

ABC Company

ERP System Findings Report

Purchasing/Inventory & Shipping

Methodology

Anna Slepecky and Damian Nyeste of MSS interviewed Jenny and Wayne to determine the processes performed relative to the Purchasing/Inventory and Shipping functions at ABC Company.

Each person interviewed was candid, helpful, and cooperative in describing their responsibilities, challenges, and how they accomplished their daily tasks. Additionally, they all illustrated an honest desire to make the system successful and to perform their duties to the benefit of ABC.

General Observations

Difficulties in the studied functional areas happen as a result of poor data integrity and lack of understanding of some ERP System functions. Resultant problems are typically addressed late in the order/job lifecycle. And, the resolution often involves a corrective action that does not address the root cause of the problem. Feedback to parties upstream in the order/job lifecycle is often not provided so that the problems continue to occur.

Key data to these functional areas is questionable which has lead to distrust of ERP system in general. Also, inaccuracies in these areas are causing

- the wrong material to be ordered,
- required material to not be ordered,
- the wrong items being shipped,
- confusion in what has or has not been shipped to a customer,
- inaccurate inventory balances (raw and finished),
- inaccurate financial reporting

As ABC enters into a period of increased sales activity these symptoms will worsen and the consequences will increase.

An observation in the shipping area is that there is not a definitive individual who is responsible for determining what to ship. Some key persons were not available for interview. However, we observed that shipments were more being “pushed” by what product was completed as opposed to being “pulled” by customer requirements. This important issue requires additional study.

Data Integrity Issues

Examples of frequently observed inaccurate/incomplete data include:

- Parts that have been entered in ERP System under multiple part numbers
- Material requirements on jobs that do not match customer drawings
- Material requirements missing on a job
- Material identified as backflush that is not tied to an operation and therefore won't be issued from inventory or charged to a job
- Parts that have no or inaccurate standard/average unit costs
- Operations marked "auto received into inventory" having multiple ring-off operations resulting in faulty on-hand balances
- Sales orders that show open on the open order report but have all line items closed
- Open sales orders linked to closed jobs (no material received from job)
- Kanban sales orders on which order release quantities do not match customer required shipment quantities

Procedural/Training Issues

Areas that require targeted training and/or procedure development include:

- Creating ERP System purchase orders for "non-inventory" items (currently being created in ancillary system)
- ERP System concepts – linking sales orders to a job or making a job for stock
- ERP system concepts – shipping from a job vs. shipping from stock
- Altering ship to address on a shipment
- Verifying invoice amount is equal to sales order/customer po amount
- Evaluate applicability of using customer price breaks (related to above invoicing issue)
- Part numbering schemes (in light of Kanban) and standards
- Sales shipment prioritizing/expediting (who calls the shots)