

MANAGEMENT CONTROL FROM AGRICULTURAL POINT OF VIEW

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Abstract: *It is well known the important role of management accounting within the administration control system, without minimization the importance of control through budgetary system, as well the dashboards. The objective of the article is to analyze the practical and theoretical aspects of the categories which define the means, attitudes, actions and procedures which are essential in constructing of any operational and efficient administration control system, even in agricultural field. In this way, the management accounting, through its costs calculation procedures, could rich the performance of each agricultural unit.*

Key words: *management accounting, administration control system, costs calculation procedures, agriculture, management control, administration*

INTRODUCTION

Continuously under the threat of risks and uncertainties, which can have the most various sources, agriculture, occupies a key position in every economy which excels and strives to be a winner. The fact that the gross domestic product was sustained by agriculture in periods of economic development or crisis, when the risk factors were in the position of being adjusted, can no longer be questioned. Leaving aside the dependence on climatic conditions, the agricultural activities also have to face various shortcomings caused by the lack of vision, strategy and an efficient administration. This perspective, as well as the specific of the agricultural domain have to double the interests of the decision makers responsible (responsible decision makers) for the projection and the implementation of various management control systems, which appeal to adequate tools. Among these, there are three that are the best known and the most applied within the practice of economic organizations: management accounting, budgetary control and carts analysis, dashboards and the set of the followed indicators. An exhaustive examination of these tools is also necessary in relation to the particular aspects of agricultural activities, but this demarche would certainly surpass the limits of this article. Therefore, we will focus on a brief presentation of the problems we consider important to be discussed in order to identify the causes that determine the increase in operationally and efficiency of management control in agriculture.

MATERIALS AND METHODS

This study is based mainly on researches and other papers in the field, which have approached from a theoretical and practical point of view the aspects that are relevant for the position that the management control occupies within the qualitative managerial systems. For this reason, we used articles and scientific communications presented at national and international symposia as well as books in the domains of agricultural management, accountancy and management control.

In this particular case the research was focused towards the features of management control implementations within the organizational entities that operate in the agricultural sector. In order to identify certain practical solutions to streamline the management control operations in the agricultural sector, the research methods were oriented towards a practical approach so that the theoretical questioning would respond to the real economic problems of agricultural organizations.

RESEARCH RESULTS

Both Romanian and international researches in the domain assign to management control accountancy a privileged position, a “leader” position among the tools used for carrying out the management control operations. This type of accountancy offers important data on the structure and the cost calculation features that correspond to the specific features of each activity: vegetal, zootechnic, piscicultural, silvicultural and others. Thus, the premises of management control are created through costs, profitability margin and responsibility centers. Within each domain of activity, which also indicates the nature of the production obtained (vegetal, zootechnic, piscicultural, etc.), the agricultural companies usually organize their activity in farms and sectors. From the point of view of control management, this specific feature must be seen as an opportunity for the profound analysis of economical phenomena at the level of production structures.

Observation: Besides the classification done according to the natural criterion, the agricultural production can also be categorized according to the processing stage- finite production, semi-products and products in progress- or to its economic importance- main production and secondary production.

This classification aroused the researchers’ interest due to the way in which the various types of agricultural productions determine the organizational framework, the production structures and the management. Thus, “the subdivision of the activity carried out in an agricultural enterprise in production farms, auxiliary areas and functional compartments represents the support for delimitation and responsibility increase in order to reach the objectives of the enterprise seen as an economic entity”¹. It can be observed that by applying the requirements of the internal management, the subdivisions where the production processes are carried out, have to define their objectives in such a manner so as to match them to those proposed by the organization as a whole. It will be impossible to reach the strategic targets unless the principles of good management are followed rigorously. Ultimately, the strategic objectives express the purpose of an organization, its fundamental interests expressed through advantageousness, development and reliability, while assumed responsibility refers to both objectives and final result.

Having reached this point, we consider necessary to present briefly a few aspects that are part of the control management basics. We do this to point out that the process in itself can be applied to any type of organizations, including to those belonging to the agricultural domain.

Based on the disciplines belonging to the domain of management, economic and psychological sciences, the management control has been given, in both Romanian and international literature, definitions which in spite of certain differences, are quite similar in meaning. Certainly, we do not exclude a possible controversy on the notion of

¹ BĂVIȚĂ, I., coordinator, 2008, *Accountancy in agriculture, theoretical and practical approaches*, Contaplus Publishing House, București, page 69

management control determined by certain theoretical approaches but which do not influence the understanding of the concept.

A first, notable and largely accepted conceptualization was done by R.N. Anthony in his 1965 study entitled “Planning and Control”, by considering that the efficiency in using the resources of an organizational entity is directly connected to the managerial act². The proposed concept was retaken continuously in the literature and studies done in this domain. According to other definitions, management control is “the process through which managers make sure that the resources are obtained and used efficiently and effectively in order to reach the objectives of the organization” or “the ensemble of actions, attitudes, means and procedures which allow the enterprise to form long, medium and short term objectives and to assure their uninterrupted achievement”³. These types of approaches of management control are also presented in our specialized works and studies within which management control is defined as “a management tool which allows the decision on the basis of entrusted means and the orientation of various actions towards the achievement of the objectives that haven been established in accordance with the fundamental interests of each enterprise”⁴.

Thus, we can state that the management control process has three phases (foresight, achievement and control) and it has four support points: means, actions, procedures, attitudes.

Observation: A distinct approach of management control is related to the management of the activities that are carried out within an organization. Thus, the management control through activities is “a management method applied by the organization, which allows the strategic governance of the organization in order to improve performance through continuous progress”⁵. This concept overlaps the management based on activities also known under the abbreviation of ABM. Thus, a distinction can be made between cost management based on activities (ABC) and the ABM method which follows the improvement of the overall performance of the organization by taking into consideration the principles concerning the couple cost-value, the coordination between activities, the system of financial and qualitative indicators, as well as the highlighting of the strategic aspect of management control⁶.

From the perspective of the agricultural domain, management control enlists within the same requirements when it comes to strategy and operationality, management and performance, resources and priorities, tools and management positioning. In order to continue our analysis in this direction, we consider important to present a few elements that define agriculture and highlight its features when compared to other domains belonging to the national economy.

Agriculture is a “domain of material production that has as its purpose the production of crops and the raising of livestock; farming; all the works and methods used for reaching this purpose”⁷. According to IAS 41, the agricultural activity represents “the

²ASLĂU, T., ALMAȘ I, R., 2007, *Management Control*, Aurel Vlaicu University Publishing House, Arad, page 69

³ASLĂU, T., 2001, *Management Control beyond Appearances*, The Economic Publishing House, Bucharest, page 57 (quote from M. Gervais, 1989 and A. Gavrilis, H. Arnould, V. Vignon, 1992)

⁴ASLĂU, T., *Management Control beyond Appearances*, The Economic Publishing House, Bucharest, 2001, page 58

⁵DORIATH, B., 2008, *Controle de gestion*, Dunod Publishing House, 5 Edition, Paris; page 132, the authors' translation (quote from C. Alazard, S. Separi, 2004)

⁶DORIATH, B., 2008, *Controle de gestion*, Dunod Publishing House, 5 Edition, Paris; pagina 132-133, idee preluata

⁷DEX Revised and Added Edition, 2009, page 2

administration, done by a certain entity, of biological changes and the harvesting of biological assets in order to sell them or to transform them in agricultural products or in supplementary biological assets”⁸.

It is a well-known fact that agriculture occupies an important position within the national economy. The agricultural activity in general and its organizational structures of production are subjected to a general regulatory framework, applicable to the other economic domains as well, but also to certain specific legal rules according to its particular features. Some of these refer to:

- it is highly influenced by the human and climatic factors;
- it does not overlap with the biological process that take place in the environment;
- the agricultural activities are clearly specialized;
- it provides raw vegetal and animal products;
- it has an industrial component capable of transforming through technological processing the primary production into food and non-food products;
- it is subjects to risks that can occur regardless the measures taken in order to prevent them;
- it is a factor that stabilizes and sustains the ecological equilibrium;
- it operates with a set of specific indicators with the help of which the economic and financial performance are assessed;
- although an important percentage of the population lives in the rural areas, the number of jobs in the agricultural domain is low since many of the agricultural enterprises unfold their activities with a reduced number of workers.

Therefore, from the perspective of the agricultural domain, the management control has to be adjusted to its specific features both in terms of tools, some mentioned previously, and approach of organizational behavior.

Remark: As a process, the management control can be observed from two different points of views:

- from an economic perspective it is seen as an ensemble of management and financial or non-financial analysis tools, allowing qualitative management choices;
- from a sociologic perspective it designates the means that assure the convergence of individual behavior in order to reach certain economic targets that the organization has fixed⁹.

In a recent study and on the basis of certain interviews carried out at a farm, which has an integrated production-processing system and which procures the raw materials necessary for industrialization from its own agricultural resources, it was possible to identify a few of the main strategic objectives of the enterprise, including the following:

- cost reduction for obtaining in-house primary resources that enter the industrial processing
- increasing automation level and using new manufacturing technology;
- increasing profit margins through a better controlling of distribution costs;
- improvement of manufacturing networks;
- encouraging collaboration with high education institutions in order to develop research and innovation¹⁰

⁸CECCAR, 2012, Guide for the application of the national accountancy regulations in the agricultural domain, CECCAR Publishing House, Bucharest quoted from IASB – IFRS. Official rules issued on the 1st of January 2001, CECCAR translation, CECCAR Publishing House, 2011, Part A, point 5, page A 1069

⁹HELLUY, A., DURAND, X., 2009, Les fondamentaux du controle de gestion, Editions d’Organisation, Paris, page 119, the authors’ translation

The management control tools have to use methods and procedures adjusted to the specific features of the agricultural domain in order to allow management control to serve the priorities of the enterprise permanently.

The factors that generate the adjustment are on one hand the ones that define the specific feature of agriculture and on the other the ones that refer to the organizational formula of the companies operating in this domain. Otherwise, the repositioning of the management control represents a permanent requirement, regardless the type of enterprise, which assures the flexibility and promptness of the decision making process. A few aspects that are part of the adjustment policy refer to:

- a new administration language based on both financial and non-financial indicators;
- increase of cross communication in the detriment of the typical hierarchic communication;
- piloting system insertion for all people in charge, disregarding their hierarchic position, by applying the so-called method of multi-objectives;
- increasing the efficiency of the administration devices through their simplification¹¹

If the first two tools are generally better known while the adjustment targets the adding of the management profile of the accountancy operational dimension and of the income and costs budget, the dashboards created at the level of farms and sectors, which form the organizational structure of an enterprise, must have a greater opening towards non-financial indicators, to pay more attention to dialogue and cohesion, as well as offer the people in charge the possibility to react. Thus, it can be stated that the problem of adjustment is also influenced by the perspective of the new management requirements which in this domain of activity also have to face the challenge of identifying and assessing risks concomitant with taking adequate measures to diminish them. "The new multidimensional financial administration control which is a system that considers information the raw material that has to be shaped"¹².

CONCLUSIONS

By taking into consideration the above statements and the study that was carried out, we believe that the following conclusion can be expressed:

- the development of any enterprise, even of an agricultural one, cannot be a durable one unless it has a management control system and an administration adjusted to the specific managerial demands;
- the creation and the maintenance of an adequate equilibrium between strategy and management control tools;
- achievement of a correct diagnosis of the enterprise and the understanding of the organizational law of the respective enterprise;

¹⁰ASLĂU, T., CUC, L.,D., 2010, Assigning Strategic Objectives and Managing Profitability Ratios, University "Ovidius" of Constanta, Faculty of Economics, International Conference Current Problems of Global Economy, 4th edition

¹¹ASLĂU, T., CUC, L.,D., , 2009, Reflections on the (Re)Positioning of the Financial Administration Control , 16th International Economic Conference – IECS 2009 „INDUSTRIAL REVOLUTIONS, FROM THE GLOBALIZATION AND POST-GLOBALIZATION PERSPECTIVE”, “LUCIAN BLAGA” UNIVERSITY OF SIBIU, ROMANIA FACULTY OF ECONOMIC SCIENCES

¹²CUC, L.,D., 2009, The Financial Administration Control within the Context of the New Managerial Requirements, 16th International Economic Conference – IECS 2009 „INDUSTRIAL REVOLUTIONS, FROM THE GLOBALIZATION AND POST-GLOBALIZATION PERSPECTIVE”, “LUCIAN BLAGA” UNIVERSITY OF SIBIU, ROMANIA FACULTY OF ECONOMIC SCIENCES

- the management control, the budget system and the dashboard will have to become in their turn support tools for the creation of value and the transformation of the enterprise.

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