

Discuss the
rationalization for erp
implementation by
firms involved in
supply ch...

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ERP (Enterprise Resource Planning) is one of the core software elements in most logistics information systems. It contains current and historic data, necessary for performance initiation and monitoring. In addition to Supply Chain transactions, such as order and inventory management and transportation, ERP facilitates financial and human resource activities. In order to promote supply chain integration, modern ERP systems include two more elements: Supply Chain Planning and Customer Relationship Management.

The most often quoted rationales for implementation of ERP systems are integration, consistency and economies of scale. Integration is usually facilitated by an ERP system both internally (within the enterprise) and externally (with suppliers and customers). Such form of integration significantly improves information exchange with partners and other divisions, reducing uncertainty and enhancing efficiency within the supply chain.

For companies operating globally one of main challenges is harmonizing information systems across divisions and regions. ERP stores data in a warehouse, where secure transactions and modifications can be made by all stakeholders. ERP, thus, harmonizes processes, introduces common assumptions and practices. The consistency in this approach allows global customers placing orders in a standardised way and gives senior management an opportunity to assess company's performance from a holistic perspective.

Lastly, introduction of ERP instead of decentralized information systems allows achieving economies of scale. First of all, it reduces costs associated with maintenance and purchasing of hardware, as well the licensing costs of software. ERP requires fewer employees and standardized skills for its maintenance. Most importantly, however, a centralized system allows sharing available resources across divisions and regions, thus utilizing critical resources and capabilities more efficiently.

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