

# Procurement of Goods and Services in Logistics and Procurement Devison of PT XYZ

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## Abstract-

This study aimed to determine the standard of the procurement process for goods and services in the logistics and procurement sector of PT XYZ. In a company management, the quality and quantity of goods and services must be maintained in line with the rapid level of company competition. Qualitative descriptive method was used in this study. Observation, interview, and literature study methods were carried out for data collection. PT XYZ which is engaged in information and technology as well as telecommunications has a need for goods and services that are in accordance with the quality, quantity, time, and price. There are two types of contracts for the procurement of goods and services at PT XYZ, those are Unit Price Contract (UPC) which means a contract for the procurement of goods and or services by setting the unit price for the goods and services to be purchased and the unit price is applied in a certain period and carried out through a Letter of Order. The second contract type is Turnkey Contract which means a contract for the procurement of goods and or services for the completion of all work within a certain time limit.

*Keywords – procurement, goods, services, logistics*

## 1. Introduction

The era development is marked by progressive technology which also has an impact on the emergence of a free market that creates competition in companies engaged in the goods and services sector, where these companies will always improve their quality and quantity to maintain a good image for the customers.

Goods are any object, either tangible or intangible, movable or immovable which have many purposes, such as being traded, used or utilized by users. Goods can also be referred as commodities since goods and commodities are the same thing. Also, goods can also be interpreted as something that have value. This value is commonly referred as the benefits of the item which can be felt by consumers when they are using them.

Service is any activity or benefit offered by one party to another, essentially intangible and does not result in ownership. The difference between goods and services can be seen in the table 1.1 below:

**Table 1.1**  
**The Difference between Goods and Services**

<b>GOODS</b>	<b>SERVICES</b>
Having physical form	No physical form
Durable	Non-durable
Can be stored as inventory	Can not be stored as inventory
Movable	Immovable
Capital intensive	Labor intensive
Measurable quality	Immeasurable quality

Source: Pardede, 2005

Procurement of goods and services is an activity to obtain goods or services at a price that can be accounted for in an appropriate quantity and quality and in the right time (right quantity, right quality and on time). Marbun (2010:35) found that the philosophy of procurement of goods or services is an effort to obtain goods

or services needed by its users which is carried out on logical and systematic thinking, following applicable norms and ethics based on applicable procurement methods and processes.

Efficient and transparent procurement of goods or services is necessary for the availability of affordable and quality goods and services, so that it will give an impact on improving quality public services as well as maximum work results. Therefore, the procurement of goods and services must be carried out in a transparent way. The purpose of transparent procurement is to have clear information that can be known by all parties. The procurement of goods and services, which was originally a practical activity, has now become knowledge that can be learned and taught. (Adrian Sutedi, 2013:1-3).

PT. XYZ which is engaged in information and communication technology (ICT) services and telecommunications networks, surely to provide the best service, PT XYZ also requires goods and services that are used to fulfill the activities carried out in the company. In this case, the procurement department is needed to meet the needs of goods and services in accordance with the quality, quantity, time, and price. There are two types of contracts at PT XYZ for the procurement of goods and services, those are:

1. Unit Price Contract (UPC)

Unit Price Contract is a contract for the procurement of goods and or services by setting the unit price for the goods and or services to be purchased. The unit price is valid within a certain period and carried out through a Letter of Order.

2. Turnkey Contract

Turnkey Contract is a contract for the procurement of goods and or services for the completion of all work within a certain time limit.

In this study, the researchers focus on the procurement of goods and services with a turnkey contract system.

## **2. Literature Review**

### **2.1 The Definition of Goods**

Goods are any object either tangible or intangible, movable or immovable which can be traded, used or utilized by users.

### **2.2 The Definition of Service**

According to Kotler, the definition of service is any action or activity that can be offered by one party to another, intangible, and does not result in any transfer of ownership. Services are defined as economic activities that produce time, place, form and psychological use (Hakseyer et al., 2000). Service is any activity or benefit offered by one party to another, essentially intangible and does not result in ownership. Services are also activities, processes, and interactions, as well as changes in the condition of people or things in the customers ownership (Edvardsson et al., 2005). Whereas the definition of service according to the manual for the procurement of goods and services of PT XYZ is any service in the form of work or achievements produced by Partners to be utilized by the Program Owner Unit.

It can be concluded that services contain an important element, namely an intangible product, which can satisfy the needs and desires of its customers.

### **2.3 Procurement Management Function**

Siahaya (2013) stated that procurement management has the following functional groupings as follows:

1. Purchasing, this activity focuses on purchasing materials and equipment
2. Leasing, pure leasing or buying options.
3. Construction, activities to build physical form
4. Consultation, professional expert services
5. Inspection, inspection and testing activities
6. Self-management, activities are carried out by internal company itself
7. Trade-in, the activity of exchanging goods by paying the price difference to get the goods that are needed.
8. Factory buy-back, activities to buy back unused goods to reduce company losses
9. Exchange, the activity of exchanging goods directly

Procurement management is the determination of the specifications, qualities, scheduling, sources, systems, and quantities as well as the required costs.

### **2.4 The process of procurement of goods and services**

The process of procuring goods and services is as follows (Sutendi, 2014):

1. Planning
2. Programming
3. Budgeting
4. Procurement
5. Contract implementation and payment
6. Submission of completed work
7. Operation and maintenance

### **3. Methods**

The data collection methods were through interviews with sources, literature studies and observations made by the researcher directly.

In the interview method, the researcher proposed to the staff and manager of Logistics and Procurement about the procurement of goods and services and turnkey contract system which was carried out by PT XYZ. The literature study method was carried out by the researcher through studying theories from books and other materials that have relevance to the research topic. The observation method was carried out by conducting direct observations of the implementation of the procurement of goods and services at PT XYZ.

### **4. Results and Discussions**

#### **4.1 The Goods and Services Procurement Method of PT XYZ**

The Procurement Method of PT XYZ can be done by:

##### **1. Direct Election**

Direct Election is a procurement method which is carried out by competing with at least 3 (three) partners. Direct elections can be held for the procurement of goods and services which is valued at more than IDR 200.000.000 (Two Hundred Million Rupiah).

##### **2. Direct Appointment**

Direct Appointment is a procurement method which is carried out by appointing 1 (one) partner as the executor of the procurement work and conducting the negotiation process from a technical and price point of view in order to obtain a technical agreement and price. Direct appointment can be made for the procurement of goods and services with a value of less than IDR 200.000.000 (Two Hundred Million Rupiah).

#### **4.2 The Needs of Goods and Services of PT XYZ**

The Needs of goods and services of PT XYZ include:

1. Procurement of Expand & Repair Materials
2. Procurement of Modernization and Maintenance Materials
3. Procurement of Goods & Corona Outbreak Prevention Tools
4. Procurement of Solar Fuel
5. Procurement of Programs & Data Resources
6. Procurement of Employee
7. Christmas & New Year's Post Picket Service
8. Procurement of ASSURANCE & FULFILLMENT Acceleration Services

#### **4.3 Procedures for Turnkey Contract of Procurement of Goods and Services at PT XYZ**

The selection of goods and services providers in the procurement of goods and services of PT XYZ is carried out by the following methods, such as a direct appointment which can be carried out for the procurement of goods and services with a value of less than IDR 200.000.000 (Two Hundred Million Rupiah). Meanwhile, the type of contract used is a turnkey contract which is a contract for the procurement of goods and services for the completion of all work within a certain time limit with sure and fixed price until the work is completed in accordance with what has been determined.

The Processes of Procurement of Goods and Services Turnkey Contract at PT XYZ are as follows:

1. Justification of the need for goods and services  
The user describes the need for goods and or services as well as the total value of the required requirements as well as technical specification data.
2. Official Note

The Memorandum of Service functions as a delegation of authority from the user to the procurement implementing unit in order to carry out the procurement process.

3. Purchase Requisition (PR)  
Purchase requisition is a form for internal company, which serves to record purchase requisitions. The recording of this activity has not affected the financial position.
4. Justification for Procurement of Goods and Services  
The Procurement Implementing Unit makes procurement justifications which contains the following aspects, such as: Background (based on points 1 & 2), Technical Specifications, Procurement Methods, Time of Use and Attachments.
5. Calculation Price Detail and Owner Estimate (OE) Price Determination  
Procurement executors make self-calculating / owner estimate (OE) pricing which is calculated with expertise based on the latest data at the time of the procurement process will be carried out. The basic data that can be used in arranging the calculation price and self-calculation pricing are: the prices database, prices or tariffs of goods and services issued by partners, and standard price lists issued by the authorized agencies.
6. Letter of Request for Quote  
Letter of request for quote is made by the Procurement Implementing Unit which contains an invitation for the appointed partner to offer a price which later will be followed by negotiations and clarifications.
7. Quotation Letter  
The appointed partner submits a price offer to the Procurement Implementing Unit.
8. Minutes of Acceptance, Opening of Cover, Evaluation and Clarification of Quotation Letter  
This Minutes is as an evidence that the Quotation Letter has been received from the appointed Partner.
9. Minutes of Price Negotiation  
Minutes of Price Negotiation includes the price agreement from the negotiations that have taken place.
10. Determination of Procurement  
In line with points 8 and 9, the appointed partner is appointed as the executor of the procurement work.
11. Promissory Note  
The partner makes a promissory note as an evidence to ensure that the partner accepts the agreement that has been determined as the executor of the procurement work.
12. Contract Drafting  
The Procurement Implementing Unit will make a draft of contract agreement at first and it will be revised before signing the contract later.
13. Integrity Pact  
There are two Integrity Pacts which consist of the Company's Internal Integrity Pact and the Partner Integrity Pact. Both pacts contain a statement that the procurement is carried out in accordance with the justification of the needs that have been determined; carried out in a clean, transparent, professional manner; does not commit any type of fraud and willing to accept the penalty if proven to have committed fraud.
14. Purchase Order  
When Purchase Order (PO) appears, it means that the Purchase Requisition (PR) has been approved and as a sign that the budget is ready to be used.
15. Contract Signing  
The Procurement Implementing Unit and partners (procurement work executor) sign a procurement agreement contract.
16. Minutes of Goods / Works Inspection  
These minutes explains the Goods / Work that has been done by the partner and has been inspected covering both technical and non-technical aspects by the user.
17. Minutes of Services Procurement / Minutes of Goods Procurement

Minutes of services procurement / minutes of goods procurement is signed by the Procurement Implementing Unit and partners (procurement work executor). Minutes of goods procurement is a report for the goods procurement which states that the goods submitted by the partner are complete, good, in accordance with technical specifications, and can be accepted by the Procurement Implementing Unit. While minutes of services procurement is a report for the services procurement which states that the work has been completed and can be accepted by the Procurement Implementing Unit.

## 5. Conclusion

Based on the discussion regarding the turnkey of procurement of goods and services at PT XYZ, it can be concluded several things as follows:

1. Procurement of goods and services is an activity to obtain goods and services which is starting from justification of needs process until the completion of all activities to obtain these goods and services.
2. PT XYZ used the direct appointment method in carrying out the procurement of goods and services
3. The procurement of goods and services required precise and clear procedures to ensure the standard of goods and services used by the company's operations.
4. In its implementation, the procurement of goods and services at PT XYZ is rarely encountered an obstacle.

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