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# ERP Systems

# Chartered Accountancy
# Business Level 2
## Digital Business Strategy (DBS)

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# BL -8 Digital Business Strategy
## CA Business Level 2

**Enterprise Resource Planning Systems - ERP**

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## Enterprise Resource Planning Systems - ERP

An ERP system is an enterprise resource planning system. ERPs are software systems designed to support and automate the business processes of medium-sized and large enterprises and are a type of OLTP (online transactional processing) system. ERPs are accounting-orientated information systems which aid in identifying and planning the enterprisewide resources needed to resource, make, account for and deliver customer orders. They assist with the planning of end to end business processes and aid the flow of information between all business functions within an organisation, as well as managing connections to outside stakeholders (such as suppliers).

## Enterprise Resource Planning Systems - ERP

An organization's planning mechanisms

To be efficient and effective, business organisations need a mechanism for organizing and running its operations. For example, they may need to:

- Determine how much of a product to make
- Determine the amount of resources required to produce its products (in terms of materials and other resources such as capital and human resources)
- Monitor and control operations (such as timing production processes to meet demand)
- Produce budgets, record costs and report on performance
- Co-ordinate all business activities

## Enterprise Resource Planning Systems - ERP

ERP software attempts to integrate all departments and functions of an organization in a computer system able to meet the needs of users from across the whole organisation. An ERP system includes a number of integrated modules designed to support all the key activities of an enterprise. This includes managing the key elements of the supply chain such as production planning, purchasing, inventory control and customer service including order tracking.

## Strategic enterprise management systems (SEMS)

As well as ERPs (which focus primarily on operational management), firms can use Strategic enterprise management systems (SEMS) for making high-level strategic decisions. SEMS focus primarily on strategic management, with a view to allowing organisations to improve their business processes and procedures, and their business decision making, in order to sustain a competitive advantage in a competitive business environment.

## Strategic enterprise management systems (SEMS)

SAP strategic enterprise management (SEM) is an example ERP system. The SAP strategic enterprise management (SEM) has five components (SAP, 2017):

I. Business planning and simulation
II. Corporate performance monitor
III. Business consolidation
IV. Business information collection
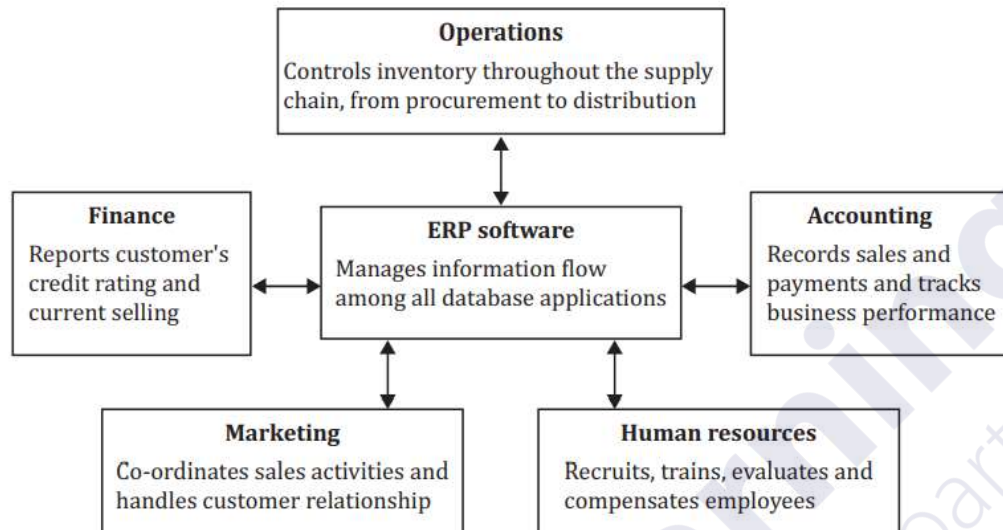V. Stakeholder relationship management (SRM)

## ERP Storage Capability

Traditionally ERP systems were implemented as an 'on premise' solution. Nowadays, a greater number of organizations are opting for 'cloud based' solutions.

## ERP Example

There are a variety of offerings in the ERP industry, some built for the small to medium-sized business, and some with a greater capacity, aimed at the large organization. Examples of ERP software in the marketplace are SAP HANA s/4, Microsoft Dynamics 365 and Oracle JDE, amongst others.

# ERP Example



| | Operations |
| | Controls inventory throughout the supply chain, from procurement to distribution |

**Finance**
Reports customer's credit rating and current selling

**ERP software**
Manages information flow among all database applications

**Accounting**
Records sales and payments and tracks business performance

**Marketing**
Co-ordinates sales activities and handles customer relationship

**Human resources**
Recruits, trains, evaluates and compensates employees

# ERP Example

A. Finance
   I. General Ledger
   II. Accounts Payable
   III. Accounts Receivable
   IV. Asset Management
B. Controlling and Management Accounting
   I. Cost Centre and Profit Centre management
   II. Profitability Analysis and Reporting
   III. Budgets
C. Treasury Management
   I. Credit Management
   II. Financial Risk Management

# ERP Example

C. Treasury Management
  I. Credit Management
  II. Financial Risk Management
D. Inventory and Warehouse Management
  I. Stock
  II. Picking and Packing
  III. Storage
E. Human Resource Management
  I. Personnel
  II. Payroll
  III. Time and Attendance
  IV. Training

# ERP Example

F. Sales and Distribution
  I. Sales Order Entry
  II. Returns
  III. Billing
  IV. Pricing
G. Procurement and Material Management
  I. Purchase Requisitions
  II. Purchase Orders
  III. Goods Receipt
H. Master Data Management
  I. Vendor Master
  II. Customer Master
  III. Business Partner

# Cross functionality and "Modules"

ERPs operate over the whole organization and across functions. These functional areas are usually managed within the ERP system as separate 'modules', each configured in line with the relevant business processes. All departments that are involved in operations or production are integrated into one system. Some ERP software is custom-built, and often now ERP software is written for organizations in particular industries. ERPs can be configured for organizations' needs and software adapted to circumstances. They can support performance measures such as balanced scorecard and strategic planning.