

IMPACT OF ENTERPRISE RESOURCE PLANNING SYSTEMS ON SOURCING IN MANUFACTURING COMPANIES

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Enterprise Resource Planning (ERP) systems are one of the most inspired developments designed to incorporate all the functions of a company into a single software program. ERP systems are used to make operational and management functions in an organisation efficient and effective. Finance, human resource management, marketing, supply chain management and many other operations are supported by ERP systems. Implementation of ERP systems and real use of them are difficult tasks. Many researchers have studied the implementation and impact of implementation, while there are very few research focused on supply chain operations. Usage of ERP systems for sourcing in supply networks creates substantial impact on a company's performance. Therefore, the need of studying the real impact of ERP systems on supply chain functions has been raised. Thus, the objective of this research is to study the impact of ERP systems usage on sourcing in Sri Lankan manufacturing companies. After through literature review a list of sourcing elements was identified and a conceptual model was developed. 255 companies which have already implemented ERP systems in Sri Lanka were investigated. The methodology consists of examining the relationships between information movement, usage of ERP systems, usage and the performance of the Supply networks. It was found that the ERP systems usage in Sri Lanka is high and has increased during past few years. Further, it was found that majority of companies that use ERP systems are not interested or planning to use the ERP system for supply chain operations in the near future. Data analysis also has found that there is a negative correlation between the usage of an ERP system for sourcing and the performance of the supply chain. However, it was found that there is a positive correlation between information movement and performance of the supply chain. Further analysis has shown that due to lack of knowledge of ERP systems usage for sourcing functions, organisations are reluctant to change their traditional methods of sourcing. Hence, it can be concluded that main reason for negative impact of ERP on sourcing is due to lack of knowledge and lack of reengineering of sourcing processes.

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