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

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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

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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

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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

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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

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SAP

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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 ABAB/4
    - Compatible with all major DBMS vendors

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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

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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

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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.

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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

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ERP SOFTWARE HOUSES

- www.sap.com
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