



**CHINA BRIEFING**

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# Empowering Your China Business with Successful ERP Implementation

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# Introduction



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Partner  
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2023 might be a banner year for ERP deployment in China. Enterprises are emerging from the pandemic, dusting off digital transformation or upgradation plans that may have been suspended, and moving aggressively to recalibrate and rebuild their organizations.

Amid China's uneven economic recovery, rising geopolitical risks, and evolving global and Chinese tax and data compliance regimes, companies find themselves operating in an increasingly complex environment. Nevertheless, the China operations of numerous organizations grant unparalleled access to one of the world's largest and most competitive markets, a critical asset for their global success. Given this backdrop, ERP systems are gaining traction among international companies seeking to expand their presence in China or diversify their supply chains.

In this special issue of China Briefing, we examine how businesses can successfully select, configure, and implement ERP systems for their China operations. We first present the key drivers behind a company's ERP push and compare the pros and cons of different ERP paths. Next, we introduce the importance of making local configurations when expanding global ERP to China. Lastly, we summarize the common pitfalls and corresponding tips that business leaders should pay attention to during the ERP implementation process.

If you and your company want to learn more about maximizing the potential of ERP implementation, please get in touch with Dezan Shira & Associates. For more information, please email us at [china@dezshira.com](mailto:china@dezshira.com).

With kind regards,

Adam Livermore



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# Why is ERP Important for Operating a China Business?

*In the aftermath of COVID-19, ERP adoption is rapidly gaining traction in China as a strategic tool to navigate market uncertainties and promote organizational efficiencies. A number of ERP deployment options are accessible to firms operating in China, and these can be tailored to meet the requirements of diverse businesses, irrespective of their scale.*



Qian Zhou  
Author

Doing business in China has changed dramatically in the past few years. With the uneven recovery of the Chinese economy, rising geopolitical risks, and evolving tax and data compliance regimes – both in China and globally – companies are operating in an increasingly complex environment.

Yet, the China operations of many organizations provide unparalleled access to one of the world's largest and most competitive global supply chains. This presents the informed executives of these companies with significant opportunities to retain and build on their own comparative advantage by optimizing their operations in the country.

Given this context, ERP systems are increasingly favored by international companies in China, as they provide a range of advantages not only to those expanding in the region, but also to businesses optimizing their operations and building supply chain resilience.

That said, many companies, particularly small and medium-sized ones, may still hesitate to adopt ERP

systems due to traditionally perceived high costs and overseas implementation challenges. Despite these concerns, various pathways exist in China for affordable and compatible ERP deployments for companies of any size. There are also options for one-stop software-as-a-solution (SaaS)-like ERP services, which offer smaller businesses a more streamlined, cost-effective, and efficient approach to access integrated processes, without making substantial investments.

In this article, we explain why ERP is essential to power your China operations and guide you in choosing the right ERP approach for your business.

## What is ERP?

ERP, short for Enterprise Resource Planning, is a software system designed to assist businesses in managing a range of essential elements, including but not restricted to materials, equipment, employees, capital, products, and clients. By integrating core business processes and unifying



data from diverse sources, an ERP system can empower businesses to oversee these resources via a unified, company-wide system. This results in streamlined operations, enhanced insights, and optimal performance across an organization.

An ERP system can cover anything from financial management and human resources management to supply chain management, operations, manufacturing, and even customer relationship management. That said, not every company needs to utilize every module – businesses can choose what to use based on their business type, size, and development stage, and other criteria.

## Why is ERP important for your China success?

### Internal needs when expanding China operations to improve productivity and optimize performance

Since emerging from the COVID-19 pandemic, China has embarked on a path to economic recovery, with various sectors witnessing a resurgence in economic activity, despite concerning statistics reported in certain areas.

In the first half of 2023, the number of newly established FIEs reached 24,000, a 35.7 percent growth year-on-year (YoY). Among others, investment from France, the United Kingdom, Japan, and Germany increased 173.3 percent, 135.3 percent, 53.0 percent, and 14.2 percent, respectively.

Recognizing the pivotal role of foreign investment in China's economic progress amid pressure from global headwinds, both the central and local governments have intensified efforts to attract foreign investors. A series of favorable policies and investment facilitation measures have already been introduced, with more in the pipeline or under discussion.

Seizing the current market opportunities and policy incentives, many investors may decide to revive their postponed China investment or business expansion plans. In such scenarios, the internal demand for advanced management and improved performance within China operations becomes the primary impetus driving a company's push towards implementing an ERP system.

When businesses scale up in China and emerging Asia, they frequently experience operational growing

pains. Existing software often falls short in handling increased workflows, workforce capabilities, and compliance requirements. Here, an ERP system steps in, ensuring that company growth doesn't hinder internal processes or customer experiences.

To be more specific, the implementation of an ERP system can optimize business management in the following areas:



#### Support business growth

When the business grows, it can expand the range of functions in the ERP to meet the enhanced requirements.



#### Enhance collaborations

A robust ERP helps the company to manage all suppliers and distributors and bridge the gap between supply chain partners.



#### Improve productivity

Real time consistency is key! All work sequences follow the same model to avoid confusion.



#### Better customer service

View and track historical/current orders and billings via integration with CRM.



#### Helps decision making

More customized BI reports can be built based on the transaction data.

### Push from investors/global headquarters for better control and transparency

Another impetus for a company's ERP initiative might arise from the insights gained by investors and global headquarters, driven by a desire to enhance

their understanding and oversight of their China operations.

Reflecting on the time when China enforced stringent border restrictions to curb the spread of COVID-19, investors and global headquarters found themselves with limited avenues to verify and corroborate the information they received from their China-based personnel via emails or calls. This situation exposed them to risks like fraud and irregularities, resulting in lax employee management and ineffective internal controls.

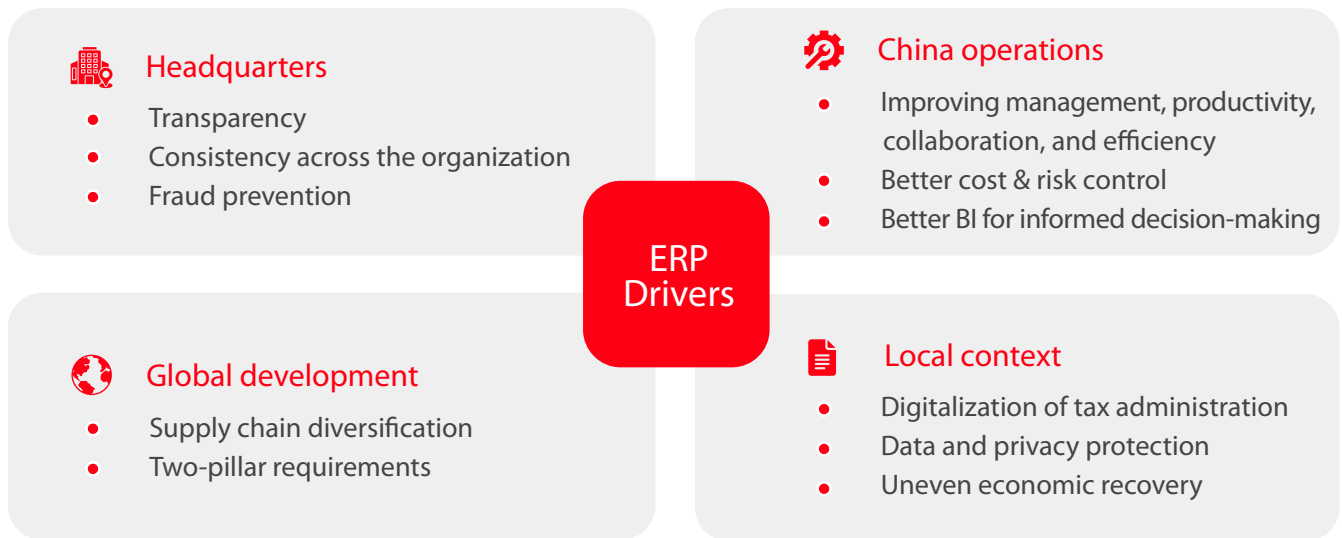
This experience could serve as a catalyst for investors and headquarters to expedite the ERP implementation process. Notably, ERP stands out as a tried-and-true instrument to bolster control and transparency across multi-country operations, in tandem with improved reporting mechanisms.

### Increasing complexity in compliance and business management

Apart from streamlining business processes and improving control, both overseas headquarters and China-based operations might contemplate ERP implementation to address the increasing complexities of domestic and international compliance, as well as overall business management. Several notable factors are gaining prominence, including:

- **Continuous digitalization of China's tax administration** – the Chinese tax bureau has endeavored to achieve advanced tax administration through digitalization and intelligent transformation. Recent efforts include the implementation of fully digitalized *e-fapiao* (e-invoice) and the introduction of the Golden Tax System Phase IV. Under this trend of tax digitalization, businesses are exposed to bigger

## Drivers for Increasing ERP Adoption in China



tax risks as the tax bureau's ability in spotting non-compliant tax behavior will be enhanced by big data technology.

- **China's complicated and evolving legal frameworks** – China has uniform laws and regulations at the national level, but there are local variances during implementation. Moreover, the country has undergone continuous business reforms since the 2010s. These reforms aim to enhance the business environment and facilitate investment broadly, yet they also result in frequent adjustments to China's legal structures, affecting short-term predictability. Collectively, these factors compound the challenges of compliance in China.
- **Adjustment of global supply chains** – there is an accelerated trend of supply chain diversification and restructuring amid rising geopolitical tensions with Western countries. Businesses have good reasons to consider resilience a high priority now over cost efficiency and quality. Further, a diversified supply chain also means engagement with China suppliers and vendors may become even more complicated.

- **New reporting and data accounting requirements arising from the BEPS 2.0's "Two Pillars"** – the OECD has issued the final implementation guidance for pillar two of the BEPS 2.0 initiative, paving the way for establishing a global minimum tax rate of 15 percent by 2024. Alongside the prerequisites for computing a multinational enterprise's effective tax, there's a spectrum of additional evaluation and data reporting mandates, including those delineated in Chapter 8 of the GloBE Rules and the GloBE Information Return rules. Businesses must adeptly and resourcefully capture the requisite data at the group level to ensure compliance.

In this continually evolving landscape marked by various technical and systemic changes and legal reforms, businesses need to be constantly prepared to adjust. They must attain a deeper understanding of their operations, enhance control, expedite decision-making, and respond swiftly and adeptly to obstacles. This is precisely where ERP steps in to empower businesses in achieving these goals.

## Choosing a suitable path to ERP for your China business

After years of development, there are multiple paths now available for ERP deployment in China. Some investors opt against setting up a standalone ERP for their Chinese operations and instead lean towards extending their existing ERP system used by their overseas entities into China. This entails localizing their group ERP within the Chinese context. On the other hand, local teams in China might push back against this approach, raising concerns about compliance, language barriers, or the compatibility of integrations with tax, banking, and external third-party entities.

This can render decision-making on an ERP system very difficult, and indeed, some companies become stuck at this juncture. The reality is that varying

circumstances could warrant different approaches. In some instances, it could be more logical to localize an ERP already employed by corporate headquarters for use in China. Conversely, in other situations, it might be more prudent to construct a distinct, autonomous local ERP system for China operations, subsequently integrating it with the global ERP. Alternatively, employing a standalone local solution for China might be appropriate, particularly if the functional needs are relatively limited.

To reach an optimal decision on the correct ERP pathway, companies must seek deeper insights from on-the-ground experts about essential local requirements, advantages, and drawbacks.

In this section, we take a look at different ERP strategies with a brief assessment of their value and limitations.

### Comparison of Different ERP Paths for Your China Business

| Options                                    | Pros  | Cons  |
|--|---|---|
| Use a local China solution                 | <ul style="list-style-type: none"> <li>• High market penetration</li> <li>• Friendly interface, in line with domestic user habits and local business practices, easy to use</li> <li>• Low deployment and maintenance costs</li> </ul>          | <ul style="list-style-type: none"> <li>• More of a functional tool, extremely limited in terms of enterprise management capability</li> <li>• Weak in internationalization and multi-accounting standard support</li> <li>• Hard to customize</li> </ul>                                  |
| Localize the global ERP in China           | <ul style="list-style-type: none"> <li>• Easier for HQs and overseas teams to understand, monitor, and control</li> <li>• Higher level of consistency across the organization</li> <li>• Advanced enterprise management capabilities</li> </ul> | <ul style="list-style-type: none"> <li>• Difficult to localize, higher professional requirements for ERP implementation team</li> <li>• Hard to implement, higher risk of resistance from local teams</li> <li>• Higher possibility of speed, connection, and stability issues</li> </ul> |
| Build a standalone ERP for China operation | <ul style="list-style-type: none"> <li>• Balance headquarter's and the China operation's needs</li> <li>• Can achieve higher level of customization</li> <li>• Company has absolute control over the system</li> </ul>                          | <ul style="list-style-type: none"> <li>• High difficulty in terms of implementation</li> <li>• Costly</li> <li>• Long implementation cycle</li> <li>• Higher risk of project failure</li> </ul>   |
| Use ERP-as-a-service                       | <ul style="list-style-type: none"> <li>• Simple, fast, and convenient</li> <li>• Deployment and maintenance cost is the lowest</li> </ul>   | <ul style="list-style-type: none"> <li>• Lowest degree of control with only usage right</li> <li>• Lowest degree of customization</li> </ul>  |



## Path 1: Use a local China solution

This option is often recommended by China teams. The predominant ERP tools employed in China remain Kingdee/K3 and YongYou/UFIDA.

Initially catering solely to accounting and finance, these local ERP solutions have deep roots in China and are well-known to accountants. They offer features and interfaces aligned with local business practices and user preferences, with comparatively lower initial deployment and maintenance costs.

However, these local solutions are primarily available in Chinese language and severely limited in terms of enterprise management capabilities. They primarily serve compliance and basic organizational management needs. Moreover, these solutions are geared primarily towards Chinese customers, and still lag behind major international players in terms of internationalization and support for multi-accounting standards. Thus, while they have progressed significantly from the basic software of a decade ago, they still fall short of being a comprehensive solution for many global companies.



This option is most suitable for businesses whose primary purpose for ERP implementation is basic compliance and organizational management in China. It's particularly suitable for those with limited customization and internationalization demands.

## Path 2: Localize your global ERP

Expanding the existing global ERP system to China and applying requisite localization adjustments to align with local business practices and mandatory specifications is a choice that headquarters and overseas teams are inclined to favor.

Operating within the same system facilitates headquarters and overseas teams to understand the relevant data gathered and reports generated, as well as to monitor, manage, and control relevant business processes. Consequently, a higher level of consistency can be achieved across the organization using this approach. Moreover, a mature ERP system with advanced enterprise management capabilities can also help to standardize and optimize the management of local operations to a large extent.

On the other hand, the localization process is not easy. Not only does the ERP system need to accommodate localization, but the expertise required from the ERP implementation team is also demanding. They need to be proficient in the software itself, the mandatory localization requirements (language, accounting standard, reporting rules, etc.), as well as relevant business processes of different industries and local user habits. Plus, depending on the software and deployment situation, this option often presents more problems regarding speed, connection, and stability during actual usage. To ensure seamless implementation, companies and their IT service providers must thoroughly grasp these issues and devise pertinent solutions from the outset.



This option is most suitable for those whose main purpose of ERP implementation is to improve transparency and trust between the headquarters and China operations and bring the enterprise management capability of the China operation to the international level and group standard. This decision must be complemented with having a competent internal IT team or reliable third-party professionals for effective ERP localization and to generate follow-up maintenance supports.

### Path 3: Build a standalone ERP for China operation

Some businesses may decide to build a standalone ERP for their China operations. This option can take into account the needs of the headquarters and the China team during the whole deployment process and achieve a higher degree of customization, as the system is specially developed for the project. Also, the company will have absolute control over the ERP system.

But it's also an option that is very difficult to implement, with high costs, long turnaround time, and higher risk of project failure, especially when the overseas team and local operations have conflicted opinions over any key decisions during the configuration and deployment process.




This option is most suitable for those who have adequate budget and time for the ERP deployment. They usually have high customization requirements and require absolute control over the local operation's ERP system and data generated.

### Path 4: Use ERP-as-a-service: A ready-built, one-stop ERP solution

The one-stop ERP-as-a-service solution sidesteps the need to build or implement your own system in China, and instead extends already built and hosted ERP system capabilities, from a service provider's cloud computing platform to your business. The functionalities of an ERP are delivered to users via the Internet, and the user company pays for the ERP service through an annual or monthly subscription model. This model is inherently known as SaaS ERP.

Within this option, capabilities can be pre-packaged or customized to the suit the organization's

needs and often offers a much quicker path to managing a company's accounting and other business areas through modules provided by professional ERP services. Meanwhile, the provider/vendor is responsible for configuring, maintaining, upgrading, data storage, and securing the ERP system. Consequently, this option boasts rapid implementation, cost-efficiency, accessibility, advanced performance, enhanced security, and continuity.

However, this choice may lack robust support for extensive customization. Companies may be constrained to use the standard functionalities offered by the ERP-as-a-service provider, or else the cost efficiency advantage will be affected. Additionally, while the generated data remains the property of the user company, their control over the ERP system and the data is relatively limited, as they possess usage rights rather than full ownership. 



This option is well-suited for small enterprises scaling up, and who seek the advantages of integrated businesses processes to optimize their operations without costly and complex setups.



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# How to Localize Your Global ERP to China?

*Localized configurations are necessary when expanding your global ERP to China, either to meet local mandatory requirements or to secure optimal outcomes for your China operations. Yet, ERP localization is a complicated process that requires capable technical and professional support.*



Qian Zhou  
Author

Once it's been verified that the group ERP can be adapted for China, and the decision to localize the existing global ERP for China is the most suitable ERP path for your organization, the next important step is to map out which global standards should remain unchanged to meet headquarter expectations. Simultaneously, you need to identify mandatory localizations or preferable adjustments to adhere to local compliance and fulfill local needs for optimal outcomes.

In this article, we look into essential localized configurations and share some on-the-ground experiences for successful localization.

## Why localize?

Headquarters and overseas investors might question the necessity of localizing their well-established ERP systems, which have likely been in use within their organizations for an extended duration, with proven efficiency and advanced enterprise management capabilities.

The primary rationale behind this is China's imposition of mandatory criteria on the chosen system for generating accounting information.

According to the *Law of the People's Republic of China on the Administration of Tax Collection* and the Implementation Regulation, a taxpayer employing computerized accounting is obligated to make record filing of the accounting software, its user manual, and related materials to the relevant tax authorities before implementation. For successful record-filing, the selected ERP system must satisfy a series of requirements stipulated in China's tax and accounting laws and regulations. These pertain to diverse aspects, including accounting standards, financial reports, system and interface language, data storage and security, etc.

Large well-established ERP systems, such as SAP/Oracle/MS D365 etc., do satisfy these requirements and are routinely utilized by multinational companies in China. But if you plan to use a less well-known platform, it is best to confirm in advance.



In actual practice, it's possible that the responsible authority may conduct a brief review and readily endorse the software filing. However, in the event that the company undergoes a tax audit in subsequent years, the ERP system utilized for generating accounting data could undergo heightened scrutiny. The repercussions for any shortcomings identified during such an assessment would be considerably more serious. As a result, it's strongly advised that companies take proactive measures to ensure their ERP system fully aligns with all mandatory requirements before commencing implementation.

Apart from the obligatory stipulations, certain local configurations could be recommended to enhance ERP functionalities and align more effectively with the local market, user preferences, and business practices. This entails integrating local modules that offer advanced features related to tax compliance, bank interactions, expense management, manufacturing execution, and office administration (OA). In specific instances, companies might contemplate incorporating non-local integrations like Microsoft products and client management modules into the China system to address their distinct requirements.

## What to localize?

Considering the objectives, we classify localizations into two categories—mandatory configurations for compliance and non-mandatory integrations with local and international modules for optimized performance and better user and business adoption.

### Mandatory configurations for compliance

Although ERP covers almost all core business processes, the mandatory improvements necessary for the system to align with China's regulations

predominantly revolve around finance module functionalities. These functionalities are chiefly guided by two key documents:

- *Accounting Law of the People's Republic of China* (amended in 2017, hereinafter referred to as the "PRC Accounting Law")
- *Notice of the Ministry of Commerce on Issuing the Good Accounting Informatization Practice for Enterprises* (effective from January 2014, hereinafter referred to as the "Good Practices")

Broadly speaking, the system must possess the capability to handle accounting data and generate financial reports that adhere to the China accounting standards (hereinafter referred to as "China GAAP"). Besides, there exist additional specific requirements regarding language for information input, report generation, and interface; distinct name, date, and address formats; and provisions for data storage and backup.

In the table provided on Page 13, we provide an itemized list to be followed to meet the China standards for effective ERP localization.

To be noted, for each item listed in the table, there are more detailed requirements to meet considerations based on relevant regulations and local compliance practice. Take the settings of VAT within the ERP system as an example. In addition to the basic setting (input VAT rates, output VAT rates, VAT rebate rates) in each operational module, such as the purchase and sales modules, there are further requirements regarding settings for journals in the finance module.

According to *Regulations on the Accounting Treatment of Value-added Tax (Cai Kuai [2016] No. 22)*, the ERP system shall set up the three level accounts for VAT as required and make sure journals

## List of Items for ERP Localization in China

| Functionality nature  | Specific functionality                                   | Things to localize   |
|---|--|--|
| Processing of accounting data in accordance with China GAAP             | Chart of accounts (COA) and ledgers                      | Following China COA requirements and ledger and sub-ledger requirements.   |
|   | Fixed assets   | Recognition methodologies and supplemental information to be stored.   |
|   | Depreciation   | <ul style="list-style-type: none"> <li>Acceptable methodologies and calculations; and</li> <li>Cost splitting across departments.</li> </ul>   |
|   | Inventory  | <ul style="list-style-type: none"> <li>Exclusion of certain costs;</li> <li>Inventory costing methodologies;</li> <li>Priority for perpetual inventory system;</li> <li>Impairments to be recorded on itemized basis; and/or</li> <li>Aggregate for specific asset classes.</li> </ul> |
|   | Value added tax (VAT)                                    | <ul style="list-style-type: none"> <li>Different rates based on product / service;</li> <li>General VAT &amp; Special VAT fapiaos; and</li> <li>Export VAT rebate rates based on product/service.</li> </ul>   |
| Production of required accounting reports in accordance with China GAAP | Display and printing                                     | <ul style="list-style-type: none"> <li>Accounting software shall provide display and printing functions of accounting documents, books, and reports that conform to China GAAP.</li> </ul>   |
|   | Special format for date, number, name, and address       | <ul style="list-style-type: none"> <li>Dates in Chinese language format;</li> <li>Number representations in Chinese style;</li> <li>No separation of first and second name; and</li> <li>Address displayed in a single line using the Chinese format.</li> </ul>                       |
|   | Periodical financial reports                             | <ul style="list-style-type: none"> <li>Periodical reports in required format; and</li> <li>Comparative data from previous year/previous period.</li> </ul>   |
|   | Sub-ledger reports                                       | Generation of 17 reports to support internal and external audit, and tax investigation.  |
| Chinese language settings   | Information input  | Chinese characters must be able to be entered and stored in system.  |
|   | Screen interface   | All interfaces accessed by users in China would need Chinese translations.   |
| Data backups  | Periodical backup & stored in China to ensure continuity | <ul style="list-style-type: none"> <li>Backups should be made monthly and stored within China; and</li> <li>It should be ensured that the system can be utilized via the backup even when access to the overseas server cannot be restored.</li> </ul>                                 |
| Operation log   | Operation log  | Ensure a sufficiently detailed log can be generated.   |

Note: The items listed here are not exclusive.

can be generated according to the regulatory stipulations. Besides, a cross-check between the account in the accounting system and the data in the VAT return should be done to ensure the account balance numbers are correct, as the VAT accounts are also linked to the VAT filing return submitted to the tax authority every month.

To achieve this, considering input VAT information is basically generated and extracted from purchase transactions within the purchase module of the ERP system, the ERP system needs to set up a mechanism to mark/separate the verified input VAT in the tax system and the unverified input VAT, then set the correct accounting entries in the general ledgers. The debit amount of account "Input VAT" in each month should be consistent with the verified input VAT in the tax system. Similar requirements exist for output VAT as well.

Moreover, companies and ERP vendors can find corresponding rules regarding the billing information that the ERP system needs to output, the VAT invoice issuing rules, and the written back of key VAT invoice information to the corresponding ERP invoice report, etc.



Beyond the realm of accounting and finance, adhering to China's data privacy and cybersecurity laws and regulations has emerged as a new localization factor. When the ERP system handles substantial volumes of personal information or pertains to industries categorized as those dealing with "core data" and "important data", or when the China operation involves critical information infrastructure, the company and its ERP vendor must thoroughly address considerations, such as personal information protection, consent management, server location, etc.

## Integrations for optimized performance

When expanding and localizing a global ERP for your China operations, it's commonplace to receive suggestions for integrating specific external local or non-local modules into the system.

Typically, these integrations are not mandatory in the sense that failing to integrate them won't impede your ERP system's approval with the local tax bureau or hinder compliance with statutory mandates.

However, these integrations can hold equivalent, if not more, importance for your organization. They play a pivotal role in enhancing your company's back-office automation, freeing employees from performing frequent yet cumbersome manual tasks, boosting accuracy and efficiency, and thereby achieving streamlined business management. Consequently, your organization will be better equipped to navigate China's demanding compliance landscape.

Considering your business's unique circumstances, commonly integrated local modules are listed in the table provided on Page 15.

Below, we provide an example by demonstrating the considerations for integration with China's Golden Tax System.

Under the PRC tax laws and regulation, Chinese enterprises are required to issue VAT invoices (i.e., the fapiaos) in a very specific format stipulated by the tax authorities when selling products or providing labor services to their customers.

Such VAT invoices cannot be generated from an ERP system or other accounting software. Rather, companies are required to obtain blank VAT invoices (either in paper or digital form) from the tax authorities within the approved quotas, and

issue and track the VAT invoices as well as make VAT filings within the designated tax control system (i.e., the “Golden Tax System”, hereinafter referred to as the GTS). Correspondingly, only VAT invoices issued in this way can be used as the supporting documentation for income recognition and tax filing by their customers.

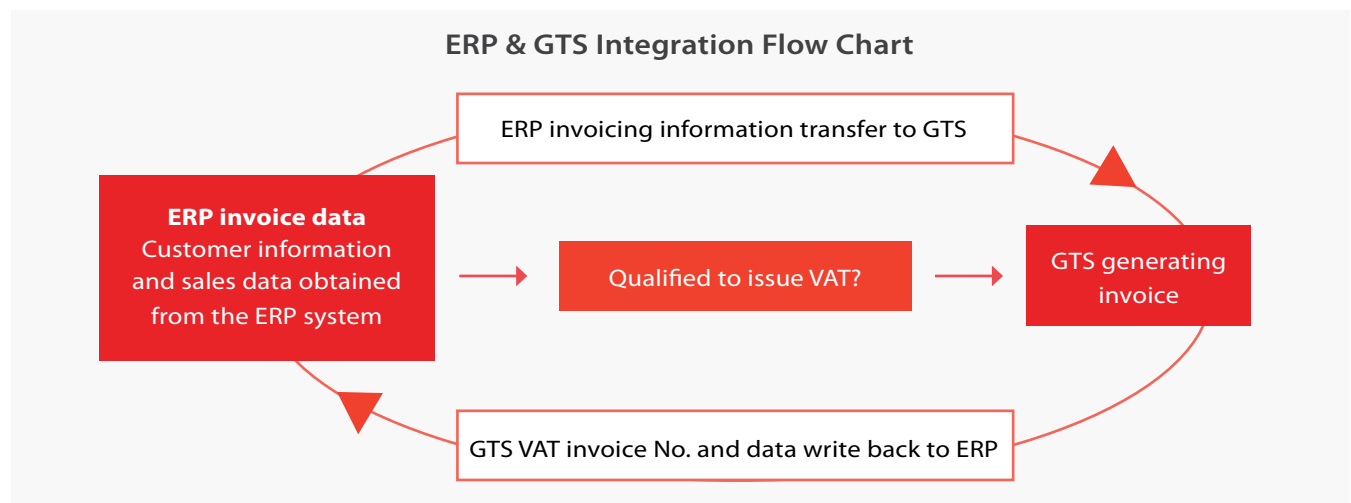
ERP system or other sales system, then manually input into the online GTS for fapiao issuance. The procedure is time-consuming and easily causes the wastage of blank VAT invoices due to typos or other errors. This especially creates inconvenience to companies who need to issue large numbers of VAT invoices each month.

In practice, during VAT invoice issuance, many companies capture the sales details from their

To address this situation, the China State Taxation Administration requested the GTS vendor to

### Commonly Integrated Local Modules When Expanding Your Global ERP to China

| Local modules                 | Objectives for integration  | Suitable enterprises  |
|-------------------------------|---|---|
| Golden Tax System             | <ul style="list-style-type: none"> <li>Reduce manual work for issuing VAT invoice; and</li> <li>Lower risks of error and other mistakes.</li> </ul>   | Those who need to issue large number of VAT invoices each month.                                    |
| Expense management system     | <ul style="list-style-type: none"> <li>Easier for managers to review and approve from anywhere with complete transparency;</li> <li>Quicker and more accurate processing for the accountant; and</li> <li>Compliance with the requirements of the e-invoice archiving.</li> </ul> | Those who have frequent and large amount of expenses applications from employees.                   |
| Bank system                   | <ul style="list-style-type: none"> <li>Reduce manual work for bank transactions;</li> <li>Lower risks of error; and</li> <li>Increase efficiency for bank reconciliation process.</li> </ul>  | Those who have frequent and large amount interactions with the bank.                                |
| Office management (OA) system | <ul style="list-style-type: none"> <li>Achieve advanced and more efficient human resource and office management.</li> </ul>   | Those who have large number of China employees or who have complicated employee management demands. |



develop a public interface and enable enterprises to integrate their ERP system or sales system with the GTS. This has facilitated the automatic import of sales data into the GTS for fapiao issuance.

Under the proactive promotion of the GTS by the tax authorities, ERP and GTS integration has garnered increasing adoption among Chinese enterprises. Many enterprises have this function added to the task list within their ERP implementation projects.

In addition to the local integrations, it's also not rare for companies to integrate some other international modules, such as Microsoft's PowerBI, Sharepoint Online, PowerApps, manufacturing execution system (MES), product lifecycle management (PLM), client relationship management, and bar code scanner or radio frequency identification devices (RFID), to their ERP systems based on their specific business needs and priorities.

## Tips for successful localization

Building upon these collective insights, it becomes evident that ERP localization is a highly specialized undertaking. Engaging a proficient ERP and financial service provider is key to the success of ERP localization and integration. Typically, the vendor standards listed below are regarded as significant, based on our experience:

- The vendor ought to possess extensive experience in the realm of ERP localization, spanning service provision and advisory roles, which encompasses comprehensive expertise in the following domains:
  - » IT;
  - » Accounting standards and financial reports;
  - » Human capital management and HR and payroll administration; and
  - » Legal and compliance management and advisory.

- The vendor should be familiar with the local business environment and industry best practices and thoroughly understand your company's business processes.
- The vendor should have bilingual working capabilities and is able to cooperate seamlessly with both the HQ and the China subsidiaries of the company in an efficient and friendly way.
- The vendor should have certifications and qualifications applicable to the IT aspects of ERP implementation, such as Data Protection Officer (DPO) Certification in the privacy compliance field, Certified Information Systems Security Professional (CISSP) in the information security field, and vendor-specific certifications within China (Dynamics ERP, XERO, MSSP, Microsoft 365, etc.)

Furthermore, considering that ERP localization is a choice that aligns with headquarters and overseas teams, but might not necessarily be in the best interest of China-based staff and operations, it is advisable for overseas headquarters to engage in comprehensive discussions regarding the ERP localization strategy with their China teams. It is essential to listen to their demands and considerations in a productive manner. 📄



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# How to Ensure Successful ERP Implementation in China?

*Successful ERP implementation hinges on cultivating precise expectations, a profound grasp of business essentials, and a meticulous plan, while enlisting a capable implementer and employing shrewd end-user strategies to unleash the system's transformative power.*



Qian Zhou  
Author

It is now widely acknowledged in the business realm that leveraging technology is of paramount importance for fostering both growth and sustainability. An overwhelming majority of businesses, ranging from small to medium enterprises, are actively investing or expressing their willingness to invest in technology, particularly ERP systems. This is aimed at driving innovation and enabling adaptation to the growing complexities within the business landscape.

However, it's critical to note that recognizing the importance of ERP deployment does not necessarily guarantee a successful implementation. This holds true, especially in the context of China, where selecting the appropriate ERP path and fully unlocking the ERP system's potential pose common challenges for numerous companies.

In this article, we provide valuable insights into the methods that can be employed so that companies can maximize the benefits of their ERP systems.

## Understand your own business needs, requirements, and available resources

The strategic goal of ERP deployment is to help organizations optimize their business processes and drive innovation, rather than simply digitalize their intricate and inefficient practices. Consequently, prior to engaging with ERP vendors or any third-party consultants, your initial step should involve conducting an internal assessment of operational pain points, key business objectives, and available internal and external resources.

Formulating a list of inquiries, discussing them with key business leaders, and if possible, establishing channels to gather insights from your China staff, can prove instrumental. Among the various questions, the following can serve as a reference:

- What operational, administrative, or procedural challenges are impeding your organization's progress or impacting productivity?

- What specific business outcomes should the solution cater to?
- What solution capabilities are must-haves in the ERP modules?
- Are there any external factors, such as regulations, partners, and suppliers, which need to be considered?
- What internal resources are at your disposal?
- Do you have access to external resources?
- Are there any stipulations concerning the implementation timeline?
- What budget are you willing to allocate to the project?

To extract maximum value from ERP implementation, remember to take this opportunity to analyze your end-to-end business architecture and re-engineer processes to establish a seamless integration extending from the customer interface to the back-office operations.

### Choose the right ERP path and modules

Each ERP path presents its own set of advantages and limitations. Anticipating that an ERP system can fulfill every need and striving for flawless perfection during ERP deployment or upgrades for your operations in China is a short-sighted approach and may cripple your business' development.

When making a choice among ERP paths and functional modules, companies should base their decision on their unique technical competencies and business requirements, while giving due consideration to software functionality, security, stability, responsiveness, and scalability. Opting for a practical solution that aligns with your business's scale, encompasses critical operational needs, and possesses the capacity to evolve alongside your business often leads to the most favorable outcomes. This holds particular significance for ERP implementation in China, where the market's

complexity and rapid transformations often surpass initial expectations.

During this phase, it's advisable to bring in third-party ERP professionals if you lack familiarity with potential ERP paths or struggle to correlate the pros and cons with your operational realities. These advisors can assist in navigating the landscape and making informed decisions that harmonize ERP options with your specific business context.

### Evaluate if the ERP-as-a-service solution can meet your business requirements already

It is advisable to explore whether the one-stop ERP-as-a-service solution can meet your business requirements already. These solutions, which are more budget-friendly, easily accessible, and user-centric, come with noteworthy process management and security capabilities. They particularly cater to smaller businesses that lack extensive internal and external resources for complex ERP implementation and maintenance, provided their customization demands aren't excessively high.

When opting for ERP-as-a-service solution, solutions encompassing the following features are likely to align more closely with your preferences:

- **Flexible architecture** – to integrate new apps and technologies to cater to your growing business needs or future changes, which often means the solution is a modular-based platform with open standards and APIs (application programming interface).
- **Consumption-based pricing models** – so you can dial up or down based on your transaction volumes.
- **User-friendly interfaces** – so employees can quickly get up to speed.

- **Industry-focused editions** – so even the standard version can fulfill most of your needs.
- **Robust and out-of-the-box analytics capabilities** – which can help you make better decisions.
- **In combination virtual CFO services available** – which has turned out to be the most cost-effective and efficient approach for small businesses' ERP implementation in China.

### Establishing an effective strategy to roll out ERP to users in China offices

Keep in mind that ultimately, the most effective ERP system is one that your team finds practical, intuitive to grasp, and empowers them to enhance productivity and efficiency. The least desirable outcome is encountering resistance from your end users, resulting in delayed adoption until it becomes a necessity.

To formulate your own strategies, consider the following points:


- Provide clear explanations to help employees grasp the influence of ERP tools on their work efficiency and the advantages it brings to the business at the earliest stage.
- Address cultural obstacles by offering tailored solutions that cater to local requirements and seamlessly integrate.
- Prioritize the incorporation of distinct China-localized functionalities, enabling users to leverage and save time within China's extensive digital integration landscape.
- Designate a China manager to lead the charge for ERP implementation and maintenance, ensuring alignment with local dynamics.
- Deliver comprehensive training and ongoing support to employees, ensuring they are adept at utilizing the system effectively.

### Choosing the right sources of advice

When considering the deployment, upgrade, or migration of ERP systems in China, the immediate inclination might be to seek guidance from ERP vendors. While ERP vendors excel in software configuration, their expertise often falls short in accounting and business management. If your objective is to profoundly elevate the efficiency of your company's operations and business workflows, it's prudent to enlist the assistance of professional consulting firms that boast a team comprising financial experts and seasoned ERP advisers, if there are no such talents within your organization.

### Managing key transitions and post-implementation support, monitoring, and feedback

Other best practices in ERP implementation include:

- **Ongoing maintenance:** Establish a plan for ongoing ERP maintenance, updates, and support to address any issues that arise.
- **Communication:** Communicate the benefits of ERP localization to all stakeholders to ensure buy-in and cooperation.
- **Performance monitoring:** Continuously monitor the performance and effectiveness of the China ERP system to identify and address any issues promptly.
- **User feedback and continuous improvement:** Encourage users to provide feedback on their experiences with the system and use their insights to make improvements. 



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