

## ERP & SCM - Connecting the Dots

Enterprise Resource Planning (ERP) and Supply Chain Management (SCM) have been gaining popularity within organizations over the last few years, across a number of vertical industries.

An ERP system focuses on the management of business information, offering a macro view into a company by integrating disparate systems across functional groups such as procurement, finance, distribution, and inventory control.

A SCM system ties in supply chain partners who help a company find the raw materials it needs to deliver products and services to its customers. The integration of both systems usually poses some challenge to CIOs, as there is no set formula as to which system should be implemented first. In some cases, the company has already deployed an ERP system to collect information across the board. As the SCM system that follows picks up a lot of data from the ERP system, this can be an easier process. In other cases, multiple offices may have stand-alone SCM systems in place that are then integrated into an ERP system, which also adds in other dashboard components like inventory checks, financials and manufacturing.

### Key elements to SCM

SCM spans the design, planning, execution, control and monitoring of supply activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand, and measuring performance globally.

A SCM system provides real-time visibility into operations integrates these activities through improved supply chain relationships, to achieve a sustainable competitive advantage. Below are the four key elements to Supply Chain Management.

1. **Supply Chain Planning:** The determination of a set of policies and procedures that govern the operation of supply chain. Planning includes the determination of marketing channels, promotions, respective quantities and timing, stock and replenishment policies and production policies. Planning establishes the parameters within which the supply chain will operate.
2. **Supply Chain Execution:** Execution-oriented software applications for effective procurement and supply of goods and services across a supply chain. It includes manufacturing warehouse and transportation execution systems, and systems providing visibility across the supply chain.
3. **Supply Chain Monitoring:** The ability to review supply chain activities in real-time, whether to identify the current status of individual activities or review overall performance.
4. **Supply Chain Measurement:** Measurement is comparison of the actual activity against targets. This is often used with scorecards of benchmarks so that unusual or undesirable variances can be identified and investigated.

### Parameters for Successful SCM Implementations

The primary goal of any supply chain is to satisfy customer needs and generate profits. Supply chain activities begin with a customer order and end when a satisfied customer has paid for the purchase (sales order fulfillment, order-to-cash, etc). Profit is created when the customer pays more than the cost of satisfying the customer's needs. SCM, as with any other enterprise-wide software system, can be successfully implemented when

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the following are in place:

1. A clearly defined process-flow chart of the organization specifying who the owners in each functional area.
2. Commitment to the project from management to ensure the rest of the organization, and especially users, will make this happen.
3. An understanding of the financial aspect and expected return on investment for the project.
4. A good understanding of what resources are required, in terms of infrastructure, to see the project through.

### ERP before SCM

ERP can be executed for corporate functions like human resources, finance and accounting, basic industry-specific procedures, reporting and planning. There are a number of advantages to building an SCM system on top of the ERP software:

1. An ERP system outlines a smart process for the company to use technology to automate manual or mundane work processes.
2. It helps define the roles and responsibilities amongst users, and ensures that ownership is assigned at various levels.
3. It prepares the organization to set standards and build processes around tasks, which can then be streamlined.
4. The ERP system also familiarizes users with technology terms and sets expectations, since if a company is not familiar with IT processes or systems, it might end up outsourcing the system and its processes.

Today, most ERP vendors offer SCM components so companies can implement both as part of the same rollout.

### Integrating SCM and ERP systems

The integration of ERP and SCM systems is always easier with the following considerations:

1. Business priorities: is it ERP first or SCM? In most cases, ERP starts with financials and corporate workflow, and companies build on from here.
2. Technology issues: if the ERP and SCM systems are on similar technology platforms, integration is simpler to execute, decreasing time to ROI.
3. Cost of implementation: a company must consider and evaluate the cost impact of both systems being integrated, or if the software only allows data transfer.
4. Total cost of ownership: can there be cost savings if both systems processes can be merged, therefore reducing the points of data capture, and integration of data and user interfaces can be enhanced.

### Benefits of an integrated system

There are many success stories and unfortunately much-hyped failures as well. However, if most projects follow some simple guidelines, companies can increase the chance of success, deliver on time, and proudly involve the relevant group of users who utilize the system to maximum gain. Some benefits to look forward to include:

1. Improved efficiencies, lower costs and improve productivity
2. Ability to provide better services to customers, and therefore increase customer retention



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3. Increased ability to manage resources through a streamlined process, and in some cases, an automated workflow
4. Leveraging IT to enhance the speed of tasks and increase production
5. Ability to cope with business changes in the future and to adapt to changing rules and regulation, therefore enabling the organization to compete more effectively

### In summary

ERP and SCM systems offer different benefits to an organization in terms of capabilities and functionalities. Given the intra-organizational and inter-organizational advantages offered by ERP and SCM respectively, integration of both systems will provide a company with substantial leverage over competitors. However, it is integral that such companies first identify and work on reducing and eliminating non-value added activities, processes and components in the business. It is only when they start to adopt a holistic view to efficiently address enterprise needs that they will be able to deliver their products and services with speed, ease and quality.

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