STUDY ON THE PERCEPTION OF THE ORGANIZATIONAL PERFORMANCE IN ACCOUNTING AND AUDIT FIRMS

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Abstract: The environment in which the accounting and auditing firms operate is changing. The economic, technological and financial contexts directly affect their business. In addition, the customers have become more fastidious in terms of the nature, the speed and the precision of the required services. All these developments force the firms to improve their organization by incorporating appropriate performance measurement systems. The objective of this paper is to examine how the organizational performance it is perceived in accounting and auditing firms. In this sense, we checked the perspectives of the balanced scorecard model in a Big Four office and in a small office. The sample consists of 10 Romanian auditors. Eight of auditors are working in one of the Big Four. To achieve this study, were selected only managers. The other two auditors operate in a small office, they being, at the same time, also associates. The sample is homogeneous in terms of the training, the sector of activity and experience. To enable an objective analysis of results, the name of the offices will not be made public. The results showed that in the Big Four office all four perspectives of the balanced scorecard model are checked, while in the small office the number of perspectives is lower, because learning is informal and not materialized. On this perspective, the Big Four office, periodically analyzes the results and try to identify the causes that led to differences in the objectives set. Possible causes that were invoked: overloading of the auditor, additional works, not included in the letter of assignment and the lack of competence of the auditor. Regarding the internal perspective, each office has its own mode, but obviously the Big Four office has human, logistics and financial resources more important, that enabling it to keep its reputation in the market. Instead, the financial goals are the same for both offices analyzed: profitability increasing.

Keywords: accounting and audit firms, corporate performance, balanced scorecard

JEL Classification: G 34, M14, M42

1. Introduction
Accounting and audit firms must face permanent development challenges such as the evolution of the economic context, characterized by the competition increasing, instability and globalization, as well as the change of the benefits requested by customers, in terms of nature, speed and accuracy. In such a situation, aspects like strategy and performance measurement becomes extremely important. A performance-oriented strategy means a management with technical and operational rationality centered on customer. The performance of an accounting and auditing firm should be seen as a result of a causal process, relative to a chosen context
based on strategy (Lebas, 1995) or, in other words, as an achievement of organizational objectives (Bourguignon, 1996). It is measured not only by optimal use of production tools, but also through the ability to create and provide services to customers. In addition, operational information must be supplemented by information of a strategic nature, which allows taking into consideration the environmental trends, the weaknesses and the strengths of the office (Carassus, 2006). Therefore, in order to ensure the sustainability and to benefit from potential opportunities in terms of new customers and services, accounting and auditing firms are forced to acquire a flexible structure, to change their behaviors and to integrate new skills (Bailly-Masson, 2000). In this context, it is worth reflecting on how to track performance in the domain of accounting and auditing services.

The objective of this paper is to examine how it is perceived the organizational performance in accounting and auditing offices. To achieve this objective, were realized semi-directive interviews with Romanian auditors who are working in two offices of different sizes. They were interviewed about the size and performance measurement tools. For this purpose, we used the balanced scorecard model of Kaplan & Norton (1992).

The rest of the paper is organized as follows: the first section provides information about the multidimensional nature of organizational performance, the second section summarizes the literature on organizational performance, the next section presents the study of how it is perceived the organizational performance in Romania; the paper concludes with conclusions and future research directions.

2. A Multidimensional Conceptualization of Organizational Performance

In contemporary society there is a real cult for performance. This concept is used almost systematically in an implicit and explicit manner. However, its content varies from one specialist to another. In other words, performance is a social construction that takes many meanings as the number of individuals or groups who use it (Allouche & Laroche, 2005; Boudabbous, 2011). In relation to stakeholder theory (Freeman, 1884), performance can be interpreted according to the different actors that make up the stakes or interests in such entity (Gilbert & Charpentier, 2004). For some people, accounting and financial dimension is predominant, while others are interested in consumer-product dimension, socio-political dimension or employee dimension (Le Louarn & Wils, 2001).

The diversity of the performance indicators used in the literature show that the performance is covering concepts whose meaning is often contextual and leads to numerous interpretations (Allouche et al., 2003). On the same line, Chrétien et al. (2005) warns that the performance contains a set of complementary and sometimes contradictory parameters, which does not have the same importance, even if the economic dimension remains dominant. As a result, the performance appears as a compromise rather composed of optimized results than of maximized results, the firm’s perennially being the horizon line to which converge the eyes of the stakeholders (Montebello, 1976).

According to Venkatraman & Ramanujam (1986), the organizational performance includes besides the financial performance, measured by indicators such as profitability, sales, market value and operational performance. For the latter the measurement indicators used are: the social image of the organization, the marketing effectiveness, the novelty and the quality of the products etc.
Raad (2004) considers the organizational performance a multidimensional and complex concept, not limited to financial results, for its evaluation being necessary the reference to numerous organizational results, both internal and external. Also, Bourguignon (2000) defines the performance as the achievement of the organizational objectives, whatever the nature and the variety of the objectives. She designates, in the same time, a result, an interpretation of that result (success or failure) and an action that generated it (Bourguignon, 2000). Furthermore, the performance is an evolving concept, because the factors that can contribute to the success of an organization in a process of innovation may become incompatible with the factors required by a development phase (Boudabbous, 2011). In addition, some combinations of human, technical, organizational and financial factors prove effective in a given context and less effective in others (Carrière & Barrett, 2005). Researchers warn on the need to clarify and validate the definition of performance (Becker & Gerhart 1996; Rogers & Wright 1998), because an inadequate definition often raises problems of evaluation. Practitioners seem to use the term of organizational performance to describe a wide range of measures (Heffernan & Flood 2000). Theorists, also, have proposed various conceptual frameworks for measuring the organizational performances. Of these, the most commonly invoked are the organizational effectiveness model of Morin et al. (1994) and the balanced scorecard of Kaplan & Norton (1992).

The organizational efficiency model of Morin et al. (1994) is a court that makes a person or a group of persons on an organization, particularly on the activities, outputs, outcomes or on the impact he expects from it. The model makers have identified four dimensions of the organizational performance, defined by criteria and indicators. These are: the organization’s sustainability (the systemic dimension), the economic efficiency (the economic dimension), the value of the human resources (the social dimension) and the legitimacy of the organization to the external groups (the political dimension). According to these three authors, the performance criteria must be specific and organizational characteristics. Choosing the measurement indicators raises some problems. The balanced scorecard of Kaplan & Norton (1992) is a balanced mix of both external indicators and internal indicators, with regard at processes, innovation, education and growth. They associate outcome indicators, which are the effect of efforts previously employed with indicators which allow the increasing of the future performance. They also combine objective and subjective indicators contributing to the performance achievement.

3. Literature Review on Organizational Performance

The literature on organizational performance is extremely rich. But most recent research is concerned with the communication of the organizational performance. Thus, some studies have examined trends in communicating the organizational performance. In principle, it is accepted that transparency in communicating the organizational performance is essential for the proper functioning of the capital markets, jobs, goods and services (Aerts et al., 2007). The financial scandals of the last decades have shown that, when reduced reliability of the information provided by the firm, the loss of the value beyond the shareholders affects other stakeholders (Cormier et al., 2009). Furthermore, an incomplete communication prevents the adoption of corrective action by the various parties involved and can accelerate the destruction of the enterprise value. For this reason, the regulations from some
countries have included clauses that would guarantee that the performance disclosure of the firms is credible, transparent and ethical. Other studies have considered the developments in modern communication means and pursued the measuring of organizational performance communication on the internet. Ubiquity of the internet has pushed firms to reconsider their reporting strategies to take advantage of the flexibility that the internet offers them in terms of presentation and content of the Annual Reports (Ajinkya et al., 2005). In addition, on the internet can be provided much more information than through traditional means, even outside the reports (Cormier et al., 2009), which makes the relationship between firm’s management and partners to be more direct, more dynamic and interactive (Hodge et al., 2004). There are also studies that were interested in the validity and the interest of the measurement of the determinants factors of organizational performance communication. Thus, Cormier et al. (2009) showed that managers take into account the interests of certain parties involved, such as shareholders, in establishing communication strategies of the organizational performance. Beyond the information needs of shareholders, the managers’ decision to communicate certain information about performance is likely to be influenced by the compromise between reporting direct costs and benefits of such communications (Scott, 1994). The analysis of the relationship between costs and benefits of the communication of the organizational performance does not take into account, however, explicitly, the differences between companies in terms of corporate governance mechanisms. However, it is likely that a company’s governance structure still affects the organizational performance communication.

The analysis of the determinants factors of the organizational performance communication is based on the literature about the balanced scorecard (Kaplan & Norton, 1996; Marston & Pole, 2004, Ittner & Larcker, 1998). Choosing the variables in different studies is based on the premise that there is an association between the organizational performance communications, on the one hand and the considerations of financial markets, the corporate governance mechanisms and the firms’ exposure to the economic environment, on the other hand. The indebtedness, the available cash flows, the beta systematic risk, the concentration of capital degree, the board independence, the firm size, or the number of employees are just some of the variables used to identify the determinants of organizational performance communication.

Finally, there are studies dealing with relevance of the information communications regarding the organizational performance for firms’ earnings assessing. Because shareholders assume the residual financial risk and they are not involved in current operations, they are most interested in communication policies and practices of the firm. Based on these communications, shareholders appreciate the value of the firm and decide the retention or the sale of shares. Previous studies suggest that investors appreciate the value of a firm, based on the financial and non-financial performance (Banker et al. 2000).

4.Methodological Aspects: Sample Selection and Results

Sample Selection

The sample consists of 10 Romanian auditors. Eight of auditors are working in one of the Big Four. In that office there is a hierarchy of employees in several degrees, depending on the operational responsibilities and activities. To achieve this study,
were selected only managers. The other two auditors operate in a small office, they being, at the same time, also associates. The sample is homogeneous in terms of the training, the sector of activity and experience. To enable an objective analysis of results, the name of the offices will not be made public.

The Model Presentation

In this study, we used the balanced scorecard model of Kaplan & Norton (1992). This represents "a management system that can channel the energies, skills and knowledge specific to individuals throughout an organization, in order to achieve long term strategic goals" (Kaplan & Norton, 1996).

In contrast to traditional systems performance assessment, the balanced scorecard model is based on four distinct perspectives (Kaplan & Norton, 1992):

- learning and growth: the focus is on active individuals, in organization, and on infrastructure. An appropriate investment in these areas is critical to ensuring long-term success;
- internal perspective: the focus is on the performance of the essential internal processes, which are the engine of the organization. Improving these processes is considered an indication of future financial success of the company;
- customers: to transform the processes improving into financial success, companies must ensure customer satisfaction: this approach allows the company to remain focused on the needs and customer satisfaction;
- financial perspective: this perspective provides measurement results that the company provides to its shareholders;

the four perspectives pursued simultaneously offers a nuanced view on current and future business performance.

Data Collection

The prospects of the balanced scorecard model (Kaplan & Norton, 1992) have been verified in the context of the survey. In this regard, have been realized semi-directive interviews of approximately 45 minutes, with the 10 auditors from the sample.

Data Analysis and Interpretation of the Results Obtained

The information noted during the interview and the documents provided by the respondents were analyzed in terms of content. To describe the instruments operating in the offices was made an analysis grid. The results obtained are as follows:

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<thead>
<tr>
<th>Issues pursued on four perspectives</th>
<th>Results</th>
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<tbody>
<tr>
<td>Learning and growth: actions that promote continuous improvement</td>
<td>In Big Four office, the learning is formalized. Periodically are reviewed the results and checked if the quantitative and qualitative objectives have been achieved. They identify the causes that generate differences. If there is a technical incompetence of the auditor's, the office may establish a training program for it. In the small office, however, the learning is in an informal way and not materialized.</td>
</tr>
<tr>
<td>Internal perspective: the processes by which the office express its</td>
<td>In Big Four office is implemented an information system on customers, in solving a case, involving multiple people. There are informatic tools that allow</td>
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<tr>
<th>Priorities to promote customers</th>
<th>Smooth functioning of the process. In the small office, was a workspace that enables to respond quickly to customers. In addition, efforts are made to always dispose of all appropriate documentation of the office’s needs.</th>
</tr>
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<tr>
<td>Customers: strategic actions applied to satisfy customers</td>
<td>In the Big Four office the policy is that in order to maintain and develop its portfolio of customers, the auditors should be very careful about the quality of services. This quality is measured by customer satisfaction, customer age, ability to attract new customers, loss of customers, etc. In the small office, the customer perspective translates into: direct contact with clients, ability to listen and understand customer needs, good reputation and customer satisfaction in terms of response time and quality of the provided services.</td>
</tr>
<tr>
<td>The financial perspective: the extent to which the organization of the office allowed financial goals achievement</td>
<td>In Big Four office, there are settled quarterly financial targets to achieve a good financial return. These are checked monthly. The small office referred to both files and entity profitability.</td>
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5. Conclusions and future research directions

To meet the economic, technological and financial challenges, the accounting and auditing firms, as well as other entities from the service sector, can improve their organization by incorporating some appropriate performance measurement systems. In literature there are many models developed for performance measurement. Choosing the appropriate model depends, however, on the entity's objectives.

This paper examines how it is perceived the organizational performance in accounting and auditing firms. In this sense, we checked the balanced scorecard model perspectives (Kaplan & Norton, 1992) in a Big Four office and in a small office. The results showed that in the Big Four office, all the four perspectives of the balanced scorecard model (Kaplan & Norton, 1992) are checked. In the small office the number of perspectives is lower, because the learning is an informal way and not materialized. On this perspective, the Big Four office, periodically analyzes the results and try to identify the causes that led to differences in the objectives set. Possible causes that were invoked: overloading of the auditor, additional works, not included in the letter of assignment and the lack of competence of the auditor.

Regarding the internal perspective, each office has its own mode, but obviously the Big Four office has human, logistics and financial resources more important, that enabling it to keep its reputation in the market. Instead, the financial goals are the same for both offices analyzed: profitability increasing.

There are still many paths of research in this area. Thus, the sample could be extended to employees in several offices and might attempt a quantitative validation of the model. In addition, we can try an extension of the model by adding additional axis like the strategic vision or the external groups’ legitimacy.
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