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Operational Cost Budget Optimization Analysis to Improve Efficiency PT Citra Robin Sarana

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Abstract

This research was conducted at Robin Sarana's Image Department to optimize the company's operating costs. Data from 2021-2023 is used as the basis for future operating cost planning. The aim of the study is to assess the company's ability to optimize the operating cost estimates with the data for the period 2021-2023. A quantitative approach with multi-objective analysis is used, collecting data through interviews and analysis of administrative and financial data. The data used are secondary data from annual financial reports and data of operational costs as well as financial production data of the company. The results of the research showed the difference between the cost of budget and the costs of operational realization of the company: Rs. -161.525.511 in 2021, Rs. 1.530.471.758 in 2022, and Rs. 706.742.283 in 2023. Despite an increase from 2022 to 2023, operating costs are still not optimal. Efforts to optimize risk management have been seen, but have not achieved the expected results.

Keywords: operating costs, cost optimization, budget disaggregation.

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1. Introduction

Companies, as one of the important elements in the economic growth of a region, are also an important source of employment for the people in the region to optimize the economy of the community through the available jobs. A company is an organization established by a person, a group of people or a combination of several groups of people (Amalia, 2020). The purpose of establishing a company is to generate profits or profits for the company which will then also be a source of income for the members of the company's employees. Profit obtained by an enterprise is based on the calculation of the amount of costs generated minus the cost spent by the enterprise to produce a product or service in a period of one business period (Shafira, 2021). The profits of a company are greatly influenced by the small amount of operating costs that are spent, through the identification and optimization of operational costs will be a very significant influence on the sustainability of the company's operating cost. Operating costs consist of fixed and uncertain costs, so they must always be associated with cost controls to increase the Company's profits (Rahmawati et al., 2021). Operational costs are also part of the company's costs beyond static production costs, company product marketing costs, and total costs for administrative processes (Fathony & Wulandari, 2020). Budget planning and control is used to reduce unreasonable costs or wasteful business operating costs. Budgeting is one of the tools that helps management in running a business through important financial measures and as a reference to the policy to date (Suak et al., 2021). In the company one of the budgets that can be seen clearly its impact is the budget of operating costs (Agustini et al., 2017). the operating cost budget is a major component because it is closely related to the company's overall cost Based on the data obtained from the company and also the information received about the company's budget in a given period. The budget is required by management to plan all the actions that will take place in the long term. A good budget will result in the efficiency and efficiency of the company. In optimizing operational costs, policies are needed that encourage companies to be able to increase production every year considering that every year production always experiences failure (Lubis & Arif, 2020). The criteria used to assess the performance of a particular responsible agency are its effectiveness and efficiency (Manoarfa, 2012). The calculation and assessment of the effectiveness and efficiency values is a requirement that must be done by the management of the company and is seen on the basis of the cost

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budgeting data as a form of the preparation of the work programme to be implemented (Balele & Muhtazib, 2021). The work programme based on the details of the efficiency value and effective performance data is used to avoid possible losses to the Company. However, the operating cost estimates can also be indicative that the company is experiencing a decline in turnover or even losses. This is also the nature of the company's operational data must be structured openly and transparently. The charges issued by companies often have advantages and disadvantages. If this happens, efficiency is not achieved, and impedes the achievement of the company's goals (Habibi et al., 2022). Of course this will have a negative impact on the company's future. This study was undermined by the gaps in research carried out by (Ade, 2021) & (Habibi et al., 2022). They concluded that there are cost deviations, both favourable and unfavorable, but management control over cost budget in the company is already effective due to the improvement efforts made by the company against any cost deviation. On the other hand, research conducted by (Rizki, 2018). Concludes that cost estimates have not fully played a role as an effective management control tool, because there are still both beneficial and unprofitable deviations (unfavorable). The researchers observed Robin Sarana, a national private company in the form of PT (Limited Company), which operates in the knapsack sprayer manufacturing industry. The company is located in Payabakung Street No.35 Diski, and in addition to producing knapsack sprayers, it also makes spare parts that are sold to the market and used for the needs of the company. Robin Sarana must plan and supervise the entire operating cost to produce goods with optimal profitability. According to the interview, the operating costs include wages, marketing, inventory, and insurance. The financial field is where planning can be carried out, that is, a plan that is valued by money or also called by anticipation. It is very important to set up an operating cost budget to prevent deviations and additional costs that can increase the company's operating costs. With increasing costs, profits become smaller, and companies suffer losses. Analysis is required if there is a difference between the budget and the outcome. According to Company Analysis In the year 2016-2018 Production of PT. Citra Robin Sarana suffered a very significant increase by producing goods per week 1.450 units and 5.800 units per month, of the output of goods that each month suffer the increase of sales of PT Citra Robin sarana approximately reached 30,000 units x Rs. 229.000 (unity price) = Rs. 60,000,000 per month but in the year 2019-2024 P. citra Robin Sarana suffer a decrease in production yields with the production of Goods per day 750 units -300 units,of the outputs of which every day decreases P. P.

2. Literature Review

2.1. Efficiency Value

The definition of efficiency, according to Stoner, is the ability to minimize the use of daily resources in order to the goals of the organization. A person who can concentrate well and efficiently can reduce the amount of daily energy expenditure required. Work efficiency refers to the optimum execution of tasks during the work process, careful in the outcome of work, timely in the work schedule, persistent in the working process, and flexible in the schedule of work to the desired results. Efficiency is the extent to which a particular activity produces the desired results, as evidenced by several significant daily summaries. The more resources are used to the desired results, the more efficient the process is in achieving maximum benefits. Gros profit margin is the percentage of sales income that a business receives in exchange for payment of the purchase price. Increased GPM results in improved quality and, relatively, higher prices for goods sold. GPM provides information about certain significant gains that receive during operational activities (Rahmani, 2020). The realization of the budget set and accepted enables to better results of any financial project. In addition to improving the quality of financial labour as much as possible, it will reduce the impact of operating costs on financial labour for and future projects.

2.2. Optimization

Optimization, according to KBBI, comes from the basic word “optimal”, which means “best, highest, profit,” or “profitable” in positive terms. Based on the meaning of this word, it can be concluded that optimization is the process of finding and calculating the value of profit from various activities, including those related to production and consumption. Optimization is the process, action, or methodology used to make something (such as a system, design, or decision) more perfect, functional, or more effective. It can also be defined as the measure by which all needs can be met from the actions carried out. Optimization is a process of calculation and analysis to find the best solution or profitable solution. The global criteria method will use model optimization with decision-making based on various criteria developed (Alamsyah et al., 2022). From a business perspective, optimization is an attempt to maximize activity so that it produces the desired profit. On the other hand, optimization is the amount of money used to a goal.

2.3. Budgetary Charges

While Mulyadi states that a budget is a quantitative statement that is quantified and expressed in standard monetary units along with other measurement units that are close to a working day in a year, Bustami states that the budget is formally stated, systematically neglected, expressed as monetary, and valid for a certain future working day. The budget to be drawn up is an estimate of the company's activities in a given period of time and an estimated financial condition of the firm at a given time. The estimated budget consists of two groups of budgets, namely the operational budget, which is a series of financial reports that contain information about the company's activities for the current period and forecast future periods. According to its basic definition, operational accounting is the process of valuing income or profit, which may consist of three categories: income from sales; income from manufacturing; and income from fixed assets. Overhead charges: Budget sales and administrative costs. Financial estimates, based on assumptions about the financial situation of a company at a certain time that may arise.

2.4. Operating Charges

Cost is something or a sum of money given to get something or meet a need. Cost can also be defined as the sacrifice of economic resources in monetary units that has occurred or will occur in order to a specific goal (Rizki, 2018). Operating costs are costs associated with the administration and sales of a company. Period costs related to time rather than product are called non-manufacturing costs. Divided into sales and general administration costs. Operating budgets are also affected by too high sales prices; too low sales prices will make the company's revenue much smaller than it should be. The charges required to manage the operations and activities of the bank, whether carried out slowly or quickly, are known as operating charges and are related to credit or mortgage charges. Operating costs include interest costs, exchange costs, labour costs, administrative and general costs, and other costs.

3. Research Method and Materials

The research uses quantitative methods with the aim of collecting data through interviews and analysis of data available in the administrative and financial departments of the company. The data used is secondary data, which comes from the annual financial statements that have been compiled by the company's financial department officials. This data covers the production activity and operating costs of PT Citra Robin Sarana. The optimization components analyzed include: operating costs, employee costs, distribution costs, tools and materials costs, other costs, and budget differences. The method of analysis in this study covers several stages. Interviews are used to gather information through conversations with the company's administrative and financial chief, with the aim of obtaining information on production costs as well as budget data and realisation of operating costs for the period 2021-2023. Observations and direct data collection are carried out through direct field or laboratory observations, to record data that corresponds to the facts in the field.Analysis of deviation data is used to identify differences between the budget and realization of the company's operational activities. Cost deviation is analyzed to determine whether the outcome is beneficial (realization is smaller than the budget) or detrimental (realisasi lebih besar dari anggaran). Variance is the actual cost deviation from the standard cost (Aisah & Susetyo, 2021).This data analysis is the key to drawing research conclusions based on the data obtained.

4. Results and Discussion

Based on the research carried out by the researchers, researchers analyzed data taken by researchers from the PT. Citra Robin Sarana used researchers to predict the production costs needed for the period of next year based on the data period 2021-2023.

Table 1. Operating Costs

Years	Distribution Cost (Rp)	Tools and materials costs (Rp)	Other cost (Rp)	Pure Benefit (Rp)
2021	1,218,676,000	14,622,975,000	1,324,722,000	639,412,000
2022	1,554,616,000	12,569,827,000	2,859,523,000	-472,993,000
2023	1,167,737,000	11,698,878,000	1,281,065,000	689,916,000

Souce: PT. Citra Robin Sarana

The company's operating costs are heavily influenced by the amount of output or target production per year. The operational cost of production consists of the cost of tools and materials used in the production process as indicated in the analysis in Table 1, other operating costs in 2022 increased drastically to Rs. The amount of production and the number of employees decreased, but expenditure on employees' wages and other benefits increased. The company's production optimization is based on the previous stages using the multi-objective optimization method formula. This method is used because there are some costs that cover the company's production operational budget. The declining corporate profit movement is also due to the lack of purchasing power of the post-Covid-19 pandemic community and competition from new industries, which affects the overall income of the community. This affects a decrease in the company's production volume every year, which causes the company to have to reduce the number of employees. Despite the reduction in the number of employees, the company's cost estimate continues to rise. For example, in 2021, the company's budget for salaries and employee benefits was Rs. 4,495,149,511 for 1,320 employees. In 2022, the budget increased to Rs. 4,546,505,758 despite the number of employees being reduced to 1,252 people. The impact of this condition affects the operating cost system that needs to be adjusted. The decrease in the number of employees is not in line with the necessary reduction in the staff cost budget. As a result, the company continues to experience failures in budget planning, caused by inconsistencies between the draft budget prepared and the realised budget. Factors contributing to this problem include unexpected increases in operating costs, inability to planned production targets, and imbalances between company expenditure and revenue. Companies need to undertake a thorough evaluation of their budgetary and operational strategies to identify the root causes of these inconsistencies.

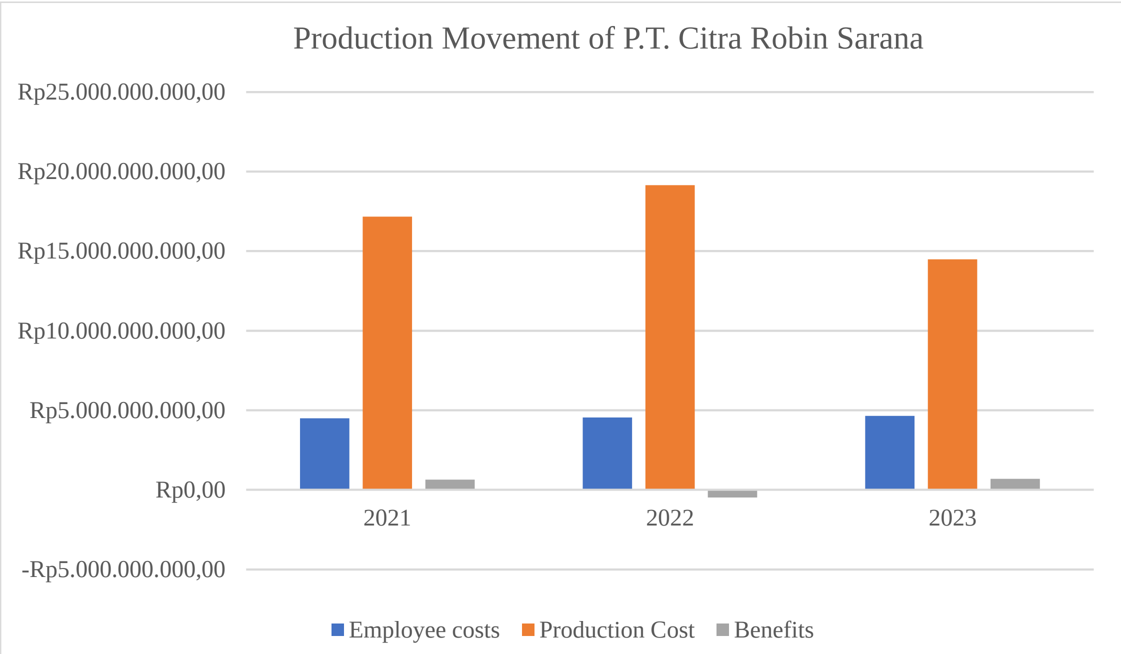

Figure 1. Cost of Production Needs and Profit
Source: PT. Citra Robin Sarana

In the Figure 1, the decline in the company's profits is slow but badly impacted, this is due to the level of UMR that continues to rise every year but the amount of production of the company can not compete with the payment of salaries and benefits of employees. The company has tried to cope with this by reducing the cost of company production each year but it has instead resulted in poor company sales results. You can see in the next picture the comparison of the company's annual production volume, which is very drastically declining. The budget includes measurements and operations. It's the implementation of a budget that has been set before. A recording and measurement of the amount of funds used during the implementation phase of this budget has been carried out. This record is made so that the cost and revenue data is categorized by program and centre of responsibility. The researchers performed the calculation of efficient values, which will then be discussed in the next section. With the help of Microsoft Excel, researchers find the company's ideal production value so that the company does not suffer losses in the future.

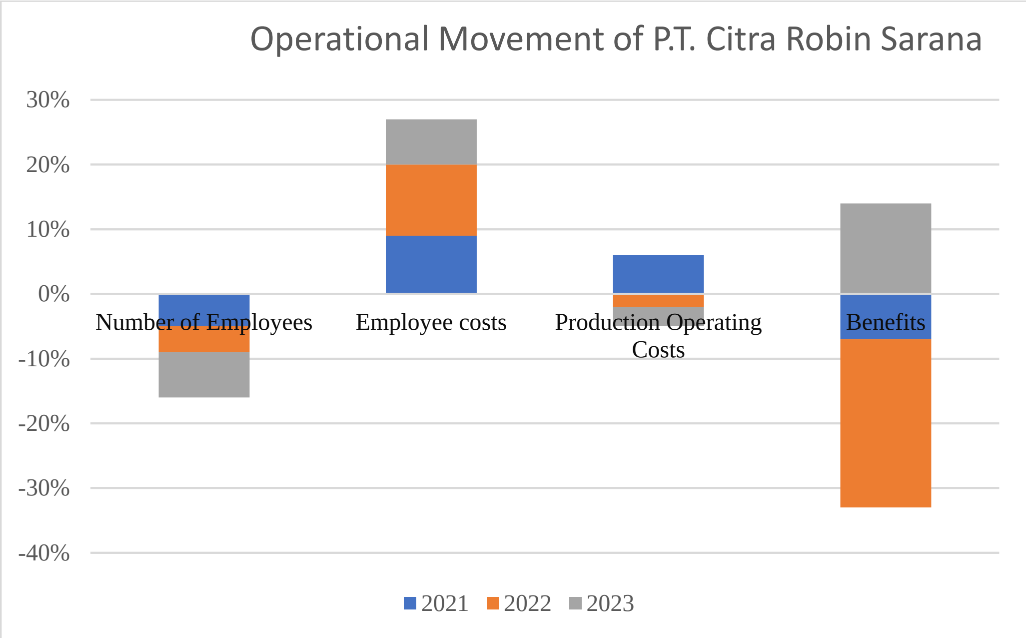

Figure 2. Production Cost Optimization
Source: PT. Citra Robin Sarana

In order to the production objectives of PT. Citra Robin Sarana as indicated in the analysis shown in Figure 2, the production director delegated to the Production Planning and Control (PPC) division is given full authority to carry out all his duties, from the planning and programming phase to reporting to the higher managers. The program is based on the objectives and strategies of the company as well as the optimum use of existing resources. By following a cost plan that matches the percentage value of the company's operating cost efficiency, it is expected that the company can avoid losses in future periods.

The implementation of an effective cost control system has great potential to improve the overall operational efficiency of the company. This is supported by a study conducted by Princess, which states that the use of proper budgeting and strict monitoring of operating costs can help companies in identifying and correcting cost deviations early on, thereby preventing greater losses. Furthermore, a study conducted by Rahman, showed that companies that implement proactive cost control strategies tend to have better financial performance compared to companies that only perform reactive cost control. This research confirms that cost controls carried out actively and continuously can improve the efficiency and operational efficiency of the company.

Therefore, the implementation of an effective cost-control strategy such as the one pursued by Mr. Imitra Robin Sarana is expected not only to improve operational efficiency but also to reduce the risk of future losses. With proper cost control, companies can be more responsive to changing economic and market conditions, as well as being able to optimize the use of their resources to the goals and targets set. Thus, the implementation of this strategy becomes crucial in ensuring the sustainability and growth of the company in the future.

5. Conclusion

The results of the calculation were achieved through the use of a multi-objective analysis of the operating costs that occurred. The unfavourable difference between the budget realisation and the budget greater than the one set by the company indicates that the company has not been able to optimize the operational cost estimates well and has not performed well because the entire part of the company is not involved in the preparation of the budget.

Optimization of the company's annual employment reduction of 9% also affects the production volume, while the cost of distribution of production increases by 5% each year due to fuel and vehicle maintenance costs. The researchers concluded that in order to increase operational profitability, production needs to be more efficient and product sales more enhanced so that companies can increase the amount of labour absorption.

Robin Sarana suggests that the company should take a strategic policy in an effort to control expenditure and regulate needs on the basis of the budget accompanied by the work plan. The company should also re-analyze and find solutions for the increase in operational costs that may affect the decrease in profits. The operational cost budget should include its own analysis so that the beneficial and unfavourable differences can be identified and used as a basis for cost control.

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