

MANAGEMENT ACCOUNTING USING BENCHMARKING TOOLS

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ABSTRACT

The organizational model of benchmarking of systems of management accounting of lean production is formed and the content of its successive stages is described: internal study and preliminary analysis of competitors, implementation of a long-term benchmarking program, selection of contractors for benchmarking, identification of benchmarking partners, implementation of an action plan aimed at achieving or exceeding the benchmark selected at the previous stages of the work. It is suggested to determine the effectiveness of the management accounting of the lean production of the manufacturing enterprise on the basis of expert estimates or independently (through self-assessment). As part of the creation of a system for evaluating comparison objects there were presented: a matrix of advantages in choosing the method of evaluation in conducting benchmarking of management accounting processes; options for expert assessments of the state of management accounting; the scale of criteria for evaluating the usefulness of data (information) of management accounting of economical production, for which the advantages in the choice of alternative expert assessments are highlighted.

Keywords: Management Accounting, Financial Results, Business Processes, Benchmarking, Organization.

JEL Classifications: M5, Q2

INTRODUCTION

Complex economic and political conditions, increasing influence of integration processes, increasing role of information technologies, active implementation of the concept of sustainable development in the practical activity of economic entities require the application of new management methods in order to optimize the activity of a manufacturing enterprise through minimizing costs. In the conditions of a competitive and highly-developed marketing system, economical production becomes a source of competitive advantage in the market.

The availability of reliable information is important in the activity of any enterprise, which makes it possible to promptly make effective management decisions. Since traditional accounting can not fully meet the needs of executives, management accounting is an alternative to the formation of targeted management information, which is based on the

disclosure of the facts of economic activities that require systematic monitoring and analysis of cause and effect changes by the results of their implementation.

Information support of financial results of economic activities in the process of its formation and at the stage of determining the rating of financial results is one of the most important tools of the modern enterprise management system designed to provide executives of different levels with the rating of the efficiency of usage of production resources, the dynamics of development and expansion of operational activities, considering administrative requests, target orientation and requirements for the levels of detail of such information.

It is the usefulness of information support that is one of the deciding conditions for identifying it as an information production resource of the post-industrial economy.

Management accounting is referred both to operational and long-term activities focusing on forecasting and decision-making. In their practices, flagship enterprises use the compilation and storage of vast amounts of management accounting data to plan, evaluate, control business operations and productivity. Management accounting data include the accumulation of a large number of details to provide information about the results of the activity of an economic entity in prior periods so as to reflect trends (which in turn lead to a forecast of the financial viability of an economic entity).

The purpose of the work is to clarify theoretical and methodological issues in the development of scientific and practical recommendations aimed at improving the management of financial results of manufacturing enterprises in the context of ensuring the balance of social development processes.

REVIEW OF PREVIOUS STUDIES

In international practice, management accounting methodology, which contains tools for the accumulation and processing of information on the state of the external and internal environment, methods, models and algorithms for making management decisions (which does not include accounting methodology), helps to solve these problems (Drobyazko et al., 2019a; Drobyazko et al., 2019b).

Management accounting tools are being actively developed today considering the availability of professional executives in the staff of an enterprise (Hilorme et al., 2019a), Hilorme, (2019b). The above is characteristic, first of all, for large enterprises, so the implementation of management accounting for small enterprises in the current conditions of their functioning in world markets requires further studies.

The need to bring the existing accounting system to the needs of production systems that operate on the basis of the concept of lean production led to the introduction of a new area of accounting ('lean accounting'), which is considered by scientists as one of the areas or type of management accounting, which is important for effective implementation of lean production at the enterprise (Appelbaum et al., 2017).

Conceptual features of lean production should be implemented through management accounting tools. Chiwamit (2017), having conducted in-depth studies on the peculiarities of cost accounting in management accounting in the conditions of lean production, defined the following basic principles: "value, value creation, the principle of continuity of the flow (of value creation) and "pulling" the product, the principle of operational control, the principle of continuous improvement of business processes".

Bedford & Speklé (2018) proposed more extended principles of accounting of expenses and results regarding value creation flows in the conditions of implementation of lean production, namely: flexibility of accounting system; defining the value of the product; defining the flow of value creation; continuity of the flow of value creation; defining and

elimination of losses; optimal distribution of work volumes; the principle of continuous introspection and continuous improvement (self-control).

In addition to the fact that the management accounting system of lean production forms and generates information for the process management system, it can also be considered as an independent business process, because as a result of a series of management accounting procedures, accounting reporting is formed from accounting information, which is of value to the enterprise administration, and serves as a sound basis for management decisions (Ax & Greve, (2017).

Despite significant developments, a number of important issues remain to be resolved, in particular, it is required to: conduct an in-depth study of the theoretical foundations of management accounting in terms of financial results of business processes of manufacturing enterprises; improve management accounting and analysis of production activity in the context of putting into practice modern methodological-organizational tools. The above determines the relevance, choice of topic and purpose of work.

METHODOLOGY

To achieve the goal defined in the work, we use general scientific and special methods based on system study of economic phenomena, namely: system and complex analysis, scientific generalization, historical method, method of comparison and method of analogies in the process of study of modern economic theories, generalization of scientific works on the costs of production activity; methods of specification, generalization of theoretical and practical material, analysis of accounting records, sampling to solve problems of accounting of incomes, expenses, final financial results of conducting business processes in management accounting; methods of scientific abstraction, normative method, method of coefficients and economic-mathematical modeling, methods of induction and deduction for conducting management analysis of production processes of enterprises of different legal forms.

The information base of the work is official statistics, scientific works, normative-legislative acts, methodological materials of ministries and agencies, reporting data of manufacturing enterprises, results of special surveys conducted by the author.

RESULTS AND DISCUSSIONS

The current socio-economic situation is characterized by complex conditions of business activity, high rates of change in all its segments, intensification of integration processes between the economic entity and its suppliers and customers, the replacement of tangible assets with intangible assets as a major source of value and, as a consequence, complications of management accounting. In such a changing environment, it is not always possible to solve the specific tasks of increasing the quality of management accounting information within the framework of traditional training of accountants.

In the conditions of growing sound requirements for the organization of management accounting of lean production, taking into account new accountable items in the context of increasing the role and spread of integrated reporting, the appearance of requests to deepen the accounting-analytical support of internal users, accountants should have an opportunity to acquire the skills of self-development and self-improvement, successful accumulation and transfer of knowledge (which fully corresponds to the existing global concept of the knowledge economy), and accordingly have a system of motivational encouragement to continuously improve their skills.

Enterprises using group benchmarking conduct open meetings to discuss approaches to management accounting. They coordinate their efforts, produce common terminology,

constantly communicate and, in general, have long-term relationships with each other. Generally, economic entities using group benchmarking develop a certain code of conduct, approve rules for sharing information and adhering to business ethics before conducting research.

The success of the benchmarking project is ensured by a set of factors, the most important of which are: the accuracy of selection of guidelines of improvements; existence of a mechanism for determining the priorities of management accounting; set of criteria and measures for defining model management accounting systems. The success in the implementation of changes is increased by using the package of benchmarking working documents Nesterenko et al. (2019).

It should be stressed that benchmarking stages of management accounting systems of lean production may vary depending on the organizational features of the enterprise, its field of activity and the outlined goals.

A precondition for management accounting benchmarking is the availability of a system for evaluating comparison objects. The evaluation system of management accounting has the following characteristics:

Quantitative and qualitative measures. When addressing the main problem of management accounting to improve the quality of management reporting, the role of qualitative measures is increased. At the same time, it is possible to transform quantitative measurements into qualitative ones and vice versa;

Static and dynamic measurements. Dynamic measurements are prioritized since benchmarking is a continuous process and it would be better to observe the enterprise management accounting system in its dynamics;

Open and closed evaluations. The open nature of evaluations depends on the composition of the participants and the objects of benchmarking. Some of the performance metrics of an economic entity may be confidential, but in most cases, enterprises are reluctant to disclose information given the sustainability of traditions.

The success of using evaluation methods in management accounting differs depending on the type of benchmarking (Table 1).

| Evaluation method | Internal benchmarking | External benchmarking |
|-------------------|-----------------------|-----------------------|
| Self-assessment | high | medium |
| Expert analysis | medium | high |

It would be better to evaluate various parameters of the management accounting system using self-assessment methods during internal benchmarking and expert analysis during external benchmarking.

Benchmarking of the management accounting system or its separate elements should be organically aligned with the strategic goals of the enterprise. Strategic initiatives, performance indicators are set based on the priorities of the economic entity. The directions of improvement of the management accounting system should correspond to the priorities of the economic entity. The success of benchmarking depends on the level of its support both by the administration of the production enterprise and by the employees of the accounting service.

Benchmarking is the process of identifying areas that need positive change through continuous improvement programs. You should begin the analysis from the assessment of the current state of management accounting in the enterprise and the identification of segments

that require improvement, which is quite a challenge, since the use of quantitative characteristics to evaluate management accounting is limited. Most of the parameters in management accounting have qualitative characteristics, which require specific creative approaches to their evaluation, and are not universally recognized.

Given the limited use of qualitative measure to assess the current state of management accounting and identify areas for improvement, you can use the method of expert ratings, which is a set of logical and mathematical-statistical methods and procedures aimed at getting the necessary information from an expert to prepare and select rational decisions on certain draft decisions of the management of the enterprise.

When issuing expert rates, it is necessary to follow the uniformity of approaches, which is ensured by the use of a single evaluation methodology. Performing an expert rating involves selection of a rating scale that reflects the degree of discrepancy, the level of deviation of the rated objects. The number of points is not of fundamental importance, the main thing is that the selected scale gives an adequate idea of the state of the management accounting system and allows to rank the benchmarking partner companies.

An example of the selection of criteria of the rating of management accounting is given in Table 2. The characteristic of the significance of the impact of a violation on the distortions of management reporting is taken as a basis of the suggested scale.

| Points | Violations in management accounting |
|--------|---|
| 0 | No violations were identified, the internal control system effectively prevents violations |
| 1 | Minor violations were identified that have a technical nature and can be easily addressed |
| 2 | The identified violations have no significant impact on the reliability of management reporting, financial results of the activity of certain structural units of the enterprise by the centers of responsibility, technological decisions, groups of manufactured products |
| 3 | The identified violations significantly distort the management reporting of the enterprise and complicate the forecasting and planning of financial and economic activity in general |

According to the results of the rating, the experts of the production enterprise complete a scorecard of ratings on the status of management accounting, internal control, the process of management reporting using the selected variant of expert ratings. The selection of a particular method depends on the experts and their number, qualifications, number of rated enterprises (Table 3).

| Condition of application of the method | Method |
|---|---|
| Each enterprise is rated by one expert, a small number of rated objects | The sum of individual scores |
| The number of experts rating an enterprise is more than one | The arithmetic means of individual scores |
| The most accurate method of rating is when there are at least three experts. It is optimal when using a rating scale high with a high | Median value of individual scores |
| Experts have different influence | The arithmetic means of product of an individual score by the rank of an expert |

The main advantages of the expert rating method are the possibility to use experience and intuition of competent specialists in making decisions during benchmarking.

If the administration of a manufacturing enterprise is interested in introducing new methods or approaches to the organization of management accounting (including

management accounting of lean production), one of three options is usually chosen to study and adapt innovations.

Involvement of external consultants. The high cost of services of third parties may be the disadvantage of this approach.

Development of a management accounting system by employees of the enterprise with little involvement of external consultants or without external assistance. Although you may consider this approach as acceptable, it may be financially costly and time-consuming given the lack of own experience.

Benchmarking. It is required that the employees of the accounting service of the (economic) entity first analyze their current operations and management accounting approaches, and then, accordingly, best practices (achievements) of other enterprises as a guidance to improve their own work.

RECOMMENDATIONS

In our opinion, you can determine the level of development of the enterprise accounting system using the method of self-assessment, which is an element of the institute of self-help. Its application can be quite effective, for example, when using the results of a professional competition in management accounting. The method of self-assessment in management accounting is carried out when comparing the system of management accounting of the enterprise with the ratings of the enterprises-winners of the professional competition.

The system of management accounting of lean production is gradually being upgraded by production enterprises on the demand of modern economic conditions: significant extension of its limits, emergence of new concepts and instruments, which implementation effectiveness can be provided by benchmarking.

The experience of setting the management accounting of the best economic entities allows economic units to rate the capabilities and benefits of existing management accounting systems, to develop their own methodology for creating such systems, taking into account the peculiarities of their activity. It is impossible to duplicate the experience of leaders – you should study and integrate it with the experience and knowledge of employees of own enterprise and surpass the leader.

Benchmarking creates values for an enterprise through these factors: focusing on key weaknesses; attracting ideas from external economic entities and identifying opportunities for improvement; rallying employees around the search for solutions.

Many management concepts offer their integrated tools to improve accounting services and management accounting. By using benchmarking, you can improve both the efficiency of the management accounting system and the competitiveness of an enterprise as a whole.

CONCLUSIONS

Management accounting for the financial results of a production enterprise in the process of developing its target functions acquires clear signs of an integral part of an integrated accounting system. Variability and mobility of business processes increases the value of accounting data according to pre-established management priorities of their formation in combination with system monitoring of administration of specific operations.

There was substantiated the necessity of benchmarking of management accounting systems, which provides for: comparison of management accounting organization of the subject under study with that of the best subjects (irrespective of the form of business, line of activity, country); comparison of accounting processes with the best similar processes

implemented by economic entities; comparison of software used to automate management accounting in order to select the most up-to-date and efficient one; comparison and analysis of the management reporting of an economic entity; identifying trends in the development of approaches to the management accounting of lean production and their implementation by manufacturing enterprises, etc.

The widespread use of benchmarking in management accounting is facilitated by the development of methodological support. The main difficulty in making decisions aimed at improving the management accounting of a manufacturing enterprise is the imperfection of existing methods of assessing the management accounting system of economic entities.

This is partly explained by the involvement of management personnel in the implementation of analytical procedures. Efficient modeling of financial results is possible with the use of advanced analytical tools, information technologies, in particular, common in the world practice of business process analysis, which will allow to find out the effect of "management accounting of lean production" in the process of making operational and strategic decisions.

The requirements of the modern economy in terms of achieving a qualitative level of accounting and analytical support of financial results of economic activity characterized from the position of innovative type of production resource fit into the plane of usefulness of such information as a synergistic product of management accounting and management analysis. The necessity to increase the analytical level of accounting data, expand a circle of objects of management analysis is proved in the work. The alternative options are the benchmarking of technological modernization of production, organization of management accounting of lean production.

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