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Analysis of Continuous Improvement Practices and Proposed Implementation of the PDCA Cycle at PT FKS Food Sejahtera Tbk

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Abstract. The competitive nature of the food industry demands that companies continuously improve their business processes. This qualitative descriptive study, using documentary methods, aims to map documented continuous improvement initiatives at PT FKS Food Sejahtera Tbk during the 2021–2025 period. This study proposes a Plan-Do-Check-Act (PDCA) cycle framework. The analysis focused descriptively on five key aspects: quality, employee turnover, revenue and sales, innovation and ideas, and customer loyalty, without the use of inferential statistical tests. The study results indicate that the annual report successfully documented various operational initiatives, such as food safety certification renewals, job training, new product launches, distribution network expansion, and cost efficiency. Financially, the company experienced improvements, indicated by net sales growth and a decrease in the cost of goods sold ratio. However, sales growth slowed sharply in 2025, accompanied by a slight decline in operating profit. A major limitation is the lack of quantitative disclosure of actual operational indicators, making the implementation of the PDCA cycle at the internal factory level unverifiable by external parties. Therefore, the entire series of PDCA stages and target success indicators written in this article are purely recommendations from the author, not the results of actual company practice.

Keywords:Continuous Improvement; Food Industry; Management Accounting System; PDCA; Quality Improvement.

1. Background

The food industry is a sector that faces intense competition and ever-evolving consumer needs. These conditions require companies to maintain product quality and safety, improve operational efficiency, strengthen the supply chain, and innovate in order to remain competitive (Hasibuan et al., 2025). PT FKS Food Sejahtera Tbk, as a company operating in the food industry, faces these dynamics and prioritizes quality, innovation, operational excellence, and supply chain efficiency as key elements in its business development (PT FKS Food Sejahtera Tbk, 2026).

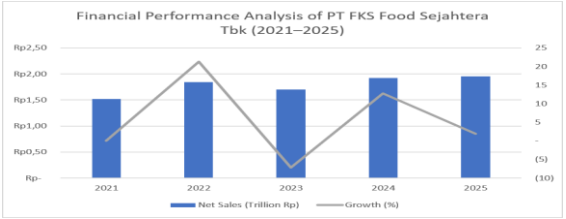


Figure 1. Sales Performance and Sales Trends of PT FKS Food Sejahtera Tbk for 2021–2025.

The company's sales performance during 2021–2025 fluctuates as shown in Figure 1. Net sales decreased to IDR 1,704 trillion in 2023, then increased to IDR 1,920 trillion in 2024 and IDR 1,958 trillion in 2025. Growth slowed to 1.95% in 2025 from 12.71% in 2024 (PT

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FKS Food Sejahtera Tbk, 2025, 2026). In the same year, cost optimization strategies, distribution expansion, product innovation, and a commitment to quality and operational safety supported business sustainability, with 1,792 employees at the end of 2025 and marketing efforts to build consumer loyalty (PT FKS Food Sejahtera Tbk, 2026).

Several indicators that form the basis for formulating the research problem are sourced from annual reports. First, sales growth slows from 12.71% (2024) to 1.95% (2025). Second, operating profit decreases from IDR 134,239 million to IDR 131,555 million in 2025 even though gross profit increases by IDR 55,170 million, due to a 10.80% increase in operating expenses. This increase comes from marketing investments (PT FKS Food Sejahtera Tbk, 2026). Third, the current ratio decreases from 1.06 times in 2024 to 0.81 times in 2025. Fourth, the number of employees decreases from 1,862 (2023) to 1,792 (2025). The above indicators only indicate that 2025 performance needs further evaluation, but do not necessarily prove that the company's internal evaluation system does not exist.

This research gap lies in the limited traceability of public evidence, as the 2021–2025 Annual Report only documents initial initiatives (such as employee performance assessments based on Key Performance Indicators, the Quality Control Circle program, the Suggestion System, and technical training) without disclosing measurable results from five operational aspects (quality, employee turnover, revenue and sales, innovation and ideas, and customer loyalty). However, these reports do not disclose measurable outcomes, such as defect rates, the number of SS proposals implemented, employee turnover rates, or outlet retention, which highlights the need for operational improvements. Therefore, the urgency of this research is to establish documented operational practices and develop proposed data-based Check Stage (PDCA) indicators so that management can issue and control maps for these five aspects.

One approach that can be used to support comprehensive evaluation and improvement is continuous improvement. Monteiro et al. (2024) define continuous improvement as a systematic and iterative approach that involves identifying problems, analyzing causes, implementing corrective actions, and continuously evaluating results. The study also indicates that its implementation can enhance operational aspects, performance, and stakeholder satisfaction through various methods, including Kaizen and the Plan-Do-Check-Act (PDCA) cycle.

Research by Ramirez-Zavala et al. (2024) found that the effectiveness of work teams in implementing continuous improvement in the manufacturing industry is significantly influenced by management support, clarity of objectives, training, and communication among team members. Furthermore, a study by Wibowo et al. (2025), conducted through a

phenomenological study of manufacturing workers in Indonesia, identified barriers stemming from human factors, such as low levels of engagement and a lack of recognition for workers' contributions. These two findings underscore that continuous improvement requires not only the readiness of technical and operational systems but also the simultaneous management of behavioral aspects and human resource readiness.

Although the concepts of PDCA, Kaizen, and the five operational aspects studied are commonly used, this study's contribution is limited to three aspects. First, the development of a traceability matrix that maps the five dimensions to the BSC perspective and PDCA stages (Table 1). Second, the explicit clarification of three levels of evidence for each dimension: documented, unexplained, and suggested by the author. Third, the development of a 2025 baseline and auditable Check stage indicators in the annual report, complete with the basis for setting targets. These contributions are diagnostic and methodological in nature, as this study does not claim to have proven PDCA implementation at the company level.

Based on these descriptions, the objectives of this study are to summarize the continuous improvement initiatives documented in the 2021–2025 annual report of PT FKS Food Sejahtera Tbk across five aspects, including quality, employee turnover, revenue and sales, innovation and ideas, and customer loyalty. Furthermore, this study aims to identify undisclosed indicators that prevent external verification of the Check stage, which then allows the authors to establish strategic improvement priorities and propose a structured implementation of the PDCA cycle. Ultimately, this research is intended to propose measurable success indicators and future target evaluations as data-driven recommendations for the company's management.

2. LITERATURE REVIEW

Continuous Improvement

Continuous improvement is a systematic and iterative approach, a series of activities involving problem identification, root cause analysis, implementation of corrective actions, and evaluation of results, carried out on an ongoing basis (Monteiro et al., 2024). Continuous improvement is not a project that ends at a single point but rather a never-ending cycle, as every standard successfully achieved immediately becomes the baseline for the next round of improvement. This concept has three key characteristics: it is process-oriented, incremental in nature, and requires the involvement of all levels of the organization (Ramírez-Zavala et al., 2024); it is measured using clear performance indicators so that progress can be verified. It is this last characteristic that gives the management accounting system a central role: providing

information to identify opportunities for improvement while evaluating the progress of corrective actions that have been implemented.

In practice, continuous improvement can be implemented through various methods. Monteiro et al. (2024) note that the most widely used methods include Kaizen, Lean, Six Sigma, and the Plan-Do-Check-Act (PDCA) cycle. Sakib (2025), through a systematic literature review and bibliometric analysis, demonstrates that Lean Six Sigma has emerged as one of the most extensively studied approaches because it combines waste reduction with data-driven process variation control. The selection of a method is essentially contextual, that is, it is tailored to the type of problem, data availability, and organizational readiness so there is no single method that is always superior in every situation.

Kaizen

Kaizen comes from Japanese: "kai," meaning change, and "zen," meaning good, so it literally means "change for the better." Imai (1986) introduced Kaizen as a management philosophy that calls for continuous improvement by involving everyone in the company, both managers and workers. Unlike innovation, which is radical in nature and requires significant investment, Kaizen is incremental, low-cost, and ongoing. Sahmi and El Abbadi (2024) note that Kaizen has evolved from a mere collection of improvement techniques on the production floor into a managerial approach applied across various organizational functions, including the supply chain, quality, and service. Suárez-Barraza (2023) adds that Kaizen should be understood as a philosophy of operational improvement and innovation that is embedded in the organizational culture so that improvements do not stop when formal programs end.

In practice, Kaizen is supported by a number of relatively simple tools, including 5S (seiri, seiton, seiso, seiketsu, and shitsuke), Quality Control Circles, poka-yoke, and the employee suggestion system, or kaizen teian. Iorhen et al. (2021) explain that the suggestion system allows employees at all levels to submit ideas for improving work processes, so that improvements do not merely flow from the top down but emerge from those who best understand the processes themselves. In the field of management accounting, Kaizen is translated as "kaizen costing," which refers to efforts to reduce costs during the production phase by setting cost-reduction targets per period that are then compared with actual costs as a basis for evaluation (Monden & Hamada, 1991).

PDCA (*Plan-Do-Check-Act*)

PDCA is a management method used to systematically and repeatedly improve processes. This cycle was developed from the Shewhart cycle and popularized by Deming (1986), so it is also known as the Deming cycle. The Plan stage involves identifying problems,

analyzing root causes, and setting measurable goals and action plans. The Do stage involves implementing the improvement plan, typically on a limited scale to control the risk of failure. The Check stage involves measuring the results of the implementation and comparing them to the planned targets, while the Act stage involves incorporating successful actions into standard work processes or making adjustments if the results do not meet the targets (Nguyen et al., 2023). Because these stages are repeated, the PDCA cycle can be used to support continuous improvement in enhancing the quality and effectiveness of organizational processes (Peças et al., 2021).

The "Act" stage plays a decisive role because it is at this stage that the results of improvements are locked in as new standards; without standardization, the organization will revert to its original state once the improvement program ends (Deming, 1986). In the food industry, Francisco and Casagrande (2025) demonstrate that the PDCA cycle can be used to improve production processes and support sustainable quality management, and can be combined with various quality control tools depending on the challenges faced by the company. To comprehensively evaluate the results of the PDCA cycle, improvement outcomes must be mapped into a balanced performance measurement framework. The Balanced Scorecard divides performance measurement into four perspectives, namely financial, customer, internal business processes, and learning and growth (Kaplan & Norton, 1996), and can thus be used to develop success indicators during the "Check" phase.

Table 1. Conceptual Matrix: Operational Aspects, BSC Perspective, and PDCA Stages.

Aspect	BSC Perspective	Plan	Do	Check	Act
Quality	Internal business processes	Food quality and safety standards (T); quality costs and defect targets (U)	GMP, HACCP, SJH, ISO 22000, FSSC 22000, training (T); 5S and poka-yoke on pilot lines (U)	Defect rate, rework, number of complaints (B)	Standardized SOPs and replication across factories (U)
Employee Turnover	Learning and growth	KPIs-based performance assessment (T); turnover calculations per plant and position level (U)	Mandatory technical and soft skills training (T); leadership program for young employees (U)	Employee number and age composition (T); turnover and engagement (B)	Integration of proven programs into HR systems (U)
Revenue & Sales	Finance	Sales and margin targets per channel; target costing (U)	Distribution network expansion, marketing investment, cost management (T)	Growth, margins, and financial ratios (T)	Budget, pricing, and channel adjustments (U)
Innovation & Ideas	Learning and growth	Product roadmap (B);	GKM, SS conventions,	Number of proposals	Standardization of

	(also internal processes)	SS revitalization (U)	product launches, automation and digitalization (T)	and implementation rate (B)	successful proposals (U)
Customers Loyalty	Customers	Brand and channel strategy (T)	Merchant loyalty programs and brand activities (T)	Outlet retention, repeat purchases, satisfaction (B)	Program improvements based on feedback (U)

Note: (T) documented in the annual report; (B) not yet disclosed in the annual report; (U) author's proposal. Source: processed by the author from Kaplan and Norton (1996), Nguyen et al. (2023), and the 2021–2025 annual report.

Aspects of Continuous Improvement

Quality Improvement

Quality improvement is a systematic effort to enhance the quality of products and processes by identifying deviations, reducing errors or defects, and correcting the processes that cause quality issues (Sadikin, 2023). Quality improvement is not only focused on the final product but also on enhancing processes so that companies can produce more consistent quality while improving operational efficiency (Liu et al., 2023). The implementation of quality management systems that evolve in tandem with technology has a positive impact on process improvement (Magodi et al., 2024). In the food industry, the use of data and monitoring systems is becoming increasingly important because companies must ensure product quality, safety, and traceability throughout the production process (Peres et al., 2025).

Employee Turnover

Employee turnover refers to a situation in which the employment relationship between an employee and an organization ends, resulting in the employee leaving the organization, whether voluntarily or involuntarily (Hartwig et al., 2024). Turnover must be distinguished from turnover intention, which refers to an employee’s desire or tendency to leave the organization before such an action actually occurs; as a result, turnover intention is often used as an early indicator of impending turnover (Bolt et al., 2022). Organizational factors related to turnover intention include a lack of job support, low employee recognition, limited development opportunities, and an unsupportive work environment (Hartwig et al., 2024), in addition to cultural, leadership, and employee-internal factors (Febridiyanti & Herachwati, 2024). Setthakorn et al. (2024), through a meta-analysis of samples from Indonesia and Thailand, found that job embeddedness, which encompasses the dimensions of fit, links, and sacrifice is negatively associated with turnover intention.

Revenue and Sales

Revenue is the gross inflow of economic benefits generated through business activities during a specific period and does not arise from investments (Indonesian Institute of Certified Public Accountants, 2023). Revenue recognition is based on the fulfillment of performance obligations to customers, not solely on the receipt of cash (Kieso et al., 2020). One of the primary sources of revenue is sales, which are activities aimed at fulfilling market demand through mutually beneficial transactions (Kotler & Keller, 2022). Within a continuous improvement framework, revenue and sales growth are achieved systematically through the identification of obstacles, analysis of sales data, and the implementation of measurable improvement strategies including maintaining margins through the application of target costing starting from the product planning stage (Ayu et al., 2022).

Innovation and Ideas

Innovation is the implementation of new ideas, products, services, processes, or business models that create added value for a company (Tidd & Bessant, 2021). Innovation is not only related to the creation of new products but can also take the form of improvements to processes, work methods, and the ways in which a company creates value for customers. Ideas are the starting point in the innovation process and can originate from within or outside the company; therefore, companies need to have processes in place to identify, select, develop, and implement promising ideas (Tidd & Bessant, 2021). In the Kaizen approach, a mechanism commonly used to gather ideas is the suggestion system, which allows employees at various levels to submit ideas for improving work processes (Iorhen et al., 2021).

Customer Loyalty

Customer loyalty is a customer's tendency to maintain a relationship with a company or brand through repeat purchases, which is formed through a series of consistent positive experiences with the company's products or services (Kotler & Keller, 2022). Oliver (1999) explains that loyalty develops through four stages, namely cognitive, affective, conative, and behavioral loyalty, so satisfaction alone does not guarantee long-term loyalty. In the context of continuous improvement, feedback, complaints, and customer satisfaction levels can be utilized as sources of information for improvement through a customer feedback management system (Zeithaml et al., 2022). Ali et al. (2025) also emphasize that engagement and timely responses to customers play a role in retaining customers.

3. RESEARCH METHODOLOGY

This research uses a qualitative descriptive approach with a documentary study method to map continuous improvement initiatives at PT FKS Food Sejahtera Tbk. Qualitative analysis of report content is complemented by descriptive quantitative calculations in the form of ratios and growth rates, without statistical testing or hypothesis testing. This research uses secondary data from PT FKS Food Sejahtera Tbk's annual reports for the years 2021–2025. These official documents can be downloaded from the official Indonesia Stock Exchange website (www.idx.co.id) and the company's official website. Supporting literature was collected from scientific journal articles and textbooks relevant to the topics of management accounting and continuous improvement.

The first step began by collecting quantitative data from the income statement overview, statement of financial position, notes to the financial statements, and human resource profiles. The second step continued with collecting qualitative data on aspects of quality, employee turnover, innovation and ideas, and customer loyalty. The third step involved tracking keywords related to employee turnover, product defects, complaints, customer satisfaction, loyalty, as well as quality control groups and feedback across the five reports to determine whether disclosures were present. The fourth step is verification by comparing the current year's figures with comparative figures in the following year's report to accommodate any data restatements by the company. The final step is to categorize each finding as documented (listed in the report), calculated (the researcher's calculations based on the report figures), or proposed (the researcher's design).

To support these data processing steps, each aspect is operationalized using two types of evidence: qualitative evidence in the form of initiatives/programs mentioned in the report, and quantitative indicators, if the company discloses concrete figures. For the quality aspect, qualitative evidence includes certification, quality standards, and employee training, while quantitative indicators, such as defect rates, are not disclosed. For employee turnover, the available indicators are the number of employees at the end of the year, age composition, and sales per employee, which purely reflect the net change in employee numbers and not the turnover rate. For revenue and sales, the indicators used are net sales data, growth, compound annual growth rate (CAGR), and profit margin. Meanwhile, for innovation and customer loyalty, qualitative evidence includes product launches, work programs, and marketing activities recorded in the report, while concrete results are not disclosed to the public The formula used is as follows.

$$\text{Growth}^t = (S^t - S^{t-1}) / S^{t-1} \times 100\%$$
$$\text{CAGR} = (S^{2025} / S^{2021})^{1/4} - 1$$

Margin = (gross profit, operating profit, or current year profit) / net sales × 100% Sales per employee = net sales / number of employees at the end of the year where S^t is net sales for year t. The number of employees at the end of the year is used as the denominator because the report does not provide an average number of employees. So the sales figures per employee only serve as a rough estimate.

4. RESULTS AND DISCUSSION

Strategic Profile Analysis and Operational Evaluation

Company Overview

PT FKS Food Sejahtera Tbk is a publicly traded company engaged in the food industry and food product trading in Indonesia; it is listed on the Indonesia Stock Exchange under the ticker symbol AISA. The company was previously known as PT Tiga Pilar Sejahtera Food Tbk and has been part of the FKS Group since 2020. The company's vision is "Bridging Potential to Success," with a mission to develop and coordinate a reliable combination of human resources, infrastructure, and processes throughout the value chain (PT FKS Food Sejahtera Tbk, 2026). The product portfolio consists of staple foods (dried noodles and rice vermicelli) and snacks (instant noodles, instant rice vermicelli, cookies, wafer sticks, extruded snacks, and candy) under brands such as Superior, Taro, Bihunku, Bravo, Pio, and Gulas.

Financial Performance for the 2021–2025 Period

Table 2 presents an overview of the company's financial performance. Net sales grew from IDR 1.52 trillion in 2021 to IDR 1.957 trillion in 2025. The compound annual growth rate is calculated as follows:

$$\text{CAGR} = (1.957.977 / 1.520.879)^{1/4} - 1 = 6{,}52\% \text{ per year.}$$

This growth is unstable, indicating that sales will decline by 7.15% in 2023 and only grow by 1.95% in 2025 (Table 3).

Table 2. Overview of PT FKS Food Sejahtera Tbk Financial Performance for the 2021–2025 Period.

Description	2021	2022	2023	2024	2025
Net Sales (million IDR)	1.520.879	1.835.284	1.704.013	1.920.620	1.957.977
Gross Profit (million IDR)	341.066	480.062	565.598	707.697	762.867
Operating Profit (Loss) (million IDR)	50.067	(27.512)	76.483	134.239	131.555

Gross Profit Margin	22,43 %	26,16%	33,19%	36,85%	38,96%
Net Profit Margin	0,38%	(3,4%)	1,10%	3,62%	4,55%
Cost of Goods Sold to Sales Ratio	77,57 %	73,84%	66,81%	63,15%	61,04%
Current Ratio	0,60x	0,68x	0,75x	1,06x	0,81x

Source: Annual Report of PT FKS Food Sejahtera Tbk, compiled

The most significant change occurred on the cost side. The ratio of cost of goods sold to sales decreased annually, from 77.57% to 61.04%, resulting in an increase in gross profit margin from 22.43% to 38.96%. These findings are descriptive and do not yet demonstrate the effectiveness of specific improvement programs. The annual report itself attributes the decrease in cost of goods sold in 2023 to lower raw material prices, and the decrease in 2025 to product mix (improved staple food sales) (PT FKS Food Sejahtera Tbk, 2024, 2026). Because external factors and product mix play a role, the margin trend cannot be attributed to production efficiency programs, product engineering, or raw material procurement without operational evidence at the process level. Conceptually, this trend aligns with the direction of kaizen costing principles, namely cost reduction relative to periodic targets (Monden & Hamada, 1991), but the report does not disclose cost targets per period, so this alignment cannot be tested.

Nevertheless, improvements in gross profit have not yet been fully passed on to operating profit. In 2025, gross profit increased by Rp55.170 million compared to 2024, but operating profit actually decreased from Rp134,239 million to Rp131,555 million. This situation indicates an increase in operating expenses, particularly sales and marketing expenses, which absorbed the entire increase in gross profit. On the liquidity front, the current ratio fell again from 1.06 times in 2024 to 0.81 times in 2025, which also warrants attention because production efficiency has not been matched by efficiency in marketing activities and working capital management.

Evaluation of the Implementation of the Five Operational Aspects of the Company

Quality Improvement

During the 2021–2025 period, PT FKS Food Sejahtera Tbk demonstrated gradual progress in quality improvement. In 2021, the company focused on building the foundation of a quality culture through internal transformation. In 2022, the company implemented a more structured quality management system through Good Manufacturing Practices (GMP), Hazard Analysis Critical Control Point (HACCP), the Halal Assurance System, and FSMS ISO 22000:2005. In 2023, the company strengthened its quality assurance through broader

certifications and employee competency development, including training in HACCP, GMP, FSSC, and the QC 7 Tools. In 2024, quality was further enhanced through product and technological innovation, while by 2025, quality had become an integral part of the company's sustainability strategy with the implementation of the HACCP-based ISO 22000:2018 standard.

This quality improvement journey as a whole illustrates the application of the PDCA-based continuous improvement principle. However, the main weakness identified is the absence of quantitative quality indicators such as defect rates, rework rates, or the number of reported customer complaints. Sadikin (2023) emphasizes that defect reduction is a key component of quality improvement in the manufacturing industry; therefore, the absence of these metrics has the potential to conceal waste that is not reflected in financial statements.

Reducing Employee Turnover

The company's employee count experienced significant changes throughout the analysis period. Based on the 2021 and 2022 Annual Reports, the number of employees increased by 24.4%, from 3,135 to 3,899. However, in the 2023 Annual Report, the number dropped drastically to 1,862, and this downward trend continued to 1,825 in 2024, remaining at 1,792 in 2025. The decline from 3,899 to 1,862 was a 52.2% decrease, with management reporting a total of only 2,046 employees for 2022 (PT FKS Food Sejatera Tbk, 2023, 2024). Using these new comparative figures, the actual employee decline from 2022 to 2023 was only 9.0%. However, the report does not explain this discrepancy, so it is unclear whether it is due to changes in definitions, entity scope, or misrepresentation. Meanwhile, for the period for which data is consistent, from 2023 to 2025, the number of employees recorded a steady decline of 3.76%.

The change in the number of employees at both points in time represents a change in workforce size, not a turnover rate. Turnover requires the number of employees leaving and the average number of employees, which are not disclosed in annual reports. Furthermore, because company reports do not detail the reasons behind the hundreds of job losses, the study concludes that the workforce size at the end of 2025 was significantly smaller than in 2021, with a decline of 42.8% (from 3,135 employees to 1,792 employees).

Although the number of staff has decreased, the sales productivity per employee has actually seen a significant surge, rising from Rp485.1 million in 2021 to Rp1,092.6 million in 2025. Management needs to analyze this growth critically and carefully because this jump in value was not driven by an organic increase in per-person output. In continuous improvement, true performance improvement requires efficiency born from the optimization of operational

processes, not merely a reduction in the workforce, which risks weakening the foundation of employee participation in the field.

In addition, the age composition of the workforce also indicates a long-term operational risk for the Company. The current workforce structure is heavily dominated by the middle-aged productive group, accounting for 85.5% (age range 31–50 years), while young employees under the age of 30 make up only 9.5%. This situation points to a real risk of a workforce succession gap in the future. Based on research by Setthakorn et al. (2024), employee attachment to the organization (job embeddedness) has been shown to have a negative correlation with turnover intention. Therefore, strengthening employee attachment through investment in training, clarity regarding career development, and the implementation of Key Performance Indicator (KPI)-based performance evaluations must immediately be made a top priority for the company in order to retain top talent.

Improvements in Revenue and Sales

Table 3 shows that the sales growth rate fluctuated quite sharply, namely in 2022 it grew 20.67%, then decreased 7.15% in 2023, then increased 12.71% in 2024, and slowed to 1.95% in 2025. The management analysis and discussion section of the 2023 Annual Report explains that the cause of the decline in 2023 was due to market normalization.

Table 3. Revenue and Sales of PT FKS Food Sejahtera Tbk for 2021–2025.

Year	Sales This Year (in millions of rupiah)	Sales Last Year (in millions of rupiah)	Growth (%)
2021	1.520.879	1.283.331	+18,51%
2022	1.835.284	1.520.879	+20,67%
2023	1.704.013	1.835.284	-7,15%
2024	1.920.620	1.704.013	+12,71%
2025	1.957.977	1.920.620	+1,95%

Source: Annual Report of PT FKS Food Sejahtera Tbk, compiled

The challenge faced by PT FKS Food Sejahtera Tbk is not only sales volume but also how to sustain growth while increasing profit margins. The reality is that the Company's sales and marketing expenses are growing much faster than the profit margins generated by its product lines in the market. As a strategic improvement measure, the study by Ayu et al. (2022) recommends implementing a target costing system from the early stages of product planning. Through this approach, the Company can set a maximum production cost limit based on estimated market selling prices and desired profit targets before the product enters mass production.

In addition to balancing the cost structure, improvements must also be driven through adaptive digital and conventional market expansion strategies (Sulamayati & Wolor, 2026). The Company is advised to integrate traditional, modern, and digital channels, including building a stronger presence on e-commerce platforms (such as Tokopedia, Shopee, and Lazada). By balancing a digital approach with adaptive conventional strategies, the Company can avoid stock-out issues while continuously strengthening product penetration.

Innovation and Idea Improvement

Documented innovation activities in 2021–2025 were consistent. In 2021, the company held GKM conventions and Suggestion Systems in each business group unit and implemented a Waste Reduction Program (WRP) (PT FKS Food Sejahtera Tbk, 2022). In 2022, the company launched various new product variants, including the Bihunku Korean Series and Mie Kremezz Krezz (PT FKS Food Sejahtera Tbk, 2023). In 2023, innovation continued through the development of Bihunku Seduh, which won an innovation award, and the export of the Bossmi brand to Spain (PT FKS Food Sejahtera Tbk, 2024). In 2024 and 2025, the company reported strengthening innovation through automation, process digitalization, development of economical packaging, and brand collaborations (PT FKS Food Sejahtera Tbk, 2025, 2026).

However, innovation is more visible in the final results, namely launched products, while the idea management mechanism has not been explained in a measurable manner. The existence of SS and GKM was documented in 2021–2023, but the report does not mention the number of proposals, the level of implementation, or the financial benefits, nor is there evidence of whether the innovation process is top-down or bottom-up. Iorhen et al. (2021) emphasize that suggestion systems are mechanisms that enable employees at all levels to submit improvement ideas, so that innovation does not occur solely from the top down but grows from those who best understand the work process. The implication for this company is not to build a new suggestion system, but rather to measure and report the performance of existing SS and GKM.

Improving Customer Loyalty

From 2021 to 2025, the Company undertook various initiatives to build customer loyalty through brand strengthening, product innovation, distribution expansion, and increased consumer engagement. By 2025, the strategy will focus on sustainable consumer loyalty through merchant loyalty programs, brand digitization, and various activities that connect the brand with consumers' lifestyles. However, these marketing activities and consumer engagement do not automatically indicate that customers have strong loyalty. Ali et al. (2025) emphasize that long-term loyalty cannot be determined solely based on the outcomes of

marketing activities without a formal evaluation of consumer loyalty, such as measuring repurchase rates, outlet retention, and customer satisfaction.

Implementing Continuous Improvement Through the PDCA Cycle

Based on the five-dimensional analysis above, this study proposes the implementation of continuous improvement using the PDCA cycle, complemented by Kaizen tools. The PDCA cycle was chosen because of its iterative and evaluation-based nature, allowing the results of each improvement action to be assessed before being adopted as a new standard (Peças et al., 2021).

In the Plan phase, it is proposed that the company establish measurable targets for each area. For quality, it is proposed to establish a quality cost metric that differentiates prevention costs, appraisal costs, internal failure costs, and external failure costs, as well as a target of reducing the defect rate by 20% within one year against a pre-measured baseline. For turnover, the first step is to calculate and report the turnover rate per plant and per job level. For revenue and sales, targets are proposed in the form of sales-to-cost ratios and contribution margins, measured separately by distribution channel, reinforced by the implementation of target costing from the product design stage.

In the Do phase, a limited-scale implementation is proposed to control the risk of failure. For quality, 5S and poka-yoke are implemented at the most defect-prone process points, starting with the wafer stick and biscuit lines as a pilot project. In the turnover aspect, a leadership development program for employees under 30, expansion of cross-functional training, and strengthening of existing GKM are proposed. In the innovation aspect, it is proposed to strengthen the SS already recorded in the report through inter-factory Kaizen competitions and awards for successfully implemented proposals (Iorhen et al., 2021).

In the Check stage, it is proposed that measurement become a routine activity. Defect rates are monitored monthly using a Pareto chart, as in defect reduction programs in the manufacturing industry (Sadikin, 2023). Turnover and employee engagement are evaluated semiannually (Setthakorn et al., 2024), and sales growth per channel and contribution margin are reviewed quarterly.

In the Act stage, it is proposed that proven methods for reducing defects be standardized into standard operating procedures and replicated in other factories, while HR programs proven to reduce turnover are integrated into the HR management system and linked to line manager performance appraisals. Deming (1986) emphasized that standardization is the most often overlooked component, because without it, an organization will revert to its original state.

Evaluation and Success Indicators

The success evaluation is structured according to the four perspectives of the Balanced Scorecard (Kaplan & Norton, 1996), with the 2025 condition as the baseline and one-year targets as presented in Table 4. The baseline column contains only figures documented in the 2025 annual report, or a statement that the indicator is "not disclosed." The target column and its basis for determination are the author's normative proposals.

Financial and cost targets are derived from annual report data through simple calculations shown in the final column. Targets without a baseline (outlet retention, complaint resolution time, defect reduction, and number of SS proposals) are estimates by the author, not calculated from company data, and need to be adjusted by management once operational data has been measured.

Table 4. Success Indicators for Continuous Improvement at PT FKS Food Sejahtera Tbk.

Perspective	Indicators	2025 Baseline	1-Year Target	Basis for Target Setting
Finance	Gross profit margin (Income Statement)	38,96%	≥ 40%	The 2025 increase (2.11 points) is smaller than 2024 (3.66 points). The target is to add 1.04 points, about half the 2025 increase, assuming the rate of increase continues to decline.
	Operating profit margin (Income Statement)	6,72%	≥ 7,5%	The difference between gross profit margin and operating profit margin in 2025 is 32.24 points (net operating expenses). With a gross profit margin of 40% and net operating expenses of ±32.5%, the operating profit margin is 7.5%, which also exceeds the 2024 level (6.99%).
	Cost of Goods Sold (COGS)/Sales ratio (Income Statement)	61,04%	≤ 60%	Consistent with gross profit margin target (100% − 40%)
	Current ratio (Statement of Financial Position)	0.81 times	≥ 1.00 times	The safety limit of current assets equals current liabilities, was achieved in 2024 (1.06×)
Customers	Sales growth (Income Statement)	1,95%	≥ 6%	Rounded down from the 2021–2025 CAGR (6.52%).
	Outlet retention rate (Distribution Data)	Not yet measured	≥ 85% after baseline	Illustrative author, not derived from company data
	Complaint resolution time (Distribution Data)	Not yet measured	≤ 3 business days	Author's illustration, should be adjusted after data collection

Internal Business Processes	Production defect rate (Production Report)	Not yet measured	Down 20% from baseline	Illustrative of the author, and re-set after the baseline is measured
	Raw materials as a percentage of production costs (Notes to the Financial Statements)	73,1%	≤ 72%	Down from 75.4% (2024) to 73.1% (2.3 points). The target added 1.1 points, about half the figure.
	Overhead as a percentage of production costs (Notes to the Financial Statements)	16,3%	≤ 15%	Return to 2024 levels (15.1%).
Learning & Growth	Employee turnover rate (HR Data)	Not yet measured	Starting from the measure ment date	There is no basis for setting a figure.
	Kaizen proposals per employee (Proposal System)	None yet (SS and GKM recorded 2021–2023)	≥ 2 proposals /year	Author's illustration, readjusted after SS data became available.
	Percentage of employees under 30 years old (Employee Composition)	9,5%	≥ 12%	Up from 8.8% (2024). The 2025 increase is only 0.7 points, so the +2.5 point target is aspirational and requires a recruitment plan.

Source: PT FKS Food Sejahtera Tbk 2025 (2026) Annual Report, edited.

The evaluation of the indicators in Table 4 reveals different underlying characteristics across perspectives. From a financial perspective, all indicators already have a clear basis derived from the financial statements, so the proposed targets aim to continue the positive trend or address weaknesses in liquidity and operating costs through 2025. Meanwhile, from an internal business process perspective, targets focus on controlling previously rising overhead costs and improving defect rates, for which a baseline has not yet been established.

Conversely, most indicators related to the customer perspective, as well as learning and growth, have not yet been measured, indicating that the “Check” phase of the PDCA cycle has not yet been implemented. Therefore, targets are formulated in two phases: first, initiating measurements before reaching specific performance thresholds, in accordance with the principles of continuous improvement (Monteiro et al., 2024). Overall, although the company has made tangible improvements in financial and internal aspects, the next step is not to add new programs but to build a measurement system so that all ongoing programs can be evaluated, standardized, and replicated in accordance with the PDCA cycle.

5. CONCLUSIONS AND RECOMMENDATIONS

This study concludes that PT FKS Food Sejahtera Tbk's annual report for the 2021–2025 period documents a number of continuous improvement initiatives, particularly food quality and safety certification, training, GKM and SS (2021–2023), product launches, distribution expansion, and cost management. The ratio of cost of goods sold to sales decreased by 16.53 percentage points, and gross profit margin increased annually. However, the available evidence consists only of aggregate financial trends and a list of initiatives, accompanied by the author's proposed PDCA action plans. This evidence is insufficient to conclude that PDCA-based continuous improvement has been effectively implemented at the company level. The company itself attributes changes in cost of goods sold to raw material prices (2023) and product mix (2025), so the margin trend cannot be attributed to specific programs. Furthermore, the slowdown in sales to 1.95% and the decline in operating profit in 2025 indicate that cost-side improvements have not been fully passed on to operating profit.

The annual report does not disclose defect rates, employee turnover rates, outlet retention, and customer satisfaction. Consequently, the application of the Check and Act phases to quality, employee turnover, and customer loyalty cannot be verified from this source. The proposed next step for the company is to establish a consistent measurement infrastructure so that each program can be evaluated and replicated within the PDCA and Balanced Scorecard frameworks.

To address the slowdown in sales growth to 1.95% by 2025, the company is advised to consider focusing on margin improvement through the implementation of target costing and optimization of digital distribution channels. Innovation activities are recommended to be strengthened by measuring the performance of existing SS and GKM, while customer loyalty programs need to be complemented with outcome metrics such as repeat purchase rates and active outlet retention.

The main limitation of this study is the use of secondary data from annual reports, which do not include detailed operational indicators. Therefore, there are no observations of internal processes, employee turnover records, or customer loyalty measurements that can demonstrate PDCA adoption at the company level. Furthermore, there are discrepancies between the reports, particularly for the number of employees in 2022 (3,899 and 2,046), which cannot be reconciled with the documents. Further research is recommended to use primary data through field observations and in-depth interviews with management to verify and align the formulated proposals with actual conditions.

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