The Author

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Better Utilization of ERP with OHIO

Two Easy Steps to Improve the Bottom Line

Background:

Businesses of all sizes and in all industries are finding it difficult and costly to continue to update and modify enterprise resource planning (ERP) systems after they have been installed. The initial investment to acquire and implement an ERP system can be a substantial investment. But even after the system is up and running, costs continue to mount yet savings and profit improvements seem difficult if not impossible to find. Many organizations may have been looking in all wrong places.

The key going forward is to understand how to keep the focus on your main business drivers while utilizing both Computer Technology and ERP systems to facilitate improvements through out the enterprise. This can be accomplished by implementing **OHIO.** No, not the state of Ohio but a management philosophy that says "Only Handle It Once". That's **OHIO**... OpenPro ERP system supports OHIO; you, the user should utilize the ERP systems framework to better fit your business model and begin to reap the rewards of lower cost and improved customer service. This paper explores two very quick and simple methods to improve & simplify the workflow processing for customer requests for quotes and the receiving and processing of purchased materials.

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Number 1 Key business function for OHIO

 Customer Request for Quotations

Information is the fuel feeding your Enterprise Information system; however, what tangible value is the system if it is bogged down with self inflicted internal bureaucracy inactions causing lengthy delays rather than providing a rapid response to your customer's questionnaires? Begin here to stop the insanity.

1. Review the entire quotation process in your organization. Create a value chain process chart. The chart is a detail flow chart of the step by step process your company uses to communicate price and delivery information to your customers and prospects. A good question that needs to be answered is how much of the ERP system are you using to process the customers request for quote versus off line spreadsheets that are not connected to the ERP system? If you are using the ERP system, a couple key strokes should help answer many important quotation questions; have we made this item before, have we made something very close to this item, what customer (s) bought the item, do we have any available in stock right now, did we make and deliver on time, and most important, what was the gross profit margin. What margins should we expect?
   What lessons did we learn the last time we made this item? Was it priced too low, did we under price our purchased material cost did we over/ under state any major steps in the manufacturing process?
   Key questions to ask your users while moving through the value process path are; W*hat is each user's role to process the quote and why are they required to even be involved? How do the users arrive at data used to determine price and delivery date?*

2. Interview everyone in the organization that touches a customers Request for Quote. This could be employees in the Customer order processing department, Engineering, Finance department, Purchasing, Materials management and possibly all the way up to the President. Remember, everyone in your organization that touches the quote prior to receiving an actual order, adds non value cost that may never be recouped.

3. Separate Quotations from Estimates in your process, utilize the system to assist in this task. An estimate is just what it says, *an estimate*, not a hard quoted price or delivery date. A quote is a firm promise date and selling price. Determine what items fall into the estimate / quote arena and save valuable response time to the customer.

Tips for a successful Process Review

Follow a streamline process that is inclusive of:

Questions as to why each step in the process is necessary eliminate all steps in the process that are duplicated by other departments or only partially answered. Stop any process that causes a loop in gathering information, (sending a quote to engineering for a manufacturing method review and sending back again to review a process before a work router is approved)

Develop a "Part Advisor' Questions file for your quotation personnel IE, Has it been made, Has it been sold, Any in WIP now, Sales price, Profit margin, Quoted before. Expand each question with appropriate historical data to quickly determine next steps in the process.

Customer Quotation Requests, Only Handle It Once

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                          │  CUSTOMER   │ ◄───────────────┐
                          └─────────────┘                 │
                             │                            │
                             ▼                            │
┌──────────────┐      ◇─────────────◇      ◇────◇   ┌──────────────┐      ◇────◇
│ Customer's   │      │ New Customer │      │ No │   │ Customer     │      │ No │
│ RFQ is       │ ───► │ Y or N       │ ───► └────┘   │ Credit limits│ ───► └────┘
│ received     │      ◇─────────────◇                │ determined.  │
└──────────────┘           │                         │ Accepted to  │
                           ▼                         │ do business  │
                        ◇──────◇                     │ Y or N       │
                        │ Yes  │                     └──────────────┘
                        ◇──────◇                            │
                           │                                ▼
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                              │ All data     │      │ Quote        │
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                              │ Quote system │      │ withinn 24   │
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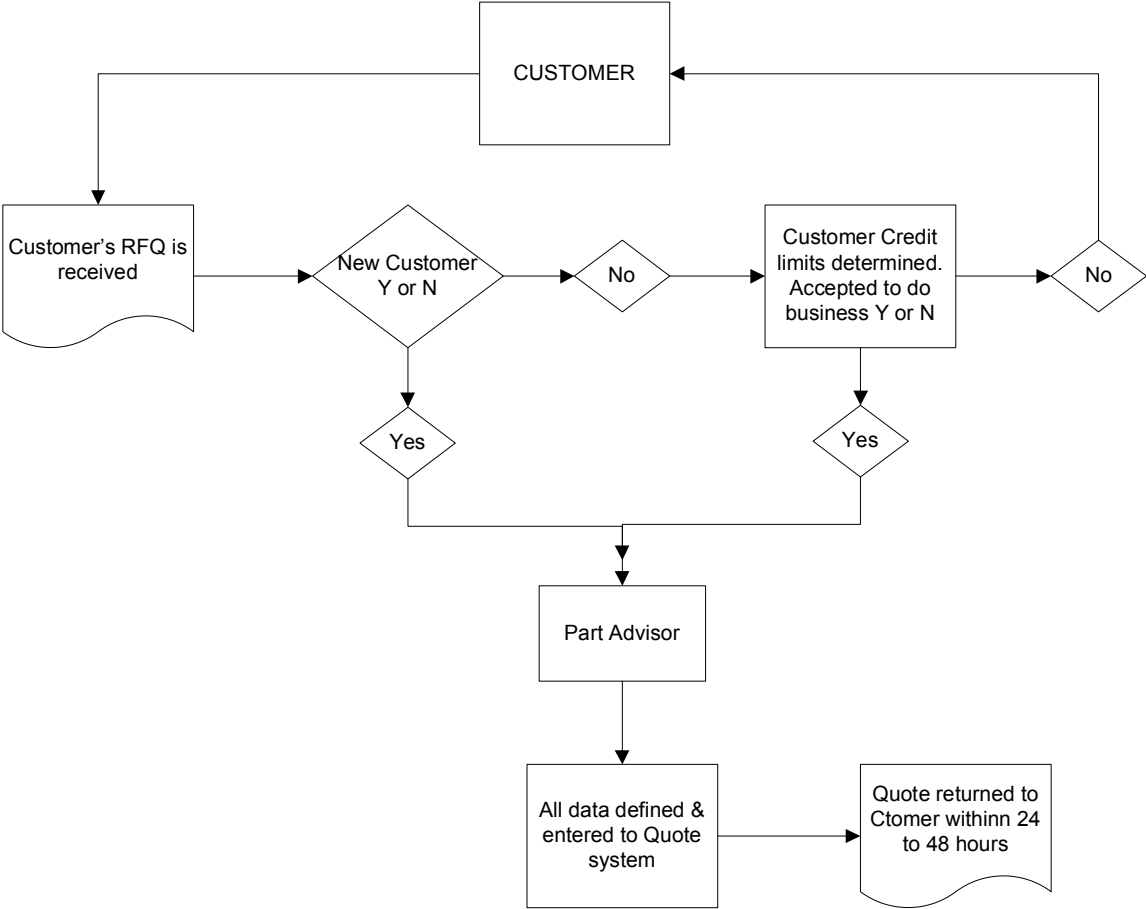
Key Business Process II - Receiving and Inspection.

Many manufacturing firms' waste valuable time & effort with their R & I functions while adding many dollars of non value to an item before any manufacturing value is added.
Items are received, moved to an inspection area and wait in an inspection queue for a sign off as accepted or rejected. Some firms anticipate this additional cost by adding "receiving burden" to every item that is purchased. Most of this additional cost can be averted by implementing **OHIO.**

Where to start?

Create a value process chart detailing every step in your present process for receiving and processing purchased material. You may need two or three paths if your business model has lot or serial control requirements, however, this can be an area ripe for savings and is exactly where **OHIO** can improve the process and speed up the through put.
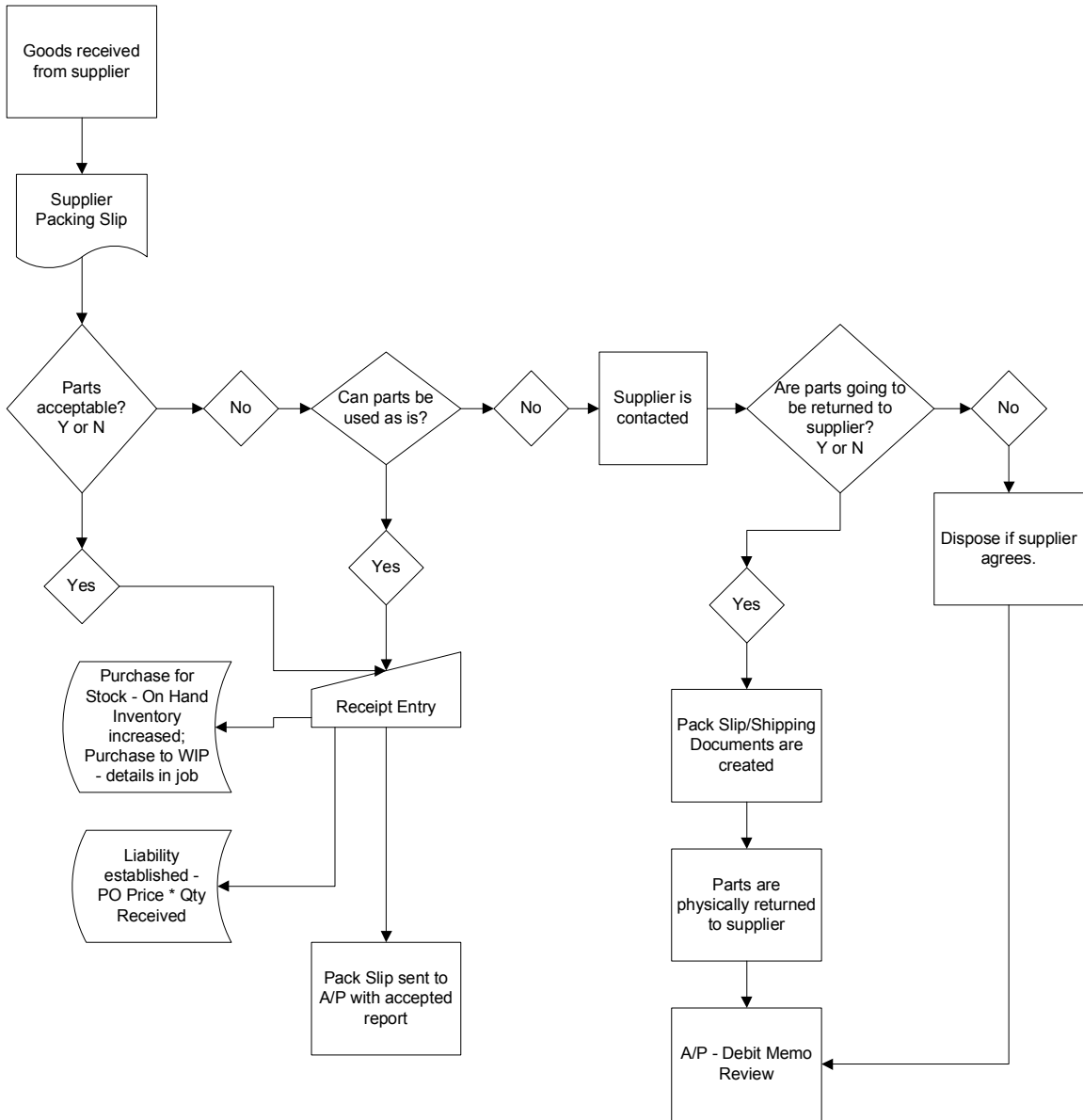
Important questions to ask are:

1. Why do we unload the material from the delivery truck; move it to receiving, look for the purchase order, process a receipt, move it again to an inspection area, inspect it, and if accepted move it to stock, find a location in the stock room, move it again to a specific location, then issue the material to a work order? Every step adds non value to the material. And we also know material becomes "lost" and or damaged during the many trips around the plant.

2. Are you using the system to its fullest extent to identify the suppliers that require inspection and how is this information communicated to receiving before the internal journey around the plant begins?

3. What process is in place to assign lot numbers to incoming receipts, where are lot numbers stored in the system and how is traceability maintained from receipt to issue and manufacture. All of this starts in receiving however, in many instances; various departmental hands often times will needlessly touch the process thus adding Non value.

4. How accurate is the RTV (rejected, returned to vendor) function already in place? Have you closed the loop among supplier, quality, purchasing and accounting? Do you actually issue and track debit memos. Is your purchasing and accounting department always on the same page for supplier debit memo status?

Document your process and look for ways to eliminate steps in the process, the dominate questions are "why are we doing this process and is it needed? If the answer is yes we must, simply verify the source...

See below for a simplified Receiving process sample.

Receiving Process Flow

Goods received from supplier

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Supplier Packing Slip

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Parts acceptable? Y or N → No → Can parts be used as is? → No → Supplier is contacted → Are parts going to be returned to supplier? Y or N → No → Dispose if supplier agrees.

Parts acceptable? → Yes

Can parts be used as is? → Yes → Receipt Entry

Receipt Entry → Purchase for Stock - On Hand Inventory increased; Purchase to WIP - details in job

Receipt Entry → Liability established - PO Price * Qty Received

Receipt Entry → Pack Slip sent to A/P with accepted report

Are parts going to be returned to supplier? → Yes → Pack Slip/Shipping Documents are created → Parts are physically returned to supplier → A/P - Debit Memo Review

Dispose if supplier agrees. → A/P - Debit Memo Review

Notes:

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