

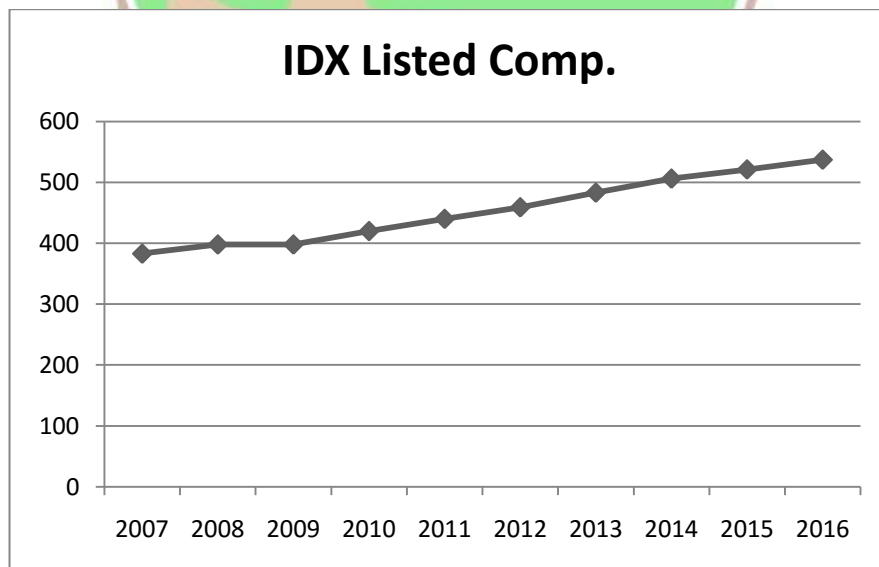
# CHAPTER I

## INTRODUCTION

### 1.1 Background

One of major phenomenon in the business world nowadays is globalization. As defined by Spich (1995) in Al-Rhodan (2006) globalization is a conceptualization of the international political economy which suggests and believes essentially that all economic activity, whether local, regional or national, must be conducted within a perspective and attitude that constantly is global and worldwide in its scope. Globalization creates a dynamic market that encourages competition. In Indonesia, the competition is shown by the increasing amount of company listed in Indonesia Stock Exchange (IDX) from year to year, as shown in the table below.

**Table 1.1**



Source : [www.idx.co.id](http://www.idx.co.id)

As the competition arouses in business world, every company needs to adapt and justify itself to the competitive environment. One of the common ways to exist in the business competition is by utilization of technology. The technology utilization in the business world nowadays usually use the network called Internet to improve business activities. Reid & Lorenz (2008) define Internet as worldwide, publicly accessible network of networks. Through interconnected computer networks, the Internet enables individuals and businesses to share information, resources, and services.

An increasingly globalized business trend requires companies to utilize Internet-based information technology to support every business activity of the company. Utilization of Internet in information technology will enable each related parties to access the information, resources or services that are needed in real time, which can allow them to have online or offline system. The platform for supporting the online system in doing business, for example, is by using the e-commerce and e-business. The difference between e-commerce and e-business is that the e-commerce is part of the e-business, where e-commerce is only related with trading activities, or a transfer of information between two or more parties through the internet. Meanwhile, e-business is doing more than just trading activities. Combe (2006) define e-business as the use of the internet to network and empower business processes, electronic commerce, organizational communication and collaboration within a company and and with its customers, suppliers, and other stakeholders.

One of the support systems in e-business activities is Enterprise Resource Planning (ERP). O'Brien (2006) defines ERP as a cross-functional corporate backbone that integrates and automates many internal processes and information systems in terms of production, logistics, distributions, accounting, finance and human resources functions of the company. On the other hand, Gable et al. (2000) defined ERP as a comprehensive package software solutions seek to integrate the complete range of a business processes and functions in order to present a holistic view of the business from a single information and IT architecture. Based on these explanation we can conclude that ERP system is a collection of integrated business applications or modules that perform common business functions such as general journal calculations, accounts payable, material requirement planning, process order, inventory control, and human resource management.

As we can see in Indonesia, eventhough many big companies are willing to use ERP as one of their support system, the implementation of ERP is not entirely perfect yet. There are many reasons for that. Some of them are that there is possibility that employee may be reluctant to change into a new system, the changeover may take a longer time than expected, which will cause cost overruns, and it is also costly in the maintenance and time consuming.

Besides all of these minor disadvantages, company can also gain more advantages from ERP. Rainer et al. (2006) describe the benefit of ERP implementation can give organization more reliable information

system, reduce delivery and cycle time, and suitable for e-commerce and e-business environment like today. ERP is improving efficiency, integration of information for better decision making, and quick response times for consumer demand. More tangible benefits of Enterprise Resource Planning includes inventory reductions, personnel reductions, increased productivity, improved order management, increased fiscal period closing cycles, reduced IT costs, reduced purchase costs, improved cash management, increased revenues, reduced logistics transportation costs, reduced maintenance, and improved on-time delivery, while the indirect benefits include visibility of information, improvement of new processes/processes, responsiveness to customers, standardization, flexibility, globalization, and company performance.

Hence, the use of Enterprise Resource Planning has become inevitably important for business implementation, especially in banking industries. Banking companies, as one company that is closely related to the role of information technology in business activities, of course cannot be separated from this system. The demand to meet the needs of customers in the midst of an increasingly growing market is very important for companies engaged in banking services.

Indonesia, as one of the countries included in the ASEAN Economic Community (AEC), is also facing this challenge. One of the major banks in Indonesia that is aware of the benefit of the implementation of Enterprise Resource Planning is PT Bank Rakyat Indonesia (Persero)

Tbk, (BRI). As a state-owned bank, BRI plays a key role in realizing the government's vision in the development of people's economy.

BRI has increasingly focused on developing information technology-based businesses to improve the operational performance and manages the information well so the data and information can be fully accessed real time and online that business activity can be monitored daily. By the end of 2002, BRI had applied new core banking system that integrated the information of each BRI work unit to the main office and also with Bank Indonesia's application. BRI keeps improving the ERP application, that by 2010, most systems are already integrated where BRI had also applied ERP modules in its human resource system besides the operational system in 2003.

From the description above, the author would like to know whether in addition to assisting operations, ERP also improves the financial performance of the company. Hence, the author assess the financial performance of PT Bank Rakyat Indonesia (Persero) Tbk. by using the variable Net Profit Margin (NPM), Operating Profit Margin (OPM), and Operational Efficiency Ratio (OER) from before and after the implementation of ERP. Therefore, the title of this study is **“Comparative Analysis of Financial Performance Before And After The Implementation of Enterprise Resource Planning in PT Bank Rakyat Indonesia (Persero) Tbk. Year 2004-2016”**.



## 1.2 Problem Statement

Based on the background which has been described above, the formulation of problem for the research is; Are there any significant differences in financial performance before and after the implementation of the Enterprise Resource Planning system (ERP) in PT Bank Rakyat Indonesia (Persero) Tbk?

## 1.3 Research Objectives

According to the problem statement above, the objectives of this research are:

- To compare the financial performance condition before and after the implementation of ERP in Bank Rakyat Indonesia (Persero), Tbk.
- To analyze the benefits of the implementation of Enterprise Resource Planning system (ERP) in Bank Rakyat Indonesia (Persero), Tbk.

## 1.4 Research Benefits

Contributions to be expected from the research that will be conducted are:

- For ERP-Implementing Enterprise

For management of companies that has implement ERP system, this research can gives empirical evidence about the benefits that can be obtained by the ERP implement companies and ensures companies to improve the usage of the ERP system provided by ERP.

- For Non-ERP-implementing Enterprise

For management of companies that has yet implement ERP or about to implement the system, this research can gives information on what impact the ERP system implementation can brings from companies that has implement the ERP system.

- For Further Research

This study can be a reference for further research. Future studies should use other kind of sample companies or sector, adding other variables as well as adding the study period.

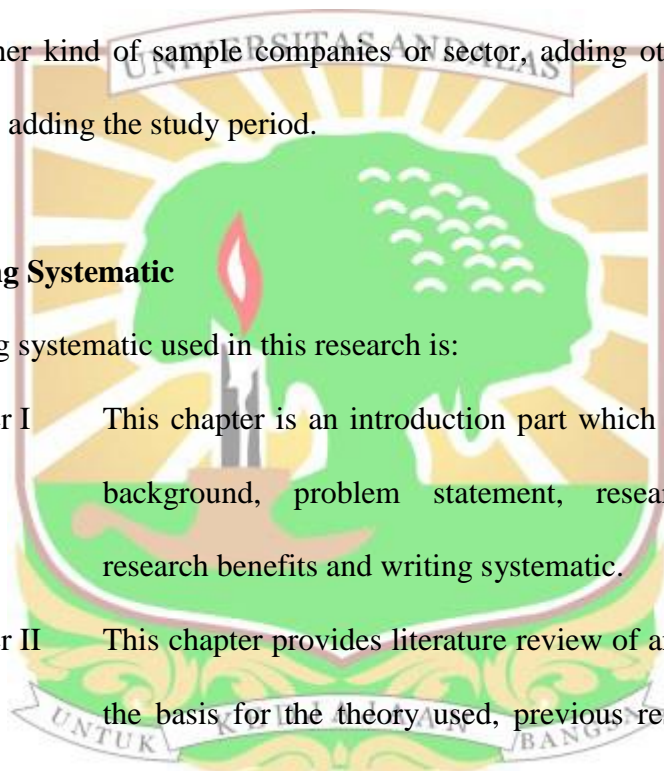
## 1.5 Writing Systematic

Writing systematic used in this research is:

Chapter I This chapter is an introduction part which is discussed the background, problem statement, research objectives, research benefits and writing systematic.

Chapter II This chapter provides literature review of an explanation of the basis for the theory used, previous research, research model, and the hypothesis of the study.

Chapter III This chapter is research methods which discussed about research design, research object, scope of research, variable operational, data collection method and data analysis method.



Chapter IV      This chapter provides an explanation of the description of the object of research, data analysis, and interpretation of results.

Chapter V      This chapter provides an explanation of the conclusions, limitations of the study, and suggestion.

