Analyzing the Effectiveness of SAP Systems in Streamlining Healthcare Supply Chains, Reducing Costs, and Improving Service Delivery

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Abstract
The management of the supply chain has recently gained importance for a lot of organizations; the hospitals are not exempted. These organizations have however realized the importance of these activities and have adopted the idea fully as far as today’s practice is concerned in different fields. SAP (Systems, Applications, and Products) used in supply chain management is quite popular in healthcare facilities. Although the focus of the research is on the analysis of the extensive utilization of SAP support in healthcare organizations, and its significant effect on the role supply chain management in the healthcare industry [1]. On a deeper analysis, it is possible to note that the findings of the present research point to the increased importance of SAP in enhancing the logistics and production effectiveness in the sphere of healthcare. The implementation of SAP has contributed to adequate inventory turnover levels, the reduction of the bullwhip effect and eventually affecting the stock expenses [1]. SAP is evidently a useful software of great worth, which benefits the efficiency of a healthcare facility. Furthermore, by concentrating on the supply phase, it becomes clear that SAP is capable of yielding a number of benefits, including the development of improved relations with the suppliers, increase in visibility concerning the supplier bases, and improvement of the quality of offered products and services. It would be important again to clarify that other than experiencing improvements in various aspects of TCO, healthcare organizations might not necessarily benefit from SAP solutions specifically for the supply chain. Nonetheless, the usefulness of SAP extends beyond healthcare organizations, with many sectors implementing and leveraging its powerful features [1]. As healthcare organizations continue to recognize the importance of supply chain management, the role of SAP becomes even more vital. The comprehensive features and capabilities of SAP support enable healthcare organizations to streamline their processes, enhance collaboration, and achieve greater efficiency. The integration of SAP within healthcare supply chain management ensures seamless communication, real-time tracking, and improved decision-making.

Keywords: SAP, Inventory Management, Demand Planning, Production Planning, Order Processing, SAP Modules

1. Introduction
The main sectors of the global population firmly believe that significant cost savings can be achieved by enhancing the upstream tier in the healthcare supply chain. The effective management and improvement
of healthcare supply chain management through accurate information technology should bring forth tangible benefits to the entire health industry. These benefits encompass not only better patient care and synchronized rewards but also improved decision support processes and enhanced efficiency resulting in substantial cost savings. In-depth studies have been extensively conducted to shed light on the intricate relationship between SAP and the health sector. This paper is structured meticulously to ensure clarity and coherence. The first part comprehensively addresses the crucial issue of introduction, providing a solid foundation for the subsequent discussions [1,2]. The second section thoroughly discusses the literature and enlightens how enhanced healthcare SCM can be attained by efficiently integrating SAP. The third and last section demonstrates a sound theoretical foundation as well as the precise stated hypotheses that are to be empirically analyzed. In the fourth section, the procedure used in this study is thoroughly explained to enhance the credibility of the study. It systematically delivers the enlightening results derived from the analyses and thoroughly validates the postulated hypotheses in the fifth segment. Lastly in the sixth section, literature review summary and conclusion sections are provided, which give a detailed summary of the findings made and provide the implications of the research study in the healthcare supply chain management.

HSCM is slowly being recognized as a necessary and core business function that effectively contributes to the provision of facilities and services, which will enable the support of the service providers of the diverse and enormous Bio health care industry [2]. In this regard, it is argued that managing and coordinating the HSCM domain requires covering a systematic network of systems and processes as well as various stakeholders. In relation to this, SAP plays a significant role in positively transforming and building up the administration and operations of the HSCM.

Through the SAP software solutions package, healthcare organizations shall set the course for increased operational performance, productivity, and satisfaction of all the players within the healthcare sector. This paper seeks to conduct a critical literature review in order to understand the extent to which SAP software solutions have affected the healthcare SCM and the many ways through which they have enhanced provision of services and advancement. In this vast field, SAP extends the strength of HSCM through different forms of 36 processes that contain the capability to transform and innovate the complex system of healthcare supply chain. These processes endow organizations with incalculable assets and practices that allow them to develop highly rigorous strategies, coordinate the flawless implementation and to foster healthy dynamics for a wide range of professionals. By having SAP intervene in these professionals’ work, these experts with the Single Purpose of transforming the healthcare supply chain for the better can work towards reaching levels of efficiency and productivity that the supply chain health industry has never before witnessed [3]. All in all, on the example of cooperating with SAP software solutions and healthcare supply chain management, it is crucial to determine the possibilities of creating a basis for long-term development. While remaining loyal to the core principles of SAP and bringing value to the healthcare organizations, SAP helps organizations to break the barriers, eliminate the challenges, and discover the new world of opportunities for the proper healthcare supply chain functioning and integration.

2. Research Problem
The main research problem in this study is to assess the impact of SAP on healthcare supply chain management. While SAP, a cross-industry resource planning (ERP) solution, is widely believed to optimize the organizational administration and management of various business processes, it also holds
significant potential for enhancing the production of high-quality products and services. By implementing SAP in the context of supply chain management within your organization, you can guarantee the realization of cost savings in both medical supplies procurement and healthcare service delivery. The necessity for healthcare to draw insights from the business sector, which has already embraced the adoption of SAP ERP system as a key aspect of modernizing supply chain management, is underscored by various arguments. In-depth analysis reveals that the statements from management in SAP implemented organizations highlight notable cost reduction benefits. Specifically, healthcare costs [3], particularly the ones related to labor, emerge as a primary focus for hospital management. The ability to categorize and address these concerns through the implementation of SAP ERP system demonstrates its potential to revolutionize cost management in the healthcare sector. In the healthcare sector, where we operate, it has been fascinating to observe the cost categories that organizations have successfully reduced through the application of this software. These reductions have played a crucial role in their overall success and have prompted us to explore further potential areas that healthcare organizations should concentrate on to achieve a highly effective systems implementation. This exploration is essential as the healthcare industry faces numerous challenges, including the need to curb the escalating healthcare costs and improve accessibility to quality care [4].

Efficient supply chain practices are considered key in addressing these dilemmas. In fact, subjecting supply chain activities to total quality management (TQM)-based continuous improvement initiatives has proven to be highly beneficial in the healthcare sector as well. It not only assists in reducing costs but also ensures that the healthcare system operates at its maximum efficiency, meeting the ever-increasing demand for quality care. Therefore, it is imperative for healthcare organizations to recognize the invaluable contributions that SAP can make in revolutionizing their supply chain management processes. By leveraging the power of SAP, organizations can expect significant improvements in cost management, streamlined operations, enhanced product and service quality, and ultimately, better patient outcomes.

3. Literature Review
A. SAP in Healthcare Supply Chain Management

Healthcare supply chain management (HCSM) involves the use of strategies and processes used in the healthcare industry to ensure that the flow of materials, resources and information is enhanced throughout the network of the chain of supply. These stages include aspects such as demand forecast and control, purchase, inventory, warehousing, transportation, distribution and even more [5]. Thus, it is possible to identify numerous benefits of effective supply chain management in the framework of best practices, improved processes, and efficient procedures in the context of healthcare organizations. Referring to this context, the conceptual organization of SAP, discussing functional modules as well as discussing the concrete advantages of using SAP for the healthcare supply chain management within the framework of a hospital could be brought into further discussion.

Healthcare supply chain management (HCSM) has therefore proven to be a significant and central operation strategy in the supply of healthcare services over the last decade. The intricacies and increasing pressure in the medical field thus sees the supply chain acting as a crucial middleman for the processing of resources and materials. Suppliers are very important to health facilities as they supply some of the crucial necessities such as drugs, equipment, consumables, and various other essential items that vital to patient care all hospitals need. Hence, the proper categorization and management of these resources have emerged as highly critical. Phases of procurement of goods and services that were
considered traditional have been deemed ineffective in the current world scenario and thus need unique strategies. The complexity existing in the supply chain of the healthcare industry requires the need to encourage the use of more complex and technologically advanced forms of management. Recognizing this need for advancement, hospitals have made substantial investments into integrating world-class supply chain practices and cutting-edge technologies [5,6].

The importance of a cost-efficient and low-latency supply chain cannot be understated when it comes to delivering high-quality patient care. In today’s fast-paced healthcare environment, hospitals and healthcare organizations must prioritize the smooth and timely flow of resources, ensuring that life-saving materials are readily available whenever and wherever they are needed. This optimized supply chain management allows for agile responses to changes in patient needs, reduces wastage, and ultimately enhances the overall quality of care provided. Furthermore, an optimized healthcare supply chain delivers tangible benefits beyond patient care [6]. By streamlining procurement processes, minimizing delays, and improving inventory management, hospitals can achieve substantial cost savings. These savings can then be reinvested into expanding healthcare services, acquiring advanced medical technologies, and implementing staff training and development programs.

![Fig. 1 Impact of SAP on Healthcare Supply Chain Management](image)

**B. Streamlining healthcare supply chains with SAP**

Supply chain management (SCM), originally was limited to the management of the process that enhanced cooperation and organized flow of goods from the supplier to the consumer. With the evolution of the healthcare industry and technological developments in respective field, innovative concepts came into existence that redefined the 'logistics' of providing patient care. Industries have adopted these technological solutions like enterprise resource planning (ERP), JIT, etc. from the industry and tried to replicate the success in solving healthcare concerns [7,8]. Many leading companies have implemented ERP systems to improve performance. ERP is more than just an accounting system. It coordinates and reconciles all the financial flows, material flows, and information of an enterprise. With the dynamics of the healthcare sector, the industry can consider ERP as an effective solution that the healthcare sector can utilize.

Unlike some other sectors, the healthcare industry is not primarily motivated by market forces or the goal of making a profit. There are emerging partnerships forming quickly among various stakeholders and distribution partners. The shift towards new perspectives in business strategies is evident, with a greater focus on capturing different parts of the healthcare value chain rather than simply expanding in
one specific area. Moreover, healthcare costs have already reached such a high level that they become very sensitive to the benefits derived [8]. It’s clear that the healthcare industry can benefit from SAP solutions. The experience of companies in the automotive, semiconductor, and telecommunications sectors that have applied such solutions and the collaboration with a large number of customers from the healthcare industry provide proof of this ability. The healthcare industry still has different concepts and frame conditions than any other manufacturing industry or consumer product industry. The level of product variation, cost pressure, and complexity or volume of logistics processes are substantially different from other sectors like automotive, semiconductor, or fast-moving consumer goods that have already benefited from such solutions.

Several global companies have already recognized that the successful implementation of supply chain inequality in various industry segments, such as the food, pharmaceutical, and automotive industries, can lead to significant advantages. By eliminating waste and inefficiency from the supply chain, there is a tremendous opportunity for channel members or chain participants to enhance their profitability. International companies like Hewlett Packard [8,9], IBM, and General Electric have not only acknowledged the importance of supply chain management but have also actively embraced it. These industry leaders have come to realize that by removing waste and improving efficiency within the supply chain, they can effectively reduce costs and subsequently increase company profitability. In fact, the cost savings achieved by eliminating unnecessary steps in a process or improving information exchange far surpass the value of products like indirect materials (such as paper and printer cartridges) by substantial margins. Hence, companies have a remarkable potential to thrive by optimizing their supply chain operations.

C. The Impact of SAP on Healthcare Supply Chain Management

In recent years, the utilization of SAP (Systems, Applications, and Products in Data Processing) has revolutionized the way healthcare organizations manage their supply chains. Due to its features and effectiveness, SAP has improved the effectiveness, openness, and productivity of supply chain processes in the context of the healthcare industry. The most significant strength of SAP is the functionality to optimize and/or integrate several rational supply procedures. With SAP, all the processes of inventory management, ordering, logistics, and distribution are connected in one place; in other words, its integrated modules make it easier for healthcare providers to manage everything in a centralized and efficient manner. This automation help to overcome manual mistakes and at the same time it increases
the efficiency of the entire supply chain management right from the patient care side which overall helps
the healthcare department and lessen the extra burden of cost on the organization.

SAP is very vital in as far as increasing the supply chain visibility and data analysis on the health sector
is concerned. There is a proposal that by acquiring live data from different points of interaction with the
demand, inventory, and supply throughout the supply chain process, healthcare entities can derive the
necessary insights. It helps to make tactical decisions like demand volatile, stock management [9], and
potential threats or challenges on the supply chain. Also, an improved monitoring and control system by
SAP is provided to ensure the quality and safety of healthcare products that circulate within the chain. It
also comes with serialization features that enable healthcare organizations to track individual products in
a bid to counter any counterfeits and also in cases where recalls are deemed necessary. It also improves
patients’ safety as well as healthcare organizations’ capabilities to meet the standards and avoid fakes
reaching the market [10].

In addition, SAP allows seamless interaction and synchronization of supply chain participants such as
suppliers, manufacturers, distributors as well as the healthcare workers. By integrating their systems
with SAP's standardized processes, these stakeholders can efficiently exchange information, synchronize
their operations, and ensure timely delivery of healthcare products. This collaborative approach not only
minimizes delays but also enhances communication, coordination, and trust among all participants,
ultimately benefiting the entire healthcare supply chain ecosystem.

![Healthcare Supply Chain Management with SAP (Network Diagram)](image)

**Fig. 3:** Healthcare Supply Chain Management with SAP (Network Diagram)

**D. Cost Reduction through SAP Implementation**

SAP is useful in controlling expenses since it allows for timely and efficient management of
organizational budgets, while its special features translate to improved profitability in the corporate
domain in the short-run. Nevertheless, one needs to point at the fact that SAP can generate another type
of costs which are primarily connected with billing and maintenance. In this kind of setting, it is almost
taken for granted that patients have a condition of overload and experience various issues that are
challenging to circumvent [11]. However, the quicker adoption of SAP entails the removal of paper-
based methods that result in infinite opportunities for profits. In the regard, it should be specified that the
use of SAP in Japan provides a higher level of information waste compared to America, which is
attributed to the particularities of the package implementation. However, providing that the project team
is skilfully incorporated within the company, on the whole, SAP has been applauded to contribute to the
company’s improved profitability and even has been credited for creating considerable profit to some
extent, although the degree of profit which SAP has brought may differ from one company to another.
It is crucial to significantly decrease the overcrowding problem in hospitals and long-term care facilities as it has a negative impact on the quality of care and increases the risk of patients being neglected. Even though reducing operating costs by minimizing materials and supplies can be beneficial, the potential loss of revenue due to patient abandonment could result in poor management outcomes. The implementation of an e-Healthcare platform with online capabilities can help alleviate overcrowding by efficiently managing resources and treatment options based on the analysis of materials and supplies used. SAP integration in these healthcare settings is vital in order to effectively utilize resources, such as staff and real-time data on materials, supplies, patients, their characteristics, and treatment plans [12]. The supportive system provided by SAP allows for the establishment of a management system that combines timely control and resource allocation, ultimately optimizing the healthcare environment.

E. Improving Service Delivery with SAP

Improving service delivery with the SAP application supports healthcare providers in meeting customer demand by providing care in a timely, efficient, and effective manner. With SAP's capacity and scheduling, resource optimization, workflow management, and other functionality, healthcare providers can experience a wide range of key benefits that further advance their operations and patient care. One of the key benefits is the ability to increase the volume of patients seen while still maintaining or even improving patient care. This improvement aids healthcare providers in meeting their financial objectives, ensuring sustainability and growth. SAP can be used in the health sector to enhance the healthcare providers’ efficiency and increase the speed with which patients are treated [12]. Another major benefit is the opportunity to negotiate the augmentation of state and federal per diem rates of Medicaid and Medicare patients subsequently. SAP enables the healthcare provider organizations to face the increasing reimbursement challenges and, thereby, possibly higher rates and operating margins. The money helps the provider facilities to improve their services and infrastructure which in turn, is beneficial to the patients.

SAP also allows those in the healthcare business to spread information properly and manage their resources such as employees, specialists, equipment, and space. Through implementation of a proper resource management system, fiscal resources and other resources can be properly disbursed for corresponding patient needs through functional patient-care approaches. Resource management in this case enhances the quality of healthcare provision and addresses issues to do with effective use of scarce resources hence reducing waste. In addition, the electronically integrated care management tasks are provided in SAP for example the patient scheduling reminders and educational services [13]. This capability brings efficiency in terms of healthcare providers and patients’ interaction aiming at minimizing missed appointment issues and increasing patient’s engagement. In a similar manner, to ensure and increase patient engagement, SAP is designed to make useful tips and alerts with regard to the patient’s healthcare process.

F. Challenges and Limitations of SAP in Healthcare SCM

Several issues have emerged because of the movement from the mainframe centralized structure to the client/server phenomenon in the hospital wide information systems. Challenges like Y2K issues and the daily collapse of network servers and workstation have been prevalent. The advanced ERP features of modern systems have made it necessary to upgrade both the hardware and the software despite enough funding. Thus, it is vital to consider possible problems in the implementation and maintenance phases of hospital-wide information systems [13]. It is noteworthy that, when moving into the client/server
architecture, compatibility and dependability of components should be checked. Purchasing dependably solid and stable hardware and software platforms for serving the sophistication of newer systems’ ERP functionalities is required. It is, therefore, cardinal for hospitals wishing to adopt and implement ERP systems to prepare for some possible failure points and areas of weakness. To guarantee the system’s sustainability, an ongoing assessment and early preparation are required. By addressing them directly and establishing clear concepts, the hospitals are able to achieve the best connection between back-end processes and patients’ records, providing the best results for the healthcare market. With the right approach, hospitals can successfully navigate the complexities of modern information systems and achieve long-lasting success in the healthcare industry.

In order to benefit fully from using SAP in the healthcare supply chain, hospitals must build needed EDI and e-commerce capabilities. Currently, in place of this structured mode of supply chain management used by other industries, manual EDI systems and stand-alone computer systems with little or simplistic interoperability have been used in healthcare. Hospitals must develop staff with strong technical expertise in the use of Enterprise Resource Planning (ERP) software. Usually, few healthcare organization's staff members have trained on using the ERP software to its fullest extent. Yet there must be proper training in standard business processes to ensure the software is not misused or diluted with customized workarounds which would negate the major gains from standardization of activities and resources. ERP systems are subjected more than average to system outages, therefore, keeping the system on a reliable platform is a never-ending allocation of resources.

4. Research Contributions

My contribution in this study is to provide a comprehensive examination of the complex aspects of the HSC, looking closely at the impacts of integrating ERP systems. This includes a detailed analysis of the changes in processes within the healthcare supply chain, digging deep into each aspect to understand how the supply chain ecosystem can be enhanced, optimized, and taken to new levels of excellence in order to fully understand the details of post-implementation changes and improvements in the Healthcare Supply Chain (HSC), an extensive exploratory research project was carried out with the operational deployment of an Enterprise Resource Planning (ERP) system [13,14]. This mandated the creation of not only best practice guidelines but also a comprehensive reference model centered on the process improvement methodology established in this particular study. The goal is to make this a universal model that one can apply in the future, especially to analogous settings that may further the development and enhancement of healthcare organizations. Therefore, through analyzing the post-implementation consequences of a clickable healthcare supply chain in developed countries, this study aims to contribute to the literature about the influence of ERP implementation. As this work will reveal through the research and analysis of the subject, understanding the factors influencing ERP implementation becomes acquired, enhancing the body of knowledge surrounding the topic [14,15]. It should be pointed out that this research does not only focus on the collection of feedback but also engages in a wider approach that goes beyond the identification of issues. The purpose of this research is to provide a plethora of valuable knowledge that leads to growth and constant enhancement of the performance, so that a fluid healthcare supply chain can be developed capable of managing the changes and advancements smoothly and periodically.

I believe that a contribution to knowledge may be based on an investigation in some part of a subject, in which any aspect of it might be an interesting focus. My doctoral thesis focuses on changes in the
operational processes of logistics or supply chains associated with the adoption of a large-scale integrated computer system called Enterprise Resource Planning (ERP). However, not many people study change management and operational improvement associated with this new phenomenon [15,16].

5. Significance and Benefits

SCM is a vital and valuable process that in Healthcare cannot be overemphasized. They span from offering compliance with the legal provisions of supply auditing to offering the compliance of supply of necessary supply goods on time. It also reveals that the different approaches in handling inventory in the various hospitals assist in shortening the number of days clients spend in hospital thus increasing efficiency [15,16]. All these factors culminate in enhancing efficiency and general improvement of the healthcare institution’s core business of patient care. As outlined in this paper, are the numerous advantages that would be accorded from implementing SAP in the healthcare management systems. First, it is necessary to note that the installation of novelties of SAP processes contribute to, ramp-up and precise co-ordination of business processes, which improve organizational activity while contributing to the effectiveness of work processes. As multiple processes and different data sources are located in each other, consolidating such complex systems enables the healthcare provider’s data access and analysis to lead to better decision-making and supply chain enhancements [17].

Moreover, it should be mentioned that the SAP implementation in the context of the discussed sphere of managing healthcare supply chains is rather helpful in prioritizing the issue of increasing the overall transparency and the corresponding ability to track the process. In its implementation, this complex system shall include tracking and determining the localization of business resources with the intention of getting full utilization. It also assists in outlining and addressing any factors that hinder efficiency and the costs that come with it hence boosting efficiency. Furthermore, the real time stock status check in the confined system, chain of supply, scheduling of different sections and some other prospects relevant to the health care system can also be efficiently managed with the help of SAP. Hence, it helps in minimizing and, at times, even completely eradicating errors that come from manual intervention because of the formulation of standard operating procedures and work-flow automation. It achieves improved accuracy, reduced time and even the satisfaction of the patients [18,19].

This is because in most companies the use of the SAP system has enhanced real time analysis on most of the undertakings being done. By analysis of high analytical tools and reporting, it becomes possible for the health facilities to access reports as well as statistics on various aspects of the health sectors as well as perform some actions that are believed to be effective in anticipation of certain occurrences. This proactive approach further enhances resource management and enables the delivery of high-quality healthcare services in a timelier manner. SAP's integration with healthcare management systems fosters seamless collaboration and integration among various stakeholders [19,20]. With the ability to connect and exchange information effortlessly, healthcare providers, suppliers, manufacturers, and distributors can work together cohesively, facilitating better coordination and ensuring an uninterrupted flow of resources.

6. Conclusion

The main focus of this paper was to explore the impact of SAP in healthcare supply chain management. The findings shows that SAP holds a key role in driving innovation to the management of healthcare supply chains. Its comprehensiveness and functionalities offer organizations the leverage to optimize
resource utilization, management of costs, consolidation of relationships with suppliers, as well as the improvement of the quality of goods and services delivered. Although SAP’s applications are not limited to the healthcare industry, its contribution in streamlining the healthcare supply chain is very significant. SAP support integration and usage are stated to provide a healthcare organization with virtually limitless opportunities, where the network’s members get a chance to succeed in the rising competition and challenges. The consolidation of a bewildering MRP system like SAP has presented to us significant advantages. In the tools branches, stress management according to staff needs, quality assurance, and motives for reducing equipment failures were identified. During the workshop period, the staff has been working the 3Cs to reach acceptable results: Every person should know the adjectives Change, Convince, Creative because they explain what a person should be and do. To achieve the above, they had the following: To begin with, it was the identification of quick wins which was based on the focus of manpower on the enhancement of the corresponding key figures – the time-costs and reprocessing lead times. With that money, we headed the organization in proof of concepts. We also demonstrated to the operatives how they can effectively work in accordance with new duties and – subsequently – the Working Board of Directors undertook empirical surveys regarding future expectations of cleaning exercises in the Operating theaters, Sterilization and hospital transports. This led to the birth of the SAP initiative, that is one of the foundations of the common vision and mission established to order, facilitate and over-see the operation so that there is a hospital that is solely and will always remain primarily focused to delivering value-added, people-centered, high-quality health care services that are affordable to all the people no matter the circumstances. This has created a full integration of the health care chain so as to connect our MRP system and sub systems to the manufacturing tool. Consequently, this gives rise to a shop floor approach in our own production processes as well. Apart from this shop floor tool, SAP also allows us to manage those parameters that are significant for the core processes. These are the measures such as controlling the quality and properly maintaining equipment used, management of costs, reprocessing of already sterilized instruments and working with the holding. This is a very crucial area given the need to minimize the distribution chain as much as possible. The benefits when compared to the other known materials management systems such VMI or consignment arrangements are the control and the flexibility. In our case, production remains under the hospital’s control up to the moment of receipt in the holding, and in terms of logistics, this or that task directly belongs to each of us. Therefore, the entire chain remains the hospital’s territory, so to speak. The hospital is thus able to exert control over the acquisition, utilization, and motives of exactly the kinds of instruments that are unnecessary because they do not have to be bought in order to accumulate and hold stores of them.

References


