

THE PERSPECTIVE OF USING BENCHMARKING FOR IMPROVING THE GLOBAL PERFORMANCE OF THE ROMANIAN AGRICULTURAL AND ZOOTECHNICAL ENTERPRISE

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Abstract

The information provided by management accounting contributes not only to the decision-making process, but also to the evaluation of performances at the enterprise level. The quality of accounting information represents the characteristic of assigning value to information.

The assessment of accounting information quality resides in the quantification of its current performance level according to the standards established for this domain. The qualitative characteristics of accounting information are generated by the attributes of quality.

The comparison of an activity, including the accounting activity, against the ideal parameters is called benchmarking or reference treatment. Benchmarking represents the solution for continuous improvement of the enterprise's global performances, having as objective the achievement of a superior position as compared to its competition and, as a consequence, in the fight for survival.

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1. The Quantification Of Accounting Information Quality And Performance

The majority of enterprise decision processes are based on the accounting information. The quality of the accounting information constitutes the premise for the quality of the decision-making process. As a result, the

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assessment of the accounting information quality has become an issue of utter importance nowadays. The accounting information quality represents the characteristic of assigning value to information. A piece of information has value when it has economic applicability for all user categories.

The definition of generic qualities for the accounting information must cover all the needs of all user categories, internal and external to the enterprise.

The concept of accounting information user designates any physical person or legal entity that can make use of the definition of a direct or indirect connection with the issued accounting information, provided and published by the enterprise. We assume that this person has a sufficient knowledge of the language and communication protocols which represent conventions and general accounting rules, thus ensuring the correct understanding of the accounting information that are exploited.

In order to highlight the characteristics of generic quality for the accounting information two approaches can be considered:

- the deduction, from an inventory of various accounting information supports and forms, of the common, representative characteristics, of the expectations of different user categories;
- the induction, starting from a generic conception of the accounting information user, of the variations specific to the trust attributed by any user to the so-called „accounting label” (accounting brand) which is assigned to a piece of information.

The assessment of accounting information quality resides in the quantification of its current performance level according to the standards established for this domain. The regulations concerning the accounting information quality include, besides the external conventions, the applicable internal specifications of the enterprise which issues the accounting information.

The external norms are accepted accounting conventions. Together with internal regulations (specifications), they form a communication language based on the understanding between the sender and the receiver of accounting information, unifying enterprises and behaviors with regard to the same economic reality.

The accounting conceptual framework is oriented towards the accounting information which must offer an accurate image of economic reality by the correct application of accounting conventions².

The qualitative characteristics of accounting information are generated by the attributes of quality. The order of French experts proposes an evaluation system based on nine attributes of accounting information quality, which take into consideration users' expectations³:

Pertinence represents the capacity of satisfying the objective requests of actual and future information (confirmation value and prevision value);

Reliability refers to the alteration level caused by the recorded errors, omissions or unauthorized manipulations (data completeness, integrity);

Duration / Availability represents the period of implicit or explicit availability of the information when it can be useful for decision making or for behavior modification;

Clarity means the presentation or content that enables a direct understanding, without running the risk of misinterpretation of the described facts or reality;

Flexibility is the capacity for adaptation in order to respond to new explicit or potential needs;

Verifiability / Proof expresses the concordance between the elements of a financial situation or of an accounting document and the correspondent real operations or facts;

Conformity with regulations means the compliance with general accounting conventions and rules of the complementary internal specifications of the enterprise;

Neutrality takes into consideration the absence of appreciation elements introduced through the influence of a result previously searched in the expression of the financial situation, of the economic facts or of the enterprise's activity;

² Colasse, B., avec la colaboration de Cedric Lesage, *Introduction à la comptabilité*, Paris: 2010, Economica Edition, p. 73.

³ Tabără, N., Briciu, S., *Trends and perspectives in accounting and management control*, Iași: 2012, Tipomoldova, p. 209.

Comparability means the assessment and identical presentation during consecutive exercises of the state and activity specific to enterprises which present similar economic characteristics.

According to the Romanian national accounting regulations⁴, the quality characteristics of accounting information included in the financial statements (reports) are:

Relevance (the ability to assist information users in the decision-making process);

Significance threshold (that aspect of relevance which is specific to an entity, based on the nature or on the size, or based on both nature and size, of the elements referred to by the information reported by the entity);

Exact representation (the description of phenomenon needs to be exact, complete, neutral and without errors);

Neutrality (aspect of the exact representation characteristic which states that the information has to be impartial and devoid of influences in its selection and presentation);

Credibility (the error free presentation of the information);

Integrality (the complete presentation of the information);

Prudence (the cautious conception, presentation and publication of the information, namely by avoiding the overvaluation of assets and incomes and the undervaluation of debts and expenses);

Verticality (the concordance between the elements of a financial statement and the corresponding real facts);

Opportunity (making decisions in due time, based on the available information);

Intelligibility (the clear and concise classification, characterization and presentation of information to various users);

⁴ Ordinance of the Public Finances Ministry no 1802/29.12.2014 for the ratification of accounting Regulations regarding yearly individual financial situations and yearly consolidated financial situations, published in the Romanian Official Journal no 963/30.12.2014, Part I, Section 2.3., points 30-45.

Comparability (the comparative study of accounting information from the entity's reports with similar information from other entities or similar information from the same entity, but recorded for other period of time);

Consistency (using the same methods for the same elements, either from one period to the next, in the same reporting entity, or in a single period, for different entities, by implementing the comparability characteristic).

2. Using Benchmarking For The Improvement Of Global Performance Of The Enterprise

The comparison of an activity, including the accounting activity, against the ideal parameters is called **benchmarking**. Within this context, the management accounting investigates the key factors for success, which correlates it to strategy⁵.

The concept of *benchmarking* represents a continuous process of enterprise performance improvement, having as objective the achievement of a superior position as compared to the competition. Competitors are always trying to achieve and consolidate their superiority on the market corresponding to their activity, superiority that can be challenged at any time. Thus, the comparison is also performed between enterprises.

Benchmarking is the technique used for the identification of the policy that can generate a superior performance.

The most widely known definition of this concept has been provided by David T. Kearns – chairman of the Xerox enterprise: *benchmarking is the continuous process of products and services evaluation by comparison with those of the most powerful competitors or with those which already have a leading market position*⁶.

Benchmarking is often regarded as an instrument for performance measurement and comparison and represents a continuous process of enterprise performance improvement, having as objective the achievement of a superior position as compared to the competition.

⁵ Bouquin, H., *Le contrôle de gestion*, Fourth edition, Paris: 1998, PUF, p. 235.

⁶ Smith, J., *Handbook of Management Accounting*, Sixth edition, Elsevier Great Britain, 2007, p. 897.

Beyond global comparisons, benchmarking or the activity assessments are trying to grade the enterprise's performance regarding its activity and more importantly, from the point of view of the most advantageous cost. The cost, as a product of management accounting, is the most synthetic, comprehensive and important information regarding the global quality of the activity and the enterprise's performance assessment. The information provided by management accounting facilitates not only the decision-making process, but also the performance assessment, performance being the best result obtained in a certain domain.

It is easy to understand that every enterprise is interested in achieving performance in any type of activity and for every position of the enterprise, but also global performance.

Enterprise global performance represents a sum of all performances obtained by the enterprise (innovational performance, human capital performance, operational performance, financial performance, commercial performance and managerial performance). It is worth mentioning that their total sum is greater than their simple arithmetic sum, due to the synergistic effects that are induced by the related action of performances.

The managerial performance is capable of creating these synergistic effects, contributing to the achievement of a sustainable global performance.

Benchmarking means *reference treatment* and is integrated in the quality research process.

Through its capacity to initiate and direct change, *the reference treatment* brings an important contribution to the continuous improvement of activity and to performance management, which can be mainly achieved by its ability to identify performance objectives and to observe the employment of the best practices from efficient enterprises. The reference treatment is not limited only to the identification "of the best practices", but it also targets the analysis and enhancement of the enterprise's practices, of the competition's practices, as well as their implementation within the enterprise. Its final objective is to support the enterprise in order to identify weak points, to correct them and to focus management where it is needed.

This method is based on a continuous and systematic process which takes into consideration the relations between professionals⁷, implying the following sequence of steps:

- **Identification of activities and processes to be treated.** This concerns the naming and ranking of activities and processes essential for the achievement of key factors for success, which also need to be ranked. Within this process, quantitative methods for modifying the relative weight can be used in key processes and factors, or more qualitative approaches can be employed.
- **Organization of application teams.** This can concern the actors of the calibration process, but also transversal (mixt) teams. Multiple-criteria methods have been elaborated for the selection of the participants. These methods target the assessment of each person according to various criteria (competence, interest, credibility etc.) established for the formation of the team.
- **Detailed analysis of the enterprise's functioning mode in selected activities.** In fact, benchmarking represents an information exchange. Formalized methods, resembling those that use auditors for the description of the examined processes are available. It is recommended to use the general principles of Total Quality Management (TQM): costs, quality, life cycle duration. Four principles are suggested for the selection of criteria which measure the performance of a process. They must be correlated with an internal or external request of key objectives and factors for success that can be measured in a manner that is normalized and easy to collect⁸.
- **Identification of the leader, who will serve as reference.** This step can be implemented by a group of enterprises which focus on benchmarking and wish to exchange information in order to resort to real compensations (clearinghouse). The Management Accounting Society from Canada has identified forty. Ethical norms have also been tolerated.

⁷ Bouquin, H., *Comptabilité de gestion*, Third edition, Economica edition, Paris : 2004, p. 186.

⁸ Seal, W., Garrison, R.H., Noreen, E.W., *Management Accounting*, McGraw-Hill Education, London, 2006, p. 867-870.

- **Information analysis and determination of causes underlying the leader's performance.** This concerns the study of performance differences in multiple domains where it is assessed (cost, duration, quality).
- **Application of suggested elements.** We can find here the totality of change management methods from the enterprise.

The reference treatment objectives are⁹:

- proposition of ambitious objectives;
- acceleration of the rhythm of change;
- surpassing of NIH (not invented here) concept;
- identification of processes which generate significant advantages;
- constant observation of clients' satisfaction and of competition advantage;
- complete knowledge of both strong and weak points, through a better self-evaluation;
- creation of a balanced work climate, based on concrete facts;
- use of production capacities for the development of the company.

Based on these objectives, benchmarking is considered as creator of value.

There are three levels of benchmarking:

Strategic level which is focused on domains such as market share, asset value, organizational structure. The projects from this level imply the comparison of the organization as a whole.

Operational level which supposes performance comparison in domains such as customer satisfaction, distribution system, general expenses.

⁹ Tabără, N., Briciu, S., *Trends and perspectives in accounting and management control*, Iași: 2012, Tipomoldova, p. 303.

Process level which implies the connection of activity groups which are somewhat related.

By itself, a process is a group of activities which can be connected and which are related to a certain extent.

Currently, a process targets more functions and for this reason, some organizations have created a structure that takes this aspect into consideration.

The reference treatments can be:

- *Internal reference treatment* realized by the analysis of practices from the organization itself;
- *Process reference treatment* which consists of an analysis of the best practices referring to fundamental processes from within the company;
- *Competition reference treatment* which consists of the analysis of strategies, processes and practices for competitive enterprises or for enterprises with similar activity profile;
- *Strategic reference treatment* which allows the adaptation of the strategy and the quantification of future tendencies of the enterprise and of market options referring to processes, technology and distribution, by means of a prospective analysis;

The implementation of a benchmarking program involves important costs and a lot of time. Moreover, it also implies management and support of the best possible quality. This program can be divided in five distinct phases¹⁰:

1. **Planning.** In this phase, the aspects which will be highlighted within this program will be identified and established. Moreover, the benchmarking plan must establish the authorized users of the information. Normally, the team designated to do this is the one that elaborates the plan, defines the indicators that will be taken into consideration and the methods used for collecting the information.

¹⁰ Mitchell, F., Salafatinos, C., *Modern Management Accounting Developments*, Pearson Professional Limited, Great Britain: 1997, p. 57-59.

2. **Obtaining the data.** This phase implies research and cooperation. Research is necessary for collecting the information generated by companies for this purpose. They are completed by specialized magazines, company reports, commercials, surveys among customers, sales agents and providers. The access to provided information requires some protocol procedures.
3. **Analysis.** The obtained information will be compared with the internal performance indicators of the enterprise, so as to determine its actual position. In order to obtain correct and relevant comparisons, an adjustment of the information needs to be performed as well. The domains which need to be improved are established, the causes which have led to poor results are analyzed and rigorous improvement measures are established.
4. **Execution.** The benchmarking team needs to obtain the approval of the managers for the actions proposed for the improvement of the activity. Once they are approved, these actions are implemented and then the results are evaluated. More often, the objectives need to be reformulated in order to adapt the conditions for change.
5. **Finalizing.** The feedback for these actions needs to be focused on informing the managers about the success of the actions and about how they contributed to the effective development of the enterprise. Performance indicators must be permanently observed, in order to perform adjustments on the way, depending on technologic evolution, future successes and external events.

3. The Perspective Of Using Benchmarking For Improving The Global Performance Of The Romanian Agricultural And Zootechnical Enterprise

In the period that preceded the accession to the European Union (2000 – 2006), as well as, and especially in the period following the integration (starting from 2007), Romania has benefited and still benefits from structural and cohesion European funds.

In the context of promoting the Common Agricultural Policy elaborated by the European Union, Romania has benefited and will continue

to benefit in the following years from important sums allocated from the European Agricultural Fund for Rural Development (EAFRD).

The allocated sums target a continuation of the SAPARD pre-accession program, but also the following priority directions for financing through EAFRD:

- Increasing the competitiveness of the agricultural and forestry sector (AXIS I);
- Improving the environment and rural areas (AXIS II);
- Quality of life in rural areas and diversification of rural economy (AXIS III);
- “LEADER” (AXIS IV).

Concretely, European non-refundable funds are allocated for private investments in Romanian agriculture. This program is based on the principle of private investment projects co-financing.

This is the way in which the modern agricultural and zootechnical enterprise has appeared in Romania.

These enterprises function in competitive conditions. In their “fight” for national and European survival, they must achieve performance in their field of activity. For this purpose, they must implement benchmarking for the continuous improvement of their global performance.

In order to guarantee the success of such an operation, the following steps are mandatory:

- analysis and precise knowledge of the enterprise’s own processes;
- correct and competent selection of partners, collaborators, the compliance with a code for business ethics, in order to prevent the reduction of value;
- comparison of processes, practices and results, both within the enterprise, and in the domestic and foreign global enterprises;
- performance of the action in such a way that the limit of “the best” is surpassed.

In this context, there is great importance attributed to the role of the management controller, who has the responsibility of identifying the processes which will undergo the benchmarking operation. He contributes to the analysis of tendencies, to the establishment of short-term objectives, his true value being represented by the communication of results and his capacity to have them accepted.

The classic mission of the management controller resides in coordinating the budgetary process, in the monthly observation of several financial indicators from accounting sources, the calculation of the production cost. Nowadays, the role of the management controller becomes that of implementing the enterprise's strategy. In order to do this, he needs to be polyvalent.

4. Conclusions

The benchmarking concept represents an instrument that does not deal only with the productivity of the enterprise, but also with its development. It implies a control of the general direction in order to avoid the release of incoherent actions by the various functions of the enterprise. The accounting information is relatively homogenous in time, being subjected to a set of conventions, which are more or less common even at international level. Although it is very difficult to determine some accounting processes comparable in different enterprises, it is still possible to do so, allowing in this way an exchange of competences and, thus, generating mutual profits.

The benchmarking procedure consists of several steps:

- a) Choosing and understanding the procedure;
- b) Selecting the accounting domains that are candidates to benchmarking;
- c) Self-evaluation of domains or processes;
- d) Launching the benchmarking procedure;
- e) Searching the information (it is important to search for the best practices).

Every enterprise presents eventually, its own approach of the selected procedure and an inventory of the best practices, while the group proceeds to ranking them with the purpose of preserving the best of them.

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