OBJECTIVES, PROCESSES, AND INFORMATION SYSTEMS

Objectives

Understand purpose of a business.
Understand functional structure of medium to large companies.
Understand business process concept.
Fundamental purpose of a business

Sustain ongoing business operations by meeting a need of a targeted customer base in a mutually beneficial manner.

Contemporary workforce demands

**Task worker**: routine, structured tasks.

**Knowledge Worker**: less structured work that involves processing or acting on information. Creates, receives, processes, or interprets information.
**Business structure**

**Functional areas**

Based on division-of-labor, specialization principles

- Purchasing
- Operations
- Warehouse
- Sales & Marketing
- Research & Development
- Finance & Accounting
- Human Resources
- Information Technology

**Purchasing—common functions**

Material Sourcing
Operations (Logistics)—common functions

Production
Production Planning, Scheduling
Production Monitoring
Quality Control
Plant Maintenance

Warehouse—common functions

Receiving raw materials
Storing raw materials
Managing stored stock
Issuing/retrieving stock
Above for finished goods
Outbound logistics
### Sales and Marketing—common functions

- Market Research
- Market Analysis
- Marketing Strategy
- Sales Force Management
- Order Processing
- Customer Support
- Sales Forecasting
- Corporate Communication
- Public Relations
- Promotions

### Research and Development—common functions

- New Product Development
- Existing Product Enhancement
- Strategic R&D for other business units (production, sales, etc.)
- Reverse Engineering
Accounting and Finance—common functions

Financial Planning and Budgeting
Financial Accounting
Cost and Managerial Accounting
Capital Management (Loans, Stock, etc.)
Cash Management
Governmental Reporting Compliance

Human Resources—common functions

Recruitment
Retention
Training
Compensation
Benefits Management
Worker Representation
Health and Safety
Administration and IT Support—common functions

Top Corporate Management
Long-Range Planning
Clerical Support
  Day-to-day reports, filing and recording, mail handling, reception, etc.
Cleaning and Building Maintenance
Security
IT Technical Support
  Computer Hardware, Software, Network Management

Isolated Kingdoms
Functional Areas of Operation

Functional areas are interdependent. Better integration of functional areas leads to improvements in communication, workflow, and overall efficiency.

Information system (IS): Computers, people, procedures, and software that store, organize, and deliver information.

Business Processes, Business Models

Business Process:


Business Model:

Encompasses what a business is doing, how, and why.
**Business Processes and ERP**

Business Processes cut across functional departments and require coordination.

**Enterprise Resource Planning** (ERP) is an effort to establish a highly integrated, cross-functional business structure based on information sharing among various business process participants.

- Focus is on maximizing efficiency and use of resources.
- In modern organizations likely to be mediated and managed by software—integrated information system.

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**Cross-functional Business Processes**

[Diagram showing cross-functional business processes including Procurement Process, Fulfillment Process, and others.]
Sales Order Process (Order-to-Cash)

- Sales Order Entry
- Check Availability
- Procurement Process
- Pick Materials
- Post Goods Issue
- Invoice Customer
- Payment to Vendor
- Goods Receipt
- Invoice
- Purchase Order
- Determine Needed Materials
- Sales Order Entry
- Receipt of Payment
- Invoice Customer

Process Integration

Based on material in Intro to ERP, SAP University Alliances Curriculum
**Process Integration**

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**Information Silos**

Historically, functional areas maintained independent information systems.
Paper-based Process

Unified Process with EIS
SAP History

"I think the most profound effect R/3 has had is the general availability of real-time information. Within a company, somebody is fulfilling a task. The task ends. And all information that was affected by this task is available immediately in the new form.

That means you can improve workflow significantly. In conventional organizations, it's a sequential process. You have to pass the work forward. Something changed, and somebody else has to react to that. From the beginning, it was our idea that everyone could do everything at once. You would have access to current information wherever you were and could get everything that you wanted to know. We had to struggle for years on end. People debated this and said that is not the right way of looking at things.

Now that has changed because of the Internet."

Hasso Plattner, CEO, co-chairman, and co-founder of SAP AG

Anticipating Change: Secrets Behind the SAP Empire
Role of Enterprise Systems/ERP

Helps companies

ERP is as much a philosophy and way of doing business as it is a technology.