

# Management Information Systems 13e

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## CHAPTER 9 ACHIEVING OPERATIONAL EXCELLENCE AND CUSTOMER INTIMACY: ENTERPRISE SYSTEMS

### CASE 3 Sinosteel Strengthens Business Management with ERP Applications



VIDEO  
CASE



**SUMMARY:** China's state owned strategic resources enterprise Sinosteel Corporation uses Oracle Enterprise Resource Management (ERP) to strengthen its business management and global reach. L= 4:50.

**URL** <http://www.youtube.com/watch?v=j5rBGljckjw>

**CASE** Sinosteel Corporation (abbreviated as Sinosteel) is a central enterprise under the administration of the State-Owned Assets Supervision and Administration Commission. There are 76 subsidiaries under the administration of Sinosteel, among which 53 are in China and 23 abroad. Sinosteel's 2010 revenues (the latest available) were reported to be 186 billion yuan (US \$28.7 billion), ranking it as No. 352 among Fortune Global 500 companies in 2010.

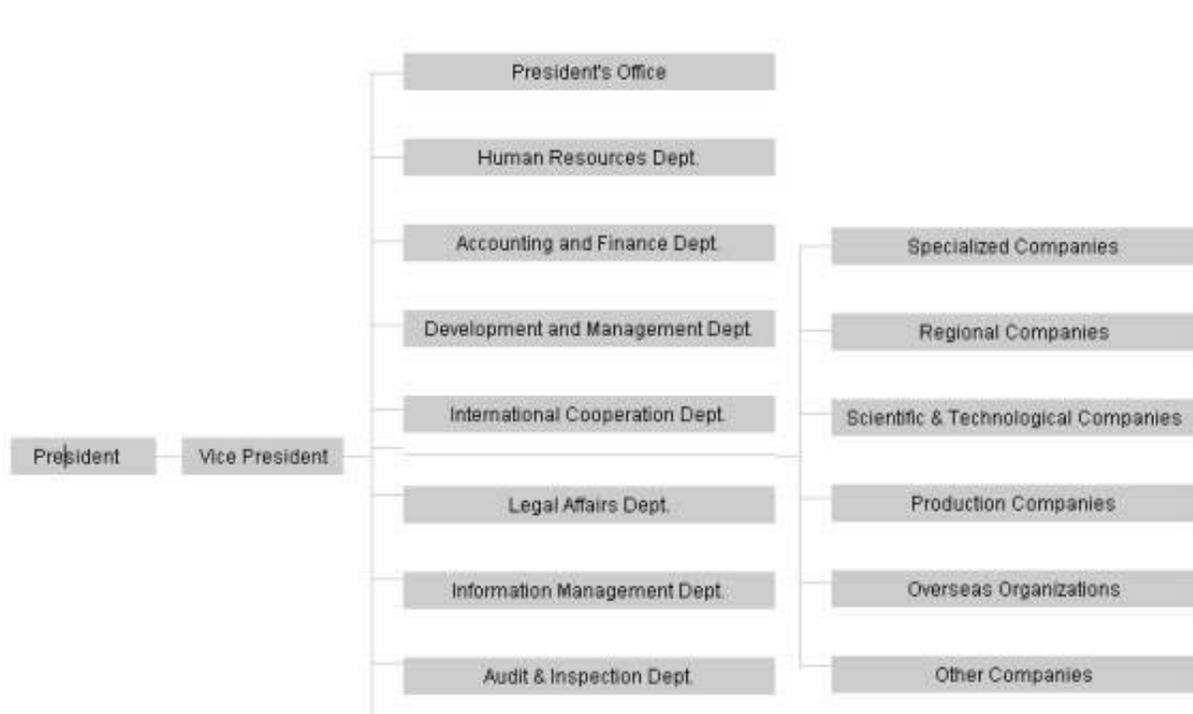
Sinosteel is mainly engaged in developing and processing of metallurgical mineral resources, trading and logistics of metallurgical raw materials and products, and related engineering technical service and equipment manufacture. It is a large multi-national enterprise with core businesses engaging in resources development, trade & logistics, engineering project and science & technology, equipment manufacturing and specialized

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service, providing comprehensive auxiliary service for steel industry, especially steel mills. Its primary business activity is importing iron ore from around the world to feed China's expanding steel industry.

Sinosteel is organized as a decentralized, multi-business unit firm (see Figure 1). Like most rapidly growing global firms, Sinosteel has grown through the acquisition of hundreds of small companies, and many medium to large size companies. In the process, the company has inherited the information systems, accounting, customer, supplier, and human resource systems and policies of its many subsidiaries.

**FIGURE 1 SINOSTEEL ORGANIZATIONAL STRUCTURE**



Sinosteel is one of the state-owned enterprises that embrace the State's 'Go Global' policy of pursuing economic and technological cooperation with other nations and global businesses. It has successfully established iron ore and chrome ore resource bases in Australia and South Africa, providing abundant mineral resources for the sustainable development of China. Sinosteel's expansion plans parallel other Chinese state-owned enterprises' efforts to expand global control over key commodities, and to arrive at exclusive supply relationships which will guarantee a steady stream of resources to China's expanding economy.

The scientific & technological companies under Sinosteel have a solid research foundation and strength in the fields of geological exploration, beneficiation, heat engineering, environmental protection, refractory materials, metal products and engineering design. Sinosteel operates ten state-level research centers which also provide educational programs at master and doctoral levels.

Sinosteel is qualified to undertake project engineering & purchase, construction and auxiliary supply. As the agent for many Chinese and international equipment & technology suppliers, Sinosteel provides financing and bidding services for Chinese steel mills.

In the last two years Sinosteel has engaged in a major global expansion program through purchasing Australian, South African, and Latin American steel resources. In 2008 it engaged in a major battle for control of Midwest, a large iron ore producer in Australia.

#### VIDEO CASE QUESTIONS

1. What is the business of Sinosteel, what are its major challenges, and how would an ERP system address the challenges they face?
2. Why did Sinosteel pursue the development of an ERP system? What were the objectives? What challenges (risks) does ERP address for Sinosteel? [The CEO is difficult to understand on some of the objectives, but later in the video an IT manager is clearer and reflects the CEO's position almost exactly. You will need to listen carefully].
3. What factors were important in the choice of Oracle?
4. How did business processes change in order to implement this ERP system?
5. What do you think some of the implementation issues and risks might have been with this system?
6. How did this investment in ERP systems help Sinosteel achieve operational excellence? What do you think were the benefits of installing this system given the substantial costs involved?

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