The 1st International Student Conference on Economics and Business Excellence (ISCEBE) 2024
e-ISSN: xxxx-xxxx/Vol. 1 No. 1 (2024)

OPERATIONAL COST CONTROL STRATEGY IN MANUFACTURING COMPANIES (FOOTWEAR INDUSTRY)

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Abstract

In an effort to achieve the success of a manufacturing company, an operational cost strategy is needed. The importance of controlling operational costs can help companies prevent and reduce manipulation or fraud on operational costs that will be disbursed. A case study at PT A shows that the company's operational costs can be said to be quite good. However, the problem that often occurs in companies is the amount of costs incurred to meet its operational activities. Therefore, researchers want to know how the operational cost management strategy at PT A is in order to get maximum profit. This study aims to analyze operational cost management at PT A. This study uses qualitative methods, using observation techniques, interviews and literature studies. The results of the study show that the large operational costs incurred are caused by the large amount of materials that are wasted and cannot be reprocessed, then returned orders by clients so that the company has to lose money on this incident. This study also found that the strategies implemented are working together with suppliers and clients, effective supply chain management, and the use of information technology and automation. By implementing this strategy, the company can control its operational costs, increase efficiency, and be stable in competitive market competition.

Keywords: operational cost, cost control, cost strategy

Introduction

Cost accounting is a field of accounting that emphasizes the determination and control of costs. This aspect is related to production costs in manufacturing companies, but currently distribution costs are receiving increasing attention. One of the main functions of cost accountants is to collect and interpret cost data (both actual costs and costs that will occur) for management for the purpose of controlling the cost planning field (Sugiarto, 2014). This field is often considered as part of management accounting. Costs are expenses incurred for the benefit of the company which is expected to gain as much profit as possible. Quoted from (Pomantow et al., 2021) describes costs as expenses incurred or sacrificed to obtain goods or services that are useful in the future, namely through an accounting period, which is recognized as part of assets.

On the other hand, cost means something that is sacrificed, originating from economic activities in the form of monetary units, to obtain services or goods that may provide useful profits for now and future, (Eva Desembrianita et al., 2023). Meanwhile, Mulyadi (2016:8) stated that cost is something that is sacrificed, originating from economic activities, in the form of monetary units that are valid or will be valid for certain purposes and objectives (Khanna Nailil Muna & Malika Indah Nur Ismaya, 2023).

Operational costs are defined as costs that are directly related to the activities carried out by the company and are not directly related to the company's production (Gumelar, 2024). The calculation of profit and loss that will be obtained by the company at the end of each period is greatly influenced by the size of the burden/costs incurred by the company. Mia Lasmi (2017:30) explains that operational costs are expenses that show the extent of the efficiency of the company's production management. Costs related to the company's production run in the form of administration costs and sales costs. From this explanation, it can be concluded that operational costs are costs that are directly related to the company's activities and needs every day but not within the scope of production. In the company's profit/loss report, operational costs are a factor reducing profit/income, after the results are known, the company can find out how much operational profit/loss is obtained. Cost of Goods Sold (COGS) or what we usually call cost of sales is one type of operational cost. Not only that, operational costs also come from administrative/general costs such as rent, employee salaries, production raw material costs, and overhead costs, namely other costs incurred by the company but not directly related to the production process. Costs are grouped into

e-ISSN: xxxx-xxxx/Vol. 1 No. 1 (2024)

operational costs and non-operational costs, which we discuss in this study are operational costs which are daily costs and are short-term costs. Companies must classify operational and non-operational costs in different books, because if the books are not separated, the company will experience obstacles in accessing its main business results, and the conclusions and calculations obtained can be said to be anomalous or deviant. Operational costs are divided into 3 types, according to (Gumelar, 2024) the first is fixed costs, the second is variable costs, and the third is depreciation costs. Fixed costs are operational costs that must be paid routinely by the company, routine costs are incurred even though production is not operating. Variable costs are costs whose value can change depending on the amount of company production at that time, because the costs incurred by the company are directly related to production. Then depreciation costs are considered as costs arising from a decrease in the value of assets.

Operational costs also have 4 components, namely direct costs, indirect costs, production costs, and non-production costs (Gumelar, 2024). The definition of direct costs is a cost whose benefits can be felt at that time or directly, such as employee salaries and benefits. Indirect costs mean costs that can be felt at a certain time. Then production costs are costs incurred of course for the production process. Then there are non-production costs which are costs that are not related to the production process, for example administration costs. However, this study tends to discuss production costs. Then, operational costs can be calculated using the formula Operational costs = Cost of Goods Sold (COGS) + total operational expenses. In its recording, COGS can also be written as cost of sales. (Gumelar, 2024)

Every manufacturing company certainly has a goal to obtain maximum profit. Profit according to accounting is the calculation between income that has been fulfilled and obtained from transactions that occur in a certain period minus the expenses/costs incurred in that period as well. Profit can be influenced by financial reports through how much the company sells (Irfan Nursasmito, 2019). There are 5 characteristics of the definition of profit according to Belkaoui (H. Memed Sueb, 2022), namely the first, based on the transactions that have occurred, accounting profit will be obtained from the calculation of income and costs to obtain results. Second, based on the profit period itself, which means that in a certain period it is a company achievement. Third, based on the basis of income which requires its own determinant of what is included in the results category. Fourth, it requires calculations regarding costs in the form of past costs incurred by the company in order to obtain certain results. And finally, based on the matching principle which means results minus costs incurred in a certain period.

There are several factors that can increase a company's profit, one of the main factors in increasing company profits is the importance of supervision or control of operational costs. Control is a management effort to achieve predetermined goals by continuously comparing implementation with plans (Dede Abdul Hasyir, 2022). Through the process of comparing actual results with the programs or budgets that have been prepared, management can assess business efficiency and the ability to earn profits from various products. In addition, managers can take corrective action if there are deviations arising from the results of the comparison. Supriyono in Alkas et al (2023) explains that control is an alternative effort that can be relied on and has the opportunity to achieve the desired profit.

Every company must have its own strategy in achieving its goals, in this case the goal is to control the operational costs of a company. In daily activities, companies must spend money for the continuity of their production. Production costs are one component of operational costs. Operational costs are defined as costs sacrificed in a company's routine activities in order to gain profit, thus companies must master strategies to control operational costs in order to gain maximum profit. PT A is a foreign investment company operating in the footwear industry sector specifically for distribution abroad. PT A produces Nike and Converse brands, both shoes and sandals. PT A is located in Central Java, which is a subsidiary of PT A group headquartered in Jakarta. Based on the authors' observations, there are cost problems that often occur in companies, namely the large costs that must be incurred to meet their operational activities.

Based on the background above, the researcher is interested in further researching the operational cost planning and control strategies in a manufacturing company, PT A. The purpose of this study is to determine the appropriate operational cost planning strategy in manufacturing companies, especially in PT A, and to determine the strategy that should be implemented by PT A in controlling its operational costs to obtain maximum profit.

Methods

This study uses a qualitative method with a case study and field research approach, namely observation techniques, interviews and literature studies by means of interviews or interviews which aim to intensively study the background of the current situation, and the interaction of the environment of a company. Interviews or interviews are data collection techniques by conducting direct and open questions and answers with the relevant parties in the company. Then, the questions and answers are directed to the

Finance Manager of PT A. The sources of this analysis are both from articles/journals and websites. Quoted from the Ruangguru website, qualitative analysis methods include everything related to quality. Which means that research using qualitative methods focuses on the quality and intensity of data, not on the amount of data. While case study is an in-depth study of a particular company whose results are a complete and well-organized picture of the object (Aslichati, 2014). The object of this research is operational costs at PT A which is located in Central Java. The focus of this research is how the company's strategy is in controlling operational costs, especially on production costs incurred by PT A. Several stages of analysis are needed in qualitative research to obtain quality data, the first is data collection, namely taking data based on questions or problem formulations that have been made previously. In this study, data collection was obtained from interviews with the parties directly responsible. Second, data classification and classification, is the process of separating, dividing to simplify, abstract, and modify data that comes out of the data obtained in the field. Third, data presentation is important, data display is defined as researchers creating a series or column of a matrix for qualitative data. Based on this opinion, researchers can determine the type or form of data to be used, it can be in the form of narratives, charts, etc. And fourth, drawing conclusions, is the last stage that can be done, namely drawing conclusions. conclusions must include important information in the research according to the conditions in the field. Conclusions must also be written using simple language and are not difficult to understand. In the company's operational financing system, every company must have an SOP (Standard Operational Procedure) as a company reference regarding the rules that must be followed by employees. SOP can be defined as a group of regulations, references, and guidelines made by the company to carry out company activities according to their respective responsibilities and functions (Utami, 2024).

Result and Discussions

From the results of interviews and observations conducted by the author with the relevant parties at PT A, it was found that the large operational costs incurred were caused by the large number of materials that were wasted and could not be reprocessed, this happened because the materials were dead or had been left for too long and not used. Then the return of orders or returns by clients also triggered the large operational costs incurred so that the company had to suffer losses due to the incident. To handle this incident, the production department should plan the amount of production properly, namely producing according to the number of incoming orders without having to stock inventory of materials. So, the company does not throw away unused production materials. As well as the importance of quality control to be able to produce A-Grade products, so that clients will trust the quality of the product and will not return their orders.

The financial system for operational financing of PT A uses a term system. This payment is made according to the agreement that has been agreed upon by both parties after the goods are received, namely using a payment with a term system of n/90, meaning that the company must pay off the bill no later than 90 days (Senastri, 2024). In its operational efficiency, PT A has maximized efficiency in the use of raw materials, labor, and production overhead by planning and using raw materials according to needs, recapitulating labor wages, and producing products according to orders from clients. To save production costs, PT A optimizes raw material costs, negotiates with suppliers, and minimizes production waste (C-Grade products). Then, PT A's raw material procurement method uses the Economic Order Quantity (EOQ) method, namely by calculating the number of units that the company must add to its inventory. The EOQ method is useful for ensuring that the amount of inventory ordered is according to needs. Then, to manage inventory, PT A uses the FIFO (First In First Out) method, namely the first goods received must be used first, because the inventory has an expiration date of around 3-5 months. In facing the increase in raw materials, PT A manages inventory effectively, so that there is no excess or shortage of inventory. PT A uses technology or automation that can help reduce operational costs, namely on manual work and repetitive work. In the operational cost structure of PT A, the most significant cost component that affects the company's cost structure is fixed costs, namely labor wages, health insurance, etc. PT A has approximately 18,000 employees, and if there are pregnant women, they will get 3 months leave and will still be paid in full per month, then there are unexpected costs, namely if there is a work accident, the company will fully finance the employee who had the work accident until they are declared cured. This cost greatly affects the company's cost structure. In fact, variable costs also affect the company's cost structure if there are many order cancellations. PT A uses lean principles to reduce waste in its operational costs. The principle of lean manufacturing is a principle that can minimize waste in a company, but this principle has not been implemented properly because there is no deep understanding by the company's staff and management's commitment to comply with lean principles, lack of socialization, and a more organized approach to its implementation. The impact that occurs on financial performance due to the operational cost strategy is that it can affect the company's profitability margin based on sales obtained by PT A. Then finally, the influence of government policy on the operational cost structure certainly affects the operational cost structure at PT A, including monetary and fiscal policies, minimum wage policies, and licensing policies. For example, the increase in Income Tax and Value Added Tax.

The operational cost planning strategy at manufacturing company PT A has been carried out well, where the planning and supervision are in the form of paying costs early/on time, reducing the potential for "human error", and using a financing management platform. First, paying costs early/on time, it is explained that the payment of PT A's operational costs has so far been paid on time. As is known, the company will experience losses if it is late in paying operational costs, including disrupting the company's cash flow, and the company will be subject to penalties when it is late in paying these costs to its business partners. Therefore, PT A always plans for the payment of the company's operational costs so as not to be subject to penalties and damage the company's image. Second, reducing the potential for "human error", in this case "human error" can be in the form of errors in terms of recording or in terms of the company's machine operations, namely in terms of recording, for example, writing the wrong amount, period, or not inputting the company's costs/burdens. Therefore, PT A must recheck all transaction recording processes before they are actually recorded in the final bookkeeping. Meanwhile, in terms of machine operations, PT A always reminds machine operator employees to continue to maintain and operate the machines properly in accordance with the company's SOP (Standard Operating Procedure). Third, PT A also uses a financing management platform, operational costs need to be recorded correctly and as well as possible, messy and undirected operational cost management will disrupt the company's cash flow. Therefore, the company will not last long in this business world because of the messy cash flow. However, PT A operates by utilizing a digital platform that helps manage cash flow in the company's operational costs (Gumelar, 2024).

PT A's strategy in controlling its operational costs to obtain maximum profit is to use information technology and automation, collaborate with suppliers and clients, and effective supply chain management. PT A uses information technology and automation, PT A utilizes information technology and automation in modern times like today. Which we can easily get to use the technology that we want to apply in our company. In this case, the company keeps the technology used secret, because it is not allowed to be disseminated publicly for reasons of increasingly tight competition. Then, in collaboration with suppliers and clients, PT A collaborates with suppliers, one of which is collaboration with a pigment/color manufacturing company, which is a supplier of pigments/colors used as the main ingredient in shoe colors which are very important for determining the color of shoes produced at PT A. This company also collaborates with clients, customers here are foreign countries, because all shoes or sandals produced will be directly exported. Then, effective supply chain management, PT A really maintains and manages the supply chain which is certainly effective by building good cooperation between suppliers (Nazmah & Achmad Yani, 2023).

PT A’s strategies in controlling its operational costs to obtain maximum profit is by using information technology and automation, collaborating with suppliers and customers, and effectively using supply chain management. PT A has used information technology and automation. However, the author did not obtain information regarding what technology the company uses because the information is confidential due to increasingly tight business competition. Then, in terms of cooperation with suppliers and customers, PT A has collaborated with suppliers, one of which is cooperation with a pigment/color manufacturing company, which is a supplier of pigments/colors used as the main ingredient in shoe colors to determine the color of shoes produced at PT A. This company also collaborates with customers, where PT A's customers come from foreign countries, because all shoes or sandals produced will be exported directly. Furthermore, in terms of the supply chain, PT A closely maintains and manages the supply chain which is certainly effective by building good cooperation between suppliers (Nazmah & Yani, 2023). By implementing the strategies above, it is hoped that PT A can control its operational costs, increase production efficiency, and be able to compete in competitive market competition.

Conclusion and Suggestion

Based on the results of the analysis of operational cost strategies in manufacturing companies at PT A, it can be concluded that the operational cost planning strategy in manufacturing companies at PT A has been carried out quite well, where the planning is in the form of paying costs early/on time, reducing the potential for "human error", and using a financing management platform. However, PT A must also plan the amount of production to be made and is required to carry out quality control and apply the principles of lean manufacturing to its production in order to reduce cost waste. Then, PT A has implemented a strategy to control operational costs in order to generate maximum profit by working together with suppliers and customers, effective supply chain management, and also using information technology and automation.

There are several suggestions for PT A, namely even though the operational cost control implemented has been carried out quite well, the company is required to check and supervise the operational cost bookkeeping data for each certain period. Not only that, it is also important to always remind the machine operator employees to maintain the machine properly, check the quality of each product to be sold, and implement the principles of lean manufacturing

Acknowledgement
Authors thank to Faculty of Economics and Business, Universitas Terbuka for moral support.

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