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Outsourcing: More Harm than Good

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Abstract

Outsourcing is a highly effective strategy, widely used in various types of business to gain a competitive edge. The tremendous growth of outsourcing first started in the manufacturing and information technology industries. It has also spread into the accounting industry as well. However, in accounting the major problems and benefits caused by outsourcing are different from those identified in the manufacturing and IT industries. This leads to the question of whether or not outsourcing in accounting would create more advantages than disadvantages. This paper analyzes the question through four steps: (1) how accounting outsourcing is done, (2) which accounting tasks (both private and public) are fit for outsourcing, (3) what are the benefits and challenges of accounting outsourcing, and (4) what are the effects that outsourcing, including accounting outsourcing, have on the U.S economy. The author argues that accounting outsourcing generates more risks and harmful effects than benefits for companies and their stakeholders. Therefore, accounting outsourcing should be discouraged. This research provides a comprehensive view on the topic of outsourcing in accounting, including rewards and problems caused by accounting outsourcing, effects of outsourcing on business stakeholders, effects of outsourcing on the U.S economy, and future outsourcing trends and regulations.

Outsourcing in Accounting: More Harm than Good

I/ Introduction

To the general public, outsourcing means having almost all of the goods they purchase made in China, or hearing an Indian accent when they dial a customer service number. Despite all the stereotypes stemming from outsourcing, it is a strategy to increase competitiveness that is widely used in various types of business, especially in the manufacturing and technology industries. This strategy usually involves having certain functions of a company carried out by other companies that are independent of the “parent” company and are usually located in foreign countries. The main reason for considering this strategy is that outsourced companies are in regions where labor costs are significantly lower than the home countries of the outsourcing companies, such as: Southeast Asia (India), Eastern Europe (Russia), Latin America (Mexico), Middle East (Bangladesh) (McIvor, 2011). Even though outsourcing is not a new concept, the topic receives substantial attention from business leaders as well as researchers.

Researchers on the topic of outsourcing have shifted their attention from the manufacturing industry to the highly technical professions such as finance and accounting because of a recent and rapid increase in financial outsourcing. Accounting is divided into two main sectors: public accounting and private accounting. In the world of public accounting there are four “giant” companies, informally known as the Big Four: Ernst & Young, Deloitte, KPMG, and PricewaterhouseCoopers. The services delivered by these Big Four firms include advisory, audit, tax, transaction, and special interests. In general, the services are tailored to each and every customer to help the customer maintain and/or achieve a desired profitability. Private accounting, on the other hand, is commonly known as managerial accounting. Private accountants deal with one company. Their positions start from the level of assistant, and they typically carry out accounting and reporting functions in the finance department. Some accountants rise to the positions of Controller, CFO and occasionally CEO. Their main goal is to make sure that full financial information is available to management, and that internal operations of the company run smoothly and produce profits.

Given the nature of accounting functions, many scholars have questioned: Can a highly technical and specialized profession, such as accounting, be completely shielded from outsourcing? Is outsourcing good or bad for business? Should a company outsource their accounting functions? These questions deal with the decision to outsource accounting. After a review of relevant research, it is confirmed that some accounting tasks have been outsourced to a foreign country. However, despite substantial benefits outsourcing can offer a business, accounting is something companies should keep to themselves.

II/ Literature Review: What are researchers saying about outsourcing?

There are two main themes that scholars usually focus on: the pros and cons of outsourcing, and how to outsource successfully. One of the reasons why outsourcing deserves extensive attention is that it has the power to boost the competitive advantage of a business significantly and thus make the business more profitable. Various scholars focus on the benefits of considerable cost reductions. Most authors who research the benefits of outsourcing agree on this point. Jeroen Tas and Shyam Sunder estimate that businesses, including industries such as manufacturing, financial services, and information technology, can substantially cut costs by outsourcing. In reference to pharmaceutical outsourcing, Paul Nowacki writes: “The availability of talented, well-educated human resources in countries such as India, Russia, and China provide a potential supply of workers to meet changing needs. Differences in the costs of resources between these countries and those in the West yield an almost immediate cost arbitrage opportunity of 30%-50%"(Tas and Sunder, 2004). He also finds that pharmaceutical related fields are very costly and financial outsourcing can reduce costs from 30-40 percent (Nowacki, 2008). Clearly, cost arbitrage is a compelling advantage of outsourcing. This explains why financial outsourcing has gained tremendous popularity in the past few years, especially during the recent recession. Moreover, outsourcing can also give companies much more flexibility and make fixed costs variable.

Another general benefit of outsourcing is the around-the-clock schedule without overtime or exhausted workers. Amar Gupta, in "Deriving Mutual Benefits from Offshore Outsourcing", emphasized the benefits of continuous production due to the differences in regional time zones. Because of the time difference between India and the U.S, a working day will be extended to 24 hours instead of the regular 8 hours. Outsourcing workers can continue working on a project while U.S. workers sleep. Therefore, the time needed to complete the project for delivery can be significantly shortened (Gupta, 2009).

These researchers examine outsourcing as it applies to vendors, information technology (IT), high-end professional services such as financial and legal work, and international trade. Thomas A. Osmond and Beth M. Schnaper, Mark Venables, James A. Hall and Stephen L. Liedtka, and Amar Gupta agree that having a reliable, professional and high-quality vendor is one of the most critical factors contributing to the success of the outsourcing process. "Vendors" are third-party companies that contract with the outsourced companies to oversee operations and insure quality control of the outsourcing party. Because they are located in the foreign countries, vendors can also act as a "tour guide" for the outsourcing companies in the process of browsing local markets and exploring potential benefits and disadvantages.

Outsourcing impacts fluctuate across different industries and different types of businesses. In the IT industry, outsourcing growth has increased tremendously as outsourcing was made possible and improved by the evolution of technology (Nowaki, 2008). Most of the companies that decide to outsource operate in the IT industry. In addition to the general benefits of outsourcing as stated above, these companies sometimes have a simpler system for compliance because their vendors usually have employees and/or departments that specialize in breaking down the process of operation into separate steps so that can then be outsourced. This leads to the demand for these vendors to take part in legal compliance. Hall and Liedtka confirm: "Corporate CEOs need [vendors] to bring their organizations into compliance with SOX, and CPA firms need [vendors] to conduct new forms of audits, now required by law. People with the skills needed to function at the intersection of computer science and business are in great demand along four main career paths: forensic accounting; risk management; computer auditing; and IT-controls consulting" (Hall and Liedtka, 2007). Companies that outsourced to lessen burdens of compliance include Capital Automotive and Sallie Mae (Hall and Liedtka, 2007). Paul Nowacki also agreed that financial outsourcing makes the process of financial functions more transparent and formalized which makes it easier for the company to be compliant with the law (Nowacki, 2008). So far, IT seems to be one of the most popular areas for outsourcing.

The IT boom has affected other industries, including the financial services sector. To describe this observation, scholars have created another term in outsourcing called "phase-out". Phase-out describes a phenomenon in which the success of outsourcing in one industry, IT for example, stimulates the growth of outsourcing in others, such as financial information services. Recently outsourcing in the financial services industry has been gradually catching up with outsourcing in IT. Specifically, Nowacki finds that financial outsourcing is being accepted by management teams and corporate decision makers and has grown at a growth rate of 30% per year (Nowacki, 2008). In the financial services industry, Paul Nowacki proved that financial outsourcing speeds up transactions, improves workflows, reduces errors, and therefore increases efficiency by streamlining the accounting process using “report-to-record” and “order-to-cash” (Nowacki, 2008).

As the financial outsourcing trend expands, there are critical benefits, as well as challenges and risks, to be considered. Despite all the advantages of outsourcing specified above, there are also disadvantages in the outsourcing equation. Some industries incur more difficulties than others. Therefore, the outsourcing decision can vary, as its benefits and drawbacks differ across various industries (McIvor, 2011). But before outsourcing is even considered by business managers, the concept has to be accepted, if not welcomed. When businesses decide to outsource, the biggest challenges are quality control and communication between the client and the outsourcing company. In order to successfully outsource, everyone has to work together in spite of the cultural backgrounds or geographical differences (Gupta, 2009).To address this problem Amar Gupta and his students from the University of Arizona developed a concept called Multimind. It is based on three principles: “automate everything that is possible; store everything that is possible; and provide the human operator with the key information only, with the remaining being accessible on an as-needed basis” (Gupta, 2009). In short, these three steps revolve around dividing jobs into small chunks with increased automation. They are created to enhance quality control and minimize the risk of miscommunication. Miscommunication seems to start out as a small problem**,** but it can quickly become destructive to both the firms and vendors if not monitored and fixed promptly. When the outsourcing companies and vendors are not aligned in terms of values and goals, the quality of outsourced jobs is not reasonably assured.

Furthermore, it can take a lot of time and become an expensive hassle for the outsourcing partner to fix the communication problem if there is not a clear communicating structure on both sides.

In addition to uniformity, Gupta also pointed out another major disadvantage that international businesses have to deal with: legal barriers**.** Clearly, states maintain their power to regulate foreign trade, typically the exclusive domain of the federal government as they try to preserve jobs for their citizens (Gupta, 2009). Some of the common tactics used by national governments to limit outsourced products include not providing licenses for certain companies to enter the local market, putting extra taxes on foreign goods, suing companies that outsource based on international laws and the Constitution. As a consequence, international trade agreements are often restricted. Meanwhile it takes a lot of time and effort for these agreements to take effect in certain states, because businesses have to take these cases all the way up to the Supreme Court on appeal (Gupta, 2009).

Besides the general disadvantages of outsourcing, major drawbacks of outsourcing in the high-end professional services, such as legal and accounting processes, are that some of the procedures cannot be carried out without taking place in the countries where the laws establishing those procedures are argued and enforced through lawsuits (Mari Sako, 2010). These procedures include discovery, a task done prior to any court case, which involves collecting evidences, and taking depositions from witnesses.

Mark Venables also analyzes the problems of outsourcing. His article, “Analysis: Offshoring – Home, Sweet Home”, focuses on the manufacturing industry, especially companies located in Silicon Valley. He writes: “staying local is most desirable when product lifecycles are short, obsolescence costs are high and customers are time-sensitive” (Venables, 2005). For products that require a certain customer service level and sensitive responses, outsourcing is undesirable because it takes time to fix a wrong order and send it back to the home country. He concludes that it is important to understand the consequences of outsourcing, both positive and negative, before making the decision to go beyond national borders. Other researchers agree with him that it is best to outsource a lean process; vendors must be sought carefully; quality control must be established; and a communications system must be set in place prior to the contract being signed (Venables, 2005).

In addition to high-end professional services and the manufacturing industry, many technology companies find the advantages brought about by outsourcing are sometimes outweighed by the disadvantages that come with it. James A. Hall and Stephen L. Liedtka dedicated a great deal of their research into the problems of outsourcing in the IT industry; they find that outsourcing can result in loose oversight, loss of IT skills, internal control and security problems, the ability to audit vendors, inaccurate financial reports, failure to protect shareholders' wealth, failure to comply, and even increased debt (Hall and Liedtka, 2007). Concerns about of information security are addressed in Swartz's research. He states Ernst & Young's conclusion with extensive research in PricewaterhouseCoopers regarding information security: as businesses move toward decentralized management through outsourcing, it becomes much more difficult for companies to protect themselves from information leakage and for senior managers to oversee risks, and control potential damages (Swartz, 2004).

Besides analyzing the pros and cons of outsourcing, the other major theme in the research is how to outsource successfully. Chandrasekaran and Geert Ensing explain that the boom in outsourcing is enabled by and primarily based on the existence of the Internet. Therefore, reliable and up-to-date technology makes it easier and more efficient for companies to outsource successfully. Outsourcing constantly pushes technology to new limits in order to keep up with the demands of outsourcing companies (Chandrasekaran and Ensing, 2004).

Adding to improvements in technology, several authors agree that there is no doubt that having a standardized process provides the ideal environment for an outsourcing decision to be made. This argument is supported by several researchers. Mari Sako recommends: "breaking up of the value chain into sequence of tasks, each with clearly defined interfaces which are ideal for offshore services" (Sako, 2010), Jeroen Tas and Shyam Sunder said that the types of jobs that can be outsourced need to be part of a "well-defined, self-contained, and measureable process" (Tas and Sunder, 2004). A standardized, stream-lined process makes it easy for companies to evaluate their vendors. It also helps vendors train their employees and respond quickly to mistakes created in the process.

All of the authors agree that another key to successful outsourcing is choosing the right vendor. Thomas A. Osmond and Beth M. Schnaper specifically research how to hire the right vendor along with tips and traps to avoid in this process. They do not mention the trend of outsourcing but they find that the demand for vendors is somewhat greater than suppliers; therefore, vendors normally give outsourced companies a generic Request for Proposal (RFP) (Osmond and Schnaper, 2000). According to them, one of the most important steps in picking a compatible vendor is setting up a checklist of objectives and customized criteria to give to the vendors; also important is visiting their sites before making the final decision (Osmond and Schnaper, 2000). Further Nayak adds to this finding by recommending that after a vendor is picked, the next crucial step is to establish trust and strengthen virtual teamwork between the vendor and the outsourced company. This objective could be achieved through face-to-face kickoff meetings as well as frequent virtual conferences made possible by the rapid growth of technology (Nayak, 2009).

Overall, the primary conclusion of these articles is that the decision to outsource needs to be carefully weighed in terms of advantages and disadvantages, because outsourcing simply is not for all businesses. Most of the articles either provide a general and theoretical overview of their arguments about the topic of outsourcing or focus on a narrow field, such as IT outsourcing or common characteristics of the manufacturing industry. Very few investigate a particular case with supporting details to illustrate their conclusions (Osmond, Chandrasekaran). Nevertheless, some authors were leaders in the field such as Jeroen Tas, the co-founder and vice chairman of Mphasis Corporation, and Chandrasekaran, a corporate vice president in charge of global operations at Tata Consultancy Services, headquartered in Mumbai, India. These authors provide a closer look at outsourcing on a more individual level. Their articles serve as examples of case-by-case analyses, but they do not provide a viewpoint that includes the effects on the overall economy.

Certainly there is more to the outsourcing debate than what these authors have discussed above. However, their conclusions are among the most frequently mentioned in the research of outsourcing. Although these scholars covered most of the basic knowledge about outsourcing, none of the articles went into detail about outsourcing of high-end professional services, particularly the accounting profession. This limitation give rise to the question this paper raises: What are the advantages and disadvantages for the accounting profession of outsourcing? As the world moves towards a global economy, accounting for international business is becoming more evident and necessary. This argument is proved by the fact that many countries have adopted the International Financial Reporting Standards (IFRS). The United States has taken major steps towards this movement and the traditional Generally Accepted Accounting Principles (GAAP) is being compromised with establishment of international GAAP (iGAAP). Accounting is one of the most important parts of a business, and it can also be one of the most costly expenses. Adopting an international reporting standard will make it easier to outsource accounting and thus significantly reduce costs for many businesses. It could also make the outsourcing companies more environmentally sustainable because most, if not all, of the accounting documents will have to be digitized in order to more easily be transferred between countries. Potential trade-offs include loss of existing accounting occupations, increasing costs of compliance, information security and international legal barriers.

III/Findings and Discussion: Outsourcing does more harm than good

Finance and Accounting Outsourcing (FAO) started earlier than the general public believes. It began in the early to mid-90s with Deloitte and Arthur Anderson, both of whom established partnerships with Indian accounting firms to outsource tax compliance jobs (Cervantes, 2009). The financial outsourcing trend has caught on since then, growing steadily enough to allow predictions of between 1.6 and 22 million tax returns outsourced in 2011 by ValueNotes (Cervantes, 2009).

The increase in financial outsourcing in recent years is mainly attributed to the benefit of cost reduction. According to Cervantes' research on the relationship between the Sarbanes-Oxley Act and outsourcing, he noted: "CPAs, accounting firms, and companies have expanded their use of FAO as a means to capitalize on labor arbitrage rates in developing countries, enter new markets, recruit talent and expand services" (Cervantes, 2009). Cost reduction and around-the-clock benefits from outsourcing, which are seen in the manufacturing industry, are confirmed in accounting outsourcing, as proven by the many aforementioned researchers. In his research, Cervantes reported a 40-60 percent reduction in prices; tax forms, such as 1040s, were being completed faster by offshore firms than in-house departments (Cervantes, 2009). However, this quality and speedy work was remunerated for with just a small fraction of what it is worth in America. A Congressional Research Service Report on the correlation between outsourcing and job loss reports that an employee with a Master of Degree in Business Administration (MBA) working in the financial sector from India in 2003 earned 14 percent of a US worker's wage for the same job, and Indian call center staff earned only as much as 7 percent of their U.S counterparts (Levine, 2005). The same finding is confirmed in outsourced accounting jobs. Recent statistics also show that the average accountant in China earns $9,214, while an accountant in India would earn $5,823 a year (Cervantes, 2009). A study in 2006 also shows Indian workers can expect salaries 10-20 percent lower than their American counterparts, while Chartered Accountants, who are vigorously trained, can be hired in India for as little as $8 an hour (Cervantes, 2009). Clearly, there is a cost advantage for outsourcing the accounting functions. The more accounting tasks are outsourced, the more savings the company can make. Studies show that companies can save up to 60 percent if they outsource all of their internal accounting functions, compared to 30-40 percent if they only outsource transactional and discretionary tasks (Cervantes, 2009). Consequently, the tasks that can be outsourced have tremendously increased in the past few years. **Figure 1** shows that these tasks now range from transactional to decision support and specialized functions (Cervantes, 2009)

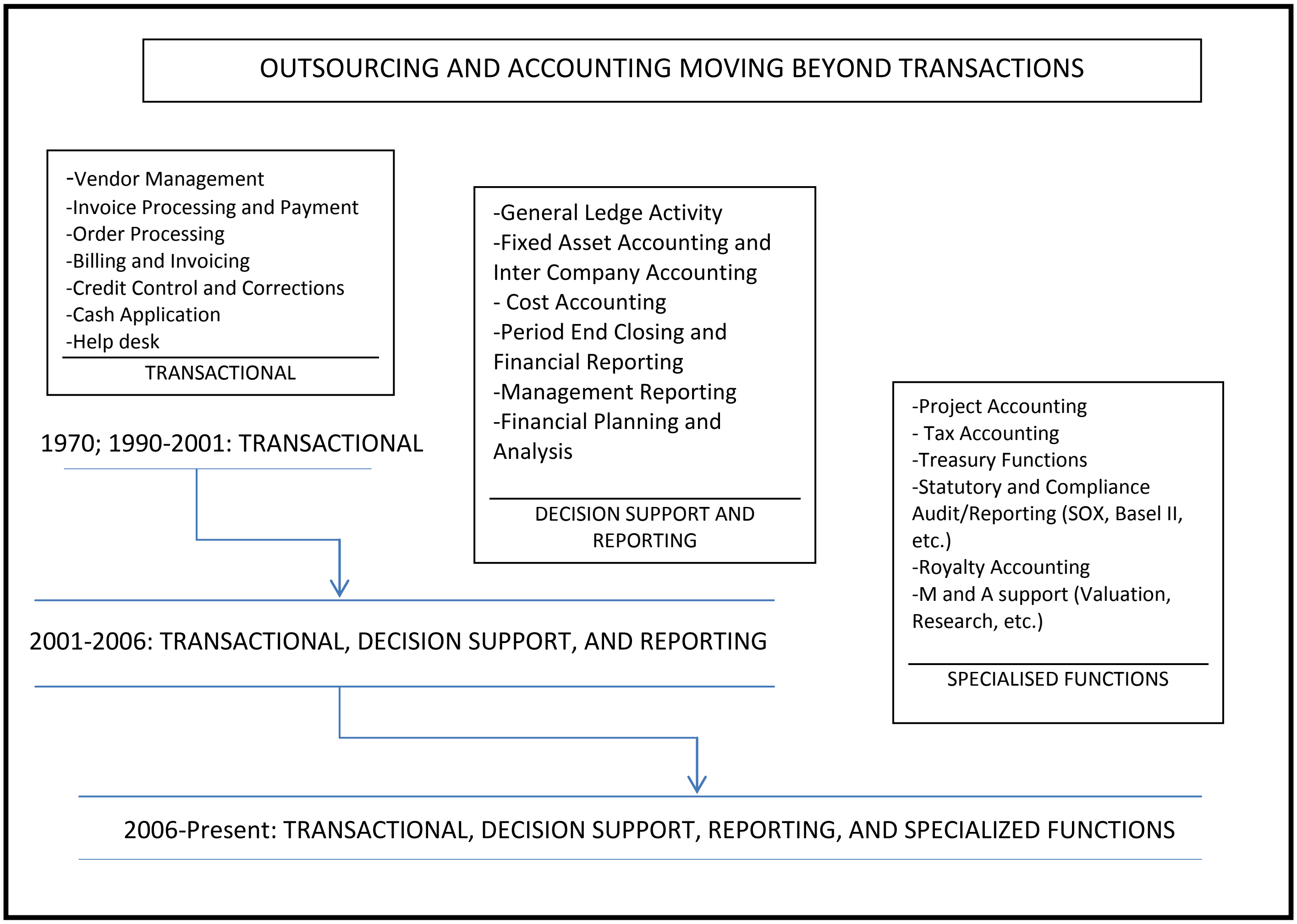

Figure1. Growing trend in outsourced accounting tasks

Data Reproduced from "Sarbanes-Oxley and the Outsourcing of Accounting"

(Cervantes, 2009)

The more accounting tasks that are enabled for outsourcing, the more U.S. accountants are laid off. Practitioners of accounting functions are not only accounting firms, but are also employed in a variety of industries. A propensity of accounting outsourcing is transmitted throughout the industries of telecoms, pharmaceutical, retail, transport and logistics, federal government, banking, among others (Cervantes, 2009). It is predicted that over 300,000 whitecollar jobs are moving overseas every year, accumulating in a net loss of over 3.4 million U.S. jobs by 2015 (Clark, 2011).

At this point, an ethical business manager would ask: What will happen to these laid-off employees? Employees are major stakeholders of a company. Almost every change in a company directly affects them. As businesses move overseas, a number of workers became unemployed. However, the ugly truth of outsourcing, confirmed by Levine's research about outsourcing effects on job losses, is this: "a key difference between domestic and offshore outsourcing is that none of the jobs that are contracted out remain available to U.S. workers when employers send the work to companies located overseas" (Levine, 2005). This means that workers who lose their jobs to outsourcing will more than likely end up with jobs that are outside of their skill sets. In order to look for a new job that pays well, they will have to somehow acquire new skills by going back to school or settle with a minimum wage, part-time jobs with little to no benefits at McDonald's or Wal-Mart. The Bureau of Labor Statistics found that, between 1979 and 1999, 31 percent of workers replaced by outsourcing could not find another full-time job, and only 36 percent of workers soon found jobs that matched or increased their wages.

Among those who survived the outsourcing lay-offs, 25 percent suffered pay cuts of 30 percent or more (Otterman, 2004). It should be noted that these statistics were collected during the years when outsourcing had just started and most of these displaced jobs were in the manufacturing industries. For more current numbers, the Economic Policy Institute recently reported that wages in industries where new jobs are being created are 21 percent lower than wages in industries where jobs are disappearing (the American Federation of Labor-Congress of Industrial Organizations, 2011). With the U.S. Dollar losing its power faster than ever before and food prices sky-rocketing every day, the fear of being laid-off is spreading rapidly all over America. Outsourcing may save businesses a lot of money and may help corporations produce products and services with substantially lower prices. Yet, it cannot be done without a high degree of pain and suffering for those who are caught on the wrong side of the profit equation (Otterman, 2011). Unfortunately, millions of American workers have been, and will continue to be, overlooked and sacrificed in the name of cost reduction.

Nevertheless, cost reduction is not everything outsourcing brings. Cervantes quoted Robert McGee, saying: "outsourcing tax returns brings up a series of ethical issues dealing with whether clients should be notified that work is not only being outsourced but offshore outsourced as well" (Cervantes, 2009). Cost reduction is the driving factor for many CEOs and economists. It plays a significant part in increasing the bottom-line profit. Unfortunately, other ethical values are often overlooked. Stakeholders of a business not only include investors, CEOs, and managers, but also customers and employees. In a study done by Brian Nicholson and Aini Aman, the authors wrote: "India has no such regulations and data protection and privacy is reliant on individual contractual controls negotiated between the client company and the Indian vendor" (Nicholson and Aman, 2008). This study shows that regulations from one country to another can be, and often are, significant. Doing business in a country that has minimal legal infrastructure to protect contractors is highly risky. Although there are ways to minimize these risks such as implementing a behavioral culture that upholds corporate values, enforcing output controls, as noted in the study of Nicholson and Aman with the case of Indian outsourcing centers, takes a long time to become fully effective. The risks of losing in lawsuits with the outsourcing partner or customers are also unavoidable.

A popular argument supporting outsourcing, from a macro-economic point of view, is that outsourcing helps increase total gross domestic products (GDP) for developing countries.

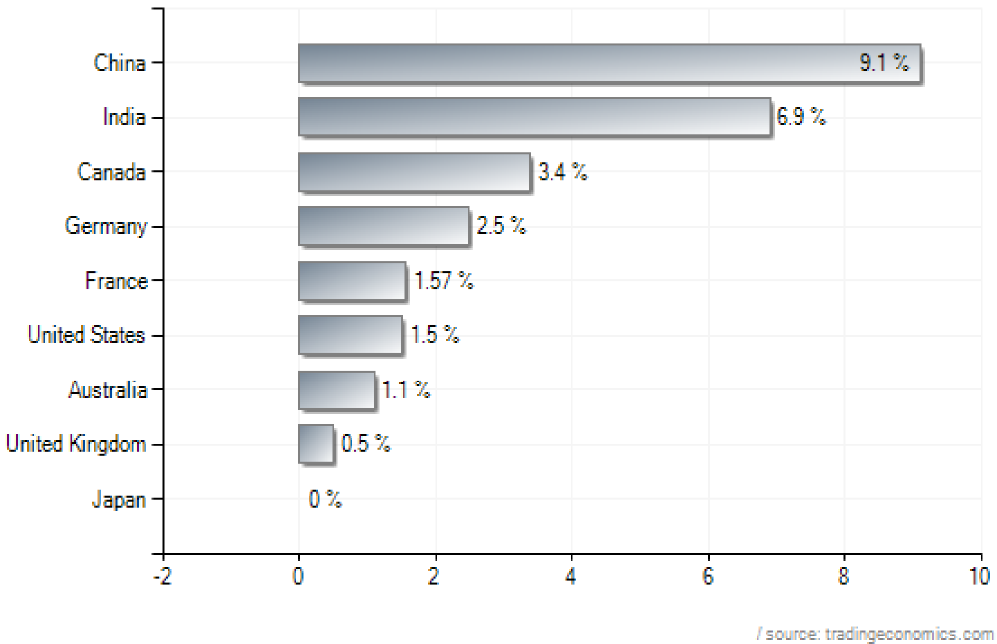

Figure 2. GDP Growth Rate Comparison in 2011 (Trading Economics, 2011)

This is a valid argument. Looking at **Figure 2**, it is clear that the GDP growth rates of both China and India, the two largest destinations for outsourcing, are leading the chart with 9.1 percent and 6.9 percent, respectively. However, the U.S. GDP growth rate is much lower with only 1.5 percent. In 1972, before the boom of outsourcing, India's GDP growth rate was -0.5 percent, China's was a little better with 3.8 percent, and the U.S had the highest growth rate of the three countries with 5.5 percent. Since outsourcing has become a common practice, the U.S has quickly fallen behind both China and India. Noticeably, the World Bank predicted that China's fast-growing economy is on its way to surpass the U.S. in 2050 to become the world's largest economy (Trading Economics, 2011). Meanwhile, the U.S is struggling with a $3.7 trillion budget deficit (National Priorities Project, 2011), a $43.1 billion trade deficit (U.S. Census

Bureau, 2011), and especially a steep downturn in cash deficit (percent of GDP) from -1.82 percent in 2006 to -10.5 percent in 2006 (World Development Indicator, 2011). Although outsourcing is not the only reason for the U.S.'s poor financial performance, there is no doubt that outsourcing is part of the cause for these deficits. One cannot help but question what American economists and, more importantly, governing authorities have to say about such detrimental numbers.

Currently, the U.S tax laws have many loopholes that "make it possible to pay lower taxes if you create a job in Bangalore, India, than if you create one in Buffalo, New York" (Semerdjian, 2009). President Obama has included several anti-offshoring efforts in his economic reform policies, such as H.R.3621, a bill that would require all employees at a call center who either initiate or receive telephone calls to disclose their physical location, and a bill (H.R. 427) that would prohibit a business from transferring personally identifiable information belonging to a U.S. citizen to another country without notifying the citizen (Semerdjian, 2009). Furthermore, an amendment to one of the financial rescue bills (H.R. 384), would prohibit entities, who were given bailout funds, from outsourcing new customer service or call center jobs to offshore companies (Semerdjian, 2009). Generally, these anti-outsourcing bills fall into three main categories: (1) requiring off-shore companies to disclose their location, (2) restricting transfers of confidential information, and (3) limiting government funds for companies who outsource (Semerdjian, 2009). On the state level, several legislators have proposed several bills to favor companies that do not outsource, such as state tax-cuts. Some states have even proposed bills that exclude the export of certain types of taxpayer-funded work, such as the processing of welfare checks (Otterman, 2004). However, it should be noted that the government cannot institute an outright ban on outsourcing – it can only slow the pace of outsourcing (Overby, 2010). Additionally, the author of this paper could not locate any bill or legislation that requires outsourcing companies to disclose to their customers that their delivered services, such as their 1040 forms, were prepared in China. While these bills are still proposals, the outsourcing trend continues to move upward; so do pro-outsourcing economists, corporate managers, and lobbyists, who are willing to spend large sums of money and time to keep the outsourcing doors open.

IV/ Conclusion and Limitations

Clearly outsourcing is an undeniably profitable strategy. It can also backfire and cost the outsourcing companies more than it saves due to legal disputes, breach of contracts, identity theft, and so on. Furthermore, company officials need to keep in mind that the decision to outsource affects more than just the immediate bottom line. It disturbs a larger number of employees, who are directly, and often negatively, impacted. There need to be programs to assist laid-off workers. Company leaders need to take proactive roles in helping their own employees find replacement jobs rather than waiting for the government to step in and help these workers.

Since the topic accounting outsourcing is relatively new and scarcely researched, the primary difficulty in conducting this research is not having enough readily available peer-reviewed sources. The closest alternative is professional journals such as the “Communications of the ACM”, “Fortune”, “Journal of Accountancy”, and the like. Due to the limited availability of scholarly reviews on the particular research of accounting outsourcing, this paper suggests a new research topic.

The research of financial outsourcing is catching-up to the growing acceptance of outsourcing, as mentioned by various scholars. It also fills a gap in the research about outsourcing in a timely manner while laying the groundwork for succeeding researchers to build upon. Like the recent financial crisis, outsourcing is posing a threat to the U.S economy. If outsourcing is not regulated properly and judiciously, including accounting outsourcing, it has the potential to put a large number of Americans out of work and to stretch the socioeconomic gap to the point of no return.

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