



UHASSELT

KNOWLEDGE IN ACTION

Faculteit Bedrijfseconomische Wetenschappen

master in de handelswetenschappen

Masterthesis

***Previous corporate performance and the current demand for external accountants
advice in Belgium***

Lucas Behaeghe

Scriptie ingediend tot het behalen van de graad van master in de handelswetenschappen, afstudeerrichting
accountancy, financiering en fiscaliteit

PROMOTOR :

Prof. dr. Tensie STEUJVERS



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This master thesis was written during the COVID-19 crisis in 2020. This global health crisis might have had an impact on the (writing) process, the research activities and the research results that are at the basis of this thesis.

Preface

Before you lies the dissertation "Previous corporate performance and the current demand for external accountants' business advice in Belgium", which was written as part of my master's degree at Universiteit Hasselt. I did this research between october 2020 and june 2021. The global pandemic hasn't made it easier for me to conduct my research, but extensive research allowed me to answer the research questions.

I'd like to thank professor Tensie Steijvers. Her constructive feedback and the interesting discussions we had helped me shape this master's dissertation step by step right to the finished version which is now in front of you. I'd also like to thank Rob Janssens for his work with the survey and financial data, making my life a bit easier. Lastly, I'd like to thank all the respondents who took part in the survey, without whose cooperation I would not have been able to conduct this research.

I hope you enjoy your reading.

Lucas Behaeghe

Executive Summary

The aim of this report is to provide a clear and understandable look into how past Belgian corporate performance and market competition have an impact on the current demand for business advice provided by external accountants. This report is based on both existing literature and own empirical research.

The role and function of an accountant are ever-changing in today's dynamic day and age. In contrast with how mainstream media often depicts them, accountants are no longer the lonely numbers crunchers sitting at their desks all day using calculators. Business advisory services are a rapid-growing category of services external accountants are faced with (Carey and Tanewski, 2016). Accountants will have to diversify their services portfolio by providing business advice to their customers in order to stay relevant in the ever-digitalizing world we live in. The results of this study could help accountants in determining what type of customer to target for offering business advice.

While there have been multiple studies internationally on the effects external accountants' business advice has on firms' performance, this paper will focus on the opposite relationship: the effects of past corporate performance on the current demand for external accountants' business advice, as firms have a need for different types of advice in different types of situations. Trust is also brought into the equation to gain insights in to how it influences the relationship between past financial performance, market competition and the purchase of advice. Where most similar studies have only used survey data, this one looks at the responding firms' balance sheets to quantify the research.

This paper is a quantitative research paper using regression analyses (OLS and Logit) to test four hypotheses. Data was gathered through both a survey and financial statements of the firms who responded to the questionnaire. The sample size consisted of 376 cases. The survey was conducted by Hasselt University with help from Xerius, a Belgian social security fund and an enterprise counter. The survey was targeted to all the clients and network members of Xerius. The financial data was retrieved from the Belfirst databank by Bureau van Dijk, a Moody's analytics company.

This report looks at the impact past business performance has on the current demand for external accountants' advice, specifically in Belgium. For instance, when looking at firm growth (in terms of revenue, assets or number of people employed) as a performance measure, fast-growing firms could need business advice in order to sustain that growth. On the other hand, companies in a restructuring phase could also need advice in order to minimize the damage to the stakeholders. Furthermore, firms need to have access to monetary resources in order to purchase business advice. A healthy, good-performing firm will have access to these monetary resources, potentially leading to a higher demand for business advice. An unhealthy firm, with negative growth numbers for instance, might have the desire to purchase business advice, but lack the necessary resources to be able to afford this advice, postponing its purchase of business advice. To continue with the distinction between good and bad performing firms, it is also worthwhile to take a look at the types of advice the firms purchase. A fast-growing firm might buy more strategic advice, while a firm in a tough situation

might want to acquire financial management advice. While many previous studies (Carey and P.J., 2015; Kamyabi and Devi, 2011; Robson and Bennett, 2000) argue that demanding advice from external accountants leads to better business performance, there is no clear information about the financial state in which the advice-seeking companies were at the time of seeking advice.

Competitive markets require businesses to continuously improve in order to remain relevant. Johnson and Webber (2007) argued, following the resource-based view theory, publicly available information is rather unlikely to help an individual business gain a competitive advantage because competitors have equal accessibility to those resources. Business owners/ managers could therefore turn to external business advisers such as accountants to assist them in obtaining information specific to their situation, creating a competitive advantage.

Buying business advice from external accountants requires a trusting relationship. The data retrieved from the questionnaire is used to determine whether business owners/ managers trust their external accountants. Trust is used as a moderator in the association between past business performance and the purchase of external accountants' business advice. This measures what effect trust has on the association between past business performance and the purchase of external accountants' business advice.

This study finds that companies in a growth or restructuring phase have a higher demand for business advice from their external accountant. Trust is also a moderating factor in the purchase of advice: as the level of trust increases, the negative relationship between past business performance in terms of asset growth and the purchase of business advice gets stronger. When looking at profitability, we find that return on assets has a negative effect on the demand for financial advice, meaning that more profitable firms have a lower demand for financial advice. Larger firms have a lower demand for advice, but have purchased more advice in the past. Interestingly, older firms purchase less advice. Firms look for advice when they are in a situation where they have not been in before, and where many uncertainties exist. Given the fact that older firms purchase less advice, could be due to those firms having more experience in crisis situations. Market competition is not a significant predictor for the demand for external accountants' business advice in Belgium. A possible explanation for this is that Belgium is a developed economy, where plenty of information is readily available.

As is the case with all research studies, this study is subject to several limitations. When looking at trust, we had to look at the past purchase of advice instead of the current demand for advice, because of the way the demand for advice was questioned in the survey. Firms might have a demand for advice, but choose not to purchase that advice from their accountant because of other reasons than trust on its own (for instance because the firm isn't aware of all of the accountants' services offered). The business performance measures look at performance between 2018 and 2019, whereas the purchase behavior looks at the infinite past, leading to a measurement misalignment. A future study could align these measuring horizons as an improvement.

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1. Introduction

The role and function of an accountant are ever-changing in today's dynamic day and age. In contrast with how mainstream media often depicts them, accountants are no longer the lonely numbers crunchers sitting at their desks all day using calculators. Business advisory services are a rapid-growing category of services external accountants are faced with (Carey and Tanewski, 2016). The continuous digitalization and automation of accounting processes has led to accountants experiencing pressure to stay relevant (Forier, 2020). Both growing markets for advice as well as strategic intent of accountants - accountants have broadened their service scope in order to meet the demands for business advice - have resulted in accountants being the most popular type of people to be hired by firms as advisors (Blackburn and Jarvis, 2010; Berry et al., 2006; Reddrop et al., 2015). This popularity is backed by multiple recent academic studies showing that businesses most definitely benefit from the advice provided by external accountants (Carey, 2015; Kamyabi and Devi, 2011). This advice can take several forms, including compliance with statutory audit and taxation matters, legal services, financial management support, strategic advice etc. (Blackburn and Jarvis, 2010; Gooderham et al, 2004; Berry et al., 2006).

Even though there have been several studies conducted researching the effectiveness of external accountants' advice on business performance, very little is known about the inverse relation. This paper aims to provide a clear picture of the impact that past business performance has on the current demand for external accountants' advice, specifically in Belgium. For instance, when looking at firm growth (in terms of revenue, assets or number of people employed) as a performance measure, fast-growing firms could need business advice in order to sustain that growth. On the other hand, companies in a restructuring phase could also need advice in order to minimize the damage to the stakeholders. Furthermore, firms need to have access to monetary resources in order to purchase business advice. A healthy, good-performing firm will have access to these monetary resources, leading to a higher demand for business advice. An unhealthy firm, with negative growth numbers for instance, might have the desire to purchase business advice, but lack the necessary resources to be able to afford this advice, postponing its purchase of business advice. To continue with the distinction between good and bad performing firms, it is also worthwhile to take a look at the types of advice the firms purchase. A high-growing firm might buy more strategic advice, while a firm in a tough situation might want to acquire financial management advice. While many previous studies (Carey and P.J., 2015; Kamyabi and Devi, 2011; Robson and Bennett, 2000) argue that demanding advice from external accountants leads to better business performance, there is no clear information about the financial state in which the advice-seeking companies were at the time of seeking advice. This leads to the first research question: Is there a link between previous corporate performance and the current demand for external accountants' business advice?

After analyzing the critical factors determining demand for external accountants' business advice in the literature review, regression models will be developed in order to answer this first research question. Data from both a questionnaire and financial reports will be used. The goal is to be able

to find out whether past business performance of Belgian firms has any impact on the current demand for external accountants' business advice.

Competitive markets require businesses to continuously improve in order to remain relevant. External accountants' business advice has proven to help companies gain a competitive advantage: Johnson and Webber (2007) argued, following the resource-based view theory, publicly available information is rather unlikely to help an individual business gain a competitive advantage because competitors have equal accessibility to those resources. Business owners/ managers therefore turn to external business advisers such as accountants to assist them in obtaining information specific to their situation, creating a competitive advantage. This leads to the second research question: Is there a link between market competition and the demand for external accountants' business advice?

Several studies (Blackburn and Carey, 2018; Bulukin et al. 2005; Strike, 2013) argue that trust is an important factor in the demand for business advice from external accountants. In some cases, business owners even place the trustworthiness of the external accountant above the quality of the business advice given in terms of importance (Strike and V. M., 2013). Coming across as a trustworthy business partner is therefore crucial for accountants if they want to sell business advice next to their already existing portfolio of activities. This leads to the third research question: Does trust have an effect on the link between past business performance and the demand for external accountants' business advice? A fourth and final research question is formulated similar to the previous one: Does trust have an effect on the link between market competition and the demand for external accountants' business advice?

Buying business advice from external accountants requires a trusting relationship. The data retrieved from the questionnaire will be used to determine whether business owners/ managers trust their external accountants. Trust will be used as a moderator in this association between past business performance and the purchase of external accountants' business advice.

The findings of this paper could prove to be useful both for Belgian business owners seeking advice and also for accountants. The former may adjust their attitude towards external accountants, knowing that given their past business performance, their peers with similar performance also tend to seek advice from external accountants, or knowing that the advice from an external accountant could potentially lead to having a better competitive position in the market. The latter may decide to try to come across as more trustworthy, as trust is an important factor in the demand for advice from external accountants (Blackburn and Carey, 2018; Bulukin et al. 2005; Strike and V. M., 2013) or seek out those clients who are more likely to demand business advice in order to improve their business performance. The changing role of external accountants demands them to focus more on being advisors to stay relevant in the future (Blackburn et al, 2018).

2. Literature review

2.1. The ever-changing nature of the accounting profession

Several studies have indicated that accountants have previously and will in the future face considerable change in their activity portfolio. In the United States, the AICPA predicts that the future services provided by accountants will be so diverse the concept of “traditional” accounting will no longer be an accurate representation of the profession (AICPA, 2011). The AICPA therefore calls for change in the way the accounting profession is perceived, asking for a more rounded ‘business advisor’ meaning. Also, in the European Union the call for a broader understanding of the accounting profession can be heard. The Norwegian Association of Authorized Accountants has been encouraging its members since 1999 to regard themselves as business advisors (Gooderham et al, 2004). External accountants’ competitive advantage is based on the acquisition of distinct expert knowledge (Carey & P.J., 2015). It is in the best interest of accountants to widen their activity portfolio as more and more firms acquire computer technology for doing their own accounts, diminishing the need for the traditional accounting activities (Blackburn et al, 2018). Moreover, change in clients’ expectations has led to accountants no longer being expected to provide data, but also a critical analysis of this data and to advise managers (Granlund & Luka, 1998). This claim is also backed by recent research conducted in Germany, which found that management accounting and data science are starting to cooperate closely. The study concluded that accounting faces a shift away from traditional analysis, towards statistical analysis methods (Wadan et al., 2019). This is partly caused by the development of information systems, leading to more and more data being available in corporations’ accounting departments. Another skill to add to an accountants’ activity portfolio is providing strategic advice. With experience regarding management control, finance structure or financial planning, accountants are in a great position to assist business owners with advice (Carey & Tanewski, 2016). Blackburn and Jarvis (2010) do note that smaller accounting practices don’t always have the required skills and capacity to supply their clients with services other than the traditional compliance and monitoring tasks.

2.1.1. Defining external accountants’ business advice

To start off this research, clear and strict definitions should be given to the factors being analyzed to mitigate misunderstandings. Business advice given by external accountants will be discussed first, looking at what types of business advice (taxation, legal matters, strategy etc.) external accountants provide. External accountants are to be understood as accountants or bookkeeping professionals who are not employed by the company for which they give advice. These accountants work for independent accounting firms and sell their services to companies who are in need of their expertise.

External accountants’ business advice is defined in this paper as advice sold by external accountants to provide solutions to the management in the operation of the business. Carey and Tanewski (2016) defined business advice as new services designed to provide decision-useful information for internal stakeholders. Parker (2001) characterized advisory services as: taxation planning, accounting

systems design and installation, business investigations, corporate reconstructions, executive search, pre-acquisition investigations, manufacturing plant layout design, and the array of services. Traditional, administrative, and regulatory accounting services are not under the scope of this research. This study purely looks at the business advisory services offered by accountants. More conclusively, this study will look at four types of business advisory services: financial management advice, legal advice, strategic advice, and operational advice.

Financial management advice involves services such as assisting the business in financially challenging times, selling advice to determine the value of a business in mergers, acquisitions, and separations, calculating cost prices of products, conducting an internal audit etc.

Legal advice involves advice regarding inheritance, law changes and their impact on the business, advice regarding the transfer of ownership of the business, and general legal advice.

Strategic advice is comprised of advice regarding growth opportunities, sustainability, internationalization, performing the role of a board member and/ or a financial manager in the organization, and general legal advice.

Operational advice relates to advice regarding the acquisition of software/hardware, HR-decisions, risk management, compensation policy, marketing and sales decisions, and insurance.

2.1.2. The demand for external accountants' business advice

Tanewski and Carey (2004) have concluded, after a review of the empirical literature, that there is no established unifying theory explaining the determinants of demand for business advice (Reddrop et al., 2015). The demand for business advice is a derived demand. Advice is not sought for its own sake, but because it is expected to lead to an improvement in an area of business performance (Johnson et al., 2007). Businesses not only want to survive; they also want to obtain and maintain a competitive advantage. One way to achieve both goals is to buy advisory services from external parties. Accountants are the most popular type of people to be hired by firms as advisors (Blackburn and Jarvis, 2010; Berry et al., 2006). Certain knowledge needed to develop a competitive advantage is scarce, especially in smaller firms (Gooderham et al, 2004). Therefore, smaller firms are more likely to need external business advice, but because of their smaller size, they have fewer resources compared to larger firms, and are therefore less attractive to advisory firms (Gooderham et al, 2004). Johnson et al. (2007) argue that smaller firms will seek external advice if they perceive a noticeable gap in their internal resources. Even though business managers may be proficient in the field they operate in, they are not necessarily proficient in all areas of business management (Carey, 2015). To search for assistance, the business manager must see the need for advice. This means that he or she has to be convinced of his or her own knowledge gaps and admit their existence (Lobacz et al., 2016). An important task for the business manager, especially so when the firm lacks managerial resources, is therefore to correctly determine which type of advice is necessary in order to improve the desired area of performance. An external accountancy firm with a broad variety of advisory services will be more likely to get hired in such a situation.

Not unimportant to note is that owners/ managers, especially in the case of smaller enterprises, are more likely to look at their personal network (friends, family, other business owners) to seek advice,

instead of asking an external accountancy firm (Johnson et al., 2007). Aside from the fact that this informal type of advice is often delivered free of charge, asking for advice also requires a healthy relationship and trust. Reddrop et al. (2015) even argue that peers are a substantial source of advice, often insufficiently recognized.

2.2. Determinants of the demand for business advice

The role of business managers is often presented as “increasing shareholder value”. (Neely, 2002) Seeking advice in the form of hiring an external accountant to consult the management of a company has proven to be a successful way to increase shareholder value, as Berry et al. (2006) conclude that advisory services have a positive impact on business growth. SMEs are particularly vulnerable to failure in their early years, and this vulnerability creates incentives for SME managers to seek advice from their external accountants (Carey and Tanewski 2016). Firms buying business advice perceive their performance as superior to that of firms that choose not to buy business advice (Carey and P.J., 2015). Which factors explain the demand for external accountants’ business advice?

Previous research by Carey and Tanewski (2016) studied several determinants of the purchase of external accountants’ business advice. The size of the firm in terms of full-time employees, the perceived competence of the accountant, the length of the relationship with the accountant, the size of the board of directors and employing a qualified accountant all had a significant effect on the purchase of external accountants’ business advice. The age of the firm, the competitiveness of the industry, experiencing a growth or restructuring phase and gearing ratio had no significant effect on the purchase of external accountants’ business advice.

Gooderham et al. (2004) found no significant association between market competition and the demand for business advice, similar to Carey and Tanewski (2016). Kamyabi and Devi (2011) however, did find a significant relationship between those two variables. The authors explained that the difference in macroeconomic environment could be one of the explaining factors in the differences between their findings and those of Gooderham et al. (2004).

Strike et al. (2018) argue that the trust relationship factor plays an important, significant role in the demand for business advice in small firms. Trust in a business context is defined in the study by Lobacz et al. (2016) as the perception of the probability that other agents will behave in a way that is expected. Trusting an external accountant means that the business owner/ manager perceives the risk of the advisor undertaking undesirable actions as low. As Huggins and Johnston (2010) argued, reluctance by firms to seek advice is often caused by their unwillingness to show their weaknesses. It is therefore crucial for the advisory firm to come across as being trustworthy. Mayer et al. (1995) contribute three criteria to being trustworthy: competence, integrity, and empathy. Competence in this context refers to how clients perceive the level of expertise of the accountant. Strike (2013) and Reddrop et al. (2015) also found that perceived competence is an important factor when it comes to the demand for advice. This was particularly so if the adviser’s experience was greater relative to the receiver’s. Integrity refers to the congruence between accountant and client

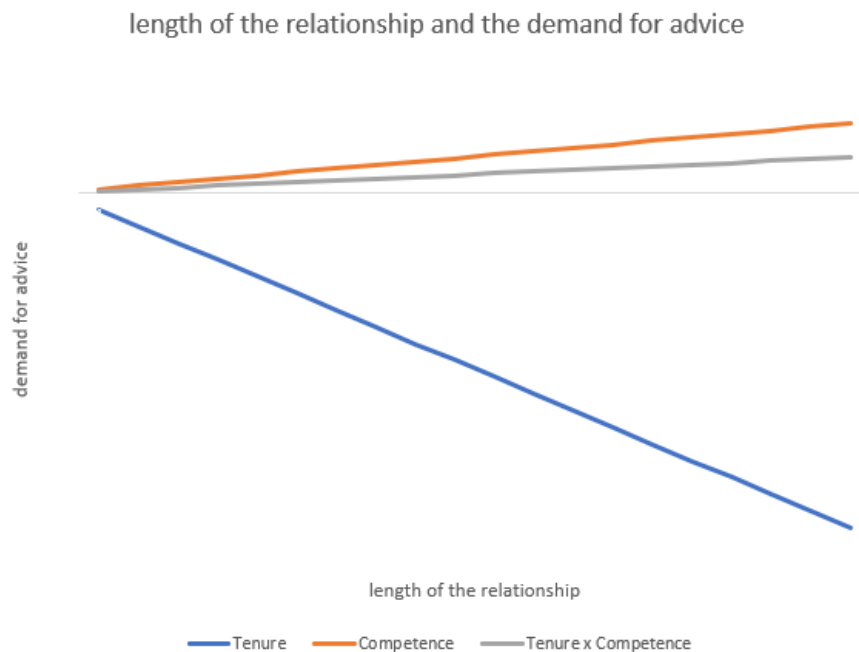
in terms of certain business principles the client has. Last, empathy is the extent to which clients believe the accountant acts in the clients' best interest. Blackburn and Carey (2018) mention the importance of understanding the clients' business and personal situation in order to be perceived empathic.

Lobacz et al. (2016) raise concerns about business owners and their relationship with external accountants, arguing that some business owners might feel uncomfortable dealing with 'sophisticated consultants' as partners. This is in line with the findings of Kamyabi and Devi (2011) which showed that external accountants' business advice is most often bought by higher educated business owners. Managers or business owners with a lower degree of education were found to be less likely to buy advisory services. These business managers/ owners also often don't have an elaborate understanding of what types of advice accountants can provide, or they believe the accountant doesn't really know the business. Lobacz et al. (2016) further also argue that business owners/ managers are often afraid of losing independence when they seek business advice and that seeking and accepting business advice is a sign of failure. It is therefore important for business advisers to come across as being trustworthy in order to make the business owner feel comfortable. Having a close relationship with the business owner is found to have a great impact on receptiveness to advice. This impact is associated with higher levels of trust and of liking. Close relationships between advisor and recipient help to mitigate some of the embarrassment or psychological cost associated with seeking help (Feng and MacGeorge, 2006).

There exist some discrepancies in the literature when it comes to the length of the relationship between the accountant and his client, and to what extent this length influences the client in trusting the accountant as a business advisor. Carey and Tanewski (2016) found a distinct, significant link between the tenure of the relationship and the demand for business advice. The research found that clients first need to minimize information asymmetry, and verify whether the accountant is competent enough to provide them with strategic advice. This directly links back to the first criterium for trust described by Mayer et al. (1995) above.

Carey and Tanewski (2016) ultimately found a significant negative association between length of the relationship and the demand for advice, meaning that as time progresses, clients buy less advice from their external accountants. The authors link this to a positive association they found between the demand for advice and perceived competence together with tenure of the relationship. Tenure on its own has a negative association with the demand for advice, which confirms findings from Robson and Bennett (1999) that older firms buy less business advice. By using competence as a

moderator, the relationship between tenure and the demand for advice turns positive.



The authors enunciate this finding arguing that when accountants aren't perceived as being very competent business advisors, business owners or managers will decrease their demand for strategic advice, and vice versa. This suggests that the short-term impressions clients have about their accountant are very important when it comes to perceived competence and decreasing information asymmetry. Bulukin et al. (2005) found similar results, claiming that the age of the relationship is not important for trust. They however did argue that a long-term strategic intention must be present within the relationship because of the amount of time it takes for new strategies to be implemented in the organization. Reddrop et al. (2015) argued that trust does not necessarily require a long, mature relationship, but that it is usually acquired instantaneously. Reddrop et al. (2015) termed this instant trust *vicarious trust*, which occurs through reference or testimonial. Several business advisors reported that a very high proportion of their clientele had been gained as a result of references. References could also benefit the advisor by giving him confidence in the client's trustworthiness (Reddrop et al., 2015). Even though the acquisition of trust is often done quite rapidly, it is important to note that trust is itself a continuous process of building and testing, as concluded by Kaye and Hamilton (2004).

Although several determinants of the demand for advice already have been studied, no previous study has looked as trust as a moderation variable in the relation between the determinants and the demand for advice. Literature regarding past business performance and the current demand for advice is also non-existent, only a couple of studies looked at survey-based performance measures which looked at current performance.

2.3. State of the art: overview of empirical studies

Table 1 gives an overview of several previous studies on business advice, business performance, and trust related to external advisers. The studies included in the table all looked at either the impact business advice has on business performance, or at determinants (trust, perceived competence, and market competition) of the demand for advice. Previous literature mainly used the resource-based view (RBV) of the firm as a theoretical framework, as business advice is seen as a resource of intangible knowledge. The resource-based view of the firm is a theoretical framework used to analyze the strategic resources a business has and which ones it can utilize or which ones it needs in order to obtain a competitive advantage, ultimately leading to better financial performance. A bigger and-performing business will have more resources than a smaller, worse performing one. The RBV distinguishes between tangible (assets) and intangible (knowledge) resources. Business advice therefore classifies as an intangible resource. By purchasing advice, firms aim to obtain intangible resources which they can translate into a competitive advantage.

As more and more accounting processes are being automated, accountants should shift their focus towards providing their clients with business advice in order to stay relevant in the future. Business advice is most commonly defined as services outside of compliance and statutory requirements, aimed at supporting the information needs of the management of the business. If accountants want to increase the likelihood of being asked to provide their clients with business advice, they should be aware of two important factors directly linked to themselves: Trust and perceived competence. Business advisors have to be perceived as competent and as dedicated to their clients before the clients ask for their advice. Lastly, firms operating in highly competitive industries are more likely to seek external business advice. Once this advice has been delivered to the client, it is likely to result in better business performance.

Table 1

Author(s)	Subject	Advice	Theory	Method	Key findings
Blackburn, R., & Jarvis, R. (2010).	External accountant's providing business advice to SMEs	Services related to noncompliance matters	Resource-based view of the firm	Review and qualitative	Accounting profession changes, increase in demand for advisory services.
Blackburn et al. (2018)	Relationships & trust between external accountants and SMEs	Ancillary professional services provided by accountants to advise clients in their strategic direction and operational running of their firms	Self-developed conceptual framework	Qualitative	Relationships and trust are necessary in order to activate demand-seeking.
Bulukin et al. (2005)	Educating accountants in providing business advice			Qualitative and quantitative	Accountants must be perceived as not only competent, but also as dedicated to the clients.
Kamyabi and Devi (2011)	External accountants' business advice and business performance	Advice supporting the information needs of management in the operation of the business	Resource-based view of the firm	Survey	Positive association between purchase of advice and SME performance. Market competition is significantly associated with the demand for advice.
Carey and Tanewski (2016)	The provision of business advice by external accountants to SMEs	Non-statutory services (e.g., business advice to support the information needs of management)	Resource-based view of the firm	Survey	purchase of business advice is significantly and positively associated with the perceived competence of the external accountant.
De bruyckere et al. (2017)	Accountants as advisors	Advice that transcends the legal obligations and adds value to the (financial) performance of the company	Resource-based view of the firm	Review	Accounting profession changes, increase in demand for advisory services.
Gooderham et al. (2004)	Accountants as advisors: determinants of advice	Advice on internal planning, decision making and control	Resource-based view of the firm	Survey	Trust is independent of tenure of the relationship in the demand for advice. Perceived competence and the willingness to grow are the two most important factors determining the demand for advice. Market competition is not significantly associated with demand for advice.
Johnson et al. (2007)	Which SMEs use external business advice?	No distinction between the different sources of advice or between the various topics about which advice might be sought	Resource-based view of the firm	Survey	Size or age have no association to the demand for advice. Firms located in metropolitan areas are more likely to use external advice. Firms willing to grow are more likely to use external advice.
Strike, V. M. (2013)	Family businesses and advisors	subtle advice: the tactics and practices used to guide the attention of family firm members toward developing collective attention	Grounded theory	Qualitative	Advisors should have some key characteristics (voice) and competencies (weight) in order to facilitate trust among the family members in the family business.

2.4. Hypotheses development

The resource-based view (RBV) of the firm is an appropriate theoretical framework to use in this context, as business advice is an external resource needed in order to improve performance and to gain a competitive advantage. This framework suggests that a firm's competitiveness in the industry is determined by the resources it has available, and that in order for firms to become more competitive, they need to acquire resources. Tacit knowledge (gained from advice) is one of the possible resources leading to a competitive advantage. The RBV theory suggests that firm size has an influence on the amount of advice bought by firms, as larger firms have more resources (and possibly more knowledge) internally, decreasing the need for advice, whereas smaller firms have a higher need for external advice. This has been refuted in several studies which found no significant link between firm size and the demand for business advice (Bennett and Robson, 2003; Johnson et al., 2007). Holmes et al. (1991) conjectured that small firms seek external support from the accountant only after a "crisis point" is reached (Carey and Tanewski, 2016). Larger firms might demand other types of advice than smaller firms. Large firms might have a need for advice concerning legal or tax matters, whereas smaller firms might have a desire to obtain operational advice. Smaller firms also feel more uncomfortable seeking advice outside of their organization (Lobacz et al., 2016), which further explains why studies have not found a significant link between firm size and the demand for business advice. For a firm to grow bigger, it needs sustained performance in order to fund the growth of the firm. While firm size on its own may have no influence on the demand for business advice, the past performance of the firm might.

The demand for business advice is an interesting factor to discuss, as growing companies (with good business performance, because companies need to be able to fund their growth) will require extra information in order to keep control over the situation and manage the expansion in the future. Looking at the RBV would suggest that a better performing, more profitable firm is more likely to buy advice in the future, as it has more resources available to spend compared to a firm in a tight financial situation. On the other hand, companies which experienced financial difficulties might seek external advice in order to come out on top of that situation. Carey and Tanewski (2016) argued that firms facing financial risk or performing poorly have an incentive to seek advice from their external accountants to develop a strategy to minimize the risk or to improve business performance in the future. Robson and Bennett (2000) found that growth orientation was an "explanatory variable" for use of external business advice, while profitability exhibited a negative relationship with use of business advice, suggesting that help was sought when in difficulty. A business that plans to restructure is more likely to source externally provided advice, and the external accountant's financial expertise makes them a likely source of advice (Firth, 1997). Managers often buy advice of their accountants when they struggle with critical decisions that involve uncertainty and business risks (Bennett and Robson, 1999). It seems that while size of the firm has no impact on the demand for business advice, firm performance does. There are both arguments which could explain a positive or a negative relation between past business performance and the demand for business advice. Even though the RBV theory would suggest a positive association, academic literature has proven a negative association in different situations.

H1: There is a negative relationship between past business performance and the demand for business advice from external accountants.

Looking at the RBV, it seems likely that market concentration also impacts the demand for business advice, as firms in highly competitive markets will be looking more eagerly for resources that can help them obtain a competitive advantage. A previous study by Gooderham et al. (2004) did not find a positive association between market competition and the demand for business advice, though later research by Kamyabi and Devi (2011) didn't come to the same conclusion. Kamyabi and Devi (2011) argued that a potential cause for this different result could be that they did their research in a developing economy (Iran), while Gooderham et al. (2004) did theirs in a developed economy (Norway). Pulling from the RBV theory, a highly competitive industry should require more VRIO (valuable, rare, inimitable, organized) resources. Tacit knowledge gained as a result of external advice can be seen as such a resource, suggesting that companies in a highly competitive industry are more likely to seek external business advice compared to companies in less competitive industries. Lobacz et al. (2016) argued that external knowledge acquisition is important whenever maintaining competitiveness of small innovative firms is considered. Competitive pressures in the business environment might increase SME demand for business advice. Gooderham et al. (2004) argue that, in highly competitive industries, small businesses are less likely to survive because of their narrow resource base, which can reduce their capacity to adapt products or services. However, while they did find a significant correlation between the degree of competition and the demand for external accountants' business advice, the authors did not find an association between industry competitiveness and small business demand for external accountants' business advice (Carey and Tanewski, 2016).

H2: There is a positive relationship between market competition and the demand for business advice

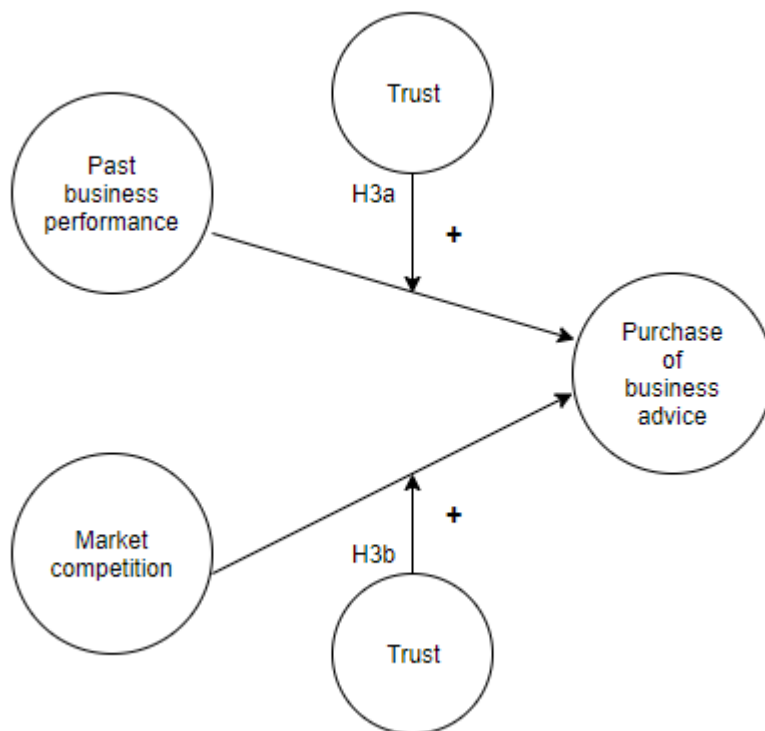
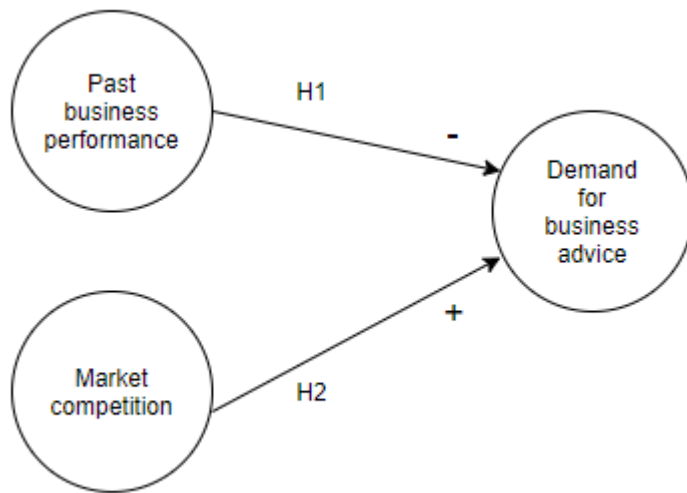
Several studies have argued that trust is an important factor in the demand for business advice from the external accountant (Blackburn & Carey, 2018; Huggins & Johnston, 2010; Bulukin et al., 2005). As mentioned previously, business owners might feel uncomfortable seeking advice outside of their organization because they might feel like they lose some independence, or feel like they failed. Developing a trusting relationship is the solution to this problem. Recent research in Australia and Great Britain by Blackburn and Carey (2018) concluded that developing a healthy and trusting relationship between the advisor and the client is necessary in order to facilitate the client in his demand for advice. An SME is more likely to purchase business advice after it has nurtured a relationship with its external accountant and has minimized adverse selection, that is, information asymmetry and uncertainty concerning the competence of the external accountant (Carey and Tanewski, 2016). It is therefore crucial for external accountants to come across as competent and proficient in what they do, while still remaining approachable enough to not be regarded as 'too sophisticated' for some of the potential clients, as Lobacz et al. (2016) claim in their study. Firms might have a demand for business advice, but don't decide to actually purchase it because the accountant isn't being trusted. Trust could be a deciding factor in the process of acquiring business

advice from the external accountant. No previous studies have looked at trust as a moderation variable yet. Given how important trust is in the demand for advice as an independent variable in previous literature, it would seem logical that trust will strengthen the effect past business performance and market competition have on the demand for external accountants' business advice. For these last hypotheses, current demand will be substituted by purchase of advice, more on this in section 3.2.

H3a: The level of trust will moderate the relationship between past business performance and the purchase of external accountants' business advice, in such a way that the past business performance will have a more positive effect on the purchase of business advice when the level of trust increases.

H3b: The level of trust will moderate the relationship between market competition and the purchase of external accountants' business advice, in such a way that market competition will have a more positive effect on the purchase of business advice when the level of trust increases.

2.5 Conceptual models



3. Empirical analysis

3.1. Sample and procedure

The sample used in this study consists of survey data from 1904 Belgian businesses who answered a survey about the relationship they have with their external accountant. The 64-page-long survey was done by Hasselt University with help from Xerius, a Belgian social security fund and an enterprise counter. The survey was targeted to all the clients and network members of Xerius. It was sent out 1 May 2020. Respondents could fill it out until 1 September 2020. In total, 99.531 companies were contacted, of which 5.235 (partially) responded (response rate of 5.25 percent).

The survey consisted of 6 sections:

- a) general information
- b) accounting services
- c) relationship with the external accountant
- d) business background
- e) business performance
- f) personal characteristics of the respondent

The financial data was retrieved from the Belfirst databank by Bureau van Dijk, a Moody's analytics company. Unfortunately, the financial data needed for the analysis was only available for 417 of the responding firms. The main reason for this big difference between the number of survey cases and financial data cases is due to the fact that very small firms (single person firms, farmers etc.) don't have to publish their financial statements in Belgium. After correcting for outliers (mean \pm 4 SD) this leaves a sample of 376 observations (19.75 percent usable sample).

3.2. description of the variables

Dependent variable

To measure the current demand for external accountants' business advice, *Demand_adv*, the aggregate variable for demand for external accountants' business advice, is the sum of the four categories of advice (financial, legal, operational, strategic) the respondent had a need for at the time of responding. Each category had its own set of services the respondent could choose from. Financial advice offered ten services, legal advice offered four, strategic advice offered six, and operational advice offered six (see table 10 in attachments). The aggregate demand variable thus has a minimum value of zero, and a maximum of 26.

When looking at trust in hypotheses 3a and 3b, a different dependent variable is used: *purchase_adv*. The reason for the use of this different dependent variable stems from the fact that demand was questioned in such a way that it didn't directly ask for the demand, but more for a general need, which could mean that firms have a need for a certain type of advice, but not actually

a demand for that type of advice from their external accountant. Respondents were asked which types of advice they had previously bought from their external accountant. *Purchase_adv* consists of the same four categories of advice as demand, again with a minimum value of zero (no advice was purchased) and a maximum of 26. The use of this variable comes with some limitations however, which can be read under section 3.7.2..

Moderation variable

The moderation variable measuring trust is an aggregate variable containing 17 different statements related to the relationship with the external accountant. Table 2 shows these 17 statements. The Mayer & Davis (1995) scale was used to measure trust based on three components: ability, empathy, and integrity. Ability measures how confident the client is in the competence of the accountant. Empathy measures how compassionate the accountant is on a personal level with regards to the wishes of his/her clients. Integrity looks at the overall honesty of the accountant. Reliability analysis shows a Cronbach’s alfa of .939 meaning that the scale used to measure trust is reliable.

Table 2

Ability	Empathy	Integrity
My accountant is very competent in executing his/her job	My accountant is very worried about my wellbeing	My accountant has a strong feel for justice
My accountant has a reputation for being successful in the things he/she does	My needs and wishes are very important for my accountant	I never have to wonder whether my accountant will keep his/her promise
I have a lot of confidence in the abilities of my accountant	My accountant wouldn’t do something on purpose causing me to incur problems	My accountant tries his/her best to deal with others in an honest manner
My accountant has specialized skills which can improve our performance	My accountant really thinks about what’s important for me	The actions and the behavior of my accountant aren’t very consistent
My accountant has the required knowledge to deliver the demanded work	My accountant will do everything in his/her power to help me with a given problem	I appreciate the norms and values of my accountant
My accountant is very competent		Reasonable principles seem to be the basis for the behavior of my accountant

Respondents were asked to rate answers on a 5-point Likert scale, ranging from “don’t agree” to “do agree”.

Independent variables

3.2.1 past performance measures

Several ways of measuring previous corporate performance will be analyzed. This study focuses on the Belgian situation, with data from Belgian companies from 2018-2020. One requirement for the comparison of regression coefficients is that units of measure must be expressed on the same scale. The variables used in this study will be measured as ratios/percentages.

The most apparent goal of for-profit organizations is to maximize shareholder value (Merchant et al., 2017). The aim of performance measures is thus to be congruent with shareholder value. performance measures should go up when value is created and go down when it is destroyed (Merchant et al., 2017).

Past Profitability

Earnings are the fundamental component of many performance measures (Neely, 2002). A first variable used to measure past performance is ROA. ROA is a ratio of the accounting profits earned by the firm divided by the total assets (Merchant & Van Der Stede, 2017). It is thus calculated as follows: net profit/assets. Figures of 2019 were used to measure ROA. ROA is a commonly used measure for business performance, as several meta-analysis studies have shown (Capon et al., 1990; Brammer & Millington, 2008). ROA is a widespread measure of performance as it is a comprehensive measure, and it is easy to compare to other measures because it is expressed in percentage terms.

Past Asset growth

Asset_growth is calculated as the year-on-year growth percentage of company assets. Figures of 2018 and 2019 are retrieved from the Belfirst database to measure asset growth. A higher growth percentage means that more value is being created for the shareholders, which is the ultimate goal of for-profit organizations (Merchant & Van Der Stede, 2017).

Market competition

Markcomp is the variable used to measure market competition. Respondents were asked to rate the competitiveness of the industry the firm operates in on a 5-point Likert scale, ranging from "not at all competitive" to "very competitive".

Control Variables

Firm age

Several empirical studies found that the use of advisory services by SMEs is positively related to firm size and firm age (Mohan-Neill; Dyer and Ross, 2008), stating that younger firms have less financial and human resources to seek out market information. The natural log of the firm age (the number of years since the firm was founded) was used as the age variable (*ln_age*) in this study. Since this study looks at past performance, firms younger than two years have been excluded, as there is no way to measure asset growth between less than two years.

Growth and restructuring phase

In research regarding business performance and business advice, Carey (2015) used growth phase and downsize (a decrease in the number of employees during the past year) as binary control variables. In 2016, Carey and Tanewski (...) used restructuring phase instead of *downsize* as a control variable. Because of the assumption that growing firms have a demand for advice, and struggling firms also have this demand, these two binary variables were used to distinguish between growing and struggling firms. Where *growth_ph* 1 = the firm is currently experiencing a growth

phase, 0 meaning the firm is not currently experiencing a growth phase. *Restr_ph* 1 = the firm is currently experiencing a restructuring phase, 0 meaning the firm is not currently experiencing a restructuring phase.

Firm size

To control for firm size, the continuous variable *ln_assets* was used, which measures the natural log of the value of assets tied up in the firm.

3.3. The research models

The demand for business advice is the dependent variable in H1 and H2, with business performance and market competition being the dependent variables. The purchase of business advice is the dependent variable in H3a and H3b, where trust functions as a moderator for the relationship between either business performance and the purchase of business advice, or market competition and the purchase of business advice.

To test H1, the following models were developed:

Model 1

$$Y_{demand_adv} = \beta_0 + \beta_{ROA} + \beta_D growth_ph + \beta_D restr_ph + \beta_{Ln_age} + \beta_{ln_assets} + \epsilon$$

Model 2

$$Y_{demand_adv} = \beta_0 + \beta_{asset_growth} + \beta_D restr_ph + \beta_{Ln_age} + \beta_{ln_assets} + \epsilon$$

To test H2, the following model was used:

Model 3

$$Y_{demand_adv} = \beta_0 + \beta_{market\ competition} + \beta_{Ln_age} + \beta_D growth_ph + \beta_D restr_ph + \beta_{ln_assets} + \epsilon$$

To test H3a and H3b, the same models were used as above, with the only difference being the addition of the *trust* variable being added as a moderator and the interaction variables.

Model 4

$$Y_{purchase_adv} = \beta_0 + \beta_{ROA} + \beta_{trust} + \beta_D growth_ph + \beta_D restr_ph + \beta_{Ln_age} + \beta_{ln_assets} + \beta_{trust_ROI} + \epsilon$$

Model 5

$$Y_{purchase_adv} = \beta_0 + \beta_{asset_growth} + \beta_{trust} + \beta_D restr_ph + \beta_{Ln_age} + \beta_{ln_assets} + \beta_{trust_asset_growth} + \epsilon$$

Model 6

$$Y_{purchase_adv} = \beta_0 + \beta_{market\ competition} + \beta_{trust} + \beta_{Ln_age} + \beta_D growth_ph + \beta_D restr_ph + \beta_{ln_assets} + \beta_{trust_market\ competition} + \epsilon$$

3.4. Descriptive statistics

Table 3 presents the descriptive statistics for the usable sample of 376 firms. The aggregate variable of demand for external accountants' business advice *demand_adv* ranges from 0 to 18 (the sum of advisory services supplied by accountants), with a mean of 2.41. 41.3 percent of the respondents reported to have no demand for business advice. This figure is only 9.3 percent when we look at the purchase of advice, meaning that more firms had actually purchased advice compared to the demand for advice. The average age of responding firms was 12, with ages ranging from 2 to 71 years. Results not in the table below show that 147 (39.1 percent) firms were experiencing a growth phase at the time of answering the questionnaire, and 46 (12.2 percent) firms were experiencing a restructuring phase. *Trust* has a minimum value of 2, a maximum of 5, with a mean of 4.22, which means that this variable is skewed. A binary variable *bin_trust* is used to solve this issue. Values of trust smaller than 4 were marked 'low trust' =0. Values greater than or equal to 4 were marked 'high trust' =1. Of the 376 firms, 234 (62.23 percent) had positive asset growth, and 142 had negative asset growth. 80 firms had negative ROA, and 296 (78.72 percent) had a positive ROA.

Table 3. Descriptive statistics (n=376)

Variable	N	Min	Max	Mean	Std. Dev
Purchase_adv	376	0	24	4.81	3.893
Demand_adv	376	0	18	2.41	3.510
Trust	376	2	5	4.22	.666
Bin_trust	376	0	1	.6862	.4647
Markcomp	376	1	5	3.38	.907
Growth_ph	376	0	1	.39	.489
Restr_ph	376	0	1	.12	.328
ROA	376	-1.29	1.14	.0748	.243
Ln_age	376	0.69	4.28	2.4478	.941
Ln_assets	376	7.32	16.62	12.2459	1.2684
Asset_growth	376	-0.73	3.05	.1698	.476
Age	376	2	72	16.46	11.853
Valid N	376				

3.3.2. Correlations

The correlations between the variables are presented in Table 4. The correlation between *bin_trust* and *Demand_adv*, with a Pearson's r of -.328, significant at the 1 percent significance level, suggests that firm owners/ managers who have a good and healthy relationship with their accountant have a smaller demand for advice. This strange finding is contrasted by the correlation between *Purchase_adv* and *bin_trust* which has a Pearson's r of .344, significant at the 1 percent significance level, which suggests that firm owners/managers who have a healthy relationship with their external accountant purchase more business advice. This difference between *Purchase_adv* and *Demand_adv* explains why we look at the former when analyzing trust in the regression models. A possible explanation for the negative correlation between *bin_trust* and *Demand_adv* could be that owners/managers who trust their accountant purchase advice sooner, thus decreasing their current need for advice. This would also explain the negative correlation between *Purchase_adv* and *Demand_adv*: Firms who have purchased advice in the past have a smaller need for advice in the

present. The performance measures *Asset_growth* and *ROA* are correlated with a Pearson's *r* of .240, significant at the 1 percent significance level. To avoid multicollinearity in the regression models, the two performance measures will be used in separate analyses. The correlation between the control variables *restr_ph* and the dependent variable *Demand_adv* are also significant at the 1 percent significance level. This significant positive correlation mean that when a firm is experiencing a restructuring phase, it will have a higher demand for advice from its external accountant. *ROA* is negatively correlated with *Demand_adv* at the 10 percent significance level, suggesting that more profitable firms have a smaller demand for business advice. Interestingly, *Ln_age* is significantly and negatively correlated with the performance measure *ROA* and *asset_growth*, eluding that younger firms are more profitable and grow more rapidly.

Table 4. Correlation matrix (n=376)

Note: *p <0.10; ** p< 0.05; *** p<0.01

Variables	1	2	3	4	5	6	7	8	9	10
1. Purchase_adv	1									
2. Demand_adv	-.203***	1								
3. Growth_ph	.069	.065	1							
4. Restr_ph	.123**	.165***	-.266***	1						
5. Ln_age	-.090*	-.017	-.111**	.104**	1					
6. ROA	.023	-.100*	.121**	-.256***	-.144***	1				
7. Asset_growth	.033	.010	.273***	-.127**	-.159***	.240***	1			
8. Markcomp	.081	.061	.093**	.068	.057	-.064	-.019	1		
9. bin_trust	.344***	-.328***	-.081	-.080	-.015	.091*	.008	-.041	1	
10.Ln_assets	.114**	-.097*	-.010	-.025	.193***	.011	.030	-.032	.102**	1

3.5. Analysis

Both binary logistic and Ordinary Least Squares were used as estimation methods. Using Ordinary Least squares as the estimation method, the differences between the actual data and the values estimated by the model are minimized (Stock & Watson, 2015). The OLS models use a continuous dependent variable (values between 0 and 18 for *demand_adv*, 24 for *purchase_adv*, the Logistic models use a binary dependent variable (0 meaning no demand/purchase, 1 meaning at least one type of advice needed/purchased). Both dependent variables can be seen as either continuous or binary. The logistic method was used because, as descriptive statistics show, many firms reported to have no demand for business advice from their external accountants.

3.5.1. Business performance and demand for advice

Table 4 presents the results of the regression analysis testing H1. The independent variables *ROA* and *asset_growth* were tested in separate models to eliminate multicollinearity. Also, *asset_growth* and control variable *growth_phase* were not put in the same model for the same reason. Both growth (B = .118) and restructuring (B = .178) phases are positively and significantly related to the demand for business advice, confirming the findings of Berry et al. (2006) and Johnson et al. (2007) that firms seek advice when in need, and that fast-growing firms are more likely to seek external business

advice. While firms experiencing a growth phase have a higher demand for business advice than firms who are not, firms experiencing a restructuring phase have the highest demand for business advice from their external accountant. No significant association between the performance measures and the demand for business advice was found however, meaning that the performance measures used in these models are unable to explain the demand for business advice. As a result, H1 cannot be accepted. Interestingly, Carey and Tanewski (2016) also did not find a significant association between gearing ratio as a measure of current performance and the demand for business advice. Using a logistic regression with a binary dependent variable *bin_demand_adv*, results were similar.

Table 5. Regression model for H1

Variable	Model 1	Model 2
Control variables		
Restr_ph	.178*** (.579)	.171*** (.500)
Growth_ph	.118** (.379)	
Ln_age	-.016 (.196)	-.029 (.192)
Ln_assets	-.087* (.143)	-.091* (.144)
Independent variables		
ROA	-.070 (.764)	
Asset_growth		.033 (.383)
F statistic	4.106***	3.463***
Adjusted R ²	.040	.027
R ²	.053	.037

Note: Standardized coefficients (std. error) *p<.1; **p<.05; ***p<.01.

3.5.2. Market competition and demand for advice

Table 6 shows the results of the regression analysis testing H2. Contrary to the prediction, no significant association was found between market competition and the demand for business advice, so H2 cannot be accepted. A possible explanation for this finding could be that almost half (39.8 percent) of the respondents in the sample indicated that their industry was neither uncompetitive nor competitive. The same regression model was tested using a binary variable for market competition with *Bin_markcomp* >3 being 1, meaning high market competition, and smaller than or equal to 3 being 0, meaning low market competition. This binary variable also had no significant effect on the demand for business advice. This finding supports the results from Carey and Tanewski (2016) and Gooderham et al (2004). Kamyabi and Devi (2011), who did find a significant association between market competition and the demand for advice, pointed out that the economic environment being a developing economy (Iran) could potentially explain why their findings were different from those of Gooderham et al. (2004) who did not find a positive and significant association between market competition in a developed economy (Norway).

Table 6. Regression model for H2

Variable	Model 3
Control variables	
Restr_ph	.190*** (.567)
Growth_ph	.110** (.382)
Ln_age	-.010 (.195)
Ln_assets	-.088* (.143)
Independent variables	
Markcomp	.035 (.143)
<i>F</i> statistic	3.841***
Adjusted R ²	.037
R ²	.049

Note: Standardized coefficients (std. error) * $p < .1$; ** $p < .05$; *** $p < .01$.

3.5.3. Trust as a moderator

To test hypotheses 3a and 3b, trust is brought into the equation, measuring the interaction of trust on the associations between past business performance and the purchase of business advice on one side, and between market competition and the purchase business advice on the other side. Moderation was done with mean-centred variables in order to be able to interpret the variables without interaction too. Results from that test can be seen in Table 7.

First and foremost, *Bin_trust* is found to have a positive ($B = .348$ for ROA, $B = .339$ for asset growth) and significant effect ($p < .01$) on the purchase of business advice, meaning that owners/managers who trust their accountant purchase more advice. In these models, all control variables are significant predictors for the purchase of external accountants' business advice. Firms in a restructuring or growth phase purchase more advice. As firms age, less advice is purchased from the external accountant. Lastly, larger firms purchase more advice (*Ln_assets* $B = .119$ and $.128$, $p < .05$). No significant association was found between the interaction variable *Bin_trust*ROA*, and *Purchase_adv*. However, interaction variable *Bin_trust*asset_growth* is a significant predictor for the purchase of advice in this model, at the 5 percent significance level. As the level of trust increases, the effect asset growth has on the purchase of business advice decreases. We cannot accept Hypothesis 3a: Trust does not affect the association between past business performance and the purchase of business advice in a positive manner. Asset growth on its own has a significant and positive association with the purchase of advice, but negative when trust is brought into the equation. When using a continuous variable as a measure for trust, the interaction variables were both not significant. When testing each of the three components of trust (ability, empathy, and integrity) as a separate measure of trust in the same models, the results were similar. A binary logistic regression model also did not change the results.

Table 7. Regression model for H3a

Variable	Model 4	Model 5
Control variables		
Restr_ph	.203*** (.603)	.162*** (.569)
Growth_ph	.128*** (.394)	
Ln_age	-.106** (.204)	-.111** (.203)
Ln_assets	.119** (.149)	.128*** (.148)
Independent variables		
Bin_trust	.348*** (.372)	.339*** (.369)
ROA	.091 (5.901)	
Asset_growth		.156** (.516)
Bin_trust*ROA	-.076 (1.447)	
Bin_trust*Asset_growth		-.190*** (.781)
F statistic	11.152***	13.171***
Adjusted R ²	.159	.167
R ²	.175	.181

Note: Standardized coefficients (std. error) *p<.1; **p<.05; ***p<.01.

Regarding H3b, trust also has a significant effect on the relationship between market competition and the purchase of business advice. Similar to the results of H3a, all control variables have a significant effect on the purchase of advice. However, the independent variable *Markcomp* and the interaction variable *Bin_trust*Markcomp*, the variable measuring the effect trust has on the association between market competition and the demand for business advice, were both not significantly related to the purchase of external accountants' business advice. A binary logistic regression model also did not change the results. We cannot accept H3b.

Table 8. Regression model for H3b

Variable	Model 6
Control variables	
Restr_ph	.209*** (.574)
Growth_ph	.124** (.385)
Ln_age	-.106** (.196)
Ln_assets	.107** (.145)
Independent variables	
Bin_trust	.359*** (.400)
Markcomp	.029 (.376)
Bin_trust*Markcomp	.060 (.446)
F statistic	12.081***
Adjusted R ²	.171
R ²	.287

Note: Standardized coefficients (std. error) *p<.1; **p<.05; ***p<.01.

3.6. Additional analyses

Diving deeper into the data to analyse the demand for advice by looking into each category of advice shows that ROA has a significant negative association at the 5% significance level with the demand for financial advice (dependent variable= *demand_fin_adv*). As firms become more profitable, their demand for financial advice in the future decreases. This finding is similar to findings from Robson and Bennett (2000) who found that current profitability was negatively associated with the purchase of advice. This proves once again that firms seek advice when in need.

Table 9. Regression model for H1

Variable	Model 1b
Control variables	
Restr_ph	.185*** (.279)
Growth_ph	.105** (.184)
Ln_age	-.024 (.094)
Ln_assets	-.113** (.069)
Independent variables	
ROA	-.109** (.314)
F statistic	5.464***
Adjusted R ²	.056
R ²	.069

Note: Standardized coefficients (std. error) *p<.1; **p<.05; ***p<.01.

3.7. Conclusion

3.7.1. Discussion of the results

This study investigates whether previous corporate performance and market competitive have an effect on the demand for external accountants' business advice and whether trust has a role to play in the demand for business advice. The data used in this study was collected through both a questionnaire sent to clients and network members of Xerius, a Belgian social security fund and an enterprise counter, and through financial data retrieved from the Belfirst database.

Discrepancies in the existing literature led to this study researching three factors which can have an impact on the demand for external accountants' business advice: past business performance, market competition, and trust.

The empirical results show that past business performance in terms of ROA and asset growth on their own have no significant effect on the demand for advice. However, when trust is brought into the equation, results show that higher levels of trust have a significant negative effect on the association between asset growth and the purchase of business advice. Trust itself has a significant positive effect on the purchase of advice. Firms in either a growth phase or a restructuring phase have the highest demand for business advice, confirming the findings of Berry et al. (2006) who found that firms growing most quickly are frequent users of business advice, and confirming findings of Carey and Tanewski (2016) and Bennett and Robson (1999) that firms seek advice when a certain crisis point is reached. Additional analysis shows that past ROA has a significant negative effect on the demand for financial advice, meaning that profitability is negatively associated with the demand for financial advice.

Similar to Gooderham et al. (2004) and Carey and Tanewski (2016), no significant relationship between market competition and the demand for business advice was found, contradicting what the Resource-Based View theory and results from Kamyabi and Devi (2011) would suggest. Perhaps firms look for other consultants than the accountant when it comes to business advice related to their competitive advantage. Another explanation could be, as Kamyabi and Devi (2011) mentioned, they did their research in a developing economy, whereas this study and the ones from Gooderham et al. (2004) and Carey and Tanewski (2016) use data from firms in developed economies.

The findings of this study have meaning for external accountants all across the world. External accountants will have to provide advisory services to stay relevant in the automated and digital future. Firms in a restructuring or growth phase seem to be the main target group for accountants who want to provide advisory services. Older firms and larger firms purchase more advice than smaller ones. Managers often buy advice of their accountants when they struggle with critical decisions that involve uncertainty and business risks (Bennett and Robson, 1999). Additional analysis results show that more profitable firms have a lower demand for advice, further supporting findings that firms seek advice when in a crisis situation. Lastly, this study proves once again how important it is for accountants to be perceived as trustworthy and competent. Results show that firms who trust their external accountant purchase more business advice.

3.7.2. limitations and future research suggestions

As is the case with all research studies, this study is subject to several limitations.

Past business performance is measured based on accounting ratios. As Neely (2002) reported, the components of any accounting ratio can be defined in several different ways. No way is objectively right or wrong, but rather assessments have to be made concerning appropriateness for a specific use. Neely (2002) further states that even when a ratio has been defined in a conceptually appropriate way, there remain issues of measurement.

With regards to the hypotheses testing the moderation effect of trust, a dependent variable measuring the purchase of advice was used instead of the variable measuring the demand for advice. The reasoning behind this is that the demand variable and the trust variable were negatively correlated, which is an unusual result. The demand for advice variable measures more of a general need and of which types of advice the respondent expects to have a need for in the future. Having a need for and actually purchasing the advice from the external accountant are two different things. The downside of using purchase as the dependent variable is that it asked which types of advice the respondents had previously bought from their external accountant. This could have been any time in the past, whereas the measures of business performance, market competition and trust were all measured from 2018 until 2020. This lag in measurement could potentially explain why a strange negative significant association was found when analyzing the moderation effect of trust on the relationship between asset growth and the purchase of advice. An improvement to this would be to ask respondents for their purchase of advice in the last 3 years when analyzing buying behavior, which would remove the measurement lag. A further limitation regarding the performance measurement is the fact that asset growth and ROA were calculated based on the financial reports of the responding firms. Firms from many different industries took part in the survey. No distinction was made with regards to the industry the respondents are active in, leading to a more difficult comparison between businesses.

Further research, potentially qualitative, could look into motivation as to why certain firms have a demand for advice but decide not to purchase it from their external accountant. A previous study by Carey and P.J. (2015) asked respondents to weigh the performance measures based on the companies' strategic intent. In measuring performance relative to competitors, and scaling (weighting) by the importance of each component, the performance measure controls for the perceived impact of industry and other external factors on performance because industry and other external factors are necessarily considered by respondents when rating relative performance (Carey & P. J., 2015). Reddrop et al. (2015) found that for SMEs, especially in the case of family businesses, the continuity and stability were far more important than major quantitative growth. The survey data used in this study didn't ask for importance ratings regarding business performance, so strategic intent was not possible to determine, which could be something worthwhile to look into in further research. Knowing the strategic intent of respondents could explain why certain firms purchase more advice of a certain category than others, leading to a more detailed image of the market for external accountants' business advice.

4. References

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5. attachments

Table 10: advisory services

Financial	Legal	Strategic	Operational
Valuation of a firm	Advice concerning inheritance	Offering strategic advice	Advice regarding software/hardware purchase
Calculating product costs	Offering information regarding law changes and its impact	Being a member of the board of directors in your firm	Advice regarding HR-decisions
Benchmarking	Advice and assistance in transfer of ownership and inheritance planning	Being a financial manager in your firm	Advice regarding risk management
Offering help with subsidy inquiries	Advice regarding legal cases	Advice and assistance in internationalization	Advice regarding payroll
Managing firm debt		Advice regarding CSR	Advice regarding marketing and sales
Advice on budgeting and financial management		Advice regarding growth opportunities	Advice regarding insurance
Assisting the firm in tough times			
Doing an internal audit			
Putting in place/optimizing internal control systems			
Assisting the inquiry of support measures			