

Fundamental Principles in Spiritualism-Based MCS

(A Study in a Chinese Indonesian company in Padang, West Sumatera, Indonesia)

Charoline Cheisviyanny¹ Sany Dwita² Herlina Helmy³

^{1,2,3}*Universitas Negeri Padang, Padang, Indonesia*

Email: charoline.cheisviyanny@gmail.com

ABSTRACT

This research aimed to explore fundamental principles as the main principles in spiritualism based MCS. The fundamental principles consist of three principles as a part of ten principles in spiritualism based MCS implementation. It was an interpretive case study in a Chinese Indonesia company in Padang which sells cassava chips, a popular traditional snack from West Sumatera, Indonesia. Since fundamental principles are the main guidelines which ensoul the company, so we interviewed the owner only. To strengthen it, we also observed and analyzed some related documentations. The results showed that the company has implemented all the fundamental principles in specific ways. This research will be continued to other principles.

Keywords: *fundamental principles, spiritualism based MCS, Chinese Indonesia company*

1. INTRODUCTION

The good implementation of Management Control System (MCS) is a must for companies. MCS will help managers to monitor company performance and detect problems early so corrective actions can be taken immediately. MCS also helps leaders in carrying out the control function and the corporate values building function (Efferin and Hartono, 2015). Anthony and Govindarajan (2012) define a MCS as an important system of the organization which can direct or regulate the activities of organizational members to fit the organization's goals. MCS will be a tool in providing information and implementing and formulating the organization.

Many theories and studies that prove the implementation of MCS can improve company performance which then increases the company's value. However, the development of a dynamic business world requires companies not to focus solely on profit seeking. At present the company is also

required to pay more attention to the impact of its activities on the environment and society and to do something to minimize the negative impacts that may arise.

Efferin (2017) uses the term materialistic organization and spiritual organization to distinguish the characteristics of companies that focus on material (profit) and companies that have goals beyond the profit. The company can choose to be a materialistic or spiritual organization depending on the values that are instilled and developed in the members of its organization and manifested in its activities, not on a set of formal vision and mission. One concrete step regarding the demands of accountability for company activities is the issuance of rules about the company's obligations to carry out Corporate Social Responsibility (CSR). But are companies that carry out CSR automatically recognized as spiritual organizations? In fact, they are not. Efferin (2017) states that if CSR is carried out as a separate activity apart from the

company's main business, then CSR is only a camouflage as if the company has replaced the 'damage' it causes. Several studies have shown that many companies in Indonesia are not well targeted in channeling their CSR funds (Chesviyanny dkk, 2019 and Apriatma dkk, 2019).

The measurement of spiritualism uses ten principles developed by Efferin (2017). Three principles relate to the main fundamental principles namely respect for life, obey the law and ethics, and the unification of commercial and social missions. Seven other principles relate to activities to build organizational culture, input acquisition, output creation, and market and sales communication. This article only discusses the main fundamental principles, while other principles will be discussed in the next article.

This research was conducted in a Chinese Indonesian company in Padang, Indonesia. This company produces and sells cassava chips, a popular traditional snack from Padang. It has been established since 1970, but has produced cassava chips since 1979 until now. This study is a follow-up study that originally wanted to find out the application of MCS in this company that was associated with Chinese culture and Confucian values. But the results of the interview in the preliminary research showed that the owner of the company was not only practicing the values of Confucianism, but there are many spiritualism values which make it become a spiritual organization. This values might enable the company to survive for 40 years.

The existence of a Chinese Indonesian company in Padang, where the majority of its population is of Minang ethnicity and Islamic religion, is an interesting thing to be explored. Makmur (2017) explains that despite many differences in terms of religion and culture, in fact the Tionghoa and Minang people have more in common. Both of these ethnic groups constitute a collective society, which is not self-oriented (individualist), but dissolves in groups. They also have a common ethic of trading and wandering which is rooted in a philosophy of independence, hard work collecting material, and a desire to learn. As

immigrants, the both ethnic groups have high flexibility to adapt to their environment.

Both of these ethnic groups also have relatively similar values in the communication approach. The principle of 'hidup berakal, mati beriman' ('living with reason, dying of faith') adopted by the Minang people, leads them to a balanced life. This philosophy also influences the way they form relationships. While the Chinese adheres to the values of Confucianism which aims to make social relations take place without disputes. These values affect Tionghoa people's perceptions and communication in social life. One concrete proof is the adoption of the Minang language in the everyday language of the Padang Chinese (Makmur, 2017).

This research was conducted through interviews, observations, and documentations in the store. It was conducted in the moment of covid-19 pandemic which might cause several things cannot be deeply explored because the company was not operating when we were collecting data. Based on above explanation, the question of this research does the company implement the fundamental principles in spiritualism-based MCS and in what ways? The result is expected to be used in designing a model of spiritualism-based MCS. The model can be used for other companies which want to implement spiritualism-based MCS in order to get long time profits and benefits from the implementation.

2. METHOD

This research is an interpretive case study. It will explore the first principle of the spiritualism-based MCS, the fundamental principles which consists of three principles: (1) respect for life, (2) obey the law and ethics, and (3) the unification of commercial and social missions. These principles are main references that instill the overall operation of the company and other principles (Efferin, 2017). So, in this phase, we will conduct in depth interview with the owner of the firm only (Mrs Y) because she is the one who really understand about the soul of the company. We use a semi-structured method with open-ended questions to capture the experiences,

perspectives, and opinions of the owner. We also do observation and documentary analyses to strengthen the results gained from the interview.

The interview process was conducted in Bahasa Indonesia with an unique dialect of the owner as a Tionghoa keturunan. The dialect is called "Tanah Kongsí" dialect which is an infusion of Minang and Tionghoa dialect. Tanah Kongsí is a market in Chinatown in Padang where the language infusion process occurs because the traders are a mixture of Minang and Chinese ethnicity (Makmur, 2017). We also consider about emic view (owner's interpretation of her experiences) and etic view (outsiders'/literatures' interpretation of a phenomenon), based on Efferin and Hopper (2007).

The results of the interview will be transcribed and analyzed through the coding process to get the main themes and specific themes. The answers from the informants will be grouped into these themes, after that we selected several themes that often appear. Data contradictions that appear will cross check with the results of observations, so that conclusions can be drawn.

3. RESULTS AND DISCUSSION

3.1. The history and current condition of the company

Before we discuss about the fundamental principles, we will tell about the company, starting from its establishment to the current conditions. The interview with the owner obtained information that initially this business was pioneered by Mrs. Y's mother in law (Mrs. E) and her son named Mr. P in 1970. A business license was made in the name of Mr. P. Until now the business license was still made in the name of Mr. P. As noted by Mrs. Y:

"This business was originally initiated by my mother in-law and Mr. P. Business licenses were made on behalf of Mr. P. I and my husband are very aware of their ups and downs to start this business. They work hard seven days a week, four weeks a month, which then inspires business brands (4x7). Even though we are now continuing this business, the business license remains on behalf of Mr. P because we appreciate his struggle to start this business."

In the beginning, the company produced bread and cakes, but did not develop. In 1979, the company switched to producing cassava chips until now. Currently the company's products already have several variants including green chili cassava chips, red chili cassava chips with durian flavor, non-chili chips, cassava chips with peanuts and anchovies, thin sliced chips with tumeric that called "*dakak-dakak*". The company also accepts and sells other products from other SMes. In addition to cassava chips, the company also sells pure coconut milk and has several permanent customers.

The shop design looks attractive, with the dominance of the red color believed by the Chinese as the color that gives happiness and prosperity. On the door of the shop, it is seen a picture of two girls wearing Minang traditional clothes. The girls are the grandchildren of Mrs. Y. The design concept shows that it belongs to a Chinese Indonesian company but it does not forget the Minang's culture in which it is located.



Figure 1. The front look of the store



This year (2020) the company has been running for 40 years. In the course of 40 years, of course, business is not always smooth, sometimes down, sometimes up. Economic conditions greatly affect business conditions, for example the monetary crisis in 1997-1998 or when prices of raw materials (cassava and

coconuts) and supporting materials (chili, oil, sugar, etc.) increased. The current condition of the covid-19 pandemic also had a huge impact. Since the local government imposed the social distancing, the company has stopped operating because sales have declined. Most employees are laid off.

3.2. Fundamental Principles of Spiritualism-Based MCS

The following are the results of an interview with the owner about the fundamental principles which consist of three principles. The discussion might overlap because the three principles are actually interrelated.

3.2.1 Respect for life

When we went to the company on Jalan Belakang Olo Padang, we saw interesting

things. Someone (lately we knew she is a staff of the company) who was putting bird food in the yard, after which many birds came and ate the food. We also saw lots of plants around the owner's house and shop. The plant looks well cared for. Mrs. Y said that the birds and plants are Mrs E's favorite things, who just died last April. Here are some pictures that we captured:



Figure 2. Plants around the house and the store



Figure 3. Feeding the bird

As a manufacturing company that carries out production processes, the owner understands that waste is one of the things that must be managed properly. The company processes raw materials in the form of cassava into cassava chips and coconut into pure coconut milk. There are two types of production waste, first, waste from cassava processing in the form of cassava washing water and cassava skin and then, waste from coconut processing in the form of coconut pulp and coconut shells. Both types of waste must be

disposed of immediately in order to avoid unpleasant smells. Especially for coconut pulp and coconut shells, usually there are those who buy it for reprocessing.

The company has a sewer that is always cleaned after the production process. The owner makes special place for the waste and trash. This trash place also holds household waste from neighbors. Everyday officers from the sanitary agency transport the trash. The Department of Industry and Trade also carries out routine control of the waste.



Figure 3. The sewer and the trash place

The above explanation suits to Efferin (2017) who stated that Spiritual organizations apply the principle of respecting life by protecting the

environment, caring for living things (animals and plants), and maintaining harmony with the surrounding community.

3.2.2 Obey the law and ethics

The company is a home industry located in Padang, the capital of West Sumatera Province. The existence of home industry as a form of business would have to follow the rules of the local government. Some rules that must be obeyed by companies are required to have a business license, NPWP, and halal

certificate. For some reason, we do not display images of these documents, but we have confirmed that the company has all the documents. The following is a picture of the evidence of tax return reporting which proves that the company has fulfilled its tax obligations.



Figure 4. The Evidence of Tax Return Reporting

The obligation to get a halal logo is important for the community. This might be different from the practice in other countries. For the people in Padang and in Indonesia the existence of the halal logo shows that the product is free from non-halal elements and that the product is

produced with a process that does not violate ethics. This is in accordance with the statement from the owner as follows:

"The halal logo really needs to be taken care of. Not only because it's one of the obligations of every business, but also because the majority of our consumers are Muslims. As a Chinese company, there may be doubts that our products are produced illegally. Halal logo makes them comfortable to buy and consume our products. The halal logo also enables us to compete with quite a lot of competitors in Padang because this is indeed a typical snack of West Sumatra."



Figure 5. The brand with halal logo and home industry license

The implementation of this second principle is in accordance with the opinion

of Efferin (2017) who states that there is no lasting business without respect for the

rules that apply in the place where we do business.

3.2.3. The unification of commercial and social missions

From the commercial side, every company would want a business profit. From an accounting perspective, profit is the difference between turnover and operational costs / expenses. Profit is needed so that the business can survive in the long run. But the leadership of this company was not only focused on profits, but also very concerned about the social aspects of the business. Mrs. Y commented:

"In doing business, we should also pay attention to social aspects. As social beings, we are very aware that we live side by side with others. As part of the social community, we also take on the role of neighbors who help others. Our business has been running for 40 years in this place, never moved. So it can be seen that our interaction with the surrounding community is very good, even though we are clearly Tionghoa and as minorities here. The company also set aside part of the profits on a regular basis to help others in need."

Good relations with the surrounding community that had been initiated by the late Mrs. E, are still maintained by Mrs. Y until now. During her life, Mrs. E was well known by the surrounding community. As a Chinese family who lived in an area of mostly Minang and Muslims for more

than 50 years and there were never conflicts, it seemed to have proven that Mrs. E was able to maintain good relations with the surrounding community. The acceptance of surrounding communities towards the existence of businesses is also very good. This is evidenced by the frequent public shopping at stores, even old neighbors who now live in other cities always take time to shop when they are in Padang. Public acceptance was also seen at the opening of the new store in 2018 yesterday, thanksgiving was carried out by Catholicism and Islam.

Every month, Mrs. Y joins a social gathering, always active in every important events. Every month the company also provides funds for a deaf home in Solok, a city located about 1.5 hours from the city of Padang. Every year the company provides donation to those in need. Donation can be given in the form of cash or goods, and the nominal is not determined. It can be given directly or through existing churches and social institutions. Mrs. Y added:

"In our religious teachings, we believe that love is the most important thing. That's what we do. Our Scriptures also teach that God will replace many times of every sincere gift, so we believe the more we give, the more we will receive. I think this effort can last even now because of the prayers of those we help. "

The company also has an educational mission by allowing students to come to the factory, also allowing college students to take data for their assignments or S1 thesis. Here are the photos:



Figure 6. The industry visiting from elementary schools



Figure 7. The industry visiting from universities

This is consistent with the opinion of Efferin (2017) who states that the balance between commercial and social missions will enable companies to continue to grow and be financially healthy so that they can continue to contribute positively to society and the environment.

REFERENCES

Anthony, R. N. dan Govindarajan, V. (2007). *Sistem Pengendalian Manajemen*. Edisi 12. Jakarta: Erlangga.

Apriatma, Gigih, Cheisviyanny, Charoline & Taqwa, Salma. (2019). Analisis Pemanfaatan Dana Corporate Social Responsibility bagi Penerima Beasiswa Bank Nagari. *Jurnal Eksplorasi Akuntansi*, 1(1) Seri C, 334-338.

Cheisviyanny, C., Helmy, H., Helmayunita, N., dan Dwita, S. (2019). The Rhetorical Story in Corporate Social Responsibility Disclosure PT Semen Padang. *Opcion*, Ano 35, Especial No 21 (2019), 1359-1377. ISSN: 1012-1587/ISSNBe: 2477-9385.

Efferin, S & Hopper, T. (2007). Management Control, Culture, and Ethnicity in a Chinese Indonesian Company. *Accounting, Organizations, and Society*, 32(3), 223-262.

Efferin, S dan Hartono, M. S. (2015). Management Control and Leadership Styles in Family Business: An Indonesian

4. CONCLUSION

From above explanations, this research concluded that the company has implemented fundamental principles of spiritualism-based MCS in many several ways.

Case Study. *Journal of Accounting and Organizational Change*, Vol 11 (1), 130-159.

Efferin, Sujoko. (2017). *Sistem Pengendalian Manajemen Berbasis Spiritualitas*. Jakarta: Yayasan Rumah Peneleh.

Halim, A., Tjahjono A., Husein, Muh. Fakhri. (2019). *Sistem Pengendalian Manajemen*. Yogyakarta: UPP STIM YKPN.

Makmur, Riniwaty. (2018). *Orang Padang Tionghoa: Dima Bumi Dipijak, Disinan Langik Dijunjuang*. Jakarta: PT Kompas Media Nusantara.

Rizki, Tabah dan Dwita, Sany. (2019). Memaknai Penerapan Sistem Pengendalian Manajemen pada Perusahaan Etnis Tionghoa di Minangkabau. *Jurnal Eksplorasi Akuntansi*, 1(1) Seri A, 50-63.

Wandira, A., Dwita S. & Mulyani, E. (2019). Sistem Pengendalian Manajemen dan Kepemimpinan pada Bisnis Keluarga Etnis Minangkabau. *Jurnal Eksplorasi Akuntansi*, 1(2) Seri C, 740-750.