.004	0.028	2.498	3.112
Tax returns	3.441	0	0.054	1	3.441	3.335	3.546	0.009	-0.005	3.216	3.654
Drafting AFS	3.192	0	0.047	1	3.192	3.101	3.283	-0.009	0.019	2.995	3.399
Audit/Review	2.86	0	0.055	1	2.86	2.752	2.967	-0.01	0.036	2.625	3.115
Intercepts											
Trust	-0.22	0	0.063	1	-0.22	-0.344	-0.098	-0.019	0.014	-0.489	0.034
Courteous	0.14	0	0.052	1	0.14	0.038	0.243	-0.003	-0.008	-0.085	0.364
Competent	-0.071	0	0.056	1	-0.071	-0.181	0.038	-0.012	0.044	-0.295	0.163
Knowledgeable	-0.09	0	0.055	1	-0.091	-0.198	0.018	0.001	0.021	-0.313	0.171
Understand business	-0.301	0.001	0.066	1	-0.301	-0.432	-0.171	-0.014	0.007	-0.599	-0.034
Convenience	0.085	0	0.056	1	0.085	-0.025	0.194	-0.007	-0.008	-0.149	0.299
Best interest	-0.294	0	0.063	1	-0.294	-0.417	-0.17	-0.009	0.062	-0.566	-0.021
Understand needs	-0.332	0	0.065	1	-0.332	-0.462	-0.204	-0.026	0.049	-0.602	-0.035
Conservative	0.147	0	0.057	1	0.147	0.036	0.259	-0.005	0.014	-0.099	0.368
Do as promised	-0.801	0	0.073	1	-0.801	-0.944	-0.659	-0.013	0.061	-1.113	-0.49
Solve problem	-0.436	0	0.067	1	-0.436	-0.567	-0.305	-0.001	-0.003	-0.711	-0.172
Accurate	-0.507	0	0.071	1	-0.508	-0.646	-0.368	0.004	0.041	-0.864	-0.17
Value-added service	-0.526	0	0.074	1	-0.526	-0.67	-0.383	0.01	0.007	-0.846	-0.181
Inform	-0.576	0	0.075	1	-0.576	-0.722	-0.428	0.008	0.054	-0.94	-0.258
Prompt	-0.512	0	0.069	1	-0.512	-0.648	-0.378	-0.001	0.01	-0.809	-0.187
Frequent contact	-0.879	0.001	0.085	1	-0.879	-1.046	-0.712	0.001	0.089	-1.322	-0.477
Pro-active communication	-0.738	0	0.081	1	-0.738	-0.896	-0.579	0.002	0.052	-1.073	-0.396
Modern equipment	0.694	0.001	0.074	1	0.694	0.55	0.839	0.007	0.033	0.367	1.017
Facilities	0.518	0.001	0.074	1	0.518	0.374	0.664	0.011	0.026	0.214	0.855
Strategic advice	1.96	0	0.061	1	1.96	1.841	2.078	-0.02	0.033	1.682	2.211
Operational advice	2.029	0	0.063	1	2.028	1.906	2.151	-0.008	0.045	1.738	2.303
VAT returns	2.82	0.001	0.085	1	2.82	2.656	2.988	0.014	0.033	2.46	3.181
PAYE returns	2.649	0.001	0.087	1	2.649	2.48	2.821	0.001	0.042	2.311	3.04
Management accounting	2.83	0.001	0.08	1	2.829	2.671	2.988	-0.002	0.037	2.488	3.159
Start-up advice	1.746	0	0.055	1	1.747	1.638	1.854	-0.015	0.027	1.501	1.958
Bookkeeping	2.886	0.001	0.086	1	2.886	2.718	3.055	0.007	0.029	2.524	3.248
Tax compliance	3.372	0	0.03	1	3.372	3.314	3.431	0.013	0.029	3.234	3.49
Legal compliance	3.32	0	0.033	1	3.32	3.255	3.385	0.011	0.031	3.174	3.468
Manage business	3.002	0	0.038	1	3.003	2.928	3.078	0.005	0.05	2.833	3.179
Decision-making	2.896	0	0.04	1	2.895	2.817	2.974	0.02	0.01	2.728	3.064
Control	2.841	0	0.04	1	2.841	2.763	2.92	-0.004	0.036	2.661	3.016
Strategic management	2.962	0	0.038	1	2.962	2.887	3.037	0.007	0.041	2.779	3.132
Assist to use	2.684	0	0.043	1	2.685	2.599	2.77	-0.006	0.001	2.503	2.863

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
Honest	-0.09	0	0.048	1	-0.09	-0.184	0.004	0.002	0.01	-0.282	0.115
Covariances											
Routine services<->Advisory services	0.739	0.001	0.104	1	0.735	0.544	0.954	0.215	0.113	0.374	1.206
Drafting AFS<->Advisory services	0.229	0	0.059	1	0.228	0.117	0.348	0.147	0.156	0.005	0.525
Tax returns<->Advisory services	0.175	0	0.069	1	0.174	0.043	0.312	0.083	0.076	-0.126	0.484
Tax planning<->Advisory services	0.775	0.001	0.093	1	0.771	0.602	0.97	0.253	0.143	0.433	1.205
Audit/Review<->Advisory services	0.281	0.001	0.07	1	0.279	0.146	0.423	0.117	0.094	0.004	0.596
Tax returns<->Routine services	0.622	0.001	0.093	1	0.619	0.449	0.814	0.22	0.15	0.21	1.059
Tax planning<->Routine services	0.863	0.001	0.117	1	0.858	0.645	1.104	0.239	0.157	0.449	1.437
Audit/Review<->Routine services	0.314	0.001	0.088	1	0.312	0.146	0.494	0.135	0.079	-0.098	0.722
Drafting AFS<->Tax planning	0.354	0.001	0.067	1	0.353	0.226	0.492	0.139	0.08	0.086	0.654
Drafting AFS<->Compliance benefit	0.137	0	0.036	1	0.135	0.069	0.211	0.169	0.136	-0.011	0.333
Tax returns<->Compliance benefit	0.128	0	0.042	1	0.127	0.049	0.212	0.152	0.145	-0.055	0.318
Tax Returns<->Management benefits	0.164	0	0.038	1	0.164	0.091	0.241	0.109	0.136	0.018	0.343
Tax planning<->Compliance benefit	0.389	0.001	0.056	1	0.387	0.285	0.506	0.256	0.18	0.178	0.678
Tax planning<->Management benefits	0.255	0	0.048	1	0.254	0.165	0.352	0.16	0.106	0.064	0.488
Management benefits<->Compliance benefit	0.27	0	0.031	1	0.269	0.214	0.334	0.248	0.07	0.153	0.42
Drafting AFS<->Routine services	0.513	0.001	0.08	1	0.51	0.364	0.678	0.209	0.117	0.209	0.901
Tax returns<->Audit/Review	0.192	0	0.063	1	0.192	0.071	0.319	0.075	0.062	-0.08	0.499
Drafting AFS<->Tax returns	0.292	0.001	0.055	1	0.29	0.187	0.403	0.148	0.115	0.103	0.578
Tax returns<->Tax planning	0.463	0.001	0.079	1	0.461	0.315	0.625	0.173	0.06	0.171	0.808
Audit/Review<->Management benefits	0.097	0	0.039	1	0.096	0.023	0.174	0.086	0.088	-0.069	0.26
Tax planning<->Audit/review	0.28	0.001	0.079	1	0.279	0.13	0.438	0.1	0.074	-0.058	0.593
Drafting AFS<->Audit/Review	0.344	0	0.057	1	0.342	0.238	0.459	0.177	0.094	0.124	0.614
Routine services<->Management benefits	0.256	0	0.054	1	0.254	0.154	0.365	0.17	0.143	0.026	0.557
Routine services<->Compliance benefit	0.376	0	0.062	1	0.373	0.261	0.506	0.253	0.19	0.144	0.703
Advisory services<->Compliance benefit	0.356	0	0.051	1	0.353	0.261	0.462	0.258	0.207	0.17	0.634
Advisory services<->Management benefits	0.15	0	0.042	1	0.149	0.071	0.235	0.137	0.08	-0.02	0.343
Drafting AFS<->Management benefits	0.124	0	0.033	1	0.123	0.062	0.19	0.13	0.075	-0.004	0.276
e16<->e17	0.884	0.001	0.087	1	0.88	0.724	1.066	0.273	0.125	0.572	1.315
e10<->e11	0.25	0	0.045	1	0.248	0.165	0.342	0.177	0.069	0.038	0.472

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
e7<->e8	0.164	0	0.033	1	0.163	0.103	0.23	0.174	0.086	0.05	0.326
Audit/Review<->Service quality levels	0.15	0.001	0.075	1	0.149	0.005	0.299	0.048	0.112	-0.175	0.477
Tax planning<->Service quality levels	0.377	0.001	0.092	1	0.375	0.201	0.565	0.141	0.11	0.005	0.792
Drafting AFS<->Service quality levels	0.112	0	0.063	1	0.112	-0.01	0.239	0.057	0.107	-0.183	0.388
Service quality levels<->Routine services	0.248	0.001	0.104	1	0.245	0.05	0.459	0.128	0.085	-0.183	0.703
Service quality levels<->Advisory services	0.326	0.001	0.082	1	0.324	0.17	0.492	0.157	0.135	-0.004	0.75
Service quality levels<->Management benefits	0.237	0	0.046	1	0.235	0.149	0.332	0.189	0.147	0.058	0.457
Service quality levels<->Compliance benefit	0.407	0	0.057	1	0.405	0.303	0.527	0.277	0.153	0.197	0.674
Audit/Review<->Compliance benefit	0.154	0	0.043	1	0.153	0.073	0.24	0.145	0.171	-0.026	0.354
Tax returns<->Service quality levels	0.054	0.001	0.072	1	0.053	-0.087	0.197	0.035	0.121	-0.299	0.348
Tangibles<->Advisory services	-0.028	0.001	0.094	1	-0.027	-0.214	0.155	-0.03	0.064	-0.414	0.357
Tangibles<->Routine services	-0.159	0.001	0.114	1	-0.158	-0.388	0.061	-0.071	0.074	-0.619	0.348
Drafting AFS<->Tangibles	0.062	0.001	0.074	1	0.061	-0.082	0.208	0.047	0.051	-0.284	0.407
Tax returns<->Tangibles	-0.039	0.001	0.083	1	-0.037	-0.204	0.121	-0.074	0.097	-0.406	0.316
Tax planning<->Tangibles	-0.016	0.001	0.104	1	-0.016	-0.221	0.186	-0.02	0.036	-0.418	0.414
Audit/Review<->Tangibles	0.131	0.001	0.084	1	0.13	-0.032	0.299	0.061	0.111	-0.203	0.526
Tangibles<->Compliance benefit	0.108	0	0.057	1	0.107	-0.003	0.22	0.044	0.119	-0.153	0.392
Tangibles<->Management benefits	0.063	0	0.051	1	0.063	-0.038	0.165	0.043	0.107	-0.147	0.27
Service quality levels<->Tangibles	0.451	0.001	0.103	1	0.448	0.254	0.66	0.134	0.107	0.076	0.91
Variances											
Tangibles	2.052	0.008	0.408	1	2.002	1.4	2.989	0.927	2.044	0.772	4.703
Routine services	2.016	0.002	0.221	1	2.008	1.609	2.476	0.237	0.072	1.224	2.983
Advisory services	1.331	0.001	0.117	1	1.327	1.115	1.577	0.258	0.147	0.94	1.983
Management benefits	0.365	0	0.043	1	0.364	0.286	0.455	0.272	0.209	0.2	0.61
Compliance benefit	0.497	0.001	0.054	1	0.495	0.4	0.61	0.288	0.118	0.3	0.787
Service quality levels	1.562	0.002	0.193	1	1.553	1.207	1.964	0.275	0.136	0.923	2.475
e35	0.334	0.001	0.071	1	0.333	0.2	0.479	0.162	0.195	0.071	0.713
e36	0.097	0.001	0.113	1	0.101	-0.136	0.309	-0.276	0.529	-0.622	0.514
e1	0.482	0	0.039	1	0.48	0.41	0.564	0.259	0.094	0.341	0.67
e2	0.597	0	0.044	1	0.595	0.517	0.689	0.279	0.163	0.423	0.805
e3	0.409	0	0.033	1	0.408	0.349	0.478	0.267	0.115	0.277	0.565
e4	0.45	0	0.035	1	0.448	0.385	0.522	0.256	0.09	0.319	0.607
e5	0.613	0	0.048	1	0.611	0.524	0.714	0.26	0.151	0.448	0.856

	Mean	S.E.	S.D.	C.S.	Median	95% Lower bound	95% Upper bound	Skewness	Kurtosis	Min	Max
e6	0.63	0	0.047	1	0.628	0.545	0.727	0.268	0.093	0.46	0.842
e7	0.518	0	0.042	1	0.516	0.442	0.606	0.292	0.153	0.38	0.739
e8	0.534	0	0.043	1	0.532	0.454	0.624	0.255	0.129	0.372	0.746
e9	0.862	0	0.062	1	0.86	0.748	0.991	0.276	0.149	0.64	1.174
e10	0.835	0.001	0.066	1	0.832	0.714	0.971	0.242	0.085	0.611	1.18
e11	0.674	0	0.053	1	0.672	0.575	0.785	0.244	0.097	0.493	0.938
e12	0.647	0	0.053	1	0.645	0.55	0.757	0.244	0.097	0.455	0.911
e13	0.871	0	0.068	1	0.868	0.747	1.014	0.3	0.168	0.631	1.201
e14	0.743	0	0.061	1	0.74	0.63	0.87	0.254	0.109	0.533	1.01
e15	0.426	0	0.039	1	0.425	0.354	0.507	0.264	0.124	0.294	0.608
e16	1.556	0.001	0.116	1	1.55	1.345	1.801	0.315	0.179	1.159	2.212
e17	1.174	0.001	0.09	1	1.17	1.009	1.361	0.259	0.094	0.862	1.663
e18	1.017	0.003	0.227	1	1.018	0.565	1.46	-0.075	0.249	-0.111	1.854
e19	0.224	0.008	0.379	1	0.277	-0.683	0.807	-1.156	3.036	-2.357	1.316
e20	0.253	0	0.042	1	0.252	0.172	0.338	0.12	0.051	0.072	0.439
e23	1.143	0.001	0.111	1	1.139	0.939	1.373	0.254	0.166	0.761	1.754
e24	1.604	0.001	0.131	1	1.599	1.364	1.874	0.259	0.131	1.165	2.285
e25	0.965	0.001	0.095	1	0.962	0.789	1.163	0.242	0.123	0.586	1.452
e22	0.517	0	0.043	1	0.515	0.438	0.606	0.246	0.126	0.363	0.722
e26	1.122	0.001	0.109	1	1.117	0.921	1.349	0.268	0.154	0.729	1.763
e27	0.192	0	0.02	1	0.191	0.154	0.234	0.197	0.17	0.107	0.303
e28	0.105	0	0.03	1	0.107	0.043	0.161	-0.289	0.487	-0.102	0.218
e29	0.263	0	0.021	1	0.262	0.226	0.306	0.25	0.089	0.191	0.366
e30	0.199	0	0.017	1	0.198	0.167	0.235	0.254	0.122	0.144	0.279
e31	0.139	0	0.014	1	0.139	0.114	0.168	0.267	0.138	0.091	0.204
e32	0.173	0	0.015	1	0.172	0.145	0.205	0.241	0.097	0.118	0.245
e33	0.309	0	0.025	1	0.308	0.264	0.361	0.279	0.174	0.223	0.442
e21	0.476	0	0.049	1	0.474	0.385	0.576	0.205	0.081	0.286	0.699
e34	0.417	0	0.031	1	0.415	0.36	0.483	0.3	0.165	0.306	0.605
Drafting AFS	0.911	0.001	0.065	1	0.908	0.792	1.047	0.287	0.196	0.687	1.29
Tax returns	1.227	0.001	0.087	1	1.224	1.069	1.41	0.285	0.139	0.932	1.668
Tax planning	1.873	0.001	0.133	1	1.866	1.63	2.151	0.274	0.148	1.392	2.537
Audit/Review	1.28	0.001	0.09	1	1.276	1.116	1.469	0.297	0.186	0.972	1.804

APPENDIX E: Additional SEM output

TABLE E-1: Non-standardised regression weights for the revised measurement model (with 2nd order LV)

			Estimate	S.E.	C.R.	P
Technical aspects	<---	Service quality levels	.780	.073	10.672	***
Personal aspects	<---	Service quality levels	1.000			
Courteous	<---	Technical aspects	.677	.042	16.172	***
Competent	<---	Technical aspects	.861	.041	21.167	***
Knowledgeable	<---	Technical aspects	.817	.041	20.033	***
Understand business	<---	Technical aspects	1.006	.049	20.652	***
Convenience	<---	Technical aspects	.742	.044	16.932	***
Best interest	<---	Technical aspects	.971	.046	21.185	***
Understand needs	<---	Technical aspects	1.023	.047	21.591	***
Solve problem	<---	Personal aspects	.859	.045	19.176	***
Accurate	<---	Personal aspects	.947	.046	20.408	***
Value-added service	<---	Personal aspects	.928	.050	18.633	***
Inform	<---	Personal aspects	1.000			
Prompt	<---	Personal aspects	.982	.044	22.560	***
Frequent contact	<---	Personal aspects	.963	.060	15.930	***
Conservative	<---	Technical aspects	.637	.048	13.406	***
Trust	<---	Technical aspects	1.000			
Do as promised	<---	Personal aspects	.932	.049	18.931	***
Pro-active communication	<---	Personal aspects	.993	.056	17.804	***
VAT returns	<---	Routine services	.983	.061	16.247	***
PAYE returns	<---	Routine services	.887	.062	14.210	***
Management accounting	<---	Routine services	.936	.057	16.503	***
Operational advice	<---	Advisory services	.955	.044	21.525	***
Start-up advice	<---	Advisory services	.765	.040	18.940	***
Strategic advice	<---	Advisory services	1.000			
Bookkeeping	<---	Routine services	1.000			
Tax compliance	<---	Management benefits	.735	.064	11.447	***
Legal compliance	<---	Management benefits	1.000			
Manage business	<---	Compliance benefit	.866	.053	16.454	***
Decision-making	<---	Compliance benefit	1.000	.054	18.651	***
Control	<---	Compliance benefit	1.045	.052	19.998	***
Strategic management	<---	Compliance benefit	.956	.051	18.836	***
Assist to use	<---	Compliance benefit	1.000			
Honest	<---	Technical aspects	.673	.037	18.226	***

TABLE E-2: Regression weights for adjusted measurement model

			Estimate
Technical aspects	<---	Service quality levels	.858
Personal aspects	<---	Service quality levels	.954
Courteous	<---	Technical aspects	.690
Competent	<---	Technical aspects	.826
Knowledgeable	<---	Technical aspects	.798
Understand business	<---	Technical aspects	.814
Convenience	<---	Technical aspects	.713
Best interest	<---	Technical aspects	.828
Understand needs	<---	Technical aspects	.837
Solve problem	<---	Personal aspects	.796
Accurate	<---	Personal aspects	.829
Value-added service	<---	Personal aspects	.780
Inform	<---	Personal aspects	.824
Prompt	<---	Personal aspects	.884
Frequent contact	<---	Personal aspects	.696
Conservative	<---	Technical aspects	.598
Trust	<---	Technical aspects	.844
Do as promised	<---	Personal aspects	.789
Pro-active communication	<---	Personal aspects	.755
VAT returns	<---	Routine services	.784
PAYE returns	<---	Routine services	.694
Management accounting	<---	Routine services	.796
Operational advice	<---	Advisory services	.843
Start-up advice	<---	Advisory services	.768
Strategic advice	<---	Advisory services	.912
Bookkeeping	<---	Routine services	.791
Tax compliance	<---	Management benefits	.702
Legal compliance	<---	Management benefits	.867
Manage business	<---	Compliance benefit	.756
Decision-making	<---	Compliance benefit	.838
Control	<---	Compliance benefit	.887
Strategic management	<---	Compliance benefit	.844
Assist to use	<---	Compliance benefit	.776
Honest	<---	Technical aspects	.750

TABLE F-1: Bootstrap Standard Errors – Non-standardised regression weights

Parameter			SE	SE-SE	Mean	Bias	SE-Bias
Technical aspects	<---	Drafting AFS	.056	.001	.051	-.002	.001
Technical aspects	<---	Advisory services	.053	.001	.164	-.004	.001
Technical aspects	<---	Audit/Review	.057	.001	.073	.001	.001
Personal aspects	<---	Tax returns	.053	.001	-.049	-.002	.001
Technical aspects	<---	Tax planning	.065	.001	.142	.004	.001
Personal aspects	<---	Tax planning	.065	.001	.145	.003	.001
Technical aspects	<---	Tax returns	.054	.001	-.011	-.002	.001
Technical aspects	<---	Routine services	.071	.001	-.101	.001	.002
Personal aspects	<---	Routine services	.074	.001	.047	.001	.002
Personal aspects	<---	Advisory services	.057	.001	.125	-.002	.001
Personal aspects	<---	Audit/Review	.054	.001	.038	.001	.001
Personal aspects	<---	Drafting AFS	.050	.001	-.003	-.001	.001
COMPLIANCE BENEFIT	<---	Personal aspects	.123	.002	.180	.003	.003
Management benefits	<---	Personal aspects	.093	.001	.360	.002	.002
Management benefits	<---	Drafting AFS	.052	.001	.026	.001	.001
Management benefits	<---	Audit/Review	.047	.001	.029	.000	.001
Management benefits	<---	Tax returns	.051	.001	.016	.001	.001
Compliance benefit	<---	Drafting AFS	.070	.001	.063	-.002	.002
Compliance benefit	<---	Audit/Review	.058	.001	.025	.001	.001
Compliance benefit	<---	Tax returns	.073	.001	.127	.001	.002
Compliance benefit	<---	Advisory services	.064	.001	-.004	.001	.001
Compliance benefit	<---	Tax planning	.068	.001	.142	-.001	.002
Management benefits	<---	Advisory services	.054	.001	.237	.002	.001
Compliance benefit	<---	Technical aspects	.147	.002	.087	-.007	.003
Management benefits	<---	Technical aspects	.098	.002	.016	-.003	.002
Management benefits	<---	Routine services	.070	.001	.128	-.001	.002
Management benefits	<---	Tax planning	.052	.001	.161	-.002	.001
Compliance benefit	<---	Routine services	.082	.001	.133	.002	.002
Conservative	<---	Technical aspects	.049	.001	.598	-.001	.001
Courteous	<---	Technical aspects	.037	.001	.688	-.002	.001
Competent	<---	Technical aspects	.028	.000	.825	-.001	.001
Knowledgeable	<---	Technical aspects	.034	.001	.798	-.001	.001
Understand business	<---	Technical aspects	.027	.000	.813	-.001	.001
Convenience	<---	Technical aspects	.037	.001	.713	.000	.001
Best interest	<---	Technical aspects	.028	.000	.827	.000	.001
Solve problem	<---	Personal aspects	.034	.001	.810	-.001	.001
Accurate	<---	Personal aspects	.026	.000	.838	-.001	.001
Value-added service	<---	Personal aspects	.030	.000	.783	.001	.001
Inform	<---	Personal aspects	.028	.000	.797	.001	.001
Prompt	<---	Personal aspects	.021	.000	.864	.000	.000
Frequent contact	<---	Personal aspects	.032	.001	.698	.002	.001
Understand needs	<---	Technical aspects	.027	.000	.837	-.001	.001
Trust	<---	Technical aspects	.027	.000	.843	-.001	.001
Do as promised	<---	Personal aspects	.032	.001	.798	.001	.001

Pro-active communication	<---	Personal aspects	.030	.000	.758	.003	.001
VAT returns	<---	Routine services	.032	.001	.785	.000	.001
PAYE returns	<---	Routine services	.038	.001	.694	.001	.001
Management accounting	<---	Routine services	.031	.000	.794	-.001	.001
Operational advice	<---	Advisory services	.031	.000	.842	.000	.001
Start -up advice	<---	Advisory services	.035	.001	.768	.000	.001
Strategic advice	<---	Advisory services	.020	.000	.912	.000	.000
Tax compliance	<---	COMPLIANCE BENEFIT	.051	.001	.702	-.001	.001
Legal compliance	<---	COMPLIANCE BENEFIT	.042	.001	.867	.000	.001
Manage business	<---	MANAGEMENT BENEFITS	.027	.000	.766	-.001	.001
Decision-making	<---	MANAGEMENT BENEFITS	.023	.000	.835	-.001	.001
Control	<---	MANAGEMENT BENEFITS	.022	.000	.848	.000	.000
Explain information	<---	MANAGEMENT BENEFITS	.038	.001	.656	.000	.001
Assist to use	<---	MANAGEMENT BENEFITS	.026	.000	.789	.000	.001
Bookkeeping	<---	Routine services	.031	.000	.791	-.001	.001
Honest	<---	Technical aspects	.037	.001	.749	.000	.001

TABLE F-2: Bias-correlated percentile method (90% confidence interval, two tailed): Non-standardised regression weights

Parameter			Estimate	Lower	Upper	P
Technical aspects	<---	Drafting AFS	.060	-.045	.165	.347
Technical aspects	<---	Advisory services	.157	.060	.264	.009
Technical aspects	<---	Audit/Review	.069	-.011	.153	.152
Personal aspects	<---	Tax returns	-.054	-.164	.055	.393
Technical aspects	<---	Tax planning	.108	.028	.191	.028
Personal aspects	<---	Tax planning	.132	.042	.233	.020
Technical aspects	<---	Tax returns	-.009	-.106	.080	.833
Technical aspects	<---	Routine services	-.078	-.171	.011	.149
Personal aspects	<---	Routine services	.042	-.069	.155	.549
Personal aspects	<---	Advisory services	.141	.024	.269	.046
Personal aspects	<---	Audit/Review	.042	-.054	.139	.441
Personal aspects	<---	Drafting AFS	-.003	-.127	.117	.985
Compliance benefit	<---	Personal aspects	.061	.003	.129	.085
Management benefits	<---	Personal aspects	.200	.119	.284	.001
Management benefits	<---	Drafting AFS	.019	-.044	.074	.633
Management benefits	<---	Audit/Review	.018	-.029	.065	.547
Management benefits	<---	Tax returns	.010	-.041	.058	.769
Compliance benefit	<---	Drafting AFS	.030	-.014	.073	.262
Compliance benefit	<---	Audit/Review	.009	-.029	.045	.676
Compliance benefit	<---	Tax returns	.050	.009	.091	.050
Compliance benefit	<---	Advisory services	-.002	-.050	.039	.913
Compliance benefit	<---	Tax planning	.046	.011	.084	.030
Management benefits	<---	Advisory services	.145	.081	.205	.001
Compliance benefit	<---	Technical aspects	.038	-.036	.113	.380
Management benefits	<---	Technical aspects	.013	-.088	.109	.792
Management benefits	<---	Routine services	.065	.011	.122	.048
Management benefits	<---	Tax planning	.085	.039	.128	.004
Compliance benefit	<---	Routine services	.041	.001	.082	.089

TABLE F-3: Bootstrap Standard Errors - Standardised regression weights

Parameter			SE	SE-SE	Mean	Bias	SE-Bias
Technical aspects	<---	Drafting AFS	.056	.001	.051	-.002	.001
Technical aspects	<---	Advisory services	.053	.001	.164	-.004	.001
Technical aspects	<---	Audit/Review	.057	.001	.073	.001	.001
Personal aspects	<---	Tax returns	.053	.001	-.049	-.002	.001
Technical aspects	<---	Tax planning	.065	.001	.142	.004	.001
Personal aspects	<---	Tax planning	.065	.001	.145	.003	.001
Technical aspects	<---	Tax returns	.054	.001	-.011	-.002	.001
Technical aspects	<---	Routine services	.071	.001	-.101	.001	.002
Personal aspects	<---	Routine services	.074	.001	.047	.001	.002
Personal aspects	<---	Advisory services	.057	.001	.125	-.002	.001
Personal aspects	<---	Audit/Review	.054	.001	.038	.001	.001
Personal aspects	<---	Drafting AFS	.050	.001	-.003	-.001	.001
Compliance benefit	<---	Personal aspects	.123	.002	.180	.003	.003
Management benefits	<---	Personal aspects	.093	.001	.360	.002	.002
Management benefits	<---	Drafting AFS	.052	.001	.026	.001	.001
Management benefits	<---	Audit/Review	.047	.001	.029	.000	.001
Management benefits	<---	Tax returns	.051	.001	.016	.001	.001
Compliance benefit	<---	Drafting AFS	.070	.001	.063	-.002	.002
Compliance benefit	<---	Audit/Review	.058	.001	.025	.001	.001
Compliance benefit	<---	Tax returns	.073	.001	.127	.001	.002
Compliance benefit	<---	Advisory services	.064	.001	-.004	.001	.001
Compliance benefit	<---	Tax planning	.068	.001	.142	-.001	.002
Management benefits	<---	Advisory services	.054	.001	.237	.002	.001
Compliance benefit	<---	Technical aspects	.147	.002	.087	-.007	.003
Management benefits	<---	Technical aspects	.098	.002	.016	-.003	.002
Management benefits	<---	Routine services	.070	.001	.128	-.001	.002
Management benefits	<---	Tax planning	.052	.001	.161	-.002	.001
Compliance benefit	<---	Routine services	.082	.001	.133	.002	.002
Conservative	<---	Technical aspects	.049	.001	.598	-.001	.001
Courteous	<---	Technical aspects	.037	.001	.688	-.002	.001
Competent	<---	Technical aspects	.028	.000	.825	-.001	.001
Knowledgeable	<---	Technical aspects	.034	.001	.798	-.001	.001
Understand business	<---	Technical aspects	.027	.000	.813	-.001	.001
Convenience	<---	Technical aspects	.037	.001	.713	.000	.001
Best interest	<---	Technical aspects	.028	.000	.827	.000	.001
Solve problem	<---	Personal aspects	.034	.001	.810	-.001	.001
Accurate	<---	Personal aspects	.026	.000	.838	-.001	.001
Value-added service	<---	Personal aspects	.030	.000	.783	.001	.001
Inform	<---	Personal aspects	.028	.000	.797	.001	.001
Prompt	<---	Personal aspects	.021	.000	.864	.000	.000
Frequent contact	<---	Personal aspects	.032	.001	.698	.002	.001
Understand needs	<---	Technical aspects	.027	.000	.837	-.001	.001
Trust	<---	Technical aspects	.027	.000	.843	-.001	.001
Do as promised	<---	Personal aspects	.032	.001	.798	.001	.001
Pro-active communication	<---	Personal aspects	.030	.000	.758	.003	.001
VAT returns	<---	Routine services	.032	.001	.785	.000	.001
PAYE returns	<---	Routine services	.038	.001	.694	.001	.001
Management accounting	<---	Routine services	.031	.000	.794	-.001	.001
Operational advise	<---	Advisory services	.031	.000	.842	.000	.001
Start-up advice	<---	Advisory services	.035	.001	.768	.000	.001
Strategic advice	<---	Advisory services	.020	.000	.912	.000	.000
Tax compliance	<---	Compliance benefit	.051	.001	.702	-.001	.001
Legal compliance	<---	Compliance benefit	.042	.001	.867	.000	.001
Manage business	<---	Management benefits	.027	.000	.766	-.001	.001

Parameter			SE	SE-SE	Mean	Bias	SE-Bias
Decision-making	<---	Management benefits	.023	.000	.835	-.001	.001
Control	<---	Management benefits	.022	.000	.848	.000	.000
Explain information	<---	Management benefits	.038	.001	.656	.000	.001
Assist to use	<---	Management benefits	.026	.000	.789	.000	.001
Bookkeeping	<---	Routine services	.031	.000	.791	-.001	.001
Honest	<---	Technical aspects	.037	.001	.749	.000	.001

TABLE F-4: Bootstrap Standard Errors - Covariance

Parameter			SE	SE-SE	Mean	Bias	SE-Bias
Advisory services	<-->	Drafting AFS	.058	.001	.217	.000	.001
Drafting AFS	<-->	Audit/Review	.061	.001	.326	.001	.001
Drafting AFS	<-->	Tax returns	.060	.001	.276	.000	.001
Drafting AFS	<-->	Tax planning	.065	.001	.334	-.002	.001
Routine services	<-->	Drafting AFS	.075	.001	.478	-.003	.002
Advisory services	<-->	Tax returns	.064	.001	.163	-.002	.001
Advisory services	<-->	Tax planning	.077	.001	.732	-.001	.002
Routine services	<-->	Advisory services	.088	.001	.689	-.007	.002
Audit/Review	<-->	Tax returns	.059	.001	.182	-.001	.001
Audit/Review	<-->	Tax planning	.076	.001	.264	-.002	.002
Routine services	<-->	Audit/Review	.081	.001	.292	-.004	.002
Tax returns	<-->	Tax planning	.076	.001	.436	-.002	.002
Routine services	<-->	Tax returns	.080	.001	.583	-.003	.002
Routine services	<-->	Tax planning	.097	.002	.808	-.005	.002
Advisory services	<-->	Audit/Review	.067	.001	.263	-.002	.001
e35	<-->	e36	.144	.002	.973	-.010	.003
ec	<-->	em	.018	.000	.117	-.005	.000
e16	<-->	e17	.123	.002	.854	-.013	.003
e10	<-->	e11	.056	.001	.204	-.003	.001
e8	<-->	e9	.043	.001	.158	-.001	.001
e14	<-->	e15	.059	.001	.182	-.002	.001

TABLE F-5: Bootstrap Standard Errors - Variance

Parameter	SE	SE-SE	Mean	Bias	SE-Bias
Routine services	.162	.003	1.859	-.005	.004
Advisory services	.103	.002	1.249	.002	.002
Drafting AFS	.070	.001	.862	.000	.002
Audit/Review	.073	.001	1.209	-.001	.002
Tax returns	.083	.001	1.160	-.001	.002
Tax planning	.075	.001	1.769	-.003	.002
e35	.160	.003	1.004	-.015	.004
e36	.184	.003	1.418	-.011	.004
ec	.028	.000	.266	-.008	.001
em	.024	.000	.136	-.005	.001
e1	.060	.001	.469	-.004	.001
e2	.103	.002	.848	-.003	.002
e3	.058	.001	.584	-.005	.001
e4	.049	.001	.401	-.002	.001
e5	.051	.001	.440	-.003	.001
e6	.072	.001	.600	-.003	.002
e7	.065	.001	.614	-.006	.001
e8	.066	.001	.501	-.006	.001
e9	.079	.001	.519	-.001	.002
e10	.106	.002	.779	-.010	.002
e11	.092	.001	.612	-.006	.002
e12	.071	.001	.599	-.002	.002
e13	.092	.001	.846	-.007	.002
e14	.093	.001	.827	-.008	.002
e15	.059	.001	.480	-.003	.001
e16	.149	.002	1.512	-.018	.003
e17	.134	.002	1.133	-.017	.003
e20	.053	.001	.250	-.002	.001
e21	.085	.001	.464	-.001	.002
e23	.144	.002	1.117	-.007	.003
e24	.160	.003	1.566	-.010	.004
e25	.122	.002	.942	-.002	.003
e26	.141	.002	1.110	.000	.003
e27	.022	.000	.183	-.003	.000
e28	.033	.001	.109	-.001	.001
e29	.025	.000	.248	-.001	.001
e30	.025	.000	.197	-.001	.001
e31	.021	.000	.178	-.001	.000
e32	.025	.000	.276	-.002	.001
e33	.031	.000	.287	-.002	.001
e34	.053	.001	.408	-.004	.001
e22	.061	.001	.504	-.003	.001

APPENDIX G: Bootstrap results for the benefits model (incl. 2nd order latent variable)

TABLE G-1: Bootstrap Standard Errors – Non-standardised regression weights

Parameter			SE	SE-SE	Mean	Bias	SE-Bias
Service quality levels	<---	Advisory services	.062	.001	.150	-.003	.001
Service quality levels	<---	Audit/Review	.061	.001	.053	.001	.001
Service quality levels	<---	Tax returns	.059	.001	-.045	-.003	.001
Service quality levels	<---	Tax planning	.060	.001	.134	.003	.001
Service quality levels	<---	Routine services	.073	.001	.006	.001	.002
Service quality levels	<---	Drafting AFS	.070	.001	.017	-.001	.002
Management benefits	<---	Drafting AFS	.038	.001	.015	.000	.001
Management benefits	<---	Audit/Review	.029	.000	.015	.000	.001
Management benefits	<---	Tax returns	.032	.001	.009	.000	.001
Management benefits	<---	Tax planning	.027	.000	.082	-.001	.001
Compliance benefit	<---	Drafting AFS	.033	.001	.030	.000	.001
Compliance benefit	<---	Audit/Review	.022	.000	.008	-.001	.000
Compliance benefit	<---	Tax returns	.030	.000	.051	.001	.001
Compliance benefit	<---	Advisory services	.024	.000	-.003	.000	.001
Compliance benefit	<---	Tax planning	.023	.000	.045	.000	.001
Management benefits	<---	Advisory services	.036	.001	.142	.001	.001
Management benefits	<---	Routine services	.035	.001	.072	.001	.001
Compliance benefit	<---	Routine services	.024	.000	.040	.001	.001
Technical aspects	<---	Service quality levels	.121	.002	.797	.006	.003
Personal aspects	<---	Service quality levels	.000	.000	1.000	.000	.000
Compliance benefit	<---	Service quality levels	.038	.001	.100	.002	.001
Management benefits	<---	Service quality levels	.039	.001	.229	.000	.001

TABLE G-2: Bias-correlated percentile method (90% confidence interval, two tailed): Non-standardised regression weights

Parameter			Estimate	Lower	Upper	P
Service quality levels	<---	Advisory services	.153	.057	.263	.009
Service quality levels	<---	Audit/Review	.053	-.045	.150	.384
Service quality levels	<---	Tax returns	-.042	-.136	.056	.484
Service quality levels	<---	Tax planning	.131	.029	.227	.033
Service quality levels	<---	Routine services	.005	-.113	.125	.933
Service quality levels	<---	Drafting AFS	.017	-.102	.129	.839
Management benefits	<---	Drafting AFS	.015	-.048	.077	.691
Management benefits	<---	Audit/Review	.015	-.032	.063	.581
Management benefits	<---	Tax returns	.009	-.043	.063	.807
Management benefits	<---	Tax planning	.082	.038	.128	.005
Compliance benefit	<---	Drafting AFS	.030	-.022	.089	.337
Compliance benefit	<---	Audit/Review	.009	-.029	.045	.634
Compliance benefit	<---	Tax returns	.050	.002	.103	.086
Compliance benefit	<---	Advisory services	-.003	-.043	.036	.904
Compliance benefit	<---	Tax planning	.045	.009	.085	.040
Management benefits	<---	Advisory services	.140	.083	.198	.001
Management benefits	<---	Routine services	.071	.007	.126	.060
Compliance benefit	<---	Routine services	.040	-.001	.078	.111
Technical aspects	<---	Service quality levels	.792	.603	.993	.001
Personal aspects	<---	Service quality levels	1.000	1.000	1.000	...
Compliance benefit	<---	Service quality levels	.098	.047	.175	.001
Management benefits	<---	Service quality levels	.229	.170	.300	.001