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Resource Planning and SAP R/3: Excluding the Human Resources Function May Create a Dysfunctional Organization

Abstract

The importance of timely and effective decision-making has long been understood, but the development of sophisticated information technology systems to facilitate this process is relatively new. Following a literature review regarding enterprise resource planning (ERP) software systems in general, this paper takes a close look at a particular system, SAP R/3, developed by industry leader SAP AG. This system enables information from across an organization concerning logistics, accounting, and human resources to be closely integrated, thereby supporting the decision-making process. For maximum flexibility, the software permits the user to select among many applications. Interestingly, many organizations have elected to omit the human resources function, suggesting a lack of understanding of the crucial role played by human capital in an organization's financial success. To ascertain the effects of this choice, a survey was conducted of key individuals in four large companies that used this software and made varying uses of the HR function. Results showed that omitting this function appeared to cripple the software system's ability to integrate information needed for effective decision-making. Further research involving more companies in diverse industries would benefit all organizations using ERP systems.

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