

KnarrTek announces White Paper about causes of Inventory Errors in ERP Systems and How to Fix them

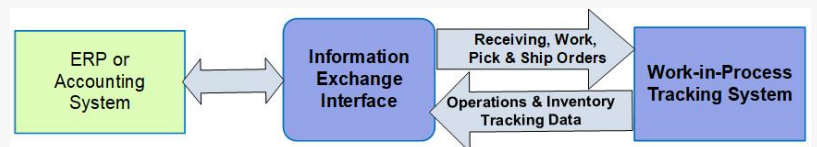
"Why is the Inventory in my ERP System Always Wrong?" - a White Paper by Peter and Eric Green

MILLBURY, MA, USA, February 27, 2023 /EINPresswire.com/ -- This white paper is intended for the CFOs, materials managers, and other senior managers in manufacturing plants, as well as in industrial distribution warehouses that do secondary operations such as repacking, kitting, assembly, and relabeling of products.

A PDF copy of this white paper can be downloaded from the "White Papers" link at the bottom of www.KnarrTek.com.



Anger at Wrong Inventory Numbers



ERP-Tracking System Separation

For managers of manufacturing and industrial distribution organizations, a critical role for their ERP (Enterprise Resource Planning) systems is to track the quantity and value of the organization's inventory.

This is required for accurate inventory reporting on the organization's balance sheet but is also critical because it often forms the collateral for bank loans.

Accurate inventory is also essential when it forms the basis of inventory ordering, in response to pending customer orders, as well as deciding what to make and when.

In this white paper the authors examine seven case-studies, in which they were personally involved, where inaccurate inventory counts and values negatively impacted operations.

The authors then identify eight common problem characteristics from these case studies:

1. Not having materials handlers enter changes to inventory, as it occurs, to avoid errors due to delayed data entry. Unfortunately, the data entry screens in most ERP systems are designed for office use and are not designed for real-time operational data entry by material handlers and production operators.



2. Using "Backflushing" to belatedly "withdraw" inventory from stock based on finished products rather than reducing inventory in real-time in the ERP system as inventory is withdrawn from stock, thus retaining an accurate inventory count.

“

Thank You, Thank You! I got my Christmas and New Year back to spend with my family. Using your BellHawk software, we completed taking our year end inventory in less than 8 hours instead of two weeks.”

*Lisa Folger, Materials
Manager, Paper Converting
Manufacturer*

3. Not tracking the value of raw materials as they are transformed into finished products. Solving this requires tracking the transfer of value from the raw materials, as they are consumed, into the value of work-in-process and then through further work-in-process operations into intermediate or finished products. This avoids the “black-hole” inventory cost problem as well as being able to accurately value work-in process inventory, for accounting purposes.

4. Not tracking received raw materials until they are “approved” such as through vendor invoice or through passing QC inspection.

5. Inability of their ERP system to be able to track materials with a common part number but with different dimensions, resulting in inability to track and reuse off-cuts.

6. Not tracking scrap or wastage, resulting in inventory errors.

7. Not able to do inventory auditing without shutting down operations.

8. Inaccurate inventory due to delays in manually updating inventory in the ERP system.

In each case, the authors recommended using a separate real-time materials tracking system, as well as using container-based materials tracking methods.

Sometimes this advice was heeded, sometimes it was not.

The white paper concludes with the resultant outcomes in each case study (some good, some

bad, some ugly).

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