

THE CHOICES MADE BY LARGE COMPANIES FOR SOURCING OF ACCOUNTING SERVICES: ADVANTAGES AND DISADVANTAGES

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Abstract: *Accounting information provides the users a comprehensive picture regarding the past, present and even future of the business. For larger companies accounting information is vital in decision-making process whereas smaller companies keep accounting records primarily out of the need to meet the legal requirements. Because of that outsourcing represents a common choice for sourcing of accounting services in case of small and medium-sized enterprises. Even though there are many studies on outsourcing of accounting function with reference to small and medium-sized enterprises yet there is too little research on the choices made by large companies for sourcing of accounting services and the aim of this paper is to investigate that. We mobilized social exchange theory as theoretical framework, case study as research method involving 5 large companies. Following social exchange theory, the results indicated that sourcing options for accounting services are based on the cost-benefit analysis. We found that accounting services for large companies can be delivered by internal accountants, accounting firms, business services organizations or shared services centers. Considering the cost-benefit analysis, there are large companies using one or more sourcing options for accounting services. Local enterprises count mainly on their internal accountants but they also collaborate with external accountants for complex taxation and accounting issues. International companies rely more on business services organizations or shared services centers to carry out repetitive tasks and have a small local team of internal accountants or collaborate with accounting firms for those activities requiring specialized knowledge and skills. The advantages and disadvantages associated with each sourcing option for accounting services are related to competence, cost, time, engagement, scalability, control and dependence. Our research has implications for large companies and accounting firms since it presents some collaboration possibilities and our main contribution was to show what sourcing options choose large companies for accounting services, emphasizing the advantages and disadvantages.*

Keywords: internal accountants, accounting firms, business services organizations, shared services centers, social exchange theory

JEL classification: M41, M55

Introduction

Accounting function is expected to support the businesses to measure, control, report and improve their financial and non-financial performance. Accounting information provides the users a comprehensive picture regarding the past, present and even future of the business.

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For larger companies accounting information is vital in decision-making process whereas smaller companies keep accounting records primarily out of the need to meet the legal requirements. Because of that outsourcing represents a common choice for sourcing of accounting services in case of small and medium-sized enterprises.

In the studies conducted by researchers in the last twenty years, the outsourcing of accounting services was investigated considering primarily small and medium-sized enterprises since the empirical evidence showed that these companies outsource the most (Asatiani et al., 2019; Barrar et al., 2002; Everaert et al., 2007; Egiyi and Florence, 2020; Höglund and Sundvik, 2016; Jayabalan et al., 2009; Kamyabi and Devi, 2011; Zang and Gu, 2013).

The most common reasons why companies resort to outsourcing of accounting services are represented by cost reduction, focus on core activities, flexibility, access to external competences and process improvement (Jayabalan et al., 2009).

Outsourcing motivations like cost reduction and focus on core functions are associated with a higher degree of outsourcing whereas access to expertise is associated with a lower degree of outsourcing and this outsourcing reason is more specific to larger medium-sized and large companies (Asatiani et al., 2019).

As regards the size of the companies involved in outsourcing arrangements, empirical evidence showed that small and smaller medium-sized enterprises usually chose to outsource the whole range of accounting services compared to larger medium-sized and large companies which often embrace selective outsourcing (Everaert et al., 2007).

With reference to the type of outsourced activities, Kamyabi and Devi (2011) stated that enterprises can outsource the routine tasks, then non-routine activities or both of them.

Some multinational companies established and operate own shared services centers as an alternative solution to the outsourcing of accounting services and these organizations made that choice primarily to reduce the costs, standardize the working procedures, improve the service quality, exercise a better control and keep the knowledge inside the group (Herbert and Seal 2012; Hoh and Tang, 2021; Penter et al., 2009).

There are also multinational companies that do not have own shared services centers but considering the decision of their parent company, they transfer a large portion of accounting services to be carried out by business services organizations which are in charge with delivery of support services for the entire group of companies (Aman et al., 2012; Nicholson et al., 2006).

The most cited reasons in the literature for not outsourcing the accounting services are related to the loss or delayed information, communication difficulties, loss of control over the outsourced process, loss of internal skills, dependence on external accountants, confidentiality and security concerns (Asatiani et al., 2019; Everaert et al., 2007; Höglund and Sundvik, 2016).

Digitalization removed the drawback related to delayed information and physical location constraints and it brought new opportunities as regards outsourcing of accounting services since advances made by information and communication technology ensure text extraction from documents, automatic data processing, data analytics, real-time reporting, instant communication and remote connections (Bhimani and Willcocks, 2014; Cooper et al., 2019; Fernandez and Aman, 2018; Mohammadi and Mohammadi, 2014).

After having reviewed the existing literature, we found that even though there are many studies on outsourcing of accounting function with reference to small and medium-sized enterprises yet there is little research on the choices made by large companies for sourcing of accounting services.

Considering that research gap we decided to conduct this study on large companies operating in Romania in order to bring recent empirical evidence. The aim of this paper is to investigate the choices

made by large international and local companies operating in Romanian business environment regarding the sourcing of accounting services with the focus on the advantages and disadvantages associated with each option. We adopted a qualitative approach mobilizing social exchange theory as theoretical framework and case studies as research method involving 5 large companies.

Having in view social exchange theory, the results indicated that sourcing options for accounting services are based on the cost-benefit analysis. We found that accounting services for large companies can be delivered by internal accountants, accounting firms, business services organizations or shared services centers. Considering the cost-benefit analysis, there are large companies using one or more sourcing options for accounting services. Local enterprises count mainly on their internal accountants but they also collaborate with external accountants for complex taxation and accounting issues. International companies rely more on business services organizations or shared services centers to carry out repetitive tasks and have a small local team of internal accountants or collaborate with accounting firms for those activities requiring specialized knowledge and skills. The advantages and disadvantages associated with each sourcing option for accounting services are related to competence, cost, time, engagement, scalability, control and dependence. Prior to the adoption or the abandonment of a sourcing option managers should make a detailed analysis regarding the advantages and disadvantages and choose those options which incorporate higher or more advantages and lower or less disadvantages.

This paper is structured in five parts. The first section introduces the literature review and our theoretical framework. The second part indicates the research methodology (context, questions and methods). In the third section we reported the findings of our study and we discussed the results considering also prior research. In the final part we presented the main conclusions, limitations of the study, contributions, implications, recommendations and directions for future research.

Literature review

In the studies conducted by researchers in the last twenty years, the outsourcing of accounting services was investigated considering primarily small and medium-sized enterprises since the empirical evidence showed that these companies outsource the most (Asatiani et al., 2019; Barrar et al., 2002; Everaert et al., 2007; Egiyi and Florence, 2020; Höglund and Sundvik, 2016; Jayabalan et al., 2009; Kamyabi and Devi, 2011; Zang and Gu, 2013).

According to Ghodeswar and Vaidyanathan (2008), divesting a business process through outsourcing enables the companies on one hand to focus better on their core functions and on the other hand to benefit of enhanced performance, best practices and conversion of fixed costs into variable costs.

When it comes to the outsourcing reasons, Jayabalan et al. (2009) indicated that most common reasons why companies resort to outsourcing of accounting services are represented by cost reduction, focus on core activities, flexibility, access to external competences and process improvement. In addition to that Egiyi and Florence (2020) mentioned that companies can share the compliance risks with accounting firms in case they choose to outsource a portion or the whole range of accounting services.

Another perspective was shared by Zang and Gu (2013) who emphasized that through outsourcing of accounting services, smaller enterprises seek to decrease their administrative costs and benefit of high-quality services, whereas larger companies want to acquire external expertise in order to receive business advice and mitigate the risks.

Other researchers like Asatiani et al. (2019) observed that outsourcing reasons for companies

range from cost reduction to business transformation and motivations like cost reduction and focus on core functions are associated with a higher degree of outsourcing whereas access to expertise is associated with a lower degree of outsourcing and this outsourcing reason is more specific to larger medium-sized and large companies.

Regarding the size of the companies involved in outsourcing arrangements, empirical evidence showed that small and smaller medium-sized enterprises usually chose to outsource the whole range of accounting services compared to larger medium-sized and large companies which often embrace selective or partial outsourcing (Everaert et al., 2007).

With reference to the type of outsourced activities, Kamyabi and Devi (2011) stated that enterprises can outsource the routine tasks, then non-routine activities or both of them. In their opinion, routine tasks in accounting are the time consuming and tedious tasks which are related to daily transactions and bookkeeping while non-routine activities regard reporting, compliance and consultancy.

The most cited reasons in the literature for not outsourcing the accounting services are related to the loss or delayed information, communication difficulties, loss of control over the outsourced process, loss of internal skills, dependence on external accountants, confidentiality and security concerns (Asatiani et al., 2019; Everaert et al., 2007; Höglund and Sundvik, 2016).

In respect to the role and the necessity of accounting function within the business, authors like Halabi et al. (2010) argued that accountants are considered a trustworthy source of information and advice and smaller enterprises mostly outsource accounting services to comply with the statutory requirements whereas larger companies are more interested in advisory services rather than in compliance services.

The previous opinion shared by Halabi et al. (2010) was reinforced later by Sarens et. al (2015) who found in their study on external accounting services a strong relationship between the client size and the type of services provided by external accountants, namely smaller clients asked more for basic services related to compliance whereas larger clients needed more additional services consisting in business advice. They also emphasized that accounting firms having in their portfolio more clients being larger in size usually provide a wider package of professional services.

As regards the outsourcing of accounting and tax services, empirical evidence showed that smaller enterprises outsource both accounting and tax services to the same accounting firm while in larger companies the business transactions incorporate higher risks and despite of having internal specialized departments carrying out accounting and tax functions, most larger companies collaborate as well with accounting firms on a regular basis in order to mitigate their risks (Isip, 2022).

According to Uyar (2017) large companies have the legal obligation to disclose sustainability information and they have to present the disclosures within the annual reports, integrated reports or in stand-alone sustainability reports depending on the legal requirements and reporting practices. Furthermore, Mahmood and Uddin (2021) stated that there are large companies having the obligation to make sustainability disclosures that seek the support of external consultants for certain activities related to sustainability reporting process in order to complement their internal shortage of knowledge and experience.

Moving the focus on the sourcing of accounting services in case of multinational companies, there are corporations which established and operate own shared services centers as an alternative solution to the outsourcing of accounting services and these organizations made that choice primarily to reduce the costs, standardize the working procedures, improve the service quality, exercise a better control and keep the knowledge inside the group (Herbert and Seal 2012; Hoh and Tang, 2021; Penter

et al., 2009).

Some researchers observed that there are also multinational companies that do not have own shared services centers but considering the decisions made by the parent companies a large portion of their accounting services can be carried out by the so-called business services organizations which are in charge with delivery of support services for the entire group of companies (Aman et al., 2012; Nicholson et al., 2006).

As regards the development of cloud technology Bhimani and Willcocks (2014) stated that it removed the constraints related to the location of the client and provider bringing new opportunities for companies as regards the outsourcing and offshoring of accounting services since clients can have immediate access to the information whenever and wherever they want using devices which are connected to the internet. In addition to that Mohammadi and Mohammadi (2014) mentioned that real-time capabilities of cloud applications removed the drawback related to delayed information and those companies larger in size that were forced in the past to stay away from outsourcing of accounting services are able now if they want to make that choice without hesitation.

In their study on the impact of robotic process automation on global accounting services, Fernandez and Aman (2018) argued that implementation of robotic process automation has the purpose to partially replace human employees for repetitive and rule-based tasks, reduce the task execution time, increase the quality of work, allow the individuals to deal with more value-adding tasks.

A complementary point of view was conveyed by Cooper et al. (2019) who mentioned that larger accounting firms adopted robotic process automation in order to decrease the processing time of documents, reduce the overtime, improve work satisfaction and deliver prompt information to clients.

After having reviewed the existing literature, we found that even though there are many studies on outsourcing of accounting function with reference to small and medium-sized enterprises yet there is little research on the choices made by large companies for sourcing of accounting services. Even in those few existing studies regarding the provision of accounting services in case of large companies the focus is primarily on multinational companies. Considering that research gap we decided to conduct this study on large international and local companies operating in Romania in order to bring recent empirical evidence.

Theoretical framework

We mobilized social exchange theory developed by Emerson (1972) as theoretical framework by having in view prior research on the business relationships with employees and providers and the opinions shared by the managers regarding the choices made by the companies involved in this study related to the sourcing of accounting services.

Social exchange theory firstly considers that sharing of resources between humans represents the fundamental form of social interaction then it assumes that relationships are created based on cost-benefit analysis and comparison of alternatives and finally individuals usually end relationships if they perceive that the costs are higher than the rewards (Emerson, 1972).

Moreover, he mentioned that in general people act on self-interest and the main aspects defining the relationships are related to resource availability, dependence, reciprocity, power and trust.

Social exchange theory was used in prior research by Kern and Willcocks (2000) to explore information technology outsourcing, by Klaas et al. (2005) to study human resources outsourcing, by Plugge and Bouwman (2015) to investigate multisourcing arrangements and by Chernyak-Hai and Rabenu (2018) to evaluate labor relationships.

Research context and methodology

Research context

Considering the statistical information provided by the National Trade Register Office in Romania at the end of the year 2021 there were 1.1 million active enterprises and the companies with foreign participations reached almost 22% of all active enterprises. (ONRC, 2021).

Small and medium-sized enterprises represent 99% of all companies running their business within European Union in nonfinancial sectors such as industry, retail, construction and services (European Commission, 2021).

According to the article 10 paragraphs 2 and 3 from Accounting Law 82/1991 republished, with subsequent amendments and additions, the accounting function can be organized and conducted within internal specialized departments or it can be outsourced to external accountants (accounting firms or individuals) being authorized by The Body of Expert and Licensed Accountants of Romania (CECCAR) to provide accounting services.

In Romania, all companies with more than 500 employees are required by Ministry of Public Finance Order 3456/2018 to disclose within the directors' report or in a separate statement non-financial information related to the business model, environmental, social, employees, human rights, anti-corruption and anti-bribery aspects. For the year 2021 there were more than 750 companies having the legal obligation to disclose non-financial information in respect to their activities (The Azores, 2022). The opinion shared by Ernst & Young (2022) is that in Romania after the transposition of the new European directive on corporate sustainability reporting into national legislation it is expected an increase in the number of companies reporting on sustainability from 750 to over 6000. Under the new European directive on corporate sustainability reporting, the companies that exceed at least two of the three thresholds (average number of employees >250, turnover >40 million euro and assets >20 million euro) have the obligation to prepare and submit sustainability reports.

Our research context is represented by large international and local companies running their businesses in Romania in sectors such as retail, manufacture, construction and transport and we were interested in the sourcing options for their accounting services.

Research methodology

The aim of this paper is to investigate the choices made by large international and local companies operating in Romanian business environment regarding the sourcing of accounting services with the focus on the advantages and disadvantages associated with each option.

In order to achieve this goal, we realized that we need recent and rich empirical evidence and therefore we decided to employ case studies as research method and we involved 5 large companies.

In respect to the aim of our study we designed the following two research questions:

RQ1. What are the sourcing options for accounting services that are applicable to large companies?

RQ2. What are the advantages and disadvantages associated with each sourcing option?

According to Yin (2009) the case study as data collection method is appropriate when researchers have in view present or recent circumstances and need in-depth investigations in order to obtain a comprehensive (multi-faced) understanding of a real-world context. Similar approaches involving case studies as data collection method were used in prior research by Weimer and Seuring (2009) who investigated the performance measurement systems in respect to outsourcing contracts belonging to four companies, Maleah et al. (2010) who studied the turning back process from

outsourcing to internal provision of accounting services considering one company and Nielsen et al. (2015) who conducted a study on the role of management accounting in making outsourcing decisions having in view two companies.

Our research methodology had in view steps such as preparation, data collection, processing and analyzing the information and reporting the results. In the preparation phase we formulated the questions to which our participants had to provide us the answers and the main themes concerned: (1) the sourcing options for accounting services, (2) the reasons for choosing one or more sourcing options, (3) explaining the business model to external providers, (4) the advantages and disadvantages related to each sourcing option, (5) the impact of the selected options on the organizational structure and employees, (6) the challenges associated with the chosen sourcing options, (7) the risks related to the choices made for sourcing of accounting services and (8) the changes that occurred over time in the sourcing options.

Data related to empirical evidence was collected primarily from two sources, namely the first source regarded the presentations of the companies and description of those processes being specific to accounting function and then discussions with the managers and senior accountants which represented the second source.

Data collection process started from the second half of February 2023 and ended in the beginning of May 2023. In this phase our focus was on gathering the necessary data for our research and we came into contact with several persons who work within large international and local companies being in charge with accounting and reporting services.

During the presentation of the companies, understanding meetings and the interviews, we wrote down in our research notebook all the answers, comments and impressions shared by managers and senior accountants in order to capture a picture as comprehensive as possible related to the choices made by large companies for sourcing of accounting services.

Our case studies involved 5 large companies namely 3 international corporations and 2 local enterprises. As regards the age of the companies, all of them have an age higher than 15 years. Considering the number of employees, all companies have more than 275 employees.

Having in view the turnover and assets, all entities achieved a turnover higher than 40 million euro and had assets exceeding 25 million euro. As it can be observed, in the near future all the case study companies will have the legal obligation to prepare non-financial reports under the new European directive on corporate sustainability reporting and they are aware of this aspect.

For a better understanding on the enterprises participating in our research, we presented in table no.1 the profile of the case study companies and we included more details.

Table no. 1 The profile of the case study companies

Company	Type	Sector	Age (years)	Employees (average)	Turnover (mil. EUR)	Assets (mil. EUR)	Contact person (Position and Gender)	Meeting date
A	int.	Retail of non-food products	>15	>275	>40	>25	Accounting manager (F)	17.02.2023
							Senior accountant (M)	23.02.2023
B	int.	Construction works	>15	>875	>130	>175	Accounting manager (F)	16.03.2023
							Senior accountant (F)	21.03.2023
C	int.	Manufacture of vehicles	>25	>5,500	>2,100	>1,000	Accounting manager (M)	30.03.2023
							Tax manager (M)	05.04.2023
D	local	Retail of food	>25	>850	>75	>40	Accounting manager (M)	20.04.2023

		products					Senior accountant (F)	24.04.2023
E	local	Transport of goods	>20	>975	>90	>65	Accounting manager (F)	27.04.2023
							Senior accountant (F)	08.05.2023

Source: Own processed information

We read many times the hand notes taken during the presentation of the companies, understanding meetings and the interviews. After going through the notes over and over again, we observed the high occurrence of the concepts such as benefits and costs. Then we labelled and coded manually the data collected and we obtained a dictionary of themes. We used subsequently the dictionary of themes for data interpretation and information analysis. We employed case studies as research method involving 5 large companies since we needed recent and rich empirical evidence and because of that we followed a bottom-up or inductive approach going from specific observations and reaching the social exchange theory through data interpretation.

Results and discussions

We constructed the narratives having in view the themes of the research questions which are closely linked with our theoretical framework consisting in social exchange theory. According to the empirical evidence a relationship between the parties is mainly driven by a result-oriented behavior and prior to establishing a relationship parties make a cost-benefit analysis for assessing the rewards and risks.

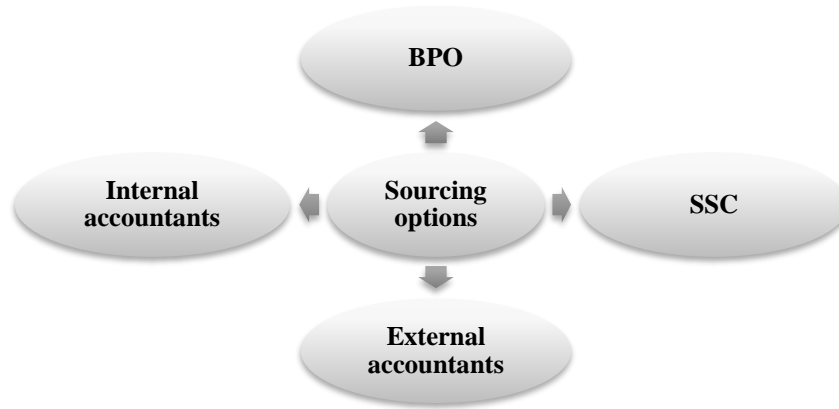
The cost-benefit analysis takes into account aspects such as: time, money, quality, productivity, commitment or engagement and dependence. When there are imbalances between the benefits and the costs, meaning that the costs are higher than the benefits, the parties usually look for alternatives, compare the alternatives and proceed accordingly in order to mitigate their costs.

We organized the results around the themes of research questions which are related to the sourcing options for accounting services and the advantages and disadvantages of each option. In the following lines we presented and discussed our findings on the choices made by large companies for sourcing of accounting services referring also to prior research.

Sourcing options for accounting services

Empirical evidence showed that accounting services for large companies can be delivered by internal accountants, external accountants (usually accounting firms), business services organizations (BPO) or shared services centers (SSC) and we presented a graphical illustration on the available sourcing options for accounting services in the figure no 1.

Figure no. 1 The sourcing options for accounting services



Source: Own processed information

Regarding the cost-benefit analysis, there are large companies using one or more sourcing options for accounting services and these enterprises regularly have in view the evolution of the key performance indicators (KPI) related to time, money, quality and workload.

When the companies perform the cost-benefit analysis they take into account the available alternatives and make a comparison of alternatives for sourcing of accounting services. By doing that the companies can decide to change an existing sourcing option with a new option or they can only complement the existing sourcing options with a new option without being necessary to renounce the previous existing options. In the second case, the companies experience a reorganization of assigned activities to internal and external providers and a change in the involvement degree of internal and external providers.

We presented a summary of the information provided above regarding the sourcing options for accounting services chosen by large companies in the table no 2.

Table no. 2 The choices made by the case study companies for sourcing of accounting services

Company	Type	Daily transactions and bookkeeping	Payroll	Tax compliance	Advisory	Internal (Management) reporting	Financial reporting	Non-financial reporting
A	int.	BPO	external accountants	internal and external accountants	internal and external accountants	internal accountants	internal accountants	internal and external accountants
B	int.	internal and external accountants	external accountants	internal and external accountants	internal and external accountants	internal accountants	internal and external accountants	internal and external accountants
C	int.	SSC	external accountants	internal and external accountants	internal and external accountants	internal accountants	internal accountants	internal and external accountants
D	local	internal accountants	internal accountants	internal and external accountants	internal and external accountants	internal accountants	internal accountants	internal and external accountants

E	local	internal accountants	internal accountants	internal and external accountants	internal and external accountants	internal accountants	internal accountants	internal and external accountants
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Source: Own processed information

Considering empirical evidence, international companies rely more on business services organizations or shared services centers to carry out repetitive tasks since they use the latest available technologies and for those activities requiring specialized knowledge and skills these type of corporations have a small local team of internal accountants or collaborate with accounting firms.

Local enterprises mainly count on their internal accountants for the provision of accounting services but whenever it is necessary, they engage external support to deal with complex taxation and accounting issues in order to mitigate the risks related to their business.

Our case study companies indicated that in the early stage of their business since the size of the enterprises was smaller, they used to have external accountants but as the activity grew in size and the organizations became larger, they moved gradually from external accountants to internal accountants as main sourcing option for accounting services. Some companies continued to collaborate with accounting firms for compliance, reporting and advisory services since they had a good previous work experience.

As regards the collaboration with accounting firms, our case study companies argued that accounting firms do not carry out for them the tasks with higher frequency such as daily business transactions and bookkeeping but those activities with lower frequency (monthly or yearly tasks).

However, because of the constraints imposed by the group to hire new employees, some international companies use to collaborate with accounting firms and these external accountants perform the activities at the clients' offices and the clients perceive the external accountants as an extension of their internal team.

With reference to non-financial reporting, local and international companies mentioned that they use both internal and external accountants since compared to financial reporting having a long history and tradition, the legal obligation to prepare non-financial reporting was established only few years ago in Romania and they have limited experience with non-financial reporting. Within the reporting process consisting in data collection, compilation, constructing the narratives, preparation and verification of the reports, the internal accountants are mainly involved in data collection.

According to our case study companies, digital technologies such as cloud applications and virtual meeting platforms facilitated the remote delivery of accounting services and ensured near-real time reporting, instant communication and immediate access to information. These findings are consistent with the results from previous studies on cloud technologies conducted by Bhimani and Willcocks (2014) and Mohammadi and Mohammadi (2014).

Our case study companies being large organizations implemented robotic process automation (RPA) for repetitive and rule-based tasks in order to reduce the task execution time or processing time of documents, increase the performance quality, reduce the overtime and improve work satisfaction. Our findings are consistent with the results from prior research on RPA conducted by Fernandez and Aman (2018) and Cooper et al. (2019) who argued that the use of RPA can ensure prompt delivery of information and employees can deal with more value-adding tasks. In addition to prior research on RPA our study provides new insights namely with the help of RPA, companies can overcome on short term the employee turnover and shortage of professionals.

Moreover, our paper brought into attention the concept of multisourcing for accounting services. In the lines below we provided more information incorporating a lot of details regarding the sourcing options for accounting services chosen by our case study companies.

- **Company A** is an international corporation which is present in more than 15 countries, operating in retail of non-food products sector and in Romania the age of company is higher than 15 years. The company at the end of the year 2021 had more than 275 employees and a turnover higher than 40 million euro. In the early-stage company had an internal chief accountant but external accountants were in charge with delivery of accounting, tax and payroll services. The accounting software used for bookkeeping belonged to accounting firm and the internal chief accountant prepared the management reporting based on the information received from external accountants. Few years later, the parent company decided to implement the same ERP system namely Navision for all subsidiaries and engaged for daily business transactions and bookkeeping a business service organization located from Poland that uses RPA tools. Company hired also 2 internal accountants to be in charge with internal reporting, financial and non-financial reporting both for statutory and group purposes. Company still collaborates with accounting firm for payroll services but for compliance and non-financial reporting services external accountants provide only verification or confirmation. Moreover, accounting firm submit newsletters with relevant legislative updates to the client and provide advisory services on demand.
- **Company B** is an international organization which is present in more than 5 countries, operating in construction works sector and in Romania the age of company is higher than 15 years. The company at the end of the year 2021 had more than 875 employees and a turnover higher than 130 million euro. In the beginning the company had an internal chief accountant but accounting, tax and payroll services were provided by an accounting firm. From the beginning with the support provided by the group, the company implemented an ERP system namely SAP and external accountants had to use it for bookkeeping purposes. External accountants performed the accounting tasks at the client' office. As the activity increased the company hired internal accountants and they are the main providers of accounting services. For repetitive and rule-based tasks use we software bots since these tools help us to process the documents faster and on short term, we overcame the employee turnover and shortage of professionals. As regards payroll services they are performed by accounting firm and internal accountants prepare and send the timesheets. For accounting and tax services the company still use external accountants to complement the internal expertise since they had a good work experience with accounting firm but at the moment external accountants are involved primarily in making the reviews of accounting and tax records, month closing process, preparation of tax returns, financial statements and non-financial reporting. The accounting team consists in 8 accountants: internal chief accountant, 5 internal accountants and 2 external accountants. In addition to that accounting firm submit newsletters with relevant legislative updates to the client and provide advisory and training services on demand.
- **Company C** is an international corporation which is present in more than 10 countries, operating in manufacture of vehicles sector and in Romania the age of company is higher than 25 years. The company at the end of the year 2021 had more than 5,500 employees and a turnover higher than 2,100 million euro. From the beginning the accounting and tax services were performed by internal accountants but the payroll services were and still are provided by external accountants. Given that the business sized grew and the variety and complexity of operations increased the local top management decided to collaborate on a regular basis with an

accounting firm to provide consultancy in the preparation of tax returns, financial and non-financial reporting for statutory purposes. Few years ago, the parent company decided to create a shared services center (SSC) with location in Romania to serve all the subsidiaries from Europe. The shared services center is in charge with the performance of daily business transactions and bookkeeping. Since the repetitive and rule-based tasks were transferred to the shared services center that uses RPA tools, for compliance with statutory requirements, company kept also small team of 3 local internal accountants because the other internal accountants were relocated to work for the shared services center. Considering that the company had a good work experience with accounting firm the external accountants still provide consultancy in the preparation of tax returns, financial and non-financial reporting for statutory purposes. Moreover, accounting firm submit newsletters with relevant legislative updates to the client and provide advisory services on demand.

- **Company D** is a local enterprise operating in retail of food products sector and the age of company is higher than 25 years. The company at the end of the year 2021 had more than 850 employees and a turnover higher than 75 million euro. In the beginning accounting, tax and payroll services were performed by external accountants. As the activity increased the company hired internal accountants and they are the main providers of accounting, tax and payroll services. Company adopted RPA tools for repetitive tasks. Having in view that the company had a good work experience with accounting firm, the external accountants still provide consultancy in the preparation of tax returns and non-financial reporting. Furthermore, accounting firm submit newsletters with relevant legislative updates to the client and provide advisory and training services on demand.
- **Company E** is a local enterprise operating in transport of goods sector and the age of company is higher than 20 years. The company at the end of the year 2021 had more than 975 employees and a turnover higher than 90 million euro. In the early-stage the company entrusted the accounting, tax and payroll services to be performed by an accounting firm. Years later as the business size grew the company hired internal accountants and they are the main providers of accounting, tax and payroll services. Company implemented software bots to help internal accountants with those repetitive and rule-based tasks. Because the company had a good work experience with accounting firm, the external accountants still provide consultancy in the preparation of tax returns and non-financial reporting. In addition to that accounting firm submit newsletters with relevant legislative updates to the client and provide advisory services on demand.

Advantages and disadvantages of each option

The advantages and disadvantages associated with each sourcing option for accounting services are related to competence, cost, time, engagement, scalability, control and dependence. In case of large companies counting more on their employees for the provision of accounting services the advantages regard lower costs, higher control over the process, shorter time to deliver information, greater employees' engagement, lower dependence on providers and disadvantages are reduced scalability and limited internal competence.

In case of large companies relying more on external providers for delivery of accounting services the advantages regard lower costs (questionable in case of using the services provided by

shared services centers), higher competence and process optimization, increased scalability and disadvantages are lower control over the outsourced process, lower engagement from external providers compared to own employees, higher dependence on external providers and longer time to deliver information.

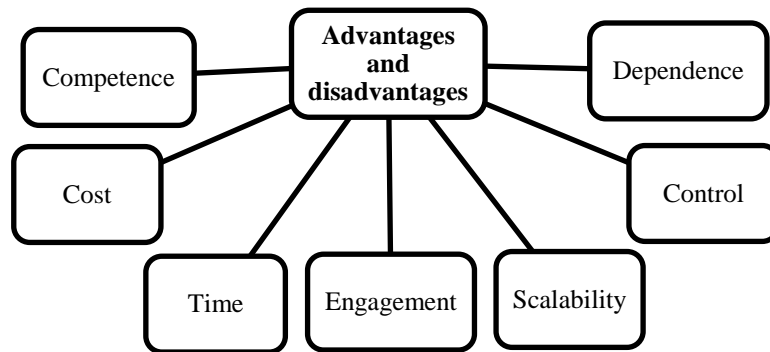
In case the accounting and tax services are delivered by an accounting firm according to the managers the best way to mitigate the loss of control over the outsourced process is to agree with external accountants to work from the clients' offices.

Our findings regarding disadvantages for outsourcing the accounting function consisting in the loss of control over the outsourced process, loss of internal competence and dependence on external accountants are consistent with prior research conducted by Asatiani et al. (2019), Everaert et al. (2007) and Höglund and Sundvik (2016) on outsourcing of accounting tasks.

In case of international companies receiving the accounting services from own shared services centers they have the main interest is to keep the control, know-how and money inside the group and our results confirmed the findings of prior research on shared services centers and accounting services conducted by Herbert and Seal (2012), Hoh and Tang (2021) and Penter et al. (2009).

In addition to previous studies our research brought into attention concepts such as scalability and engagement. We presented a graphical illustration on the common element of the advantages and disadvantages related to the sourcing options for accounting services.

Figure no. 2 The common element of the advantages and disadvantages



Source: Own processed information

In the context of accounting services in accordance with our theoretical framework consisting in social exchange theory, prior to the adoption or the abandonment of a sourcing option managers should make a detailed analysis regarding the advantages and disadvantages and choose those options which incorporate higher or more advantages and lower or less disadvantages.

Conclusions

The aim of this paper was to investigate the choices made by large international and local companies operating in Romanian business environment regarding the sourcing of accounting services with the focus on the advantages and disadvantages associated with each option. We adopted a qualitative approach mobilizing social exchange theory as theoretical framework and case studies as research method involving 5 large companies.

Considering our theoretical framework consisting in social exchange theory, the results indicated that sourcing options for accounting services are based on the cost-benefit analysis. When there are imbalances between the benefits and the costs, meaning that the costs are higher than the benefits, the parties usually look for alternatives, compare the alternatives and proceed accordingly in order to mitigate their costs in terms of time, money, quality and workload. International companies rely more on business services organizations or shared services centers to carry out repetitive tasks and for those activities requiring specialized knowledge and skills these type of corporations have a small local team of internal accountants or collaborate with accounting firms. Local enterprises mainly count on their internal accountants for the provision of accounting services but whenever it is necessary, they engage external support to deal with complex taxation and accounting issues in order to mitigate the risks related to their business. The advantages and disadvantages associated with each sourcing option for accounting services are related to competence, cost, time, engagement, scalability, control and dependence. In case of large companies counting more on their employees for the provision of accounting services the advantages regard lower costs, higher control over the process, shorter time to deliver information, greater employees' engagement, lower dependence on providers and disadvantages are reduced scalability and limited internal competence. In case of large companies relying more on external providers for delivery of accounting services the advantages regard lower costs (questionable in case of using the services provided by shared services centers), higher competence and process optimization, increased scalability and disadvantages are lower control over the outsourced process, lower engagement from external providers compared to own employees, higher dependence on external providers and longer time to deliver information. In accordance with our theoretical framework consisting in social exchange theory, prior to the adoption or the abandonment of a sourcing option managers should make a detailed analysis regarding the advantages and disadvantages and choose those options which incorporate higher or more advantages and lower or less disadvantages.

Our main contribution was to show what sourcing options choose large companies for accounting services, emphasizing the advantages and disadvantages. While large local companies usually choose the employees as main sourcing option for accounting services, large international companies embrace more sourcing options. Our study brings into attention the concept of multisourcing for accounting services.

Our research has implications for large companies and accounting firms since we presented some collaboration possibilities. Accounting firms can provide bookkeeping, reporting, compliance and advisory services. Depending on clients' demand, external accountants can go to the clients' offices on a regular basis (few days a week or few days a month) or they can be permanently relocated to the clients' offices. Our recommendation to large local companies is to consider also multisourcing for accounting services since this option can support the organizations to adopt the best practices, complement their limited internal expertise and mitigate the risks.

In qualitative studies, especially the use of case approach means to collect rich empirical evidence coming from a limited number of participants. Because of that, the limitation of our study regards the small number of participants namely 5 large companies out of which 3 international corporations and 2 local enterprises and therefore our results should not be generalized over the entire population of large companies. We see our current study as the foundation of a more extensive research conducted gradually step by step. We intend in the near future to extend the current research and apply an online questionnaire to receive more answers from large companies as to be able to generalize the results. Nevertheless, our current study brought new meaningful insights on the choices made by large companies for sourcing of accounting services and by that we increased the understanding on that research subject which is still underexplored in the literature.

In this research our focus was mainly on the choices made by large companies for sourcing of accounting services yet we realized there were more aspects that we could have approached in our paper such as the changes in the sourcing options made by large companies for accounting services over time by employing a longitudinal study with details at the accounting task level and then the tax risks related to the accounting services delivered by intercompany providers such as shared services centers with reference to accounting and tax errors, deductibility for some expenses and aspects regarding transfer prices but being outside the purpose of the current work we proposed them as directions for future research.

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