

Yantai Wanhua Cuts Budgeting Time from Three Months to Two, Strengthens Cost Control



Yantai Wanhua Polyurethane Co.,
Ltd
Shandong, China
www.ytpu.com

Industry:
Chemicals

Annual Revenue:
US\$1.1 billion

Employees:
1,300

Oracle Products & Services:
Hyperion Planning

Oracle Partner:
Beijing Noahark Finance
Consulting Ltd
www.noahark.com.cn

“By implementing a budget management system that leverages Oracle’s Hyperion Planning, we have achieved real-time budget control, enhanced the accuracy and timeliness of information, and enabled the close monitoring of capital costs. As a result, we can control spending while continuing to grow our business.”
Kou Guangwu, Vice General Manager and Chief Financial Officer, Yantai Wanhua Polyurethane Co., Ltd

Established in December 1998, Yantai Wanhua Polyurethane Co., Ltd is China’s leading manufacturer of polyurethane materials such as methylene diphenylene diisocyanate (MDI) and methylenedianiline (MDA). The company exports its products to more than 40 countries, with fast-growing demand from the Asia Pacific region and China in particular. Yantai Wanhua is listed on the Shanghai and Shenzhen stock exchanges.

The downturn in the global economy has required many organizations to strengthen financial management and replace systems that no longer deliver the information needed to weather the financial crisis. For Yantai Wanhua, that meant replacing the hundreds of Microsoft Excel spreadsheets it used for budget management with a more effective and comprehensive solution. This would enable the company to minimize errors, improve efficiency, and gain tighter control over spending.

In January 2007, Yantai Wanhua began using Oracle’s Hyperion Planning to plan, manage, and forecast budgets. The solution helped the company develop, break down, and calculate spending, and enabled more timely, accurate, and comprehensive budget analysis. Staff now has the information they need to manage capital and business costs, and quickly adjust budgets to meet the needs of a changing market.

“We now have insight into the whole planning process, and can share information between the budget planning and financial accounting systems,” said Kou Guangwu, vice general manager and chief financial officer of Yantai Wanhua. “As a result, we can monitor and analyze budgets to ensure costs are kept under control while meeting strategic business goals.”

Key Benefits:

- Cut budgeting time from three months to two months
- Enabled more efficient cost control by giving staff the ability to track spending against set budgets
- Gained the ability to analyze budgets against a wide range of metrics, improving performance management
- Reduced inventory costs by basing production budgets on the consumption of raw materials needed to fulfill sales orders

Manual Budget Management Creates Problems

The downturn in global markets has impacted on the sale of pure MDI and polymeric MDI products, which together comprise 97% of revenue for Yantai Wanhua. While polymeric MDI customers such as refrigerator and freezer manufacturers generally remain unaffected, the textile, real estate, and shoemaking industries have been harder hit. The slowdown in these sectors has resulted in a dramatic decrease in pure MDI orders.

To ensure it could continue to maintain profit margins in difficult times, Yantai Wanhua had to improve its budget management processes. The company was using Microsoft Excel spreadsheets to develop, manage, and analyze budgets. The manual management proved inefficient and inflexible, and gave rise to multiple errors. Staff did not have the sophisticated tracking and analysis capabilities to ensure they were meeting their budgets, leading to poor cost control and damaging overruns.

To solve these problems, Yantai Wanhua turned to Oracle Partner Beijing Noahark Finance Consulting to deploy a new budget management system based on Oracle's Hyperion Planning.

The solution enabled the company to combine its business, capital, and investment budgets in a single system, so that it could develop highly detailed profit and cash flow models to control costs and reduce risk.

More Efficient Cost Control

Cost control is often the most effective way for companies to maintain or increase profits. With the Oracle solution, Yantai Wanhua can ensure spending does not exceed set budgets.

In the past, it was difficult to get budgets and payment plans approved quickly because senior managers could not easily determine how much of its allocated budget a business unit had spent. Now, business units have to submit a budget application form before beginning a project. The budget approval team then uses the Oracle system to view the total budget allocated to the business unit, the amount spent to date, and the balance. This helps determine if the business unit will exceed its budget if funding is granted.

As a result, Yantai Wanhua achieved more efficient and accurate cost control, enhanced performance management, and enjoyed healthier profits.

Improved Budget Analysis

The Hyperion system gave Yantai Wanhua the multidimensional analysis capabilities that it had long wanted for its pure and polymeric MDI products. The company can now analyze the performance of these two product areas by region, business unit, and customer, and compare the results against production costs, sales revenue, and profits.

By setting up a link between budgets and a cash flow forecasting model, Yantai Wanhua can also conduct ‘what-if?’ analysis. Staff can predict the impact on cash flow if a project is ahead or behind schedule. In this way, senior managers can anticipate the amount of cash and profit the company will generate.

By eliminating manual budget management and analysis, Yantai Wanhua has cut budgeting time from three months to two months, and freed financial staff to focus on higher-value tasks.

Smarter Resource Use

To further cut costs, Yantai Wanhua is using the Hyperion system to develop production budgets. The system generates a production plan based on current inventory and sales estimations, and calculates the amount of resources needed to fulfill a sales order. It then generates a budget that accounts for the cost of raw materials, labor, and other manufacturing activities. In this way, Yantai Wanhua has reduced inventory costs and improved business management.

Why Oracle?

Yantai Wanhua was looking for a comprehensive budget management solution that would enable real-time cost control so that it could track project spending from beginning to end. According to Kou, Oracle offered the best option.

“Oracle’s Hyperion Planning allowed us to manage multiple business plans and budgets with different planning periods, integrate data from the accounting, business, and budget management systems, conduct multidimensional analysis, and detect and solve any problems before they impact our operations.”

Why Noahark Consulting?

The critical nature of the project required an implementation partner with a deep knowledge of financial management processes and technologies.

As the winner of Oracle Asia Pacific's 2008 Enterprise Performance Management (EPM) Partner of the Year award, Noahark Consulting was fully qualified to carry out the implementation.

“As one of the best EPM players in China and a former financial consultancy, Noahark Consulting boasts extensive experience in areas such as budget management, statement consolidation, performance management, and decision analysis,” said Kou. “In addition to implementing the Oracle solution, the firm helped us perfect our financial management.”

Implementation Process

Yantai Wanhua and Noahark Consulting started work on the Hyperion implementation in July 2006 and launched the system in January 2007.

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