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

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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 menggaji 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 pegetahuan 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)

Professional Journals


Conference Proceedings

Paper Award: (This paper was nominated as the best paper in this conference)


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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
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