

CNACG Improves Budget Accuracy by 50% with Integrated Budget Management System



China National Administration of
Coal Geology
Beijing, China
www.ccgc.cn

Industry:

Natural Resources

Annual Revenue:

US\$653 million

Employees:

17,500

Oracle Products & Services:

Hyperion Planning

Partner:



Beijing Noahark Consulting Co.,
Ltd
www.noahark.com.cn

Key Benefits:

- Improved the accuracy of budgets by 50%
- Eliminated more than 80% of mistakes caused by the discord between the funds issued and the actual budget needed for operations
- Narrowed the difference between the budgeted profits and actual profits by one-third
- Increased the speed at which combined budgets can be developed by 50%

“We implemented Oracle’s Hyperion Planning as the budget management system for our group. It has allowed us to combine and clarify budgets, improve the comprehensiveness, accuracy, and timeliness of budget analysis, reinforce the need for coordination between head office and subordinate units, and support informed decision making.” – Wang Aiqin, Financial Director, China National Administration of Coal Geology

China National Administration of Coal Geology (CNACG) is a state-owned organization responsible for formulating development strategies for China’s regional coal geology institutes. This includes drafting plans for coal geology exploration, technology R&D, structural surveys, training programs, and medium- and long-term development schemes. Over the past 50 years, the organization has uncovered more than 80 mines that have produced over 800 billion tons of coal. It has also completed more than 300 R&D projects, with more than 100 research findings awarded national or provincial-level honors.

CNACG undertakes central budgeting and accounting for more than 300 coal-related enterprises across the country. These enterprises have a complex managerial hierarchy, making it challenging for the Beijing head office to maintain operational control. Budget management in particular was a problem. For instance, budgets did not reveal the operating capacity of various units and how they used their funds. Budget accounts were also not standardized across the group, making it difficult to compare results. In addition, senior management did not have control over the way budgets were rolled out at subordinate units.

To address these issues, CNACG engaged Oracle Certified Partner Beijing Noahark Consulting to implement a new, integrated budget management system based on Oracle’s Hyperion Planning. The system combines business, capital, and investment budgets, ensuring CNACG can improve the comprehensiveness, accuracy, and timeliness of budget preparation and analysis and improve decision making.

Since deploying Hyperion, the organization has eliminated more than 80% of mistakes caused by the discord between the funds issued and the actual budget needed for operations; improved the accuracy of budgets by 50%; narrowed the difference between the budgeted profits and actual profits by one-third; and increased the speed at which combined budgets can be developed by 50%.

A Need for Standardized Budget Management

In the past, CNACG experienced budget coordination problems at the group level, arising from the fact it had more than 300 enterprises under its control and each had a separate budget. These budgets had to be combined into a report in the lead-up to year-end. However, the data summarized and sent to head office was not an accurate reflection of the organization's actual budgeting activities. This was because budget administration was carried out at different levels within the group, and there was simply not enough time for each management level to fully understand how each subordinate enterprise was applying its budget and if it was achieving its targets. Moreover, there were several different budget accounts in use across the organization, making it difficult to compare results between entities.

Implementing Hyperion Planning has enabled CNACG to standardize budget coordination across the group. Data accuracy has improved and the organization can compare and analyze budgets between all entities at an enterprise level. It has increased the speed at which combined budgets can be developed by 50%.

Supporting Informed Decision Making

Previously, budget target indices comprised revenue, total profit, and net return on assets. These showed the operational results of geological surveying units, but did not reveal their operating capacity, use of funds, and investment strategies. The budget targets were not aligned with long-term development strategies, resulting in a breakdown between strategic and operational goals. CNACG wanted the ability to allocate resources for different purposes and link these with specific business objectives and profit targets.

The Hyperion system allows the organization to create short-, medium-, and long-term budgets and link them to specific profit targets. It provides senior managers with the data they need to understand market development and make fact-based predictions

on internal and external conditions that may affect the achievement of a particular goal. They can also eliminate any wasteful or low-value activities, ensuring resources are allocated efficiently and for maximum benefit. Decision-making can be made in confidence, lowering risk and improving profitability.

CNACG has improved the accuracy of budgets by 50% and eliminated more than 80% of mistakes caused by the discord between the funds issued and the actual budget needed for operations.

Improving Management Control

Under the old system, CNACG's financial department was responsible for budget development. The operating departments were rarely involved in the process and were not given the opportunity to put in budget requests. Expenses often exceeded budgets because there was not enough money available to support operational activities.

The Hyperion system enabled CNACG to specify operating targets and distribute resources accordingly. Profit targets are set based on scientific analysis and linked to operational goals, so each enterprise is aware of what it must achieve based on its budget. In addition, each department is kept fully informed of what the other is doing, reducing the risk of confusion and conflict and ensuring greater productivity. As a result of more informed budget planning, CNACG has narrowed the difference between budgeted profits and actual profits by one-third.

Senior managers can now analyze the difference between the allocated budget and actual spend. They can review historical trends and the factors that affected the profit results, and ensure these are taken into consideration for the next round of budgets.

Why Oracle?

CNACG selected Oracle's Hyperion Planning because of the software's world-leading position in the industry, flexibility, and user-friendly design and interface.

"We believed these features would fulfill the comprehensive budget management needs of our diverse organization," said Wang Aiqin, financial director, CNACG.

Why Noahark Consulting?

CNACG took a cautious approach to the implementation, due to the complex management and operation needs of the group.

“We chose to work with Oracle Partner Noahark Consulting because the company had extensive Hyperion experience and provided new ideas about the construction of the budget management system,” said Wang. “We believed Noahark could meet the goals and timelines we set.”

Implementation Process

CNACG began implementing Oracle’s Hyperion system in November 2005 and went live in August 2006.

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