Answer on Question #54120, Management / Other

List the advantages and disadvantages of Enterprise Resource Planning Systems.

Solution:

Enterprise Resource Planning is seen as complex challenge, covering problems and the optimal allocation of business resources and ensures fast and efficient delivery of goods and services to the consumer.

Usually ERP system includes various functional modules, such as accounting and tax accounting, warehouse management, transport, treasury, personnel records, customer relationship management. Various software modules allow a single ERP system to replace disparate legacy information systems to manage logistics, warehouse projects. All information is stored in a single database, where it can be received at any time on request.

Implementing an ERP system is a fairly complex and lengthy process. Integrating ERP system business processes requires significant changes in the logic of the internal procedures of the company, re-engineering of business processes as well as significant changes in the work of its employees. Due to the complexity of the project terms of implementation of ERP systems are large enough. But the introduction of ERP systems provides the following features:

- planning needs for materials and components, the timing and volume of deliveries to the plan of production;
- regulate the availability of products (surplus, deficit) and reduce costs for its storage;
- regulate the production process in a timely manner in response to changes in demand;
- optimize business processes in the company by reducing the time and costs;
- control the supply and quality of service for customers.

Positive aspects of the implementation of ERP systems in the enterprise:

- reduction in the level of insurance reserves;
- timely completion of the material and technical resources;
- increase the turnover of working capital;
- reduction not liquid stocks and the number of unplanned purchases;
- increase in production and efficiency;
- effective control of the flow of materials;
- Improved internal communication;
- improving the efficiency of price formation;
- labor cost reduction in the process of the formation of the financial statements.

Most problems with ERP-systems occur in organizations because of insufficient investment in training, including employees who are involved in the implementation and

testing of system changes, as well as in the absence of company policy aimed at protecting the integrity of data in the ERP - system and correct them use.

Limitations of ERP-systems are as follows:

- The success of the implementation depends on the skills and experience of the staff, including training on how to ensure error-free operation of the system. Small private companies often lack the funds for this, so that ERP-system run by people incompetent in the common areas of enterprise management, and unfamiliar with the features used by the ERP-system.

- Turnover: new managers hired by the company, lack of awareness of the applied ERP-system can propose changes in business processes that do not agree with the optimum use of the selected ERP-system.

- Redesign of business processes under the "industry standard", supported by an ERP - system, can lead to a loss of competitiveness of the company.

- Installation of ERP-systems can be very costly.

- Manufacturers of ERP-systems can charge money for annual license renewal, regardless of the size of the company applying the ERP-system or its profits.

- ERP-systems are often inflexible and difficult to adapt to specific data flows and business processes of some companies this fact is cited as the main reason for the failures of their implementation.

-ERP-systems can be difficult to use.

- The system can suffer from problems of inefficiency in one department or one of the partners may affect the other participants.

- A plurality of interconnected links needs high accuracy and performance of other applications. The company can comply with the minimum standards, but over time the reliability of some of the applications reduced by incorrect data.

- After installation, the cost of switching to a different version of one of the partners may be too high (reducing flexibility and strategic control at the corporate level).

- Measures of confidentiality between departments can reduce the effectiveness of the software.

- There are often compatibility issues with legacy systems partners.

Thus, we can summarize the disadvantages of ERP Systems:

- The scope of customization is limited in several circumstances
- The present business processes have to be rethought to make them synchronize with the ERP.
- ERP systems can be extremely expensive to implement:

- - Training;
    - Integration;
    - Data analysis and conversion.
- There could be lack of continuous technical support;
- ERP systems may be too rigid for specific organizations that are either new or want to move in a new direction in the near future;
- Takes time to implement;
- Security issues.