
Internal Control and Organizational Culture in Small Businesses, A Conjunction To Competitiveness

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Abstract: The present work has as main objective, to examine the internal control strengthened of organizational culture as a competitive strategy of small businesses, against globalized environment. The need for this research is a response to detecting that a representative percentage of these organizations have no control standards that guarantee the protection of its assets and their proper use, risk prevention, to help in the generation of reliable financial information and to evaluate the efficiency of operations. To abound in the literature it is observed that the standards alone does not guarantee a positive result , the need to strengthen it with an organizational culture addressed to comply with them , as a means to achieve the mission and vision all members share as an entity.

Keywords: Competitiveness, internal control, organizational culture, small businesses

Introduction

Small and medium businesses face new scenarios. Globalization of markets has transformed the ways of doing business and increased competition, which requires establishing new strategies to enhance their competitiveness and ensure their survival. In Mexico in accordance with the National Institute of Statistics and Geography (INEGI), 99.8% are SMEs business units that generate 52% of Gross Domestic Product (GDP) and 72% of employment in the country. This reflects the importance of these establishments for the country, in terms of work and contribution to the national economy, which requires a government job that allows their development and transformation to break administrative schemes and operational, because under these conditions current business no longer work.

In the city of Lázaro Cárdenas, Michoacán, México, there are large companies, however small businesses, same as those which focuses directly this work, play an important role in job creation and contribution to the local economy. Now there has been an increase in commercial activity and services, which implies a competitive environment, which has led to the closure of some of them, jeopardizing the livelihoods of others, mainly due to lack of efficiency and effectiveness in their processes and strategies that contribute to the development of their competitiveness. One of the causes of the lack of competitiveness in small businesses, is the lack of internal control, necessary to give certainty to their operations meet the established goals, according to the mission and vision.

Internal control alone is insufficient, necessarily it requires an organizational culture that strengthens the established standards and compliance rather than coercion is done out of conviction, as a result of the belief system and built in the organization by the owners values from the baseline. Every day together with members of the company, it is strengthened by the way to address and resolve the situations presented, maintaining consistency and mainly that learning occurs with the example originating from the main levels.

Background

Lázaro Cárdenas, Michoacán, is an industrial city, being the most important economic unit of steelmaker Arcelor Mittal Lázaro Cárdenas, S.A. C. V., followed by Sadcom West S.A. C. V., in addition to the port movement caused by the facilities available, placing it in third place of importance in Mexican Republic and the first of the Pacific coast. This is the trigger for the region, encouraging the creation of small and medium enterprises to meet the needs of these organizations and a growing population, consequently of the jobs created as a result. The significant development of the region was in the late seventies to the nineties, a period during which besides further progress in the business sector and services, other important areas such as education started their growth.

During this period, small and medium companies had position in the local market. However the construction of the XXI century highway approached Lázaro Cárdenas, Michoacán, with cities in the Midwest, primarily with Morelia, the state capital. This aroused the interest of suppliers of goods and services, including department stores, which have been gradually established among other Walmart, Sam's Club, Soriana and Bodega Aurrera. This is to modify the commercial and economic environment of the region, impacting small and medium enterprises in the locality, which is necessary to establish competitive strategies to address what new establishments offer, mainly in better prices and services such as payment in installments without interest.

Micro, small and medium enterprises represent globally the segment of the economy that contributes the largest number of economic units and employed personnel. Hence, the relevance is of such enterprises and the need to strengthen their performance, and their impact these fundamentally in the overall performance of national economies (National Institute of Statistics and Geography, 2009). For this reason they require special attention by federal, state and local governments, in order to create conditions for their development by offering financial support systems and an equitable and inclusive fiscal policy.

In addition to government support, these companies require profound changes in their processes, allowing them to be more efficiently and effectively, to adapt to that new scenarios demanded by global markets, changing their administrative and operational strategies in a way that favors them. Also to control the flow of operations, to allow asset protection, safeguarding their resources and obtaining reliable information that facilitates decision-making.

Definition of company

Businesses are a source of income for workers, suppliers, government and entrepreneurs, promote economic development of society, contribute to the maintenance of public services, represent a means of achieving or personal satisfaction, and build capacity and skills development, and investment and capital formation (Münch, 2006).

Company is a scientific, industrial, commercial or otherwise formed association for material works, businesses or projects of importance, concurring common way to expenses incurred and also involve all members of the benefits achieved (Adam, and others, 2005). Münch (2006) and Adam definitions, et al. (2005) refer to the economic purpose and benefit of those involved. However, in the current business environment, these definitions have left aside the technological and market aspects as well as the interaction that is now required in organizations that share objectives set out in a mission and projected in their vision, looking

for a humanistic approach, tending to involve staff in decisions, encouraging their participation as an important need for achieving the goals, which ultimately benefit them, to improve profitability.

A simple definition but includes features of the current environment, it is affirmed by Thompson (2006) who sees the company as a social organization that performs a set of activities and uses a wide variety of financial, material, technological and human resources to achieve certain goals, such as meeting a need or desire of its target market in order to make a profit or not; and it is constructed from specific conversations based on mutual commitments between the people who make it.

The Current Federal Labor law in Mexico, states that company is understood as the economic unit of production or distribution of goods or services. An establishment is the technical unit as branch, agency or other similar form, as an integral part and contributes to the realization for the purposes of the company. Meanwhile the tax Code of the Federation in Mexico, in accordance with the last reform of March 2014, Cámara de Diputados, H. Congreso de la Unión (2014)., mentions that considers company a physical or moral person engaged in commercial, industrial, agricultural, livestock, fishing and forestry activities, either directly, through trust or through third parties.

Considering the definitions of the authors consulted, it can be said that a company is an economic unit of production or distribution of goods and services through commercial, industrial, agricultural, livestock, fishing and forestry activities aimed at meeting a need of its market, with the combination of human, technological, material and financial resources. This research is aimed to facilitate analysis focused on small businesses, of which thirty were surveyed. However, according to a preliminary review, midsize companies also lack reliable and functional internal control.

The survey referred was applied only to thirty small commercial establishments, by the unwillingness to provide information, considered confidential. Its aim was to determine the accounting process and the use of financial information, as a competitive strategy, being an important finding the results of question number fourteen of a total of fifty, since 30% of respondents do not have internal control and a 20% said rarely, revealing their vulnerability in protecting their resources.

Small Business

Small businesses as central concerning regional of development gained importance since the eighties, in the context of the crisis that began in the seventies and the effect of market flexibility and automation implemented through the processes of productive innovation (Martinez, 2011). Small businesses in Mexico, according to the Official Gazette (Diario Oficial de la Federación) of June 30, 2009, in which the Ministry of Economy published the second agreement, which provides for the stratification of enterprises, as seen in Table 1 .

Table 1. Stratification of micro, small and medium enterprises.

Size	Sector	Range of number of workers	Range of amount of annual sales (Million of pesos)	Combined maxim top
Micro	All	Up to 10	Up to &4	4.6
Small	Commerce	From 11 to 30	From \$4.01 to \$100	93
	Industry and services	From 11 to 50	From 4.01 to \$100	95
Medium	Commerce	From 31 to 100	From \$100.01 to \$250	235
	Services	From 51 to 100		235
	Industry	From 51 to 250		250

* *Combined Maximum Top* = (Workers) X 10% + (Annual Sales) X 90%.
Source: Diario Oficial de la Federación (2009).

Taking into consideration the above classification, in Mexico small business is any commercial economic unit, which employs up to 30 employees and those with industrial activities and services with a limit of 50 employees, which through its commercial, industrial, agricultural, livestock, fishing and forestry activities, satisfy a need of the market, with the combination of human, technological, material and financial resources.

Approach and delimitation of the problem

This research is a response to the need for small businesses, to have internal control standards, which provide security on their assets and securities, as well as reliability in obtaining financial information, which also generate competitiveness. However, internal control alone is not sufficient, it is important to be accompanied by an organizational culture linked with this, so that the values, ideas and customs, are consistent with established standards. From the above follows the question: Is the internal control and organizational culture are factors of competitiveness for SMEs?

Purpose of the research

Examine the internal control in conjunction with the organizational culture as a competitive strategy of small businesses of Lázaro Cárdenas, Michoacán.

The alleged research raised are:

- 1) Small businesses will be more competitive if they have internal control systems, collated with the organizational culture?
- 2) If the internal control is not harmonized in an organizational culture that strengthens, small businesses will lose competitiveness?

Justification

Small businesses surveyed in Lázaro Cárdenas, Michoacán, by the results, most do not have internal control standards that protect the inherent risks, conservation of their assets and the generation of financial statements showing reasonably the economic status of the negotiations. This affects profitability, mainly to be vulnerable in the use and disposition of its assets, with the possibility of removal of the same or possibly abnormal deterioration. It also directly undermines their competitiveness, because the same lack of verification standards raises operating costs, in addition to lacking reliable information for timely decision-making, in a fluctuating and saturated environment with competition.

In the relative section to the method of this research, the instrument data collection is described, using as evidence the results for accounts receivable and payable, on the grounds of vital importance in the management of financial resources, which ultimately impact on the liquidity of these small businesses.

As stated by Ferraro (2011), in his article supporting SMEs on promotion policies in Latin America and the Caribbean states that small and medium-sized enterprises are major economic players to promote the development. A significant part of the population and the economy depends on the activity and performance of these companies due to their recognized capacity to generate employment and participation in production. This makes clear their importance and the need to support their development, which is limited by the lack of controls that allow them to properly manage their resources and processes, including internal control, which motivates this research, supported by organizational culture built from the start and in the course of running the business.

The internal control standards on their own, as mentioned above, it is risky to ensure success in their implementation, especially in a country with high levels of corruption, as these practices affect organizations and their members, which implies a predisposition for violating the standards, though not by all members, but may present a greater or lesser extent from one organization to another or possibly, some may be zero. However, the environment in which the company operates will influence its impact. To ensure compliance is necessary to work on building an organizational culture that will strengthen compliance with regulations by creating values, customs and ideas adopted by all, with a focus on achieving the mission and vision and maintaining a correspondence with controls established.

The culture is taking shape throughout the history of the organization and in the process of setting the participation of the founders and initiators is very important. For its consolidation, the relevant factors are the circumstances surrounding the emergence of the organization and the length of stay of its employees, because a company with excessive job rotation hardly gets to consolidate its values (Sanchez, Tejero, Yurrebaso, & Lanero, 2006)

Organizations in their early stages are influenced by the beliefs and values of the founders and those who run them. During the running of the organization, new personnel are being integrated as part of the structure, with a particular judgment, creating an atmosphere of multiculturalism. However, the principles implemented by the initiators and cultivated over time with other members of the organization, always consistently applied as a model of general behavior, make their own organizational culture, which can be configured to achieve competitiveness. Thus, the application of internal control standards and operational policies shall be applied in a balanced manner, when they are aligned with the philosophy promoted.

Theoretical framework conceptual

Definition of internal control.

Internal control is a tool for resource monitoring and processes of an entity necessary in all types of small, medium and large organizations, as well as profit or nonprofit, private and public. Regarding the latter, Arcila (1993, p 52) says that internal control provides order and discipline in an organization, serves as a parameter of development plans and programs, and as an instrument of great help to decision making, ensuring a high degree, protection and prudent use of public resources. It is applicable to all types of organizations, profit and nonprofit and much needed in the government sector, in which budgeted resources applied each year require transparent and effective implementation, so that translates into benefits to citizens from good governance.

Internal control is called the set of rules by which the administration takes place within an organization, and also to any of the numerous resources to monitor and manage a particular operation or operations in general (Bacon, 1994). Internal control according to Holmes (1999, p. 59) is the one that refers to the methods used by a company to protect its assets, misuse thereof, prevent unduly incurs on liabilities, ensure the accuracy and reliability of all financial and operating information, to evaluate the efficiency of operations and ascertain whether there has been adherence to the policy that has established the company.

In the definitions of Bacon (1994) and Holmes (1999), an evolution to the objective of internal control is seen in terms of deepening, as it goes to administrative rules, supervision and operations management to finally address the protection of assets, avoid unnecessary debt, to ensuring the accuracy and reliability of financial information. This highlights its importance for any organization representing mainly for protection of their patrimony and generating reliable information to make decisions that contribute to the generation of competitive strategies. Internal control is related to the preparation of financial information, including procedures and policies that relate to the ability of an entity to initiate record,

process and report financial data consistent with the assertions with annual or interim financial statements (Public Accountants, 2014).

Auditing standards to testify, review and other related services (Instituto Mexicano de Contadores Públicos, 2014), issued by the Mexican Institute of Public Accountants focus precisely in the process of recording data, that integrate information from the financial statements, so there is a correspondence, which allows to express an opinion on the reasonableness thereof. It focuses primarily on the regulation of processes to facilitate audit activities. However, small businesses do not have the financial capacity to carry it out, but if they require control of the items that make up its patrimony. The Committee of Sponsoring Organizations called COSO integrated framework, in 1992 published its first report on internal control, updated to 2013, recognized and used worldwide, consider the following five components; control environment, risk assessment, control activities, information and communication and monitoring activities (Auditores Internos, 2013).

As the Committee of Sponsoring Organizations called Integrated Framework COSO, the control environment refers to the rules and processes that underlie the internal control. Risk assessment considers internal and external events that may adversely affect the achievement of the objectives. As for control activities are the actions established through policies and procedures that help ensure that carried out the instructions of management to mitigate risks that impact the objectives regarding information and communication. This is needed for the entity to carry out their responsibilities, this being relevant and of quality. Finally supervisory activities are necessary to determine if they work properly, through continuous assessments.

An internal control system consists of policies and procedures designed to provide reasonable administration, that the company will meet its security objectives and goals. These policies and procedures often are called accountants, and together, they comprise the internal control of the entity (Arens, Elder, & Beasley, 2007). Internal control is designed by Del Toro, Fonteboa, Navy & Santos (2005), as the integrated operations carried out by management and other personnel of an entity to provide reasonable assurance of achieving the following objectives

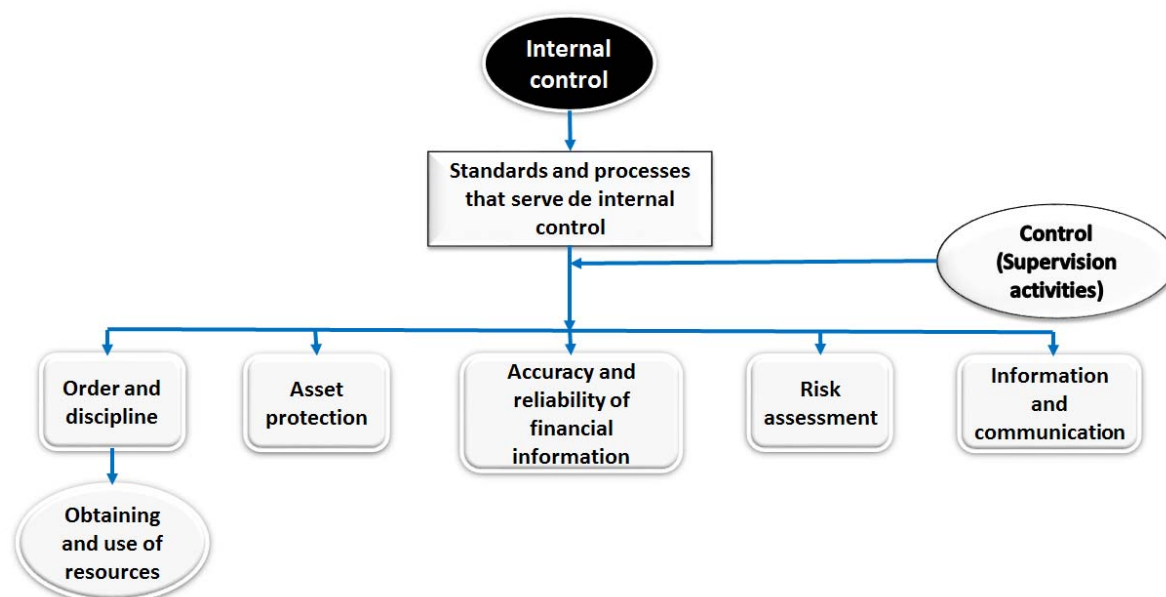
process:

- 1) *Reliability of Information*
- 2) *Efficiency and effectiveness of operations*
- 3) *Compliance with laws, regulations and policies established*
- 4) *Control of resources of all kinds, available to the entity*

The two above definitions are oriented towards policies and compliance, procedures, reliability of information, efficiency of operations and control of resources are put. However, according to the proposal made is not sufficient to establish controls, regulations, but it is needed to be addressed in building an organizational culture that will strengthen compliance, based on the creation of its own philosophy of the company and its members which is shared broadly, as a necessity for achieving the mission of the institution and its members, which is part of the competitive strategies to generate profits together, including the stay in the market and positioning, facing increasing competition.

Taking into consideration the definitions of internal control of the authors consulted, as well as those issued by the Committee of Sponsoring Organizations called COSO integrated framework, are harmonized as can be seen in the figure 1.

Figure 1. Internal control processes for the small business.



Source: Own elaboration.

Definition of organizational culture

Organizational culture is the pattern of behavior, beliefs and values that its members share. It can be inferred from what people say, do and think in the context of an organization. It involves the acquisition and transmission of knowledge, beliefs and behavior patterns, in the course of time, which means that the culture of an organization is extremely stable and not rapidly changes (Koontz & Weihrich, 1999).

Organizations adopt their own legal personality, which identifies them and converts them into a formal social group, interacting people with cultural differences, personal ideas and goals from different environments, but that by joining the organization, share their efforts to achieve the mission and vision of the organization, adopting values that contribute to this end. This is essential to the communication process, the way the members in establishing and awareness regarding the importance of achieving the goals involved, since they are who carry out the processes and thus generate innovation and productivity needed to be competitive.

The mission and vision of the organization must maintain a correspondence with the thinking and acting of its members, so it is important that everyone gets involved in its formation, that each member is aware of these two fundamental elements, that they are convinced the need for its implementation, for the common benefit, also updating them as necessary, as a result of internal and environmental changes, which modify the objectives, creating a virtuous circle where all efforts are directed to the same purpose.

When it is talked about organizational culture it is referred to a common pattern of behavior used by individuals and groups within an organization with its own personality and characteristics. It is a dynamic set of values, ideas, habits and traditions, shared by people within an organization, which regulate their actions (Health Ministry & Pérez, 2007). The way to face the challenges and internal problems in the different processes, it generates patterns of behavior, being very important reaction and its effects on the achievement of organizational goals within a framework of collaboration and conviction of its members, which is shaping values, ideas and habits, which in the future will be the guideline in the performance of the entity.

It is also important to mention the statement of Minsal & Pérez (2007), with respect to that culture is a factor influencing the practices and attitudes of administrative and non-

administrative members of the organization. This strengthens the proposal to harmonize the internal control with organizational culture, in order that the latter contributes to the activities aimed at implementing the regulations, as a proper attitude, made with certainty and widely by all members of the entity.

The culture has a number of functions within an organization. The first is that define borders; i.e. creates differences between an organization and others. The second is that it conveys a sense of identity to members of the organization. The third function is that it facilitates the generation of commitment to something greater than mere self-interest. The fourth is that it improves the stability of the social system. Culture is the social glue that helps keep the organization together by providing appropriate standards of what to say and do the employees. Finally, culture serves as a mechanism that makes sense and control to guide and shape the attitudes and behavior of employees (Robbins, 2009).

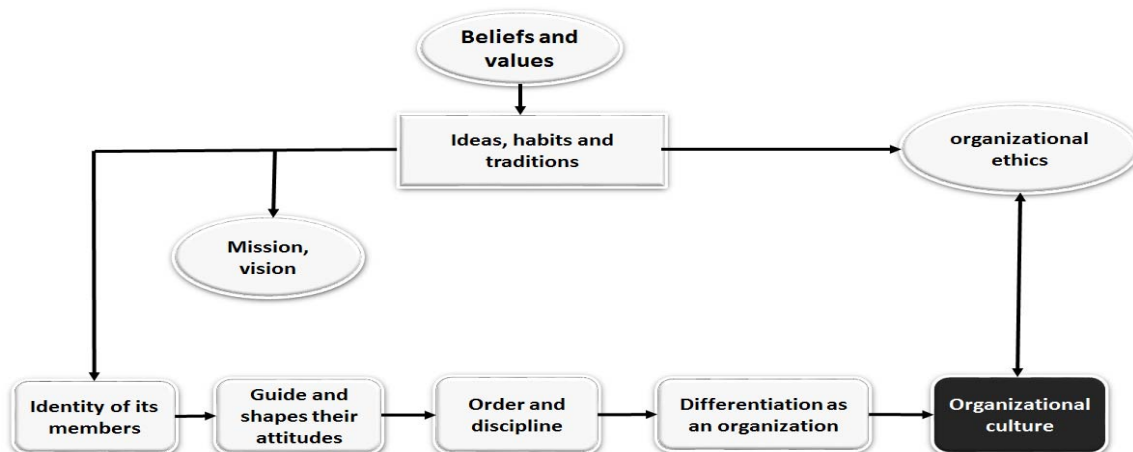
Organizational culture is unique to each entity, product of the values of the owners and their members, which over time are doing theirs that identifies and defines their internal action and the outside, towards achieving their goals. To the extent that the organization generates its own philosophy as a public or private entity, it is establishing a differentiation with other organizations in its environment one of its greatest strengths, its procedures and method of internal communication and the effectiveness of its control systems. Organizational Culture provides a frame of reference to members of an organization and provides guidance about how people should behave in them. In many cases the culture is so clear that one can see the behavior of people changing at the time that passes the door of the organization (Dominguez, Rodriguez, & José A., 2009).

The culture of an organization is not defined by a single edge, but includes a dynamic set of values, ideas, habits and traditions, shared by people within an organization and governing their actions within it. These elements, environment and organizational culture are present throughout the organization and strongly influence the process of information management, these indispensable resources for decision-making and achieving the success of the organization (Paredes, 2012).

It is a fact that the values, habits and traditions grown over time in an organization and define the way people behave. So it is important to maintain an environment with sufficient communication that contributes to learning and improved by sensitizing members, as a better way to interact with each other, with customers and other external agents, motivated by the recognition for the achievements reflected in the best results and the image that projects on the environment as an entity in this case.

The organizational culture is due to the interaction of four main factors: Personal and professional members of the organization, organizational ethics, and the nature of labor relations and the design of its organizational structure features (Jones & George, 2014). Ideas, habits and virtues built in the organization are present in the process, which means that policies and standards established in the internal control must be found aligned with the organizational culture, i.e., beliefs and values of the organization. The in-built ethics is primarily through consistent acting of executives and senior managers, inside and with interacting corporations, as well as the community as a whole. Considering the contributions of different authors consulted in Figure no. 2 which is shown below, reflects the process of formation of the organizational culture.

Figure 2. Process of organizational culture of small business



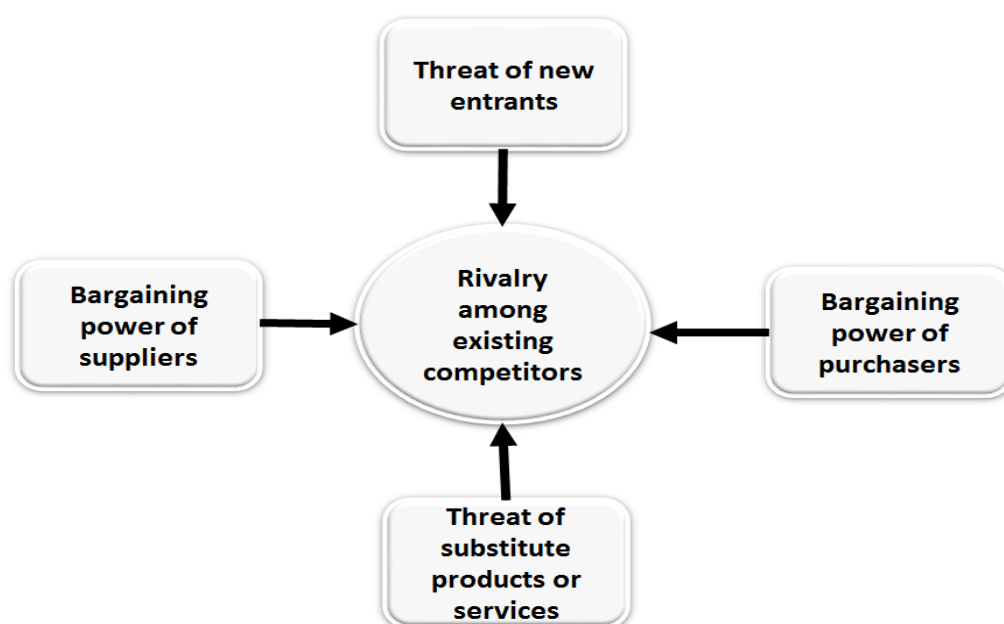
Source: Own elaboration.

Competitiveness

Competition is one of the most powerful forces in society to advance in many fields of human endeavor. Competition is widespread, whether it involves companies struggling for markets, countries facing globalization or social organizations that meet social needs. Every organization needs a strategy to deliver superior value to its customers (Porter M., 2008).

According to Porter (2008), there are five competitive forces in the industry, being these that mark their profitability in the medium and long term, provided they are benign. Is the industry structure that promotes competition and profitability, and it is not the fact that if an industry producing a product or service, whether emerging or mature, whether it is high or low technology, if it is regulated or not. For it considers customers, suppliers, potential candidates and alternates products. Further, it is believed that industries may look very different, with each other; the underlying drivers of profitability are the same. To illustrate this effect the following figure in the five competitive forces shown is presented in figure 3 below.

Figure 3. The five competitive forces that shape strategy



Source: Porter, M. (2008).

In conformity with assertions of Porter (2008), is the industry structure that promotes competition and profitability, and is not the fact that if an industry producing a product or service, whether emerging or mature, if high or low technology, whether or not is regulated. Considering the above it can be stated that in the structure are defined the different activities of the organization, aimed at achieving the objectives, made by its human resources. This is the part that organizational culture is necessary, with their values, ideas and customs built in time, to strengthen and promote compliance with the necessary regulations and achieving the goals.

Competitiveness is defined as the set of institutions, policies and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy (Forum, The Global Competitiveness Report, 2014).

The above definition refers to important elements to consider for small businesses. This is the case seen as a decisive factor in competitive productivity level, representing a major element for their achievement. The existing organizational culture and internal control rules established are contributing to better processes, which consequently generates profitability and prosperity, which in turn benefits all its members, through improvements in remuneration and profit distribution. This prosperity impacts the local, State and national environment.

The Mexican company now faces the influence of a changed environment that drives to reinforce structural mechanisms that allow them to support these new environmental conditions. Country companies, especially small and medium suffer abruptly changes involving trade liberalization and economic globalization. All this translates into the need to make these companies more competitive (Morales & Pech, 2000). The process of transforming the business environment of small businesses is changed exponentially, forcing to implement strategies to ensure their survival, creating competitiveness. It is important to create a culture of change promoted at all levels of the organization, in which innovation, efficiency and effectiveness of processes become a form of work of each member of the company.

Method

The development of this research was made based on an empirical approach, through a qualitative analysis, resorting to electronic, literary and scientific sources, the implementation of 30 surveys to small commercial enterprises and government information. The information collected is examined, being selected to contribute in responding to the issues raised and give a solution. A descriptive study, as declared by Hernandez (2010), which considers descriptive studies those seeking specify the properties, the characteristics and profiles of individuals, groups, communities, processes, objects or any other phenomenon to submit an analysis.

I said earlier that a survey was applied to know the accounting process and the use of financial information, as a competitive strategy of small companies. The sample selection was based by reference to data from the last census conducted by the National Institute of Geography and Statistics in 2010, counting in the city of Lazaro Cardenas, Michoacan with 87 small business enterprises, which surveyed only thirty, by resistance to share information considered confidential.

The applied survey was integrated of fifty questions, measuring the dimensions of the accounting process, effective management of the cash conversion cycle, financial analysis, tools for decision-making, efficiency and operational efficiency and process quality. Obviously highlighting the problems in internal control, being the same that motivated this research. The validation of this instrument was performed using the statistical package SPSS

Statistics, version 19, determining the reliability by Cronbach's alpha coefficient. The result yielded by the analysis was 0.963, for 50 elements considered in the instrument used, therefore is considered valid.

The effect of having more information and understand the results of internal control in small businesses, it was taken as pilot company Servicristales Pacific, SA de CV, a small trading company in the field of glass and windshields, leading to an important finding, that internal control should be preceded by an organizational culture that strengthen and improve the results of their application, in adopting the rules established as a lifestyle of the organization and its members.

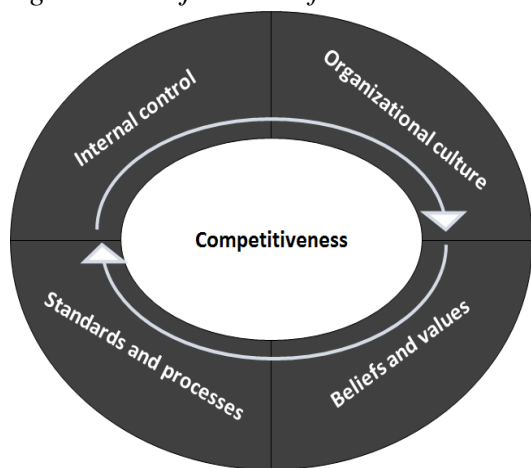
In the present study, it is considered as an independent variable internal control and organizational culture and competitiveness as dependent variables.

Analysis of results

This research helped to clarify the importance that represents the internal control for small businesses, in order to safeguard its assets, obtaining and orderly application of resources, ensure efficient and effective development of financial information reliable for decision making. This has a positive effect on generating profitability by ensuring the protection of their property and the best use of its resources. However, by carefully analyzing the literature, it highlights the need to strengthen control standards with an organizational culture consolidated, it focused on the achievement of organizational objectives embodied in the mission and vision, aligned on compliance with operating rules, as part of the beliefs and attitudes of their members, facing processes, convinced that their compliance identifies them as an organization.

That is, small businesses should promote an organizational culture, focused on the adoption of values that contribute to compliance and internal control standards, as an essential part for the achievement of corporate goals and ethical principles as an organization wishes to project to the interior and with the environment. The following figure 4 shows a representation of the proposed process.

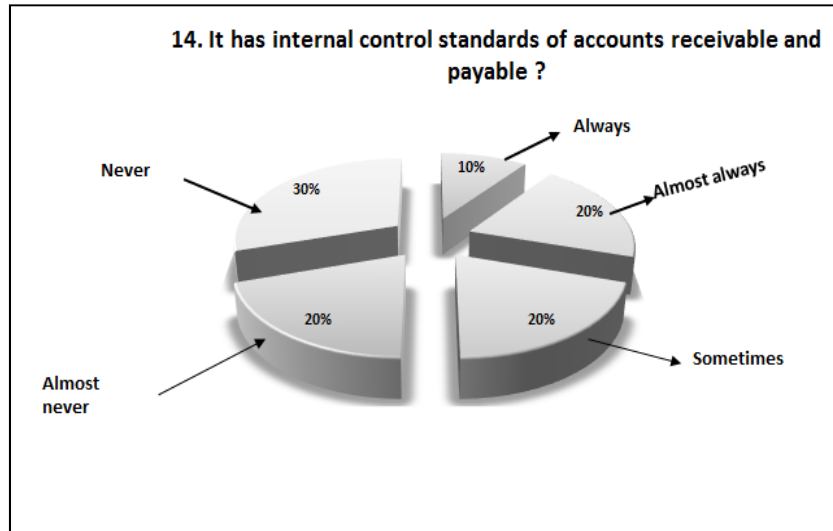
Figure 4. Conjunction of internal control organizational culture



Source: Own elaboration

As it was mentioned in the survey of 30 small companies in the city of Lázaro Cárdenas, Michoacán, in question number fourteen, it was questioned if they had internal control standards for accounts receivable and payable, with the following results presented in the following figure 5.

Figure 5. Internal control standards



Source: Own elaboration

As can be seen, 30% of respondents appreciated not have internal control standards, 20% said they hardly ever, which means that either have them. Another 20% said that sometimes, they also lack thereof. Therefore, the outcome would rise to 70% of companies that do not have these standards, and which proportionally are mostly. It is important to note that 20% also the answers was almost always implying that they have controls, but not consistently applied and only 10% applied rigorously.

For reasons of space only are managed the results of question number fourteen of the survey it is handled by way of example. However, in terms of inventories only 7% of respondents know at any time seniority and rotation, reflecting their lack of control. Another indicator is the result of question number one of the survey. Only 27% said that their accounting process is carried out in a clear, reliable and timely manner, so reflecting that a large number of small businesses in Lazaro Cardenas, Michoacan, lack of controls or, they do not have reliable and timely information for proper application.

In the topics addressed, the opinion expressed by Gómez (2015), is of great importance, saying that the impact of corruption is not a minor issue, since according to an analysis by the International Monetary Fund (IMF), in countries with more corruption the percentage of investment can be reduced by up to 5.0 percent, plus companies recorded losses in their annual sales revenue in the same proportion, and productivity of these is also affected each time increases the perception of corruption among entrepreneurs.

In connection with the above statement on corruption, he reports that companies recorded losses and affects productivity, a problem that is no stranger to small businesses that lacking effective controls can present the removal of property, provision of financial resources without authorization, conclusion of contracts or fraudulent and misuse of assets operations. This because it is a problem of values and is repeatedly in the government sector, without existing mechanisms to punish and discourage this practice. On the contrary, it spreads and develops ideas, strategies to evade controls and the same regulations.

This problem of corruption strengthens the proposal to promote an organizational culture that contributes to the formation of attitudes of its members, aimed at complying with the rules of internal control and operational policies, within a framework of legality and ethics, which flow from the higher levels of the organization to the lowest of its structure and where compliance is privileged and punished consistently its transgression. Promotion of organizational culture should be preceded by a sufficient communication to disseminate addition to the corrective and the benefits of sticking to the regulations. This requires a

permanent job, training processes, recognition and remuneration commensurate with the possibilities of small business.

The above statements are strengthened when observing in the pilot company that attempts to steal materials mainly appeared in recent workers of recent entry, manifesting themselves in isolation from those with more years in the company. This by custom built for years and transmitted by the owner who serves as administrator, as well as staff in time sharing ideas and beliefs that finally identifies them as an organization.

Conclusion

This research reflects the immediate need that small businesses face at Lázaro Cárdenas, Michoacán, to implement internal control in their processes to ensure the protection and proper use of their assets, procurement and efficient and effective use of its resources, and the generation of reliable financial information for decision-making. The lack of regulations, directly impacts profitability by keeping vulnerable financial resources, assets inventory and fixed assets, the conclusion of contracts and operations that can be executed without adequate oversight.

The aim of research raised was accomplished accurately, concluding that internal control is essential for the proper conduct of businesses, measure their performance and improve profitability. However, by itself just is not enough. It needs to be in conjunction with the organizational culture, built by the initiators of the entity, cultivated on a daily basis, transmitted to members that during the development are integrated, enriching it, making differentiation with other companies. All values and beliefs adopted should be addressed to comply with codes of conduct, as a philosophy of work necessary to achieve the organizational mission and vision. This manages to create an identity that is projected into the environment, giving confidence to customers and suppliers and the community in general.

This statement is based on the results observed in the pilot company to detect that older workers comply with established standards, as a result of customs and shared beliefs in time, with cases of non-compliance mainly workers that recently joined and not properly by ignoring the controls, rather with the intention to violate them, which require an inductive training to create an organizational culture that create awareness of the need for an identity that will benefit the organization and each of its members training.

As stated by Minsal & Pérez (2007), organizational culture refers to a common pattern of behavior used by individuals and groups within an organization with their own personality and characteristics. However, the surrounding culture tends to influence and when it collides with the beliefs of the organization, it is necessary to establish training programs and awareness, to cultivate best practices and attitudes

It is critical to the topics addressed, which claim Vargas, Guerra, Bojorquez, and Bojorquez (2014), who state that between organizational failures that have in a company are the lack of cooperation, the failure of cooperation, lack of organization, disorganization, disintegration, destruction of the organization and reorganization. They are the characteristic facts of human history. It is here where executives come; they are who instilled the belief in a common purpose, i.e. synthesize the actions of the contradictory forces and reconcile contradictory instincts, interests, conditions, positions and ideals. This confirms that constant work is required, involving the main levels of the organization, mainly preaching by example and building their beliefs as an entity.

The proposal submitted on internal control in conjunction with the organizational culture is also a response to the problems posed by corruption, which for its materialization as mentioned, makes use of all kinds of chicanery aimed at evading regulations and controls, representing a high cost for the diversion of resources and consequently adversely affects the image and competitiveness of the company. Likewise, the proposal made, can be applied to

micro, medium and large enterprises, including public bodies, which have important budgets that when applied correctly, would result in better benefits to society.

Reference is made to this problem mainly because a large company can have adequate internal controls, but it does not guarantee compliance in a timely manner, considering the diversity of values of those who integrate therefore regulations should be strengthened with training and dissemination of an organizational culture, practiced consistently and permanently, making emphasis on internal benefits and how the entity perceives the environment.

Small businesses are common that are formed by members of one family and one of them leads, taking the administrative, operational and marketing decisions. This situation is representing limitations in knowledge of today to lead an organization, making necessary the intervention of consultants to define the direction to be taken as an entity, to establish clearly with the participation of its members, the mission and vision that will set the direction and strategy to follow. Also to establish the necessary control standards to ensure quality in processes, identify existing values and beliefs and work on the adoption of those needed to reach the goal setting.

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