THE TRANSNATIONAL BACKGROUND OF MODERN ACCOUNTING
IN THE SERVICE SECTOR OF THE GLOBAL ECONOMY

Abstract:
The range of information for the effective management of the enterprise is increasingly exceeding the competences of persons employed in the economic entities and thus it becomes necessary to use outside specialized services. In the financial sphere, this is due to situations such as the one where the growing information needs create new demands for entrepreneurs. The result of this approach is the increased interest in corporate accounting services. Entrusting accounting services to external providers promotes not only an increase in speed and accuracy of decisions, but also affects the efficiency of one’s own resources and their utilization for the core business. Outsourcing is commonly used for this purpose. Here, actions are sourced from competent and experienced accountants regardless of the location from which they provide their services, which is made possible by the convergence of accounting solutions and the development of IT technologies. Therefore, it can be said that through the spread of outsourcing, both the providers and recipients benefit, and the result is growth for the economy of the country (or countries) where they operate.

Keywords:
modern business, globalization of the economy, accounting, services, outsourcing,

JEL Classification: M41, O31, F60
1. Introduction

Services, significantly conditioning economic progress, social development and cultural growth, are closely related to the evolution of the socioeconomic world. Along with the economic development follows a decrease in the role of the agricultural sector, a stabilization and then decline in the role of the industrial sector, and acceleration in the growth of the importance of the services sector. Such a three-sector economy concept is especially characteristic for the developed countries.

Thus, world development is a derivative approach within which the condition of continuity and development of the business is the ability to cope with their own variation and adaptation to an evolving environment. One of the key ways to implement the assumption is outsourcing of selected processes while maintaining partnership between the parties. Increasingly, this relates to business services, and especially to those related to accounting.

At the same time, it should be mentioned that accounting outsourcing is the process of binding the parties of cooperation strongly, while its value indicates a long-term cooperation supported by a precise understanding of the mutual expectations. The customer not only purchases the service, the quality of which is independent from them, but has a crucial impact on its correct execution (invoice descriptions, timeliness of transmitted documentation, etc.). This article is an attempt to answer the question of how the development of the services sector favors properly conducted accounting and thus avoiding financial crises in the world.

The paper concerns the global use of accounting solutions in the modern economy based on services. The first part (Introduction) provides an initial discussion of the issues analyzed. In the next part, (Section 2) attempts are taken to define the services against the available literature and institutional proposals, with a particular focus on the problem of outsourcing accounting. The third section presents the place of accounting in the transnational system of quantification. The considerations are based on literature studies. The last part of the considerations presents the state of advancement and the global investments by service providers in the field of finance and accounting against the Polish experience.

2. Services in the modern world with particular emphasis on accounting

The genesis of economic knowledge about services have to be associated with the year 1776 and the work of Adam Smith (1776), who pointed out to the issue of
work as a source of wealth of nations, indicating that one type of labor increases the value of the object into which the work is invested and the second does not give such a result. The first type of labor can, therefore, be called productive, while the second is unproductive. It should be stressed at the same time this work was the first ordered set of arguments indicating the role of the free market, and the views presented by the author became the cornerstone of economic liberalism and are still an important point of reference of the modern economic theory.

It is, therefore, worthwhile looking at the very issue of the service, which is defined in different ways in the current literature:

Table 1. Definitions of services in the literature

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<tr>
<th>Author</th>
<th>Definition</th>
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<tr>
<td>T. Hill (1977)</td>
<td>A service is an operation of a single entity (or person) in favor of another entity (person), upon the condition that the interested entity (person) has expresses their willingness to accept it.</td>
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<td>W. J. Stanton (1981)</td>
<td>The service is an isolated activity, not generating material effect, providing the purchaser with specific benefits that are inextricably linked to the sale of products or other services.</td>
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<td>C. Gronroos, (1990)</td>
<td>The perception of the service process is the result of the combination of two basic components: the perceived satisfaction with the service process and the effect of perceived satisfaction with the effect of the service. The first aspect is related to the functional dimension of delivering a service, and the other relates to the technical dimension of the achieved effect and it defines what the object of the service is.</td>
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<tr>
<td>K. Rogoziński (1993)</td>
<td>A service is the act of taking on a task, providing the task and the benefits designed to enrich the personal values or the volume of utility value available to the recipient.</td>
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<tr>
<td>P. Kotler (1994)</td>
<td>A service is any action which one party can offer to another, and the execution of which can be connected or not with a defined product having a physical form.</td>
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<tr>
<td>A. Payne (1996)</td>
<td>The provision of services may or may not be associated with</td>
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A service means an activity implemented with the active, voluntary and acceptable interaction of two parties: the service provider and the beneficiary for whom the task is performed. At the same time, this action meets the needs of the beneficiary, i.e. it restores its ability to function properly and develop.

A. Dąbrowska (2008)

A service is an economic activity offered by one party to another, who creates value expected by the consumer.

Ch. Lovelock (2011)

Additionally, attempts are made to define the issues of services at the organizational level.

Table 2. Definition of services at the organizational level

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<tr>
<th>Organization</th>
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<td>The Group of Negotiations on Services Classification (GNS) (Geneva, 1991)</td>
<td>In 1991, a Central Products Classification was proposed, taking into account the distribution of services. Commercial services, non-commercial, and governmental services were distinguished.¹</td>
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<tr>
<td>The United Nations (UN), the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF).</td>
<td>These organizations, however, have not agreed on a single definition of the service. They only indicated only that the term “service” includes a whole range of intangible products and a variety of activities for the dissemination</td>
</tr>
<tr>
<td>European Union</td>
<td>In accordance with Article 57 of the Lisbon Treaty (TFEU 2009): Services shall be considered to be 'services' within the meaning of the Treaties where they are normally provided for</td>
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¹ A similar classification was adopted in Zasady Metodycznych Polskiej Klasyfikacji Działalności [Methodological Rules of the Polish Classification of Economic Activities], GUS, Warszawa 2001.
remuneration, in so far as they are not governed by the provisions relating to freedom of movement for goods, capital and persons. Services shall in particular include: (a) activities of an industrial character; (b) activities of a commercial character; (c) activities of craftsmen; (d) activities of the professions.

Główny Urząd Statystyczny [General Statistical Office] (1994)² Services are activities provided to business entities engaged in manufacturing, not directly creating new material goods, and activities provided to the units of the national economy, as well as to the population, for the purpose of individual, collective and social consumption (CSO 1994).

Source: own work.

An interesting breakdown of services was also presented by K. Albrecht and R. Zemke (2002), who attributed the following commands to them:
- “help me,”
- “do it for me,”
- “add value.”

As noted by M. Baily et al. (2006), the EU Services Directive (2006) divides services into the provision:
- to individual customers - trade, repair, housing rental, etc.
- other entities - consulting, legal services, accounting, etc.
- both individual customers and operators - real estate, energy, telecommunications, etc.

Both the broad spectrum of recipients of services they offer and the variety and liberalization of the economic circulation causes continuous GDP growth generated by this sector. The effect of the direction adopted in the economy is the constantly increasing share of the services sector in the income of individual countries. This

²The Polish organization that develops e.g. the Polish Classification of Goods and Services.

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simultaneously affects changes in the structure of employment, production and consumption. In rich economies a continuous increase is noted in employment in the service sector\(^3\) and thus GDP growth generated by this sector. It is currently the fastest growing area of the economy.

It is widely claimed that the use of services provided by specialized entities can not only significantly reduce costs for businesses and help them focus on their core activities, but also to raise quality. This also affects changes in the structure of employment, production and consumption.

The basic characteristics of services considered to be their:
- immateriality - no possibility to experience and perceive them at the stage of order
- impermanence - lack of storage and performance to spare,
- heterogeneity - volatility of effect depending on who performs
- diversity - difficulty of standardization
- inseparability - execution equated with the role of the service provider, which is closely related to implementation.

A major role in the development of servicization is played by the contemporary business services sector, which is an essential element of accounting processes. Business Process Offshoring is now a commonly accepted term in the services sector, where international corporations outsource selected activities to support their companies to cheaper to foreign companies. The demand for such solutions is growing due to the widely perceived need to optimize the price of the service to its quality. In addition, it is characterized by high growth dynamics, resulting from the benefits of outsourcing, contributing to an improved quality of service, greater efficiency of operations, and reduced costs.

This is because fast evolution of solutions in accounting required continuous learning from professionals involved in it in order to maintain the high quality of their knowledge and experience. These trends pose constant new challenges that force them to make efforts for the benefit of the society, as well as actions to maintain competence (Micherda 2009).

To maintain the quality of services, international and national regulations are developed containing requirements for persons wishing to provide them. At the same time, it is expected that professional accountants will furthermore possess appropriate communication skills to enable them to correctly and understandably develop and present

\(^3\)In many countries, the majority of the workforce is employed in services.
financial statements. In addition to the usual duties, they often play the role not only of accounting experts, but also financial analysts, business consultants or simply managers.

Due to the fact that services provided by professionals are very expensive, businesses usually cannot afford to employ them on-time. The need for the use of financial and professional services is answered by outsourcing. The use of outsourcing, through the expertise of specialists who provide it, allows one to increase confidence in the operators and their results. These powers, however, must always go hand in hand with ethics. This is very important, especially when it concerns accounting entities.

The contemporary accountant is willing to successfully achieve their objectives and must not only conscientiously carry out records and properly present financial statements, but also control, examine and interpret the reports as well as observe an accounting policy. Therefore, it is worth noting that the development of standardized, understandable regulations will not solve the problem of the reliability of prepared statements. They are the result of activities of accountants preparing them. As the world crisis shows, this is not the low quality of the proposed solutions, but the inability to perform, or misconduct that caused the greatest damage to the global economy.

3. Accounting as a transnational system of quantification in the modern economy

The basis for the development of accounting over the centuries have been the needs identified for the proper measurement of economic phenomena and the need to create economic calculations, thus cause-and-effect relations between inputs and outputs of economic activity. And it is widely known, the most important factors to be analyzed by international investors include: the macroeconomic environment, the legal infrastructure and the reliability and comparability of financial statements. In particular, reporting presents the results of an economic entity.

However, the specifics of individual countries meant that over the years, many different accounting models have shaped in worldwide, created under the influence of different economic, social, political, cultural and historical conditions, which, together with the ongoing internationalization of transactions, have become extremely burdensome for recipients of reporting information.

In the era of globalization of the economy, to provide information that would allow the interested parties to make decisions has become a challenge for accounting. The primary sources of information provided by accounting are financial statements that
reveal different sides of the entity and its effects and are an invaluable source of information about the business, both for internal and external users. It is thanks to the information contained in reports and their analyses that the recipients of financial statements may make economic decisions. However, there is a problem of comparability of reports on an international scale.

The result of different accounting systems are the differences in the financial statements between countries. As a result, it may occur that financial statements of one and the same entity will show different results of activities, depending what principles they are based on. A key obstacle to the smooth operation of the global markets is, therefore, the still occurring divergence in accounting regulations of individual countries resulting from being shaped over many centuries (Garner et. Al. 2008).

Therefore, it is particularly important to develop such standards, rules and accounting standards that would give the opportunity to compare financial statements prepared in different countries. This would also increase the reliability of the financial statements. Thus, the need for the increasingly conducted exchanges across national borders, in addition to having caused the standardization of solutions and their skillful use, also the verification of approach to the tasks faced by accounting, as well as organization of a number of issues at the international level.

The way to solve this problem should become the necessity, noticed in the 1970s by many theorists and practitioners, to converge solutions in the area of accounting (Pounder 2009, Yoon 2007, Padmavathi 2009). Therefore, the present changes in accounting depend largely on the display of directions, opportunities and conditions in this regard. New directions of evolution occurring in accounting are due to the rapid development of market relations, and they result from a kind of crisis of confidence in the information.

As noted by A. Szychta, changes in the sphere of economy and the society, particularly concerning the processes and management methods and technologies of information processing and communication, affect the expansion of the area of the present study of accounting, which consists of research conducted in conjunction with the practice of accounting as well as the results these studies in the form of the theory of a different nature, scope and object reference (Szychta 2010). It is worth emphasizing that the first definition of the accounting theory was presented by E.S. Hendriksen, indicating that it is a logical set of hypothetical, conceptually and

In this context, the theory of legitimacy should be mentioned as well\textsuperscript{4} which has been implemented by C. Deegan to the research in accounting. He emphasized the growth of its importance since the beginning of the 21st century, and pointed out that it originates from the theory of political economy and concerns the organization treated as a social system while under its influence and influencing it in return (Deegan 2006). In the Polish literature on this issue, M. Łada and A. Kozarkiewicz claim that “legitimacy is a specific positive image of the organization and social trust in its activities” (Łada, Kozarkiewicz 2013) which is undoubtedly also a derivative of the correct application of accounting regulations.

The purpose of accounting understood today is useful presentation of information affecting the decision-making which is economically relevant, expressed in the commonly understood “language of business” (Saudagaran 2009). This information is also invaluable to assess the effects of decisions made in the past and also has a prognostic, confirming or correcting value. The usefulness of information significantly affects their relevance (Olchowicz, Tłaczała 2008) and faithful representation. This may sound like a trivial statement, but the recent economic crisis was largely due to incorrect data generated in the accounting departments of many corporations, in order to maintain their market position or unintentionally incorrect interpretations if regulations.

This image creation was inconsistent with the principles of credibility. Especially since, as noted by S. Surdykowska, “Users of information contained in financial statements are entitled to expect that the state, through its institutions, will reduce the possibility of deliberate and unconscious distortion of financial statements, in the process of their preparation by companies” (Surdykowska 2012). In addition, as I. Sobańska says: “information should allow the assessment of risk and the efficiency of investment, measured by various metrics, also used to evaluate the strategic decisions made within the organization” (Sobańska 2003).

\textsuperscript{4}M. Weber (1864 - 1920) undertook the classification of systems of domination within the government. He also pointed to the source of legitimacy and therefore consent to a particular manner of its exercise. According to the assumption, authority is legally valid if the persons subject to it consider it as justified. Weber named authority based on tradition, charisma and rational-legal authority.
This applies especially to the presentation of financial performance because, in the accounting theory, discussion is subjected to two economic concepts that are the starting point for the definition and measurement of business. They include:

- the concept of profit treated as growth and prosperity of its owners and
- the concept of profit maximization by the occurrence of certain market conditions, adequate demand for the product or costs, which is associated with the treatment of profit as a measure of the achievements of the economic entity and its management (Hendriksen, Van Breda 2002. Szychta 2009).

This issue is also pointed out by A. Rappaport, who calls into question the use of accounting profit as a parameter for the assessment of the economic operator. In his opinion, there are different standards allowing its determination. At the same time, the author points out that accounting often do not take into consideration the need to invest and ignores the volatility of the value of money over time (Rappaport 1999).

This is consistent with the opinion of N. Bedford, who noted that in the theory of accounting and economics there is no formal scientific concept of profit and only different tool concepts of profit for different purposes (Bedford 2007).

As it results from the mentioned considerations, the growing information needs raise new demands raised by the entrepreneurs. It is noted, however, that the preparation of reliable data and development of correct financial statements, aimed at efficient management of the company and external customers, more often exceeding the competence of persons employed therein. This is because the correct application of accounting principles and meeting the standards adopted by accounting companies require increasing the qualifications of employees in financial and accounting departments.

4. **Poland as an important target for the localization of services in the field of finance and accounting**

With the needs reported by market participants, the economy at the turn of the 21st century faced new and increasingly complex challenges. At the same time, it was noted that the existence and effective functioning of the market is only possible thanks to clever investing in specialized services.

The pressure of globalization caused the need for the application of the latest and competitive information technology, forcing changes in the functioning, operation and
expansion of businesses in the global market (Felton 2008). It was also found that in the conditions of frequently changing regulations and the evolving global economy, one should use the experience of outside companies. In the longer term, such action could prove to be very beneficial for companies by bringing in the added value of a decision on separation of selected processes (Backer & McKenzie 2012). It also follows from this fact that outsourcing brings the greatest benefits in terms of volume for large and long-term contracts. On the one hand, it contributes to the achievement of the economies of scale; on the other hand, it mobilizes the service provider to invest in a stronger team, tools and practical solutions.

The widespread use of the transnational movement of services undoubtedly is accompanied by a gradual change in the mentality of CEOs and managers of companies, increasing confidence and perception of the non-financial benefits arising from the use of outsourcing also means focusing on key business strategies, increase efficiency or greater availability of expertise and modern systems information.

It was undoubtedly derived from the development of technologies, changing regulations, and international trade links that it was begun to work on the harmonization and standardization of accounting (Świetla 2012). At the same time, the increasing cost of training, the need for implementation of new systems, maintaining relationships with customers from all over the world have contributed to the intensive movement of certain processes outside, which results in constant expansion of Shared Services Center (SSCs) and Business Process Outsourcing centers (BPOs). Their offers apply to the provision of business services in accounting, Research & Development, and IT.

These services generally:

- not require direct contact between the parties (the service provider and service recipient)
- offer high share of information and new knowledge (e.g., expert services, business),
- may be provided by electronic means (telephone, internet) (Szukalski 2007).

In the international arena, the interest in outsourcing is continually increasing which is associated with the dissemination of knowledge on the use of modern tools and models for business management. This includes optimization of costs and therefore companies are deciding to place some of their processes in the hands of external
experts. According to the Polish National Outsourcing Market Study, it is the access to specialized and competent services in services difficult to manage (National Outsourcing Market Study 2012) among Polish entrepreneurs, it is the third reason after the desire to reduce costs and focus on key strategies, for sourcing selected processes outside.

The crisis of recent years, paradoxically, has become an opportunity for the development of the Polish sector of business services. Strengthening the Polish market is the result of, firstly, the fact that it provides services to major international corporations on a global level, in many languages, with the guarantee of complete safety and, secondly, at attractive prices compared to Western locations.

Currently, there are 470 service centers with foreign capital, belonging to 325 investors. According to the latest findings by ABSL (ABSL 2014), the employment rate in the sector of business services in Poland is increasing. This applies especially to service centers with foreign capital where, from the beginning of 2012 until April 2014, there was an increase from 83,000 to 128,000 (50%). The largest markets are considered to include Krakow (24%), Warsaw (17%), Wroclaw (16%), Tri-City (9%), Lodz (8%), the Silesian Metropolis with Katowice (8%) and Poznan (6%). In other cities, the total employment is 12%. Sector development is a derivative of the implementation of increasingly more advanced processes requiring expert knowledge, thus increasing the demand for experienced professionals who speak several foreign languages, with years of work experience offered by the Polish market.

The Polish outsourcing sector is the one that is seeking employees the most intensively. The increase in employment in the sector is the result of not only the influx of new investments, but most of all, development of actors already present in the country who sign new contracts and take over more and more advanced services.

Among the areas of expertise of the Polish market, handling of financial and accounting, IT and R&D activities are mentioned frequently, which are carried out not only in R&D centers, but also in units providing advanced IT outsourcing services. The services for the banking sector, represented by, among others, UBS, ING, BNP Paribas, HSBC, Deutsche Bank, Credit Suisse, Citibank, RBS, UniCredit, Santander and Nordea, is increasing in importance. At the same time, these institutions also benefit from the service centers located in Poland (Outsourcing Institute 2013).

Employed (in %). As it is clear from the employment structure, Krakow has the key position, as in the last year the number of newly hired persons in service centers exceeded 5,000. Conservative estimates indicate that by the end of 2015, there should be 150,000 employees.
It should also be emphasized that the development of the sector is the engine of urban development, especially the real estate industry, in the case of headquarters for service providers. In Krakow, outsourcing providers in 2012 reported the highest demand for rented space (45-50% of the total rented offices). The sector is becoming a strategic one, because for every 1,000 employed, about 265 new jobs in their environment are created (training companies, cleaning, catering, fitness, etc.). One can speak about the domino effect. Undoubtedly, the development of the outsourcing of business services is also noticeable for the entire sector of goods and services.

At the same time, the development of the industry favors its customers, who can choose the optimal offer in terms of quality as well as price. Especially since with competitive prices (lower than in Western Europe) the highest quality services are offered. It is also noted that these services are becoming increasingly sophisticated, not only for large customers, but also the offer tailored to small and medium-sized businesses is developed, which will continue to an increased demand (Mielczarek 2013).

Although globally Poland is not yet able to match the global giants such as India and China which have far greater labor markets, it has a large economic potential (Bilans Kompetencji Branż BPO i ITO w Krakowie, 2014). However, there still is a need for educational activities. It is important to raise the awareness of the benefits of cooperation with professional partners, as well as reducing concerns about this type of cooperation.

5. Concluding Remarks

The interest in outsourcing of modern services is increasing with the popularization of knowledge about the use of available tools and models for business management. An analysis of the benefits of outsourcing as an effective management concept was already performed years ago by P. R. Embleton and P.C. Wright (1995) pointing out to its importance for the flexibility in the management of the entire staff, time saving, risk elimination, employment reduction and slimmer management structure.

As it is clear from the experience of companies that use outsourcing services to modernize forms of management, a significant increase is noted in the competitiveness of the market which results in an advantage over other operators. One can also claim, based on past experience, that today’s “service economy”, in
macroeconomic terms, means major changes in the structure of employment, production and consumption towards services.

It is also envisaged that the business services sector will become the source of development of the economies of countries where such services centers are invested, including the Polish market, in the coming years. By constant development and improving the qualifications, Polish service providers are experts advising the world's largest companies, helping to optimize their business and at the same time, following a domino-like effect, recipients of the benefits of such cooperation.

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