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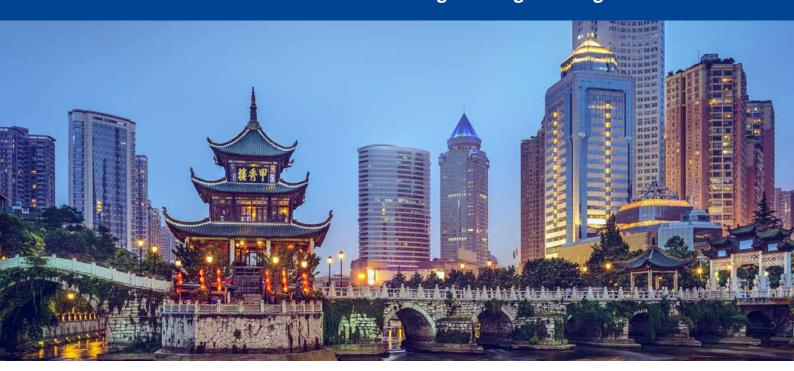
German mid-sized sector in China: Mastering challenges during the SAP rollout

What to be aware of during the SAP rollout in China

Many German medium-sized companies are expanding to China and integrating the new sites into their SAP ERP environment. This means that during the rollout regional regulations must be observed in relation to reporting and invoicing. There are also language barriers and cultural differences to be overcome. An experienced partner on-site can provide the necessary know how.

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Golden tax, Golden Audit, culture and co.: What to be aware of during the SAP rollout in China

For the mid-sized sector in Germany, foreign activities are an important part in securing their competitiveness. This is proven by amongst other things, the study, "Internationalization in the German mid-sized sector" by the kfW banking group.

A lot of bureaucracy and a different culture
Many German medium-sized companies set up branches in the growth markets of Eastern Europe and Asia, in particular in China. Because of the great distance and the long flight time, the building of a production facility or sales branch in China represents a huge challenge. In addition to this are the large amount of red tape and also language barriers as well as differences in culture and mentality.

In order to connect a site in China in terms of IT to the German center, an ERP system, such as SAP ERP absolutely must be introduced. Only in this way can job, order, material and status information be in one single system and fully IT-supported and exchanged on the basis of consistent data.

Efficient SAP rollout with template
Depending on the complexity, an SAP rollout in China can last between three and nine months. In order to streamline the project, as many details as possible should be clarified in advance – whether the rollout takes place in the "German ERP system" or whether an ERP solution should be installed in China on premise or obtained in the form of a cloud service.

In addition, it must be established in advance whether SAP in China is newly introduced or introduced on the basis of a template, whereby the subsidiary takes over the IT processes defined in the German center. The template option reduces the implementation costs since the ERP software only has to be adapted to the local requirements. The Unicode standard ensures seamless communication between Chinese and the other languages stored in the SAP system.

Competent advice on-site
It should also be clarified: which SAP functions and processes will be required by the subsidiary in China; whether there are up-to-date templates and process descriptions for these; which in-house programming (Z programs and transactions) and formulas are used in the Chinese subsidiary and are to be translated into Chinese; how is the subsidiary to be connected to the German system, for example via Multiprotocol Label Switching (MPLS) or tunneled VPN connection and how the SAP system will be accessed (e.g. directly via the SAP GUI or via Citrix) and whether the implementation is to be introduced simultaneously with all modules or whether it

Ten tips for the SAP rollout in China

◆ Plan the SAP rollout project early, with involvement from the Chinese branch

◆ Select the project partners on-site early and define the project team

◆ Update IT processes to be rolled out in China to their most current form

◆ Check which tasks can be defined and carried out prior to the project start

◆ Ensure that local and German management unreservedly support the rollout plans

◆ Ensure there are Chinese language skills in the project team

◆ Prepare training documents in Chinese

◆ Build strong Key User organization in China

◆ Monitor project content and progress on-site and periodically communicate results to the management in China and Germany

◆ Accept Chinese culture and mentality

will go live in a staggered manner, for example the SAP finance and logistics applications.

The mid-sized sector, in general, does not possess the personnel means in order to carry out the costly planning which is required for an SAP rollout in China on its own. A competent and experienced partner in-country is thus required. The adviser on-site must not only perfectly master the language, but must also have consulting, product and process abilities in the SAP environment, so that proposed solutions can be jointly worked out. Most importantly, they must be able to indicate country-specific particularities and regulations in terms of tax law, financial accounting and reporting or inventory management in the SAP system.

Invoicing conforming to Golden Tax
In China, tax-related data are exclusively exchanged with the finance authorities via the so-called "Golden Tax System", which also calculates the tax burden. The Golden Tax software is installed on an individual computer, via which special invoice and receipt vouchers, so-called "fapiaos" can be printed out using a prescribed printer. These vouchers are consecutively numbered and have a fixed layout. The Golden Tax system also prescribes

that a certain number of individual positions cannot be exceeded for invoices. There is also a limit for the invoice amount.

The data transfer between the Golden Tax software and SAP ERP can take place in three ways: via manual recording or via an online/offline interface. Using the GTI (Golden Tax Interface), the corresponding voucher data can be transferred from SAP to the Golden Tax software and the result can be exported back into the ERP application following invoice printing. Functions for the cancellation of invoices and the "Red Invoice Processing", i.e. payments using a red payment slip, are an integral part of the GTI.

Meeting Golden Audit requirements

For financial closure in the context of the "Golden Audit", which is only applicable for the Shanghai city area, the submission of certain standard reports, balance sheets, profit and loss accounts, cash flow reports, account balances as well as accounting, payment and bank processes is obligatory. The ORBIS FI reporting package provides, amongst other things, the corresponding reports preconfigured as an add on.

Legal guidelines must also be upheld for accounting and for financial reporting in the SAP system. The balance of accounts is carried out according to the Chinese Accounting Standards, the result for the period is determined according to the cost of goods sold format. In this regard, it must be noted that the first four digits of the local account numbers as well as the Chinese characters thereof are predefined by the authorities.

Material assessment in bonded warehouse

There are also special requirements for the logistics processes. Those who introduce duty free products and goods into China and want to store these outside of a duty free area, must request a bonded warehouse from the competent authorities. The imported items will be kept there, physically separated from other items so that the corresponding material assessment of the inventory can be taken into consideration. The import fees can only be considered as expenses in the case of a consistent assessment.

Accepting the Chinese culture

A structured project approach substantially helps a successful SAP rollout in China, in which milestones, workshops and work packages are clearly defined and regularly verified. A further important building block for this success are, however, also the so-called "soft factors" such as Chinese language skills in the project team or the management of the project through German-Chinese dual leadership. Just as important are the knowledge transfer to the process owners of the client and regular project reporting.

The training of the SAP Key User in China should take place in the language of the country using corresponding Chinese training documentation. German project team members should also be prepared to be open up to the Chinese culture, which places great important on personal relationships. Intercultural training can encourage mutual understanding in this area.

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SPECIALIST ARTICLE

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