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**“INTERNAL CONTROL IN SMALL AND MEDIUM-
SIZED BUSINESSES AND ITS ROLE IN EMPOWERING
THEIR STRATEGY: A CRITICAL STUDY IN GREEK
COMPANIES”**

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ABSTRACT

This study examined the presence of internal control on Greek SMEs, as well as its connection with the achievement of their business strategy. Firstly, a literature review was conducted in order to point out some basic information regarding the topic of the research. As for the empirical part, a questionnaire was conducted and then completed by a sample of 93 Greek SMEs from different industries and regions all over Greece. Some questions were linked to the incorporation of the five components of “COSO Framework” into the function of SMEs, whereas some others were about the effectiveness of their business strategy policies and the contribution of the internal control executives to the configuration and achievement of business strategy. The data were collected and analyzed using some descriptive statistics and the “One-way Anova” hypothesis test in Excel. The main findings of the study confirm the existing literature regarding the necessity of internal control on SMEs, for only half of the sample population has a sufficient internal control system, whereas the majority of them recognizes its necessity for the business survival. In addition, more than 50% claimed having clear objectives and strategy setting within their organization, but less than 50% insisted that the internal control executives are actively involved in the strategy configuration processes, with mostly small and medium-sized companies underlying this situation. What is more, 85% believe that the internal controls of a company could influence either a lot or absolutely its strategy achievement. So, this study underlines the importance of having internal control executives working on these two simultaneously, in order to deal with possible risks in a shorter period of time and boost the organization’s growth too. Based on the results of the survey, there were some recommendations made regarding the contribution of internal control executives to the strategy achievement of a company like for instance to focus on specific monitoring activities, constant communication, and meetings with everyone and to evaluate and work towards employees ‘satisfaction. At the end of this thesis, some implications were mentioned regarding this study.

Keywords: Internal control, Business Strategy, Greek SMEs

TABLE OF CONTENTS

INTRODUCTION.....	1
1. LITERATURE REVIEW	
1.1 Definition of Internal Control.....	3
1.2 COSO Framework.....	4
1.3 Definition of Small and Medium-sized Businesses (SMEs) in Greece.....	5
1.4 Importance of Internal Control in SMEs.....	6
1.5 Business Strategy: Definition and its Significance in SMEs.....	8
2. EMPIRICAL PART	
2.1 Research Scope and Goals.....	11
2.2 Research Methodology.....	11
2.3 Empirical Results.....	12
2.3.1 Sample Profile	12
2.3.2 Internal Control Processes in Greek SMEs.....	15
2.3.3 <i>Linkage</i> of Internal control procedures with business strategy.....	25
2.3.4 “Analysis of Variance” Hypothesis Testing.....	28
3. Conclusions and Policy Implications.....	33
4. Limitations and Further Research Directions.....	35
References.....	36
APENDIX A: THE QUESTIONNAIRE OF THE SURVEY.....	38

INTRODUCTION

An effective and qualitative internal control system can influence the ability of a company to survive over the years, for it contributes to the clarification of the organization's goals and objectives without wasting much time and money (Mary, Albert & Byaruhanga, 2014 as cited in Adegboyegun, Ben-Caleb, Ademola, Oladutire, & Sodeinde 2020). This system can provide managers with a clear idea of how well all the systems and units within the company work (Shannak, 2012 as cited in Mahadeen, Al-Dmour, Obeidat, & Tarhini 2016). Micro, small and medium-sized companies (SMEs), represent about 99% of total enterprises in Greece (Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard). Such companies deal with various risks and uncertainties every day (e.g., frauds, sustainability issues etc.) and they often struggle to survive in the competitive markets; so, they need to have a strong business strategy, in order to overcome these difficulties and succeed. Unfortunately, there is not much information in the existing literature regarding the necessity of internal controls on SMEs as well as its linkage with the achievement of their business strategy; for this reason, this study aims to extract more pieces of information regarding this issue. A questionnaire was conducted and then filled in by 93 people working in different job positions (e.g., owners, managers, employees etc.) within their micro/small/medium-sized company, in order to collect different perspectives on the issue under examination. The data were collected and analyzed using some descriptive statistics (Mean, Standard deviation) and the "One-way Anova" hypothesis test in Excel. Among the main findings of the survey, is the fact that although 66,7% of the sample population has a predefined internal control system and 53% claimed that their company successfully manages its strategy with its support, such processes are mostly among the responsibilities of proprietors, managers, the head of the accounting department or they are even assigned to particular employees as additional duties. In addition, 63% insisted that there is a clear picture of their company's objectives and strategy, and according to the One-way Anova test, the respondents of the survey agreed on that independently of their position within the entity. Regarding the level of integration of the internal control executives into the business strategy, less than 50% insisted that such people are actively involved in the strategy configuration and execution processes; the present study found out that especially the small and medium-sized entities do not involve their internal auditors that much in the strategic planning. Moreover, 77% of the sample believes that their company need to improve its internal controls, and this level of agreement was equally made by all the types of businesses. What is more, 85% insist that the internal controls of a company could influence either a lot or absolutely its strategy achievement. From the aforementioned results of the survey, it can be concluded that SMEs should pay more attention to the development of an internal control system and ideally to have such procedures done by well-qualified people; of course, they should take into consideration all the costs and benefits

out of this decision in advance. The second substantial finding of this study is the need to combine the internal control procedures with the strategy management. Possible ways of the internal auditors' contribution to the strategy management could be a) to regularly monitor whether the company's total performance fits in with its vision and goals so as to report any discrepancies to the owners/ top management and make necessary changes to the internal controls, b) to focus on the constant communication with everyone so as to make sure that people are always aware of the business strategy, c) to evaluate the employee's satisfaction within the firm and d) to regularly organize meetings with everyone in order to evaluate existing goals and redefine new ones if needed.

1. LITERATURE REVIEW

1.1 Definition of Internal Control

First of all, it is important to point out the definition of Internal Control and its role in today's business world. According to Arcila (1993), an internal control system creates a framework of structure and obedience within the company, and it is suitable for all kinds of businesses (as cited in Vargas–Hernández, Cardenaz, Patricia & Campos, 2016, p.11). Another meaning of internal control according to Holmes (1999), is all the tactics and policies conducted by an organization in order to prevent fraudulent activities, safeguard its assets, evaluate the financial statements, and make sure that everyone work according to the rules being set by the company (as cited in Vargas–Hernández, Cardenaz, Patricia & Campos, 2016, p.11)

According to COSO (2013), Internal control is “a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to the i) effectiveness and efficiency of operations, ii) financial reporting and iii) compliance with laws and regulations” (p.1).

In other words, when referring to a process, it means that Internal Control is an ongoing set of activities, throughout the existence and the function of a company; such procedures are implemented not only by the top management and the board of directors, but also by all the units that an organization consists of. Policies that are incorporated in the Internal Control System of a company, should be carefully set, carried out and then they should be evaluated for any flaws or inefficiencies, which could be improved (COSO, p. 3).

Another essential point is that Internal Control should be executed by all the people working for an organization, including managers, the Board of directors and the rest employees. Its necessity is communicated by the top management and the Board to all the employees and at the same time, some specific practices are respectively asked to be followed by everyone. People need to deeply understand not only the company’s objectives and goals, but also all the possible difficulties and risks that may arise- even though the aforementioned may not fit with their mindset and their personal experiences- and attempt to work sensibly and productively (COSO, p. 3).

What is more, an efficient Internal Control System is about to provide managers and directors with “reasonable assurance”; This means that although this system aims to help an organization succeed and deal with all the possible problems and difficulties, there are always some risks that cannot be predicted and controlled in advance. For instance, factors like people’s faults or events occurring outside the organization or even the possibility of taking inappropriate decisions for the company due to lack of expertise or critical thinking, could have a negative impact on the achievement of business goals (Oseifuah & Gyekye, 2013, p.242)

In general, a company with a well-organized internal control system, has the potential to create goods or services according to its objectives and vision; when all the systems throughout an organization work efficiently, value creation is easier to be accomplished. In addition, when all the operations work according to particular laws and instructions given by the top management, the company is able to save more of its resources in the near future (Hanim et al., 2005, as cited in Buthayna Mahadeen, Rand Hani Al-Dmour, Bader Yousef Obeidat & Ali Tarhini, 2016, p.23).

1.2 COSO Framework

In order for businesses to better organize and supervise their internal control system, there has been established an “Internal Control- Integrated Framework”, which contributes to the achievement of the organization’s goals, the restriction of possible risks, and the compliance with regulations, in challenging times when everything changes rapidly (COSO, p. 1). This Framework includes five components: Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities (COSO, p. 5).

The Control Environment is considered to be the basis of an entire internal control system, as it is linked with processes like ensuring integrity and ethical standards among the organization’s people as well as organizing the operations and the tasks of the employees, which are set by the management (Eldridge, Waarden, van der Wiele, & Williams, 2013 as cited in Aldmour, Obeidat, Yousef, Tarhini, 2016). What is more, both the management and the Board of directors “set the tone at the top” of the organization, but these two are independent units of the company; the top management directs people, and the Board of directors supervises the internal control processes (COSO, pp. 12-13).

Risk Assessment is about recognizing and examining all the possible risks and difficulties related to the fulfillment of a company’s targets. This process is deemed to be ongoing, for there are always new challenges that arise; for example, constant changes in staff, fast-moving expansion of the company or launching of a new product/service could be only some of the situations that might increase the company’s risks (Oseifuah & Gyekye, 2013, p. 244)

Another essential component of “COSO Framework” is the Control Activities of an organization; such activities are carried out by all the units of the entity, and they play a vital role in making sure that the identified risks of the company are under control. Examples of control activities could be to separate various tasks among people, to give official agreement to certain actions, to reexamine the operations of the entity and to safeguard the assets of the company (Monday, Inneh, Ojo, 2014, p.246).

Referring to the “Information and Communication” part of COSO cube, it is quite substantial to communicate the appropriate information to the people of an organization; a right information system can contribute to the improvement of the internal control system, for people can make better decisions for the survival and development of the entity. In general, people have to process data from internal and external sources, and they need to clarify not only their role within the company, but also the role of their colleagues, so as they can cooperate and communicate with each other in a productive way (COSO, p.14).

Finally, through Monitoring processes it can be observed whether the internal controls of the organization are efficient in the long term. Depending on the risks being identified, there are constant monitoring procedures or on-the-spot assessments occurring within the entity (Çika, 2018, p. 55). Any flaws or problems related to the internal control processes are reported directly to the top managers and the board, so as the latter can act accordingly and correct them (COSO, p.14).

1.3 Definition of Small and Medium-sized Businesses (SMEs) in Greece

In today’s business world, about 90% of all the enterprises in the European Union are Small and Medium-sized (SMEs) (European Commission’s website). The definition of SMEs is based on the EU Directive 2003/361, according to which there are specific criteria for an organization in order to be classified as “micro”, “small” or “medium”. This categorization is common for all the EU members and is used mainly for the implementation of certain policies related to them (EU Recommendation 2003/361, as cited in Arkoumanis, 2022, pp. 8-9)

According to this EU recommendation (2003/361), the criteria for the categorization of enterprises are the number of employees, the company’s Turnover, and its total Balance sheet; in general SMEs are companies which employ less than 250 people and at the same time their Turnover does not exceed the amount of 50.000.000 € or their total Balance sheet does not exceed the amount of 43.000.000€

Table 1: Classification of Companies according to their size

Enterprise Size	Number of Employees	Annual Turnover	Total Balance Sheet
Micro	0-10	≤2.000.000	≤2.000.000
Small	10-50	≤10.000.000	≤10.000.000
Medium	50-250	≤50.000.000	≤43.000.000

The Table 1.1 depicts the three categories of businesses, depending on their size. A Micro Company employs up to 10 people and has up to 2.000.000€ annual turnover or up to 2.000.000€ of total balance sheet. A small enterprise is the one having up to 50 employees and meanwhile having either up to 10.000.000€ of annual turnover or up to 10.000.000€ of total balance sheet. When an organization has between 10 and 50 employees, and annual turnover between 10.000.000€ and 50.000.000€ or total balance sheet between 10.000.000€ and 43.000.000€ is considered to be a medium one. It is important to be mentioned, that a company changes its size (e.g., turn from small into medium etc.) in case it exceeds the aforementioned characteristics for more than two years in a row (Arkoumanis, 2022, pp. 8-9).

1.4 Importance of Internal Control in SMEs

Internal Control Systems have been proved to be quite beneficial for SMEs, even though the majority of the latter does not pay much attention to this. First of all, with the contribution of a well-organized Internal Control System, the owner(s) of a micro/small/medium enterprise may have access to more precise and reliable information related to the financial and operating procedures of the organization; this situation will help people make better decisions about the development and survival of the company and have better cooperation with their vendors and associates, leading towards the achievement of the company's objectives and the maximization of its profitability in the long term. (Rob Reider, 2008, p. 263).

The Association of Certified Fraud Examiners (ACFE, 2022) in 2022 reported that although cases of fraud take place in both larger and smaller enterprises, it is quite impressive that small companies deal with higher median losses (\$150,000) in comparison with the largest firms of the research (\$138,000), whereas their fraud cases were about 22% in that year. According to this report, it is pointed out that the impact of fraud in smaller organizations is vital and should be noticed. Fraudulent activities could be for instance thefts, misuse of assets, skimming, corruption and tampering of documents. Particularly for the smaller enterprises of the study, it was found out that cases of skimming and tampering of payments happened more often than in larger ones.

It is quite known that SMEs are usually prone to cases of fraud, thefts, asset misappropriation and other forms of financial crimes because they lack in internal control systems. In the USA, it was published that such low-quality internal controls have led the country to recognize a 30% of business failures (Oseifuah & Gyekye, 2013, p. 242).

According to the study of Nyakundi, Nyamita and Tinega, (2014) about the relation between the internal control systems and the financial performance of 168 small and medium-sized businesses in Kenya, it was found that there is a positive linkage between these two. In

particular, the connection between the internal control systems and profit maximization of SMEs was examined and the results were quite significant for this interrelation. It is vital to be mentioned, that the researchers recommended that the owners of SMEs should be well-trained about the role and the impact of the internal controls (as cited in Adegboyegun, Ben-Caleb, Ademola, Oladutire⁴ & Sodeinde⁵, 2020, p. 473).

A study -conducted in Micro and Small Enterprises in Indonesia (Nugrohoa & Utami, 2022)- found that there is a strong linkage between internal control and the sustainability of SMEs, for in such companies the right people were responsible for specific duties as well as control and monitoring processes. The proprietor of a micro/small organization plays a vital role in that, as this person knows everything about the company and has the capability to run the business. However, the same study concluded that there is not a significant relationship between risk management and the sustainability of such companies, as the majority of them has no clear objectives and goals for expansion and extra development; they mainly aim to cover their expenses and keep their family business alive over time (Nugrohoa & Utami, 2022, p.14). What is more, a benefit of running a small business, is that the proprietor is involved in all the duties and the units of the company, so this person has also the capability to deal with all the internal control flaws or inefficiencies in order to protect the organization and its assets (Monday, Inneh, & Ojo, 2014, p. 239).

A research of 200 small enterprises in Lagos State of Nigeria (Monday, Inneh, and Ojo, 2014) concluded that the internal control system in small companies is quite important for the effectiveness of their performance, the good function of their operations and in general for their ability to gain more profits. For this reason, Monday, Inneh, and Ojo (2014), suggested that the top management should take the effectiveness of internal controls seriously into account, so as to help their organization maximize its profits and decrease the possibilities of fraudulent activities and flaws too (as cited in Adegboyegun, Ben-Caleb, Ademola, Oladutire⁴ & Sodeinde⁵, 2020, p. 473).

Another study about internal control in SMEs in Ondo State showed, that especially the components of Control Environment and Control Activities can positively influence the operating performance of such organizations, as long as they manage to keep their internal controls in a high level. However, this study examined mostly micro-companies, in which it was concluded that most control activities like the separation of tasks among people or the policy of approving documents or giving authorizations within the company cannot easily be managed. The main reason for this, is the very small size of such enterprises and the way they do business. In addition, SMEs reported specific weaknesses in maintaining effective internal controls like for instance problems with their employees (e.g., bad cooperation with them, lack of communication, not arriving at work in time, not clear segregation of duties depending on

each job position) (Adegboyegun, Ben-Caleb, Ademola, Oladutire⁴ & Sodeinde⁵, 2020, p. 477).

What is more, another essential point according to COSO (2013) is that internal control is deemed to be a tool for a company, which can help the latter not only implement all the necessary tasks “harmoniously” in order to achieve its business strategy, but also tackle major risks. In this way, the cooperation between the employees and the top management becomes better and more effective, provided that the managers inform everyone about the importance of internal controls and the plan they are about to follow (Zecheru, 2014, as cited in Aladejebi, 2017, pp. 20-21).

In order a company to safeguard its assets and reassure the accuracy and the quality of its reports, there has to be a synchronization between its strategy and all the processes that need to be implemented (Rahim, 2017, as cited in Alawaqlehi, 2021, p. 856). In fact, there is no perfect internal control system that will lead people to conduct flawless or totally accurate reports related to the financial and managerial operations of the company. The more effective this system will be regarding the financial reporting, the less the possibility of having incorrect financial statements though. An effective internal control system contributes to the achievement of business strategy (Papazov & Mihaylova, 2012a; Papazov & Mihaylova, 2012b; Papazov & Mihaylova, 2016, as cited in Bilgi, Papazov & Mihaylova, 2017, p. 70). However, businesses that attempt to establish good internal control systems should take into consideration that the cost of such systems should not surpass the advantages of having them (Arwinge, 2013; Chand, 2015; Kirova, 2012, as cited in Bilgi, Papazov & Mihaylova, 2017, p. 70).

1.5 Business Strategy: Definition and its Significance in SMEs

In today’s business world, having a powerful business strategy plays a substantial role in the good function, the development, and the expansion of SMEs. However, the majority of micro, small and medium enterprises does not pay much attention to Strategic development, which is such a useful tool for their effective management.

There are two big categories regarding the definition of strategy: the “corporate” and the “business” one. A company’s corporate strategy is actually about finding the suitable market(s) to focus on and expand itself, whereas a company’s business strategy is about finding out ways to be more competitive and attractive in a specific market (Olson, Slater & Hult, 2005, as cited in Olson E., Olson K, Czaplewski & Key, 2021). A firm needs to choose the right business strategy, after determining and evaluating its goals, recruitment and training processes, funding opportunities, cash flow, marketing plans and all these procedures that affect its outputs and

general image (Ittner, Lacker, Rajan, 1994 and Hambrick, 1983, as cited in Park, Sung & Byun, 2019). What is more, it is essential for an organization to opt for a suitable strategy according to its financial situation and its unique features and needs, as in the opposite way, it could probably face difficulties in creating more profits and so there will be serious problems in terms of survival in the market (Won, 2015, as cited in Park, Sung & Byun, 2019).

First of all, setting a particular strategy for the organization leads in setting a specific mission and a philosophy, according to which all the operations will be designed and managed. A well-defined business strategy can provide the organization with a competitive advantage in the market and lead the way towards sustainability. What is more, having a plan and following a strategy, makes it easier for the management of the company to evaluate possible risks and uncertainties of the business environment and make appropriate decisions regarding changes in the strategic processes when this is necessary (Rob Reider, 2008, p. 36).

According to Porter (1980), there are two main categories of business strategy: the Differentiation and the Cost-leadership strategy. The Differentiation Strategy is about producing a good or service that has one or more unique characteristics in comparison with that of the competitors; for instance, its reputation, quality, appearance, or the way it makes customers feel (as cited in Park, Sung & Byun, 2019). Such features contribute to the value-creation of this product/service and so to the value-creation of the enterprise. Companies that opt for this strategy, usually sell their product at high prices, as they pay attention to their competitive advantage in the market (Rob Reider, 2008, pp. 38-39). The Cost-leadership Strategy focuses on selling a product or service with a specific feature at a lower price than that of the competitors. It is important to be mentioned though, that organizations that select such strategy, do not necessarily decide to decrease their prices, for they may also decrease their operating costs or pay more attention to marketing campaigns, in order to gain more profits (Porter, 1980, as cited in Park, Sung & Byun, 2019).

In addition, Miles, and Snow (1978 & 2003) added two more types of business strategy; the prospector and the defender one. A prospector company is actually a pioneer in a specific market, as it produces an innovative product/service. Such strategy is usually accompanied by increased probability of success, but it could also be quite risky. However, this could be an ideal option for SMEs, because this could help them grow and succeed in a short period of time. A “defender strategy” is less risky and steadier, as it is mostly based on increased production combined with cost reduction policies (as cited in Park, Sung & Byun, 2019).

In order for a business to realize and choose its strategy, it is essential for the top management and the board members to follow three steps: a) Find out the company’s vision and objectives, b) Consider other strategies as well, c) opt for the right strategy. To begin with, SMEs need to find out their mission and their motives for functioning, surviving, and expanding themselves

in the market. After that, the proprietors need to set some fundamental rules and standards, related to the good function of the company. Such standards should be followed by all the employees of the organization; for this reason, there has to be good and effective communication to everyone about the way the company should work and the goals that are about to be achieved (Rob Reider, 2008, p. 47).

Having a successful strategy means to pay attention to the constant development of the business, while at the same time to tackle possible risks and problems. This situation is considered to be much more intense for small enterprises with limited resources and probably less experience regarding the market conditions (Rob Reider, 2008, p. 35).

2. EMPIRICAL PART OF THE STUDY

2.1 Research Scope and Goals

This study aims to examine not only the necessity of the internal control activities on micro, small and medium enterprises, but also its connection with business strategy. The research involved enterprises from various industries and sectors, which are based on regions all over Greece. Taking into consideration that there are not much literature findings regarding internal control and its connection with business strategy of small and medium-sized companies, this study aims to bridge this gap as much as possible and give different perspectives on this issue. Another objective of this study is not only to evaluate the level of internal control adoption in Greek SMEs, but also to find out the attention given to such procedures by them. According to OECD's report of 2022, around 94.6% of Greek businesses are micro-ones, 4.8% are classified as small and 0.5% are medium-sized (Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard). This means, that the vast majority of enterprises in Greece are SMEs (99%) and so they fully represent the national economy. For this reason, the research included SMEs from different industries and not just a single sector, so that the results could somehow represent the national market.

2.2 Research Methodology

The research methodology that was chosen for this study is the quantitative one, which was based on a structured questionnaire, being presented on Appendix A. The sample population of the study was SMEs from various regions of Greece, one third of which were family businesses. The respondents of the study were chosen to be people from different job positions (e.g., owners, managers, employees, internal auditors etc.) within a company, with the intention of collecting different opinions and perspectives regarding the effectiveness of internal control on the strategy achievement of the company they were working for. The questionnaire was accessible via "Google Forms" and its link was sent to the enterprises via e-mail and their social media accounts. It was available to be filled in from the middle of June until the middle of August of 2023. In this period of time, there were collected about 93 responses out of the 120 which was initially the maximum goal of replies being set; so, the response rate of this survey is deemed to be about 77,5%. Regarding the fact that this is typically a period of time when most companies do not function to their fullest, this number of responses is deemed to be adequate for the purpose of this study. These 93 responses actually represent 93 different enterprises (micro, small or medium-sized), as only one person from each single company took part in the survey, independently of his role within the business. The questionnaire was mainly inspired by the paper of I. Bilgi, L. Mihaylova, E. Papazov (2017), regarding questions about

the existence and the effectiveness of the internal control in such businesses and more specifically, these questions (either closed ones or Likert-scaled ones) were related to the five components of COSO Framework (2013), which are Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring activities (COSO, 2013). What is more, the participants of the survey were asked questions about the business strategy of their company and its possible linkage with the internal control systems. At the end of the survey, some more general questions regarding the education background and the personal characteristics of the participants were added. All the data being collected from such questionnaires were analyzed and commented. Moreover, some of the questions regarding the linkage between internal controls and the business strategy, were further analyzed with the “One-way Anova” hypothesis testing in excel; the purpose of such hypothesis tests was to find out the rate at which some specific replies were affected by a) the size of the business and b) the job position of the respondents.

2.3 Empirical Results

2.3.1 Sample Profile

To begin with, it is important to present some social characteristics of the participants of this research. The questionnaire was completed by 93 people from Greek companies, 58,1% of them being women and 41,9% men (Figure 1). As Figure 2 depicts, the vast majority of them has either a university degree (47,3%) or a master/PhD diploma (45,2%), so this means that the sample population is well-qualified and educated.

Figure 1: Gender of respondents

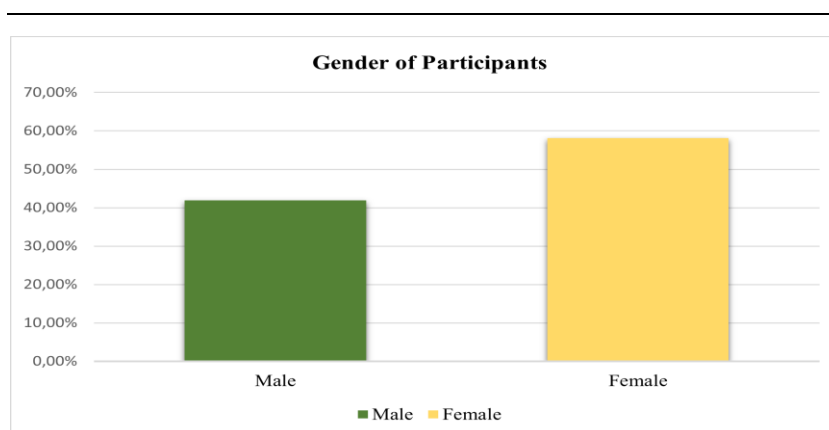
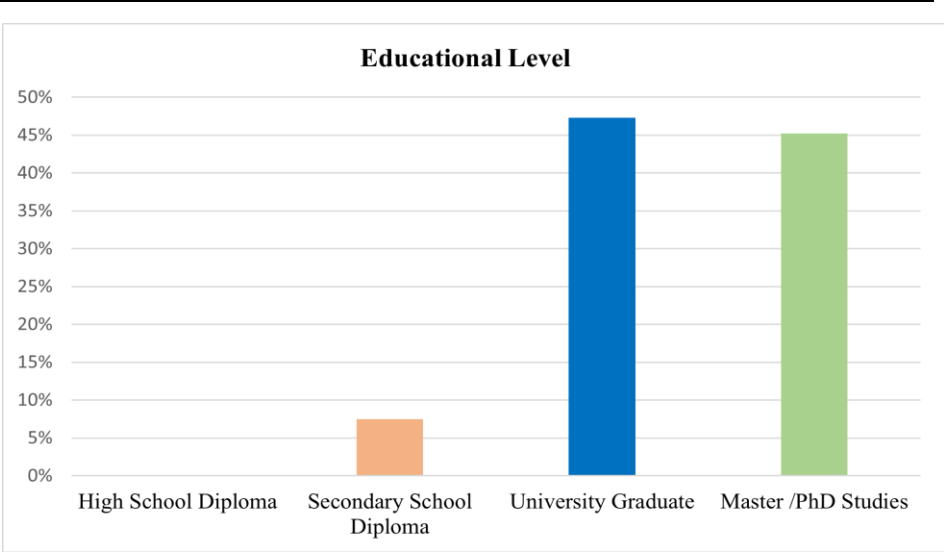


Figure 2: Educational background



In addition, most participants are employees within the company (61,3%), followed by owners/shareholders (16,5%) and managers/executives (16,5%). Internal auditors represent only a small portion of 5,7% and this is probably a proof that Greek SME’s do not prefer to have a separate internal audit and control department (Figure 3). Regarding the years of experience in the same company, more than 50% of them work less than 5 years in this enterprise, followed by a 19% of the respondents working between 5 and 10 years, and the rest 25% work there more than 10 years (Figure 4).

Figure 3: Job position within the organization

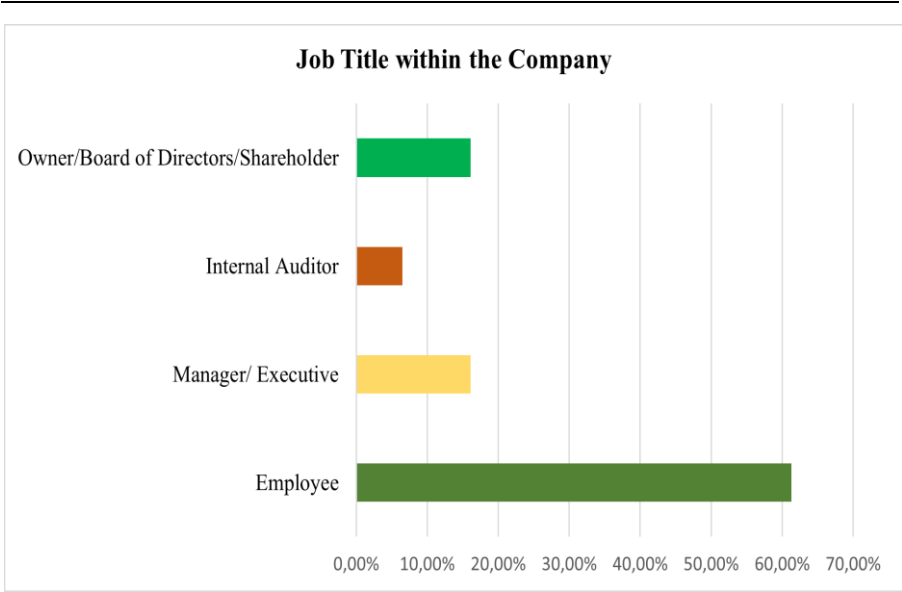
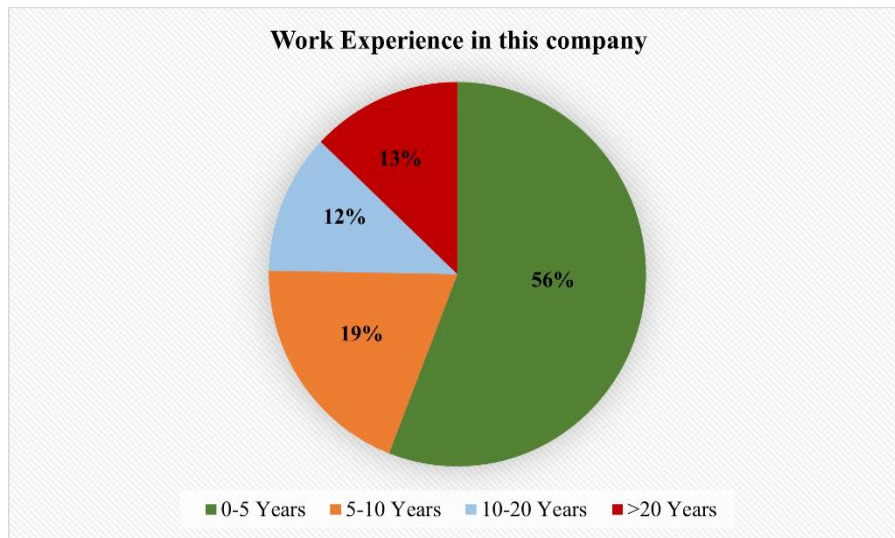


Figure 4: Years of experience in the same company



Among the SME's that were included in the sample, 30% are micro-ones, 22,7% are small and the rest 47,3% are medium-sized (Figure 5). Another feature of this sample is that 34% of them are family-businesses (Figure 6).

Figure 5: Companies classified by size.

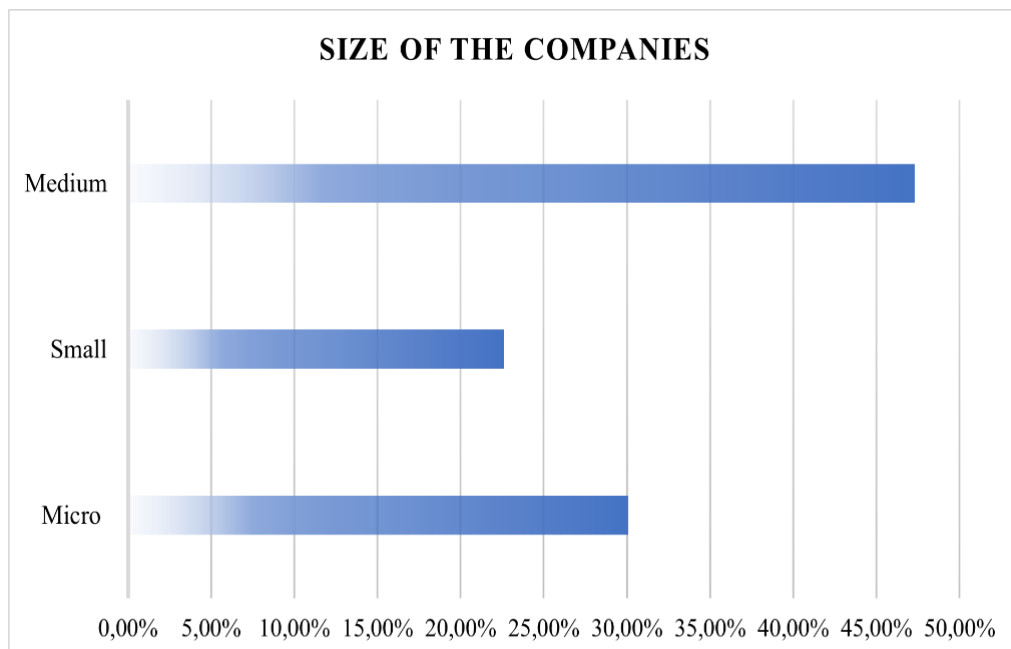
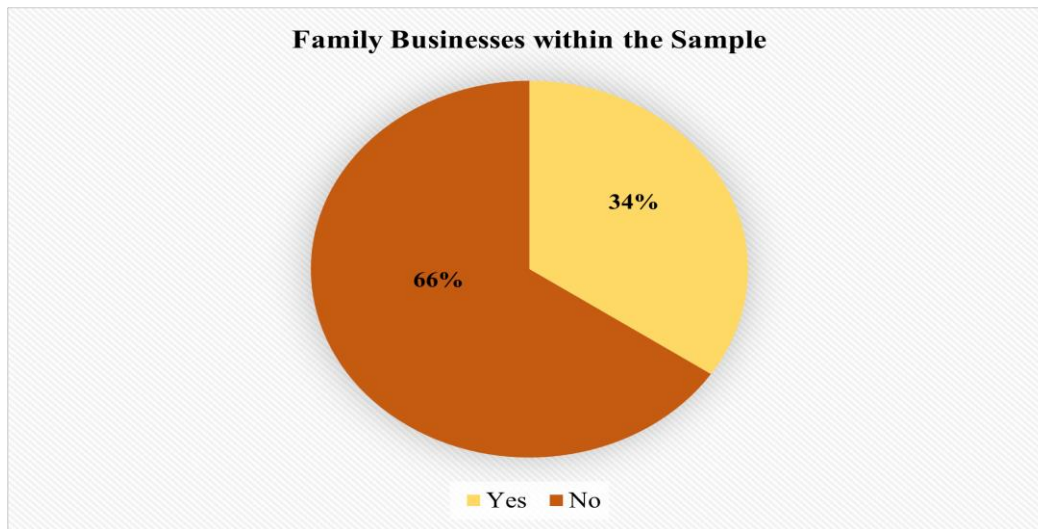


Figure 6: Number of family-businesses within the sample



2.3.2 Internal control processes in Greek SMEs

The first point that was examined through this survey, was the existence of an internal control system in Greek SMEs, as well as the possible benefits it provides to each business. According to Figure 7, more than half of the companies included in the survey (52,6%) are involved in the services' sector, 18,3% of them in commerce (either retail or wholesale trade), 12,9% in manufacturing activities, 10,8% in construction, and the rest in information systems. The questionnaire included some more general questions regarding the internal control statement in such organizations. To begin with, the participants were asked whether there is a predefined internal control system within the structure of their company; fortunately, most of them (66,7%) replied positively, whereas a smaller portion (25,8%) replied negatively on that question (Figure 8).

Figure 7: Main working activity of the company

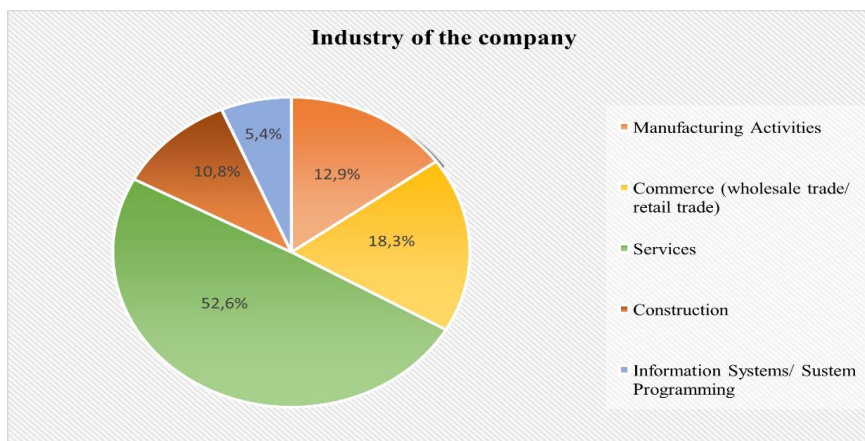
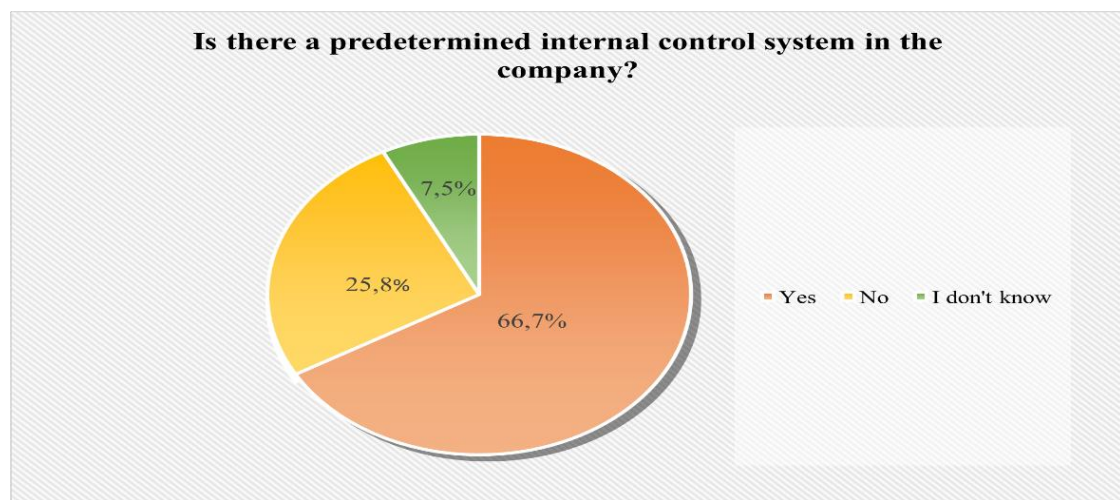
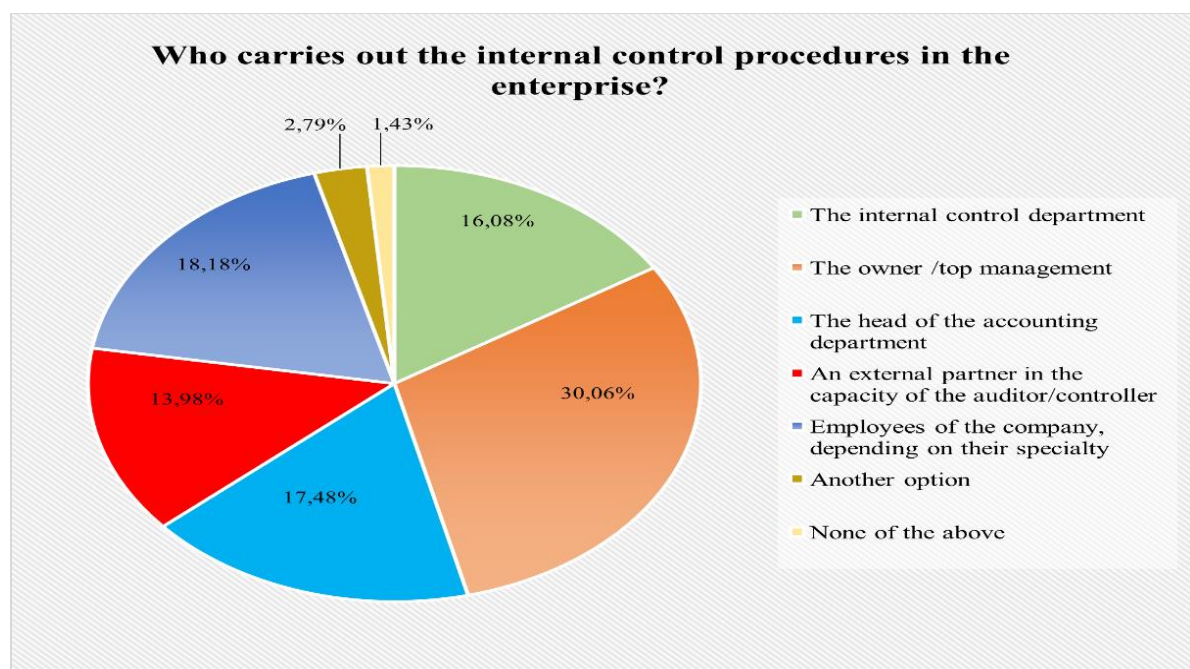


Figure 8: Existence of internal control system within the company



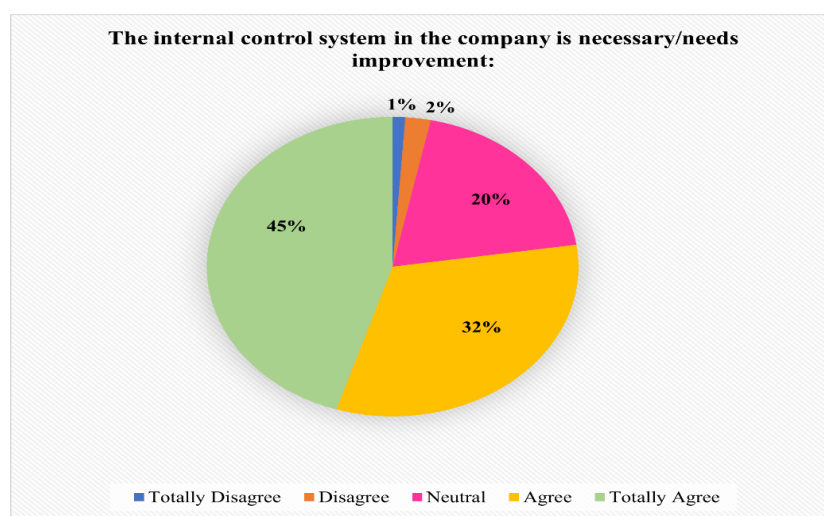
To the question about who is responsible for such internal control processes in the organization, there were various answers (Figure 9). In particular, about 30,6% replied that the owners/managers typically carry out such procedures, 18,18% of the sample claimed that some employees within the company work on these controls in addition to their regular duties and 17,48% chose the head of the accounting department being in charge of these. Only a smaller percentage of the sample (16,08%) answered that there is an internal control department within the company and an even smaller portion of the sample (13,98%) pointed out that their company cooperates with external partners, who carry out the internal controls.

Figure 9: Person responsible for the internal control procedures within the company.



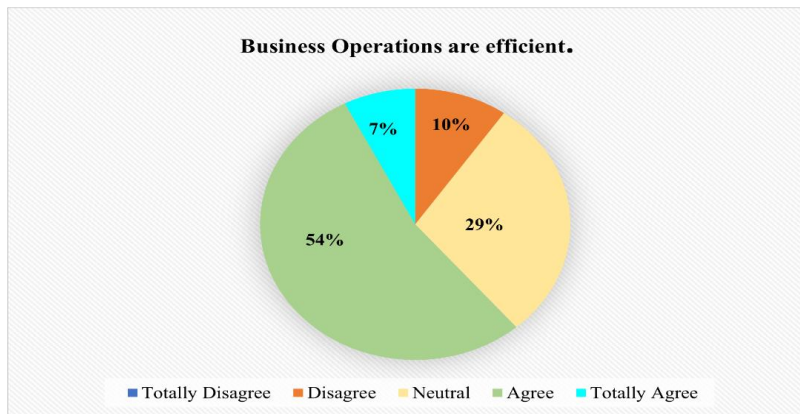
These results could be a sign that most SMEs in Greece do not pay attention to the segregation of the internal control duties to people who are completely focused on them; this option might be risky for the profitability and the further development of every company, as each person from every single unit of the organization should normally devote much time on his main job requirements, in order to work efficiently for the greater good of the firm. That is probably a reason why, around 77% of the respondents claimed that the internal control system in their company is essential and needs further enhancement (Figure 10).

Figure 10: Necessity of the internal control system



The participants of the survey were then asked to express their level of agreement (on a Likert-scale from 1 to 5, where 1 means “totally disagree” and 5 means “totally agree”) on some statements that are connected to the five components of COSO (control environment, risk assessment, control activities, information and communication, monitoring) and how these are applied to their companies. For each one of these “Likert-scale based” questions, it was essential to calculate the Mean as well as the Standard Deviation of the data that were collected (Figure 24). To begin with, in Figure 10 the Mean of the replies is 4.18, showing that the participants mostly agree on that statement. Fortunately, Figure 11 depicts that 83% of them think that their organization’s operations are efficient in general, whereas only 10% replied negatively; this situation normally sets the ground not only for a sufficient function of a firm but also for its strategy achievement in a shorter period of time. The average answer on that question is 3.59.

Figure 11: Efficiency of business operations



Some of the questions were linked to the “Control Environment” of each company, which is the basis of all the units of the “COSO Framework”. In particular, 63% of the organizations of the sample claimed that there is a clear picture of the company’s strategy and its goals to everyone, whereas 26% replied neutrally; this question has a Mean of 3.78, which reassures the fact that most of the respondents agree on that (Figure 12). Another interesting finding of this survey is that a portion of 58% (more than half of the sample population) agreed on the fact that their company follows internal controls which are in line with its objectives and vision (Mean=3.60), with 26% replying neutrally again (Figure 13).

Figure 12: Existence of business strategy, vision, and goals

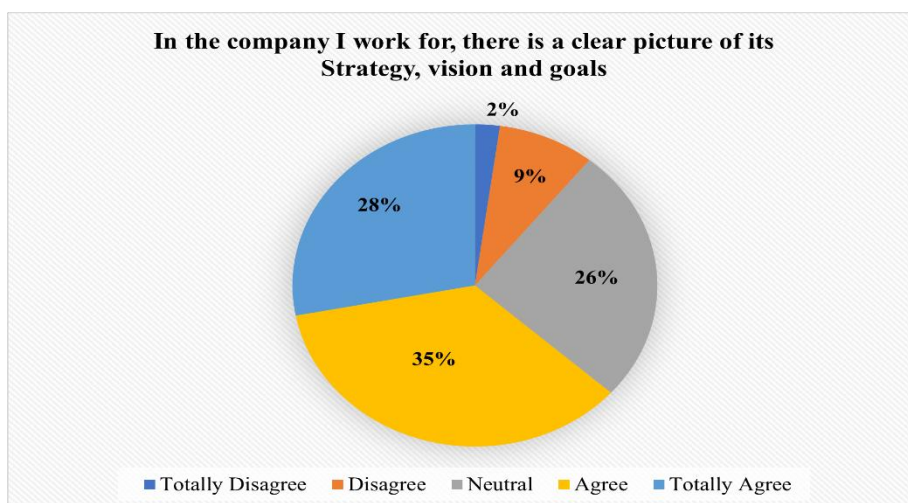
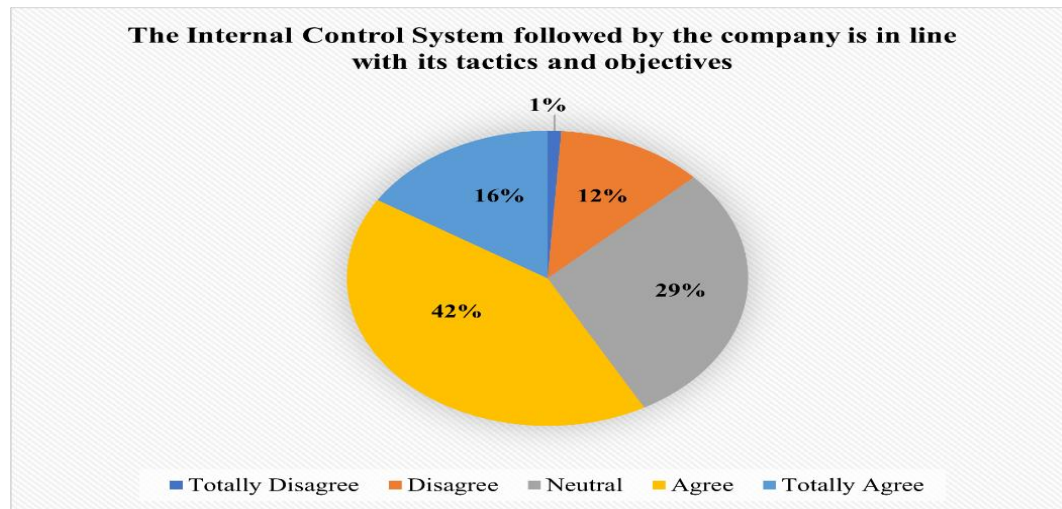
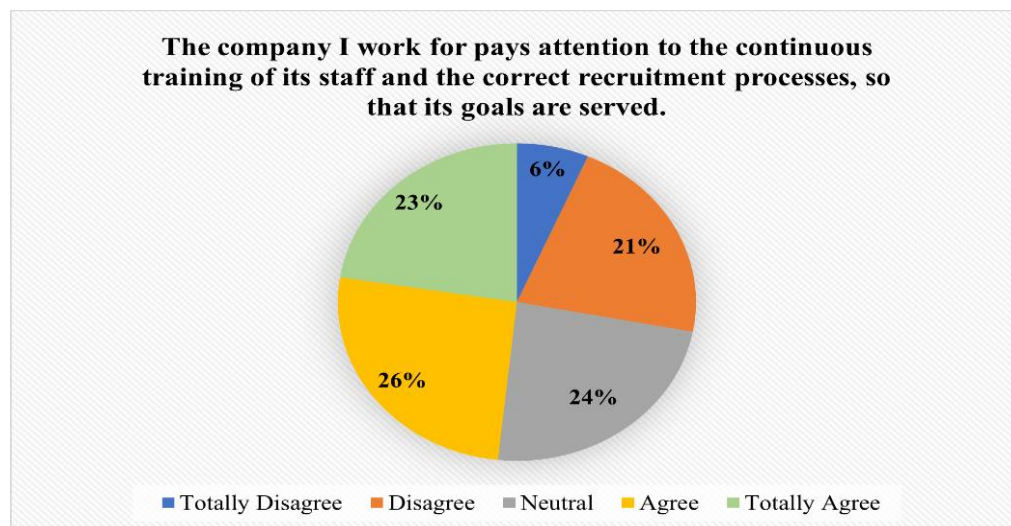


Figure 13: Connection between the Internal Control System and the business objectives



Regarding the constant training of employees and the suitable recruitment processes within the company (Figure 14), less than half of the respondents (49%) replied positively and 27% disagreed on this statement (Mean= 3.37). This finding means that Greek SMEs could probably face some difficulties in strategy and goals' achievement, as they do not pay much attention to the selection of their staff and the continuous staff training, according to the needs and the risks that arise.

Figure 14: Training and recruitment processes



What is more, the next feature of COSO is the process of investigating risks as well as the ability of successfully dealing with them (COSO, 2013); this is the concept of “Risk Assessment”. Once more, roughly half of the participants (53%) agreed on the fact that their company successfully manages its strategy and its risks, with the support of its internal controls (Figure 15); the Mean of this question is estimated 3,52. Another important fact is that 56% of

companies insisting that fraud detection may be avoided/ tackled, for there is a predetermined plan for such incidents (Figure 16); the average reply on this statement was 3.55, depicting that most replies were positive ones once again.

Figure 15: Ability of the company to achieve its strategy and tackle risks.

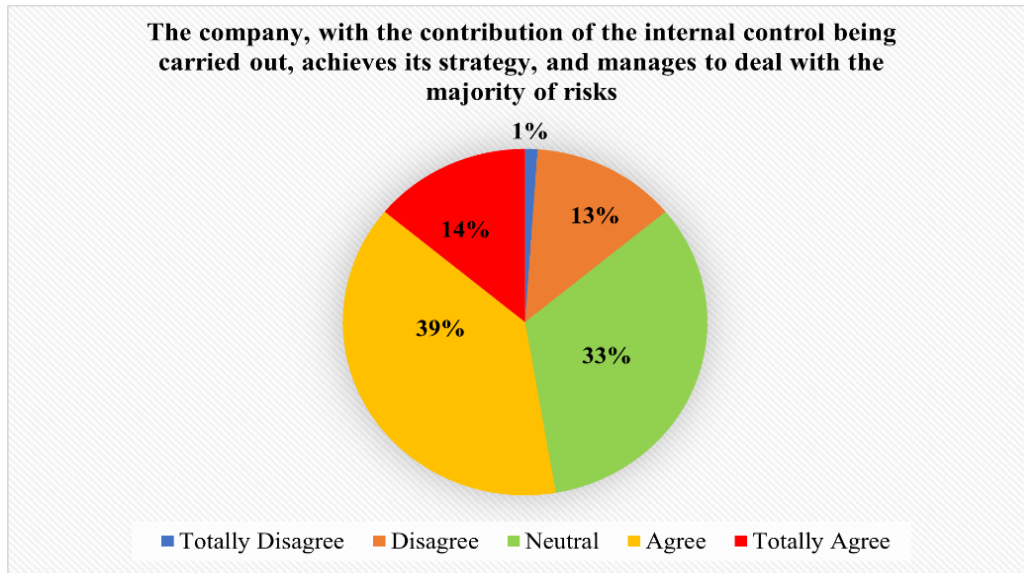
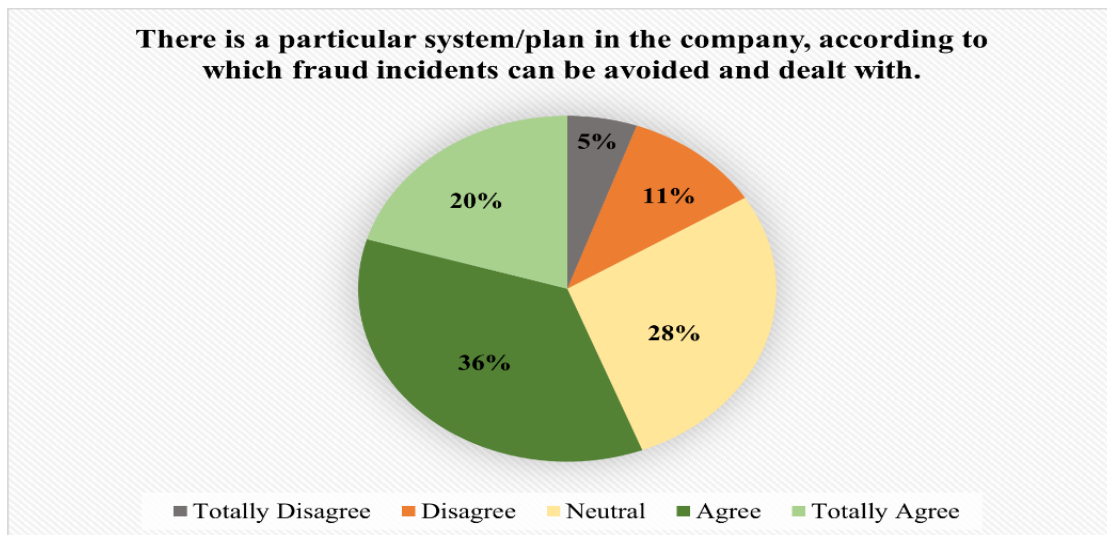


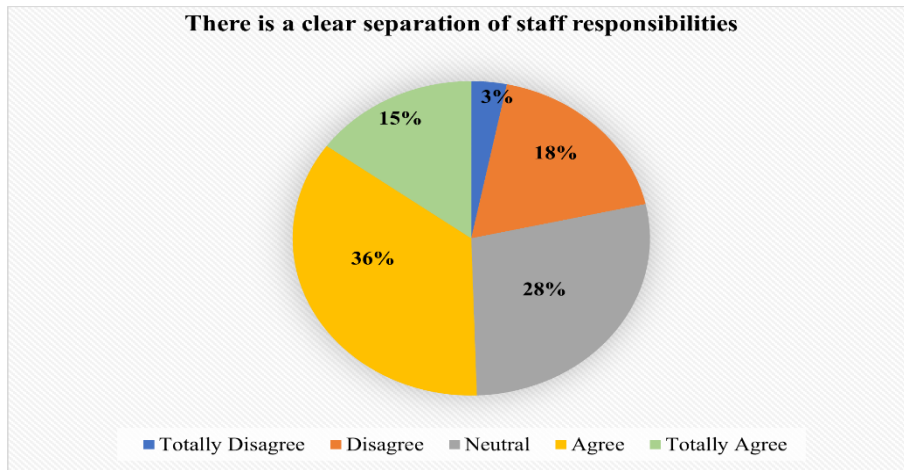
Figure 16: Fraud detection



According to COSO (2013), after the step of risk assessment, some control activities need to take place, so as to boost the business' ability to overcome most of its risks. One of the most common and crucial procedures is the separation of duties among people of all units and departments of the organization. So, in this status, the Mean was 3.41, with 51% insisting that

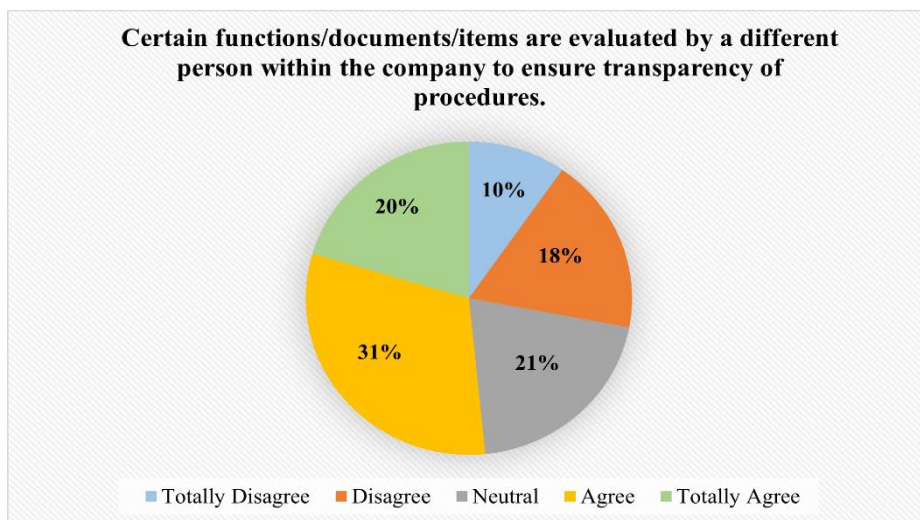
their business does this clearly, whereas 21% disagreed on that and the rest 28% replied neutrally (Figure 17).

Figure 17: Segregation of duties



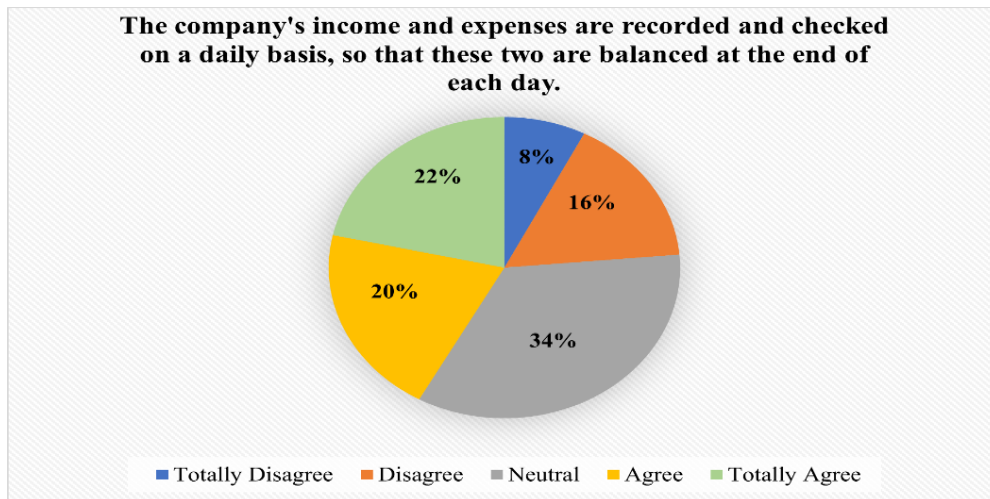
Regarding the transparency of procedures within a business, 51% of respondents agreed on the fact that assessments of documents etc. are made by different employees from the ones who initially worked on them, whereas 28% of companies claimed that this does not occur in their case and the rest 21% replied neutrally (Figure 18), with the Average reply being calculated as 3.34. This statement's results are quite common with the ones in Figure 6, proving that half of the sample population has weak fraud detection mechanisms and so better internal controls should be set to deal with this problem.

Figure 18: Evaluation of documents/ functions



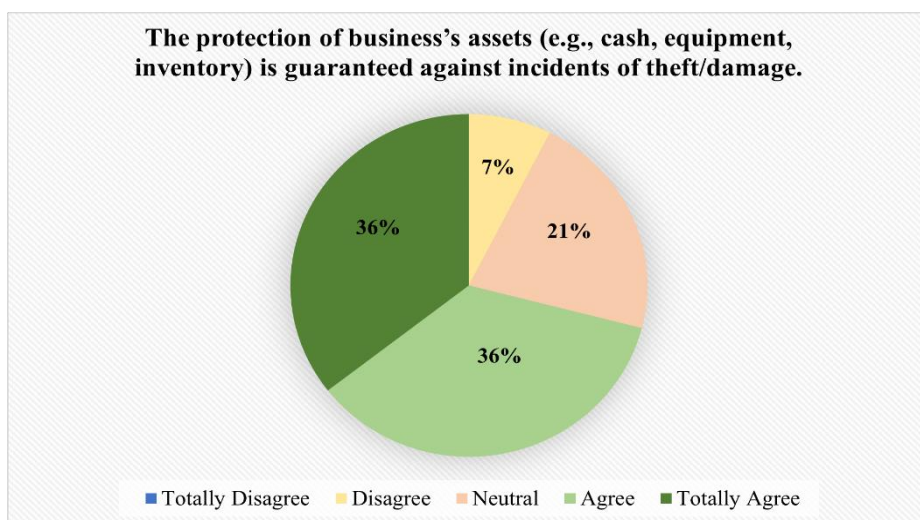
In addition, 58% of the companies insisted that they have mediocre or bad controls, which have to do with their daily check of income and expenses (Mean= 3.32); this is also a control that could reduce possible losses due to human mistake or fraudulent activities (Figure 19).

Figure 19: Controls regarding daily income and expenses



A positive finding about the Greek SMEs is that 72% of the sample (Figure 20), claims that they have their assets guaranteed against cases of thefts or damages from natural phenomena or other factors; with the average reply being calculated as 3.99, this somehow shows that such organizations take more seriously strategies and controls into consideration that could protect their properties and decrease losses linked to the aforementioned reasons.

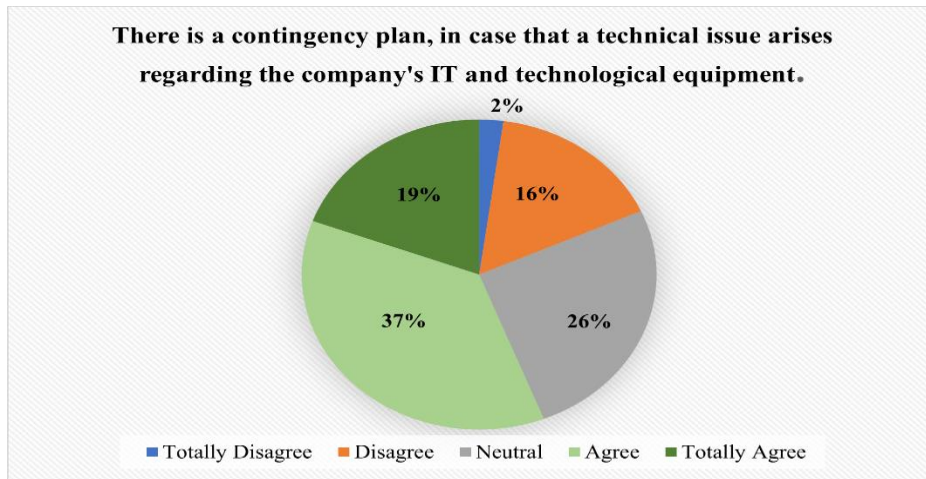
Figure 20: Safeguard of assets



In the question if there is a “plan b” about the function of the company’s IT in case of a technical emergency the Mean was 3.55, as only 56% replied positively and 18% disagreed on this statement; this result probably shows that almost half of the companies of the survey probably

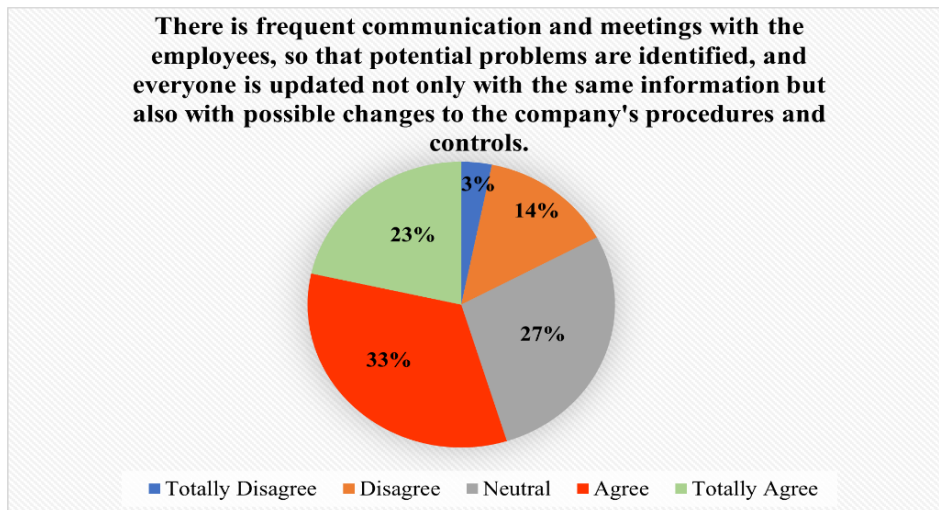
faces higher risks of technological equipment damages, or losses of data or even decreased productivity of employees every time an IT problem arises (Figure 21).

Figure 21: Information Technology protection



In order for all of the business’ selected controls to work successfully, there has to be good and effective “information and communication” among people; this is what the fourth component of “COSO Framework” is actually about (COSO, 2013). Figure 22 depicts, that 56% of the sample population agreed on the fact that there is sufficient information and frequent meetings with colleagues of all units within the company, and they are all informed equally about possible changes and controls that the latter needs to conduct. The Mean of that inquiry was 3.56, which confirms the above positive responses.

Figure 22: Information and communication among people within the company



The last feature of “COSO Framework”, is the “Monitoring activities”, which occur to the internal control processes of the company in order to assess the effectiveness of them and to point out possible problems and benefits to the latter (Mean= 3.62). About 60% of the

respondents replied positively on that, whereas 17% claimed that their company does not do this (Figure 23).

Figure 23: Monitoring of internal controls

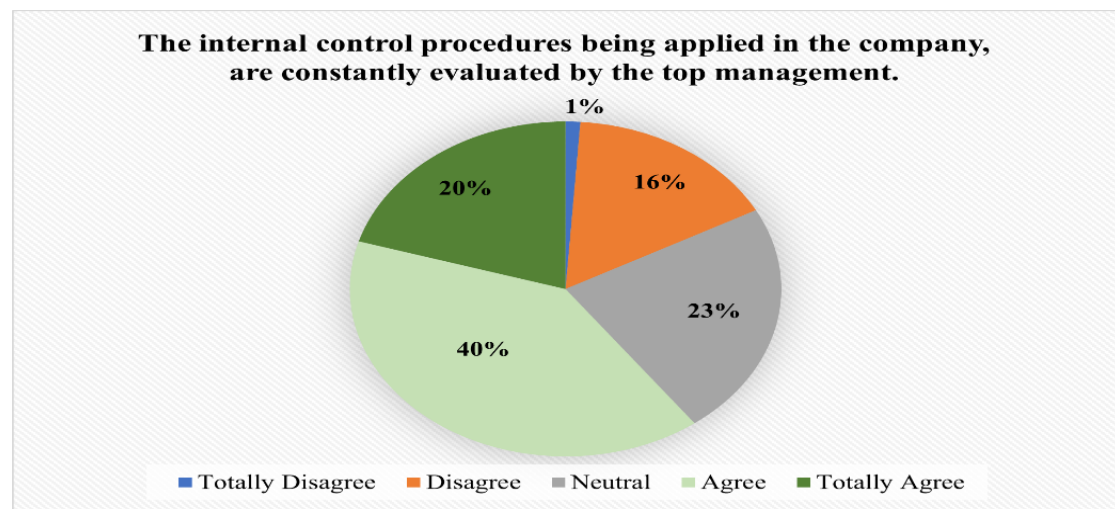


Figure 24: Mean and Standard Deviation of the Likert-scale questions of the survey

Questions been replied according to Likert-scale from 1= totally disagree to 5=totally agree	Mean	Standard Deviation
In the company I work for, there is a clear picture of its Strategy, vision, and goals	3,78	1,02
The Internal Control System followed by the company is in line with its tactics and objectives	3,60	0,93
The company, with the contribution of the internal control being carried out, achieves its strategy, and manages to deal with the majority of risks	3,52	0,93
I believe that the internal control system in the company is necessary/needs improvement	4,18	0,90
Business Operations are efficient	3,59	0,77
There is a clear separation of staff responsibilities	3,41	1,06
The company I work for pays attention to the continuous training of its staff and the correct recruitment processes, so that its goals are served	3,37	1,23
Certain functions/documents/items are evaluated by a different person within the company to ensure transparency of procedures	3,34	1,26
There is frequent communication and meetings with the company's employees, so that potential problems are identified, and everyone is updated not only with the same information but also with possible changes to the company's procedures and controls, based on the risks that arise	3,56	1,08
The company's income and expenses are recorded and checked on a daily basis, so that these two are balanced at the end of each day	3,32	1,20
The protection of business's assets (e.g., cash, equipment, inventory) is guaranteed against incidents of theft/damage	3,99	0,94
There is a contingency plan, in case that a technical issue arises regarding the company's IT and technological equipment	3,55	1,05
There is a particular system/plan in the company, according to which fraud incidents can be avoided and dealt with	3,55	1,10
The internal control procedures being applied in the company, are constantly evaluated by the top management	3,62	1,02

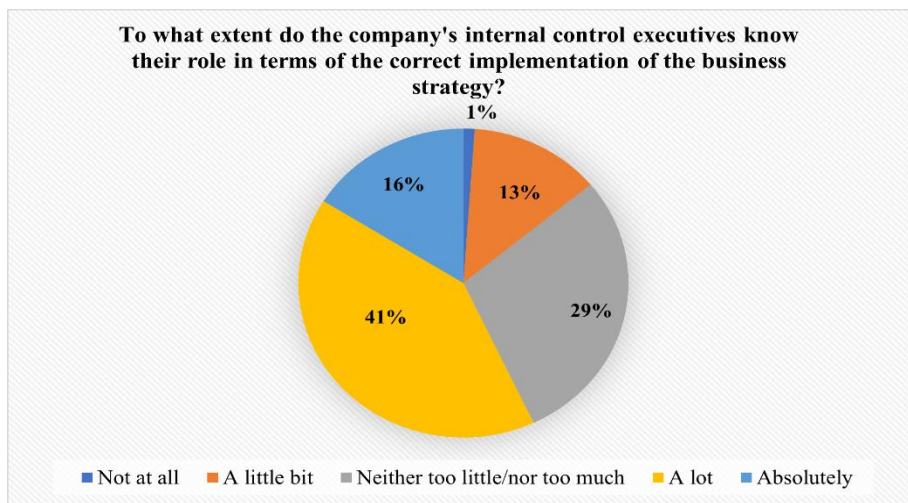
2.3.3 Linkage of Internal control procedures with business strategy

The second part of this survey is about finding out whether the internal controls of a company affect its business strategy. According to Figure 25, 40% of the respondents agreed on the fact that the internal auditors of the company or the people who carry out the internal control procedures are actively involved in strategic planning and development and 23% claimed that they take part in the process but not in an active manner. Moreover, 24% replied that such people do not participate in the aforementioned process, but they attempt to be up to date for this, whereas 13% insisted that not only do not they participate in that, but they also receive no information about it. In addition, only 57% of participants think that the internal control executives in their business are aware enough of their role regarding the proper implementation of business strategy (Figure 26); such result is quite similar with that of Figure 25, meaning that these people who actually know their role regarding the strategy management of a company and work on internal controls, are probably involved in such processes and attempt to get informed about all the challenges and changes that occur.

Figure 25: Integration of internal auditors in business strategy

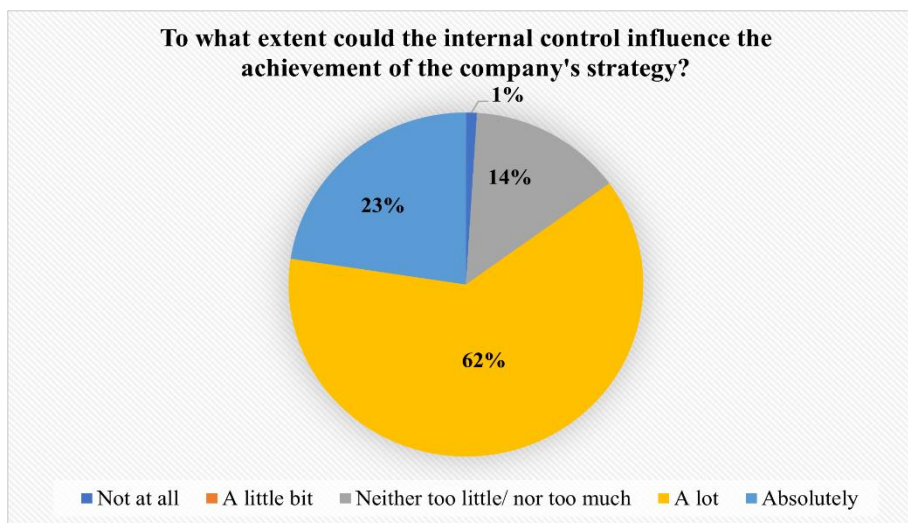


Figure 26: Internal control executives' role on business strategy



Although only half of the sample population attempts to combine internal controls with strategic management, 85% of them believes that the internal controls could contribute to the achievement of a business' strategy, either absolutely or a lot (Figure 27).

Figure 27: Internal control and its possible influence on business strategy



Last but not least, the participants of the survey were asked to opt for one or more possible ways that the internal audit executives could help towards successfully managing the business strategy (Figure 28).

To begin with, 27% insisted that this could be achieved with the contribution of continuous monitoring activities; in particular, the total performance of the company as well as the way it faces the risks that arise, should correspond to business's objectives and its vision and that could be regularly monitored by the internal audit staff. Then, the outcomes of this process should be presented to the owners and the top management of the company and discuss with them possible

changes that could be made. In general, with this recommendation, an organization could save both time and money, as it will function more effectively as a whole.

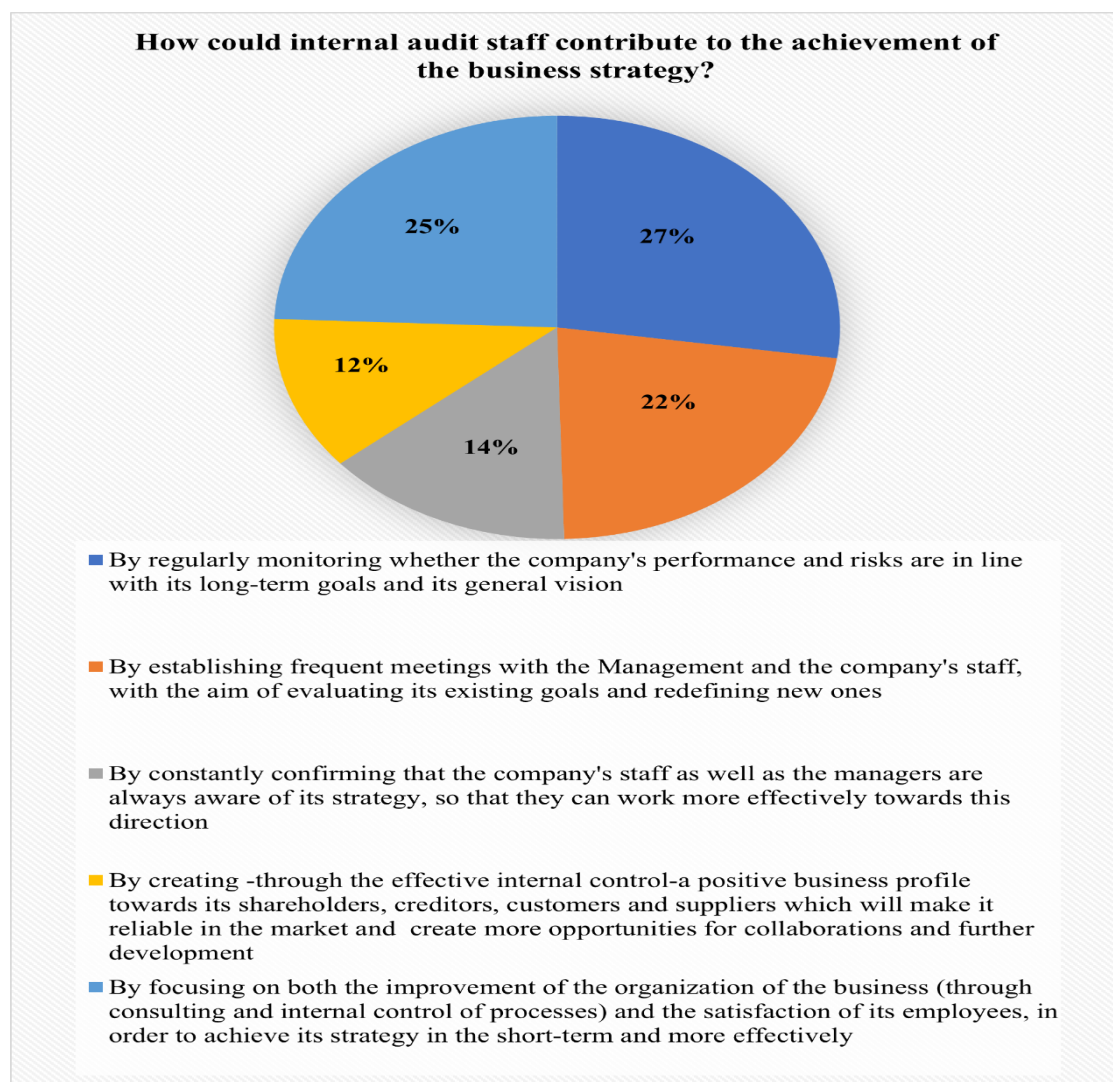
The next most popular choice (25%) was by equally paying attention not only to the enhancement of the business 'organization through internal controls and consulting by the right people, but also by focusing on the satisfaction of all the people working for the specific business. This is a very essential point, as the employees are actually the "core of an organization", and they could increase the profits of the firm and work hard towards strategy achievement in the short term. Internal audit and control executives should regularly communicate with everyone within the business, so as to ascertain whether people face difficulties with the working conditions and procedures as well as with their colleagues and managers, so as to prevent serious problems from occurring (for example fraudulent activities, decrease of productivity, poor performance etc.).

Moreover, 22% believes that another beneficial policy for the strategy achievement of a business, could be if internal auditors could organize regular meetings with both employees and the top management, in order to assess the present situation and the existing goals and to redefine new ones if necessary. In this way, everyone within the company will receive the same information and could work collectively for the greater good of the entity.

What is more, 14% of participants chose the policy of reassuring that everyone within the organization, from employees of all departments to the top management and the owners, are always aware of the strategy of the entity; this option should not be taken for granted, as people sometimes focus more on their own personal objectives and performance and, as a result, the achievement of business strategy ends up being a more complicated process.

At last, the option of creating a positive business profile towards stakeholders (suppliers, clients, creditors, shareholders etc.) was selected by 12%. In general, an effective internal control system can manage this, as the business would follow a specific plan in order to achieve its goals and succeed; this concept would make it more appealing and credible to the market, with increased opportunities for more collaborations and investments.

Figure 28: Contribution of internal auditors in the achievement of business strategy



2.3.4 "Analysis of Variance" Hypothesis Testing

In order to further examine the main part of the survey, which is about the influence of the internal controls on the achievement of business strategy, there were some hypothesis tests via "One-way Anova" that took place in the excel.

The "One-way Anova (or the "analysis of variance") actually finds out whether the means of some independent variables (two or more) are similar or not; with this comparison, it can then point out statistically whether there is a significant difference among these means or not." (Ken State University Libraries, para.1). In order to calculate the One-way Anova in excel, there is a need to determine the dependent and the independent variables in each case.

For the purpose of this study, the independent variables are either the size of the enterprise (micro, small, medium) or the job position/title of the person who filled in the questionnaire and the dependent variable is each question that was examined. There are two hypotheses made for this testing method:

H₀: $\mu_1=\mu_2=\mu_3$ and **H₁:** $\mu_1\neq\mu_2$ or $\mu_1\neq\mu_3$ or $\mu_2\neq\mu_3$ (Ken State University Libraries, para.4).

The H₀ hypothesis depicts that the means of all the three groups (μ_1, μ_2, μ_3) are equal. On the other hand, the H₁ hypothesis depicts that at least one or more of the means of the three variables differs from the others (Ken State University Libraries, para.4). The respondents of the survey were asked in the examined questions to express their degree of agreement on a Likert-scale from 1 to 5 (*1=Totally Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Totally agree*) and as a result, such values were included in the one-way anova tests.

Firstly, there was a need to examine whether the size of a business exerts influence on the answers of the statement “The internal control system in the particular company is necessary/ Needs improvement” (Question No 11 of the Questionnaire). So, the independent variables are the three types of business size (Medium= μ_1 , small= μ_2 , micro= μ_3) and the dependent variable is the aforementioned statement.

Table 2: Correlation between the Business size and the replies on the statement “The internal control system in the particular company is necessary/ Needs improvement.”

SUMMARY						
Groups	Count	Sum	Average	Variance		
Medium (1)	44	183	4,159091	0,741543		
Small (2)	21	88	4,190476	1,061905		
Micro (3)	28	118	4,214286	0,767196		
One-way Anova (Single Factor)						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0,053729	2	0,026864	0,032744	0,967798	3,097698
Within Groups	73,83874	90	0,82043			
Total	73,89247	92				

According to Table 2, it can be noticed at first glance that the three types of businesses have almost the same average means, being roughly 4,2. This number represents the average choice of all the participants (4=Agree, 5=totally agree), which means they mostly agree that the internal control system of their company is essential and needs to be enhanced.

What is more, the F_{crit} (3,097) is much bigger than the F (0,033), which means that the means of the three groups are not statistically significant and so the H_0 hypothesis is true (Statistics How to, n.d. para 1). This can also be reassured by comparing the calculated P-value with the “significance level” of 0,05 or 5%; in this case $P\text{-value} > 0,05$ (Investopedia, 2023, para 2.). In other words, the H_0 hypothesis cannot be rejected, and this depicts that people who work in SMEs of the sample believe in a stronger and enhanced internal control system, no matter of the size of their company.

Another correlation that was examined, was that of the people’s replies on the statement “In the company I work for, there is a clear picture of its Strategy, vision, and goals” depending on their role within the company. The independent variables are: μ_1 = Employees, μ_2 =Managers/Executives, μ_3 = Owners/Board of Directors/Shareholders and μ_4 = Internal auditors, whereas the dependent variable is the aforementioned statement.

Table 3: Correlation between the Job position of the participant and the replies on the statement “In the company I work for, there is a clear picture of its Strategy, vision, and goals.”

SUMMARY						
Groups	Count	Sum	Average	Variance		
Employees (1)	57	213	3,736842	1,090226		
Managers/ Executives (2)	15	54	3,6	1,4		
Owners/ Board of Directors/ Shareholders (3)	15	60	4	0,571429		
Internal Auditors (4)	6	25	4,166667	0,966667		
One-way Anova (Single Factor)						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2,21296	3	0,737653	0,702257	0,55316	2,706999
Within Groups	93,48596	89	1,050404			
Total	95,69892	92				

According to Table 3, it can be noticed that People from different job roles reply at the same degree to the aforementioned question, which is approximately 3,87 (Neutral to Agree) according to the average. Likewise, in this case the F_{crit} (2,71) is much bigger than the F (0,702) and also the $P\text{-value} > 0,05$; so, the H_0 is considered to be true and the means of the four groups are not statistically significant once again. In other words, the respondents of the survey mostly agree with the fact that there is a clear picture of their company’s strategy and objectives, independently of their position within the entity. Of course, in the particular sample, the internal auditors had the biggest average of 4.17, followed by owners/shareholders with 4.00, the employees with 3,74 and at last the managers with 3,6. It is quite positive, that people from various units and departments of an organization are aware of their company’s strategy and vision, as this helps the firm itself survive and grow after all.

The next correlation that was examined through the one-way anova test is that between the business's size and the level of agreement on the inquiry: "Are the internal auditors (or the people being responsible for the internal control processes) involved in planning and configuration of the business strategy?"

Table 4: Correlation between the companies' sizes and the answers to the question "Are the internal auditors (or the people being responsible for the internal control processes) involved in planning and configuration of the business strategy?"

SUMMARY						
Groups	Count	Sum	Average	Variance		
Micro (1)	28	93	3,321429	0,818783		
Small (2)	21	58	2,761905	1,190476		
Medium (3)	44	119	2,704545	1,236258		
One-way Anova (Single Factor)						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	7,053275	2	3,526637	3,203582	0,045289	3,097698
Within Groups	99,07576	90	1,100842			
Total	106,129	92				

Regarding this question, the answers were matched with numbers 1-4, in order to be processed in the hypothesis test; in particular, 1 goes with "No and they are not informed about the business strategy in detail", 2 with "No, but they are informed about the business strategy in detail.", 3 goes with the answer "Yes, but not actively" and 4 goes with "Yes actively".

As the Table 4 shows, the small and medium-sized companies of the sample have an average of 2,7, which means that in such entities the internal audit and control executives either inactively participate in the process of business strategy planning and execution or they do not take part in this process, but they attempt to be aware of it. These are kind of sufficient results, for it is a proof that smaller organizations do attempt to have the aforementioned processes done by the same people, but in general they do not put so much effort and emphasis on that yet. On the other hand, it is a bit interesting the fact that micro companies of the sample scored a bit higher on that question (3,32); a possible explanation is that such companies have less than 10 people in their employ, so they typically share all the duties, and they probably end up doing various tasks by themselves.

In addition, in this case the $F_{crit}(3,09) < F(3,20)$ and also $P\text{-value}(0,045) < 0,05$, which means that the hypothesis H_1 is true. In other words, the means of the three groups of companies are

statistically significant and as a result, the level of integration of the internal audit and control executives into the business strategy achievement is affected by the size of the business.

The last correlation that was examined through the One-way Anova test is that between the business's size and the level of agreement on the statement: "The Company, with the contribution of the internal control being carried out, achieves its strategy, and manages to deal with the majority of risks". Once more, the independent variables are the three types of entities according to their size (μ_1 , μ_2 , μ_3) and the dependent variable is the statement.

Table 5: Correlation between the Business size and the replies on the statement "The company, with the contribution of the internal control being carried out, achieves its strategy, and manages to deal with the majority of risks."

SUMMARY						
Groups	Count	Sum	Average	Variance		
Micro (1)	28	91	3,25	1,009259		
Small (2)	21	71	3,380952	0,647619		
Medium (3)	44	165	3,75	0,796512		
One-way Anova (Single Factor)						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4,773425	2	2,386713	2,885121	0,061029	3,097698
Within Groups	74,45238	90	0,827249			
Total	79,22581	92				

As Table 5 depicts, all the three groups of business sizes have an average rate of replies between 3 (=neutral) and 4 (=Agree); in particular, the medium-sized entities of the sample have the biggest average of 3,75, followed by the small entities having 3,38 and the micro-ones having 3,35. Because of the fact that $F_{crit} > F$ ($3,09 > 2,88$) and also $P\text{-value} > 0,05$ ($0,06 > 0,05$), it can be concluded that the H_0 hypothesis is true. The means of the 3 independent variables are not statistically significant and as a result, the replies to the aforementioned statement are not influenced by the size of a business. What is more, it can be pointed out, that the companies of the sample carry out internal controls that contribute to their strategy achievement and their ability to tackle risks and difficulties; however, this does not occur at an absolute or a high rate yet.

3. CONCLUSIONS AND POLICY IMPLICATIONS

In this study, the existence of the internal control on Greek SMEs was examined, as well as the rate at which such companies are able to achieve their strategy with the contribution of the first. More than half of the sample population has a predetermined internal control system, but they do not have a separate internal control department for that, as these procedures are among the extra duties of the owners, the managers, and the employees of the organization. Most of them claimed that although they have good operations, there is a strong necessity to focus more on the internal controls of the organization. In particular, only half of the SME's have sufficient procedures regarding the internal control process, like for instance suitable training and recruitment of the employees, segregation of duties, transparency of processes, fraud prevention, IT controls, constant information, and communication of all people within the company and proper monitoring activities too. This is an essential outcome of the survey, which confirms the general findings of the existing literature that micro, small and medium-sized entities do not pay as much attention to the internal controls as they should, and this situation usually prevents them from functioning in a harmonious way. Having organized internal controls within the company that are carried out by specific people with the proper expertise, is considered to be a quite beneficial strategy that especially the proprietors of the companies and the top management should consider. This process will be both time and money-saving for the entity itself, as long as each one finds its own balance and customize the fundamental features of the internal control to its specific needs, in order not to have extra costs and losses out of it.

Moreover, a little bit more than half of the sample population insisted that their company has clear vision and goals and that the internal controls being conducted are in line with the business strategy; especially in this research, it was found out that people from various job positions and roles within the company had a clear idea of their business' strategy and mission, which is a very positive perspective for the function of such Greek entities. However, the same portion of the sample claimed that the internal auditors or the people who are responsible for the internal control procedures are not actively involved in the planning and execution of the business strategy or they even do not participate in that process. Especially small and medium-sized companies of the sample had a mediocre participation of their internal auditors on the processes of strategy achievement, whereas the micro businesses of the sample had much better outcomes, probably because of the very small number of employees they generally have. It is important to be mentioned though, that the majority of the participants believes that a proper internal control system could help towards the achievement of business strategy and this belief was equally supported by all the three types of business sizes, according to the findings of this study.

In general, it is considered to be a bit negative for the progress of the Greek SMEs to not combine the internal auditing and controls with their business strategy, as internal auditors normally have the most accurate information and knowledge to understand if the company works according to its objectives or not and they have the ability to improve this situation in a short period of time. Such people should be responsible for the regular monitoring of the business strategy and how this fits in the internal controls, and they should organize frequent meetings with the top management and the owners of the company, so as to give a total feedback of the situation. After they are given permission, they should make all the essential changes to the main internal control system of the entity, towards the direction of strategy achievement.

In addition, it is deemed to be quite substantial, to organize frequent meetings with all the employees and the top management, in order to assess the existing goals of the company and redefine new ones if necessary. Meanwhile, this constant communication with everyone within the firm, will give the opportunity to the internal auditors to confirm whether everyone is aware of the company's mission and also if they keep on working towards this direction.

What is more, an effective internal control system that fits the strategy of the business can create an attractive business profile of a company to its stakeholders (e.g., creditors, clients, suppliers, shareholders etc.); this situation will help the company expand itself and have better opportunities for collaborations and investments.

Last but not least, it is very substantial for the internal auditors to pay attention to whether the employees are generally satisfied with their duties, the working conditions, and the way the business functions (e.g., if they have found out problems or inefficiencies or if there are problems with their coworkers etc.). A company's success depends on its people at a high rate, so it could be a priority to keep them satisfied and productive as much as possible; this is a very beneficial way to achieve the business strategy in the short-term.

In conclusion, the results of this study confirm that there is much more to be done, in order more and more SMEs to use the internal control systems for their own good, as even in Greece this concept is not yet preferable. There are proofs that an effective internal control system can contribute to the achievement of business strategy and for this reason, everyone should attempt to incorporate this system into their function and assign such duties to the correct people.

4. LIMITATIONS AND FURTHER RESEARCH DIRECTIONS

The main limitation of the present research is that it was based on a small sample of 93 companies from Greece and as a result, its results might not be so representative regarding the total number of SMEs in the country. So, future research could possibly be based on a bigger sample, in order to confirm or reject the findings of this study. Another possible investigation that should take place in future studies is the linkage between internal control system and business strategy on a specific industry of SMEs. Moreover, there could be a comparative analysis between one or more particular companies, regarding their financial performance and their strategy achievement before and after the incorporation of an internal control system.

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APENDIX A: THE QUESTIONNAIRE OF THE SURVEY

PART I: In this part of the Questionnaire, participants are kindly asked to reply on questions regarding the existence and the good functioning of the Internal Control of the business they are working at, as well as its possible linkage with the business strategy.

1) Industry of the company in which you work (Please select the primary business activity):

- i) Manufacturing Activities
- ii) Commerce (wholesale trade/ retail trade)
- iii) Services
- iv) Construction
- v) Information Systems/ System programming
- vi) Another Sector:

2) Is there a predetermined internal control system in the company?

- i) Yes
- ii) No
- iii) I do not know.

3) Who carries out the internal control procedures in the enterprise {(e.g. re-checking of the financial documents, distribution of people's responsibilities in the enterprise, investigating the existence of any fraud incidents, assessment of risks inside and outside the enterprise, ensuring the protection of the entity's assets, approvals/ authorizations of individuals, control of the smooth operation of all departments of the company, training of people and constant communication with them, etc.)-More than one answer can be selected}?

- i) The internal control department of the company
- ii) The owner of the business/ the top management
- iii) The head of the accounting department
- iv) An external partner in the capacity of the auditor/controller

- v) Internal audit and control processes are among the additional duties of some employees in the company, depending on their specialty.
 - vi) Another option:
 - vii) None of the above
- 4) Are the internal auditors (or the people being responsible for the internal control processes) involved in planning and configuration of the business strategy?
- i) Yes, they are actively involved.
 - ii) Yes, they participate in that, but not actively.
 - iii) No, but they are informed about the business strategy in detail.
 - iv) No and they are not informed about the business strategy in detail.
- 5) To what extent do the company's internal control executives know their role in terms of the correct implementation of the business strategy?
- i) Not at all
 - ii) A little bit
 - iii) Neither too little/ nor too much
 - iv) A lot
 - v) Absolutely
- 6) To what extent do you think that internal control can influence the achievement of the company's strategy?
- i) Not at all
 - ii) A little bit
 - iii) Neither too little/ nor too much
 - iv) A lot
 - v) Absolutely
- 7) How exactly could internal audit staff contribute to the achievement of the business strategy (More than one answer may be selected)?
- i) By regularly monitoring whether the company's performance and the risks it faces are in line with the long-term goals it has set and with its general vision.

- ii) By establishing frequent meetings with the Management as well as the company's staff, with the aim of evaluating its existing goals and redefining new ones.
- iii) By constantly confirming that the company's staff as well as the management are always aware of the strategy it has set, so that they can work more effectively towards this direction.
- iv) By creating -through the effective internal control of the company- a positive business profile towards its shareholders, creditors, customers, and suppliers, which will make it reliable in the market and thus create more opportunities for collaborations and further development.
- v) By focusing on both the improvement of the internal organization of the business (through consulting and internal control of processes) and the satisfaction of its employees, in order to achieve its strategy in the short-term and more effectively.
- vi) Another option:

Please indicate your degree of disagreement or agreement with each of the following statements based on the following scale (Likert Scale):

1=Totally Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=totally agree

8) In the company I work for, there is a clear picture of its Strategy, vision, and goals: 1 2 3 4 5

9) The Internal Control System followed by the company is in line with its tactics and objectives: 1 2 3 4 5

10) The company, with the contribution of the internal control being carried out, achieves its strategy, and manages to deal with the majority of risks: 1 2 3 4 5

11) I believe that the internal control system in the company is necessary/needs improvement: 1 2 3 4 5

12) Business Operations are efficient. 1 2 3 4 5

13) There is a clear separation of staff responsibilities: 1 2 3 4 5

14) The company I work for pays attention to the continuous training of its staff and the correct recruitment processes, so that its goals are served: 1 2 3 4 5

15) Certain functions/documents/items are evaluated by a different person within the company to ensure transparency of procedures: 1 2 3 4 5

16) There is frequent communication and meetings with the company's employees, so that potential problems are identified, and everyone is updated not only with the same information but also with possible changes to the company's procedures and controls, based on the risks that arise: 1 2 3 4 5

17) The company's income and expenses are recorded and checked on a daily basis, so that these two are balanced at the end of each day: 1 2 3 4 5

18) The protection of business's assets (e.g., cash, equipment, and inventory) is guaranteed against incidents of theft/damage: 1 2 3 4 5

19) There is a contingency plan, in case that a technical issue arises regarding the company's IT and technological equipment: 1 2 3 4 5

20) There is a particular system/plan in the company, according to which fraud incidents can be avoided and dealt with: 1 2 3 4 5

21) The internal control procedures being applied in the company, are constantly evaluated by the top management: 1 2 3 4 5

PART II: In this part of the Questionnaire, there are some questions regarding not only personal and educational characteristics of people who will answer it, but also some basic elements of the business in which they work.

1. Gender:

- a) Male
- b) Female
- c) Another option

2. Educational Level:

- a) High school diploma
- b) Secondary school diploma
- c) University Graduate

d) Master /PhD Studies

3. Job Title within the company:

a) Employee

b) Manager/ Executive

c) Internal Auditor

d) Owner/ Board of Directors/ Shareholder

4. Work Experience in this company

a) 0-5 years

b) 5-10 years

c) 10-20 years

d) > 20 years

5. Size of the Company

a) Micro (< 10 Employees & $\leq 2.000.000\text{€}$ Annual Turnover or/and $\leq 2.000.000\text{€}$ Total Balance Sheet)

b) Small (<50 Employees & $\leq 10.000.000\text{€}$ Annual Turnover or/and $\leq 10.000.000\text{€}$ Total Balance Sheet)

c) Medium (50-250 Employees & $\leq 50.000.000\text{€}$ Annual Turnover or/and $\leq 43.000.000\text{€}$ Total Balance Sheet)

6. Are you working at a family business?

a) Yes

b) No