

# Yunnan Baiyao Cuts Management Costs by 60% and Increases Output by 50%



Yunnan Baiyao Group Co., Ltd  
Kunming, China  
www.yunnanbaiyao.com.cn

## Industry:

Life Sciences

## Annual Revenue:

US\$590 million

## Employees:

2,401

## Oracle Products & Services:

Oracle Real Application Clusters  
Oracle Portal  
Oracle Human Resources  
Oracle Financials  
Oracle Inventory Management  
Oracle Procurement  
Oracle Sales  
Oracle Process Manufacturing

## Oracle Partner:

Besthelp Information Consulting  
Co., Ltd  
www.besthelp.com.cn

*“Oracle E-Business Suite integrates our finance, planning, manufacturing, sales, and quality control processes, resulting in increased efficiency, improved collaboration, and enhanced business management.” – Yin Pinyao, Vice President, Yunnan Baiyao Group Co., Ltd*

Yunnan Baiyao Group Co., Ltd manufactures traditional Chinese medicines that help improve blood circulation and relieve swelling and pain. The company’s range of powders, capsules, aerosols, tinctures, and plasters are used to treat bruises, incised wounds, contusions, skin infections, and muscle pain. It is the industry leader in China in terms of sales revenue, net profit, and earnings per share. It is listed on the Shenzhen Stock Exchange.

The company’s rapidly growing business in China and overseas demanded a sophisticated enterprise resource planning (ERP) system that integrated business processes and provided easy access to accurate, up-to-date information.

In December 2006, Yunnan Baiyao engaged Oracle and Oracle Partner Besthelp Information Consulting to implement a new ERP system based on Oracle E-Business Suite. The system integrated accounting, finance, order management, procurement, inventory, and manufacturing processes, boosting collaboration staff in these business areas.

By implementing Oracle, Yunnan Baiyao has cut management expenditure by 60%, boosted output by 50%, lowered inventory costs by 20%, shortened production time by 20%, and reduced staff headcount by one-third.

## Support for an Expanding Business

As a growing number of people turn to alternative therapies to treat their ailments, Yunnan Baiyao has seen an increase in demand for its traditional Chinese medicines, primarily from international markets. The company realized that if it wanted to integrate global resources, speed time to market, and take advantage of opportunities in new markets, it had to replace an aging ERP system with a more advanced solution.

**Key Benefits:**

- Cut management costs by 60%
- Boosted output by 50%
- Lowered inventory costs by 20%
- Shortened production time by 20%
- Reduced headcount by one-third
- Streamlined sales approval processes
- Improved cost management
- Standardized HR processes across 18 subsidiaries

After evaluating a range of options, Yunnan Baiyao chose Oracle E-Business Suite to build a new management platform, based on the solution's unified architecture and successful track record in the process manufacturing industry.

**Seamless Information Transfer**

The implementation of Oracle E-Business Suite enabled Yunnan Baiyao to integrate front-end business applications with the back-end finance system. The seamless transmission of information between the systems reduced the amount of manual processing required for bookkeeping and report preparation. Manual data entry now accounts for just 15% of staff workload. The use of paper-based files has reduced and data accuracy has improved. Staff can also view transaction history and locate information specific to a query.

In addition, the automated Oracle system has increased productivity. In the past, finance staff could process approximately 1,300 pieces of data. With Oracle, they can process around 4,600 items.

**Improved Quality Control**

Yunnan Baiyao is committed to adhering to good manufacturing practices set out by the Chinese authorities, and has produced a comprehensive guide to regulate quality control processes.

To further enhance quality control, the company is using Oracle in its raw medicine department to manage the inspection of raw materials and finished products. The system helps staff ensure that raw materials and finished products that do not pass inspection are not sent to production plants and warehouses.

All information related to quality control and production is now recorded in the Oracle system, ensuring Yunnan Baiyao has detailed records of all activities related to the two processes and can maintain the quality of its products.

**Accurate Cost Management**

Yunnan Baiyao is using Oracle cost accounting modules in its raw medicine department to calculate the average cost of materials and finished products. The company has assigned codes to all materials used in the production of medicines, rather than just

major product categories. In the past, Yunnan Baiyao could calculate costs for around 100 items; now it can track costs for 800 items.

The Oracle solution has also given staff greater insight into costs with a greater variety of reports. Staff now has the option of 12 reports, up from four in the past. In addition, the time needed to complete cost accounting tasks has been reduced from 28 hours to just seven hours.

### **Faster Sales Approvals**

The sales order approval process has been streamlined, after Yunnan Baiyao established standardized workflows and rules. If a sales order cannot be approved by the nominated staff member, it can be rerouted to a higher authority. This ensures all sales orders are approved and any irregularities can be addressed. Staff has access to 10 sales reports, which can be imported into Microsoft Excel spreadsheets and Microsoft Word documents.

The sales order system is also integrated with the inventory management system to enable inventory staff to review orders and delivery deadlines, and ensure there are enough raw materials on hand to manufacture the required products. The ability to view sales and inventory data in real time has led to significant improvements in efficiency and customer service.

### **Standardized HR Management**

Yunnan Baiyao has 18 subsidiaries, and the implementation of Oracle Human Resources has enabled the organization to gain better control over HR management and costs across its sprawling enterprise. The company's employee and payroll data, and corporate policies and regulations, are held in a single system. Processes related to employment, transfers, promotions, and resignations were standardized across all 18 subsidiaries, resulting in fair and transparent HR policies and greater management efficiency.

### **Why Oracle?**

To improve efficiency and simplify management, Yunnan Baiyao decided to stop using disparate systems to manage its business in favor of a single, integrated platform. The company was looking for a sophisticated software suite with a proven track record.

“We chose Oracle E-Business Suite because it has been successfully implemented at several leading process manufacturing companies,” said Yin Pinyao, vice president of Yunnan Baiyao. “It integrates critical business processes and the flexible framework makes it easy for us to interface Oracle with other systems. The built-in best practice processes also helped us standardize our workflows to maximize efficiency.”

### Why Besthelp?

To ensure the implementation was completed smoothly, Yunnan Baiyao turned to Besthelp Information Consulting to develop, install, and roll out Oracle E-Business Suite.

“Besthelp has a very good understanding of Oracle technologies and applications and the experience necessary to ensure a successful deployment,” said Yin. “The company offered excellent project management skills and the resources to ensure problems were quickly fixed.”

### Implementation Process

The project kicked off in December 2006 with the implementation of Oracle Financials, Oracle Inventory Management, Oracle Sales, Oracle Process Manufacturing, and Oracle Human Resources. The first phase of the Oracle system, which replaced the legacy finance and sales applications, went live in May 2007. The second phase went live in January 2008.

### Advice from Yunnan Baiyao

- Involve the senior management team in the project, as their support will be critical to the success of the implementation.
- Design the system to make it easy to share information and services between departments, which will encourage enterprise-wide collaboration.
- Work with an implementation partner that has a deep understanding of various technologies, your business, and the industry in which you operate.

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