

CHAPTER I

INTRODUCTION

1.1 Background of the Study

As in the modern era of globalization, besides of the improvements of the technology, companies are expected to be able to compete with the business globally. Unlike in the past where the businesses are competing in the local region, in nowadays times many businesses and companies has started to grow their business to goes globally. While the companies nowadays focus more in fulfilling the needs and demands of the customers, especially in Indonesia as one of the develop country. There are some companies that does their business in import and export industries where the logistics management are the main concern for the companies.

Logistics is generally known as the activity in coordinating and moving the products such as resources, people and raw materials from one pointed location to the final destination. (Nomi Mngomezulu, 2018)

According to Martin Christopher (2016), logistics is the activity in managing the strategies in acquiring, flowing and storing the resources, parts and finished goods including the related information through organization and marketing approach in a way of focusing the current and upcoming situation in the future and make sure that the profit that gained from the company are maximized with the cost effective attaining of orders.

According to Margaret Rouse (2019), logistics is part of process in planning and executing the economical transportation and the store of goods from the pointed source to the destination. The aim of logistics is to fulfill the needs and interest of the customers with the timely and economical manner. Companies who runs their business in logistics industries, provides the services to manufactures, retails and other industries with large numbers of goods.

But in the real world of business in logistics industry, there's still some company that having a problem with the logistics management. In order to maintain the best service quality and able to compete globally, the company should be able to maintain a good logistics management.

Logistics management is generally focused on movement of goods, rather than the vehicles used to transport the products (which is sometimes referred to as Transportation Management). In many cases it involves intermodal such as (different types of transportation e.g. road, rail etc.) in distributing the products (Verizonconnect, 2019).

Logistics management usually focused more in giving the most efficient and effective management on the daily activities which concern on the production of finished goods and services. Since the goal of logistics management is to distribute the right amount of goods in the right time and in the right place while ensuring that the products arrived into the destination with the proper condition. (Nomi Mngomezulu, 2018).

PT. Freight Express Medan needs to improve more especially in the transport management where there is often a delay in distributing the goods or services which can be seen from the table of sales in the year of 2017, the decreasing in sales might happen that caused by unsatisfaction from the customers

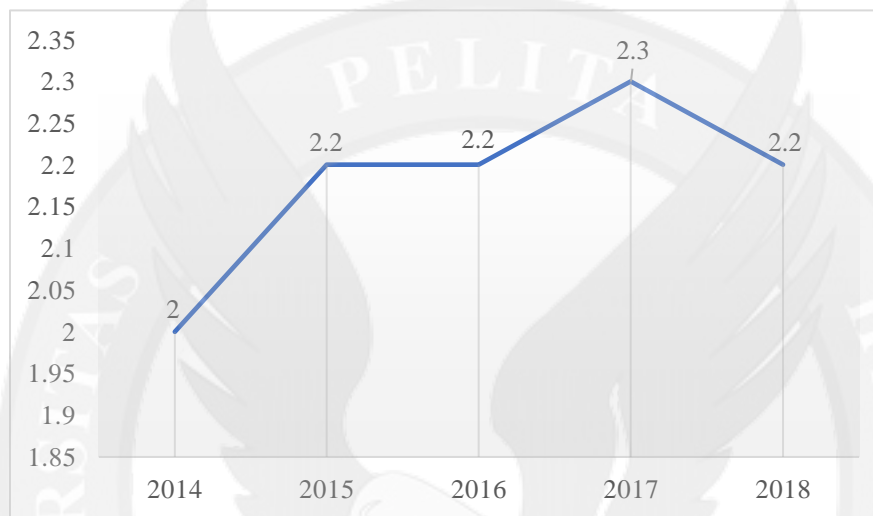
Since 1989, PT. Freight Express Medan has been dedicated in giving the best services to the customers, principals and international firms with a high level of services and reliable. Together with a good strategic foresight and sound management, PT. Freight Express Medan have been successfully maintaining a solid reputation in the field of logistics management related and international freight.

Through a strong dedication and commitment, PT. Freight Express Medan take pride over 25 years of history in providing the advanced transport and logistics management with their customers and international companies as to connect people with the products. PT. Freight Express Medan aim to provide and transcendent set of supply chain capabilities to their customers and international companies and move further and advancement with their skills and abilities.

Table 1.1 Data of sales from 2014-2018

Year	Sales	Currency (SGD)	%Change
2014	Rp. 2 Milliar	Rp. 9,376	-
2015	Rp. 2,2 Milliar	Rp. 9,747	+Rp. 200 Juta
2016	Rp. 2,2 Milliar	Rp. 9,496	= Rp. 200 Juta
2017	Rp. 2,3 Milliar	Rp. 10.000	+Rp. 100 Juta
2018	Rp. 2,2 Milliar	Rp. 10,618	-Rp. 100 Juta

Source: Prepared by Writer

**Figure 1.1 Number of Sales from year 2014-2018**

Source: Prepared by Writer

It can be seen from the data on the table above that the numbers of sales from year 2014-2015 were increased, from 2016 – 2017 were increase, while from 2017 – 2018 were decreasing. This condition may imply the indication of the decreasing of the customers satisfaction in the company. There are many factors that can affect the decrease of the sales numbers including the economics that happened on the foreign countries, but in this research, the writer wants to focus more in the logistics management. Firms should improve the system of logistics management which help to increase the customers satisfactions

Based on the information above, the writer would like to do the research with the title” **The impact of logistics management towards organizational performance at PT. Freight Express Medan**”.

1.2 PROBLEM LIMITATION

In this research, the scope should have covered how the logistics management has impact towards the organizational performance at PT. Freight Express Medan, but this research will mainly focus on the indicators of Logistics Management including warehouse management, inventory management, transport management and information distribution management. While the indicators of Organizational Performance include customer service, operational cost reduction, effectiveness, efficiency.

In this research, Logistics Management will be the independent variable, while Organizational Performance will be the dependent variable.

1.3 PROBLEM FORMULATION

1. How are the Logistics Management at PT. Freight Express Medan have?
2. How is the performance of PT. Freight Express Medan?
3. Does Logistics Management have impact towards the Organizational Performance at PT. Freight Express Medan?

1.4 RESEARCH OBJECTIVE

1. To describe the Logistics Management at PT. Freight Express Medan.
2. To evaluate the performance of PT. Freight Express Medan.
3. To investigate whether Logistics Management has impact towards the Organizational Performance at PT. Freight Express Medan.

1.5 BENEFIT OF THE RESEARCH

In this research the writer expects that it will gives benefits both in terms of theoretical and practical.

1.5.1 Theoretical benefit

Result of this research are expected to contribute in expanding the theories on relevant area, especially on Logistics Management and its impact toward the organizational performance

1.5.2 Practical benefit

a. For the writer, in this research it will help the writer to expand the knowledge on the impact of Logistics Management towards the Organizational Performance in real-life settings.

b. For PT. Freight Express Medan, the findings of this research also give benefits to the management of PT. Freight Express Medan as it will help them to know the important and the impact of Logistics Management towards the Organizational Performance. Since PT. Freight Express Medan is a logistics company, it is important for them to know the impact of Logistics Management towards the Organizational Performance in order for them to keep and maintain their performance to keep improving at the global basis.

c. For other researchers, the finding of this study will help the other researchers to gain information for the further research on the same field. As they also be able to use the findings and recommendation as a foundation or reference their literature reviews.

1.6 SYSTEM OF WRITING

Chapter I - Introduction

In this chapter it evaluate the background of study that explains the reasons of the writer to choose and conduct “The Impact of Logistics Management Towards Organizational Performance at PT. Freight Express Medan” as the topic of this research, problem limitation, problem formulation, the objectives of the research, benefits of the research that is divided in two which are the theoretical benefit and practical benefit and the last is system of writing.

Chapter II - Literature review and hypothesis review

This chapter, writer explaining more regarding the theoretical background of the definition found in the topic which are international business, supply chain management, indicators of supply chain management, logistics management, indicators of logistics management, organizational performance and indicators of organizational performance. In this chapter it also includes the data of previous research, hypothesis development, research model and framework of thinking.

Chapter III - Research Methodology

In this chapter the writer will discuss on the quantitative method chosen by the writer for the research which includes the research design, population and sample, data collection method, operational variable definition and variable measurement along with the data analysis method.

Chapter IV - Data analysis and discussion

This chapter describe about general view of the research, vision and mission, organization structure, demonstration of data analysis in descriptive statistics, result of the data quality testing and result of hypothesis testing and discussion.

Chapter V - Conclusion

In the last chapter, there will be a brief conclusion of the result that obtained from this research, the implication as well as the recommendation and suggestion regarding this study in the future.