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## CHAPTER 1 - INTRODUCTION

### 1.1 Background

Business management software is widely used for all companies, whether it is a manufacturer or even a distribution company. The most common business management software is Enterprise Resource Planning or ERP. It is a database-management software, which integrates all activities within the company. By connecting each module activity in the ERP system, managers can make decisions faster, getting more accurate results & reports, and even improve business performances.

ERP is unique in its own way, depending on the business processes. Meaning that, every company will have a different ERP system. Before implementing ERP software, a company must first know their needs from the ERP, how well their business process is, whether they need to re-engineer their business process or not, and which activity they want to integrate within the software. Those considerations are crucial for the first step of ERP implementation.

Although ERP companies provide the perfect implementation methodology and ERP software, sometimes the implementation process doesn't achieve what is expected. Since every company has their own unique management system, it is difficult to implement the ERP system in a short period of time because changing over to a new system is mostly hard to accept from the human resources. This will be the challenge and the study of how ERP implementation should be done.

A case study can be taken from an on growing company, CV. Indo Surya. ERP implementation can define how good and how bad their company situation is. This will be done by studying and analysing the business process of the company. Other than that, it will show whether the ERP system can be implemented at the company or not.

## 1.2 Company Information

Started in early 2014, CV. Indo Surya is a subsidiary of a repacking company called CV. Surya Agung, who will be changing their name into PT. Resto Pangan Utama next year 2015. The company is a repacking company who focuses on selling food groceries packaging, mostly cooking oil products. Their mission is to provide fast service sales activity for customers with high quality brand packaging of product.

CV. Indo Surya was established with aim of adding more capacity from the holding company, CV. Surya Agung. The difference is, CV. Indo Surya is specialized for repacking cooking oil products for PT. Sumber Alfa Trijaya (Alfamart) and PT. Lion Superindo (Superindo) because the holding company cannot manage the high demand of those two big companies. But still, CV. Indo Surya also sells the product from CV. Surya Agung, only the specified type of products.

The company believed that their service for customers is the main advantage compared to the other company. Having their own logistics service and their own brand, are the key strategy to distribute products in the market. The company's target markets are medium to low markets such as traditional stores and distributors. The products they sell are cooking oil, salt and sugar, with packaging.

The business process is buying from the supplier, repackage it, and sell it to the customers. This may be seen as a simple business, but actually the company is having a lot of internal issues. Data management in the company is not integrated. Some of the data are not even available to see. Decisions are made manually and by experience, where it should have been done from a data statistics and reports. Supplier and customers list are not managed properly, while it is the source of business. This is all because the company is still too traditional. Therefore it is time for them to move on and use technology if they want to grow.

### 1.3 Thesis Purpose

The purpose of this thesis is to implement Enterprise Resource Planning system for CV. Indo Surya, by studying and analyse the business of the company so that an appropriate ERP system can be implemented to meet the company's business process.

### 1.4 Thesis Scope

The scope of this thesis is to implement an ERP system using ADempiere, as a prototype to show how the ERP will run the company's business. The prototyping will include testing and running the ERP system until the company is satisfied with the results. The implementation will only cover material management modules or several business processes such as:

- Purchasing Material
- Selling Products
- Receiving Material
- Shipment Products
- Production

### 1.5 Thesis Limitation

The limitation of this thesis includes:

- This thesis work will not analyse the company's accounting & finance activities such as invoicing and payment methods.
- The server hardware installed for the ERP system will not be a real server hardware because the main purpose of only as a prototype.

## 1.6 Problem Statement

The company do not have detailed company information and do not manage the data information properly within each activity, where actually they should integrate all of the business process to have better statistics and reports for better decision-making.

## 1.7 Hypothesis

The following hypothesis will be identified:

- ERP system can increase productivity at CV. Indo Surya
- The company can make a better decision regarding material management
- The company will have a better security issue by using the ERP system
- Implementing ERP will show the company's room of improvements

## 1.8 Significance of Study

The significance of study of this thesis work will be beneficial for some parties.

First, this study will benefit the company CV. Indo Surya because this thesis work will show how the company can improve their business and data management. This thesis work will also show the gaps of the company that can be improved.

Second, this thesis work will enlighten SMEs to consider implementing ERP for their business. Implementing ERP may take a lot of effort and time, but it can be proven that it is worth invested.

Third, for academic reasons, this study will show the public of how to implement an ERP using ADempiere software in just a short period of time and how the processes should be done for the implementation to be successful.