

WHAT ARE THE OPTIONS FOR ACCOUNTING OUTSOURCING THAT COMPANIES HAVE IN THE PRESENT? EVIDENCE FROM ROMANIA, AN EMERGING COUNTRY FROM EUROPE

Adrian ISIP¹, ORCID: 0000-0002-4136-6549

Abstract: *Accounting, no matter if outsourced, performed in-house or in a shared service center, provides the necessary information for decision making. Sourcing decision (insourcing or outsourcing) is made upon the availability of internal and external resources and their costs. Using transaction cost economics and resource based view as theoretical framework, Romania as context and multiple case studies as research method, this paper investigates the valid accounting outsourcing options for today. The results revealed that: external accountants are perceived as trusted business advisors, small companies outsource recording and reporting, whereas most of medium-sized and large organizations outsource only reporting. Considering the main outsourcing reasons (cost reduction or access to expertise), technologies used and client's need for contact, accounting firms can provide services from their office using their own software or client's software in cloud or via a remote connection or they can relocate a team of professionals to the client's office. Showing what are the options for accounting outsourcing that companies have in the present represents the main contribution of this study.*

Keywords: *outsourcing of accounting services, accounting firms, automation, digitalization, remote delivery of services*

JEL classification: M41, M55

Introduction

Nowadays the companies have to be more responsive and flexible towards technological, economic, social and environmental changes in order to ensure the business continuity, stay competitive on the market and create value for all stakeholders.

Companies should stay focused on what they do the best and outsource the rest (Drucker, 1992). In 1990s more and more companies began to outsource those activities necessary for proper functioning but not related to their core business (Mullin, 1996).

Because of increased competition managers have to select the best sourcing strategy (insourcing, outsourcing or co-sourcing) for all business functions in order to achieve the company's goals (Agburu et al., 2017). The perception of managers on importance and efficiency of accounting function influence the sourcing strategy of companies (Barrar et al., 2002).

Outsourcing as long term agreement involve the use of external providers instead of own employees for carrying out specific tasks (Dominguez, 2006).

Accounting delivers useful information to managers on business performance allowing them to make informed decisions and create value for shareholders (Ezzamel et al., 2008).

¹Corresponding author: Adrian Isip, Bucharest University of Economic Studies, 6 Romana Square, District 1, Bucharest, phone: +40 784 041 541, e-mail address: isipadrian06@stud.ase.ro

Small and medium-sized enterprises (SMEs) represent more than 90% of all businesses, their contribution to employment and value added creation is more than 50% and because of that they are considered the main pillar of the economy (Lukács, 2005; WTO, 2016; OECD, 2017). Evidence showed that small and medium-sized companies are the main clients that benefit of the services provided by accounting professionals. (IFAC, 2019)

Cost is the main reason why small companies resort to full outsourcing whereas medium-sized and large organizations choose partial outsourcing for those activities that require a high level of expertise (Everaert et al., 2007). In small and medium-sized companies accountants are the main source of information and advice and they are perceived as trusted business advisors (Berry et al. 2006; Cassar and Ittner, 2009).

The most common reasons for accounting outsourcing are cost reduction, access to external expertise and focus on the core business (Auzair et al., 2013; Asatiani et al., 2019; Zandi et al., 2019). The loss of internal expertise and the loss of information represent the main reasons not to outsource the accounting function (Everaert et al. 2007); Höglund and Sundvik, 2016b)

External accountants limit their clients to use tax earnings management and promote the compliance with the tax regulations (Höglund and Sundvik, 2016a). Outsourcing of accounting increase the quality of the financial statements because external accountants have expertise and they are independent (Höglund and Sundvik, 2016b; Cullinan and Zheng, 2017).

Small companies resort to outsourcing mainly to fulfill their statutory obligations (Marriott and Marriott, 2000; Collis and Jarvis, 2002). High quality advisory services have a positive influence on the business performance (Kamyabi and Devi, 2011a).

Large companies from developed countries resort to offshore outsourcing for repetitive accounting tasks in emerging countries since the costs are lower there (Aman et al., 2012). Some multinational companies do not outsource accounting but create their own shared service centers to reduce the costs, improve the quality of the services and keep the control and knowledge inside the group (Herbert and Seal, 2012).

Digitalization and automation in accounting are mainly driven by the need for more real-time information, the necessity of releasing accountants from repetitive tasks and as a result of that business models, accounting practices and accountant's role are being reshaped. (Moll and Ygitbasioglu, 2019; Knudsen 2020). The implementation of robotic process automation in accounting ensure the processing of data faster, cheaper and at lower error rates (Kokina and Blanchette, 2019). Tax authorities are also interested in digitalization since it can ensure better controlling and collection of taxes, reduce the use of tax evasion practices and identify tax payers with high risks (Evstafyeva et al., 2019).

Due to physical distancing restrictions during Covid-19 pandemic the companies were forced to accelerate the digitalization process to be able to continue their business (KPMG, 2021)

After reviewing the relevant literature on accounting outsourcing and having our preliminary interviews, we found that research area related to accounting outsourcing options is under explored. The aim of this study is to investigate the available options for accounting outsourcing that companies have in the present. In doing so, we mobilized transaction costs economics and resource based theories as our theoretical framework, using Romania, an emerging country from Europe as research context and multiple case studies on international and local accounting firms as research method.

Considering the aspects mentioned before, this paper seeks to answer the following research questions:

RQ1. What are the main reasons why accounting firms would recommend the companies to outsource their accounting function?

RQ2. What is the impact of automation and digitalization on delivery of accounting services?

RQ3. What are the options that accounting firms offer to their clients in terms of accounting outsourcing?

Our findings revealed that external accountants are perceived as trusted business advisors since they are independent and have expertise. Digitalization and automation enable accounting firms to serve better medium-sized and large companies since remote delivery of services and instant access to information are possible, repetitive and rule-based tasks are automated, accountants are released from the burden of routine tasks and now they can focus more on value adding activities such as reporting and business advisory. Small companies outsource recording and reporting mainly to fulfill their statutory obligations. Most of medium-sized and large organizations outsource only reporting. Some multinational companies have their own shared service centers and others use BPO providers for routine tasks and to ensure compliance with the local regulations these companies rely on a small local team of employees or a local accounting firm. In case of multinational companies, the outsourcing decision is usually made by the parent company for all its subsidiaries. Considering the main outsourcing reasons (cost reduction or access to expertise), technologies involved in the provision of the services and client's need for contact, accounting firms can provide services from their office using their own software or client's software in cloud or via a remote connection or they can relocate a team of professionals to the client's office. In case the services are provided from the office of accounting firms, the clients can submit the supporting documents in paper or digital format.

The remainder of this paper is structured in four sections. The first section presents the review of scientific literature on accounting outsourcing indicating the role of external accountants for companies, the main reasons to outsource, the services provided by accounting firms, the clients' segmentation by size, the impact of automation and digitalization on delivery of professional services. The second part introduces the theoretical framework, research context and methodology used to achieve the purpose of this research and answer the research questions. In the third section the focus is on the results of this study and discussions on the findings considering the prior research. The final part is dedicated to the main conclusions, limitations of this study and directions for future research.

Literature review

Mullin (1996) mentioned that the practice of outsourcing started in 1970s for cost reduction reasons in manufacturing industry and because then news about the cost savings spread, outsourcing became popular among manufacturing enterprises in 1980s. Since outsourcing proved to increase the efficiency of the businesses for about two decades, more and more companies began in 1990s also to outsource those activities necessary for proper functioning of the organization but not related to the core business.

The recommendation made by Drucker (1992) to companies was to stay focused on what they do the best and resort to outsourcing for the rest. He encouraged enterprises to stick with their core business and leave the other tasks in charge of other companies for which the outsourced activities represent their core business.

Agburu et al. (2017) mentioned that because of increased competition managers have to select the best sourcing strategy for all business functions in order to achieve the company's goals and the options for sourcing strategy consist in insourcing, outsourcing or co-sourcing.

According to Dominguez (2006), outsourcing as outside sourcing strategy means to use on long term an external provider to perform some or all activities belonging to a specific business function for the benefit of contracting company instead of using own employees to carry out those tasks in house.

Accounting is an important function within the company because it delivers useful information about financial position, performance and cash flows and by doing that it provides the necessary support to managers in monitoring the business performance, preparing the forecasts and making informed decisions by choosing best available solutions in order to create value for shareholders (Ezzamel et al., 2008)

Lukács(2005) claimed the great majority of the companies in the world fall into the category of the small and medium-sized enterprises and they are perceived as the engine of economic growth. These companies represent the main pillar of the economy not only in developed countries but also in emerging countries because of their contribution to the employment creation and economic output.

In order to make a better idea about the importance of the small and medium sized enterprises WTO (2016) and OECD (2017) provided some statistical information namely small and medium-sized entities are represented by more than 90% of all companies playing a key role in all national economies around the world since on average their contribution to employment is between 60-70% of all jobs, on value creation is between 50-60% of value added and their contribution to Gross Domestic Product (GDP) creation is between 40-55%.

Considering these information IFAC (2019) stated that small and medium-sized enterprises represent the foundation of all economies worldwide and these companies are the main clients that benefit of the services provided by accounting professionals.

According to Barrar et al. (2002) the managers' perception on the importance and efficiency of accounting function is the main factor influencing the choice of the companies as regards the sourcing strategy for the provision of accounting services namely insourcing, shared services or outsourcing.

Berry et al. (2006) studied the influence of business advice on companies' performance and found that in small and medium-sized companies accountants are the main source of information and advice and managers perceive them as trusted business advisors because they possess the necessary knowledge and skills in assessing the risks, providing support to management for making informed decisions, monitoring and communicating the results.

The importance of advisory services provided by external accountants is also emphasized by Cassar and Ittner (2009) who mentioned that is useful to involve external accountants in the early stage of the business, because at that moment companies need a lot of advice and support in order to set the goals, identify the risks and ways to mitigate them, define compliant processes with the legal regulations in force, gain competitive advantage and improve the decision making.

Another study conducted by Kamyabi and Devi (2011a) on accounting outsourcing and firm performance indicated that there is positive relationship between the high quality of advice provided by external accountants and the business performance since decisions made by managers for better allocation of resources are expected to generate an increase in terms of efficiency.

Small and medium-sized companies are more likely to outsource their accounting function since they lack the skills and resources needed to organize and conduct the accounting function in house or the costs for carrying out accounting tasks with own employees are higher than the fees they should pay to external accountants (Barrar et al., 2002; Everaert et al., 2007; Höglund and Sundvik, 2016b; Asatiani et al. 2019)

In their studies Aman et al. (2012), Asatiani et al. (2019) and Zandi et al. (2019) mentioned that cost reduction, focus on the core business and access to external expertise represent the main reasons why companies outsource their accounting function.

Everaert et al. (2007) and Höglund and Sundvik (2016b) indicated that the main reasons not to outsource the accounting function are related to the loss of internal expertise and competence which makes the company too dependent on the external accountant and the loss of information (some

information might be lost or conveyed with delay and other information might not be immediately available).

Everaert et al. (2007) stated that small companies often choose full outsourcing whereas most of medium sized companies resort to partial outsourcing which means a combination of insourcing and outsourcing for carrying out the accounting tasks. Cost is the main reason why most medium-sized companies resort only to partial outsourcing because full outsourcing would engage higher fees which definitely exceed the costs for carrying out the tasks in house with own employees.

Everaert et al. (2010) and Munjal et al. (2019) indicated that educational background and experience of the chief executives and trust in the competence of external accountants represent crucial factors in decision making related to accounting outsourcing. They found that a more educated and experienced chief executive tend to outsource tasks in a lesser extent and a high level of trust in the competence of external accountants was associated with higher levels of outsourcing.

Kamyabi and Devi (2011a) mentioned that external accountants can provide statutory and non-statutory services to their clients. Statutory services have to do with the fulfillment of the legal obligations in terms of accounting and tax. Non-statutory services mainly refer to business advisory services and this type of services add more value both for clients and external accountants.

In their research on accounting outsourcing Everaert et al. (2010) and Kamyabi and Devi (2011b) claimed that companies can transfer to external accountants routine and non-routine tasks. Data entry or bookkeeping (entry of invoices, payments and other transactions) and period-end tasks fall into category of routine tasks whereas preparing the tax returns, reviewing the accounts preparing the financial statements and business advisory are considered as non-routine tasks. The decision to outsource routine, non-routine tasks or both of them is mainly driven by costs reasons and information need frequency.

In small companies owners who are also managers use the services of external accountants mainly to fulfill the legal requirements, the importance of accounting information for them is low and they perceive accounting as cost (Marriott and Marriott, 2000; Collis and Jarvis, 2002).

In small and medium-sized companies taxation represents an important decisional component of the overall business strategy and sometimes these entities resort to tax earnings management in order to reduce the corporate income tax (Laguir et al., 2015).

A study conducted by Höglund and Sundvik (2016a) suggested that outsourcing of accounting tasks increase the quality of tax reporting because the external accountants limit their clients for using tax earnings management and encourage them to comply with the tax regulations.

Outsourcing of accounting function and longer business relationship between companies and external accountants lead to higher quality of financial statements because the distortion and manipulation risk of information is very low due to the expertise and independence of external accountants (Höglund and Sundvik, 2016b; Cullinan and Zheng, 2017).

Aman et al. (2012) observed that large companies from developed countries in their quest for cost savings often resort to offshore outsourcing for repetitive accounting tasks in emerging countries, where they can easily find qualified and competent suppliers available at significant lower costs compared to their home countries.

Herbert and Seal (2012) observed that some multinational companies create shared service centers that provide corporate support services (accounting, controlling, finance, payroll and IT) as an alternative solution to outsourcing. In their opinion a shared service organization can reduce the costs because of economies of scale and scope, improve the quality of the services but the major benefits are that control and knowledge remain inside the group.

Nicholson et al. (2006) and Andone and Păvăloaia (2010) identified four alternatives to accounting services performed in house by own employees (table no. 1) considering the location and the affiliation of the service provider, namely onshore outsourcing, captive onshoring, offshore outsourcing and captive offshoring and they mentioned that information and communication technology advances brought new opportunities for outsourcing of accounting by making possible the exchange of digital data and electronic documents and remote delivery of services since the importance of physical location fade away.

Table no. 1 Alternatives to accounting services performed in house by own employees

Location of the service provider Affiliation of the service provider	Domestic	Abroad
Non-affiliated companies	Onshore outsourcing	Offshore outsourcing
Affiliated companies	Captive onshoring	Captive offshoring

Source: Adapted from Andone and Păvăloaia (2010:164)

Technologies like optical character recognition (OCR), robotic process automation (RPA) and artificial intelligence (AI) transformed significantly the accountingsince they ensure electronic archiving, automatic data processing and free up time for accountants allowing them to engage in more value adding tasks. (PWC, 2018).

Kokina and Blanchette, (2019)mentioned that robotic process automationprovidesthe companies the necessary support to collect and process data faster, cheaper, obtain more accurate informationwhich means lower error rates. According to Evstafyeva et al., (2019) digitalization is also desired by tax authorities in order to ensure better reporting and controlling, make easier the collection of taxes, discourage the companies to use tax evasion practices and identify tax payers with high risks.

Moll and Ygitbasioglu (2019) argued that information technology progress made possible the immediate access to information and more timely intervention. Digitalization and automation in accounting are mainly driven by the need for more real-time informationand the necessity of releasing the accountants from the burden of repetitive tasks.

Knudsen (2020) claimed that digitalization in accounting occurred in a greater extent than in other support business functions because in accounting the speed of producing information for making decisions is vital. Digitalization redesigns the business models, the accounting practices and reshape de role of accountants by turning them from bookkeepers into advisors.

A study conducted by KPMG (2021) revealed that due to physical distancing restrictions during Covid-19 pandemic the companies were forced to accelerate the digitalization process to be able to continue their activities and because of that it was a major increase in the use of cloud applications, digital documents, virtual business meetings, remote delivery of services and remote work of employees.

Theoretical framework

Considering the prior studies on accounting outsourcing (Nicholson et al., 2006; Everaert et al., 2010; Kamyabi and Devi, 2011b; Aman et al., 2012; Zandi et al., 2019) we mobilized transaction costs economics and resource based theories as our theoretical framework.

Prior research on explanatory theories related to outsourcing showed that transaction costs economics and resource based view are complementary for understanding the outsourcing decisions (Madhok, 2002 and McIvor, 2009).

Transaction cost economics (TCE) theory was developed by Williamson (1979) based on transaction cost concept introduced by Coase (1937) who mentioned that price mechanism determines the size of the firm and which activities are performed in house and which ones are transferred to external providers. According to Williamson (1979) when internal transaction costs are lower than external transaction costs, the size of the company will expand by internalizing activities and when internal transaction costs are higher than external transaction costs, the company will choose to outsource.

The resource based view (RBV) main assumption is that across companies, resources and capabilities can vary and in order to create the competitive advantage a company has to combine and allocate resources and capabilities in a proper way. Related to outsourcing this theory asserts that if there is a lack of resources and capabilities needed to create the competitive advantage within the company, then managers should bring the missing resources and capabilities from the outside of the organization in order to overcome the competitive weakness (Barney, 1991).

Research context and methodology

The aim of this study is to investigate the available options for accounting outsourcing that companies have in the present. In doing so, we mobilized transaction costs economics and resource based theories as theoretical framework, we chose Romania, an emerging country from Europe as research context and we used multiple case studies as research method.

This paper seeks to answer the following research questions:

RQ1. What are the main reasons why accounting firms would recommend the companies to outsource their accounting function?

RQ2. What is the impact of automation and digitalization on delivery of accounting services?

RQ3. What are the options that accounting firms offer to their clients in terms of accounting outsourcing?

We presented detailed information about the research context and methodology in the lines below.

Research context

Romania is located at the crossroads of Central and Southeastern Europe, Bucharest is the capital, the largest city and the most important business center in the country. Romania has been a member of European Union since 2007. In the present from the economic point of view, Romania falls into category of emerging or developing countries (World Bank, 2021).

Considering the country attractiveness in international business based on the report titled Global attractiveness index, Romania ranked 54th out of 148 evaluated countries and had the score 41.59 out of 100 which means a medium-low attractiveness in international business (The European House Ambrosetti, 2021). According to National Trade Register Office in Romania on December 31, 2021 there were active 1.1 million companies out of which 21.8% were entities with foreign participations.

European Commission (2021) claimed that almost 99% of all European businesses fall into category of small and medium-sized enterprises considering only the companies from non-financial sectors (industry, retail, construction and services).

All the companies running businesses in Romania have the legal obligation to organize and conduct the accounting function with own employees or external accountants. At the end of the year

2020 there were 11.159 active companies with the main business activity consisting in accounting, audit and tax consultancy services, considering the information on the website Top firme.

Research methodology

The aim of this study is to investigate the available options for accounting outsourcing that companies have in the present. After reviewing the relevant literature on accounting outsourcing and having our preliminary interviews with two experts, each of them having an experience of more than 25 years of work in the accounting field, we found that research area related to accounting outsourcing options is underexplored. Considering that gap from the literature we decided to expand the knowledge by conducting this research.

We adopted a qualitative approach since in our research we sought to find the meaning of the phenomenon studied by answering the questions “what”, “why” and “how” (Cooper and Schindler, 2014). In doing so, we used as research method multiple case studies (Yin, 2002) in order to explore in depth the topic of accounting outsourcing options. A similar approach was used by Nicholson et al. (2006) who studied the transaction costs in accounting outsourcing in India and Aman et al. (2012) who investigated the transaction costs in accounting outsourcing in Malaysia.

Following our research methodology on December 20, 2021 we selected a sample of top accounting firms that had in 2020 the annual turnover higher than 1 million euro using the data available on the website Top Firme and the query returned a list of 38 companies. We provided more details about the list of the 38 accounting firms in Appendix 1. In the same day we sent an e-mail to the owner of the website Top Firme asking for the permission of using data for research reasons and an affirmative response came back few days later with the request to mention always the data source.

We visited the website of the companies on December 27, 2021 in order to find the partners in charge with accounting services and send them e-mails with the request to be part of an academic research. The reason why we chose accounting partners was due to their relevant experience and knowledge in the accounting field. On January 3, 2022 we had no reply to the e-mails that we sent on December 27, 2021 and because of that we sent our first kind reminder. After few days we received affirmative responses from 3 accounting firms and we scheduled the meetings. The next week on January 10, 2022 we sent the second kind reminder to the e-mails with no reply and we stopped after that. Days later we received another affirmative responses from 2 accounting firms and we scheduled the meetings.

Considering the availability of the participants, our multiple case studies involved 5 accounting firms (3 internationals and 2 locals) and consisted in semi-structured interviews and observations made between January 18, 2022 and February 11, 2022. The minimum age of the accounting firms is 17 years and the maximum is 27 years. As regards the number of customers the minimum value is 280 and the maximum is 530. The minimum experience of accounting partners is 14 years and the maximum is 26 years. The three international accounting firms operate in more than 120 countries. We provided more details about the profile of accounting firms in Appendix 2.

In discussions with accounting partners we focused on aspects regarding clients, employees, automation, digitalization and outsourcing options for accounting services. Hand notes were taken during the meetings in order to incorporate the information later in the research and the written material consisted in 17 pages of text, the notes were read multiple times and coded manually (table no.2). An abductive approach was followed which involved moving back and forth between theoretical framework and empirical data in order not to overlook valuable information that could be ignored by using only a top-down approach (Lukka, 2014).

Table no. 2 An example of coding the information

Quotation	Interpretation	Theory	Themes
<i>“We listen carefully to our clients because our intention is to understand their needs and desires, namely if they choose a full outsourcing since they lack the internal resources or they only want a partial outsourcing to complement their internal resources. When we negotiate we want to find together with our clients the best option for them considering their budget, workload, technologies involved, their need for contact meaning the absence or presence of our team at the client’s office”</i> (Accounting partner from company C)	In the outsourcing decision it is important to know the type of outsourcing that the clients want because the costs are dependent on the workload and the client’s need for contact which means the absence or the presence of external accountants at the client’s office.	TCE and RBV	Outsourcing options

Source: information processed by authors

Results and discussions

We followed the recommendation made by Hoque et al. (2013) and the narratives were constructed on theory-driven themes by organizing the findings around the main themes or chosen theories. This section of results and discussions is organized around the themes of research questions which are rooted in the theoretical framework consisting in transaction cost economics and resource based view.

The availability of internal and external resources and their costs represent the main drivers of outsourcing decision. The themes of the research questions are: main reasons to outsource, automation and digitalization, outsourcing options for companies. We presented firstly the main reasons to outsource, automation and digitalization because the outsourcing options take into consideration the outsourcing reasons, technologies involved in the provision of accounting services and the client’s need for contact.

Main reasons to outsource

The accounting firms recommend the companies to outsource the accounting function if they want to reduce the costs, have access to high qualified and skilled professionals, focus primarily on their core business, ensure the continuity of accounting function, prevent and detect the fraud and share the risk related to accounting services since the external accountants are reliable for the work performed. In our study but also in the prior research cost reduction, focus on the core business and access to external expertise represented the most important reasons to outsource (Auzair et al., 2013 and Zandi et al., 2019).

Accounting partners agreed that small companies mainly seek to fulfill the legal requirements, overlooking the value-adding of performing accounting and they perceive accounting as a function that consumes money. In prior studies Marriott and Marriott (2000) and Collis and Jarvis (2002) shared a similar perspective, namely the owners and the managers of small companies are not very interested in accounting information, they use the external accountants mainly to fulfill their statutory obligations.

According to our knowledge in the existing literature on accounting outsourcing up to this moment, our last three findings related to ensuring the continuity of accounting function, sharing the risk related to accounting services, preventing and detecting fraud, have not been yet reported.

Automation and digitalization

In the context of Covid-19 pandemic, all five accounting firms implemented solutions in order to move processes from paper to digital, automate tasks, sign digitally the documents, allow the

employees to work from home, the clients to submit the documents in cloud and have online access to the reports. This finding is consistent with the results of a study conducted by KPMG (2021) mentioning that Covid-19 pandemic accelerated the digitalization and brought changes in the way that enterprises and people communicate, negotiate, trade and work.

Regarding the automation, all five accounting partners agreed that after more than two year of using and monitoring these software bots the results showed that documents can be processed faster and at lower costs but the work quality is pretty similar with the case of employees doing that tasks.

In a prior research Kokina and Blanchette (2019) claimed that the use of robotic process automatic ensure the processing of the documents faster, cheaper and at lower error rates but our finding contradicts their last result related to lower error rates and we have two possible explanations for that namely since the rules are defined by experienced accountants they could overlook some aspects and these software bots are in their early stage of adoption and use in Romania.

Remote delivery of services using cloud solutions or remote connections can ensure immediate availability of information for both external accountant and the client. Our finding related to immediate availability of information is consistent with the result of a prior study conducted by Moll and Ygitbasioglu (2019) mentioning that information technology advances made possible the instant access to information and more timely intervention.

Outsourcing options for companies

According to the information provided by accounting partners during the meetings, in the present, companies have more options as regards the outsourcing of accounting. The outsourcing reasons, technology involved in the provision of accounting services and the client's need for contact with the external accountant are the factors that determine the options for accounting outsourcing.

Accounting partner from company C made this statement: *"We listen carefully to our clients because our intention is to understand their needs and desires, namely if they choose a full outsourcing since they lack the internal resources or they only want a partial outsourcing to complement their internal resources. When we negotiate we want to find together with our clients the best option for them considering their budget, workload, technologies involved, their need for contact meaning the absence or presence of our team at the client's office"*.

Analyzing the notes taken during the meetings with accounting partners we identified the following possible classification criteria as regards the outsourcing options:

- type of services
- location of the service provision
- software used for service provision
- submission channel of supporting documents
- degree of outsourcing

The main services provided by accounting firms are related to recording, reporting (individual or consolidated financial statements), reviewing of accounts, preparing tax returns, payroll, business advisory, internal and external audit, support during tax inspections. Internal and external audit services can only be provided to those clients that accounting firm does not render them also accounting services. The estimates made by accounting firms showed that between 20-30% of the clients have the legal obligation to perform external audit.

In case of payroll services the information need frequency is pretty the same among small, medium-sized and large companies and most of the clients that outsourced accounting services outsourced also the payroll services to the same accounting firms. As a result of that, large corporations that would never outsource the accounting services tend to outsource the payroll services for cost

reduction reasons. According to accounting partners for 90% of clients that outsource accounting, the accounting firms provide also payroll services.

Accounting partners made an interesting statement, namely that all the companies in the beginning were small companies and they faced limited resources and needed expertise. Most companies in their early stage are looking for external support in order to define the business processes compliant with the legal requirements and according to the best practices. In prior research Cassar and Ittner (2009) also mentioned that businesses in their early stage need a lot of advice and support for defining processes in order to function properly and gain competitive advantage.

As regards the location of the service provision, according to the client's main outsourcing reason and their need for contact there are the following options:

- If the cost is a concern and the client's need for contact is low then external accountants stay and provide services from their office. Small companies mainly choose this type of outsourcing option.
- If the cost does not represent a concern and the client's need for contact is high then accounting firms relocate a team of professional to the client's premises. This type of accounting outsourcing option is more expensive.
- If the cost is a concern but the client's need for contact is medium in this case a hybrid variant may apply, namely in some days of the week or month the external accountants stay and provide services from their office and in other days they go to the client's office and perform the activity there.

According to the information provided by accounting partners, at the client's office the accounting services are performed only for 5-15% of the clients.

Considering the software used by accounting firms to provide the services there are the following options:

- In most cases for small companies the accounting activity is performed from the office of accounting firms and for the provision of the services is used the accounting firm's software.
- In the case accounting firms provide remote delivery of services from their office, they can use the client's software in cloud or via a remote connection and because of that the client has access to real-time information
- In the case accounting firms relocate a team of professionals to the client's office, the external accountants use the client's software

According to the information provided by accounting partners, the client's software is only used for 15-30% of the clients to perform accounting services. The top five used software among the clients are ERP systems like SAP, Oracle, Navision, Microsoft Dynamics and SunSystems.

As regards the submission channel of supporting documents, client companies can deliver their supporting documents in paper format to accounting firm's office or they can submit the documents in digital format (scanned copies of original paper documents or original digital documents) in cloud or via transfer file protocol. The estimates made by accounting partners indicated that 30% of their clients still submit the supporting documents in paper format and the clients doing so are small companies.

As regards the degree of outsourcing the companies can choose a full outsourcing or partial outsourcing. The accounting partners mentioned that small companies usually outsource their entire accounting function, namely recording and reporting activities whereas most of medium-sized and large companies resort to partial accounting outsourcing especially reporting tasks. In prior research Everaert et al. (2007) found that for organizing their accounting function small companies often use total outsourcing and medium-sized enterprises opt for selective outsourcing.

Accounting firms have also few clients that outsourced the entire accounting function even though they are medium-sized companies, because in most cases the educational background and experience of chief executives are not relevant enough to allow them to conduct and organize the accounting function in-house or they are foreign citizens and they are not familiar with the language and the statutory requirements. This finding related to educational background and experience of chief executives is also mentioned in prior studies by Everaert et al. (2010) and Munjal et al. (2019) who came to the conclusion that less educated and experienced chief executives tend to outsource more.

Accounting partners indicated that some multinational companies use their own shared service centers to carry out their accounting function and for ensuring the compliance with the local regulations they have a small local team of employees or they collaborate with local accounting firms. The outsourcing decision is usually made by the parent company for all its subsidiaries. In prior research Herbert and Seal (2012) found also that multinational companies usually transfer the accounting function to be performed within their own shared service centers because the costs are lower, quality is better, control and knowledge remain inside the group.

According to our knowledge in the existing literature on accounting outsourcing up to this moment, the results of the studies on location of the service provision, the technologies involved in the provision of the services and submission channel of supporting documents have not been yet reported. We realized that for companies considering outsourcing their accounting function these detailed information are crucial.

Conclusions

The aim of this study was to investigate the available options for accounting outsourcing that companies have in the present. We used transaction costs economics and resource based theories as our theoretical framework, Romania, as research context and multiple case studies as research method.

Considering our theoretical framework the results showed that availability of internal and external resources and the costs of using these resources influence the decisions related to the provision of accounting services and the options that companies choose. The options for accounting outsourcing are influenced by the main outsourcing reasons (cost reduction or access to expertise), technology involved in the provision of accounting services and the client's need for contact.

Our findings revealed that external accountants are perceived as trusted business advisors since they are independent and have expertise. Digitalization and automation enable accounting firms to serve better medium-sized and large companies since remote delivery of services and instant access to information are possible, repetitive and rule-based tasks are automated, accountants are released from the burden of routine tasks and now they can focus more on value adding activities such as reporting and business advisory. Small companies outsource recording and reporting mainly to fulfill their statutory obligations. Most of medium-sized and large organizations outsource only reporting. Some multinational companies have their own shared service centers and to ensure compliance with the local regulations these companies rely on a small local team of employees or local accounting firm. In case of multinational companies, the outsourcing decision is usually made by the parent company for all its subsidiaries. Considering the main outsourcing reasons (cost reduction or access to expertise), technologies involved in the provision of the services and client's need for contact, accounting firms can provide services from their office using their own software or client's software in cloud or via a remote connection or they can relocate a team of professionals to the client's office. In case the services are provided from the office of accounting firms, the clients can submit the supporting documents in paper or digital format.

Bringing evidence on the accounting outsourcing options that companies have in the present represent our main contribution of this research. This study has implications on the companies considering outsourcing their accounting function since it provides detailed information about the options they have as regards the location of the service provision, software used and submission channel of supporting documents.

Being a qualitative research our intention was not to measure the frequency of the phenomenon but to capture and reveal its meaning. The first limitation of our study has to do with the fact that we considered only accounting firms since for independent accountants we could not generate a top because the information about their turnover is not made public. The second limitation refers to the small number of participants in our research. The number of participants in case studies is small and the results should not be generalized (Yin, 2002). We sent e-mails to 38 accounting companies (turnover in 2020 > 1 million euro) with the request to be part of an academic research and only 5 accounting firms (3 internationals and 2 locals) sent us affirmative responses. The other ones did not reply at all, even though we sent two kind reminders in order to increase the participation rate. In a similar approach on accounting outsourcing using multiple case studies as research method Nicholson et al. (2006) involved 8 participants and Aman et al. (2012) only 5 participants. The last limitation could relate to our research context Romania, an emerging country from Europe, even though in our study we had also 3 international accounting firms that operate in more than 120 countries for more than 27 years.

We were inspired from our discussions with the accounting partners to propose two directions for future research. The first one could be a study on the changes that Covid-19 pandemic brought in the provision of accounting services and how these changes impacted the accounting firms and their clients. Our second direction for future research is a study on how the accounting firms ensure the quality of the services provided.

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Appendices

Appendix 1. Top companies with turnover in 2020 higher than 1 million euro

Crt no	Tax code	Name of the company	Turnover (RON)	Turnover (EUR*)	No of employees
1	1551105	ERNST & YOUNG SRL	139.724.839	28.886.076	110
2	29546389	ERNST & YOUNG SUPPORT SERVICES SRL	132.965.022	27.488.582	486
3	7756924	DELOITTE AUDIT SRL	109.804.742	22.700.532	307
4	4282940	PRICEWATERHOUSECOOPERS AUDIT SRL	105.421.592	21.794.379	304
5	11909783	ERNST & YOUNG ASSURANCE SERVICES SRL	90.327.937	18.673.986	62
6	12997279	KPMG AUDIT SRL	87.713.969	18.133.586	247
7	7108710	PRICEWATERHOUSECOOPERS TAX SERVICES SRL	80.282.367	16.597.211	157
8	22915705	DELOITTE TAX SRL	60.750.893	12.559.363	160
9	12624270	KPMG TAX SRL	51.834.413	10.716.010	122
10	6546223	BDO AUDIT SRL	28.030.739	5.794.947	103
11	12338871	TMF ROMANIA SRL	26.792.614	5.538.983	121
12	22329064	MAZARS CONSULTING SRL	25.525.825	5.277.093	131
13	16414068	VULPOI & TOADER MANAGEMENT SRL	21.164.172	4.375.384	94
14	15462709	FIN EXPERT CONSULTING SRL	17.936.232	3.708.055	109
15	6970597	MAZARS ROMANIA SRL	16.136.269	3.335.939	81
16	40370770	PRICEWATERHOUSECOOPERS COMPLIANCE SERVICES SRL	15.958.880	3.299.266	29
17	15906526	ERNST & YOUNG SERVICE SRL	14.265.026	2.949.086	5
18	8399072	CONTEXPERT CONSULTING SRL	14.008.119	2.895.975	109
19	3273781	SOTER SRL	13.344.272	2.758.734	45
20	31043206	ACCACE OUTSOURCING SRL	12.239.601	2.530.359	55
21	10116348	ROEDL & PARTNER OUTSOURCING SRL	11.634.669	2.405.298	49
22	41180324	KPMG ACCOUNTING AND PAYROLL SERVICES SRL	11.364.247	2.349.393	29
23	6057138	RSM ROMANIA SRL	11.355.844	2.347.655	55
24	17189029	TPA CONTABILITATE SRL	11.265.959	2.329.073	63
25	21027181	BOSCOLO & PARTNERS CONSULTING SRL	11.228.948	2.321.422	50
26	18679070	TAXHOUSE SRL	8.952.405	1.850.779	14
27	18776552	ARGUS AUDIT SRL	8.640.144	1.786.224	29
28	22460115	BDO TAX SRL	8.194.492	1.694.092	26
29	16938224	APEX TEAM INTERNATIONAL SRL	8.187.448	1.692.636	38
30	24548524	NESTOR NESTOR DICULESCU KINGSTON PETERSEN CONSULTANTA FISCALA SRL	7.840.447	1.620.898	4
31	17021377	NOERR FINANCE & TAX SRL	7.612.377	1.573.748	14
32	12861225	RED CLUB COM SRL	7.016.729	1.450.607	2
33	4982625	TRANSFER PRICING SERVICES SRL	6.937.361	1.434.198	20
34	6383983	PKF FINCONTA SRL	6.096.102	1.260.280	24
35	27651515	GRANT THORNTON AUDIT SRL	5.432.817	1.123.156	27
36	15106663	BDO AUDITORS & ACCOUNTANTS SRL	5.287.664	1.093.148	16
37	26548130	TGS ROMANIA ACCOUNTING & TAX SERVICES SRL	5.000.076	1.033.693	25
38	17924383	ROEDL & PARTNER AUDIT SRL	4.908.103	1.014.679	18

Source: information processed by authors using data from <https://www.topfirme.com/caen/6920/cifra-de-afaceri/>

* In converting the turnover from RON to EUR it was used the average exchange rate of 4.8371 calculated and communicated by National Bank of Romania for the year 2020

Appendix 2. Detailed profile of the companies involved in case studies

Company	Category of company	Year of establishment in Romania	Company's age on December 31, 2021	No of clients	Presence/ No of countries	Contact person position	Gender	Contact person's experience (years)	Meeting date
A	international company	1994	27	350	123	Accounting partner	Female	23	January 18, 2022
B	local company	2004	17	530	1	Accounting partner	Male	21	January 20, 2022
C	local company	1996	25	420	1	Accounting partner	Male	14	February 2, 2022
D	international company	1994	27	280	150	Accounting partner	Female	24	February 7, 2022
E	international company	1994	27	510	162	Accounting partner	Male	26	February 11, 2022

Source: information processed by authors based on collected information during the meetings with accounting partners