



Introduction to SAP for ERP (Accounting and Finance)

Mr. Ijaz Yusuf
Director

Center for Supply Chain Research
School of Business and Economics
University of Management and Technology, Lahore

Email: director.cscr@umt.edu.pk Cell:
03054440603

What is ERP?

- Software tools
- Manages **business systems**
 - Manufacturing, Supply chain, receiving, inventory, customer orders, production planning, shipping, accounting, HR, CRM, SRM, DSS, Financials
- Allows **automation and integration** of business processes
- Enables **data and information sharing**
- **Enterprise-wide** system
- Introduces “best practices”

ERP Definitions

- ERP Systems **attempts to integrate** all data and processes of an **organizations into a unified system.**
- ERP is integrated software that **supports the information flows** among the **processes in the Supply Chain.**

ERP SOFTWARES

- SAP
- BANN
- JD Edwards
- Karen
- Sage
- Microsoft Great Plains (GP)
- Engineer Link
- People Soft
- Oracle
- Client Serve Three
- ezijobz
- MRP(II)
- Lease Soft
- eX.e.ge.Sys

BUSINESS PROCESS MODULE

- Sales and Distribution
- Production Planning
- Financial Accounting
- Human Resources
- Material Management
- Plant Maintenance
- Quality Management
- Project Management
- SRM, CRM

Evolution of ERP

- **1960s: software packages with inventory control**
- **1970s: MRP systems**
 - Production schedule with materials management
- **1980s: MRPII systems**
 - Adds financial accounting system
- **1990s: MRPII**
 - Integrated systems for manufacturing execution
- **Late 1990s: ERP**
 - Integrated manufacturing with supply chain

Why ERP

- Benefits to our customers
 - Cost
 - Quality
 - Delivery
 - Flexibility
 - Integration
 - Service
 - Inventory
 - Productivity

ERP Helps in....

- Decision support system (DSS)
- Smooth flow of routine process
- Automatic record keeping
- Common inter-department resource pool
- Better planning at all levels
- Data warehousing & various self-service interface for customers, suppliers & employees

Overall Business Benefits

- Information
 - Maximizes information throughput
 - Provides timely information
 - Integrates information throughout supply chain
- Minimizes response time
- Pushes decision making down to lowest levels
- Reduces costs
- Cuts inventory
- Improves operating performance

Department Benefits

- Sales
 - Increased efficiency
 - Lower quotes, reduced lead time, improved responsiveness
- Manufacturing
 - Concurrent engineering
 - Faster design and production
- Data Service
 - Accurate customer service history and warranty information
- Accounts Payable
 - Suppliers paid accurately

Department Benefits

- Supply Chain Management
 - Supply Chain Planning, Claim Processing, Commission calculations, Supplier scheduling, Inspection of goods, order entry, Inventory
- Project Manufacturing
 - Costing, billing, time & expense, activity management
- Financials
 - Cash Management, Fixed assets, General ledger, Accounts Payables, Accounts Receivables
- Data Warehouse
 - Self-service interface among Suppliers, Customers, Employees

Systems Benefits

- Eliminating legacy systems
 - Reduces incompatible data
 - Can cause fragmentation
- Allows sharing and monitoring of information across organization
- Foundation of e-Business
 - Back-office functions
- Standardization
- Helps obtain and maintain competitive advantage
- Improved interactions with customers and suppliers

Disadvantages

- Limited training budget
- Lack of Skills and Experience
- Cost estimate is \$ 30,000 to 500,000,000
- Limited technical staff
- Systems difficult to use
- Too rigid system
- Compatibly problem with legacy systems



Email: director.cscr@umt.edu.pk Cell:
03054440603

About SAP “The Company”

- SAP AG, the pioneer in ERP systems is on 1972 by five former IBM employees in Mannheim, Germany.
- Rank in top 2 companies (with Oracle) with 25.4% Market share in the world.
- Revenues more than € 9 billion or 2.57 billion dollars.
- Initial breakthrough was R/2 for mainframes in 1979
- R/3 was in 1992 with user of more than one million worldwide
- First two customers of SAP are CompUSA Inc. & Home Depot in retail market (source data 2007)

About SAP

- More than 102,500 customers in more than 120 countries run SAP applications
- SAP currently employs more than 47,578 people in more than 50 countries
- Providing 28 Industry Solutions
- More than 21,600 companies run SAP
- More than 70,000 installations.

Overview of SAP ERP Software Package

- SAP R/2 & SAP R/3

Advantage of SAP R/3

- Highly customized
- Scalable
- Suited to all types & sizes of organizations
- Allow data sharing
- Employee use concurrently
- System built on a three-tiered
 - Client/server architecture
 - Proprietary programming language ABAP/4
 - Compatible with all major DBMS vendors

SAP R/3

- SAP R/3 connotation signifies a three –tier system consisting of
 - Data Base at the backend
 - Application
 - GUI (Graphical user interface)
- An Open Distributed System is **made up of components** that may be obtained from a **number of different sources**, which together **work as a single distributed system**.

SAP Industry Solution

- Why Industry solution
 - Aerospace Industry
 - Defense Industry
 - Utilities Industry
 - Automotive
 - Banking
 - Health Care
 - Pharmaceuticals and Others
 - Improved speed, Accuracy, Efficiency, Productivity, Revenue

SAP Projects in Pakistan

- Siemens Pakistan
- Pakistan Refinery Ltd
- Packages Ltd
- Jahangir Siddiqui & Company
- ICI Pakistan (Pvt) Ltd
- Indus Motors
- Engro Chemical Pakistan Limited
- Auditor General of Pakistan (PIFRA)
- Pakistan Petroleum Limited
- Pakistan State Oil (PSO)
- Atlas Honda Ltd.
- National Refinery Limited
- Thal Jute Mills
- Lakson Tobacco

IMPLEMENTATION PROBLEM

- Costly if not managed properly: variables that affect Cost of *implementation* are scope, resources, methodology and management.
- Business terminology do not match with functionality in ERP
- Does not define and refine the scope as project progress
- High turnover of employees
- Lack of upper management support
- ERP Team must be empowered to make decisions without being second-guessed by management.

ERP SOFTWARE LICENSING FEE

- Simple Customized ERP to SAP fee varies from Rs. € 35,000 (Basic) to € 180,000 (Comprehensive)
- Minimum \$695 per seat for initial purchase and \$95 for renewal

ERP SOFTWARE HOUSES

- www.sap.com
- www.ezijobz.com
- www.eXegesys.com
- www.sage.com