

Guohua Power Cuts Costs and Gains Tighter Control over Diversified Operations



Beijing Guohua Electric Power
Co., Ltd
Beijing, China
www.ghepc.com

Industry:

Utilities

Annual Revenue:

US\$4.17 billion

Employees:

7,400

Oracle Products & Services:

Oracle Database
Oracle Financials
Oracle Assets
Oracle Cash Management
Oracle Financial Analyzer
Oracle Human Resources
Oracle iRecruitment
Oracle Payroll
Oracle Time and Labor
Oracle iLearning
Oracle Training
Oracle Performance
Oracle Purchasing
Oracle Inventory Management
Oracle Collaborative Planning

Implementor:

Oracle Consulting

Oracle Partner:

Beijing Beidou Xingye Info Tech
Co., Ltd
Beijing Datang Xingzhu Software
Co., Ltd
IBM Business Consulting Services

“We implemented a unified business management system based on Oracle E-Business Suite Release 12 to support our expanding domestic and international operations. The system has helped us improve financial, human resource, and supply chain management.” – Ding Tao, IT Manager, Department of Science and Information, Beijing Guohua Electric Power Corporation

Founded in 1999, Beijing Guohua Electric Power and its divisions invest in, construct, and operate electric power plants and serve as consultants for new energy projects. The company is a subsidiary of Shenhua Group Corporation Limited, a state-owned enterprise with businesses in coal, electricity and thermal power, railways, and ports.

Guohua Power owns or has interests in 33 enterprises with operations spanning northern China, the Pearl River Delta, and the Yangtze River Delta. The company has an installed capacity of close to 19 million kilowatts and is aiming to increase this output to 30 million kilowatts by 2010 and 50 million kilowatts by 2020.

To ensure it could keep control of its expanding business, Guohua Power implemented financial management and human resources systems based on Oracle E-Business Suite 11.5.9 in August 2003. These two integrated systems were installed at the company’s head office, holding companies, and power plants. In 2007, Guohua Power upgraded to Oracle E-Business Suite Release 12 and added a supply chain management system to the existing financial and HR systems.

The systems are now in use at 18 Guohua Power subsidiaries, providing the company with a single, integrated platform to manage its sprawling business. This has enabled Guohua Power to streamline processes for greater efficiency, cut procurement costs, reduce inventory holdings, improve HR management, and simplify financial reporting. The system can also scale to support international expansion plans.

Key Benefits:

- Gained tight management control over diversified operations in China and overseas
- Reduced purchasing costs by instructing subsidiaries to only do business with preferred suppliers
- Cut inventory costs by more than 20% through efficient resource allocation
- Enabled financial reporting to be completed in three days
- Streamlined HR management and ensured fair payment rates for staff
- Complied with local financial regulations

Integrated Systems Enhances Management

From 2002 to 2007, Guohua Power constructed 20 new generators with a combined capacity of more than 11 million kilowatts.

The power plants were scattered across 10 provinces, cities, and autonomous regions. To ensure stringent management over these assets, the company implemented Oracle Financials and Oracle Human Resources modules to oversee finance and HR activities. In 2007, Guohua Power upgraded to the latest release of Oracle E-Business Suite. In addition to new features, the software offered easy integration with third party systems, ensuring the company did not have to spend time and money building interfaces.

The new platform enhanced business management by standardizing processes across the group, delivering integrated information in real time to senior managers, and providing the company with a detailed audit trail.

Improved Financial Management

With its network expanding into surrounding provinces, Guohua Power has gone from a regional to a nationwide power supplier with more than 30 subsidiaries under its supervision. While the subsidiaries mostly operate autonomously, Guohua Power sets the strategic framework and has ultimate financial control.

Its multi-level, multi-organization business required a comprehensive financial system that was easy to use yet delivered the detailed information required for informed management. The Oracle financial system is used by 18 subsidiaries and provides head office managers with accurate, real-time access to accounting, human resources, inventory, logistics, procurement, and other business data. This ensures Guohua Power can keep a close eye on costs at these subsidiaries.

Maintaining financial control is critical as Guohua Power expands overseas. The company is currently constructing a power plant in Indonesia and must ensure that it complies with financial regulations in the country. The Oracle system enables Guohua Power to establish standardized accounting rules that adhere to company policy while meeting local country rules.

Financial analysis and auditing is also easier with the Oracle system. Because financial information is stored in a single database, reports can be generated without the need to manually consolidate data from disparate sources. Reports can also be set

up to deliver information required by local regulations, saving valuable time and driving down management costs.

Streamlining Supply Chain Management

The Oracle supply chain management system comprises a purchasing and inventory management system and a collaborative planning portal. It encompasses the entire supply chain, from demand planning and purchase order to delivery and invoicing, allowing Guohua Power to monitor procurement costs and identify any inefficiencies in the supply process.

Establishing a centralized procurement system to regulate purchasing decisions has helped lower procurement costs. The company has set up a list of preferred suppliers in the provinces in which it operates; ensuring subsidiaries are doing business with the most price-competitive supplier. While subsidiaries are free to select from this list, there are some items that must be purchased from a particular supplier. These items and the appropriate procurement agreements are preset in the Oracle system to alert staff to the protocol.

The inventory management system provides staff with real-time updates on inventory levels. This helps them ensure there is always enough stock on hand to meet current and projected demand while preventing overstocking. As a result, Guohua Power has cut inventory costs by more than 20%.

The supply chain management system is integrated with the financial system, enabling staff to monitor procurement and inventory costs and drill down to the original purchase order to check any irregularities. Data is input into a central repository, eliminating the need for staff to re-enter the same information multiple times, resulting in improved data quality. It now takes three days to generate financial reports, compared to 10 days in 2000. Accounting records can be automatically generated, creating a detailed audit trail that ensures the company meets internal and external compliance requirements.

Ensuring Fair and Efficient HR Management

By upgrading the HR system to Oracle E-Business Suite Release 12, Guohua Power has introduced a range of new features that will improve the management of the company's 7,400 employees.

The system enables Guohua Power to oversee the employee lifecycle, from recruitment and training to performance

evaluation, salary reviews, and professional development. This has helped improve HR management efficiency. For example, pay rises and bonuses are directly linked to performance; if a staff member meets all the criteria for a pay increase, this is noted in the system and the information sent to their manager.

Oracle Payroll enabled Guohua Power to standardize salary rates across the group to ensure employees received fair payment for their level of experience and responsibilities.

Why Oracle?

Oracle's flexibility and open interfaces were highly attractive, according to Ding Tao, IT manager at the department of science and information at Guohua Power.

"We have many different applications and platforms at Guohua Power, so we were looking for a solution that would integrate easily with our existing infrastructure," he said. "Oracle's open architecture made it easy to integrate systems in different departments and regions.

"The Oracle suite also included built-in best practice processes that helped improve efficiency. In addition, it supported multi-region financial reporting, which was important in light of our international operations."

Implementation Process

The first version of the Oracle system was implemented in August 2003 with assistance from Beijing Beidou Xingye Information Technology Co., Ltd and Beijing Datang Xingzhu Software Technology Co., Ltd. After a six-month development period, the system went into production at head office, a holding company, and three power plants. The system was progressively extended to 18 subsidiaries over the next four years.

In 2007, Guohua Power upgraded to Oracle E-Business Suite Release 12 with assistance from Oracle Consulting. Oracle Certified Advantage Partner IBM developed and integrated the supply chain management system with the financial and HR management systems.

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