

# **Inputs Acquisition Process in Spiritual-Based MCS (A Study in a Chinese Indonesian Company in Padang, West Sumatera, Indonesia)**

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## **ABSTRACT**

This research aims to explore the inputs acquisition process in spiritual-based MCS. It was an interpretive case study in a Chinese Indonesia company in Padang which produces cassava chips and pure coconut milk. The data collection methods were interviews, observations, and documentations. We interviewed the owner, suppliers, and an employee. The result showed that there are some points in inputs acquisition process which do not implemented by the company. It suggested the owner to do strict control in every operational activity and to maintain a long-term relationship with suppliers and employees.

**Keywords:** *Input acquisition, Supply chain management, Buyer-supplier relationship.*

## **1. INTRODUCTION**

For companies, the existence of suppliers is as important as consumers. As an important part of Supply Chain Management (SCM), suppliers deserve the attention of management. [1] states that a good implementation of SCM can increase a competitiveness of the entire supply chain, Many studies also proved that a good implementation of SCM can improve companies' performances [2]–[5]. As part of the Management Control System (MCS), the effective SCM will enhance the supplier-buyer relationship. The long-term relationship can create a better trust and efficiencies.

However, [6] found that the implementation of SCM in the conventional MCS has many weaknesses. This is because the conventional MCS is applied in materialistic organizations which only focus on profit. The cost efficiency is achieved by reducing the cost of raw materials (direct and indirect). [6] analysed there are at least five weaknesses of conventional MCS: (1) focuses on profit, (2) focuses on the interests of investors/owners and top management, (3) focuses on performance, (4) tends to forget long-term relationships with suppliers, and (5) employees who lack a sense-of-belonging because everything are measured in quantitative terms.

These weaknesses encourage [6] to propose a spiritual-based MCS which does not focus only on profit, but also gives attentions to society and the environment. This spiritual-based MCS is applied to spiritual organizations that are beyond the profit oriented. It changes the mindset of conventional SCM that focuses on profit to be an SCM that considers employees, society, and the environment.

[6] stated that spiritualism, which is implemented in MCS, is measured by ten principles. Those principles are classified into five groups: fundamental principles (consists of three principles), organizational culture building (one principle), input acquisition (one principle), output creation (four principles), and market and sales communication (one principle). Henceforward, this research will use term “input acquisition” to refer to term “SCM”.

The fundamental principles and the organizational culture building have been explored in previous researches [7], [8]. The two previous studies found that the company has implemented spiritual-based MCS in the fundamental principles and principles of value creation. This research is a continuation of the two previous studies. This third research examines the principle of input acquisition in spiritual-based MCS. The research was conducted at a Chinese Indonesian company that has been running for more than 40 years. The main products produced by the company are

cassava chips and pure coconut milk. It is highly recommended to read the two previous researches to make it easier to understand this article.

The company has many suppliers and they have been business partners for more than 10 years. It is interesting to study how a Tionghoa has a relationship with his suppliers who are of different ethnicity, religion and culture. We will interview several suppliers, owners, and employees who handle the purchase of raw materials. Besides interviews, we also conduct observations and documentation. Based on above explanation, the question of this research is "has the company carried out the process of input acquisition in spiritual-based MCS which is responsible for the environment, society, and employees?"

### ***1.1. Management Control System (MCS)***

[9] defines a Management Control System (MCS) as a system that is very important for the organization, this system can direct or regulate the activities of organizational members to suit organizational goals. MCS will be a tool in providing information and implementation and organizational formulation. Meanwhile, according to [10] MCS is a system in the social, cultural, political, and economic environment that management uses to align employee behaviour with organizational goals and to manage interdependence between internal and external. The purpose of this system is to improve collective decisions within an organization [11]

### ***1.2. MCS and Spiritual Organization***

A spiritual organization is an organization whose primary purpose and lofty intent goes beyond material success as the basis for its operation. These goals include giving happiness to all stakeholders (investors, employees, customers, environment, and society), creating harmony with nature, and instilling ethics based on universal-transcendental values of goodness in each member [6].

There are ten principles that make an organization as a spiritual organization, which are grouped into five principles [6], namely fundamental principles, value building principles, input acquisition principles, output creation principles, and market and sales communication principles. This study will discuss the principle of input acquisition that focuses on four things: suppliers, environment, society, and employees.

### ***1.3. Tionghoa and Minang Ethnicity***

The Minang tribe is the majority tribe in West Sumatra Province. In Kota Padang, the provincial capital, the Minang ethnic group dominates more than 90% of the population, while 10% consists of ethnic

Chinese, Javanese, Malay, Nias, Mentawai, Batak, Acehese and Tamil. The Chinese tribe has been in Padang for a very long time. Despite having different beliefs and cultures, the Chinese and Minang people in Padang are able to maintain a harmonious relationship in their daily life even though these differences actually have the potential to cause conflict. The Minang people have a matrilineal kinship system that adheres to a customary system with the principle of kinship through the female route. Meanwhile, Chinese people adhere to the patrilineal family system or according to their father's lineage. This is not to mention the difference between the Minang people and the non-Islamic religions of the Chinese [12]

[12] further explains that actually Chinese and Minang people have more in common. One of them is that these two ethnic groups are collective societies, which are not oriented towards themselves (individualists), but are dissolved in groups. They also have the same ethos of trading and wandering which is rooted in the philosophy of independence, hard work to collect material, and a desire to learn. The character of the two groups as overseas and prominent in the field of commerce actually encourages cooperation or alliances rather than contestation and conflict.

As migrants, both ethnic groups have high flexibility to adjust to their environment. The Minang people have flexibility because they are a nomadic tribe. Meanwhile, Chinese people are flexible because of their conditions as (minority) migrants in Padang. This flexibility encourages the two ethnic groups to become a situational society, which is sensitive to situations that are in tune with the spirit of traders who are good at understanding the existing situations and taking advantages of it.

## **2. METHOD**

This research is an interpretive case study. It will explore the process of input acquisition as a part of the spiritualism-based MCS. The data was collected through interviews, observations, and documentations. We interviewed the owner, employees, and suppliers. The following table 1 showed a list of participants interviewed.

We used a semi-structured interview with open-ended questions, so we can explore deeper information from the participants [10]. The following table 2 are the main themes and specific themes that will be used as a basis for developing interview questions as described by [6].

We also did observations and documentary analyses to strengthen the results gained from the interview. 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.

**Table 1.** List of Participants

No	Initial	Position	Length of Relationship
1	Mrs. Y	Owner	-
2	Mr S	Production	29 tahun
3	Mrs L	Supplier of cassava	26 tahun
4	Mr F	Supplier of cassava	10 tahun
5	Mr Z	Supplier of coconut	28 tahun

**Table 2.** Main Themes and Specific Themes

No	Main Themes	Specific Themes	Available/Not
1	Accountability of suppliers to the environment and society	<ul style="list-style-type: none"> <li>a. List of suppliers that have no indication of ethical violations</li> <li>b. Standard reasonable purchase price</li> <li>c. Clear programs and targets related to the segments of society to be assisted in the framework of a long-term partnership</li> <li>d. SOP for supplier selection and monitoring mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Available</li> <li>Available</li> <li>Unwritten</li> <li>Unwritten</li> </ul>
2	Accountability of input acquisition to the environment and society	<ul style="list-style-type: none"> <li>a. List of ingredients that are avoided to buy</li> <li>b. List of items that are safe to buy</li> <li>c. Parameters and indicators to measure environmentally friendly performance in carrying out all inputs acquisition activities</li> <li>d. Parameters and indicators to measure the contribution of input acquisition to the resolution of selected social problems</li> <li>e. SOP for purchasing and monitoring mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Available</li> <li>Available</li> <li>Available</li> <li>Not Available</li> <li>Unwritten</li> </ul>
3	Accountability of input acquisition to the employees	<ul style="list-style-type: none"> <li>a. Job satisfaction survey</li> <li>b. Parameters / indicators to measure the ability of employees to build cooperation within the company</li> <li>c. Humane and inspirational work facilities for the development of employee creative ideas</li> <li>d. Determination of appropriate remun standards based on family dependents</li> <li>e. Empowerment and awarding for employee innovation related to the implementation of the procurement process</li> <li>f. Scholarship facilities for employees' children or adequate health facilities</li> <li>g. The use of various communication media with inspiring and easy-to-understand messages to reach employees</li> <li>h. The existence of regular forums to facilitate guidance, dialogue, and performance evaluation between members of the organization so as to foster mutual trust, competence and individual commitment on an ongoing basis</li> </ul>	<ul style="list-style-type: none"> <li>Not Available</li> <li>Not Available</li> <li>Available</li> <li>Available</li> <li>Not Available</li> <li>Available</li> <li>Not Available</li> <li>Not Available</li> </ul>

### 3. RESULTS AND DISCUSSION

The discussion will be divided into 3 parts, according to Table 2, namely (1) accountability of suppliers to the environment and society, (2) accountability for inputs acquisition to the environment and society, and (3) accountability for inputs acquisition to employees.

#### 3.1. Accountability of suppliers to the environment and society

We interviewed 3 suppliers, 2 suppliers of cassava (Mrs L and Mr F) and 1 supplier of coconut (Mr Z). Mrs L and Mr Z have been suppliers for almost 30 years, while Mr F has only been around for 10 years. Previously, Mr F worked for his uncle who was also a supplier of the company, so Mr F had known the owner

for a long time. With the approval of his uncle, since 10 years ago, Mr F himself has been supplying cassava to the company.

Cassava is the raw material for making cassava chips. Meanwhile, coconut is the raw material for making pure coconut milk. Cassava needs about 8-9 months from seeding to harvesting. During the process, the soil must always be pounded and the grass/thatch removed. Cassava that are ready for harvest can be harvested within 3 months. After 3 months, the sweet potato can no longer be made ripik because the texture has turned hard. Meanwhile, coconut tends to be easier to care for, but it takes up to 10 years before it can produce fruit. The harvest period for coconut can reach tens of years.

Mrs L has 8 hectares of her own land and the rest is owned by someone else with a rental system. The lease

term is between 5-10 years with a rental fee of Rp. 2.5 million per year. The land is processed by the farmers with an initial capital giving system, then the harvest is handed over to Mrs. L. In the planting process, Mrs. L uses an environmentally friendly fertilizer, called “eco farming” (look at Picture 1 below). Meanwhile Mr F owns about 20 hectares of land, all of which use a landlord rental system. Mr F cultivates the land himself by employing 5-6 employees who are paid per day. Mr F uses naturally fertilizers (chicken manure) for plants aged 0-4 months and fruit fertilizers for plants aged 5-9 months. So, in the process of cassava until harvesting, suppliers pay attention to the environment by using safe fertilizers. The suppliers also contribute to local residents by providing employment and providing income for landowners. The following picture shows the description of eco farming:



Figure 1 Eco Farming

Unlike the cassava suppliers, Mr Z does not own land. He takes coconuts from collecting traders. When

asked why he does not buy directly from the land owner, here's the answer:

"I usually buy from collector traders. It is possible to buy directly from the land owner, but I feel bashful with the collector traders who are used to selling coconuts. Even if there are land owners who offer to buy directly from them, I will not take it. For me, I can get profit even if it's a little, that's enough. "

For Mr Z, it is more important to maintain relationship because with the land owner and the collecting traders because they are residents of his village. He is also concerned about the lack of awareness of land owners to replant coconut trees. The current coconut tree is very old. As it gets older, the fruit produced decreases in quantity and quality. He has talked with several land owners but no one wants to replant, perhaps because of the long waiting time for harvest. He is looking for a way to accomplish this to the authorities.

"As a coconut seller, I am worried that someday the coconuts in this village will disappear if no one is replanting from now on. It took 10 years to bear fruits. Maybe you (he means, authors) can help, if there are students who want to conduct community service programs in my village, they can encourage the people here to start planting coconuts."

To maintain a reasonable purchase price, the company has more than one supplier. In addition to controlling prices, having more than one supplier can prevent raw material vacancies. In addition, the owner also checks the price of raw materials to competitors. So far, the purchase price given by suppliers is still reasonable, although sometimes it rises and falls according to market conditions. Currently, the price of large cassava is Rp. 170,000 to Rp. 200,000 per sack depending on weight, while the price of small cassava is Rp. 100,000 per sack. The price of coconut is still stable Rp. 3,500/pc.

The company does not have an SOP for supplier selection and a monitoring mechanism because all decisions are taken directly by the owner. In choosing a supplier, the owner will seek information from the current supplier. Usually, suppliers know each other because their land is close together. The owner does not want to take goods from a new supplier who is completely unknown.

### 3.2. Accountability for inputs acquisition to the environment and society

The company is a small company, so all employees can do several things. All employees in the production department can be involved in inputs acquisition process, but usually there are 3 employees who receive raw materials. The company does not have an SOP for

inputs acquisition and a monitoring mechanism, but employees in the production department already know how the procedures of inputs acquisition. When the raw materials arrive, an employee counts how many sacks of cassava or how many coconuts are unloaded. The owner only controls it every once in a while. After counted, the employee reports to the owner and the owner pays directly to the supplier. However, the suppliers do not give any invoices as the evidence of purchasing transactions. The following picture describes unloading processes of cassava and coconut:



**Figure 2** The Unloading Process of Cassava (left) and Coconut (right)

The durability of cassava is not as long as coconut. The cassava that come today must be processed and fried immediately. If it is delayed tomorrow, the cassava is no longer suitable for consumption. Therefore, production planning must be clear before ordering cassava. In order to complete production process of cassava until it is fried on the same day, the company has made an agreement with the suppliers that the cassava must arrive at the company by 10 am, if possible, sooner. The cassava that is delivered today, must be harvested on the same day. Suppliers must be in the field before dawn, to ensure that the cassava arrive at the company on time. So for cassava, the company applies the JIT system

Coconut has a longer durability than cassava. Employees only need to make sure that the coconut in the warehouse is sufficient for the next 2-3 days of use. The average use of coconut per day is 1,000 pcs, so the amount of coconut in the warehouse approximately 2,000-3,000 pcs. The company has implemented EOQ for coconut. To keep the quality of coconut, employees have to ensure that the warehouse does not leak if it rains or is exposed to water seepage from outside. If a coconut rots, it will affect other coconuts and cause an unpleasant smell.

One of the advantages of having a long-term buyer-supplier relationship is that suppliers have already known the quality of the goods demanded by the company. Cassava for making cassava chips have special specifications, only certain type of cassava that

can be made into chips. This special kind of cassava makes chips crispy. Meanwhile, coconuts for making pure coconut milk must be the old ones. The main consumers of pure coconut milk are cakes and jam producers. If the coconut is not old enough, the coconut milk produced is not of good quality, then the cakes or jam produced cannot be sold and consumers will complain.

For supporting raw materials such as chilies and cooking oil, the company also applies the same controls. For example, in making chili sauce for chips, the company grinds the chilies itself into fine chilies. Previously, the company had a supplier of fine chilies, but since the owner died, the business has not continued. Then the company bought fine chilies from the market, but the quality was not the same. So the company decided to buy a chili grinder. Unfortunately, we cannot see the process of grinding chilies because when we collected data, the company did not buy and grind chillies since the price of chilly raised. Here are the pictures of chilli grinder and fine chillies in the freezer:



**Figure 3** The Chilli Grinder and Fine Chillies

For cooking oil, from the beginning the company only used cooking oil under the brand name "Arrow". The price of this cooking oil is far above the price of other packaged cooking oil on the market, i.e. Rp. 25,000/kg. The reasons of using this cooking oil are it is made from coconut (not palm oil), it is more economical because it has a low shrinkage rate, it has better tastes and lasts longer (does not go rancid quickly). For other ingredients, the company ensures that it will not use unsafe materials (preservatives, dyes, flavourings) or prohibited materials (containing pork, alcohol, and others). The owner stated:

"We run this business with good intentions. Of course, we want a profit, but it should be in fair ways. We can ensure that we use materials that are safe, harmless and halal. This business has been running for more than 40 years, there's never been a problem." (Mrs. Y, owner)

From the above explanation, it can be seen that the company chooses qualified and safe materials in

producing its products as a form of responsibility to the environment and society. The company regularly takes care of the halal logo and home industry license to provide convenience to consumers. The local government through its related agency also always control the selection of materials and the quality of the products produced. It is in line with second principle (“obey the law and ethics”) in fundamental principles [7]

### **3.3. Accountability for inputs acquisition to employees**

There are 10 employees in the production division. The company does not make clear job descriptions for each employee, arguing that the company is a small company so that the owner is still able to control her employees. Among 10 employees, there are 3 employees who handle inputs acquisition. We interviewed one employee asking about comfort at work and work facilities. Here is the excerpt:

“I’ve been working here more than half my age. I met my soul mate here. My brother also works here. My first child graduated from college, as a civil servant, and is married. My second child now also works here at the shop. Not because there were no tuition fees, but because she chose to work. My little child is still in school. I am very comfortable working here, from the beginning there was no intention of changing jobs. The salary I received was sufficient to meet the needs of my family, I could afford 2 motorbikes. I am currently in instalments to buy a house. Every day I come here, it seems like I don’t go to work, because it has become a routine. Even when the boss asks me to come on Sundays, I will definitely come. The boss’ family is like my second family. (Mr. S)

Salary is calculated daily and paid every Saturday. Besides basic salary, all employees are included in the health and employment insurance programs. The owner said that the company had never conducted job satisfaction surveys or made performance indicators. The average employee has worked for more than 10 years, and some have even been 29 years old like Mr.S. Some quit because they wanted to try working elsewhere, they ended up coming back here. Some quit because they got married, but a few years later asked to work here again. There are also those who ask to work again because all of their children are independent and they are confused about not having work to do at home. Funny but true. These facts have exceeded the validity of a survey.

From the observations, it can be seen that the owner’s relationship with the employees is very close. Employees can talk directly to the owner anytime and about anything. If there is a problem, it is solved on the

spot by direct communication. When we ask about the use of communication media or the existence of regular forums, here is the answer given by owner:

“If there is something I need to tell or ask, I prefer calling the employee directly than texting him. I can get the respond immediately. Sending messages often lead to misinterpretation and raise other problems..... We do not have any regular forums. If there are human errors in production process, I will give directions. If there are conflicts, I will call the employees involved and we solve the problem on the same day.” (Mrs Y, owner)

Our interviews with owner were often distracted and stopped because she had to talk to employees or to give payments to suppliers or to meet customers. Owner’s communication style is always the same whether talking to employees, suppliers or consumers. She communicates gently, even when giving orders to employees.

The previous research found that this company has implement spiritual values in its organizational culture [8]. We have explained much about how the company implement the values of compassion, open-mindedness, cooperation, innovation/creativity, and respect for diversity. The implementation of those values makes the work retention is high in this company.

### **3.4. Implication**

From Table 2 above, it can be seen that the company does not implement all points of inputs acquisition process in spiritual-based MCS. Although the results of the interviews show that the company has the right reasons why these points are not implemented, the company must be aware of the risks that may arise. First, there is no written SOP for supplier selection and purchasing and control mechanisms. For supplier selection is not too risky because the decision is taken directly by the owner. However, for purchases, the absence of an SOP can cause: (1) the raws material received do not meet specifications and (2) the payment does not match the quantity of raw materials received. These risks are higher because the company does not have specific employee for inputs acquisition and also does not any evidences of purchase transactions. We suggested owner to be fully involved in every company activity.

Second, there is no communication media and regular forums. The risks that may arise are: (1) there are frequent conflicts between employees and (2) there are problems that are not conveyed and they drag on; when the problems are revealed, it takes a long time to resolve. We suggested owner to provide the most effective communication media.

For the points that have been implemented, there are several risks that need to be watched out for. Firstly, the

use of the JIT system for cassava procurement has a high risk if the SCM is not effective. [1] say that there are 2 challenges in managing the supply chain: the involvement of many parties who have different interests and the level of uncertainty. There are 3 sources of uncertainty: (1) uncertainty of customer demand, (2) uncertainty from suppliers (delivery lead time, price uncertainty, quality uncertainty, etc.), and (3) internal uncertainty (machine failure, employee absence, human error, etc.). The use of the JIT system causes those challenges more severe. Therefore, companies must maintain a long term buyer-supplier relationship in a spirit of collaboration and coordination.

Secondly, employees need to understand that the procurement division plays an important role in creating company competitiveness, not only from lower raw material costs, but also in an effort to increase time to market (new product design), improve product quality, and increase responsiveness [1]. This must be conveyed repeatedly, therefore companies need to have a communication media that involves all organization members. Communication media can be used as a mean of learning so that mutual trust, competence, and individual commitment are created on an ongoing basis. Finally, all organization members have an awareness within themselves that through this work they can share (knowledge, kindness, happiness, etc.) with colleagues, the environment, and the community [6].

#### 4. CONCLUSION

Based on above explanations, it concluded that from 17 points of inputs acquisition process, the company only implements 8 points. Three points are not clearly written such as SOP for supplier selection and purchasing. The others (6 points) are not implemented with several reasons. Although right now it seems fine ignoring those points, but the company must aware about the risks that may occur in the future. Therefore, it suggested to do strict control in every activity and to maintain a long-term relationship with suppliers and employees.

This research was conducted when this company did not operate normally because of Covid-19 pandemic. We cannot capture some of inputs acquisition process. This research will be continued to next principles i.e. the principles of output creation and marketing and communication.

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