

# PLASTICS

## Machinery & Auxiliaries

- Machinery
- Auxiliaries
- Tooling
- Components
- Materials

## Words of Wisdom



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### ERP for beginners

compelling to ignore. It makes sense to replace a paper calendar or multiple outdated accounting and spreadsheet software programs with an integrated system that stores and sorts the information flowing in from all areas of your plant floor, front office, and supply chain. A properly implemented ERP system can deliver good results and dramatically improve your ability to reduce costs, run leaner, and provide good customer service. That's the good news.

The bad news is that the track record of ERP within the plastics and rubber industries has been less than stellar. Overall abandonment rates of ERP for generic manufacturing range from 10 to 25 percent.

Estimates within the plastics and moldmaking industries put the failure rate at close to 30 percent. Not exactly the success rate you want when you invest in expensive software for your business, is it?

Now, before you throw up your hands and dismiss ERP, let's take a look at your reasons for needing an ERP system and some of the things you can do to increase your ability to reap the benefits that ERP offers.

#### THE BASICS OF ERP

Let's start at the beginning. ERP puts into action a very simple concept: managing each area of your business efficiently. At its inception in the '90s, ERP meant the integration of manufacturing resource planning, or MRP, and some accounting and human resource management functions. At its heart is the ability to match inventories with demand: schedule manufacturing operations, create work orders, track labor and materials, and tie manufacturing to other areas of the business, such as sales and distribution, accounting, production monitoring, and reporting.

Since its inception, ERP has broadened to encompass many more functions. Indeed, in addition to the core manufacturing and front office functions, ERP has expanded to include elements of customer relationship management (CRM), warehouse management systems (WMS), electronic data interchange (EDI), and even integrated quality management (IQM), which goes beyond the four walls of the enterprise. The term "ERP II" is now

Chances are you've heard the buzz around ERP (enterprise resource planning), the software that integrates scheduling, production, sales, accounting, and other manufacturing and front office tasks into one computer-based system. Sounds good on paper and, indeed, a properly implemented ERP system can deliver production efficiency, reduced labor costs, and improved customer service, no matter the size of the manufacturer.

ERP as a concept is simply too

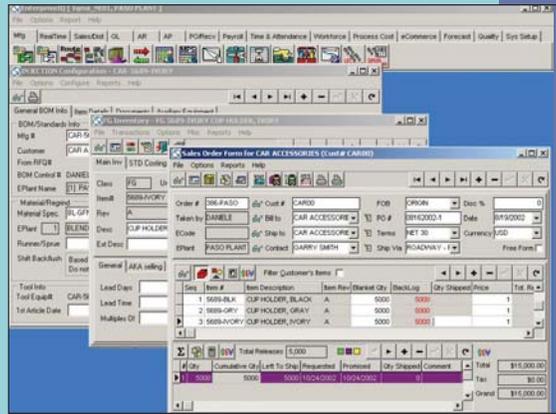
identifies systems that integrate these new features into ERP systems.

## THE REAL DEAL

So what does this all mean for plastics processors? And what should you look for in an ERP system, and the vendor that provides it? After all, even some ERP systems that claim to be “plastics-specific” are missing major capabilities, such as integrated real-time production monitoring, customer relationship management, and the quality control so critical to maintaining ISO and other quality certifications.

■ **Set realistic goals.** A good ERP system can make you a more efficient manufacturer and pave the way to future growth, but it won't do this overnight. Before you begin the search for a new ERP system, you should look at what it is that your business is lacking with its current system, whether it be computer or paper based, and use it as the starting point for your ERP search. A good ERP vendor can help you define and refine your goals and objectives and lay a blueprint for how the software addresses those goals and objectives.

■ **Choose software suited to your industry or type of manufacturing.** Look for a software package suited to what you do. Does it have easy creation of new projects? Does it have graphics scheduling and allow you to easily convert sales orders into work orders? Can it handle the unique demands of a contract manufacturing environment? If your mold shop is part of a larger manufacturing organization, does the ERP system link to those

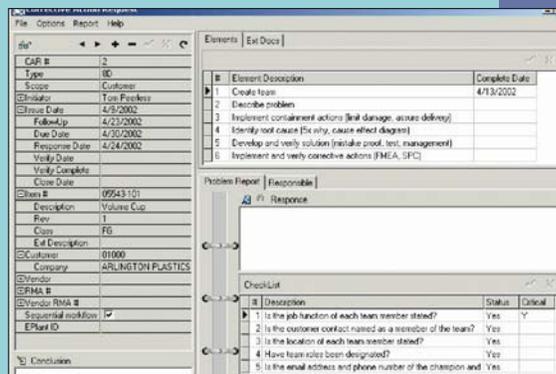


*The power of an ERP system lies in its ability to integrate your business processes into one single data source.*

*Choose a system that allows you to move quickly through all areas of the software, rather than a patchwork of “best-of-breed” solutions.*



*Customer Relationship Management, or CRM, is now standard with many ERP systems. To avoid costly customizing and troublesome interfaces, make sure your CRM is developed by your ERP vendor, rather than patched from a third-party vendor.*



*Some advanced ERP systems offer integrated quality management, such as the corrective action request protocol demonstrated above, which is vital to maintaining certifications such as ISO and QS.*

other manufacturing types? There are many software packages that claim to be “plastics-specific,” but few can handle the specific requirements of plastics processing without costly customizing.

■ **Choose a vendor that knows your industry.** One of my favorite stories is from a large plastics processor who invited a generic ERP vendor, who shall remain anonymous, to come in for a sales demonstration. The presentation included three well-dressed salespeople, high-tech graphics, eye-catching charts, and lots of formidable-sounding technology jargon. There was just one problem with the demonstration: It was on how to manufacture wooden cabinets. What was supposed to be a sales demonstration turned into a tutorial, with the manufacturer giving the ERP salespeople an ad-hoc lesson on how to manufacture and assemble plastic products. The point is that you can save a lot of grief if you begin your selection with ERP vendors that have experience with repetitive manufacturing environments such as plastics processing. Ask vendors for references.

■ **Choose an ERP system that already integrates the features you need.** When you evaluate ERP packages you should look at the core features that come integrated into the sticker price, as well as those that can be added on as your company grows. Experience proves that you can reduce your imple-

mentation time and ultimately have a more productive system if you choose an ERP program that integrates the features you need rather than requiring you to bundle a lot of third-party software together. Many ERP horror stories begin and end with getting two software systems to talk to each other. The less time you spend interfacing your ERP package with other software systems, such as your document control and workflow for ISO, the happier you'll be.

If you need real-time production monitoring, graphic scheduling, links to the general ledger, the ability to account for family tooling capabilities, or "capable to promise" (a function that lets manufacturers evaluate current inventory and capacity to determine fulfillment capabilities), make sure that they're integrated as core features. More importantly, make sure they are on the same database so you don't end up managing two or three separate sets of data. Create a priority list of the functions you need and grade each vendor on its ability to meet those needs with its own native products.

■ **Buy to what your needs will be in a year and beyond.** It's understandable, especially in the slowed economy, for plastics processors to want the lowest-priced ERP system available. Unfortunately, the old adage that "you get what you pay for" is especially true when it comes to ERP systems.

When you buy an ERP system you're making an investment that affects every area of your business from that point forward. Maybe one of the low-priced or off-the-shelf software products is ideal for your current situation, but does it have the features or scalability that will allow your business to grow in the long term? Does it provide the integration—between your sales orders, general ledger, and manufacturing, for example—that you need to make your operations more efficient? Does the software come with the training and implementation support

crucial to the success of the project?

■ **Select an ERP system that is intuitive and easy to use.** So you've read the marketing materials and sat through a sales demonstration for an ERP software system that promises all the features you need. Then you take a hands-on tour of the software and realize that it is difficult to navigate, impossible to jump between different areas of the software, and in no way is related to how you manage your manufacturing operations. The result: disaster. No matter how sophisticated or func-

**T**HERE WAS JUST ONE PROBLEM WITH THE SOPHISTICATED DEMONSTRATION OF THE GENERIC ERP PACKAGE. IT WAS ON HOW TO MANUFACTURE WOODEN CABINETS.

tional the software is, if it's hard to use or time-consuming to operate it can likely offset many of the reasons you decided to install an ERP system in the first place. Ease of use should be a primary factor on your ERP evaluation checklist. If you find it hard to use, chances are that other system users will find it hard to use as well.

■ **Get a guarantee.** A famous pundit once remarked, "Nothing guarantees like a guarantee." Let's face it, although you hope it never comes to it, a money-back guarantee is your ace in the hole if the system does not deliver as promised. Some vendors offer a 30- or 60-day guarantee, barely enough to cover the installation time. Demand at least a one-year guarantee. If you don't see progress on your goals and objectives for the project, don't be afraid to use the guarantee.

■ **Invest in training.** Once the implementation period is over, you're ready to go live with your system and reap the benefits of ERP. However, the system is only as good as the people who use it. The faster your system users begin using the full capabilities

of the software, the quicker you will see return on investment.

In order for this to happen, you need to make sure that each system user understands how the software works as it pertains to his or her job function. As part of your ERP budget, you should set aside a percentage to invest in ongoing training for your employees. Many manufacturers successfully employ the "train the trainer" model where selected employees undergo extensive training in the software and are then responsible for training other staff back at the plant.

If time and travel costs are still too much to bear, consider Internet-based training, a great way to train new employees or brush up on a specific area of the software. Make sure your ERP vendor provides cost-effective training options to suit your specific needs. Also make sure that your ERP vendor can give you an honest assessment of your business processes and provide road maps for improvements before the software is installed. Look for certifications from organizations such as APICS to ensure that best practices are followed in implementing your software. Don't put good software on top of bad processes.

■ **Finally: Don't be afraid to ask questions.** An ERP system will affect every area of your business and operations, from the front office to the shop floor. Even if you're a small shop, it will have a profound effect on how you do business. Therefore, it's crucial that you understand exactly what you're buying.

ERP is simple in theory but often complex in practice, as evidenced by the alphabet soup of acronyms that describe some of its features and

capabilities. Make sure you get answers to your questions, and understand what's behind the technical jargon. Keep asking until you get the answer you need. After all, you're the customer.

### **ACHIEVING ERP**

The right ERP system can do wonders for your bottom line in terms of

reduced labor costs, better scheduling efficiency and use of material and resources, and improved customer service. The return on your investment can be immediate.

Implemented poorly, however, ERP can bring on a world of headaches and frustration. To stay out of the ERP trap, learn from the experience of others, don't be afraid

to ask the right questions, and, most importantly, be sure to know what you want ERP to do before you begin the process. **PM&A**

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