

Purchasing Order to Pay Cycle in Enterprise Information Systems: A SME Case

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Extensive Summary

Introduction

Both MIS (Management Information Systems) and ERP (Enterprise Resource Planning) systems focus on the automation of business process, data transfer, and sharing across the organization. MIS is an information system designed for providing information to support operational control, management control, and decision-making functions in an organization. ERP systems are some of the most advanced, state-of-the-art management information systems in today's business world. Enterprise resource planning (ERP) is business process management software that allows an organization to use a system of integrated applications to manage the business and automate back office functions. ERP software integrates all facets of an operation, including purchasing, product planning, development, manufacturing processes, sales and marketing.

Purchasing function, in a business environment, is one of the most critical functions as it provides the input for the organisation to convert into output. Materials must be available at the proper time, in the proper quantity, at the proper place, and the proper price. Company costs and company profits are greatly affected by them as normally, a manufacturing organisation spends nearly 50% of its revenue in purchasing.

A purchasing system manages the entire acquisition process, from requisition, to purchase order, to product receipt, to payment. Purchasing systems are ways for companies to efficiently purchase goods and services at optimum terms and the best prices. Many companies use computerized purchasing systems and even the smallest company can find a software program that will manage the more common elements that are found in the more complex purchasing systems.

This research aims to highlight some of the issues that constitute a successful purchasing module implementation or effective use in enterprises. We have chosen to analyze the purchasing information flow in the selected company, because this initiative reconciles both the requirements of a midsize project and the dynamics of the midsize organizations. The lessons are described based on the steps.

The design and planning of this research study begins with the explanation of ERP and general purchasing business functions, then continues with the definition of

research objectives and methodology. Our primary research objective is to explore and identify crucial practices from a real experience in a SME that may explain functions of purchasing system, with an overt intention toward the formulation of useful lessons that inform practitioners and contribution to advances in implementations practices in organizations.

Methodology

Within the Management Information Systems (MIS) discipline, case study methodology has been used as a means to study information systems from a variety of different perspectives. Benbasat, Goldstein, and Mead (1987), noting that the case study methodology is an appropriate research tool when little is known concerning a given topic or organizational phenomenon, comment that some MIS studies, such as an implementation study, tend to happen over an extended period of time. In these instances, the case study methodology is an excellent tool for tracking, and recording, events that happen throughout all stages of implementation. So we used case study method in this paper.

In our study, personal interviews were used as the primary data-collection technique. The interviews were conducted with staff involved in the ERP system. The respondents represented different positions in the organisation, including ERP project manager, purchasing specialist, planning specialist and quality manager. In total, 4 interviews were conducted. The data collection was carried out from February to May 2014. All interviews were conducted face-to-face at the companies' location (usually in meeting rooms). Every interview was conducted by two or more interviewers (to achieve observer triangulation). The interviews lasted from 40 to 60 min, with an average of 50 minutes.

Discussion

Case studies are appropriate for studying a contemporary phenomenon within its natural setting, and allows for both investigating former theoretical propositions, and developing new discoveries and explanations through an interpretive approach. As an empirical research method, the case study is widely used in the social science study of IT, and many researchers in the IS field adopt the case study method to explore complex relationships in an organizational context.

In this study we analyzed a case company's purchasing process based on information system use. On the other hand we reviewed necessary literature to uncover the technologies that support purchasing functions in business. We developed a summary table, lists technologies that support purchasing functions.

To draw the general framework of purchasing process, we examined a case company. We analyzed the process, flow of material and information. Finally we drew the the basic flow of the process. We determined key reports could be gathered from information system to use in daily operations and strategic evaluations.

This study is an exploratory study as it is based on literature review and a case study, to highlight the characteristics of the purchasing function of enterprise information systems, and to propose a framework for implementing purchasing information systems or using effective in that business sector. So, applying this framework offers more applicable results and can be adapted to different cases. In addition to this, the lessons reached here, may guide the practitioners and the researches.