

Analyze the Efficiency of Activities Using Activity Based Management (Case Study at PT. IMA Montaz)

Muammar Khaddafi ¹, Dyan Anggrea Ningrum ², Servo Sari ³, Asnah Putri ⁴, Mustika Shahana ⁵,
Khaira Khirnika ⁶

Faculty of Economics and Business, Universitas Malikussaleh,
Bukit Indah Blang Pulo Campus, District. Muara Satu – Lhokseumawe

Article Info

Article history:

Received December 17, 2023
Revised January 28, 2024
Accepted March 7, 2024

Keywords:

Activity Based Management (ABM),
Company Performance,
Efficiency,
Non-Value Added Activities

ABSTRACT

Increasingly sharp global competition causes the characteristics of the business environment faced by management to be dynamic and change rapidly. To maintain its survival, a company must be able to achieve its goal, namely obtaining maximum profits. The costs incurred by the company must really be costs that add value to the product so that there will be no wasted costs. Therefore, cost efficiency has an important meaning for companies in maintaining their presence in the business world. One way that companies can use to achieve cost efficiency is through activity-based management or Activity Based Management (ABM). The purpose of this research is to find out how Activity Based Management is implemented in water management and to find out whether the Activity Based Management carried out is able to encourage efficiency. production cost.

This is an open access article under the [CC BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.



Corresponding Author:

Muammar Khaddafi
Universitas Malikussaleh
Email: khaddafi@unimal.ac.id

INTRODUCTION

Nowadays, changes in the business environment have made competition between companies to win the market very competitive. Plus, there are many foreign companies that on average offer quality products at competitive prices. Company management must be smart in making policies related to the company's survival.

To maintain its survival, a company must be able to achieve its goal, namely obtaining maximum profits. The costs incurred by the company must really be costs that provide added value to the product so that there will be no wasted costs. Therefore, cost efficiency has an important meaning for companies in maintaining their presence in the business world. Also in an effort to face increasingly sharp global competition. Especially for production, management must really pay attention to the effectiveness and efficiency of production of a product. Production costs must be saved in such a way as not to reduce product quality so that the resulting product can compete in the market. One way that companies can use to achieve cost efficiency is through activity-based management (ABM).

According to Hansen and Mowen (2012:224), the definition of Activity Based Management (ABM) is an integrated and comprehensive approach that focuses management's attention on activities carried out with the aim of increasing customer value and the profits obtained from providing that value. In other words Activity Based Management focuses on business effectiveness, as well as increasing the value received by customers and providing profits for the company.

Every company in producing its production certainly wants maximum production results with minimum or effective costs, as does PT. IMA MONTAZ. Mount Aqua, which is Mount Aqua, is a mineral water product originally from Aceh which is very popular with the public, because Mount Aqua is sterile according to national standards. PT. IMA MONTAZ. Mount Aqua produces several kinds of products, and the various kinds of aqua used, of course require various kinds of activities and types of costs. Therefore, companies must be able to monitor and control production costs, because production costs are very important for companies to survive. If the company can overcome and reduce production costs to a minimum, the company will be able to optimize profits. So that makes the management of PT. IMA MONTAZ. Mount Aqua must have a superior strategy, one of which is producing effective production costs. The company's policy for setting prices is based on product costs, namely costs incurred for activities starting from purchasing raw materials, the production process, to the finished product. The company has not focused its attention on identifying every activity that occurs. PT. IMA MONTAZ. Mount Aqua carries out a fairly long production cycle, which allows non-value-added activities to arise which cause wasted costs. Production department in PT. IMA MONTAZ. Mount Aqua takes up the largest portion of the company's expenses. Therefore, the amount of company income also depends on the effectiveness of the company's production. The company's policy for setting prices is based on product costs. The production process starts from preparation, processing and finishing. There are many production processes in it, including several activities that do not add value to the company, so these activities can be minimized or eliminated. This condition means that company management must manage its production activities effectively and efficiently to produce a competitive advantage, which means having the ability to provide quality products to consumers appropriately, at appropriate prices compared to similar products from competing companies, and the need to carry out continuous evaluations, so that they can make things more efficient. production costs incurred.

LITERATURE REVIEW

Activity Based Management (ABM)

According to Hansen and Mowen (2012:224), the definition of Activity Based Management (ABM) is an integrated and comprehensive approach that focuses management's attention on activities carried out with the aim of increasing customer value and the profits obtained from providing that value. In other words, Activity Based Management focuses on business effectiveness, as well as increasing the value received by customers and providing profits for the company.

Objectives and Benefits of Activity Based Management (ABM)

Activity Based Management (ABM) is a management approach that focuses on activities or activities carried out in an organization. The main goals and benefits of Activity Based Management (ABM) involve improving the efficiency, effectiveness, and management of organizational resources.

Objectives of Activity Based Management (ABM)

1. Identify and Prioritize Activities:
 - Identify the activities carried out in the organization.
 - Analyze and categorize activities based on their level of importance and impact on organizational performance.
2. Cost reduction:
 - Find and reduce activities that do not add value or are inefficient.
 - Focus on reducing unnecessary costs by assessing activity efficiency.
3. Quality Improvement:
 - Improving the quality of products or services by understanding the activities that affect quality.
 - Identify and eliminate activities that may cause defects or nonconformities.
4. Resource Optimization:
 - Allocate resources more effectively by understanding the activities that add value.
 - Avoid overallocation or underallocation of resources.
5. Increased Productivity:
 - Increase productivity by evaluating and optimizing business processes.
 - Identify and eliminate activities that do not contribute significantly to the end result.

Benefits of Activity Based Management (ABM)

1. Fee Transparency:
 - Provides better visibility into how costs are allocated to specific activities.
 - Assist managers in understanding and communicating the organization's cost structure.

2. Better Decision Making:
 - Provides a stronger basis for decision making by providing more detailed information about activities.
 - Support management in identifying opportunities for improvement and development.
3. Responsive To Change:
 - Enables organizations to respond more quickly to changes in the market or business environment.
 - Flexibility in adjusting activities and resource allocation according to needs.
4. Increased Competitive Advantage:
 - Helps organizations to focus more on activities that create added value and provide competitive advantage.
 - Enables innovation and adjustment of business strategy.

Activity Concept

The Activity concept is more directed towards Activity management which is important in the context of Activity-Based Management (ABM) and Activity-Based Costing (ABC).

Value Added Activities and Non Value Added Activities

Value Added Activity (VAA) and Non-Value Added Activity (NVA) are two main concepts in activity management, especially in the context of Activity-Based Management (ABM) and Activity-Based Costing (ABC).

Efficiency Concept

The concept of efficiency is a fundamental concept and was born from economic concepts. However, the concept of efficiency can be defined from various points of view and backgrounds. In general, efficiency can be directed to a concept about achieving results with optimal use of resources. Karim (2006), states that " Efficient is doing the things right ", which means doing everything in the right way to get optimal results.

Previous Research

There are several previous studies that analyzed activity efficiency using Activity Based Management (ABM). The results of Tejo's research (2007), the aim of this research is to find out how Activity Based Management (ABM) influences production cost efficiency. The method used is descriptive research method. The research results show that the production activities have not implemented Activity Based Management (ABM) as the basis of the activities so that there are still non-value-added activities that the company has not eliminated so that there is still use of resources that do not provide added value for the company.

METHOD

Types of research

In this research, the researcher chose a qualitative research approach using the case study method carried out at PT. IMA MONTAZ. Mount Aqua to conduct activity efficiency analysis using Activity Based Management . According to Moelong (2007:6), qualitative research is research that aims to understand the phenomena experienced by research subjects by describing them in written or spoken words. The method used in this research is a case study. Case studies are research about the status of research subjects relating to a specific or typical phase of the whole personality (Nazir , 2009:66).

Research sites

The research location is a place where researchers can capture the actual situation of the object being studied. Jalan Banda Aceh-Medan, No 21 Bungkah, Muara Dua, Mns Mee, North Aceh, Lhokseumawe, Aceh 24355

RESEARCH RESULTS

The results of research and observations carried out by researchers at PT. IMA MONTAZ. Mount Aqua is as follows: From the results of interviews with the head of accounting and finance then matched with the managerial report documents of PT. IMA MONTAZ. Mount Aqua, production costs include raw material costs , direct labor costs and factory overhead costs. To make it easy to carry out activity analysis, it is necessary to know what activities occur at each station in PT's production process. IMA MONTAZ. What activities are involved in the production process of PT. IMA MONTAZ. Mount Aquq was demonstrated based on the results of interviews with the head of the manufacturing department and then compared with direct observation. So

that a list of production activities can be presented, namely, the Preparation section, the processing section and the Completion section.

CONCLUSION

Based on data analysis, the management system carried out by operational management is still conventionally based so that the measurements are also still conventional. This means that the evaluation of performance reports still uses conventional models. The company in this case PT. IMA MONTAZ, rarely requires activity information so the company has not focused its attention on identifying every activity that occurs. So there are still costs that occur due to unnecessary activities which will result in wasted costs. After the activities at PT. IMA MONTAZ is identified, then it can be analyzed which activities are value added and activities which are not value added. Management must try to optimize these value-added activities by managing these activities efficiently and on time and the costs incurred are value-added costs. Non-value-added activities that should be eliminated at PT. IMA MONTAZ includes, among other things, moving the sugar cane received to the sugar cane weighing place, placing the weighed sugar cane in the emplacement, selecting the crystal size, checking the quality of the finished goods, sending and storing the finished goods to the warehouse. These non-value added activities will of course result in non-value added costs. Therefore, it is necessary to implement Activity Based Management to eliminate non-value added activities which can increase production cost efficiency and in general can be used as an estimate in the form of savings that will occur in the coming year.

Suggestion

The suggestions that researchers can put forward and hope will be useful for interested parties, namely, PT. IMA MONTAZ. Mount Aqua needs to review existing production activities. This can be done one way by implementing Activity Based Management in production operations so that there are no non-value added activities in the company's production operations because these non-value added activities will result in non-value added costs. Then PT. IMA MONTAZ. Mount Aqua should implement Activity Based Management so that management in making decisions will be more accurate because the data provided is more relevant. In implementing Activity Based Management, the company can collaborate with several distributors or customers so that the company can minimize the process of storing finished goods in the warehouse.

REFERENCES

- [1] Andhika, Tejo (2007). "The role of Activity Based Management in increasing production cost efficiency (Case study at PG. Kebon Agung Malang)", thesis, unpublished, Faculty of Economics, Barawijaya University, Malang, [online], (<http://eprints.umm.ac.id/id/eprints/13056>, accessed 27 November 2012, 11:22)
- [2] Ardiansyah, Bambang, 2010. "Analysis of Manufacturing Cycle Effectiveness (MCE) in reducing Non Value Added Activities (Empirical study at PT. PPLI Asahan", thesis, unpublished, Faculty of Economics, Diponegoro University, Semarang, [online], (<http://eprints.undip.ac.id/22697/1/Scrip.pdf>, accessed 28 November 2012, 10:15)
- [3] Blocher, Stout, 2011. "Cost Management", book I fifth edition. Jakarta: Salemba Empat
- [4] Blocher, Chen, Cokins and Lin, 2007. "Cost Management", book I third edition. Jakarta: Salemba Empat
- [5] Blocher, Edwaerd J, Kung H. Chen, and Thomas W. Lin, 2000, "Cost Management", Book I, First Edition, Translated by Susty Ambarriani. Jakarta: Salemba Empat
- [6] Corrytus, Fani. 2005. "Application of Process Value Analysis using the Activity Based Management method approach to achieve Cost Reduction". Journal of Accounting and Finance, Vol.1, No.1, May 2005, (<http://puslit.petra.ac.id/journals/accounting>, accessed 12 December 2012, 20:30)
- [7] Ghozali, Imam and Anis Chariri. 2007. "Accounting Theory", Edition 3. Semarang: Undip Publishing Agency
- [8] Gunasekaran, McNeil (2000). "Activity Based Management at the GM Mustill company". Production Planning & Control, Vol.11, No.1, 2000 (<http://www.tandf.co.uk/journal>, accessed on 17 December 2012, 16:00)
- [9] Hansen and Mowen, 2012. "Managerial Accounting", book I, eighth edition. Jakarta: Salemba Empat