

# Memo as Wish Fulfillment for Me and Our Savior: A Case Study on SOEs in Indonesia

R.E. Wijaya & E. Andajani

*University of Surabaya, Surabaya, Indonesia*

**ABSTRACT:** A memo is a form of informal information that lives within a company. The memos arise because of information needs that unfulfilled by current information systems. This research seeks to explore the role of parties involved in the use of memos in one SOE in Indonesia. In this case, the researchers deeply observed the role and purpose of individuals and communities in the utilization of memos. Researchers used activity theory as a tool to interpret the role in the form of mindset. Based on the theory, researchers determined the memo as a tool for individuals to achieve what they want. From the individual side, researchers found that using memos to obscure information, so they survived the punishment from their boss."

*Keywords:* memo, informal information, activity theory, punishment, SOEs

## 1 INTRODUCTION

Formal information systems (IS) has the ability to process information in accordance with what has been previously identified (Hawari & Heeks 2010), so information that has not been identified cannot be processed; as a result, IS is unable to meet the information needs of its users. This inability opens up opportunities for more than one information system operating within the company (Kilfoyle et al. 2013). Various types of information systems are created from human interaction. However, most informal IS researchers who studied information systems were not interested in reviewing IS using written media as their communication tool. In fact, informal information systems that use written media also operate in companies. For this reason, this study aims to explore more deeply how the mechanism of informal accounting information systems works in SOEs in Indonesia using a framework of activity theory.

Information systems are often thought of as rigid machines in companies that exclude human existence. To be able to work, an information system requires various interrelated elements, especially humans (Mancini, Vaassen, & Dameri 2013). Related to the implementation of an information system, humans are actually deciding whether to use formal information systems or other types. In other words, human information behavior is the

determinant of humans in implementing information systems. One analysis tool to examine how human conscious information behavior in the context of implementing communication activities is activity theory (Wilson 2006). Activity Theory is one of the fields of science in psychology originating from the ideas of Rubinshtein (1935) and Leont'ev (1947). Based on Karl Marx's thought, the concept of activity seeks to create a new understanding of ordinary daily practice (Engeström 1999). Although the theory of activity grew in 1920 in Russia, its development was carried out more by Scandinavian researchers, such as Engeström.

Activity theory seeks to explore how the power of human motives in carrying out an action (Archel, Husillos, Larrinaga & Spence 2009). The activity theory has experienced three generations of development (Engeström 1987). In the last generation, activity theory describes the various building blocks of activities and relationships between components in a better way (Ditsa 2003). Therefore, the majority of researchers using activity theory adopted the model developed by Engeström (1987). Activity theory views the context of activity systems as units of analysis (Engeström 2003). Engeström (1987) explained that there are at least six components that make up the activity system, namely the subject, mediating artifact, objects, rules, community, and division of labor. The subject is the

agent of an activity system. In carrying out its activities, humans certainly have a motivational motivator known as an object (ive). There are various human motivations to do activities, including money (Moser 2013). To achieve the object (ive), humans need a tool or mediating artifact. This study uses memos as a mediating artifact or tool to achieve something. As social beings, humans are also affected by the environmental context in which these activities are carried out, namely the various binding rules, communities, and division of labor.

## 2 RESEARCH METHODS

This study chooses "The Fast" as a research site. The Fast is a state-owned enterprise in Indonesia. This company is a heavy industry, which produces transport utilities. Research data was taken for one year between 2016-2017. In Jaya Tunggal, researchers are placed in the PPC function so that researchers can obtain in-depth and extensive information from various areas related to the research objectives. The selection of informants plays an important role in qualitative research because it is related to the theoretical goals of research (Marvasti 2004). The researchers did not use the entire data from the employee population. However, researchers used snowball sampling. A memo is an underground information system, so not all employees use it. The sample selection uses extreme or deviant case because of its ability to obtain in-depth information based on assumptions and norms that underlie the daily activities of an informant (Patton 2002). This study used a field operator, several juniors and senior managers, three division heads from Production Planning and Control (PPC), sales, accounting, and finance.

The researchers then conducted a way to collect data. Different methods of gathering offer different in-depth information (Yin 2018). For this reason, researchers used interviews, observations, and documents. Related to the researchers' involvement in observations, researchers chose "nonparticipant/observer as participant". The choice of researcher involvement allows researchers to obtain data without directly involving the activity or the intended person. Observation will provide an opportunity for researchers to know exactly how a series of artifacts are connected to each other, such as hidden rules. In qualitative research, interviews are the main thing in data collection (Fetterman 2010). This study combines the non-formal conversational interview approach and standardized

open-ended interview. This combination approach allows researchers to obtain deep and systematic information, making it easier to classify data (Patton 2002).

Activity Theory was used as a framework used by researchers to analyze daily activities by informants. Utilization helps researchers to explain how the use of memos, as a tool, to achieve an object (ive) or outcome, with the influence of hidden rules in the organization, division of labor, and community (Ditsa 2003). This research used the framework of Mwanza (2001). According to Mwanza, the actor consists of two groups, including personal as subjects and community. Meanwhile, the memo is a tool used to achieve the goals of the actors.

## 3 RESULTS AND DISCUSSIONS

### 3.1 *Memo as help for The Wrongdoer*

The existence of quality cost is important in the company. The declining of quality cost is apparently able to increase labor productivity and encourage profitability (Mahmood, M. Ahmed, Panthi, & Ishaque Kureshi, 2014) because it can be used to assess the level of success in controlling the failure of a department's performance. Unfortunately, the cost of quality often overrides internal failures in calculating quality costs before ownership transfer (Pursglove & Dale, 1995), such as scrap and rework (Chopra & Garg, 2011).

Rework is a chronic problem that should get more attention from management (Love, Edwards, & Smith 2016). Rework has the potential to be a multiplier effect 3 to 6 times from the actual costing board so that it potentially decreases the company's profit and competitiveness (Love 2002). For this reason, the leadership's indifference to this phenomenon should not happen. Top management of PT. Ontorejo actually also paid more attention to the existence of quality cost, especially rework. As acknowledged by one of the following senior management:

"So the CEO also talked about starting from.. ooo .. how come there is only a little NCR (non-conformity report)?" [Source: Pak Jono]

The comment of top management actually shows suspicion given the huge volume of scrap that has accumulated in the disposal area. Generally, rework arises because of the inability of the production department to meet product design specifications (Dahlgard, Khanji, & Kristensen 2007). As a result,

the production department has to rework, as stated in these specifications.

The researchers are interested in finding the cause of the rework by interviewing one of the ISO auditors. He said:

"This is ... the defect is low ... but how come it seems so low ... Yesterday, the QC person was just honest, that not all mistakes were included in NC ... in NCR, so if you can correct it, you don't have to. it's just recording [Source: Mr. Heru]

The ISO auditor's speech shed some light on the cause of the small NCR. Individuals from the QC Department evidently did not report all errors, only errors that were not successfully reworked were reported to be NCR. Consequently, the failure rate in the production department seems small.

The small number of failures impresses the company as fine. Meanwhile, the report is more beautiful than the original color. Consequently, the resulting report has a low relevance value for making a decision, especially for top management (Halis & Oztas 2002). Furthermore, the existence of rework will be a lever for absorbing additional company resources, both material and time, to handle the rework. In addition to financial impacts, companies must also pay for non-financial impacts in the form of increased stress, fatigue, and de-motivation of work (Love 2002). The existence of rework actually does not just appear in the company. However, several factors result in high rework within a company, namely: design changes, construction changes, and design errors (Love & Sohal 2003). All the people in the production department have memorized their work. However, if these three factors exist, then the rework will definitely occur in the production department. How about The Fast? To explore a deeper understanding of the phenomenon of rework, researchers attended one of the meetings on January 12, 2016. At the meeting, the researchers caught a hidden message that the product designs offered by The Fast were raw designs. The Fast has offered products with general, not detailed specifications. As a result, the design process and the production process are carried out at almost the same time. As stated by one of the following key informants:

"Everyone also knows Mam ... if the design and production process is carried out together. Yes ... it can't be helped, time is tight "[Source: Mr. Momo]

Poorly specified designs make it difficult to prepare raw materials because the initial material demanded from PPC to logistics is based on the design of the raw product. Immature product design leads to unreliable material calculation.

Immaturity of product design also affects the discrepancy between the goods ordered by logistics and those needed by the production department, as stated by one of the following informants.

"Yes ... what can we do ... for example according to the draft ... to make product A, how many plates need 1 meter for 15 sticks and 1.5-meter for 20 sticks. But the reality may be different, the plate that came in the workshop was 1.5-meter, while the operator only needs a plate measuring 1-meter, so instead of not working ... the 1.5-meter plate was cut into 1-meter ... then ... when they need a 1-meter plate ... confused huh ... forced to request the raw materials again ... if not ... they don't want to work "[Source: Mr. Jaya]

The statement shows that there is a discrepancy requested with those who came. Within a tight deadline, workers will work even with inappropriate materials. They will cut the plate according to their needs, even though this action will cause a considerable increase in scrap. When QC reports as NCR, the department's performance is poor.

People will choose to use memos with the Reason for the wrong cut. One informant revealed:

"Usually, if they cut wrongly, they make memos ... This is it ... we then submit it to the material planning department. Sometimes workshops need things as soon as possible, knowing here, just need a stamp "[Source: Mr. Sony]

These words provide an illustration that memos are often used as a medium to accommodate various errors that should not exist. The use of memos is not only to speed up the production process. However, there is an important ulterior motive to camouflage the mistakes made by certain departments. According to the researchers' observations, blurring errors will save management in relation to job rotation and dispromotion at the management level.

Unhealthy working conditions force the management to choose safe ways to use memos or orally as a medium to handle rework and production errors expressed by the following ISO auditors:

"It takes time to fix, how long, how much material it takes, that's actually the cost, right ... Win-win solution ... one does not need to write

down, while others do not need to record ... each of us feels happy. [Source: Mr. Yono]

The reluctance of employees in the quality control department of taking notes causes the swelling cost of production. Consequently, quality costs will also never be detected.

### 3.2 *Flexible rules for smoothing the doer's goal*

Every activity will always be connected with the existence of rules (Berducci, 2010). In the context of a formal information system, there are two types of rules in a company, namely: hard and soft rules. Generally, hard rules take the form of clear, standardized rules (Bamber & McMeeking, 2016). The soft rules are formed from the meaning of rules by community members and non-binding rules for the member of those (Jacobsson, 2004). Furthermore, soft rules are often interpreted as social norms or rules that apply to certain communities (Botvich et al., 2010).

The Fast has a set of formal rules that have been declared by the company. In the context of the use of memos, the actors choose to use invisible rules that are not officially announced by the company. User choice actually reflects the context or situation surrounding the practice (Maynard & Clayman, 1991).

The existence of the rules followed by memo users is implied from the following conversation between the researcher and the warehouse manager:

Researcher: O ... just Renmat (material planning) only ... so if the production wants to request the goods, it must go through Renmat first?

Mr. Marvel: Yes ... I myself ... I am flexible

A fragment of the conversation between the researcher and the warehouse manager shows that managers sometimes do not comply with formal rules. They choose to use flexible rules to meet those information needs.

Humans are unique creatures. The choice of participating or not in a formal rule is entirely in the hands of the perpetrators. In this case, the perpetrators are faced with whether they will choose hard rules or soft rules. Generally, hard rules are described as having legal consequences for violators, but not for perpetrators of soft rules. However, the phenomenon does not apply fully to The Fast. All perpetrators will receive punishment, both hard rules and soft rules. In fact, soft rules perpetrators can bear a heavier penalty than hard rules perpetrators. Even worse, the severity of sanctions is based more

on "who violated". Offenders who are protected by certain informal groups tend to receive light or even free punishment. Follow the hard rules and soft rules (in the form of flexibility) entirely in the hands of the perpetrators with a consequence package. The choice of hard rules makes the actors are kicked out, while the selection of soft rules is no guarantee that they will survive in maintaining their position. Thus, the choice remains in the hands of the information system offender.

### 3.3 *Flexible Division of Labor to accelerate the production process*

The Fast also has an organizational structure. The organizational structure will determine how the division of labor (a division of labor) or how to coordinate between members (Mintzberg 1989). There are two types of division of tasks in organizations, including manufacturing division labor and social division of labor (Wang & Polillo 2016). Manufacturing division labor is a formal division of tasks within the organization (Discenna 2016). Furthermore, the Social division of labor refers to specialization in social relations that has the potential to increase dependency with one another (Wang & Polillo 2016). The social division of labor is also a representation of the division of tasks of society in a particular community (Bravennan, 1982).

In the context of implementing memos, the division of labor is not entirely the same as those based on the company's organizational structure. The division of labor in implementing memos is more directed at the social division of labor. The division of tasks between divisions tends to be informal. That is, the form of division of tasks among the implementers of information systems tends to be flexible according to their individual needs.

The reality in The Fast is different from what was found in previous studies. In bureaucratic organizations, organizational structures tend to regulate and limit the assignments of their employees (Mintzberg, 1989; Sørensen, 2007). Even so, The Fast employees seem eager to expand the scope of their responsibilities, even though the assignment is outside their authority, as stated by a senior manager of the following production division:

"Because seeing the huge volume of production units, we...termed as pick up the ball, pick up the ball...one of them by getting closer to PPC. We help him ... we help in mobilizing the parts that are circulated here.. we help"[Source: Mr. Yudi]

The above statement shows the willingness of the informant to help speed up the production process of The Fast, even though what he does is not their responsibility.

The company functions as a second home for a group of people who depend on it. In other words, companies are social organizations that contain people who depend on their lives there. The presence of people in the company allows them to interact with one another. Interaction allows them to determine how to overcome the various difficulties they face, including the division of tasks between them. For this reason, the division of labor can be said to be the result of social interaction (Freidson, 1976). However, The Fast does not explicitly reveal the existence of the flexible division of labor in the field and the flexibility in the distribution of tasks.

The flexible specialization is a term that was first expressed by Piore and Sabel. The concept of flexible specialization breaks Smith and Marx's view that specialization is the only way to jump-start company performance through cost efficiency (Sabel & Zeitlin, 1985). But in reality, the use of specialization in production systems does not always increase the level of productivity with the use of the same resources. Flexible specialization is the comprehensive capability of employees on various production lines or multi-skills (Thompson & Smith, 2000). The statement is in line with the words of one of the managers below:

“Yes ... get bored ... get bored ma'am ... this is fortunately connected ... I used to be a PPC person”

Mr. Marvel has been placed in PPC for many years. His long experience at PPC made Pak Marvel come to have a comprehensive understanding of production. A thorough understanding of the company's operational activities makes them a lot of expertise (multiskill), so they have the ability and knowledge to do something outside of their responsibilities.

Flexible specialization is not a bad thing. As the practice of flexible specialization had made the three giant automotive industries of the United States deflated face the Japanese and Korean automotive industries (Peters, 2009). Flexibility is actually a weapon for companies in Japan, ranging from changes in organizational structure, work rotation, and flexibility in the production flow (Kenney & Florida 1988; Monden 2011).

#### 4 CONCLUSION

The informants often use memo media to obscure information. Even so, the emergence of a mistake cannot actually be imposed just like that on the production side, because the design agreed upon between Fast and the customer is a raw design, thus allowing rework to occur. The large volume of rework will increase the NCR, which could threaten management careers. Requests for goods due to rework often use memos to obscure information due to rework or other errors. The use of memos is also inseparable from the flexible rules and division of labor.

The limitation of this research is that it has not explored how the community plays a role in implementing memos yet so that it is only capable of photographing personal motivation in conducting activities. In addition, the use of other analytical tools is possible to enrich understanding of this phenomenon from the other side.

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