

May 2021

FACTORS INFLUENCING OUTSOURCING OF ACCOUNTING FUNCTIONS IN LEBANESE SMALL MEDIUM-SIZED ENTERPRISES

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Recommended Citation

Mahboub, Rasha Mohamad Mrs. (2021) "FACTORS INFLUENCING OUTSOURCING OF ACCOUNTING FUNCTIONS IN LEBANESE SMALL MEDIUM-SIZED ENTERPRISES," *BAU Journal - Creative Sustainable Development*: Vol. 2 : Iss. 2 , Article 10.

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FACTORS INFLUENCING OUTSOURCING OF ACCOUNTING FUNCTIONS IN LEBANESE SMALL MEDIUM-SIZED ENTERPRISES

Abstract

Accounting functions (AF) play a significant role in aiding firms to sustain competitive advantage (CA). However, small and medium-sized enterprises (SMEs) face troubles handling basic AF. This is primarily due to their dearth of proficiency and infrastructure. Consequently, outsourcing has come to be a substantial aspect of the thorough strategy of any SME to leverage its CA. In spite of the fact that outsourcing became very popular topic, this area has not been studied fully in emerging countries like Lebanon specifically in the industrial sector. Thus, this research aimed at examining the main factors affecting AF outsourcing in the Lebanese context. A survey of 280 owners of industrial SMEs within Beirut city was carried out. The empirical analysis revealed that asset specificity (AS) and behavioral uncertainty (BU) have a significant negative impact on outsourcing of AF. Whereas, degree of competition (DOC) and accounting competence have a significant positive impact on outsourcing of AF.

Keywords

Outsourcing; Accounting Functions; SMEs; Industrial Sector; Lebanon.

1. INTRODUCTION

Business environments are unsteady, unforeseeable and has become more convoluted, due to technological change, economic globalization, customers' increasing demands, market maturity and rigid competition (Hafeez and Andersen, 2014; Kamyabi and Devi, 2011a). Thus, to be able to persist and be profitable in these environments, firms tend to utilize outsourcing in larger extent, and in particular accounting outsourcing (AO) (Meliyio and Moronge, 2013; Brannemo, 2006).

Hence, outsourcing has arisen as one of the prevalent and commonly used strategy of this new globalized economy (Willcocks, 2010). It can be defined as the pretence of " *subcontracting out all or parts of some function in a firm to an external party*" (Everaert et al., 2010:93). In terms of accounting, it can be alluded to the process of shifting the crucial accounting operations of the firm to external accounting firms rather than employing internal accountants (Agburu et al., 2017).

In fact, firms are considered outsourcing as means of business strategy to decrease cost, enhance efficiency, obtain expertise, empower business focus, alleviate risks, maintain sustainable CA, and supplement rare resources (Danjuma et al. 2017; Meliyio and Moronge, 2013). Accordingly, this phenomenon in recent years has brought success stories to economies and entrepreneurs (Danjuma et al., 2017).

Previously, outsourcing was being utilized by large firms, but nowadays it is becoming the first choice among SMEs (Ibrahimova-Guluzada, 2017). This primarily due to SMEs be without the accounting proficiency and support needed to perform AF as well as be deficient in experienced accounting staff and infrastructure required to implement prevailing accounting regulations and rules (Evaraert et al., 2006). Hence, outsourcing practices have provided an assisting hand, raising the prospects that SMEs will persist on the global economy (Dorasamy et al., 2010). Thereby, outsourcing has become an essential action followed by firms to promote efficiency (Meliyio and Moronge, 2013).

Given this fact, AO practice in the SMEs subsector has been attracting the attention of a number of researchers (Danjuma et al., 2017). However, most of these researches focused on developed countries (Hafeez and Andersen, 2014) and little is known about emerging economics like Lebanon. Hence, the motivation for studying outsourcing of AF by Lebanese SMEs arises. Therefore, the main aim of this research is to examine the main factors that influence AF outsourcing in the Lebanese SMEs. Consequently, the main research question is: what are the main factors that govern Lebanese SMEs to outsource their AF?

The rest of the research is structured as follows: Section two reviews two theories of which provide the theoretical framework of the research. Section three provides the literature review of the research and develops seven hypotheses to examine factors affecting outsourcing of AF. Section four clarifies methodology adopted for this research. Section five discusses the key results. Section six concludes with recommendations for future research.

2. LITERATURE REVIEW

2.1 Theoretical Framework

Business environment has become more challenging and complex due to the quick advance of technology (Lamminmaki, 2007). In such environment, firms have revolutionized the manner they carry out business (Olumbe, 2015). Various business functions -more specifically- AF are being reengineered for this aim; this is mainly due to AF play a compelling role in helping businesses to sustain CA (Dorasamy et al., 2010).

SMEs face difficulties handling major AF; this is primarily due to their lack of expertise and resource constraints (Hafeez and Andersen, 2014). Thus, to overcome such challenges, it is advised that these firms should outsource their AF by switching what they conventionally accomplished within the company (Kotabe and Mol, 2009). The following theories explain why it is significant for a firm to outsource its AF.

2.1.1 Transaction cost economics

Transaction cost economics (TCE) is found to be the most prevalent yardstick for analyzing the TC of outsourcing functions (Danjuma et al., 2017). It has evolved into a valuable schema to clarify why numerous SMEs carry out AF internally, whereas other SMEs approach specialized accountant (Carey et al., 2006).

According to this theory, the premise of an outsourcing decision (OD) is the capability of a firm to utilize the economy of scale in going through outsourcing (Vasiliauskienė and Snieška, 2009). The amount of the TC can be utilized as an indication for OD. This means that when the TC are low it is suggested to outsource the activity form external service provider (SP) whereas when they are high, it is desirable to carry out the activity within the SME (Khaduli, 2014).

This theory reveals that the functions that are not specific for the firm should be outsourced (Olumbe, 2015). It describes frequency (FREQ), AS, trust in accountant, environmental uncertainty (EU) and BU is crucial components influencing AO decision (Spekle et al., 2007; Hafeez and Andersen, 2014). Thus according to this theory, when transactions are frequent, AS is low, trust exists, and EU as well BU is low; these transactions are presumed to be conducted by outsourcing (Verwaal et al., 2008; Chang et al., 2009).

2.1.2 Resource base view

The resource base view (RBV) can be defined as “*the full capabilities of assets, organizational processes, resources, the firm attributes information, and knowledge collected by a firm can design and implement strategies*” (Hafeez, 2013:6).

It predominantly concentrates on production of competences and proficiencies to attain CA (Gottschalk and Solli-Saether, 2006; Mclvor, 2009). It also specifies that functions not censorious to essential proficiencies should be outsourced (Gilley et al., 2004). Hence, it has been used for OD, switching the concentration from TC and opportunism to CA (Olumbe, 2015).

The main belief in RBV is that unique firm resources are the real source of CA; hence, the RBV explains that the DOC is an essential factor affecting a firm’s decision to outsource their AF (Olumbe, 2015). More specifically, it clarifies that SMEs utilize competent external accountant within the competitive pressures to attain CA (Gooderham et al., 2004).

Pertaining to these disputes, TCE and RBV theories are complementary for OD (Mclvor, 2009); hence, this research investigates the various factors -that have been identified in these theories- which are associated with SMEs' decision to outsource their AF.

2.2 Hypotheses Development

In a business environment, it is difficult for SMEs to maintain their CA in comparison to large firms due to their dearth of capital and resources (Evaraert et al., 2006). Therefore, most of the SMEs favor to outsource their functions -particularly AF- rather than establishing an in-house development (Jayabalan et al., 2009).

Despite there being various benefits achieved by outsourcing accounting tasks in a firm, very few businesses utilize them (Njeri, 2016). The literature review has specified numerous factors that have major influence on OD (Table: 1). These are mainly trust in professional accountant (TPA); DOC; AS; accounting competence (AC); FREQ; EU and BU.

Table 1: Factors have Influence on Outsourcing Decision Based on Previous Research

	1	2	3	4	5	6	7	8	9	10	11	12	13
Manager Knowledge				√			√						
Competence of Accountant				√		√		√	√			√	
Growth in Size		√		√			√						
Trust in professional Accountant	√	√	√	√	√	√		√	√	√	√		
Opportunism			√		√	√							
Asset Specificity	√		√		√	√		√		√	√		√
Environmental	√		√			√		√					√

Uncertainty													
Degree of Competition					√	√	√	√		√	√		
Corporate strategy						√				√			
Firm size									√			√	
Behavioral uncertainty	√					√		√					√
Frequency	√				√	√		√					√
Types of Industry		√										√	
Operation Management												√	
Risks of Outsourcing		√										√	
Resources		√										√	
Cost		√					√					√	
Legislation							√						
Commitment						√							
Cooperative Behavior						√							
1= Le et al., 2017; 2= Ibrahimova-Guluzada, 2017; 3= Danjuma et al., 2017; 4= Njeri, 2016; 5= Hafeez & Andersen, 2014; 6= Hafeez, 2013; 7= Kipsang, 2012; 8= Kamyabi, 2012; 9= Kamyabi and Devi, 2011a; 10= Kamyabi and Devi, 2011b; 11= Kamyabi and Devi, 2011c; 12= Dorasamy, 2010; 13= Everaert et al., 2010.													

Source: Developed by the Researcher

2.2.1 Trust in professional accountant

Trust in the SP has been recognized as very substantial influence in OD (Adler, 2001). As, it improves the connection between the firm and external SP (Verwaal et al., 2008); resolves disputes arising between them (Njeri, 2016); decreases the TC (Greenberg et al., 2008) and reduces the potential threat of opportunism (Tian et al., 2008). Consequently, while trust exists, firm is presumably to outsource business activities (Lee et al., 2008). Thus, it seems that there is a considerable confirmation by previous studies approving the prominence of TPA in OD (Greenberg et al., 2008).

For instance, Bachmann (2001) noticeably revealed that the SME’s choice to outsource AF is influenced by the trust of the owner in the SP. Kim et al. (2007) revealed that trust was the substantial indicator for OD. Everaert et al. (2010) found that the owner’s level of TPA was significantly associated with outsourcing of AF. Kamyabi and Devi (2011a) revealed that TPA had a positive and significant relationship with outsourcing of AF. Kamyabi and Devi (2011b) demonstrated that outsourcing of AF is positively and significantly related to TPA. Kamyabi and Devi (2011c) determined that trust is a vital factor influencing OD. Kamyabi (2012) revealed that trust is significantly associated with AF outsourcing. Hafeez (2013) show that TPA is positively significantly associated with the AO practices. Meliyio and Moronge (2013) specified that managers’ TPA significantly influenced outsourcing of AF. Hafeez and Andersen (2014) noted that TPA by managers has a key impact on outsourcing AF. Njeri (2016) confirmed that TPA had a positive and significant relationship on usage of AF. Danjuma et al. (2017) provided an empirical confirmation of prior studies that found positive relationship between outsourcing and the trust of the SME owner in the external SP. Ibrahimova-Guluzada (2017) found that the reliability of the SP firm is a determining factor regarding outsourcing.

Overall, higher the level of expected TPA, the higher is the propensity that firms’ owner favor to outsource AF. Consequently, the hypothesis one is:

H₁: The higher the TPA, the more the AF are outsourced.

2.2.2 Degree of competition

DOC is a crucial factor influencing a SME's decision to outsource their AF (Kamyabi and Devi, 2011a). The tremendously competing environments in which nowadays firms work prevails as a robust stimulus for these firms to outsource their services particularly, accounting services (Khaduli, 2014). More specifically, the need to stay competitive and to enhance service delivery in the light of decreasing resources has enforced firms to turn to outsourcing (Chongvilaivan and Hur, 2011).

Subsequently, several firms have extended the extent of outsourcing to utilize the accessible resource apart from the firm to aid their firms to be more competitive (Gooderham et al., 2004). Therefore, the outsourcing of AF is the manner of selection for many firms to sustain and survive in the competitive market (Lamminmaki, 2007).

Accordingly, many previous studies were confirmed that DOC affects outsourcing of AF. For instance, Kamyabi and Devi (2011b) stated that outsourcing is positively and significantly related to DOC. Kamyabi and Devi (2011c) show that DOC is a key factor influencing OD. Kipsang (2012) concluded that there was a positive association between DOC and outsourcing of AF. Hafeez (2013) indicated that DOC has a significant effect on the AO. Kamyabi (2012) demonstrated that DOC is significantly associated with AF outsourcing. Moreover, Hafeez and Andersen (2014) revealed that DOC has a significant impact on AO. Hence, the hypothesis two is:

H₂: The tougher the competitive pressures faced by the SME, the more the AF are outsourced.

2.2.3 Asset specificity

AS can be defined as the "*expertise, competence, knowledge, skills and capabilities concerning the accounting functions*" (Hafeez, 2013:21). It is one of the crucial factors influencing the OD (Reeves et al., 2010). Previous studies indicate that when AS is low and transactions are recurrent; transactions could be administered by outsourcing (Chang et al., 2009). However, higher levels of AS would lead to a lower level of the main AF being outsourced (Jiang et al., 2007).

In fact, many empirical studies have examined the outsourcing of AF and found that AS is a significant driver in the OD. For instance, Chang et al. (2009) stated that when AS is little it is most probable that the main AF could be carried out by outsourcing. Everaert et al. (2010) demonstrated that there is a significant relationship between AO and AS. Kamyabi and Devi (2011b) show that higher AS was associated with lower level of outsourcing of AF. Kamyabi and Devi (2011c) demonstrated that AS is negatively associated with AO. Kamyabi (2012) concluded that AS is significantly associated with AF outsourcing. Hafeez (2013) revealed that AS of accounting tasks has a negative effect on AO. Hafeez and Andersen (2014) revealed that AS has a significant impact on AO. Danjuma et al. (2017) signified that AS is negatively related to accounting services outsourcing. Le et al. (2017) proved that AS is statistically significant and has impact on the intention to outsource AF of the executives.

Overall, when AF become more tailored to the SME, AS strengthens and, thus, reassigning these AF to an external accounting firm might be lengthy, difficult, costly and incomplete. Inversely, when AS declines, transferring AF to external SP is more suitable (Everaert et al., 2010). Thereby, the hypothesis three is:

H₃: The lower the level of the AS of the AF, the more the AF are outsourced.

2.2.4 Accounting competence

AC is defined as the external accountant has distinguishing skills, capability, knowledge, ability and experience over internal accountant (Nandan, 2010; Brandau and Hoffjan, 2010). The previous studies indicated that AC is another crucial factor that fascinates SMEs into outsourcing of their AF (Hafeez, 2013).

This is mainly due to SMEs are not able to execute the AF within the firm due to deficient know - how, inexperienced staff and lack the necessary accounting skills (Jayabalan et al., 2009; Dorasamy, 2010). Thus, one way for SME to get proficiencies is to employ skilled and trained staff (Gooderham et al, 2004). Thus, by depending on outsourcing, SMEs can get the proficiency they want from external SP (Kamyabi and

Devi, 2011a). This can aid firms to avoid the costs inherent in adopting new technologies and training staff (Nicholas, 2006). Hence, employing an external qualified accountant is a possible way in gaining competence and sufficient resources and reduction of competition effects (Gooderham et al., 2004).

The reviewed literature indicated that AC is positively related to outsource of AF (Kipsang, 2012). For instance, Gooderham et al. (2004) confirmed that the technical competence (TC) of the external accountant was positively related with the utilization of an external accountant as a business advisor. Carey et al. (2006) indicated that the TC of an external accountant positively associated with outsourcing of internal auditing services. Kamyabi and Devi (2011a) suggested that positive relationship existed between utilization of advisory services and knowledge and TC of the external accountant. Kipsang (2012) indicated that the relationship between knowledge and competence of the external accountant and usage of the AF is positive and significant. Hafeez (2013) revealed that AC has a positive effect on AO functions in Pakistan. Kamyabi (2012) demonstrated that the TC of the external accountant is significantly correlated with AF outsourcing. In their study, Meliyio and Moronge (2013) indicated that AC significantly influenced outsourcing of AF. As well, Njeri (2016) confirmed that AC had a positive association with outsourcing of AF. Consequently, the hypothesis four is:

H₄: The more the thought that the external accountants are more competent than the internal accountants are, the more the AF are outsourced.

2.2.5 Frequency

FREQ of accounting tasks is referred to the recurrence and volume of identical transactions (Lamminmaki, 2007). It can be categorized as “periodicity” of the accounting task-designates as each of the AF can be processed annually, semi-annually, quarterly, monthly, weekly and daily. As well, it can be presumed by the extent of the business activity (Everaert et al., 2010).

According to the literature reviewed, it was considered as a significant element that must be taking into consideration while making AO decision (Hafeez, 2013). It is indicated that the periodicity and size of AF have an effect on AF outsourcing (Lamminmaki, 2007; Speklé et al., 2007). This points out that the more the FREQ of transactions, firms internalized AF because it is expensive to outsource from an external firm (Everaert et al., 2010; Hafeez, 2013).

In fact, the reviewed literature has provided support for FREQ prediction, which shows high FREQ accounting practices are more probable to be performed within the firm (Kamyabi, 2012). For instance, Everaert et al. (2006; 2010) found the outsourcing of routine and non-routine accounting tasks is significantly negatively related to the FREQ of accounting tasks. Reeves et al. (2010) indicated that there is an inverse relationship between FREQ and outsourcing. Kamyabi (2012) stated that FREQ is negatively associated with outsourcing of AF. Hafeez (2013) indicated that FREQ of accounting routine tasks has a negative effect on AO. Hafeez and Andersen (2014) revealed that FREQ was negatively associated to outsourcing of accounting tasks. Additionally, Le et al. (2017) demonstrated that FREQ of accounting transactions have no impact on the intention to outsource AF. Therefore, the hypothesis five is:

H₅: The lower the FREQ of accounting functions, the more the AF are outsourced.

2.2.6 Environmental uncertainty

According to literature review, EU is the most crucial factor in sourcing decision (Reeves et al., 2010). In the context of accounting, EU concerns the predictability and stability of the capacity linked to AF, as a magnitude of the volatility of business undertakings (Everaert et al., 2010). Thus, if the firm is able to forecast the AF that leads to reduce the TC, in this case, it is more probable that the SME is going to outsourcing services (Lamminmaki, 2008). Moreover, the lesser the predictability of AF will lead to increase the TC, in this case the firm selects to carry out the AF through internal accountant (Ellram et al., 2008).

Overall, high EU is an impediment for SMEs attempting to outsource AF (Aubert et al., 2004). Hence, it is noticeable that the association between EU and outsourcing of AF is questionable. For instance, Widener and Selto (1999) confirmed that EU was not associated with outsourcing of audit and accounting activities. Lamminmaki (2008) observed that greater the EU in accounting task, then it is less probable that the AF will be outsourced. Kotabe and Mol (2009) demonstrated that the EU has a negative association with AO. Kamyabi (2012) revealed that EU is not related to AF outsourcing. Hafeez (2013) revealed that EU has a significant impact on the AO. Le et al. (2017) found that EU has no impact on the intention to outsource AF. As well, Danjuma et al. (2017) demonstrated that EU is negatively linked to AF outsourcing. Consequently, the hypothesis six is:

H₆: The lower the EU in the AF, the more the AF are outsourced.

2.2.7 Behavioural uncertainty

BU can be understood “*as the difficulty of evaluating whether the accountant did the job accurately and to the best of his or her ability*” (Everaert et al., 2010:97). Higher BU causes increase in TC, thus; the firm prefers internal accountant to carry out the AF (Lamminmaki, 2008). On the contrary, when the proper behaviour of the external accountant can be identified earlier outsourcing the AF will be the best efficient choice (Alvarez Suescun, 2010).

In fact, previous researchers have specified the significance of BU in association to outsourcing of AF (Hafeez, 2013). For instance, Everaert et al. (2006) examined the relationship between outsourcing of AF and BU; they found that BU is insignificant driver in outsourcing of AF. Speklé et al. (2007) stated that BU appears not to play a critical explanatory role in AO decision. Vandaele et al. (2007) expected that BU is insignificant factor in the OD of AF. Alvarez-Suescun (2010) indicated that BU is negatively associated with AF. Kamyabi (2012) demonstrated that BU is not associated with AF outsourcing. Hafeez (2013) suggested that BU has a negative effect on AO. Le et al. (2017) proved that BU are statistically significant and have impact on the intention to outsource the AF. Accordingly, the hypothesis seven is:

H₇: The lower the level of the BU in the AF, the higher the AF are outsourced.

3. METHODOLOGY

3.1 Research Population and Sample Size

The population of this research consists of 6208 Lebanese industrial SMEs for year 2017. The distribution of these firms in relation to the locations they originate in is as follows: Beirut (497); Mount Lebanon (3559); North Lebanon (545); South Lebanon (470); Al-Nabatieh (276); Akkar (55); Baalbak El-Hermel (173) and Bekaa (633) (Directory of Exports and Industrial Firm in Lebanon, 2018).

However, resulting from the practical complications of accessing the population, a subset considered as a sample was used. Thus, the research restricted the sample size to the number of industrial firms within Beirut city.

The reason for choosing Beirut city was that the researcher could visit the workplace of the respondents if she needs to discuss other relevant issues. Then, a sample of 497 industrial SMEs from 12 major industrial sectors was selected (Table: 2).

The industrial SMEs in Lebanon were selected because the industrial sector is a key sector in the Lebanese economy, highly dominated by SMEs with important contribution to the national output and employment in the country (Chlouk, 2016).

Table 2: Distribution of Firms among Industry Sectors

<i>Industry Sectors</i>	<i>Number of Firms Among Industry Sectors</i>
Food and Beverage	111
Non Mineral Mining Products	33
Chemical Industries, Including Plastics	28
Leather, Leather Products and Footwear Industries	6
Wood Products Industries	10
Paper, Paper Products Industries and Printing	91
Textile Industries Including Garments	60

Jewellery, Precious Stones and Metals	33
Metal Products Ind. Excluding Transport Equipment	27
Machinery and Electrical Appliances Industries	53
Furniture	39
Miscellaneous Industries Not Mentioned Elsewhere	6
Total	497

Source: Directory of Exports and Industrial Firm in Lebanon, 2018

3.2 Data Collection

The data was gathered for this research over the “structured questionnaire”. This type of the questionnaire is suitable for this research as it is a more cost effective tool that can enhance the response rate (Kamyabi, 2012). The questions for the dependent and independent variables in this research were established utilizing a five-point Likert scale.

3.3 Questionnaire Development

The questionnaire included eight questions (Appendix). All questions used in the research were created by the adoption of validated questionnaires used by other researchers in the previous studies (Njeri, 2016; Hafeez, 2013; Kamyabi, 2012; Kispang, 2012; Everaert et al., 2010).

Five accounting academics piloted the questionnaire and several changes were added to the questionnaire. These include clarifying of certain questions to increase simplicity and eliminate vagueness and adding a few additional new questions to attain better truthfulness. Thus, the content validity is established.

This questionnaire was emailed to the owner of the SMEs of the 497 industrial SMEs. The mailing list of the respondents was chosen from the directory of exports and industrial firms in Lebanon. Out of the 497 questionnaires distributed, only 310 respondents responded. From 310 accomplished questionnaires, only 280 questionnaires were adaptable. This yields to a response rate of 56.3%. This rate was considered acceptable in comparison with other questionnaires in the SMEs sector.

3.4 Reliability and Content Validity Analysis

Cronbach’s Alpha was used in this research to evaluate the reliabilities of the measurement scales adopted. The result of this test is presented in table (3). The research found an acceptable internal consistency reliability (alpha range from 0.701 to 0.807 which is greater than the standard rate for Cronbach’s Alpha 0.70) for the all variables (Ramezani and Gharleghi, 2013). Among the main variables, BU ($\alpha = 0.807$) scored the highest reliability and FREQ the lowest reliability ($\alpha = 0.701$). On the other hand, the content validity of the questionnaire was produced via the adoption of validated instruments by other scholars in the literature and the pretest using accounting academics.

Table 3: Reliability of the Variables

<i>Variable</i>	<i>Cronbach’s Alpha</i>
TPA	0.716
DOC	0.708
AS	0.702
AC	0.703
FREQ	0.701
EU	0.706
BU	0.807
AO	0.702

Source: SPSS (20) Output

3.5 Test of Normality

The data in this research is found to be normally distributed with no issues of skewness and kurtosis. The calculated z values for skewness and kurtosis is within the range of ± 1.96 at 0.05 significance level (Danjuma et al., 2017). Table (4) summarizes the skewness and kurtosis for the variables.

Table 4: Skewness and Kurtosis of the Variables

Variable	Skewness	Kurtosis
TPA	.034	-.887
DOC	-.369	.425
AS	-.437	.246
AC	.595	.665
FREQ	-.732	-.314
EU	.917	1.521
BU	-.747	-.060
AO	.216	-.966

Source: SPSS (20) Output

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

The descriptive statistics are provided in table (5). The mean scores range from 2.13 to 4.44. TPA was the highest mean of 4.44 and EU gave the lowest mean of 2.13.

Table 5: Descriptive Statistics

	Min	Max	Mean	SD
TPA	4	5	4.44	.31
DOC	3	4	3.93	.21
AS	2	5	4.19	.53
AC	3	5	3.60	.35
FREQ	3	4	3.64	.41
EU	1	4	2.13	.53
BU	2	3	2.88	.35
AO	4	5	4.14	.24

Source: SPSS (20) Output

TPA has a min of four and max of five with a mean of 4.44 and SD of .31. This means that most of the respondents agree that the relationship between SME owner and PA is based on trust and this owner has certainty that the PA will deal with him objectively; inform him appropriately; accurately perform his duties and care about what happens to his firm.

DOC has a min of three and max of four with a mean of 3.93 and SD of .21. This reveals that most of the respondents agree that SME faces fierce competition with respect to product characteristics; promotional and service strategies; product variety; new entrants into the market; access to distribution channels and substitute products from other SMEs.

AS has a min of two and max of five with a mean of 4.19 and SD of .53. This demonstrates that most of the respondents agree that the accountant of the SME needs to attain SME specific information to perform all types of accounting tasks in a unique way using custom-tailored accounting software.

AC has a min of three and max of five with a mean of 3.60 and SD of .35. This shows that most of the respondents agree that the accountant of the SME need to has depth of understanding of the SME; specialized industry wide knowledge; experience and qualifications; proficiency in risk management, tax computations, internal control and computerized accounting and auditing information systems.

FREQ has a min of three and max of four with a mean of 3.64 and SD of .41. This indicates that most of the respondents agree that most of the AF have been performed in a quarterly base.

EU has a min of one and max of four with a mean of 2.13 and SD of .53. This appears that most of the respondents disagree that there is a relevant change in the business organization of the SME and there is a discrepancy in the workload of the routine and non-routine AF.

BU has a min of two and max of three with a mean of 2.88 and SD of .35. This appears that most of the respondents nor agree or disagree that the accountant of SME has correctly accurately performed the main AF.

AO has a min of four and max of five with a mean of 4.14 and SD of .24. This implies that most of the respondents agree that SME outsourced basic AF to a PA.

4.2 Correlation Analysis

The findings of the correlation analysis between the variables of this research are given in table (6). The correlation between each of the variables is not extremely high. The highest correlation found between EU and BU (-0.407) is very satisfactory. The tolerance values and VIF of this research pointed out absence of multi-collinearity problem. This is due to data will be absence of multi-collinearity when VIF is less than ten, and tolerance value of greater than 0.10 but less than one (Kline, 2005).

Table 6: Correlation Analysis

	TPA	DOC	AS	AC	FREQ	EU	BU	AO	VIF	Tolerance
TPA	1								1.165	.858
DOC	.032	1							1.119	.893
AS	-.016	-.081	1						1.208	.828
AC	-.338**	-.218**	.042	1					1.448	.691
FREQ	-.080	-.043	-.373**	-.169**	1				1.251	.799
EU	-.106	-.268**	.158*	.421**	-.141*	1			1.443	.693
BU	.040	.159*	-.159*	-.232**	.134*	-.407**	1		1.224	.817
AO	-.039	.007	-.151*	.311**	.089	.308**	-.234**	1		

Source: SPSS (20) Output

4.3 Regression Analysis

As shown in table (7), the multiple regression model is statistically significant at 0.000 with R square of .223. This implies that 22.3% of the variations in outsourcing of accounting functions (OAF) is explained by the independent variables of the research.

Table 7: Regression Analysis

Model	B	t	Sig.
Constant	2.621	4.877	.000
TPA	.067	1.433	.153
DOC	.157	2.346	.020
AS	-.069	-2.500	.013
AC	.186	4.010	.000
FREQ	.081	2.237	.026
EU	.100	3.282	.001
BU	-.099	-2.378	.018
F	9.894		
Sig.	.000		
R	.472		
R Square	.223		

Source: SPSS (20) Output

The regression results reveal that TPA has a positive insignificant relationship with OAF ($\beta = .067$, $t = 1.433$, $p = .153$). Hence, H_1 was rejected. This finding contradicts previous studies of Meliyio and Moronge (2013); Hafeez and Andersen (2014); Njeri (2016) and Danjuma et al. (2017). This result can be clarified that all outsourcing accounting firms in Lebanon are licensed firms and have complied with all the legal formalities and regulations act. Hence, the firms and their people can be trusted.

Moreover, the association between DOC and OAF is deemed to be significant ($\beta = .157$, $t = 2.346$, $p = .020$). Therefore, H_2 is supported. This finding is matched with prior studies of Kipsang (2012), Kamyabi (2012) and Hafeez (2013). This is indicating that the tougher the competition amongst SMEs in Lebanon, the more probable SMEs outsource their AF to achieve CA (Hafeez, 2013).

Additionally, the results show that, AS has a significant negative relationship with OAF ($\beta = -.069$, $t = -2.500$, $p = .013$). Thus, H_3 was supported. This result was supported by previous studies of Chang et al. (2009) and Danjuma et al. (2017).

This is demonstrating that AF involving specific assets should be processed inside the SME since the SMEs' governance choices will be directed by their efforts to protect idiosyncratic capabilities (Espino-Rodríguez and Rodríguez-Díaz, 2008).

Besides, the results proved that AC has a positive significant relationship with OAF ($\beta = .186$, $t = 4.010$, $p = .000$). Thus, H4 was supported. This finding was also supported through earlier discoveries of Kipsang (2012) and Njeri (2016). This is revealing that the TC of the accountant is positively associated with OAF. This suggests that the external accountant has CA over the internal accountant as the external accountant has qualification, knowledge, experience, skills and competence (Nandan, 2010; Brandau and Hoffjan, 2010).

Furthermore, the results show that *FREQ* of accounting tasks has a positive effect on OAF ($\beta = .081$, $t = 2.237$, $p = .026$). The effect is in the contradictory direction that anticipated but the values are significant. Accordingly, H5 was rejected. This result was not supported by previous studies of Everaert et al. (2006; 2010), Reeves et al. (2010) and Hafeez and Andersen (2014). This is revealing that high *FREQ* activities can also be outsourced. Professional external accountants can achieve a size and degree of specialisation that allows them to carry out activities more efficiently and effectively than when they are carried out in-house (Lamminmaki, 2009).

As well as, the results reveal that *EU* has a positive effect on OAF ($\beta = .100$, $t = 3.282$, $p = .001$). The amounts are significant but the influence is in the contrasting direction that estimated. Consequently, H6 was rejected. This result was not supported by previous studies of Lamminmaki (2008), Kotabe and Mol (2009) and Danjuma et al. (2017). This finding might be explained that in highly *EU*, SMEs in Lebanon prefer to outsource their AF to external PA believing that the external accountants have experience, skills, competence, knowledge and qualification so they can react to the market more rapidly than can internal accountants do (Nandan, 2010; Carey et al., 2006).

Similarly, the results reveal that *BU* of the AF has a negative relationship with OAF ($\beta = -.099$, $t = -2.378$, $p = .018$). Therefore, H7 was supported. This was confirmed in previous research of Alvarez-Suescun (2010) and Hafeez (2013). This means that if SMEs in Lebanon cannot forecast the real performance of the SP of the AF, their owners favor to perform the AF internally, considering that, the external AF are expensive to be outsourced (Nicholson et al., 2006). To sum up, the findings of this research are summarized in table (8) as follow:

Table 8: Summary of Findings

Factors	Expected Based Literature Review	Sign on Regression	Sign Based on Regression Analysis	Sig.	Hypothesis	TCE/RBV
<i>TPA</i>	+		+	Not Sig.	H1:Not Supported	Not Support TCE
<i>DOC</i>	+		+	Sig.	H2: Supported	Support RBV
<i>AS</i>	+		-	Sig.	H3: Supported	Support TCE
<i>AC</i>	+		+	Sig.	H4:Supported	Support RBV
<i>FREQ</i>	-		+	Sig.	H5:Not Supported	Not Support TCE
<i>EU</i>	-		+	Sig.	H6:Not Supported	Not Support TCE
<i>BU</i>	-		-	Sig.	H7:Supported	Support TCE

Source: Developed by the Researcher

5. CONCLUSION

This research examined the main factors that influence OAF by the Lebanese industrial SMEs from TCE and RBV prospective. The results demonstrate that OAF in SMEs supports some major RBV and TCE predictions. The result has supported RBV competition expectation. The findings show that *DOC* has a significant positive relation with OAF. SMEs in Lebanon outsource their AF to be more competitive and efficient in the Lebanese market. In the same vein, this research found a significant association between TC and outsourcing in the light of the RBV model dimension. This reveals that demonstration of an AC is crucial before SME owner will rely on PA as a source of CA. This research found that *AS* was statistically associated with OAF. This finding provided support for the TCE premise, which demonstrates that when the AF involve high levels of *AS*, SMEs are less likely to outsource their AF. The results also support the *BU* variable of the TCE model. The results supported that *BU* has a significant negative effect on OAF. SMEs that were extremely impressionable to the behaviour of the external accountant are less probable to OAF.

The results did not support the TPA variable of the TCE model which indicated that trust is a vital significant factor influencing outsourcing.

This mainly due to that, all outsourcing accounting firms in Lebanon is licensed firms and are complied with the legal formalities and regulations act. Hence, the firms and their people can be trusted. As well as, the empirical analysis of this research has not supported TCE's *FREQ* prediction, which reveals that the greater the level of *FREQ* of AF, the lower probable to be conducted within the firm. SMEs are not able to bring about “economies of scale” for the non-routine AF that are regular and tremendous, thus, they are less probable to provide such AF within the SME. Moreover, contradictory to the TCE theory, *EU* was not associated with OAF. *EU* does not explain the OAF.

This research has made a theoretical contribution by expanding previous research carried out in western countries, promoting the understanding of the relationship between influencing factors and the decision to OAF in emerging country like Lebanon. Another significant implication of this research for SME owner is the need for a skilful knowledge of their operations to determine the needs of each operation to achieve a better CA and select appropriate SP. Additionally; it is found that competence is a significant element in the OD. Thus, PA in Lebanon should search ways to encourage SMEs to outsource their AF. In order to attain this and make this a feasible option for SMEs, they must ensure their competence and capabilities are adequately improved to conduct their functions effectively. Therefore, the accounting profession should enter on awareness creation programmes intended at improving their multidisciplinary and technical proficiency yonder classical compliance work and proceed to be expertise professionals.

The results of this research may entail to be explicated in view of certain limitations. This research is limited to the industrial sector, thus, generalizing the results of this research to service sector may not be appropriate. Therefore, future research is needed to investigate the factors that lead to OAF by firms in different sectors. Another limitation of the research was that the results could not be generalized to large firms. This is because the current research only concentrated on SMEs. Thus, the research recommends that the research should be replicated in large sized firms. In addition, the research examined only Lebanese SMEs, and thus, the results may not be generalized to SMEs in other emerging countries. Hence, future researches may need to conduct in other countries. Moreover, this research examined OAF based on quantitative approach using questionnaire; further research should focus on qualitative approach that involves interviews with more SMEs owners so that they may further examine what motivates SMEs to outsource their AF. Furthermore, this research did not investigate the relationship between the use of accounting services and financial performance. Therefore, one cannot tell whether those SMEs that utilized AF had superior financial performance or not. Thus, a future research on the association between utilization of AF and SME's performance can be conducted.

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APPENDIX

The eight questions in the questionnaire:

1. Indicate the extent to which you trust your professional accountant with each of the following statements: (1) SME owner/manager has confidence that the professional (external) accountant will treat us fairly, this means to correctly charge for the performed duties. (2) SME owner/manager has confidence that the professional accountant will inform us correctly. (3) SME owner/manager has confidence that the professional accountant will accurately perform the duties. (4) The relationship between the SME owner/manager and the professional accountant is based on trust. (5) SME owner/manager feels that external accountant care about what happens to us.

2. Indicate the intensity of your business's competition with respect to following items: (1) Product characteristics. (2) Promotional strategies among rivals. (3) Access to distribution channels. (4) Service strategies to customers. (5) Product variety. (6) New entrants into the market. (7) Substitute products from other firms.

3. Indicate whether the accountant needs to acquire firm-specific information to adequately perform the accounting functions: (1) To acquire the routine accounting tasks, the accountant needs to acquire company specific information. (2) To perform the non-routine accounting tasks, the accountant needs to acquire company-specific information. (3) The accounting software is custom-tailored to our company. (4) The way we perform the accounting tasks is unique to our company. (5) It would be costly in terms of time and resources to switch to an external accountant at the end of the financial year.

4. What extent do you perceive your professional accountant as a technical competent source of accounting functions in your firm? (1) Specialized industry wide knowledge. (2) Expertise in internal control. (3) Experience and qualifications. (4) Depth of understanding of your firm. (5) Expertise in computerized information systems (CIS) accounting and auditing. (6) Expertise in risk management. (7) Expertise tax computations, calculations and submission of returns.

5. Indicate the periodicity with which each of accounting functions had been performed over the preceding year: (1) Bookkeeping works. (2) Preparation of financial statements. (3) Payroll accounting. (4) Budgeting / forecasting. (5) Customer profitability analysis. (6) Product costing. (7) Financial planning. (8) Financial management services. (9) Design/review internal control systems.

6. To what extent the accounting functions workload may vary with respect to the following statements? (1) During the previous year, there was a lot of variation in the workload related to routine accounting functions. (2) During the previous year, there was a lot of variation in the workload related to non-routine accounting functions. (3) During the previous year, there were relevant changes in the business organization of the firm.

7. Is it possible to determine whether the accountant has correctly performed the following activities?

(1) Bookkeeping works. (2) Preparation of interim reports. (3) Period end accounting. (4) Preparation of financial statements. (5) Payroll accounting. (6) Budgeting / forecasting. (7) Customer profitability analysis. (8) Product costing. (9) Financial planning. (10) Financial management services. (11) Design/review internal control systems.

8. Indicate to what extent were the following activities outsourced in your firm to a professional accountant:

(1) Bookkeeping works. (2) Interim reporting. (3) Period end accounting. (4) Preparation of financial statements. (5) Payroll accounting. (6) Budgeting / forecasting. (7) Customer profitability analysis. (8) Product costing. (9) Financial planning. (10) Financial management services. (11) Design/review internal control systems. (10) IT consultancy. (11) Tax consultancy. (12) Business advice. (13) Management consultancy. (15) Financing advice.