

## CHAPTER III

### OVERVIEW OF RESEARCH OBJECT

#### A. Company Profile

PT. XYZ Indonesia is a subsidiary of XYZ Corporation, a holdings company with its head-quarter office located in Tokyo, Japan. Currently, XYZ Corporation is operating five main business units spread around the globe. PT. XYZ Indonesia is incorporated with XYZ Corporation, XYZ Bio Chemical business unit, and developing its business throughout Indonesia. Currently, XYZ Corporation has three main plants world-wide: Indonesia, Vietnam and China with Indonesia viewed as the role model of XYZ Corporation bio business plants.

PT. XYZ Indonesia has been operating in Indonesia for more than 20 years. PT. XYZ Indonesia was formerly a joint-ventured company between ABC Corporation, XYZ Corporation and PT. Samudra International Tbk. In 1990, PT. Samudra International Tbk. released its shares and company's name became PT. ABCXYZ Indonesia. In 2001, XYZ Corporation took over its partner's shares and since then, the company is recognized as PT. XYZ Indonesia.

Complete history about PT. XYZ Indonesia establishment in Indonesia is described as below

January 1985	PT. ABCXYZ was established in Gresik, East Java
January 1992	PT. ABCXYZ Indonesia's plant was completed in Gresik, East Java
May 1995	PT. ABCXYZ Indonesia expanded its plant capacity in Gresik, East Java

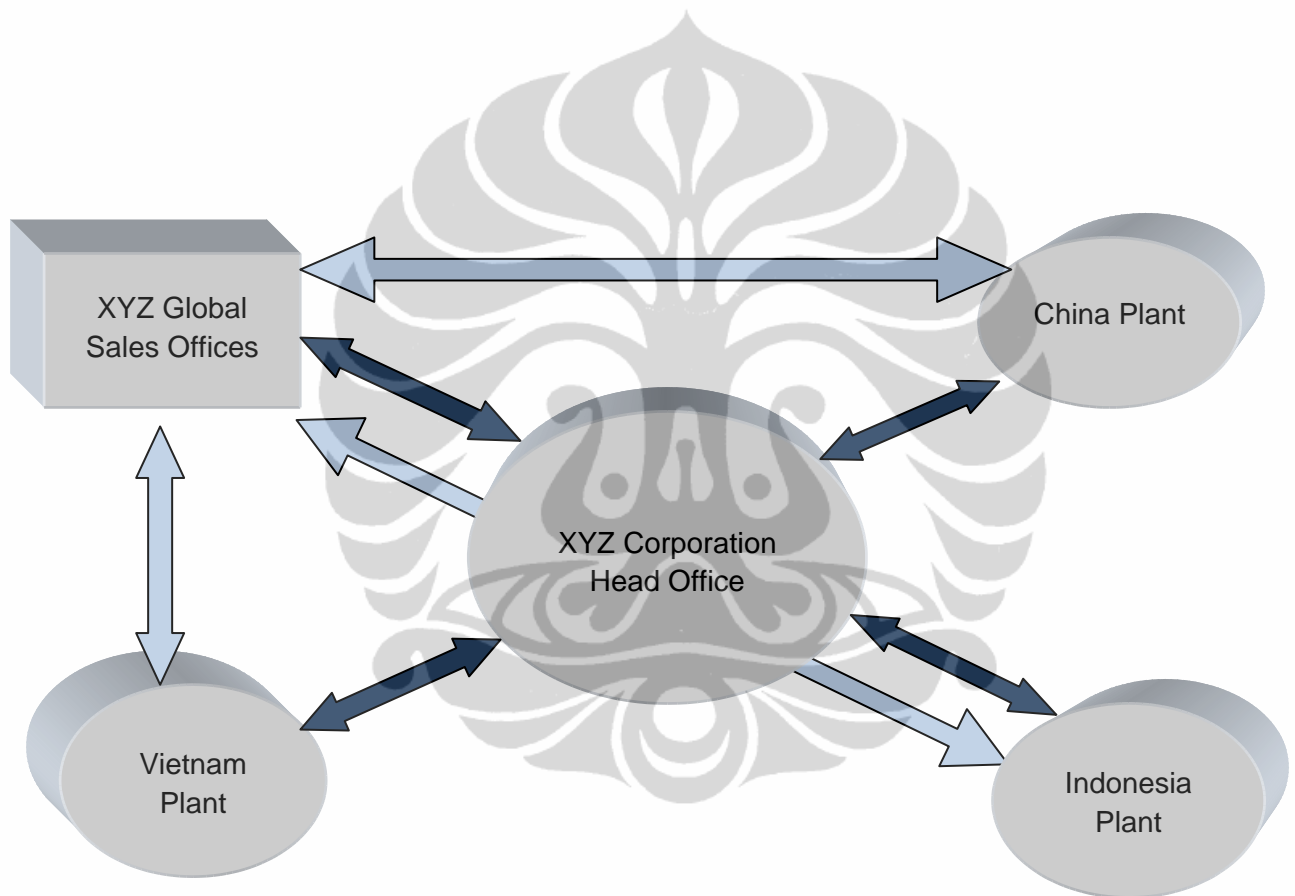
June 1999	PT. XYZ Animal feeds was completed in Karawang, West Java
August 2000	PT. XYZ Indonesia's food plant was established in Madiun, East Java
April 2001	PT. ABCXYZ Indonesia second capacity expansion of feed was completed in Gresik, East Java
August 2006	PT. XYZ Feed was established in Tuban, East Java
January 2006	PT. ABCXYZ Indonesia merged with PT. XYZ Indonesia and since then began to use PT. XYZ Indonesia as the same entity

Feed additives and food additives are main products of PT. XYZ Indonesia. Currently PT. XYZ Indonesia is operating two plants in Gresik and Madiun, East Java Province. Gresik plant, established in 1985, employs over 700 workers and its main item of production is fermented feed additives. Whereas Madiun factory, established in 2000, has over 300 workers and produces food additives, XYZ Corporation no. 1 global product. Products manufactured in these plants are not only sold in Indonesian market but also exported worldwide. As such, PT. XYZ Indonesia is serving an important role as the South-East Asia production base for XYZ Corporation.

With annual sales of approximately \$ 300 million, PT. XYZ Indonesia has become a top-level company in Indonesia. It is also serving as a role model of XYZ Corporation globalization capabilities. PT. XYZ Indonesia conducts business with over 65 different countries through XYZ Group's 32 offices around the world. Striving to be number one bio chemical and animal feed in the world, PT. XYZ Indonesia continuous to distinguish itself from the competition. Furthermore, using the accumulated technologies and know how's of PT. XYZ Indonesia as the foundation, XYZ Group expanding its business to Thailand, Brazil, China and Europe.

Below figure represents linkage among XYZ Corporation, Sales Offices and Plants around the globe.

**Figure 3-7 Scheme of Inter-Organizational Relationship of XYZ Corporation, Sales Offices and Plants**



(Internal Data Publication of PT. XYZ Indonesia)

## **B. Vision, Mission and Value**

As a subsidiary of XYZ Corporation group business, PT. XYZ Indonesia shares the same vision, mission and value as its parent company. The vision, mission and corporate values are as follows:

- XYZ's vision is to strive for giving customers a cultural experience based on lifestyle of better health, great enjoyment, and greater convenience
- XYZ's mission is to produce the greatest value for customers, stockholder and workers by turning out nothing but the very best products and services.
- XYZ's values shared among its members consist of:

Customer focus : focuses on understanding and responding to customers need

Team work : work with all people in each area and from all departments of the company as a whole for the greater good, transcending personal or department goals

Respect :treat everyone with respect and dignity regardless of position, age, or gender

Creativity :continuously devises creative ways to be the first and the best and to be unique

Entrepreneurship :accept personal accountability for result and expresses willingness to take responsibility for risks

Honesty :displays honesty and trust worthiness in all dealing with customer

### C. Structure of Organization

Structure of organization of PT. XYZ Indonesia can be viewed in Figure 3-8 as attached.

#### **D. Development of Network System (DNS)**

In its efforts of consistently providing its customers with best products and service, XYZ Corporation Group deploys ERP SAP R/3 system across its worldwide business units, included PT. XYZ Indonesia to support its business processes and maintain seamless linkages between XYZ Corporation, the head quarter, and its worldwide plants and sales offices. The project of ERP system application is enterprise-wide known as Development of Network System (DNS).

This project is in place to ensure effective information-sharing between Head Quarter and its affiliates which results in better coordination of corporate resources and responsiveness to customer demand. Relying on the system capabilities, XYZ Corporation Group strives to achieve the corporate vision and mission and sustain corporate competitiveness in the global market through cost leadership.

ERP system application project in PT. XYZ Indonesia office and plants was started on 1 January 2003 and the project completion took around one year. The new system project was developed by XYZ Information Systems (XYZ Corporation Infrastructure and System business unit) during which 20 consultants from XYZ Information Systems and selected employees of every business function at PT. XYZ Indonesia were assigned during the implementation process. The project was also led by a top management representative to ensure important and critical decisions related to project requirement can be made in a timely manner.

The ERP system implementation in PT. XYZ Indonesia was developed through what is termed as 'big bang' approach (a total replacement from legacy to ERP system) and officially launched in 1 January 2004. The design of ERP system in PT. XYZ Indonesia is selected to support effective information sharing and decision-making support which result in a more effective business process and responsive supply chain. In other words, ERP system is in place to ensure business processes

within PT. XYZ Indonesia align with this objective, that is, to achieve a cost leadership.

The latest version of ERP system applied in PT. XYZ Indonesia, SAP R/3 (known as release 4.7 or Enterprise), consists of following modules (Monk, 2006: 26):

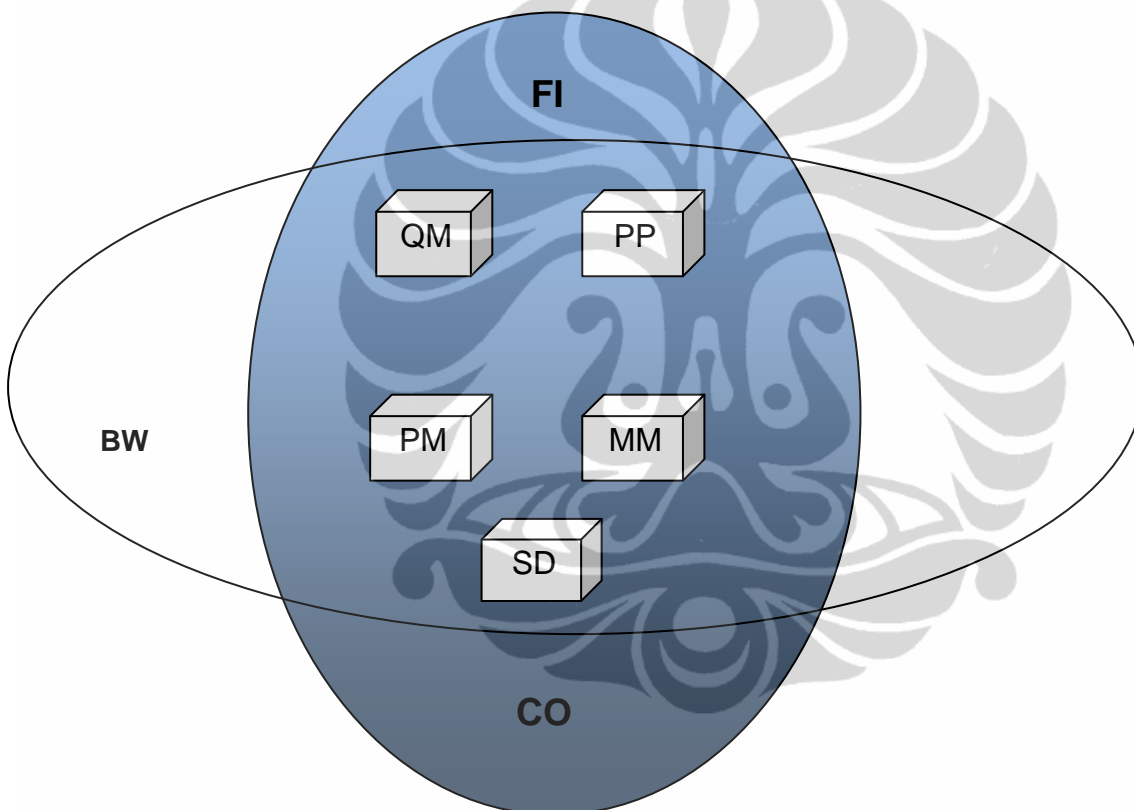
- **Sales and Distribution (SD)** module which records sales orders and scheduled deliveries. Information about the customer (pricing, how and where to ship products, how the customer is to be billed, etc) is maintained and accessed from this module.
- **Materials Management (MM)** module manages the acquisition of raw materials from suppliers (purchasing) and the subsequent handling of raw materials inventory, from storage to work-in-progress goods to shipping of finished goods to the customer.
- **Production Planning (PP)** module maintains production information. Here production is planned and scheduled, and actual production activities are recorded.
- **Quality Management (QM)** module plans and records quality control activities, such as product inspections and material certifications.
- **Plant Maintenance (PM)** module manages planning for preventative maintenance of plant machinery and managing maintenance resources, so equipment breakdown are minimized. Projections of new spare parts and machine/equipments process are recorded within this module.
- **Financial Accounting (FI)** module records transactions in the general ledger accounts. It is used to generate financial statements for external reporting purposes.

**Controlling (CO)** module is used for internal management purposes. Here, the company's manufacturing costs are assigned to products and to cost centers,

has been implemented for more than 4 years in PT. XYZ Indonesia and continuously reviewed for improvement in order to achieve best practices.

Modules within the SAP R/3 integrated information systems environment of PT XYZ Indonesia can be described as of Figure 7.

**Figure 3-9 Modules within ERP SAP R/3 at PT. XYZ Indonesia**

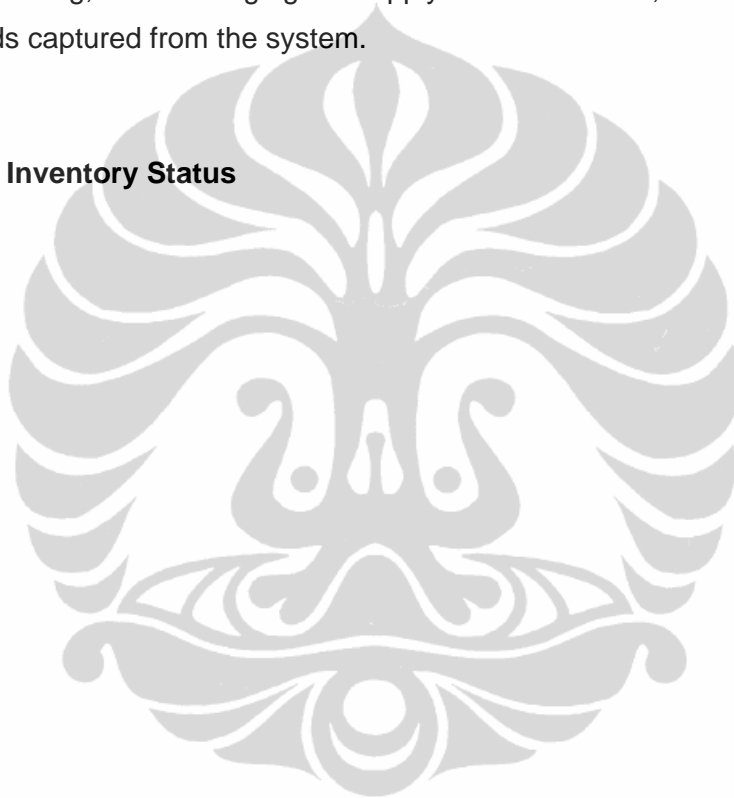


(Extracted from modules within SAP R/3 (Monk, 2006: 26))

## **E. ERP System Implementation Track Records**

As illustrations about how PT. XYZ Indonesia has typically used ERP system for planning, controlling, and managing its supply chain activities, here below are some track records captured from the system.

**Table 3-1 Export Inventory Status**





SAP

Product Inventory Status

Export Inventory Status(05.2006)

Including '0' Ending  
 Product type Export only  
 Plant 1010  
 Storage location 1000  
 Division 10

Material	Unit	Beginning	G/Receipt Q'ty	G/Issue Q'ty	Ending	Plant	Storage loc.
<b>KG ■ 4,306,575 ■ 18,712,030 ■ 18,303,130 ■ 4,715,475</b>							
110993	KG	0	628,560	628,560	0	1010	F/G Unrestricted
<b>KG ■ 0 ■ 628,560 ■ 628,560 ■ 0</b>							
110263	KG	6,000	160,000	166,000	0	1010	F/G Unrestricted
105149	KG	130,375	1,322,650	1,397,375	55,650	1010	F/G Unrestricted
122256	KG	0	0	0	0	1010	F/G Unrestricted
<b>KG ■ 136,375 ■ 1,482,650 ■ 1,563,375 ■ 55,650</b>							
113445	KG	0	0	0	0	1010	F/G Unrestricted
113396	KG	0	0	0	0	1010	F/G Unrestricted
113444	KG	110,050	458,050	442,500	125,600	1010	F/G Unrestricted
119991	KG	0	0	0	0	1010	F/G Unrestricted
110221	KG	454,675	2,156,450	1,719,000	892,125	1010	F/G Unrestricted
116600	KG	0	0	0	0	1010	F/G Unrestricted
113561	KG	0	829,000	611,000	218,000	1010	F/G Unrestricted
<b>KG ■ 564,725 ■ 3,443,500 ■ 2,772,500 ■ 1,235,725</b>							
119898	KG	0	0	0	0	1010	F/G Unrestricted
<b>KG ■ 0 ■ 0 ■ 0 ■ 0</b>							
113446	KG	0	0	0	0	1010	F/G Unrestricted
113447	KG	0	264,000	200,000	64,000	1010	F/G Unrestricted
<b>KG ■ 0 ■ 264,000 ■ 200,000 ■ 64,000</b>							
<b>KG ■ 5,007,675 ■ 24,530,740 ■ 23,467,565 ■ 6,070,850</b>							

(ERP Track Record of PT. XYZ Indonesia May 2006 Period)

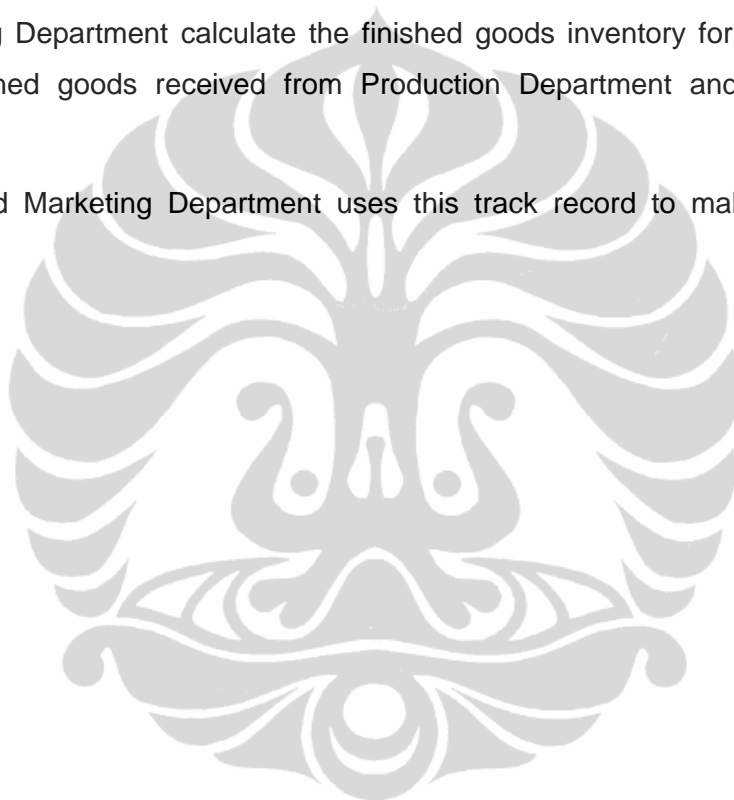
1. Detail on displayed information (marked in rectangle):

- Material = Code of Finished Goods
- Beginning = Total Beginning Stock Quantity at the Period
- G/Receipt Q'ty = Total Produced Quantity at the Period
- G/Issue Q'ty = Total Sold Quantity at the Period

- Ending Q'ty = Total Ending Stock Quantity at the Period
- Plnt = Storage Location (1010= Animal Feed Gresik Plant)
- Storage Loc = F/G Unrestricted means goods at storage location 1010 are ready to sell

2. Utilization:

- Warehousing Department calculate the finished goods inventory for controlling quantity finished goods received from Production Department and outbound delivery.
- Planning and Marketing Department uses this track record to make delivery promises.



**Table 3-2 Annual Financial Planning**

Plan/Budget/Actual

User ID: \_\_\_\_\_ Column: 1 / 3  
 Cost Center/Group: \*  
 Cost Element/Group: \* Cost Element Group  
 Reporting period: 1 j- 12 Fiscal Year: 2006 Currency Unit: USD

Lead column	12 Plan	12 Increase	12 Budget	12 Actual
53091000 Depreciation Building	303,093.12	-303,093.12		299,688.87
53092000 Depreciation Structures	88,419.85	-88,419.85		82,804.12
53093000 Depreciation Machinery	1,313,758.37	-1,313,758.37		1,169,280.05
53094000 Depreciation Vehicles	17,066.77	-17,066.77		15,064.98
53095000 Depreciation Equipment	82,670.82	-82,670.82		66,346.21
53096000 Depreciation Office Equipment	29,688.89	-29,688.89		31,073.99
53101000 Depreciation Goodwill				
53110100 Repair & Maint. Prod	174,220.76	84,160.36	258,381.12	182,722.26
53110200 Repair & Maint. Out				
53110300 Repair and Maintenance General	3,271.00	2,532,337.00	2,535,608.00	2,353,600.62
53120100 Insurance Property	68,690.00		68,690.00	68,765.50
53120200 Insurance Export Cargo	16,470.00	-16,470.00		24,485.23
53120300 Insurance Export Payment	13,750.00	-13,750.00		18,807.02
53129900 Insurance Others				2,109.31
53130100 Taxes and dues	8,603.00		8,603.00	1,263.50
53141000 Advertising	204.00	-204.00		
53161000 Transportation Local				51,568.94
53162000 Transportation Export Freight	1,126,959.00	-1,126,959.00		977,902.83
53163000 TR Export Handling	7,602.00	-7,602.00		24,814.71
53164000 Transportation Export Carriage	48,977.00	-48,977.00		94,485.80
53169000 Transportation Export Others	12,015.00	-12,015.00		23,204.38
53169900 Transportation Others	21,050.00		21,050.00	19,195.01
53201000 Research Expenses	10,420.00	-296.00	10,124.00	5,394.16
53211000 Entertainment Expenses	19,656.00	6,122.00	25,778.00	15,282.22
53221000 Event Expenses	18,474.00	5,109.00	23,583.00	21,826.79
53231000 Conference expense	2,229.00	3,680.00	5,909.00	527.83
53241000 Training-Internal	5,261.00	-51.00	5,210.00	3,941.29
53242000 Training-External	791.00	549.00	1,340.00	511.67
53251000 Bad Debt Expense				174,742.00

(ERP Track Record of PT. XYZ Indonesia Year 2006 Period)

The ERP system displays records annual financial budget for overhead and operational allocations. It records financial plan, actual used and budget. It also measures actual versus plan budget through 'increase' record (marked in rectangle).

**Table 3-3 Export Progress Status**

Display Export Progress Status

On Board: All  
 Distribution Channel: 10 Export  
 Order type: ZEX Export Sales Order  
 Req. Stuffing Date: 20.04.2006 To 31.05.2006  
 E.T.D. SPort: 01.05.2006 To 31.05.2006

N	P/C	STF	Ship	Sub...	Coll	Material	Σ	Sales Qty	UT	Destination	P/O on	Req. ETD	ETD SRB	ETA DST	Submit Dt.	LTime	
201	0	0	0	0	0	112195		16	MT	ANTWERP	03.05.2006	31.05.2006	31.05.2006	04.07.2006	07.06.2006	28	
202	0	0	0	0	0	107609		34	MT	BANGKOK	05.05.2006	10.06.2006	28.05.2006	04.06.2006	01.06.2006	36	
203	0	0	0	0	0	107609		70	MT	HOCHIMINH	03.05.2006	05.06.2006	31.05.2006	18.06.2006	12.06.2006	33	
204	0	0	0	0	0	107609		70	MT	HOCHIMINH	23.05.2006	30.05.2006	31.05.2006	18.06.2006	12.06.2006	7	
205	0	0	0	0	0	105149		18	MT	HOCHIMINH	04.05.2006	05.06.2006	29.05.2006	06.06.2006	02.06.2006	32	
206	0	0	0	0	0	107609		34	MT	LANCASTER	24.05.2006	31.05.2006	29.05.2006	30.06.2006	06.06.2006	7	
207	0	0	0	0	0	110262		32	MT	LANCASTER	24.05.2006	31.05.2006	29.05.2006	30.06.2006	06.06.2006	7	
208	0	0	0	0	0	110262		32	MT	BAINBRIDGE	24.05.2006	31.05.2006	29.05.2006	12.07.2006	06.06.2006	7	
209	0	0	0	0	0	107609		34	MT	DES MOINES	24.05.2006	10.06.2006	30.05.2006	30.06.2006	05.06.2006	17	
210	0	0	0	0	0	107609		17.500	MT	PORT KLANG	19.05.2006	29.05.2006	29.05.2006	03.06.2006	02.06.2006	10	
211	0	0	0	0	0	110262		32	MT	DES MOINES	24.05.2006	10.06.2006	30.05.2006	30.06.2006	05.06.2006	17	
212	0	0	0	0	0	107609		17	MT	SANTOS	09.05.2006	05.06.2006	29.05.2006	04.07.2006	06.06.2006	27	
213	0	0	0	0	0	107609		17	MT	SANTOS	09.05.2006	29.05.2006	29.05.2006	04.07.2006	06.06.2006	20	
214	0	0	0	0	0	107609		17.500	MT	SHIBUSHI	25.05.2006	31.05.2006	29.05.2006	19.06.2006	05.06.2006	6	
215	0	0	0	0	0	107609		525	MT	ANTWERP	26.05.2006	31.05.2006	31.05.2006	04.07.2006	07.06.2006	5	
216	0	0	0	0	0	107609		385	MT	ANTWERP	26.05.2006	31.05.2006	31.05.2006	05.07.2006	07.06.2006	5	
217	0	0	0	0	0	110269		60	MT	ANTWERP	24.05.2006	31.05.2006	31.05.2006	04.07.2006	09.06.2006	7	
218	0	0	0	0	0	110296		68	MT	ANTWERP	24.05.2006	31.05.2006	31.05.2006	04.07.2006	12.06.2006	7	
							4 B...										
								275,560									
								9,918,540									

(ERP Track Record of PT. XYZ Indonesia May 2006 Period)

1. Detail on displayed information (marked in rectangle):

- P/C = Product Confirmation, green color means process is completed

- STF = Stuffing (Container Loading), green color means process is completed
- Ship = Shipment completed, green color means billing processing is completed
- Sub = Document delivery completed, green color means related records such as negotiation or delivery date and bank name are recorded
- Coll = Account receivable status, green color means payment is already made by customer
- Material = Material delivered
- Sales Q'ty = Quantity of shipped goods/material
- P/O on = Date of Customer Purchase Order receipt
- Req ETD = Customer requested shipment date
- ETD Srb = Shipment date from loading port
- ETA DST = Shipment arrival date at destination
- Submit Dt = Date of documents submitted to the negotiating bank or dispatched to customer
- L. Time = Lead Time (manufacturing lead time)

## 2. Utilization:

- Planning and Marketing Department uses this track record to control customer order delivery and reply customer orders status (such as shipment and arrival date, quantity and type of shipped goods).