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Company Performance Monitoring by Objective Key Result (OKR), Profit and Loss Account Approach Pandemic of COVID-19 Era

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Abstract--In measuring the Company's performance, recording a profit and loss account that explains all activities that occurred and assists in the decision-making process at the Top Management Level in a business strategy. In addition, the Profit and Loss Account is also a tool for measuring income and expenditures as well as OKR for How we know how much profit our business is getting on a company. This paper explains how Profit and Loss is needed for every company in running of business which will provide an overview in the form of a report on the company's profits. The role of OKR that is applied by TOP Management is to be a reference for employees at the company to find out their performance achievements.

Keywords--Objective Key Result, Profit and Loss Account, Management Strategic.

Introduction

There is some condition in 2022, such as Covid-19, Invasion Russia to Ukraine, that conditions make this world very dynamic and unstable. In Indonesia, 46% of Micro Small and Medium Enterprises (UMKM) have to go out of their business with approximately 7 million workers who have to be laid off. Inside of there is 1.298 companies file for bankruptcy due to impact of COVID-19 disease.

Most of companies will be persistent and focus on how to make profits can be maximized with the goal of profitability in the company. Profitability is a very useful measure, in so far that it can make it easy and straight forward to choose between possible actions or ventures. (Lutz,2010) There are 3 components of

success seen from the management strategy: 1. Strategy Formulation, 2. Strategy Implementation and 3. Strategy Evaluation (David, 2009). This paper reviews the description and discussion of OKR, Profit and Loss Account as well as relevant literature for their relationship to measure Revenue and Expenditures and How we know how much profit our business is getting for the company.

Literature Review

Strategic management according to Prayogi et al (2020) is a set of managerial decisions and actions that determine the long-term performance of a company. This includes environmental monitoring of the external and internal (Ginting et al., 2020), formulation (strategic or long-term plans), implementation and evaluation and control.

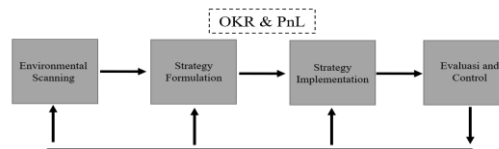


Figure 1. Four Basic Element Management Strategic

- Environmental Scanning is the first step in the strategic management process. The Environmental Scanning relates to the information needed to create a vision and mission statement. In addition, it is also used to evaluate the organizational context, the external environment, and the organizational environment. (Coulter, 2005)
- Strategy formulation is concerned with designing, developing corporate strategy, determining the strengths for the formulation of corporate strategy. Strategy formulation is divided into three levels: operational, competitive, and corporate. (Coulter, 2005)
- Strategy implementation means Execution. It deals with how to develop steps, methods, and procedures for executing strategy. The most important thing is to determine which strategy should be implemented first. Strategies should be prioritized based on the difficulty level of the problem, then move on to other problems once the problem is resolved. (Coulter, 2005)
- Strategy evaluation is ensuring how the strategy has been implemented as well as the results of the strategy". This relates to determining on time, steps and the implementation process are running correctly, and the expected results have been achieved. If targets are not met, then the strategy can and should be modified or rearranged. (Coulter, 2005)

OKR and Profit and Loss Account are in Strategy Formulation and Implementation Strategy. OKR has been successfully implemented by giant technology companies such as Google, LinkedIn because it has integrated individual employee goals with company goals. It provides motivation and ambition for employees increase. positive correlation will be created between personal development or learning objectives related to personal success scores will increase motivation for employees to achieve company goals (Ritonga et al.,

2020). Its means OKR that is linked to the work performance score or chance to evaluate that they do a good job has more access than the OKR that focuses only on personal growth and not linked to the work performance score. Radonić (2017)

OKR or Objectives and Key Results is an agile framework for setting goals in companies. The OKR method can lead to more transparency, alignment, focus and agility in organization. An OKR is a set of one Objective and n Key Results. (Casamitjana et al,2022).

- The Objective is the business result that needs to be achieved and should be written in qualitative terms.
- The Key Results are S.M.A.R.T. (an acronym for specific, measurable, achievable , relevant and time-bound) goals based on specific key performance indicators.

To start implementing OKR, there are several steps to do :1. Set Objectives, 2. Define Key Results 3. Update OKR, 4. Plan Activity, 5. Review OKR. OKR is designed to help organizations achieve their business goals quickly. It is described as “a critical thinking framework and ongoing discipline that seeks to ensure employees work together, focusing their efforts to make measurable contributions that drive the company forward. (Niven,2016). The framework consists of a set of objectives and corresponding key results.

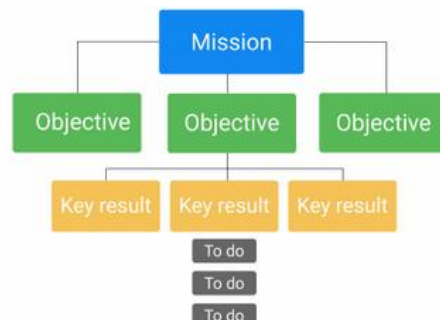


Figure 2. The OKR Framework

Profit and Loss Account is an orderly list of all the revenues and expenses at the end of the financial period. The difference between revenues and expenses gives an estimate of the profit or loss over the period. The Profit and loss Account is also known as an income and expenses. The following are the terms that we need to keep in mind while preparing the profit and loss. (Ramachandran, 2013)

Following the Indonesian Institute of Accountants (2007), The Company must be present the statement of changes of equity as a major component of the financial statements, showing the related period of profit or loss, the accumulated balance of profit or loss at the beginning and end of the period and its amendments. The income statement has two elements in generating profit during the period of performance that is: (Prastowo, D and Julianty, R, 2002). Income is a form of increase in economic benefits in the form of income or increase in assets or decrease in liabilities. For example, interest income, rent, service income.

Methods

The descriptive approach was adopted in this study through the collection of OKR and Profit and Loss Account. This study will provide a theoretical overview of how Profit and Loss is needed for every company in running of business which will provide an overview in the form of a report on the company's profits. This approach is used for companies that are trying to implement agile and survive the crisis conditions this year. As well as providing a business with a snapshot of its overall health, the Profit and Loss Account enable management to set, track, and monitor both their KPIs (Key Performance Indicators) and their OKR's (Objectives and Key Results) to vastly increase their chance of success far more accurately.

Results and Discussion

Result

Step by Step Setup to run OKR.

1. Introducing OKR
Introduce OKR as a framework to the team and how it can influence and contribute to company growth. If the team fully understands how OKR is carried out it will help the company, can achieve the predetermined targets with periodic control at least quarterly.
2. Creating Objectives
Describe the action plan that will be carried out so that it is more specific in setting strategies for how to achieve these goals. Know exactly what to do and how to accomplish goals (Adawiyah and Nasution, 2020). It can also be discussed with management about how to achieve these goals.
3. Identify your Key Results
List down the outcomes or Key Results that will signify or indicate whether an object is achieved or not. Remember that this is not a To-Do list tasks. The Key Results are real results that the team/individual has to achieve.
4. RAR
Review, Analyse, and Revise
Doing the initial draft of the initial OKR. then testing whether the goal is too secure or not ambiguous enough is if the team believes they can deliver a Key Result. improve Goals and avoid team comfort zones, refocus on other aspects of the company's OKR. For the Main Outcome, it is ensured that it is correctly articulated in such a way that it can be graded using a sliding scale.
5. Feedback
Get feedback from other departments, teams and other executives with the aim of minimizing the chance of having blind spots.
6. Scoring

Get feedback from other departments, teams and other executives with the aim of minimizing the chance of having blind spots. Performing an Assessment is very important on OKR. The scoring system can be done using a number scale between 0 to 1. If your team scores 0.7 in the KR evaluation, it is better than having 1. A perfect score means you have set the goal of the KR too low and must be adjusted to me next.

With the 6 steps above, we can measure goals with confidence, then continue with Steps to make a profit and loss account.

1. Make a transaction journal. revenue, expense and derivative accounts.
2. Then record it to the ledger.
3. Reports are prepared after the trial balance and adjusting journal entries, or after the work sheet or working papers.
4. Like the income and expenses in the working paper. This is because there are columns that come from the working paper.
5. Expenses are taken from the balance sheet column, while profit and loss is the difference between total revenues and total expenses.
6. When income is greater than expenses, there will be profit. While the total income is smaller than the expenses, it is a loss.

Discussion

Inline with the goals of how to seek the revenues and expenses from the company, we bring the concept as call of OKR which more telling about the objectives, target and implementation strategy. An theoretical refer to SMART's concept where we can define the goals and forecast the profit with more Specific, Measurable, Achievable, Relevant and Time-bound. Having the bold strategic will helping a company to growth and measure where they are along the developments of times.

- **Specific**
The first stage of "SMART" goal planning is to focus your attention on what exactly you want to accomplish. Set goals that are specific and will elaborate on a general idea. If you say you want to "increase sales revenue", rephrase your thought process to include how you will make it happen. Using who, what, when and why question will make your mission more specific to share with other employees.
- **Measurable**
A goals that is measurables uses metric to record progress. Never just assume that your efforts are working when you can provide tangible evidence of success. Decide what data you can track to better decide if your efforts are on schedule. Manufacturing businesses can determine success by measuring data points, such as : Accuracy Rates, Revenue or Income, Customer Satisfaction Reports, Feedback, Turnaround times
- **Achievable**
Goals must be achievable based on current skill, resources and knowledge. Achievable goals can still challenge your tea, but it is important to set goals that are not destined for failure. If you set a goal and it is hard to see how you will accomplish it, you probably need to re-evaluate this stage of the goal-setting process.

- Relevant
SMART goal planning will consider the importance of the results you are after. Are your goals going to benefit the entire organization and align with its morals? Relevant objectives are worthwhile, beneficial and applicable.
- Time-Bound
Choose an end-date for your business efforts. This portion of the SMART planning process should factor into each part of the “SMART” acronym. Timelines for completion enable you to create positive motivation for keeping improvements on schedule. Deadline might be different for each part of team. However, setting up periodic reviews across your timeline is great for making sure efforts are in line.

Conclusion

Increasing performance of company is the key on how they can achieve a target in every condition, hence requires an indicator to seek on which level they are. By doing OKR development thru SMART method are the feasible way to used. Moreover, once the OKR are landed strictly the Profit and Loss will impact directly. It is an concept of proportional rules, when the OKR has landed well then PNL will significantly get affected.

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