

IBM SCM/SAP Practice in China

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IBM Global Business Services



Discussion Topics

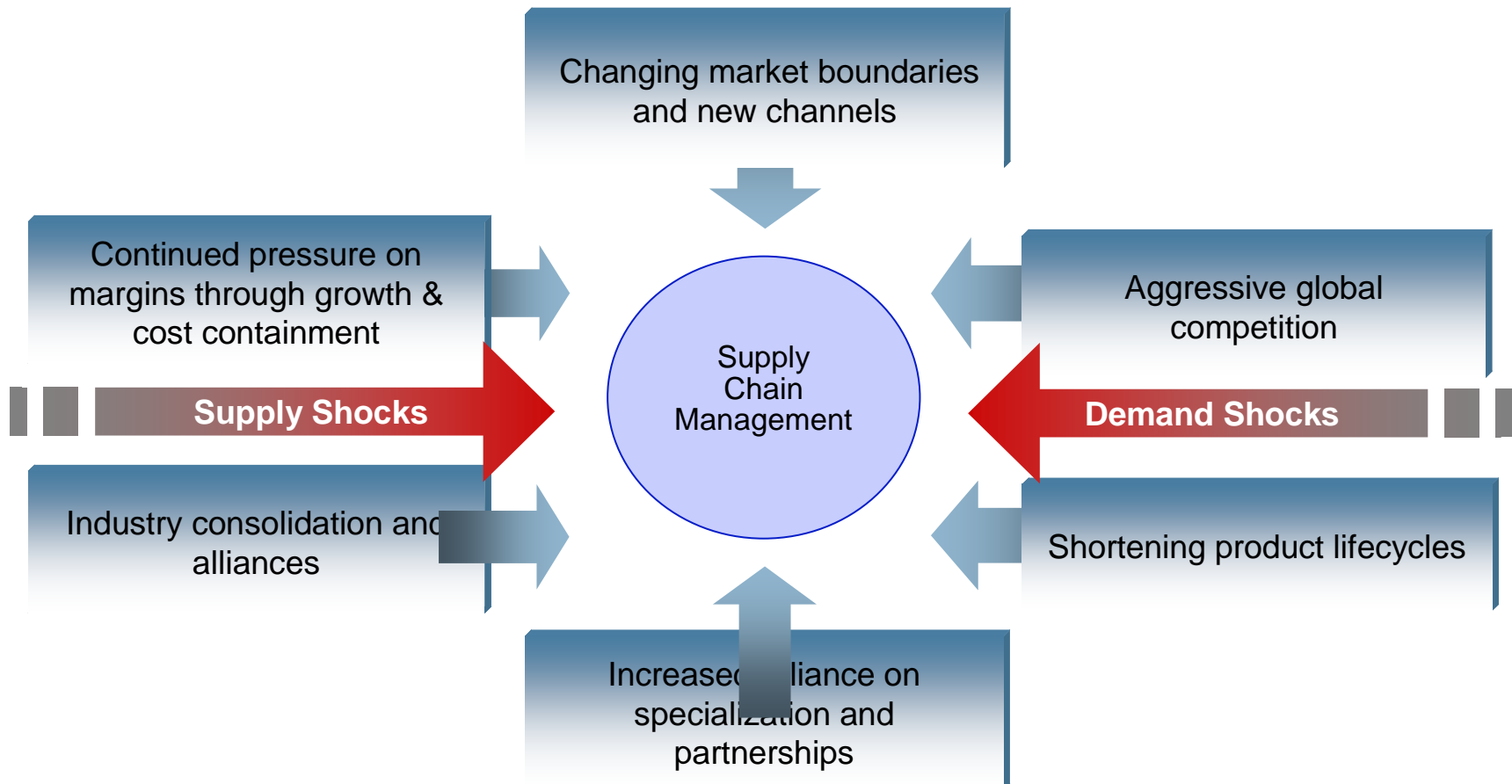
- IBM SCM Practice Overview
- GBS in China
- IBM SAP practice in China
- IBM China Experience on Localization
- Appendix
 - IBM GBS SAP Implementations in China

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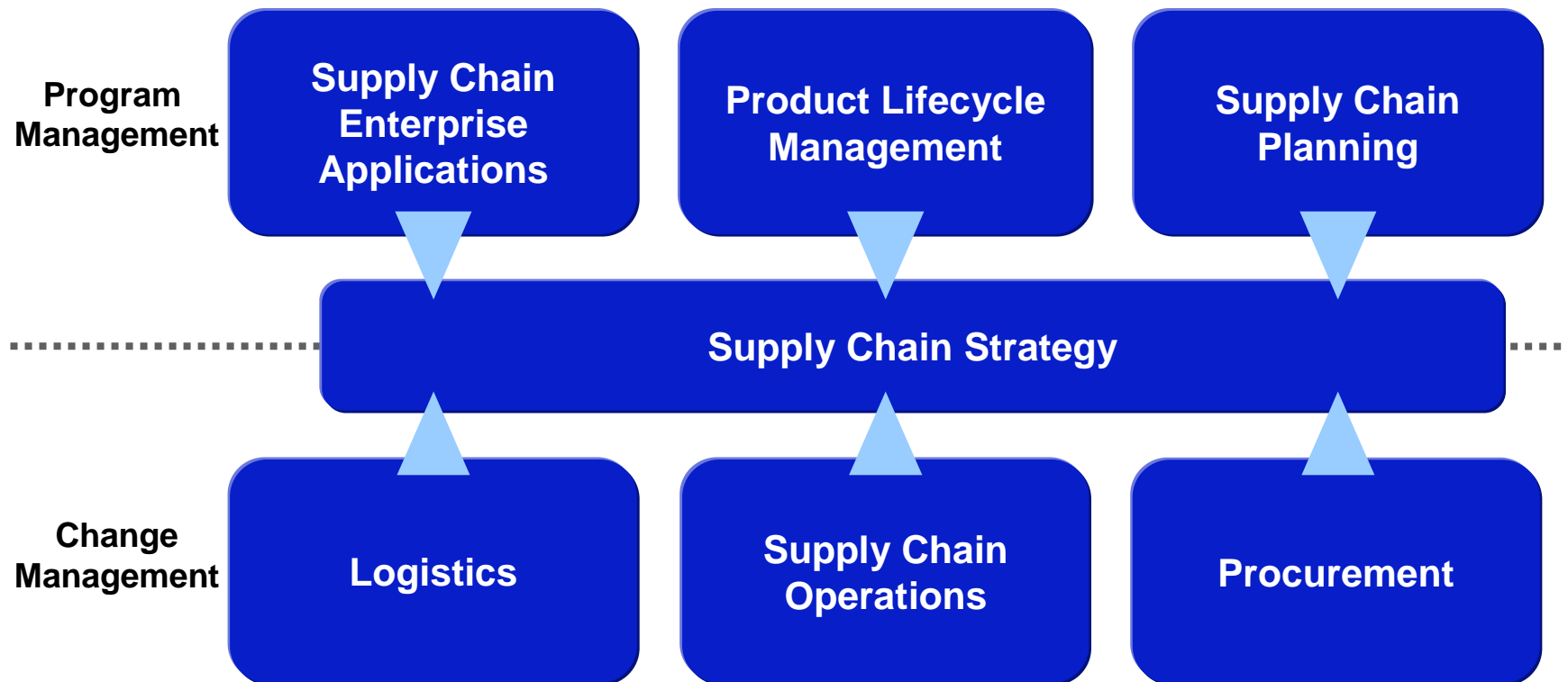
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Various issues are forcing change and innovation in Supply Chain Management



Source: Value Chain Study, IBM Institute for Business Value

IBM draws on its full breadth of SCM capabilities to address the challenges that clients in all Industries are facing



The credentials of the IBM SCM Services' practitioners are exemplary and resources span all geographic regions

- Over 25% have advanced degrees; **200+ with PhD's**
- Average staff experience in **SCM field is 9.5 years**
- 40% of staff has over **10 years supply chain experience**
- Current staff holds **14 supply chain related patents**, e.g.:
 - *"Decision Support System for the Management of an Agile Repair Supply Chain"*
 - *"Fast inventory matching algorithm for the process industry"*
 - *"Virtual sales person for electronic catalog"*
- Over **45 books and articles** have been written by our consultants on a wide range of topics such as:
 - *"Transforming Government Supply Chain Management"*
 - *"Information Technology At Work Today in the Energy Industry"*
 - *"Multi-facility Location and Routing Models to Minimize Hazardous Material Transport Accidents"*



SCM Service collaborates extensively with IBM Integrated Supply Chain group, IBM Research and leading universities

IBM Integrated Supply Chain

- IBM SCM Services has had significant involvement in multiple IBM Integrated Supply Chain (ISC) Transformation initiatives
- GBS / ISC skills and best practices are available to IBM Clients
- ISC has been continuously ranked as one of the top 25 Supply Chain Operators (AMR Research, 2007)

University

- IBM has established Supply Chain Research Labs with leading universities to create an end to end, e-Supply Chain Research, Simulation and Computing Platform.

Universities engaged:



China Research Lab

- As one of IBM's 8 global research labs, China Research Lab has developed the OSCAR analytics asset repository to solve SCM problems
 - SCPM
 - GPSE
 - SNOW
 - TOMA

Center for Business Optimization

- IBM CBO builds asset-based solutions to tackle clients' most complex challenges. Its supply chain-related assets include:
 - Dynamic Inventory Optimization
 - Available to sell

*OSCAR: On-demand Supply Chain Analytics Resource
 SCPM: Supply Chain Process Modeler
 GPSE: General Purpose Simulation Environment
 SNOW: Supply-chain Network Optimization Workbench
 TOMA: Transportation Operation Models Analysis

IBM SCM Service has partnered with best-of-breed alliances to address the diversity and complexity of this area

Supply Chain Planning				
Product Lifecycle Management				
Logistics				
Supply Chain Operations / Asset Management				
Procurement				

Gartner, Inc. has listed the IBM GBS SCM practice in the Leader Quadrant of their SCM C&SI Magic Quadrant

Magic Quadrant for SCM Consulting and Integration Service Providers, 2006



Source: Gartner (December 2006)

This Magic Quadrant graphic was published by Gartner, Inc. as part of a larger research note and should be evaluated in the context of the entire report. The Gartner report is available upon request from IBM.

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IBM's development journey in China



Currently IBM is operating in almost all major cities of China and continues growing...



As of 2007, GBS has around 1300 Business Services Professionals in GCG

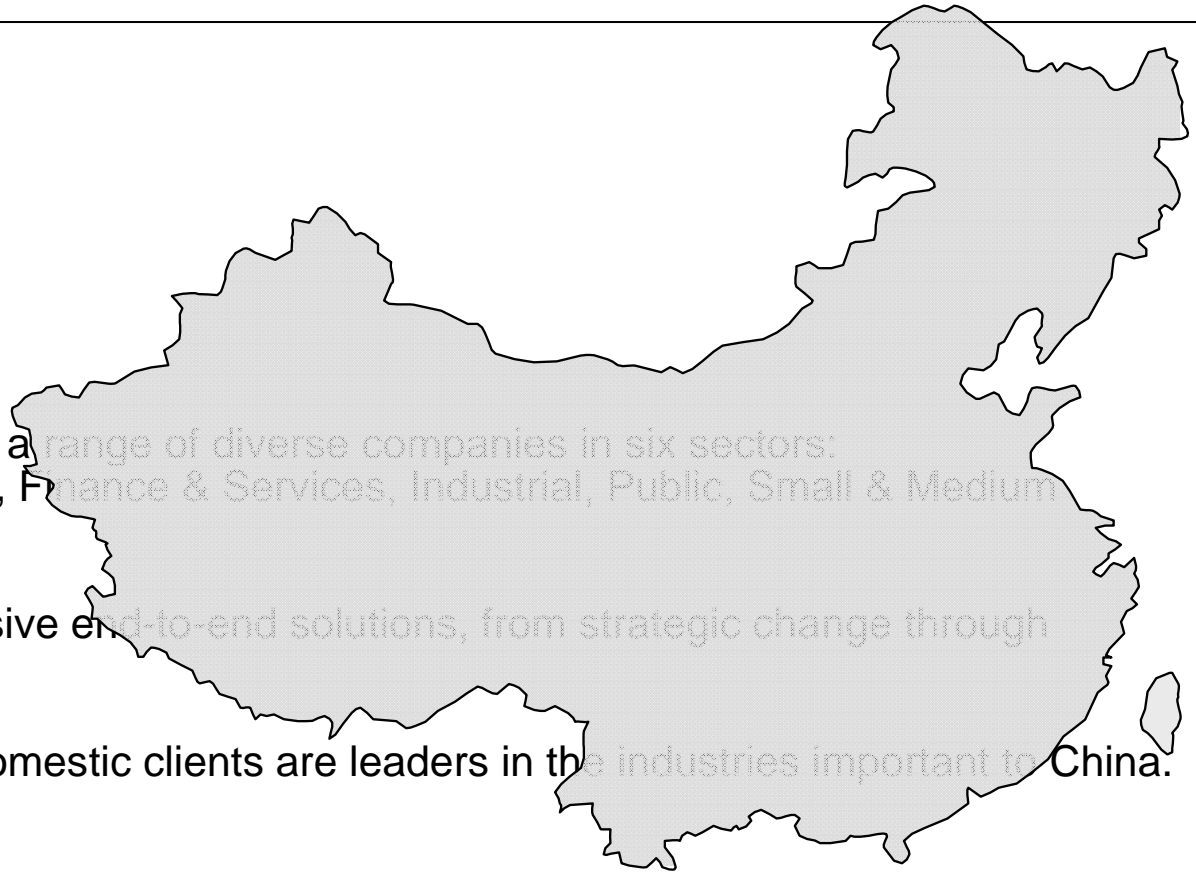
Our Principal Offices are in :

- Beijing
- Shanghai
- Guangzhou
- Hong Kong
- Taiwan

Our clients are comprised of a range of diverse companies in six sectors: Communication, Distribution, Finance & Services, Industrial, Public, Small & Medium Business

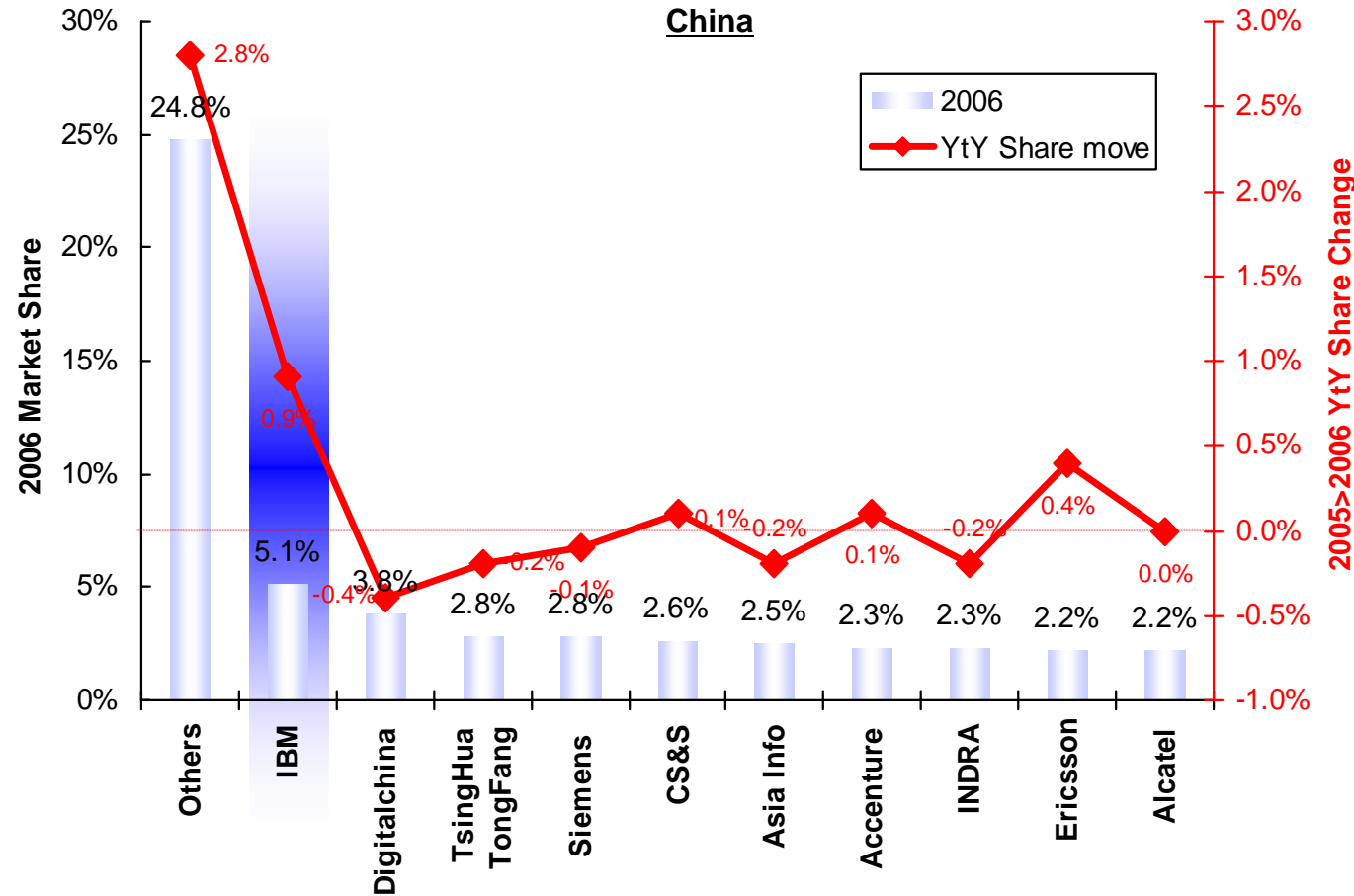
We can provide comprehensive end-to-end solutions, from strategic change through operate.

Our MNC, SOE and other domestic clients are leaders in the industries important to China.



GBS is the No. 1 consulting and systems integration company in China, and have further extended our lead in the last year...

China



	2006 (reported) Rev (US\$m)	2006 Share	YtY Shift
IBM	110	5.1%	0.9%
Digitalchina	82	3.8%	-0.4%
TsingHua TongFang	60	2.8%	-0.2%
Siemens	59	2.8%	-0.1%
CS&S	56	2.6%	0.1%
Asia Info	54	2.5%	-0.2%
Accenture	50	2.3%	0.1%
INDRA	50	2.3%	-0.2%
Ericsson	47	2.2%	0.4%
Alcatel	47	2.2%	0.0%
Other Services Vendors		24.8%	2.8%

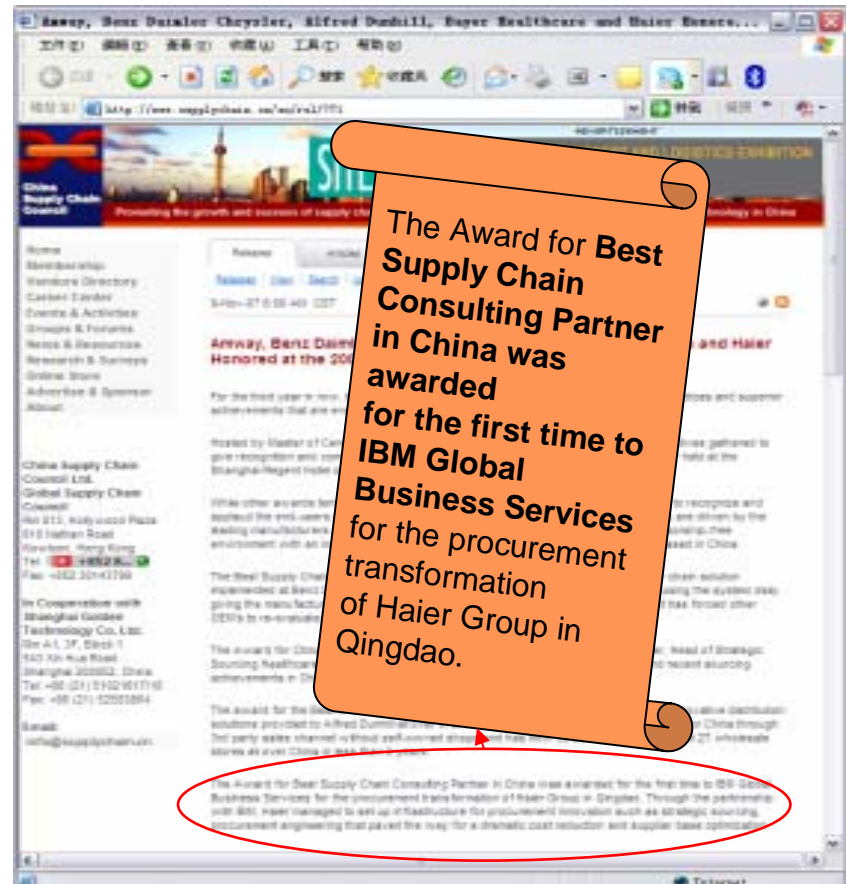
Source : Gartner Group, IT Services Market Metrics Worldwide Market Share, April 2007 – category : “Consulting” (which includes business and IT consulting) plus “Development & Integration”

GBS China is the top performing country in Asia Pacific and also achieving the largest increase in market share...

	Rank	2005 - 2006 YtY share movement	Leader	Comment
AP ex J	4	-0.1pts	Samsung	Amongst the MNC's GBS has lost ground to ACN
Japan	4	-0.2pts	Fujitsu	GBS is in a position to gain position within the top-3 players
Australia	5	+0.6pts	Accenture	ACN took the lead position from EDS in 2006
Korea	4	-0.6pts	Samsung	ACN is only 1pt of share from challenging GBS in the top-5
China	1	+0.9pts	IBM	GBS is competing well against the local players
India	7	+0.1pts	TCS	TCS has a dominant position in this market
Singapore	4	-2.2pts	NCS	GBS is being challenged by Fujitsu for a place in the top-5

IBM GBS is the Best Supply Chain Consulting Partner in China

In Oct. 2007, **IBM for Haier Procurement Transformation** was awarded for **'Best Supply Chain Consulting Partner 2007 in China'** from China Supply Chain Council



The Award for **Best Supply Chain Consulting Partner in China** was awarded for the first time to **IBM Global Business Services** for the procurement transformation of Haier Group in Qingdao.

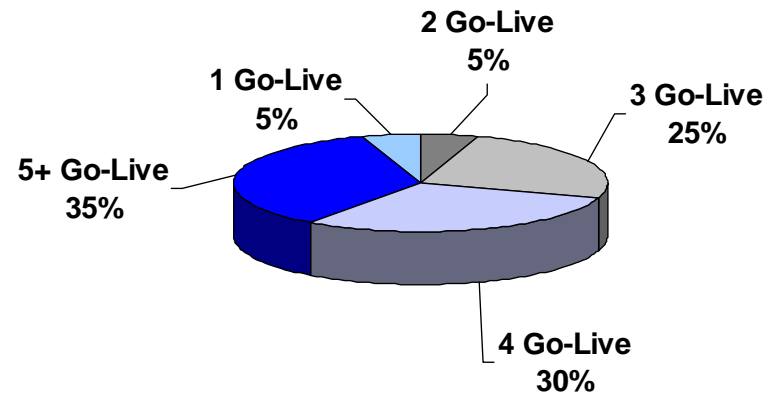
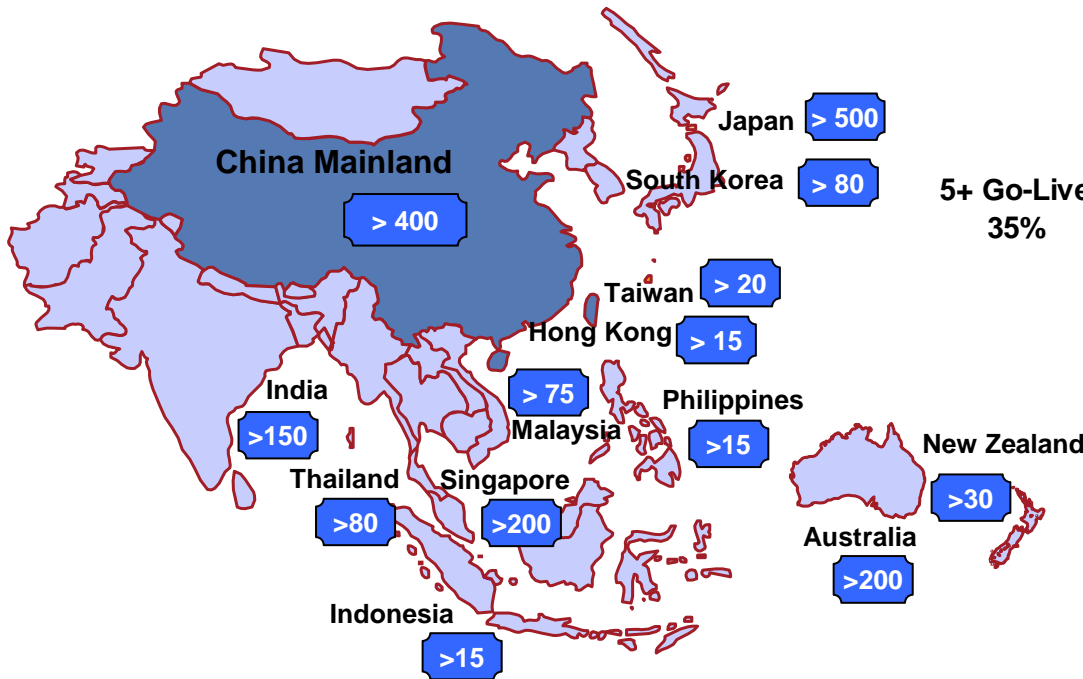
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IBM SAP Implementation Team in China and Asia Pacific Region

- IBM SAP team is the **No.1 SAP service provider** in the China market
- As of mid 2007, IBM China has around **50% SAP service market share**
- IBM has a very solid and stable SAP core team, 10+ years of SAP experience for each core team member



GCG	FI/CO	Logistics (MM/PP/SD)	Basis	ABAP	Other	Total
	90	220	20	30	10	400





















300+ Successful SAP Projects in Mainland China

Client List by Industry Sector (1)

Communication	Automotive	Chemical & Oil Gas
<ul style="list-style-type: none"> Alcatel Jiangsu  	<ul style="list-style-type: none"> Chery Auto  	<ul style="list-style-type: none"> BASF 
<ul style="list-style-type: none"> China Netcom  	<ul style="list-style-type: none"> Daimler-Chrysler Beijing  	<ul style="list-style-type: none"> Bayer 
<ul style="list-style-type: none"> East Communications  	<ul style="list-style-type: none"> DCJ Motor  	<ul style="list-style-type: none"> BP Shanghai 
<ul style="list-style-type: none"> Ericsson Beijing  	<ul style="list-style-type: none"> Jeely Auto  	<ul style="list-style-type: none"> BP Zhuhai 
<ul style="list-style-type: none"> Nokia  	<ul style="list-style-type: none"> Hafei Auto  	<ul style="list-style-type: none"> CALTEX 
<ul style="list-style-type: none"> Guangdong Nuclear 	<ul style="list-style-type: none"> Jiangling Motor  	<ul style="list-style-type: none"> Chevron Phillips 
<ul style="list-style-type: none"> Guangxi Laibin Electricity 	<ul style="list-style-type: none"> Piaggio Foshan  	<ul style="list-style-type: none"> GuangZhou Chemical
<ul style="list-style-type: none"> Synergie 	<ul style="list-style-type: none"> Fujian Installation  	<ul style="list-style-type: none"> IFF  International Flavors & Fragrances Inc.
<ul style="list-style-type: none"> Zhejiang Power  	<ul style="list-style-type: none"> Shanghai GM  	<ul style="list-style-type: none"> King Ring Group 
<ul style="list-style-type: none"> Lucent Shanghai  	<ul style="list-style-type: none"> SGM Wulir  	<ul style="list-style-type: none"> Krupp 
<ul style="list-style-type: none"> Hua Neng Power  	<ul style="list-style-type: none"> Jinbei-GM  	<ul style="list-style-type: none"> Nanhai oil 
	<ul style="list-style-type: none"> YuTong Auto  	<ul style="list-style-type: none"> Secco 
	<ul style="list-style-type: none"> Futong 	<ul style="list-style-type: none"> Shanghai Jinshan Petro 
	<ul style="list-style-type: none"> Wuxi Weigu 	<ul style="list-style-type: none"> Shell China 
	<ul style="list-style-type: none"> Goodyear  	<ul style="list-style-type: none"> Sinochem

300+ Successful SAP Projects in Mainland China

Client List by Industry Sector (2)

Electronics (1)	Electronics (2)	Financial Services
<ul style="list-style-type: none"> • Amoi Xiamen  • ASMC  • Bird-Sagem  • Bird NingBo • BOSCH Suzhou  • BYD Shenzhen  • Comba Communication • Compaq ShenZhen  • CSMC  • Kaifa Shenzhen • Primax  • Philips Lighting  • Hejian Semiconductor 	<ul style="list-style-type: none"> • Jiuzhou Panasonic  • SAE Dongguan  • Siemens China  • SONY China  • Suntek • TCL  • Thomson Foshan  • Thomson OKMCO • UAES • WAC Lighting  • Xianqu Shunde • Konka  	<ul style="list-style-type: none"> • New China Life Insurance  • Taikang Life Insurance  • Sinosafe Insurance 

300+ Successful SAP Projects in Mainland China

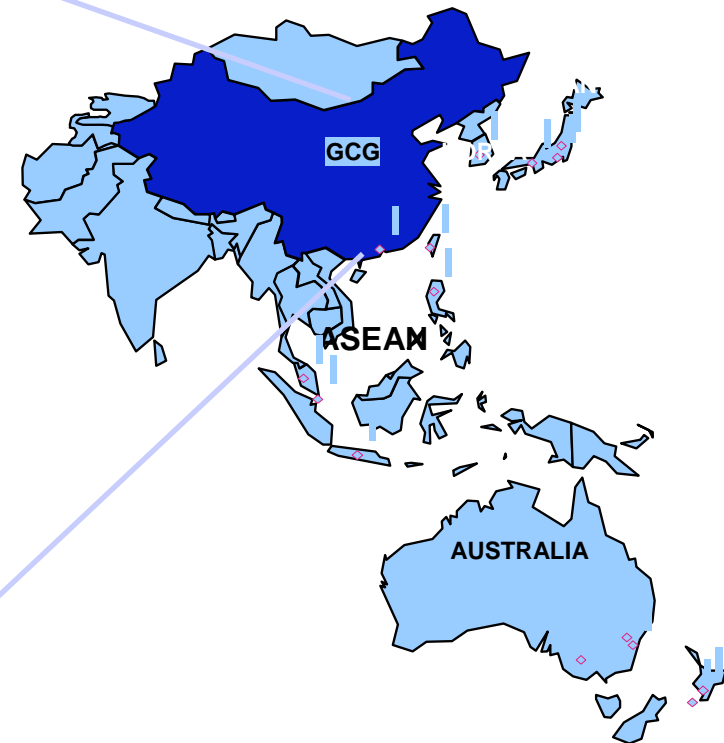
Client List by Industry Sector (3)

Distribution (1)	Distribution (2)	Industrial - Other
<ul style="list-style-type: none"> • COSCO Group  • China Sinochem • China Aviation Oil Supply • China International Trade • Group (Lotus Super Center) • East Abroad • Nansha Cargo Park Company • Super Brand Mall • B&Q SAP Rollout & HHT  • Capital Airport Group • Suning • Xinghua 	<ul style="list-style-type: none"> • 999 Co.  • AVENTIS Medicine  • Ba Medicine • Novo Nordisk – China  • Roche Shanghai  • Xian-Janssen  • Bird Mobile Phone Retail • Cadbury China • Yang Sheng Tang  • TSL • Guangzhou Daily  • High Education Press  • Sichuan Xin Hua Book Stores • Book Store Group (TW) 	<ul style="list-style-type: none"> • ABB Xiamen Switchgear  • ABB Beijing High Voltage • Agfa Film  • Chenming Paper • Chuangxin Shoes • Eagel Foshan • Far East Textile • Northpole Xiamen • Trespa • Zhongshan Fookyik • Shanke (Shunde) Furniture

IBM China SAP Application Management Services Capability

SAP Application Management Service

- **20+ Accounts**
- **250+ SAP Support Consultants**
- **Across all major industries incl. CPG/Retail, Chemicals/Petroleum, Electronics**
- **Core competencies**
 - SAP Financials (FI/CO)
 - SAP Human Resource (HR)
 - SAP Logistics (SD/MM/PP)
 - SAP Basis
 - SAP Development (ABAP)
 - SAP Net Weaver (EP,XI, BW)



IBM as a Trusted SAP Partner recognized externally in China...

Capability Maturity Model - Integrated (CMMI)

- **GCG AMS achieved CMMI Level 5 Certification** in 2004
- There are other organizations reached level 5 but we are unique in GCG in the wide coverage of locations & range of application support services.

Certified SAP Hosting Partner

- **Besides Global Hosting Certification, IBM China SAP Hosting Certification was awarded in 2005.**
- One of the 5 certified SAP Hosting Partners in China.

Application Management Service Key Offerings

Offering 1 - Application Support

- Help Desk
- Level 2/3 End User Support
- Troubleshoot and Resolve
- Enhancement and Development
- User Training

Offering 2 – SAP Hosting

- SAP System Maintenance
- SAP Basic Service
- SAP Optional Services (like DR)

Offering 3 – System Migration & Transition

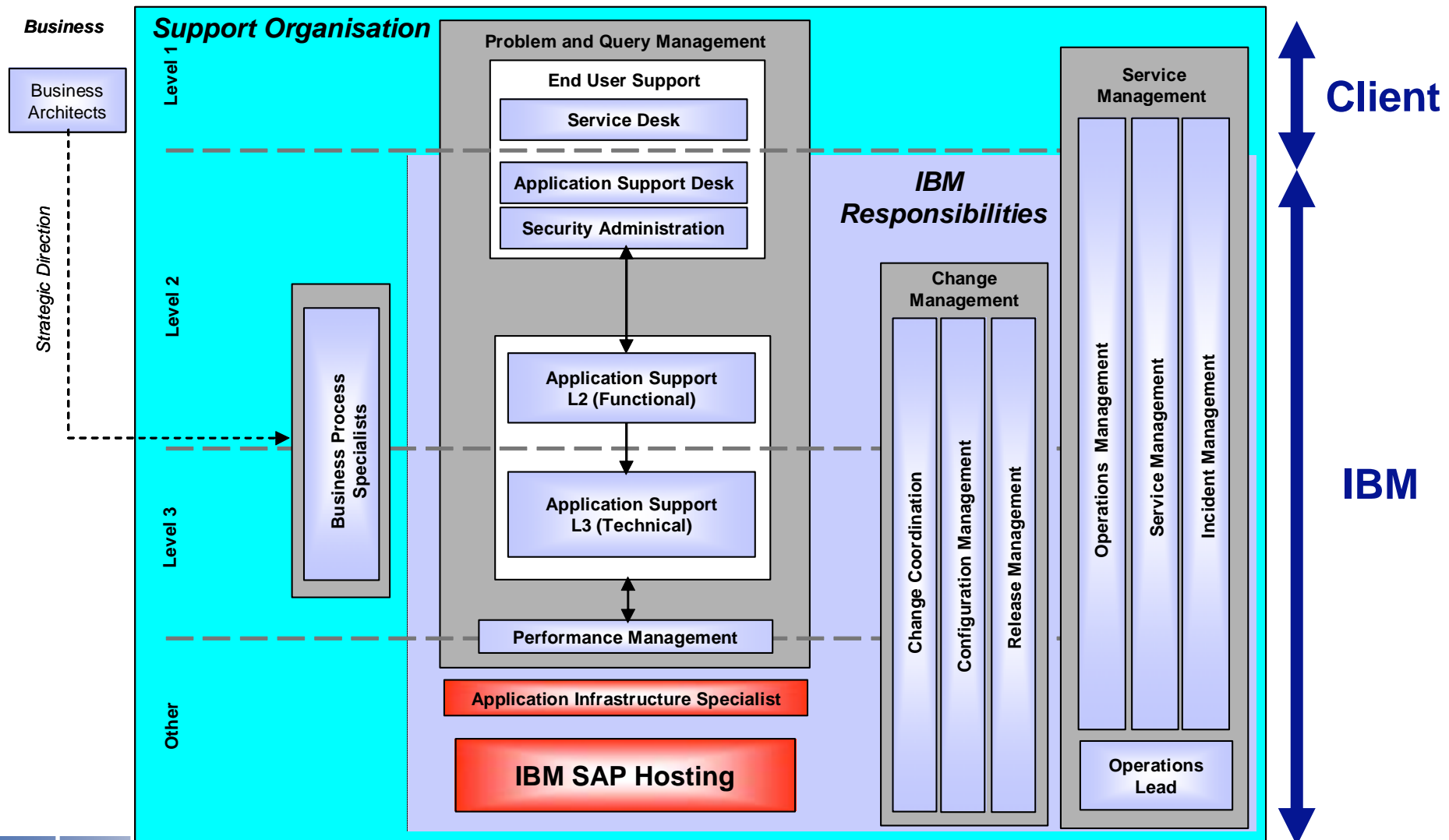
Offering 4 - System Upgrade

Offering 5 – SAP data Archiving

Offering 6 – Application Assessment

- SAP System Review
- SAP Development Review
- SAP Business Process Review

SAP Application Management Approach



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Key Challenges in SAP implementation in China

Regulation

- Local statutory financial statements in Chinese
- Golden tax invoice printing
- Import/export process and bonding management

Language

- Simplified Chinese for mainland China and Tradition Chinese for Taiwan
- Unicode solution for multi-language requirement in one system

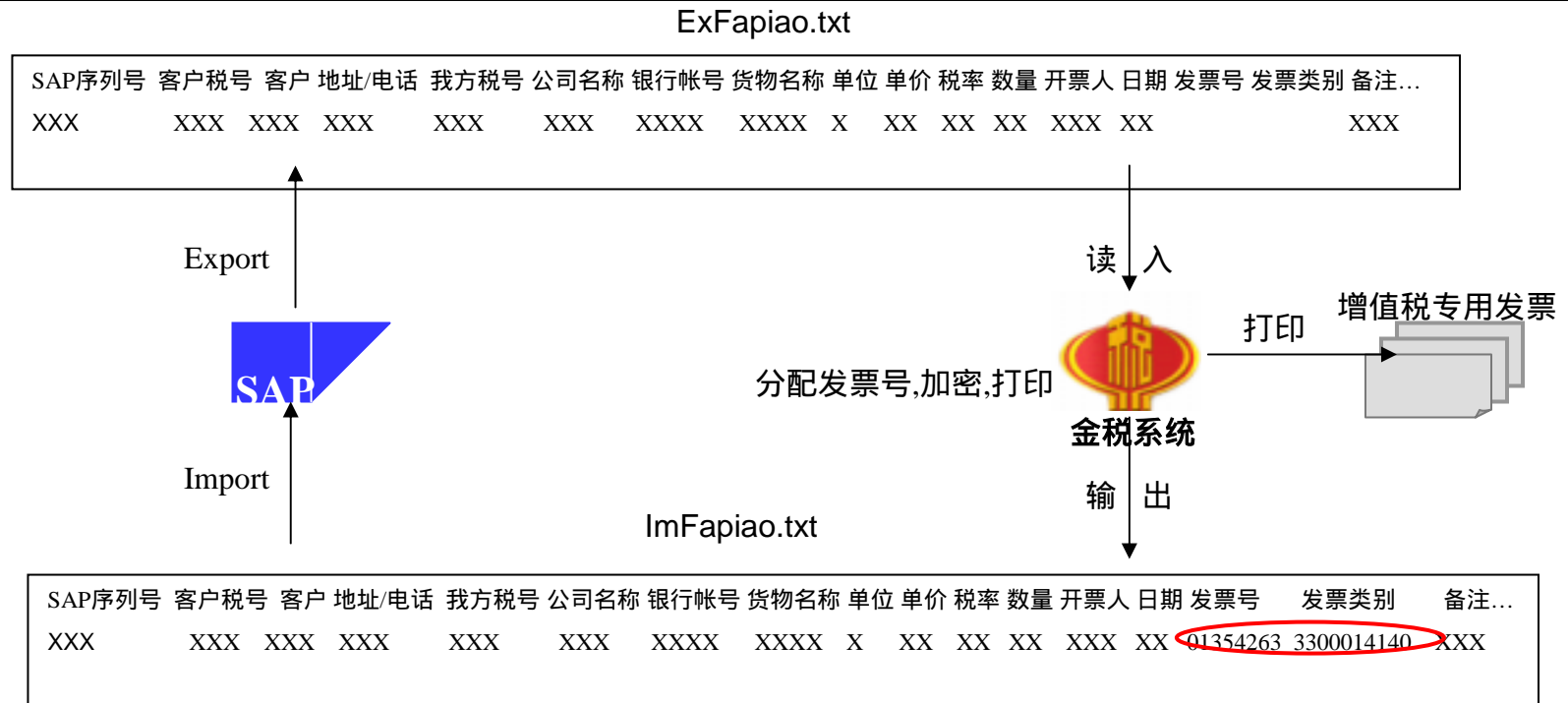
Resources

- WW users
 - more ERP knowledge and experience
- China User
 - little ERP knowledge and practice
 - willing to change and use new technology

IBM China is well experienced in local regulation and build solution template to support customer in following area

- 1. Golden Tax – compliance to tax regulation**
- 2. Local Accounting Report**
- 3. Foreign Exchange And Claim Management**
- 4. Import/Export And Bonding**

Local regulation – Golden Tax Requirement



Step 1: Export SAP billing documents to Golden Tax flat file format

Step 2: Import file into Golden Tax system, which reads the file, prints VAT invoice and assigns VAT invoice number.

Step 3: Export from Golden Tax system a file with SAP billing information and assigned VAT invoice number.

Step 4: Import the file back into SAP system and update the SAP billing with Golden Tax VAT invoice number.

Local regulation – Accounting Regulation

- Fixed format of reports (balance sheet, Profit and loss, cash flow) according to Chinese accounting principle

- Regulation of fixed assets' depreciation

Chinese government and tax bureau have regulations on the calculation of fixed assets' depreciation

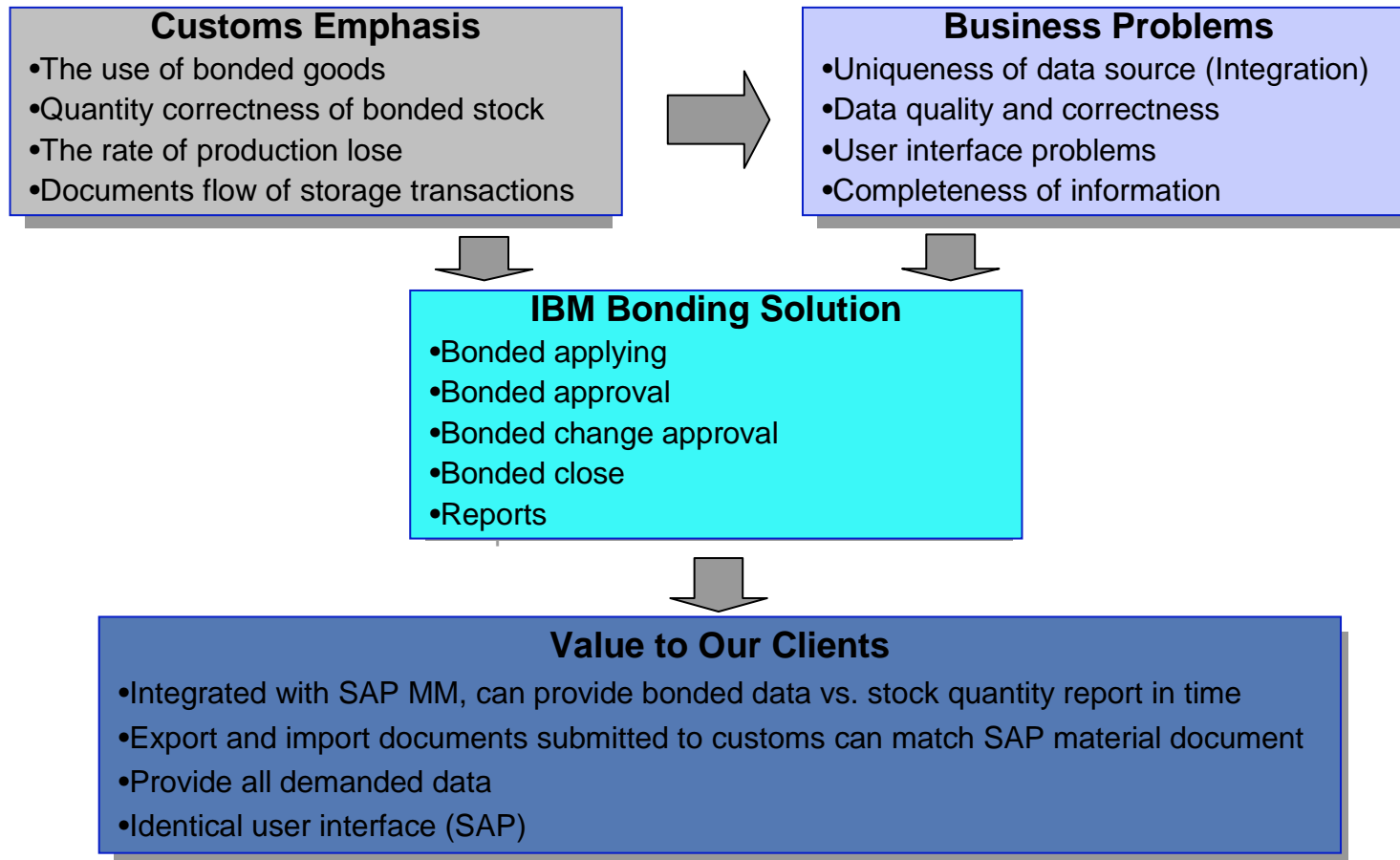
- Regulation of cost accrual

Sales expense has the limit (2% of sales revenue)

Taxable income should be calculated according to regulation, not the actual value

Local regulation – Bonding Management

According to government regulation, enterprises can get import tax returned if the import materials are used to produce export products. So there are process and rules to make sure the quantity of materials consumed is estimated correctly.



Localization key Considerations

Objective: To make sure that the business processes and system solutions of client's HQ template are consistently implemented in China !

Legal requirements

- Legal setup w/ overall trade flow
- Focus on Accounting, asset management, cost calculation, VAT and other tax policies

Critical local business requirements

- Local bank interface
- Logistics process handling
- Pricing calculation and rebate settlement
- Discrepancies of local and global reporting

Language strategy

- To cover of UI, documents output, support and master data

System landscape

- Potentially support AP region

Data Conversion

- To define relationship between global and local master data
- To support ongoing data maintenance and individual responsibilities

Knowledge Transfer Strategy

- Strategy is developed during blueprint phase with description of knowledge transfer approach to be used in rollout

User Documentation

- All deliverables will be in English, but user documents will be translated into Chinese

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Success Stories in China – Industrial Electronic

A Leading Lighting Gear Manufacturer

Background

- The leading lighting gear manufacturing company in Asia, as well as the headquarter of its BU Lighting Electronics

Scope

- 160 users; one R&D center, one manufacturing plant with bonded and non-bonded material warehouse, three distribution centers, and two plants in Xiamen and Thailand

Functional Scope

- SD (Sales and Distribution), PDM (BOM, ECR, ECO, Document), PP (Flexible planning, Demand Management, MRP, Shop-floor management), MM (Purchasing, subcontracting, Inventory management), FI (GL, AR, AP, Asset Management), CO (Cost Center, Internal Order, Product Costing, Profit Analysis), EC (Profit Center), and Basis (Workflow in ECR, Purchasing)

Duration

- 8 months

Methodology

- Ascendant™

Client Statement

- *The SAP implementation in ... has been a great success in several ways. It demonstrated the importance of approaching projects in a collaborative manner to take advantage of existing expertise, both internal and external, such as PwC(IBM) Consulting in our project, to reduce risk, increase project speed and reduce the overall cost of a project. Second, by focusing on a transfer of knowledge” rather than relying on outside parties to “implement” our project, ... is fully capable of managing and configuring SAP internally. Lastly, the ... implementation serves as a template that can be utilized in other implementations.*

Success Stories in China – Pharmaceutical

The Largest MNC Pharmaceutical Company

Background

- The largest multi-national pharmaceutical company in China, manufactures and markets 20+ pharmaceutical products with an annual sales of 2.5 billion RMB in year 2000. Headquartered in Beijing with a manufacturing plant in Xian and a trading company called Qinsen. It also runs a distribution network with four regional distribution centres in Beijing, Shanghai, Guangzhou and Wuhan and 20+ sales offices throughout China.

Scope

- 7 sites

Functional Scope

- PwC team was expected to assist them in SAP FI (GL, AR, AP, AM, CM, LC), CO (CCA, OPA, PA, PC, ABC), SD, MM, WM and PP implementation, project management, process improvement, technical infrastructure management and technical development to replace their legacy BPCS system which no longer supports its future business growth. In addition, PwC team is expected to assist them to integrate the SAP system with in-house grown BW system, EDI with logistics providers, Citibank, bar code and VAT Tax processing system.

Duration

- 8 months; Started April 16, 2001. Go live January 2, 2002.

Methodology

- Ascendant™

Client Statements

- *“We chose PwC(IBM) mainly because they have largest SAP consulting practice in China. Size does matter. It has been proven by on occasion: one of the lead consultant had to take one month sick leave and the replacement was on board in just three days.”*
- *“PwC(IBM) team is very strong and our staff learned a lot from them, not only SAP knowledge, but also business processes, working approaches and professional behavior.*

Success Stories in China – Automotive

An Automotive JV

Background

- The Client is a 50/50 Joint Venture between GM and our Chinese partner Brilliance Automotive. The assembly plant is located in Shenyang China (northeastern mainland China). Jinbei GM builds four different models based on the GM do Brazil S-10 Blazer and Crew Cab platform. The plant runs at 7 JPH designed for a max capacity of 30,000 vehicles per year for one shift. Jinbei is using a semi CKD kit production model in that all the sheet metal is shipped from Brazil and the vehicle is welded, painted and assembled in Jinbei.

Scope

- 1 site

Functional Scope

- This project is AMS (Application Support contract to cover the Sales and Distribution (SD) module, Materials Management (MM) module, Production Planning (PP) module, Human Resources (HR) Module, Finance and Controlling (FI/CO) module, Basis and ABAP development

Duration

- 13 Months , From Jan. 4, 2002 to Feb. 28, 2004

Methodology

- Ascendant™

Client Statements

- “We Choose PwC Consulting (IBM) to take over previous consulting team because we had higher expectation on business process enhancement, PwC Consulting (IBM) helped us on:*
- *Build JBGGM internal consulting team*
 - *Enhancement on Data Accuracy, Engineering Change Process, Planning Process, etc.*
 - *Shorten Financial Monthly Closing period from 14 days to 1 day.*
 - *Implemented CFPM (GM Common Financial Process Module)*
 - *Implemented Financial reporting system (Hyperion)*

Success Stories in China – Financial Services

A Leading Insurance Company

Background

- No. 4 insurance company in China. The company was established in 1996, and grow their premium from zero to 2 billion RMB in 8 years. The company's major business is in life insurance, but plan to build an insurance group, with general insurance and life.

Scope

- 1 site

Functional Scope

- SAP FI/CO/TR/MM/HR.
Focus on four parts in finance management: Risk management, Cost control, Profit Analysis, Report exposure
Focus on two parts in HR: HR database, HR cost control

Duration

- 1 Year in two phases

Methodology

- Ascendant™

Food Industry Business Model Roll-out - Nestlé GLOBE

Client Overview

Nestlé is the world's largest food company with more than 253,000 employees in 479 factories around the world.

Sales at the end of 2003 were CHF 88bn with a net profit of CHF6.2bn. The company is Switzerland's largest industrial company, and ranks in the Global 500.

Contact person

Responsible IBM BCS-Partner: Ronald Hafner

Australian change management resources have led the change initiatives

Scope & Challenge

The GLOBE solution includes the following pillars:

Roll-out of the GLOBE solution including SAP R3 core, HR, MDR, CRM, APO, EBP, BW, ITS, Workplace and middleware tools into all Nestlé markets worldwide. The expected duration of the Program is 5 years.

Global implementation of Best Practices to unlock potential business benefits by harnessing the power of the e-world with a focus on customers, channels and consumers

Consolidation of Information Technology operations, systems and Data with Shared Data Centers in Sydney, Phoenix and Frankfurt. In addition, two data centers, one for company consolidation and the other for development, will be installed in Bussigny, Switzerland.

Approach

The Program is based on a dedicated methodology called GLOBE Roadmap. This methodology is a blend of the most valuable parts of both ValueSAP and IBM's ascendant methodology.

Core Template design and prototyping in order to facilitate an accelerated SAP roll-out in all countries. The Template contains all newly harmonized processes and all „end-to-end“ processes.

Definition and operation of globally used data objects supported by a Master Data Repository (MDR) and respective Data procedures.

Regional shared GLOBE Centers to drive the Market implementations together with market resources.

Creation of a truly global customer care organization with service desk facilities providing 1st, 2nd and 3rd level application and infrastructure support at the local, regional and global levels respectively

Business benefits delivered

Overall tangible benefits of the Program are estimated in the region of CHF 3.0 billion p.a. when a complete implementation is achieved in most markets (i.e. by 2006).

Intangible benefits from being a company that is well integrated globally yet flexible, united and aligned on the inside and competitive on the outside, presenting one face to the customer.