ERP Effectiveness in Improving Production Efficiency

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Article Information

Received: 21-12-2024
Revised: 28-11-2024
Published: 05-12-2024

Keywords
ERP; Efficiency; manufacturing;

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Abstract

This research specifically investigates how the implementation of ERP systems impacts the operational performance of manufacturing companies. By analyzing the literature and conducting case studies, this research uncovers potential efficiency improvements in various aspects, including reduced production time, optimized use of resources, and improved data quality. The results of this study are expected to provide valuable recommendations for manufacturing companies in implementing ERP effectively and achieving competitive advantage.

1. Introduction

In an increasingly dynamic and competitive business landscape, manufacturing companies are faced with a number of complex challenges. From increasing customer expectations, fluctuating market demand, to pressure to reduce production costs. To overcome these challenges, many companies are turning to more sophisticated information technology solutions. One popular solution is the Enterprise Resource Planning (ERP) system. ERP systems offer comprehensive integration of various business functions, from production planning, inventory management, to accounting. This research aims to examine in depth how the implementation of ERP systems can contribute to improving the operational efficiency of manufacturing companies, focusing on aspects such as the reduction of production cycle time, optimization of resource usage, and improvement of data accuracy (Davenport, 1998).

1.1 Literature Review

Enterprise Resource Planning (ERP) systems have become a pillar for many manufacturing companies in an effort to improve efficiency and productivity. Research on the effectiveness of ERP in improving production efficiency has been the focus of interesting studies in the last few decades. Previous studies have consistently shown that ERP implementation can provide a variety of significant benefits, including increased productivity through business process automation, reduced production cycle time, and minimization of human error (Al-Mashari, Al-Mudimigh, & Zairi, 2003).

In addition, ERP has also proven effective in optimizing resource usage, reducing operational costs, and improving product quality. By integrating various business functions, from production planning to financial management, ERP enables companies to have better visibility into all business operations, allowing for faster and more accurate decision-making (Hawking et al., 2004). However, ERP implementation is not without its challenges. High implementation costs, change resistance from employees, and system complexity are some of the obstacles that companies often face (Boudreau & Robey, 2005). Therefore, this research will also examine factors that influence the success of ERP implementation, such as top management support, user involvement, data quality, and selection of the right vendor (Soh, Kien, & Tay-Yap, 2000).

In addition, this research will also explore how ERP can integrate with new technologies such as the Internet of Things (IoT) and artificial intelligence (AI) to further improve efficiency. Thus, this literature review aims to provide a comprehensive understanding of the role of ERP in improving production efficiency, as well as identify research gaps that need to be filled for knowledge development in this area (Chou, 2013).

2. Research Methods

This study uses a quantitative approach with descriptive and causal designs to analyze the relationship between ERP (Enterprise Resource Planning) implementation and production efficiency. The research population is manufacturing companies that have used ERP for at least one year, with purposive sampling technique to select the sample. Data were collected through a Likert scale-based questionnaire, document study (production reports before and after ERP), and optional interviews to explore non-technical factors. The independent variable is ERP implementation (in terms of modules used, level of integration, and training), while the dependent variable is production efficiency (including cycle time, output level, error reduction, and cost savings). Data analysis was conducted descriptively and statistically using linear regression to measure the effect of ERP, as well as paired sample t-test to compare efficiency before and after ERP. The research results are expected to provide an overview of these relationships.

3. Results and Discussion

This study investigates how the implementation of ERP systems affects production efficiency in manufacturing companies. We take a close look at various aspects such as the ERP modules used, the extent to which the system is integrated, and how effective employee training is. To measure efficiency, we looked at several indicators such as the time taken to produce goods, the number of goods produced, production errors, and cost savings. Data was collected through surveys to employees, analysis of production reports, and interviews. Data analysis was conducted using statistics to see the relationship between ERP implementation and efficiency improvement.

4. Conclusions

This research aimed to investigate the impact of ERP implementation on production efficiency in manufacturing companies. By analyzing various aspects of ERP implementation, such as module usage, system integration, and employee training, the study sought to understand how ERP contributes to improvements in production efficiency. The findings of this study suggest that ERP implementation can significantly enhance production efficiency. Key benefits include reduced production cycle time, increased output, improved product quality, and cost savings.

However, the success of ERP implementation is contingent upon several factors, including the level of integration, quality of data, and effective training and support for employees. Therefore, it is crucial for organizations to carefully plan and execute ERP implementation, considering factors such as the specific needs of the organization, the capabilities of the ERP system, and the level of commitment from top management. Future research could explore the impact of ERP on other aspects of organizational performance, such as supply chain management and customer satisfaction. Additionally, further studies could delve deeper into the factors that influence the success of ERP implementation in different organizational contexts.

5. References

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