

Article

Accounting Outsourcing in Tourism SMEs and Financial Risk Mitigation

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Abstract: This paper aims to investigate the characteristics of outsourcing in accounting services for tourism SMEs as a choice to mitigate their financial risk. The research was carried out in summer 2022, during tourism recovery from the COVID-19 pandemic crisis, while the findings indicate that the majority of tourism SMEs choose to outsource their accounting services in order to reduce operating costs; to save their funds by exploiting a partner's information systems; to take advantage of a partner's accounting knowledge; to achieve greater flexibility in their core activities; and to speed up the processing of the accounting tasks in order to deal with any arising problems and/or difficulties. Furthermore, it is evident that in a constantly changing and complex tax system and a changing economic landscape, accounting outsourcing provides tourism SMEs with advantages such as already established processes, expertise, technology, consulting support, and pathways for dealing with the various accounting issues that may arise.

Keywords: outsourcing; accounting; accounting services; financial risk; tourism; SMEs; factor analysis

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1. Introduction

Coase (1937) was the first to develop the transaction cost concept, on the basis that the allocation of economic activity among enterprises and marketplaces is determined by transaction cost savings (Milgrom and Roberts 1992). In this direction, Lohtia et al. (1994) point out that firms use various hybrid governance mechanisms in multiple alternatives, from which an acceptable structure must be chosen that provides an econometric framework for transaction costs. The relevance of economic transaction cost to accounting management and outsourcing is evident in the study of Johnson and Kaplan (1987), who note that prior to the Industrial Revolution, most of an organization's transactions were outsourced. "Outsourcing is one of the most important management ideas and practices of the last 75 years" (Bromage 2000, p. 23). The term outsourcing is categorized into the following three different types by Shaw and Fairhurst (1997):

- It consists of a solid, long-term collaboration contract where the supplier (outsourcing partner) becomes an important strategic partner for the enterprise.
- It involves the assignment of tasks within a limited period, with little interest in the business strategy and does not require internal processing.
- It is the practice of assigning responsibility, knowledge, and management of outsourced tasks through contracts.

The decision to outsource is sometimes described as an overly simplistic binary decision between performing a task internally or hiring someone else to perform it. Langfield-Smith (1997) emphasizes the importance of taking a long-term view, considering

qualitative factors, and using Activity-Based Costing (ABC) to calculate costs. Barfield et al. (1998) present a list of the top ten reasons why companies choose to outsource services, along with case studies of companies that have successfully and unsuccessfully outsourced. Figure 1 below illustrates the top ten reasons for outsourcing as suggested by Barfield et al. (1998).

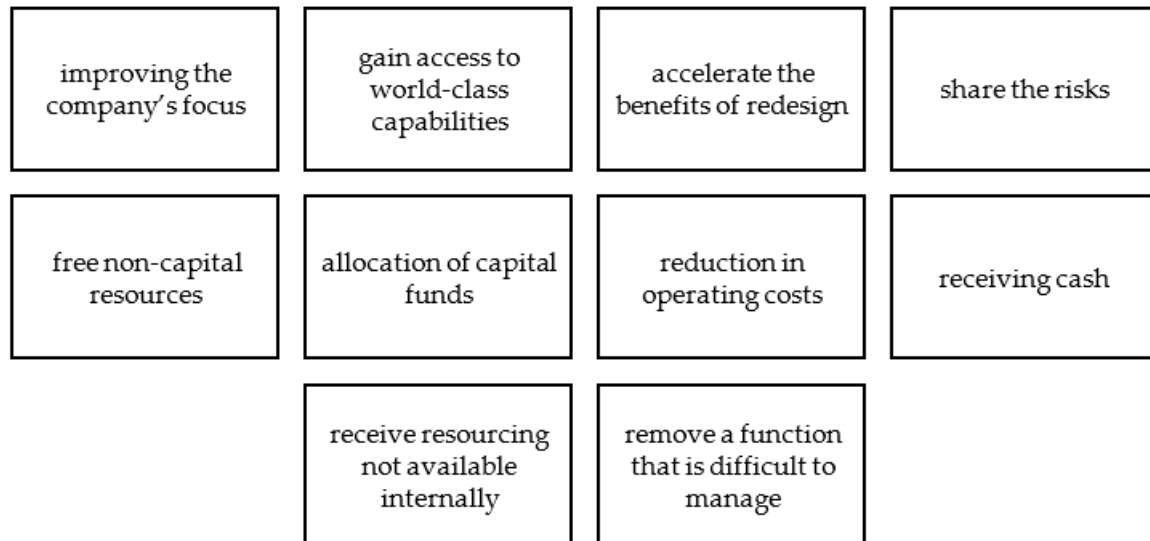


Figure 1. The top ten reasons for outsourcing (adopted from Barfield et al. 1998).

There is an open academic discussion about outsourcing in business. However, this concept can vary by service and/or sector and by company size. Accounting outsourcing by SMEs has been widely discussed. For example, Meliyio et al. (2013) investigated the determinants of accounting services outsourcing in SMEs in developing countries. Outsourcing has also become a common strategy in the tourism industry as managers seek to reduce operating costs in an antagonistic environment. It aims to “improve productivity, increase revenues, lower operating costs, and reduce risks” (Lam and Han 2005, p. 41).

However, most studies focus on specific operations (such as cleaning, reservation management, marketing services, or human resource management), often outsourced by hotels and airlines. The outsourcing of accounting services in the tourism sector is not highlighted, although it is a common approach to be outsourced regardless of the company size (Rogosic 2019). Some studies focus only on the hospitality sector and highlight that hotel quality, performance, and whether outsourcing decisions are made in the context of a long-term strategic agenda influence both the type of accounting involvement and the level of accounting sophistication in hotel outsourcing management (Laminmaki 2005).

The review of the existing literature in Section 2, which concerns the fields of accounting outsourcing in enterprises, as a strategy to optimize their performance, and outsourcing strategies observed in tourism SMEs, proves that there is a research gap in accounting outsourcing in tourism SMEs. Given the observed gap in the tourism literature, this paper aims to investigate the tourism SMEs’ decision to outsource their accounting services, emphasizing financial risk mitigation. Furthermore, the authors examined various factors in the context of accounting outsourcing that contribute to the organizational optimization of tourism SMEs’ profitability, their effective accounting facilitation, the complexity of the tax processes they deal with, and their structural accounting necessity, developed by the authors as their research questions. Therefore, Section 3, which presents the research methodology, underlines the significance of this study, which lies in the identification of the accounting outsourcing strategies in different types of tourism SMEs such as travel agencies, hotels, catering enterprises, and alternative tourism enterprises. From the collected data, descriptive and inductive statistics were used to draw useful conclusions

about the topic under investigation in Section 4. In particular, descriptive statistics present the sample responses in the main and individual research questions, factor analysis indicates the validity of the sample, and Chi-square tests were used to reveal that the legal form of the company and its geographical location influence its accounting strategy. Discussion (Section 5) and conclusions (Section 6) follow the data analysis and findings to highlight this paper's contribution to the academic discussion on accounting outsourcing in tourism SMEs.

2. Literature Review

2.1. Outsourcing in Accounting Services

Using the theories of transaction cost economics (TCE) and organizational information processing (OIPT), Ye et al. (2022) explore how governance mechanisms and service characteristics align to influence service performance. They find that supplier performance is positively impacted by both contract specificity and monitoring. Additionally, contract definition works better than monitoring for services with high job complexity; nevertheless, the inverse is true for services with high measurement ambiguity. Furthermore, monitoring controls the impact of contract specificity. When managing outsourced services, subcontractors should employ both contract specificity and monitoring, and they should understand that the former depends on the latter throughout performance. When faced with resource limitations, they might think of monitoring as the main governance mechanism for services whose outcomes are hard to assess, but they might emphasize thorough contracts over it for extremely complicated services. Ye et al. (2022) also investigate the nature of outsourced services, in the choice of governance mechanisms, and empirically test the concurrent effects of contract specialization and monitoring, in the context of outsourcing services. They perform this by combining the theories of transaction cost economics and organizational information processing.

In this direction, Tomašević et al. (2023) investigated the factors influencing accounting outsourcing using the transaction cost model, identifying the key factors that influence the decision-making process of SMEs towards accounting outsourcing, such as cost reduction and legal standards. In fact, they indicate that in emerging markets, accounting outsourcing plays a crucial role in optimizing resource use, which is also pointed out in Kamyabi and Devi (2011), who studied the accounting outsourcing of SMEs in emerging economies, from the perspective of transaction cost economics.

In the changing business environment, SMEs can enhance their performance and hold onto their competitive edge by outsourcing their accounting (Kipsang and Mwangi 2017). According to Husin and Ibrahim (2014), to enhance their performance, SMEs should speak with specialists in accounting procedures. Agburu et al. (2017) also found that outsourcing helps SMEs become more capable, which helps them cut expenses, become more adaptable to fast changes in the business environment, and successfully and efficiently manage risks associated with technological advancements.

It is possible that most, if not all, SMEs lack the knowledge and resources necessary to maintain compliance and efficiently track financial performance; therefore, the demand for outside accounting and finance specialists has surely grown over time. High-quality accounting services can be outsourced as a time- and money-efficient way to handle accounting tasks, freeing up internal resources for business use. This is corroborated by Sava (2013), who noted that by contracting with outside service providers to handle accounting tasks, staff members and managers might have more time to concentrate on other duties and troubleshoot issues, leading to increased productivity and enhanced business performance. Rezazade et al. (2023) postulate that there is a relationship between accounting outsourcing and financial performance, since their empirical analysis in SMEs indicated that the outsourcing of tax services was related to a better financial performance of SMEs, when it comes to cost efficiency and profitability, based on the perspectives of the managers and employees who participated in the research.

Furthermore, outsourcing accounting services eliminates the need for significant investments in internal accounting department infrastructure, hardware, software, and people resources. For SMEs who lack the necessary tools and resources, this is a workable solution. Additionally, SMEs may be able to use the money they save for other value-added projects where resources can be employed more effectively if their investment requirements are lowered (Mikko and Juntunen 2018). This tactical decision may improve the financial performance of SMEs by increasing profit margins while requiring less capital. Consequently, this improves SMEs’ financial performance.

In the modern world of ever-evolving technology, the commercial market is also ever-changing. SMEs can profit from modern technology through the methodical outsourcing of accounting services (Agburu et al. 2017). This gives businesses access to accounting software with excellent performance. For a business to function well and experience continuous growth, it must be able to adapt quickly to changes in the market and technological advancements. Additionally, Eichfelder and Schorn (2012) assert that outsourcing may be used in situations where a company’s internal production is low and/or its tax returns are highly complex. In fact, according to Masato (2009), a very complicated regulatory framework and the enforcement of the tax regime make tax compliance difficult, which influences the growth of small and medium-sized businesses. These businesses are frequently enticed to convert to forms that offer a lower tax burden or no tax burden at all. The stages of effective outsourcing are outlined by Cook (1999) in Figure 2 below.

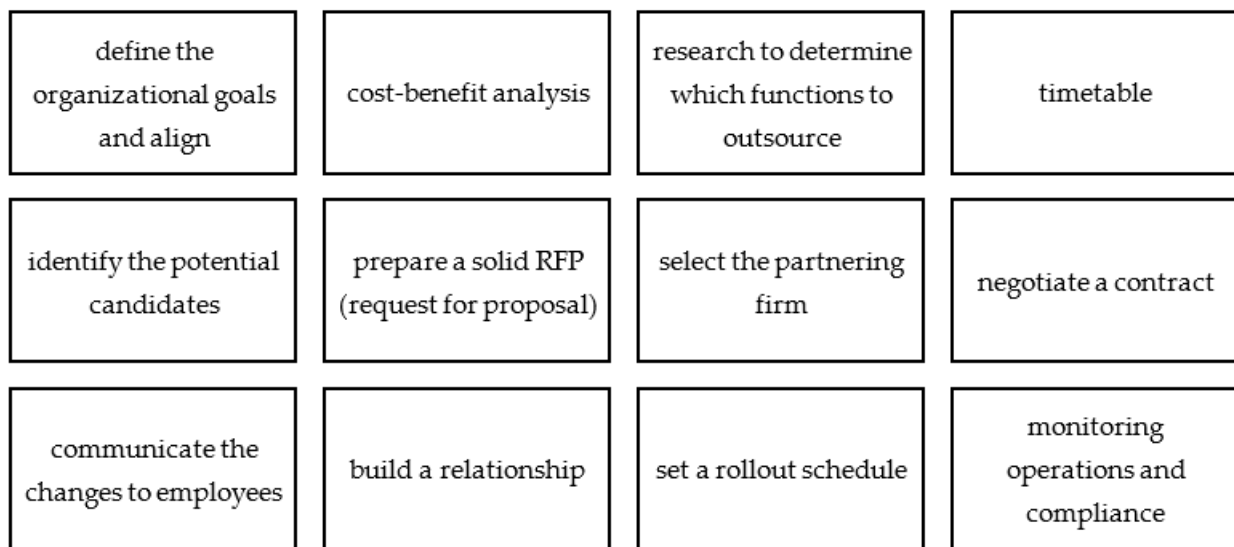


Figure 2. The stages of effective outsourcing (adopted from Cook 1999).

More specifically, the first step, according to Cook (1999), for the effective outsourcing of any work should be to clearly define the short- and long-term goals and objectives and align the outsourcing with the interests of the company. Once the decision to outsource has been taken, the next step is to analyze the costs and the benefits to be gained. Extensive research should then be carried out on the choice of outsourcing functions and anticipating the potential problems that may arise. At the conclusion of the process, it is important to establish a timetable for each stage of the project. After identifying and selecting the partnering firm, the firm should identify the most suitable employee to undertake the negotiations. This person should be familiar with the way the company operates and all its processes. As the planning process is initiated, employees will be informed that the company is looking for partners, to ensure the smooth running of all parties involved. At the beginning of the negotiations, the company should ask the future potential partner to designate a representative where he/she can be contacted directly. In reaching the final

decision, it is very important to define the roles and responsibilities of the partner, being precise and clear from the beginning, to avoid misunderstandings and to achieve the initial objectives. Finally, monitoring the operations is the key to success, and making sure that everyone complies with the rules of the agreement. However, the way of monitoring should be defined from the beginning along with the standards and the desired results.

The growth of outsourcing is rapid and proves that there are great benefits to the companies from its implementation. Every business has its own needs and requirements. However, it is worth noting that the most basic advantages of implementing outsourcing are the following (Edvardsson et al. 2020; Somjai 2017):

- Eliminate internal problems and misunderstandings.
- Converting fixed costs into variable costs.
- Improving quality.
- Access to skilled human resources.
- Access to advanced technology and expertise.
- Saving money.
- Personalized and customized service.
- Focus on key activities.

The basic risk in outsourcing is the use of inappropriate methodology. Some of the disadvantages of outsourcing are the following (Somjai 2017):

- Lack of control.
- Conflict of interest.
- Uncertainty—uncertain environment.
- Inappropriate choice of partner.
- Increased bargaining power of the supplier.
- Difficulty in measuring a partner's performance.

Notwithstanding, a recent study by Hamza et al. (2021) points out that when it comes to management accounting, outsourcing may have significant implications related to decision-making processes, capital budgeting, and other managerial issues such as cultural diversity, which are frequently met in the hotel sector.

2.2. *Tourism Enterprises and Outsourcing*

Paiva et al. (2016) point out that there is a need for additional research in management accounting, such as leasing, benchmarking, and outsourcing, in the hospitality industry, noting that the main areas of related studies focus on management accounting and financial accounting. However, a more recent systematic review highlights that benchmarking is one of the eight most-used practices in hospitality management accounting, while a gap remains in the hotel accounting outsourcing literature (Campos et al. 2022). Additionally, other recent studies suggest four main pillars to investigate during the decision-making process for accounting outsourcing in the context of hotel management (Hamza et al. 2021; Ismael et al. 2021):

- Competition (positive relation between competition intensity and advanced accounting processes/sophisticated accounting systems).
- Size (positive relation between the size of the company and the decision-making process to outsource accounting activities).
- Quality level of hotel (positive relation between high-star rating hotels, sophisticated systems, and accounting outsourcing partner control).
- Professional qualification (positive relation between internal accounting professionalism and the decision-making process to outsource such activities).

At this point, it is worth mentioning that Leeman and Reynolds (2012), in their research findings on outsourcing in the hospitality industry, indicate that communication and trust are very significant for efficient cooperation between the tourism enterprise and the outsourcing partner.

Further to the above, it is worth noting that in the general management literature, as well as in the literature on hotel management, it was observed that a key issue of the outsourcing strategy relates to whether an activity is considered essential to a business. Hottman and Adams (1996) point out that functions outside of the company's core competencies or areas of expertise should be considered for outsourcing. More precisely, Guerrier and Lockwood (1989) emphasize the significance of fundamental hotel operations and think that outsourcing helps assist with ancillary or non-core company operations. Consequently, a tourist company's non-core operations can be contracted out to businesses with the personnel, expertise, resources, and management experience needed to carry out these tasks more effectively. Hemmington and King (2000) highlight the dangers of outsourcing key hotel operations, stressing that, "While many hotel companies have experienced success with the outsourcing of support services such as security, maintenance, laundry, and baking; the delivery of the core dimension of the hotel product in association with a partner is likely to be more complex and potentially threatening to the hotel's image and brand" (p. 256).

While most scholars maintain that outsourcing ought to be restricted to non-core tasks (Guerrier and Lockwood 1989; Hottman and Adams 1996), the definition of 'core' is debatable. A tourism business activity should not be outsourced, according to Johns and Lee-Ross (1996), if it satisfies one or more of the illustrated in Figure 3.

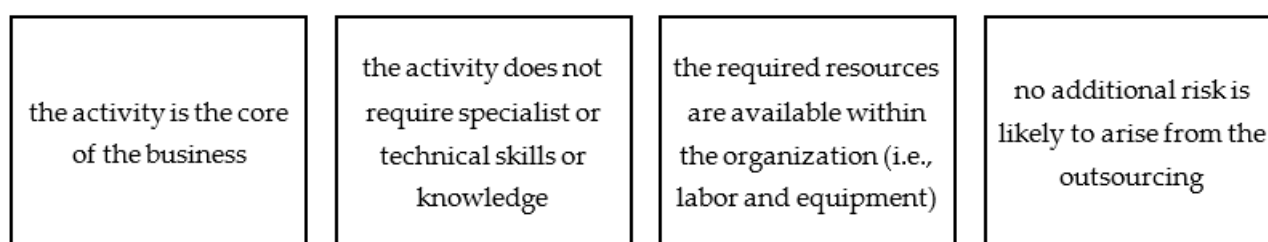


Figure 3. Requirements for not outsourcing a tourism business activity (adopted from Johns and Lee-Ross 1996).

From the above criteria, two may be connected to the transaction cost economy model, while specialized knowledge or skills are related to the specificity of the asset and the criterion of risk can be linked to the uncertainty theory of transaction cost economics (Lohtia et al. 1994). The three most important aspects to be evaluated in the outsourcing decision are the integrity, independence, and accessibility of the sub-contractor, as believed by Lamminmaki (2011). Although the expertise and experience of a sub-contractor are of high importance, the service is certainly compromised if these three criteria are not met. Lamminmaki (2005) asserts that transaction cost economics (TCE) prescription is supported in the case of large hotels with high asset specificity, which prefer insourcing rather than outsourcing core activities. In this direction, Espino-Rodríguez and Ramírez-Fierro (2017) indicated that competitive advantage and activity performance appear stronger when the activity is developed internally than when it is outsourced.

Outsourcing in the hospitality industry is usually applied to cleaning services, food and beverage maintenance, management (administration, training, staff selection), accounting services, sales activities, advertising and promotion, information systems, leisure activities, and security (Espino-Rodríguez and Padrón-Robaina 2004; Barrows and Giannakopoulos 2006). There is indeed a diverse range of outsourcing practices within the tourism and travel industry, demonstrating how companies leverage external expertise to enhance efficiency and focus on their core competencies (Audley 2023). Notwithstanding, interesting research of Norman et al. (2014) postulates that related activities with human resource outsourcing (HRO) technology in hospitality may bring negative results, such as higher voluntary turnover of good employees.

Despite the long academic discussion on accounting outsourcing in SMEs, which often includes a financial risk mitigation approach, the tourism sector is not highlighted as it should be within several studies in this context, whether it concerns transaction cost economics perspective or not. There is indeed research on tourism SMEs and outsourcing or on tourism SMEs and risk management, but accounting outsourcing constitutes a dimension missing from the relevant literature. Therefore, focusing on financial risk mitigation through accounting outsourcing in tourism SMEs, the authors have built four research statements derived from the above literature review, which will cover the identified research gap and illustrate the context of accounting outsourcing in tourism SMEs and financial risk mitigation, as follows:

1. Accounting outsourcing may contribute to building the organizational optimization of profitability (Rogosic 2019; Tomašević et al. 2023).
2. Accounting outsourcing may contribute to achieving the effective accounting facility (Cahyaningtyas and Ningtyas 2020).
3. Accounting outsourcing may contribute to mitigating the complexity of tax processes (Höglund and Sundvik 2015; Rezazade et al. 2023).
4. Accounting outsourcing may contribute to determining the structural accounting necessity (Tomašević et al. 2023).

The degree of agreement with these statements will be investigated through a questionnaire as described in the respective section below (see Table 1). More specifically, the following section develops the authors’ approach on the research methodology as well as the tool (questionnaire) used.

Table 1. Structuring the questionnaire.

Question Number	Question Content	Derived from Previous Research of
<i>Section A: General Data of the Participating Tourism Enterprises, including questions related to the type of the enterprise, its legal form, the number of employees, the form of accounting processing, the time period of outsourcing in accounting services, the geographic location of the enterprise and the first year of its operation as well.</i>		
<i>Section B: Organizational Optimization of Profitability—Perceptions of the Participants</i>		
Q1	To what extent do you think that tourism enterprises choose accounting outsourcing to focus on their core activities?	(Barfield et al. 1998)
Q2	To what extent do you think that accounting outsourcing contributes to operational cost reduction?	(Tomašević et al. 2023; Agburu et al. 2017; Shaw and Fairhurst 1997)
Q3	To what extent do you think that tourism enterprises choose accounting outsourcing to exploit partner’s information systems?	(Hamza et al. 2021; Ismael et al. 2021; Agburu et al. 2017)
Q4	To what extent do you think that tourism enterprises choose accounting outsourcing to save capital funds?	(Tomašević et al. 2023; Hamza et al. 2021; Mikko and Juntunen 2018)
Q5	To what extent do you think that accounting outsourcing contributes to the investment in another main operation?	(Mikko and Juntunen 2018)
Q6	To what extent do you think that tourism enterprises choose accounting outsourcing to exploit their partner’s knowledge?	(Edvardsson et al. 2020; Somjai 2017)
<i>Section C: Effective Accounting Facility—Perceptions of the Participants</i>		
Q7	To what extent do you think that time saving affects the choice of accounting outsourcing?	(Sava 2013)
Q8	To what extent do you think that tourism enterprises choose accounting outsourcing to achieve greater flexibility?	(Kipsang and Mwangi 2017)

Q9	To what extent do you think that tourism enterprises trust the advice of their accounting outsourcing partner?	(Husin and Ibrahim 2014)
Q10	To what extent do you think that the speed of processing accounting tasks affects the choice of accounting outsourcing?	(Ye et al. 2022)
Q11	To what extent do you think that tourism enterprises choose accounting outsourcing to deal with challenges?	(Agburu et al. 2017; Sava 2013)
<i>Section D: Complexity of Tax Processes – Perceptions of the participants</i>		
Q12	To what extent do you think that the continuously changing Greek tax system affects the choice of accounting outsourcing?	(Rezazade et al. 2023; Eichfelder and Schorn 2012; Masato 2009)
Q13	To what extent do you think that the volume of accounting tasks affects the choice of accounting outsourcing?	(Shaw and Fairhurst 1997)
<i>Section E: Structural Accounting Necessity – Perceptions of the Participants</i>		
Q14	To what extent do you think that tourism enterprises choose accounting outsourcing to exploit their partner's established accounting processes?	(Hamza et al. 2021; Ismael et al. 2021; Cook 1999)
Q15	To what extent do you think that the lack of experience in accounting affects the choice of accounting outsourcing?	(Hamza et al. 2021; Ismael et al. 2021; Edvardsson et al. 2020; Somjai 2017)
Q16	To what extent do you think that the size of the enterprise affects the choice of accounting outsourcing?	(Hamza et al. 2021; Ismael et al. 2021; Somjai 2017)

3. Research Methodology

The purpose of this research was to investigate the perceptions and practices of tourism SMEs regarding the outsourcing of accounting services. This study empirically investigated a conceptual model framing why and when the tourism SMEs choose to outsource their accounting services. The authors employed an online survey, using a structured questionnaire that was built using closed-type questions and Likert scale questions on individual perceptions regarding accounting outsourcing. Likert scale is normally a five-, seven-, or nine-point scale used to quantify respondents' concurrence with various statements (Burns and Bush 2008). For this survey, a five-point scale was used, while for the construction of the questionnaire, a variety of elements derived from previous relevant research were used to determine the survey questions, following the structure methodology proposed by Poulaki and Nikas (2021). Thus, the questionnaire was divided into five sections.

The first section is referred to as general data (main features) of the participating tourism enterprises. The second section of the questionnaire includes Likert scale questions on the perceptions of the participants regarding the organizational optimization of profitability through accounting outsourcing (statement 1). The perceptions of tourism enterprises on the contribution of outsourcing to effective accounting are discussed in the third section (statement 2), while the fourth section investigates the perceived connection between the complexity of tax processes and accounting outsourcing (statement 3). Finally, the fifth section completes the questionnaire of the survey with the perceptions of the participants on outsourcing and structural accounting necessity (statement 4). More specifically, within the sections of the questionnaire, respective questions are found, as follows.

The researchers used a form of a non-probability sampling method, relying on their own judgment when choosing the participants for cases where the population, from which the sample is taken, consists of different types of units. More specifically, the researchers followed the method of purposive sampling, also known as judgmental, selective, or subjective sampling (Reddy and Ramasamy 2017), since their purpose was to cover several types of enterprises from several geographic locations in a short period of time. The research was carried out from 1 June to 31 August 2022. The authors obtained the consent of the participants to analyze, elaborate, and publish the collected data, while the

questionnaire was anonymous. The final sample of 105 tourism enterprises offered data that have been analyzed (descriptive statistics for statements and Chi-square tests for features) in the SPSS statistical package version 28. The questionnaire’s validity and reliability were tested using the internal consistency method of Cronbach’s alpha to measure the degree to which all items in the questionnaire are related. Cronbach’s alpha value of 0.765 (see Appendix A) shows an acceptable to good reliability (George and Mallery 2003). Further to the above, the authors performed an exploratory factor analysis (EFA) to reveal latent variables and dimensions that explain the relationships between observed variables (Field 2017).

4. Data Analysis and Findings

4.1. Descriptive Statistics for Section A “General Data of the Participating Tourism Enterprises”

		Type of Enterprise		
		Frequency	Percent	Cumulative Percent
Valid	Travel agency	23	21.9	21.9
	Hotel	28	26.7	48.6
	Catering enterprise	33	31.4	80.0
	Alternative tourism enterprise	21	20.0	100.0
	Total	105	100.0	

		Number of Employees		
		Frequency	Percent	Cumulative Percent
Valid	<5	12	11.4	11.4
	6–10	31	29.5	41.0
	11–20	44	41.9	82.9
	>21	18	17.1	100.0
	Total	105	100.0	

		Legal form of Enterprise		
		Frequency	Percent	Cumulative Percent
Valid	Sole proprietorship	34	32.4	32.4
	Société Anonyme (SA)	19	18.1	50.5
	Limited liability company (LLC)	18	17.1	67.6
	Private company	13	12.4	80.0
	General partnership	17	16.2	96.2
	Limited (LTD)	4	3.8	100.0
	Total	105	100.0	

		1st year of Operation		
		Frequency	Percent	Cumulative Percent
Valid	<1990	12	11.4	11.4
	1991–2000	23	21.9	33.3
	2001–2010	15	14.3	47.6
	2011–2020	48	45.7	93.3
	>2021	7	6.7	100.0
	Total	105	100.0	

		Geographic Location		
		Frequency	Percent	Cumulative Percent
Valid	Peloponnese	17	16.2	16.2
	Central Greece	6	5.7	21.9
	Epirus	10	9.5	31.4
	Thessaly	12	11.4	42.9
	Macedonia	5	4.8	47.6
	Thrace	10	9.5	57.1
	Aegean Islands	10	9.5	66.7
	Ionian Islands	21	20.0	86.7
	Crete	14	13.3	100.0
	Total	105	100.0	

		Accounting Department or Outsourcing		
		Frequency	Percent	Cumulative Percent
Valid	Department	51	48.6	48.6
	Outsourcing	54	51.4	100.0
	Total	105	100.0	

		Years of Accounting Outsourcing		
		Frequency	Percent	Cumulative Percent
Valid	1	0	0.0	0.0
	2–4	29	53.7	53.7
	5+	25	46.3	100.0
Total		54	100.0	

The above output indicates that the sample of tourism SMEs consists of 22% travel agencies, 27% hotels, 31% catering enterprises, and 20% several alternative tourism enterprises. Regarding the number of employees in the above-mentioned enterprises, 42% employ 11 to 20 employees, while 30% employ 6 to 10 employees. Furthermore, 17% of the participating enterprises employ more than 20 employees, while fewer than 5 employees are found only in 11% of the sample. When it comes to the legal form of the business, 32.4% operate as a sole proprietorship, 18.1% operate as Société Anonyme (SA), 17% state they are a limited liability company (LLC), 12.4% operate as a private company, 16.2% as a general partnership, while only 3.8% operate as Limited (LTD). Most of the enterprises declare their first year of operation between 2011 and 2020 while participating enterprises are found in all regions of Greek territory. Evidently, there is a slight percentage difference when it comes to the accounting services. Participating enterprises seem to prefer outsourcing with a percentage of 51.4%. Nonetheless, a percentage of 48.6% declare that they have their own accounting department to manage their financial issues. More specifically, it is observed that 41.5% declared accounting outsourcing during the last year, while 31.8% outsourced the accounting services between 2 and 4 years. The remaining 26.7% of the participating enterprises cooperate with accounting outsourcing partnering firms for a period exceeding 5 years.

4.2. Descriptive Statistics for Section B “Tourism SMEs Perceptions on Accounting Outsourcing & Organizational Optimization of Profitability” (Q1–Q6).

	Frequency						Percent						Cumulative Percent					
	Q1	Q2	Q3	Q4	Q5	Q6	Q1	Q2	Q3	Q4	Q5	Q6	Q1	Q2	Q3	Q4	Q5	Q6
Not at all	0	1	0	0	0	0	0	1.0	0	0	0	0	0	1.0	0	0	0	0
Slightly	2	8	4	7	2	6	1.9	7.6	3.8	6.7	1.9	5.7	1.9	8.6	3.8	6.7	1.9	5.7
Moderately	13	21	25	16	8	23	12.4	20.0	23.8	15.2	7.6	21.9	14.3	28.6	27.6	21.9	9.5	27.6
Highly	57	29	44	62	57	41	54.3	27.6	41.9	59.0	54.3	39.0	68.6	56.2	69.5	81.0	63.8	66.7
Extremely	33	46	32	20	38	35	31.4	43.8	30.5	19.0	36.2	33.3	100	100	100	100	100	100
Total	105	105	105	105	105	105	100	100	100	100	100	100	100	100	100	100	100	100

Tourism SMEs highly perceive that the organizational optimization of profitability may be achieved through outsourcing in accounting services. As shown in the above output, the majority of the sample thinks that enterprises outsource their accounting services to focus on their core activities. More specifically, 54.3% support this statement to a high degree, while 31.4% of the participating tourism SMEs extremely agree with it. Furthermore, cost reduction is extremely accepted as a benefit of accounting outsourcing by 43.8% of the enterprises, while 27.3% highly support this statement. When it comes to the partner’s resources, it seems that 41.9% of the participating tourism SMEs highly acknowledge the advantage of information systems’ exploitation, while 30.5% extremely agree with it. This way, tourism SMEs are able to save capital funds (59% highly support this statement) to be able to invest in another main operation/core activity (36.2% extremely and 54.3% highly perceive it). Undoubtedly, most tourism SMEs (33.3% extremely and 39% highly) perceive that they choose outsourcing to exploit their partner’s knowledge in accounting.

4.3. Descriptive Statistics for Section C “Tourism SMEs Perception on Accounting Outsourcing & Effective Accounting Facility (Q7–Q13).

	Frequency					Percent					Cumulative Percent				
	Q7	Q8	Q9	Q10	Q11	Q7	Q8	Q9	Q10	Q11	Q7	Q8	Q9	Q10	Q11
Not at all	0	5	3	0	0	0	4.8	2.9	0	0	0	4.8	2.9	0	0
Slightly	3	1	1	8	3	2.9	1	1	7.6	2.9	2.9	5.7	3.8	7.6	2.9
Moderately	7	19	37	24	24	6.7	18.1	35.2	22.9	22.9	9.5	23.8	39	30.5	25.7
Highly	35	29	41	44	54	33.3	27.6	39	41.9	51.4	42.9	51.4	78.1	72.4	77.1
Extremely	60	51	23	29	24	57.1	48.6	21.9	27.6	22.9	100	100	100	100	100
Total	105	105	105	105	105	100	100	100	100	100	100	100	100	100	100

Regarding the effective accounting facility, participating tourism SMEs, in their majority, perceive that accounting outsourcing positively contributes to the related processes, as indicated in the above output. Specifically, more than 90% (cumulatively) think that enterprises choose to outsource their accounting services to save time. To a moderate extent, 18.1% of the participants perceive achieving greater flexibility, while 48.6% extremely agree with this statement. Furthermore, effective accounting flexibility is related to the trust SMEs show to their accounting outsourcing partners and their advice. It seems that to a moderate to high extent, the majority of the participating tourism SMEs indeed trust their partners. Not surprisingly, choosing accounting outsourcing is highly related to dealing with challenges (and risks) as well as to the speed of processing accounting tasks that SMEs wish to achieve. Both parameters score a cumulative (highly and extremely) percentage of 70% or more.

4.4. Descriptive Statistics for Section D “Tourism SMEs Perceptions on Accounting Outsourcing, Complexity of Tax Processes & Structural Accounting Necessity (Q12–Q16).

	Frequency					Percent					Cumulative Percent				
	Q12	Q13	Q14	Q15	Q16	Q12	Q13	Q14	Q15	Q16	Q12	Q13	Q14	Q15	Q16
Not at all	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Slightly	1	6	5	2	0	1	5.7	4.8	1.9	0	1	5.7	4.8	1.9	0
Moderately	3	24	14	18	25	2.9	22.9	13.3	17.1	23.8	3.8	28.6	18.1	19	23.8
Highly	49	34	47	54	47	46.7	32.4	44.8	51.4	44.8	50.5	61	62.9	70.5	68.6
Extremely	52	41	39	31	33	49.5	39	37.1	29.5	31.4	100	100	100	100	100
Total	105	105	105	105	105	100	100	100	100	100					

The above output presents tourism SMEs’ perceptions on accounting outsourcing about the complexity of tax processes and structural accounting necessity. Evidently, most of the participating SMEs highly (46.7%) or extremely (49.5%) perceive that the constantly changing tax system in Greece contributes to the strengthening of outsourcing in accounting services. Additionally, the volume of accounting tasks leads enterprises to act in this way, to a moderate extent (22.9%), high (32.4%), or even extreme (39%). Moreover, outsourcing in accounting services appears particularly useful for structural accounting necessity in tourism SMEs. In fact, many tourism SMEs choose to outsource their accounting services in order to take advantage of the external partner’s already established procedures (almost 82% cumulatively). Consequently, lack of experience in accounting is a driver towards accounting outsourcing as it is highly perceived by 51.4% of the participating tourism SMEs, while 29.5% extremely agree with this statement. Finally, the size of the enterprise affects the choice of accounting outsourcing with the sample to highly accept it.

* Note: In the descriptive statistics tables “Valid Percent” column is hidden due to exact similarity with “Percent” column data.

4.5. Factor Analysis (EFA)

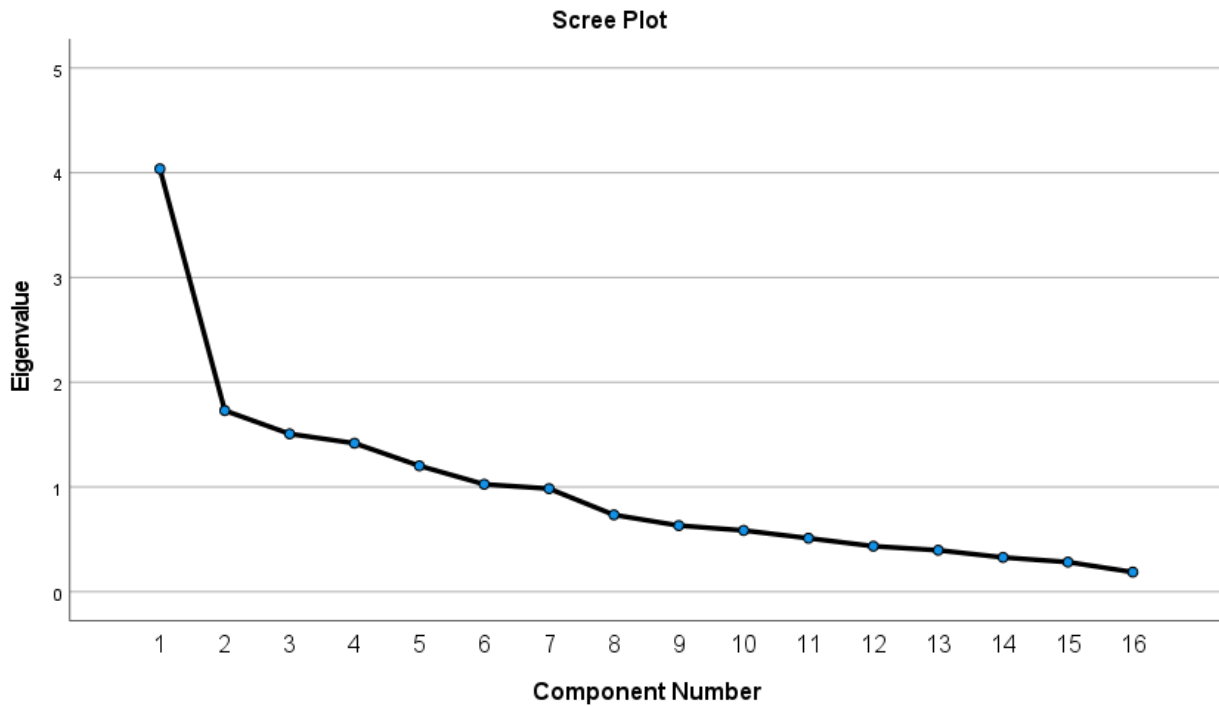
An exploratory factor analysis was performed by the authors, to further validate the dataset of the primary research (Costello and Osborne 2005). Based on KMO and Bartlett’s test, the data are suitable for factor analysis, since the value is above 0.6 (see Appendix B). The analysis indicates six factors with eigenvalues greater than 1, which are considered significant under Kaiser’s criterion. In fact, 68% of the total variance is explained by all the extracted factors in the dataset, which is more than acceptable for our sample.

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.038	25.237	25.237	4.038	25.237	25.237	2.201	13.757	13.757
2	1.730	10.814	36.051	1.730	10.814	36.051	2.192	13.697	27.455
3	1.507	9.421	45.472	1.507	9.421	45.472	1.767	11.044	38.498
4	1.418	8.864	54.336	1.418	8.864	54.336	1.720	10.750	49.248
5	1.203	7.516	61.852	1.203	7.516	61.852	1.631	10.195	59.444
6	1.026	6.413	68.265	1.026	6.413	68.265	1.411	8.821	68.265
7	0.985	6.154	74.419						
8	0.734	4.589	79.007						
9	0.632	3.950	82.958						

10	0.586	3.659	86.617
11	0.511	3.194	89.812
12	0.435	2.719	92.530
13	0.396	2.478	95.008
14	0.328	2.049	97.057
15	0.283	1.771	98.828
16	0.187	1.172	100.000

Extraction Method: Principal Component Analysis.

Communalities (see Appendix B) show how well the variables are represented by the factors (all values are greater than 0.4, suggesting that the variables are well represented by the factors), while a scree plot justifies the number of the retained factors. Finally, a rotated component matrix shows how variables relate to each one of the factors. Six latent variables (components) are related with the observed variables to a moderate to high degree, indicating the underlying structure and the patterns of correlations among the observed variables.



A rotated component matrix clarifies the relationship between observed variables and extracted factors. Low loadings (below 0.3) were excluded from the matrix by default by setting the respective threshold.

Rotated Component Matrix ^a

	Component					
	1	2	3	4	5	6
To what extent do you think that tourism enterprises choose accounting outsourcing to exploit partner's information systems?	0.763					

To what extent do you think that tourism enterprises choose accounting outsourcing to deal with challenges?	0.717		0.315	
To what extent do you think that the continuously changing Greek tax system affects the choice of accounting outsourcing?	0.588			
To what extent do you think that the speed of processing accounting tasks affects the choice of accounting outsourcing?	0.546	0.484		0.358
To what extent do you think that tourism enterprises trust the advice of their accounting outsourcing partner?		0.844		
To what extent do you think that the size of the enterprise affects the choice of accounting outsourcing?		0.741		
To what extent do you think that the volume of accounting tasks affects the choice of accounting outsourcing?		0.591		0.335
To what extent do you think that tourism enterprises choose accounting outsourcing to save capital funds?			0.840	
To what extent do you think that accounting outsourcing contributes to the investment in another main operation?		0.323	0.602	0.306
To what extent do you think that tourism enterprises choose accounting outsourcing to exploit their partner’s knowledge?	0.360	0.401	0.589	
To what extent do you think that the lack of experience in accounting affects the choice of accounting outsourcing?				0.832
To what extent do you think that tourism enterprises choose accounting outsourcing to exploit their partner’s established accounting processes?				0.692
To what extent do you think that accounting outsourcing contributes to operational cost reduction?				0.839

To what extent do you think that time saving affects the choice of accounting outsourcing?	0.407	0.535	0.421
To what extent do you think that tourism enterprises choose accounting outsourcing to focus on their core activities?			0.885
To what extent do you think that tourism enterprises choose accounting outsourcing to achieve greater flexibility?	-0.327	0.412	0.420

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 15 iterations.

The vast majority of the correlations present positive moderate to high loadings (0.4–1, significant associations between the observed and latent variables), while the grouping indicates that a possible reallocation of the questions under the four sections of the questionnaire.

Notwithstanding, based on the variable correlation grouping and loadings, the latent variables are named as follows:

- Component 1: performance optimization;
- Component 2: organizational optimization;
- Component 3: financial risk mitigation;
- Component 4: experience exploitation;
- Component 5: operational cost reduction;
- Component 6: effective accounting facility.

At this point, it is worth mentioning that cross-loadings were not excluded, but they were assessed according to their loading degree and the theoretical construct of the factor. Notwithstanding, factor analysis indicates the validity of the sample (further to Cronbach’s alpha result) and highlights six latent variables that appear in line with the main research questions, while their correlations (and grouping) with the individual questions selected by the researchers illustrate the factors affecting accounting outsourcing strategies.

4.6. Correlations (Chi-Square Tests)

Further to the above analyses, the authors performed Chi-square tests to investigate whether tourism SMEs outsource their accounting services based on their main features. Therefore, the variables “type of enterprise”, “legal form of the enterprise”, “number of employees”, “geographic location”, and “1st year of operation” were tested, each one in relation to the “accounting department or outsourcing” variable:

- **H₀:** There is no correlation between the variable pair;
- **H₁:** There is correlation between the variable pair.

Chi-square tests indicated the following:

- The legal form of the enterprise affects the decision in choosing to outsource the accounting services or not (Pearson Chi-square $\chi^2 = 0.002$, H_0 rejected). More specifically, Société Anonymes (SAs) and limited liability companies (LLCs) perform their accounting operations internally, while sole proprietorships choose to outsource their accounting services.

Chi-Square Tests for “Legal Form of Enterprise” and “Accounting Department or Outsourcing”

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	19.365 ^a	5	0.002
Likelihood Ratio	20.248	5	0.001
Linear-by-Linear Association	0.653	1	0.419
N of Valid Cases	105		

a. 0 cells (.0%) have expected count less than 5.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	0.429	0.002
	Cramer’s V	0.429	0.002
N of Valid Cases		105	

- The geographic location seems to affect the accounting outsourcing choice (Pearson Chi-square $\chi^2 = 0.034$, H_0 rejected), since tourism SMEs located in regional areas (Central Greece, Epirus, and Ionian Islands) choose to outsource their accounting services, while heavily developed touristic areas (Aegean Islands, Macedonia) mainly perform their accounting operations internally.

Chi-Square Tests for “Geographic Location” and “Accounting Department or Outsourcing”

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	16.657 ^a	8	0.034
Likelihood Ratio	19.098	8	0.014
Linear-by-Linear Association	0.230	1	0.632
N of Valid Cases	105		

a. 0 cells (.0%) have expected count less than 5.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	0.398	0.034
	Cramer’s V	0.398	0.034
N of Valid Cases		105	

- The type of enterprise does not seem to affect the accounting outsourcing choice (Pearson Chi-square $\chi^2 = 0.270$, H_0 accepted).

Chi-Square Tests for “Type of Enterprise” and “Accounting Department or Outsourcing”

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.922 ^a	3	0.270
Likelihood Ratio	3.976	3	0.264
Linear-by-Linear Association	0.177	1	0.674
N of Valid Cases	105		

a. 0 cells (.0%) have expected count less than 5.

Symmetric Measures		Value	Approximate Significance
Nominal by Nominal	Phi	0.193	0.270
	Cramer's V	0.193	0.270
N of Valid Cases		105	

- The number of employees does not seem to affect the accounting outsourcing choice (Pearson Chi-square $\alpha = 0.977$, H_0 accepted).

Chi-Square Tests for "Number of Employees" and "Accounting Department or Outsourcing"

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	0.205 ^a	3	0.977
Likelihood Ratio	0.205	3	0.977
Linear-by-Linear Association	0.045	1	0.833
N of Valid Cases	105		

a. 0 cells (.0%) have expected count less than 5.

Symmetric Measures		Value	Approximate Significance
Nominal by Nominal	Phi	0.044	0.977
	Cramer's V	0.044	0.977
N of Valid Cases		105	

- The first year of operation does not seem to affect the accounting outsourcing choice (Pearson Chi-square $\alpha = 0.660$, H_0 accepted).

Chi-Square Tests for "1st Year of Operation" and "Accounting Department or Outsourcing"

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.413 ^a	4	0.660
Likelihood Ratio	2.426	4	0.658
Linear-by-Linear Association	0.045	1	0.832
N of Valid Cases	105		

a. 0 cells (.0%) have expected count less than 5.

Symmetric Measures		Value	Approximate Significance
Nominal by Nominal	Phi	0.152	0.660
	Cramer's V	0.152	0.660
N of Valid Cases		105	

Given the aforementioned and despite that tourism SMEs often do not present a high level of organizational culture (Hall and Rusher 2004), the legal form of the enterprise may be an organizational driver towards organizational structure, operational management, and financial risk mitigation, which is also mentioned by OECD (2005). Moreover, geographic location affects SMEs when it comes to market access, networking, operational structures, and resources such as infrastructure and local community support systems when developing financial strategies (Wasim et al. 2023), which is also depicted in the tourism sector through this research. At this point, it is worth mentioning that company

size did not reveal a significant correlation, a fact that supports Rogosic (2019), who states that the outsourcing of accounting services in the tourism sector is a common approach regardless of the company size.

5. Discussion

In this study, the authors investigated the view of different tourism companies regarding the choice of outsourcing accounting services by studying various factors that contribute to the organizational optimization of business profitability, effective accounting facilitation, the complexity of tax processes, and the structural accounting necessity. The sample under investigation includes various types of tourism businesses: tourist agencies, hotels, catering businesses, and alternative tourism businesses, most of which are small and medium-sized enterprises, employing 6 to 20 people and having a start-up year between 2011 and 2020 (in their majority). These businesses are based in various geographical areas of Greece and half of them work with an external partner (accounting firm) for a considerable period to settle their accounting issues.

To summarize the results of the survey, the majority of the sample indicated that tourism SMEs choose to outsource accounting services to focus on their core activities, as the main effect of outsourcing is to reduce the operating costs of their business, thus mitigating their financial risk. In addition, they consider that another reason for choosing outsourced accounting services is to make the best use of the information systems provided by the outsourcing partner, to save capital and to reduce the operating costs of their businesses. In this way, the investment of available capital is redirected to another core business function of the enterprise, to achieve efficiency and profitability. When it comes to the main features of the enterprises, the research highlighted that some of them affect the choice of accounting outsourcing, while others do not. More specifically, legal form and geographic location are presented as drivers towards outsourcing, probably due to a company's organizational culture and local staff specialization, respectively. On the other hand, and despite that number of employees seems like a feature that could affect the accounting outsourcing strategy of tourism SMEs, the Chi-square test revealed the opposite, probably because resource allocation does not include accounting tasks but other core activities, according to participants' statements.

A key aspect of the paper with useful theoretical implication stems from the analysis of the findings, which are fully consistent with those of other studies (Cetinkaya et al. 2014; Espino-Rodríguez and Robaina 2005; Espino-Rodríguez and Gil-Padilla 2005; Gonzalez et al. 2010; Lam and Han 2005; Wan and Su 2010), when it comes to outsourcing in the tourism industry. An important reason that tourism SMEs choose an outsourcer is to take advantage of the outsourcing partner's accounting knowledge (expertise), which is also confirmed by the existing general literature on outsourcing and SMEs (Tomašević et al. 2023; Edvardsson et al. 2020; Somjai 2017). Other important factors for the sample to outsource are not only the saving of time to achieve greater flexibility in their activities, which is confirmed by other researchers (Rezazade et al. 2023; Chatzoglou and Sarigiannidis 2009; Lamminmaki 2005), but also the speed of processing accounting tasks to deal directly and effectively with problems and difficulties, which may arise in the operation of the tourism business.

In addition, the complexity of tax processes, as there is a constantly changing tax system in Greece, and the demanding—upcoming—ESG reporting lead to the compulsory assignment of all types of tax work to experienced sub-contractors, due to the volume of such workload. Therefore, in a continuously changing and complex tax system such as the Greek one, the sample seems to take advantage of the already established procedures offered by outsourcers, as they lack the accounting experience that only an outsourcer can provide, depending of course on the size of the company being referred to. Other writers, such as Cetinkaya et al. (2014) and Gilley et al. (2004), have also referred to the great importance of the specialization of outsourcing in the hospitality industry. Undoubtedly, this paper illustrates that prior general research on accounting outsourcing in SMEs and

sectoral research on outsourcing in tourism businesses are both combined, to result in the conceptual model framing of accounting outsourcing in tourism SMEs towards financial risk mitigation and organizational optimization through the research findings.

6. Conclusions

In conclusion, in a constantly changing economic and technological environment, outsourcing is an important strategy for tourism businesses, as it offers significant advantages in the operation and profitability of a business, such as expertise, advisory support, time, and capital savings, along with effective ways of dealing with the various issues that arise. Undoubtedly, aligned with the literature review, the research findings indicate that accounting outsourcing appears significant in mitigating the financial risk of tourism enterprises. Despite its benefits, outsourcing in tourism also poses challenges, such as maintaining quality control and ensuring seamless coordination between sub-coordinators and the organization. It is particularly important that outsourcing does not involve activities that are core to the specialization of the company concerned, as well as the correct selection of subcontractors (Johns and Lee-Ross 1996).

As the tourism industry continues to evolve in a highly competitive and challenging landscape, outsourcing remains a dynamic tool that offers significant opportunities for companies to optimize costs, enhance efficiency, and navigate the complexities of the global tourism ecosystem. The current study’s implications are mainly practical, since it highlights the latest trends in outsourcing accounting services in the Greek tourism industry, instead of providing internal accounting services, and the factors that determine these trends when it comes to decision making, towards accounting outsourcing by the tourism SMEs, revealing legal form and geographic location as key factors that affect accounting management strategies. However, there are limitations in this research mainly related to the sample size (research on a bigger sample is suggested), while it would be useful to conduct more research on which activities (not only about accounting) are outsourced in the modern tourism industry, where tourism services and products are constantly increasing, creating competitive pressures on tourism companies and the need for more and more specialization.

The present study offers a valuable contribution to understanding the potential of outsourcing accounting services in tourism SMEs. Research on tourism SMEs fills in the existing literature gap and broadens the horizons of prospective researchers with new ideas and provides theoretical and managerial implications.

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Appendix A. Validity Test

Cronbach’s Alpha	Reliability Statistics	
	Cronbach’s Alpha Based on Standardized Items	N of Items
0.765	0.773	16

Appendix B. Factor Analysis Output

KMO and Bartlett’s Test	
Kaiser–Meyer–Olkin Measure of Sampling Adequacy.	0.644
	Approx. Chi-Square 477.782
Bartlett’s Test of Sphericity	df 120
	Sig. <0.001

Communalities		
	Initial	Extraction
To what extent do you think that tourism enterprises choose accounting outsourcing to focus on their core activities?	1.000	0.823
To what extent do you think that accounting outsourcing contributes to operational cost reduction?	1.000	0.770
To what extent do you think that tourism enterprises choose accounting outsourcing to exploit partner’s information systems?	1.000	0.656
To what extent do you think that tourism enterprises choose accounting outsourcing to save capital funds?	1.000	0.790
To what extent do you think that accounting outsourcing contributes to the investment in another main operation?	1.000	0.661
To what extent do you think that tourism enterprises choose accounting outsourcing to exploit their partner’s knowledge?	1.000	0.680
To what extent do you think that time saving affects the choice of accounting outsourcing?	1.000	0.685
To what extent do you think that tourism enterprises choose accounting outsourcing to achieve greater flexibility?	1.000	0.581
To what extent do you think that tourism enterprises trust the advice of their accounting outsourcing partner?	1.000	0.805
To what extent do you think that the speed of processing accounting tasks affects the choice of accounting outsourcing?	1.000	0.696
To what extent do you think that tourism enterprises choose accounting outsourcing to deal with challenges?	1.000	0.697
To what extent do you think that the continuously changing Greek tax system affects the choice of accounting outsourcing?	1.000	0.524
To what extent do you think that the volume of accounting tasks affects the choice of accounting outsourcing?	1.000	0.552

To what extent do you think that tourism enterprises choose accounting outsourcing to exploit their partner's established accounting processes?	1.000	0.592
To what extent do you think that the lack of experience in accounting affects the choice of accounting outsourcing?	1.000	0.732
To what extent do you think that the size of the enterprise affects the choice of accounting outsourcing?	1.000	0.680
Extraction Method: Principal Component Analysis.		

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