

# **Internal Control-Based Operational Activities *Self Dealing* at Dapoer Bronsu**

Endah Masrunik<sup>1\*</sup>, Arif Wahyudi<sup>2</sup>, Henni Indarriyanti<sup>3</sup>, Annisa Apriliana<sup>4</sup>

<sup>1234</sup>*Department of Accounting, Faculty of Economic, islamic university of balitar, Blitar, Indonesia*

\*Email:

[1endahmasrunik@gmail.com](mailto:endahmasrunik@gmail.com), [2arif.wahyudisg999@gmail.com](mailto:arif.wahyudisg999@gmail.com), [3hennypatria@gmail.com](mailto:hennypatria@gmail.com), [4annisaapriliana30@gmail.com](mailto:annisaapriliana30@gmail.com)

**Abstract.** A business or venture is definitely inseparable from the existence of risks that can hinder operational activities. Risks can occur not only in large companies but in all businesses and to minimize the occurrence of a risk requires the implementation of risk management. Risk management is needed to reduce and anticipate the possibility of risk in a business. This study aims to analyze the operational activities that occur at Dapoer Bronsu with a self dealing internal control approach. This research was conducted at Dapoer Bronsu with a qualitative research method with an observation approach and interviews directly with business owners. This study found 4 risks that often occur along with the causes, impacts, and also internal controls. These risks include unstable raw material prices, many competitors of similar products, product expiration, and delays in raw materials. Effective management implementation helps Dapoer Bronsu maintain product quality, improve operational efficiency, increase customer satisfaction, reduce losses, optimize profitability, and ensure long-term business continuity

**Keywords:** risk, operational activities, risk management

## **Introduction**

Operational activities are the backbone of any business as they play an important role in determining the success and sustainability of the business. These activities include various processes and activities needed to produce goods or services, from production planning, inventory management, to product distribution to customers. Effective and efficient operational success not only improves productivity and output quality, but also reduces costs, increases customer satisfaction, and builds a competitive advantage in the market. Therefore, an understanding of management is essential to ensure that all aspects of the business run smoothly and optimally in achieving its goals successfully. To achieve goals successfully is definitely inseparable from problems and other obstacles both from internal and external to a business. All causes that cause problems in the business world are called risks (Saifulloh et al., 2023).

According to Rustam (2017: 5) risk is the potential loss due to the occurrence of a certain event (chance of a bad outcome) refers to the possibility of unwanted results that can cause losses if not anticipated and managed properly. Risk can also be interpreted as uncertainty about future circumstances that depend on decisions made based on current considerations (Manuputty et al., 2022). In fact, in the business world an entrepreneur's success is not only measured by his ability to protect the business from the risks faced, but also by his ability to identify exploitable risks and understand how to take advantage of them. This is important because it can help minimize potentially harmful operational risks. The more complex the risks faced by business activities, of course, will increase the need for good governance practices and risk identification, measurement, monitoring and control functions (Rustam, 2017). The goal is to ensure that the activities carried out by the company do not cause losses that exceed its capacity, which in turn can threaten business continuity. To avoid and minimize losses caused by the risks that arise, one of the company's ways is to use risk management analysis

## **Conclusion**

Risks that often occur at Dapoer Bronsu include unstable raw material prices, many competitors of similar products, product expiration, and delays in raw materials. Controls carried out by Dapoer Bronsu include establishing good relationships with several raw material suppliers to reduce dependence on one supplier, making innovations by launching new products regularly to attract consumer interest and increase sales, maintaining product quality by implementing a strict quality control system.

Risk management is a series of methods and procedures used to identify, measure, monitor, and control risks arising from various business activities, including credit risk, market risk, operational risk, and various other risks. This aims to maximize company value. In simple terms, risk management can be defined as 'being smart about taking chances' or 'being wise in taking opportunities' (Rustam, 2017: 12). Risk management in a business or endeavor makes assets more useful and more functional, although the risks cannot be eliminated completely.

Although the risk cannot be completely eliminated, at least the risk can be minimized so that this risk management helps make business processes in the company more effective and efficient. A rapidly growing business or business must realize the importance of risk management related to planning along with its application which is not only fixated on one sector but several other sectors also require risk (Andika & Wijaya, 2022). Still according to Andika and Wijaya (2022) risk management activities are management efforts to control the risk of the company's operational activities through analysis, evaluation, and preparation of risk mitigation where the process requires risk assessment.

Effective operational risk management requires a strong understanding of the operational processes that run, identification of risks that may occur, and the implementation of appropriate internal controls. In this context, good internal controls can help identify and prevent harmful practices, such as self dealing. Self dealing is an activity where individuals who have control or influence in the organization conduct transactions that benefit themselves at the expense of the organization's interests. In the operational context, internal control plays an important role in ensuring that every transaction carried out by the organization runs in accordance with established procedures and policies. Good internal control can prevent self dealing by monitoring and auditing operational activities regularly.

## **Methods**

This research uses qualitative research methods to better understand deeper social dynamics. Qualitative research methods are research methods that aim to better understand the phenomena experienced by the subject under study, such as actors, perceptions, motivations, actions, with a holistic and descriptive approach in the form of words and language in a certain natural context. This method utilizes various scientific methods to get a comprehensive picture (Moleong, 2013). The main purpose of qualitative research is to gain a deep understanding of what is being studied. According to Creswell (2019) qualitative research is an approach that focuses on an in-depth understanding of social or human phenomena through non-numerical data. Furthermore, qualitative research seeks to explain the experiences, understandings and perspectives of individuals from their own point of view. This involves exploring complex phenomena and understanding behind their behavior and experiences. In this research, the author will identify various operational activities that have potential risks and analyze their effectiveness with a risk-based approach. Potential risks and analyze the effectiveness of the existing control-based approach at MSME Dapoer Bronsu

## **Result and Discussion**

Dapoer Bronsu is a production business of various brownies and cakes that have been certified halal by the (Indonesian Ulama Council) MUI (Harahap et al, 2023) where to get a halal label must go through a series of careful inspection and verification processes of raw materials, production processes, and cleanliness of the facilities used. This MUI halal certificate is one of the clear proofs that Dapoer Bronsu is committed to providing safe and guaranteed halal processed products for consumers. However, a business or business is definitely inseparable from risk where the risk that has a high probability of hindering the production process of a business is operational risk.

Operational risk is the impact arising from the implementation of operational process activities in a business that can affect products, sales, production processes, consumers and business owners (Rustam, 2017: 68). This can affect the financial and reputation of a business. To minimize the possibility of risks that can occur, risk

## Conclusion

Risks that often occur at Dapoer Bronsu include unstable raw material prices, many competitors of similar products, product expiration, and delays in raw materials. Controls carried out by Dapoer Bronsu include establishing good relationships with several raw material suppliers to reduce dependence on one supplier, making innovations by launching new products regularly to attract consumer interest and increase sales, maintaining product quality by implementing a strict quality control system.

management is needed. In handling risk management, there are 4 stages that need to be carried out in analyzing risks in all operational activities. The first stage is risk identification from respondents' statements to find, recognize, and describe possible risks that may occur in their operational activities. The following is a table of risk identification that occurs at Dapoer Bronsu

Table 1 Risk Identification

Risks that Occurring	Causes	Impact
<b>Price of raw materials</b> unstable raw material prices	Unstable currency exchange rates, shipping logistics costs and weather changes often affect raw material price increases.	Increase production costs which may reduce profit margins.
<b>Large number of competitors in similar businesses</b>	The high demand and the product industry that is difficult to distinguish from each other tends to have many competitors offering similar products.	Business management must work harder by making new innovations, maintaining and improving existing quality to differentiate themselves from competitors.
<b>Product expiration time</b>	The perishable components of the raw materials, such as eggs, butter, milk make the brownis have a limited shelf life.	Brownuts that exceed the shelf life cannot be sold, resulting in a financial loss to the business..
<b>Raw material delays</b>	Instability in the supply chain, scarcity of raw materials, and disruptions in distribution often delay the delivery of raw materials..	Delays in raw materials cause disruption to the production process which results in delays in the production process.

After knowing the various risks that occur along with their causes and impacts, the next stage is the measurement stage. This is done to determine the level of likelihood that the risk can occur. And from the results of the interviews that have been conducted, it is found that the operational risks that have been identified are risks that often occur at Dapoer Bronsu. After risk identification and risk measurement are carried out, the next stage is operational monitoring where at this stage it is carried out by implementing an internal control system and providing regular reports related to losses incurred by operational risks. Dapoer Bronsu regularly reviews the factors that cause operational risk and the impact of losses. The last stage of operational risk management is the control stage. This process must be in accordance with the risk exposure and the level of risk to be taken and its tolerance. The following is a table of controls carried out by Dapoer Bronsu in minimizing the risks that occur;

Table 2 Operational Risk Control

Risks Occurring	Possibility of occurrence	Impact	Control
<b>Unstable raw material prices</b>	Frequent occurrence	Increased production costs which may reduce profit margins.	Stock enough raw materials when prices are low, organize stock rotation well, and substitute raw materials.

## Conclusion

Risks that often occur at Dapoer Bronsu include unstable raw material prices, many competitors of similar products, product expiration, and delays in raw materials. Controls carried out by Dapoer Bronsu include establishing good relationships with several raw material suppliers to reduce dependence on one supplier, making innovations by launching new products regularly to attract consumer interest and increase sales, maintaining product quality by implementing a strict quality control system.

<b>Many competitors of similar businesses</b>	Frequent occurrence	Business management must work harder by making new innovations, maintaining and improving existing quality to differentiate themselves from competitors.	Create new innovations that can attract customers, respond quickly to market changes and consumer trends.
<b>Product expiration time</b>	Frequent occurrence	Brownies that exceed the shelf life cannot be sold, resulting in a financial loss to the business.	Always ensure that the products are properly packaged and stored, clearly mark them, and maintain product quality by implementing a strict quality control system.
<b>Raw material delays</b>	Frequent occurrence	Delays in raw materials cause disruptions in the production process which results in delays in the production process.	Liaise with various raw material suppliers, and establish good relationships to ensure prompt handling of issues.

Based on the table above, there are 4 risks that often occur at Dapoer Bronsu, namely unstable raw material prices, many similar business competitors, product expiration time, and delays in raw materials. First, the risk of raw material prices is due to unstable currency exchange rates, logistics costs, weather changes, and the large number of market demands that often make raw material prices soar. food businesses that depend on certain raw materials can be exposed to the risk of fluctuating raw materials which cause increased production costs and decreased profit margins. Increased production costs and decreased profit margins. This is in line with the results of research by Jesslyn, et al (2022) where business operational risks that often occur are usually at the production stage, one of which is raw material processing. The solution to this problem is to stock enough raw materials when prices are low, organize stock rotation properly, and substitute raw materials. The second risk is the number of similar business competitors. High market demand, a relatively easy-to-make production process, and a product industry that is difficult to distinguish between one another tend to have many competitors offering similar products. This is in line with the results of research by Saifulloh, et al (2023) where many competitors with the type of MSMEs sell the same products cheaply and with good quality. Not only that, seasonal market trends often give rise to new competitors with similar products that have an effect on consumers and have an impact on product reputation and sales, this is in line with the results of research from Jesslyn, et al (2022). The solution is to make new innovations that can attract customers, and respond quickly to market changes and consumer trends.

The next risk that is often faced by Dapoer Bronsu is product expiration time caused by perishable raw material components that make brownies have a limited shelf life. The control carried out by Dapoer Bronsu to minimize the occurrence of this problem is to always ensure that the product has been packaged and store the brownies properly, provide clear date markers, and maintain product quality by implementing a strict quality control system. In contrast to Saifulloh, et al (2023) who remage the product into other valuable materials if the chips are approaching the expiration date of at least a week sold at a low price but still not sold.

The last risk that often occurs is delays in raw materials caused by instability in the supply chain, scarcity of raw materials, and disruptions in distribution that delay the delivery of raw materials. The control carried out by Dapoer Bronsu to anticipate the risk of delays in raw materials is to cooperate with various raw material

## Conclusion

Risks that often occur at Dapoer Bronsu include unstable raw material prices, many competitors of similar products, product expiration, and delays in raw materials. Controls carried out by Dapoer Bronsu include establishing good relationships with several raw material suppliers to reduce dependence on one supplier, making innovations by launching new products regularly to attract consumer interest and increase sales, maintaining product quality by implementing a strict quality control system.

suppliers, and establish good relationships to ensure quick handling of problems. Similar to the results of research by Haryani, Dwi Septi. et al (2022) where business owners must really pay attention to the inventory of goods and in avoiding delays in raw materials for raw crackers that arrive late

## Acknowledgments (Optional)

The author would like to thank Dapoer Bronsu during the research. The process of being together created an atmosphere of intimacy and kinship .

## References

- Andika, Diky Yudha. Wijaya, Agustinus Fritz. (2022). *Manajemen Risiko Teknologi Informasi Menggunakan Framework ISO 31000:2018 pada PT. Trust Lerinvoital Timur*. Jurnal MNEMONIC, 5(2)
- Creswell, J. W. (2019). *Research Design: Pendekatan Metode Kualitatif, Kuantitatif, dan Campuran*. Yogyakarta: Pustaka Pelajar.
- Fiantika, Feny Rita. dkk. (2022) *Metodologi Penelitian Kualitatif*. PT. Global Eksekutif Teknologi. Padang Sumatera Barat
- Harahap, M. G. dkk. (2023). *Industri Halal di Indonesia*. Banten : PT. Sada Kurnia Pustaka.
- Haryani, Dwi Septi. dkk. (2022). *Analisis Risiko Operasional pada UMKM Kerpu Bu Mitro di Kelurahan Tanjungpinang Barat*. Jurnal Ilmu Pendidikan Nonformal, 8(2)
- Jesslyn. dkk. (2022). *Analisis Manajemen Risiko pada Usaha Brownies UMKM Moifoods.Btm*. Jurnal Mirai Management, 7(3). 245-254
- Kristanti, Elisabeth Yuli. 2023. *Analisis Manajemen Risiko Berbasis ISO 31.000:2018 pada UMKM Vinct Stuff*. Skripsi. Universitas Sanata Dharma. Yogyakarta
- Laulita, Nasar Buntu. dkk. (2022). *Penerapan Manajemen Risiko dalam Umkm Laundry (Studi Kasus : Best Laundry)*. Jurnal Mirai Management,7(3). 392- 399
- Manuputty, Augie David. Natalie, Putri D.(2022). *Analisis Manajemen Risiko Teknologi Informasi dengan ISO 31000:2018 pada PT Bayu Buana Tbk*. jurnal Riset Komputer, 9(5)
- Manuputy, Augie David. Natalie, Putri D. (2022). *Akuntansi Perpajakan*. Edisi Tiga. Penerbit : Salemba Empat
- Moleong, L.J. (2013). *Metodologi Penelitian Kualitatif*. Bandung: PT. Remaja Rosdakarya
- Rustam, Bambang Rianto. (2017). *Manajemen Risiko: Prinsip, Penerapan, dan Penelitian*. Jakarta: Salemba Empat
- Septi, Dian. dkk. (2023). *Analisisn Manajemen Risiko pada UMKM "Tahu Walek sPonq" Jember*. BUDGETING: Journal of Business, Management and Accounting, 5(1)
- Saifulloh. dkk. (2023). *Analisis Manajemen Risiko pada UMKM Keripik Singkong "Sugi" Menggunakan SWOT dan Matrik Risiko*. Gontor AGROTECH Science Journal. 8 (3)
- Tumilaar, Oswald N. Rawun Yuli. 2019. *Penerapan Standar Akuntansi Keuangan EMKM dalam Penyusunan Laporan Keuangan pada UMKM (Suatu Studi UMUM Pesisir di Kecamatan Malalayang Manado)*. Jurnal Akuntansi Keuangan dan Bisnis, 12(1)
- Wardiah, Laella. dkk. (2023). *Analisis Risiko Operasional pada UMKM Pabrik "Sri Tahu" di Watukebo Kecamatan Ambulu*. BUDGETING: Journal of Business, Management and Account)ing, 5(1)