

Enterprise resource planning (ERP) and financial empowerment of organizations

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Abstract

ERP is business software package which it can unify the data and transfer the information between all parts of the organization such as: Accounting, Financial Management, Human Resource Management, Supply Chain, and Customer Relationship Management. Enterprise Resource Planning system by processing of whole organizations activity will make a new situation for the manager as well as personnel to can have better feedback. After investing on ERP it takes one to three years to get Return on Investment (ROI). ERP it has an essential role for improve of financial empowerment of organization by increasing the level of investment, productivity and profitability. Therefore, it can be said that, increase on productivity is the best tool to improve people's lifestyle and creation of capital for future. This paper it's going to present the role of ERP on profitability and financial empowerment in organizations.

Keywords: Profitability, ROI, Financial Empowerment, Organizations

Introduction

Nowadays, management without using the tools and proper state of the art technology and methods is a very difficult task. Systems based on information Technologies (IT) have significant growth over the last two decades among management and planning tools which cover a wide variety of different fields.

Enterprise Resource Planning (ERP) is an example of the above tools that have been received enormously in various places in the world in recent years, and it is considered a solution for many problems and challenges for organizations and correcting the ways to do different tasks.

The greatest thing to show about the value of ERP is to increase the quality of service to customer's orders and processing invoices and ultimately increase the profit. So for each company, according to the type and background, work experience, leadership and organizational chart, there are different reasons for using ERP.

Objectives

The aims of this study are focus on the impact of Enterprise Resource Planning (ERP) on financial empowerment of organizations and how ERP improve the accounting system.

Method of Research

This article is descriptive study and the methodology of this paper is based on the deep thinking method and experience about survey and processing, system analysis and project management in ERP in organizations and services.

ERP and Technologies

Organization resources can be classified into three classes. Financial Resources, Human Resources, and Facilities of organizations. For the accurate planning to optimize the use of organization resources needs to identified of each process in each of the above resources. ERP with creation of well situation and correctly use of equipment and information

technologies with high speed and light accuracy, can analyze the effectiveness of process in all resources of organization. With the help of this tool, the opportunities of different resources could be understand and it makes in time and with motivation of the process can predict the effectiveness of them on resources and make a plan for improving the use of organization resources.

Main Reasons that Organization uses ERP

1. Homogenous the financial information.
2. Homogenous the orders information.
3. Standardization and increasing the speed in production process.
4. Reduce the storage volume.
5. Standardization of Human Resources information.

How ERP Improves Financial Performance?

Enterprise Resource Planning it has an impact on different part of organizations which will increase and develop the financial level of organizations. Some of the following reasons for improve the financial performance through ERP are mentions: Integration of financial information: Financial data from income is different with information from sales and other units of the organization which is involved in selling. In these cases ERP shows only a one real number and information of the other units which won't be different since it uses the same system Integration of data orders: in the current situation, sales unit till delivery by store and billing will not come to know about the detail of orders. If this information be available in software system there is no need to search it in different systems, then, companies can easily track and manage the orders. In addition to tracking the administrative and accounting procedures, simultaneous coordination in the design, production, storage and transportation can also be applied.

Standardization and speed in manufacturing processes: Production companies often have several organizational units

that are simultaneously used with different methods and computer systems. ERP systems with standard procedures, automates some manufacturing process. Standardization of processes and the use of an integrated system instead of several different computer systems with single can raise the efficiency and reduce overhead costs and save time.

Storage volume reduction:

ERP supports the stream of production and at the same time supervise the implementation of process in company. This facility reduces the volume of materials and semi-finished goods and finished goods are stored by ERP system. In addition, this system makes program distribution and delivery to customers more accurately.

Standardization of human resources: In organizations with multiple organizational unit, coordination, and time management and communication between human resources is very much essential. Business is not easy with all these factors ERP comes as a rescue in this regard.

The Effect of the Implementation of ERP Systems on Management Accounting

ERP systems have high potential to improve the capital budgeting through accurate determination of income effects and costs of the project and can be great help to fine-tune the capital budget, based on the short and long term goals. On the other hand it can also significantly strengthen the comprehensive budget, and keep it up to date, especially in the cash budgeting. Finally, we can say that ERP systems are changing the practice of management accounting events are at least based on a sample of some companies, ERP systems, resulting in high standards and computerized information are accurate. Obviously, in this environment the possibility of utilizing the tools of management accounting is not possible with traditional structures.

The Reaction of Financial Analysis Methods on ERP Implementation

To what extend could be effective on the profitability of the financial analysts forecast?

This is the question that every manager could ask for the effects of ERP implementation on market. According to a survey conducted by Hanten, Mac Vein and Waier on 63 financial analyst have been found that, the major contribution of professional financial analysts believe that the implementation of the ERP system provides an added value to the company that it must now be considered fundamental analysis. The experimental results of this study shows that news of the implementation of ERP has a positive effect on anticipated benefits. However, financial analysts reaction to the news of the ERP system implementation based on the size and financial activity of the company are moderated and the effect of ERP on analysis related to future is under estimated. According to a study conducted by the University of Cleveland, Ohio, Shows that ERP has increased the company's ability to innovate and companies seeking their business processes with the ERP to come smoothly. ERP implementation should concern about issues like organizational behavior, strategy of company and economics to be able to transfer the innovation and analysis to the future of the organizations.

Professional financial analysts, who have a deeper idea into the economy and structure of company, are not ignoring the effect

of variables describing financial culture. Using the ERP software revealed that cultural factors at the national level, is a considerable influence in the innovation and adaptation system.

Accountability and ERP

Before the implementation of ERP, each unit of organizations was responsible only for those limited responsibilities which they had, thus in many ways they could evade accountability on the final output system. With the help of ERP system, the responsibility level of staff increased and their activity is much more than before.

In the ERP system, for example the duty of a customer service is not just entering the name of the customer or some things like that anymore; they play a major role in business of the company by display of ERP system. They have access to the information on customer credit (the finance sector) and inventories (stock section), and they face some questions which the answers affect the customers as well as the entire company. The ERP system must provide this information Online, and if they don't do it, representative service sees the amount of inventory on the ERP display under estimated, and as a result, they tell to customers the stock is not available. So the accountability and communication of employees in ERP is much more than the past.

The Benefits of ERP in Organizations

- Reduce the cost of storage (storage, transport), orders, production, cessation of production, accounting and financial record.
- Reduce the size of the financing needed for investment in machinery and equipment, factory and field.
- Reduction of costs ultimately leads to increase sales and better market of an organization.
- Establishment of flexible and changeable production unit, reduces the time to complete and finalize the product, reduce the needs of customers and finally improve the collective mentality of the organization.
- Increase customer satisfaction in all the processes that he is involved with them, from receiving orders till product shipment.
- ERP helps to integrated information systems to cover all the functions of an institute.
- ERP may offer the newest technologies. Technologies such as Electronic Funds Transfer (EFT), Electronic Data Interchange (EDI), Internet, video-conferencing, e-commerce.
- ERP not only analysis a company's current requirements, but also, provide high-tech tools such as Decision Support Systems(DSS), information systems, implementation of warning systems (robots), data collection and reporting, etc..., which enables employees to make better decisions, as a result, it improves the business process of an institution.

ERP and Financial Empowerment

Enterprise Resource Planning (ERP) in organization for improving the financial empowerment it has different steps which all the steps should be done properly the followings are:

- General Ledger
- Accounts Payable
- Accounts Receivable

- Fixed Assets
- Cash Management
- Budgeting, Planning and Forecasting.

Conclusion

Enterprise Resource Planning with creations of appropriate field and proper use of tools and with information technology management can analyses the effectiveness of the process in all organizations resources with high speed and accuracy and comprehensive. Today's organizations for having modern business should be aware of the new technology and software, and ERP system is one of the best examples for that. ERP will improve the profitability and financial empowerment of organizations. ERP integrated all data and information in different part of the organizations, obviously online and real time information will be available for the decision making of manager of organizations at each moment. While the level of return on investment in organizations increased, consequently investing by the shareholder, productivity, employee and customer satisfaction also will increased therefore there is a direct relationship between ERP and Financial empowerment of organizations.

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