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# Virtual Mobility: New Challenges for Management Accounting

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# The impact of the enterprise resources planning (ERP) in Management Accounting and its role in the corporation



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# Introduction (Definition of the ERP)

**Enterprise resource planning (ERP)** is a sort of software solution that helps businesses in automating and managing fundamental business activities for best performance.

**ERP software** manages the data flow between a company's business processes, creating a sole source of truth and speeding up operations across the enterprise.

It can **integrate a company's financials, supply chain, operations, commerce, reporting, manufacturing, and human resources functions onto a single platform.**



# Understanding ERP (Enterprise Resources Planning)

Imagine you're planning a big event, like a wedding. Each aspect, from invitations to catering, is managed by different people or departments. Without coordination, there's room for confusion, errors, and inefficiencies...

**Now, think of ERP as a wedding planner app.** It centralizes everything – guest lists, budgeting, vendors, schedules – in one place. Everyone involved has access to the same real-time information. Changes are updated instantly. This coordination ensures a smoother, more efficient, and well-organized event.

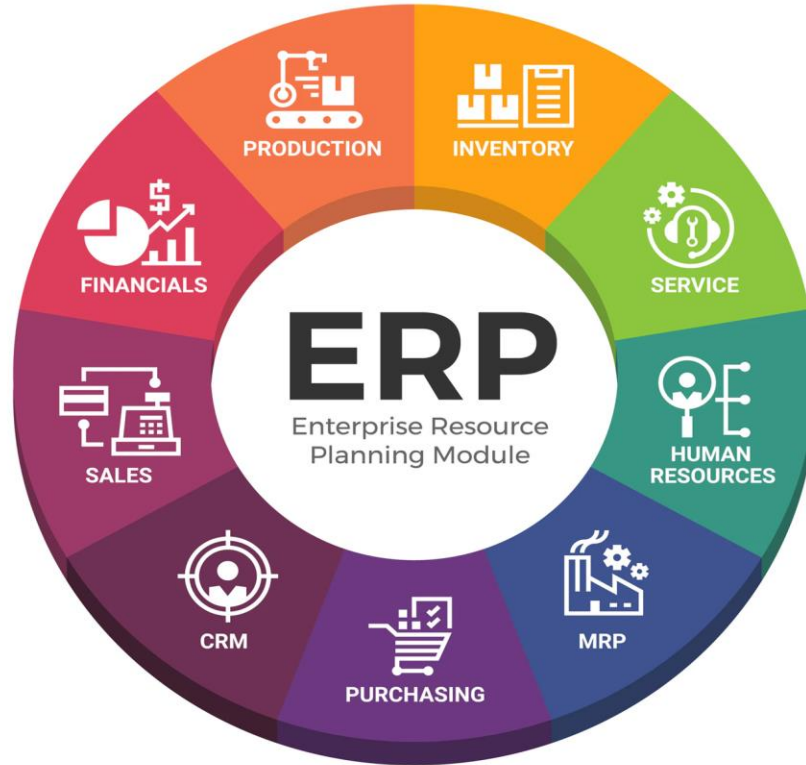
In essence, ERP for businesses works similarly by integrating and coordinating various functions, improving overall efficiency and decision-making.

# Management Accounting Overview ( ERP system features )

- **Data Integration** - Unifies various data streams.
- **Accuracy** - Ensures correctness and reliability.
- **Process Efficiency** - Streamlines tasks for consistency.
- **Cost Control** - Tracks and manages expenses.
- **Compliance** - Efficient use of assets.
- **Resource optimization** - Meeting regulatory standards.
- **Adaptability** - Flexibility to changing environments.



# Impact of ERP



# Benefits of ERP

**The impact of ERP in management accounting can be broken down into several key parts:**

1. Data Integration
2. Efficiency and Automation
3. Cost Control
4. Financial Reporting
5. Strategic Decision-Making
6. Supply chain integration
7. Enhanced Collaboration



# Challenges and consideration (1)

## Complex Implementation

**Process**  
ERP implementation is a **complex and resource-intensive process**. Integrating management accounting functions into an ERP system requires careful planning, customization, and configuration. This complexity can lead to delays and cost overruns.

## Customization and Flexibility

Many ERP systems are designed to be flexible, but extensive customization may be required to meet the specific needs of management accounting. Striking the right **balance between customization and maintaining the integrity of the ERP can be challenging**.

## Data Quality and Integration

ERP systems **rely heavily on accurate and consistent data**. In the context of management accounting, integrating financial data from various sources can be challenging. **Inaccurate or inconsistent data can lead to errors** in financial reporting and decision-making.

## User Resistance and Training

Employees may resist the changes brought about by ERP implementation, as it often involves new processes and ways of working. **Adequate training is crucial to ensure that staff can effectively use the ERP system** for management accounting tasks.

## Costs and Return on Investment (ROI)

ERP implementation can be expensive, and organizations may face challenges in justifying the costs, especially in terms of the benefits gained. Measuring the return on investment for management accounting functionalities **can be complex and may take time**.

## Security Concerns

ERP systems handle sensitive financial data, and **ensuring the security of this information is a significant challenge**. Protecting against unauthorized access, data breaches, and cyber threats is crucial for maintaining the integrity and confidentiality of management accounting data.

# Challenges and consideration (2)

## Scalability Issues

As organizations grow, their management accounting needs may evolve. Ensuring that the ERP system can scale effectively to accommodate increased data volume and additional functionalities is a challenge that organizations may face.

## Integration with Other Systems

Many organizations have existing systems for specific functions. Integrating these systems with the ERP for seamless data flow and consistency in management accounting processes can be a challenge.

## Regulatory Compliance

Management accounting involves adherence to various financial regulations and reporting standards. ERP systems must be capable of supporting compliance requirements, and organizations need to stay updated on regulatory changes that may impact their ERP implementations.

## Maintenance and Upgrades

ERP systems require ongoing maintenance, updates, and occasional upgrades. Managing these processes without disrupting day-to-day operations, especially in the context of management accounting, can be challenging.



# Management Accounting role in the corporation with ERP



- Decision Support
- Data Integration and Visibility
- Cost Control and Efficiency
- Resource Allocation and Optimization
- Compliance and Risk Management
- Improvement and Adaptability
- Performance Measurement
- Strategic Planning



# Case Study

## Cadbury

Cadbury, a renowned multinational confectionery company, implemented ERP system to streamline its operations and enhance efficiency across global supply chain and man

### Goals

#### Streamlining Operations

Cadbury aimed to integrate its business functions , including supply chain, manufacturing, distribution and finance into a single cohesive system

#### Real-time Insights

They thought to have real-time data visibility across departments to enable quicker and more informed decision-making

#### Standardization

Achieving standard processes globally to enhance efficiency and consistency in operations.

# Implementation

## Pre-implementation

- i) Pioneering
- ii) From Scratch
- iii) Leveraging best practices
- iv) Standardizing Processes
- v) Targeted Training
- vi) 1995 Big Bang Approach

## Post-implementation

- i) SAP as a Solution
- ii) Fast-Paced growth impact
- iii) Standardization and efficiency
- iv) Transformation of Warehouse management
- v) Integration in Manufacturing
- vi) Learning Curve

# Case Study (Continue)

## Challenges:

1. Resistant to change
2. Integration issues

## Result:

1. Improved Efficiency
2. Enhanced Visibility
3. Cost Saving
4. Global Standardization



# Future Trends

- 1. Cloud ERP:** The global cloud ERP market is expected to grow 13.6% annually, reaching \$40.5 billion by 2025. Cloud-based ERP systems offer increased flexibility, security, and scalability, making them a popular choice for businesses of all sizes.
- 2. Artificial Intelligence (AI) and Machine Learning:** AI and machine learning technologies are being integrated into ERP systems to optimize business processes, provide new insights, and create personalized customer interactions.
- 3. Integration with Other Technologies:** ERP systems are increasingly integrating with technologies such as the Internet of Things (IoT) devices, social media, and industry-specific solutions to automate processes and improve customer experiences.
- 4. Personalization:** As businesses increasingly rely on distributed workforces, personalization has become a critical aspect of ERP systems, ensuring that employees have access to the information they need to make better decisions faster.
- 5. Two-Tier ERP:** Two-tier ERP systems are gaining popularity, as they help businesses manage their core business processes while also allowing for the adoption of specialized industry-specific solutions.
- 6. Mobile ERP:** Mobile ERP systems are evolving to provide multi-device experiences, enabling employees to access ERP functionalities on the go and improving overall business agility.
- 7. Sustainability and ESG:** ERP systems are increasingly focusing on sustainability and Environmental, Social, and Governance (ESG) factors, leading to more responsible corporate practices that benefit both businesses and society.
- 8. Operational Span:** ERP systems are expanding their operational scope, integrating with Manufacturing Execution Systems (MES) to enable seamless integration and enhanced performance across all functional areas.

# Conclusion

**ERP systems serve as a cornerstone in Management Accounting by integrating financial data, automating processes, supplying decision support, controlling costs, perfecting resources, ensuring compliance, and fostering adaptability within the corporation.**

Management accountants play a pivotal role in leveraging ERP capabilities to drive informed decision-making and contribute to the overall success and competitiveness of the organization.

To add a little more, Cadbury's implementation of an ERP system significantly improved its operational efficiency, standardized processes, and enhanced decision-making capabilities, despite facing challenges inherent in such large-scale transformation.



**THANK YOU**

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