CONTROLLING OVERHEAD CO$TS WITH AN ERP

WHAT CONSTITUTES MANUFACTURING OVERHEADS?

- Labor
- Machines
- Electricity
- Spare Parts & Tools
- Papers & Files
- Transport & Logistics
- Water
- Communication
- Salaries, Rent & Taxes
- Materials

OVERHEAD COST MANAGEMENT CHALLENGES

Lack of Real-time Labor Visibility

- Maintaining employee attendance & over-time on book registers.
- Maintaining employee schedule, job & machine allocation on spreadsheets.

Improper allocation of jobs & machines to operators, shift & leave adjustment, leading to production disruption and delays.

Inefficient Shop Floor Management

- Dispatch of incorrect work orders, routers, BOMs to the shop floor by operators.
- Poor machine maintenance schedule & quality, improper storage & tracking of tools.
- Late response to machine breakdowns, and improper machine & tools utilization.

Extensive wastage of raw materials, tools and spare parts due to machine breakdowns and incorrect order dispatch leading to increased overhead costs.

Lack of Real-time Inventory Visibility

- No visibility of in-hand inventory stock due to manual inventory recording.
- No clue of materials arrival due to low supply chain visibility.
- Physical inventory count > errors, material dispatch & production delay.

Inventory under or over stocking, delayed inventory procurement, poor material traceability, unnecessary downtime, high costs & delayed jobs.

Inefficient Cost Management

- Unpaid & improper recording of factory rent/lease, utilities, property & other taxes.
- Pending payment towards material, spare parts & tool suppliers, logistic vendors.
- Improper human capital management, unpaid wages to indirect labor.

Improper cost recording & management leads to payment delay to stakeholders & risks production disruption due to worker strike, machine breakdowns & late or no material arrival from suppliers.

HOW ERP HELPS CONTROL OVERHEAD COSTS?

- Track Labor Costs, Employee Attendance, Shift details & allocation, Payroll, Taxes, Overtime, Outside Services etc.
- Instant login and logout for machine operators from jobs at workstations using hand-held devices.
- Access work orders, parts specifications, BOMs, routers & update relevant production information from anywhere using hand-held devices.
- Allocate right jobs to right personnel and avoid dispatch errors, material wastage, downtime and job delays.
- Create and configure cost types for various cost categories (materials, overheads, labor). Calculate overhead costs based on cost centers or each product manufactured.
- Capture and track costs in real-time based on every job, work order, item type, department, personnel shift, day/month/year, customer etc.
- Auto-create purchase orders with suppliers on detecting low inventory levels based on existing order requirements.
- Track inventory movement from procurement till the final product with integrated Bar-code & RFID technologies.
- Create equipment BOMs, user-defined preventive maintenance plans (PM), repair procedures, check lists, spare parts list.
- Reduce paper-usage by automating quotation creation, cost estimation, profit margins, customer relationship management etc.

OVERHEAD COST SAVINGS

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