Posco Oracle e-business Suite implementation with the help of IBM.

Overview

- **The Challenge**
  Completely redesign the infrastructure of one of the world’s largest suppliers of iron and steel.

- **The Solution**
  Develop transformation blueprint for major change in all core processes. Implement Oracle e-business Suite, ten modules of i2 Technologies supply chain planning application, e-commerce e-sales and e-procurement capability, plus other software packages. Migrate four billion data records from legacy system.

- **The Benefit**
  Improvement of a wide range of cycle times and benchmarks for business processes. For customers - transparency of production times and reduced inventories.

Headquartered in South Korea, Posco (formally known as the Pohang Iron & Steel Co.) is one of the world’s largest suppliers of iron and steel products. The company has an annual production capacity of 28 million tons, more than 19,000 employees and sales of $10.6 billion. Morgan Stanley has described Posco as the “most sustainable company in the iron and steel industry.”

The Challenge

A radical transformation is taking place throughout the steel industry. In a move that was both unique and revolutionary, Posco completely altered its business infrastructure. The company has implemented Oracle’s e-business Suite. In the process, it has rethought its entire organization to meet a new global business standard.

The implementation project was launched in November 1999. It consisted of five key stages and the plan was to complete the job by the end of the 2000.

The objectives were to:

- Reduce the business’s planning cycle time by compressing and integrating the planning process
- Increase plan accuracy through collaborative planning with customers
- Increase profitability through enterprisewide integrated planning
The Solution
A newly acquired business unit, now part of IBM Consulting Services, had project management and delivery responsibilities, together with Posco. There was far more to the project than simply implementing the software solution. A huge change program had to be managed and the business process changes, which would need to be implemented, were substantial.

It took industry, business processes and consulting skills, to assist Posco in the development of a Process Innovation Master Plan - an enterprise transformation blueprint that outlined major change efforts in all of the company’s core process areas. The change plan was built upon:

- A major ERP implementation effort. The implementation of the entire Oracle E-Business Suite
- An implementation of ten modules of i2’s supply chain planning application
- An e-commerce implementation with e-sales and e-procurement capability
- Other software package implementations
- Data migration - which transferred and balanced four billion data records from the legacy system

The Benefit
This massive change in the technological capability and the associated change management program was responsible for a raft of significant benefits.

- Budgeting time slashed from 110 days to just 30 days, allowing annual budgeting to be adjusted quarterly
- Month-end closing time cut from six days to one day
- Sales planning lead time reduced from 60 days to 15 days
- Standard costing time (for eight million items per quarter) reduced from 15 days to three days
- Simplified an average of 50,000 work orders a day
- Shortened lead time for hot rolled steel from order entry to product delivery from 30 days to 14 days
- Delivery date feedback has reduced from three hours to just six seconds
- Advanced resource planning now means that customers are aware of Posco’s production times, more than six weeks in advance
- Customer inventories trimmed by 20%
- New product development time trimmed from four years to 18 months

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