

Unit 4: ERP (Enterprise Resource Planning)

1. Definition of ERP:

- ERP refers to a type of software system that organizations use to manage day-to-day business activities such as accounting, procurement, project management, risk management, and compliance.
- It integrates various business processes by allowing the flow of data between them.

2. Features of ERP:

- Integration of different business functions.
- Real-time operations.
- Common database management.
- Consistent look and feel across modules.

3. Major Characteristics of ERP:

- **Modularity:** ERP systems are made up of different modules (like finance, HR, sales, etc.) that can be implemented as per the business need.
- **Customization:** They can be customized to meet the specific needs of an organization.
- **Data Integration:** Facilitates a single point of data entry with updates reflecting across all modules.
- **Scalability:** Can grow with the business by adding more users or more modules.

4. Levels of ERP:

- **Tier 1 ERP:** Large, complex global organizations with multi-language, multi-currency, and global reporting needs (e.g., SAP, Oracle).
- **Tier 2 ERP:** Midsize organizations that may operate internationally, but not with the complexity of a Tier 1 ERP.
- **Tier 3 ERP:** Small to medium-sized businesses with more localized and less complex needs.

5. Benefits of ERP:

- **Improved efficiency:** Automates and streamlines business processes.
- **Real-time data access:** Enables better decision-making.
- **Enhanced collaboration:** Departments can easily share information.
- **Cost reduction:** Reduces administrative and operational costs.

6. Enterprise Potential of ERP:

- ERP systems help in enhancing productivity by integrating business processes and improving workflow.

- They provide strategic advantage by allowing businesses to standardize processes and gain visibility across the entire organization.

7. Modules of ERP:

- **Financial Management**
- **Human Resources (HR) Management**
- **Sales and Distribution**
- **Inventory and Supply Chain Management**
- **Customer Relationship Management (CRM)**
- **Manufacturing and Production Management**
- **Procurement and Sourcing**

8. Phases of ERP Implementation:

- **Planning:** Determine the need for ERP and select the system.
- **System Design:** Customize the software according to the company's requirements.
- **Development:** The system is developed and tested.
- **Deployment:** The system is deployed, and users are trained.
- **Support & Maintenance:** Ongoing support, updates, and maintenance.

9. Limitations of ERP:

- **High Costs:** ERP systems are expensive to implement.
- **Complexity:** Requires significant time and effort to configure and integrate.
- **Resistance to Change:** Employees may resist adopting new systems.
- **Customization Risks:** Over-customization may reduce the effectiveness and increase the cost.