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Enterprise Resource Planning (ERP) – an Innovative Key for the Success of an Organization

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Abstract – Enterprise Resource Planning is one of the fastest growing Information Communication Technology (ICT) driven philosophies, which helps the manager to take better decisions. The business environment is continuously changing at a faster pace, which makes the companies to revitalize, reinvent and resize by using open innovative efforts. Enterprises are continuously struggling to improve themselves in the areas of quality, time to market, customer satisfaction and profitability. Today's plan can make the organization as tomorrow's winner who will embrace open innovative technology like Enterprise Resource Planning. The ERP software fulfills these needs.

This paper discusses about the new open innovative technology-Enterprise Resource Planning. For this purpose case study is done by selecting some organizations, which have implemented these ERP packages. The main research objective is to identify the factors which contribute towards effectiveness of ERP and its application to enhance the managerial effectiveness based on factors like reducing cycle time, faster information processing, improving financial management, etc.

Keywords – *Competitiveness, Customer satisfaction Effectiveness.*

INTRODUCTION

To survive in the present competitive situation and to beat the competitors' growth opportunities one has to manage the future through seamless integration of technology and management. Today most of the organizations have understood clearly that in a rapidly changing environment that it is required to go for seamless integration of technologies like Enterprise Resource Planning (ERP). Increasing competition in the market place has driven many companies to narrow the scope of their product portfolio and to expand their geographical market areas to reach economies of scale while benefiting from focusing on a core technology [7].

Enterprise Resource Planning is a software infrastructure that helps to manage the entire organisation's information and to coordinate with the different parts of a company or business. The aim is to improve the cooperation and interaction between all the departments such as the product planning; purchasing, manufacturing, sales and customers service departments and so on. ERP packages if chosen correctly, implemented judiciously and used efficiently have the ability to raise productivity and profits of companies dramatically [1]. But many companies fail in this

because of incorrect selection of a package, incomplete and haphazard implementation and inefficient and ineffective usage. The most difficult factor that decides the success of an ERP implementation is how the manager uses the system and gets the benefit. Even the best ERP system can fail if the managers are not interested in using it correctly and efficiently. To receive total and complete employee support and participation, the organization must make it a point to educate its employees about the potential benefits and give them the requisite training.

Literature Survey

ERP (Enterprise Resource Planning) is an industry term for the broad set of activities supported by multi-module application software that help a manufacturer or other business managers [6]. Originally, ERP packages were targeted at the manufacturing industry. ERP is a massive software engine that seeks to provide one seamless interface to all departments, systems and existing data within the organization. Enterprise Resource Planning systems are commercial software packages that enable integration of transaction-oriented data and business processes throughout the organisation and perhaps eventually throughout the entire inter-

organisational supply chain [4]. A typical ERP system integrates all of a company's functions by allowing the modules to share and transfer information freely [3], [2].

ERP not only influences the very culture of the organization, but also impacts the larger environment in which any organization prevails. Therefore today to meet their business in line with the challenges, organizations are themselves getting redefined. ERP has nothing to do with the size of the organization or type of the industry, but vision, mission and commitment within the company determines the sure success of ERP.

Research Methodology

This research is based on an extensive literature review of ERP systems, and on the fieldwork. This research is both descriptive and explorative in nature. The main empirical evidence is drawn from interviews with few of the employees who are using these systems in their organization. The interviews were semi structured in nature and lasted for some time. In the explorative stage, preliminary research was carried out to understand the effectiveness of these systems in the organization. Extensive explorative research was taken up to thoroughly understand the problem towards establishing priorities. For this purpose, literature survey and experience survey is used. In this study, few companies using ERP systems were targeted and few employees of those companies were reached through a questionnaire. The survey data was analyzed to determine the present situation. There is the evidence that organizations are satisfied with these systems. The evaluation of these systems is also done on some external business parameters. The sampling frame is some of the companies who have followed these systems in their organizations. The area of research is restricted to management perspective only.

The Study

Companies who have started using ERP packages like SAP, BAAN and PEOPLESOFT are compared with the earlier legacy system used in their organizations. One of the major drawbacks of legacy systems was that it didn't have an integrated approach. If a person wanted some information, which has to be derived from any of these systems, he had to get the necessary reports from both the systems and then correlate and combine the data. But in reality, an organization cannot function as islands of different departments. The production planning data is required for purchasing department. The purchasing details are required for the finance department and so on. So if all the information islands, which were functioning in isolation, were integrated into single system, then the impact of that would be dramatic [8]. For example, if the purchasing department can see

the production planning details, it can make the purchasing schedule. If the finance department can see the details of the purchase as soon as it is entered in the system, it can plan for the cash flow that will be necessary for the purpose.

ERP Vendors

Vendors are working more hard to make the ERP systems more usable for small to mid-sized manufacturers, particularly in the area of implementations which can cost as much as five times the software licenses. Other value added aspects of the new systems include product, configuration, electronic data interchange, field service modules and internet capabilities that extend system access to more users. There are various ERP vendors available today, who are very active in the market. Some of the companies offering renowned international ERP products include SAP, BAAN, PEOPLE SOFT, ORACLE, JD EDWARD, IBM, RAMCO etc. These vendors offer slightly differing features in their products; still the major modules are same in all of the products [5]. Our study is restricted to few of the ERP Packages only. SAP is the world's leading provider of business software solutions. Today, majority of the customers both small and midsize businesses have adopted SAP solution through out the globe.

The big bang, modular and process oriented implementations:

Due to ERP implementation, companies usually layout a grand plan. The installation of ERP systems of all modules happens across the entire organization at once. The big bang approach promise to reduce the integration cost through careful execution. This method is dominated by early ERP implementations; it has partially contributed to the higher rate of failure in ERP implementation. Today, not many companies dare to attempt it anymore.

The method of modular implementation goes after one ERP module at a time. This limits the scope of implementation usually to one functional department. This approach suits companies that do not share many common processes across departments or business units. Independent modules of ERP systems are installed in each unit, while integration of ERP modules is taken place at the later stage of the project. This has been the most commonly used methodology of ERP implementation. Each business unit may have their own "instances" of ERP and databases. Modular implementation reduces the risk of installation, customization and operation of ERP systems by reducing the scope of the implementation. The successful implementation of one module can benefit the overall success of an ERP project.

Findings

ERP seem to be catching up the most with the Indian organizations. According to the study the awareness level is increasing in the organizations, as these are not just IT tools, it is basically a management solution, which enforces organizational discipline, which helps to change the organizational mindset. Organizational readiness to change will depend on the top management initiatives, organization culture, financial health and its relationship with the workforce. The Organizations have got the benefit after implementing these systems compared to the earlier legacy systems they had in their respective companies. Enterprise Resource Planning (ERP) systems are tools to enhance the capabilities and effectiveness of the individual manager and the organization as whole. Software vendors develop the sophisticated, all encompassing and integrated software packages to address the needs of modern business.

Our survey regarding the ERP packages gave the following results from a group of 57 respondents. As shown in Figure 1, some of the identified external factors are profit (20%), market expansion (10%), resource availability (37%), customer service (22%), mobilization (8%) and others (3%).

Resource availability factor has been considered as most important while evaluating ERP systems.

ERP benefits identified through this study are customer satisfaction (43%), reduced quality cost (26%), improved resource (26%) and 5% of the respondents feel that it is one of the best business practices in the world. Figure 2 shows the details of all the benefits which were expressed by the respondents

CONCLUSION

Due to Globalization, there has been a significant amount of uniformity, standardization and simplification of the core business practices and processes across the world. It is estimated that even the best ERP packages, custom tailored to a company’s needs meets only 80% of the Company’s functional requirements. The remaining 20% has to be identified (during gap analysis) and then suitable solutions are implemented. Definitely if every one the organisation accepts ERP happily, then definitely benefits are got. Thus we can conclude that the Enterprise Resource Planning is an innovative key for the success of any organisation. The innovativeness of ERP depends only on how managers use it efficiently and effectively.

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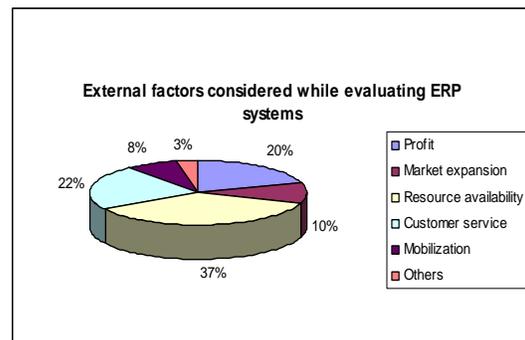


Fig. 1: ERP External factors

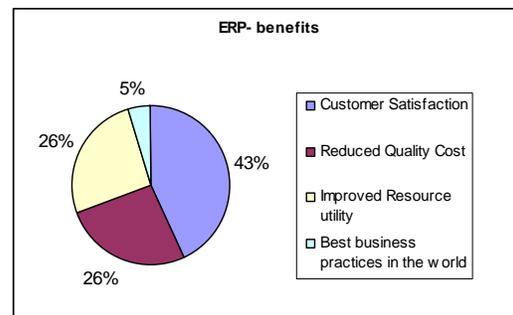


Fig. 2: ERP benefits