



# Let's talk

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## Adapting accountants' communications to small business managers' objectives and preferences

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### Abstract

**Purpose** – The purpose of this paper is to explore the impact of small business managers' objectives and preferred methods of communicating on the communications aspect of accountants' advisory relationship with small business. Through exploring and reporting on these issues, the paper seeks to contribute to understanding of accounting's capacity to satisfy the communication needs of its users.

**Design/methodology/approach** – The study employs a mixed methodology, comprising a questionnaire to access evidence from small business managers and semi-structured interviews with accountants, which provide a complementary perspective to accountant/small business communications. The analysis of the findings is informed by media richness theory.

**Findings** – Small business managers prefer direct forms of contact with their accountants and the richness of verbal communications. This is demonstrated in accountants' use of visual and audio cues, including reinforcing and adjusting techniques, which enhance the appeal and utility of verbal communications. Accountants' documents have been relegated to a supplementary reinforcing function in the profession's communications with small business. Small firm managers' objectives influence their interest in and use of accounting information and the communications approach that their accountant implements. The findings indicate that accountants adopt communications approaches with small business managers, which satisfy the communication needs of the economically significant small business sector, a significant user of accounting information and services.

**Originality/value** – The paper contributes to redressing a gap in the accounting discipline's literature regarding accountants' communications with small business, while offering insights that may be useful to practitioners in their advisory relationships with small business managers.

**Keywords** Small businesses, Accounting, Objectives, Communications preferences, Customer relationship management, Globalization, Australia

**Paper type** Research paper

### Introduction

The small business sector comprises 96 per cent of businesses operating in Australia (Office of the Federal Minister for Small Business, 2009; ABS, 2007). It is a major employer and a nursery for entrepreneurs, who are a significant source of growth. However, small businesses suffer alarmingly high failure rates with accompanying loss of employment and economic contribution (ABS, 2007). Previous studies have established that mismanagement of the accounting and finance function is a cause of small business distress (Burke and Jarratt, 2004; McMahon, 2001; The Beddall Report, 1990). Governments have advocated and research has determined that the accounting profession is ideally positioned to provide the kind of advisory services that are required by financial management deficient small business owner-managers (SBOMs) (Carter and Van Auken, 2006; Jay and Schaper, 2003; The Beddall Report, 1990). It is



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contended that effective communication is fundamental to a mutually beneficial advisory relationship between accountants and small business.

Accounting communications research has concentrated on the remote communications disseminated by listed companies to user groups by way of corporate annual reports (Brennan *et al.*, 2009; Hrasky and Smith, 2008; Li, 2008; Curtis, 2004). While this interest is propelled by the significance of global financial and capital markets and the consideration of social and environmental accounting disclosures, a consequence of this emphasis has been a gap in the discipline's literature regarding accounting's direct communications with the small business sector. The unique characteristics of small business (Dyer and Ross, 2007; Gooderham *et al.*, 2004; Dalley and Hamilton, 2000) may render the findings of research into accounting/listed company communications inapplicable. When the distinctive nature of small business is considered in combination with the sector's size and economic importance, it further highlights the significance of this separate field of enquiry.

An arguably significant component of effective communication is establishing and utilising the parties' preferred methods of communicating. In respect of accountants' advisory relationship with small business, the importance of using the communications preferences of SBOMs is arguably accentuated by the idiosyncratic culture within and characteristics of the small business sector (Gooderham *et al.*, 2004). For instance, many SBOMs' preference for achieving primarily personal non-economic objectives, as opposed to financially oriented objectives, and their informal approach to communications may challenge accountants who are trained to assist their clients achieve financial goals and furnish them with information in prescribed written formats (Berry, 2006; Gooderham *et al.*, 2004; Walker and Brown, 2004). Irrespective of these challenges, the small business advisory literature maintains that the onus is on advisors/accountants to adapt to suit SBOMs' requirements (Dyer and Ross, 2007). This includes accountants' communications with small business managers (Dalley and Hamilton, 2000).

The study's purpose is to explore the impact SBOMs' communications preferences and objectives have on the communications aspect of accountants' advisory relationship with small business. The justification for this purpose is the need to expand understanding of accounting's capacity (or lack thereof) to satisfy the communication needs of users of its information and services and thereby contribute to the users achieving their objectives; in this case, the small business sector. To achieve this purpose, the study has the following objectives:

- to identify communication patterns between accountants and SBOMs, together with reasons and SBOMs' preferences for communication methods;
- to seek insights into the drivers of SBOMs' communications preferences; and
- to seek insights into the influence of SBOMs' communications preferences and objectives on the communications approaches adopted by accountants.

Knowledge of SBOMs' preferred methods of communicating with accountants, the principal business advisor to the small business sector (Jay and Schaper, 2003; Bennett and Robson, 1999) is a matter of importance to the sector, its industry associations (for example, Australian Chamber of Commerce and Industry, Council of Small Business of Australia) and the accounting profession (CPA Australia, The ICAA). Awareness of the potential impact of SBOMs' objectives may assist the profession develop a

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communications approach which contributes to accounting fulfilling its responsibility to communicate effectively with a significant user of its information and practitioners satisfying their considerable small business client base. Given its objectives, the study restricts itself to accountants' communications with small business.

The study adopts a mixed methodology. Through a mail questionnaire administered to a sample of SBOMs, evidence identifying communication patterns between accountants and small business managers and SBOMs' communications preferences is obtained. Semi-structured interviews, conducted with a sample of accountants, offer additional insights into the SBOM/accountant communications interface. The interview findings are analysed using thematic analysis, a technique that enables apparent and underlying themes which are relevant to the study to be extracted from the interviewees' responses. The use of a mixed methodology is warranted to obtain deeper insights into the communications issues being researched. This is explained further in the paper's Methodology section.

The paper contributes to the literature and professional practice in a number of ways. Its findings contribute to the generally under-researched field of accountants' communications with small business while extending knowledge of accounting's capacity to adapt to satisfy the communication needs of one of its significant stakeholders. Interviewing the advisor is relatively uncommon in small business advisory studies (Dyer and Ross, 2007). Hence, this aspect of the study is novel and contributes to filling a gap in the literature. Associated small business research has determined that SBOMs' objectives may have a considerable impact on the management of their business (Morris *et al.*, 2006; Walker and Brown, 2004; Greenbank, 2001; Stanworth and Curran, 1986). By considering the influence of these objectives on accountant/small business communications, the paper contributes to understanding this arguably significant facet of the advisory relationship. The study uses media richness theory (Daft and Lengel, 1984) to facilitate understanding of the factors which motivate SBOMs' preferred methods of communicating with their accountant and to inform its findings regarding SBOMs' communications preferences and the communications approach accountants adopt with SBOMs. A review of the application of the theory indicated that this is the first time it has been used in the context of communications between CPA Australia accountants and small business.

The remainder of the paper is structured as follows. The next section reviews the relevant literature and explains the media richness theoretical perspective (Daft and Lengel, 1984). This is followed by a discussion of the methods applied in the study and the study's results. The paper concludes by discussing the implications of these results and offering an agenda for further research with a view to further increasing knowledge of the effect of SBOMs' preferences and objectives on accountants' communications with small business.

### **Insights from the literature**

#### *An overview of the small business advisory literature*

The small business advisory literature offers some insights into communications within small businesses, finding that it is largely verbal and informal (Dalley and Hamilton, 2000). Studies involving interviews of small business advisors and SBOMs indicate that owner-managers are likely to be amenable to external advisors, such as accountants, using a similarly informal communications style as an antecedent to

developing a relationship between the parties (Dyer and Ross, 2007; Dalley and Hamilton, 2000). This informal approach typically manifests in face-to-face conversations where advisors aim “to put them (SBOMs) at ease, we talk to them as if they were our friends” (Dyer and Ross, 2007, p. 137). Advisors may need to modify their structured and formal “professional business-support system” communications approach to correspond to SBOMs’ “day-to-day” communications style (Dyer and Ross, 2007, p. 138). The literature contends that advisors need to immerse themselves in this and other aspects of small business management and adapt to the needs of SBOMs if the advisory relationship is to succeed (Dyer and Ross, 2007; Gooderham *et al.*, 2004; Dalley and Hamilton, 2000).

Small business management research tends to support this contention while further illuminating some of the distinctive characteristics of SBOMs which may impact upon their communications with accountants. Studies have determined that empathy is a significant factor in SBOMs’ advisor selection process (Berry, 2006; Jay and Schaper, 2003; Mole, 2002). A considerable number of SBOMs are adamant that “their” business is unique (Dalley and Hamilton, 2000). Consequently, there is a need for SBOMs to perceive that the advisor has experienced the circumstances that have caused them to seek advice (Berry, 2006; Jay and Schaper, 2003; Peacock, 2000). Irrespective of whether this is a consequence of ego, scepticism about the relevance of external advice or a rational assessment of advisor suitability, it is a persistent theme in small business management research (Gooderham *et al.*, 2004; Dalley and Hamilton, 2000; Bennett and Robson, 1999). Verbal communications facilitate the discussions that develop the empathetic relationships owner-managers appear to seek.

#### *SBOMs’ objectives*

The myriad of players who comprise the small business sector and their numerous forms, ranging from very small home based ventures which do not employ any staff, to high growth employing firms, renders summarising SBOMs’ objectives problematic (ABS, 2008; Peacock, 2004). Owner-managers may also adjust their goals (Greenbank, 2001). Nonetheless, the small business management literature identifies three broad objective sets: growth-oriented economic goals, primarily personal non-economic objectives and an emerging cohort of SBOMs who target achieving a balance between business and personal objectives (Morris *et al.*, 2006; Peacock, 2004; Walker and Brown, 2004; Greenbank, 2001).

Small business managers typically adhere to an idiosyncratic culture (Gooderham *et al.*, 2004; Dalley and Hamilton, 2000). A dominant aspect of this culture is striving to achieve personal non-economic objectives (Walker and Brown, 2004; Greenbank, 2001). Examples include achieving independence and a flexible lifestyle through self-employment, being appreciated by staff and customers and a sense of *esprit de corps* with other SBOMs (Dalley and Hamilton, 2000). Undoubtedly, many managers aspire to achieve goals other than profit maximisation. These objectives are not the exclusive domain of small business. It is SBOMs’ preference to achieve personal, rather than (and occasionally at the expense of) business, objectives that defy economic rationalism and provide further insight into the characteristics that may influence the accountant/SBOM communications interface. Research on small business goal setting and success factors has found that SBOMs most commonly cite achieving non-economic objectives as measures of their success (Morris *et al.*, 2006; Walker

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and Brown, 2004; Greenbank, 2001). Stanworth and Curran's (1986) social action framework posits the role of SBOMs' objectives is significant. First, achieving personal objectives is less problematic in small firms which are not captive to the "political processes" inherent in goal setting in larger entities which attempt to satisfy many and diverse stakeholders (Greenbank, 2001, p. 108). Second, SBOMs' objectives tend to be personified in their business. As Peacock (2004, Chapter 3, p. 6) noted, in a "very real sense . . . the owner is the business". It is contended that this implies a contradiction may exist in the accountant/SBOM association. Achieving non-economic objectives is important to many SBOMs (Walker and Brown, 2004). However, achieving these objectives may require little or no accounting knowledge and information and neglecting the management of accounting is a major cause of small business failure (McMahon, 2001; Reynolds *et al.*, 1994; Williams, 1987). This contradiction may pose challenges for accountants in their communications with the small business sector.

#### *Small business and accounting*

Goederham *et al.* (2004) emphasise that an information asymmetry exists between accountants and the majority of SBOMs. Accountants are educated in analytical techniques and are expected to continuously develop their knowledge base and technical skills to maintain their expert status (Dyer and Ross, 2007; Maister *et al.*, 2000). This is in contrast to the recurring finding that SBOMs tend to disregard managing the accounting function of their business (Carter and Van Auken, 2006; McMahon, 2001). Research has also uncovered considerable inertia amongst the small firm management ranks with regard to increasing their accounting knowledge and utilising accounting information for planning and performance evaluation (Dyt and Halabi, 2007; Peacock, 2004). The generally low readability of written accounting information (Li, 2008; Courtis, 2004; Rutherford, 2003) arguably contributes to this inertia. Related research has determined that most user groups from a non-accounting background would prefer to receive accounting information that utilises descriptive language that is clear and straightforward (Sun, 2007; DuPree, 1985). As put by an SBOM interviewed in Dalley and Hamilton's (2000, p. 56) study of small business advisory relationships, "The advice has got to be in a form I can relate to – otherwise it's a waste of time and money".

#### *Written accounting communications*

If inertia exists amongst the small business management ranks concerning improving its accounting literacy, the literature suggests that a similar degree of inaction has previously been evident in the accounting profession regarding the low readability of its written information. Chambers (1966, 1962; cited in Lee, 1982) drew attention to the need for the clear communication of accounting information almost five decades ago. Subsequent studies chided the profession for neglecting the communication function (Parker *et al.*, 1989; Andrews and Sigband, 1984). The consistently low readability of accounting documents analysed in accounting communications research led to the conclusion that the documents were beyond the comprehension of most lay readers (Hrasky and Smith, 2008; Li, 2008; Courtis, 2004). Courtis (1986) considered the low readability scores were "indicative of the need for remedial writing" to increase the readability of accounting documents (Courtis, 1986, p. 292).

Accountants are in the vexed position where judgements between clarity and precision of the language they use may be necessary. The Australian Conceptual Framework recognises the challenges inherent in conveying complicated information in an understandable form. It directs practitioners that “information about complex matters . . . should not be excluded merely on the grounds that it may be too difficult for certain users to understand” (*Framework for the Preparation and Presentation of Financial Statements*, paragraph 25, AASB, 2007). It is apparent that the accounting profession walks a tightrope between providing comprehensible information and the risks inherent in user misinterpretation occurring due to over simplification. Irrespective of this, the need for change was perhaps most strikingly demonstrated by the Securities and Exchange Commission’s (SEC) “plain English” rule. The SEC requires that disclosures in prospectuses be prepared with reference to a “new style of thinking and writing” that investors can “read and understand quickly and easily” (Reinstein and Houston, 2004; SEC, 1998, p. 3). Associated SEC documents advocate the use of plain English in all written communications companies have with their shareholders (SEC Release #34-38164 p. 68 cited in Loughran and McDonald, 2009; SEC, 1998).

*Accounting communications – the pace of adaptation quickens*

Williams (1993) observed a quickening of the pace of reform in accounting education to incorporate communication skills. In an attempt to fulfil the Australian professional bodies direction that “the ability to communicate clearly and precisely” is a core skill (The ICAA, 2009 and CPA Australia, 2009, p. 12), accounting educators are placing an increased emphasis on accounting students’ communication proficiency (Kavanagh and Drennan, 2008; Lightner *et al.*, 2007). While assessments of the success of curricula advances to improve accountants’ communication skills vary (Gray, 2010; D’Aloisio, 2006; Curtis and Zaid, 2002), accounting education and the resultant skills that students and practitioners are expected to possess has adapted from a technical knowledge oriented form to an approach which integrates general education (Freeman and Capper, 2000; Williams, 1993).

The increasing research on web-based communication of accounting information (Baker, 2006; Barrett and Gendron, 2006) may provide insights into accounting’s capacity to adapt to satisfy the communication requirements of its users. A segment of this research has discussed the potential the internet presents for radical changes to the dissemination of accounting information (Gallhofer *et al.*, 2006; Paisey and Paisey, 2006; Sikka, 2006). Jones and Xiao’s (2004) study of the future of web-based financial reporting found that gradual rather than radical change is most likely. Nonetheless, the study forecast that accounting is likely to utilise the internet to adapt and provide customised reports to individual users in an attempt to meet their heterogeneous information needs. Reports using multiple measurements and the disclosure of organisations’ raw data to selected users is foreseeable, while multi-media presentations will become the norm (Jones and Xiao, 2004).

**A media richness theoretical perspective**

This study draws upon Daft and Lengel’s (1984) media richness theory to inform its findings regarding SBOMs’ preferred methods of communicating with their accountant and the communications approach accountants adopt with SBOMs. In

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the context of the direct communications interface between accountants and SBOMs and the delineation between written and verbal methods of communication, which are investigated in this study, media richness theory was considered suitable to facilitate understanding of the communications issues being researched.

Daft and Lengel (1984, 1986) defined media richness as a medium's capacity to process rich information and considered a medium to be rich if it "can overcome different frames of reference or clarify ambiguous issues to change understanding in a timely manner" (Daft and Lengel, 1986, p. 560). In what has been described as a media richness hierarchy (Davison and Warren, 2009; Wheeler and Arunachalam, 2009), verbal and written media are ranked in order of richness depending on their capacity to assist the message receiver process ambiguous information which may be confusing and difficult to understand (Daft and Lengel, 1984). Vickery *et al.*'s (2004) review of the criteria, which contribute to determining a medium's inherent richness identified the following four characteristics:

- (1) The medium's capacity to provide feedback that permits the message receiver and sender to promptly validate understanding and correct misinterpretations.
- (2) The range of cues the medium is capable of communicating. For example, the medium may permit the use of visual and audio cues including facial expression, physical gestures, tone of voice and voice inflections to convey messages.
- (3) The personal or impersonal focus of the medium. A medium facilitates a personal focus when it allows a message to be tailored to the needs and frame of reference of the receiver.
- (4) The variety of languages the medium transmits. While numeric language is suitable for conveying quantifiable information, natural language may transmit a range of meanings and facilitate understanding a broader set of concepts.

With reference to these characteristics, Daft and Lengel's (1984) original framework ranked five media in descending order of richness:

- (1) face-to-face communications;
- (2) telephone;
- (3) personal documents (for instance, personally addressed letters);
- (4) impersonal documents (for example, bulletins addressed to a group); and
- (5) numeric documents, including computer output.

Subsequent studies have contended that audio-visual communications possess high media richness (Wheeler and Arunachalam, 2009) while electronic media, including e-mail, possess moderate to high media richness capacity. Vickery *et al.* (2004) ranked e-mail the third richest media, emphasising that it permits relatively quick responses to questions and requests for clarification and provides the message sender with the facility to attach accompanying documents, which may reduce ambiguity. The emerging research on web-based communications contends that it is a potentially richer medium than traditional print media (Cho *et al.*, 2009; Davison and Warren, 2009).

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Daft and Lengel (1984, 1986) ranked face-to-face and telephone communications as the media possessing the highest richness relative to the low or moderate richness of written media. This richness stems from the media providing immediate feedback to validate understanding or correct misunderstandings between communicators and the use of personalised and natural language, including tone of voice, during the communications process. The face-to-face medium also allows the use of multiple verbal cues, including voice inflection and tone, and permits the parties to observe each other's body language. This form of language may provide valuable non-verbal cues and sources of information (Peterson and Stratemeyer, 2004). There is evidence of the richness of verbal media in Lewis *et al.*'s (2007) study of business assistance to New Zealand small-to-medium sized enterprises (SMEs) and Marriott *et al.*'s (2008) research on accountants' advice to small companies in Britain where small firm managers tend to seek assistance through verbal methods of communication. The interviewed managers in both countries cited the methods' capacity to provide timely responses to their questions and the opportunity to instantaneously probe the advisor as factors that persuaded them to use verbal communications.

For contrasting reasons, Daft and Lengel (1984, 1986) ranked written forms of communication as the media with comparatively lower capacity to process rich information. Written media do not allow the reader to seek instant clarification by asking questions or the author to promptly correct readers' misconceptions and errors. Thus, it does not facilitate the rapid feedback process, which confirms understanding and corrects misunderstanding between the message sender and receiver in a timely fashion; a characteristic Vickery *et al.* (2004) considered the most significant contributor to a medium's richness. Further, written media are unable to transmit the verbal and non-verbal cues which may assist in clarifying issues of uncertainty, reducing confusion and achieving a shared understanding between communicators (Peterson and Stratemeyer, 2004; Daft and Lengel, 1984, 1986). Thus, if written methods of communication are employed, the author needs to anticipate and clarify possible points of confusion and misunderstanding. For these reasons, previous studies have argued that written communications is potentially less effective than instantaneous two-way forms of communication, such as face-to-face and telephone conversations (Mitchell, 1982; Albers, 1972; cited in Parker *et al.*, 1989). Such contentions find support in Daft and Lengel's (1986, p. 560) theory when it posits that rich media provide "the capacity to process complex, subjective messages . . . However, an important point is that media of low richness are effective for processing well understood messages and standard data". Other factors that are likely to determine media choice include the relative cost of information exchange through verbal and written media and organisations' communications strategy (Dennis *et al.*, 2008; Otondo *et al.*, 2008; Cano *et al.*, 2005).

Media richness and media choice have been the subject of substantial research and scholarly debate (Cho *et al.*, 2009; Otondo *et al.*, 2008; Kock, 2005; El-Shinnawy and Markus, 1997). For instance, critiques of media richness theory argue that the proliferation of electronic communication forms has diluted the currency of the media richness hypothesis; a hypothesis which was developed and tested by evaluating traditional communications methods which predate the internet and emergence of web-based communications (Kock, 2005; El-Shinnawy and Markus, 1997). Subsequent revisions of the theory (for example, Vickery *et al.*, 2004) may have underestimated the

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richness of electronic communication forms, including e-mail, by focusing on the written aspect of the media and comparing it with traditional print media which possesses low richness (Cho *et al.*, 2009). The document search and retrieval capabilities of e-mail and user familiarity with the medium may increase its richness (Dennis *et al.*, 2008; El-Shinnawy and Markus, 1997). Further, a segment of research in the information systems discipline has questioned the capacity of the media richness framework to predict the effectiveness of complex multi-media communications strategies that are increasingly employed by organisations (Dennis *et al.*, 2008; Otondo *et al.*, 2008). While these perspectives are acknowledged, they are beyond the scope of this study, which is restricted to the direct communications between accountants and SBOMs.

### Methodology

The study's objectives were pursued through a mixed methodology comprising a questionnaire (see the Appendix) and semi-structured interviews. The mixed methodology approach was specifically selected for the following fundamental reasons. The study's objectives necessitated ascertaining the nature and scope of SBOMs' communications preferences and objectives. In addition, the objectives required examining the potential motivations and rationales that underpin the communications relationship between accountants and SBOMs. It is through this mixed methodology that a deeper set of insights into this communications issue can be obtained. Analysis of questionnaire data and the interview responses of protagonists who play a significant role in the issues being researched have been evaluated as being complementary research methods (Horton *et al.*, 2004; Fontana and Frey, 2000). Both methods have been used in studies that scrutinised the behaviour of managers and/or accountants (see, for example, Morris *et al.*, 2006; Walker and Brown, 2004; Sands and McPhail, 2003). Through a mail questionnaire, evidence of the surveyed SBOMs' communications preferences was obtained. The questionnaire findings informed the interviews, which were subsequently conducted with a sample of accountants; an approach congruent with Greene *et al.*'s (1989) conceptual framework, which proposes purposes for using mixed method research designs. A qualitative approach was warranted to obtain and probe the accountants' subjective opinions of the drivers of SBOMs' communications preferences and the influence these preferences and SBOMs' objectives have on the communications approach the interviewees adopt (Horton *et al.*, 2004). Further, interviews permitted a diversity of divergent views to be heard (Teddlie and Tashakkori, 2003). Concurrence and contradictions between the interviewees' views were noted with the intention of obtaining further insights into communications between the parties (Horton *et al.*, 2004).

As discussed, the relevant literature maintains that the onus is on small business advisors to adapt their approach to suit the requirements of SBOMs (Dyer and Ross, 2007; Dalley and Hamilton, 2000). However, as interviewing the advisor is relatively uncommon in small business advisory research, "it is a conclusion that comes from talking to just one party in the relationship" Dyer and Ross (2007, p. 132). Interviewing the advisor/accountant may illuminate the issues being studied from a complementary yet relatively under-researched perspective by engaging with the party that observes SBOMs' objectives and communications preferences at close proximity.

*Questionnaire sampling frame and method*

A two-stage sampling method was used to administer the questionnaire to SBOMs:

- (1) selection of CPA Australia member practices; and
- (2) selection of SBOM clients of these sampled CPA Australia member practices.

The first stage drew from CPA Australia’s South Australian membership database of 210 member practices which provide business advisory and compliance services to small businesses (CPA Australia, 2008). The CPA Australia organisation was chosen due to the prominent role of its members who practice as accountants in providing business advisory and compliance services to small business (CPA Australia, 2009). With regard to sampling conventions and previous comparable small business studies and the response rates they achieved, it was considered that a sample of approximately 200 questionnaires, inclusive of non-responses and unusable questionnaires, was necessary to obtain a sufficient number of usable responses to facilitate meaningful analysis (Walker and Brown, 2004; Jay and Schaper, 2003; Neuman, 2003; Taylor and Ng, 2001). Thus, a total of 14 practices were randomly selected from the membership database and invited to participate in the study by means of each distributing questionnaires to 15 SBOMs. The profile of the participating practices, with regards to employee numbers, is summarised in Table I.

For the second stage, each participating practice selected 15 SBOMs from their client database. Criteria guided the practices in selecting the small business clients[1]. While the researcher did not directly control the second sampling stage, participating practices were briefed on the criteria to be observed in selecting the clients. Thus, the researcher attempted to achieve a representative sample of SBOMs to whom the questionnaire was administered. The ABS (2001a, b, c) definition of a small business as one that employs fewer than 20 full time equivalent employees was utilised. The definition is widely applied in small business research (Dyt and Halabi, 2007; Holmes and Gibson, 2001). Employee numbers has been found to be transferable across industries and sectors and it does not suffer from the valuation and measurement variances of other quantitative measures; for instance, asset bases and valuations (ABS, 2000). It is also a reasonable means of identifying the businesses that possess the inherent qualitative characteristics that are common to most small businesses. These characteristics include closely held ownership and management (Holmes and Gibson, 2001; ABS, 2000). To enhance data validity, completed questionnaires were returned directly to the researcher.

Subsequent to pretesting the instrument, 210 questionnaires were distributed by post to SBOMs. Response rates to mail questionnaires administered to SBOMs are traditionally low (Jay and Schaper, 2003). Walker and Brown (2004) achieved an increased response rate by making telephone contact with SBOMs a survey was posted to in their study. In light of the high response rate achieved by this “courtesy contact” strategy (Walker and Brown, 2004, p. 583), the practices agreed to a request to contact the

**Table I.**  
CPA Australia  
participating member  
practices – employee  
numbers

	1-5	6-20	Greater than 20
Practice size (employees)	5	5	4

**Note:** Practice size included accounting and administrative staff

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SBOMs the questionnaire was distributed to inviting their participation in the study. As a result, 85 usable responses were returned, constituting an initial response rate of 41 per cent. The impact of non-response bias, which has been acknowledged in previous small business research (Taylor and Ng, 2001), was arguably reduced by the practices agreeing to a further request to contact non-responding SBOMs. This contact resulted in an additional 21 usable questionnaires being received and a 51 per cent final response rate.

Geographically, the evidence collected in the mail questionnaire was confined to South Australian CPA practitioners and small businesses. The researcher has strong linkages with the organisation's South Australian branch, which indicated its interest in being involved in the project. The sample was also conditioned by the desire to conduct semi-structured interviews with local CPA practitioners to penetrate underlying rationales and themes that inform the accountant/SBOM communications interface. The distribution of small businesses across the Australian states aligns with the population distribution across the states (ABS, 2008). While this indicates that South Australia may be a representative geographic location, assurances that the sample is representative of the wider population of Australian accountant/small firm relationships are not being made.

### *The questionnaire*

The questionnaire consisted of sections which sought:

- respondents' particulars;
- contextual information about the frequency of, and the reasons for, communications between the surveyed SBOMs and their accountant; and
- respondent SBOMs' preferred methods of communicating with their accountant (see the Appendix).

Respondents were asked to rank their communications preferences using a five-point Likert scale with the anchors least preferred and most preferred. This number of categories provides meaningful results and is simple to understand, lessening the risk of respondent error (Neuman, 2003). The communications methods assessed in the preferences section of the questionnaire comprised four written and three verbal methods. The written methods were financial reports/statements, written management advisory reports/letters, e-mail messages and newsletters distributed by CPA practitioners to SBOMs. The verbal methods were face-to-face meetings at the SBOMs' business premises, face-to-face meetings at the CPA practitioners' offices and telephone discussions. While it was considered that this was likely to encompass the range of methods used by the parties, respondents were asked to identify other unforeseen methods. Respondents were also given the option of nominating if their accountant did not use a method of communication. Hence, the risk of non-response and respondents nominating a preference for a method their accountant did not utilise was reduced.

### *Semi-structured interviews*

Of the 14 CPA practitioners who participated in the study by distributing questionnaires to SBOMs, interviews were conducted with the ten practitioners who agreed to be interviewed. This constituted a significant majority (at over 70 per cent) of the number of practitioners who participated in the study. The semi-structured interview style was adopted. This style has been described as a manageable balance

between fixed response interviews which restrict interviewees' replies and potentially unwieldy open-ended interviews (Horton *et al.*, 2004; Patton, 2002). A schedule comprising pertinent themes and questions was designed to guide each interview (Flick, 2002). The questions were pretested on accountants who provide business advisory services to the small business sector. The final version of the schedule incorporated the following themes:

- The CPA practitioners' observations in relation to SBOMs' preferred methods of communicating with their accountant.
- What impact SBOMs' objectives have on SBOMs' preferred methods of communicating with their accountant. For instance, is a tailored communications approach necessary for SBOMs who aspire to achieve personal rather than business objectives?

Established probe techniques, advocated in the qualitative research literature, were used to clarify interviewees' responses and allow responses to be discussed in more depth (Glesne, 2006; Horton *et al.*, 2004; Patton, 2002)[2]. Probe techniques may be defined as "requests for more explanation, clarification, description and evaluation" (Glesne, 2006, p. 96). Interviews were recorded and transcribed to enable thematic analysis of the text to be undertaken. Recording was preferred to writing notes as it provided a complete record of the conversations and reduced the risk of responses being misinterpreted. Thematic analysis is a qualitative research technique, which "enables the researcher to engage with the data to a depth that would otherwise be difficult to achieve" (Birks *et al.*, 2008, p. 69). It facilitated extracting apparent and underlying concepts and sub-themes from the interviewees' responses. These concepts and sub-themes informed the abovementioned themes which were explored in the discussions with the CPA practitioners.

#### *Interview limitations*

Advocates of interviews as a research technique concede that there is an inherent risk that interviewees will give answers they wish to be reported while these answers may not reflect their genuine beliefs, opinions or accurate accounts of their actions (Glesne, 2006; Flick, 2002; Fontana and Frey, 2000). Whereas this risk cannot be eliminated, it may be reduced by conducting the interviews at a venue where interviewees feel most comfortable and assuring interviewees that their confidentiality will be maintained (Horton *et al.*, 2004). This occurred in this study. Interviews were conducted at the practitioners' offices.

Status differences between the interview parties and their potentially deleterious effect on open communication between the interviewer and interviewee have also been examined in the qualitative research literature (Glesne, 2006; Fontana and Frey, 2000). A "sharedness of meanings" is indicative of a degree of mutual understanding about the subject matter that both the parties possess (Fontana and Frey, 2000, p. 660). This fosters rapport between the parties and develops the interviewees' trust. The researcher had previously worked as an accountant whose professional role had included providing business advisory services to SBOMs. This was communicated to the CPA practitioners before interviews commenced and it is contended that it facilitated minimising status differences between the researcher and the interviewed practitioners. The interviewees expressed a range of views and appeared to be candid in their responses as will be seen in the next section.

## Questionnaire and interview results and discussion

The results of the questionnaire administered to SBOMs and interviews conducted with CPA practitioners are now reported and discussed. To place the findings about SBOMs' preferred methods of communicating with their accountant in context, questionnaire respondents provided insights into the frequency of, and the reasons for, communications between the parties. This section commences by discussing these contextual findings and communication patterns.

### *Communication patterns and reasons for communications*

The number of times a year respondents communicated with their accountant and the communications methods utilised were weighted, ranked in order of frequency and are shown in Table II. The results indicate that telephone discussions, e-mail and documents and forms are the most frequently used methods of communication between the respondent SBOMs and their accountant. Meetings are most likely to take place at accountants' offices.

Compliance, business advisory and non-business reasons for communicating were listed in the questionnaire[3]. The finding in Table III that compliance and advice on tax issues are the main reasons for the parties to communicate tends to support previous research which has determined that the cost of compliance is a considerable issue to small business (Dyt and Halabi, 2007; Chittenden *et al.*, 2003; Dyt, 2003).

Method	Incidence of communication per annum (% of respondents)				
	Nil	1	2-5	6-10	More than 10
Telephone discussions	2.8	1.9	40.6	18.9	35.8
E-mail messages	25.5	5.7	29.2	12.3	27.4
Documents and forms <sup>a</sup>	0.0	15.1	52.8	19.8	12.3
Meetings at accountants' office	14.2	20.8	50.9	9.4	4.7
Newsletters	40.6	17.9	29.2	6.6	5.7
Meetings at SBOMs' business premises	48.1	18.9	20.8	4.7	7.5

**Note:** <sup>a</sup>Comprised documents sent to respondents in the post or given to them during meetings with their accountant, including the financial reports/statements and management advisory reports/letters assessed in the preferences section of the questionnaire (see the Appendix)

**Table II.**  
Frequency of CPA practitioner/SBOM communications

Reason	Sample	
	<i>n</i>	%
Compliance	106	40.3
Advice on tax issues	72	27.4
Decision support	54	20.5
IT-related advice	14	5.3
Non-business (e.g. social reasons)	17	6.5
Total	263	100.0

**Table III.**  
Reasons for CPA practitioner/SBOM communications

*The communications preferences of SBOMs*

Respondent SBOMs nominated their preferred methods of communicating with their accountant. Respondents were also given the option of nominating unforeseen methods of communicating that were not included in the questionnaire. As no other methods were nominated it may be concluded that the methods listed in the questionnaire comprise the methods used in the communications interface between the surveyed SBOMs and their accountant. Weighted average (WA) and mean ratings of respondents' communications preferences were calculated based on the least preferred method being allocated one point, ranging to the most preferred method being allocated five points. Thus, the weightings were consistent with the five-point Likert scale used in the questionnaire. Where an SBOM nominated that a method was not used, it was allocated zero in the WA calculation and excluded from the mean ratings calculation. The WA calculations in Table IV indicate that telephone and face-to-face discussions are the communications methods most preferred by respondents. The mean ratings tend to confirm the WA results.

Interviewees also identified verbal media as SBOMs' preferred methods of communicating with their accountant. Media richness theory contends that verbal media are inherently richer media, with a superior capability to transmit the potentially unclear and confusing messages present in the accounting and tax information, which accountants communicate to small business (Daft and Lengel, 1984, 1986). An interviewee described how meetings facilitated the use of reinforcing techniques to explain the issues accountants discussed:

I encourage them to come here to my office and discuss issues . . . we can look at charts, diagrams and graphs and they understand if somebody explains it to them in layperson's terms.

These reinforcing techniques are examples of rich media's capacity to utilise natural and visual language to "change understanding in a timely manner" (Daft and Lengel, 1986, p. 560). The majority of interviewees agreed that communicating verbally was also most likely to reduce the use of technical language and jargon by accountants. Interviewees considered that this increased the appeal of verbal communications to SBOMs. A practitioner provided this analogy:

An example would be meeting with your doctor. It's much easier to understand what your doctor is saying to you about what your illness is and the prognosis is face-to-face than getting a letter that's written in their jargon. I see us as being similar . . . we're professionals trying to impart what a set of financial statements and tax returns mean. It's much easier to do that verbally.

Method	WA	Mean
Telephone discussions	437.0	4.16
Meetings at accountants' office	388.0	4.04
Financial reports/statements	375.0	3.91
E-mail messages	354.0	3.81
Meetings at SBOMs' business premises	287.0	3.73
Written management advisory reports/letters	264.0	3.47
Newsletters	193.0	2.30

**Table IV.**  
SBOMs' preferred  
communications methods  
– weighted average and  
mean ratings

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Interviewees indicated that face-to-face meetings provide accountants with a valuable source of information through observing SBOMs' non-verbal cues (Peterson and Stratemeyer, 2004). A practitioner described monitoring SBOMs' facial expressions and body language to ascertain their level of interest and understanding and modifying the discussion accordingly: "... you will step through a process really clearly, just watch their eyes...". Utilising these non-verbal cues and adjusting strategies to achieve and maintain SBOMs' interest during face-to-face meetings was a common approach amongst the interviewees. Media richness theory posits that non-verbal cues contribute to a medium's richness by allowing the message sender to use the cues as prompts to "regulate, modify and control the information exchange" (Daft *et al.*, 1987, p. 359).

By way of contrast, the majority of interviewees conceded that the generic content of accountants' newsletters increased the risk of them being disregarded by SBOMs and contributed to their low preference rating (Table IV). A practitioner characterised their newsletters as "trigger points ... which might resonate with a particular individual" and stressed "we don't have grand illusions with our newsletters. It's just about general awareness". While newsletters have emerged as a leading marketing technique used by CPA practitioners in North America (Heischmidt *et al.*, 2002), their low preference rating implies that small business may be averse to receiving them. It is contended that this low rating may be a consequence of the medium's impersonal focus, a focus that does not permit a message to be "tailored to the needs and current situation of the receiver" (Daft *et al.*, 1987, p. 358).

The questionnaire analysis indicates that financial statements are SBOMs' preferred written communications method (Table IV). This result arguably diverges from a fundamental premise of media richness theory; that is, "the richness of the medium should match the level of message ambiguity" (Daft *et al.*, 1987, p. 359). The generally low readability of financial statement narratives (Li, 2008; Curtis, 2004), technical nature of the language used to construct them (Sun, 2007) and SBOMs' generally lesser knowledge of accounting discourse (Dyt and Halabi, 2007) suggest that the messages being communicated are potentially confusing and difficult for SBOMs to understand. Richer written media include e-mail (Cho *et al.*, 2009; Vickery *et al.*, 2004) and reports and letters that accountants can tailor to personally address SBOMs' circumstances (Daft and Lengel, 1984). It is argued that the relatively high preference rating of financial statements is indicative of SBOMs' interest in the quantitative information found in the Income Statement and Balance Sheet. This includes summaries, such as net asset position and net profit, which SBOMs may consider to contain appealingly unequivocal information. Further, the summaries present information in the abridged form that the interviewees consider is preferred by SBOMs.

#### *Insights into the drivers of SBOMs' communications preferences*

Themes emerged during the interviews, which illuminate the underlying causes of SBOMs' preference for communicating verbally with their accountant. Interviewees consider that the preference is symptomatic of owner-managers' preference for direct one-on-one contact with their advisors. The practitioners identified aspects of this form of contact, which appeal to SBOMs. First, SBOMs are attracted by its capacity to provide quick responses to their questions and instantaneous clarification. An interviewee felt that "(SBOMs) want to communicate fast". Media richness theory

contends that a feature of verbal media's richness is its capacity to provide immediate feedback. This makes it potentially more effective than written media (Vickery *et al.*, 2004; Kahai and Cooper, 2003; Daft and Lengel, 1986). Second, direct contact reinforces SBOMs' perception that their accountant empathises with them about the issues that are being discussed. An interviewee believed that SBOMs' preference for face-to-face meetings was motivated by their perception that the occurrence of the meeting indicated that their accountant valued their business: "I feel as though they appreciate my empathy for what they're talking about, the interest that you have taken in the issue". Empathy is a significant driver of small business managers' advisor selection process (Berry, 2006; Jay and Schaper, 2003; Mole, 2002). Verbal communications facilitate the discussions that develop the empathetic relationships that SBOMs appear to seek. Third, direct forms of contact tend to reinforce SBOMs' perception that their accountant is accessible to assist them. This is a plausible explanation for the respondents' preference for telephone discussions with their accountant (Table IV). Nonetheless, practitioners felt that the immediacy and accessibility of the method also diminished its effectiveness. An interviewee argued:

Someone will ring up with a question and they expect you to answer the phone and answer the question when I have got three things already on my desk ... Also, their full level of concentration is not there because they are at work.

Another practitioner reflected a commonly held opinion amongst the interviewees that telephone discussions lacked the visible interactive nature of face-to-face discussions: "You need to be able to look at people, to understand them and to develop the conversation". Daft and Lengel (1984) contend that the inability of telephone discussions to transmit non-verbal cues renders it a comparatively less rich medium. It is argued that the respondent SBOMs' preference for telephone discussions with their accountant is a result of the method's convenience and relatively low cost, factors media richness theory does not contemplate.

*The impact of SBOMs' communications preferences and objectives on the communications approaches adopted by accountants*

The interview findings indicate that the practitioners attempt to adopt communications approaches which satisfy the communications needs and preferences of SBOMs. This is most apparent in the practitioners' awareness of the importance of communicating information in a manner SBOMs can comprehend. This awareness manifests in the limited use of accounting terminology in the interviewees' advisory reports and letters: "That's quite deliberate; speak as much English as we can" and in practitioners altering the format, style and length of the documents they author: "layout is important ... so no long paragraphs, just key issues". An interviewee explained their philosophy:

I tend to use a lot of bullet points, headings and prompts and abbreviations ... bang, bang, bang, with an introductory paragraph that sets out the facts and then a quick conclusion.

Notwithstanding the merit of this strategy, the majority of interviewees acknowledged that small business managers' perceptible preference for communicating verbally limited the impact of accountants' attempts to improve the accessibility of accounting documents. A practitioner described accountants' reports and letters as a "comfort" to SBOMs and conceded that the documents are consigned to being used as a

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supplementary device to reinforce and confirm issues discussed in face-to-face or telephone discussions with owner-managers. One interviewee reflected a view commonly held by the practitioners:

If you send them a letter, no matter how well crafted it is, our clients would generally pick up the phone and ring you and say "what does this mean? What's this about?"

The questionnaire results indicate that potentially confusing compliance, tax and decision support advice are the main reasons for communications between the respondent SBOMs and their accountant (Table III). Media richness theory posits that comparatively richer verbal media is more likely to reduce uncertainty and achieve a shared understanding between communicators (Daft and Lengel, 1986, 1984). Thus, the theory contends that the practitioners' attempts to enhance the comprehensibility of their documents may have a minimal bearing on SBOMs' communications preferences. To compensate for the limited utility of their written communications, the interview findings suggest that accountants attempt to enhance the benefits SBOMs derive from face-to-face meetings. In an example of the message sender using the multiple visual and audio cues which rich verbal media facilitates to convey messages (Daft and Lengel, 1984), the practitioners employ the abovementioned reinforcing and adjusting techniques to explain issues and engage SBOMs.

The interviewees believed that SBOMs' objectives have a significant influence on the communications approach they adopt with small business managers and detected that an increasing number of owner-managers wish to achieve a balance between business and personal goals. This finding contributes to the literature which has previously identified this cohort of managers who aspire to attain both objectives in segments of the small firm sector owned and operated by women and home based businesses (Morris *et al.*, 2006; Walker and Brown, 2004).

Interviewees expressed divergent opinions about communicating with SBOMs who aim to achieve both objective sets. Some embraced this as a gratifying element of their practice:

Business advice is getting your structures and systems in place so you can actually have a lifestyle outside your business and also enjoy your business. That is what I want to do more of.

Others implied that communicating with SBOMs about non-financial matters took accountants beyond the relative security of their accounting and tax knowledge bases. An interviewee believed that this posed dilemmas for accountants:

You have got to be able to draw the line on where you need to seek independent advice in relation to it . . . communicating and dealing with clients on non-financial issues is more of a strain and a burden on me as an accountant.

Irrespective of their different opinions on the scope of matters about which accountants should advise small business, the interviewees acknowledged that the emergence of this cohort of SBOMs has implications for accountants' communications approach. Previous small business management research has tended to regard the two objectives as being mutually exclusive (Greenbank, 2001; Stanworth and Curran, 1986). However, the interview findings suggest that accounting communications which demonstrate a connection between business and personal objectives facilitates SBOMs' willingness to understand and utilise accounting information. An interviewee described:

When we can demonstrate a tie between the two and you can help facilitate making their personal lives easier by improving the business, their interest perks up.

The interviewees contend that this connection is best illustrated during face-to-face meetings, indicating that more regular meetings may be beneficial to SBOMs who seek to achieve a balance between business and personal objectives. Face-to-face meetings is a rich media which may “overcome different frames of reference” between the message sender and receiver (Daft and Lengel, 1986, p. 560). The different perspectives that Daft and Lengel (1986) contemplated are apparent in the contrasting idiosyncratic culture and characteristics of small business and accountants’ structured and formal view of business advice (Dyer and Ross, 2007; Gooderham *et al.*, 2004).

There was general agreement amongst the practitioners that owner-managers who are primarily motivated by achieving personal objectives have generally low levels of interest in using accounting information for business planning or performance evaluation. As a result, this cohort of SBOMs is likely to restrict communications with their accountant to brief annual meetings where compliance matters are settled. The majority of interviewees maintained the view “you can’t change them into a driven person who wants to make money and grow their business”. Consequently, several practitioners had adopted a correspondingly minimalist approach to their communications with this group of SBOMs:

Let’s just do compliance and make sure they are doing those things right . . . that’s where they see themselves . . . so we just leave it at that.

However, some interviewees expressed frustration in relation to “dealing with people that have a mindset that is at loggerheads with an economic rationale that we (accountants) live off”. A practitioner speculated as to whether accountants should document all instances of when an SBOM chose to disregard the advice they were given “. . . because I am not going to be held to ransom later to say that you didn’t take my advice”.

The cohort’s propensity to attempt to delegate financial decision making to their accountant further restricted communications between the parties. A practitioner described a common reaction:

You can hop on the phone and say to them I have got an issue that I need to discuss with you regarding your financial affairs . . . the first question they are going to ask is “You’re the accountant, can’t you deal with it?”

This may be contrasted with the interviewees’ communications approach with growth-oriented SBOMs who are motivated by achieving economic objectives and are likely to exhibit a high level of interest in using accounting information. The practitioners noted that this group of SBOMs regularly initiates contact with their accountant to seek advice, appears to possess the resources to meet frequently with their accountant and considers the counsel of likeminded business colleagues and other advisors. The practitioners support this process as exemplified in an interviewee’s comment: “that’s a much better outcome . . . it’s like you are part of an advisory board”.

The interviewees nominated face-to-face meetings as the optimal media to facilitate the business advisory communications approach they adopt with this cohort of SBOMs. A practitioner provided some insight into the reason for this approach:

We go through their financials and explain how they work. We also usually cover things like their current structure . . . how things might want to be changed. So it’s a forum for them to ask questions based on what we are reflecting about their business.

The interviewees observed that growth-oriented SBOMs are likely to probe their accountants' advice. This facet of the parties' communications arguably provides an explanation for the use of face-to-face meetings as a business advisory forum. A dimension of rich verbal media is what has been described as "rapid bidirectional communication" (Kahai and Cooper, 2003, p. 266). This enables the message sender and receiver to immediately clarify and reinterpret messages (Daft and Lengel, 1986). Face-to-face meetings facilitate accountants rapidly explaining and justifying their advice in response to the SBOMs probing that advice and subjecting it to inquiry or simplification, if necessary. Further, face-to-face meetings convey non-verbal cues, including facial expressions and body gestures. Daft and Lengel (1984) propose that a reason for the face-to-face medium's richness is its capacity to convey non-verbal in addition to verbal cues. In this case, the SBOMs' facial expressions and body gestures may convey to accountants if the SBOMs' probing of their advice is continuing and more explanation is necessary.

As discussed, a review of the use of media richness theory indicated that this is the first time it has been applied in the context of communications between CPA Australia accountants and small business. The application of the theory to this study's findings generally supports Daft and Lengel's (1986, 1984) central proposition that richer verbal media:

- facilitates the message receiver processing potentially ambiguous information; and
- overcomes different frames of reference between communicators to achieve understanding in a timely fashion.

The accounting and tax information that accountants communicate to SBOMs may be characterised as being potentially ambiguous. The different frames of reference envisaged by Daft and Lengel are evident in communications between accountants and SBOMs (Dyer and Ross, 2007; Gooderham *et al.*, 2004). The interviewed practitioners nominated e-mail as SBOMs' preferred written method of communicating with their accountant. This finding tends to support the contention that media richness theory revisions (for example, Vickery *et al.*, 2004) may have underestimated electronic media's high richness (Cho *et al.*, 2009; Davison and Warren, 2009; Kock, 2005).

The theory's omission of the effect of cost on communications choices was demonstrated during its application to the study's findings. The cost incurred by organisations regarding media choice has been separately considered in research that has used and critiqued media richness theory (see, for example, Wheeler and Arunachalam, 2009; Dennis *et al.*, 2008; Kock, 2005; Kahai and Cooper, 2003). However, this research and revisions to the theory (Vickery *et al.*, 2004) do not illuminate the impact that cost may have on message receivers' communications choices and preferences. In the case of SBOMs' preferred methods of communicating with their accountant, cost is arguably significant in two respects. First, the direct cost incurred in satisfying tax and compliance obligations is a substantial expense to small business (Chittenden *et al.*, 2003). Compliance and advice on tax issues are the major reasons for communications between the surveyed SBOMs and their accountant (Table III). Second, the opportunity cost of time spent on compliance and associated administrative tasks have been described as "a widespread concern" to small business managers (Chittenden *et al.*, 2003, p. 109). SBOMs generally characterise

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compliance as a time-consuming burden that impedes achieving their non-economic objectives, such as having a flexible lifestyle (Morris *et al.*, 2006; Peacock, 2004; Walker and Brown, 2004; Chittenden *et al.*, 2003). The impact of cost on media choice is arguably evident in the respondent SBOMs' high preference for telephone discussions, a comparatively less rich medium, in an attempt to avoid the higher direct and opportunity cost of face-to-face meetings. The interview finding that it is well resourced SBOMs who meet regularly with their accountant tends to support this contention.

### Conclusion

The purpose of this paper was to explore the potential impact of SBOMs' communications preferences and objectives on the communications aspect of accountants' advisory relationship with small business. Through exploring these issues, the paper contributed to understanding of accounting's capacity to satisfy the communication needs of its users. The study's first objective was to identify communication patterns between accountants and SBOMs, together with reasons and SBOMs' preferences for communication methods. Small business managers prefer to communicate verbally with their accountant. Compliance and advice on tax issues are the major reasons for communications between the parties.

The study's second objective sought insights into the drivers of SBOMs' accounting communications preferences. The owner-managers' preference for communicating verbally with their accountant is maintained despite the interviewed practitioners' attempts to increase the appeal and utility of the documents they author. Indeed, the interview findings indicate that accountants' documents are merely a confirmatory device in a communications interface dominated by SBOMs' preference for verbal communications methods. Daft and Lengel's (1984) media richness theory informed the study's findings and helps to explain owner-managers' preference for rich verbal media. For instance, verbal media facilitates SBOMs seeking instantaneous feedback to validate understanding and correct their misconceptions in a timely manner. The preference may also be symptomatic of the appeal of direct forms of one-on-one contact which provide quick responses to SBOMs' questions and appear to reinforce their perception that their accountant empathises with them and is accessible to assist them.

The study's third objective sought insights into the influence SBOMs' communications preferences and objectives have on the communications approaches accountants adopt with SBOMs. The findings indicate that the influence of the two factors may be considerable. The emerging cohort of SBOMs who place increasing emphasis on achieving a balance of business and personal objectives presents accounting with a bridge between:

- SBOMs who are primarily motivated by personal objectives and have a concomitant low interest in accounting; and
- SBOMs with predominantly economic goals and a comparatively high understanding of and interest in accounting information.

To be effective, the profession's communications with this cohort are likely to need to integrate both objective sets and demonstrate connections between accounting information and achieving personal objectives. This may challenge accountants who are more at ease providing compliance and financial services in written form.

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Geographically, data collected for the study was confined to South Australian CPA practitioners and small businesses. Hence, the sample selection may not be representative of the wider population of accountant/small business relationships in Australia. Due to the limited nature of the interviewee sample, no claim is made that the interviewees are, in a statistical sense, representative of Australian accountants as a whole. Non-employed businesses, and small businesses that had operated for less than one year, were under-represented in the sample which completed the questionnaire (ABS, 2007, 2008). Similar variances have been encountered in the samples of other recent studies of the Australian small business sector which administered mail questionnaires to SBOMs[4,5]. Other demographic groups, in relation to business size with regard to number of employees and business age, were well represented in the sample (ABS, 2007, 2008). The factor of the cost of communicating with accountants was not incorporated in the questionnaire and may be a determinant of SBOMs' communications preferences.

This study's findings indicate that accountants are adapting to satisfy the communication needs of the economically significant small business sector. The evidence reported in this study indicates that verbal communication skills are fundamental to accountants' association with small business. Thus, the findings provide substantial justification for the accounting profession's and accounting educators' increased emphasis on accountants' verbal communication skills. Ongoing research may further examine the effect of this pedagogical emphasis and the benefits that SBOMs derive from communicating verbally with their accountant. Additional studies might productively monitor the emerging group of SBOMs who aspire to achieve a balance between business and personal objectives and their use of accounting information. A limitation in recent research on the Australian small business sector has been an under-representation of SBOMs who have operated their business for less than one year, relative to the Australian small business population (ABS, 2008; Dyt and Halabi, 2007; Walker and Brown, 2004). Future research, which focuses on the requirements, perspectives and preferences of this cohort of fledgling owner-managers, would arguably contribute to understanding of the accountant/small business communications interface. The scope for further research from the perspective of small business is considerable. A segment of this research may investigate the impact of cost on SBOMs' accounting communications preferences. Future studies might also explore potential linkages between the incidence of communication and communications preferences and the reasons for the communications and SBOMs' objectives.

## Notes

1. The criteria regarding the selection of SBOM clients were:
  - The SBOM must be the person who is the point of direct contact for most of the written communications from the CPA practitioner.
  - The SBOM's business must have actively engaged the accounting, taxation and/or business advisory services of the CPA practitioner during the past year.
  - The SBOM's business must meet the ABS definition of a small business (ABS, 2001a, b, c). While it was likely that CPA practitioners possessed a sound knowledge of their client's employee numbers, a question that determined the surveyed SBOM's employee numbers was included in the questionnaire as a confirmatory device.
  - Selection needed to have regard to involving SBOMs who had owned and managed their businesses for varying periods of time.

- Selection needed to aim to include a range of business forms in the sample. For example, businesses that are home-based and micro businesses which employ fewer than five employees are prevalent in the Australian small business sector (ABS, 2002).
2. The probe techniques included the use of silence, seeking further explanation of interviewees' responses and requesting examples from interviewees to further clarify the issues being explored.
  3. Compliance encompassed the preparation of tax returns and financial statements and any accompanying documents, such as minutes for a Proprietary Limited Company. Decision support included advice on budgets, cash flows and the management of cash, business planning and the preparation of accounting reports and information for performance evaluation purposes.
  4. For example, Dyt and Halabi (2007) and Walker and Brown (2004). Non-employed businesses are less likely to need to consult with an accountant (Australian Taxation Office, 2009). Berry (2006) found a connection existed between business size and the levels of external advice sought by the business proprietor. Thus, it is arguable that the under-representation of this category of owner-managers will have a negligible impact on this study, being an investigation of the communications aspects of the accountant/SBOM association.
  5. Businesses that have operated for less than one year are likely to have not established an association with an accountant. Previous research has found that small business survival and business duration and management of the critical accounting function are associated (Peacock, 2004; McMahon, 2001; Reynolds *et al.*, 1994; Williams, 1987). It is likely that a number of fledgling business operators are inexperienced managers of accounting. The under-representation of this demographic may influence the findings reported in this section of the study, where data was obtained from the questionnaire.

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### Further reading

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**Background**

**Question 1**

Are you either the owner or a co-owner of the business? (please tick a box)

Yes	
No	

**Question 2**

Are you either the manager or a co-manager of the business? (please tick a box)

Yes	
No	

**Question 3**

Excluding you and your business partner(s)/co-owner-manager(s), how many full time equivalent staff does your business employ? (please tick the relevant box)

None	
1 - 4	
5 - 10	
11 - 19	
20 or more	

**Question 4**

How many years has your business been operating for? (please tick the relevant box)

Less than 1 year	
1 year - less than 2 years	
2 years - less than 3 years	
3 years - less than 4 years	
4 years - 5 years	
More than 5 years	

**Communication with your accountant**

**Question 5**

How often does your accountant use the following methods to communicate with you and your business on business matters? (please tick one box in each row)

<b>Written communication</b>	Nil times a year	Once a year	2-5 times a year	6-10 times a year	More than 10 times a year
Written documents and forms					
e-mail messages					
Newsletters					
Other – please indicate					

(Continued)

Figure A1.

<b>Verbal communication</b>	Nil times a year	Once a year	2-5 times a year	6-10 times a year	More than 10 times a year
Face-to-face meetings at your business premises					
Face-to-face meetings at your accountant's office					
Via the telephone					
Other – please indicate					

**Question 6**

What are the reasons for communications with your accountant over a year? (please tick each relevant box)

Compliance (income tax returns, business activity statements, FBT returns, financial accounts, minutes)	
Advice on tax issues	
Decision support (e.g. budgets, cash flows and management, business planning, financial reports/information)	
IT related (e.g. advice on computer systems, hardware, software and associated issues)	
Non-business reasons (e.g. social reasons)	
Other – please indicate	

**Question 7**

What is your **preferred** method of communicating with your accountant? (please circle the appropriate number on each row. Circle "0" if your accountant does not use the method)

	Least preferred				Most preferred	Not used
Financial reports/statements	1	2	3	4	5	0
Written management advisory reports/letters	1	2	3	4	5	0
e-mail messages	1	2	3	4	5	0
Face-to-face meetings at your business premises	1	2	3	4	5	0
Face-to-face meetings at your accountant's office	1	2	3	4	5	0
Telephone discussions	1	2	3	4	5	0
Newsletters	1	2	3	4	5	0

Figure A1.