YANTAI WANHUA POLYURETHANE

TRANSPARENT MANAGEMENT WITH SAP® ERP FOR A GLOBAL OPERATION

"Yantai Wanhua requires a unified management platform in order to respond to market changes and industry demands. SAP ERP has helped us to achieve this goal."

Guangwu Kou, Executive Vice President and CIO, Yantai Wanhua Polyurethane Co. Ltd.

QUICK FACTS

Company
- Name: Yantai Wanhua Polyurethane Co. Ltd.
- Industry: Chemicals
- Location: Yantai, Shangdong Province, China
- Products and services: Polyurethane chemicals
- Revenue: RMB 9.43 billion (US$1.49 billion) as of 2010
- Web site: www.ytpu.com
- Implementation partner: IBM

Challenges and Opportunities
- Information in different departments located in independent sources, resulting in difficult access to that information
- Need for timely access to accurate business information
- Support for quick and effective tactics to increase revenue and cut expenses so as to maintain its competitive advantage

Objectives
- Establish a more transparent operational and management system to boost efficiency and reduce costs, thus enhancing and bolstering advantage
- Integrate business processes
- Reduce dependence on human resources
- Strengthen risk management and control

SAP Solutions and Services
SAP® ERP application

Implementation Highlights
- Easy integration with legacy software
- 6-month implementation completed on time
- Extensive and successful computer training program for IT and business staff

Why SAP
- The leader in enterprise management software
- Industry standard used by most first-tier chemical companies, supporting best practices
- Integration with existing software
- A complete product line, strong expandability, and excellent compatibility

Benefits
- Establishment of a highly transparent management platform for integrating enterprise resources
- Optimized management processes, operational coordination, and efficiency and effectiveness of decision making and implementation
- Assimilation of industry best practices and narrowed competitive gap with top multinational chemical companies

Existing Environment
AIX 5.3L operating system

Third-Party Integration
- Database: Oracle DB
- Hardware: IBM Power6 570
- Operating system: Microsoft Windows NT

WANHUA 万华

After years of development, chemical producer Yantai Wanhua Polyurethane Co. Ltd. has formed a nationwide operational network centered in China and has established branches in the United States, Japan, Europe, Russia, and the Middle East. Yantai Wanhua has set the long-term goal of developing into a world-class company for manufacturing new chemical materials.

The 2008 global economic crisis caused massive changes within the polyurethane market. Raw material costs shot sky-high, but selling prices plunged, resulting in diminished market demand for that chemical. In order to attain new growth, Yantai Wanhua knew it had to attain low-cost operations by improving supply chain management and strictly controlling costs.

Yantai Wanhua employees had already been using various software platforms. However, due to the lack of a unified IT platform, information delivery and transfer were confined in each department, each with its own separate information system. There was no information sharing or integration between the departments, let alone the ability to effectively extract or analyze information. Additionally, job functions were not clearly defined, so the company was not effectively coordinating its various business functions.

The chemical company's management team recognized the need to acquire enterprise software. "Information technology is a tool that deals with limits – limits to the company's development and the scale of the enterprise," says Guangwu Kou, executive vice president and CIO of Yantai Wanhua. "It answers questions such as these: What are the development bottlenecks? Can a company's revenue reach a hundred billion or a trillion yuan? Now, our revenue is close to tens of billions of yuan, so it has become imperative that we build a more comprehensive information platform to support our business development. If we wait until our company grows even larger to implement an enterprise resource planning system, it would probably be too late."

In 2008 the chemical company set a clear objective: to create a safe, reliable, efficient, and unified digital Yantai Wanhua. After considering the options, management decided on the SAP® ERP application and hired IBM, a veteran in SAP software implementation, to be in charge of the project. "SAP is a leader in management software. The modular architecture ensures compatibility and scalability, which allows easy integration with our preexisting software system. Moreover, the leading companies in our industry all use business management software from SAP. We hope to learn from these companies by assimilating their best practices through implementing the SAP ERP application. This way, we can elevate our management capacity to a new level and enhance our competitiveness," says Guangwu Kou.

Great Staff Training, Great Implementation

IBM began the first phase of implementation of SAP ERP in March 2008, initially installing functionality to support seven key capabilities: materials management, sales management, production management, financial accounting, management accounting, human resources management, and transportation management.

Within just six months, the SAP ERP project implementation team successfully installed the software at one go. Before the implementation took place, the company trained 16 key employees in the IT and business departments, and they all became implementation consultants. These employees, together with the implementation consultants at the Yantai Wanhua Information Center, plus those at IBM, formed a team consisting of over 60 people. "The purpose of the training is to help the business department to truly understand this system, so that they'll come to the realization that this system will bring great value to the company. When they implement the information technology after the training, suspicion toward the software will be turned into appreciation for it," says Wang Zongkai, general manager of the Yantai Wanhua Information Center.

"The [SAP] modular architecture ensures compatibility and scalability, which allows easy integration with our preexisting software system."

Guangwu Kou, Executive Vice President and CIO, Yantai Wanhua Polyurethane Co. Ltd.

SAP technical engineers stayed on-site, overseeing the implementation process and carrying out strict quality checks to ensure compliance with SAP standards. The engineers also provided online services, quickly responding to customer questions and diagnosing the causes of each problem. Everyone's commitment and efforts guaranteed the project's smooth implementation.

Since the SAP software was installed, Yantai Wanhua staff members have been exploring the new ERP application, and new functionality has also been added. The SAP Test Data Migration Server software was successfully implemented by June 2009. The SAP NetWeaver® Business Warehouse component and the SAP BusinessObjects™ Business Intelligence (BI) platform were fully functional by the end of 2009. The company then decided to implement the SAP Supplier Relationship Management (SAP SRM) application and the SAP Customer Relationship Management (SAP CRM) application, as well as functionality for plant management.

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Immediate Benefit to the Company

The installation of the SAP ERP application immediately benefited the company. Now, if certain raw materials are unavailable, the employees can suggest alternative materials to clients. Staff can see which materials are in stock and which ones need to be reordered. All these new, streamlined processes reduce inventory and costs while ensuring the required production.

The sales management functionality is primarily used in customer and price management, sales contracts, and electronic distribution. Employees now monitor sales functions in real time. Standardized sales processes are now possible, and the company's sales strategy and price system can be more thoroughly implemented.

The financial and management accounting functionality has been enabling employees to find effective cost-control solutions. The software provides the finance staff with a data platform that can be used to prepare various financial reports, through which employees can analyze, control, and improve cash flow; reduce operational capital; and hence improve the company's overall profitability.

After the information systems of the financial and business departments were connected, employees spend 3 hours on monthly billing – down from the previous average of 12 hours. With the unified management of customer credit and external suppliers, both the procuring and billing processes have achieved greater transparency and have become more controllable. All these changes assisted in avoiding operational risks during the 2008 financial crisis.

The SAP ERP Human Capital Management (SAP ERP HCM) solution is now used for most HR functions, giving the HR team real-time, in-depth understanding across the entire company. With this software, HR staff can analyze the return on investment in human resources; they can also discover, develop, and retain talent through deployment of appropriate personnel according to their skills and availability.

Transparent Systems for Increased Effectiveness

With SAP software, Yantai Wanhua has become a revitalized enterprise with transparent management. SAP ERP connects key business operations throughout the company, as well as the previously separated information systems for manufacturing, supply, and marketing. This has enabled the company to achieve unified logistics, cash flow, and information flow. This streamlined access to information has established the foundation for the subsequent implementation of other business intelligence modules.

SAP software also has enabled employees to make cost-effective decisions quickly, and to efficiently respond to the changes in market demands and business needs. Ever since the soft-

ware was implemented, the company has been able to minimize production costs, despite the frequent fluctuations of market price for polyurethane, by making timely adjustments in production plans. This can be accomplished because employees now can gain access to timely information on raw material prices provided by the supplier management system.

SAP management software helped Yantai Wanhua better cope with the complex economic situation of 2008. Despite the sharp downturn in market demand, followed by extra stock, the company maintained its net profit growth, with the asset-liability ratio lowered by more than 10% over 2007. More important, the company has adopted the best practices of the leading enterprises in the industry. All these changes have laid a solid foundation for Yantai Wanhua to achieve its goal of developing into a first-class international company for new chemical materials.

SAP Software Sparks Positive Chemistry

With the demonstrated positive results from the SAP software, the management team has decided to continue to introduce the following: the SAP BusinessObjects BI platform, SAP CRM, SAP SRM, the SAP Enterprise Learning environment, the SAP BusinessObjects Planning and Consolidation application, and related solution software. The company will also use the SAP HANA™ platform in the near future. With SAP software, the management team is determined to push its corporate knowledge management to a higher level to support the company's continued prosperity.

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