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ECONOMIC PERFORMANCE AND COMPETITIVENESS IN AGRICULTURE. THEORETICAL APPROACHES

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Abstract: *In agricultural activity, the performance and competitiveness concepts are interest targets for decision-makers, regardless of their representation level (production unit and / or product level, activity sector and / or national and / or international level). The way of materializing these two concepts of performance and competitiveness, in the agricultural activity is accomplished through the indicators system used.*

Key words: *performance, competitiveness, indicators*

Clasificare JEL: Q10; Q18

INTRODUCTION

The comparing idea of the performance in the same activity sector, in this case, in agriculture and food industry sector, within the states member of European Union, intersects with the competitiveness idea, because these two notions are interconnected, performance and/or competitiveness of one of this mentioned could affect the other and vice versa. The performance notion complexity implies the use of several indicators, because this is the only way in order to capture, on the one hand, as many aspects as possible about a phenomenon, process, organization, sector of activity and, on the other hand, in order to track the degree of fulfillment of some parameters and functionalities.

Regarding the concept, there are different approaches in specialized literature. For example, W. Edward Deming (1900-1993) is the Deming System of Deep Knowledge creator, which is based on the four principles application: Planning - Execution - Control - Action. W. E. Deming considers defining these principles for the commercial achievement performance, the prosperity of a society, as well as peace. Association Française de Gestion Industrielle (AFGI) and International Organization for Standardization propose the most complete definition, according to which "a performance indicator is a quantifiable date, which measures the total or partial effectiveness and/or efficiency of a process or system (real or simulated), in relation with a norm, a plan or an objective determined and accepted within the enterprise strategic framework".

In the present paper, the economic performance and competitiveness, in agriculture, is addressed through the indicator systems perspective, defined in the specialized literature.

MATERIALS AND METHODS

Starting from the premise that determining the perception of performance and/or competitiveness will facilitate the processes of strategic decision, through the substantiation sub-indicators rethinking, possible tools are created for: establishing resource allocation priorities; introducing corrections even during the development of some projects; facilitating the establishment of the destination of the results / of the agricultural productions obtained, we proposed the different

approaches inventory, in terms of performance and competitiveness in the agricultural sector, through the analysis of the existing specialized literature in the field of interest.

RESULTS AND DISCUSSION

From the specialized literature's information's analysis, regarding the performance measurement (Biton, 1990), it can be synthesized the following characteristics:

a. Performance measurement, for any of the directions of its use (planning - execution - control - action), must be carried out at the same level (production unit and / or product level, activity sector and / or at national and/or international level) to which the present (ongoing) or future objectives/actions of interest refers.

b. Ensuring the consistency between the performance indicators and the objectives/actions of interest is mandatory.

c. The objectives/actions of interest for which the performance indicators are achieved/tracked must be clearly and concisely formulated.

d. In performance measurement of interest objectives or actions, the following requirements must be respected: the performance measurement to be carried out according to the direction/level of use decision; performance measurement must follow the evaluation frequency required by the objectives/actions of interest; performance measurement must be able to be validated.

e. The optimal conditions for validating the performance indicators must be ensured by the persons/institutions to which they are intended.

f. The performance measurement for the objectives / actions of interest can be analyzed in order to be updated periodically.

g. The databases that include the indicators used to evaluate the performance of some activities, systems, phenomena, processes, policies, etc. (in the case of the current work on the PAC policy) are those that can ensure the creation of synergies, which in turn allow obtaining new dimensions of the analyzed systems' performance.

h. The standardization of the indicators used to evaluate the performance of CAP policy has the role of ensuring the collected data interoperability and/or received and transmitted by all partners, respectively EU's[1] MS.

Regarding the EU budget, the framework performance is a prerequisite for all EU programs, including those to support the CAP, because all of them (European programs) are oriented to towards results that must be well known and managed. The EU programs performance levels, including those for supporting the CAP, is emphasized that in the Multiannual Financial Framework 2014-2020 performance is a prerequisite for the financing by the Commission of all European programs / projects, this being considered as representing a new mandatory characteristic. At the same time, through this decision, it was aimed to achieve a greater concentration on the results (from the EU budget), which required the establishment of clear and measurable objectives and indicators, as well as the assumption of specific and firm arrangements for monitoring, reporting and evaluation. In this way, the performance indicators of EU programs for the future programming period, together with other sources of qualitative and quantitative performance information (such as evaluations), will be likely to provide a solid basis for auditing the programs performance and the progress made in achieving the agreed objectives. Also, the indicators provided by the "performance requirements" of

[1] Provided in Art.95 of EC Regulation 966/2012.

the related EU programs and the current programming period allows the anticipation and operative resolution of some problems only when they appear during their development (European programs / projects). A relevant example regarding the functionality of the performance levels of EU programs, including those for supporting the CAP, from the Multiannual Financial Framework 2014-2020, is represented by the European Structural and Investment Funds (ESIF), which are strongly oriented towards performance, and which have applied the "backup performance mechanism", launched in 2019. The backup performance mechanism materialized for those programs, which did not reach their goal. In their case, after performance evaluation, the related resources were reallocated to other priorities. The new feature, mandatory for Commission's offered funding through the CFMA 2014-2020, namely the performance levels of the EU programs, including those to support the CAP, also has the role of contributing both to improving the performance of the programs and to the efficiency and effectiveness of operations, of the management systems and procedures of the bodies and institutions involved in the management of EU funds. At the same time, the audit reports of the European Court of Auditors, after the introduction of the mandatory performance levels of EU programs, highlighted effects worthy of consideration, such as:

- Recommendations formulation regarding the annual activity reports preparation of the European funds beneficiaries.
- Paying more attention to encountered challenges in running programs with European funds, with a greater focus on data reliability and quality.
- The realization by the European funds beneficiaries of some notifications and clearer explanations of how data and information on the performance of programs with European funds were used to register real improvements in the reference indicators (in the present case of performance indicators).
- Areas where also clarified, both now or in the future programming period, and it will be needed reforms to fully use the potential of the EU budget, such as: focusing decision-makers' attention on the added value of programs initiated with European funds; rationalizing the budget, as well as exploiting the synergies between the programs; simplification and better financial management of public allocations with European funds; promoting the flexibility and capacity of management authorities to respond to crises; focus on achieving programmed performance levels; greater coherence with the main political issues, objectives and existing values at the level of each user, responsible for the program financed by EU funds; improving the overall performance framework (for example, by rationalizing the number of programs initiated, improving the way they "work" together, greater flexibility, as well as by using fewer but higher quality indicators for program performance monitoring and reporting activities), etc.

The agriculture's competitiveness concept. In general, the concept of competitiveness, intensively used in developing and analyzing economic policies process, does not have a precise definition, most of times adapted, to the analyzes for which it is used purpose. Thus, there is a diversity of understandings competitiveness concept, of which the most important are the following:

- Competitiveness is synonymous with comparative advantage, although Siggel (2006) believes that "... this approach is not complete, as it depends on the treatment level / perspective - micro or macroeconomic, national or international...".
- Competitiveness refers to the annual evolution calculation of trade indices and prices in order to assess the economic entities, sectors and / or countries and / or regions performance.

- The competitiveness concept is used by analysts to identify the comparative advantage achievement. The concept of pursuing a level of comparative advantage was theorized by M. Porter (1990). Based on the Porter method use of comparative advantage, some authors have indirect calculated performance indicators, such as, for example: the costs of internal resources; the social cost-benefit ratio; production costs.
- Measuring competitive advantage involves "...the assessment of competitiveness indirectly, taking into account the competitive position of a company or sector or technology or product or service on the international or national or regional or local market, as well as the performance achieved in a certain period of time...". For such evaluations (measurement of competitive advantage) various commercial indicators were used, thus allowing the comparison of different countries (or companies or products or services) and/or time series data. In this case, the indicators used are, most of the time, ex-post indicators. The specialized literature considers that the use of ex-post indicators is useful to demonstrate the performance (competitiveness) of a country, but they fail to define the "source of the advantage". Other models of competitiveness measurement indicators that are present in the specialized literature requires the formulation of numerous and various working hypotheses, precisely in order to fix the problem.

Currently, for the competitiveness of economic policies development, the competitiveness index is used, which has the merit of giving an overall, synthetic picture of the analysis objects. For example, in case of international comparisons by using the competitiveness index, the aim is to highlight the gain and/or loss of competitiveness. In addition, by using some of the indicators that are the basis of its calculation (the competitiveness index), analyzes can also be carried out regarding the competitive performance from various points of view of a phenomenon, process, system, activity, objective.

It is unanimously recognized by specialists that the competitiveness determination is assimilated to one of the characteristics of the actors operating (competing) in market conditions. In this context, is mentioned the proposed definition of competitiveness formulated by the World Economic Forum (WEF) from Lausanne, Switzerland, in 1994: "competitiveness is the ability of a country or a company to create wealth greater than competitors on the world market" (World Competitiveness Report 1994). According to this definition, competitiveness is approached both as a process of comparison between rival actors and as a premise to achieve cooperation (partnerships) between business partners.

Competitiveness level evaluation. In general, the evaluation of the level of competitiveness of a phenomenon, process, system, entities, of an action, objective, etc. it consists in comparing the actual results with the expected ones of different interest groups. There are specialists who consider competitiveness as an expression of economic performance (OECD, 1992). At the same time, there are other experts who consider competitiveness to be an inappropriate concept and an obsession (Krugman, 1994). In this context, at least the following characteristics can be identified:

- The competitiveness system depends on the generation degree and knowledge distribution at a certain time in a society or community. Thus, increasing competitiveness "engines" can be: certain technologies adoption and use; education level; innovation degree, etc.
- The competitiveness limits are not necessarily sectoral, regional, national or global, but they depend on the chosen reference and on the general level of socio-economic development reached at a given time.

Depending on how the competitiveness characteristics are perceived by different interest groups, in the specialized literature three categories of competitiveness are nominated (after Stankiewicz, 2009):

a. Normal competitiveness – which manifests itself when the specific interactions results are equal to the participating stakeholders expectations.

b. Lower than normal competitiveness – if actual results do not meet expectations. In such situations, the interested parties take measures to withdraw from the interaction with the entities that register results superior to them, and in the next stage, most often, are formulated more attractive decisions.

c. Higher than normal competitiveness - when the actual results are higher than expected by the reference entities. In these cases, the interested parties try to strengthen their relationship with the entity that has a higher than normal competitiveness.

The competitiveness evaluation level of a phenomenon, process, system, action, objective, etc. from the components that can be taken into account point of view, it can be registered in two typologies:

- Production factors competitiveness. The competitiveness influencing factors are those that determine the ability of the entities involved to act, such as: they have a quick response to changes on the market; skillfully utilizes own resources or other factors friendly or not; aim to strengthen the competitiveness of the reference entity in the long term.
- Competitiveness related to results. The level of competitiveness of a phenomenon, process, system, action, objective, etc. determines the results of the competition, found in indicators, such as: market share; the share of sales of products with scientific value and financial performance of the reference entity to the leaders.

In the specialized literature, there are also opinions related to the adoption of the concept of defining competitiveness only through prices (costs). We believe that such an approach induces the risk of reaching simplistic conclusions. For example, if wages, taxes or energy costs are reduced, the immediate effect is to increase competitiveness. However, the option for such a path, - known as the "short path" of competitiveness, is identified with a narrow understanding of competitiveness, which is applied in the analyzes dedicated to the subject being a practice addressed in the case of developing countries.

In the case of highly developed economies countries, the competitiveness definition both includes the evolution over time perspective (thus defining long-term competitiveness growth) and the socio-economic system references, which in turn is based on three pillars (the of increasing incomes; the social pillar; the ecological pillar). Through this complex understanding of the definition of competitiveness, the aim is to support the transition towards a new way of developing society, in general, this being considered the "extended way" of approaching competitiveness. At the same time, such a treatment also has the advantage of including the components of well-being (social and ecological), in the resulting evaluations it is likely to allow the connection with the measures that influence the economic policy[1]. In this case, (of approach / extended analysis of competitiveness) specific indicators of each of the three mentioned pillars (income growth pillar; social pillar; ecological pillar) are taken into account, as follows:

[1] This understanding is the result of research carried out by the OECD, CE and WEF within the project "WWW forEurope". See: Karl Aiginger (WIFO), Susanne Bärenthaler-Sieber (WIFO), Johanna Vogel (WIFO). 2013. "Competitiveness under New Perspectives", OECD Working Paper no 44.

The growth income pillar – starts by considering the GDP level, but also includes the income available for household consumption and consumer spending.

The social pillar - summarizes the indicators that reflect the results of the socio-economic system of a country, region, sector, such as: the risk of poverty; inequality; youth unemployment,

The ecological pillar - evaluates the recorded results in the environmental protection and climate change mitigation field among the evaluation indicators (resource productivity; intensity of greenhouse gas emissions; energy intensity; share of electricity produced from renewable energy sources, etc.).

It is currently found that, the extended long-term competitiveness definition, adopted as an idea in the countries with highly developed economies case and based on the consideration of the specific indicators of the three pillars, respectively of three sets of indicators that individualize the approaches, is likely to change even some of the rankings already considered immutable.

CONCLUSIONS

Finally, considering the presented paper, we can state that the general factors that contribute competitiveness definition refer to the following aspects:

- price competitiveness, which focuses on factor costs and productivity,
- quality competitiveness, which is a more important factor for high incomes industrialized countries and which aims at the transition to competitiveness in a broad sense with the inclusion of elements of a socio-ecological nature,
- the involved actors competitiveness level,
- based on it, four groups can be distinguished: shareholders; customers; buyers; employees (Stankiewicz, 2009).

Each of these involved actors groups, in defining competitiveness process, evaluates the activities of various entities of interest / enterprises using a diversity of criteria (expression of some interests), such as for example: the owners, who are mainly interested in the revenues that can be obtained from holding some shares; customers, who are interested not so much in the value of the company, but in the value of its offer; employees, who are mainly interested in working conditions and wages; suppliers, who are interested in the volume and growth of business activity (Zelga, Kamila, 2017).

In general, the competitiveness question, as can be clearly seen from the various points of view and classification, is very complicated. However, to fully realize the extent of this complexity, it must be considered the unit reference size for determining competitiveness, respectively of the competition, because it is appreciated that in the last wo decades interested in this topic has rapidly increased.

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