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IMPROVING ACCOUNTING MANAGEMENT VIA BENCHMARKING TECHNOLOGY

Abstract. The scope of benchmarking is defined in the article. The aim of the article is to research theoretic aspects of benchmarking and to justify the efficiency of using benchmarking instruments with the aim of improving accounting. The perspectives of application benchmarking in system of forming an accounting information of business entities and nonprofit organizations are grounded. The factors, which provide the efficiency of benchmarking accounting system for the business entity, is defined. The organizational model of benchmarking in accounting, which will allow to minimize the cost of implementation of benchmarking, while focusing on its enforcement, are presented. It was grounded, that applying benchmarking is the possibility to form your own team of experts in accounting and taxation, to experience the implementation of organization changes consequently creating conditions for further advancement of accounting.

Keywords: benchmarking, accounting process, organization of accounting.

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УДОСКОНАЛЕННЯ ОРГАНІЗАЦІЇ ОБЛІКУ ЗА ДОПОМОГОЮ ТЕХНОЛОГІЇ БЕНЧМАРКІНГУ

Анотація. У статті розглянуто зміст поняття "бенчмаркінг" та обґрунтовано перспективи його застосування у системі формування облікової інформації підприємницькими структурами та неприбутковими організаціями. Розроблено організаційну модель проведення бенчмаркінгу, яка дасть можливість мінімізувати витрати на впровадження бенчмаркінгу, при цьому зробивши акцент на зростання його ефективності.

Ключові слова: бенчмаркінг, облікові процеси, організація обліку.

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СОВЕРШЕНСТВОВАНИЕ ОРГАНИЗАЦИИ УЧЕТА С ПОМОЩЬЮ ТЕХНОЛОГИИ БЕНЧМАРКИНГА

Аннотация. В статье рассмотрено содержание понятия "бенчмаркинг" и обоснованно перспективы его применения в системе формирования учетной информации предпринимательскими структурами и некоммерческими организациями. Разработана организационная модель проведения бенчмаркинга, которая позволит минимизировать затраты на внедрение бенчмаркинга, при этом сделав акцент на рост его эффективности.

Ключевые слова: бенчмаркинг, учетные процессы, организация учета.

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Introduction. Under the modern competitive environment we can see the increase of business entities to be oriented towards the consumer. The consumers, in their turn, demand higher level of service in terms of costs, quality, reliability, timeliness of delivery and choice of new products. With the aim of meeting the needs of consumers, business entities begin to implement the philosophy of improvements into their activity. It is a continuous process during which a constant search for the cost-saving methods, waste reduction, increase of quality as well as business indicators improvement are taking place. They all contribute to the increase of customer value or the customer satisfaction level [1, p.13].

Benchmarking is one of the mechanisms widely used in the international practice to achieve continuous improvements.

Recent research and publications analysis. Benchmarking was researched in the scientific works of many foreign scientists, such as R. Camp, D. Garvin, C. Drury, T. Pilcher, R. Reider, S. Gunnar, K. Stefan, H. Belokorovina, N. Voevodina, A. Kulagina, O. Loginova, L. Kuznetsova etc. The amount of works written by the national scientists is increasing rapidly. They are devoted to the investigation of theoretic aspects of benchmarking and the possibilities of its implementation into practical activity of business entities. Among them the works of С. Blishchuk, А. Krupnyk, Е. Matvijishyna, R. Feshur, N. Kyrych, O. Jylinska.

Various approaches to benchmarking as an efficient instrument of increasing business entity competitiveness being available, the aspects of its use in accounting are still left unresolved.

The purpose of the article is to research theoretic aspects of benchmarking and to justify the efficiency of using benchmarking instruments with the aim of improving accounting.

Research results. The history of benchmarking dates back to several thousand years ago. However, as a modern instrument of management it has become popular since 1980s. According to Confucius, there are three ways leading to knowledge: thinking – the most honorable; following – the simplest; experiencing – the saddest one [1]. If you join thinking and following which are the basics of benchmarking you can avoid a sad way of reaching the goal.

The concept of benchmarking doesn't have a single definition. The majority of the scientists relate it with the spread of the best practice. The leading specialists of Global Benchmarking Network define benchmarking as continuous strategic process of observing other business entities best practices; instrument that is used to identify, explain, adapt and implement method of improving the organization activity indicators [2, p.9].

A. Atkinson and R. Kaplan characterize benchmarking as the method of gathering information which is used by the entities with the aim to identify the best practices among the activities of other entities [3, p.568].

N. Voevodina, A. Kulagina and O. Loginova state that benchmarking is the art of finding and identifying something that others do better than anyone else, with further study, improvement and implementation of someone's methods of work [4, p.5].

S. Gunnar and K. Stefan while defining benchmarking use the category «criteria». Hence, criteria (benchmark) are the outcome data, the starting point for evaluating the best results, and benchmarking is the methodological comparison of individual processes along with products and processes of better enterprise-partners on the basis of the given criteria. They are chosen within your own organizational structure or the structure of another enterprise on the similarity principle. Benchmarking is provided with the aim of significant improvement of your own processes and products on the example of such partner [5, p.11].

Thus, firstly, **benchmarking** (from the view of practical use in accounting) is the comparison between the indicators of business entities activity and the indicators of other entities (competitors, leaders etc.); secondly, it is the search, study and analysis of the best business practice and, thirdly, it is an adaptation of successful experience in the activity of your own business entity.

The main idea of benchmarking is to use the decisions that have already existed in order to solve your own problems. The starting point in the search for the needed decisions is looking for similarities between the business entity you are studying and the successful business entity. It should be noted that benchmarking can give positive effect provided better alternatives to your own problem-solving approach (tasks of business activity) have been found.

The increase of competitiveness as the main purpose of benchmarking provides some advantage in the system of accountancy data collection as well as the activity in general. The experience of enterprises gained while benchmarking of accounting can be used in other benchmarking projects. In fact, benchmarking is an innovative technology of the best business practice popularizing.

Originally benchmarking was widely used in the business sector. However, at the present stage of social and economic development it became very popular in the activities of public enterprises, management of spatial development in the countries and regions as methodology of their permanent condition evaluation. It is conducted with the aim of defining the perspectives of countries development, designing strategic plans and it also serves as an instrument of their realization monitoring. Considering the variety of benchmarking application areas, it would be appropriate to adapt its instruments to be used in the field of accounting in profit and non-profit organizations with the aim of improving organization of accounting.

Benchmarking in accounting area is the assessment of accounting service compared to the best practice within the researched entity as well as outside it. The purpose of implementing of benchmarking technology should not only be comparing and identifying drawbacks in accounting system but also finding methods to stimulate effectiveness in accounting personnel, to increase the quality of accounting and analytical information, to obtain efficient cooperation between accounting staff and company management in order to make well-grounded managerial decisions based on the accounting data.

Applying benchmarking technology in accounting includes:

1. comparing accounting system in the entity researched to the best entities regardless of the country, type or area of business;

2. comparing accounting processes to the best similar processes implemented in organizations working in a similar or other area;
3. comparing software that is used for automated accounting record-keeping in order to choose the most modern and efficient;
4. if possible, comparing and analyzing management accounting of a business entity as well as the best companies in the area;
5. implementing the best methodology and technology of accounting;
6. identifying development tendencies of approaches to accounting system and their succession;
7. answering inquiries for users of financial and managerial reports.

The following factors provide the efficiency of benchmarking accounting system for the business entity: a number of benchmarks to improve accounting system, selection mechanism of top-priority directions for improvement, defined on prioritizing potential with respect of quality, productivity, a set of indexes to identify master systems of financial performance accounting (Fig.1).

<i>Factors of efficient accounting system</i>		
↓	↓	↓
<i>Benchmarks to improve accounting system</i>	<i>Potential for improvement</i>	<i>Indexes to identify master system</i>
↓	↓	↓
Applying cost accounting system, which is focused on identifying alarming signs	Growth potential for quality of accounting process, accounting and analytic information	Indexes, showing error percentage identified by the internal control system
Analysis for the need of every accounting business process or function	Growth potential for productivity	Indexes, showing error percentage identified by the internal control system
Concentrating on analytical work instead of profit and loss account	Tendency for value decrease of the information obtained, accounting business-process performance, generating financial reports	Indexes, that show missing the deadline of generating information, organising and presenting the documents, reporting
Leveling up quality characteristics of accounting and analytical information		
Optimizing accounts to avoid accounts receivable	Potential for time cycle reduction	Indexes, showing efficiency of accounting system
Managing accounts receivable	Overall index	Indexes, showing improvement of accounting system
Automation of accounting work and internal control		Indexes, showing employees' knowledge as well as personnel training and education
Integration of operating and financial information		
Reports directed on satisfying management needs		
Excluding duplicates, single record of data		
Accessibility of software for continuous upgrading and implementing of advanced practice		

Figure 1. Factors of efficient financial performance accounting

Practical activity of business entity can be divided into two main approaches to benchmarking in accounting:

1. Continuous benchmarking. Depending on the size of work, either employees responsible only for this job should be appointed, or this function is taken by other experts involved in other tasks. The advantage is that provided the work is organized correctly and the necessary information being available, we will be able to predict a majority of possibilities and risks for business and make correct managerial decisions. The disadvantage is the expenditure of the business entity for continuous observation of changes in the environment.

2. Benchmarking is used when it is necessary, i.e. under the change of business conditions or conditions of a specific area (in our research it can be new highly effective accounting information system, development of innovation approach to the management of accounting process, implementing of new forms of accounting statements, etc.). The information is reported to the managers responsible for the benchmarking organization. While analysing the information obtained after benchmarking a plan for implementation of the practice into accounting process of the business entity is developed. After productive implementation of the practice benchmarking work finishes until a new change of business conditions.

The second variant is applied more often than the first one. It can be explained logically: continuous benchmarking requires a lot of resources therefore not every business entity can afford it. However, the second approach has its drawbacks as well. When business conditions change, the management of the company should be able to make quick decisions under vague situation. In this case, business may suffer from the lack of time and money, thus there is a chance of making wrong decisions.

Considering serious drawbacks in the above mentioned approaches to benchmarking in accounting, alternative plan is becoming more and more popular. Its idea is to apply benchmarking systematically but with minimal expenses.

Benchmarking of accounting processes can be conducted using different methods, which vary only in the quantity of stages, however, their content is practically the same.

With the aim of its practical application we developed a concept based on the approaches of Robert Camp, Siebert Gunnar and Kempf Stefan along with American Productivity and Quality Center (APQC), the European Foundation for Quality Management (EFQM), which will enable to minimize the expenditures on benchmarking conduct (Fig.2).

<i>Stages</i>	<i>Steps</i>
<i>I. Planning</i>	Identifying the area of study and characteristics for comparison
	Identifying the entity of benchmarking
	Identifying the resources for benchmarking conduct
	Identifying the methods of information selection
	Recording the plan of study
	Budgeting
	Issue of regulatory documents
<i>II. Data collection</i>	Internal information collection
	Collecting information about benchmark business entities
<i>III. Information analysis</i>	Testing information for eligibility, relevance, reliability
	Identifying discrepancies
	Search for the methods, instruments and decisions that would effect the improvement of business entity accounting
	Developing of a plan to implement the experienced practice into your own accounting processes
<i>IV. Adaptation</i>	Implementation of changes
	Evaluating the efficiency of benchmarking results implementation into accounting
	Correcting and improving of accepted approaches, minimizing of factors that limit benchmark project conduct

Figure 2. Organizational model of benchmarking conduct in accounting

Professionally developed benchmarking plan stipulates detailed work and justification, providing high-quality graphic material is a must, it makes the process more understandable.

Two important initial conditions of efficient implementation of benchmarking in accounting should be emphasized: CEO approval and a strong belief in the necessity of changes. Top-management of the business entity is responsible for creating corporate culture, which should encourage the process of innovations and improvement implementation in accounting system along with immediate eliminating of opposition to changes within the organization. Following Deming's programme of quality management which is advised to apply in order to improve accounting management, every accounting employee should be involved in the process of benchmarking implementation. Thus, it is highly important for the employees to understand the concept of benchmarking as well as processes for improving accounting management since they all will implement the changes in their workplaces.

Applying benchmarking is the possibility to form your own team of experts in accounting and taxation, to experience the implementation of organization changes consequently creating conditions for further advancement of accounting, to change "leader oriented" strategy into "one step ahead" strategy.

Conclusions. Benchmarking which goes beyond the industry paradigm and allows competitors to communicate with each other, can become the instrument of suppressing the lag in the system of accounting as well as the basis of setting the accounting control over financial results. The efficient application of benchmarking methodology as an instrument of improving the accounting process is possible if its conduct is carefully prepared by all the parties concerned: authorities, science and business, system of education along with society. Whilst the state should build the supporting infrastructure that includes such basic elements as:

- the development of methodology and procedures of benchmarking conduct of accounting process;
- holding of National Award in the field of quality in the special nominations and encouraging business entities self-esteem;
- performing the clubs of business excellence that implement the projects of spreading the best practice of accounting process (as the direction of activity of professional non-profit organizations in accounting and audit) with the help of Internet resources;
- forming the depository of financial records along with the best practice in accounting;
- giving workshop sessions, advanced training for accounting officers;
- pro-active attitude of profit and non-profit organizations towards new developments implementation, support of innovative direction of accounting development.

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