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From field to family: Digitizing the value chain at COFCO
By Guo Dong, Cui Lu and Lu Zhijuan

A series of food safety scandals in China in the early 2000s raised public concerns about the quality of food being produced by agricultural companies. In response, COFCO—China's largest agriculture and foodstuffs company—has imposed strict controls over each step of the food-processing chain. The company recognizes its social responsibility as China's leading provider of grains and oils to provide healthy and nutritious food of the highest quality.

In 2009, COFCO Chairman Ning Gaoning instituted a new strategy: the Fully Integrated Value Chain, offering a “farm field to dining tables” range of products and services. The chain begins with agricultural crops and ends in high-quality processed products for consumers. The strategy marked a significant shift and expansion from the company's former core business as a bulk supplier.

Challenge
As corporate executives and the IT team moved forward to deploy the Fully Integrated Value Chain, they faced a significant challenge: COFCO had diversified its business scope through a series of mergers and acquisitions, growing to become a company of 50 subsidiaries.

Although this growth increased the stature and market position of COFCO, the disparate and non-integrated legacy IT systems inherited from the acquisitions hampered efforts to deploy the new strategy throughout the company. With no common IT platform or integrated applications, information did not flow effectively; furthermore, IT support was often lacking in key processes such as strategic decision analysis, budgetary oversight and investment management.

According to company chairman Ning Gaoning: "We needed to clarify the industrial business model and digitize it. We needed to design our own crystal ball to see clearly where the company should be headed."

Different models
Thus was born Crystal Ball, a multiphase program to improve information sharing and IT management at COFCO. Working with Accenture, the Crystal Ball team began with a careful
assessment and analysis of the existing IT environment across the entire company. This involved surveying 11 business units about their current management methodology and information systems.

The recommendations of the team were that, although ultimately COFCO was moving toward a standardized and common IT platform as a means of integrating data and supporting better decision making, a "one model fits all" approach would not be ideal, given the diversity of its global business. The program team developed three models that could be applied in different units, according to their purpose and core competencies—ranging from coordination at the group level, to full collaboration with standardized approaches, to customized system building.

Crystal Ball intelligence
In terms of actual systems development programs, business intelligence and analytics was the first item on the agenda. Prior to Crystal Ball, COFCO's data management and analysis were manually executed across separate units, so resources and data could not be effectively shared or utilized across internal systems.

With the new business intelligence system, various centers—COFCO's three major food centers, as well as other centers covering areas such as finance, real estate and engineering—share a centralized database with analytical tools. The system covers group-level data unification, data standardization and analysis systems. All business units, including corporate clientele, finance, risk control and strategy, are able to use the system's data mining and analytics capabilities based on their own needs. The system enables managers to gain a general view of the whole group, helping them identify and solve problems in operations and management.

A new way to deliver services
Another important change coming out of the Crystal Ball project was in how IT services would be delivered and charged for. In the traditional model, IT services were sold to the various business units, making ongoing cost control challenging and leading to groups making their own system changes. The new method of IT delivery is to package services according to the needs of a unit, and then charge rental fees. For example, the IT department offers file sharing and mobile storage services to all business units, charging based on usage. COFCO aims to eventually provide IT services the way that utilities provide water and electricity: delivering and charging according to a unit's needs and usage.

Improving the user experience
Improving the user experience of IT systems also became an important focus of Crystal Ball. In the past, COFCO found that the complexity of applications had deterred users, especially those without technical backgrounds—often causing them to abandon new systems and return to the old ones.

To ensure usability of the new systems under development, COFCO put a heavy emphasis on the user experience, starting with the system design. The company recruited professional user-interface designers to ensure system usability. Online, indexed reference information was also made available to let users find answers to problems around the clock. After system implementation, the IT department made training available and actively collected feedback to continuously improve the user experience.

Achievements
COFCO's Crystal Ball project began implementation in 2011 and has been installed at more than 20 projects at group headquarters as well as 10 centers and units throughout the global company.

One of the keys to the success of Crystal Ball has been a concept COFCO calls "small-step, run." For a state-owned giant like COFCO, with a long history and many subsidiaries, it is unrealistic to completely overturn legacy systems and ways of working immediately. Instead, COFCO identified smaller and more gradual goals and then engaged different parts of the company in these step changes. This helped to avoid the common challenges of large-scale change. With the "small-step, run" approach, COFCO gradually replaces or updates existing frameworks, which then evolve into a new system. Managers can more readily buy into these smaller changes, so the program as a whole benefits from their support.

Now COFCO managers at all levels have access to more accurate reporting, an integrated view of information across the company, and analytics-driven insights that help them track business and make more informed decisions in real time. The business intelligence implementation has enabled information and data to flow more effectively throughout COFCO, contributing significantly to the deployment of the company's Fully Integrated Value Chain strategy. The system already has reduced requirements for manpower and material resources. COFCO managers can focus on analyzing data and finding solutions in their quest to improve operations, instead of spending time manually filling in numbers and adapting formats. For example, managers of a subsidiary company previously had to download data and import the information into a spreadsheet format for further analysis. Now, managers can focus on analyzing results using the new business intelligence system, freeing them from the traditional manually executed processes.

Looking to the future
The business intelligence system is just the start of COFCO's Crystal Ball IT strategy which will expand to more functions and systems over the next decade in a way distinctive to China's business models and culture. Although Chinese enterprises need investment and Western experience to catch up to their international counterparts in terms of their IT structures and strategies, Western approaches that are merely dropped wholesale into Chinese companies are unlikely to succeed. COFCO is using its knowledge of business models and consumption habits unique to China to drive high-performance business outcomes today and in the future.

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