



Quick Guide to Digitalisation and
Business Diversification for SMPs
(Small and Medium Accounting Practices)

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About the Quick Guide

This *Quick Guide* will provide guidance to SMPs on how to digitalise and/or diversify, using the latest resources, and in an incremental and systematic manner, through a step-by-step approach.

It is accompanied by the report:

Professional Services Progression Pathways – Facilitating Business Diversification and Technology Adoption for SMPs (Small and Medium Accounting Practices) which provides information on the supporting evidence and rationale for the suggested pathways in this Guide. These pathways were selected to boost revenue growth and productivity using two dimensions: diversification and digitalisation.

About Singapore Accountancy Commission

The Singapore Accountancy Commission (SAC) spearheads the development of the Singapore accountancy sector with the vision of developing Singapore into a leading global accountancy hub.

SAC is working to achieve this by deepening the skills of the accountancy talent pool; developing the industry to capture growth opportunities; and creating a hub and exchange by building Singapore into a centre for thought leadership. SAC is a statutory body under the Ministry of Finance.

For more information, please visit: www.sac.gov.sg

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its **219,000** members and **527,000** students (including affiliates) in **179** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **110** offices and centres and **7,571** Approved Employers worldwide, and **328** approved learning providers who provide high standards of learning and development.

Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

ACCA has introduced major innovations to its flagship qualification to ensure its members and future members continue to be the most valued, up to date and sought-after accountancy professionals globally.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability.

More information is here: www.accaglobal.com



Introduction

The CFE (Committee on the Future Economy) report recommends that professional services providers build expertise to participate in the region's growth, as well as facilitate the expansion of Singapore-based companies into the region¹.

While some SMPs have expanded operations and activities regionally, many are finding it difficult to extend beyond Singapore. A study² by the SAC, with research partner ACCA and supporting partner IE (International Enterprise) Singapore³, concludes that regionalisation efforts are more successful for multidisciplinary practices. The key to internationalisation and regionalisation for SMPs therefore points to business diversification, which in turn is facilitated and enabled by digitalisation.

This *Quick Guide for SMPs* contains illustrative progression pathways that maximises the core competencies of the SMP to enable them to scale and innovate their business models to take advantage of opportunities that arise because of increasing digital connectivity and globalisation. It is intended to be practical and to guide the SMP business

owner to assess his environment, as well as his strengths and weaknesses; while keeping an eye on the ever-changing demand for various professional services. It also requires the owner to be selective about his or her progression; and not to succumb to popular trends but clinically evaluate options by considering profitability and productivity.

The recommendations in this guide were validated based on conversations with practitioners and a focus group discussion; and the basic premises were established in an earlier roundtable discussion.

"The SMP Quick Guide helps to assess your present position, understand the challenges ahead, opportunities and resources available out there."
Jason Lee, CA.sg PAC

"The contents in the "Quick Guide for SMPs" are spot on. I concur with the findings, approaches and moving forward road map for SMPs. While embracing technology and digitalisation, SMPs must know WHY you are doing what you are doing. There is no one-size-fits-all software, meeting all the SMP's needs."
Desmond Yiong, Executive Director, Avic Dkky Pte Ltd

"I applaud the joint publication by ACCA and SAC. This Quick Guide is a good tool for SMPs like ours to assess and reshape professional accountants into business partners and value enablers, in the light of economic change. I have shared some of the findings with my colleagues within my firm, and the general response has been highly positive and encouraging. Thank you for sharing with us your findings and approaches, along with recommendations of what future accountants can do."
Luar Eng Hwa, Alliance Practice LLP

1 CFE (Committee on the Future Economy), *Pioneers of the Next Generation*, February 2017.
2 SAC (with research partner, ACCA), *AE (Accounting Entities) Regionalisation Survey 2016, 2017*.
3 Now known as Enterprise Singapore (ESG)

STEP 1: Identifying your firm's persona

STEP 1 – REVIEW THE MATRIX: Which persona does your firm fit into?

The first step in any journey, is to identify where you are currently. See the descriptions below and identify the persona that best describes your firm.

For persona 1, a “pure audit” firm means that the firm offers only statutory audit and related services. A “traditional firm” is a firm that offers not only this, but also typically offers corporate secretarial and tax services.

The icons below represent, from left to right, the suggested evolution of your firm – digitalisation: moving to the cloud and deploying robotic process automation (RPA); business model innovation: diversifying your services; and finally, regionalisation and internationalisation.

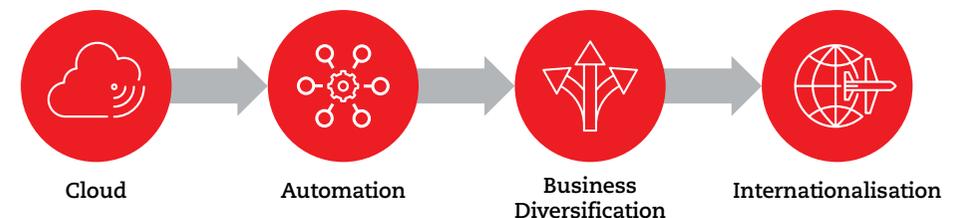
YOUR FIRM'S PERSONAS



Source: ACCA, SAC

Highly digitalised: adoption of 5 or more technology solutions
 Highly diversified: providing 1 or more advisory services

Average Productivity⁴



⁴ Productivity figures are from SAC, AECensus 2018 – The National Census for Accounting Entities. Productivity is represented by Revenue per Employee.



The broad pathways

If your firm is **PERSONA 1** or **PERSONA 3**, the recommended broad pathway is to **DIGITALISE**.

Please proceed to **STEP 2** ►

If your firm is **PERSONA 2**, the pathway is to **DIVERSIFY AND/OR INNOVATE**.

Please proceed to **STEP 3** ►

If your firm is **PERSONA 4**, please continue to innovate, internationalise and share your success stories to accelerate the digitalisation and development of other SMPs, to generate synergies and opportunities for all.

Source: ACCA, SAC

*High technology adoption – adoption of 5 or more solutions

*High diversification – providing 1 or more advisory services

STEP 2: Digitalisation



STEP 2 – REVIEW THE AREA TO DIGITALISE BASED ON YOUR STRATEGY: Do you require baseline or more innovative technology or not sure what to do?

2.1 If you have not formed your digitalisation Strategy and not sure what to do, you can do the following:

- a. Look at the Accountancy Industry Digital Plan to understand the digital solutions and trainings available. You can visit the [Accountancy Industry Digital Plan](#) website for more information.
- b. If you need further assistance, visit the (virtual) [SMP Centre](#) for more information.
- c. If you need personalised guidance, sign up for programmes such as the Accountancy Future Leaders Programme by SAC and ISCA or ACCA's AccXelerator Programme. You can visit the [Accountancy Future Leaders Programme](#) and/or [AccXelerator](#) websites for registration and more information.

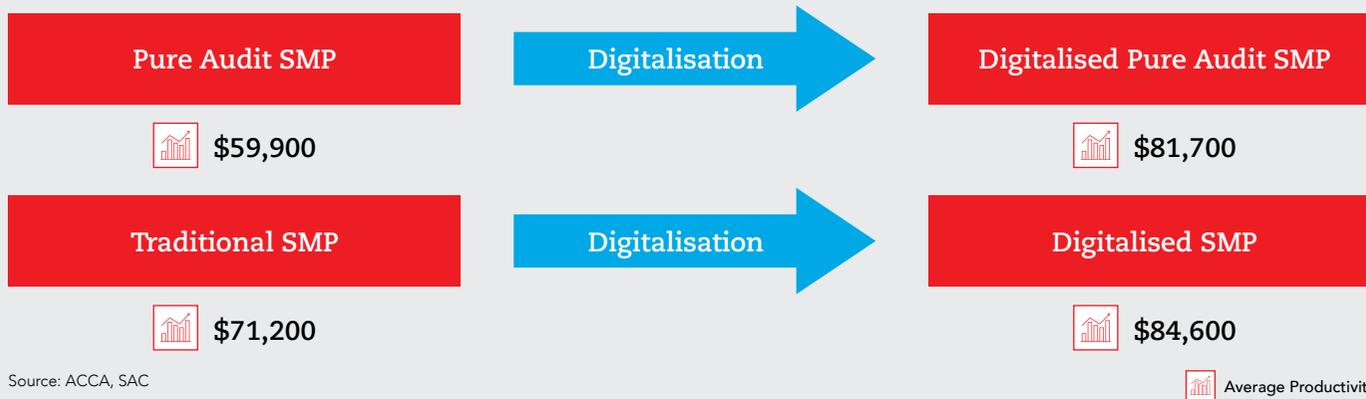
2.2 If you require baseline technology adoption, look at funding programmes provided by SAC, ESG and ISCA

DTACT or the *Digital Transformation for Accountancy* programme, is a joint initiative by SAC and Enterprise Singapore (ESG). DTACT helps SMPs adopt baseline technologies by providing funding support of up to 70% for the first year of adoption of solutions in Practice Management, Tax, and Internal Audit, capped at \$30,000 per firm for the first year. Please visit the [DTACT](#) website for further information.

ILLUSTRATIVE SPECIFIC PROGRESSION PATHWAYS FOR DIGITALISATION

Below are some specific progression pathways for digitalisation and the potential benefits a firm can gain from the progression.

PATHWAY 1 – FROM: Persona 1 (Low-Tech and Low Diversification) TO: Persona 2 (High-Tech and Low Diversification)



PATHWAY 2 – FROM: Persona 3 (Low-Tech and High Diversification) TO: Persona 4 (High-Tech and High Diversification)



5 Productivity figures are from SAC, AECensus 2018 – The National Census for Accounting Entities. Productivity is represented by Revenue per Employee.

6 Productivity figures are from SAC, AECensus 2018 – The National Census for Accounting Entities. Productivity is represented by Revenue per Employee.

7 SAC, AECensus 2018 – The National Census for Accounting Entities.

Pure Audit SMP to Digitalised Pure Audit SMP

Persona 1 describes the majority of SMPs in Singapore, which provide mainly regulated services such as statutory audit and corporate secretarial services; mainly to SMEs. These SMPs have low technology adoption with many just using Microsoft Excel for their operations. Based on recent research⁷, pure audit firms tend to see an approximately 20% increase in productivity from \$59,900 to \$81,700 in terms of revenue per employee when they undergo digital transformation to digitalise their work processes.

Traditional SMP to Digitalised Traditional SMP

Traditional firms are firms that have a broader mix of services; they provide not only statutory audit but also corporate secretarial and tax services. These firms see about approximately 19% increase in productivity from \$71,200 to \$84,600 when they digitalise. It is also noted that a Digitalised SMP has higher productivity than that of a Digitalised Pure Audit SMP. This suggests that a Pure Audit SMP's productivity could be further boosted if the firm also expanded and diversified their service offerings to include tax and corporate secretarial services.

Advisory SMP to Digitalised Advisory SMP

Although this pathway does not generate any new service offering, it enhances service quality and productivity that will result in more efficient and effective delivery of these services. For example, as shown above, a traditional SMP that has already expanded to providing tax advisory and restructuring and insolvency services; can increase productivity further by a significant 52% to \$98,900, after it digitalises. SMPs that have digitalised their business processes can focus more time on generating revenues from higher value activities and potentially internationalise.



STEP 3: Diversification



STEP 3 – DIVERSIFICATION PATHWAYS

If your firm has already digitalised to a sufficient level, and you have successfully freed up time to provide additional services, you will need to consider how to extend your suite of services. In order to do this efficiently, and with less disruption to operations, diversification can be managed as an incremental process; taking into account what your firm already does well, and then evolving new service lines from that, using the following steps:

STEP 3.1	Identify which Services are in Demand
STEP 3.2	“Unpack” your Current Service and identify your Strengths, based on your Component Services
STEP 3.3	Link it with the Services in Demand
STEP 3.4	Identify which of these Services are expected to raise Productivity Levels
STEP 3.5	Identify your Target Service.
STEP 3.6	Review your Current and Target Service to generate a connecting Progression Pathway.
STEP 3.7	Execute according to the Pathway identified.

These steps are elaborated below.

STEP 3.1 – Identify which Services are in Demand

The Market Demand report⁸ and other research clearly point to services where there is a higher demand from corporates. We have shortlisted these services, validated through research, as follows:

TOP 10 SERVICE LINES DEMANDED	
#1	Statutory audit
#2	IT solution business
#3	International tax advisory
#4	Compliance in corporate and personal tax
#5	Debt and capital advisory
#6	Corporate secretarial and legal services
#7	Technology consulting
#8	Data analytics
#9	Other assurance
#10	Accounting advisory

Source: ACCA, SAC

STEP 3.2 – Unpack your current services and identify your Strengths, based on your Component Services

Every service your firm currently provides is likely to be composed of different “component services” that may be developed as a separate service line. For example, your firm may view “Statutory Audit” as a single (monolithic) service. However, this service requires you to complete, in fact, a bundle of services (as elaborated in the table on the right). The first step in diversifying your services is to analyse, breakdown or unpack the components of the current services that your firm offers. Examples of component services are shown below.

UNPACKING COMPONENT SERVICES OF A TRADITIONAL SERVICE LINE		
CURRENT SERVICE	COMPONENT SERVICES	DESCRIPTION OF WORK
Statutory Audit	a. Risks Assessments	Evaluation of both inherent and control risks during planning.
	b. Internal Control Evaluation	Evaluation of internal controls on inventories, fixed assets etc.
	c. Accounting and Bookkeeping	Performing reviews of bank and intercompany reconciliations etc.
	d. Accounting Advisory	Evaluation and discussing with clients on accounting policies.
	e. Valuation	Review of receivables and inventories.
Tax	a. Tax Accounting	Preparing accounting records to perform tax computations.
	b. Tax Preparation and Computations	Performing tax computations, based on prevailing legislation and regulations.
	c. Performing tax computations, based on prevailing legislation and regulations	Advising clients on potential tax savings and structuring transaction to minimise tax.
	d. Tax Planning and Advisory	Elaborating on tax law and effectively providing legal advice.
	e. Performing Tax Audits	Reviewing tax records and computations to ensure compliance with legislation and regulations.
Corporate Secretarial Services	a. Ensuring Compliance with legislation and regulations under Companies and other Acts	Ensuring relevant statutory returns are sent to regulators; compliance with Company’s Constitution and maintenance of statutory registers.

Continued ►

UNPACKING COMPONENT SERVICES OF A TRADITIONAL SERVICE LINE		
CURRENT SERVICE	COMPONENT SERVICES	DESCRIPTION OF WORK
Corporate Secretarial Services	b. Organising Board and General Meetings	Coordinating the company's formal decision making and reporting process; formulating meeting agendas with the chairman and /or the chief executive; attending meetings and taking minutes; and related tasks. Obtaining internal and external agreements to all documentation for circulation to shareholders; coordinating the administration and attending of meetings and taking minutes; and ensuring that correct procedures are followed.
	c. Shareholders' Communications	Communicating with shareholders (i.e. through circulars and otherwise) on various matters; including payment of dividends and interest; rights and capitalization issues; general shareholder relations; and relations with institutional shareholders and their investment protection committees.
	d. Participating in M&A activities	Participating as a key member of the company team to implement corporate acquisitions and disposals; protecting the company's interests by ensuring the effectiveness of all documentation and that due diligence disclosures enable proper commercial evaluation prior to completion of the transaction.
	e. Corporate Governance	Reviewing developments in corporate governance; and advising and assisting the directors with respect to their duties and responsibilities and compliance with their personal obligations under company law and, if applicable Stock Exchange requirements.

Source: ACCA, SAC

After unpacking the component services, your firm should review and record areas in which it has particularly strong competencies in. For example, a firm that provides statutory audit could also have skills developed for risk assessments and/or accounting advisory.

STEP 3.3 – Link it with the services in demand

You can then analyse to see if the services in demand include skills and knowledge that coincide with your firm's own strengths that have been identified (in Step 3.2, above). If so, mark this as a target service. If not, you should review what intermediate services would be required to link it with the target services.

STEP 3.4 – Identify which of these Services are expected to raise Productivity Levels

After identifying these target or intermediate services, it would be prudent to assess whether embarking on these services would result in higher productivity. Based on recent research⁹, SMPs that have embarked on the services listed below have been identified as showing higher productivity levels. If you are a digitalised traditional SMP (already providing statutory audit (and other assurance) services, corporate secretarial (and legal) services, and tax services), these are the most demanded services that will yield the highest productivity:

TOP SERVICE LINES DEMANDED WITH HIGHEST PRODUCTIVITY (%) INCREASE EXPECTED

#2	IT solution business*
#3	International tax advisory
#5	Debt and capital advisory**
#7	Technology consulting
#10	Accounting advisory

Source: ACCA, SAC

Notes:

* Data analytics is usually demanded in relation to IT solution business.

** This would be relevant when providing Restructuring and Insolvency services.

STEP 3.5 – Identify your Target Service

You will now be able to identify your target service. The target service should be selected if the service fulfils 3 criteria:

- a. It is one your strengths (to ensure sustainability of the service line)
- b. It is high in demand (to ensure revenue growth)
- c. It will lead to higher productivity (to ensure a reduction in the unit cost of the service line).

STEP 3.6 – Review your current and target service to generate a Progression Pathway

You will now have identified your current and target service. Proceed by assessing what skillsets and resources you will need to develop and the timeline to deliver the target service. This can be over 1 or 2 years, shorter or longer. Design a progression pathway from the current to the target service. You can use the progression pathways, illustrated right, as a guide to design your own progression pathway towards the target service.

ILLUSTRATIVE SPECIFIC PROGRESSION PATHWAYS FOR DIVERSIFICATION

We provide the following progression pathways towards specified target services, as illustrations.

A digitalised traditional SMP that is currently offering corporate tax compliance services can progress to international tax advisory advice in incremental steps, as shown in Pathway 3, below. The SMP stands to see an increase of productivity after implementing fully this progression pathway. Based on historical data, this productivity can be further increased if the SMP also undertakes restructuring and insolvency work.

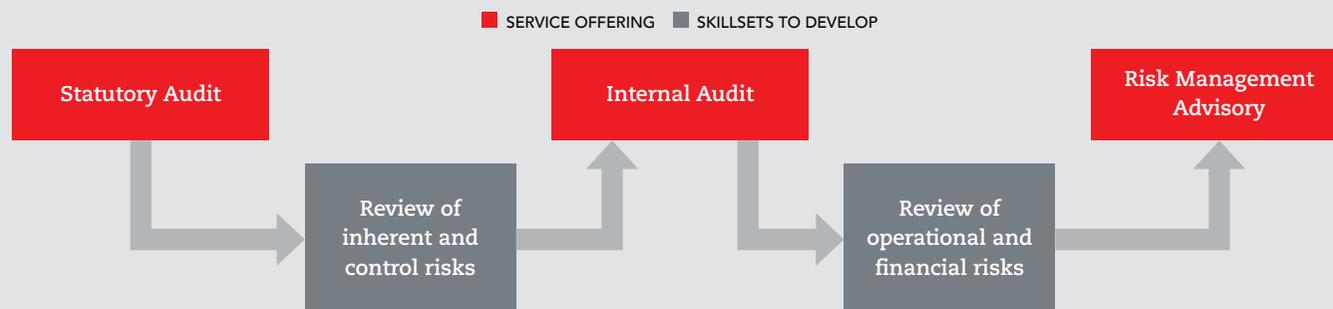
An SMP which is providing mainly Statutory Audit services has a productivity of about \$59,900¹⁰. It is likely to see a rise in productivity with the progression Pathway 4 below, if it provides Internal Audit services together with Risk Management Advisory services.

PATHWAY 3: Illustrative Progression Pathway towards International Tax Advisory



Source: ACCA, SAC

PATHWAY 4: Illustrative Progression Pathway towards Risk Management Advisory via Internal Audit



Source: ACCA, SAC

10 SAC, AECensus 2018 – The National Census for Accounting Entities.

An SMP that is providing statutory audit and corporate secretarial services typically has a productivity of about \$62,000¹¹. This is likely to increase when services are diversified to Insolvency, using the Progression Pathway 5, on the right. To facilitate this progression, SMPs are advised to engage a mentor or collaborate with an expert who can provide technical advice intermittently during projects; and also a legal expert where the project requires it. This pathway will provide foundational expertise to move into Mergers and Acquisitions and Restructuring work; where similarly, engaging or collaborating with an expert with a track record will accelerate the progression.

After the initial wave of diversification as shown in Pathway 5, to increase productivity further, your firm can also consider providing IT Solutions and Consulting Services as Project Managers. SMPs will initiate projects with clients and engage technology solution providers and trainers. As Project Managers they will explain the digital transformation process to clients and lead the team of technology solution providers, trainers and others, using a roadmap agreed with clients.

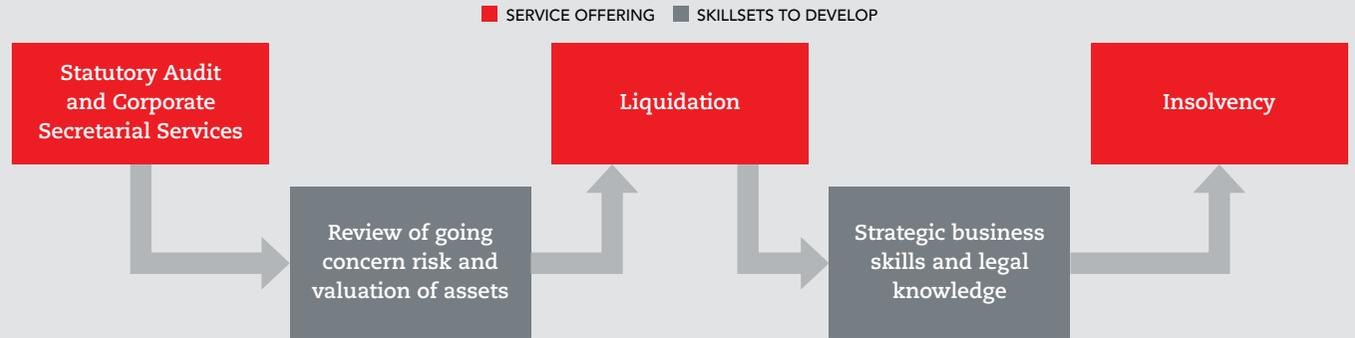
This will be particularly suitable for SMPs that have undergone digital transformation and who would therefore possess a significant amount of experience in particular IT solutions, initially as user, but subsequently very likely to have the knowledge and skills to be able to sell IT services to their clients, in their capacity as Project Managers.

The completion of the progression shown in Pathway 6, on the right, can potentially raise productivity by about 49%, from \$84,600 to about \$125,800.

STEP 3.7 Execute according to the Pathway identified

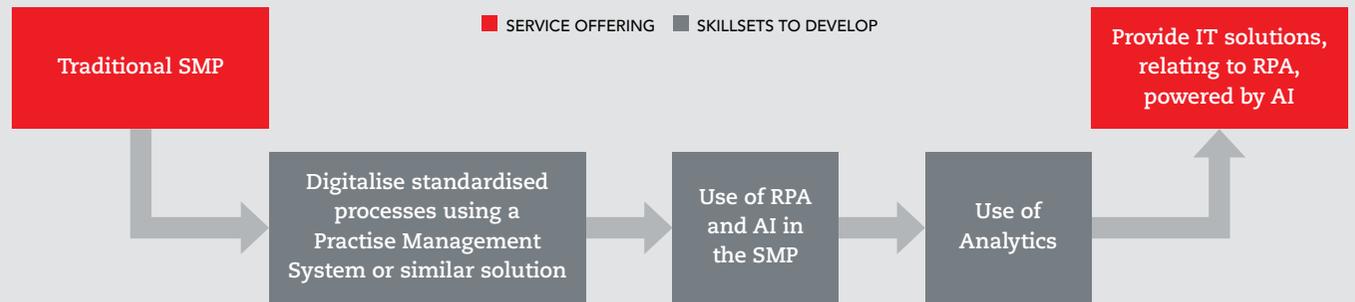
After identifying the progression pathway and resources required, execute accordingly, incrementally moving towards greater diversification.

PATHWAY 5: Illustrative Progression Pathway towards Insolvency



Source: ACCA, SAC

PATHWAY 6: Illustrative Progression Pathway towards IT Solutions and Consulting Service



Source: ACCA, SAC



Developing further

OTHER WAYS TO GROW

You can further grow by enhancing your competencies and expand outreach by:

- adopting Skills Framework for Accountancy
- signing up for professional development courses in high growth practice areas (such as business valuation), offered by professional accounting and learning organisations
- participating in Professional Conversion Programmes
- participating in mission trips organised by ESG and trade associations.

If you require more innovative technology adoption, look at the Accounting Technology & Innovation Centre (AccTech Centre). SAC and the Singapore Institute of Technology (SIT) has set up the AccTech Centre to help SMPs innovate business processes, business models, service delivery, and services. Through the Centre, SMPs will have the opportunity to work with academics, technology partners and government agencies to experiment and prototype innovative ideas. For more information, please email: AccTechCentre@singaporetech.edu.sg

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