

Profit Planning And Human Factors In Budgeting In Pharmaceutical Corporation

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Abstract

This article describes profit planning, budgeting and human factors in budgeting for pharmaceutical companies. In this study using pure literature and conclusions drawn from the analysis of the theory and the results of the discussion. Compilation budget is operational process plan in the form of quantitative, usually in the form of monetary unit, for the range of time of is certain. Budget have the character of is technical, but most human being element share. Budget has direct impact to human being. Behavior aspect which is related to budget refers to human being behavior in concerned at process compilation budget. This study uses a qualitative approach. Qualitative research is research that is descriptive in nature and tends to use analysis. From all the contents of this journal it can be concluded that profit is the difference between the costs incurred and the costs entered and also that the existence of aspects of human behavior in budgeting is a key factor for motivating employees and coordinating activities

Keywords: Profitability, Planning, Budgeting, Human Factors.

INTRODUCTION

In order for all company activities to be directed in a coordinated and controlled manner, proper planning is needed in order to provide guidance to help the company predict the optimal level of profit to be obtained. Therefore a company must make a profit plan considering the factors that affect profits, including costs, selling prices, sales volume. In addition, the human factor also plays an important role in a budget plan. According to Rispantyo (2010) Budget is technical in nature, but it is the human element that plays the most role. The budget has a direct impact on humans. The behavioral aspects related to the budget refer to the behavior of the humans involved in the budgeting process. Profit planning is a determination of what actions will be taken by company management within a certain period of time related to the profit target to be achieved by the company. Profit planning sets profit targets to be achieved and determines the steps or strategies to be implemented by a company. (Machfoedz & Mahmudi, 2011).

There are three main stages of the budget preparation process: (1) goal setting, (2) implementation, and (3) performance control and evaluation. Behavioral aspects that must be considered at the goal setting stage are all aspects of planning which include participation, goal compatibility, and commitment. Behavioral aspects that must be considered at the implementation stage include communication, cooperation, and coordination (Savytska et al., 2021). Behavioral aspects that must be considered at the stage of performance control and evaluation are policies, attitudes, management actions in performance evaluation and follow-up on deviations that occur. (Rispantyo, 2010, Nurlina et al., 2017 and Pohan et al., 2018). In addition, the Human Factor also plays an important role in a budget plan, here are three important factors for the success of a budget program:

1. Top management must be enthusiastic and committed to the budgeting process.
2. Top management must not use budgets to pressure employees or blame them when things go wrong.
3. Highly achievable budget targets are usually preferred when managers are rewarded based on achievement of budget targets.

Likewise with companies engaged in the pharmaceutical sector, for example the company PT. Kimia Farma, TBK, succeeded in achieving the target in 2021 showing that the performance was quite good, where the realization of net sales was able to reach

the target of up to 114.08%, while net profit for the year only reached 70.17% of the 2021 target. Asset Value The company was able to record achievements of up to 103.21% of the 2021 target. (Annual Report of PT. Kimia Farma, Tbk, 2021). This is because PT. Kimia Farma, Tbk is committed consistently both in terms of profit planning and paying attention to the factors that affect the budget including the human factor or human behavior in budgeting.

LITERATURE REVIEW

1. Profit Planning

According to Carter and Usry (2005:4) "Planning profit (profit planning) is the development of an operating plan to achieve the goals, expectations and goals of the company". According to Carter and Usry (2005:4): Good profit planning is difficult because of external or external forces that influence business such as technological changes, competitor actions, the economy, demographics, customer tastes and choices, social behavior, and also political factors. These external forces are beyond the company's control, making it difficult to predict. So it can be concluded that profit planning is the development of a work plan for company operations which is stated in a calculation. According to Munawir (2011), profit is the main goal of the company because profit has the difference between the income received (from sales) and the costs incurred, so profit planning is influenced by sales planning. While the meaning of profit planning is planning carried out by the company in order to achieve the goals of the company, namely to earn profits. Profit planning contains the steps that will be taken by the company to achieve the desired profit target size (Pangemanan, 2016) this is in line with the opinion of Carter and Usry (2009) Profit planning (profit planning) is the development of an operating plan to achieve goals goals, expectations and goals of the company. Good profit planning is difficult because there are external forces that influence the business such as changes in technology, competitors' actions, economics, demographics, customer tastes and preferences, social behavior, and also political factors. These external forces are beyond the company's control, making it difficult to predict. Profit planning contains the steps that will be taken by the company to achieve the desired profit target. Because profit is the difference between income received (from sales) and costs incurred, profit planning is influenced by sales planning and cost planning.

To make good profit planning, a tool is needed in the form of cost-volume-profit analysis.

1. Keep production costs and operating costs as low as possible by maintaining the existing level of selling prices and sales volume.
2. Determine the selling price in such a way according to the desired profit.
3. Increase sales volume as much as possible (Duyo, 2013).

According to Mulyadi (2010) profit is influenced by three factors, namely:

1. Cost
Costs arising from the acquisition or processing of a product or service will affect the selling price of the product concerned.
2. Selling price
The selling price of a product or service will affect the sales volume of the product or service in question.
3. Sales and Production Volume
The amount of sales volume affects the production volume of the product or service, then the production volume will affect the size of production costs.

According to Carter (2009) the benefits of profit planning are divided into three, namely:

- a) Profit planning provides a disciplined approach to problem identification and resolution. This allows for the opportunity to reassess every facet of operations and re-examine policies and programs.
- b) Profit planning improves coordination. This is done to align efforts in achieving goals.
- c) Profit planning provides a way to get ideas and cooperation from all levels of management.

The company's profit planning consists of a detailed operating budget and a financial statement budget. The budget is different from the estimate (forecast). Profit planning or budget shows the level or target that management is trying to achieve. Estimates on the other hand are what the organization predicts will happen.

Fundamentally, three approaches can be chosen in setting profit targets

1. In the a priori method, profit targets dominate planning. At the beginning management determines the specifications of an expected rate of return and then pours the realization of these targets through planning.
2. In the posteriori method, the profit target is subordinated to planning and expressed as a result of planning.
3. In the pragmatic method, management uses a profit standard that has been tested and approved by experience.

2. Budget

Budgeting is the process of operationalizing plans in the form of quantification, usually in the form of monetary units, for a certain period of time (Halim et.al. 2000). Meanwhile, according to Rispayanto (2010) The process of preparing a budget is

basically a process of negotiation between the manager of the responsibility center and his superiors. A budget is a comprehensive short-term profit plan, which sets management's goals and targets into action. Budgeting is a plan that is described quantitatively in the form of finance and other quantitative measures (Supriyono, 2002). After the activities in the budget are implemented, then the results will be compared with the budget so as to find out whether there are deviations or not. Deviations that arise are then analyzed further to be used as feedback in future activities.

Budget is a managerial tool that ensures the achievement of organizational targets and provides detailed guidelines for daily operations (Erlina, 2017a). The budget has several functions,

1. The budget is the end result of a company planning process. As a result of negotiations between company members, it contains organizational consensus/agreement regarding the operationalization of company goals in the future.
2. The budget is a blueprint for action implementation, which reflects what are the priorities of management in allocating company resources. Budgets also provide an indication of how small organizational units are directed together to achieve overall company goals.
3. The budget serves as an internal company communication tool that connects one department or division with another and with top management
4. The budget states goals in terms of performance criteria or standards that can be measured and compared with the achieved operating results. Thus it can be used as a basis for performance evaluation/assessment for profit and cost center managers.
5. The budget functions as a control tool that can show management clearly the parts that are the strengths or weaknesses of the company. This allows management to determine appropriate corrective actions.
6. Budgets try to influence and motivate both managers and employees to continue to act in a way that is consistent with effective and efficient operations and aligned with organizational goals. (Arfan and Muhammad, 2005)

Budgeting is a technical job. According to Arfan and Muhammad (2005) in general, there are three main stages in the budget preparation process:

1. Goal setting
2. Implementation
3. Performance control and evaluation

The discussion of the behavioral aspects of profit budgeting and budgeting is related to the process of preparing the budget. The profit or profit that the company wants to achieve is of course determined at the time of budgeting (Erlina et al., 2017b). That's why budgeting is also called profit planning (profit planning). After the activities in the budget are implemented, then the results will be compared with the budget so as to find out whether there are deviations or not. Deviations that arise are then analyzed further to be used as feedback in future activities. (Sitanggang et al, 2022).

3. Human Factors/Human Behavior in Budgeting

According to Syamiya (2017) management must be aware of aspects of human behavior in budgeting and is a key factor for motivating employees and coordinating activities. The budgeting process involves human relations with humans, so it can cause human behavior as an effect of the budget, both behavior that is considered good or bad (Pitaloka & Trisnarningsih, 2022). Behavioral and budgeting aspects reflect positive behavior such as increasing manager performance motivated by budgets or negative behavior such as internal conflict and budgetary gaps. (Iriansya et al, 2021).

Contingency theory shows what factors can influence organizational behavior and create various behaviors, in this theory raises other variables that can influence the budget decision process. On the basis of this theory, conditions will arise that can affect other conditions (Wulandari and Solovida 2019).

Firmansya (2015) reveals that budgeting behavior consists of several indicators:

1. Planning budget targets
2. Communication
3. forming a budget
4. Receiving and giving feedback
5. Perform budget oversight. Budget pressure can affect the behavior of budget preparers

The behavioral aspect of budgeting refers to the human behavior that occurs during the budgeting process and the human behavior that occurs when people try to live within a budget (Hasibuan et al., 2020). The behavioral aspect of the budget is related to human behavior in the preparation and implementation of the budget. Budgets can of course affect human behavior, with a budget resulting in restrictions on action. Budgets also monitor and compare managers' performance. This also causes stress because of the existence of a budget, managers often face the following problems: Cost overruns or budget shortages, deviations from the expected budget, etc. As a result, the budget is considered to have the potential to disrupt or harm a career at work. (Sitanggang et al, 2022). This is in line with the opinion of Rispartyo (2010) Budget has a direct impact on humans.

The behavioral aspects related to the budget refer to the behavior of the humans involved in the budgeting process. The existence of a budget causes humans to limit their actions. The budget also causes the manager's performance to always and continuously be monitored and compared to predetermined standards. This also causes pressure.

Managers often face problems due to budget irregularities, such as over or under budgets, deviations from the set budget, and so on. As a result, the budget is then considered as something that can hamper or threaten careers. Thus the budget affects human behavior. The behavioral aspects related to the budget refer to the behavior of the humans involved in the budgeting process. The existence of a budget causes humans to limit their actions. The budget also causes the manager's performance to always and continuously be monitored and compared to predetermined standards. This also causes pressure. Managers often face problems due to budget irregularities, such as over or under budgets, deviations from the set budget, and so on. As a result, the budget is then considered as something that can hamper or threaten careers. Thus the budget affects human behavior. The behavioral aspects related to the budget refer to the behavior of the humans involved in the budgeting process. The existence of a budget causes humans to limit their actions. The budget also causes the manager's performance to always and continuously be monitored and compared to predetermined standards. This also causes pressure. Managers often face problems due to budget irregularities, such as over or under budgets, deviations from the set budget, and so on. As a result, the budget is then considered as something that can hamper or threaten careers. Thus the budget affects human behavior. The existence of a budget causes humans to limit their actions. The budget also causes the manager's performance to always and continuously be monitored and compared to predetermined standards. This also causes pressure. Managers often face problems due to budget irregularities, such as over or under budgets, deviations from the set budget, and so on.

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The Management Control System is part of the Management Planning and Control System (SPPM). SPPM is a system to assist top management in carrying out planning and control functions. SPPM consists of three elements (types of control), namely strategy formulation, management control, and task control (Supriyono, 2000).

METHOD

This study uses a qualitative approach. Qualitative research is research that is descriptive in nature and tends to use analysis. Process and meaning (subject perspective) are emphasized in qualitative research. The theoretical basis is used as a guide so that the research focus is in accordance with the facts in the field. The method used in this research is a case study study of literature. Case study research is research that is carried out intensively and in detail.

RESULTS AND DISCUSSION

1. Results

In the Covid-19 Pandemic Era like this, Kimia Farma, Tbk increased its profitability, as seen from the increase in net sales of 28.50% and the growth in net profit for the year of 1,319.23% compared to the previous year. The increase in net sales was mainly driven by increased sales from the manufacturing segment which grew to 246.75% from the previous year. With efficiency in operating expenses, the Company was able to significantly increase its net profit. Where net sales realization was able to reach the target of up to 114.08%, while net profit for the year only reached 70.17% of the 2021 target. The Company's Asset Value was able to record achievements of up to 103.21% of the 2021 target. In 2022, The company projects net sales to grow 10% to 15% and net profit to grow 20% to 30%. On the other hand, the Company expects to strengthen its capital structure, especially by reducing interest-bearing debt. This strategic step is inseparable from profit planning and good human resource factors to form a budget for the company, so that PT. Kimia Farma, Tbk is able to increase profitability quite significantly

2. Discussion

PT. Kimia Farma is a company born from government policy to nationalize foreign companies in Indonesia and is the first pharmaceutical industry company in Indonesia which was established by the Dutch East Indies Government in 1817. Kimia

Farma was originally "NV Chemicalien Handle Rathkamp & Co". Based on the nationalization policy of former Dutch companies, in 1958 the Government of the Republic of Indonesia merged a number of pharmaceutical companies into "PNF (Perusahaan Negara Pharmacy) Bhinneka Kimia Farma". Then on August 16, 1971, the legal entity form of PNF was changed to a Limited Liability Company, so the company name changed to "PT Kimia Farma (Persero)".

PT. Kimia Farma is a business entity with integrated health services. The Company's competitive advantage lies in manufacturing medicinal products, with 5 (five) Pharmaceutical Factory production facilities, namely the Jakarta, Banjarnegara, Semarang, Watudakon, and Denpasar Pharmaceutical Factories. Each factory has a different manufacturing designation. Until Kimia Farma has 9 (nine) subsidiaries with complementary business lines. PT Kimia Farma Apotek ("KFA") with its network of pharmacies and clinical laboratory service support from PT Kimia Farma Diagnostika ("KFD"), PT Kimia Farma Trading & Distribution ("KFTD") engaged in product trading and distribution, PT Sinkona Indonesia Lestari ("SIL") which manages the Quinine Factory, PT Kimia Farma Sungwun Pharmacopia ("KFSP") is engaged in manufacturing and marketing of medicinal raw materials, Kimia Farma Dawaa Ltd. Co.

1. New business models by adopting digitization
2. Partnership strategy
3. Operational excellence and optimization of the customer service experience
4. Customer Relationship Management
5. Merchandising and other revenue strategies
6. Operational Expenditure Efficiency (OPEX)

In accordance with Article 3 of the Company's Articles of Association, which was most recently amended by Deed No. 22 dated 16 October 2019 made before Mochamad Nova Faisal, SH, M.Kn., notary in Jakarta, and has received approval from the Minister of Law and Human Rights of the Republic of Indonesia No. AHU0083543.AH.01.02. In 2019 dated October 17, 2019, the scope of the Company's activities includes industry, mining, wholesale and retail trade, human health activities, accommodation provision, education, professional, scientific and technical activities, financial and insurance activities, agriculture, information and communication, and other service activities. (Kimia Farma Annual Report, 2021).

CONCLUSION

From all the contents of this journal it can be concluded that profit is the difference between the costs incurred and the costs entered. Profit planning or budget shows the level or target that management is trying to achieve and the behavior aspect of the budget is related to human behavior in its preparation and implementation. To existence of a budget causes humans to limit their action. As a result, the budget is then considered as something that can affect careers, thus the budget influences human behavior. In case PT Kimia Farma can maintain and increase its profits with a growth of 10-15% with strategic steps, namely reducing interest-bearing debt and PT Kimia Farma realizes that there are aspects of human behavior in budgeting and is a key factor for motivating employees and coordinating activities, so that PT Kimia Farma is a business entity with integrated health services with the company's competitive advantage lies in manufacturing medicinal products, with factory production facilities. Pharmacy.

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