

# Harmonization of Culture and Religion in Internal Control, Strengthening Form of SME Growth

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**Abstract**—The purpose of this study is to find management strategies to practice internal control in achieving company goals. This study uses to understand the practice of internal control of TT Supermarket in daily activities. Supermarket TT is a local retail company that has been established since 1979. The success of the TT Supermarket to survive the competition of multinational corporations in the retail business is an attraction to uncover meaning in the practice of internal control. Research analysis is data reduction, data presentation, indexical, reflexivity, and conclusions. Through this research it is understood that the practice of internal control in Supermarket TT has been done holistically both vertically and horizontally. Vertically, the practice of internal control is based on building the spirituality of all levels of management. Horizontally, the practice of internal control is based on an organizational culture built on the leadership philosophy of making all individuals within the company as family.

**Keywords**—*internal control; culture; religion; ethnomethodology; small medium enterprises*

## I. INTRODUCTION

The existence of internal control system is component of accounting information systems an important role in an organization. Regardless of the form of the company, big companies or small and medium enterprises (SMEs), it is important to provide an attention is the goal of the establishment of internal control itself [1][2]. An internal control formed by the internal corporate culture or environment, affect the way organizations set strategy and its objectives; build the structure of its business activities, identify, assess and respond to risk [3].

But it should be recognized that the system of internal control on SMEs are relatively different when compared with the system of internal control on large enterprises that are relatively more complex [4][5][6]. The cost factor is becoming one of major obstacles. SMEs with limited capital does not allow to apply an internal control are complex and expensive. The limitation of the number of employees encourages separation of functions cannot be performed ideally. The dominant managerial leadership style tends to be informal. In other words, the application of the system of internal control in SME is not solely on the things that are material and technical.

The difference in the application of the system of internal control between SMEs and large companies doesn't mean bad.

On the contrary, it is precisely some SMEs proven success implementing a system of internal control that is thick with the nuances of religion and culture [7][8][9]. Harmonization of culture and religion is the configuration that encourages the formation of organizational culture. If the culture of the organization is the values of culture and religion that is believed by members within the Organization, then the Organization's ethical culture is a specific dimension that describes how organizations behave ethically [10]. So it is no exaggeration if through organizational culture there will be efforts to share knowledge, foster relationships and trust each other among organizational members.

Based on this background, researchers are interested in exploring the meaning of harmonization of cultural and religious values in the practice of internal control. Through the definition of the expected reconstruction can be done against the internal control framework which during applied. Reconstruction of an internal control framework that incorporates elements of culture and religion will be an effort to encourage the development of SMEs.

The motivation that underlies this research is the desire to raise the meaning of cultural and religious values in the internal control system of SMEs the wisdom of SMEs in transacting and interacting illustrates the existence of local wisdom that is integrated into their business policies. Quality accounting information is the output of an accounting information system that has good internal control. Further through the accounting information system approach will be a force for SMEs to encourage its growth in Indonesia

## II. LITERATURE REVIEW

### A. Institutional Theory

Institutional theory was proposed by DiMaggio & Powell who suggested that an organization was formed by the surrounding institutional environment [11]. In other words, the theory asserts that the organization is formed due to the strength of outside organizations that are formed through a process of mimicry or imitation and compliance. The existence of developing ideas will be institutionalized and will be accepted as the organization's way of thinking. In this process there will be a process of legitimacy by the organization through its statements. According to this theory the norm and legitimacy, a way of thinking and all sociocultural phenomena

that are consistent with technical instruments in the organization become a matter of major concern.

It further stated that there are three mechanisms that formed because of a change of institutional isomorphism [11]. Firstly, coercive isomorphism which indicates that the organization took or committed some form of adoption against other organizations because of the pressures of another organization or a state and the wider community, both of which are formal and informal. Second, mimetic isomorphism is an imitation of an organization by another organization. This is due to the inability of the organization and the target organizations are ambiguous, the organizational model is actually formed from the other organization model. Third, normative isomorphism which indicates that professional demands. The third form of organization is not another isomorphism due to the expansion of the professional parties will compromise with the clients, owners and regulators. The important things that happen to form this organization selected. The selection will be made on the process of recruitment to training and development resources.

### *B. Stewardship Theory*

Researchers choose to use stewardship theory approach, because the theory was designed to analyze the conditions in which the company leaders as steward are motivated to act as best they can for their principals, in order to achieve common goals. The philosophical assumptions that underlie this theory are the nature of humans as being responsible, integrity and trustworthy or honest with others. This is considered in accordance with the basic analysis of how internal control can be implemented effectively in an enterprise.

Stewardship Theory is introduced as a theory based on human behavior, behavior, model of a man, a psychological mechanism (motivation, identification and power) within an organization who as leadership as aspects that play an important role for a goal achievement [12]. The root of this theory is the science of psychology and sociology which leads to an attitude of serving (steward). The theory stated that the leadership of the company does not have a personal interest that precedence than the interests of the principal. It arises because of the attitude of serving is so great. Attitude serves as an attitude that replaces personal interests with service as a basis for ownership and power.

Unlike the agency theory, which it describes the relationship between the principal and agent [13] [14]. The principal is the party who gave a mandate to the agent. The principal delegates the decision-making responsibility to agents where the rights and obligations of both parties are set in a mutually beneficial agreement. Both agents and principals in agency theory aim to get as many utilities as possible with the last possible expenditure. When the utility function of self-serving agents and principals is compatible, there is no problem; both agents and principals will receive an increase in their individual utilities. Cost of agency occurs when there are differences in principal and agent interests.

There are opportunities where agents will rationally maximize their utility and ignore the principal's interests. Based on the differences of the underlying philosophy of the

agency theory, then this study did not use agency theory as the basis of analysis of internal control practices in the company.

The theory of stewardship integrates work management, empowerment, partnerships and using of powers properly. The individual goals are automatically fulfilled by themselves. Steward believed that their interests will be aligned with the interests of the company and the owner (the principal). Each party is willing to risk different classes and privileges that are a symbol of their existence in achieving values and creating a pro-organizational attitude and a high sense of belonging. This is to obtain benefits aimed directly at the organization and not for individual purposes. So as to create a work environment where each member of the organization thinks and acts like an owner who always maintains and is oriented towards long-term organizational goals.

The assumption used in this theory is the existence of a maximum utility function if the success of the organization is in accordance with the company's performance. So when the manager to straighten the goal in accordance with the objectives of the owner, then the manager will behave according to agreement and shared interests. When there is a clash between the interests of the two parties, steward will attempt to work together rather than against it because stewards found common interests become more mainstream and behave in accordance with the owner's behavior is a rational consideration because the stewards looks at the effort to achieve the purpose of the organization and not the purpose of the individual. However it does not mean the stewards don't have the necessities of life. To practice this approach, the key lies in the principal, whether principals truly can believe and trust the stewards to build the organization's partnership.

### III. METHOD

Description of how the ethnomethodology is used as a methodology to uncover the variety of meanings that is behind phenomena interacting in certain ethnic groups/expressed in some earlier studies [15][16][17][18]. The research using ethnomethodology focuses on how the methods or ways that organizations conduct in carrying out daily practices are viewed from various perspectives. That there is a regularity of human behavior and mind, both produce regular social behavior. The actors blend with normative models that govern behavior, resulting in stability of social order.

The substantially of ethnomethodology can be described as a set of specific techniques and approaches that will be used in the study, techniques and approaches is described as "an awesome indexical" about everyday life [19]. The advantages of using the method ethnomethodology is the ability to always be creative and adaptive toward the situation, because it is always considering the referral and any studies that appear [20].

Based on previous research using ethnomethodology, this study uses the same methodology. As described that which became the center of attention in this study is the essence and structure of an experience of the practice of internal control in the TT Supermarket. The practice of internal control in the group or in the TT Supermarket environment surely contains much meaning. The meaning of the existing course special for

that group at these sites, therefore the necessary understanding of interpretive basis for uncovering a variety of meaning that is behind the phenomenon of interaction within the group.

The informants in this study are the whole range of management, ranging from operational employees to directors. Ethnomethodology approach emphasizes that the research subject is a group of people who have been chosen deliberately, not randomly. Determination of informants to observe various patterns or interactions between individuals in the company's operational activities, especially internal control practices.

Data collection was done through in-depth interviews or focus group discussion. This research used participant observation, researcher became "insiders" for two months. While in the company researchers adjust their daily lifestyles and blend in the environment of the employees in the company. This effort was done so that the data or information obtained can be really scientific.

TABLE I. LIST OF INFORMANTS

No.	Name	Position
1.	Mrs. Nita	Director
2.	Mrs. Nur	Human resource manager
3.	Mr. Wahid	Operational manager
4.	Mr. Toni	Inventory control manager
5.	Miss. Ana	Account Receivables Staff

#### IV. RESULT AND DISCUSSION

The specified research site is Supermarket TT, which represents UKM is successful in the field of retail. TT Supermarket is a state-owned business entity, where initially the CV was established by Mr. H. Rusman Ma'moor, with an area of 400 m<sup>2</sup> located at Jalan Balai Pustaka Timur No 35 Rawamangun, East Jakarta. Currently TT Supermarket management is controlled by the second generation of its founders. In 1985, the TT Supermarket Introduced the type of business from minimarkets to Supermarkets & Department Stores equipped with children's playgrounds. In 1993, the TT Supermarket launched an outlet in the Ciputat, Tangerang area. The rapid development of retail businesses encouraged the TT Supermarket to open its seventh outlet in the Cimone Tangerang area, Pondok Bambu, East Jakarta, Depok, Pondok Gede Bekasi, and Tambun Bekasi. The success of TT supermarkets to survive the increasingly intense retail business competition is the main attraction to find out how the best management policies are internal control practices.

One of the features of the TT Supermarket and the main one is the price policy. According to the slogan, Thin the price, top the goods. TT supermarkets offer competitive prices without ignoring quality. Not surprisingly, this supermarket is never empty of customers. In the midst of a sharp retail business competition, massive expansion of overseas retailers, this supermarket is able to maintain its existence. Even now it has been able to develop by opening several branches.

Other perks interest is its policies are always nuanced Islamic. It is in accordance with its mission: to satisfy the hearts of many by running an Islamic business system. No

wonder therefore, when entering the area of the store are greeted with an Islamic nuance, ranging from background music, the employee's clothing. So it is with the service to consumers who have always sought improved quality. The number of consumers is very booming, especially at the end of the week causing a long queue, so the management is doing renovations by increasing the number of cashiers in a significant amount. This is very good for increasing customer satisfaction.

The information section always tells consumers and all employees, when they have entered the prayer time. There is provided a clean and comfortable small mosque on the 2nd floor, so that prayer can be done without disrupting the activities that are being carried out. Consumers can shop with peace of mind, especially in times when approaching prayer. All employees had given a chance to pray in turns by having employees substitute.

##### A. Reflection on Control Environment Vertically

The vision and mission of the company which prioritizes the satisfaction of many people by running an Islamic business system, is reflected in various operations of daily activities. The company routinely conducts recitation as an effort to remind employees of Islamic values, so that it becomes a provision for building employee character in accordance with the company's mission. Not only allow the obligatory prayers five times without strict time limits, employees are also free to carry out the *Sunnah dhuha* prayer in the midst of the busy daily activities of the company.

The nuance of religious values developed by the company is to build internal control in depth. Rely on obedience to God through these religious values. So this internal control is built on the vertical relationship of human and God. Hopefully the concept of internal control will be deeply embedded, becoming a daily behavior of employees in the company.

The philosophy of the company founder that is still maintained by the current generation is to believe that running a business is a mandate to give satisfaction to all related people, including all employees, suppliers and consumers and the surrounding community. The said mandate here meant that any actions taken solely of God's blessing. Blessings may take the form of progress and success of the company, so that all the parties will be able to enjoy these blessings.

Based on these expected all activities are implemented with honesty. Employees will carry out their duties well and honestly, not to harm the company. For example, employees will be serious about serving consumers, solely carrying out the mandate to seek blessings through customer satisfaction. So employees serving consumers is not an affectation, but done with care.

##### B. Reflections on Control Environment Horizontally

The vision and mission of the company that prioritizes Islamic nuances in its business, the corporate culture is built by the owner of the company based on Islamic values. All levels of company leadership when issuing policies always consider ethical aspects of spiritual nuances. The policy is not solely in

the internal environment of the company, but also felt by external parties such as suppliers and consumers, even the environment around the company.

Conducive efforts in the company's internal environment are employee work regulation policies. The consideration that many number of female employees, it is specifically for female employees, working hours Monday - Friday at 08.00 - 15.00 and Saturday 08.00 - 12.00. The consideration of employee women can go home early so that it is possible to take care of her family, and a shortage of hours it works can be substituted on Saturday. Except for store employees hours of work is set based on a shift rotation basis between the morning and afternoon.

The results of the interview with one of the employees also showed that the average employee has had a long working period, above the average of five years, some even had reached thirty years. This shows that the working atmosphere is cozy and family make employees can enduringly in the company. The philosophy of the owner stated that the company is a family, so that everyone in the company has rights and obligations as a family. Of course it is very positive if review of the loyalty of employees. Employees have high loyalty to propel the progress of the company.

For the company's external environment, company policy maintains cultural and spiritual values. First, to park vehicles, the company since its establishment until now does not collect parking fees for company cash. Instead the company handed over on surrounding communities, thus becoming one of the sources of income for the society. A large number of consumers so that the number of vehicles parked, cars and motorbikes, is also a lot. No wonder, if local communities indirectly maintaining corporate security.

Likewise customers feel benefited with the slogan "Thin Prices ... Top Goods". The TT Supermarket always full of shoppers each day. If other companies tend to strategize with discounts at the end of the week in order to attract consumers, then these companies tend to always give the best price at all times to their customers.

Suppliers also feel like customers, the company is the only one to pay within just two weeks. The others company even large companies pay within two months. Suppliers feel benefited because their cash turnover is faster, allowing for additional capital. This is what encourages suppliers to prefer to send their goods to this company, as a result the company never runs out of merchandise.

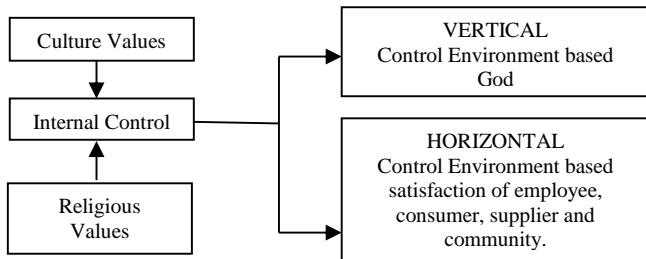


Fig. 1. Internal Control Model

**V. CONCLUSION**

First, the institutionalization theory is a process to build awareness into action. Religious values are the basis for guiding the interpretation of every policy and action in the company. So what is done is not an achievement of a short-term pseudo target but a real target, which is to obtain the blessings of God. The formation of internal control based on the constructed with vertical approach, namely to God. The manifestation form of the approaches attempts to give satisfaction to the consumer, the supplier and the surrounding environment into a part that has been considered with the rational.

Second, the stewardship theory puts the leadership of the company as a steward, motivated to achieve the objectives of the company for the benefit of all parties within the company. Leaders have a service attitude that is shown in the form of providing a comfortable working environment for all parties; employees, consumers, suppliers and the surrounding community. This is a horizontal approach to build the internal control of the company.

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