

**ACCOUNTING FUNCTION OUTSOURCING AMONG
IRANIAN SMES AND ITS IMPACT ON FIRM PERFORMANCE**

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**FACULTY OF BUSINESS AND ACCOUNTANCY
UNIVERSITY OF MALAYA
KUALA LUMPUR**

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ABSTRACT

The primary objective of this study is to examine the factors affecting accounting function outsourcing and the impact of such outsourcing on SME performance from perspective of Transaction Cost Economics (TCE) and Resource- Based Views (RBV) in the Iranian context. Seven important TCE and RBV variables (factors) influencing on outsourcing intensity are identified, namely: asset specificity, environmental uncertainty, behavioural uncertainty, frequency, trust, technical competence and degree of competition. More importantly, this study examines the mediating role of accounting function outsourcing.

1750 questionnaires were mailed to Iranian manufacturing SMEs and only 658 usable questionnaires were utilised, representing an effectual response rate of 37.6 percent. Data analysis using structural equation model (SEM) revealed that with the exception of environmental uncertainty and behavioural uncertainty, the five remaining factors (i.e., asset specificity, frequency, trust, technical competence and degree of competition) are significantly associated with accounting function outsourcing intensity. Interestingly, the results show that the accounting function outsourcing intensity is significantly and positively associated with SME performance. Furthermore, whilst the fully mediated model shows outsourcing to be a non-mediator in the links between environmental uncertainty and behavioural uncertainty and firm performance, it is a strong mediator in the case of asset specificity, frequency, trust, technical competence and degree of competition and firm performance links.

This study contributes to the body of knowledge of accounting particularly in highlighting the important role of professional accountants in enhancing SME development. As for SME owner-managers, this study confirms the significant factors that influence the decision to outsource the accounting function geared towards achieving higher SME performance. In short, SME owner-managers and accounting practitioners are advanced one step further by the research findings.

ABSTRAK

Objektif utama kajian ini adalah untuk mengkaji faktor yang berkesan ke atas *penyumbaran luar* fungsi perakaunan dan kesan berkenaan pada prestasi firma kecil dan sederhana (*SME*) berdasarkan teori Ekonomi Kos Urusniaga (*EKU*) dan Pandangan Berdasarkan Sumber (*PBS*) dalam konteks Iran. Tujuh faktor penting yang berkesan ke atas tahap *outsourcing* dikenalpasti, iaitu: keistimewaan aset, ketidakpastian persekitaran, ketidakpastian kelakuan, kekerapan, amanah, kompetensi teknikal dan tahap persaingan. Akhirnya, peranan *outsourcing* fungsi perakaunan sebagai *mediator* dikaji.

1750 soal selidik dihantar kepada *SME* perkilangan Iran dan hanya 658 soal selidik bolehpakai digunakan yang merupakan kadar respon sebanyak 37.6 peratus. Berdasarkan keputusan ujian *structural equation model (SEM)*, didapati bahawa melainkan ketidakpastian persekitaran dan ketidakpastian kelakuan keseluruhan faktor lain (iaitu, keistimewaan aset, kekerapan, amanah, kompetensi teknikal dan tahap persaingan) didapati berkait secara signifikan dengan tahap *penyumbaran luar* fungsi perakaunan. Kajian ini menunjukkan bahawa tahap *outsourcing* fungsi perakaunan adalah berkait secara signifikan dan positif dengan prestasi *SME*. Selanjutnya, didapati model tersebut menunjukkan bahawa walaupun *penyumbaran luar* bukan *mediator* dalam hubungan antara kedua faktor (ketidakpastian persekitaran dan ketidakpastian kelakuan) dan prestasi firma, ia merupakan *mediator* kukuh bagi kaitan keistimewaan aset, kekerapan, amanah, kompetensi teknikal dan tahap persaingan dengan prestasi firma.

Kajian ini menyumbang kepada pengetahuan perakaunan, terutama, dalam mengemukakan peranan penting akauntan profesional dalam memajukan pembangunan *SME*. Bagi pemilik-pengurus *SME*, kajian ini mengesahkan faktor signifikan yang mempengaruhi keputusan mereka untuk *penyumbaran luar* fungsi perakaunan yang ditujukan untuk mencapai prestasi *SME* yang lebih cemerlang. Secara ringkas, pemilik-pengurus *SME* serta pengamal perakaunan dapat maju kedepan selangkah dengan pencarian kajian ini.

LIST OF PUBLICATIONS

(Journal Papers and Conference Proceedings Produced out of This Study)

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TABLE OF CONTENTS

	Page
ABSTRACT	i
ABSTRAK (BAHASA MELAYU)	ii
LIST OF PUBLICATIONS	iii
ACKNOWLEDGEMENT	v
TABLE OF CONTENT	vi
LIST OF APPENDICES	xiv
LIST OF FIGURES	xv
LIST OF TABLES	xvi
LIST OF ABBREVIATIONS	xx
CHAPTER ONE: OVERVIEW OF THESIS	
1.1 INTRODUCTION	1
1.2 BACKGROUND OF THE STUDY	2
1.3 PROBLEM STATEMENT	7
1.4 RESEARCH QUESTIONS	8
1.5 RESEARCH OBJECTIVES	9
1.6 THEORETICAL PERSPECTIVES	10
1.6.1 Transaction Cost Economics (TCE) perspective	10
1.6.2 Resource-Based View (RBV)	11
1.6.3 Theoretical perspectives: A summary	12
1.7 CONTRIBUTIONS OF THE STUDY	12
1.7.1 Theoretical Contributions	13
1.7.2 Practical Contributions	14
1.7.3 Methodological Contributions	16
1.8 ORGANISATION OF THE STUDY	17
1.9 CHAPTER SUMMARY	20

CHAPTER 2: OVERVIEW OF SMES AND PROFESSIONAL ACCOUNTANTS IN IRAN

2.1 INTRODUCTION	21
2.2 POSITIONING IRAN IN THE GLOBAL ECONOMY- THE CASE OF AN EMERGING ECONOMY	22
2.3 SMALL AND MEDIUM ENTERPRISES (SMES)	24
2.3.1 Definition of SMEs in Selected Countries	24
2.3.2 Importance of SMEs in Iran	27
2.3.3 SMEs in Iran and Other Developing Countries: A Comparison	28
2.3.4 Institutional Support to SMEs in Iran	30
2.3.5 Small and Medium Enterprises: A Summary	31
2.4 PROFESSIONAL ACCOUNTANTS IN IRAN	31
2.4.1 History of Accounting in Iran	31
2.4.1.1 History of Professional Accountants in Iran before 1979	32
2.4.1.2 History of Professional Accountants in Iran after 1979	32
2.4.1.3 Iranian Association of Certified Public Accountants	33
2.4.2 The Use of the Professional Accountants in Iran	34
2.4.3 Professional Accountant in Iran: A Summary	37
2.5 CONCLUSION	37

CHAPTER 3: LITERATURE REVIEW

3.1 INTRODUCTION	39
3.2 DEFINITIONS OF OUTSOURCING	39
3.3 ADVANTAGES AND DISADVANTAGES OF OUTSOURCING	41
3.3.1 Advantages of Outsourcing Practice	42
3.3.1.1 Access to Expertise	42
3.3.1.2 Reduce Costs	42
3.3.1.3 Focus on Core Business	43
3.3.1.4 Enhanced Innovation	44
3.3.1.5 Managing Time Pressure	44
3.3.2 Disadvantages of Outsourcing practice	45
3.3.2.1 Loss of Internal Expertise and Skills	45

3.3.2.2	Loss of Management Control	45
3.3.2.3	Doubtful Cost Savings	46
3.3.2.4	Risk to Succession Planning	46
3.3.2.5	Risk to Proprietary Data	47
3.3.3	Advantage to Disadvantage: Reasons for Accounting Function Outsourcing: A Summary	47
3.4	THEORETICAL ARGUMENTS: TRANSACTION COST ECONOMICS (TCE)	49
3.4.1	Transaction Costs	51
3.4.2	Transaction Cost Issues	53
3.4.3	Transaction Attributes	54
3.4.3.1	Asset Specificity	57
3.4.3.2	Environmental Uncertainty	61
3.4.3.3	Behavioural Uncertainty	63
3.4.3.4	Frequency	65
3.4.3.5	Trust in Professional Accountant	67
3.4.4	Review of Empirical Studies Employing TCE Framework	70
3.4.5	The importance of the Utilisation of the TCE Perspective in Accounting Outsourcing	72
3.5	THEORETICAL ARGUMENTS: RESOURCE-BASED VIEW (RBV)	73
3.5.1	Resource-Based Attributes	78
3.5.1.1	Technical Competence	80
3.5.1.2	Degree of Competition	82
3.5.2	Review of Empirical Studies Using RBV Framework	83
3.6	THE USE OF THE RESOURCE BASED VIEW AND TRANSACTION COST ECONOMIC PERSPECTIVE TO EXPLAIN FIRM PERFORMANCE	84
3.6.1	Firm Performance	86
3.6.2	Empirical studies- Association between Outsourcing and Firm Performance Based on RBV and TCE perspectives	89
3.7	THE ASSOCIATION BETWEEN TRANSACTION COST ECONOMICS (TCE) THEORY AND RESOURCE- BASED	

VIEW (RBV)	95
3.8 OUTSOURCING OF ACCOUNTING FUNCTIONS IN SME ENVIRONMENT	97
3.8.1 The Role of Professional Accountants in SMEs	98
3.8.2 Empirical Evidence- Accounting Functions are outsourced by SMEs	101
3.9 SUMMARY AND CONCLUSION	106
CHAPTER 4: THEORETICAL MODEL AND HYPOTHESES DEVELOPMENT	
4.1 INTRODUCTION	109
4.2 THEORETICAL MODEL	109
4.3 HYPOTHESES DEVELOPMENT	111
4.3.1 The Relationship between Asset Specificity and Accounting Function Outsourcing Intensity	112
4.3.2 The Relationship between Environmental Uncertainty and Accounting Function Outsourcing Intensity	113
4.3.3 The Relationship between Behavioural Uncertainty and Accounting Function Outsourcing Intensity	115
4.3.4 The Relationship between Frequency and Accounting Function Outsourcing Intensity	117
4.3.5 The Association between Trust in Professional Accountant and Accounting Function Outsourcing Intensity	118
4.3.6 The Association between Technical Competence and Accounting Function Outsourcing Intensity	123
4.3.7 The Association between Degree of Competition and Accounting Function Outsourcing Intensity	127
4.3.8 The Association between Accounting Function Outsourcing intensity and Firm Performance	131
4.3.9 The Mediating Role of the Accounting Function Outsourcing intensity	132
4.4 SUMMARY AND CONCLUSION	135

CHAPTER 5: METHODOLOGY AND RESEARCH DESIGN

5.1 INTRODUCTION	136
5.2 METHODOLOGY	138
5.3 DEPENDENT, MEDIATING AND INDEPENDENT VARIABLES	
MEASUREMENTS	140
5.3.1 Dependent Variable-Firm Performance	141
5.3.2 Mediating Variable-Outsourcing Intensity	143
5.3.3 Independent Variables	146
5.3.3.1 Asset Specificity	146
5.3.3.2 Environmental Uncertainty	147
5.3.3.3 Behavioural Uncertainty	149
5.3.3.4 Frequency	150
5.3.3.5 Trust in Accountant	152
5.3.3.6 Technical Competence	153
5.3.3.7 Degree of Competition	154
5.4 QUESTIONNAIRE DESIGN	155
5.4.1 Questionnaire	155
5.4.2 Pilot Test	157
5.5 SAMPLING PROCEDURES	162
5.5.1 Unit of Analysis	162
5.5.2 Sample Size	163
5.6 DATA COLLECTION PROCESS	164
5.7 RESPONSE RATE	165
5.8 RESPONSE BIAS ANALYSIS	166
5.9 METHOD OF ANALYSIS	167
5.10 CHAPTER SUMMARY	168

CHAPTER 6: RESEARCH RESULTS: EXPLORATORY ANALYSIS

6.1 INTRODUCTION	169
6.2 INSTRUMENT DATA VALIDATION PROCESS	169
6.3 RESPONDENT CHARACTERISTICS	171
6.4 EXPLORATORY MEASUREMENT ASSESSMENTS	174

6.4.1 Exploratory Factor Analysis	175
6.4.2 Reliability	181
6.5 TESTING THE ASSUMPTIONS OF MULTIVARIATE ANALYSIS	185
6.5.1 Test of Normality	185
6.5.2 Test of Homoscedasticity	187
6.5.3 Test of Linearity	187
6.5.4 Test of Multicollinearity	187
6.6 DESCRIPTIVE STATISTICS	188
6.6.1 A Summary Statistics for variables	188
6.6.2 Demographic Differences in main variables	189
6.6.2.1 Gender Differences in main variables	190
6.6.2.2 Age Differences in main variables	191
6.6.2.3 Education Level Differences regarding all main variables	192
6.6.3 The Extent of the Accounting Outsourcing Usage	193
6.6.4 Outsourcing of Other Functions	194
6.7 JUSTIFICATION FOR USING STRUCTURAL EQUATION MODELLING (SEM) IN THE PRESENT STUDY	195
6.8 CHAPTER SUMMARY	196

CHAPTER 7: RESEARCH RESULTS: CONFIRMATORY ANALYSIS & HYPOTHESES TESTING

7.1 INTRODUCTION	197
7.2 STRUCTURAL EQUATION MODELLING (SEM)	197
7.3 MEASUREMENT SCALE VALIDATION	199
7.3.1 Measure Validation Methods	200
7.3.2 Confirmatory Factor Analysis (CFA)	200
7.3.2.1 Identification Issues	201
7.3.2.2 Model Specification	201
7.3.3 Assessment of Fit and Unidimensionality of the Measurement Model	201
7.3.3.1 Post Hoc Analyses	203
7.3.3.2 Unidimensionality	206
7.3.4 Construct Validity	209

7.3.4.1	Convergent Validity	210
7.3.4.2	Construct Reliability and Variance Extracted Measures	213
7.3.4.3	Discriminant Validity	214
7.4	STRUCTURAL MODEL	217
7.5	HYPOTHESES TESTING	219
7.5.1	Direct Effects	219
7.5.1.1	The Association between Asset Specificity and Accounting Function Outsourcing intensity	220
7.5.1.2	The Relationship between Environmental Uncertainty and Accounting Function Outsourcing intensity	221
7.5.1.3	The Association between Behavioural Uncertainty and Accounting Function Outsourcing intensity	221
7.5.1.4	The Association between Frequency and Accounting Function Outsourcing intensity	222
7.5.1.5	The Relationship between Trust and Accounting Function Outsourcing intensity	222
7.5.1.6	The Relationship between Technical Competence and Accounting Function Outsourcing intensity	223
7.5.1.7	The Relationship between Degree of Competition and Accounting Function Outsourcing intensity	224
7.5.1.8	The Association between Outsourcing Intensity and Firm Performance	224
7.5.2	Mediation Effect	225
7.6	EVALUATING THE FINAL HYPOTHESISED STRUCTURAL MODEL	231
7.7	SUMMARY OF FINDING	234
7.8	CHAPTER SUMMARY	236
 CHAPTER 8: DISCUSSION AND CONCLUSION		
8.1	INTRODUCTION	238
8.2	DISCUSSION: OVERVIEW OF THE FINDINGS	238
8.2.1	Research Objective 1: To Identify the Types of Accounting Functions that SMEs Outsource to a Professional Accountant	239
8.2.2	Research Objective 2: To Examine to the Extent to Which Iranian	

SMEs Outsource their Accounting Functions	239
8.2.3 Research Objective 3: To Explore the Factors Affecting Outsourcing Intensity of Accounting Functions in Iranian SMEs	240
8.2.3.1 Asset specificity and outsourcing intensity	240
8.2.3.2 Environmental uncertainty and outsourcing intensity	241
8.2.3.3 Behavioural uncertainty and outsourcing intensity	242
8.2.3.4 Frequency and outsourcing intensity	242
8.2.3.5 Trust and outsourcing intensity	243
8.2.3.6 Technical competence and outsourcing intensity	243
8.2.3.7 Degree of Competition and outsourcing intensity	244
8.2.4 Research Objective 4: To examine whether there is an Association between Outsourcing Intensity and SME performance	245
8.2.5 Research Objective 5: To Investigate the Mediating Role of Outsourcing on the Relationship between TCE and RBV Variables, and Firm Performance	246
8.3 CONTRIBUTION OF THE STUDY	246
8.3.1 Theoretical Contributions	247
8.3.2 Managerial Implications	248
8.3.2 Implications for the Accounting Profession in Iran	252
8.3.3 Methodological Contributions	253
8.4 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH	254
8.5 CONCLUSIONS	257
REFERENCES	260

APPENDIXES

Appendix 1: The Survey Questionnaire (The English Language Version)	287
Appendix 2: Test of Normality Using Histogram (with Normal Curve)	301
Appendix 3: Test of Homoscedasticity Using Scatterplot	305
Appendix 4: Test of Linearity Using Normal Probability P-P Plot	309
Appendix 5: Selected AMOS Output for CFA Model	313
Appendix 6: Standardised Indirect Effects	324
Appendix 7: Regression Weights	325
Appendix 8: The Survey Questionnaire (The Persian Language Version)	328

LIST OF FIGURES

Figure 1.1: Thesis Overview	19
Figure 2.1: Iran	21
Figure 3.1: TCE Variables	50
Figure 3.2: RBV Variables	77
Figure 3.3: Linking Outsourcing and Firm Performance	86
Figure 3.4: Theoretical Model	106
Figure 4.1: The theoretical model	110
Figure 7.1 Initial Hypothesised 58-Items Model of Factorial Structure (CFA1)	202
Figure 7.2 Final Measurement Model (CFA2)	205
Figure 7.3: The Proposed Structural Model	218
Figure 7.4: Parameter Estimates of the Related Paths	227
Figure 7.5: Revised Model	232
Figure 7.6: Parameter Estimates of the Revised Model	233

LIST OF TABLES

Table 2.1: Definition of SMEs in Selected Countries	26
Table 2.2: Number of Enterprises by Size Category	28
Table 2.3: Labour Productivity Index (LPI) in Selected Developed Countries	30
Table 2.4: Number of Professional Accountants as at 27 June 2010	36
Table 3.1: Definitions of Outsourcing in Business Functions	41
Table 3.2: Empirical Evidence on the Determinants of Service Functions	
Outsourcing Decisions	71
Table 3.3: Empirical Evidence on the Determinants of Service Functions	
Outsourcing Decisions	84
Table 3.4: Empirical Research on the Relationship between Outsourcing of	
Service Functions and Performance	93
Table 3.5: The Services that SMEs Outsource to Professional Accountants	105
Table 5.1: Research questions and objectives	137
Table 5.2: Items for Measuring Firm Performance	142
Table 5.3: Items for Measuring Outsourcing Intensity	145
Table 5.4: Items for Measuring Asset Specificity	147
Table 5.5: Items for Measuring Environmental Uncertainty	148

Table 5.6: Items for Measuring Behavioral Uncertainty	149
Table 5.7: Items for Measuring Frequency	150
Table 5.8: Items for Measuring Trust in Professional Accountant	152
Table 5.9: Items for Measuring Technical Competence	153
Table 5.10: Items for Measuring Degree of Competition	154
Table 5.11: Results of Pilot (Pretesting) Study	159
Table 5.12(a): Item-to-total Correlations	160
Table 5.12(b): Item-to-total Correlations	161
Table 5.13: Response Rate	165
Table 5.14: The Result of Differences (T-Test) Of Early and Late Response on the Research Variables	167
Table 6.1: Instrument Development and Validation Process	170
Table 6.2: Profile of the Respondents	172
Table 6.3: Factor Loading for Multiple Items	177
Table 6.4: Mean, Standard Deviation, Corrected Item-To-Total Correlation (CITC) and Cronbach's Alpha	182
Table 6.5: Skewness and Kurtosis of the Variables	186
Table 6.6: Multicollinearity Test – Tolerance and VIF	188

Table 6.7: Descriptive Statistics	189
Table 6.8: Gender Differences Regarding All Main Variables	190
Table 6.9: Respondent Age Group Differences Regarding All Main Variables	191
Table 6.10: Education Level Group Differences Regarding All Main Variables	192
Table 6.11: Frequency of the Selected Outsourcing Measures (N=658)	193
Table 6.12: Outsourcing of Other Functions	194
Table 7.1: Recommended Benchmark for Model Fit Indices	199
Table 7.2: Goodness-of-fit Results for Initial Measurement Model	203
Table 7.3: Goodness-Of-Fit Results for Final Measurement Model	206
Table 7.4: Regression Weights	207
Table 7.5: Standardised Regression Weights, Item Reliability, Composite Reliability and Average Variance Extracted (AVE)	211
Table 7.6: Results of Average Variance Extracted and Squared Correlations of Each Variable	215
Table 7.7: Measurement Model Fit: Discriminant Validity	216
Table 7.8: Overall Fit of the Proposed Structural Model	219
Table 7.9: Hypotheses Testing: The Effects of Independent Variables on Outsourcing Intensity	220

Table 7.10: Hypotheses Testing: The Effects of Outsourcing on Firm Performance	225
Table 7.11: Overall Fit of the Full Mediation and Partial Mediation Model	226
Table 7.12: Direct, Indirect, and Total Effects of Hypothesised Model	228
Table 7.13: Overall Fit of the Revised Model	234
Table 7.14: Summary of the Tested Hypotheses	235

LIST OF ABBREVIATIONS

LEs	Large Enterprises
SMEs	Small and Medium Sized Enterprises
AGFI	Adjusted Goodness of Fit Index
AMOS	Analysis of moment structure
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CMIN/df	Normed Chi-Square
CR	Critical Ratio
df	Degree of Freedom
EFA	Exploratory Factor Analysis
GFI	Goodness of Fit Index
KMO	Keiser-Meyer-Olkin Index
MI	Modification Index
NFI	Normed Fit Index
PNFI	Parsimony Normed Fit Index
RMSEA	Root Mean Square of Approximation
SE	Standard Error
SEM	Structural Equation Modeling
SPSS	Statistical Package for the Social Sciences
TCE	Transaction Cost Economy Theory
RBV	Resource Based View
TLI	Tucker Lewis Index
VIF	Variation Inflation Factor