

China for Dummies

What you need to know before starting an Oracle implementation?

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IT Convergence

Objectives

- China Overview
- 5 Most Critical Points to Consider
- Other Considerations
- ITC Experience – Customer Case Studies

China Overview



Lower cost of labor and other resources

Huge consumer market with unmet needs

Go China!

2010 World Expo

2008 Olympic Games

However there are challenges...



- **Some facts:**
 - 1.3 billion + population, 5,000 + years of history, P. R. China founded in 1949, started the opening and reforming the economy in 1978, double digit annual GDP growth for the past decade,...
 - Not a communist country
- **Challenges and complexities:**
 - Too fast too furious...
 - A large territory with extremely unbalanced development (coastal city vs. inland)
 - Laws and regulations can barely keep pace with the fast development and lack of transparency
 - Change is the only constant

5 Most Critical Points to Consider

- Cultural Differences
- Nature of Company
- Locations & Statutory Requirements
- Bonded/Non-Bonded
- Staff Turnover

Cultural Differences

- Communication Style
- Management style – Tell me how....
- “Guanxi” (relationship & connections)
- “Face”
- Long Term Orientation
- Individualism
- Don’t encourage initiatives
- No ‘NO’

Nature of Company & it's Operations

Wholly Foreign Owned Enterprise

OR

Process Trade

OR

Joint Venture

Nature of Company & it's Operations

- Singapore Industrial Park (SIP) – A modern industrial township with Singapore experience, established in 1992 in Suzhou, China
- Export Processing Zone (EPZ) – Located in SIP. Qualified Enterprises in EPZ enjoy competitive incentive policies

Nature of Company & it's Operations

Competitive Incentive Policies in EPZ

- Exemption of Import /Export Quota or License
- Exemption of Import Duty
- Bonded Import Materials
- Record System with Customs
- Fast Logistics within EPZ and between EPZs
- Tax Exemption for Exports
- Tax Refund
- Foreign Exchange Control
- Other Incentives

Localizations

- Multiple Language Support (MLS)
- Unicode (UTF8) Character Set Strategy
- Masters in Chinese
 - Global Chart of Accounts
 - Item Master
 - Supplier Master
 - Customer Master
 - Employees

Localizations (cont'd)

- China Chart of Accounts Definition
- Account Mapping Definition between Corp COA and China statutory COA
- China and US GAAP
- Statutory Reporting (Balance Sheet, Income Statement, Cash Flow, etc)
- Financials documents (e.g. journal printing, ledger printing for audit and internal documentation, Assets report)
- Sequential Numbering for GL journals

Localizations (cont'd)

- Interface to Golden Tax System
- Time Zone Difference
- Local interface document i.e. Shipping documents
- Inter-company transactions
- Revenue Recognition

Localizations (optional)

- Localized Purchase Order, Sales Order, Shipping documents
- Interface between Oracle AP to check/Wire printing system
- Interface with Bank or E-banking software

Bonded & Non-Bonded

Materials and parts imported as bonded must be re-exported after processing, and enterprises may not sell their bonded materials and parts or finished products in China:

- Pays the tariffs and VAT exempted on the imported materials and parts if these goods are sold domestically
- Domestic Sale Approval Certificate
- Penalty ranging from 30% to 100%
- Transfer of Bonded Goods
- Cross Custom Area Processing

Personnel Turnover



- The average overall voluntary staff turnover increased for the past few years
- About the study
- Different Levels
- Training Program (Business Education)
- Expatriates, Overseas Chinese

Other Considerations

- Rolling out a global footprint while incorporating some local compliance requirement (i.e., vanilla implementation, minimum customization)
- A single global instance (centralized in the US or China or somewhere else)
- A group license contract signed in the US
- Local purchasing and sales transactions?
- Parallel Running/System Certification
- HR/Payroll system
- Power Failure
- Bilingual resources

Case Study

Case Study

Situation

- A global \$1B provider of end-to-end wireless infrastructure solutions for use in wireless communications networks.
- Designs, manufactures and markets antennas, boosters, combiners, filters, repeaters, amplifiers for use in cellular, PCS and 3G networks in the world
- Employs over 4,000 people
- Has 24 operating facilities in 15 countries around the world, including US, UK, China, Singapore, Sweden and Estonia etc
- Acquired 3 global Companies Wireless Infrastructure division business in the past before 2007, including UK Filtronic Inc. main manufacturing plants In Suzhou, REMEC, Inc. Plant in Shanghai and Powerwave Inc. Plant in Wuxi in China
- Goal to define standardized Global Data Definitions and Processes for the company merger, especially items, BOM, Customers and Suppliers
- Transfers Filtronic legacy Syteline 7.0 ERP system to Oracle E-business suite 11.5.9 In Suzhou
- Deploys streamlined Business Processes and Oracle solutions to support Operations in China

Case Study

Challenges

- Continuous comparison with the legacy Syteline system, need to educate and obtain buy-in from business stakeholders that an Oracle 11i solution could meet their business requirements
- Deploy new global & standard business processes aligned Oracle 11i
- Map and convert Legacy static data and dynamic transaction data from Syteline 7.0 system to Oracle system, especially for item schema change and BOM conversion
- Integrate Oracle e-business suite item/BOM with Agile PDM system
- Integrate Oracle WIP/OM Shipping with Felix Shop floor control system
- Deploy Oracle WMS system global solution in Suzhou Plant

Case Study

Results

- Within a very short timeframe, i.e. 5 months, succeed to go-live with Oracle System on Aug,6,2007 on time and within budget. Completed all project tasks e.g. users training, business transition and data conversions
- Merged Shanghai/WUXI/SUZHOU three entities into 1 SOB
- Implemented Oracle 11.5.9 Modules/Localizations & major business flows for: Accounting to Financials, Procure to Pay,, Order to Ship & Demand to Build (plus Quality), Warehouse management system.
- Synchronized item/BOM creation/maintenance process which controlled by global engineering department.
- Integrated Oracle and Agile successfully
- Integrated Felix Shop Floor control system with Oracle WIP and Shipping

Thank You!