

Benefits of ERP

(a) Business Integration:

The reason ERP packages are called integrated is the automatic data up gradation between related business components.

In the case of ERP packages the data of related business functions is also automatically updated at the time a transaction occurs. with this reason, managers at different roles and designations are able to grasp business details in real time, and carry out various types of management decisions in a timely manner and with more accurately based on this information.

(b) Flexibility:

Diverse multi functional environments such as language, currency, accounting standards and so on are covered in one system and functions that comprehensively managed multiple locations of company branches can be implemented automatically. To cope with company globalization and system unification, this flexibility is essential, for development and maintenance, but also in terms of management.

(c) Better Analysis and Planning Capabilities:

By enabling the comprehensive and unified management of related business and its data, it becomes possible to fully utilize many types of decision support systems and stimulation systems. It becomes possible to carry out flexibility and in real time the feeling and analysis of data from a variety of dimensions, decision makers

able to the information what ever they want in time, thus enabling them to make better and informed decisions.

(d) Use of latest Technology (IT):

The ERP vendors were very quick to realize that in order to grow and to sustain that growth: they have to implement the latest developments in the field of information technology. So they quickly adopted their systems to take advantages of the latest technologies like open systems, client server technology, internet/ intranet, computer aided acquisition and logistics support, electronic commerce etc. It is this quick adaptation to the latest changes in information technology that makes the flexible adaptation to changes

to future business environments possible. It is this flexibility that makes the incorporation of the latest technology possible during the system customization, maintenance and expansion phases.

(e) Reduced Inventory and Inventory Carrying Cost:

ERP system allows customers to obtain information on cost, revenues and margins, which allow it to better manage its overall material cost structure and lead to inventory reductions to the order of 20 per cent or better. This provides not only a one time reduction in assets (cost of the material stocked), but also provides ongoing savings of the inventory carrying costs, costs of warehousing, handling, obsolescence, insurance, taxes, damage and shrinkage.

(f) Reduced Manpower cost:

Improved manufacturing practices lead to fewer shortages and interruptions and to less rework and overtime allows 10 per cent reduction in direct and indirect labor costs. By minimizing rush jobs and parts shortages, less time is needed for expediting, material handling, extra setups, disruptions and tracking splits lots odd jobs that have been set aside. Production supervisors have better visibility of required work and can adjust capacity or loads to meet schedules. Supervisors have more time for managing, directing and training people.

(g) Reduced Material Costs:

Improves procurement practices lead to better vendor negotiations for prices, typically resulting in cost reductions of 5 per cent or better. Valid schedules permit purchasing people to focus on vendor negotiations and quality improvements rather than spending their time on shortages and getting material at premium prices. ERP

systems provide negotiation information, such as projected material requirements by commodity group and vendor performance statistics. Giving suppliers better visibility of future requirements help them achieve efficiencies that can be passed on as lower material costs.

(h) Improves Sales and Customer Service:

Sales people can focus on selling instead of verifying or apologizing for late deliveries. In custom product environment, configurations can be quickly identified and prices, often by sales personnel or even the customer rather than the technical staff. Taken together, these improvements in customer service can lead to fewer lost sales and actual increase in sales, typically 10 per cent or more. Corrective actions can be taken early such as determining shipment priorities, notifying customers of changes to promise delivery dates, or altering production schedules to satisfy demand.

(i) Efficient Financial Management:

Improves collection procedures can reduce the number of days of outstanding receivables, thereby providing additional available cash. Credit checking during order entry and improved handling of customer inquiries further reduces the number of problem accounts. Improved credit management and receivable practices typically reduce the days of outstanding receivables by 18 per cent or better. Trade credit can also be maximized by taking advantage by supplier discounts and cash planning, and paying only those invoices with matching recipients. This can lead to lower requirements for cash-on-hand.

The benefits from ERP come in three different forms i.e. in the short-term, medium-term and long-term.

- This benefit is in form of ‘automating’ the transactions which promises accuracy, reliability, availability and consistency of data.
- Gives Accounts Payable personnel increased control of invoicing and payment processing and thereby boosting their productivity and eliminating their reliance on computer personnel for these operations.
- Reduce paper documents by providing on-line formats for quickly entering and retrieving information.
- Improves timeliness of information by permitting posting daily instead of monthly.
- Greater accuracy of information with detailed content, better presentation, satisfactory for the auditors.
- Improved cost control.
- Faster response and follow-up on customers.
- More efficient cash collection, say, material reduction in delay in payments by customers.
- Better monitoring and quicker resolution of queries.
- Enables quick response to change in business operations and market conditions.
- Helps to achieve competitive advantage by improving its business process.
- Improves supply-demand linkage with remote locations and branches in different countries.
- Provides a unified customer database usable by all applications.
- Improves International operations by supporting a variety of tax structures, invoicing schemes, multiple currencies, multiple period accounting and languages.
- Improves information access and management throughout the enterprise.

1.3 Related Technology of ERP:

When it comes time for your organization to evaluate ERP systems, whether you are replacing a small business accounting package or an aging ERP, It is important to clarify the components. Each piece (often called module) of the ERP system delivers different value for your organization. To get the most from the full system, make sure your evaluation team understands the fundamentals