Conquering Global Financial Management with IQMS ERP Software

How Poly-Cast Utilized the EnterpriseIQ Financial Management Modules to Maintain Rigorous PRC Tax Standards

When Poly-Cast Plastics (Suzhou) Co., Ltd. first established its facility in China, it outsourced its financials to a Chinese CPA. But the sub-contracted CPA was only managing the People’s Republic of China (PRC) tax law side and not providing any data to Poly-Cast to help it make better business decisions. Through the use of its ERP and MES software solution, EnterpriseIQ, Poly-Cast brought its financials in-house and now receives business intelligence data in real time, while saving the costs associated with outsourcing its financials and remaining up to code with China’s strict tax regulations.

The Need: Chinese CPA only managed financials for People’s Republic of China (PRC) tax law rather than providing accounting for manufacturing

Poly-Cast Plastics (Suzhou) was established in 2006 to support a United States customer that was simultaneously setting up a plant in Suzhou, China. In addition, Poly-Cast recognized a large business opportunity in the emerging Chinese market. Since it opened, the China facility has grown rapidly, from a modest two machine and three employee start to a current 10 machine spread. Additionally, the Suzhou facility has a full and independent team on the ground to run the daily operations and offer Poly-Cast’s customers a very competitive solution that eliminates the risks associated with doing business in China with unknown suppliers.

In response to two challenges—the complexity of the People’s Republic of China (PRC) tax system and Poly-Cast’s lack of resources at the company’s start-up—Poly-Cast decided to sub-contract all of its financials for the first several years of operation. Unfortunately, the outsourced China CPA only managed the financials for PRC tax law (tax accounting), rather than providing accounting for manufacturing. This financial report structure, in addition to being expensive to outsource, made it very difficult to pull any data that would help
Poly-Cast better run its business. The lead time alone to process a monthly financial was often 30 to 60 days, and Poly-Cast felt it was always looking backward.

As Poly-Cast continued to grow and develop in sales and manufacturing systems in China, it had a huge need to receive financial data in order to make better business decisions. No one knows Poly-Cast’s business better than they do, so it was time to be proactive, rather than reactive, and invest in the resources and systems to manage the financials internally.

The Solution: Bringing financials in-house with the use of EnterpriseIQ manufacturing ERP and MES software
Poly-Cast brought its financials in-house through the use of its manufacturing ERP and MES software solution, EnterpriseIQ from IQMS. EnterpriseIQ is an extended, comprehensive ERP and MES system, meaning that every module (from human resources to accounting and the shop floor to quality, sales and inventory) is completely connected, so all the data Poly-Cast desired was already being collected.

The overall goal was to drive accurate and timely financial reports internally out of EnterpriseIQ for better awareness and management of the Suzhou, China plant. This was approached in five steps:

- Separate out the Poly-Cast data into two locations: The headquarters in Oregon and locally at the China location by setting up a separate enterprise plant (EPlant) in EnterpriseIQ.
- Drive 100 percent of Poly-Cast Suzhou's financials from EnterpriseIQ within three months.
- Create system-driven reports that management can use to track progress and identify risks.
- Eliminate the outsourced financial support of the China CPA within six months.
- Stay 100 percent compliant to rigorous PRC GAP and tax laws with the new internal financial reports.

EnterpriseIQ was designed with a robust core of tools for financial management. Included in the base software solution are modules for accounts payable, accounts receivable, business intelligence, costing (standard and actual), general ledger, invoices, purchasing and financial reporting. Because the IQMS system is comprehensive and extended, the data from the core can cross seamlessly into other extended EnterpriseIQ modules, such as expenses, payroll, fixed assets, forecasting and more.

To bring its financials in-house, Poly-Cast invested resources and employee time to receive proper training, tapped into the detailed EnterpriseIQ financial reports and used EnterpriseIQ tools to analyze the important decision-making data it was gathering. Since implementation of this new system, Poly-Cast Suzhou is now self sufficient and no longer relies on the outsourced CPA to generate financials. Poly-Cast can easily see how and where money is spent and income is received, placing the manufacturer proactively in charge of monitoring cash flow and controlling costs, while still remaining compliant.
And while it may seem customary for manufacturers to take advantage of the data found in their ERP systems, Poly-Cast’s improvement was more impressive because it was made in another business culture very different from that of the United States; it was implemented in relatively short time by cross cultural teams; and it had an impact on Poly-Cast beyond what was originally expected. This internal embrace of what the ERP software can do has prompted a cultural shift in how Poly-Cast operates as the whole team works together to identify areas of improvement and manage to the desired goals.

The Results: 4 month ROI, Financial Awareness, Minimized Risks, Better Business Intelligence

By outsourcing financials, Poly-Cast was essentially paying an additional fee to make sure the company was tax compliant, without any additional benefits. By internalizing the financial process, Poly-Cast saved RMB 15,000 or approximately $2,460 per month in outside fees. When you factor in the costs of training and implementing this new project, Poly-Cast realized an ROI of roughly four months. In addition to the benefits above, Poly-Cast can now better manage its business. This project helped Poly-Cast manage to a very challenging net profit target, which the team exceeded!

As equally important as the cost savings is Poly-Cast’s newly gained business knowledge and understanding of where its costs were driven and what is needed to remain successful and competitive.

Poly-Cast has achieved:

- Awareness: Poly-Cast was able to set up a real time view of its business, with daily financial results, rather than waiting until the month end or later to see how the company fared.
- Proactive Approach: Poly-Cast now takes advantage of more system-driven data to project month end results and manages risks to make sure that financial goals are met.
- Better Business Intelligence: Poly-Cast now knows critical decision-making details about its business, including product break-even points, where costs are on the production floor and how to better manage to get the desired results.

This financial initiative allowed Poly-Cast to fully understand its cost structure and continue to seek out ways to increase its competitive advantage over other United States and European companies that are established in China, as well as a growing number of local Chinese suppliers.