

5 Critical Issues for ERP in Project-based Manufacturing

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Some of the key concerns for project-based manufacturers:

- **No surprises** -- When the end-of-project audit shows a project was less profitable than planned, people get fired.
- **Late milestones** -- Late deliveries are an issue for any company, but missing a milestone on a project typically means you can't invoice on time. This leads to immediate cash flow issues. Project-based manufacturers typically have to carry heavy cash reserves for this lack of predictability.
- **Over budget** -- Not much needs to be said here. Just a plain lack of timely visibility is a huge problem.

Project-based ERP systems need to be able to handle more than just the scheduling and engineering planning that most people associate with project management activities. [Project-based ERP has to handle everything project-based](#). ERP in a project environment has to handle areas from tracking **earned value in support of revenue recognition** to detailed tracking of costs by project and task. The project-based manufacturer has to buy a standard MRP-based ERP system and then fill in either with costly and error-prone manual processes or technical services to build what is needed.

So the five critical areas you need to evaluate your ERP system for to determine if it truly supports project-based manufacturing are:

1. **Bidding and Quoting** -- The success of a project-based manufacturer is built around bidding accurately and quickly. How many companies spend significant capital on CRM systems and then turn around and have an extremely manual system for quoting that is sometimes just a guess.
2. **Project Visibility** -- Every project manager's bane is coming in every morning and having to shuffle through paper reports. A significant amount of time is spent reacting to requests for status on purchase, stock, WIP, shipping and costs. The cash flow of the company depends on having an efficient and disciplined process for meeting milestones and tracking cost to earned value. Failure in either of these process can be costly and in smaller companies lead to financial ruin.
3. **Managing Change** -- Change is a given, how you and your systems handle it will make or break a company. Many companies build systems to fight change and eliminate it. In project-based manufacturing, embracing and managing change can not only be the competitive differentiator you need, but lead to exceeding a projects financial goals.

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4. **Financial Performance Tracking** -- Being able to convert meeting milestones and costs will lead to higher profits and industry leading cash flow. Because in the end, its all about taking milestones, cost, and earned value and getting proper revenue recognition
5. **Rapid Time to Value** -- And last but not least, getting the system in and running so you can start getting the value from it as soon as possible. The system has to be built for you industry and mode of manufacturing. It has to be engineering oriented and inventory centric. The system has to be preconfigured as much as possible for project-based operations.

So taking all these things into account, you want to make sure that each of these items are covered. Along with that, some other items to look for:

- Standard reports that track project status, costing, and earned value
- Project wise MRP & cost, assembly cost, consumption reports, production performance & pending,
- Project wise delivery, sales and pending
- Project wise purchase, inventory, non-moving stock, consumption, etc
- Access to historical costs, quotes, and projects for rapid bidding
- Aftermarket and field service management capabilities

Taking all these points individually, a lot of ERP systems contain some of these capabilities. But viewed as a whole, you can quickly determine whether, as a project-based manufacturer, an ERP vendor is committed to your business. And one thing not overlook is that the ERP system still has the capability to handle more traditional MRP-based manufacturing. Even heavy project-based companies still need to manage inventory and operate the shop floor.

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