OUTSOURCING OF BOOK KEEPING SERVICES AS A WAY TO INNOVATION IN BUSINESS PROCESSES

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INTRODUCTION

In modern times, to maintain a stable position in the market, companies need different types of innovation - new products, services, technologies and organizational systems. Outsourcing is one of the most important management concept which has developed over the past 75 years [12]. Outsourcing of business services is starting to encompass various fields of activity of the company and becomes one of the important elements of comprehensive management of a modern enterprise. Its development is determined by both the demand (different types of businesses that are seeking innovative solutions to increase the value of the company) and supply (service providers).

The article aims to present outsourcing as a way to develop innovative services in the field of accounting. The author presents the legal regulations in the field of accounting outsourcing, which are legal restrictions and at the same time they influence the development of these services in Poland, and then characterizes types of entities offering financial and accounting services in Poland, taking into account the categories of potential clients.

The Polish market of financial and accounting services comprises business service centres that provide the greatest benefits to corporations or groups of companies, as well as accounting firms whose offer is addressed especially for small and medium-sized enterprises. The establishment of international business service centres is derived from the process of globalization of the world economy. In recent years, more and more foreign companies have established international accounting service centres in Poland, new services, domestic and international markets of new services and new service providers have been created. Users of accounting outsourcing assess the possibility of achieving the benefits of increased productivity, lower costs of accounting, an appropriate quality of services, acceleration of innovation, and ultimately an increase in the value of the company.

The main idea of the article is the thesis that finance and accounting outsourcing is able to meet the needs of different business entities, as it is a flexible concept that allows to develop reasonable solutions adjusted to the needs of a company, regardless of its size.

The article is based on literature studies, an analysis of legislation and online resources.

1 THE ESSENCE OF OUTSOURCING

The practice and theory of outsourcing highly developed in the 90s of 20th century (The pioneer of the modern outsourcing is the company EDS of Ross Perot, which in 1963 as the first one offered to the concern Frito-Lay paid implementation of its IT functions. The concept was introduced into practice by General Motor to define an external system of parts supply [12].). Outsourcing can be defined as an undertaking involving the separation of the company's functions from its organizational structure and their transfer to other businesses to carry out. "Outsourcing is the practice of hiring competences of outside organizations to deal with tasks and managing teams of an ordering firm that do not fall within its core business" [3]. Outsourcing, as a concept of management, is a way of an organization management that allows the use of the potential and capabilities of specialized independent entities to improve their efficiency by focusing on activities related to the core business [4]. Looking for an opportunity to improve efficiency, the company concentrates on its core competencies which it possesses or in which it may gain a competitive advantage in the market and withdraws from those activities in which it does not have an advantage or is not able to achieve it. The scope and form of separation, which make up the outsourcing, may take various organizational solutions. R. Patterson notes that in the case of outsourcing apart from service delivery, also such aspects as the use of resources (technology, labour, capital and knowledge), operational methods and personnel of an outside company are added [6].

Therefore, a characteristic feature of outsourcing is that it covers a variety of important areas of business activity of an enterprise in modern times, but never its core activity, it is a strategic activity which contributes to building lasting partnerships relations with an external business partner of the company. The outsourcing of "higher-order" business services, services with a large share of knowledge factor which include accounting and finance has growing importance. In the case of the
separation of business processes and transferring them to perform abroad there are generally used terms offshoring and international outsourcing.

2 LEGAL REGULATIONS OF PROVIDING ACCOUNTING SERVICES IN POLAND

In Poland, the regulatory framework for accounting is based on the Act of 29 September 1994 on accounting [14]. The act allows to select a variety of accounting solutions that can be individually adjusted to the specifics of the entity's activities. A place for bookkeeping is not limited by anything, and its choice depends on the decision of the entity. An entity obliged to keep books of account may do that on their own or use the services of other parties. Generally, accounts are carried out at the premises of the entity. Entities with branches (plants) may keep books of the whole entity also at the registered office of such a branch, and therefore they can create accounting centres as a branch.

Bookkeeping outside an entity is only possible when an entrusted third party is authorized to provide services in this field. In accordance with Art. 11 Paragraph 2 of the Accounting Act such entities can be both Polish entrepreneurs or those coming from an EU Member State, the Member State of European Free Trade Association (EFTA) - parties to the Agreement on the European Economic Area and the country which has concluded a deal governing the freedom to provide services with the European Community and its Member States. In practice this means the possibility to choose a service provider from among companies offering in Poland services in the area of accounting as well as foreign service centres operating both in Poland and outside the country [2].

An entrepreneur can conduct business of bookkeeping services, provided that they have the appropriate permissions. In 2008, the Ministry of Finance, amending the Act on Accounting, introduced to the Accounting Act a new section devoted to bookkeeping services. Before 2008 bookkeeping services and the requirements necessary to issue a certificate of qualification was regulated by the Minister of Finance Regulation of 18 July 2002. Art. 76a introduces a definition of bookkeeping services and specifies the conditions for entitlement to conduct the activity, such as requirements to obtain a certificate of an accountant confirming the necessary skills, principles, a subject area, the form of conducting the examination conditioning obtaining the certificate, and the requirement of compulsory insurance against civil liability for bookkeeping.

Bookkeeping services is gainful economic activity carried out in an organized and continuous manner within the scope of activities related to accounting [14, Art. 4, para. 3 points 2-6], which include:
- keeping the books on the basis of accounting documents, recording economic events in a chronological and systematic order;
- periodic setting or checking via inventory a real state of assets and liabilities in the balance sheet;
- valuation of assets and liabilities and determination of financial results both at the date of acquisition (initial evaluation) as well as the balance sheet date (carrying value);
- preparation of financial statements;
- collection and storage of accounting documents and other documentation required by the act.

Businesses, performing bookkeeping services are also authorized to conduct taxation records and other records for tax purposes and the preparation of tax returns, as well as providing assistance in this regard. Table 1 presents the required conditions to be met in order to conduct business in Poland in the field of finance and accounting outsourcing. Polish entrepreneurs who are natural persons may book keeping if: they obtain an accountant certificate issued by the Minister of Finance, they are entered into the list of tax advisors or the register of expert auditors. The other entrepreneurs can book keeping, provided that they employ authorized personnel. With regard to the undertakings belonging to another group, the provisions on recognition of professional qualifications are biding, for example, an entrepreneur from an EU Member State must meet the requirements for the profession or activity that apply in the country.
Tab. 1: Previous solutions in the terms of authorizations for the finance and accounting outsourcing in Poland

<table>
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<tr>
<th>Authorized to provide bookkeeping services</th>
<th>Conditions for obtaining permission to provide bookkeeping services</th>
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<tr>
<td>Expert auditors and tax advisors</td>
<td>Persons entered into the register of expert auditors or the list of tax advisors on the basis of the relevant laws shall be considered authorized without the necessity to apply for a certificate of the Minister of Finance.</td>
</tr>
<tr>
<td>Persons obtaining the certificate of the Minister of Finance through the examination</td>
<td>Persons who have at least secondary education and two years experience in accounting and positively passed the exam checking their qualifications. The examination shall include: accounting, tax law, social security, fundamentals of civil and commercial law.</td>
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</table>
| Persons obtaining the certificate of the Minister of Finance without the examination | Persons who meet one of the following conditions:  
  − have obtained a higher education degree with majors in accounting or other economic majors specializing in accounting, or any other, for which a plan of study and training program meet the requirements set by the university for specialization in accounting, in organizational units authorized to confer the degree of a doctor of economic sciences, and have three years practical experience in accounting;  
  − have a higher education degree in another field than accounting and completed postgraduate studies in accounting in organizational units authorized to confer the degree of a doctor of economic sciences, and have three years practical experience in accounting. |
| Citizens of the EU Member States, the Swiss Confederation and the EFTA countries - parties to the EEA Agreement, obtaining the certificate of the Minister of Finance | Qualifications to provide accounting services are recognized in accordance with regulations on the principles of recognition of qualifications acquired in those countries qualifications for regulated professions. |

Source: Author’s own elaboration based on: [14, Article 76b].

Currently, further changes in the regulations concerning bookkeeping are proposed - deregulation of the accounting profession, which may come into force yet in 2013. In the draft law prepared by the Ministry of Justice of 13 June 2013 on facilitating access to certain professions it is proposed to waive the obligation to have any certificate to provide bookkeeping services. Anyone who meets the three requirements:  
− having full legal capacity;  
− no criminal record for certain offenses (i.e., an offense against the credibility of the documents, property, business transactions, money and securities trading, a fiscal offense);  
− the obligation to conclude the insurance contract against civil liability;  
will be able to provide bookkeeping services and maintain tax records, prepare tax returns for clients and provide them with tax advice. The proposed changes are to allow to take over by the market the review process of accountants working in their own accounting offices and the removal of barriers to access to the profession of providing bookkeeping services. The application of these solutions is still controversial among practitioners. The complete abolition of the certificate poses a threat to the security of business transactions, due to the possible reduction in the quality of services provided by the random accountants. The existing statutory arrangements are certainly a confirmation of qualifications and experience in the profession, but they are not a guarantee of high-quality financial and accounting services. In the future attesting knowledge and competence will belong to a reputable professional organizations. An important issue is the choice of the right service provider.

3 WHY OUTSOURCING OF BOOK KEEPING IN PRACTICE OF COMPANIES?

Katarzyna Świetla claims that due to the increasing use of outsourcing, in the long term, the accounting departments of companies will be replaced by the services obtained from outside [11]. In Poland, the development of outsourcing is almost a mirror image of the pace of change of the
economic reality. Book keeping services provided by accounting offices, is an activity which is of particular importance from the point of view of small and medium-sized enterprises. For these companies the lack of knowledge and skills of financial management, the shortage of qualified employees and low innovation are considered to be significant barriers to the development of this sector. Small and medium-sized entities performing such services were established on a large scale in the early 90s. The main reasons for the creation and development were:

- a rapidly growing number of small and medium-sized enterprises;
- awareness of the problem of their accounting due to increasing responsibilities connected with running a register of business activity, mainly for tax returns and other public titles.

In Poland there are currently more than 45,000 providers of financial and accounting services. These include both self-employed persons and service centres hiring dozens and more employees. The scope of services provided for small organizations includes primarily bookkeeping and tax records, tax services, personnel, payroll and social insurance services. 15% of accounting firms provide only simplified forms of tax records (tax books), 80% of offices full book keeping and provide many advanced business services. According to the Central Statistical Office data, there are about 1.7 million micro, small and medium-sized enterprises. According to the report of the Foundation "Starter", 51% of these companies use the services of external accounting firms. 12% employ an accountant, 37% have own accounting, of which 9% use online applications with the support of accountants, and another 12% is going to use online accounting in the near future. Taking into account the number of providers of financial and accounting services, one traditional accounting office handles on average 22 customers. [1] This solution brings a number of benefits: access to the know-how of experienced professionals and technology, cost-effectiveness without a necessity to create a separate unit within the organization, a possibility to invest in core competencies.

On the other hand, the creation of business services centres is a consequence of the processes of globalization of the world economy. "The Polish accounting becomes a modern branch of international services" [12]. Today, more and more companies decide to transfer financial and accounting services abroad (offshoring) based on a cost benefit analysis and adopted strategies to improve competitiveness. The main types of centres of financial and accounting services include [8]:

- Business Process Outsourcing Centres (BPO) which are specialized external companies or their organizational units, which on behalf of other companies take over the implementation of selected non-productive business processes. Services are provided to external customers;
- Shared Service Centres (SSC) which are separate service units of a company or independent business entities acting for the parent organization and its branches, supporting assigned to them business processes. The essence of the SSC is to increase the efficiency of internal processes through the use of economies of scale, consolidation, standardization of activities, access to modern technology, process automation.

A modern sector of outsourcing of functions and business process outsourcing was considered as a strategic one for the Polish economy. In recent years, Poland has been recognized by the world and European companies as the perfect place for this kind of investment. The main reasons for the location of a centre of modern services in Poland include: membership in the European Union, geographical and cultural proximity to Western European countries, a stable economy, lower labour costs than in countries of Western Europe, the availability of suitable quality human resources (a large number of institutions of higher education, the number of graduates and educated professionals higher than in other countries of Central and Eastern Europe), knowledge of foreign languages (not only English, but, what is very important, German and French), investment incentives (such as special economic zones), the availability of modern office space, as well as adaptation of the International Financial Reporting Standards, membership in international organizations whose members are accountants. The report of ABSL (Association of Business Service Leaders in Poland) shows that in Poland at the end of 2012 there were more than 400 business service centres with foreign capital, which employed 110,000 people (this is very important for the development of the Polish labour market, average employment growth is about 20% per year). The majority of centres are investments of companies from Western Europe and the USA. Among the companies surveyed, most of them (nearly 60%) provide financial and accounting services, specializing in serving companies mainly from Western Europe [9]. More and more companies implement processes from more than one area. The basic services provided by the financial and accounting centres are: bookkeeping, tax settlements, consolidation of financial statements of listed global corporations, financial audit, internal audit services, compliance with IFRS, the design and implementation of innovative solutions in the field of finance, accounting and pay. In the case of applicants for employment in global corporations, persons with international certificates (International certificates of accounting are: ACCA Association of Chartered Certified Accountants (in field of finance and audit), CFA Chartered Financial Analyst (in a
banking sector), CIMA Chartered Institute of Management Accountants (in management accounting), the CIA Certified Internal Auditor (qualification for internal auditors), the knowledge of foreign languages, experience, ability to work in teams, knowledge of accounting and taxes regulations, and a specialized higher education degree are sought after.

At the beginning of the 21st internal finance and accounting services centres were created with Polish capital. In such Polish companies as, for example: TP S.A., Orlen S.A., KGHM Polska Miedź S.A., Grupa Kęty S.A., the centres provide services for companies in the listed groups of companies. The outsourcing of bookkeeping services is now regarded as a modern management strategy, as “made to measure” services. The development of outsourcing brings a number of benefits, on the other hand, it may also cause risks for companies. Despite the risks, the purpose of the use of outsourcing of financial and accounting services can be supported by arguments presented in table 2.

Tab. 2: Factors contributing to the development, advantages and risks of outsourcing of accounting services

<table>
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<tr>
<th>Factors contributing to the development and advantages of outsourcing</th>
<th>Risks resulting from the use of outsourcing</th>
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<tr>
<td>1) Development of information and communication technologies.</td>
<td>1) Too high desire to reduce costs (something that is cheap cannot be good - knowledge and technology cost).</td>
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<td>2) The globalization of the world economy, higher freedom for business activities across borders.</td>
<td>2) Risk of poor quality of provided services.</td>
</tr>
<tr>
<td>3) The possibility of obtaining the resources which are not available within the organization from a specialized and experienced in the specific area service providers.</td>
<td>3) Loss of control over the most important elements of the organization, personnel problems.</td>
</tr>
<tr>
<td>Advantages:</td>
<td>4) Lack of organizational flexibility due to long-term contracts.</td>
</tr>
<tr>
<td>1) Reduction of costs (labour, infrastructure, real estate, tax burden).</td>
<td>5) Difficulties in coordinating cooperation.</td>
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<tr>
<td>2) Deeper specialization of the company, focus on its core business competencies and products.</td>
<td>6) The problems in communication.</td>
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<tr>
<td>3) Access to external expertise opinions and special skills, the latest working methods.</td>
<td>7) The difficulty of rapid change in the content of concluded contracts.</td>
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<tr>
<td>4) Achieving a better quality and higher productivity of contracted activities (consolidation of financial and accounting processes and systems, assembly of personnel in one structure, economies of scale).</td>
<td></td>
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<tr>
<td>5) Increase in innovation, access to the latest technology.</td>
<td></td>
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<tr>
<td>6) Increase in the control over the processes.</td>
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<tr>
<td>7) The simplification of the structure of an enterprise and the reduction of management problems.</td>
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Source: Author’s own elaboration based on: [7; 5].

CONCLUSION

Outsourcing, in general terms, is a possibility to use resources of external entities as suppliers of goods and services, leading to the resignation of the development of specific areas within the company.

With the development of the economy, under the conditions of: a) often changing and complex legal regulations governing business activity; b) the diversity of business entities; c) conducting business across borders; d) the introduction of new software and telecommunications technologies, outsourcing of financial and accounting services is regarded as a modern management strategy. It is an alternative to running such business activity on its own.

Currently in Poland permission to provide accounting services is required. In the near future deregulation of the accounting profession is planned, which means a necessity to change the norms of provision of accounting services in the Accounting Act. A considerable number of non-professional accounting firms can be created in the market, and social costs are difficult to predict.

The processes of globalization stimulate demand for new types of services and at the same time they are conducive to enhance their efficiency and competitiveness. The creation of financial and
accounting centres works in Poland and brings a number of benefits. Foreign centres and centres with Polish capital make up the sector of modern business services in Poland. Centres of finance and accounting services is the solution for international corporations and large units, which are characterized by dispersed territorial structure. Smaller entities cooperate with smaller providers of accounting and tax services, which also invest in technologies and substantive qualifications.

Outsourcing of financial and accounting services leads to remodelling a business model and to develop modern business services, but making a decision on the selection of outsourcing cannot overlook risks.

BIBLIOGRAPHY


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Abstract

The article aims to present outsourcing as a way to develop innovative services in the field of accounting. The author presents the legal regulations in the field of accounting outsourcing, which are legal restrictions and at the same time they influence the development of these services in Poland, and then characterizes types of entities offering financial and accounting services in Poland, taking into account the categories of potential clients. The Polish market of financial and accounting services comprises business service centres that provide the greatest benefits to corporations or groups of companies, as well as accounting firms whose offer is addressed especially for small and medium-sized enterprises.

Key words

outsourcing, book keeping, accountant certificate, accounting offices, service centres

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