



INTEGRATED MANAGEMENT OF BUSINESS THROUGH ENTERPRISE RESOURCE PLANNING

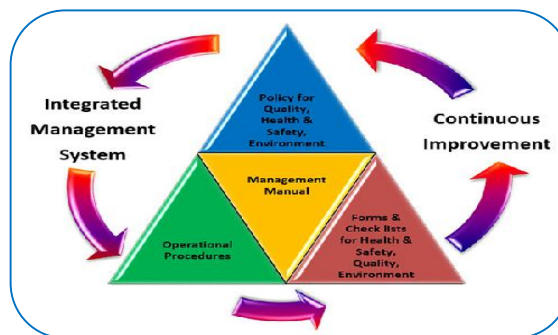
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ABSTRACT

Enterprise Resource Planning has a process-oriented approach in the sense that it focuses on core processes like order fulfilment, materials procurement, balance sheet preparation etc. and attempts to integrate various functions of an enterprise involved in the execution of these processes. It uses multi-module application software for improving the performance of the internal business processes. The system put all the information into the same underlying database, eliminating many information asymmetries, redundancies and duplication. Investment required in enterprise resource planning is very high and an inappropriate selection of the same could prove to be a nightmare for the company. Hence, meticulous planning is required in the selection process.



KEYWORDS: Business Practices, Enterprise Resource Planning, Information System, Integrated Management, Technological Obsolescence.

INTRODUCTION :

Enterprise Resource Planning (ERP) means the techniques and concepts for integrated management of business as a whole from the view point of the effective use of management resources to improve the efficiency of enterprise management. ERP provides integrated business software modules to support functional units of an enterprise. It has a process oriented approach in the sense that it focuses on core processes like order fulfilment, materials procurement, balance sheet preparation etc. and attempts to integrate various functions of an enterprise involved in the execution of these processes. ERP owes its origin to two earlier planning systems: Materials Requirement Planning (MRP) and Manufacturing Resources Planning (MPR II). The strength of ERP lies in its ability to go beyond the fulfilment of needs of specific departments or functions and address the needs of an enterprise as a whole. The process-oriented perspective of ERP breaks departmental barriers in the integration, transmission and processing of data which may be accused by any department as and when needed. Before the emergence of ERP, organizations were functioning on the basis of stand-alone information systems modules developed separately for different functions. The main reason for the growth of ERP are that it enabled improved business performance, supported business growth requirements, provide flexible, integrated, real-time decision

support and eliminated limitations in legacy systems. ERP uses multi-module application software for improving the performance of the internal business processes. ERP software systems may include application modules for supporting marketing, finance, production, purchases, stores, accounting and human resources.

ERP offers a means of effectively increasing and managing the required resource (material, equipment, tools, labour, money). ERP systems provide firms with transaction processing modules that are integrated with other activities of the firm such as production planning and human resources. With ERP systems, much information is gathered at the source and placed directly into the computer. As a result, information is available on-line to others and in real-time. ERP systems provide integration across multiple locations and functional areas. ERP systems permit organizational standardization across different locations. ERP system brings with time-tested and successful business practices that will help the organization to become more competitive. ERP system put all the information into the same underlying database, eliminating many information asymmetries, redundancies and duplication. ERP also facilitates communication and collaboration with outside organizations like suppliers, customers, logistic agents, insurance companies, market enquiries, service outlets, warehouses, retail and wholesale outlets etc. Now the popular ERP package available in the market are from SAP, Oracle, Sage Group, Microsoft, SSA Global, Geac, Intentia, Infor Global Solutions, Lawson, J. D. Edward, Baan etc. SAP is the undisputed leader followed by Oracle.

ERP is a business management system which integrates multifarious functions of an organisation. ERP system captures large amount of data from different interrelated transactions which can be used for better planning purpose. An ERP can be customized to handle different tasks and different industries. A good, well-implemented ERP integrates different functions in a more cohesive manner, reduces time gaps and asks for human intervention where required. ERP can reduce inventory, improve customer response, utilize information effectively and in turn improve profitability dramatically. ERP is an information technology system integrating technology system integrating company wide information system into a comprehensive tool for decision making, complex planning and forecasting. ERP applications were originally designed to integrated manufacturing resources, planning and accounts of industrial companies for result maximization.

In today's complex business environment, the time lag between reporting and action is getting compressed and moving towards on-line. The IT environment has made this compression possible and a real-time information and on-line action has become possible. The information requirement for different functions may be varied and MIS Report may be formatted to meet the requirements of line and staff managers as well as top level and operational level managers. ERP enables the MIS report can be drafted to meet the requirement of all levels of executives. ERP enabled MIS report can be as detailed as possible for a line manager, or on the other hand, as brief as possible for the top- level executives. But the source for both the reports in the data base that is existing in the company's information system. Any change in the basic data is automatically updated in the reports.

EVALUATION OF ERP PACKAGE

Evaluation of the right ERP package is considered as more crucial step. Evaluation and Selection involves:

- I. Checking whether all functional aspects of the business are duly covered.
- II. Checking whether all the business functions and processes are fully integrated.
- III. Checking whether all the latest Information Technology (IT) trends are covered.
- IV. Checking whether the vendor has customizing and implementing capabilities.
- V. Checking whether the business can absorb both the capital investment in hardware and software and maintenance costs.
- VI. Checking whether the return on investment is optimum.

Investment required in ERP is very high and an inappropriate selection of ERP could prove to be a nightmare for the company. Meticulous planning is therefore required in the selection process.

COVERAGE AREAS OF ERP

The various areas covered by ERP are:

- Financial
 - Financial Accounting
 - Treasury Management
 - Enterprise Controlling
 - Asset Management
- Logistics
 - Production Planning
 - Materials Management
 - Plant Maintenance
 - Quality Management
 - Project Systems
 - Sales and Distribution
- Human Resources
 - Personnel Management
 - Training and Development
 - Skills and Management
- Supply Chain
 - Planner and Optimizer
 - E-Commerce/Business to Business Commerce
 - Sales Force Automation and Business Warehouse
- Enablers
 - Business Workflow
 - Executive Information System
 - Early Warning System

BENEFITS FROM ERP

Benefits from ERP is of two kinds, tangible and intangible. Tangible benefits are those benefits which can be quantified in monetary terms and intangible benefits cannot be quantified in monetary terms but they do have a very positive and significant business impact.

Tangible benefits from ERP include

- Lowering the cost of products and services purchased,
- Significant paper and postage cost reductions,
- Improve the productivity of process and personnel,
- Inventory reduction,
- Lead time reduction,
- Reduced stock obsolescence,
- Faster product/service lookup and ordering saving time and money,
- Automated ordering and payment, lowering payment processing and paper costs etc.

Intangible benefits are also reaped from ERP. They include

- Can reach more vendors, producing more competitive bids,
- Accurate and faster access to data for timely decision,

- Saves enormous time and effort in data entry,
- More controls thereby lowering the risk of misutilization of resources,
- Facilitates strategic planning,
- Uniform reporting according to global standards,
- Improved customer response,
- Increases organizational transparency and responsibility etc.

Reasons for Failure of ERP

An organisation cannot reap desired benefits from ERP system under the following circumstances:

- ✓ Lack of effective project management,
- ✓ Inability to resolve issues and make decisions in timely manner,
- ✓ Resources not available when needed,
- ✓ Perceived or real lack of executive support,
- ✓ Software fails to meet business needs,
- ✓ Underestimated levels of Change Management,
- ✓ Improper communication,
- ✓ Insufficient end user training,
- ✓ Failure in gap analysis,
- ✓ Failure to identify future business needs,
- ✓ Technological obsolescence,
- ✓ Failure to make available user-friendly checklist/guidelines etc.

CONCLUSION

ERP creates a single seamless stream of data spanning the enterprise and its processes. This stream of data is divided into sets of data for transactions/activities which is integrated into a sub-system which works on the principle of building blocks. Each block exists independently as a system as well as a part of the interlinked system which make up the business. The business is a major chain of processes which consists of several sub-processes, which again are made of activities or transactions. Once the transactions or activity data are available in the data base, the ERP converts these data into meaningful information support system for decision making process wise. Any ERP system's primary requirement is mapping and survey of the activities, sub-routines, sub-processes and processes that make up the business. The implementation methodology of ERP revolves around the USO principle -viz., understand, simplify and optimize. While the line manager will be experts in respect of their functional departments the enterprise wide simplification can be brought about by a Cost Manager better than anybody else as ultimately, the primary result of any decision-making process should indicate the financial aspect. His holistic knowledge of business provides a better insight to him to understand and make best use of ERP solutions. Therefore, the ERP system, which provides a platform for integrating the enterprises wide data base, into a meaningful Management Information System, for decision making becomes a very useful tool in the hands of the Cost manager.

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