MANAGING ERP IMPLEMENTATION ISSUES BY UNDERSTANDING SCM

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ABSTRACT:

Today, ERP provides the critical edge in industry's battle to reduce turnaround time; increase efficiency manifold; and tremendously improve badly hit profit margins. It will help organizations in managing inventory and meeting all internal requirements. But organization does not have much control on external agencies who supply raw material, manpower for manufacturing and distribution of final products.

All manufacturing industry and service houses mostly depends on Management of Supply Chain. As a result of SCM and its problems, we need to understand situations and will have to take appropriate decisions.

Every company performs five basic activities or processes within a supply chain: **Buy, Make, Move, Store and Sell**. In simple words, SCM is the process of managing every phase of production starting from demand survey, Material Requirement Planning (MRP – I), purchase of raw material, applying quality checks for incoming goods and outgoing products and on time supply it to customer and offering sales after quality service.

The main problem seems to be of Marketing – Manufacturing conflict, which is very natural. Changes in market demand have always been a major problem. In a changing world with a dynamic business environment, request for change are unavoidable and therefore ERP systems should be horizontal so that any sort of modification can be applicable based on needs and tolerant to SCM changes.

Some of the Specific Problems of SCM logistics operations were identified for study. To overcome the specific problems and understanding critical logistics operation with the help of various case studies has been the root of motivation for taking up the research. I am sure the findings will help all sectors of industries and society as whole.

Introduction:

Movements through the supply chain will involve multiple parties.

- One or more suppliers with different products/raw-material and pricing options.
- One or more plants supplying finished or semi-finished products.
- One or more levels of local or regional warehouses.
- One or more levels of local and regional distribution centers.
- One or more sales agents or representatives who interface with their customers and determine product availability and shipping location.
- One or more levels of customers each potentially having different ship to, bill to, and sold to parties and different requirements for each.

This complexity requires the co-ordination of Production, Distribution, Capacity, Transportation, Supply, Operations planning etc. Lack of integration and tightly integrated systems affects men, machine and money flows. Supply Chain Planning brings together people to work as team member. ERP implementation does it well if we identify problem areas and take actions promptly.

Integrated Areas by ERP:

Purchasing: Purchase process is a first step to Supply. So if proper watch is not taken then Production, Distribution and Sales will become defective and at the end it creates major problem. Sometimes the value of raw material does not match with the supplier's bill so they need to be informed immediately. For rest of lot another supplier and its availability of material must be plan in advance.

If the purchase of different department of organization is carried out separately then it must be done in general bulk order that will save time and we get some discount on the bulk purchase and we can sure about the quality of material. We can maintain the history of purchase goods that will guide us about supplier's price and its market policies and that will help us in deciding future purchase price. If this kind of planning is not done then that will affect direct to our SCM process. Thus ERP and SCM are TWO sides of same coin.

Sales: To survive in the market, sale is the factor that directly influences in SCM process and thus it stands at second position for any company.

Each and every sales manager should know that customer would like to purchase costly item if it is given in installment payment. So in this type of situation you should ready with installment or rent scheme. Make different scheme for middle-class and higher-class people and try to sell out first bulk of product. An organization's sales have the most direct impact on its survival. Ensures that the selling prices and discounts applied are the ones that are most beneficial to your customer.

CASE STUDIES:

Water distribution

On March 22, 2005 world celebrated “World Water Day”. It reminds us to think and act on our issues related to water crisis. The major source of water is through rainfall, which largely depends on condition of environment, preservation of forest and air pollution control. In such situation ERP software does not contribute anything but understanding SCM for water will avoid major problems of society.

Development of Infrastructure in Rural Areas

In India, approximately 70 to 80% of total population live in rural areas. Effective communication for Information flow is badly needed in SCM and ERP like Information Systems. Today, ERP users are getting mixed feelings in use of it. The factors causing operational problems are many. Changes in market demand have always been a major problem. You can never manage SCM related problems without effective communication. Although there are many ways communication systems work but to meet the need of changed demand one must be able to do fast reliable communication (point to point).

Communication between two or more people and exchange information of common interest is highly desirable to take maximum advantage of market demand. This will add value to business and personal growth. Due to lack of infrastructure and affordable communication, the growth of rural area is still not encouraging. Mobile communication has changed the lifestyle of human being and offered instant contact with the person irrespective of distance and place. The last moment effective communication can save the life of a patient, avoid unnecessary expenses, saves time and money to travel or transfer goods.

To capitalize the demand pattern based on locality and citizen, timely supply of items play a major role. You may notice that single vehicle if not loaded suitably brings non-profitability. Even demand distortion needs immediate actions. But this requires a massive improvement in the communication infrastructure to save time and money.

Lesson from Efficient and Economical Lunch Delivery of Mumbai

The principle behind supply chain working in a manufacturing organization for complete operation and a service provider organization remain identical. This indicates that their problems are similar. Operational planning is all times difficult in total supply chain cycle. The co-ordination of time bound activities requires dedication and speedy operation without wasting a single minute.

In MUMBAI, to provide lunch delivery on time no sophisticated Software (ERP) or Computers are needed. However, you need logical network of people and handcarts / bicycles. The workforce is not even educated to the secondary level. Here is a classic

example that demonstrates the effects of precision planning in SCM with no more sophisticated resources.

The quality of service remains consistent. The service will stop if and only if Mumbai's trains stop. The geographical pattern helps most of office-goers who live in the suburbs and work down town. There are local trains connecting the two points, which form hubs for sub-networks. The entire system works on a military discipline based on a shared agenda and a common protocol.

The perfect SCM operation is working on logistical success of clockwork efficiency. The system has been around for 120 years. It is highly information-rich network. This example is a corporate role model demonstrating the strength of centralized planning and decentralized implementation. Most of the ERP related issues in entire SCM process get improved by restless working and desire to achieve pre-decided goal to maximize clients' satisfaction.

Concluding remarks:

Extensive use of Information Technology (IT) systems
Deploy state of the art international IT systems for retail operations across business processes. Most of the processes are to be linked, online, and utilize some of the leading technologies available to deliver overall control and efficiency with changing customer aspirations and requirements, immediate monitoring of information on sales trends is critical. IT systems help not only to monitor customer purchase patterns, but also allows organization to quickly respond (QR) to it by facilitating decision making and providing the tools to adjust operational strategy accordingly.

Strong Distribution and Logistics Network and Supply Chain Management
Creation of strong distribution and logistics network which works 24x7. The distribution and logistics set up is to be networked and on line. The Distribution Center management can be outsourced to service providers. There should be aim at meeting the conflicting requirements of reducing our inventory whilst ensuring availability of products at all stores as per customer needs, as well as reducing operational costs.

Changing demographics in India
India is benefiting from a young population. A young population with increasing disposable income and a propensity to spend has led to a higher current consumption spend vs. savings, which has been a direct booster for the retailing industry. Also, the Indian consumer is now better exposed to international trends with growing overseas travel and media proliferation, which has led to a higher demand for inspirational or lifestyle products and services.

I strongly believe on strengthening the relationships with our customers, suppliers and employees. The company should make efforts to capitalize on every cost saving opportunity. The savings on cost can be passed on to the consumers, thereby adding value at every stage and process.

The benefits of an efficient supply chain management system will include reduction in lead time, faster inventory turnover, accurate forecasting of inventory levels, increased warehouse space, reduction in safety stock and better working capital utilization by implementing ERP solutions. It also helps to reduce the dependency on the distribution center management personnel resulting in minimization of training costs and errors. The stock-out of goods and the subsequent loss arising out of it can be completely eliminated.

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