

THE 5TH ELEMENT FOR ERP SUCCESS

Much like the four elements of Greek Mythology, there are four commonly known elements of successful ERP implementations:



DATA MANAGEMENT



STANDARDIZED AND SHARED DATA



OPERATIONAL PHILOSOPHY



BUSINESS STRATEGY



Did you know there is a 5th and final element, which serves as the foundation for the rest to work? It's an expanded level of knowledge brought about by the use of key performance indicators. This is crucial to the success of your ERP implementation.

THE 5TH ELEMENT OF ERP: 16 KEY PERFORMANCE INDICATORS

Measuring the essential 16 ERP KPIs can help to answer two fundamental questions about the health of your manufacturing operations:


How well are you using the system to manage the flow of material from suppliers and through the internal supply chain?

How well are you making and keeping promises to customers and the resulting profit for stakeholders?

1

PROJECTED INVENTORY ANALYSIS

Establishes the rate of production for the period of time defined by your cumulative manufacturing lead-time.



2

ABC ANALYSIS




Finds the parts that are most significantly affecting inventory and cost of goods sold values by measuring inventory velocity.

3

INVENTORY TURNS ANALYSIS

Effectively turns inventory faster by understanding the relationship between COGS and inventory values.



4

INVENTORY ANALYSIS

Looks at the levels of stockroom inventory and establish trends over time.



5

SAFETY STOCK ANALYSIS


Monitors supply chain conditions and identify and manage trends to determine the ideal balance of parts to buffer forecast errors, uncertainties in lead times, and desired service levels.



6

WORK IN PROCESS ANALYSIS


Determines the current values of inventory controlled by release shop orders, not only at the total value but also the percentage of each aging bucket to the total WIP value.



7

OBSOLETE, SURPLUS AND ACTIVE (OSA) ANALYSIS


Establishes processes to determine why excesses are being created, and then develop a plan of action to dispose of it.



9

LEAD TIME ANALYSIS (INCOMING)

Uncovers how well the system is planning with further analysis of supplier performance through review of actual versus planned lead-time.



8

SUPPLIER PERFORMANCE ANALYSIS

Analyzes how well suppliers are delivering based upon their quoted delivery date, and determine candidates for replacement.



10

PURCHASE PRICE VARIANCE ANALYSIS

Determines how well you are purchasing according to standard costs and planned material budgets.



11

SALES ORDER ANALYSIS


Monitors open sales orders in relation to their due dates to take effective action on past due orders, as well as watching the sales horizon on future sales.



13

SHIPPING PERFORMANCE ANALYSIS

Determines the rate of orders shipped in the right quantity at the promised time, and how well you are meeting the promises made to customers on sales orders.



12

AGED SALES ORDER ANALYSIS

"Slices and dices" the dollar amount of open sales orders to assess the overall health of the business.



14

QUOTED LEAD-TIME (OUTGOING) ANALYSIS

Measures how well you are promising customer deliveries around your current lead-times.



15

INVOICE ANALYSIS


Monitors the overall health of the business by measuring the dollar amount of sales orders shipped and invoiced.



16

PROFIT ANALYSIS

Tracks the profit generated by period, by customer, to understand which customers are contributing, both favorably and unfavorably, to the bottom line.



Does your ERP system easily measure these KPIs?
Learn more about the 5th element of ERP
max4erp.com/5th-element-erp