

TOP TO BOTTOM

we know

they know

END TO END

## Sinopec simplifies internal processes with IBM and SAP

### Overview

#### ■ The Challenge

*With more than 80 subsidiaries and 600,000 employees working in every aspect of oil production and processing, Sinopec has many internal structures. Without a single central information system, it was difficult to reconcile accounts, share information or spread best practices, and IT development costs were high. In addition, the large number of components in the information infrastructure put pressure on its expansion capability and on internal resource management.*

#### ■ The Solution

*Sinopec worked with IBM Global Technology Services to implement ERP and business intelligence software from SAP on the IBM System p5 570 and 595 platforms. The solution was piloted across four subsidiaries ahead of a full rollout.*

#### ■ The Benefits

*Single IT environment saves on software licensing and development expenses and resolves compatibility issues; central data warehouse with real-time accessibility eliminates need to collate data manually – previously a four- or five-day process.*

#### ■ Key Solution Components

*Industry: Chemicals and Petroleum  
Applications: SAP® ERP, SAP NetWeaver® Exchange Infrastructure, SAP NetWeaver Business Intelligence  
Hardware: IBM System p5™ 570 and 595 servers  
Software: IBM AIX® 5L™  
Services: IBM Global Technology Services*

China Petroleum and Chemical Corporation (Sinopec) has its headquarters in Beijing, employs around 600,000 people and has 80 subsidiaries involved in every aspect of oil and gas exploration, development, refining, production of petrochemical products, marketing, logistics, retail and wholesale. Selling mainly to mainland China, the company also exports products to southeast Asia, and achieved turnover of US\$103 billion in 2005.

The company was formed in 2000 from a collection of smaller companies, each of which had built its own IT infrastructure. Even within these companies, different divisions were frequently using different systems from different suppliers, so different staff were assigned to maintain different systems.

Buying from a wide variety of IT suppliers made software licensing complicated and costly, and led to a number of compatibility issues. Moreover, many of the companies were developing their own IT solutions,



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Sinopec

often with long development lifecycles – and at considerable total cost.

In 2002, the group realized that it needed to re-think its IT infrastructure, and set up Petro-Cyber Works Information Technology Co. Ltd (PCITC), a Beijing-based IT services company with 266 staff. PCITC was given the task of procuring, implementing, managing and maintaining Sinopec’s new IT infrastructure.

#### **Choosing a solution**

“We were looking for a solution that could consolidate and integrate all our subsidiaries’ systems into a single, centralized environment,” explains Yimin Luo, Senior Project Manager at PCITC. “Sinopec’s directors paid a great deal of attention to the important role that IT plays in the company’s management, and to improving traditional enterprise management techniques through the use of modern management tools. They chose SAP ERP software as the strategic platform to support day-to-day management. SAP ERP software is a mature solution

for every department from sales and finance to materials management – and it’s practically the industry standard too, which guarantees good support services, fast project implementation, good user-acceptance, and rapid go-live.”

IBM Global Technology Services designed a full solution encompassing hardware, software and services, enabling PCITC to achieve a fast, smooth establishment of the new SAP ERP platform. “The IBM team showed its long-term commitment to our success, and we have built up a very strong relationship based on mutual trust and cooperation,” says Yimin Luo. “IBM brought together advanced technology and a clear willingness to engage with us and understand our business requirements.”

With SAP ERP in place, Sinopec has gained a single, consolidated view of operational and financial data, with standardized procedures that promote best practices throughout the company.

“The new system has speeded up information sharing dramatically,” says Yimin Luo. “It used to take four or five days to collect and collate information from all our different subsidiaries’ systems. With the SAP software solution, we can get the data in real time!

“Equally important is the ease with which we can spread best practices across the company. For example, we used not to have standardized price control across the whole group, so sales teams could set their own prices and offer discounts independently. Now we can set



prices centrally, and everyone uses the same processes for invoicing.”

### **The IBM advantage**

Before the SAP software implementation, Sinopec had a mixed hardware infrastructure, consisting of a large number of servers from IBM, Sun and HP. For the new environment, the project team decided to use the IBM System p5 595 and 570 platforms to support the infrastructure.

“All our research has shown that IBM hardware is an excellent platform for SAP ERP software,” explains Yimin Luo. “In terms of performance, the System p5 range is exceptional, and it offers easy expansion at very low costs.”

PCITC is gradually rolling out the IBM System p hardware across the whole group, together with the SAP ERP application. The combination was successfully piloted at four Sinopec subsidiaries, and the company will now gradually integrate the separated companies into the centralized system. By the end of 2007, the solution will have been deployed at 12 group companies.

### **Managing complexity**

“As a large group, Sinopec has quite a complex organizational structure,” says Yimin Luo. “It used to be a big challenge for us to manage every different level effectively – but the new SAP software solution has made it relatively simple.”

SAP ERP applications give Sinopec a single repository for all business data, and therefore a single view of the company’s operations – at all levels, across the board. It is far

easier for the company to analyze financial information, review and refine business processes, measure the performance of each subsidiary and decide on its strategic direction.

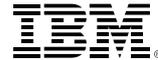
“One example is stock control,” says Yimin Luo. “The SAP software gives us instant information on what we have in stock, what is being used, and what we need to order, so we can reduce inventory costs. We can react to customer demand and market trends much more quickly, and avoid wasting production time and materials.”

With many subsidiaries to support, Sinopec’s SAP software environment must be able to handle very large numbers of concurrent users – the largest single group includes more than 1,000 users – so performance is at a premium. IBM System p5 hardware delivers the fast, reliable response times Sinopec needs, together with the flexibility to handle a complex, fast-changing business. IBM Advanced POWER Virtualization for System p5 enables multiple virtual servers in highly dynamic logical partitions to share the compute resources of the whole server. In combination with the virtualization of LAN and SAN access, this allows Sinopec to run a large and complex SAP software environment without corresponding cost and complexity on the hardware side.

“IBM really delivers on its promises, both in terms of hardware and support,” concludes Yimin Luo. “IBM Global Technology Services has done a great job, providing us with the centralized ERP environment we need if we are to move forward as a global leader in the petrochemicals sector.”

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