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# ERP is the Key Point of Supply Chain Management

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## Abstract

Information technology is changing the mode of customer service, material purchasing, price making in an enterprise. To keep advantage, an enterprise has to take supply chain management. By sharing information and making plans together, an enterprise and its providers, its customers, can improve their whole logistic efficiency through supply chain management. ERP is classic of information management in modern enterprises. ERP manages and controls effectively every node of supply chain inside an enterprise. It's the information flat on which an enterprise manages and makes decision. It is the key point of supply chain management.

## 1. Introduction

Only when an enterprise take full use of its inside resource, and conform its outside resource, can it keep its sales advantage in the furious competition.

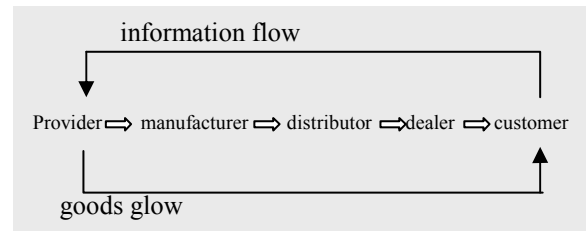
Information technology is changing the mode of client management, material purchasing, price making in an enterprise. Customers now demand to get goods whenever and wherever in the lowest price most quickly. For this, an enterprise has to change its logistics flow, cooperate with its partners (providers, customers) in supply chain management of business affairs.

## 2. The Concept of Supply Chain

The manager of Changan Motor went to Korea for inspection. He saw the motor accessories made in Korea are cheaper than those made in Chongqin, China. If he import the accessories to his company, they cost 40 percent less. But accessories' production and import need a period of time. He don't want to store many accessories, neither does he want the productive speed slower. How can the provider in Korea know his company's plan, and supply the accessories on time? This points to the communication and cooperation between two enterprises, not inside an enterprise.

This is a simple case of supply chain management. The concept of supply chain management is, an enterprise and its providers, its customers, are improving their whole logistics efficiency by sharing information and making plans together, by forming a quick responding channel through provider, manufacturer, distributor, retailer and customers.

picture 1 composing of supply chain



Though supply chain management, once the logistics channels that links up several independent enterprises loosely, now manage to work together to improve their whole efficiency and competence. The motive of supply chain is to improve the competence of the logistic channels.

## 3. Supply Chain Management Needs Information Flat to Support

The motivity of supply chain management comes from the request of customers. The goal is quick response, least variance, least inventory and high satisfaction of customers.

Supply chain management emphasizes that an enterprise and its providers, its customers should share information, make plans together and cooperate with others.

Sharing information among enterprises needs information flat to support. Only when information runs in numeric network, can upriver and downriver company get what they need at the first time and make quick response, least variance become possible.

Making plan together can decrease the uncertainty of demand and supply. This makes least inventory, least variance become reality. When an enterprise is making a plan, information flat is required to transfer information that comes from market and strategic partners. When plans are carried into execution, information flat is required to feedback the variety of demand. So that the enterprise can adjust its plan in time and respond quickly.

## 4. An Efficient Information System of Management Is Required Before Putting Supply Chain Management into Practice

Supply chain management is a reticulation structure formed by many nodes. The adjacent nodes are joined by providing and requirement. They are buckled one by one.

The work of the whole supply chain will be affected whenever a node is in trouble. If the business process of an enterprise is unsuitable, not only the enterprise itself, but the supply chain will work more ineffective.

So we say, the suitable business process and scientific administrant system are required before an enterprise puts supply chain management into practice. If the business process ineffective, the managing troublesome in an enterprise, in the traditional mode, it can be made up for the lost by adjusting the procedure temporarily. Sometimes it won't come to a big lost. But in the mode of supply chain management, enterprises share their resources and restrain the other enterprises. A trouble in an enterprise will enlarge several times into a trouble through the whole supply chain. For example, one day the provider meets a matter. He can't provide raw material on time. Then manufacture will stop without raw material. The manufacturer can't supply goods to the distributor. Then the distributor will have to take a rest because of lack of goods...

This comes to a conclusion. An enterprise should make its business process effective, administrant system scientific by reengineering and standardizing its procedure before supply chain management is put into practice. Further more, the enterprise should ameliorate its inside administrant structure persistently after supply chain management has been carried into execution.

In the supply chain management among a few enterprises, there are goods flow, information flow and capital flow. Supply chain benefits from goods flow mostly. The essential of supply chain is to improve the efficiency of goods flow by the alliance and cooperation among enterprises. It represents as quick response and least inventory. How can we make the goods flow faster, the cost less, deviation smaller? We must depend on the timely and exact information flow. Information flow in the supply chain is what enterprises base on when they make a decision or management. This is to say, information flow is the core of supply chain management. Thus the enterprise with supply chain management must have a data processing system, to collect exact data, analyse the data, organize the data, and support tekecommunications and E-business.

## **5. ERP Is Classic of Information Management in Modern Enterprises**

ERP(Enterprise Resource Planning) is a system based on information technology, guided by systemic managing ideology, merged information technology and advanced manage ideology, applied by modern enterprises.

Firstly, ERP is an information system of management guided by modern administrant ideology. The viewpoint of traditional management is to produce right goods and sell them at the right time. The core of ERP is to get the most profit at the right time and on the right place. ERP takes the procedure in an enterprise as a supply chain joined tightly. It divides the enterprise into a few subsystems which cooperate with each other, such as finance system, sales system, manufacture system and else. ERP manages and

controls effectively every node of supply chain inside the enterprise, which includes order, purchase, stock, manufacture, controlling quality, transport and distributing.

With ERP, all information can communicate among departments timely. This ensures the info management and unitary producing. The management and control become more efficient.

Secondly, ERP is correlated with BPR(Business Process Reengineering) tightly. The essential of ERP is sharing resource and cooperation inside an enterprise by using information technology. When ERP is carried into execution, some problems such as the detachment of department management, the difference of managing scale, lots of repeatly work will be optimized and ameliorated. The amelioration must reengineer the enterprise's business process, information process, and reform the organize. Thus the business process will become more suitable. Producing and managing will become more effective.

Thirdly, ERP is an advanced, systemic data processing system. ERP applies the newest production of computer and communication technology, including GUI, RDBMS, OOT, the fourth language, client/server and DDM. ERP integrates the enterprise's resource and bring the productivity multiplicator into effect through information technology. Besides manufacture, purchase, sales, finance, ERP supports storage, transport, OLAP, after service, quality feedback, tekecommunications, E-business, and EDI.

That is to say, ERP is an integrative system of advanced managing ideology, theory and method. ERP integrates the business process and information flow in an enterprise highly. ERP is classic of information management in modern enterprises.

## **6. ERP Is the Key Point of Supply Chain Management**

A few national great corporations in our country realize the importance of supply chain management now. Haier, Hisense and Legend are building or have built an automatic, intellectualized modern logistic system which is of international level. But there are still lots of enterprise that don't know what supply chain management is. Neither do they know the status of logistics management abroad. Most enterprises have little information ordinary. They have no information system for management in deed. And their business process is no longer suit the commercial environment and need to be reengineered.

Putting supply chain management into practice is difficult without an effective information system in an enterprise. Supply chain management bases on the cooperation among enterprises. If the management ineffective, amelioration is very complex and hard. However, ERP is an information system of management inside one enterprise. Carrying ERP into execution is easier. Because having a suitable information system and highly integration of managing information, putting supply

chain management into practice is simple with ERP carried out. What needs to do is to decide the symbiosis and duty sharing. ERP will suits the change because it is ameliorating continuous and consummating persistently.

So we can say, ERP is the key point of supply chain management in china. Supply chain management will take full effect only when ERP is carried out. Supply chain management is impossible without ERP.

## **7. Conclusion**

The core of logistics in an enterprise is to deliver goods to customers on time and accurately.

supply chain management can enhance the logistic efficiency of an enterprise and ensure the enterprise's sales advantage in the furious competition.

ERP manages every node of supply chain inside an enterprise effectively. It's the information flat on which an enterprise manages and makes decision. It is the key point of supply chain management.

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