Optimize Your Business: How ERP Can Improve Productivity and Profitability

by Tom Heinricher, Sage ERP X3 Senior Business Consultant

As they grow, companies rely on more and more processes, activities and systems to run their businesses. These likely include a number of manual and automated workflows and procedures as well as a variety of departmental applications and legacy databases that are poorly integrated. While this approach may have served its purpose in the past, at some point it can become cumbersome.   And in today's dynamic and highly competitive marketplace, it can dangerously impede productivity, profitability and growth.

Common Problems

While every company faces its own unique challenges, at some point along the way most will experience some or all of the following problems:

- Slow production cycles,
- Inefficient scheduling of resources (labor, machines and equipment),
- Slow inventory turns and high carrying costs,
- Uncontrolled purchasing procedures,
- Inefficient materials management,
- Data inconsistency across multiple repositories,
- High overhead costs,
- Poor on-time delivery rates,
- Decreasing customer loyalty,
- Delayed financial tracking and analysis, and
- Limited strategic planning capability.

Over time, experiencing any of these can negatively impact the bottom line. And, being subjected to several at the same time can paralyze the business and make it impossible to survive in today's competitive economy.

With disparate systems hindering growth and profitability, companies can benefit from the ability of the ERP system to help define best practices, optimize activities and gain control over processes. In fact, the most significant benefit of ERP software may be its ability to streamline operations. By automating business processes, which in turn improves accuracy of information and accelerates data flow, an ERP solution helps companies streamline day-to-day tasks and free up staff to focus on other more complex issues that require more personalized attention. As a result, productivity can increase and operating and overhead costs can be dramatically reduced. But how does the ERP system do this?

Streamlining through a common repository

ERP software uses a common repository for organizing the data essential to the business. It provides visibility to all the systems and processes and integrates them so all employees have access to the information they need, when they need it, to do their jobs more efficiently.

> With disparate systems hindering growth and profitability, companies can benefit from the ability of the ERP system to help define best practices, optimize activities and gain control over processes.

sage

Storing the company's information in one common database makes it easier to manage and share information. Consider that employees often use their own spreadsheets and databases to perform their jobs. As a result, other people in the organization find it very difficult to get the information they need in a format they can use. By providing one single, unifying system, ERP creates a common "language" throughout the company that simplifies the communication process and makes it easier to understand and share information.

For example, employees can access the system to check an order status or inventory levels without having to track down the information from several different people or departments. When all the critical information resides in one central location and people have instantaneous access to that information, it greatly speeds up the production process.

In another example, if the accounting department and the customer service center access two different, non-integrated databases, a customer with a billing question will likely get an inaccurate answer if they call customer service for assistance. While this might seem like a small problem, customer satisfaction and retention levels will suffer and negatively impact the bottom line over time.

Streamlining through operational improvements
An ERP solution discredits the belief that efficiency needs to be considered one department at a time. Business processes and activities have become increasingly complex, requiring multiple teams and divisions to operate as a single, cohesive unit. Without an ERP solution in place, creating that kind of cross-departmental coordination and workflow execution can be very challenging. ERP helps to streamline business processes by:

Eliminating redundancies in data entry. Once the data is entered, the software automatically updates it throughout the system, ensuring the most up-to-date information is available in just a few clicks of the mouse to the employees who need it.

Providing consistent directions. When employees have easy access to work documentation, production errors go down and quality goes up. ERP makes it easy to document work steps and processes so that people know how to perform the work on a consistent basis.

Enhancing workflow. ERP helps companies become more efficient by providing a way to standardize work sequences throughout all processes.

Collaborating with suppliers, customers and remote employees. An ERP system with a web-native platform can connect all business partners to your operations. Wherever they are located, each member of your staff can log on to the company's information system. Partners can gain remote access to certain functions round the clock.

Working with multiple languages and business rules. Many companies operate locations globally. ERP enables them to document directions in multiple languages for employees and adapt procedures to local practices, and even for individual customers.

More Efficiency Yields Greater Profitability
ERP consolidates disparate software, spreadsheets and data management tools into one integrated system that improves productivity and profitability by automating day-to-day processes and making it easier for employees at all levels – from front line staff members and team supervisors to senior managers and executives – to assess company performance and understand their impact on it.

By providing information to employees in real time, ERP eliminates the information-sharing bottleneck enabling people to do their jobs in less time and with fewer challenges. As a result, product goes out the door faster, and at a lower cost.

Better Visibility for Management
A robust ERP system helps management make faster, better informed decisions by providing up-to-the-minute reports across all business areas. With more visibility into the production process, management can quickly identify problems in the business and take immediate corrective action. Additionally, they can now focus on strategic planning and be more responsive to a changing business environment, quickly adjusting strategies to address new customer needs as they emerge.

An effective ERP solution is crucial to a company's reactivity because of its ability to manage the business across all departments in real time. Burdensome, error-prone, labor-intensive manual processes can consume both time and money. To be profitable and competitive, businesses must streamline operations across all departments, including automating critical, yet routine activities, as much as possible.