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## **BUDGETING AND CATALOGING ENHANCEMENT FOR SMALL AND MEDIUM-SIZED ENTERPRISES TOWARD SUSTAINABLE DEVELOPMENT GOALS**

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### **Abstract**

This paper describes a business coaching activity for small and medium enterprises (SMEs) in chemical and waste management industries. Based on the analysis results, there was a lack of budgeting practice and suboptimal catalog marketing that comprised the majority of existing problems in SMEs. This research aims to assist the SME in improving its budgeting practice and product catalog. The method used is a qualitative method based on a business coaching approach. The research instruments adopted included in-depth individual interviews (IDI). The collected data was then processed and analyzed, starting with generating the SME's business process and service blueprint, followed by the business model canvas. Next, the paper also covers external and internal analyses, followed by the Gap and Pareto analyses to identify the priority issues. The owners of the SME have set a target to expand their business. However, various shortcomings can hinder the business. Most research finds that SMEs usually tend to be characterized by less financial planning, including the SME in this research. Many kinds of literature debate how to develop a budgeting process for SMEs as the vast majority of literature on management accounting for SMEs is still under-researched. Formulating a meaningful operating budget can give the business clear goals. The second issue is related to the catalog, which is one of its critical marketing channels. However, the catalog has not yet been enriched with better-quality content compared to the competitors. The research results have the potential to deliver positive improvements for SMEs across similar cases. Further, the contribution of this study may guide owners of businesses and policy-makers on how to develop guidance for SMEs to solve their issues with practical assistance in the future.

**Keywords:** Business coaching; Budgeting; Catalog; Business management; SMEs

### **1. Introduction**

The COVID-19 pandemic has caused significant impacts on the international economy and put many vulnerable sectors at risk, especially small and medium enterprises (SMEs). SMEs play a significant role in economic development, especially in developing countries like Indonesia, whose total SMEs account for 61.07% of GDP and 97 percent of its workforce ([Indonesian Ministry of Cooperatives and SMEs, 2019](#)). Hence, it plays a critical role in broader social-economic objectives closely related to the eight-goal of sustainable development goals (SDGs), which are decent work and economic growth agenda.

This research is based on a business coaching approach and a case study of an SME in the chemical and waste management services industry, PT. Nebraska Pratama that is located in West Java, Indonesia, and has been established since 1993. The SME is a manufacturer & distributor of chemical products and is licensed to provide waste treatment solutions and transportation services for hazardous and toxic wastes (Limbah Bahan Berbahaya dan Beracun, abbreviated as LB3 in Indonesian).

Business coaching activity pertains to the experienced results that are obtained through the dynamic relationship between the coach and coachee (or client) and how the results impact the individual, group, and organizational performance (Kurz et al., 2017; Stout-Rostron et al., 2019). Coaching in the business sector is also noted in some literature to have a helpful impact on an organization, as the practice could solve several issues and also be effective in improving poor performance at the organization, as well as towards strategic competency and business success (Idris & Bakar, 2020; Maamari et al., 2022).

However, most kinds of literature on this field tend to focus on the coaching provided by supervisors and managers (Hui & Sue-Chan, 2018), training and development programs, or mentoring relationship (Gan et al., 2021), with little numerous studies on how external expertise may practically assist businesses, particularly for SMEs. Most studies on coaching also hardly explored how particular business coaching may help SMEs (Santoro et al., 2019), as most research approaches the issue using quantitative studies (Szabó et al., 2019; Zuñiga-Collazos et al., 2020). There is less literature on providing accurate and step-by-step guidance to SME management. The authors attempted to fill this gap of research by providing an exploration of some internal issues that may be faced by typical SMEs and guidance using a business coaching approach.

Further, the contribution of business coaches in this study may provide references for owners of businesses, managers, and policy-makers on how to develop guidance for SMEs to solve their issues and support their actions with practical assistance. Business coaching, especially for SMEs, is a dynamic and progressive process without any links to specific, methodical approaches (Erdős et al., 2021). By using this approach in the study, these works also intended to bridge the “gap” between the SME owner's desired result and the business's current state.

From interview results, the authors find from the engagement with the owners of the SME that the coaches aim to expand the business further and increase their sales & market share. Further, from the preliminary research, the authors also find that the SME possesses plenty of strengths to support its objective. First, the chemical product lines of SMEs are very diverse. Secondly, the SME is more reliable for the customers, as the waste management service offered by the SME is complemented by supporting licenses and legal/permits that follow government regulations. Then, the SME possesses a lower price compared to the competitors. Lastly, the SME has extensive knowledge in the chemical & waste management industry and a solid competitive advantage from the SME's long-established network with its business partners.

However, the authors also find a few shortcomings between the SME's desired objectives with their current condition and performance. Based on the in-depth interview (IDI) results, the SME already possesses a good bookkeeping system and has monthly financial statements. However, the budgeting process that the SME conducts requires improvement, as the interview findings show that the financial planning process is not up to standard. Furthermore, no control mechanism exists to evaluate their performance between the actual result and the plans. There is also an issue of operational inefficiency that costs the SME an operating ratio of 97,47%, which is much higher than the competitor. The asset turnover ratio

(TATO) tends to be smaller than the competitor's ratio, indicating the competitor's ability to manage their asset more efficiently in 2021 (Q2).

By preparing a proper operational budget, the SME can further minimize integration problems for company operational activities between the marketing, production, purchasing, and finance divisions mentioned in the interview. Hence, each division can prepare and plan more optimally. This idea can be realized by preparing a production volume plan per the sales target, then estimating the need for materials and labor, further promoting organizational efficiency.

Many kinds of literature highlight the importance of budgeting practice that was often neglected by SMEs (Masurel & Smit, 2000; McLellan, 2014; Ruiz & Collazzo, 2021), even though budgeting is one of the vital keys to planning and ensuring their future growth not to be derailed. The debate on the works mentioned above literature centers on the reasons for the above issues, as the lack of budgeting practice in SMEs is usually because of the absence of skills of the managers or owners of SMEs, the lack of relevant human resources, and other related factors. Furthermore, the debate also centers on developing a budgeting process for SMEs, as most of the literature on management accounting for SMEs is still under-researched. Formulating a meaningful operating budget that is more fit for the SME can aid the SME in its decision-making and give clear goals to move the business toward realizing its long-term objectives.

The second issue is related to the product catalog, which is one of the critical marketing channels for the business to deliver its value proposition to new customers. Based on the interview with the customers of the SME in Figure 1 below, 67% of the respondents deemed the product catalog a necessary information tool to decide on their purchases. The said respondents are mostly comprised of prospects and new customers of the SME. At the same time, 33% of the rest (that are already long-time customers) stated that the current product catalog of the SME was already sufficient.

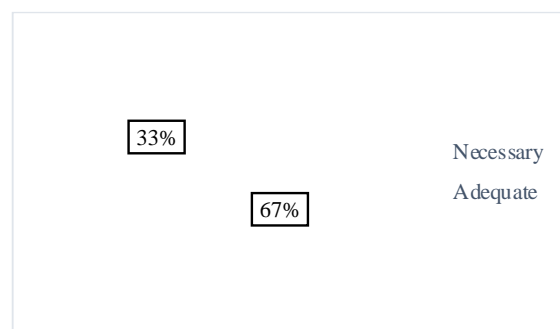


Figure. 1 Customer of the SME assessment of catalog needs  
(Source: Proceeded by Authors, 2021)

A winning catalog is an essential tool for the business in implementing marketing strategy, particularly for customer acquisition. However, compared to the competitors, the product catalog has not yet reflected the professional characteristics of the company and is not yet enriched with updated and better-quality content. Developing the SME's catalog marketing strategy, it can lead to an increase in customer engagement. However, most of the literature on catalog marketing is generally scarce for B2B (business-to-business), which is also the type of business of SME in this case, as the majority of literature is mainly oriented to the B2C (business-to-consumer) area. This research is closest to Ruiz & Collazzo (2021) in exploring the necessary further research on developing management accounting for SME and

also closest to Zhang (2020) in developing a winning catalog to increase customer engagement.

The authors also subsequently build on analyzing other issues or gaps, including the HR (human resources) management practice. The authors interviewed the employees of all SME's divisions to evaluate their satisfaction with the theory of Herzberg's Motivators and Hygiene Factors (Dessler, 2017; Kreitner & Kinicki, 2016). The other issues are operational capacity and quality control, as presented in the following figure. Due to time constraints, the other four issues have not yet been solved in this business coaching activity and will be addressed as a suggested action plan for SME's future improvement.

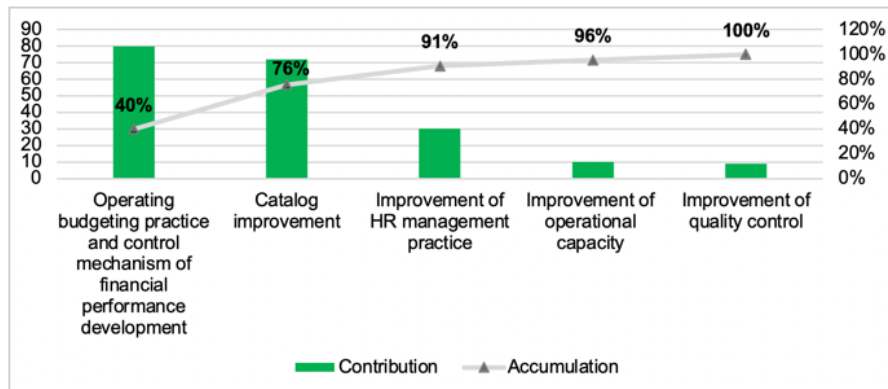


Figure. 2 Pareto analysis result of the SME  
(Source: Proceeded by Authors, 2021)

Based on the Pareto chart in Figure 2 and considering the research as mentioned earlier limitations, the main focus of business coaching activity is the most achievable targets within the time frame, which pertains to the development of operational budgeting practice and catalog improvement solutions that can solve up to 76% of the existing problems of the SME. Thus, this study aims to assist the SME in improving its operational budgeting practice and reforming the product catalog with business coaching activity.

The authors will then build on the analysis with the following research questions to be addressed: How to improve the operational budgeting practice and the catalog of PT. Nebraska Pratama? By developing operational budgeting practices and improving SMEs' catalogs, the research results have the potential across similar cases to deliver positive improvements for SMEs. This paper is also structured as follows: Section one is an introduction about the SME and the result of the Gap and Pareto analyses that determine the focuses and objectives of this research. Section two elaborates on the methodology, and Section three presents the result and discussion of the research. Finally, Section Four presents the main conclusion of this study, followed by acknowledgments and references.

## 2. Methods

The method used in this study is a qualitative method based on the business coaching approach. This business coaching activity was conducted for eight months, starting from the first introduction to the owners of the SME regarding the coaching plan, data collection & analysis, confirmation of solutions, implementation of the action plans, evaluation, and finalization. The authors (as coaches) started introducing the authors' coaching plan in May 2021 and ended the activity with the handover of results to the SME in December 2021.

Qualitative research uses interpretive techniques that describe, decode, and translate certain phenomena that naturally occur in the social world (Cooper & Schindler, 2014; Uma, DOI: <https://doi.org/10.7454/jessd.v6i1.1157>

2016). Both phases of the data collection and data analysis in this research used qualitative techniques. According to Cooper & Schindler (2014), data collection techniques in qualitative research may include focus groups, in-depth individual interviews, case studies, ethnography, action research, and also through observation. In addition, there are two parts to qualitative research procedures, namely direct and indirect qualitative techniques (Malhotra, 2010). This study used a direct qualitative technique by conducting an in-depth individual interview with the owners, current & resigned employees, as well as the customers of the SME PT. Nebraska Pratama.

The authors conducted an in-depth interview with the owners of SME PT. Nebraska Pratama to first understand the company's targets, its general strengths, and current business issues. In addition, the authors also conducted interviews with the fourteen representatives (out of fifty existing employees, including the non-staff level) of each SME division: marketing, finance, purchasing, logistics, operation/production, quality control (QC), health, safety, and environment (HSE), human resources, as well as the division of LB3 and transportation. There was also an interview session with four ex-employees who had already resigned from the SME to gather information on what aspects related to their job dissatisfaction. Employee and ex-employees satisfaction was assessed using the theory of Herzberg's Motivators and Hygiene Factors (Dessler, 2017; Kreitner & Kinicki, 2016).

A set of interviews for the primary data was also arranged with three SME customers (out of five customers in the list given by the SME to the coach) to assess their satisfaction and expectations of the products/services provided by the company. As the SME deemed the data regarding a list of customers too sensitive for sharing, the coaches decided to use the given sample of respondents accordingly. They asked the owners of the SME who had long-time experience questions related to the customers.

Meanwhile, the secondary data comprises the SME's financial reports, production records, standard operating procedures used by the company, and other related reports for references in generating business processes, business model canvas, internal analysis, etcetera. Literature studies from books, journals, and scientific articles are also used as references to develop the appropriate solutions for each identified SME's issues.

For data analysis, the authors used three significant phases: data reduction, data display, and conclusion drawing & verification (Malhotra, 2010). During the data reduction phase, the data selection process was formulated based on the result of in-depth interviews in the previous stage. The collected data was selected to emphasize and highlight some more relevant problems in the research. Then in the data display phase, the data was presented by generating the business process and service blueprint, followed by formulating a value proposition canvas (Osterwalder et al., 2019) prior to generating the business model canvas (BMC) (Osterwalder & Pigneur, 2010).

Next, the data was also presented by conducting an external analysis through PESTEL (Bauer et al., 2018) and Porter's Five Forces (Baye & Prince, 2017) and then continued with STP (segmenting, targeting, and positioning) (Barry & Weinstein, 2009; Weinstein, 2014). This section also covered internal analysis through the marketing mix (Lovelock & Wirtz, 2018) and VRIO (valuable, rare, inimitable, and organization) (Rothaermel, 2021), and then with SWOT & TOWS analysis (Gamble et al., 2015). The conclusion and verification phases were carried out through the Gap and Pareto analysis (Heizer et al., 2019) to identify priority problems that could be solved during the business coaching process in this study, followed by generating a new business model canvas for the SME. After identifying the priorities, the study moved on to the formulation and confirmation of the proposed solutions with the owners of the SME and then followed by the implementation of the solutions.

### 3. Results and Discussions

As much of the literature in this field heavily focus on executive coaching and uses a quantitative approach (Hui & Sue-Chan, 2018; Szabó et al., 2019; Zuñiga-Collazos et al., 2020), the authors attempted to fill the gap in the research by providing practical guidance on business coaching, particularly for SMEs. The authors first identified and analyzed the current problems faced by the SME by first analyzing any issues from its business process and service blueprint. It was found that there were gaps in the financial management process, particularly in the budgeting system, because it was not following the standards. Further, there was also a problem of integration between the purchasing, finance, and production divisions, which is also one of the factors related to the delay in the production process, resulting in difficulties in meeting customer demands.

Then, the authors formulated a value proposition map and business model canvas of the SME built around the findings. Based on the interview with the customer respondents, their satisfactions aspects regarding the SME is mainly related to SME's competitive price, different types of product/services offered, and fulfillment of administrative requirements (83%), followed by the satisfaction category of personal services and handle of complaint (67%). The findings indicate that the SME possesses some competitive advantages by providing more valuable propositions.

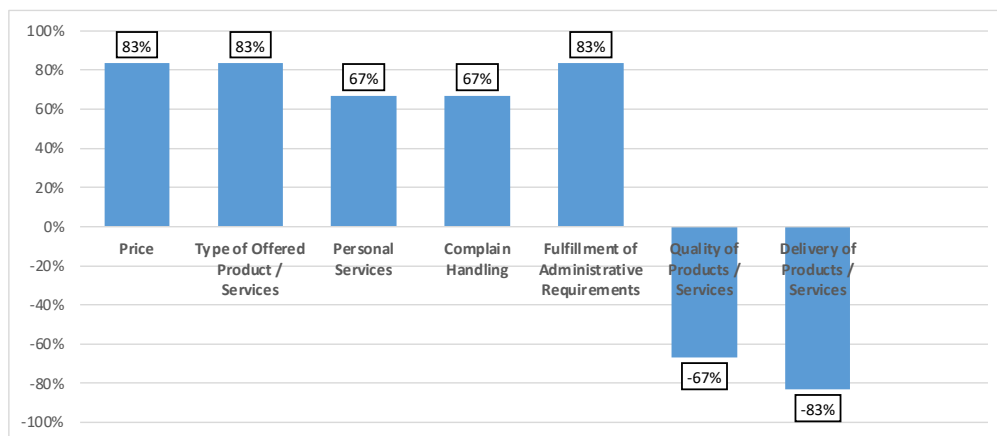


Figure. 3 Result of Satisfaction Assessment of SME's Customers  
(Source: Proceeded by Authors, 2021)

However, the authors also found that most SME customers are dissatisfied with the delayed delivery time of products/services, followed by the quality of products/services, as shown in Figure 3. From data displayed through the business model canvas, the authors also identified some gaps that needed to be addressed. First, in the building block of channels, the product catalog, as one of its marketing tools, has not yet reflected the company's professional character. The catalog is assessed by new customers & prospects as a necessary marketing channel, which was testified in the result shown in Figure 1.

This section continues with external analysis using PESTEL analysis (political, economic, social, technological, environmental, and law) and Porter's Five Forces. It can be concluded that the chemical and waste management industry has an attractiveness level that is in the moderate to high category. The threat from the bargaining power of buyers and competitors is perceived at a moderate level, and the threat to the bargaining power of suppliers is high. The supplier threat is classified as high because chemical raw materials are quite difficult to find

as they still depend on imports, although some can be fairly substituted. The prices of raw materials are highly increased compared to last year, and the price increase reached almost 50%. Meanwhile, the number of suppliers is presently limited during the pandemic, and there are also cases where the purchased raw materials are not ready for delivery. Next, from STP analysis, the customer segments of this business are comprised of B2B types, namely wholesalers and resellers for its product line. The positioning of the SME includes a wide range of chemical product offerings and waste management services at competitive prices compared to competitors in similar industries.

After constructing external analysis and STP, this study moved on to internal analysis through Marketing Mix (7Ps) and VRIO. From the Marketing Mix analysis, the authors have identified that some aspects still need improvement. First, about the promotion aspect, this study also highlighted the chemical product catalog that needs improvement in content and appearance to reflect the company's professionalism better and attract more customers.

Furthermore, there are people aspect issues in the marketing mix analysis. Although employees of the SME possess positive aspects in terms of professionalism and an excellent attitude to maintaining relationships with customers, the company's turnover rate is perceived to be high. The authors assessed employee and ex-employees satisfaction based on a list of questions using the theory of Herzberg's Motivators (M) and Hygiene (H) Factors, as shown in Figure 4. The blue color in the diagram indicates the satisfaction aspects, while orange indicates the dissatisfaction area. After conducting IDI with existing staff and those who have resigned from the company, it turns out that there is a problem of dissatisfaction regarding company policies and administrative systems, which were classified as hygiene factors (72.22%). The average opinion in these criteria expressed that the organizational structure is poorly organized. There are also some issues regarding the inexistence of explicit regulations, and the reward & punishment systems must be addressed. In relation to this result, research in this field affirms that the reward and compensation system, the nature of the job, and physical working conditions may substantially influence job satisfaction (Al-Sada et al., 2017).

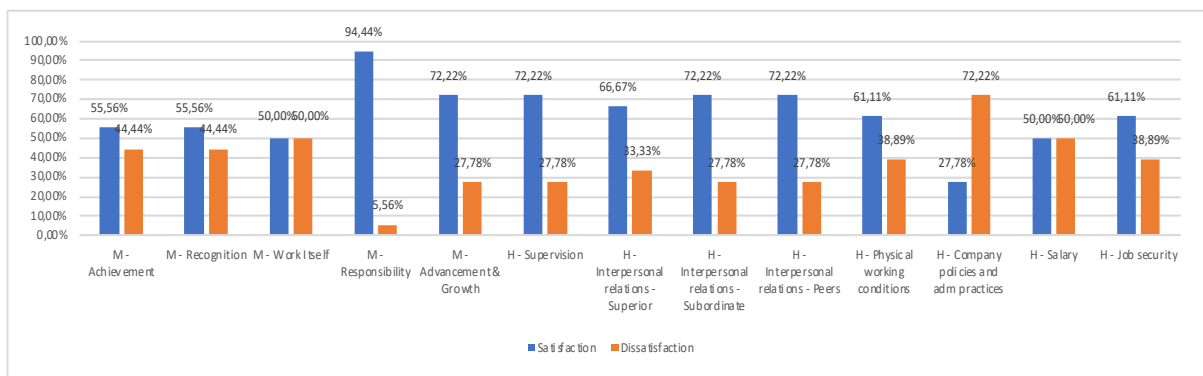


Figure. 4 Results of interviews with SME employees based on Herzberg's theory of motivators and hygiene factors

(Source: Proceeded by Authors, 2021)

On the other side, the authors also consider a VRIO analysis for some critical resources of the company. Machinery equipment is of competitive parity criteria because other companies hold more resources. Some equipment also tends to experience frequent downtime, affecting production capacity.

Then, this study concludes the overall findings and further analysis in the SWOT diagram, as shown in Table 1. The authors then proposed some strategies for the SMEs. Some of the essential recommendations the authors formulated were related to turnaround strategy (WO)



criteria, which are: (1) developing an operational budget for better financial planning to support business development and integrate operational activities (W1, O1, O2, O3); and (2) improving product catalog to support market penetration strategy in increasing SME's customer engagement (W2, O1).

Thus, from the overall analysis above, the authors summarized the identified issues of the SME within six gaps: operational budgeting issues, catalog improvement, HR improvement, production capacity, and quality of products/services. The authors then discussed each gap and solution with the SME and evaluated each contribution and distribution to the overall problems to identify priority issues. On the other hand, the authors also considered the most achievable solution within a limited period for the business coaching activity, thus the result in Figure 2 of the previous section using Pareto analysis. Hence, in this study, the business coaching process will focus on two main priorities: developing operational budgeting practices and product catalog improvement.

Table 1. SWOT analysis of the SME

<i>Strength</i>		<i>Weakness</i>	
S1.	The chemical product line is diverse and essential.	W1.	Financial reports are regularly generated, but the operating budget system is not optimal.
S2.	SME possesses a more competitive price.	W2.	The product catalog is not very attractive compared to competitors.
S3.	SME holds ISO certification and permits related to waste management according to government regulations.	W3.	Company policies and administration systems that require improvement are related to job dissatisfaction for productivity and turnover issues.
S4.	SME's factory location is in the industrial zone.	W4.	The quality of products is considered still less than optimal.
S5.	SME is supported by marketing tools such as website and company profiles.	W5.	Untimely delivery of products/services.
<i>Opportunity</i>		<i>Threat</i>	
O1.	The chemical industry experienced significant growth during the Covid-19 pandemic.	T1.	The Job Creation Law, which simplifies the licensing process, will be able to lower the barrier to entry and allow new competitors to enter the market.
O2.	The Job Creation Law allows for de-bureaucratization that will make administering permits easier.	T2.	The threat of competitors with more significant resources than the SME (e.g., equipment).
O3.	The barrier to entry is still high due to the characteristics of the chemical and waste management industry that require large capital requirements, followed by strict regulations related to issuing licenses.	T3.	Acquisition of raw materials for chemicals tends to be difficult because of the high dependency on imported materials.

(Source: Proceeded by Authors, 2021)

### 3.1. The development of operational budgeting practice

It was found that SMEs' accounting practice tends to be usually more superficial (Armitage et al., 2016). However, many kinds of literature noted the importance of a higher management accounting practice, especially for budgeting, because of its impact on performance and profitability (Rekarti & Caturida, 2017). In this case study, the budgeting process that the SME conducts requires improvement, as the authors mentioned some findings in the previous discussion that the financial planning process is not up to standard, particularly for its operating budget.

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The authors also discovered an issue of operational inefficiency that costs the SME an operating ratio of 97,47%, which is higher than its competitor (80,38%) in 2021 (Q2). In 2020, the SME's operating ratio was 74,23%, and its competitors were 72,09%. The high increase in its operating ratio in 2021 (Q2) may be caused by its material prices which have experienced a significant increase of almost 50%. Furthermore, the asset turnover ratio (TATO) of the SME tends to be smaller than the competitor's TATO, which indicates the competitor's ability to manage their asset more efficiently (Abd-Elmageed et al., 2020; Karani et al., 2018). Table 2 shows that the TATO of the SME in 2019 is below one, and this indicates that the company is quite inadequate in generating sales, especially with its significant, fixed assets, hence the company's assets that are somewhat difficult to rotate even once a year. Table 2 compares the SME's TATO and the competitor's, in which the latter's ratio is three times higher than the SME's.

Operational efficiency holds a positive relationship with company performance that is mainly related to profitability (Baik et al., 2013; Gill et al., 2014; Kanghwa, 2010). The budgeting and its evaluation mechanism may assist the SME in achieving a higher profitability target by planning the SME's overall budgeted costs and ensuring that the operational efficiency is regularly controlled.

Table 2. Comparison of operational efficiency indicators between SME and competitor

Operational Efficiency (OE) Ratios	SME			COMPETITOR		
	2019	2020	2021(Q2)	2019	2020	2021(Q2)
Operating ratio	82,20%	74,23%	97,47%	93,85%	72,09%	80,38%
Total asset turnover (TATO)	0,99	1,10	0,60	3,47	3,06	0,54

(Source: Proceeded by Authors, 2021)

The authors recommend the subsequent action plan for budget planning as follows: (1) Preparing an operational budget that is more fit for the SME and (2) Drafting an SOP (standard operating procedure) for the operational budget process. According to Shim et al., (2012), there are six stages in the budgeting process. Literature on SMEs was perceived to be under-researched in many areas, particularly for management accounting (Ruiz & Collazzo, 2021; Shields & Shelleman, 2016). Thus, providing the business coaching activity result in developing budgeting practices for this SME could serve as an opportunity to enrich the current field of research on SMEs.

As the business coaching approach will be more focused on the preparation of the operating budget, the budgeting process and components must consist of (1) sales budget; (2) production budget; (3) direct materials purchases budget; (4) direct labor budget; (5) overhead budget; (6) finished goods ending inventory budget; (7) cost of goods sold budget; (8) marketing expense budget; (9) administrative expense budget; (10) research and development expense budget; dan (11) budgeted income statement (Hansen & Mowen, 2006; Ross et al., 2019; Rudianto, 2013). The authors exclude the tenth budget schedule (research and development expense budget) because the SME has no plan to conduct R&D in the present or the future.

First, about the operational budget preparation, it is necessary to formulate the desired growth target. The owner of an SME desires a sales growth of up to 50%, and this target is based on factors such as the higher demand growth during the pandemic for the chemical industry. The chemical industry had the highest growth in the third quarter of 2020, which is 14.96%, due to an increased domestic demand for those commodities during the Covid-19 pandemic (Indonesian Ministry of Industry, 2020a; 2020b).

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The operating budget preparation starts from generating the projected sales of each chemical product and the waste service line. After a series of analyses, the authors only consider five out of nine products of the SME due to their higher demand and profitability because each percentage portion of the remaining sales is below 10% due to lower demand levels, shortage case of some raw materials for production, and joined materials needed with the more profitable products that can be efficiently allocated to lower operating ratio. The other assumptions used to formulate the SME's budget can be found in Appendix 1.

For the second schedule, the production budget can be drawn up by adding the number of units of products to be sold in the sales budget plus the ending inventory desired by the company, then subtracting the initial inventory level. The authors discuss with the owners and the SME's production division how much inventory is desired as reserves by referring to SMEs' production and inventory data to determine each product line's total inventory. After adding the required values to calculate the production volume per unit, a cross-check is made with historical data on the manufacturing capacity and demand for SME goods/services.

Next, the direct materials purchase budget calculation requires calculating raw materials and production results. The average calculation for raw materials reached almost 50%. Meanwhile, for the direct labor budget, the authors calculated the wages for piece workers and fixed laborer at the factory using the projection of the regional minimum wage increase (UMR). For the fifth budget schedule, the overhead budget must show the expected costs of all items related to other manufacturing activities. The data in previous financial statements can be used to determine how overhead costs vary with the level of company activity.

Meanwhile, for the following schedule, the authors have ended the finished goods inventory budget that covers the information needed to prepare the cost of goods sold budget report. The data will refer to the third, fourth, and fifth section of budgets to prepare this sixth part of the budget. The first is to add up the budget for the material needs of each type of product per unit (weight factors of material use times the price of materials) from the third schedule. Then, the next step is to add up the results of the total material requirements with labor per unit. Next, the results of the sum of material requirements and wages per unit of each product type are added to the manufacturing overhead costs in the fifth budget, resulting in the total cost per unit for each product type.

The authors calculated the COGS (cost of goods sold) from the ending finished goods inventory for this operational budget plan. The result was that COGS is about 57% of the total revenue, with raw materials around 47% of the COGS, labor cost about 9%, and overhead around 44%. After the seventh budget, the budgeting plan moves on to the marketing expense budget and administrative expense budget.

Then, the authors compared the formulated budget plan with the financial statements of the SME in 2019 – 2021 (Q2), particularly for its net sales and total operating cost (operating expenses and COGS) in rupiah. Based on the plan, the budget preparation could generate a profit margin of around 20%, which also follows the wish of the SME owners. From the results of budget planning in Table 3, the total operational costs can be reduced by setting and planning an operating ratio that decreases to 70% from around 97% in the year 2021 (Q2). This is made possible by the decrease in direct material, overhead, and administrative costs. Table 4 shows the comparison of the formulated calculation of ratios of COGS, operating expenses, and total operating costs of 2021 (Q2) and the budgeted plan to total sales, followed by the ratio of other costs that include direct material cost, direct labor cost, overhead cost, marketing expense, and administrative expense.

Table 3. Comparison of operating ratio and profit margin of the SME (Previous data &amp; budgeted)

	2019	2020	2021(Q2)	<i>Budgeted</i>
Net Sales (Rp)	23.444.125.249	29.334.265.826,68	16.849.359.638,00	44.706.389.766
Total operating cost (Rp)	19.270.706.544	21.775.176.757,0	16.423.034.616,7	31.400.920.151
- Operating expenses (Rp)	3.549.301.744	4.321.039.949,06	2.452.937.824,00	6.121.771.888
- COGS (Rp)	15.721.404.800	17.454.136.807,89	13.970.096.792,73	25.279.148.262
Operating ratio	82,20%	74,23%	97,47%	70,24%
Profit margin	10,48%	15,13%	10,31%	20,09%

(Source: Proceeded by Authors. 2021)

Table 4. Comparison of cost ratio of the SME (Previous data &amp; budgeted)

Cost Ratio Comparison	2021 (Q2)	Budgeted
COGS	74,14%	56,54%
Operating expenses	13,02%	13,69%
Total operating cost	87,16%	70,24%
Direct material cost	36,34%	26,42%
Direct labor cost	2,45%	4,88%
Overhead cost	30,65%	25,15%
Marketing expense	1,14%	1,83%
Administrative expense	9,65%	6,57%

(Source: Proceeded by Authors, 2021)

The authors also anticipated that the operational inefficiency of SMEs could be further minimized. It can be seen in Table 3 that with the planned budget, the operating ratio is estimated to decrease to 70.24%, which is much better than in previous years and is expected to increase the company's operational activity. The decrease in COGS to 56.54% could occur due to a decrease in material costs to 26.42% in the operational budget, compared to the COGS to sales ratio in 2021 (Q2), which was 36.34%. In addition, there is also an estimated decrease in overhead costs to 25.15%. Then, the administrative budget also decreases to 6.57 because it is estimated that it will not incur costs as significant as the previous period, such as renovation costs in the previous period.

Meanwhile, the preparation of operational budgeting SOP is intended to provide budget planning and control guidelines. Hence the SME can achieve the desired target by conducting a proper evaluation. The first part of the SOP describes the purpose of the SOP formulation, the scope, and the definition of the terms used in the guidelines, as shown in Appendix 2. The second part describes the operational budget preparation procedures and the control mechanism for SMEs' financial performance. Subsequently, the third part contains a flow chart of the operational budgeting procedures and financial performance control mechanisms, as shown in Appendix 3. This section will provide a detailed description of the procedure and the coordination required between related divisional units. Finally, the fourth section contains all forms related to the procedure. This section contains formulations of budget and performance report forms and examples of budget timetables in Appendix 4 and 5. It is also important to formulate a budget timetable so that the entire budgeting of each unit can effectively plan the budget in a timely and organized manner.

### 3.2. The improvement of SME's catalog

A catalog is a collection of products offered in a booklet, usually consisting of a product description and a photo of the products (Solomon et al., 2015). A catalog, as a mailed communication and personalized marketing media for a firm, tends to relatively have more influence on the customer's purchase incidence and frequency of purchases (Altintas et al., 2017; Mark et al., 2019; Sridhar et al., 2021). Catalogs may generate sales via the same channel or cause spillover effects on other marketing channels (Bhatnagar & Papatla, 2016).

Catalog marketing is part of a direct marketing strategy through channels such as print, video, or electronic catalogs that would be sent to targeted customers and published openly in stores or presented online (Kotler & Armstrong, 2016). As this SME relies on personal selling and direct marketing strategies, improving catalog channels may also enhance SME's adaptive selling strategies. The guidance for the SME in this study may also enrich the research field of B2B catalog marketing research field, as much of the literature heavily focuses on B2C catalog marketing issues (Merrilees & Fenech, 2007).

Thus, the authors suggest the recommended action plan as follows: (1) First, discuss with the owners and marketing team regarding the evaluation of the used marketing channel through the current catalog of SME; (2) drafting a new winning catalog; and (3) reviewing the results of the catalog and implement its finalization. The formulation of the winning catalog refers to the catalog marketing steps of Stone & Jacobs (2008) as follows: merchandising, positioning, and creative execution.

Merchandising includes how to develop marketing strategies that are also based on the target audience's perceptions. Positioning involves the position of the products or services and what is the brand-personality statement that sets the brand's goals. Then, five aspects of creative execution should be noted for catalog marketers, namely pagination, design and layout, color, typography, and photography.

The catalog is a mixture of merchandise & audience aspects (Stone & Jacobs, 2008). In communicating the concept of catalog merchandising, two critical things must be focused on, namely determining what products to display in the catalog and the perception of the target in order to increase customer engagement. PT. Nebraska Pratama is a B2B SME with a target audience (primarily traders and resellers for the company's product line). The authors received insight from the results of interviews with customers where the essential aspects in the catalog are related to the physical image of chemical products and information on the specifications of each product. The information on product specifications for the new catalog must be updated based on the latest certificate of analysis (COA) that SME currently possesses.

The positioning stage indicates how the marketers position their catalogs by highlighting the unique aspect to look more competitive with their competitors. In this positioning stage, the authors decided with the owners of the SME to highlight a more professional and creative format of the catalog and also for the high-demanded merchandise that will be showcased in a more hot-spot area of the catalog. The said hot spots for a catalog usually include the first page, the back page, or the middle part of the catalog pages (DWS Associates, 2021).

Meanwhile, the creative execution stage consists of several aspects that need to be considered: pagination, design & layout, color, typography, and photography. For the pagination stage, the cataloger must place the best-selling products in the hot spots of the catalog (Stone & Jacobs, 2008). The typography part concerns the readability aspect of the catalog, such as using the standard font and professional photography to bring the credibility

of the product image. In catalog merchandising, photography is the most essential part of showcasing the merchandise, along with the use of color and graphic layout.



Figure. 5 Final Result of the New Product Catalog for the SME  
(Source: Proceeded by Authors, 2021)

#### 4. Conclusion

The business coaching approach can assist SMEs in further developing their capability & growing their businesses, and the result of this activity can contribute to one of the types of research about the eight-goal of the SDGs: decent work and economic growth. In this study, the authors focused on two main problems as the center of the business coaching activity: (1) development of operational budgeting practice and (2) catalog improvement that can solve up to 76% of the existing problems of the SME.

The improvement of budgeting practice is necessary to aid in the decision-making process and give clear goals to move the SME toward its long-term objective. The product catalog is one of the tools used by the marketing team and is perceived by new customers and prospects as one of the most important channels for obtaining product information. With a more attractive display, the SME can increase customer engagement in supporting their market penetration strategy to find new customers and increase sales.

However, due to time constraints, other issues and solutions besides from budgeting and catalog marketing cannot be covered in this business coaching activity. Although some solutions could not be implemented, the authors suggest some action plans for SMEs. In discussions with SMEs, the budget committee has not yet been appointed and has only just been discussed to be held. Hence, its formulation must be followed up to monitor budget preparation and evaluation activities. Further, more detailed technical information related to the specifications of each product can be elaborated by analyzing more comprehensively in external laboratories. The COA for each chemical product needs to be coordinated according to the updated information used in the catalog.

Although this study presents some insightful findings, a few shortcomings may be addressed in other future works. Aside from the limited period for the coaching activity, this study also has some limitations regarding data collection. Coachees may respond in a way that presents a favorable image of their businesses, causing data collection and display bias. Investigating with a larger sample of respondents will be able to enrich future research in similar studies. Future research using business coaching and in similar cases of finance and accounting issues could explore different approaches in further continuing the budgeted income statement report to the budgeted balance sheet and cash flow. For similar cases of

B2B catalog marketing improvement, it is also recommended for future research to explore the dynamic between the catalog and other marketing tools and whether they also need any improvements or require testing to evaluate their efficiency.

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### Author Contribution

Conceptualization, V.F.H and H.S.; Methodology, V.F.H; Validation, V.F.H, Formal analysis, V.F.H.; Investigation V.F.H; Writing – original draft, V.F.H and H.S.; Writing – review & editing, V.F.H and H.S.; Visualization, V.F.H and H.S.; Supervision, V.F.H and H.S.

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