

ICPAK

28TH ANNUAL SEMINAR

THEME : “PROFESSIONALS FOR CHANGE”

TOPIC :

“ISSUES AFFECTING SMPs IN KENYA TODAY”

VENUE:

PRIDE INN SAI ROCK, MOMBASA

DATE:

THURSDAY, 24TH MAY, 2012

PRESENTER :

**CPA Erastus K. Omolo,
Erastus & Co, Certified Public Accountants**

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ISSUES AFFECTING SMPs IN KENYA

TODAY

1) The face of Non – SMPs in Kenya is made up largely of 5 big sized CPA firms (Big in Revenue & Personnel Terms)

#	Firm - Kenya	Staff Approx.	Growth Background
1.	PriceWaterhouseCoopers (PWC)	400	A series of amalgamations and International affiliations / franchise
2.	Deloitte	350	✓
3.	KPMG	300	✓
4.	Ernst & Young	230	✓
5.	PKF	200	✓

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TODAY

2) ICPAK Membership Statistics (May 2012)

#	Description	No.
1	Number of Members	9,782
2	Number of Audit Firms	838
3	Number of those in Practice	1,926
4	Number of Firms with more than 3 Partners	20
5	Number of Firms with 3 Partners	36
6	Number of Firms with 2 Partners	96

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3) No Kenya definition of an SMP

4) European Commission (EC)

0 - 9 **Employees NOT Classified**

10 - 99 **Employees (SMALL)**

100 – 499 **Employees (MEDIUM)**

500+ ↑ **Employees (LARGE)**

In EC Terms, ALL CPA Firms in Kenya including the big 5 would fall under SMPs but most local firms will fall under “SMALL” only or nowhere!

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5) The SMPs World Internationally

The business environment in which an SMP operates is a challenging one and ever changing.

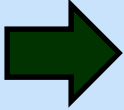
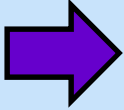
This presents both threats and opportunities.

- **Retaining quality clients**
- **Attracting the type of clients you want**
- **Keeping up with changes in accounting and auditing standards**
- **Hiring and retaining qualified staff**
- **Staying on top of professional development requirements**
- **Balancing work and personal issues (family, leisure, further studies, etc)**

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6) Key Challenges faced by SMPs

-  **Most of these challenges are inherent to the SMP due to the size and nature of the environment in which practitioners operate.**
-  **An SMP in Kenya is always facing competition from the big five, both for its clients as well as for its staff (Consulting firms of every kind also poaching from SMPs).**

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6) Key Challenges faced by SMPs

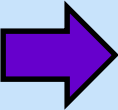
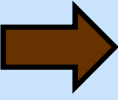
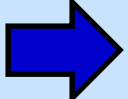
- ➡ The SMP is constantly under siege from “TAKERS” of every kind.**
- ➡ You are expected to give credit to clients vs cash flow demands.**
- ➡ Every challenge is matched by an opportunity ➡ AND this is where my topic is for this session.**

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6) Key Challenges faced by SMPs

Mitigate the fee collection dilemma :-

-  **Fee Deposit Notes rather than fee notes**
-  **Raise Fee Notes when fee is received**
-  **Bill deposits + VAT when client confirms they will pay within 30 days thus **manage VAT** pressure**

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7) The Sleeping Giant – SMP Opportunities

➡ **You are here to stay, do not be shaken**

➡ **The world can not go around without you on board**

➡ **You mid-wife the economy**

- **Growing Businesses**

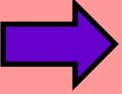
- **Staff Development**

➡ **You are like a “fire engine” you go to the fire when the BIG FIVE firm is running away.**



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8) SMP Image Management

 **Business leaders and professional accountants must recognize the importance of incorporating environmental, social & governance factors into all functions and processes – from strategic planning and goal setting, to external communications and reporting.**

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8) SMP Image Management

➔ Countries, regions & governments are more interdependent.

➔ Even small – and medium sized entities work across borders and geographies.



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9) Key Learning Points from the fall of the “Mighty Arthur Andersen” in its hey days – the largest accounting firm in the whole world :-

a) Big is not always “beautiful & good”.

b) Ethical distance must be real & visible

c) The “rich also cry” and the “poor also laugh”

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9) Key Learning Points from the fall of the “Mighty Arthur Andersen” in its hey days – the largest accounting firm in the whole world :-

Enron <i>(American Energy, Commodities & Services Co.)</i>	Arthur Andersen
Worldcom <i>(Telecommunication Industry)</i>	Arthur Andersen
Parmalat <i>(Italian Food & Dairy Company)</i>	Deloitte Touche Tohmatsu Grant Thornton Int'l

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10) Growing your SMP :

Lessons from emotional intelligence studies :-



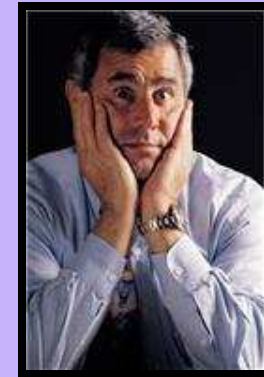
a) Self-Awareness

- **Accurate self assessment:** a realistic evaluation of your strengths and limitations.
- **Self Confidence :** a strong and positive sense of self-worth

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10) Lessons from emotional intelligence studies :-



b) Self-Management

- **Self Control: the ability to keep disruptive emotions and impulses under control**
- **Trustworthiness : a consistent display of honesty and integrity**

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10) Lessons from emotional intelligence studies :-

b) Self-Management

- **Conscientiousness:** the ability to manage yourself and your responsibilities
- **Adaptability :** skill at adjusting to changing situations and overcoming obstacles
- **Initiative:** a readiness to seize opportunities

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10) Lessons from emotional intelligence studies :-



c) Social-Awareness

- **Organizational awareness** : the ability to read the currents of organizational life, build decision networks and navigate politics
- **Service Orientation**: the ability to recognize and meet customers needs

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10) Lessons from emotional intelligence studies :-

d) Social Skills



➤ **Visionary leadership:** the ability to take charge and inspire with a compelling vision

➤ **Influence:** the ability to wield a range of persuasive tactics



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10) Lessons from emotional intelligence studies :-



d) Social Skills

➤ **Developing others:** the propensity to bolster the abilities of others through feedback and guidance

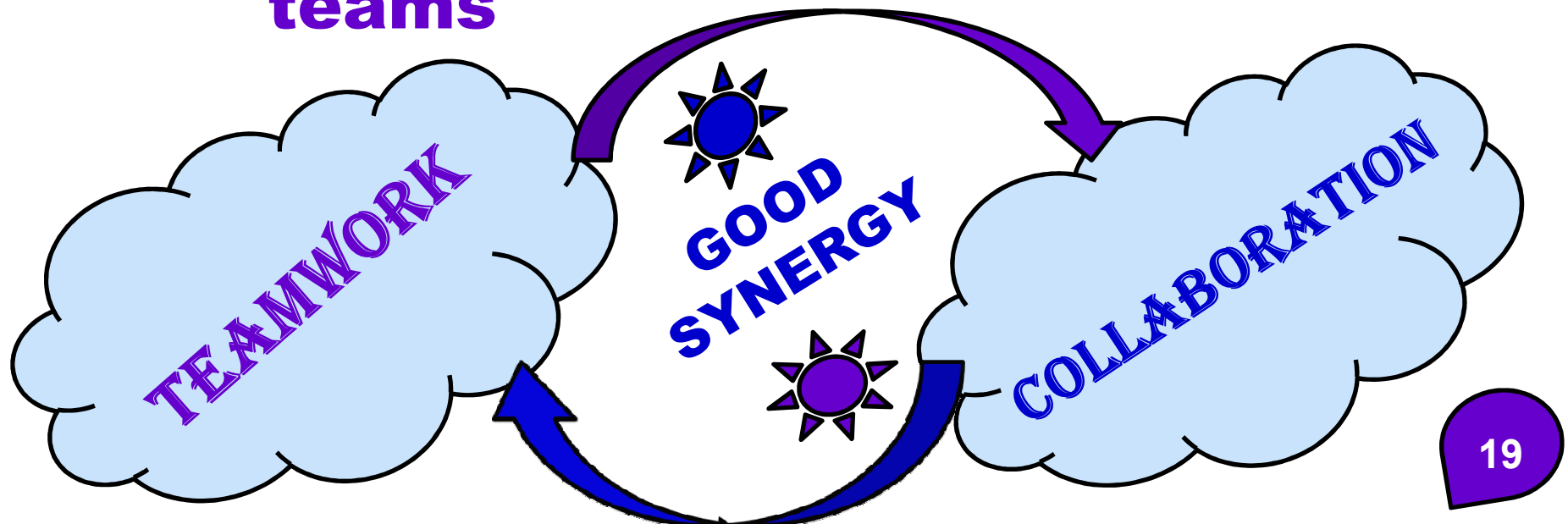
e) **Communication:** skill at listening and at sending clear, convincing and well tuned messages

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10) Lessons from emotional intelligence studies :-

f) Teamwork and collaboration:
competence at promoting
cooperation and building
teams



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11) Security Guards:-

We are a profession under siege, BUT the world relies on us to tell them the TRUTH. We must not let the world down.

Accountants whether from SMPs or Non-SMPs must be the SALT of the earth.



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11) Security Guards:-

- ➡ Are great people – held accountable**
- ➡ Training is rigid and multifaceted**
- ➡ Very few other professions give you such rounding**



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Think of :-

- ➡ **Lawyers – ran away from Maths!!**
- ➡ **Doctors – other than “madawa”**
- ➡ **Engineers – could not read long stories – many to CPA nowadays!**
- ➡ **Accountants – we do ALL. You are great people, do not be discouraged as SMPs BUT lets raise the bar !!!**



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“PROFESSIONALS FOR CHANGE”

Amazing!
How did
you
calculate
that?

Lawyer



Well Rounded Professionals

THE END

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THANK YOU

