



How can ERP improve a company's business performance?

ERP's best hope for demonstrating value is as a sort of battering ram for improving the way your company takes a customer order and processes that into an invoice and revenue—otherwise known as the order fulfillment process. That is why ERP is often referred to as back-office software. It doesn't handle the up-front selling process (although most ERP vendors have recently developed CRM software to do this); rather, ERP takes a customer order and provides a software road map for automating the different steps along the path to fulfilling the order. When a customer service representative enters a customer order into an ERP system, he has all the information necessary to complete the order (the customer's credit rating and order history from the finance module, the company's inventory levels from the warehouse module and all formats of shipping and receiving tracking is closely monitored and tracked available at your finger tips the shipping dock's trucking schedule from the logistics module, for example).

People in these different departments all see the same information and have the ability to update it. When one department finishes with the order it is automatically routed via the ERP system to the next department. To find out where the order is at any point, you need only log in to the ERP system to track it down. With luck, the order process moves like a bolt of lightning through the organization, and customers get their orders faster and with fewer errors than before. ERP can apply that same magic to the other major business processes, such as employee benefits or financial reporting.

Let's go back to those inboxes for a minute. That process may not have been efficient, but it was simple. Finance did its job, the warehouse did its job, and if anything went wrong outside of the department's walls, it was somebody else's problem. Not anymore. With ERP, the customer service representatives are no longer just typists entering someone's name into a computer and hitting the return key. The ERP screen makes them businesspeople. It flickers with the customer's credit rating from the finance department and the product inventory levels from the warehouse. Did the customer pay for the last order yet? Will we be able to ship the new order on time? These are decisions that customer service representatives have never had to make before, and the answers affect the customer and every other department in the company. But it's not just the customer service representatives who have to wake up. People in the warehouse who used to keep inventory in their heads or on scraps of paper now need to put that information online. If they don't, customer service representatives screens will show low inventory levels and reps will tell customers that the requested item is not in stock. Accountability, responsibility and communication have never been tested like this before.

People don't like to change, and ERP asks them to change how they do their jobs. That is why the value of ERP is so hard to pin down. The software is less important than the changes companies make in the ways they do business. If you use ERP to improve the ways your people take orders and manufacture, ship and bill for goods, you will see value from the software. If you simply install the software without trying to improve the ways people do their jobs, you may not see any value at all. It's not enough just to purchase the software it is not a cure all. You must have a team that is willing to step up and learn the best practices for the better of your business and then when everyone does their part you see the end result.