

Four Operational Strategies to Boost Your Business

Staying Competitive with an Integrated ERP System



When questions arise among manufacturing operation teams, members are often left scratching their heads in wonderment as to why current strategies aren't working. Routinely they are looking at complex solutions that require much of their time and resources that, in the end, do not provide the desired results. Learn how one tool offers multiple benefits throughout your organization.

Enterprise Resource Planning (ERP) software can benefit operations management in four key areas, boosting your business.

1. Compliance management

Risks of food contamination are well-known, and something that every producer is painfully aware of. While high profile contamination cases certainly get all the media attention, low profile cases can be equally devastating to small manufacturers. Even “voluntary” recalls for “possible” contaminations can influence consumers to switch loyalties to a brand they perceive as safe. Additionally, recent legislation adopted policies requiring mandatory recalls. Companies will serve their consumers and their own best interests by being prepared for a product recall.

One of the steps today’s food manufacturers are taking to prepare for recalls is implementing an integrated ERP system as part of an overall compliance management strategy. Being prepared will minimize the impact of potential food borne illnesses for both the consumers and the manufacturer. Having a solid system in place that includes ERP is part of the routine day to day efforts that help ensure food safety. Daily maintenance keeps compliance manageable, protects the health of consumers, and protects the manufacturer’s financials.

The global market presents quite a challenge for manufacturers when it comes to supply chain management. Having a complete traceability and recall readiness plan is important in managing supply chain risks. At a minimum, companies must adhere to the FDA’s “one-step up and one-step down” recall requirement. A competitive manufacturer, however, will go beyond one step.

An ERP system fits into supply chain and finished goods compliance management by providing complete lot traceability in which each product is stamped coming in and going out with a lot number. Consequently, a *batch* of product can be recalled when necessary as compared to a recall on an *entire production shift* of finished goods – saving the manufacturer tremendous unnecessary expense. With the level of precision an ERP system provides, a lot can be traced all the way back to the farmer leading to thorough and conclusive investigations on exactly where in the process a product became contaminated.

Rather than viewing compliance measures as a burdensome regulation to follow, manufacturers should look to compliance as a means of staying ahead of competitors. This is particularly beneficial when a recall becomes necessary in preserving brand loyalty. The faster the product recall, the less negative is the impact on the business. An ERP system stores all FDA required records and data with instant and easy access. Being able to provide accurate data to

the FDA quickly will minimize the impact of a recall. Recalling a specific lot of product is far less complicated than recalling up to a year's worth of product. The bottom line: compared to a product recall, ERP systems are quite affordable.

2. Accurate planning

Accurate planning and scheduling can reduce inventory costs by as much as 20% or more. The cost of carrying inventory includes interest, warehousing, handling, expiration, insurance, taxes, damage, and shrinkage, and can be as high as 25-30%. ERP systems help cut carrying costs by planning and scheduling purchases of only the items that are needed in the quantities that are needed. Orders and deliveries can all be coordinated with the production schedule, and can be changed as needed in the event of a delay or cancellation. Bills of material predict the materials required for production – not too much and not too little. Planned changes in the bills of material can also prevent inventory build-up or expiration. Additionally, orders can be processed faster, work-in-progress inventories reduced, and goods can be produced on demand with integrated ERP.

Another factor in helping reduce carrying costs is having visibility of the cost of materials and profit margins providing the opportunity to better manage overall cost structure. Integrated ERP systems provide complete visibility of all vendors and raw materials sources. Knowing cost factors can allow for negotiation with raw material vendors.

Better planning and scheduling also reduces direct and indirect labor costs by as much as 10%. ERP software provides a structured system that leads to fewer shortages and interruptions, as well as less rework and overtime. Plus, there are fewer rush jobs meaning employees spend less time doing extra material handling or setups, or tracking split lots or jobs that have been set aside. With an ERP system in place to manage production, managers have time to do what they were hired to do: manage employees. Managers can spend more time directing and training workers leading to better quality employees. They also have extra time for developing better management and production methods. Lastly, supervisors have better visibility of work that has been completed and work that needs to be done.

3. Complex formula management

Formulas are the lifeblood of an organization and the most significant reason for the business. Formula management is a key component, if not the most important function of ERP software. A good ERP will include a formula research and development (R&D) management system that will allow R&D staff to create and enter new formulas in the system. Once in the system, key physical properties and calculations can be seen and identified – both as the formula is being built as well as recording instructions unique to that formula. Robust ERP systems can track QC

tests, calculate labor costing, material costing, and overhead – all within the formula management application. This information provides quick visibility to how profitable an item is to produce.

A product revision tracking log is helpful in tracking changes to products over time in managing quality improvement or batch variations, but tracking revisions is also required by the FDA in the event of an audit. Complete batch ticket logging provides reporting for material transactions as well as user ID, date, and time stamp.

Some key aspects to complex formula management include recording ingredient percentages or actual quantities depending on the preference. A complete formula management system will also record intermediate mixtures – all those experimental mixtures that may be good for referencing but don't ultimately become a final product. In addition to storing mixture formulas, the ERP system should record manufacturing instructions and embedded mixture formulas, filling sequences, and packaging instructions on multiple level bills of material.

4. Quality control integration

When consumers develop loyalty to a brand, they trust that the products they know and love are going to be the same products each time they make a purchase. Manufacturers, therefore, strive to maintain consistency by eliminating variation. ERP systems ensure consistent products by giving each product a distinct identity with its specific ingredients and mixing instructions.

Quality control applications within an integrated ERP system help manufacturers eliminate variation while also making certain of regulation compliance and product quality. All products must be tested for safety and documented for auditing purposes. Documentation of tests and test results can be tracked within the ERP system.

Quality control applications will also generate a certificate of analysis providing evidence the item has been produced in a quality manner. Quality control personnel must continually monitor incoming raw goods and outgoing finished goods and enter status into the ERP system. The quality control application allows for identification of materials with a quarantined, approved, conditional, or rejected status. These statuses determine whether or not an item can be used in production. If anything does not pass quality standards upon inspection, raw materials can be refused or finished shipments can be stopped in the shipment process.

Conclusion: ERP for your business

A fully integrated ERP system can provide multiple business benefits to manufacturers. These benefits help manufacturers stay a step ahead of their competitors by improving business decisions through increased visibility and availability of business information. ERP software

offers compliance security and product quality by extending supply chain support beyond the immediate manufacturer. ERP also provides flexibility and control over inventory to reduce costs, waste, and production errors. ERP improves communication helping all departments within a manufacturing company achieve the same goal: providing safe, trusted products to consumers.

Resources

Available upon request.

About ProcessPro

ProcessPro is dedicated to providing quality ERP software solutions and services for process manufacturers. That is our mission. ProcessPro understands the unique requirements of the process manufacturing industry and uses that knowledge to create the software tools in an ERP designed specifically to meet the demands of the process manufacturing industry. For more information about ProcessPro, visit the website at www.ProcessProERP.com



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