

MAIN COORDINATES OF ACCOUNTING PROFESSION CO-OPETITIONAL MODEL

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ABSTRACT: *The accounting profession fulfills a vital role in the development of modern economy, contributing to the thorough knowledge of business environment, the improvement of economic performance and solving some of the many problems the post-modern society is facing. Accounting profession fulfills a vital role in modern economy, contributing to a thorough knowledge of business to improve economic performance and to resolve some of the many problems facing post-modern society. Currently, the accounting profession is characterized by the expansion of information technology, internationalization of businesses and professional specialization which has made possible the creation of several professional bodies. Against this background, it becomes urgent to discover new perspectives on strategies able to maintain and increase business success, based on the simultaneous combination of the elements of cooperation and competition, which involves a new type of relation, called by the North - American literature "co-opetition".*

KEY WORDS: *accounting profession; co-opetitional model; professional accountant; professional body; partners.*

JEL CLASSIFICATION: *M40; M41.*

1. INTRODUCTION

At present, the accounting profession is characterized by the expansion of information technologies, the internationalization of business and professional specialization all these factors have made possible the development of several professional bodies (CECCAR, CAFR, CCF, ANEVAR). The need for new perspectives on strategies to maintain and increase businesses' success in this economic environment becomes urgent. Audit, accounting and tax consultancy firms are currently facing the same challenges as other types of businesses, although operating in a strictly regulated background. In this field of activity, more companies

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have international activities beyond the borders of their country of origin, while trying to be financially prosperous. Therefore, strategic planning is becoming increasingly important.

However, few academic studies have tried to focus on providing a strategic perspective on the accounting profession. On the other hand, few of them have provided an integrated perspective on the accounting profession that should include not only the professional accountant's relationship with the client, but also the interactions with competing companies, accounting professional bodies, investors and creditors, the government, as well as universities and institutions providing training and qualifications.

“Professional accountants have an important role in society. (...) The attitude and behavior of professional accountants (...) have an impact on the economic welfare of their community and country.”¹

2. ACCOUNTING PROFESSION'S CO-OPETITIONAL MODEL

The market economy works and reproduces itself based on a series of structural elements, including the following:

- manufacturers (for service providers) autonomous under the law;
- consumers free to choose the offer of their choice;
- a generalized system of competition;
- relatively free formation of market prices, depending on supply and demand.

At first glance, dominant market relationship between manufacturers or providers sharing a certain segment of the market is that of competition. Natural selection of producers or suppliers is achieved by competing and the competitors who do not meet quality standards or are not able to reduce their costs, so their price is in concordance with the one recognized on the market, disappear and remain those who improve the quality of their products and services and reduce their costs relative to competitors.

However, since the Middle Ages, once the guilds appeared it was obvious that the relationship between those who share the same market segment can be one of cooperation, promotion of their profession to the public, recognition of quality standards and continuous improvement of those, based on the desire to provide quality products and services to beneficiaries.

The above emphasize the dual relationship between cooperation and competition: cooperation is needed to create value and competition is required to maintain the value. Professors Brandenburg and Nalebuff² have introduced the concept of *co-opetition*, their main argument being that these two seemingly contradictory phenomena – the competition and cooperation among firms - are not mutually exclusive³. In contrast, a business relationship can include both elements of

¹ CECCAR (2006) Professional Accountants National Code of Ethics

² Brandenburger, A.; Nalebuff, B. (1996) *Co-Opetition: A Revolution Mindset That Combines Competition and Cooperation*, New York, Doubleday

³ Luo, Y. (2005) *Toward co-opetition within a multinational enterprise: a perspective from foreign subsidiaries*, Journal of World Business 40, pp. 71–90

cooperation and competition, and firms can compete and cooperate at the same time. The simultaneous existence of elements of cooperation and competition between firms involves a relationship called co-opetition. Consequently, pure inter-organizational competition and pure inter-organizational cooperation is in fact a utopia because, in reality. There are various hybrid forms of co-opetition relationships, so that pure cooperation, being treated as a monopolistic understanding, may be sanctioned based on existing regulations on the protection of competition while "blind" competition, without respecting the rules of ethics and the law, can be punished as unfair competition.

Understanding the co-opetition behavior is facilitated by understanding the concepts of competition and cooperation. Competition arises when more companies offer the same products or similar products and fight for the same customers and suppliers. Against this background, companies tend to gain value by obtaining full control over their resources and attracting the customers, thus excluding the collaboration with other companies. In pure competition, there is a clear delineation of boundaries between competitors. On the contrary, pure cooperation implies frequent exchanges between the partners, including the exchange of business ideas and social information. Cooperation determines the creation of strong links between firms in order to share skills, assets and complementary interests. According to a position common in the specialized literature, the competition has only negative effects, while cooperation has only positive consequences. Contrary to this opinion, in the case of co-opetitional model, it can be assumed that both competition and cooperation are necessary and desirable in running a business since both can bring benefits to a company⁴.

Joining the accounting profession's ethical principles and values provides for professional accountants sufficient reasons for guild solidarity and common defense of the profession's interests but, at the same time, the need for performance, competition by fair means, signifies accepting competition, implicitly its rules and principles, with the winners and losers.

As can be seen in the figure above, the professional accountant plays a central role in the mechanism used for ensuring the safety and predictability of the business environment. The main actors of accounting profession services are: partners, clients, competitors and legal basis.

⁴ Barretta, A. (2008) *The functioning of co-opetition in the health-care sector: An explorative analysis*, Scandinavian Journal of Management 24, pp. 209-220;

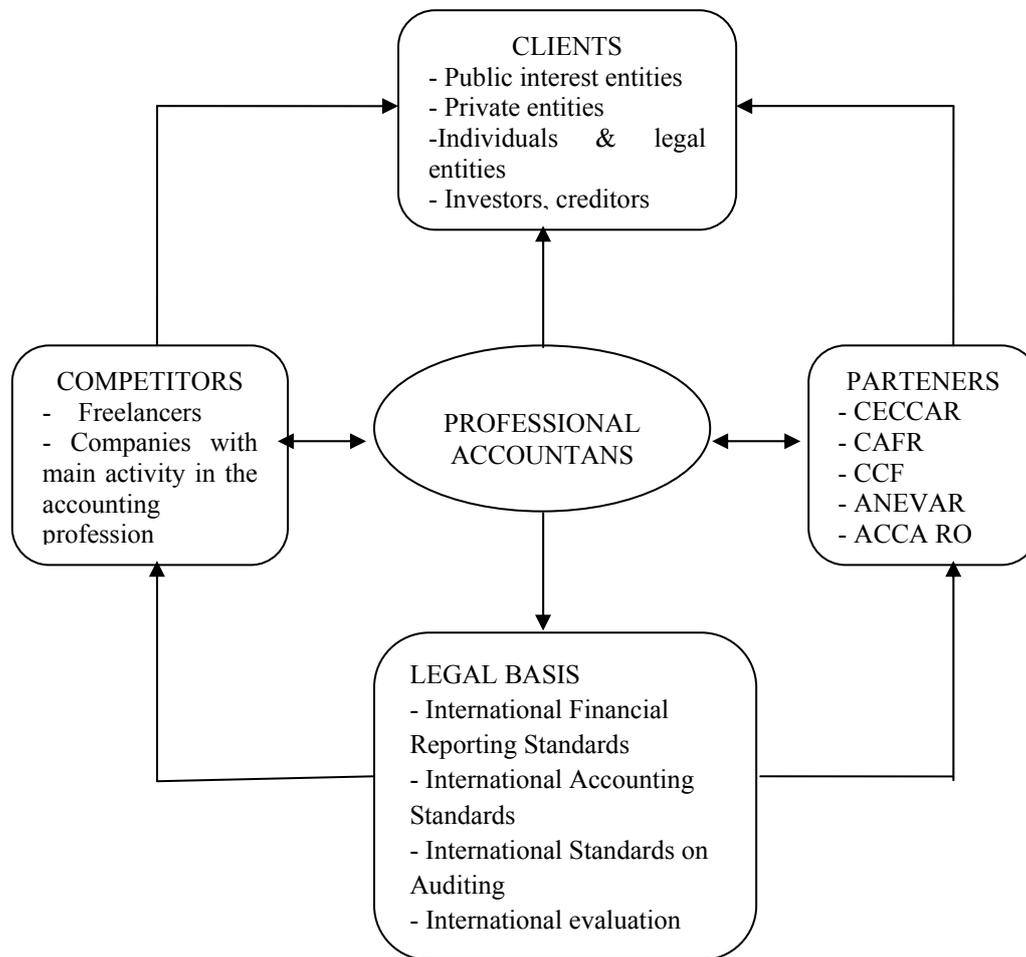


Figure 1. "Value Net" of Professional Accountant Scheme

Source: Own Projection (adaptation of the scheme developed by Brandenburger & Nalebuff)

Partners

The Body of Experts and Licensed Accountants of Romania (CECCAR) is the main organism that manages the accounting profession in Romania, having a strong international recognition and being autonomous, non-governmental, and non-profit and of public interest.

An accounting specialist, permanently found at the heart of an enterprise in which interests of shareholders, customers, suppliers and employees are often divergent, aims to provide a synthetic view of firms' activity, based on the financial statements, that is translated into numbers and supports management decisions.

Conducted on principles, concepts and rules, the activity of the professional accountant is indispensable for the 21st century' business man since he contributes to

the success and development of the company by the mean of his knowledge and professional judgment, in the spirit of a code of ethics.

Tasks performed by CECCAR members are:

- Record keeping and oversight of accounting documents, as well as preparing, checking and signing financial statements based on a contract;
- Carrying out financial and economic analyzes and economic evaluations based on contract;
- Carrying out judicial audit or expertise on the basis of judicial or extrajudicial institutions, under a signed contract;
- Censorship of companies and NGOs on a mandate of General Meeting of Shareholders;
- Offering specialized assistance for the establishment and reorganization of companies, under a signed contract;
- Performs professional services involving accounting knowledge.

Chamber of Financial Auditors of Romania (CAFR) mission is to build on a solid basis the identity and public recognition of financial auditor profession in Romania, having as main objective the sustainable development of the profession and its strengthening with the Auditing Standards and Code of Ethics for professional financial auditing, by full assimilation of the International Standards and of the IFAC Code of Ethics, allowing auditors who are members of the CAFR to provide financial audit services of high quality in the interest of general public, in general, and business community, in particular.

Tasks performed by CAFR Members are:

- Financial Audit;
- Internal Audit;
- Financial-Accounting and Tax Advice;
- Providing financial and accounting management;
- Specialized training in the field;
- Auditing;
- Evaluation;
- Judicial reorganization and liquidation.

Chamber of Tax Consultants (CCF) is a professional organization of public interest, non-profit legal entity, with its own patrimony and budget.

The independent exertion of tax advisor quality is achieved only on the basis of legal civil and commercial relations with individuals or legal persons to whom he provides advice and has no direct or indirect material interest, except for fees payable for work as such.

Tax advisory activity signifies to provide expert assistance in the preparation of statements of taxes, other tax issues and budgetary claims, such as: fines, penalties and increases, with the consideration of legal provisions in force, and representation before fiscal bodies.

Tax advisers and tax consulting companies can perform, besides tax advisory work, under the conditions stipulated by the legislation in the field, the following activities:

- Auditing;
- Financial Audit;
- Training and development in the field of taxation.

National Association of Valuators in Romania (ANEVAR) was established as a professional, non-profit, non-governmental, independent association, acting in the public interest and promoting evaluation methods and techniques through specific means; this professional association has been included nowadays in the Appraisers National Union of Romania.

Tasks that an ANEVAR evaluator can perform:

- Assessment of business;
- Evaluation of real estate;
- Property valuation;
- Valuation of financial instruments.

An effective collaboration with local government and other third parties can lead to the development of a professional body that respects the needs of the administration, profession and public interest. For the realization of the objectives of the profession's members, individually and as a group, professional bodies must be able to act effectively as a professional speaker on accounting, tax and financial aspects in the relation with the government, the public and other interest groups. A professional body earns public respect when it shows commitment to maintain and improve the quality of services provided by its members and when its public position and statements are perceived to be of public interest.

A professional body must not only manage the current interests of members, but must have a clear vision by which:

- to promote knowledge, skills and competence of members;
- to make public statements on public policy, with accounting, auditing or tax implications;
- to provide proof of transparent processes for providing membership, qualifications and regulations;
- to decide on disciplinary offenses committed by their members.

Accounting services market has grown significantly in recent years, but if someone would like to know the actual size of the market for professional accountants' services in our country, he would be confronted with many obstacles and a lack of transparency incomprehensible for such a profession. The most difficult obstacles are: the ability to perform accounting services under several professional organizations, the possibility to perform accounting services outside professional organizations as an employee of various entities and, what is worse, being able to perform accounting services especially in the field of illegal accounting, under the responsibility of the company's administrator.

Based on available data at the end of 2010, we have planned an investigation of the accounting profession's services market in terms of number of active members, individuals or legal entities, as shown in Table no.1.

Table 1. Situation of accounting services market in 2010

Nr.	Professional Body	Active Members Individuals	Members Commercial Entities	Income from contributions - lei -
1	CECCAR	31436	6175	41.780.983
2	CAFR	3134	893	7.043.949
3	CCF	4234	459	5.985.361
4	ANEVAR	4417	299	5.797.446
	TOTAL	43221	7826	60.607.739

Own processing after data published by professional bodies

Note that both active members individuals and businesses can be part of one or more professional bodies, having the same type of activity, CAEN Code 6920 "Accounting and financial auditing activities; tax consultancy".

To get an insight into the volume of accounting profession's services market in Romania, based on revenues collected by professional bodies in respect of contributions, in 2010, in conditions of an average rate of 1.5% , fixed and variable fee, a total turnover of 4.040.515.933 lei, about 950 million euro, results at the rate used in December 2010.

In reality, accounting profession's services market is much larger because it includes the activity of staff working in economic companies, in central and local state administration, under employment contract or contract for provision of services.

Clients

Accounting profession began offering services to a diverse range of beneficiaries, increased the degree of awareness and education of the general public so that, if 30 years ago, accounting was understood only by a few initiates, nowadays the public needs clear, reliable and appropriate financial - accounting information, obtained in a reasonable time and at non-prohibitive costs.

Among actual or potential customers are: investors, creditors, suppliers, state by its specialized agencies, supervisory and regulatory authorities, individuals etc.

Investors are represented by capital bidders and their financial advisors who are interested in the inherent risk of trading and the benefits of their investments. Their information needs are to receive information that will enable them to decide when to buy, sell or hold parts of the capital. They are also interested in information which enables them to assess the company's capacity to pay dividends. They are seen as providers of capital and related risks and, in this respect, they are interested in finding the right decisional time when to purchase, hold or sell equity.

Lenders are interested in information which enables them to determine whether loans and their interests will be repaid at maturity.

Suppliers are interested in information that enables them to determine whether the amounts owed to them will be paid at maturity. They are also interested in the business for a shorter period of time than creditors, unless they are dependent on the continuity of business activity or when it is a major customer.

Government and its institutions are interested in the allocation of resources and thus in enterprises' activity. Information requested by those aim to regulate their activity so to determine fiscal policy and macroeconomic indicators' calculation. The public is interested in a variety of ways, namely: contribution to the local economy, number of employees, collaboration with local suppliers, recent and future developments in business activity, field of activity.

Individuals, as plaintiffs or defendants, need judicial and extrajudicial accounting expertise, provided by professional accountants with high professional and moral integrity, which can be the basis of well-founded legal judgments.

Competitors

Competitors are freelancers or companies, members of professional bodies who have earned the right to practice according to the rules of each professional body requirements while respecting the appropriate ethical code. Accounting profession's services market is now influenced by both disloyal competition, meaning people who do not meet the quality standards set by the professional bodies, and excessive regulations, which can be translated in professional bodies issuing regulations on all the activities that make the accounting profession.

Internationally, the discussion on the report that should be between regulation, deregulation and self-regulation has not yet been concluded: while the continental model imposed in France and Germany is focused on strict regulation, the British model prioritizes deregulation in the sense of reducing the scope of the regulations, the American and Australian model concentrates on self-regulation, each professional body having the opportunity to promote their own rules with the obligation to make them known to the public.

Cultural differences between nations can lead to different interpretations:

- • "is allowed what is not forbidden";
- • "is allowed only what is stipulated as such";
- • "is forbidden and what is allowed".

Legal Basis

For the profession to grow and gain public recognition there must be a legal and regulatory framework to properly govern it. This framework must respect the fundamental principles of the accounting profession. Also, all measures must be taken to avoid imposing excessive regulatory obligations on professional accountants or limitations of professional body's authority which are unnecessary or inadequate.

Professional standards governing the accounting profession are:

- International Accounting Standards (IFRS, IAS) - the purpose of these standards is the adoption and application of international accounting standards in order to harmonize the financial reports submitted by companies. It's about a high level of transparency and comparability of financial statements.

- International Standards on Auditing (ISA) - their purpose is to outline the basic principles that represent the practice of audit, provide a framework for implementation and support of a wide range of audits that generate added value, to serve as a reference against which the results of audit to be evaluated, to stimulate the improvement of company's processes and operations.
- International Valuation Standards - aim to facilitate international transactions, contributing to the sustainability of global markets and promoting transparency in financial reporting.

3. CONCLUSIONS

Due to globalization of business, the accounting profession is going through a conversion process to the formation of an "universal" professional accountant who will produce and disseminate firm's accounting image and should be guided in this activity by a referential accounting normative applied worldwide and having as purpose to provide a quality financial information that can enable the proper functioning of markets.

The responsibilities of accounting profession should focus on protecting the public interest by ensuring compliance of financial reporting, comparability of financial - accounting information, fiscal prudence in terms of public spending and showing the contribution of accounting professionals to the organizational performance growth of different entities by:

- Providing financial and business reports to satisfy stakeholders
- Facilitating financial and audit comparability between different jurisdictions and periods,
- Reducing economic uncertainty in the market by increasing transparency of information,
- Applying high standards of ethical behavior and professional judgment
- Establishing appropriate education measures and continuous professional training.

As far as the continuous training, an obligation of all professional accountants, regardless of the professional body to which they belong, it is necessary, based on the principles of co-opetition, that those members who are part of several professional bodies to have this fact recognized as continuous training based on reciprocity.

There are currently cooperation agreements between CECCAR and ANEVAR, and between CCF and CAFR being desirable a stronger cooperation of all bodies managing the accounting profession.

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