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Accounting and The Problem with Globalization

Globalization provides an immense number of challenges, affecting every aspect of society, from cultural traditions to economics, from politics to migration. It is no less the case with my future career, that of accounting. Namely, accounting practices have been radically affected by the globalization process. However, there are differing ways regarding how globalization changes accounting processes. For example, in Thomas L. Friedman's *The World is Flat*, the author argues that accounting practices are continually being outsourced in countries such as India. This means that accountants from Western countries will inevitably lose their jobs, as, through the Internet, accountants can perform these tasks. Bruce Pounder, in contrast, approaches the problems of accounting and globalization from the perspective of accounting standards. Taking an American perspective, Pounder notes that accounting processes are shifting more and more to international standards. This forces accountants to think globally in terms of standards. Accordingly, the problem of accounting and globalization seems to be twofold: firstly, there is a sense in which accounting tasks can be performed in countries where lower wages are present. This means that there are only certain parts of the world where accounting will be performed if this trend continues. Secondly, accountants

have to adjust to changing standards, as they are not following standards of a country, but of a world.

Thomas L. Friedman therefore because of these problems warns Westerners from beginning an accounting career. This is because of the phenomenon of outsourcing. Hence, Friedman tells the narrative of how an Indian company, Mphasis “has a team of Indian accountants able to do outsourced accounting work from any state in America and the federal government.” (10) This process has been aided by technology, since these companies have “pioneered a work flow software program with a standardized format that makes the outsourcing of tax returns cheap and easy.” (10) Accounting, in essence, is no longer localized, but has itself become globalized. This is in one sense paradoxical, because each country has its own type of standards and practices that are required for accounting activities. But if someone in a foreign country can master these standards and practices, there is no need for the accountant to actually live in the country where he or she performs accounting practices according to accounting standards. He or she may live anywhere in the world. This is clearly an advantage for businesses, which are constantly trying to find a cheaper method for operational costs. Accordingly, the major problem in this sense is that accounting practices will follow other types of cheap manufacturing labor, moving to countries with lower standards of wages paid and worker’s rights.

Pounder provides a more precise view of how Western accountants may be affected by globalization, in particular, U.S. accountants, but his analysis essentially holds for any Western country that has seen various occupations move to other parts of the world in order to reduce labor costs. Pounder identifies three main threats to Western-based accountants: 1) those accounts who work for “foreign-owned SEC registrants”, 2) those who work for U.S. based companies “that are expanding

internationally”, and 3) accountants whose knowledge of accounting standards are limited, therefore making them less valuable. At the same time, Pounder also mentions another important issue, and that of changing accounting standards, which is less talked about in the academic literature on the subject of globalization and accounting. The American accounting standards have been traditionally viewed as the best in the world. (2) However, these are only one types of accounting standards. Other accounting standards may also emerge and have emerged, as Pounder notes. Therefore, the American accounting also loses its dominance not only from the perspectives of the work force, but also in terms of the framework of accounting itself.

It is perhaps important to underscore that this is a perspective taken from the Western viewpoint. For example, while these are problems for Western accountants and future careers, this is not a problem, but an opportunity, for emerging countries with strong graduating classes every year of accountants, such as in India. Friedman discusses that there are 70,000 accounting graduates a year in India. (15) This clearly shows that accounting has become a highly desired career for young Indians. From this viewpoint, therefore, the globalization of accounting and the outsourcing of jobs is not a negative. This is also demonstrated in the empirical study of the Indian authors Ussahawanitchakit, Intakhan, and Sumritsakun. What they term “barrier reduction, quick response to changes and multilateral trade liberalization”, which are the hallmarks of globalization, “are positively related to individual professional judgment and professional self-regulation.” In other words, the very phenomenon of globalization from the non-Western perspective is also increasing the quality of the individual accountants in non-Western countries. Not only are low-paying manufacturing jobs being outsourced, but also now more “white collar” jobs are being outsourced, and this is not only because of cost, but rather because the non-Western

countries in India have succeeded in meeting the demands of the market and producing high-quality services. From a greater labor perspective, this means that a more diverse outsourced labor force is being created in non-Western countries, which can also be a greater benefit to these countries and accounting is a key point of this process.

Framed in this way the problem of accounting and globalization is shaped by two main perspectives. For the Western perspective, globalization is a threat to accounting. American dominance in accounting standards is being replaced by new standards which take away from American and Western financial power. The accountant can always be replaced from a worker from an emerging economy from India. From the non-Western perspective, such as India, this is a positive, as they are now given new opportunities for work in the new global market. However, if we take a Western perspective to the problem, then numerous steps must be done to resolve this. Some suggestions by Pounder including that Western accountants must strive to be even better in their work. (6) They also must take on a personal touch, since this cannot be offered by outsourced accountants. (6) In addition, it could be added that major types of reforms could be introduced so as to restrict the outsourcing process. However, this is unlikely to the extent that outsourcing is a key part of neoliberal and capitalist ideology and therefore some type of new reforms would only be carried out with a radical change in this ideology.

Certainly, however, the accountant could also take a dynamic approach. For example, an accountant essentially can live anywhere in the world because of globalization. Therefore, he or she should not be restricted to a localized environment, when the world is global. The horizons should be broadened. This could include mastering other forms of accounting standards, such as Pounder (6) mentions, or

also even leaving the Western world, taking a Western earned accounting degree into, for example, an Indian environment. Since globalization is not going away in the near future, the accountant must not see his or her horizons closed by globalization in the West. One must rather seize the initiative. From another perspective, once again, this phenomenon, however is positive because it means a diverse work force for non-Western emerging economies, with new white-collar jobs being offered to them. The complexity of this issue is in this sense shaped by what perspective one takes to the problem: strategies for problem solving are determined by this perspective.

Works Cited

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