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Implementation of supply chain management using the ERP system at XYZ Company Indonesia

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Abstract

Supply Chain Management (SCM) is a network of companies working to create and deliver a product to the end user. These companies include suppliers, factories, distributors, shops or retail, as well as supporting companies such as logistics services. The company is integrated with an ERP or enterprise resource planning system that combines each department into one database to save time in its use. In this study, researchers implemented supply chain management and this ERP system at XYZ Company Indonesia. A company engaged in the marketing and distributing various goods for consumption, including toiletries, body care, cosmetics, and cooking spices, which of course, gives an advantage if it can implement this supply chain management and ERP system.

Keywords

Supply Chain Management, ERP, XYZ Company

1. Introduction

The XYZ company Indonesia is engaged in marketing and distributing various consumer goods, including toiletries, body care, cosmetics, and cooking spices. This company was founded on December 5, 1933, in Indonesia. Since the beginning of this company was founded until now, this company continues to show very rapid and significant business development, seen from the business scale. Human resource development is one of the strategies used by this company as the key to success, by implementing a program entitled Indonesianization of its management. The XYZ company is one of the best companies in the top 20 in the world, so this company must

always keep abreast of developments and adapt to changes in the business environment in the face of free trade. Even within the organization, they consider human resources the most important thing in the company's role. The XYZ company offers different products in each country because each has its characteristics or preferences. This company has never played games about selecting employees or people who will join this company. Therefore they always use the HR system to manage all existing employees' roles efficiently and maximize their employees' work in their respective fields. As it is known that in work, they do not only rely on or are concerned with machines or electronic devices that are on duty, but as workers themselves they must have the ability to think and interact with their environment. The researcher realizes the importance of supply chain management in every company and uses a good ERP system to solve problems in every company and get maximum profit. Therefore researchers use The XYZ company as the object in this study.

2. Literature review

2.1 Supply Chain Management (Supply Chain Management).

Supply Chain Management (SCM) is a network of companies working to create and deliver a product to the end user (Lu & Swaminathan, 2015). These companies include suppliers, factories, distributors, stores, or retail, as well as support companies such as logistics services

Supply chain management is also the management of business networks starting from the production process, finished or semi-finished goods to goods or services that can be distributed to consumers (Jamaludin, 2021a). Thus, SCM is a process of linkages or relationships in each stream, such as goods/products, services, capital, and close relationships from producers, suppliers and distributors. Both can facilitate company performance and make companies more effective and efficient (Habib, 2011; Palandeng et al., 2018; Jamaludin, 2022). The purpose of implementing supply chain management in companies is to increase the productivity or performance of employees in the company to be more optimal in terms of time which is very meaningful for the company. Good supply chain management can certainly provide benefits to the company (Jamaludin, 2021). Satisfied customers with the safe goods or services offered is an advantage because customers or consumers are the main targets of this process. Customers who are satisfied with the product make them loyal to the product or brand, so they want to use it continuously to become an advantage for the company. Implementing good supply chain management can reduce costs in the distribution aspect, which usually has a high cost in inter-city shipping.

So in supply chain management, there are three streams: material, information, and finance. Material flows include the flow of physical products or raw materials that flow throughout the supply chain and also include the return flow of goods return, recycling, and service. The second flow is the flow of information where there are requests, orders, deliveries, and returns in this flow. Furthermore, the last flow, namely the financial flow, includes all matters regarding finance, including the payment process, credit card information, and payment schedules (Shkoukani et al., 2013; Lu & Swaminathan, 2015; Green et., 2006).

2.2 Supply Chain Components.

According to Yeh et al. (2020) and Miguel (2011), there are 3 components of the supply chain, namely:

1. Upstream or Upstream Supply Chain.

The upstream supply chain is the company's activities with its suppliers, producing goods, assembling, and providing services.

2. Internal Supply Chain or Management.

This internal supply chain includes all processes of entering goods into warehouses that convert inputs into outputs in a company that focuses on production and manufacturing management.

3. Downstream or Downstream Supply Chain.

The downstream part is the final part the company carries out to distribute products to customers. The main parts in the downstream, namely distribution, warehousing, transportation, and also service to consumers

2.3 Modes of Transport and Decision-Making in the Supply Chain

According to Krismiyati (2017) and Oluwaseyi et al. (2017), transportation is an effort to move, transport, or divert a specific object from one place to another to achieve certain goals. In Indonesia, most use captive user modes of transportation compared to choice users (Tsavdari et al., 2022). Captive users travel with only one choice, namely public transportation, due to economic, legal, and physical aspects. Meanwhile, choice users are travel groups with many choices in making a trip (Tsavdari et al., 2022). According to Tamin (2000), several things must be considered in choosing a mode of transportation (Mustafa, 2010), namely (1) Decision making; (2) Accuracy requirements; (3) Availability of the required data; (4) Modeling updates; (5) Available resources; (6) Data processing requirements; as well as (7) Level of ability of planners and researchers.

2.4 Enterprise Resource Planning

ERP or Enterprise Resource Planning is an information system used for service and manufacturing companies whose role is to integrate and automate business processes related to production, operation, and distribution processes in the company concerned (Gursoy, 2010; Hasan, 2018; Andrianto, 2019). The ERP system is a development of MRP or Manufacturing Resource Planning, so the ERP system has been upgraded and developed to make it better than MRP. ERP system usually handles things like company distribution processes, managing inventory, invoicing, and accounting in the company. From the explanation above, it can be interpreted that the ERP system will help manage business activities in a company, such as how to ship, sell, produce, and provide inventory management, quality, and human resources (Marsudi & Pambudi, 2021).

2.5 Advantages of Enterprise Resource Planning (ERP).

According to Bernroider & Hampel (2005) and AlBar et al. (2014), a system must have good and bad sides. So, the advantages of an ERP system are reducing company operational costs,

encouraging other companies to cooperate with us, increasing productivity, reducing inventory or storage of goods, and increasing the company's financial control.

The weaknesses of the ERP system are as follows:

1. How to implement or how to follow this ERP system is difficult because companies have to change the way they do business
2. The cost of implementing an ERP system is prohibitive.
3. Can pass on responsibility to personnel who are suddenly burdened with great responsibility without training and readiness
4. The system is complicated, so employees have to adapt to the ERP system.

2.6 ERP system at XYZ COMPANY Indonesia.

According to data from several journals, The XYZ company implemented an ERP system at their company in 2007 using SAP R/3, which consisted of modules in the form of production planning, finance and controlling, human resources, warehouse management, and business warehouse

Beginning in running the new system of XYZ company, there will be obstacles and challenges as at that time The XYZ company implements go live time but achieve the target that has been set, but every development cycle is very concerned. The XYZ company also involved a third party, namely ABC company as their consultant and involved other countries that have successfully implemented ERP systems. Finally, on January 1 2009, SAP XYZ company can also achieve (Hasan, 2018). Over the next few years, XYZ company will work very hard to perfect the system so that XYZ company will be able to improve the quality of service to customers. The XYZ company also hopes to reduce delays in planning time in order to respond more quickly to market demand, as well as savings in supply chain strategy costs such as production, suppliers, and logistics. So with this operational system, XYZ COMPANY Indonesia hopes to be ready to grow to be even better in the future every year.

3. Research methodology

The methodology used in this study is a qualitative research method with data collection techniques in the form of literature or literature studies by searching for and reading references from various sources, such as national and international journals, scientific books, websites, and previous references related to the problems discussed in this study. The data sources we obtained came from our observations in the literature study method and references related to the company XYZ COMPANY existing with library or literature study techniques.

4. Discussion

In supply chain management, XYZ COMPANY Indonesia has its name for its supply chain management, namely the agricultural supply chain. The name is inspired by the cooperative relationship between XYZ COMPANY Indonesia and local farmers as their suppliers of the raw materials needed for XYZ COMPANY. A simple description of the XYZ COMPANY, as follows:

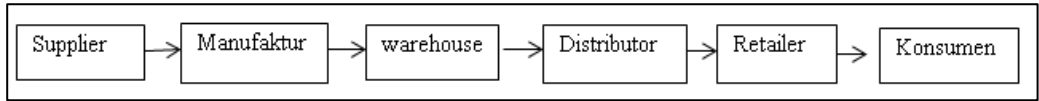


Figure 1. Supply Chain XYZ COMPANY

From the simple picture above, it can be explained that the stage starts with the supplier as the provider of raw materials. Forwards to the factory where the raw materials are processed into finished goods and ready for sale, then the goods are stored in the warehouse. The next stage is distributors, who go to new retailers and consumers. The type of supply chain strategy utilized by XYZ company is low in terms of supply and demand uncertainty because XYZ company sells functional or needed daily products to make the XYZ company Framework has successfully implemented an efficient supply chain.

The XYZ company Indonesia uses the Third Party Logistics (3PL) mode of transportation. One of the ways that is very often used today where there are companies that will provide logistics activity services in the form of operating distribution centers managing products to repackaging. With this 3PL, XYZ COMPANY no longer needs to worry about how products can be delivered to a certain area/region with fast delivery at lower costs.

The benefits of XYZ company in applying supply chain management can satisfy customer desires for the products offered with various benefits. It can certainly increase consumer confidence in the brands offered by XYZ company and of course, provide benefits to the company both from profit and income. Furthermore, XYZ company spends little money on its product distribution channels due to implementing multiple supply chain management.

ERP usually aims to provide information by integrating information built sectorally in a company. With this application, the process is carried out faster and does not require much time. In 2006 XYZ company implemented SAP R/3 in which there are several modules: production planning, Warehouse management, finance and control, human resources, and Warehouse business. Implementing this module helps XYZ company solve problems with its data quickly so that it can be solved more quickly and not cause significant problems. With this application, the company gets a good work efficiency and can maximize its income.

The benefits of implementing this ERP system at XYZ COMPANY Indonesia are to facilitate the company in integrating business processes with the existing SAP system and also to consolidate company finances with multiple accounting systems and others. This implementation can reduce the burden incurred by the company in system processing costs which is very useful for the company.

5. Conclusion

Based on the results of the discussion above, it can be concluded that the implementation of supply chain management at XYZ COMPANY Indonesia has been carried out systematically from the initial to the final process. It starts from the supplier as a raw material provider, then proceeds to the factory where the raw materials are processed into finished goods and ready for sale. After that, the goods are stored in the warehouse. The distributor center is the next stage, then the new retailer to the hands of consumers. Supply chain management at Unilever has the

name agricultural supply chain, which means the relationship between XYZ company and local farmers as their suppliers. The XYZ company also uses Third party logistics (3PL) transportation mode, considered effective in Indonesia because the products will be delivered quickly and the costs incurred are lower. The company's distribution of products can run well because people use many products from XYZ company in their daily lives, such as toothpaste, soap, and others. Thus XYZ company provides satisfaction to its customers with the various products offered. Then the application of ERP in XYZ company Indonesia can also help the existing SCM to increase efficiency in the company, reducing costs. The XYZ company uses SAP R/3 to help the company in its stock and other information systems that can increase efficiency and maximize the results of its opinions to be more significant. A suggestion we can provide is to realize a responsive green supply chain. Thus the environment can be maintained, increase customer satisfaction, and can also increase profits or profits.

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