

EVALUATION OF PERFORMANCE OF PROCUREMENT SUB-DEPARTMENT AT PT PHR

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Abstract

Business Process Management (BPM) is a management approach concentrated on improving corporate performance by managing a company's business processes. BPM is a tool for operations to achieve good performance. Process improvement approach combined with statistical process control for measuring and limiting process variation and continuous improvement. One of the key performance indicators used is service time. Time delay on a particular project will impact a cost overrun. PT PHR, a state-owned oil and gas firm in Indonesia challenged to fulfil national energy targets of one million barrels/day. The company heavily relays on outsourced operational activities. Thus, the SCM department manages 60-80% of the company budget. In May 2022, the procurement sub-department in the SCM department faced decreasing lead time performance. This paper studies the evaluation of procurement sub-department service time performance using Statistical Process Control to know if there is any particular variation. Further, conduct a Capability Analysis to quantify the performance of a process. The procurement process is under control. Nevertheless, it is not a capable process (CPK value >1.33) and is an underperformance lead time (PPM value >10%). The statistical result is the key for the SCM department to re-design its procurement business process. The method used is BPM. The author is mapping the business process in the SCM department for procurement or as-is. Then, analyze the business process using Value Added Analysis. The results revealed 21 activities identified for the procurement process that translated into BPMN. As a result, several activities non-value-added and non-essential still exist in the procurement process.

Keywords: Statistical Process Control, Capability Analysis, Business Process Management, Value Added Analysis & Procurement Performance.
