RELATIONSHIP BETWEEN OUTSOURCING ACCOUNTING TASKS AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA - STRATEGIC RELATEDNESS FACTOR USING THE PARTIAL LEAST SQUARE APPROACH

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ABSTRACT

The overall objective of the study was to investigate the relationship between outsourcing accounting tasks and the financial performance of small and medium enterprises in Nigeria with emphasize on strategic relatedness factor. Several hypotheses were formulated based on the constructs of the Independent Variable. The study specifically seeks to explore the role of outsourcing of accounting functions based on some drivers, as given by the Transaction Cost Economies theory (TCE). The target population of the study are the SMEs in three Geo-political zones of Southern part of Nigeria consisting of 5,796 SMEs. The sampling technique adopted was a two-stage sampling technique applied chronologically as follows: stratified and simple random sampling techniques which eventually produced a sample size of 411 used for the study. Both primary and secondary data options were explored with the main aim of making sufficient data available for the study. Structured Questionnaires were used to collect primary data from the respondent organisations and the secondary data involved the collection of the Annual Financial Reports of the respondent organisations for the 5-year period covering 2008 to 2012 for the extraction of the financial performance indices. The data were subjected to various statistical screening for reliability of the instrument and validity of the variables (in terms of Construct and Convergent validity). Structural Equation Model (SEM) was employed to analyse the data vide SPSS 23 and SmartPLS packages in order to obtain the statistical significance and the direction of the relationships between Inner and Outer models of the study. The study revealed that there was significant relationship between outsourcing of accounting tasks and the financial performance of SMEs in Nigeria when strategic relatedness factor is put into consideration. The study finally recommended that SMEs should take their external accountants as mentors and advisors on how to further devise their firm strategies. This is easily achieved when the outsourcing relationship established is for long term as against the usual short term practices. Here the parties involved would align their goals (goals congruency) and put an arrangement in place for easy knowledge sharing among all the parties involved in the relationship.

Keywords: Capability, Exchange Partners, Financial Performance Knowledge Sharing, Relationship.

INTRODUCTION

Levina and Ross (2003) predicted that the global economy would accelerate to the point at which only the most flexible organizational structures would be able to survive in the increased cbompetition. In fact according to Longenecker et al (2003), in a turbulent environment the very goal of the strategy should be strategic flexibility. As a result, firms that increasingly pursue this flexibility seek value in the non-core areas across company borders through outsourcing. What has caused the skyrocketing popularity of outsourcing of business functions is the increased competition arising mainly as a result of globalization which coerces companies into rethinking their position in the marketplace. They are being forced to find ways of making their economic activities better, faster and cheaper while still remaining flexible enough to meet the ever-changing demands of customers and competitors (Heide & John 1992). Global access to unlimited number of vendors and falling interaction costs caused mainly by improved information technologies and communication links are diminishing this transaction cost of outsourcing and are thus providing companies with unprecedented restructuring opportunities (Dwyer et al. 1987). Consequently, companies of all sizes and in all industries are capitalizing on the possibilities a well-executed outsourcing strategy can provide Fei (2005).

Statement of Problem

The decision regarding which business operations should be carried out internally and which should be outsourced is crucial to the competitiveness of firms (Coase, 1937). Organizations with the best prospects are those that clearly appreciate the inherent power of strategic relatedness of the focal firm with the external service provider who are experts and operating with lesser costs because of economies large scale production enjoyed due to large number of their clients being offered similar services.in modern organization dynamism firms should be cost efficient and at the same time being strategic when outsourcing for their long time survivor. Achieving this balance is a challenge that has seen finance literature offering conflicting solutions as to what and when to outsource a business process.

Accounting services and functions play a very important role in the lives of SMEs, because they provide better management control, assist in decision-making, help to access new market and maximise profits in the corporate world (Dorasamy *et.al*, 2010). Outsourcing of the critical activities may be dysfunctional as the firm may lose its innovation potentials, unwarranted confidential leaks, loss of intellectual property right and increase the potential competitors which eventually offset the benefits being from such outsourcing (Arnold, 2000). Despite this rationali3ty, the power of strategic relatedness created between the parties involved has continue to be a serious determinant of outsourcing this critical business process, the accounting functions (Watjatrakul, 2005). There thrust of this study is to reveal how the creation of strategic alliance among the parties in an outsourcing process of accounting tasks can minimize if not totally eradicate the potential dysfunctionality of outsourcing this critical task. .

Objective of the Study

The aim of this study is to investigate the influence of strategic relatedness of the exchange partners on the relationship between outsourcing of accounting tasks and the financial performance of small and medium enterprises in Nigeria. Other specific objectives included:

1) To establish relationship between outsourcing of accounting tasks based on Goal Congruence among the exchange partners and the financial performance of SMEs in Nigeria.
2) To examine if outsourcing accounting functions based on Knowledge Sharing Routine among the exchange partners affects the financial performance of SMEs in Nigeria.
3) To evaluate whether outsourcing of accounting tasks based on Capability Complementarity among the exchange partners affects the financial performance of SMEs in Nigeria.

For the purpose of this study, accounting tasks were defined to include both basic processing tasks and value-adding tasks such as: General Ledger processing, Accounts Payable / Receivable functions, Payroll processing, Fixed Asset accounting, Inventory accounting, Budgeting, Costing, Management accounting and Taxation.

Research Hypothesis

In satisfying the above-mentioned objectives, the following set of hypotheses were pertinent:

1. **H_0:** There is no significant relationship between outsourcing of accounting tasks based on goal congruence among the exchange partners and the financial performance of SMEs in Nigeria.

2. **H_0:** There is no significant relationship between outsourcing of accounting tasks based on knowledge sharing routine among the exchange partners and the financial performance of SMEs in Nigeria.

3. **H_0:** There is no significant relationship between outsourcing based on the capability complementarity among the exchange partners and the financial performance of SMEs in Nigeria.

Theoretical and Conceptual Framework

The question of which activities can be outsourced, based on strategic view has been systematized by Quinn and Hilmer (1994). For these authors, firms must focus their resources on a set of core competencies in which they have definite advantages over their competitors and offer unique value to their customers thus, activities for which the firm has no critical strategic need can be outsourced to experts outside the organization. The concept of core competences has been developed on the basis of the resource-based theory. Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams technologies. The concept has been predominantly use to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in-house. Every SME is, as a matter of fact, an administrative structure that connects and coordinates the activities of many individuals and groups. Hence the strategic moves of every SME therefore should be how to re-position its available resources among her core-competencies in order to record a sounding competitive edge over her rivals. Consequently, this theory sheds light on the reasons behind retaining core-activities within the organization while the less critical activities are outsourced to the experts externally.

In System Theory of Organizations and Environments, the primary focus of research and theory building shifted from the internal characteristics of organizations to the external dynamics of organizational competition, interaction, and interdependency. The organization as open systems

perspective views organizations as systems of interdependent activities embedded in and dependent on wider environments (Hoetker, 2005). A system is an organized collection of parts united by prescribed interactions and designed for the accomplishment of specific goals or general purposes. System theory views and organization as a complex set of dynamically intertwined and interconnected elements, including its inputs, processes, outputs, and feedback loops, and the environment in which it operates and with which it continually interacts (Cohen & Levinthal, 1990). Therefore a change in any element of the system causes changes in other elements. Cohen & Levinthal (1990) explain that one cannot understand the structure and behavior of an organization without understanding the context within which it operates. They explain further that no organization is self-sufficient, and thus organisations must engage in exchanges with their environment in order to survive.

Another relevant theory for this study is Agency Theory. This theory tries to resolve the problem that arises when the desires and goals of the principal and agent are in conflict, and when it is difficult or expensive for the principal to verify the agent's performance. Such difficulties arise due to incomplete information, incompleteness of the contracts, and the problem of monitoring behavior (Jensen & Meckling, 1976). The theory assumes that the principal and agent are engaged in cooperative behavior, but have differing attitudes toward risk (Eisenhardt, 1989) and provides a guide on how both parties can best structure a relationship to maximize the chances that the goals of the principal are achieved. Central to this assumption is a belief that the agent does not share the principal's goals and thus will not accomplish them adequately if left to its own devices, a behavior referred to as "shirking". This theory will assist to explaining the information asymmetry that exists between the owners of SMEs and their managers which usually result to moral hazard and adverse selection on the part of the business managers (agents). Outsourcing operation is one of the areas where the moral hazard and adverse selection of the vendor could be perpetrated.

Conceptual Framework

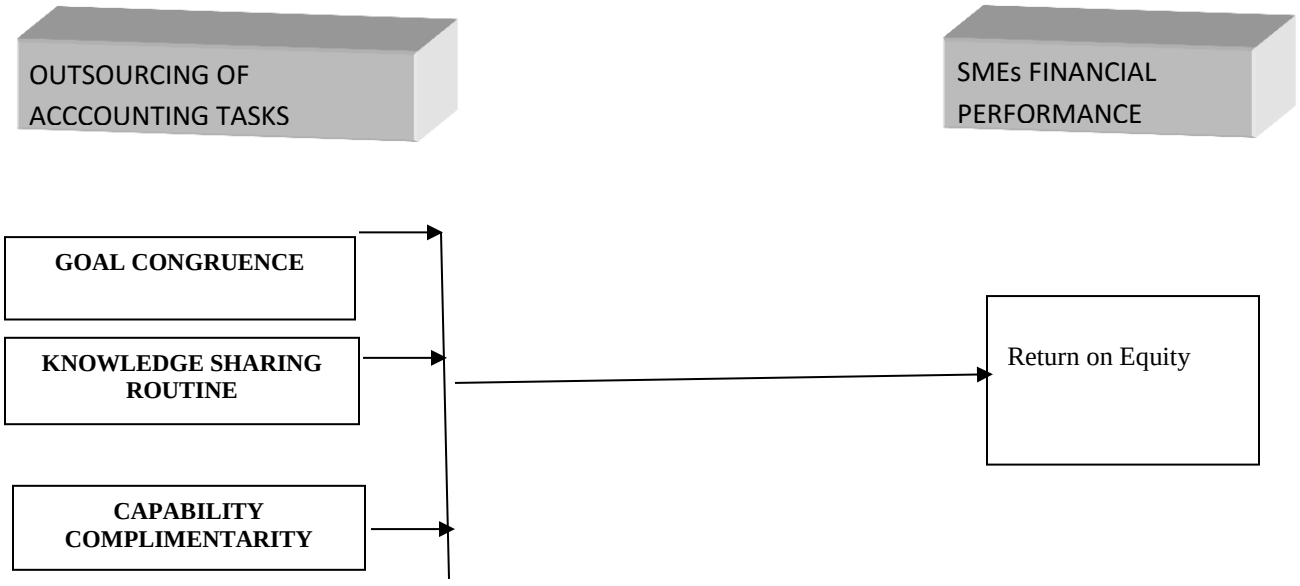

Figure 1 Conceptual Framework

Goal congruence is the degree to which firms' operational, strategic, and performance objectives overlap and/or reinforce one another. When firms' goals are not congruent, performance considered satisfactory to a firm may not be satisfactory to exchange partners and vice versa. As profit-maximizing goals are aligned, strategic outsourcing not only reduces monitoring and enforcement costs associated with the arrangement but also increases synergies as well (Luo, 2002). When goals are aligned, specialized firms are more likely to share common interests with a clients and thus be more supportive of exploiting new opportunities, even if such opportunities require these firms make additional investments. These synergies enable firms with 'common goals' to more quickly exploit competitive imperfections observed in the market (Mahoney and Pandian, 1992), and thus hold the potential to create value beyond cost savings alone. Goal congruency also reduces conflict and encourages cooperative behavior (Parkhe, 1993). Thus, firms with exchange partners that share congruent goals find it easier to collaborate thereby enhancing the value of these relationships.

A high degree of strategic relatedness also results when a firm and specialized exchange partners share common or similar knowledge-sharing routines (Dyer and Singh, 1998).We define knowledge-sharing routines as regular patterns of interactions that permit the transfer, assimilation, and integration of new knowledge (Grant, 1996). The advantage of such routines lies in the ability to economize effort, which reduces coordination costs and affords greater capacity for knowledge-sharing between firms. So, is there any knowledge-sharing routine between the organization and the outside accounting specialists to whom the accounting functions are outsourced? This is very crucial in order to intimate the client of the development in the accounting profession and the introduction of the latest data processing equipment to facilitate mutual understanding. Various scholars have argued that inter-organizational learning is also critical to competitive success, noting that firms' partners are, in many cases, the most important sources of new knowledge (Powell et al., 1996; Von Hippel, 1988). Common knowledge-sharing routines between a firm and its exchange partners enable more efficient absorption and use of acquired knowledge (Cohen and Levinthal, 1990).

Capability Complementarity reflects a situation in which specialized capabilities sourced from outside enhance the value creation potential of a firm's own capability endowments. Complementary capabilities are different, yet mutually supportive (Hitt et al., 2007). Richard et al. (2004) suggests that capabilities are complementary when they ''represent different phases of production and require in some way or another to be coordinated'' in order to create maximum value (Richard et al, 2004). Therefore, the output from the accounting tasks outsourced must be able to support the internal decision making process of the business managers. Barney (1991) suggested that acquiring firms gain above normal returns from acquisitions only when private or uniquely valuable synergies can be realized. Private and uniquely valuable synergy is created when information about the combination is obscured from rivals and when no other combination of firms could produce the same value. Research suggests that firms participating in exchange relationships that involve complementary capabilities perform better than firms with relationships that are formed to achieve cost economies (Holcomb et al., 2007).

Some notable empirical studies include: Lamminmaki, (2008), who investigates the determinants of Degree of accounting department involvement in outsourcing and Degree of accounting system sophistication in outsourcing among 356 Australian hotels. The explanatory variables

used are: Competition, firm size, hotel quality, professional qualification and owner/operation structure. Data collected through phone interviews and surveys of the Hotel Financial Controllers are analysed using Regression analysis and descriptive statistics. His findings are: Hotel size, hotel quality and professional qualification are significantly and positively correlated with outsourcing intensity. However, competition has no significant correlation with degree of outsourcing. Gooderham et al., (2004), study the degree to which small firm uses its authorized accountant as a business advisor in Norway. The independent variable considered are: Long term relationship with accountant, perceived competence in statutory accountancy services, perceived competence in business advisory services and the firm size. Structured telephone interview of 320 SMEs were conducted by the researchers and the data collected were analyzed using Linear regression, Ordered logit, and Binary logit. Their findings support perceived competence in statutory accountancy services and perceived competence in business advisory services.

Carey et al., (2006) study the degree of outsourcing Internal Audit function among the listed companies on Austrialian Stock Exchange. The independent variables used are: Cost saving, Firm size, Technical competence and corporate strategy. Data collected from a sample size of 99 companies drawn from the exchange are analysed using Logistic Regression. They find that: there is an association between internal audit outsourcing and cost saving in the short run but there is no association between internal audit outsourcing and firm size. Also, there is a positive association between technical competence of external service provider and outsourcing of internal audit. Finally, corporate strategy is not significantly associated with internal audit outsourcing. Kotabe & Mol, (2009), conduct a study on the effect of strategic outsourcing of business process on the firm's performance. Explanatory variables are: Peripheral outsourcing, Core outsourcing, Generic firm strategy and Environment dynamism. 558 manufacturing company top executives were contacted out of which 94 responded and the data collected were analyzed using descriptive statistics, linear regression and correlation. The result reveals that: peripheral outsourcing and core outsourcing do not support the firm performance. The firm's strategy and environmental dynamism were proposed to be moderators in the scheme of the outsourcing intensity and firm performance relationship.

Materials and Research Methodology

The overall objective of the study was to investigate the influence of strategic relatedness of the exchange partners on the relationship between outsourcing accounting tasks and the financial performance of Small and Medium Enterprises (SMEs) in Nigeria. The target population of the study are the SMEs in three Geo-political zones of Southern part of Nigeria consisting of 22,000 SMEs as contained in the report of collaborative study of National Bureau of Statistics and SMEDAN in the year 2010. The sampling technique adopted was a two-stage sampling technique applied chronologically as follows: stratified and simple random sampling techniques. The SMEs were first stratified into industry using official industries as recognized by the NBS-SMEDAN study. Thereafter a simple random approach was employed in selecting respondent SME organizations from the first three states that recorded the highest number of SMEs for each industries so identified (See Appendix 1). This exercise produced a sample size of 411 used for the study. Both primary and secondary data options were explored with the main aim of making sufficient data available for the study. Structured Questionnaires were used to collect primary data from the respondent organisations and the secondary data involved the collection of the Annual Financial Reports of the respondent organisations for the 5-year period covering 2008 to

2012 for the extraction of the financial performance indices. The data were subjected to various statistical screening for reliability of the instrument and validity of the variables (in terms of Construct and Convergent validity). Structural Equation Model (SEM) was employed to analyse the data vide SPSS 23 and SmartPLS packages to discover the statistical significance and the direction of the relationships between Inner and Outer models of the study.

Data Analysis, Results and Discussions

This study used Structural Equation Modeling (SEM) partial least squares (PLS) approach. SEM-PLS is an approach for testing multivariate models with empirical data. SEM–PLS regression uses a two stage procedure to test predictive models. The initial step is the evaluation of the outer or measurement model to determine the validity and reliability of the construct used to measure the variables in the study. The next step is the assessment of the inner or structural model. The measurement models address the reliability and validity of the indicators in measuring latent variables or hypothetical constructs, while the inner or structural model specifies the direct and indirect relations among the latent variables (LV) and describes the extent of explained and unexplained variances in the model.

Component based SEM technique was utilized in the research because PLS has a number of functionalities which were deemed appropriate in this research. PLS can analyze complex models with large sets of relationships among constructs and sub-constructs. It provides more flexibility in modeling second order constructs and formative constructs (Chin, 1998) and supports hierarchical component approach in second order construct modeling by assigning all indicators of first order factors (Wold, 1982). Additionally, PLS can account for measurement errors of latent constructs and assess significance of structural models simultaneously (Sambamurthy & Chin, 1994). SEM analysis was relevant for this research as it can handle multiple independent and dependent variable simultaneously (Bryne, 2001). SEM also allows relationships among constructs to be automatically corrected by measurement errors as the estimation of measurement and structural models are being performed simultaneously (Bryne, 2001).

The SEM was developed and analyzed in two stages. Initially the measurement model was developed and measurement properties of multi-item constructs were analyzed for Construct Reliability, Convergent Validity, Discriminant validity and Unidimensionality of Construct by conducting confirmatory factor analysis (CFA). The second stage involved analysis of the proposed structural model for hypotheses testing.

Development of Measurement Model
Construct Reliability

Construct reliability was assessed by computing the composite reliability and the Cronbach Alpha of the constructs using SmartPLS. The Cronbach Alphas were all above the 0.6 threshold as specified for PLS analysis (Hair et al., 2014) and ranged from 0.618 and 0.947 which indicates good to excellent reliability and composite reliability of reflective items were all above the acceptable 0.7 threshold which means all the variables in the study exhibited construct reliability. All constructs were viewed to have acceptable reliability levels because the composite reliability

scores for all constructs were above the 0.7 threshold. Details of construct reliability are presented in Table 4.1.

Table 4.1 Reliability of Constructs

	Composite Reliability ≥ 0.7	Cronbach's Alpha ≥ 0.6
Goal Congruence [GC]	0.802	0.618
Knowledge Sharing Routine [KSR]	0.957	0.947
Capability Complementarity [CC]	0.882	0.802
Financial Performance [FP]	0.995	0.994

Convergent Validity

Confirmatory Factor Analysis (CFA) was conducted to assess the convergent validity of the constructs. Convergent validity was assessed using the value of standard loadings of the indicators for the underlying construct. The scores are to be statistically significant and above 0.5 (Nunnally, 1978). The CFA results of item loadings and their respective t-values are reported in Table 4.20. The items were significantly loaded on the proposed factors with loading higher than 0.5.

Convergent validity was also assessed using average variance extracted (AVE). The AVE of all constructs were above the 0.5 threshold indicating that the latent constructs account for at least fifty percent of the variance in the items. This indicates that the measurement scales exhibited adequate measurement validity (Hair et al., 2014).

Table 4.1: Convergent Validity of outer model

Outer Model	Sample Estimate	Sample Mean (M)	Std Error (Se)	t- Statistics	p-values	Average Variance Extracted (AVE)
Goal Congruence						0.714
GC2	0.973	0.971	0.023	42.509	0.000	
GC5	0.640	0.617	0.138	4.621	0.000	
Knowledge Sharing Routine						0.763
KSR1	0.679	0.675	0.074	9.124	0.000	
KSR2	0.953	0.952	0.009	101.207	0.000	
KSR3	0.948	0.948	0.012	78.612	0.000	
KSR4	0.932	0.932	0.011	84.421	0.000	
KSR5	0.958	0.959	0.008	114.208	0.000	
KSR6	0.710	0.704	0.064	11.086	0.000	
KSR7	0.887	0.888	0.030	29.954	0.000	
Capability Complementarity						0.537
CC1	0.775	0.760	0.096	8.044	0.000	

CC3	0.921	0.914	0.032	29.084	0.000	
CC5	0.834	0.827	0.070	11.949	0.000	
Financial Performance						0.975
ROCE_2008	0.970	0.970	0.006	149.863	0.000	
ROCE_2009	0.986	0.986	0.002	520.152	0.000	
ROCE_2010	0.996	0.996	0.001	1075.202	0.000	
ROCE_2011	0.998	0.998	0.001	1607.026	0.000	
ROCE_2012	0.988	0.988	0.003	333.269	0.000	

Discriminant validity

A number of measures were used to assess the discriminant validity of the outer model. These were coefficient of determination (R^2) for the endogenous variable, the Forenell Lacker Measure and the Stone-Geisser Test (Q^2). The R^2 value Financial performance (FP) was: 0.563. The Fornell Larker measure compares the AVE to the highest squared correlation of each construct (Fornell & Bookstein, 1982). As indicated in Table 4.4, all the constructs in the model met this criteria indicating that discriminant validity is supported. The Stone-Geisser Test is the Indicators Cross Validated Redundancy measure for each construct. This measure was produced through a blindfolding procedure in SmartPLS and is required to be equal to or greater than 0. A Q^2 of 1 is considered to mean a perfect prediction of model scores while a 0 is considered to a weak measure. All the measures were above 0 and indicated a fair to strong prediction of the model. The discriminant measures are presented in Table 4.3 below. Discriminant validity was confirmed for the measurement model. As indicated in Table 4.3, the square root of the average variance extracted is higher than all its correlation with other constructs within the model.

Table 4.2: Measures of Discriminant Validity

Construct	$R^2 \geq 0.17$	Fornell Larker Measure (AVE $\geq$ highest correlation^2)	Stone-Geisser Test ($Q^2 \geq 0$)
Goal Congruence [GC]	-	0.714>0.254	0.173
Knowledge Sharing Routine [KSR]	-	0.763>0.376	0.696
Capability Complementarity [CC]	-	0.537>0.131	0.417
Financial Performance [FP]	0.563	0.975>0.376	0.958

Table 4.3: Fornell-Lacker's Correlation matrix of constructs for Discriminant Validity

	CC	FP	GC	KSR
CC	1.000			
FP	0.362	1.000		
GC	0.069	0.504	1.000	
KSR	0.292	0.613	0.200	1.000

Unidimensionality of Construct

Construct unidimensionality verifies that that items used to measure a particular construct only measure that single construct. Exploratory factor analysis and/or confirmatory factor analysis can be used to measure this criterion (Hair *et al.*, 2014; Hensler *et al.*, 2012). Construct unidimensionality was initially assessed by verifying that the measurement items measured the specific construct. Following the purification and reliability analysis of the measurement scales, PLS analysis was conducted so as to ensure the suitability of every construct adopted for the study. Table 4.4 displays the mean and standard deviation with corresponding normality data statistics for all constructs in the outer model. The table 4.4 below shows the Descriptive Statistics for Measurement Scales and Test of Univariate Normality. The normality of data is confirmed through the excess of Kurtosis over Skewness for each item of the construct which must be less or equal to +2 and greater or equal to -2. All the items used in this study met this criteria to depict the normality of the data used.

Table 4.4 Descriptive Statistics for Measurement Scales and Test of Univariate Normality

	Variable Number	Missing	Mean	Median	Min	Max	Standard deviation	Excess Kurtosis	Skewness	Diff btw Kurt & Skewness = ≤+2 and≥-2
KSR1	13	0	3.266	4	1	5	1.309	-0.982	-0.509	-0.473
KSR2	14	0	2.899	3	1	5	1.249	-1.235	-0.083	-1.152
KSR3	15	0	2.886	3	1	5	1.609	-1.625	0.059	-1.684
KSR4	16	0	3.101	3	1	5	1.498	-1.488	-0.084	-1.404
KSR5	17	0	3.025	2	1	5	1.835	-1.904	0.025	-1.929
KSR6	18	0	3.177	4	1	5	1.412	-1.202	-0.404	-0.798
KSR7	19	0	2.405	2	1	5	1.53	-1.596	0.388	-1.984
CC1	20	0	2.949	3	1	4	0.673	1.357	0.711	0.646
CC3	22	0	3.114	3	1	5	1.043	-0.039	-0.847	0.808
CC5	24	0	3.076	3	1	5	0.965	-0.188	-0.414	0.226
GC 2	27	0	2.076	2	1	4	0.978	-0.333	0.756	-1.089
GC5	30	0	2.43	3	1	5	0.852	-0.106	-0.341	0.235
ROCE_2008	34	0	1.764	1.12	0.52	2.67	0.774	-1.897	0.059	-1.956
ROCE_2009	35	0	2.199	1.85	0.73	3.15	0.886	-1.63	-0.176	-1.454
ROCE_2010	36	0	2.56	1.92	0.88	3.78	1.012	-1.624	0.105	-1.729
ROCE_2011	37	0	2.843	2.11	0.93	4.23	1.156	-1.649	0.101	-1.75
ROCE_2012	38	0	3.043	2.16	1.22	4.78	1.395	-1.695	0.235	-1.93

Analysis of Structural Model for Hypothesis Testing

The structural or inner model was evaluated using the path weighting or p coefficients and corresponding p values generated from the SmartPLS analysis. Consistent with Chin (1998), bootstrapping (500 resamples) was applied to produce standard errors and t statistics. This enabled the measurement of the statistical significance of the path coefficients. The degrees of freedom for all measures in the bootstrap analysis are equal to the number of resamples minus one, which is 499. In the light of this, to evaluation the interaction of individual construct with the dependent variable thus the following function:

FP = ∫ (GC, KSR and CC)

Where:

FP = Financial Performance (Dependent Variable)

GC = Goal Congruence among exchange partners

KSR = Knowledge Sharing Routines

CC = Capability Complimentarity

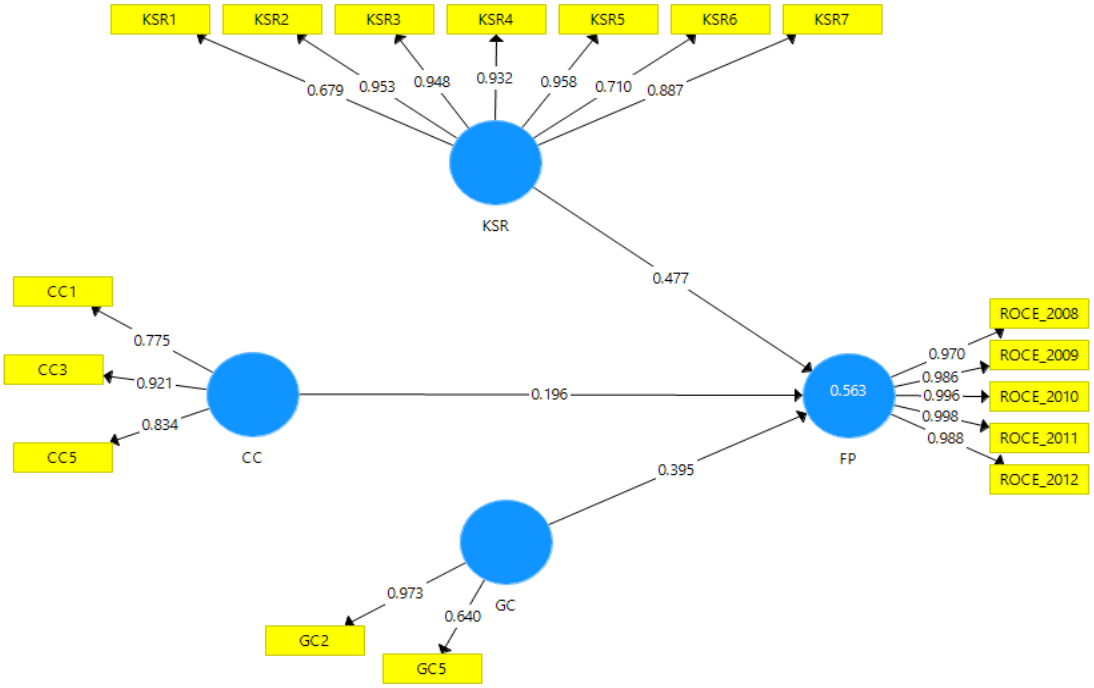

Figure 4.1: Measurement Model of the study

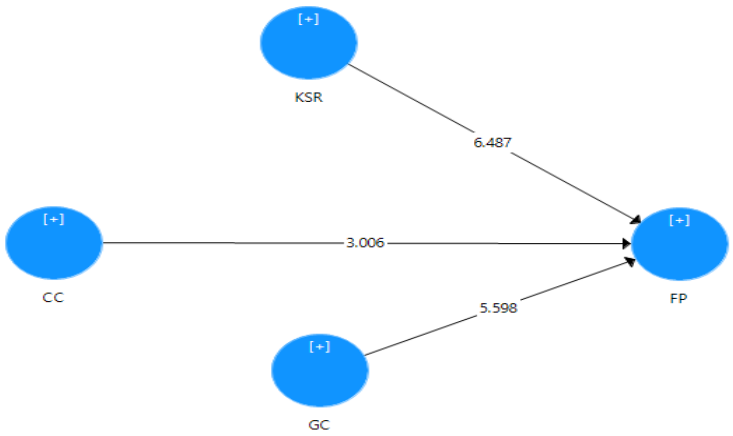

Figure 4.2: Structural Model T-Statistics using Bootstrapping of SmartPLS

The statistical objective of PLS is to show high R^2 and significant t-values, thus rejecting the null hypothesis of no effect. Parameters with an absolute t-value greater than 1.65 indicate a significance level of 0.1 (i.e. $p<0.1$), 1.96 indicate a significance level of 0.05 (i.e. $p<0.05$), those with an absolute t-value over 2.58 present a significance level of 0.01 (i.e. $p<0.01$), and those with an absolute t-value over 3.26 present a significance level of 0.001 (i.e. $p<0.001$). The relevant β value (that is path coefficient value) and p coefficients (significant) are presented in Tables 4.5.

Table 4.5: β, t-Statistics and Significance of Variables for General model of the study.

		Sample Mean				Financial Performance (FP)		
	β	(M)	Se	t	p-value	R	r-Square	Adj r-Square
GC -> FP	0.395	0.395	0.071	5.567	0.000	0.75	0.563	0.545
KSR -> FP	0.477	0.482	0.074	6.429	0.000			
CC -> FP	0.196	0.203	0.063	3.090	0.000			

From the above figures and table for structural model, the path coefficient (**β**) for: GC -> FP, KSR -> FP and CC -> FP are 0.395, 0.477 and 0.196 respectively. This shows each construct's positive contribution to every unit change in the value of dependent variable. For instance, an increase in the financial performance, by say N200, the Goal Congruence accounts for 39.5% of it and same interpretation for other constructs of the independent variable. Also, the letter 'r' connotes the correlation coefficient of the entire relationship between the Independent and dependent variable which shows the strength and the direction of such relationship. Here with the r = +0.75 meaning that there is positive and strong correlation between outsourcing of accounting tasks based on strategic relatedness among the exchange partners and the financial performance of the SMEs in Nigeria. Furtherance to this is the r-square which shows the predictive power of the overall Model: FP=f{GC,KSR and CC}recorded a figure of 56.3% showing the overall effect of Independent variable on the variability of the dependent variable. Hence, for every change in the financial performance, outsourcing of accounting tasks is responsible for it to the tune of 56.3% while other unidentified variables are responsible for the remaining 43.7%.

With this general outlook of our predictive model, we used the t-statistics obtained vide bootstrapping (re-sampled using 499 number of iterations) feature of SmartPls that provided the t-value and p-value for each construct. This enabled the researchers to ascertain the significance of each construct to the objective of the study and the testing of the hypotheses formulated earlier on. Hence for:

Hypothesis 1: Goal Congruence among the exchange partners has indicator that was statistically significant and positive with the following t-statistics $t(499)=5.567$, $p\leq0.000$; consequently we failed to reject Alternative hypothesis but we rejected Null hypothesis that there is no significant relationship between outsourcing of accounting tasks based on goal congruence among the exchange partners and the financial performance of SMEs in Nigeria.

Hypothesis 2: Knowledge Sharing Routines among the exchange partners has indicator that was statistically significant and positive with the following t-statistics $t(499)=6.429$, $p\leq0.000$; consequently we failed to reject Alternative hypothesis but we rejected Null hypothesis that there is no significant relationship between outsourcing of accounting tasks based on knowledge sharing routine among the exchange partners and the financial performance of SMEs in Nigeria.

Hypothesis 3: Capability Complementarity among the exchange partners has indicator that was statistically significant and positive with the following t-statistics t(499)=3.090, p≤0.000; consequently we failed to reject Alternative hypothesis but we rejected Null hypothesis that there is no significant relationship between outsourcing of accounting tasks based on capability complementarity among the exchange partners and the financial performance of SMEs in Nigeria.

CONCLUSION AND RECOMMENDATIONS

We conclude that outsourcing of accounting tasks is an option for SMEs in order to maintain a competitive advantage in the business world environment as outsourcing could lessen the unwarranted burden of mastery of quality accounting practice by the operators of SMEs. Establishing strategic relatedness with the external experts will not only assist the organization in building relevant internal capacity but will open door for free and unhindered flows of relevant information from the market into the organization. Consequently we recommend that SMEs should take their external accountants as mentors and advisors on how to further devise the firm's strategies. This is easily achieved when the outsourcing relationship established is for long term as against the usual short term practices. Here the parties involved would align their goals (goals congruency) and put an arrangement in place for easy knowledge sharing among all the parties involved in the relationship.

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