CONTINUATION TO PART 1:

MAJOR BUSINESS PROCESSES

- A business process, as we have seen, is a set of tasks or activities that produce desired outcomes.
- An organization has numerous processes to achieve its objectives. Four processes are directly related to creating and delivering products. They are buy, make, sell and finance. Organizations use specific terms to identify these processes.

1. **PROCUREMENT OR PURCHASING PROCESS (BUY)** – refers to all of the activities involved in buying or acquiring the materials used by the organization, such as raw materials, components, consumables, etc., that are needed to make the goods.
2. **PRODUCTION OR MANUFACTURING PROCESS (MAKE)** – involves the actual creation of the products within the organization. While the production process is concerned with acquiring needed materials internally (by making them), the procurement process is concerned with obtaining needed materials externally (by buying them).
3. **FULFILLMENT PROCESS (SELL)** – consists of all the steps involved in selling and delivering the products to the organization's customers.
4. **FINANCIAL MANAGEMENT PROCESS (MANAGE MONEY)** – consists of two major areas – financial accounting and management accounting (also known as management controlling). Financial accounting processes tract the financial impact of process steps with the goal of meeting legal reporting requirements, while management accounting or controlling processes focus on internal reporting to manage costs and revenues.

Closely related to buying, making, selling and money management are four processes used to design, plan, store and service products. Once again, organizations use specific terms for these processes.

1. **PRODUCT DATA MANAGEMENT PROCESS (DESIGN)** – supports the design and development of products from the initial product idea stage through the discontinuation of the product.
2. **PRODUCTION PLANNING PROCESS (PLAN)** – uses historical data and sales forecasts to plan which materials will be produced, in what quantity and when.
3. **INVENTORY MANAGEMENT PROCESS (STORE)** – is used to store and track both the raw materials and finished goods ensuring that there is no surplus stock or shortage.
4. **CUSTOMER SERVICE PROCESS (SERVICE)** – is used to deliver after-sales customer service such as repairs.

There are two support processes, which are equally important: managing the people and meeting the information needs of the organization.

1. **HUMAN RESOURCES MANAGEMENT (HRM) PROCESS (PEOPLE)** – focus on the people within the organization and include functions such as recruiting, hiring, training and benefits management.
2. **INFORMATION MANAGEMENT (IM) PROCESS (INFORMATION)** – focus on providing the decision-makers the right information at the right time so that they make quality decisions and use information as a competitive weapon.

OTHER TERMS:

- **MASTER PRODUCTION SCHEDULE (MPS)** – is created using the production quantity and when and how much to produce. The MPS will specify the required quantity for a particular period for each finished product. MPS is used to know the number of the items that are to be produced, the planned inventories of raw materials, finished products and parts, etc. MPS tells the company what is to be produced and the time by which the production has to be completed.
- **BILLS OF MATERIALS (BOM)** – it is the list of raw materials, sub-assemblies, intermediate assemblies, sub-components, components, parts and the quantities of each needed to manufacture an end product. BOM will give the complete list and quantities of each and every raw material, component, and other consumables that are required for producing the goods according to the MPS.
- **PRODUCTION PROCESS PLAN** – contains the list of raw materials, the machines, and other resources required and the sequence of operations that have to be performed to produce a product.
- **PLANT LAYOUT DOCUMENT** – will show the arrangement of the workstations and machines that is required to produce the product.
- **SKILL INVENTORY** – is a list of skills required for producing the product. It will depend on what operations are to be performed and how much time each operation will take. The skill inventory will list the skills needed and the number of workers required for each.
- **MANPOWER CHART** – is a list containing names of people delegated in the production line.

EVOLUTION OF ERP

TIMELINE	SYSTEM	DESCRIPTION
1960s	Inventory Management and Control	Inventory management and control is the combination

		of information technology (IT) and business processes of maintaining the appropriate level of stock in a warehouse. The activities of inventory management include identifying inventory requirements, setting targets, providing replenishment techniques and options, monitoring item usages, reconciling the inventory balances, and reporting inventory status.
1970s	Material Requirement Planning (MRP)	MRP utilizes software applications for scheduling production processes. MRP generates schedules for the operations and raw material purchases based on the production requirements of finished goods, the structure of the production system, the current inventories levels, and the lot sizing procedure for each operation.
1980s	Manufacturing Requirements Planning (MRP II)	MRP II utilizes software applications for coordinating manufacturing processes from product planning, parts purchasing, inventory control to product distribution.
1990s	Enterprise Resource Planning (ERP)	ERP uses multi-module application software for improving the performance of the internal business processes. ERP systems often integrate business

		activities across functional departments from product planning, parts purchasing, inventory control, product distribution, order fulfillment to order tracking. ERP software systems may include application modules for supporting marketing, finance, accounting, and human resources.