

THE CONNECTION FINANCIAL-ACCOUNTING INFORMATION – SUPPLY CHAIN MANAGEMENT

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Abstract:

The competition power in the business world is insured by opportune information, capitalized upon in efficient management. From this viewpoint, the Supply chain management (SCM) issue is exciting through its actuality, dynamics, meaning, and especially complexity, requiring multidisciplinary vision and thought. Starting from this idea, we believe that approaching this subject from the perspective of accounting and the connections that can be established between the two is necessary. After reviewing several specialized studies and noticing the brief discussion of the connections between accounting and SCM, we considered that such an approach would be opportune.

Keywords: *Supply Chain Management, accounting, decisions, financial-accounting information, performance*

JEL classification: M41, M15.

Introduction

According to the definition given by the *Council of Supply Chain Management Professionals (CSCMP)*, which we consider comprehensive, *Supply Chain Management (SCM) includes the planning and management of all the activities involved in supply and provision, conversion and all the Supply management activities. What is important is that it also includes the coordination and collaboration with the chain partners, which can be suppliers, agents, service providers, and customers. In essence, Supply chain management integrates the offer and demand management within and between companies. Supply chain management is an integrating function, whose main responsibility is to relate the major business functions and processes within and outside companies, in a unitary and effective business model. It includes all the previously mentioned Supply chain management activities, as well as production operations, insuring the coordination of the processes and activities with and beyond marketing, sales, product design, finance, and information technology.*

Some specifications are absolutely necessary. There are opinions that consider the Supply chain a synonym of the physical product distribution, as well as opinions that do not consider them equal. The French Logistics Association (ASLOG - Association Française pour la Logistique) defines the Supply chain as a *function whose object is making available for the customer, at the requested quality and at the lowest price, a product, at the place and moment when the demand exists.* The concept concerns all the operations that determine product movement, as well as the localization of plants, warehouses, provisioning, stock management, order manipulation and preparation, transport and delivery routes.

Therefore, we consider that the Supply chain is more than the physical distribution of the products. It is a function whose purpose is planning and guiding a set of activities, including distribution.

Although SCM practices are related to the trading age, information and communication technologies that allow owning and controlling the information have showed a new image if the Supply chain nowadays, making them much stronger, faster, and cheaper. At present, in order to be competitive, companies must transform their Supply chains into value chains.

Internationally, Supply chain management research is in full development. If we turn to Romania, not only the studies, but also the practices are still underdeveloped. The purpose of this approach is to make a comparative analysis between what Supply chain management requires and what accounting offers with regard to information. At the same time, we have analyzed the main factors responsible for the Supply chain management performance within a comparative table, analyzing the way in which accounting can or cannot be a support for increasing their quality.

When we speak of the information needs of Supply chain management, we think, in a first stage, of the information on providers, customers, distribution networks, etc., and we must take into account that their essence consists, in most cases, of quantitative information that, to a great extent, comes from *accounting*. Using past events recorded at present, we can obtain certain data on costs, stocks, debts, and recorded results, and we can make predictions and design strategies for the future.

In achieving our study, we start from the premise that Supply chain management needs all the possible information, in the most efficient way possible, and the use of financial-accounting information is essential for increasing its performance. Our observation is a certainty. It is only necessary to show how it can be attained.

The study is oriented to prove the importance and usefulness of accounting for Supply chain management, stressing the SCM requirements that accounting can meet or not.

1. Accounting, evolutions and perspectives

For a long time, the accounting profession is no longer limited to stacks of paper and pen. Accounting has kept pace with the development of information systems, modernizing it with society.

Currently, accounting involves information, professional judgment and finding solutions to achieve the desired results by managers. Due to the development of efficient accounting programs, accounting can not be blamed, in many cases, that provides managers with information delay. Some of these can be accessed even in real time (for example, the stocks).

The dynamics of spectacular changes in the accounting field can not be overlooked. The motivation for these changes was precisely meet the information needs of users, primarily investors and managers.

Given the research subject, we must remember that, above all, accounting is meant to serve the interests of stakeholders within the business – managers, shareholders, owners. By similarity, we consider that, as Supply chain management folds and evolves together with customer requirements, also the accounting is shaped by the needs of users, including managers have an important role. Moreover, it provides counseling and advice to managers and investors to assist them in decision making.

Accounting profession has adapted, evolved and looks to the future. *Accountant has ceased to be only person shall, at the end of each year, traveling the enterprise and its economic and financial results, but the manager he came like a “copilot” throughout the time. In addition, the annual financial report on management, accounting and outlines the way forward in the budget next year, with estimates of turnover, solvency, efficiency, dividends, etc.* (Toma, 1995).

Accounting no longer focuses only on reflecting the values movements in accounts and accounting formulas, but also on providing information on manufacturing, services, results, timing of income and expense budgets. So, we see how accounting presents utility for the SCM.

On the basis of a partnership relationship with a supplier/client is almost always a contract. Recording a transaction is made by an invoice. These are two of the more modest examples of specific instruments accounting, carrying information and at the same time, used in SCM.

One of the challenges that accounting has acquired is to provide a quality and timely response to the managers' requests. Therefore, we consider accounting important for management in general and thus for Supply chain management.

2. Determinants of performance in Supply Chain Management

SCM structure is based on the *flows of information and materials*. Dare to consider that, above all, the information is that which governs all processes. To support this claim we mention the considerable development of information technology performance and Napoleon's opinion who said that "*the precise information timely owned ensures the 99% victory of any battle*" (Bonaparte Napoleon, 1842).

It precedes the flow of raw materials and materials, determining the direction and quality. If the information is correct and timely, might serve to effective decisions that will favorably influence the following processes. In essence, it is governing the Supply chain's efficiency.

The key factors on which depends SCM's performance and accounting connection with them will be presented in summary (table no. 1).

To achieve its objectives, the efforts of SCM focus on inter-relationships. The more they are correlated, and each participant brings a more significant contribution to knowledge and information, the performance level of the entire chain is higher. We note that the basis of these relationships and the management decisions on their continuity/cease lies also the accounting information. This can prove, and has proven over time, the successfully utility.

Looking from another perspective, we point that although in theory the total integration is the key to success, accounting information can not be provided entirely to business partners.

This is because some have confidential nature being intended for internal needs and can provide competitive advantage. From this point of view, the total integration of information, accounting records a minus. Must be selected only the information that can be communicated by exchanging data cross with suppliers and customers in an ongoing dialogue.

A possible solution would be to integrate accounting software and ERP technology with limited access, depending on the degree of confidentiality of information.

Performance of Supply chain management is not just about information, materials and strategies, but also flexible and creative thinking that allows finding the best solutions to problems and evolving customers' requirements. At the individual level, creativity is a function that depends on three components: expertise, innovative thinking skills and motivation (Amabile, 1998). Creativity involves innovation. Without it does not exist. And innovation, according explanatory dictionary of the Romanian language, means "*to make a change, to introduce a new field in a system*". This is exactly what needs to be always on the basis of a manager's decision when designing and reorganizing a logistics chain. But, unfortunately, most managers are under pressure of results, having no time and resources to leave room for creativity. On the other hand,

professional accountants make use of so-called “creative” accounting techniques that adds value to their works and helps the organization, through managers, to achieve better results.

Table no. 1 Elements of performance in Supply Chain Management

Factors	SCM requirements	Accounting implications	Comments
Relationship with suppliers	Market research to obtain reliable data on the ability to ensure the necessary materials/products, suppliers correctness.	Based on the history of a supplier can be trusted or not its seriousness, or we can strengthen/cancel a partnership.	Accounting processes invoices and payments to their suppliers, ensuring monitoring.
Relationship with customers	The goods must be delivered, without delay fully and at the agreed place.	Records digital data invoices, receipts, advances received in deliveries, customer creditworthiness, maturity date, etc.	Does not provide a detailed history of commands (eg partial or full delivery order).
Production	A well organized programming, launch and execution of production.	Accounting ensures the management of cost on product centers, location, etc.	Management accounting provides the most useful/complete information.
Logistics	Managing the received orders, correlated with distribution and transport planning.	Accounting offers the information necessary for forecasting and planning logistics.	It can not provide an overview of logistics.
Costs	Need for complete and accurate information on costs, broken down by branches Supply chain.	Essential source of information and detailed data for managers.	In this sense, accounting is the main source of information.
Time	Coordination of all transactions and events so that the product reaches the customer at the right time.	Management accounting uses the time factor in the calculation of efficiency indicators (eg labor productivity).	Lack of information on time supply reaching the customer order, and others.
Stocks	Real-time updating inventory to allow distribution planning, and customers can access their availability.	Stock status can be known at any time through the inventory, which is the method of accounting.	Accounting does not provide visibility for products and customer services.
ERP technology	The ideal situation is one in which SCM applications are integrated with ERP packages (Fotache, 2004).	It is necessary to integrate accounting software with ERP technologies.	This integration enhances the usefulness of the accounting for SCM.

Source: own projection

Are numerous and controversial the opinions regarding the manifestation of creativity in accounting and competitive advantage resulting therefrom. In terms of issues of interest to our study we also held the following aspect: “*creativity involves exploitation of intellectual skills for innovation and transformation*”, and that “*under*

the current financial crisis, creative accounting provides one possible and meaningful solution to combat bankruptcy, of obtaining financial benefits to support continuity” (Horomnea, et al, 2012, p. 55).

3. Accounting, support function in organizing specific Supply Chain Management processes

In opinion of authors S. Chopra and P. Meindl (2007), cited by O. Seitan (2008, p. 228), accounting is among the elements of the value chain of an enterprise. Along with finance, information technology and human resources, accounting support and facilitate the functioning of the Supply chain and plays an important role in achieving a company’s competitive strategy (fig. no. 1).

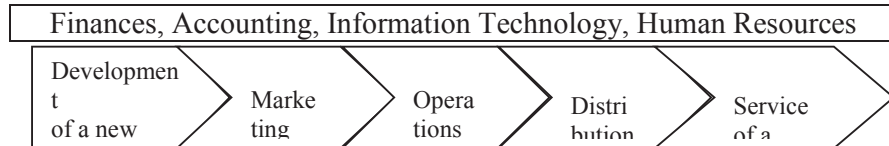


Fig. no. 1 Value chain in a company

Source: Chopra, S. and Meindl, P., *Supply Chain Management*, Pearson Education, USA, 2007, p. 23.

Supply chain management involves organizing, controlling, forecasting, planning and reorganization concretized as a continuous approach of observing the past processes, comparing performance levels, including the processes and practices used. *In this way can be developed strategies of planning, forecasting and restructuring to provide better performance.* Comparing also seeks the results obtained by the company in different periods, and those obtained by competitors in terms of Supply chain management.

In the opinion of G. Norris (2000), *financial and accounting activities are support processes*, along with others such as human resources and design, providing information flows and processes specific for SCM.

As noted in the introductory part of the study, there are opinions that deemed Supply chain management includes the supply and distribution chain. Emphasize that it is more comprehensive, including tangible goods, information and money. Looked at from another perspective, is a set of specific operations that form a complex flow from suppliers, crosses enterprise and reach customers. Below we will present the synthesis of these operations, showing how accounting contributes to their achievement.

The specific processes for Supply chain management require a written memory, a history enabling the knowledge of development. Referring to the historical accounting provided will be planned the strategies for the future. Thus deduce how provenance information are factors accounting support, points to predict, plan, control and organize/reorganize.

Also from the accounting field stands also *internal audit activity* which constitutes *a function of management assistance and counseling* that provides reasonable assurance that decisions and transactions are part of the entity’s objectives. It must analyze operations and transactions of the organization so as to be able to identify risks that may arise from these transactions also operations are also able to identify those controls that help mitigate these risks (Boța-Avram, C., 2009).

Although its roots are found in the internal audit accounting, its main objective is reflected in management control. Internal Audit includes a comprehensive set of reviews of all financial and operational transactions within an organization (Robert B. Milne, 1945, quoted by Flesher, 1996).

Throughout the evolution of defining the concept of internal audit, we grasp a number of specific elements that are actually internal audit objectives (Boța-Avram, C., 2009, p. 129):

- independent and objective activity;
- assurance and consulting activity;
- designed to add value and improve the organization's operations;
- helps the organization to achieve its objectives;
- adopting a systematic and methodical approach to evaluate and improve the effectiveness of risk management, control and governance process.

Although it does not meet all the information requirements to achieve these basic processes of Supply chain management, accounting information palette is varied, especially from management accounting. Therefore G. Norris subscribe author's opinion, considering *the significant role of accounting as a support function for SCM*.

Conclusions

As we could see, SCM means an integrated approach of management, which *offers customers what they want, where they want, and when they want it*, in the most efficient way possible. The collaboration with business partners in all the activities implied by the Supply chain must be planned and synchronized to the smallest detail. For this reason, managers require a high volume of information, of which most has a financial-accounting nature. Whether it comes from financial or managerial accounting, the usefulness of information cannot be questioned. Specialized literature reflects the diversity of the uses attributed to accounting in the process of supporting decisions and increasing the performance of the decision factors.

In order to provide maximum efficiency to management decisions, the accounting system must be well designed and integrated with the information system of the company. We also consider the integration with ERP software technologies that are in a permanent dialog with the accounting information system, in order to increase the speed for accessing the financial-accounting information. Traditional systems, although they are able to collect and store a multitude of data, do not manage to transform them into information that constitutes a support in making decisions.

We acknowledge the fact that the field of accounting does not cover the complexity of the information required by the managers for the good organization and coordination of a Supply chain. We refer to the availability of the raw materials from the providers, production capacities of the partners, the status of order delivery, the duration between the shipment of the order and its arrival to the customer, returns, customer complaints, and distribution networks. This information is part of the task of integrated information systems, meant to connect all the actors involved in a Supply chain. However, we mention that accounting information has managerial use, and is destined to serve in supporting the decisions on guiding the Supply chain. We take into consideration the costs, stocks, performance, prognosis, and control indicators for the entire chain. Neglecting them is a proof of ignorance, with negative effects on the usefulness and efficiency of the management decisions.

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