

# How COVID-19 brings opportunities for small firms to disrupt the Big 4

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## **Chris Biggs, MD and Founder of Theta Financial Reporting, explains what opportunities COVID-19 has given rise to in the accounting space**

The COVID-19 crisis has had a substantial impact on many businesses and accounting firms over the past two to three months; with traditional activities having to take place away from the office, some employees being furloughed and firms losing clients.

According to the latest SEC audit 'Client Winners and Losers Analysis' by Audit Analytics, released in early May, PwC lost 13 SEC-registered audit clients and gained just eight for a net total of -5 and KPMG lost 14 and gained only six, for a net of -8.

There are many issues within larger firms at different levels across each organisation. For example, the perception of audit independence severely impacts the attractiveness of their advisory services for audit clients. This has been seen recently with both PwC and KPMG set to undergo investigation for Eddie Stobart audits. Moreover, they are incredibly 'overhead-heavy': meaning they have to charge high fees. The high fees lead to a client's perception of low value and little 'value-added'. Because of this, and due to their size and culture, it's inherent that they are slow to react and change to changing client needs.

For staff, working for big firms is less attractive, which results in more leavers and significant continuity issues for clients. Furthermore, the environment is generally not conducive to a healthy work-life balance; there is a high staff burn-out rate and more staff turnover. Entrepreneurial spirit and creativity is stifled and staff feel they are not 'making a difference'. This leads to firms needing to retain talent with more attractive pay packages which feeds through to higher fees and less value to clients.

Consequently, this has meant that there is space for other firms who are providing professional services to take advantage of the cumbersome nature of a large firm such as the Big 4 to adapt and pivot to a new working landscape. Our firm generates value to clients by disrupting the market for big-firm services. We do this whilst providing our team with a positive and real alternative working environment.

Crucial to our ability to disrupt is simply the quality of our team which are all ex-Big 4 advisors. We offer this at a far better value point by only hiring talented ex 'big firm' senior people, with a proven track record of client engagement and value-added. We are purposely not 'overhead-heavy'; for example, we have no large corporate offices. This means that we can operate at a lower cost point and give clients far better value; we purposely don't have an overly large network of staff; instead, we bring in trusted specialists and associates when needed. This means we shape our client delivery teams

to meet the precise needs of the clients, rather than just utilising available staff that we have on 'the bench'. Other smaller firms are also seeing this gap in the market, particularly when installing conducive family-friendly working environments; something that will become a key driver for work post-COVID and months spent at home.

This period has caused a lot of disruption for the industry and our clients but in times of chaos, comes opportunity. For smaller and more nimble firms, the ability to continue as normal- away from large city offices- has presented a new way of working that the Big 4 have been slow to adapt to. As this period unfolds and working environments change for good, I expect more SME firms to start moving and challenging the Big 4, as they remain slower to adapt and may struggle to hold on to fantastic talent. This could be the catalyst for a revolution in the accounting space and the traditional players will need to react quickly to retain their market standing.

We are seeing that clients are buying experience, know-how, value and reliability rather than just a big firm name. Large firms simply cannot change in the short or even medium-term; so they will continue to lose clients. We are proud to list FTSE100 companies and global household names as our clients and we have huge growth plans - but not at the expense of what we offer clients and our team.