

# Dynamic external environment and value creation in small and medium-sized accounting practices: a sensemaking perspective

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## Abstract

**Purpose** – This study aims to explore how small and medium-sized accounting practices (SMPs) make sense of and position themselves against the changing demand for services. It is argued that changing demand for services from pure compliance to advisory acts as a trigger for sensemaking among SMP owners.

**Design/methodology/approach** – A qualitative multiple case study research approach is adopted, including semistructured interviews with key informants from seven Norwegian SMPs as well as document analysis.

**Findings** – The findings suggest that there is heterogeneity in the small practitioner segment of the accounting profession in making sense of changing demand for the nature of services. Three different situations emerged due to sensemaking, thus, the three distinct positions. Metaphors, namely, chameleons, turtles and bulls, are used to represent the positioning of SMPs. The sensemaking of actors as an adaptation led them to act as chameleons while distancing and resistance resulted in their positioning as turtles, and bulls, respectively.

**Research limitations/implications** – Despite the richness of data indicating a clear variation in interpretation among actors, the study is case based, with a limited number of SMPs, and caution should be exercised when generalising its conclusions.

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**Practical implications** – The centrality of people as a driving force for positioning among SMPs and diversity among SMPs in value creation provide insights for both SMPs and their customers.

**Originality/value** – This study highlights the meaning and patterns of value creation and the positioning of accounting firms according to their sensemaking within an under-studied segment of the accounting profession.

**Keywords** Small and medium-sized accounting practices, Advisory services, Value creation, Size and resources, Sensemaking

**Paper type** Research paper

## 1. Introduction

Over the past two decades, a gradually emerging body of literature has referred to accountants in small and medium-sized accounting practices (SMPs) as multi-disciplinary service providers. In several countries, the tendency for SMPs to present themselves as one-stop shops by developing services that transcend pure compliance is quite evident (Berry *et al.*, 2006; Jarvis and Rigby, 2012; Sarens *et al.*, 2015; Blackburn *et al.*, 2018). This departure has been attributed to a dynamic and continuously changing contextual environment in which customers demand more value-added services (Marriott and Marriott, 2000; Alam and Nandan, 2010). Given the significance of value addition for customers in the current market dynamics, some studies have documented the response of SMPs to the changing demand for the nature of services (Alam and Nandan, 2010; Sarens *et al.*, 2015). However, adequate research on how SMPs make sense of and position themselves against the changing demand for services, from pure compliance to advisory services, is still lacking.

The previous studies assigned a template of business advisors to SMPs (Sarens *et al.*, 2015; Blackburn *et al.*, 2018), which indicates the evolving patterns of developing value-added services among SMPs. Although this trend sits comfortably with the prediction that the accounting profession will expand its service portfolio (Sen and Macpherson, 1998), the phenomenon may not be straightforward for SMPs. This is due to the fact that service expansion not only leads to externally oriented benefits but also brings forth internally oriented challenges (Kor and Leblebici, 2005) in terms of the need for a diverse set of skills and knowledge. Consequently, some scholars have questioned the ongoing value addition of SMPs for customers, arguing that the practices lack the necessary expertise and competencies to add value as business advisors (Deakins *et al.*, 2001; Burke and Jarratt, 2004). Many other researchers have touched upon factors such as competencies and social capital that influence SMPs' abilities to alter existing service provision practices.

For instance, Doving and Gooderham (2008) found significant differences among Norwegian SMPs in diversifying their service portfolios. The authors suggest that this variation is due to differences in the possession of dynamic capabilities. Similarly, Alam and Nandan (2010) noted how leadership style influences the ability of Australian rural and regional small accounting practices to adapt to the dynamic contextual environment. Another line of inquiry indicates that the strength of an SMP's ability to support customers beyond core accounting services is dependent on its size (Jarvis and Rigby, 2012). Furthermore, Sarens *et al.* (2015) reveal how differences in structural format among SMPs influence their ability to expand their service portfolios. Thus, a bulk of the existing literature is based on resource dependence and competence theories, which postulate that there is a size, resource and competence contingency when developing new services in SMPs. Although these attempts advanced our understanding of factors that can influence the ability of SMPs to create value for customers, how SMPs initially notice, interpret, enact and position themselves against the demand for value creation has yet to be explored.

A dynamic external environment is considered a powerful prompt for sensemaking (Milliken, 1990). Like other actors in the professional field of accounting, small accounting practices are also believed to be influenced by contextual changes in terms of demand for services beyond the traditional accounting domain (Alam and Nandan, 2010). Research has demonstrated how the discrepancy between existing and desired conditions at an organisational level results in sensemaking among individuals (Elsbach and Kramer, 1996; Martins, 2005). In acknowledging the individual approach to sensemaking as well as considering studies from social cognition literature (Bingham and Kahl, 2013; Fiss and Zajac, 2006), the present study aims to explore how SMP owners make sense of and position themselves against the demand for advisory services. In this context, analysing sensemaking entails being sensitive to the signals that SMP owners perceive regarding the changing demand for the nature of services in the market. It also involves capturing their narratives to understand how they position themselves against the changing demand for services.

Considering the significance of fit between the external environment and SMPs' value addition for their customers, the following question must be addressed: How do SMPs make sense of and position themselves against the changing demand from pure compliance services to advisory services? The study presents a more nuanced analysis of value creation and aims to uncover the positioning of SMPs against the changing nature of demand for services. This study is timely and highly relevant, as it responds to calls to conduct more research on accounting firms at the lower end of the professional field (Lander *et al.*, 2013; Ramirez *et al.*, 2015; Durocher *et al.*, 2016). Specifically, it addresses recent calls to explore the management of competing demands in subgroups of accounting firms in the professional field, as well as their service development patterns (Loscher and Kaiser, 2020; Ali and Mustafa, 2023).

The findings of the works mentioned indicate that it is critical to distinguish SMPs based on how they perceive demand for new services and what value creation means for these firms. Based on patterns emerging from the data, the study demonstrates heterogeneity in sensemaking among SMPs. Three different situations emerged due to sensemaking (i.e. the way actors notice the cues from the environment, interpret them and enact them to synchronise the initial sense and action). In situation 1, actors adapted the environment for value creation through sensemaking and positioned themselves as chameleons through the internal development of advisory services. In Situation 2, distancing led the actors to act as turtles, where internal value creation was considered a risk because new service development was outside of their core competencies. The willingness to cater to the demand for new services with the help of external service providers exhibits the difference in approach between turtles and chameleons. Finally, in Situation 3, the reluctance to internally develop new services is reflective of resistance among the actors, positioning them as bulls. Similar to approach of turtles, bulls deliver advisory services on *ad hoc* basis only by using external networks.

This study addresses a gap in the existing literature on the accounting profession. The findings suggest that not all SMPs are equally likely to notice the changes in demand for services and to act accordingly. The three different situations revealed by sensemaking reveal three distinct positions against the changing demand for services, from pure compliance services to advisory services. In addition to resource and competence contingencies, the present study elaborates on how meaning-making among actors influences their understanding of the dynamic field in which they operate and the resulting position they take against the changing demand for services. The analysis also adds to the existing research on competence, size and resource-based perspectives by demonstrating the

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*ad hoc* approach of turtles and bulls to value creation. The findings point to the relevance of external parties as potential sources of resources and skills for value creation among SMPs.

The remainder of this paper is organised as follows: Section 2 presents a literature review to summarise previous studies on both the compliance orientation and advisory orientation of SMPs. The section also incorporates literature on how changing demand for services may trigger sensemaking among SMP owners. Section 3 describes the study's data source and methodology in detail, while Section 4 presents the study's findings. Finally, Sections 5 and 6 present a discussion and concluding remarks, along with implications and directions for future research.

## 2. Literature review

This section discusses the relevant literature on aspects of service supply and demand in the context of SMPs and their customers, with the integration of sensemaking theory as a theoretical framework to analyse the response of SMPs to the changing demand for services. Sub-section 2.1 presents an overview of the demand for services and compliance orientation among SMPs and how they evolved over time. Sub-section 2.2 is dedicated to presenting the current demand for the services of accountants in SMPs and their advisory orientation. Finally, sub-section 2.3 presents the relevance of sensemaking theory as a theoretical framework for the current study and argues that the changing demand for services may trigger sensemaking among SMPs.

### 2.1 Service demand and compliance orientation

Small and medium-sized enterprises (SMEs) lacking in-house competencies often seek the services of external service providers (Bennett and Robson, 2003). Accountants have repeatedly been identified as the most frequently approached service providers in the SME environment (Robson and Bennett, 2000; Gooderham *et al.*, 2004). The reason behind this reliance is the lack of accounting duties conducted in-house. Small businesses are often founded and managed by individuals who lack the variety of skills and competencies needed to achieve their business goals successfully (Kirby and King, 1997). Accounting and tax-related assignments are often perceived as complex and require a thorough understanding of rules and legislation (Marriott and Marriott, 2000). As the necessary skills and competencies for conducting accounting and taxation duties are not always internally available in small businesses, external service providers, such as accountants, are often consulted on these issues.

Compliance is an essential part of accounting services, as it entails conformance to laws, regulations and industry standards to ensure financial transparency and legality. Compliance orientation refers to an approach taken by SMPs to ensure that their clients are in full compliance with relevant regulatory standards. Resource-based theory explains the reliance of SMEs on SMPs to obtain compliance services to manage their businesses according to legal obligations. Traditional compliance-driven tasks such as accounting, tax and audit were once the typical services provided to SMEs by SMPs. Therefore, the traditional role of accountants in SMPs was limited to the fulfilment of legal obligations, and compliance orientation was once a fundamental aspect of their services.

Earlier studies predicted that the compliance orientation of accountants may not be the same due to the changing demand for services (Kirby and King, 1997; Sen and Macpherson, 1998). This is in accordance with a number of subsequent empirical studies emphasising greater proactivity from SMPs to act as small business advisors (Bennett and Robson, 1999; Gooderham *et al.*, 2004; Berry *et al.*, 2006; Chikweche and Bressan, 2021). These studies also

suggest that external accountants should not limit their service orientation to compliance service providers. Thus, the services domain, which was once limited to the provision of standard accounting services such as bookkeeping, is evolving towards a more volatile domain. The next section provides a glimpse into whether and how SMPs are bringing about changes in conventional ways of doing business to meet the evolving demand for advisory services.

### *2.2 Evolving service demand and advisory orientation*

Small businesses now operate in a complex and constantly changing environment, which influences their need for services from external service providers (Sawang *et al.*, 2016). SMEs must adapt to a contextual environment where their ability to respond determines their survival. Increasing consumer power, changing statutory requirements and the influence of disruptive innovations have led to changing demand for services from SMPs. This new context requires SMPs to design, develop and offer services beyond the traditional accounting domain (Chikweche and Bressan, 2021). Compliance service provision is limited to basic accounting tasks, including bookkeeping, the preparation of declarations to tax authorities and the preparation of financial statements. By contrast, business advisory services encompass the provision of extra advice on specific subject matter to enable the recipient to make more informed decisions (Sarens *et al.*, 2015). With a clear distinction between the nature of services, the development of advisory services might require more skills, knowledge and resources. Although traditional services used to be the major domain of SMPs, the current demand for services requires SMPs to respond not only to traditional services but also to the evolving needs of SMEs. Although the studies from few national settings have documented the provision of advisory services in SMPs (Blackburn and Jarvis, 2010; Jarvis and Rigby, 2012; Blackburn *et al.*, 2018), their role as business advisors is yet to be substantiated (Ali and Mustafa, 2023).

Notwithstanding the transformation in SMPs for value creation in terms of developing and offering services, previous studies have touched upon issues from a lack of expertise to increasing the scope of services (Deakins *et al.*, 2001; Burke and Jarratt, 2004). Moreover, many have examined multiple individual and organisational-level characteristics that influence the ability of SMPs to develop and offer services beyond their core competencies (Doving and Gooderham, 2008; Alam and Nandan, 2010; Sarens *et al.*, 2015). Some studies have also explored the mismatch between customers' needs and SMP offerings (Ciccotosto *et al.*, 2008; Blackburn *et al.*, 2018). This mismatch further indicates that SMPs are yet to understand the current demand for services in the market. It is worthwhile to explore whether and how SMPs perceive and react to the demand for advisory services.

To develop new services, SMPs might need to become aware of recent technological advancements. Research suggests that specific accounting jobs may disappear (Hejase *et al.*, 2021), especially traditional accounting jobs, due to automation in the accounting profession. The use of technology for developing new services is quite relevant, even for SMPs. Although limited, empirical evidence suggests that SMPs may improve their advisory service provision by using cloud accounting solutions (Ma *et al.*, 2021). While the majority of previous studies have explored the involvement of SMPs in providing services beyond the traditional accounting domain based on either resource or competence theories and the use of technology, little emphasis has been placed on exploring and understanding how SMPs perceive and react to the changes in the market.

### *2.3 Evolving service demand and sensemaking*

Events that disrupt the ongoing flow of individuals and organisations and create ambiguity in how to act are considered triggers for sensemaking. In the literature, multiple events that can create discrepancies between what individuals and organisations expect and what they experience have been identified. [Maitlis and Christianson \(2014\)](#) provide a well-articulated review of sensemaking theory and identify the events that can prompt sensemaking. Among other noteworthy events, sensemaking is examined as a response of organisations against exogenous changes.

Changing external environments and the subsequent shifting responsibilities of individuals within organisations are believed to create paradoxes which, consequently, act as triggers for sensemaking ([Luscher and Lewis, 2008](#)). In this vein, several studies have highlighted how organisations act as interpretive systems that become active when they detect changes in the external environment. For example, [Meyer \(1982\)](#) demonstrated how an unprecedented strike by doctors disrupted hospital management, which led to sensemaking among hospital administrators about the strike and how it might affect their hospitals. Similarly, [Elsbach and Kramer \(1996\)](#) suggested that the release of business school rankings as an external event triggered sensemaking among members of schools that were ranked disappointingly. At an organisational level, [Ravasi and Schultz \(2006\)](#) demonstrated how a dynamic competitive environment engages managers in sensemaking to answer who they really are and who they want to be.

This stream of research suggests that when the ongoing operations of organisations are disrupted by external events, individuals and organisations often respond by constructing new accounts of their organisations and themselves. The ongoing debate regarding the contextual environment in which accounting firms operate mentions that external environment has influenced not only big firms but also smaller firms in terms of demand for services ([Alam and Nandan, 2010](#)). This indicates that it has disrupted the status quo at the lower end of the professional accounting field. The current disruption has triggered sensemaking among SMPs regarding their central attributes and identity as compliance service providers. Integrating the literature from management and organisation with [Weick's \(1995\)](#) sensemaking theory, the current study aims to explore in depth how SMPs make sense of and respond to the changing demand for services. Multiple SMPs were studied to achieve this objective, and the next section presents a detailed overview of the research methodology.

## **3. Methodology**

This section intends to outline the research approach and procedures used to conduct the study. It aims to provide a clear roadmap for how this research was carried out relying upon interviews and document analysis.

### *3.1 Research design and case selection*

This qualitative study relied on data collected from one of the larger ongoing projects at the author's business school in Norway in 2020–21, as well as document analysis. Seven case studies were undertaken, which included semi-structured interviews with seven different Norwegian SMPs. This approach is well suited to gaining a deeper understanding of the phenomenon under investigation because the focus of the study is on meaning-making, interpretations and sensemaking. The empirical data holds enough story-making processes and activities to show variation in the way actors approach and interpret the environment. Given the variation of interpretations among the actors, the sample size presents an adequate basis for theorising in the current study. The same methodology has also been

used by previous studies to explore experts' cognition (Wang *et al.*, 2019) and capture strategic responses (Lander *et al.*, 2013; Malo *et al.*, 2020). In addition, relevant documents on the service provision practices of SMPs were also obtained and analysed to ensure the rigour and validity of the methods used.

The cases were carefully selected (Eisenhardt, 1989) in three specific phases to maximise the theoretical contribution of the study. The first phase focused on gaining a deeper understanding of the accounting industry and included a review of the current literature. The study's inclusion as part of a larger project led to discussions with other researchers, which contributed to the formulation of the research questions. The second phase included an initial study of two accounting firms to gain insight into the status of the accounting industry in Norway. This initial study led to the refinement of the research questions in accordance with practical perspectives. At this stage, insights gained from the initial study of accounting firms were used to differentiate firms based on certain characteristics such as size, resources, structure and service portfolio. The cases were selected with the help of a professional association, which handpicked potentially relevant cases from its member base to ensure the selection of firms with distinctive characteristics with the goal of comparing different players within the small firm market. Finally, the third phase included interviews with seven key informants from SMPs as well as analysis of relevant documents.

### *3.2 Data collection and analysis*

The data were carefully collected from SMP managers/owners while adhering to certain criteria for selecting firms that could represent the multiple firms at the lower end of the professional accounting field with varied sizes and resources (see Figure 1, Section A). Due to travel restrictions related to COVID-19, four interviews were conducted online, while the remainder were conducted by telephone. The interviews lasted from 45 to 90 min on average. Although there is a loss of contextual and non-verbal data in phone interviews as compared to online or face-to-face interviews, at the same time, it might allow the respondents to relax and talk more freely, contributing to richer data sets. No significant differences were observed between online and telephone interviews. Interviews took place at the individual level using a storytelling approach (Czarniawska, 2004), where interviewees were able to express their perceptions without too much guidance on the part of their interviewer. Organisational sensemaking requires us to interact with people to understand how they engage with the complex environment. Since all the respondents in the sample were either owners or managers who are usually responsible for making decisions. This is especially true in the case of SMPs, which are mostly represented by a single person. Therefore, interviews at the individual level can be used to project the sensemaking among firms, which is also an accepted approach in previous studies (Cornelissen, 2012; Wang *et al.*, 2019). To further ensure data relevance, close attention was paid to the interview transcripts. After several rounds of analysis, multiple questions were found to address the phenomenon under study: What kind of challenges and opportunities are there when you develop new services? How have you developed new services? Have you ever developed services that you did not have before? These questions allowed the respondents to freely share their own understandings of the changing demand for services as well as current service provision practices rather than intentionally asking whether they notice the changes in the market or how they perceive and react to them. Therefore, the data allowed for the identification of signals that SMP owners receive about the dynamic external environment with changing demand for services and the impact of perception on their positioning.

		Primary Data Source						
		Firm	Size	Type	Structure	Informant Age	Informant	Service Portfolio
SECTION A	SMP-A	396 Employees	Franchise	26 Offices	60	R1	Statutory Accounting, Advisory, Agricultural and IT Advisory	
	SMP-B	190 Employees	Franchise	11 Offices	60	R2	Statutory Accounting and Advisory Services	
	SMP-C	13 Employees	Cooperative	Single Office	50	R3	Agricultural Accounting	
	SMP-D	1 Employee	Sole Proprietorship	Single Office	50	R4	Statutory Accounting and Advisory Services	
	SMP-E	10 Employees	Cooperative	Single Office	55	R5	Agricultural Accounting	
	SMP-F	0 Employees	Sole Proprietorship	Single Office	65	R6	Statutory Accounting Services	
	SMP-G	2 Employees	Sole Proprietorship	Single Office	55	R7	Statutory Accounting and Advisory Services	
		Secondary Data Source						
		Serial #	Document	Title		Year		
SECTION B	1	Information Paper	Role of small and medium-sized practices in providing business support to small and medium-sized enterprises		2010			
	2	Survey Report	IFAC Global SMP Survey Results		2014			
	3	Survey Report	IFAC Global SMP Survey Results		2015			
	4	Survey Report	IFAC Global SMP Survey Results		2016			
	5	Survey Report	IFAC Global SMP Survey Results		2018			
	6	Annual Report	Annual Report - European Federation of Accountants and Auditors for SMEs		2020			
	7	Commentary	Familiar Challenges in an Extraordinary Time		2021			

Source: Developed by author

Figure 1. Overview of sample firms and documents

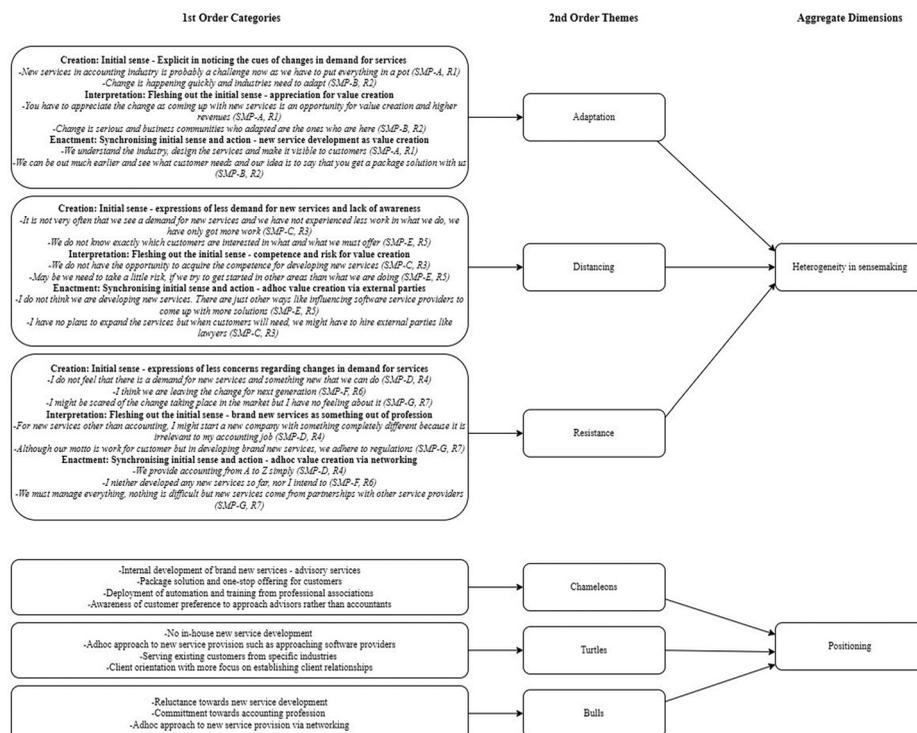
All the interviews were conducted in Norwegian – the native language of the respondents. To limit interpretation bias and errors, Google Translate was used to translate the transcripts into English. Native speakers from the author’s network were also consulted where necessary when translating specific author-selected quotations from respondents. All seven interviews were transcribed verbatim and uploaded to the NVivo software package for qualitative data analysis. This study acknowledged that the organisational world is socially constructed and that the individuals who construct the organisational world are knowledgeable agents (Gioia *et al.*, 2013). The analysis began with open coding, which led to 63 initial items. In the next phase, a few of the initial items were dropped because they were not relevant to the present investigation (e.g. views on mergers and acquisitions, concerns for advertising and the need for changes in education). Then, the initially informant-centric codes that were similar were combined into a smaller number of first-order categories with an emphasis on the major constituents of sensemaking efforts and the outcomes of sensemaking. Initially, the major constituents of sensemaking efforts – creation, interpretation and enactment – were the

focus of the analysis, followed by the positioning according to sensemaking. Three different situations emerged from the data, hence, the three distinct positions. This process reduced the initial number of items to 20 first-order categories. Once the first-order categories were established, the next phase explored linkages among the categories, which led the author to develop second-order themes that represented how individuals involved themselves in making sense of complex environments. These second-order themes categorise the behaviour of SMPs based on their initial sensemaking and subsequent action, as well as their positioning as an outcome of sensemaking. In this phase, significant attention was paid to how the respondents responded to the cues from the external environment, interpreted them and acted. In addition, the emerging patterns from the data in the form of second-order themes also represented the positioning on a spectrum from pure compliance to heavy advisory. Finally, the assembly of the second-order themes led to two aggregate dimensions, which resulted in a theoretical framework that exhibits the positioning of SMPs on a spectrum from pure compliance to heavy advisory according to their sensemaking efforts.

To ensure the trustworthiness of the data interpretation, data in the form of interview transcripts was shared with two qualitative research experts in the field. Then, peer debriefing was used, where the author invited other researchers who were not directly involved in the study to discuss developing patterns in the data and elicit challenging inquiries about the methods used for the data collection and analysis. This process was performed to obtain an outsider's perspective on the entire process of data coding and analysis. After any concerns raised by the peers had been addressed, a subsequent meeting assessed whether the conclusions and emerging data structure were plausible. This analytical stance for data analysis is like that used in prior research ([Harrison and Corley, 2011](#); [Stigliani and Ravasi, 2012](#)). The resulting data structure is presented in [Figure 2](#).

In addition to interviews, document analysis was used as a complementary method to enhance triangulation. Following [Flick \(2018\)](#), purposive sampling was used to select the documents and checked thoroughly for authenticity, credibility, representativeness and meaning. The documents included a working paper and global SMP survey reports by the International Federation of Accountants as well as an annual report by the European Federation of Accountants and Auditors for SMEs and a commentary by the American Institute of Certified Professional Accountants. All these documents were uploaded to NVivo software package and resulting word cloud (See [Figure 3](#)) with 50 most frequent words presents the relevance of text in these documents for the current analysis and the role of size and resources for advisory service provision. Thus, these documents were found to be relevant because of their content related to services provided by SMPs. An overview of the documents included for analysis is provided in [Figure 1](#), Section B. The contents of these documents were analysed for information related to the demand for services in the market and the positioning of SMPs in light of interview findings.

Using a back-and-forth interaction with the structure of data emerging from interviews, the texts were reviewed and examined for similarities, differences and patterns. Although the analysis of periodic documents from 2010 – 2021 revealed heterogeneity in advisory service provision among SMPs, this heterogeneity is closely tied to the size and resources of the practices. A sample of documents disclosed substantial variation across SMPs in advisory service provision, where larger practices were more likely to provide advisory services as compared to sole proprietorships and smaller firms. The size and resource perspective support both the previous studies ([Jarvis and Rigby, 2012](#); [Doving and Gooderham, 2008](#)) and interview findings. Firms acting as chameleons while developing



Source: Developed by author

Figure 2. Data structure

advisory services are larger than firms acting as turtles and bulls. The interviews provide a more comprehensive understanding of the centrality of people within SMPs in mobilising size and resources. The next section presents the findings of the research, while Section 5 provides a further discussion of the findings by comparing insights from both data sources.

#### 4. Findings

In this section, the results of the study are presented. Sub-section 4.1 is dedicated to exhibiting how SMPs engage with and handle the changing demand for services, from pure compliance services to advisory services. Three different situations emerged from the data regarding the way that firms noticed the cues from the environment, interpreted them and enacted them: adaptation, distancing and resistance. These situations are briefly discussed in sub-section 4.1 to show the heterogeneity in sensemaking among SMPs. Sub-section 4.2 shows how sensemaking produces positioning among SMPs, where three metaphors – chameleons, turtles and bulls – are used to exhibit how firms position themselves from purely compliance-based to heavily advisory. Figure 4 presents how three different situations of sensemaking lead to three distinct positions among SMPs.

##### 4.1 Heterogeneity in sensemaking

The sensemaking perspective postulates that the actual making of sense occurs through certain processes where actors engage with the environment and justify and respond to



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are presented to show how the processes of sensemaking efforts differ among the three situations that emerged from data.

*4.1.1 Situation 1 – Adaptation.* In this situation, actors were explicit in noticing the changes in demand for services. Creating an initial sense of an interrupted situation, the owners expressed their concerns about changes in the accounting industry as a challenge for the small practitioner segment. One of the owners put it as follows:

When you think of new services in accounting, that is the challenge now. Much of the accounting has been reconciliation, salary, and annual settlements, but now, with consulting and other things, we must put everything in a pot. (SMP-A, R1)

However, fleshing out the initial sense of challenge into a more narratively organised sense, these firms interpreted the demand for new services as an opportunity for value creation and higher revenues. This explains how owners tended to emphasise, upon appreciating the change, how to deal with a dynamic environment to ensure the survival of business communities. The respondents stated the following:

You must appreciate the change as an opportunity to produce new services because that is value creation that the customer needs, and then the willingness to pay is higher. (SMP-A, R1)

I should be objective and look at the change that is happening quickly. Now, it is serious, and it is for all industries. Businesses here are the ones that have adapted. (SMP-B, R2)

Finally, acting on a more complete sense made up of the interrupted situation, enactment involves the further actions taken by the actors. According to the interpretations, owners in this situation focused on understanding the industry and market needs to design and develop services that were in line with the existing needs of customers. The positive interpretations, thus, led the actors to adapt to the external environment with changing demand for services from pure compliance to advisory. Confirming adaptation, respondents mentioned:

We try to understand what the industry needs, so when we see that there is something that customers need, we design accordingly and try to make it visible to the customer. (SMP-A, R1)

Our idea is to say that we deliver a package solution. You do not need to call your lawyer; you can do a kind of one-stop shopping that is predictable and flexible. (SMP-B, R2)

*4.1.2 Situation 2 – Distancing.* Unlike the explicit concerns regarding changes in demand for the nature of services in Situation 1, the actors in Situation 2 were found to be less concerned regarding the need for the development of new services. This initial sense is influenced by the customer base, which has no demand for new services. Consistent with previous studies indicating a mismatch between SMPs and client needs (Ciccotosto *et al.*, 2008; Blackburn *et al.*, 2018), it has also been revealed that there is an ambiguity in understanding the customer's needs and how to accommodate them. As mentioned by the respondents:

It is not very often that customers come by and demand new services. I must say that we have not experienced less demand for work in what we do; we have only gotten more work. (SMP-C, R3)

We miss the pressure from customers for new services. We do not know exactly which customers are interested in what, how, and what we should offer. (SMP-E, R5)

Moving towards interpretation, which involves fleshing out the initial sense generated in the creation process, the interviewees acknowledged that new service development requires

competencies. The creation of value and the development of new services out of their core competencies have been attributed to risk. Thus, the interpretation of actors in this situation is different from what has been observed in Situation 1. These points were emphasised by the respondents as follows:

Although it is rare for me to say “I can’t” when a customer demands something new, I do not have the opportunity to acquire the competencies to push myself and deliver the new services demanded. (SMP-C, R3)

You should reckon that you might be taking a minor risk if you try to get started in other areas than what you are doing now. (SMP-E, R5)

The enactment of interpretation in this situation led the actors to distance themselves from developing new in-house services. The interviewees mentioned that rather than developing new services internally, they approach other external service providers, such as software suppliers and lawyers, to deal with the demand for new services from customers if needed. This is consistent with recent studies that claim that automation and technology influence the ability of SMPs to serve their customers beyond their core accounting competencies (Ma *et al.*, 2021; Rkein *et al.*, 2020). The respondents explained:

I have no plans to expand the services, and I have limits on what I am doing, but customers are allowed to come by, and when they need something new, we might approach others, like lawyers. (SMP-C, R3)

I do not think we are developing new services. There are just other things that we have been doing all along. Rather than developing in-house, we try to influence software suppliers to produce novel solutions. (SMP-E, R5)

*4.1.3 Situation 3 – Resistance.* The initial sense of noticing the cues in this situation demonstrates the denial among the actors regarding the changing dynamics in the service market. The interviewees exhibited no concerns about changing demand for the nature of services. A key reason behind this initial sense seems to be a deliberate choice among actors to avoid the development of new services. As mentioned by respondents:

I have not experienced customers coming and wanting something else than what I am offering. I do not feel that there is a demand for new services or something new that we can do for our customers. (SMP-D, R4)

I might fear other chains and market dynamics, but I have no feeling about it. (SMP-G, R7)

The development of initial sense into a complete and more narratively organised sense among these actors exhibits their belief about the brand-new services in the market that transcend the accounting domain. The interviewees explicitly interpreted the new services in the industry as irrelevant to accounting and against the regulations defining the role of accountants:

For new services other than accounting, it is like saying, “I know a little about a lot.” When customers suddenly want something completely new, I might start a new company with something completely different because it is irrelevant to my accounting job. (SMP-D, R4)

Although we do not work for the tax authorities, our motto is to work for the customer, but we still need to adhere to regulations in service provision. (SMP-G, R7)

Despite the resistance towards the development of brand-new services, the data revealed an *ad hoc* approach to value creation via networking among these actors. The respondents

clearly stated that although they neither developed nor intend to develop new services, the demand for new services has been met through partnerships with external service providers. The enactment in this situation is homogeneous to the synchronisation of initial sense and action in Situation 2 but differs in terms of interpretation. The actors in the current situation believed that brand-new services would come out of the accounting profession and, thus, resisted developing them in-house rather than distancing themselves. As mentioned by the respondents:

I have neither developed any new services so far nor do I intend to develop them. I just tried to digitise a little more for some customers, but not everyone is equally interested. (SMP-F, R6)

If a customer comes by and asks for a special service, we must manage everything. Nothing is too difficult, but that comes from partnerships with other service providers. (SMP-G, R7)

#### 4.2 Positioning across the spectrum

The sensemaking process usually generates outcomes during an episode, which could be in the form of specific senses to restore interrupted organisational activities (Weick, 1995). While the previous section detailed the sensemaking process, this section describes and illustrates the positioning across a spectrum from pure compliance to advisory services as an outcome of sensemaking. The analogies of chameleons, turtles and bulls are used to describe the positioning in the three situations discussed previously.

*4.2.1 Acting as chameleons.* Chameleons are known for their ability to actively change themselves to blend into the environment. This characteristic represents the adaptability according to environment among these creatures. The sensemaking process in Situation 1 led the actors to adapt in accordance with the environment to synchronise their initial sensemaking and subsequent action. It starts with interpreting the demand for advisory services as an opportunity, which shows what value creation means for these actors, while the positioning demonstrates how the actors sell their value to clients. Confirming the positioning, like that of chameleons, the respondents mentioned:

To a much greater extent, we now call ourselves advisors, controllers, and consultants. When we see something that the customer needs, we get input from the industry and make it for them. (SMP-A, R1)

Change is happening quickly, and it is for all industries. So, our idea is to say that you get a package solution, and you do not need to call a lawyer. You do a kind of one-stop shopping that is predictable and flexible with us. (SMP-B, R2)

This positioning is prevalent in Situation 1 with the internal development of brand-new services, i.e. advisory services, and thus, the firms tend to offer package solutions and one-stop offerings for the customers. Consequently, the positioning is higher towards the development of advisory services. It has also been revealed that much of this development emerged from the deployment of automation and training from professional associations, as well as the awareness of the customer base that prefers approaching advisors rather than accountants.

*4.2.2 Acting as turtles.* Turtles are the species that live in a shell for self-protection. In Situation 2, the results of sensemaking resemble the action of turtles, who retreat into their shells for self-protection. Actors interpreted involvement in the development of brand-new services as a risk and, thus, distanced themselves by serving only specific industries. Unlike

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chameleons, the positioning in this situation is quite different. The focus is neither on compliance nor on providing advisory services. However, an *ad hoc* approach to deal with the customers who demand brand-new services was observed while serving specific industries. Respondents stated the following:

We are not developing any new services. Brand-new services could be like taking a minor risk. There are just other ways to offer the services, like influencing software suppliers to produce more solutions for customers who demand something new. (SMP-E, R5)

When customers demand new services, we push ourselves to deliver, but it is not very often. I do not have the opportunity to acquire competencies for developing new services, but we have a lot of contracts and agreements with others who help us run, such as legal guidance. (SMP-C, R3)

Safeguarding their concerns, actors positioned themselves as turtles with no development of new services in-house. Although a willingness to serve customers from specific industries who demand new services is prevalent, with the help of software suppliers. This positioning can be presented on a spectrum from pure compliance to advisory as somewhere in the middle of the spectrum because of involvement both in compliance and *ad hoc* advisory service provision.

*4.2.3 Acting as bulls.* A bull is seen as the epitome of strength, which gives the species the ability to resist the forces acting against it. The metaphor of the bull is used here to describe the resistance of actors in Situation 3 against the changes in demand due to the nature of services in the industry. The belief among the actors that new service development goes against the norms of the accounting profession resulted in resistance towards accepting the need for developing advisory services. Thus, the apparent refusal to develop advisory services reveals a limited focus on purely compliance-based services. Despite the primary focus on pure compliance service provision, the actors exhibited their willingness to cater to exceptional customers with a demand for advisory services by using their network of external parties such as lawyers and real estate agents. This point was reflected by the respondents as follows:

There is nothing like developing some brand-new services. We have set a goal for ourselves: nothing is too difficult or too challenging. We must manage everything for customers. We do not send our customers away. We have partnerships with lawyers and agents in the market who help us solve problems for our customers. (SMP-G, R7)

I am a one-man office, and I never developed any new services. My services are common with accounting and payroll, and it is going well as I stick to my profession. (SMP-F, R6)

In conclusion, bulls exhibit reluctance towards advisory services. The exception to this resistance is found only among external service providers while the positioning in bulls is higher towards the development of compliance services.

## 5. Discussion

This study highlights how sensemaking among actors leads to various reactions to the changing demand for services among SMPs. Although size and resources are critical for positioning among SMPs, the sensemaking perspective further demonstrates how people can mobilise size and resources in several ways. The analogies of chameleons, turtles and bulls are used to describe the positioning across a spectrum from pure compliance to advisory. The existence of this heterogeneity in positioning is consistent with Ramirez *et al.* (2015), who state that a small practitioner segment of the accounting

industry is fragmented in its business strategy. The present study illustrates this differentiation by capturing the meaning-making patterns among actors and their influence on the way they act. On the one hand, larger firms with multiple resources – chameleons – interpret the changing demand as an opportunity for value creation via the internal development of advisory services. On the other hand, smaller firms and sole proprietorships – turtles and bulls – demonstrate reluctance to internalise the development of advisory services. Turtles interpret the new service development as something out of their core competence and consider it a risk to enter a new domain – thus, limiting themselves with a protective shell by serving only specific industries with the help of external service providers. Value creation occurs via external parties rather than internal development. Similarly, the behaviour of bulls denotes their commitment to the accounting profession and reluctance towards the development of advisory services. Value creation as an *ad hoc* approach for dealing with customers who demand new services becomes possible only by using their networks and partnerships. Accordingly, the positioning of chameleons is higher on advisory services, while bulls can be placed higher on compliance services. Turtles are found to act somewhere in the middle between pure compliance and advisory services.

The *ad hoc* approach by turtles and bulls to cater for customers' demands for new services through networking and partnerships clearly signals the critical role of size and resources when it comes to positioning against the demand for advisory services. A lack of internal resources is compensated by access to knowledge and resources from external parties for the development of advisory services. This access to resources, even from external networks, enables turtles and bulls to respond to the demand for advisory services. Acknowledging previous studies, such as that of [Doving and Gooderham \(2008\)](#) which elucidate the role of resources for service diversification among SMPs, the current study adds to the existing literature in terms of identifying the potential origin of resources other than the internal knowledge and skills in SMPs. When dealing with customers who demand advisory services, the matter of new service development becomes relevant depending on how good SMPs are at developing their own networks. Networking gives SMPs access to additional resources and allows them to function as small business advisors. More specifically, external parties, such as accounting software providers, are approached to fulfil emerging customer needs. This reliance supports an assertion by [Ma et al. \(2021\)](#) that cloud accounting solutions in SMPs can act as sources for improving customer relationships and the perceived value of accountants.

The findings of previous studies on mid-tier accounting firms ([Lander et al., 2013](#)) and comparisons of large and small firms ([Suddaby et al., 2009](#)) have revealed small firms' commitment to their traditional identity. By contrast, the emergence of chameleons in the present study indicates fragmentation even among the SMPs, which supports an assertion by [Stringfellow et al. \(2014\)](#) that small practices can be divided into different profiles when it comes to their identity. Apart from sensemaking, size and resources, other reasons could also lie behind the emergence of chameleons in the small practitioner segment. An explanation could be the Norwegian accounting industry, from which the sample of firms was taken. Since SMPs in this context are free of regulatory restrictions regarding the provision of additional services ([Doving and Gooderham, 2008](#)); the wheels might be greased for acting as business advisors. The behaviour among turtles and bulls, however, is somehow in accordance with previous studies ([Joshi and Bremser, 2004](#); [Mistry et al., 2014](#)) that have argued that the commitment to the traditional accounting profession is stronger in smaller accounting firms.

Furthermore, the emergence of heterogeneity among SMPs in terms of service provision suggests that the small practitioner segment should be delineated according to their meaning-making in an external environment as opposed to either assigning the template of business advisors to all SMPs or merely relying upon size and resource-based perspectives. The suggestion among previous studies that external accountants are becoming broader and more diverse (Howieson, 2003; Blackburn *et al.*, 2006) seems more applicable to chameleons with more resources and larger sizes. Sarens *et al.* (2015) found differences between sole proprietors and accounting firms in terms of the development of new services. The present findings indicate variation even among the accounting firms in their service provision practices. The sample included SMPs with varied sizes and resources, where larger firms with more resources acted as chameleons while smaller firms and sole proprietorships acted as turtles and bulls, respectively. Despite the relevance of size and resources, either internal or external, the interview data from the current study suggests reframing the existing views by demonstrating the relevance of social processes among actors for positioning in SMPs. Thus, size and resource could be general background variables explaining the positioning of SMPs, but sensemaking suggests that these variables need to be interpreted in terms of how they function. For instance, the size and resource perspective in the case of turtles and bulls function in terms of how well these firms are in developing relationships with their networks to gain access to resources and knowledge for value creation. Therefore, unlike the previous literature, the three metaphors in the current study demonstrate how people can mobilise size and resources in several ways.

## 6. Concluding remarks

The findings of this exploratory research suggest that there is heterogeneity in sensemaking and positioning among SMPs against the changing demand from pure compliance services to advisory services. The sensemaking efforts resulted in three different situations, and actors positioned themselves according to their sensemaking. It has been revealed that, apart from size and resource contingency, meaning-making among actors also influences the way SMPs position themselves against the volatile demand for services. In doing so, the current study explored what value creation means for the actors in three different situations and how they sell their value to customers. The emergence of chameleons, turtles and bulls suggests that not all SMPs are equally likely to respond to changes in the external environment. Empirical evidence demonstrates that new service development among SMPs may not be only dependent upon their internal resources but also on how well they collaborate with others to gain access to external resources and capabilities. Furthermore, the differences in customers' demand for services from external accountants and the influence on their service provision practices indicate volatility in service demand in the small business environment.

The results of this study have several potential theoretical and practical implications. Theoretically, the study has demonstrated how the situations that emerged from sensemaking led the SMPs to position themselves against the changing nature of demand for services. It adds to the existing literature on SMPs in terms of elaborating on the role of meaning-making among actors in generating responses to deal with the demand for new services. The existence of diversity among firms at the lower end of the professional field has yielded insights regarding the differences among these firms' sensemaking and positioning towards the changing demand for services. Specifically, this study has uncovered the response of SMPs to the dynamic external environment and changes in demand for services from their customers. Furthermore, the *ad hoc* approach by turtles

and bulls to cater to customers with demand for advisory services by using networks suggests that the ability of SMPs to provide advisory services not only depends upon internal resources and competencies but also on the capabilities and competencies of external sources in the network. Understanding changing service demand, the role of networks and their potential as a source of relevant resources and capabilities could assist accountants in SMPs in refining their business models and the development of new services. This is particularly critical because the demand for standard accounting services is believed to be declining worldwide (Cumming *et al.*, 2015; Chikweche and Bressan, 2021). Second, knowledge of the existence of diversity among SMPs could facilitate small business customers' choices of external accountants who match their needs.

Although the findings provide valuable insights regarding SMPs and their positioning against the changing demand for services from a sensemaking perspective, this study is not without limitations. Despite the rich qualitative data gathered from the interviews and documents, the sample size could still be questioned. Future studies could use a larger sample of SMPs and investigate similar issues in other national settings. In the future, survey-based studies could support or negate the findings of this study. The differences among SMPs in their ability to act as small business advisors could be attributed to organisational characteristics other than merely size and resources. For instance, firms with longer planning horizons might be able to better understand the changing demand for services and act accordingly. Research suggests that longer planning horizons enable small businesses to actively develop new services as compared to firms with short-term strategic planning (Mitchelmore and Rowley, 2013; Posch and Garaus, 2020). Moreover, the reliance of SMPs on accounting software providers to facilitate customer service in terms of service provision and communication suggests the importance of investigating the relevance of these solutions to SMPs. The partnerships with other external service providers could be further investigated in terms of how these networks work in practice.

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Dynamic  
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