

**SUCCESSFUL IMPLEMENTATION OF SAP SYSTEM IN PROCUREMENT
DEPARTMENT
CASE STUDIES IN SCOMI RAIL BERHAD**

SITI NOR FARAHER BINTI ABU BAKAR

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

APPROVAL

I/we hereby declare that I/we have checked this project report and in my/our opinion this project is satisfactory in terms of scope and quality for the award of the award of the degree of Bachelor of Technology Management (Innovation) with Honours.

Signature :

Name of Supervisor : DR. YUSRI BIN ARSHAD

Date :

Signature :

Name of Panel : IR. BUDIONO HARDJONO

Date :

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DEPARTMENT

CASE STUDIES IN SCOMI RAIL BERHAD

SITI NOR FARAHIN BINTI ABU BAKAR

Submitted in Partial Fulfilment of the Requirement for the Bachelor of Technology
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Universiti Teknikal Malaysia Melaka

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DECLARATION

I hereby declare that the work in this report is my own except for quotations and summaries which have been duly acknowledged. The thesis has not been accepted for any degree and is not concurrently submitted for award of other degree.

Signature :
Name : SITI NOR FARAHER BINTI ABU BAKAR
Matric number : B061110071
Date : 20 JUNE 2015

DEDICATION

To my beloved family especially my parents, Abu Bakar Bin Abd Ghani and Patimah Binti Hj. Ja'amin. My brother and sisters, Abd Aziz Fauzi, Siti Hafizah, Siti Noorhadjar, Siti Nor Sharah and also my late brother Mohd Khairullah for giving me positive comments and feedback in completing this research. Thank you for raising me with full of education and without all of you, I am nothing. Not to forget, thank you to my big family always giving me support whenever I felt weak

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ABSTRAK

Kajian ini merupakan kajian tentang keberkesanan penggunaan sistem SAP dalam bahagian perolehan di Scomi Rail Berhad. Terdapat beberapa kesan positif dalam penggunaan sistem SAP terhadap bahagian perolehan. Kajian ini dilakukan untuk mengkaji tentang keberkesanan penggunaan sistem SAP dalam bahagian perolehan di Scomi Rail Berhad. Objektif kajian ini adalah untuk menentukan tentang keberkesanan penggunaan sistem SAP dalam bahagian perolehan di Scomi Rail Berhad, mengetahui tentang proses sistem SAP di bahagian perolehan dan kepentingan sistem SAP dalam bahagian perolehan. Penyelidik telah memberi tumpuan lebih pada sistem SAP. Dengan penggunaan sistem SAP dalam organisasi, penyelidik ingin mengkaji apakah kesan keberkesanan dalam menggunakan sistem SAP ini dalam bahagian perolehan di Scomi Rail Berhad. Kaedah kualitatif akan digunakan dalam kajian ini. Penyelidik akan membuat sesi temubual untuk mengumpul maklumat daripada responden di bahagian perolehan. Keputusan temubual itu akan dianalisis untuk menghasilkan data yang muktamad. Ringkasnya, dengan menggunakan sistem SAP dalam bahagian perolehan, ia akan berkesan dan lebih efektif dalam menguruskan proses pengurusan di bahagian perolehan. Kajian ini kemudian akan menunjukkan sama ada sistem SAP akan berkesan atau tidak.

ABSTRACT

This research is the study of the successful implementation of SAP system on procurement department in Scomi Rail Berhad. There are several positive impact of the implementation of SAP system in procurement department. This research is being done to study the successful implementation of SAP system on procurement department in Scomi Rail Berhad. The objective of this study is mainly to determine the successful implementation of SAP system on procurement department in Scomi Rail Berhad, to identify the process of SAP system in procurement department and to investigate why SAP system is important in procurement department at Scomi Rail Berhad. Researcher have focused more on SAP system. By implemented the SAP system in the organization, what would be the successful impact implementation of SAP system on procurement department in Scomi Rail Berhad. The qualitative method that will be used in this research. Researcher are conduct the interview to collect data from respondent in procurement department. The results of the interview will be analyse to produce the final result. The analyze data will be used to prove whether the researcher's interview can be accepted or not. In a nutshell, by using the SAP system in procurement department, it can be success and more effective in manage their process of management in procurement. This study will later show whether the SAP system can have successful impact or not.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Nowadays, the world has been changing dramatically especially in business environment. Companies are facing rapid and extensive change in the business environment, whether internally or externally. In order to eliminate these problems, enterprises should be more creative and must implement measures to improve their capability to satisfy need customers and increase their profits. With the new technology in system management will affect the organization by means of new technique to handle the system and understand about enterprise resource planning (ERP) systems such as System Application Product (SAP) software.

System, Application and Product (SAP) in data processing and SAP system was introduced in 1972s as SAP AG. SAP AG founded in 1972 is the world's largest Enterprise Resource Planning (ERP) software with 82,000 customers / 91,500 installations / 12 million users in 120 countries. (Sap United States, 2009). The SAP system comprises of a number of fully integrated modules such as Financial, Human Resources, Customer Relationship Management, Supplier Relationship Management Anil Bhagwani, Product Lifecycle Management, Supply Chain Management and Business Intelligence. (Bhagwani, 2009)

SAP system is one of the providers of business software solutions towards better work and data management in organizations especially in industries. (Susan Power et al, 2006). The significant technological changes had a dramatic impact on procurement in industries. The implementation of enterprise resources planning system SAP in the industry can improve change the way to collect data, receive and transfer information and it also can improve accuracy in production planning and production execution.

ERP is one of the successful information management and control various other aspects in industries. ERP has incorporated other business extensions such as supply chain management and customer relationship management to become more competitive. The major goal of ERP is to increase operating efficiency by improving business processes and decreasing costs (Nah, Lau, & Kuang 2001; Beheshti 2006). This application is developed for the enhancement of management process. This is to reduce the workloads of employees and offers opportunities for the business.

1.2 Background of the Study

To study the successful implementation of research SAP system in procurement department at Scomi Group Berhad, some circumstances need to identify and investigate. The encouragement in creating research about the system is getting decrease as most of the research are failed to commercialize to the market. This research main focus is on identify the successful implementation of SAP system in procurement department. In order to get more detailed information, researchers need to evaluate the strength and weaknesses of the SAP system and changes it brought to the procurement management.

Scomi Group Berhad is chosen to complete the research and collect the data. The company is categorized under the top company that successful in their technology. Method used in collecting data is qualitative. By using this method, a richer data collected and theoretical perspective from the experience of the interviewee could help in analyze and engage all the information. Interview

conducted with the person who managed the procurement department and the researcher.

A framework of the issues implementation develops based on the interview data information and literature review from the journal and academic article. The framework focusing with the successful implementation of SAP system in procurement department and the end of this research, discussion on the impact faced by worker of company and followed by conclusion.

1.3 Problem Statement

Currently, most company begins on focusing about the system that can improve their process management more effective and efficient. Thus, company plays huge role in collaborating with customer and supplier for stabilize the company. A rapid growth in technology development has comes up with bunch of new ideas and invention to create more advance system that can enable people to do their work easily and more efficiency. Many technology developer companies compete with each other and do the best as they can in order to produce the best product from the best technology that they have.

In 1979, Rockart was first to apply Critical Success Factors to ERP implementations. Since then Bancroft and Seip,1996; Clemons, 1998; Holland et.al., 1999; Kale, 2000; Parr et.al., 1999; Sumner,1999; Nah et.al., 2001; Gargeya and Brady, 2005; T.R. Bhatti, 2005 have presented studies on CSFs related to ERP implementations. The above mentioned literature was studied and CSF model for SAP ERP implementation by Esteves and Pastor. SAP system already popular among company especially the largest industries because the industries more suitable to use this system for management process in industries.

With hundreds of companies implementing the ERP systems to make their business more efficient only few are very successful in implementing them. According to a survey done by Gartner only 60% of companies implementing ERP system claim they got expected benefits. Based on journal by Bhagwani (2009) said that analysis of articles reporting SAP implementations in twenty companies from all over the world have been done. In summarize, ten of these companies had a successful SAP system implementation and the other ten were failures. There are successful implementation of SAP system that used in procurement department. Successful implementation that have been identified through literature review is sustained management support, efficient and effective information, reduce cost, expertise and formalized plan and schedule.

Based on that fact, in this research, the researcher try to understand and identify what are the successful impact by using the SAP system in procurement department? The researcher wants to find out the process that using SAP system and why SAP system is important in Scomi Rail Bhd?

1.4 Research Question

There are few studies conducted on the successful implementation of SAP system on Procurement Department that contribute to the organization. Informed by above problem statement, this research explored the following key questions:

- How the SAP System Application is implemented in Procurement Department at Scomi Rail Berhad?
- What are the successful implementation of SAP system in Scomi Rail Berhad?
- Why the SAP system is important in Scomi Rail Berhad?

1.5 Research Objectives

The objectives of the study are stated as below:

- To identify the process of SAP system in Procurement Department at Scomi Rail Berhad.
- To study the successful impact of implementation of SAP system that using in Procurement Department.
- To investigate why the SAP system is important that implemented in Procurement Department at Scomi Rail Berhad.

1.6 Scope of The Study

The scope of this research is to identify the process of SAP system in Procurement Department for purchasing the material from suppliers and investigate why the SAP system is important that implemented in Procurement Department at Scomi Rail Berhad. Besides, the scope of this research also will study for the successful impact of implementation of SAP system that using in Procurement Department. The main location is conducted at headquarter of Scomi Group Berhad at Kuala Lumpur and Scomi Rail Berhad at Rawang Selangor to gain adequate and comprehensive information.

All respondents are mainly in procurement department who are included manager, executives and clerks. Six respondents are selected for this category. This is because the procurement department to ensure that continuity of supply by maintaining effective relationships with existing sources and ensure the effective operation of the whole organization.

1.7 Limitation of the Study

Limitations are identified in this study. The literary works regarding innovation is varied and complicated. Additionally addresses a number of different subject matter as well as research fields. This could cause it to be challenging for academics and practitioners as well to understand the wide-ranging of the impact of SAP system whether this system can give more benefit or not in procurement department. There is agreement in the literature that because of the complexities related to innovation studies, we will never establish one particular true theory or best practice of innovation (Tidd, 2001).

1.8 Significance of the Study

The significant of this research is to investigate what are the impacts that SAP system implemented in the procurement department at Scomi Rail Berhad. In order to investigate why the SAP system is very important that implemented in Procurement Department at Scomi Rail Berhad and what are the process SAP system that implemented on procurement department. For the company, this research gives opportunities to improve process management in company.

1.9 Structure of the Thesis

Chapter	Brief Description
Chapter One	This chapter has describe about the relationship between the SAP System and Procurement Department. To give a brief introduction towards what will be presented in this research.
Chapter Two	Overall, this chapter is describing about the research's sources of references and also examples of the past and existed research which has been conducted. Based on all of these source of references, this research is conducted to analyse all of the data was obtained.
Chapter Three	This chapter is describes in detail the research methodology used in this research. This part can describe the research design in detail, discuss deep on the methods used in data collection and analysis. Lastly, discusses strategy used in collecting answers of research question.
Chapter Four	In this chapter, researcher can describe about the interview section. This part researcher must do interview section to collect data in Scomi Rail Berhad and Scomi Group Berhad. Lastly, researcher can interpret the discussion with interview to answer the question and also research objective.
Chapter Five	In conclusion, researcher must to conclude and give recommendation for future researcher and also for future company to become successful.

1.10 Summary

As all know, the first chapter of this research discussed about the background of the study, the problem statements, the objectives, scope and also significance of the study. As a quick recap, this whole chapter gives a brief introduction towards what will be presented in this research. This research is to discuss the successful implementation of SAP system in procurement department. The study will be conducted only in Scomi Rail Berhad. The aims is to investigate the successful implementation of SAP system in procurement department and process of procurement by using SAP system. There are six respondents have been selected in the procurement department. Through their experienced and information given, a suggestion of guideline about the successful implementation of SAP system in procurement department.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The previous studies are divided into three categories, including all the supporting theories of this thesis. The first part cites, the characteristics of System, Application and Product (SAP) system. The second part includes procurement department management process and impact of implementation SAP software. The third and also the most significant part present the successful implementation of SAP system on procurement management.

2.2 SAP System Application

Systems, Applications and Products in data processing (SAP) is a business software that can be customized according to the requirements of a user. Enterprise Resource Planning (ERP) provides comprehensive business functionality in an integrated fashion using an information technology infrastructure system in

enterprise. ERP have technological skill of this software to control the operations from procurement, inventory control, manufacturing scheduling and production, sales support, customer relationship management, financial and cost accounting, human resources and almost any other data oriented management process. (Hayen 2007). ERP also helps to increase productivity and has a lot of functions to facilitate the management of the organization, on the basis of numbers of data modules. (Eresource 2013).

According to previous studies describes that these software can maintains an integrated business information line, reduce the daily work and also get the accuracy the information that received. (Helo, 2006). ERP term is used for software that controls whole organizations different departments. There are various ERP products available today for example SAP, Oracle, People soft, JD Edwards, Salesforce.com, Baan, Microsoft, and HP to name a few. (Baghwani,2009).

SAP system is good and wise system which is developed based on ERP concept. SAP stand for System, Application, & Product. SAP was first founded in 1972 by five former IBM employees in Weinheim City, Germany. The original aims of this private partnership firm, System analyze and Programming wicklung, is to produce a standard application for data processing. They started it with the vision of the software that process data when a user wants, when a customer wants and not in overnight batch jobs like earlier software. (AG,2013) and (Quattrone & Hopper, 2006).

SAP system is the third largest most applied in the world among big organization in perform their daily activities and business operations. It is a very complex software application but surprisingly it enables users to do the transactions like post an invoice, a payment, supply chain, material management and others. (Bhagwani,2009). At the beginning, each of company used different software to monitor the business procedure and manage the whole business process. Such as manufacture, logistic, procurement and account etc. The company can make the data consistent and satisfy the customer satisfaction.