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FINANCIAL CONTROL IN PRESENCE OF UNCONTROLLABLE EXTERNAL FACTORS AND ETHICAL ISSUES A COMPREHENSIVE STUDY ON ADAPTIVE STRATEGIES AND MORAL RESPONSIBILITY

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ABSTRACT: In a business world full of uncertainty, financial control is an important element to maintain the stability and sustainability of the organization. However, major challenges arise when this control must deal with uncontrollable factors, such as market competition, natural disasters, or changes in government policy. This uncertainty requires financial management to be adaptive while still upholding ethical principles in decision making. This article discusses financial control strategies in dealing with unpredictable external factors and the role of ethics in maintaining the integrity and accountability of financial decisions. By using the literature study method, namely by reviewing written sources such as scientific journals and reference books, this study reveals that the application of ethical principles such as transparency, integrity, and accountability can help organizations maintain stakeholder trust amid external and internal pressures. The results of the study emphasize the importance of adaptive capabilities in risk management with a commitment to ethical values to ensure the sustainability of the organization in the long term. Thus, financial control is not only a tool to achieve operational efficiency but also a foundation for business reputation and sustainability.

Keywords: Financial Control, External Factors, Internal Factors, Uncertainty, Business Ethics, Control Strategy

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INTRODUCTION

In a dynamic and competitive business world, achieving stable financial results is a major challenge for every organization. Financial results control aims to ensure that financial performance is in accordance with established plans, support strategic decision-making, and maintain profitability. However, amidst global and local uncertainties, many external factors are beyond management's control. These factors often create significant uncertainty for companies, which can have a direct impact on their financial performance. Factors such as fluctuating global economic conditions, changing government policies, rapid technological developments, and unexpected events such as pandemics or natural disasters pose a threat to the stability of an organization's financial results. For example, the global economic crisis that occurred in 1998 and the COVID-19 pandemic in 2019 have shown how organizations across sectors have struggled to survive and adapt. In facing these challenges, it is important for companies to develop financial control systems that are not only responsive to current conditions, but also proactive in planning and mitigating risks that may arise. Companies that do not have an adaptive financial control strategy tend to experience a significant decline in performance, even leading to bankruptcy. In contrast, organizations that are able to adapt quickly, by relying on technology, market diversification, and scenario planning, have proven to be more resilient in the face of uncertainty.

LITERATURE REVIEW

1. Definition and Purpose of Financial Control

Financial control is the process of monitoring and evaluating the use of funds in an organization to ensure that financial resources are used efficiently and according to plan. Financial control involves the implementation of accounting systems, internal audits, and financial reporting to monitor financial performance and identify deviations from the budget (Hidayat, G., & L. M., & Destiana, 2024). Financial control is the process of ensuring that financial resources are used according to established plans and objectives. Effective control helps organizations detect misuse of funds, prevent waste, and ensure accountability in the management of funds. It also helps in timely decision making to address financial problems that may arise. As well as maintaining the trust of stakeholders.

Financial control includes the use of various tools and techniques to ensure that the company's financial activities are carried out according to plan with the established budget plan. Common techniques used in financial control include internal control and financial audits. Internal control systems are designed to protect company assets and ensure the accuracy of financial records. Financial audits, both internal and external, serve to assess compliance with financial policies and procedures and ensure that financial statements are prepared correctly in accordance with applicable accounting standards (Inrawan, A, 2024). The main purpose of financial control is to ensure that the organization does not experience waste, uncontrolled cost overruns, or discrepancies between the results achieved and the planned budget. Financial control also plays a role in making the right decisions, both in investment planning, spending decisions, or in managing financial risks (Dharsana, M. T., & Aswar, 2024).

2. Types of Financial Control

Financial control is part of the internal control system that aims to ensure that the organization's financial activities run in accordance with established policies and objectives. To achieve these goals, financial control can be classified into several types. When viewed from the occurrence of problems that must be controlled, internal control can be divided into three (Dharsana & Aswar, 2024):

a. Preventive Control

Preventive control is a type of internal control designed to prevent errors, abuses, or undesirable events before they occur. The main principle of preventive control is to identify potential risks and take steps to prevent or reduce the likelihood of those risks occurring.

b. Detective Control

Detective controls aim to detect errors or fraud after they have occurred. They include monitoring and information processing activities that help identify deviations from established standards or policies. Examples: Periodic internal audits, analysis of data trends to identify anomalous patterns, use of early detection systems.

c. Corrective Control

Corrective controls are designed to correct errors or deficiencies after they have occurred. The primary focus is on actions taken to correct the identified loss or weakness. Examples: Restoring data from backup after a loss, investigating irregularities and applying appropriate sanctions, improving processes after errors occur.

d. Manual Control

Manual control involves actions that are performed directly by humans without the aid of technology. It includes policies, procedures, and supervision that are executed by the organisation's staff.

Example: Manual checking of documents, physical verification of signatures, manual reporting of activities.

e. Automatic Control

Automated control uses technology to perform the control process. This includes information systems and software designed to monitor, control, and report on business activities. Examples: Automated fraud detection systems, automated validation of transactions, user activity monitoring algorithms.

3. Uncontrollable Factors

In implementing financial control, companies are often faced with factors that are beyond their control. These factors can be categorized into two types, namely external factors and internal factors, including (Ervina, 2023):

a. External Factors

External factors are variables that originate from the environment outside the company and are difficult to control directly. These external factors include:

1) Market Competition

Market competition is one of the external factors that greatly affects the company's financial performance and is difficult to control by internal parties. In an open and increasingly digitalized business environment, competition does not only come from local industry players, but also globally.

2) Naturan Disasters

Natural disasters such as earthquakes, floods, or hurricanes are events that can cause physical damage to a company's infrastructure, to the point of completely halting business operations in the short or long term. In addition, unexpected events such as the COVID-19 pandemic can affect market demand, consumption patterns, and global supply chains.

b. Internal Factors

There are several internal factors that are also difficult to control directly because they involve human elements and organizational culture:

1) Management Changes

Changes in leadership or key managers can change the direction of strategy and financial control style. New leaders often bring different visions and approaches, which can cause uncertainty in operations.

2) Employee Performance

Employee performance and behavior are important aspects in supporting the stability of an organization's financial results. The level of productivity, discipline, loyalty, and compliance with company procedures and policies greatly affect cost and revenue efficiency. Problems such as lack of work initiative, or unethical behavior can cause direct or indirect financial losses.

3) Information System

Technology failures or lack of adequate IT infrastructure can hinder effective financial monitoring and control. Unintegrated systems also make it difficult for management to make quick and accurate decisions.

4. The Concept of Ethics in Finance

Ethics in general are moral principles that govern human behavior regarding what is right and wrong. Ethics help determine how someone acts. Ethics include a commitment to act honestly, fairly, and responsibly in carrying out business activities. In the context of financial control, ethics is the basis for ensuring that financial decisions not only prioritize short-term profits, but also pay attention to the long-term impact on stakeholders, including employees, investors, customers, and the wider community. Companies that implement ethical financial control will be more appreciated by the market and have a better reputation, which ultimately supports long-term business continuity. These include:

a. Integrity

Integrity in financial reporting will have an impact on the trust of investors, creditors and other stakeholders because they rely on the information disclosed by the company in its financial reports to make business and investment decisions.

b. Transparency

Transparency is one of the principles of Good Governance and one of the elements in financial management in a good entity. Transparency means that the public must be able to obtain information freely and easily about the process and implementation of decisions ta (Sabili, F., Romansyah, D., & Hidayat, 2023).

c. Accountability

Accountability means that every financial decision must be accountable. Management must be able to explain the basis for making financial decisions, whether they result in profit or loss.

d. Compliance with Standards and Regulations

The organisation must comply with all applicable rules and regulations related to the financial management. Effective financial controls require managers to understand and follow applicable accounting standards as well as tax regulations that apply in the country. applicable in the country.

e. Consistency

Procedures and policies used for financial control must be consistently applied throughout the organisation. This will help create uniformity in financial management and facilitate evaluation of financial performance. of financial performance.

METHODOLOGY

This study uses a qualitative approach with a literature study method (library research) as the main technique in data collection. This method is carried out by reviewing and examining various relevant written sources, such as financial management textbooks, scientific journals, government policy reports, and previous research articles that are relevant to the research topic. The data collection process begins with identifying the main issues that are the focus of the study. Furthermore, literature sources are selected purposively based on the level of relevance and actuality of the information they contain. After the data is collected, a content analysis is carried out to identify patterns, conceptual relationships, and strategies used by organizations in dealing with uncontrollable internal and external factors. This analysis is then synthesized into main themes, such as types of financial control, the impact of uncertainty, ethical approaches, and managerial roles in the control process. With this approach, the study aims to build an in-depth understanding of adaptive financial control strategies that are also based on ethicsin facing unpredictable challenges in the modern business world.

RESEARCH RESULT

1. Impact of Uncontrollable Factors

The financial control system is a crucial foundation in maintaining accountability, transparency, and efficiency in the management of an organization's financial resources. However, the effectiveness of this system is largely determined by the stability and integration between the internal and external factors that surround it. When these two dimensions experience disruption or pressure, the financial control system will face serious challenges that can have direct implications for the performance and sustainability of the organization. On the internal side, one of the most influential variables is management change. Management change is one of the internal factors that has a significant impact on the stability and effectiveness of the financial control system. This change can occur in various forms, such as changes in executive leadership, or transfer of authority in financial decision-making. Each form of change has consequences for the structure, policies, and culture of the organization, including in terms of financial governance.

Management changes are often accompanied by changes in the organization's vision and strategic direction, which directly affect the focus of budget allocation, program priorities, and approaches to financial risk. When a new leader is appointed, he or she usually brings a different leadership style and managerial approach. In this context, the financial control system must be able to adapt to remain relevant and maintain the integrity of the financial process in a transitional situation. Furthermore, management changes also often give rise to conflicts of interest and tensions between employees, especially when the new leader brings a team or policies that are not in line with the previous organizational culture. In this situation, financial control becomes vulnerable to deviations, both administrative and fraudulent. This emphasizes that strengthening the financial control system is not enough at the technical level, but must also touch on the dimensions of sustainable governance and organizational culture (Pemerintah Republik Indonesia, 2008).

Next is employee performance which is a crucial element that determines the effectiveness and reliability of the financial control system in an organization. In the context of financial governance, employees not only act as administrative implementers, but also as supervisors, and guardians of the integrity of the financial process. Therefore, the quality of employee performance will greatly affect the extent to which the financial control system is able to detect, prevent, and respond to potential risks and financial irregularities optimally. On the other hand, the implementation of a strong information system in financial control also encourages the creation of a decision-making process based on valid and verified financial data analysis. The financial control system that Not being equipped with an adequate cybersecurity system is at high risk of data theft, report manipulation, or malware attacks that can damage the integrity of the system.

Meanwhile, from the external side, market competition. Many small and medium enterprises do not have an adequate financial control system, so they cannot respond to fluctuations in raw material prices, changes in market demand, or competitor maneuvers in a timely manner. Thus, market competition is both a challenge and an opportunity to strengthen the financial control system. In a competitive situation, organizations that are able to build strong and responsive financial controls will not only survive, but also have the potential to become market leaders with sustainable competitiveness. In addition, natural disasters such as floods, earthquakes, or global pandemics such as COVID-19 are external factors that not only impact physical operations, but also weaken the financial control system structurally. Natural disasters are natural events that often come without adequate warning, but have a multidimensional impact on the sustainability of the organization and its financial system. Natural disasters can cause operational disruptions, asset damage, unexpected expenses, and business process interruptions, all of which have significant consequences for the financial flow and effectiveness of the control system that has been designed. Emergency situations often force organizations to reallocate funds quickly and urgently, which if not followed by an adequate monitoring system, can lead to the risk of corruption, and inappropriate use of funds. Not only that, natural disasters also increase the possibility of financial fraud due to weak post-disaster supervision. When control weakens due to emergency situations, the potential for manipulation of financial reports, procurement of fictitious goods, and inappropriate use of funds will increase.

DISCUSSION

1. Ethical Issues of Uncontrollable Factors

Ethical issues in financial control arise from pressure to meet financial targets, potential conflicts of interest, and the temptation to manipulate data for personal or organizational gain. These dilemmas often stem from the complexity of financial regulations and the significant impact of financial decisions on stakeholders. Pressure to Meet Financial Targets. Organizations often face tremendous pressure to achieve specific financial goals, such as revenue or profit targets. This pressure can lead to unethical practices, such as inflating revenue figures or delaying expense recognition to present a more favorable financial position. In times of economic uncertainty or financial distress, management may feel compelled to cut corners to maintain investor confidence, which can result in ethical lapses (Thoyibatun, 2018).

Ethical issues in financial control, especially in the context of factors that cannot be controlled by the organization, can controlled, encompassing a range of dilemmas that can affect managerial decisions and an organization's reputation. One significant example is financial statement manipulation. In times of crisis, such as an economic recession or natural disaster, management may feel pressured to present better financial performance than reality in order to remain attractive to investors and stakeholders. This action, while perhaps perceived as a short-term solution to preserve the company's image, can lead to serious legal and reputational consequences if exposed. In addition, cost-cutting to cope with financial pressures often has a direct impact on employees. For example, salary cuts, reduced benefits, or even layoffs may be undertaken to preserve the company's cash flow.

2. Integration of Ethics in Control Systems

The financial control system is not only a technical instrument to regulate financial inflows and outflows, but it is also an integral part of the organisation's overall governance. In this context, ethics becomes a key component integral to the effectiveness of the control system. Without the integration of ethical values, control system will lose its essence as a tool to realise accountability, transparency and fairness, accountability, transparency and fairness in the management of organisational resources. The integration of ethics into the financial control system reflects an effort to direct individual and collective behaviour in the organisation direct individual and collective behaviour in the organisation to a path that is in accordance with legal and moral norms with legal and moral norms. This includes honesty in financial reporting, transparency in budget utilisation, compliance with regulations, and courage in disclosing irregularitie. A strong internal control system must be based on the values of integrity, objectivity, responsibility, and professionalism as the main foundation. The number of cases of financial irregularities such as corruption, embezzlement of funds, and manipulation of reports often occur not because of weak technological devices, but because of the lack of an ethical culture. weak technological devices, but rather because of the lack of ethical culture in the practice of internal controll. The integration of ethics in the control system can be done through several strategic approaches. First, instilling ethical values through education and business ethics training to all employees, especially those in strategic positions in finance and supervision. This training should be sustainable and not limited to administrative formalities. administrative formality. Secondly, the organisation needs to have a written code of ethics that is not only normative, but also actively socialised and becomes the main reference in every business transaction. normative, but also actively socialised and become the main reference in every decision making. Third, it is necessary to implement a whistleblowing mechanism that protect the whistleblower and ensure that every complaint is followed up professionally. Fourth, the leadership of the organisation must be a role model in implementing ethical principles, because the leader's behaviour will be the benchmark for subordinates. Leaders who leaders who demonstrate high integrity in the use of budgets and adherence to procedures willform an organisational atmosphere conducive to healthy control (purwanto, A., & Sari, 2022)

3. Control of Uncontrollable Factors

Financial managers have a very vital role in every organization, because they are responsible for managing and controlling financial resources to achieve organizational goals effectively and efficiently. This role covers various aspects, from planning, organizing, to monitoring and decision-making related to the company's finances. Financial managers are tasked with ensuring that the company has sufficient cash flow to run daily operations, while supporting long-term growth. Managers can reduce and sometimes even eliminate some of the distorting effects of some uncontrollable factors by using two complementary approaches. Before the measurement period begins, they can determine the measurement results by including only items that employees cannot control or at least have a significant influence on. After the measurement period ends, they can calculate or estimate and adjust for the effects of all remaining uncontrollable factors using techniques such as variance analysis, flexible budgeting, relative performance evaluation or subjective performance appraisal. Both methods of controlling for the influence of uncontrollable factors require costs. The costs must be balanced against the benefits of reducing the risks that employees must bear.

CONCLUSION AND RECOMMENDATIONS

Financial control has a strategic role in maintaining organizational stability amidst various uncontrollable factors such as management changes, employee performance, information system disruptions, market competition, and natural disasters. The effectiveness of control depends not only on the technical system, but also on the integration of ethical values such as integrity, accountability, and transparency. Therefore, organizations are advised to strengthen adaptive internal control systems, implement flexible budgeting and performance evaluation strategies, and instill an ethical culture through training, code of ethics socialization, and leadership role models. This approach will not only minimize

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