

Phenomenological Review of the Role of the Internal Control System and Corporate Culture in Enterprise Resource Planning (ERP) System Implementation to Produce Quality Financial Reports

Florencia Irena Lawita, Yosef Budi Santoso, Prio Utomo

Faculty of Business, Universitas Multimedia Nusantara, Indonesia

Corresponding: irenaflorenceia012@gmail.com

ABSTRACT

The best way to influence the quality of financial reports is to use an Enterprise Resource Planning (ERP) system. Implementation of an ERP system with an internal control system and corporate culture can help companies and management make decisions. This study aims to look at the interpretative-phenomenological role of internal control systems and corporate culture by implementing ERP systems to produce quality financial reports. The research method uses a qualitative interpretative-phenomenological paradigm. The informant determination technique in this study used purposive sampling. The data collection procedure used in this study was designing research instruments for the interview process, making transcripts, then conducting interviews with nine informants. The results of this study, there is an internal control system and corporate culture, with the implementation of the ERP-SAP system carried out in accordance with established Standard Operating Procedures, resulting in quality financial reports.

Keywords: *interpretive-phenomenology, internal control system, corporate culture, quality financial reports*

INTRODUCTION

Along with the development of information and technology, the growth in the use of software applications and Enterprise Resource Planning (ERP) systems has increased. Enterprise Resource Planning (ERP) integrates the operational activities of the company's functions into a single unit, Enterprise Resource Planning (ERP) allows businesses to change the way companies manage work (Akrong et al., 2022). Heidegger (1977) stated that the essence of 'technology is not technology', that the essence of technology is how to become a modern human being, to manifest oneself 'willingness for technology'. According to Galy & Saucedo (2014) information from Enterprise Resource Planning (ERP) can be generated accurately and in real time. Enterprise Resource Planning based on System Application and Processing (SAP) software, which can help organizations to centralize data and information to manage corporate environment, social, and economic performance, the framework of the Enterprise Resource Planning (ERP) presents various important aspects and components in Enterprise Resource Planning (ERP) system implementation (Chofreh et al, 2018)

According to Elsayed et al. (2019) company management must provide accurate and relevant information in preparing financial reports, that company performance can significantly influence the use of the Enterprise Resource Planning (ERP) system. According to Tetteh et al. (2020) the influence of the internal control system on the performance of the company, the existence of an internal control system that is in accordance with company policies can strengthen the company's performance. According to Hassab et al. (2012) and Nassima & Hassane (2020) the need for management control which is a process to ensure the effectiveness and efficiency of the company in using resources for the achievement of company goals. PSAK 1 concerning Presentation of Financial Statements was approved by the Financial Accounting Standards Board (FASB) on December 19, 2013.

In the implementation of ERP in the company has not been carried out optimally in the context of corporate culture, the financial statements of the company are influenced by the internal control system and corporate culture. To analyze the application of ERP systems to the quality of corporate financial reports in depth, this study uses an interpretive-phenomenological paradigm

approach, which is emphasizes language, interpretation of symbols and understanding the meaning of a social phenomenon as well as human thought (Geertz, 1973; Crotty, 1998).

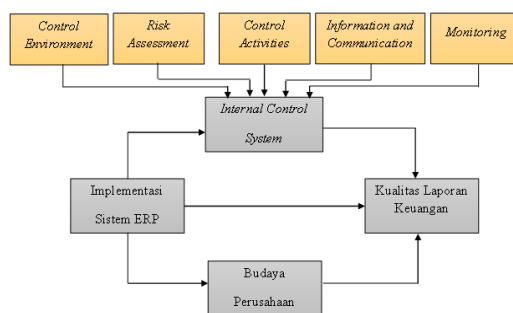
Literature Review

According to Putra, et al. (2021) the implementation of an Enterprise Resource Planning (ERP) system has a positive and significant effect on the performance of a company and the ability of a culture within an organization or company. One example of implementing an ERP system for making financial reports is a System Application and Processing (SAP)-based Enterprise Resource Planning (ERP) system that can combine and integrate accounting information systems and management information systems within a company into an integrated system. System Application and Processing (SAP) is a product to simplify and improve employee performance to achieve company goals (Seto, 2013). According to Pham, et al. (2021) states, it is important to have an internal control system related to quality financial reports, which can contribute to increasing the validity of loan loss provisions which can generate cash flow predictability, increase awareness of accounting conservatism, thereby creating quality financial reports. According to K.C Chan, et al. (2020) the application of an internal control system can overcome information asymmetry between principals and agents, so that an innovative corporate environment can be created, which creates quality corporate financial reports. The components of internal control by COSO (1992) are control environment, risk assessment, control activities, information and communication, and monitoring.

According to Graham et al. (2022) corporate culture as an important role in the value of the company's business processes, regarding values and norms, value creation (productivity, mergers), ethical choices (compliance, short term), innovation (creativity, risk taking), and barriers that can prevent culture is where it should be (inattentive leaders, misaligned incentive compensation). According to North (1991), corporate culture as an informal institution consists of cultural values and cultural norms. Guiso et al. (2015), analyzing the dimensions of corporate culture related to company performance, a good corporate culture and in accordance with procedures, is expected to improve the quality of financial reporting information. The financial report is the structure of the financial position of an entity that shows the results of management's accountability for the use of its resources (Setiyawati, 2013). In PSAK 1, the characteristics of the quality of financial reports are relevant, reliable, comparable, and understandable (IAI, 2023). According to Setiyawati (2013) financial report is the financial position of an entity that is measurable showing the results of the responsibilities of management and employees regarding the use of resources and funds owned by the company.

Conceptual Framework

This research was conducted using the interpretive-phenomenological paradigm method, by interviewing management or employees at the company. Based on the formulation of the problem and research objectives previously stated, the topic design in this study was built with the concept of implementing an ERP system in COSO's internal control system which consists of control environment, risk assessment, activity control, information and communication, and monitoring, as well as implementation of the ERP system with the culture in the company, so that it is expected to be able to produce quality financial reports.



Source: processed data

Figure 1
Conceptual Framework

METHODS

Merriam and Tisdell (2016) revealed that deepening or extracting a meaning, value, or phenomenon can be done inductively as one of the characteristics of qualitative research. In this study, the interpretivism paradigm is used because it emphasizes language, interpretation and understanding of the meaning of a social phenomenon and human thought. The concept of phenomenology was introduced by Husserl (1859-1938), where this research approach is idealistic, because it returns to the subject himself and consciousness. In this study, the phenomenon is one of the swallow nest companies in Tangerang, which implements an ERP system in a corporate culture and internal control system to improve the quality of financial reports. The research procedure to be carried out is to design research instruments for the interview process, then make transcripts, then conduct interviews. In this study, to provide a clear picture of the characteristics of quality financial reports in a phenomenological interpretive frame with a cultural context and internal control system. Informants were selected from departments related to financial reporting, who understand how to use the Enterprise Resource Planning system, based on the level of expertise in using the Enterprise Resource Planning system related to the preparation of financial reports, categorizing at level 1 = 100% (Very Expert), level 2 = 85% (Expert), level 3 = 75% (Enough Expert) as follows:

Table 1
Informant List

No	Informant (Anonymous)	Departement	Percentage	Level
1	Anna	Marketing	85%	2
2	Barron	R&D	75%	3
3	Dandy	Finance	100%	1
4	Josh	Human Resources	85%	2
5	Eric	IT	85%	2
6	Flower	Administration	75%	3
7	Jane	Legal	75%	3
8	Max	Export Import	85%	2
9	Candy	Accounting	100%	1

Source: processed data

RESULTS

Phenomenological Review Implementation of Enterprise Resource Planning (ERP) Systems in producing quality Financial Reports

PSAK 1 states, the characteristics of the quality of financial reports that must be met are relevant, reliable, comparable, and understandable (IAI, 2023). The ERP system provides accurate and real time information to achieve company goals and has a positive influence on company performance and culture (Galy & Saucedo, 2014; Putra et. al., 2021). According to Savenkova, et al (2020) the performance of using ERP can affect overall company performance, the SAP system is intended for enterprise resource management to ensure continuity of delivery, production, timely correction of production plans, capacity changes, that the goal of SAP is not job automation, but the organization of difficult production performance and logistical functionality. As stated by Max: “ERP makes a company's business processes faster, easier, and more efficient.... as well as shortening employee time so they can be more productive, so they can produce quality financial reports” (Max).

The expression of Max shows that “ERP makes a company's business processes faster, easier, and more efficient” with an ERP-SAP-based accounting information system, it can help employees complete work more on time, improve abilities and skills, work performance, work quantity and work quality (Nuriadini and Hadiprajitno, 2022). This statement is also expressed by Candy in the following statement: “...with an ERP system the company can create cost efficiencies in conducting business processes. The existence of ERP can affect companies that can improve quality and productivity in companies such as product quality so that they can reduce costs by increasing the efficiency of computerized systems and facilitating management in the process of making financial reports” (Candy).

The quality of financial reports can be said to be of high quality if the information presented in these financial statements can be understood, and meets the needs of users in making decisions, is

free from misleading notions, material errors, and is reliable, so that later financial reports can be compared with the financial reports of the previous period (Adhi and Suhardjo, 2013). According to Wicaksono et al. (2015) implementing an ERP system can have a positive impact on user or company performance, with the performance components of Quantity of Work, Quality of Work, Job Knowledge, Creativeness, Dependability, and Personal Qualities. Implementation of ERP implementation in companies can create and affect performance in the process of preparing financial reports, through the Enterprise Resource Planning system the marketing department can make budget requests to carry out promotions for company products. As stated by Anna: "Implementation of ERP implementation in a company can make and affect performance... in the SAP system, marketing can request a budget, where the budget has been set by the finance and accounting department... so that there can be integration between departments, so as to minimize the occurrence of miscommunication between departments" (Anna).

The expression of Anna shows that "Implementation of ERP implementation in a company can make and affect performance" with the ERP implementation in the company can influence and integrate all business processes and company performance (Andika and Diana, 2020). This statement is also expressed by Eric in the following statement: "With the implementation of ERP implementation, it can affect the performance of departments, especially the IT department, because we only need to check, the data is already integrated" (Eric). ERP-SAP-based Accounting Information System has a major contribution to the quality of financial reporting, especially in the process of preparing and presenting financial reports by fulfilling the qualitative requirements of financial reporting and providing an integrated system that allows for online (real time) data processing controls. The ERP-SAP system can contribute to the quality of financial reporting, so that later financial reports are reliable and of good quality, so in general the ERP-SAP system can produce quality financial reports.

Phenomenological Review of the Implementation of Enterprise Resource Planning (ERP) Systems from the role of the Internal Control System in producing quality Financial Reports

The components of internal control proposed by COSO (1992) are control environment, risk assessment, control activities, information and communication, and monitoring. internal control is a dynamic process designed to assist management in staying focused on the operational and financial objectives of the organization, implementing an internal control system by implementing an Enterprise Resource Planning (ERP) system to provide adequate assurance regarding achieving objectives of operational effectiveness and efficiency, reliability of reporting, and compliance with applicable laws and regulations (COSO, 1992). As stated by Barron: "...the company will issue an internal control report from the results of each department.... adequate internal control and financial reporting procedures, an assessment of the effectiveness of the internal control structure over financial reporting, so that later it will be seen which departments have problems" (Barron).

The expression of Barron shows that "internal control report can adequate internal control and financial reporting procedures" an assessment of the effectiveness of the internal control structure over financial reporting, companies must improve technology-based accounting information systems, for example with ERP-SAP in the company's internal control to maintain the quality of financial reports (Mustofa dan Najibullah, 2021). This statement is also expressed by Dandy in the following statement: "The process is in finance, namely finance will pay to vendors when the submission documents are complete and have been inputted in SAP. Internal control is carried out; namely there is an evaluation for every money coming out and money coming in, then there is testing the effectiveness of the implementation of controls internal. In finance there are policies and procedures that must be carried out by each department which we update and always innovate for the SOP and for budget control" (Dandy).

The expression of Dandy shows that "internal control can make effectiveness of the implementation of controls internal" with the implementation of ERP system the control environment consists of actions, policies and procedures that are reflected in the attitudes and values of top management, the board of directors and owners of the company regarding internal control and the importance of meaning to the company entity (Hery, 2016). As stated by Candy: "Risk assessment managed by the company in the accounting department, namely governance risk, asset risk, debt risk,

company fund risk... the company is developing an accounting information system using the SAP system which aims to minimize errors in the process of calculating financial statements for the purpose of making reports quality finance” (Candy).

Technology-based accounting information system (ERP-SAP), can improve quality and reduce costs, improve efficiency and effectiveness, improve internal control structure, increase effectiveness in decision making (Romney et al., 2021). Technological developments can affect business strategy, accounting information systems in companies play an important role in helping adopt and maintain strategic positions and can collect and integrate financial and non-financial data about company activities. If it is associated with quality financial reports, the implementation of the ERP-SAP system with the role of the internal control system will produce quality financial reports.

Phenomenological Review of the Implementation of Enterprise Resource Planning (ERP) Systems from the role of the Corporate Culture in producing quality Financial Reports

According to Graham et al. (2022) corporate culture as an important driver of business value, the extent to which culture is perceived to influence value creation (productivity, mergers), ethical choices (compliance, short term), and innovation (creativity, risk taking); and barriers that can prevent the culture from being where it should be (ignored leaders, misaligned incentive compensation). According to North (1991), values and norms characterize the structures in place that guide the actions of employees when face unforeseen contingencies, cultural values represent ideal states of behavior such as integrity or adaptability, cultural norms are the daily life of cultural values, through characteristic patterns of behavior. Ramadhan and Fakhruddin (2017) state that organizational culture has a significant effect on the quality of information in preparing financial reports. As stated by Jane: “Corporate culture, related to company performance from company values and employee ethics, leads to customer satisfaction that focuses on employee integrity, with an ERP system in the company it can facilitate communication and obtain information between departments, so that it can have an influence on the quality of financial reports, which can make it easier for investors to read the company's financial statements” (Jane).

The expression of Jane shows that “corporate culture related to company performance from company values and employee ethics” using the Enterprise Resources Planning (ERP) system can facilitate communication and risk taking from each department, to improve the quality of financial reports. As stated by Zamzani, et al. (2021) corporate culture by using technology can speed up, maintain accuracy, and make it more efficient in completing the accounting process in preparing financial reports or other operational reports, both for internal and external needs. This statement is also expressed by Josh in the following statement: “...the existence of an SAP system can also help strengthen corporate culture and internal control in creating quality financial reports” (Josh).

The expression of Josh shows that “the existence of Enterprise Resource Planning (ERP) based on System Application and Processing (SAP) system can also help strengthen corporate culture and internal control for quality financial reports. This statement is also expressed by Jane in the following statement: “...to achieve company goals together, inter-departmental control of the corporate culture is integrated with each other which is built on traditions, norms, beliefs, values, ideology, attitudes, and ways of behaving together, that the values and norms of corporate culture can be formed in various ways both actions and words” (Jane). Corporate culture indicators from the theory of North (1991) and Graham, et al. (2022) fulfilled and confirmed. In this study it can be analyzed that the culture within the company is reflected by the existence of good values and norms, so that the corporate culture consists of people who dare to take risks who can play a role in the implementation of Enterprise Resource Planning in producing understandable financial reports, in accordance with the indicators of Financial Accounting Standards.

CONCLUSION

The concept and use of Enterprise Resource Planning (ERP) systems can play a role in decision making, so that company management is encouraged to provide relevant information in preparing financial reports. According to Wicaksono, et al. (2015) Enterprise Resource Planning (ERP) can integrate all developing company applications as an integrated tool so that it can be more easily accessed and accessed by all departments in the company, including integrating the relationship

between the company and suppliers. The ERP system commonly used for financial reporting in companies is based on System Application and Processing (SAP). According to Seto (2013) SAP is a product to simplify and improve employee performance to achieve company goals, the ERP-SAP system combines accounting information systems and management information systems to become a system that covers all parts of the company. With a phenomenological review of ERP system implementation can produce quality financial reports.

Based on the findings in this study, it can be concluded that in general ERP can produce quality financial reports, PSAK 1 states that the characteristics of the quality of financial reports that must be met are relevant, reliable, comparable, and understandable (IAI, 2023). The ERP system provides accurate and real time information to achieve company goals and has a positive influence on company performance and culture (Galy & Saucedo, 2014; Putra et. al., 2021). The findings in this study strengthen and validate statements from research by Sarwono and Handayani (2021) which explain that system-based information technology can produce quality information in decision making. There is an internal control system with the implementation of the ERP system in accordance with the components of internal control according to COSO (1992); control environment, risk assessment, control activities, information and communication, and monitoring carried out by management and company employees in accordance with policies that have been made, so that company goals can be achieved and produce quality financial reports. Romney et al. (2021) revealed that a technology-based accounting information system (ERP-SAP) can improve quality and reduce costs, increase efficiency and effectiveness, improve internal control structures, increase effectiveness in decision making. Based on the theory of COSO (1992) and Romney et al. (2021) it can be concluded that in this study, the role of an ERP-SAP-based internal control system can produce quality financial reports, the process of preparing financial reports becomes easier, and the results of financial reports are reliable, relevant, comparable and understandable to readers, so that decision making by management can be more reliable and valid.

Based on the findings from the results of this study, confirming and validating the expressions of Graham et al. (2022) and North (1991) corporate culture as an important driver of business value, the view of executives to distinguish between stated values and everyday norms; the extent to which culture is perceived to influence value creation (productivity, mergers), ethical choices (compliance, short term), and innovation (creativity, risk taking); and a list of barriers that could prevent the culture from being where it should be (negligible leaders, misaligned incentive compensation). In this study, it can be analyzed that culture is reflected in the presence of good values and norms, good cultural values from the behavior of employees' integrity towards the company, and good cultural norms from employee behavior when input errors occur which employees will track without dispute. Culture in the company consists of people who dare to take risks leading to the creation of value innovation, can play a role in the implementation of Enterprise Resource Planning (ERP) systems to produce financial reports that are relevant, reliable, understandable and comparable, according to standardized indicators by Regulation of Financial Accounting Standards Number 1 regarding the presentation of financial reports, so that financial statements can be used by investors and management in making short-term and long-term decisions.

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