

# **The Impact of Employee Participation in Accounting Services Outsourcing Decision: Case Study of Nigerian SMEs**

*Mohammed Danjuma, (PhD)*

*Peter Teru, (PhD)*

Accounting Department, Adamawa State University Mubi, Nigeria

doi: 10.19044/esj.2017.v13n25p113 [URL:http://dx.doi.org/10.19044/esj.2017.v13n25p113](http://dx.doi.org/10.19044/esj.2017.v13n25p113)

---

## **Abstract**

This paper titled the Impact of Employee Participation in Accounting Services Outsourcing (ASO) by Small and Medium Enterprises (SMEs) in Nigeria. The study seeks to identify what factors affect outsourcing decision and the relationship between employee participation and outsourcing decision by SMEs. Therefore the study is mainly guided by the theory of Transaction Cost Economics (TCE). The key arguments of this paper were developed in line with TCE Theory. Thematic analysis of 1,300 SMEs using 10 case study based on in-depth interviews with Chief Financial Officers (CFOs) representing 10 industrial sectors. The study area is North Central Geo-Political Zone of Nigeria comprising mainly profit based manufacturing SMEs excluding public not for profit and service oriented enterprises. The study found that ASO decision is affected by cost-driven, strategy-driven, environment-driven and function-driven factors which all are linked with employee attitude and behavior to work. Therefore the study concludes that employee participation has positive influence over sourcing decision by Nigeria's SMEs. It also confirmed that communication, vendor expertise and trustworthiness are drivers of sourcing decision by these enterprises.

---

**Keywords:** Outsourcing, Employee Participation, Transaction Cost Economics, Small and Medium Enterprises, Nigeria

## **Introduction**

Small and Medium Enterprises are vast majority of business found in variety of primary and intermediate production of the economy (Olatunji, 2013). The Nigerian government in 2015 approved a new National Policy on Micro, Small and medium Enterprises (MSMEs) which changed the dimension of the sector completely. Therein Micro enterprises is defined as enterprises with total workforce of less than ten (10) employees and assets

excluding land and building less than ten million Naira (less than NGN 10 Million) Small and Medium Enterprise Development Agency of Nigeria (SMEDAN 2015). Small enterprises are firms with employment capacity between 10 and 49 employees and total assets excluding land and building of NGN10 million less than NGN100 million. Medium enterprises are businesses with total workforce between 50 and 199 employees and total assets of NGN 100 million less than NGN 1,000 million. In case of any dispute arisen from the classification with regards to employment and asset criteria, the employment based classification will take precedence. For instance, in a situation where an enterprise has total asset of NGN 12 Million and with 7 employees the firm is regarded automatically as Micro Enterprise. There are thirty seven point zero seven million (37.07) MSMEs in Nigeria; out of which ninety nine point eight percent (99.8%) are Micro Enterprises, 0.18 percent are Small Enterprises and 0.02 percent are Medium Enterprises (SMEDAN, 2015). The MSMEs constitute the mainstream of the manufacturing sector. Their activities contributes up to 90% of the total output and 70% of total employment in the manufacturing sector, National Bureau of Statistics (NBS, 2014).

Nigeria's manufacturing sector is now one of the major driving forces behind the country's economic growth. The rebasing exercise revealed that the Nigerian economy is much better diversified than was previously thought. The manufacturing sector dominated by Small and Medium Enterprise (SMEs) activities showed improvements that led to significant increase in the estimated contribution in the economy (NBS/SMEDAN, 2015). The manufacturing sector accounted for 9.19% of GDP during 2016 compared to a previously 8.99% in 2015. GDP from manufacturing in Nigeria increased to NGN 1,645,401.74 million in the third quarter of 2016. GDP from manufacturing averaged NGN 1,365,529.58 million from 2010 to 2016 reaching an all-time high of NGN 1,829,246.64 million in the second quarter of 2015 and record low of NGN 875,408.17 million in the first quarter of 2010 (NBS, 2016).

Nigeria is a mono economy solely depending on oil sector as major source of revenue. In realization of the serious implications of finite oil reserves and fragility of oil prices in the world market, previous administration continued to explore and exploit alternative sources of national income generation. Outstandingly, agriculture and solid minerals have featured noticeably in Nigeria's economic development agenda. Hence, the emergence of National Outsourcing Policy and Institutional Framework for Nigeria (NOIFN, 2007) as an alternative to diversify the economy. The main objective of this policy is to diversify the economy and promote an enabling institutional, legal, regulatory, technological, and infrastructural environment for the sustainable growth and development (NOIFN, 2007).

The National Outsourcing Policy and Institutional Framework for Nigeria (NOPIFN) target to create huge employment to the teeming population, development of adequate capacity on services delivery, enhance national GDP, grow outsourcing entrepreneurs to implement outsourcing programs among others. To accomplish these, government developed strategies by funding mechanism through Special Outsourcing Development Fund (SODF), standardized and secured national identification to earn confidence of international community, promotion of Public Private Partnership (PPP) and introduced suitable incentives schemes such as tax relief to private sector participants in outsourcing program leadership.

Prior to the NOPIFN (2007) the Nigeria economy which is the most populous in Africa with an official population figure of 140 million and GDP of USD 72.1 billion, was the second largest in Africa. Today Nigeria is classified as a mixed economy emerging market. The GDP rebased 1990 to 2010 positioned Nigeria as the largest economy in Africa with GDP of USD 594.3 billion (Africa Ranking, 2015). This confirms that outsourcing has brought a land mark achievement in transforming, diversifying and enabling economic growth and development of the Nigerian economy.

### **Problem Statement**

The key research problem addressed by this paper is that despite considerable empirical evidence on outsourcing by SMEs yet employee participation in sourcing decision is completely absent. There is no empirical evidence on employee participation in accounting services outsourcing despite its significance in twisting enterprises sourcing decision. SMEs employees' non-participation in outsourcing decision and its process further pose some threats to employee trust on their organization and affects their attitude to work.

### **Objectives of the Study**

Therefore the main focus of this study is to examine the antecedents of accounting services outsourcing decision in Nigeria's SMEs using Transaction Cost Economics (TCE) theory assumptions. Supported by specific objectives, a) to determine the factors affecting outsourcing decision by Nigeria's Small and Medium Enterprises and b) to examine the effect of employee participation on outsourcing decision and likely impact of their attitudes towards the success of accounting services outsourcing decision in Small and Medium Enterprises.

### **Theoretical foundation**

The outsourcing practice is a multifaceted structure comprising of several undertakings and sub activities, with many managerial dilemmas.

This is why numerous theories have been employed to aid the understanding of the nature of those activities, and also assist practitioners to effectively manage the process (Gottschalk and Solli-Sæther, 2005). Consequently, it is a common practice that each phenomenon can be described by several frameworks that are rooted in several theoretical approaches. However, from the inception outsourcing has been approached by diverse theories. Conversely, this generates confusion among the researchers of outsourcing phenomenon. Further, several authors acknowledged substantial figure of theories that could explain the outsourcing (Gottschalk and Solli-Sæther, 2005; McIvor, 2008). This study opted for Transaction Cost Economics (TCE) theory based on the requirement of its set objectives.

Transaction Cost Economics (TCE) viewpoint though originated by Ronald Coase in 1937 however elaborated by Oliver Eaton Williamson in his works during 1971, 1975, 1985 and 1996. Given a non-trivial degree of contractual incompleteness, intermediate product market transactions that are characterized by a higher degree of specificity, either due to specific assets, specific knowledge or skills, are candidates for governance by hierarchy (Tadelis and Williamson, 2011). Williamson's *Markets and Hierarchies* (1975) systematically augmented Coase's comparative institutional perspective several decades after Coase's seminal article. Williamson envisaged that organizational failures are caused by human factors such as opportunism and bounded rationality coupled with environmental factors such as uncertainty/complexity and small numbers. Therefore, this study draws on the TCE based on the theoretical arguments posed above. The study thus, examined the theoretical perspectives of TCE assumptions and its applicability in the practice of accounting services outsourcing by Nigeria's SMEs. Hence, this paper use transaction cost economics theory to address the relationship between organizational costs and employee participation in sourcing decision in conformity with Williamson opportunism, bounded rationality and contractual incompleteness assumption. Outsourcing is seen as path for organization transformation (Linder, 2004) and device in achieving competitive advantage. Also as a technique of edging competitors (Matusik and Hill, 1998), and a basis of strategic risk; owing to loss of expertise. The fundamental outsourcing drivers originate from initiatives, focus, finance, cost and growth objectives of an enterprise (Hamzah, Aman, Maelah, Auzair, and Amiruddin, 2010). These factors are therefore grouped into four categories namely: strategy, cost, function, and environment (Gandja and Estay, 2012).

### **Strategy-driven factors**

Core competence is a strategic factor that has attracted much attention and is often linked to the outsourcing decision. Core competence is

what an enterprise uses to sustain a competitive advantage (Kakabadse, 2000a). Critical knowledge is also a factor to the extent that certain tasks in an enterprise might not be core but the exclusive data or technology they produce is critical (Hamzah et al, 2010). Generally, a task that is more core to the organization is less likely to be outsourced. There are some functions in an organization that are not core but the unique data or technology they generate and feed into other processes is critical. Similarly, there are functions in organizations which generate data or knowledge that the organization wants to be cognizant of and in control of. The critical knowledge factor is intended to describe this type of function. At large, if a function provides critical knowledge it is less likely to be outsourced. Lack of internal human resources is another factor identified within the strategy category. SMEs are affected by lack of human resources due to restrictions in employment and termination practices. Enterprises restriction in employing workers to replace those retiring or withdrawing their services pile up extra workload for those remaining (Prencipe, 1997; Paoli and Prencipe, 1999). Further, employees that left took their knowledge and skills with them, leaving a void in the enterprise. The organization must make strategic decisions about how to re-locate the workforce that remain. The best alternative for the enterprise is to acquire the needed skills from external service providers.

However, firms access to experts with specialized expertise may be an issue. Therefore, a task is more likely to be outsourced if there is lack of internal human resources to perform it (Green, 2000). The impact on quality is the next strategy factor to consider. The quality of SMEs goods and services creates goodwill and generate demand. Enterprise recognized with high level of quality products or services, outsourcing that task could impair quality. Conversely, SMEs with less quality products will potentially improve quality through outsourcing the task. Therefore quality is a relevant factor and can be either a positive or a negative influence on outsourcing (Anderson, 1997). Flexibility as a factor comprises of demand flexibility, operational flexibility, resource flexibility, and strategic elements flexibility. Like quality, flexibility can be impacted positively or negatively by outsourcing. Long term contracts outsourced into a limited market have sometimes resulted in a loss of flexibility (Antonucci, Lordi, and Tucker, 1998). Notwithstanding, enterprises may improve on their flexibility by outsourcing. Prior literatures confirmed that enterprises occasionally consider outsourcing in an effort to increase flexibility.

### **Cost-driven factors**

Outsourcing decision understanding by SMEs is shallow and based on a general idea of cost reduction (Hamzah et al, 2010) but outsourcing

decision in practice surpasses that general idea. Empirical literatures reveals that most outsourcing is predominantly driven by the enterprises efforts to diminish costs (Adler 2001; Antonucci, et al. 1998). Where existing internal costs are greater than the estimated costs for procuring a product then market governance structure is most preferred (Meckbach, 1998). Consequently, prior literature suggests that most outsourcing is primarily motivated by the organization's efforts to reduce costs (Meckbach, 1998). If a function is to be outsourced for cost reasons, then it is assumed that the current in-house costs are higher than the expected costs for purchasing the service. However, there is significant uncertainty about the expected savings generated by outsourcing. Cost savings may not be as high as sometimes reported. Literature also suggests that determining accurate in-house costs to compare to can be difficult. Despite the uncertainty, many organizations outsource to reduce costs and therefore the higher the internal cost to perform the function relative to the expected cost of purchasing the service the more likely the function is to be outsourced (Kremic, Tukel, and Rom, 2006).

### **Function-driven factors**

Unique features of certain tasks influences outsourcing decision. Such characteristics as uncertainty, specificity, structure, frequency, degree of integration alike. Firstly, uncertainty creates difficulty in distinguishing or understanding variables and the connections that rim a task. Complexity of a function complicates a task and outcomes become uncertain. Due to the uncertainty of the expected outcome enterprises find it easier to outsource than to complete the task in-house. The rationale here is that the risk attached to performing complicated task is transferred to the vendor by the client in a legal contract (Prencipe, 1997). Furthermore, complexity refers to the difficulty of recognizing or understanding the variables and the interactions that surround a function (Kremic, et al., 2006). It may be more difficult to articulate the requirements and terms for complex functions. It also requires a greater investment by a supplier to learn to perform complex functions. Secondly, Integration refers to the degree the function is linked into other functions and systems within the organization. The more integrated the function is the more interactions and communication channels there are to maintain and monitor. It is often difficult to achieve effective communication and coordination within an organization. Moving a function across organizational boundaries and perhaps adding several new layers of departmental boundaries won't make the task any easier. Differing organizational cultures and goals may also impede successful interaction with the relocated function. Therefore a function that is heavily integrated is less of a candidate to outsource (Kremic et al., 2006; Prencipe, 1997; Paoli and Prencipe, 1999). Thirdly, specific assets allow cost savings and revenue

margin being increased. Assets specificity is very imperative as of its partial capacity to be redeployed outside transaction which they were devoted in the event of interrupted contract or premature termination (Hubbard, 1993; Kakabadse and Kakabadse 2000a). Asset specificity is an outsourcing issue because the supplier has little incentive to put resources into maintaining or upgrading the durable items because they have no value for him apart from the agreement. Eventually the supplier has greater leverage to charge higher rates. At large, the greater the asset specificity the less of a function is to be outsourced. Fourthly, more structured function influences the decision to outsource it. Structure is a defined form or pattern in which transaction is arranged or task been discharged. It is a well-organized set or sequential manner links to the degree the task follows a predicted procedure or a form as defined (Gilley and Rasheed, 2000). Structured task reduces cost of training because apprentice will follow the designed pattern of a function sequentially to the end as guide (Barrar, Wood, Jones and Vedovato, 2002).

#### **Environment-driven factor:**

The environmental factors affects the decision to outsource a task both from within and outside. Enterprises cannot operate in isolation and achieve its target goals so the need to interact with the environment arises. In a competitive business environment competitors behavior influence others to embark upon an unintended plan or program. A host of firms attempt outsourcing for the reason that other competitors are doing it (Willcocks and Currie, 1997). This goes with the assumption that if the competitors are into it, it must be worthy. Moreover, environmental ambiguity is another factor, an ambiguous function is less likely to be outsourced because of the anticipation of *ex post* factors in long-term contract (Williamson, 1975). In a situation where factor inputs and costs related to a function are ambiguous, it will be very difficult for a vendor to assess a reasonable value to charge. Even though the environmental factors are not exhaustive because are out of the researchers context. Environmental factors such as political, legal and social also affects outsourcing decision of enterprises. For organizations with unique missions or specialized skills there may be only a few if any outside suppliers possessing those skills. An example is maintenance of the Hubble Space Telescope. There are not many organizations that could assume this function. A function that requires skills that are difficult to find externally is less likely to be outsourced (Antonucci et al., 1998).

Political forces have undisputable influence on organizations operating in a business environment. The schemata of elected officials, public opinion, and current national or international trends may all influence the actions of the business enterprises. Some basic services therefore may receive increased outsourcing pressure due to political agenda in place. The

in-house political environment may also influence the outsourcing decision. The opinions of influential people within the organization may have bearing on decisions even though they may not have any formal outsourcing decision expert. The opinions of workforces, unions, or union leaders might influence whether a function should be outsourced or not (Kremic et al., 2006; Prencipe, 1997; Paoli and Prencipe, 1999).

An additional environmental factor is the inclination of the managers that do have formal influence on the outsourcing decision. For example, a manager may approve a certain function and want it to stay in-house. That function is less likely to be outsourced than one that doesn't have the manager's preference. The degree to which preferences influence a decision may be difficult to predict. Further, the influence may be hidden in supporting documents or ancillary decisions and thus may be difficult to identify. None-the-less manager preference is an environmental factor to consider (Prencipe, 1997; Paoli and Prencipe, 1999). The fifth environmental factor identified is the legal environment. Legal factors relate to the degree the candidate functions are "tied up" in current legal arrangements. Legal factors may be union agreements, contracts with other suppliers, or other rules and regulations that govern the performance of a function, such as veteran preferences and minority initiatives. In general, the more legal hurdles to overcome the less likely the function is to be outsourced. The next environmental factor identified is the actions of competitors. Willcocks and Currie document that one of the reasons that many firms try outsourcing is because others are doing it (Willcocks and Currie, 1997). The unwritten assumption appears to be that if the competitors are doing it, it must be good. In general, if the organization's competitors are actively outsourcing a function it is more likely to be outsourced. The potential for conflict of interest is another environmental factor to consider. The outsourcing of some functions may result in a situation where the supplier has to act contrary to their other interests. An example is when a supplier is placed into a role where they could create work for themselves. Consider a supplier that has been given the responsibility of strategic planning and recommending of IT systems for an organization. If that supplier also made or developed IT systems, then there may be speculation by the organization when the supplier recommends its own products for upgrades (Kremic et al., 2006; Prencipe, 1997; Paoli and Prencipe, 1999).

The question may be asked: Are the upgrades really needed or is the recommendation based more on a desire to generate additional business? In general, functions are less likely to be outsourced as the potential for conflicts of interest increases (Graham, 1996). The degree of uncertainty is the last factor. If the environment or disposition of a function is highly uncertain it may be more difficult to successfully outsource that function;



especially at a fair rate into a firm long-term contract. When the inputs, requirements, or costs associated with a function are uncertain, a potential supplier will have a difficult time assessing what is a fair price to charge. Consequently, they will demand a higher rate to assume the extra risk. In addition to higher rates, there are likely to be more problems with such functions during the course of the arrangement. Greater uncertainty may also make it more difficult to define the requirements and expectations. In cultures where formal arrangements are the norm, loose definition often results in change orders, unexpected costs, and sometimes a negative impact on relationships. In general, successful outsourcing of highly uncertain functions is more difficult.

### **Materials and Methods**

Multi stage sampling technique was employed to determine the sample size of this study. Sample members are first stratified into ten (10) different strata of SMEs. These subsets of the strata from the larger population are pooled to form a random sampling. Therefore, each category of SME subsector was selected randomly to the number of firms representing the group. So, the population of the study is 1,300 trimmed down to a sample size of 130 with a fixed sample interval of 10. Thus, stratified sampling trim down the size to a more feasible and desirable fraction of the population. The case study interview for this study was analyzed using Cross Tabulation Statistics and Thematic Analysis (TA). TA offers an available and theoretically-flexible methodology to analyzing qualitative data. Thematic analysis is a qualitative analytic methods that search for themes or patterns, and in relation to different epistemological and ontological positions (Braun and Clarke, 2006). Various thematic issues were identified and analyzed. This study employed the combination of deductive, semantic and latent approach of TA in coding, reports, concepts and assumptions underpinning this data. In other to achieve this TA approach the research study adopted Braun and Clarke, 2006 five phase 15 points checklist process.

### **Data Analysis, Findings/Results**

The interesting aspect of the analysis of factors affecting accounting services outsourcing by Nigerian SMEs have been related to the internal and external cost factor and critical knowledge. Cost savings are regarded as main outsourcing benefit derived. Referring to cost reduction as a main driver for outsourcing decision not as a factor affecting the decision to outsource accounting service by the SMEs. Contrarily, critical knowledge as a strategic factor affecting outsourcing decision was disputed in the findings of prior studies and considered as a benefit of outsourcing. Inversely, this study confirmed strongly that critical knowledge is a factor mostly affecting

sourcing decision. Organizations outsource in order to access technology or to access skills and talent from outside service providers.

Table 1: cross tabulation analysis for strategy factors.

	Variables relationship		$X^2$	<i>df</i>	<i>Sig.</i>
	Variable	factors			
1	Core Competence	Strategic factor affecting outsourcing	<b>475.37</b>	<b>16</b>	<b>0.001</b>
2	Critical Knowledge	Strategic factor affecting outsourcing	<b>722.16</b>	<b>16</b>	<b>0.000</b>
3	Flexibility	Strategic factor affecting outsourcing	<b>197.79</b>	<b>16</b>	<b>0.001</b>

Source: researchers survey data 2017.

The strategy factors affecting sourcing decision by SMEs in Nigeria by this study was found to be Core Competence  $x^2=475.37$ ,  $df=16$  and  $sig=0.001$ ; Critical Knowledge  $x^2=722.16$ ,  $df=16$  and  $sig=0.000$ ; Flexibility  $x^2=197.79$ ,  $df=16$  and  $sig=0.001$ . Signifying that all the three perceived strategic factors are significantly positively related to the sourcing decision of the firm.

Table 2: cross tabulation analysis for cost factors.

	Variables relationship		$X^2$	<i>df</i>	<i>Sig.</i>
	Variable	factors			
1	Internal Cost	Cost factor affecting outsourcing	<b>97.22</b>	<b>32</b>	<b>0.218</b>
2	External Cost	Cost factor affecting outsourcing	<b>58.91</b>	<b>32</b>	<b>0.153</b>

Source: researchers survey data 2017.

Both cost factors were found to be non-significantly related to factors affecting accounting services outsourcing decision by SMEs in Nigeria. Internal Cost  $x^2=97.22$ ,  $df=32$  and  $sig=0.218$  (not supported); External Cost  $x^2=58.91$ ,  $df=32$  and  $sig=0.153$  (not supported). The cost factor is found not be an antecedent of accounting services outsourcing by Nigeria's SMEs rather it is an expected benefit derivable from outsourcing contract.

Table 3: cross tabulation analysis for function factors.

	Variables relationship		$X^2$	<i>df</i>	<i>Sig.</i>
	Variable	factors			
1	Uncertainty	function factor affecting outsourcing	<b>653.76</b>	<b>32</b>	<b>0.000</b>
2	Specificity	function factor affecting outsourcing	<b>533.92</b>	<b>32</b>	<b>0.001</b>
3	Frequency	function factor affecting outsourcing	<b>25.33</b>	<b>32</b>	<b>0.123</b>
4	Structure	function factor affecting outsourcing	<b>58.18</b>	<b>32</b>	<b>0.827</b>

Source: researchers survey data 2017.

The result revealed that out of the four function factor affecting sourcing decision only two (specificity and uncertainty) are significantly

related to accounting services outsourced by Nigeria's SMEs (Uncertainty  $\chi^2=653.76$ ,  $df=32$  and  $sig=0.000$  and Specificity  $\chi^2=533.92$ ,  $df=32$  and  $sig=0.001$ ). Frequency  $\chi^2=25.33$ ,  $df=32$  and  $sig=0.123$  and Structure  $\chi^2=58.18$ ,  $df=32$  and  $sig=0.827$  are found to be negatively associated with sourcing decision.

Table 4: cross tabulation analysis for environment factors.

	Variables relationship		$\chi^2$	<i>df</i>	<i>Sig.</i>
	Variable	factors			
1	Political	environment factor affecting outsourcing	<b>451.09</b>	<b>25</b>	<b>0.000</b>
2	Legal	environment factor affecting outsourcing	<b>335.79</b>	<b>25</b>	<b>0.000</b>
3	Social	environment factor affecting outsourcing	<b>109.21</b>	<b>25</b>	<b>0.354</b>

Source: researchers survey data 2017.

Amidst the three environmental factors affecting sourcing decision two (political and legal factors) were found to be significantly related to Nigeria's SMEs accounting services outsourcing decision (Political set up  $\chi^2=451.09$ ,  $df=25$  and  $sig=0.000$  and Legal set up  $\chi^2=335.79$ ,  $df=25$  and  $sig=0.000$ ). Social environment is negatively associated with accounting services outsourcing by small and medium enterprises in Nigeria (Social  $\chi^2=109.21$ ,  $df=25$  and  $sig=0.354$ ) this result therefore is not supported.

However, during the interview session eight key reasons for accounting services outsourcing decision were uncovered, namely: flexibility, type of outsourcing, experience of vendor, relationship with other vendors, trustworthiness of vendor, employee participation, communication and evaluating decision. After rigorous data analysis, six reasons were confirmed to have significant impact in the drive to outsource accounting services by SMEs in Nigeria. The other two, experience of the vendor and the relationship with other vendors were found insignificant. Based on the fact revealed by respondents (CFOs) that as SMEs found reason to trust the vendor, his experience or relationship with other professionals doesn't really count to them. Trustworthiness of the vendor overwrites all other features of the external services provider.

Though, the major reasons that were confirmed significantly affecting sourcing decision are firstly, workforce flexibility, this increase the opportunity to attain competitive advantage by proffering solution to employee shortage demand, rebranding of employee attitude to work and restrain information asymmetry by allowing each stakeholder to access information equally. This intensify organizational performance as enterprise processes might remain functional without interruptions resulting from absenteeism, unwillingness to work, and deprived access to data. Flexibility allow employees choose from flexible work shifts, this improve their attitude towards willingness to work. Secondly, selecting the right vendor to replace this core workers internal activities is very significant. External service

provider trust must be earned by the client before engaging their services. Trust in professional accountant by the client explore the anticipation of the management that the external service provider can be depend upon to accomplish his legitimate responsibilities ethically and fairly. Thirdly, communication was found very significant reason which affect employee attitude towards outsourcing. Formal communication between the enterprise decision makers and in-house staff will result to a more positive attitude of understanding about the conditions for outsourcing. This understanding directs a positive attitude toward outsourcing. Furthermore, the CFOs opined that communication increases indulgence concerning the conditions and the reasons for using the outsourcing service, which enhances worker responsibility and teamwork.

Fourthly, according to the respondents view, employee participation in outsourcing decision process is wholly dependent on communication, hence where there is effective communication, employee participation will be deliberated and determined. In the absence of communication amongst the hierarchy give rise to employees' attitude and behavior anomalies. These anomalies will affect the enterprise negatively in terms of performance. Nevertheless, adequate participation means effective communication exist between the level and hence, goal congruence, positive behavior and improved performance results.

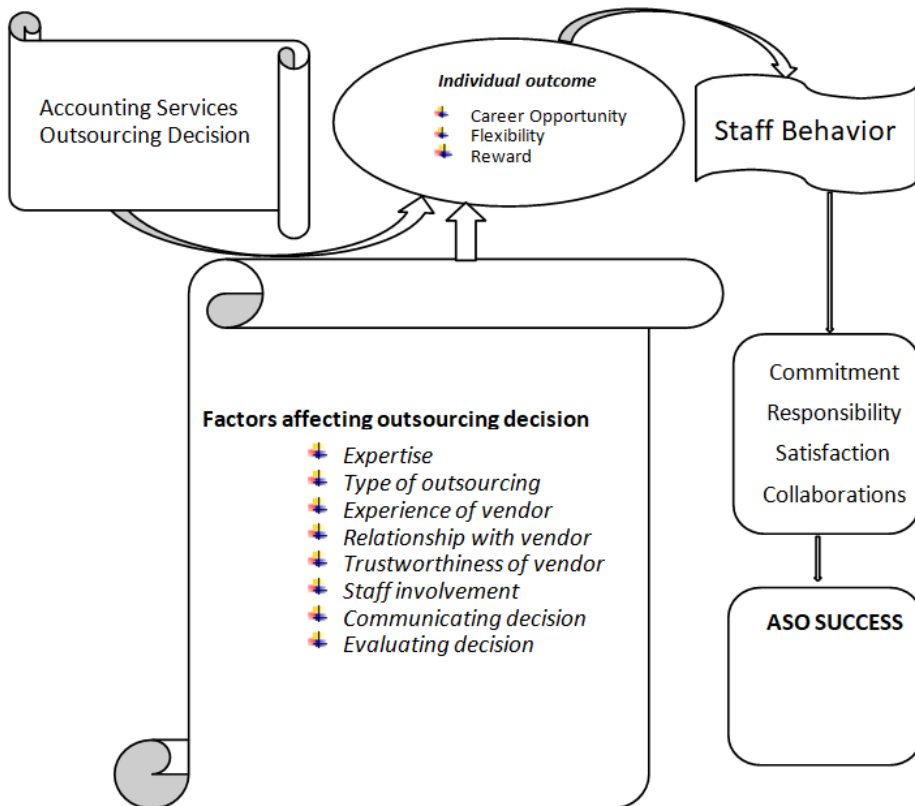
Finally, the CFOs confirmed evaluation decision as one of the key reasons encouraging sourcing decision. The need to evaluate the external services provided by the vendor at stages (strategy, selection, negotiation, implementation, management and completion) of outsourcing decision is important. Additionally, in the CFOs perspectives outsourcing was considered significantly in intensification of speed of work, and in this manner produce better organizational efficiencies. Therefore, this study acknowledged that accomplishment in outsourcing obliges devising a strategic vision plan, and an understanding of the envisioned practice of outsourcing.

## **Conclusion**

As far as we are aware no prior study in outsourcing accounting services examined the employee participation in accounting outsourcing decision. Also for the first time, this study extended the literature in accounting services outsourcing practice by examining the employee involvement in outsourcing decision and how it impacts the success of outsourcing decision in Nigeria's SMEs. The prior studies (Hafeez and Andersen, 2014; Kamyabi and Devi, 2011; Alvarez-Suescun, 2010; Everaert et al., 2010; Spekle' et al., 2007; Widener and Selto 1999) did not cover outsourcing through the employee perspective despite its significance in

twisting outsourcing decision. The findings of this study evidently asserts that employee participation is significantly positive reason influencing outsourcing decision. The thematic analysis map designed by this study based on the interview responses explained the link between employee participation and successful outsourcing decision as shown in figure 1 below.

Figure 1: Thematic Map for Factors Affecting Outsourcing Decision and Employee Attitude.



Conclusively, the thematic map results point to three important practical implications of ASO success for both outsourcing clients and vendors. Firstly, outsourcing decisions are driven predominantly by the relative cost advantage involved in the contractual agreement. Vendors are therefore advised to understand their clients’ internal cost structures to successfully win contracts from new customers. Clients should also select from alternative vendors who has fair negotiation. Secondly, critical knowledge differences influence outsourcing decisions. For vendors, this suggests the need to convincingly demonstrate how their technical expertise exceeds that of prospective clients. Clients should also adequately assess vendor expertise, experience, trustworthiness and make thorough evaluation

decision before engaging a vendor. Thirdly, clients' are committed to collaborate with vendor in discharging their responsibilities by outsourcing services which have strategic importance. Vendors with well-developed capabilities might therefore take advantage in attracting contracts with strategic concerns from these clients.

### References:

1. Adler, P.S. (2001). Market, hierarchy, and trust: The knowledge economy and the future of capitalism. *Organizational Science*, 12(2):215-234.
2. Africa Ranking (2015). *Top 20 Largest Economies in Africa 2015*. Retrieved from URL <http://www.africaranking.com/largest-economieson25th>, August 2016.
3. Alvarez-Suescun, E. (2010). Combining transaction cost and resource-based insights to explain IT implementation outsourcing. *Information System Front journal*, 12(1): 631-645
4. Anderson, M.C. (1997). A primer in measuring outsourcing results. *National Productivity Review*, 17(1): 33-41.
5. Antonucci, Y.L., Lordi, F.C. and Tucker, J.J. III (1998). The pros and cons of IT outsourcing, *Journal of Accountancy*, 185 (6): 26-31.
6. Barrar, P., Wood, D., Jones, J. and Vedovato, M. (2002). The efficiency of accounting service provision, *Business Process Management*, 8(3): 195-217.
7. Braun, V. and Clarke, V. (2006) Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3 (2): 77-101.
8. Coase, R.H. (1937). The Nature of the Firm. *Economica*, New Series, 4(16): 386–405.
9. Coase, R.H. (1938). Business Organization and the Accountant. *The Accountant*, October 1– December 17 (a series of 12 articles).
10. Everaert, P., G. Sarens and J. Rommel, (2010). Using Transaction Cost Economics to explain Outsourcing of Accounting. *Small Business Economics*, 35(1): 93-112.
11. Gandja, S.V and Estay, C. (2012). Make-or-Buy Decisions: What Choice for an Accounting Services in a Developing Country? *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 2(4): 260-272.
12. Gilley, K.M. and Rasheed, A. (2000). Making more by doing less: analysis of outsourcing and its effects on firm performance. *Journal of Management*, 26(1): 763–790.
13. Gottschalk, P. & Solli-Saether, H. (2005). Critical success factors from IT outsourcing theories: An empirical study. *Industrial Management and Data Systems*, 105(6): 685-702.

14. Green, M.E. (2000). Beware and prepare: the government workforce of the future. *Public Personnel Management*, 29(4): 435-444.
15. Hafeez, A., and Andersen, O. (2014). Factors Influencing Accounting Outsourcing Practices among SMEs in Pakistan context: Transaction Cost Economics (TCE) and Resource Based View (RBV) Prospective. *International Journal of Business Management*, 9(7): 19-32.
16. Hamzah, N., Aman, A., Maelah, R., Auzair, S.M. and Amiruddin, R. (2010). Outsourcing decision processes: A case study of a Malaysian firm. *African Journal of Business Management*, 4(15): 3307-3314.
17. Hubbard, G.M. (1993). How to make that tough outsourcing decision work for you. *Facilities Design and Management*, 12(7): 46-49.
18. Kakabadse, A. and Kakabadse, N. (2000a). Sourcing: new face to economies of scale and the emergence of new organizational forms, *Knowledge and Process Management*, 7(2): 107-18.
19. Kakabadse, A. and Kakabadse, N. (2000b). Critical review – outsourcing: a paradigm shift, *The Journal of Management Development*, 19 (8): 670-728.
20. Kamyabi, Y., and Devi, S. (2011). The Impact of Accounting Outsourcing on Iranian SME Performance: Transaction Cost Economics and Resource–Based Perspectives. *World Applied Sciences Journal*, 15(2): 244–252.
21. Kremic, T., Tukel, I.O. and Rom, W.O. (2006). Outsourcing Decision Support: A Survey of Benefits, Risks and Decision Factors. *Supply Chain Management an International Journal* 11(6): 467-482.
22. Linder, J.C. (2004). Outsourcing as a strategy for driving transformation. *Strategy and leadership*, 32(6): 26-31.
23. Matusik, S.F., and Hill, C.W.L. (1998). The utilization of contingent work, knowledge creation, and competitive advantage. *Academy of Management review*, 23(4): 680-697.
24. McIvor, R. (2008). What is the right outsourcing strategy for your process? *European Management Journal*, 26(1): 24-34.
25. Meckbach, G. (1998). Pros not the whole story: watch out for the cons. *Computing Canada*, 24(11): 25-6.
26. NBS (2014). Nigerian Manufacturing Sector. Summary Report: 2010-2012. Central Business District, Federal Capital Territory (FCT) Abuja, Nigeria.
27. NBS/SMEDAN (2016). Survey Report on Micro, Small and Medium Enterprises (MSMEs) in Nigeria. 2010 National MSMEs Collaborative survey Between National Bureau of Statistics and Small and Medium Enterprises Development Agency of Nigeria. Central Business District FCT Abuja, Nigeria.

28. NOPIFN (2007) Policy Document on Outsourcing in Nigeria by National Outsourcing Policy and Institutional Framework for Nigeria. Area 11 Garki, Abuja Nigeria.
29. Olatunji, T.E. (2013). The Impact of Accounting System on the Performance of Small and Medium Scale Enterprises in Nigeria– A Survey of SMEs in Oyo State-Nigeria. *International Journal of Business and Management Invention*, 2(9):13-17.
30. Paoli, M. and Prencipe, A. (1999). The role of knowledge bases in complex product systems: some empirical evidence from the aero engine industry. *Journal of Management Governance*, 3(2): 137-160.
31. Prencipe, A. (1997). Technological competencies and product's evolutionary dynamics a case study from the aero-engine industry. *Research Policy*, 25(8): 1261-1276.
32. SMEDAN (2015). National Policy on Micro, Small and Medium Enterprises (MSMEs) in Nigeria. A Policy Document Prepared by Small and Medium Enterprises Development Agency of Nigeria and Approved by the Federal Executive Council. Area 11 Garki Abuja, Nigeria.
33. Spekle, R. F., Van Elten, H. J., and Kmis, A. M. (2007). Sourcing of internal auditing: An empirical study. *Management Accounting Research*, 18(1): 102–124.
34. Tadelis, S. and Williamson, E.O (2011). Theories of Firm and Market Organization: Focal Transactions, Empirical Testing, and Scaling Up. *American Economic Review Papers and Proceedings* 92(2): 433-437
35. Widener, S., and Selto, F. (1999). Management control systems and boundaries of the firm: Why do firms outsource internal auditing activities? *Journal of Management Accounting Research*, 11(1): 45–73.
36. Willcocks, L.P. and Currie, W.L. (1997). Information technology in public services: towards the contractual organization? *British Journal of Management*, 8(1): 107-120.
37. Williamson, O. E. (1973). Markets and Hierarchies: Some Elementary Considerations. *American Economic Review*, 63(2): 316–625.
39. Williamson, O. E. (1979). Transaction-cost economics: the governance of contractual relations. *Journal of Law and Economics*, 3(1): 233–259.