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Sourcing strategy of Belgian SMEs: empirical evidence for the accounting services

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The primary objective of this paper is to examine the sourcing strategy for one business function (accounting services), by looking at the degree of outsourcing for each task of this function. Three research questions are addressed: (1) What sourcing strategy do SMEs use for accounting services? (2) What are the reasons? (3) Is there a link between sourcing strategy and company characteristics? The research design consisted of a postal survey sent out to 1200 managers of SMEs in Belgium. The main results showed that 53% use selective outsourcing, *i.e.* combining both an inhouse accountant with an accounting service provider. The results also showed that 35% use total insourcing and 12% prefer total outsourcing. Surprisingly, cost reduction is not the main reason for outsourcing. External expertise is the main reason for selectively outsourcing. SMEs select a total insourcing strategy because they want the accounting information at hand. Finally, larger SMEs decide for a total insourcing strategy and prefer to keep the accounting services internal. The conclusions show that future research should focus on the degree of outsourcing. The practical implication of this study is that accounting service providers should highlight their expertise and overcome the disadvantage of remote data analysis to attract more SME-customers.

Keywords: Outsourcing; SME; Sourcing strategy; Service providers; Accounting

1. Introduction

Prior research has mainly focused on the outsourcing of IT (*e.g.* Lacity and Wilcocks 1998, Murray and Kotabe 1999), or human resource management (*e.g.* Gilley *et al.* 2004a). Only a few studies focused on the outsourcing of accounting services (Tomkins and Green 1988, Barrar *et al.* 2002). In the UK and Italy, Barrar *et al.* (2002) studied outsourcing of finance and accounting services from a macro perspective. They compared the efficiency of accountants in service providers (outsourcing situation) with the efficiency of accountants working within companies (insourcing situation). They found a higher

efficiency for the first group, especially for smaller firms. However, as mentioned by Tomkins and Green (1988), an important limitation of only investigating efficiency is that it does not evaluate the quality of the output as perceived by the users of the accounting services. Therefore, this study adopts a micro perspective and focuses on the reasons to outsource (or not to outsource) as perceived by general managers. Given the results of Barrar *et al.* (2002), we limit our study to small and medium sized companies (SMEs) to investigate more in detail why managers prefer not to outsource, even if that would be a less efficient option. Furthermore, our preliminary interviews indicated that managers of SMEs prefer to use a combination of outsourcing and insourcing for accounting. Therefore, and following the

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lead of Lacity and Willcocks (1998) in an IT environment, we include in our study three sourcing strategies: total insourcing, total outsourcing and selective outsourcing. The selective outsourcing strategy is considered as the situation where the company is using both a staff member and service provider. With total insourcing the SME is mainly using a staff member for accounting, whereas for total outsourcing, the SME is mainly using the service provider to perform the accounting services.

In this paper, we first give an overview of the definitions; second, we address the reasons why companies may or may not outsource accounting services; third, we discuss the methodology used in this paper; fourth, we answer the three research questions, by considering the results of the survey. Finally, we end with conclusions and directions for future research.

2. Definitions

2.1 Accounting services

In this study, we consider the basic tasks of the yearly accounting cycle. They are either mandatory or generally considered necessary to manage a firm properly (see Jones 2002):

1. Entry of invoices and financial transactions: the bookkeeping work, in which purchases, sales and related cash transactions are recorded systematically.
2. Preparation of interim profit and loss accounts: determination of the profit by listing the sales and operational expenses over a period of time (monthly, quarterly or semi-annually).
3. Period-end accounting: adjustments made at year end, such as stock changes, prepayments, depreciations, and doubtful debts.
4. Preparation of financial statements: preparation of the balance sheet, profit and loss account and the notes.
5. Belgian VAT compliance: filing of the VAT that can be reclaimed (on purchases) against the VAT that has to be paid (on sales) to the tax authorities.
6. Belgian corporate tax compliance: declaration, on an annual basis, of profits and gains on which corporate tax is charged.

2.2 Service provider

The provider of accounting services can either be a single person or a company offering accounting and/or tax services. In this study, we will refer to them as the *service provider*, which refers to the situation of outsourcing. Obviously, this accountant should be

distinguished from the accountant who is a staff member, an employee working on the premises of the SME, which refers to the situation of insourcing.

2.3 Sourcing strategies

Empirical studies on outsourcing generally distinguish between firms that outsource a certain function (like IT, HR, cleaning) and firms that do not outsource that function. However, this dichotomy does not apply to accounting services. In the early stages of this research project, we conducted preliminary interviews with service providers. First, we learned that, in the field, only a small number of companies are outsourcing all accounting services and only a few SMEs are keeping all accounting services internally. Many SMEs are using a mixture of outsourcing and insourcing: some services are performed by the staff members and other services are outsourced to a service provider. Second, these interviews also indicate that, even within one accounting task, some combination of outsourcing and insourcing is common. For instance, the staff members frequently prepare the period-end transactions, but a service provider is hired at year-end to control and fine-tune their work. Consequently, the distinction between total insourcing, selective outsourcing and total outsourcing, as made by Lacity and Willcocks (1998) in an IT context, seems to be relevant for accounting services as well. Lacity and Willcocks (1998) made the distinction based upon the IT budget for IT assets, leases, staff, and management responsibility. However, in the accounting context, the budget for assets or leases is not a good proxy for the spending of resources. Accounting services largely consist of knowledge-intensive tasks, performed by skilled people. Rather than considering the wage costs and/or service provider fee (also including profit), we translated this categorisation to the accounting context, by considering the workload performed by each party. Consequently, we define the three sourcing strategies in the following way:

- *Total insourcing of accounting*: Less than 20% of the workload is outsourced to a service provider.
- *Selective outsourcing of accounting*: Between 20% and 80% of the workload is outsourced to a service provider.
- *Total outsourcing of accounting*: More than 80% of the workload is outsourced to a service provider.

3. Reasons to outsource

3.1 Cost reduction

Reducing costs often is cited as the most important motivation for outsourcing (Lacity and Hirschheim

1993, Quélin and Duhamel 2003). There are several reasons why outsourcing of accounting tasks may decrease costs. Barrar *et al.*'s (2002) major conclusion suggests that the in-house demand for the service often is too low to allow for a cost-efficient service or performance level, whereas the service provider has the necessary scale to purchase resources (*e.g.* accounting software that can be used for different customers) or allocate training costs over more employees. We quote one interviewed service provider: 'The SME can call us at any time during the week, without paying for an employee who is available five days a week.'

3.2 Focus on core business

Many studies argue that outsourcing allows companies to focus on their core activities (Quinn and Hilmer 1994, Gilley and Rasheed 2000, Beaumont and Sohal 2004). Marriott and Marriott (2000) found that owner-managers of SMEs derive little benefit from the production of financial statements. They simply use a service provider to cope with governmentally required tasks, because they do not have the time, inclination nor ability to complete them.

3.3 Access to expertise

Access to expertise might be an important reason to outsource, because accounting tasks do not only require knowledge of generally-accepted accounting rules or sophisticated tax regulations, but also require that one knows how to apply the rules in a given business environment (Marriott and Marriott 2000, Hassid and Fafaliou 2006). SMEs often lack these necessary skills, whereas service providers often are highly specialised in this matter. This suggestion ties in with the fact that CEOs, therefore, might have higher confidence in a service provider (Bennett and Robson 1999).

4. Reasons not to outsource

4.1 Dubious cost savings

Even though outsourcing might lead to reducing wage costs, this does not necessarily lead to lower total costs (Tomkins and Green 1988). It is therefore important to take into account the transaction costs of agreeing to a contract, monitoring the performance, and transferring documents to a service provider. Combined, these added charges might lead to outsourcing being more expensive.

4.2 Loss of expertise

A well-known disadvantage of outsourcing is that it leads to a loss of internal expertise and competence (*e.g.* Lacity and Hirschheim 1993, Gilley and Rasheed 2000, Beaumont and Sohal 2004). Quélin and Duhamel (2003) further explain that outsourcing creates the risk of becoming too dependent upon a particular service provider, who unexpectedly may increase prices or reduce the quality of services provided. It then becomes difficult to switch over to insourcing (or another service provider), and even more so for accounting services, since most services require a specific expertise and company specific knowledge is highly appreciated.

4.3 Loss of information

Respondents of the pre-test of the survey all claimed that the main reasons for not outsourcing their accounting tasks are that certain information might not be immediately available to their company, and direct follow-up of the accounts becomes much more difficult in the case of outsourcing.

5. Methodology

5.1 Data collection

We used the Belfirst Database, which contains 300 000 annual accounts of Belgian companies, to compose the survey population. In compliance with the EC definition of SMEs, we limited our survey population to companies employing more than 10 and fewer than 250 employees. We also excluded all financial services and public companies, because they have different accounting laws to follow. This resulted in a survey population of 14604 SMEs. Next, we applied a systematic probability method to compose a random sample of 1200 SMEs. After excluding SMEs that did not fit within our SME definition or surveys with too much missing data, we ended up with 121 usable answers, representing an effective response rate of 10%.

5.2 Measurement of the variables

Degree of outsourcing was measured using a self-reported measure. For each of the six accounting tasks, the general manager of the SMEs estimated the workload performed by both staff members and service providers. The degree of outsourcing ranged, for each task, between 0% (no outsourcing at all for this task) and 100% (total outsourcing for this task). The overall degree of outsourcing was calculated as the mean degree of outsourcing over the six accounting tasks.

Table 1. Measurement scales for the reasons.

Why do you outsource accounting tasks?	Factor loading
<i>Lower cost</i>	
Because an external accountant can perform these tasks at a lower cost	0.904
<i>Focus on core</i>	
Because the company wants to focus on the core activities	0.832
Because we have not much time for these activities within the firm	0.780
<i>Access to expertise</i>	
Because an external accountant has more expertise	0.839
Because we have more confidence in an external accountant	0.740
Why do you not outsource accounting tasks?	Factor loading
<i>Loss of expertise</i>	
In case of outsourcing we would become too dependent on an external accountant	0.899
In case of outsourcing, our internal expertise would disappear	0.892
<i>Loss of information</i>	
In case of outsourcing the information is not immediately available.	0.902
In case of outsourcing follow-up of the books is less possible.	0.896
<i>Dubious cost savings</i>	
Outsourcing is more expensive	0.990

This variable is similar to what Gilley and Rasheed (2000) call outsourcing intensity. It combines the number of tasks outsourced with the degree of outsourcing for each task.

The *reasons* to outsource and not to outsource were measured by a five-point Likert-type scale, ranging from 1 (totally disagree) to 5 (totally agree). The lower cost argument was measured using a single item. The focus on the core activities argument and the access to expertise argument both were measured via two-item scales. All items loaded on the right factor and explained 78% of the variance, as shown in table 1. However, the Cronbach's alpha was relatively low for both scales (0.56 and 0.40 respectively), which can be explained by the limited number of items on both scales. For the reasons not to outsource, all items loaded on the right factor and explained 86% of the variance. Both two-item scales exhibited a sufficiently high Cronbach's alpha (0.78 and 0.76 respectively).

Size of the firm was measured based upon total assets, as identified in the Belfirst Database. Annual sales could not be used, since small firms are not required to disclose their sales in Belgium. Since the number of employees is directly dependent on the outcome of the sourcing decision (Leiblein and Miller 2003), we did not use this measure as a proxy for size.

Familiarity with outsourcing was measured by asking participants whether their company currently was using outsourcing (yes/no) for cleaning, payroll administration, catering, IT and transport. We used the absolute number as well as the relative number of these outsourced supporting tasks.

Industry was measured using the NACE code. We used the first digit to make the distinction between

manufacturing (codes 0 to 4) and service companies (codes 5 to 7).

5.3 Non-response bias

To detect possible non-response bias, Armstrong and Overton (1977) suggest comparing key constructs between early and late respondents, in which the latter group is considered as a proxy for non-respondents. Our analysis revealed no significant differences between early and late respondents, in terms of the number of employees ($p=0.128$) or total assets ($p=0.261$). Furthermore, the overall degree of outsourcing is not significantly different ($p=0.256$) between early and late respondents. It is interesting to note that the reasons to outsource, the reasons not to outsource as well as the outsourcing of other support services is not significantly different between early and late respondents. These results suggest that the responding companies can be considered as representative of the target population.

6. Results

6.1 Descriptives

As shown in panel A of table 2, the degree of outsourcing varies for each task, between 0 and 100%. Taking all accounting tasks together, the overall degree of outsourcing is 35% (standard deviation: 29%), suggesting that, on average, the investigated SMEs are outsourcing about one third of all accounting services. This percentage is rather high, compared to other functions. For example, a study by Gilley *et al.*

Table 2. Descriptives.

	<i>N</i>	Minimum	Maximum	Mean	Standard deviation
Panel A: Degree of outsourcing for					
Entry of invoices	121	0	100	8.4	25.97
VAT compliance	121	0	100	14.6	34.00
Interim P&L reporting	121	0	100	20.9	35.72
Period-end accounting	121	0	100	38.6	41.86
Preparation of financial statements	121	0	100	56.3	43.24
Corporate income tax	121	0	100	71.2	41.61
Accounting in general	121	0	100	35.0	29.16
Panel B: Company characteristics					
Number of employees	121	10	170	36.9	30.95
Total assets (in 000)	121	400	25 420	4824	5585
Number of outsourced support tasks	121	1	5	2.6	0.91
Relative number of outsourced support tasks	121	0.20	1	0.61	0.22

Figure 1. Sourcing strategy for all accounting tasks.

(2004b) revealed that SMEs outsource, on average, 15% of the manufacturing activities.

The investigated companies are all small- and medium-sized companies, with the number of employees varying between 10 and 170, with a mean of 37 (standard deviation 31). Panel B of table 2 indicates that total assets ranged from €400 000 to €25 million, with a mean of €4.8 million euro (standard deviation: €5.6 million euro). This may indicate that we mainly accessed smaller firms. In terms of industry, 64% were manufacturing firms, while 36% were belonging to the service industry.

6.2 Sourcing strategies

What kind of sourcing strategy is used by the investigated SMEs? Following Lacity and Willcocks (1998), we classified the sourcing strategies into total insourcing, selective outsourcing and total outsourcing based on the degree of outsourcing for all six accounting tasks considered together. As shown in figure 1, 35% of

the SMEs use a total insourcing strategy, 53% use a selective outsourcing strategy, and 12% use a total outsourcing strategy. This result is comparable with previous research. Kakabadse and Kakabadse (2002), in their study on outsourcing in European and American companies, found that accounting and financial services were outsourced by 13% of the European companies and 15% of the American companies, which is comparable to our results. Arbaugh (2003) found that accounting was outsourced in 18% of the investigated companies, which is somewhat higher than our result.

6.3 Reasons

When studying the reasons to outsource, we consider of course only the companies who either selectively or totally outsource (relevant $n = 78$). Cost reduction is often cited as the most important motivation for outsourcing. Surprisingly, this was not confirmed by our data. As shown in table 3, the motive related to costs received the lowest score (mean score: 1.9), indicating that it is not the main reason to outsource accounting tasks. Conversely, the low mean indicates that outsourcing of accounting is perceived to lead to higher costs. This is confirmed by the reasons not to outsource, where the respondents agreed that outsourcing is more expensive (mean score: 4.0), as we will see further on. Instead, our data suggest that getting access to the expertise and specialised know-how of a service provider (mean score: 3.8) was the foremost motive to outsource accounting tasks. Respondents also were invited to indicate 'other motives' for outsourcing, and 23 of them noted other reasons. Most of these reasons were related to the specialised expertise and additional quality checks. It seems that this expertise reassures SMEs that tasks are done correctly. Finally, our results seem to confirm that outsourcing allows some managers to focus

Table 3. Means and analysis of variance on the reasons.

	Total	Selective outsourcing	Total outsourcing	<i>F</i> -ratio
Reasons to outsource				
Cost reduction	1.9	1.7	2.5	11.35***
Focus on core activities	2.7	2.5	3.5	13.04***
Access to expertise	3.8	3.6	4.3	8.13***
Reasons not to outsource	Total	Total insourcing	Selective outsourcing	<i>F</i> -ratio
Loss of expertise	3.6	3.7	3.6	0.43
Loss of information	4.1	4.3	4.0	5.05*
Dubious cost savings	4.0	3.8	4.0	3.51

* $p < 0.05$; *** $p < 0.00$.

on core activities, though not all respondents agreed that this was the main reason (mean score: 2.7).

When studying the reasons not to outsource, we excluded those companies who fully outsource their accounting tasks, limiting the analysis to 107 relevant cases. As shown in table 3, the most important reason not to outsource was related to the loss of information (mean score: 4.1), when outsourcing accounting tasks. Respondents strongly agreed that the information is not immediately available when accounting tasks are outsourced. Apparently, outsourcing creates a distance between the SME and the service provider, thereby reducing flexibility, so that managers cannot use the financial information when it is needed. Similarly, respondents indicated that outsourcing hinders direct follow-up of the accounting tasks, suggesting that they cannot control the progress of the financial situation, in cases of outsourcing. Respondents were invited to cite other possible reasons why they would choose not to outsource, and 15 did so. These reasons largely resemble the unavailability of information and the reduced possibility for follow-up.

Second, as mentioned above, participants did not believe in cost savings from outsourcing. The higher cost of outsourcing was considered to be an important reason not to outsource (mean score: 4.0). This may explain why companies use a different degree of outsourcing, depending upon the accounting task. If outsourcing is more expensive, it is probably only appropriate for the most specialised tasks like income tax compliance and financial statements preparation.

Third, loss of expertise was perceived to be an important reason not to outsource, but to a somewhat lower extent (mean score: 3.6). Our respondents felt internal expertise disappear with outsourcing, which makes them vulnerable to opportunistic behaviour on the part of the service provider.

6.4 Reasons relative to sourcing strategy

Why do certain SMEs elect for a total outsourcing strategy instead of selective outsourcing? Table 3 presents the group means. From the *F*-ratio, it is apparent that the reasons significantly differ between the two strategies. SMEs that adopt a total outsourcing strategy were more convinced that the service provider had more expertise than their own company could provide ($p = 0.006$). SMEs that outsource totally also rated both their company's focus on core activities ($p = 0.001$) and the potential for cost reduction ($p = 0.001$) as more important than SMEs outsourcing selectively.

Why do certain SMEs adopt total insourcing rather than selective outsourcing? The second part of table 3 presents the group means and *F*-ratio. The ANOVA shows only one significant difference at Alpha 0.05%. SMEs who have elected to adopt total insourcing rated the loss of information as more important than SMEs that selectively outsource ($p = 0.027$). Interesting is the marginal significant difference for dubious cost savings ($p = 0.064$). Companies using a selective outsourcing strategy, and hence using both staff members and service providers, indicate the high cost of outsourcing as a more important reason not to (further) outsource than companies only using total insourcing.

6.5 Characteristics relative to sourcing strategy

Are there differences in characteristics between the companies that use a given sourcing strategy? In order to answer this third research question, we need to investigate the differences between SMEs that choose to use total insourcing versus selective outsourcing versus total outsourcing. Here, we will focus on differences in terms of firm size, nature of the industry, and familiarity with outsourcing.

Table 4. Means and analysis of variance on size and familiarity with outsourcing.

	Total insourcing	Selective outsourcing	Total outsourcing	F-ratio
Total assets (000)	6488	4423	1545	4.767**
Absolute number of outsourced support tasks	2.9	2.5	2.1	5.231***
Relative number of outsourced support tasks	66%	59%	53%	2.347

** $p < 0.01$; *** $p < 0.00$.

As mentioned earlier, we considered total assets to be a proxy for firm size. The F -ratio, displayed in table 4, reveals a significant inter-group difference in total assets ($p = 0.010$). To determine which means are significantly different from each other, we need to make three pairwise comparisons, while controlling for a general 5% significance level by the Bonferroni test (Klockars and Sax 1986). The test statistics reveal that the difference in size is mainly explained by the comparison between total insourcing and total outsourcing. Post hoc Bonferroni tests reveal that SMEs that elect for total outsourcing were significantly smaller than SMEs that use total insourcing ($p = 0.011$). In other words, larger SMEs relied on staff members for accounting tasks, as opposed to the smallest SMEs, which relied more on service providers. This result confirms earlier research by Barrar *et al.* (2002).

We also asked respondents to indicate whether or not they were outsourcing for support services other than accounting. Their answers indicate that most of them were familiar with the outsourcing of payroll administration (96%), transport (68%), cleaning (53%), ICT (55%) and catering (6%). The F -test detected a significant inter-group difference ($p = 0.007$), as shown in table 4. Contrary to what we intuitively would have expected, we discovered that SMEs that had selected total insourcing for accounting were outsourcing a significantly higher number of other support tasks than companies adopting a total outsourcing strategy ($p = 0.013$) and those that have elected to use selective outsourcing ($p = 0.054$). To avoid distortion from the relatively high number of 'not applicable' responses for catering, transport and ICT, we ran another F -test on the relative number of outsourced support tasks and still found a marginally significant inter-group difference of sourcing strategy ($p = 0.100$).

Similar to previously published research in this area (*e.g.* Klaas *et al.* 2001), we assessed whether the outsourcing strategy for accounting is associated with specific industry affiliation. Pearson chi-square analysis revealed no significant association between industry (manufacturing versus services) and sourcing strategy ($p = 0.776$). Consequently, the sourcing strategy for

accounting does not appear to be related to the industry to which the SME belongs.

7. Discussion and conclusion

This study focused on outsourcing of accounting services in Belgian SMEs. A survey was conducted to measure the extent to which six transactional accounting tasks are outsourced. The first research question addressed the specific sourcing strategies of SMEs. Analysis of the data reveals that outsourcing of accounting tasks cannot be considered as a dichotomous decision. More than half of the investigated SMEs use a combination of outsourcing and insourcing, the so-called selective outsourcing strategy, while 35% of the SMEs use total insourcing and 12% use total outsourcing.

As a second research question, we were interested in the reasons why these SMEs use a given sourcing strategy. First, contrary to general beliefs, cost reduction was not the main consideration when deciding to outsource. Our respondents even doubted that external service providers could perform these accounting tasks at a lower cost. Because SMEs often lack the necessary skills and resources to perform certain accounting tasks internally, gaining access to the expertise and specialised know-how of the service provider clearly was the major reason to (selectively or totally) outsource. This explains why more specialized tasks (*e.g.* corporate income tax) were outsourced most frequently. These tasks require specialist know-how and may have a significant impact upon corporate results. Second, the most important reasons not to outsource are the loss of information and dubious cost savings. When outsourcing, the financial information is no longer immediately available within the company. This lack of information is reducing a company's ability to closely monitor its own financial performance. Also, some respondents were concerned that outsourcing might lead to the loss of internal expertise, and saw this as a reason not to outsource. Third, the reasons to outsource/not to outsource depend upon the company's sourcing strategy. For instance, companies adopting total outsourcing for accounting

tasks rate three reasons as more important reasons to outsource than companies that selectively outsource. These three reasons are: access to expertise, allowing the company to focus on its core activities, and potential cost reductions. Similarly, SMEs that use total insourcing rated loss of information as a more important reason not to outsource than SMEs that selectively outsource. However, SMEs that use selective outsourcing experience the fee as expensive and consider this high cost as the most important reason not to further outsource.

The last research question involves investigating the profile of SMEs that use a given sourcing strategy. First, small companies rely more on outsourcing than medium-sized companies, especially for those tasks requiring specialised expertise and know-how. Hence, SMEs that have adopted a total outsourcing strategy are significantly smaller in size than companies that use total insourcing. It is interesting however, that there is no significant difference in size between the total insourcing and selective outsourcing groups. Why do small firms select a total outsourcing strategy? As mentioned before, companies that adopt a total outsourcing strategy were convinced that the service provider has more expertise and can perform the outsourced tasks at a lower cost. That these companies were rather small might confirm the transaction-cost reasoning of Williamson (1996). One could assume that in smaller firms, specialized accounting tasks will be performed infrequently and, because of the high costs associated with acquiring the expertise to perform these activities internally, the 'per unit cost' associated with such accounting tasks will be inordinately high if internalised. Conversely, in larger firms, the per-unit cost will be relatively low, due to greater economies of scale (Klaas *et al.* 2001, Williamson 1996). Given these differences in economies of scale, the costs associated with in-house performance of accounting tasks are likely to be greater for smaller firms, explaining why these companies adopt a total outsourcing strategy. This result is also in line with the efficiency reasoning of Barrar *et al.* (2002).

Second, most SMEs were familiar with outsourcing support services apart from accounting. Surprisingly, we found that SMEs with more outsourcing experience (in terms of support tasks) were less likely to outsource their accounting services. One explanation could be that they perceive the accounting services as strategically more important than the other support tasks. What supports this conjecture is that SMEs that totally insource accounting find it important to have full control and up-to-date information on their own financial performance. From the results, we learned that these companies were rather large SMEs that found

it important to maintain direct monitoring of their accounts. Unfortunately, we only have data in this study on the strategic importance of the accounting function, as perceived by the CEO (two-item measure, $\alpha=0.77$). These data indicate that SMEs using total insourcing rate the strategic importance of accounting tasks significantly higher than companies that selectively outsource ($p=0.002$) or totally outsource ($p=0.039$). More research is needed here, however, to clarify the relationship between overall familiarity with outsourcing, the strategic importance of the function, and the decision to outsource specific tasks of that function.

This study has several limitations. First, despite considerable effort to maximize response rate, the usable number of observations is rather limited. Hence, we do not know if the investigated companies included in the study are representative of the target population. Second, because we examined only Belgian SMEs, our findings may not be generalised to SMEs in other countries. Third, because of our small sample size, we only could contrast manufacturing with service companies. A larger sample would allow for detailed cross-sector comparisons. Fourth, we had a limited number of young companies in our sample. Including a broader range of company ages might unveil a significant relationship between firm maturity and sourcing strategy.

Our research suggests several paths for future research. First, we could examine whether the approach of measuring outsourcing in terms of three separate categories is valid in the case of other business functions. The focus then might be on the following question: to what extent do companies rely on selective outsourcing versus total outsourcing or total insourcing for the different business functions? The results of this study clearly show that selectively outsourcing is most frequently used for accounting. Second, this study also has shown that the degree of outsourcing is consistent within accounting, but differs somewhat for the six accounting tasks. Given the limitations of our database, we were unable to test whether the reasons to outsource and not to outsource could even differ between the accounting tasks. However, future research could take this step by breaking up business functions into separate tasks when investigating the motives for outsourcing behaviour. Thirdly, research on outsourcing in SMEs is scarce, even though these companies appear to have certain peculiarities. SMEs are not merely smaller versions of large companies, but tend to make decisions and act upon them differently. In addition, a larger sample would allow for more detailed cross-sector comparisons, which were not possible in this study. Finally, attention should be paid to experiences

with outsourcing. Future research may address the specific question: why do SMEs that are familiar with outsourcing support services appear to be reluctant to outsource accounting tasks? The strategic importance of the function could be just one of the additional explanations.

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