



THE INTELLIGENT ADVANTAGE

Well-known for its “old economy” business acumen, HWL is also a world leader in harnessing the power of information technology to improve performance.

By Arun Sudhaman



When Hutchison Whampoa Limited (HWL) successfully completed a US\$5 billion corporate bond financing deal last November, it was not just the huge sum involved that caught the attention of the industry but the speed and efficiency at which the company was able to pull it off.

The apparent behemoth had again proved to be remarkably nimble in its ability to crunch the numbers.

Taking advantage of relatively low borrowing rates and high levels of liquidity to launch the multi-tranche facility, HWL initiated and then closed the deal, which was the largest ever in Asia outside of Japan, in a matter of days.

It was the Group's sixth visit to the bond markets in 2003, bringing the total for the year to some US\$10 billion and prompting a barrage of plaudits from the financial media. Among them, *International Financing Review* (IFR) and *FinanceAsia* named Hutchison “Borrow of the Year” for its “phenomenal” feat.

The achievement was a powerful testimony to the Group's ability to provide financial data at short notice through the deployment of advanced and customised IT reporting systems.

Amid the everyday tales of crashed computers, malfunctioning servers, debilitating viruses and junk e-mail, it is easy to forget that information technology (IT) exists to make life easier. Utilised in the right way, it allows a company to work smarter, faster and more productively.

STRATEGIC VISION

At the dawn of the new millennium, HWL foresaw the future. Having led the drive for faster financial reporting for some years, the company decided it was time to take a fresh look at its financial systems.

With Group Finance Director Frank Sixt at the forefront, the Group initiated an IT programme that would stretch its lead even further.

Whilst the rest of the world played catch-up over the next few years, and the clamour for quarterly reporting grew, HWL had already embarked on a journey that would see it create a state-of-the-art financial software system that supports continued world-class corporate governance.

When the Group began its search for software that would bring increased benefits to its financial reporting systems, it was careful to avoid the trap of implementing the latest technology simply for its own sake. Rather, it wanted the kind of system that would precisely align with its business objectives — to make the Group and its people even faster and better at what they do.

Out of these requirements, the Group's vision of *EBIS* (Enterprise Business Information System) began to take shape.

“We wanted to improve both internal and external reporting processes by making them faster and more accurate, but there were no off-the-shelf offerings that could do this,” says Kwan

Cheung, HWL's Deputy Group Chief Accountant. "So we got IBM and Oracle involved and began work on *HARP* (Hutchison Accounts Reporting Package) — a customised solution built on top of a standard Oracle financial system."

The enormity of the task soon became clear. Not only did the Group's business processes and financial systems require standardisation but the actual philosophy underpinning these systems would need to evolve.

"This was not just about systems but also about the thinking underlying them," notes Cheung. "We were using world-class technology to change people's thinking and meet our objectives."

PERFORMANCE-ENHANCING

The new *EBIS* software would not just improve the technological infrastructure, but would also enhance the processes behind the systems — and the people behind the processes. By introducing a standard consolidated system of data input across all business groups, data integrity immediately improved, reporting became more accurate and human errors could be traced to their point of

origin, creating a greater focus on individual accountability.

"The system is only as good as the information fed in," says Cheung. "*EBIS* certainly affected a shift in thinking and accountability, and removed human error to a large extent by automating a large part of the more tedious manual tasks previously required."

This transition would not have been possible if the software did not exactly match the needs of various Hutchison divisions in different countries. *EBIS* works by standardising figures from disparate reporting structures, making adjustments automatically and leaving a clear audit trail.

To best understand the *EBIS* system's mechanics, it is helpful to consider a practical example of how the results of Hutchison Port Holdings' (HPH) widespread operations get consolidated into the Group results.

The results of an individual port, once completed and verified, are automatically summarised in HPH's reporting format and then translated to Hong Kong dollars, HWL's reporting currency. A similar process occurs across all the HPH operations, with consolidated information submitted from

*"Top management
can now log on
securely anywhere
in the world"*



around the world. When HPH has consolidated the results of all its operations, they in turn are rolled up into the Group's consolidated results. The reporting format, translation, transfer of data and actual consolidation process are all automated, making the process faster and more accurate.

INFORMATION ON TAP

The Group, its divisions and its subdivisions are all able to quickly and accurately extract the analysis they require via the HARP system.

If EBIS represents the building blocks that are so necessary for the efficient financial reporting of the various divisions, the top of the pyramid is occupied by the Group's Management Information Portal.

"It is about getting the right information to the right people," explains David Nicholls, Head of the Group Information Systems Department. "Top management can now log on securely anywhere in the world and get up-to-date information about the state of the business."

Taken individually, the various enhancements brought about by

EBIS are impressive enough. Taken as a whole, they have allowed HWL to revolutionise the speed at which it can report as well as assess and make decisions based on financial data, providing the company with a significant competitive edge.

As Nicholls points out: "This is not akin to being in the top 25% or 10%. Successful companies are about being as agile as they need to be, and this technology allows us to capture opportunities in the smallest of windows."

HWL's US\$5 billion bond issue in November 2003 was a case in point. The deal had to be closed in less than two weeks and would not have been possible without the improved reporting timetable.

"We have moved from closing in three weeks to being able to close in seven days," says Cheung.

"This technology allows us to capture opportunities in the smallest of windows"

BUSINESS-FRIENDLY

The evolution of EBIS demonstrates HWL's ability to utilise technology in the most effective manner possible. The Group has never been afraid to translate sophisticated technology into some-



thing commercially viable by using it where necessary to make the conglomerate more efficient and more profitable.

Nicholls stresses that, at Hutchison, technology must be business-friendly. "We make sure that we talk and, more importantly, listen to our customers and then install simple technology that helps people," he explains. "We are early adopters when it suits us, but information technology has to be driven by the business."

This approach has helped to foster a working culture at Hutchison that values the contribution made by IT to the com-

pany's daily operations. The controlled deployment of advanced technology has also produced a workforce that favours innovation because it has already experienced the benefits.

"We have opened the doors for people to become more tech-enabled, by providing them with relevant training," says Nicholls. "The partnership between business and IT allows people to come up with innovative solutions which best suit their business requirements."

Continuous training of its staff is one of the reasons why the

THE OPERATIONAL ADVANTAGE

When a customer buys an item at a PARKnSHOP store, the transaction automatically triggers a chain reaction that goes all the way up and down the supply chain.

Integrated software responds to the "event" by updating information for various departments throughout the organisation. Not only is the transaction filed for accounting purposes but the distribution chain is also alerted, ensuring that the store never runs out of supplies.

"From the moment the bar-code is scanned by the cashier at point of sale, the information is transmitted via the store server to a centralised computer," explains C. K. Lai, Financial Controller, Group Finance at A.S. Watson & Co. Ltd.

"If the customer purchases a bag of rice, for example, the inventory level is automatically reduced by one. When the number of units on the store shelf falls below a pre-set level, a purchase order is automatically sent to the supplier who sends more bags of rice to the PARKnSHOP warehouse, which in turn are delivered to the particular store to re-stock the shelves. This is a huge change from the old days when staff had to manually count items to keep track of inventory," Mr Lai explains.

"The information flows both ways," he adds. "When prices change, head office prepares the information and sends it to the various store servers. Of course, the staff still have to physically change the price tags on the products, but the point-of-sale scanners already have the new information factored in. All of this dramatically cuts down on man-hours, reduces error and improves the experience for shoppers."

The A.S. Watson Group operates more than 3,500 supermarkets and retail outlets across Asia and Europe, which together sell over 200,000 product lines to some 10 million customers per week in 16 different countries and regions.

To source, stock and sell such a vast selection of items out of so many stores requires a very high degree of logistical dexterity which would not be possible without the use of IT.

When Hutchison introduced the EBIS system across all its business units, ASW took the opportunity to deploy new layers of IT that would

both support the specific requirements of its businesses and also dovetail with EBIS. It was to be the biggest IT initiative ASW had ever undertaken and would ultimately result in seamless front and back office operations, delivering a competitive edge that has been a driving force behind ASW's rapid global expansion.

After examining the options, ASW selected a Web-based

approach, enabling the company to build flexible solutions that help it to communicate anytime, anywhere using secure office, home and wireless technology that allows management, employees and, vitally, suppliers and customers to stay in touch at all times.

To support this flexible Web-based approach, ASW developed an IT strategy called *SIMPLE* (*Smart Infrastructure Makes People's Lives Easier*). Essentially, *SIMPLE* comprises the technical architecture, the two data centres, the network system servers and the common databases upon which all the other IT systems sit.

"The architecture is designed with mobile deployment and 3G technology in mind, so ASW can take advantage of the exciting developments in these areas," says Mr Lai.

ASW then introduced software systems that were appropriate for its various subdivisions. For example, its PARKnSHOP and Fortress subdivisions deployed Retek software, an Oracle-based suite of applications that provides solutions in the areas of merchandising, warehouse data, distribution management, demand forecasting, sales auditing, customer order management and various other functions important for the smooth running of retail businesses.

"The vision that was set for ASW's IT team was to develop systems that are of great value, but also simple to use," Mr Lai confirms.

"With EBIS, ASW has achieved a very cost-effective solution through deployment of a single system that can be accessed by over 800 users in five countries — Hong Kong, China, Taiwan, Singapore and Malaysia."

The net result is that today millions of product lines throughout ASW's retail operations are sourced, transported, tracked, stored, stocked, sold and replaced according to standardised practices and with the minimum of fuss.

Staff productivity has increased dramatically, customers enjoy exceptional value, and all financial transactions are handled smoothly and efficiently, leaving a clear audit trail and allowing top management easy access to data at the press of a button.

"What's more," says Mr Lai, "whenever ASW opens a new store anywhere in the world we can deploy standardised IT systems that enable the new entity to seamlessly fit in with the rest of the operation. Thanks to the intelligent use of IT, ASW has succeeded in keeping costs under control, increased profitability and made a very complicated organisation run like clockwork."



AGE OF THE INTERNET



Hutchison
GlobalCenter

Hutchison GlobalCenter owes its very existence to the Internet, due to a core business that revolves around the provision of managed data hosting services and total IT outsourcing solutions to its customers.

In recent years, the trend towards outsourcing a company's IT processes has taken firm hold around the world, accompanied by a pressing need for increased data centre capability. In meeting these demands, Hutchison GlobalCenter uses secure, best-of-breed IT applications to position itself as a market leader.

Cost-effective Internet infrastructures enhance the sales & marketing processes, streamlining communications channels and improving customer service management.

The security of its data-hosting systems is of critical importance to Hutchison GlobalCenter's success, and the company has been awarded British Standard (BS) 7799 certification. It incorporates the world recognised information security practice to assure its customers unobstructed operations and bullet-proof information protection.



Hong Kong-based office supplies provider *bigboXX.com* uses the Internet to enhance its competitive edge in the B2B arena. Deploying state-of-art technology with an integrated distribution system, *bigboXX* offers corporate clients a value-added online procurement solution that reduces their administrative workloads and enhances operational efficiencies. The company sells and delivers a range of some 8,000 office supplies — from paper and stationery to furniture and business machines.

The IT platform enables *bigboXX* to take orders directly and process payments over the Internet. By operating a "virtual" shop front, supported by efficient IT-enabled backroom, warehousing and delivery operations, *bigboXX* achieves significant savings on operational costs, which are passed on to consumers.

Throughout its divisions, Hutchison has been able to effectively leverage the remarkable power of the Internet to streamline communications, create business opportunities and enhance competitiveness.

At a basic level, the ability to communicate and exchange data via the Internet has brought marked improvements in terms of efficiency and cost-savings. The Internet also serves as a valuable information resource for both the Group and its customers through the use of interactive websites.

In the e-commerce arena, Hutchison has been quick to realise the sales opportunities afforded by the Internet. *Priceline*, *bigboXX.com* and *ESDlife* are all prime examples of businesses that utilise the Internet as a virtual shop floor to provide customers with convenient access to products and services.



Based on the extremely successful US model selling airline tickets, hotel accommodation and car hire, Hutchison owns and operates *Priceline* in Hong Kong and Singapore, with rights to expand into other Asian countries. Deploying a sophisticated IT platform, *Priceline* matches buyers with sellers via its Internet portal, selling air tickets and hotel rooms at substantial savings and convenience to customers. The IT system can "match-make" offers with some 9,000 hotels and over 30 airlines, creating a win-win situation for buyers and sellers alike. The services are available at: *priceline.com.hk* and *priceline.com.sg*



ESDlife (www.esdlife.com) is a pioneering award-winning one-stop public and e-commerce services to Hong Kong citizens. It can be accessed through the Internet and a network of Internet kiosks. *ESDlife* allows people to book, apply and pay for government services — ranging from wedding registration, sports facilities and appointment booking for smart identity card replacement to filing tax returns. In total, *ESDlife* offers bilingual access to over 180 government services from more than 50 departments and public agencies.

ESDlife also operates a fast-growing e-shop, selling a variety of products and services through its website and is developing a successful online advertising business



At Hutchison Whampoa Property Group (HWPG), Internet and networking technologies have been used extensively to improve business efficiency and effectiveness. Today, HWPG has built an advanced IT infrastructure based on its corporate intranet, enabling it to effectively centralise its global operations.

Nowadays more and more business processes rely on the architecture for information that provides intelligence for operational efficiency and decision-making support. For example, there is a single full-fledged web-based flat sales system serving all sales operations and management. A new class of video-conferencing service is also provided to offices in HWPG through the corporate intranet over which other mission-critical business applications are being delivered concurrently.

PROGRESS THROUGH INNOVATION



Situated in the world's busiest container port, Hongkong International Terminals (HIT) is the flagship operation of Hutchison Port Holdings (HPH). Here, outsized cranes do most of the heavy lifting while computers do the thinking.

Every hour, hundreds of heavy containers are moved with the precision of pieces on a chess board. In a two-way cycle, the boxes are collected or delivered by trucks, stacked at the quayside and transferred from ship to shore or shore to ship with mind-boggling efficiency.

To the untrained eye the entire operation resembles the random chaos of toys spread out in a child's playroom, but on a gigantic scale. In practice, however, each container, each truck, each crane and each ship is carefully monitored and controlled with the help of specially designed computer technology.

With a yard capacity of over 80,000 containers, HIT not only needs to carefully track each container but also needs to place the boxes in the most appropriate position to swiftly be moved along the logistics conveyor belt.

"The terminal keeps getting more efficient," says Patty Wong, General Manager of IT. "We set another new record in July, loading 272 containers in one hour on to a single ship. That's more than nine containers every two minutes and it beat our previous record by 36."

"In fact," Ms Wong adds, "HIT has increased productivity by over 70% and seen business growth of over 40% in the past ten years without any increase in land or berth — all due to the introduction of highly efficient operational procedures supported by advanced IT solutions."

One such solution is the *Productivity Plus Programme (3P)*, which has significantly improved stacking capacity, increased handling capacity and expanded overall yard operations, translating into quicker turnaround times for all users of the terminals.

"Before vessels even berth at HIT, key information, such as the number, weight, size and type of containers is sent to the terminal via the *Electronic Data Interchange (EDI)* and *Customer Plus* systems," Ms Wong explains. "Using this information, the ship planning system, called *Guider*, designs an effective game plan for loading and offloading containers in the most efficient order, and this is implemented as soon as the vessel arrives. Moreover, planners are able to determine the most appropriate yard areas for grounding containers according to their designated vessel, weight class and port of discharge. This is made possible via the latest *Yard Planning and Advanced Grounding Strategy* system, which maximises the efficiency of container flow through HIT's container yard."

The hub of operations is HIT's Control Tower, which commands and co-ordinates activities throughout the terminal. The Control Tower is equipped with the *Operations Monitoring System (OMS)* and supported by closed circuit television, providing an overview of terminal activities and productivity — all on a single computer screen.

Due to the dynamic requirements of the supply chain, the key elements of all of these systems are versatility and speed. HIT is able to handle all unanticipated changes, whether they are last-minute customer requests or adverse weather conditions requiring well-executed contingency plans.

Besides facilitating the smooth flow of containers into and out of the port, IT is also used extensively for the flow of information, keeping relevant parties connected.

Customer Plus is an on-line platform that provides a direct link between HIT and its customers, enhancing HIT's communication with all terminal users and enabling business information to be exchanged electronically.

"The system has the benefits of streamlining business processes and reducing procedures while improving response time and accuracy," says Wong. "It also provides customers flexibility and control over information."

Using *Customer Plus*, shipping lines can retrieve vessel and container reports, access updated information on vessel schedules and container status, input data and transmit instructions. General terminal users can use *Customer Plus* to get terminal information and make general enquiries while barge operators can access information on barge schedules, make ID enquiries and download barge EDI templates.

HIT further streamlines its barge operations using the *Barge Identity Card (BID)* system, which automates identity authentication processes and facilitates the flow of information between barges and the terminal.

To streamline the flow of road traffic, external truck drivers can make appointments using HIT's *Tractor Appointment System*, thereby minimising waiting time and reducing terminal congestion. The system uses interactive voice response and the driver's *Tractor Identity (TID)* card. Upon arrival at the terminal, vehicles are recognised through TID scans then directed by the *Mobile Terminal Message* system to the exact location in the yard for pickup or grounding of a container.

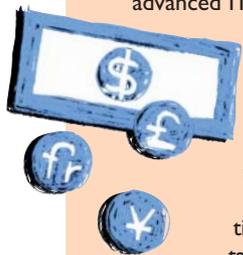
"This not only speeds up pickup and drop-off times, but also enhances safety as the driver can remain in the vehicle throughout the procedure," Wong explains. "The entire process is monitored by HIT's *3P* system. At the exit gate, vehicles can record their movement confirmation from inside the cab simply by swiping their TID card at the checkpoint computer. A terminal receipt is printed out and the vehicle is free to leave."

It's not just at HIT where information technology plays a major role. IT streamlines operations at all the 32 ports where HPH operates, with individual ports deploying appropriate technology to enhance their efficiencies.

Yantian International Container Terminals (YICT), for example, developed the *Integrated Community System* to provide users with real-time information on container movements, vessel schedules and customs inspection status.

In another initiative, YICT, together with Dapeng Customs office, jointly developed a *Customs Electronic Inspection System* that transmits real-time information on customs inspection requirements, processes and results, replacing the previous practice of manual document interchange.

In the area of container security, HPH has been a leading player in the global development of *Smart and Secure Tradelanes*, a radio frequency tracking system that deploys technology that was first developed by the US Department of Defense.



Group has been able to attract the brightest personnel in the IT field.

“Our aim is to recruit the best, train the best and retain the best,” says Nicholls. “Over a three-year period from the start of EBIS, we invested over 100,000 training days for our IT staff in the China region alone, ranging from overviews to detailed technical courses which carry worldwide accreditation. As a policy we encourage our staff to adopt a continuous training and learning philosophy, supporting the development of new skills both technical and personal.”

AHEAD OF THE CURVE

Now that the building blocks are in place, Nicholls foresees a future where HWL's divisions across the globe can deploy complex financial IT systems quickly and easily.

“We now have a new baseline,” he says. From this improved starting point we can accelerate the pace at which we get better. A.S. Watson and HPH can now rapidly roll out financial systems anywhere in the world — all that is needed are lease lines, PCs, training and templates.”

The next stage in the progression of EBIS will see continued consolidation of financial systems across the different divisions to provide even greater levels of interoperability.

A.S. Watson has implemented an Oracle-based IT system to standardise its customer relations, merchandising, trade and distribution management in accordance with the EBIS ethos. Other divisions are following suit, harnessing the astonishing power of IT to bring real benefits to the Group and its stakeholders.

“Individually our sub-groups are passionate about deploying the right technology to maintain leading positions in each of the markets around the globe,” Nicholls says.

“Collectively however, the combined power of knowledge, experience and solutions becomes far more powerful when applied across the whole Group. We are doing more and more to capture this additional energy with regular technology events and discussion forums across all levels in our organisations. The results of having shared goals will be realised in a number of areas – common skills, common language, the very best corporate contracts and few but clear policies and technology standards.”

This new way of working has also led to Group sponsored projects.

“We build once and deploy many,” Nicholls explains. “Such approaches allow our divisions to become even more focused on providing state-of-the-art business solutions, more simply, more quickly and with more support from the HWL community. The result is that we will keep getting better and, more importantly, keep all our companies two steps ahead of the competition.”

But as Hutchison continues to ably demonstrate, technology has little value unless used effectively. The true value lies in the Group's ability to combine technological savvy with commercial acumen.

By realising and articulating its future business needs, the Group has ensured that its groundbreaking IT initiatives will serve it well in the fast-paced business environment of the 21st century. 

