Unraveling Governance Issues in Global Sourcing of Accounting Services: A Qualitative Exploration

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ABSTRACT

As global accounting services continue to increase; firms need to be equipped with proper governance framework. The need for governance of global sourcing activities is being emphasized practically as well as academically. This study aims to understand governance issues along with the mechanisms used to overcome such issues in a global sourcing of accounting services by using the migratory governance path framework. The study employs interpretive case study research approach. The fundamental issues of governance in global sourcing of accounting services were found to be related to coordination and communication aspects. Findings show that several governance mechanisms were implemented to overcome such issues. Theoretically, this study enhances the understanding of governance issues in global sourcing by providing further evidence on the importance of governance in global sourcing of accounting services. The study has practical implications in terms of offering best practices of good governance for global sourcing.

KEYWORDS

Accounting, Communication, Coordination, Global Sourcing, Governance, Services

INTRODUCTION

Global sourcing of accounting services is expanding and has become appealing choice for many firms in order to gain access to talent, saving cost and gaining competitive advantages. Since early 1990s, various business processes have been outsourced from different parts of the world including Western Europe and the USA, to vendor firms in Asia such as India, China and Malaysia mainly because of the upgrades in international telecommunications. India remains the best location for global sourcing, followed by China and Malaysia (AT Kearney, 2021). The best locations for global sourcing are usually ranked based on the availability of talent, financial attractiveness and business environment. Recently the automation and cybersecurity factors are considered as important criteria for choosing the best location for global sourcing.

The literature in this context is sparse as previous studies have mainly focused on the risks in global sourcing of accounting services (e.g., Aman & Maelah 2011; Aron & Singh 2005; Aman & Nicholson 2009; Amirudin, Aman, Auzair, Hamzah & Maelah 2013; Fernandez & Aman, 2018).
The studies investigated relational risk due to opportunistic behaviour and performance risk mainly related to unsatisfactory quality of services delivered (Aman & Maelah 2011). Other type of risks identified are related to financial security and confidentiality (Fernandez & Aman, 2018). In order to manage the above aspects of risks and achieve audit compliance, some firms in global sourcing apply migratory governance path framework (Simon, Poston & Kettinger 2009; Mayer & Phillips 2017; Blasi & Bair 2019). This is crucial especially in managing global sourcing relationships between clients and vendor at the same time for monitoring vendor’s performance. Managing relationship between client and vendors requires a formal governance process comprised of trust and transparency. On the other hand, monitoring vendor’s performance requires agreements or contracts such as Service Level Agreements (SLAs) which is competitive and meet client’s expectations. Nevertheless, there is a need to understand different types of governance mechanisms that are used in a specific context of global sourcing of accounting services. In this article, governance refers to different types of control used in order to overcome risks in global sourcing of accounting services (Mayer & Phillips 2017).

This study refers to migratory governance path framework (Simon et al., 2009) in order to understand various governance issues faced by global sourcing firms and identify mechanisms used by these firms to mitigate risks in global sourcing of accounting services. To achieve this objective, two research questions were formulated as follows: 1) What are the governance issues in global accounting services? 2) How do global sourcing firms mitigate the governance issues? The research attempts to answer these questions by employing a case study approach. The following sections outline literature review and theoretical framework. The empirical study is developed from in-depth interviews with selected case study. Subsequently case study is analyzed through thematic analysis using selected theoretical framework to identify how the governance issues and provide empirical evidence of governance mechanisms used in global sourcing of accounting services. Final section provides conclusion, recommendations and avenues for future research.

LITERATURE REVIEW

Global Sourcing

Global sourcing of accounting services is a process of obtaining accounting services by delegating such work to external company through a contract. The company could be a third-party service provider or a fully owned subsidiary. The objectives of such actions are primarily related to cost savings, talent requisition or gaining competitiveness advantage (Aman & Nicholson 2009; Aron, Clemons and Reddi 2005; Aman et al 2018; Fernandez & Aman 2018). There are proponents and opponents on the offshore accounting outsourcing process. The proponents claim outsourcing as being efficient, cost effective and creates opportunity to accept core clients during peak periods. On the other hand, opponents are concerns related to job responsibility, information security, and career growth (Aman et al 2018). Global sourcing of accounting services should take into account the risks of compliance and regulatory aspects particularly related to professional conduct of accountants, knowledge background and digital skills (Aman et al 2018).

The firms in the United States started outsourcing and shifted to shared services since 1980s, while firms in Europe began outsourcing and shared services since 1990s (Arnoud & Falzon 2012). Similarly, Canada, Australia and New Zealand made a significant move to shared services in the 1990s, focusing in the area of Information Technology (IT), Accounting, Finance, Human Resource (HR), Purchasing, and public sector (Arnoud & Falzon 2012). Multinational companies (MNCs) such as Dell, Shell and British American Tobacco opted for offshore shared services by migrating non-core and high-value back-office activities such as accounting and finance services to several parts of the world.

Global firms have been using shared services and outsourcing for more than two decades to get more efficient service delivery and cost savings. Recently, the several firms have changed their
business model towards Global Business Services (GBS) (Aman et al 2018). GBS model provides better governance as it integrates outsourcing and shared services operations from distinct locations around the world. In the context of global sourcing of accounting services, GBS integrates multiple accounting activities or functions from several locations into one global operation in a selected location in order to achieve cost savings (Rothwell et al. 2011), focus on core business (Cooke 2006) and supply of talent (Herbert & Seal 2012). However, some GBS firms still use third party service providers for selected functions and at the same time, maintain ownership for some other accounting functions.

Governance

Organizations are trying to get benefit from global sourcing of accounting services; however, they also face risks in the coordination of such work (Rothwell et al. 2011; Amirudin et al 2013). Risk is defined as the likelihood and influence of undesired outcomes; control is the related action that is taken to mitigate the risk (Aman & Nicholson, 2009). To date, a number of researchers have studied the risks and control issues related to offshore outsourcing of finance and accounting (Aman et al. 2012; Ishizaka & Blakiston 2012; Aman & Rahman 2011; Maelah et al. 2010). Other studies on global sourcing of accounting services capture an organisational restructuring process, unbundling process of business function (Gospel & Sako 2010) and transformation of accountants’ role (Herbert & Seal 2012; Knol et al. 2014, Fernandez & Aman 2018). Recently, several studies focused on talent management issues as being critical in the GBS industry (Aman et al., 2018). Aman et al. (2018, 2017) have alerted on the emerging issues related to attrition and the need of talent development in GBS industry.

Yet, the issues related to governance of global sourcing of accounting services is still unclear. Legally, governance refers to the use of policies with proper implementation and continuous monitoring by a governing body. Mechanisms used in governance should include transparency and accountability, balance of power and continuous effort to improve firm’s value and sustainability (Black Law Dictionary, 1995). Other mechanisms could include sanctions or building working culture or value in order to manage irregular behavior. Effective governance requires guaranteed policies, reliable participation, collaboration and cooperation (World Bank Annual Report, 2017). Global sourcing of accounting services requires companies across the globe to adhere strictly to the provisions of the law in residing country. For example, the Bribery Act, 2010 (UK) have a significant impact on the business conduct of global sourcing firms in the UK.

In this context, legislations from other jurisdiction may be applicable to the global sourcing firms in different jurisdictions. Thus, considerable costs savings, efficiency and good reputation could be achieved by implementing the relevant standard that meet various needs of each jurisdiction and complying with the relevant legislations. In other words, global sourcing firms should build governance while doing business with their vendors in different locations around the world. Similarly, the Companies Act 2016 of Malaysia has outlined the importance of governance. This includes the need of a company director to be prudent. For example, directors are responsible to working within the competencies imposed by their firms, supporting firm’s success, exercising independent judgment with reasonable care, ability and diligence. They have to prevent conflicts of interest by not accepting benefits from third parties or expressing interests in the proposed transactions or arrangements. In addition, Malaysian Code on Corporate Governance (MCCG) 2017 emphasize on effective board leadership, audit and risk management as well as reliable corporate reporting and substantive stakeholder’s relationship as criteria for good governance.

THEORETICAL FRAMEWORK

This study has used migratory governance path framework (Simon et al., 2009) in order to understand the governance issues faced by global sourcing of accounting services firms and to mitigate risks arising from the same. The framework is found useful as it provides initial understanding of
governance in successful global sourcing relationship (Simon et al 2009). The framework suggests that successful global sourcing relationship depends on several important aspects of governance such as the type of relationship, contract, communication, value of services, location of vendor’s staff, trust and coordination of work. Although the aspects of governance identified by Simon et al (2009) are critical, there is a need to provide empirical evidence in order to explain governance mechanisms required in global sourcing firms. This study provides further empirical evidence and strengthen the governance framework using a cases studies of global sourcing firms. This study classifies the aspects of governance identified by Simon et al (2009) into coordination and communication categories which were identified as significant issues in global sourcing literature (Rothwell et al. 2011; Amirudin et al 2013; Aman et al. 2012; 2013;2017; 2018).

Coordination
Governance issues related to coordination of work between client and vendors in global sourcing work were found to be challenging as the global sourcing activities involved international teams from varied knowledge and cultural backgrounds (Kotlarsky et al 2014) resulting in creating boundaries for knowledge transfer and sharing among global teams. Simon et al (2009) suggest that the use of contract as governance mechanisms ensures effective decision making from vendor’s site as global sourcing vendors those who are in mature relationship with clients gain more capabilities to make operational decision. These capabilities are often handed over to vendors during transition period (William and Durst, 2019) in the form of contract. The contracts are called Service Level Agreements (SLAs), which are used to ensure continuous improvements of global sourcing processes (Simon et al 2019). A well-defined specification and codification can also be used to support continuous improvements (Smith et al 2009; Kotlarsky et al 2014). It could involve chunkification which require separating of global sourcing activities between internal and external vendors or among several vendors (Aron, Clemons & Reddi 2005; Aman et al 2018). Other governance mechanisms such as systems, procedures, processes and policies are equally important in global sourcing of accounting services (Aman & Mohamed 2018; Amiruddin et al 2013).

Communication
Governance issues are also related to communication challenges faced by global teams in global sourcing of accounting services. These are due to different time zone and varied cultural backgrounds. They require a broader range of communication methods as governance mechanisms (Simon et al 2009). These include the use of various communication techniques and new technologies such as video conferencing for effective communication. Both clients and vendors share various types of information and requires effective methods of communication especially while dealing with global teams (Smith et al 2009). In a more mature relationship, vendors are responsible for strategic level tasks that would not be possible without trust and transparency between the two parties. Although Smith et al (2019) argue that vendor’s staff location is importance, other researchers (Aman & Nicholson 2009; Fernandez & Aman 2018) suggest the use of information communication technology (ICT) to ensure effective communication between global teams. With proper use of ICTs, client and vendors could work in collaboration and with cooperation within a trusted environment. ICTs help to build trust in relationship between clients and vendors over the period of time with strong service-delivery performance and transparency.

In short, the suggested theoretical framework presents two main governance issues related to coordination of work and communication as well as governance mechanisms used to overcome such issues. This study will provide further empirical evidences in the context of global sourcing of accounting services.
METHODOLOGY

This study used an interpretive case study research approach (Walsham, 2006) in order to understand governance issues and mechanisms to mitigate risks in global sourcing of accounting services. Previously, researchers have demonstrated successful qualitative enquiry through case study approach (e.g. Satar, Dastane & Ma’arif, 2019; Wan, Dastane, Satar & Ma’arif, 2019). ICM which is the pseudonym for the global sourcing accounting firm and its client referred to as PB (also pseudonym) were selected as the case study. ICM is one of the large global accounting sourcing vendors with global sourcing centers in India, Portugal and Malaysia. PB is a global chemical company with headquarters in Europe. It has well-established operations in North and South America, Australia, Asia and Africa. The accounting services across Europe are being outsourced to several European hub centers and centers in India. The accounting services being outsourced from the PB to ICM include cash and banking, reconciliation of account payable to general ledger, fixed assets, and accounts payable and invoice processing.

Primary data was collected using interviews and informal discussions with global sourcing experts including consultants, lawyers, director, manager and officers of clients and global sourcing service providers in the UK, India, Malaysia and Lisbon. Ethics approval was obtained from National University of Malaysia (UKM) prior to data collection. Qualitative data collection was carried out in three phases from 2001 to 2017 covering 17 interviewees through purposive sampling with 16 hours of total combined interview duration. The phases are spanned over approximately two decades covering transition of the firm under study from total processing of accounting services internally to the stage whereby company outsources most of its accounting services globally. First phase was between 2001 and 2002; second phase was between 2005 and 2006; and third phase was between 2012 and 2017 in several locations of clients and vendors in the UK, India, Malaysia and Portugal. This covers wide span of experiences and activities resulting in comprehensive data collection related to understanding governance issues involved in global sourcing of accounting services. Interviews questions cover questions related to interviewees’ background, experience and their perception of events they had experienced. Such events can be incidences incurred during planning and execution of various operational activities related to global outsourcing of accounting services as well as while planning and executing strategies to mitigate issues arising from such outsourcing activities. The interviews were taped, transcribed, and summarized. Secondary data related to global outsourcing activities and vendors were gathered from related internal reports such as annual report, press releases and trade data. Notes were taken based on observation on office layout, global teamwork and communication through video and chat messenger, and other activities that took place in daily work. Notes were also taken on informal conversations during coffee break. Research diaries were maintained to record interpretations during the data collection. Data was then analyzed using the suggested framework through coding, identifying themes and interpretations from the transcripts using qualitative analysis software NVIVO 11. This was then followed by intensive discussions between researchers on appropriateness and comprehensiveness of subthemes and themes.
CASE STUDY BACKGROUND

The case study involves the client and vendors of global sourcing of accounting services. PB, the client, founded in 1909, is an energy firm and conducts operations in Europe, North and South America, Australia, Asia and Africa. Its Accounting and Finance (AF) department in the UK has outsourced parts of its operation to a third-party service provider. The first experience of AF outsourcing services was in 1990 to third party service provider in the UK. Later in 1996, PB outsourced its AF services to ABC in Europe particularly in Rotterdam. ABC also handled the global sourcing work from Germany, Austria, Switzerland, and Belgium. In 2000, ABC set up accounting processing center in Lisbon to serve clients from Spain, France and Portugal. In 2002, ABC was acquired by ICM global sourcing firm. As a result of the acquisition, ICM supports PB’s European accounting services from Rotterdam and Lisbon. In 2004, PB began to send work to Bangalore, India through ICM for the purpose of cost savings. PB retained customer services, decision-making, monthly forecasts, planning and business analytics, cash management, account closing and the reporting. The accounting services sent to ICM were transactional processing which includes cash receipts, banking, accounts payable, fixed assets, yearly expenses, bank account reconciliation, the whole month-end closing process, and general ledger for monthly reporting. In 2005, contract of accounting services outsourcing between PB and ICM that was signed in 1999 and renewed in 2000 were extended for another two years. Under the new contract, PB continued to outsource its accounting services to ICM.

In 2012, ICM commenced a new Global Technology Services Delivery Centre in Malaysia to deliver information technology (IT) services to its clients around the world. This includes server systems operations, security services and end-user services, including maintenance and monitoring of computer hardware and software systems. In 2018, ICM Global Accounting Services Centre established operations in Malaysia. The center provides global accounting services including accounting processes and analysis, financial systems and process controls for ICM in the Asia Pacific region. In addition,
the center has to comply with the Asia Pacific statutory requirements, Japan and US GAAP in the preparation of financial statements. These include review of significant and unusual transactions as well as maintaining a strong audit-ready control posture (SAT audits). Analytical accounting services include developing and tracking business trends and providing insightful analysis with recommended actions, maintaining a strong audit-ready control posture (SAT audits). In short, the move to centralize accounting resources in the Asia Pacific region was to maximize overall organizational efficiency, and finally ensuring that countries have had the necessary systems architecture and applications to support the financial business requirements.

One of the specific examples of global sourcing of accounting process provided during the interviews is the processing of PB’s invoices. Every month, ICM Lisbon processes an average of 10,000 invoices for the UK, 5,000 for France, and 4,000 for Portugal and Spain counterparts. The invoices are processed either manually or using ICT that automatically imports the invoices to the ERP system. ICM Lisbon scan the invoices while ICM India process the invoices. The sorting is done according to the particular country or accounting code; country and type; manual or automated; and type of document. Invoices are either scanned manually or automatically. If the invoices are scanned manually, the image is saved in the shared drive where both team members in ICM Lisbon and ICM India can access, share, and see the images. If the invoices are scanned automatically the it generates new image, captures data, picks up fills from the invoice such as invoice date, invoice amounts and currency, and then links these with the vendor’s database. The process of recognition or capturing of the information from invoices is automated, but if anything goes wrong or needs manual input, the invoices will be sent out to ICM India. In ICM India, the team members see the image appearing in the shared folder and start processing the invoices by opening the images and typing the data from the invoices manually into the ERP system. Once the output is returned to Lisbon, the team in Lisbon checks the information and send to the appropriate vendor. Another example is in the cash and banking processes. ICM Lisbon performs the booking of all the bank movements and provides a reconciliation on a ‘real-time’ basis, which must be completed before the month end. ICM India only performs the reconciliation from account payable to general ledger. This involves the analysis of errors from the booking area, and the account payable. For instance, if an invoice that has not been passed to a general ledger because corresponding tax code is incorrect, it requires experience of identifying items coming from account receivable or account payable prior to the reconciliation process to the general ledger. Any related queries will be sent to ICM Lisbon.

FINdINGS & dISCUSSI oN

In order to understand the governance issues involved in the global sourcing of accounting services, this study focuses on the migratory governance path relationship among PB UK, ICM in Lisbon, Bangalore and Kuala Lumpur. Finding shows that governance issues are mainly related to coordination and communication among global sourcing teams. These governance issues were mitigated using specific governance mechanisms as discussed below:

Coordination

Standardization

The coordination of work in global sourcing were found challenging. The transactional processing work that was sent to ICM was not standardized. It was in different sizes and forms. In addition, it was not properly coded or approved. This often delayed the invoice processing. According to the ICM operational manager, “Invoices came in different shapes and sizes … forms from PB were non-standard.” Previous studies (Cooke 2006; Aman & Nicholson 2009) highlighted the governance issues caused by differences in accounting standards and practices between countries due to differences in local company acts. According to the project manager of ICM, “…The differences in company tax,
laws and the statutory charter of accountants have to be understood and applied because of the need for statutory and legal compliance”. In this case, the company acts were different in the UK, India and Lisbon that resulted in misunderstandings regarding service performances that effect coordination of the global sourcing of accounting services (Aman & Nicholson 2009).

Inadequate Knowledge and Experience

The situation became more challenging when the staffs in India did not have the right knowledge and experience to perform the tasks. For example, the reconciliation work requires someone with good knowledge and experiences in order to identify issues or errors. Without this experience, some of the errors could not be identified leading to erroneous financial reporting. One of the Team Leader in ICM Lisbon explained, “During reconciliation… when they took the report of some accounts, some errors were there but they (Indian team) could not be identified … which could only be identified if you have the knowledge and experience of doing it …” These findings are in line with prior study (Kortlarsky et al., 2014) that emphasized on the difficulties of managing knowledge transfer in offshoring work. Nevertheless, the employees from ICM India were given proper training in ICM Lisbon for a period of six weeks. A team from ICM Lisbon went to ICM India before and during the transition to ensure that processing systems worked as required.

Contract

Contract is also used to overcome several governance issues. For example, according to PB contract manager, the contract has presented mutual benefits for commercial relationship in order to save cost and improve quality; “If you have a contract that is reliable and motivate the right behavior, it contributes to a win-win relationship … it’s kind of hard to go wrong if you’re devoted.” The contract motivates vendors to deliver the outsourced services according to the agreement. Although Simon et al (2009) suggested that the type of contract is secondary but the contract should at least consist of key features of SLAs in order to meet the client’s expectation. The PB contract manager told; “What we also have as the control mechanism is that at least each month we will have the opportunity to review the key features of the contract: how many of these SLAs and OLAs have been achieved or missed. It’s not really a tick or a cross it’s much more of a discussion or a review. We also agree the operating level in the service level agreements. For example, ICM will pay an invoice within 5 days of receiving it”. In addition, a statement of work in SLAs provides guidance on what the team in India needs to do and deliver. The Operation Manager, ICM India said; “We have a statement of work that ties into the overall contract, which details out everything I need to do and deliver. I have seen the SLA agreements that explain what I have to comply with to make sure the processes are healthy.” This is in line with William and Durst (2019) that contract is important even in a mature relationship as it determine the success of relationship between client and vendor.

Standards and Procedures

Findings also show that accounting standards and procedures are crucial in the governance of global sourcing of accounting services. For example, ICM processes the transaction in accordance to PB accounting standards and procedures. Several interviewees indicate that there are PB policies and procedures that ICM has to follow to mitigate the governance issues raised because of differences in business practices and non-standardized input from PB. The PB contract manager told us: “ICM will do their transactional processing in accordance with the rules set by PB.” The rules and procedures provide guidance on how outsourcing activities should be performed and delivered. One of the Service Manager in ICM explained; “PB have to accept that the controls that are documented in this internal control manual are sufficient to allow this person to go and produce the work until its complete.” There are two assessments for every six months on internal control implementation. The report highlighted gaps and how the gaps are mitigated. According to the PB contract manager; “We (PB) work with the outsourcer (ICM) to do the self-assessment process to our specification of their controls, which
we’ve agreed with them are the right controls. They test them with our independent ICM audit team to produce evidence. For example, we made sure that there were 15 signatures of approval from PB.” The internal control manual provides guidelines and standard procedures for global sourcing work which are important for governance (Aman & Mohamed 2018; Amirudin et al 2013). Williams and Durst (2019) also emphasized on the important of standard of procedures during transition of work from client to vendor in order to minimize risks.

**Chunkification**

In addition, findings show the use of horizontal and vertical chunkification of global sourcing work is important for coordination. For example, PB only outsource standardised transaction while maintain its core businesses. Using such horizontal chunkification, PB did not put over reliance on a single vendor. The transactional processing work that was sent to ICM was properly coded and approved by PB. The Service Manager of ICM explained: “Generally all the transactions are safe to outsource because it is rules-based. We’ll only process properly coded and approved transactions from PB.” At the same time PB sends parts of other process to another vendor in different location. By using vertical chunkification, PB could compare their performance and drop non-performing vendors. The Contract Manager of PB told: “… we have the ability to leverage across both vendors … if something going wrong in any one of our vendors, we got another vendor to offer the job.” PB also split the outsourcing of accounting services between ICM Lisbon and ICM India. For example, in invoice processing, ICM Lisbon is responsible for the scanning of the invoices from PB, while ICM India is responsible for processing the invoices. The contract manager in PB told us: We said we will not move scope to Bangalore if there are a high number of hands off. We’re not exposing Bangalore to our suppliers or customers or staff because they wouldn’t be able to communicate properly.” This provides further evidence of the use of chunkification in global sourcing od accounting services as a governance mechanism (Aron, Clemons & Reddi 2005; Aman et al 2018).

**Communication**

**Language and Culture**

According to findings, communication among global sourcing teams was challenging mainly because of the differences in language and cultures. English is the language used in ICM but global teams in India, Lisbon and Malaysia lack ability of communicating well in English. The global team members faced challenges when communicating in proper English through emails, chat messengers and telephones. These difficulties often contributed to misunderstanding and delayed the accounting service delivery. One of ICM Lisbon’s customer service executive stated, “We had some language issues. It was difficult for them (Indian team) to understand us, and at the same time, we could not understand them. We use English but it was difficult as it was not our first language.” Prior studies highlight that language differences could contribute to difficulties when performing outsourcing work (Nicholson & Sahay, 2003; Aman & Nicholson, 2009). The team in Lisbon could not communicate well to the team in India as both teams were not fluent in English. This often contribute to misunderstanding in instructions given by the UK team. Another communication issue was related to the questioning behavior and sense of urgency. The team in India did not have such attitude. One of the interviews explain: “I’m not convinced that they (Indian team) asked us all the questions they needed to ask and I think they went to the training only knowing half of what we thought they knew…. a lot of training was done over the phone or email and of course it took a lot longer for them to really understand what’s going on. I also don’t believe they have the same sense of urgency as we have, because they don’t have the clients screaming at them.” In other words, the communication issues appeared to be related to language differences (Aman, 2005; Sahay & Nicholson, 2003).
Formal Reporting Structure

Findings show that formal reporting structure between PB and ICM could evaluate issues in communication through monthly and daily meetings, the PB contract manager explained; “There’s a service manager, a process manager and a center manager at every ICM center who are accountable for the service in PB. If anyone in PB has a problem with anyone in ICM they can contact directly the person to explain and get a better understanding. The governance is sanctioned by the high-level contracts review group which is made up of three or four PB individuals and three ICM people. They meet and discuss every quarter to make sure the deal’s working as expected.” The reporting structure between ICM Lisbon and ICM India suggests forms of formal reporting using query log and key incident report to highlight problematic issues faced by team members in ICM India. One of the team’s leaders in ICM India explained: We have query logs containing queries to PB or ICM Lisbon. If something goes wrong and it is significant, we have to give a key incident report of why it went wrong and give a detail of how it went wrong and what is the learning from our process.” The PB contract manager also explains that the key incident report is useful as control mechanism and learning process, hence helps to mitigate performance risk. The PB contract manager told us, “We have a key reporting process whereby PB usually asks ICM to create a key incident report where the facts are included, the facts are agreed about who did what, what are the root causes and how we’re going to prevent recurrence. These are logged, monitored and discussed at the quarterly meetings so we can see we’re learning from our lessons and we’re not repeating the same mistakes in operations.” This is in line with Simon et al (2009) who emphasized on the use of formal and less formal reporting for communication among global teams to overcome differences in time zone or cultural background.

Middle Person

In addition, the hiring of middle person such as a PB staff and relocated in ICM Lisbon could alleviate the communication issues. The middle person is responsible of issues between PB and ICM Lisbon. PB contract manager explained: “So, she is important to ICM because she gave them the quality, the knowledge, and the experience of how things work within. The fact that she knows each person in PB from history allows her to deal with them effectively.” At the same time, the meeting between ICM Lisbon and ICM India help to overcome communication issues. A respondent told us about how they (ICM Lisbon) insist face-to-face interaction over technology mediated settings. The Project Manager of ICM Lisbon elaborated; “Things always work easier, when you can discuss things face-to-face. We find that you can discuss on email, but it won’t get resolved until you meet and sit down together and talk to each other face-to-face. It’s a lot easier, when you can actually sit there and draw things and then …The realization on the face, body language tells you a lot.” Nevertheless, the meetings between PB and ICM Lisbon allowed share and discuss issues about whether or not ICM has meet quality and efficiency.

Key Performance Indices (KPIs)

PB uses the information of these metrics to identify related problems or issues and monitor the performance of ICM in the outsourcing operation. The PB contract manager told us: “the day-to-day meetings discussed metrics, Key Performance Index (KPIs) or volumes of efficient / inefficient transactions ... We asked feedback and helped them to improve … that (KPIs) lets us keep track of volumes that was in the deal … if it got really out of hand, we might need to talk about adjusting the compensations.” As mentioned by Simon et al (2009) and Frederick and Nicola (2017), vendor staff location or middle person is important to the global sourcing success in order to build a cooperative, collaborative, trusting relationship among global sourcing teams. Jiang, Jia, Blome and Chen (2019) also emphasized on the important of achieving sustainability in global sourcing through good governance.
Overall, 14 distinct issues identified under category of co-ordination and communication along with total of 20 mitigation strategies to nullify or handle negative impact of such issues. Table 1.0 shows instances of generation of sub-themes and main theme from items or quotes extracted from interview transcript.

Table 2. Instances of Theme Generation

| Quote / Item from interview                                                                 | Themes         | Domain         | Category      |
|-------------------------------------------------------------------------------------------|----------------|----------------|---------------|
| “Invoices came in different shapes and sizes”                                             | Standardization| Governance Issue | Co-ordination |
| “Which could only be identified if you have the knowledge and experience of doing it”     | knowledge and experience | Governance Issue | Co-ordination |
| “If you have a contract that is reliable and motivate the right behavior, it contributes to a win-win relationship” | Contracts      | Mitigating Strategy | Co-ordination |
| “PB have to accept that the controls that are documented in this internal control manual...” | Standards      | Mitigating Strategy | Co-ordination |
| “We’ll only process properly coded and approved transactions from PB”                      | Chutnification | Mitigating Strategy | Co-ordination |
| “We use English but it was difficult as it was not our first language...”                  | Language       | Governance Issue | Communication |
| “I also don’t believe they have the same sense of urgency as we have...”                    | Culture        | Governance Issue | Communication |
| “We have a key reporting process whereby PB usually asks ICM to create...”                | Reporting Structure | Mitigating Strategy | Communication |
| “Things always work easier, when you can discuss things face-to-face.... with PIC appointed” | Middle Person  | Mitigating Strategy | Communication |
| “That (KPIs) lets us keep track of volumes that was in the deal...”                        | KPI            | Mitigating Strategy | Communication |

Figure 1 displays organic mind map of main themes generated from the thematic analysis as above. This mind map comprises of main themes, subthemes and elements of each subtheme arranged in systematic organic format to understand overall issues arising from global sourcing of accounting services and mitigations strategies to counter such governance issues.
IMPLICATION & CONCLUSION

The global sourcing of accounting services raised several governance issues related to coordination of work and communication such as differences in business practice, non-standardized input, culture and knowledge. Findings show that a number of governance mechanisms were put in place to overcome such issues. The use of contract and SLAs, standard and policies, chunkification, formal reporting and middle person were found effective in overcoming governance issues in global sourcing of accounting services.

Theoretically, this study contributes to further understanding of migratory governance path frameworks (Simon et al 2009) that provide theoretical basis for understanding governance issues in global sourcing of accounting services mechanism used to overcome such issues. This study suggests the significant of horizontal and vertical chunkification as well as contract as governance mechanisms to overcome coordination and communication issues in global sourcing work. Practically, this study presents business practices of good governance mechanisms in global sourcing of accounting services. The need to ensure effective governance mechanisms is related to the nature of the work being outsourced globally.

The case studies although limited in statistical generalization, presented empirical evidences of different choices for governance mechanism that can be seen to be influenced by global issues and historical background. Nevertheless, the interpretive in-depth case study contributed to significant findings that can be usefully applied to understand the governance issues and mechanisms in global sourcing of accounting services. This study has focused on governance issues presented by a selected global sourcing firms and its client in several global location/countries involving different institutional arrangements. Future work could usefully focus upon hybrid governance in global sourcing value chain (Jeniffer, 2017) and look into the issues of institutional influences in different countries such as China, Japan or East Europe.
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CONFLICTS OF INTEREST

The authors declare no conflict of interest.

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