Four-dimensional Model of Bookkeeping Agency Industry Innovation Development in China

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Abstract. Bookkeeping Agency (BA) industry as a new segment of accounting service industry, are developing rapidly with great challenges in recent years. The author analyzed the status and existing problems of BA industry, pointed out the necessity and urgency of BA industry to conduct service innovation. This paper also reviewed the fruits of the studies on professional service industry innovation development and constructed a Four-Dimensional Model of BA industry innovation development and put forward some significant issues for scholars to make a further study on BA industry’s innovation development.

Introduction

BA industry is one of the most important parts of knowledge intensive business services (KIBS) industry. As a new accounting, financial and social services, which brings a great convenience to financial management of small and medium-sized enterprises (SMEs), private enterprises and individual business, is being accepted by more and more operators. While as an emerging thing in Chinese modern service industry, compared to international accounting service industry, China accounting service industry is starting from a low base, which still face great challenges, such as the increasing uncertainty of external environment, improvement of industry standards, fierce industry competition. On the other hand, from the BA companies’ own perspective, there are many exiting problems like services homogenization, lack of innovation and IT technology, vicious low-price competition within the industry, the imbalances between the charge price and services value and so on. However, from the point of academic research, the research of service innovation has appeared in foreign countries since 1970s. Nowadays, scholars have paid more attention on KIBS innovation development, while few of them put forward an innovation development pattern for BA industry. Some scholars analyzed the problems of industry development, but their study lack theoretical support and can’t provide a significant guiding meaning for BA companies.

Theories of Professional Service Enterprise Innovation Development

KIBS can be divided in to two types according to whether based on new technology or not. One part is professional services (P-KIBS), mainly by professional knowledge to provide services, such as financial services, accounting and legal services; another is technical service (T-KIBS). BA industry as a typical P-KIBS industry, we can reference the theories of P-KIBS innovation development to guide BA industry service innovation model. This paper reviewed the fruits of the studies on P-KIBS innovation development in table 1.
Table 1. Theories of P-KIBS Innovation Development.

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<tr>
<th>Scholar</th>
<th>Theory</th>
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<tr>
<td>Hipp (2000)</td>
<td>P-KIBS are customer-oriented; T-KIBS more focus on research and development[2].</td>
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<td>Mile (2000)</td>
<td>The flow of knowledge between customer and service provider is an important driving force for innovation, customers and enterprise can innovate together through knowledge flow, finally to promote the capacity of innovation[3].</td>
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<td>Freel M (2006)</td>
<td>The innovation capacity of T-KIBS is related to high quality employees; traditional P-KIBS is related to the interaction and cooperation between enterprises and customers[4].</td>
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<td>Chesbrough (2013)</td>
<td>Put forward open service innovation and emphasize the importance of customer interaction and cooperation innovation in modern service industry[5].</td>
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<tr>
<td>Wei Jiang (2008)</td>
<td>The innovation of KIBS is a cooperation producing process between KIBS and customers. Frequent interaction is required in this process[6].</td>
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<td>Bai Ou (2014)</td>
<td>P-KIBS starts from customer-oriented innovation and evolves into customer co-creation to achieve the synergy of innovation network. T-KIBS starts from technology-driven innovation and evolves into technology-based business model innovation to achieve the synergy of innovation network[7].</td>
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The Status of Bookkeeping Agency Industry in China

In recently years, China bookkeeping industry experienced recovery from start up, establish business to an all-round development stage. Currently, it’s undergoing transition stage from infancy to growth stage (Zhang Li, 2015) [8]. With the guidance of BA institutions, SMEs can conduct industrial and commercial registration accord to the relevant regulation, establish account normally and declare taxes timely. The accounting services institutions contribution to helping the relevant government sector manage SMEs, but there are still some problems in many BA institutions when it’s operating.

(1) Industry market is not fully developed and the service field is not fully expanded. Bookkeeping agency’s service object aim to small business, the small business accounts for 90% of China total enterprises at present (Yang Min, 2013) [9]. But those companies are in large number and widely distributed, the laws and regulations cannot supervise all the companies. It’s a common phenomenon that most of the small business, private enterprises and individual business haven’t created account business because they lack the knowledge of
the regulations or cannot understand it fully, which make them lost main customers. Secondly, the essence of BA is financial outsourcing, nowadays Enterprise Groups become a part of their customers because more and more Enterprise Groups choose financial outsourcing to reduce the administrative cost. But most bookkeeping agencies haven’t explored this market, which cause meager profit business.

(2) Services homogenization and lack business innovation. Currently, China BA companies maintain an irrational business structure. From the perspective of business structure, most accounting service companies’ business mainly based on traditional bookkeeping, tax agency and financial consulting, some of them extend the business to industrial and commercial registration, internal audit. However, from the perspective of revenue component, accounting services, tax agency and some traditional business account for 80%-90% of all business revenue, high ranking services like financial management consulting service only account for 5% of the revenue. This irrational business structure causes companies operate with low profit. Faced with the new situation, they can’t fully satisfy the demands of the consumers, which reduce their competitive power.

(3) Technology innovation and accounting informatization level should be improved. With the development of information technology and e-business, the internet cloud technology has been applied to the development of online accounting. However, China bookkeeping companies are still in a low utilization rate because of the limited capital and insufficient introducing talents. Their informatization level is far below large-scale enterprises and foreign accounting service companies, which not only increase enterprise cost, but result in many issues like working inefficiency, failing to expand business, blocking interaction with clients, at last it will cause many inconvenience to customers and restrict the company’s development.

(4) Deficient inorganization innovation and management mechanism. It’s hard to develop a perfect internal management mechanism for most bookkeeping companies because of small enterprise scale and less employees. Accounting service reflects principal-agent relationship, but at present, most of the companies cannot follow the modern enterprise system and Accounting Standard for Business Enterprises requirements to establish clear Right-Duty, Inter restricted relationship management mechanism. Besides, the companies still remain a traditional management pattern and lack organization innovation, present pattern cannot promote the knowledge transfer among the employees, make it difficult to stimulate service innovation behavior of employees.

The Innovation Development Model of Bookkeeping Agency Industry in China

Four Dimension Model of BA industry’s Innovation Development

Referencing the theories of Bilderbeek R’s Four-Dimensional Model of Service Innovation (Bilderbeek R, 1998) [1], Corporate Innovation Management, Consumer Participation and Accounting Service, this paper constructed a Four Dimensional Model of BA industry’s innovation development which is showed in figure 1.
New Accounting Service Concept: with the driving of market demands, companies conduct initiative innovation on services to change their traditional reaction and policy guidance patterns. Companies should take the services corporate life cycles as a perspective to provide a comprehensive service.

Customer Participation Innovation: BA companies should cooperate with their clients and guide consumers participate in service innovation. Establishing a long-term relationship with their customers so that BA companies can continuously improve and innovate their service quality according to the demands of their customers.

Knowledge Management Innovation: corporate knowledge innovation subject include internal and external subjects. Create an innovation network to transfer and share the knowledge of each subject. External innovation subject mainly include consumers and other organizations, knowledge management can help them to contribute their ideas to the company. Employees are main internal subject, promoting the integration and development of new technology through the mutual learning among the employees.

Organization Management Innovation: standardize corporate organization and management structure and create a conductive organization environment to promote service innovation behavior.

The Prospect of China Bookkeeping Agency Industry’s Innovation Development

The motivation of international bookkeeping innovation management is following the customer, their innovation abilities and methods reflect great adaptability to the environment, while China BA companies are developing under the national policy. China BA company has been rushed through 20 years, the legal systems are more and more complete, business scope expand as well, but they still face a lot of challenges. Only innovate developing patterns for the BA companies to improve its environmental adaptability and enhance the competitive power, can make them survive in the increasingly fierce competition. Four Dimension Model of BA industry innovation development can guide BA company to conduct service innovation, but we still need to explore deeper how this four dimensions works and the relationship among each dimension.
References


