



Structuring Corporate Culture of China Centering on Credit

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Abstract

The deficiency of credit is a prominent problem among the widespread problems of current corporations of China, country, corporate, and consumer suffer from it a lot. Structure corporate culture of China centering on credit is the first imperative. Corporations have to build core values based on credit, and specialized evaluation system of corporations based on credit. What is more, government should increase the punishment when corporations lacking credit, and form the logos of credit.

Keywords: Structure, Credit, Corporation

Zhang Yanning, Director-General of China Association of Enterprises, pointed out on March 25th, 2003 that about 180 billion Yuan's loss is caused by dodging a creditor, about 5.5 billion Yuan's loss is caused by contract cheating, about 200 billion Yuan's loss is caused by lacking of quality of product and making fake products, and the financial cost is about 200 billion Yuan because of chain debts as well as down with one's dust. Up to about 10% to 20% of the GDP in China become invalid costs in the market because of deficiency of credit and the economic order, about 588.5 billion Yuan's loss is caused by deficiency of credit. According to the evaluation of the concerning experts, economic loss of China caused by not keeping faith is about 600 billion Yuan, which equal to 10% of yearly GDP of China. Severe invent violating good faith such as fake and forged, breaking promises, commercial fraud, dodging a creditor, evading paying taxes, tax fraud, obtaining foreign currency and false pretenses have arisen. Thus, structure corporate culture of China centering on credit is the first imperative. To structure this we have to do as following.

1. Corporations built core values based on credit

“Credit as a logo of economic, culture, society has been one of key logos in market economy. Credit deeply relates to the harmonious relations among natural persons, main market players, organizations, industry, and even countries, it will influence the development and stability if not handle well.” Credit is the mainstay of market order, the cornerstone of brisk market, corporate culture built the spirit of market economic, make a general survey of the successful corporations in China and abroad, all of them develop based on credit, which is one of the successful corporations aim for and indispensable quality. Credit is the concentrated reflection of corporate culture. Modern corporations are not only the main part of market, but also the main part of maintaining credit. With the maturing circumstance of the market economics, credit is the capital of a corporation, the wealth of a corporation, the competitive strength of a corporation, and preceding switch of the corporate spirit. To put into practice, credit is the key factor of corporate survival and development, is the roll booster of society and economic. Industrialist should infiltrate credit into all connections of enterprise operations; penetrate deeply into the corporate culture. So the corporate spirit, management philosophy, management principle centering on credit will unceasingly promote the development of every undertaking in Chinese corporations.

Credit influence greatly on the success or failure of corporations, in other words, it is the foundation underlying all efforts to build the company, credit plays important part in staff inner quality, and the competitive strength, corporations' built core values centering on credit appears more importance in the modern world. The development of corporations need credit, credit as a kind of moral culture, in the rapidly economics growth circumstance, should

provide intangible moral strength, corporate culture centering on credit should help corporations form good corporate image. Corporate culture has great power. Some material may dry up, but culture cannot. Culture is as invisible production capability, latent production capability, invisible capital and wealth. Corporate culture could improve the development of corporations greatly; in this case only make good harmony, complement, promotion between corporations and corporate culture. Form excellent corporate culture can react positively and inestimable. Thus, it will increase the competitive strength of Chinese corporations to built core values centering on credit.

2. Build evaluation systems of corporations centering on credit

“Good faith is as generalized credit.” From the view of the social subject to built credit, there is mainly three main subjects such as government, corporations, people, people is the base of credit, corporate credit is the emphasis, and government is the key. Government at all levels, especially price department at all levels, bears the magnificent mission to built credit circumstance. Nurturing market credit, follow price commitment is the main way to nurture and develop market for government price department. Corporations should consider credit as life source, so, once corporate culture centering on credit was built, it should limit all procedures in corporate operating and form inspection system. This kind of credit ask corporate manager have altitude of reciprocal with consumer, by forming good culture of corporations themselves to promote society culture, to achieve win-win with relative people. If government does not supervise well, the possibilities of corporations loss credit will increase, so special evaluate system should be built for credit problem of corporations.

Credit evaluation should focus on product quality. Corporate credit includes market credit, bank credit, and organization credit, and so forth. Market credit is not only the reflection of honor an agreement, but also the reflection of the fame in the market of a corporation, it directly relates to the degree of recognition of a corporation in the market, is the key of corporate credit. Build evaluation system centering on credit, firstly we have to build and use credit database, such as database including taxation, industry and commerce, financial credit information. Build credit documents of corporations as well as practitioner and use credit accounts. Enter information about corporations and practitioner’s bank loan break record, tax evasion, and so on; this kind of information can be searched by relative office or staff. Secondly, build public credit manage system all over the country suitable for all people, including drawing up temporal method concerning credit information collection and management, forming public credit manage office and comprehensive credit manage database. Joining regulations with the credit management, implement credit report regulations, let corporate credit documents be the key evident for adoption, and examination, let the credit rank of a corporation is related to the profit of it.

So far, Chinese building market is implementing the credit evaluate system step by step, Ministry of Railways implement *railways building projects construction enterprises credit reputation evaluation system interim procedure*, ministry of communications also make experiments in Shanxi, and so forth. This kind of practice to promote corporate credit by product quality evaluation holds the focal point of credit evaluation, it produces good effects in practice, and make good quest for forming scientific credit evaluation system. Credit evaluation should join qualitative analysis and quantitative analysis together, join static analysis and dynamic analysis together, join history analysis and foreground prediction together, join specialty analysis and major evaluation staff analysis together. And scientific and reasonable, following the characters of local economics is the base of all the evaluation work, is also the promise to achieve” just, public, fair”. The basic way to evaluate corporate credit is from the meaning of corporate risk, fully use as a source of reference in our nation and abroad, refer credit ranking method all over the world, make comprehensive and system consideration the factors affect corporate credit and be attention to their change, based on qualitative analysis and quantitative analysis, static analysis and dynamic analysis, comprehensively assess corporate credit rank.

3. Government should increase the punishment of corporate credit losing, corporations form credit logos.

Recent years, China has made a series progress in building credit system, has built primary credit system, has regulated a lot of lows and regulations related to credit construction, like general provisions of the civil law, company law, banking law, contract law, and many other laws and regulations clear consider credit as fundamental, what’s more, local laws also definitely consider honor and credit as the principle of transaction and behavior.

So far, China has many problems in price and credit, price cheating in the market remain incessant after repeated prohibition, and ways to lose credit emerge in an endless stream, some industry appears whole credit crisis. Limited regulations and laws and limited power that Government supervise make price cheater hard to be punished, or the punishment is so small that less than the credit losing bring to them. That’s why price cheating becomes reality. Making fake productions and sell them, making fake advertisement, business cheat, pyramid selling or its disguised form, tax evasion and fraud, smuggling and distribution of smuggled goods, and something like these kind of illegal activities, backing on ignore credit and low costs on losing credit. If the Government doesn’t punish enough, there have many corporations who take a profiteering attitude, when one wins great profits in the first gaming, at the same time he damaged the profits of consumer. As a result, government should increase the strength of supervise, increase the range of supervise, and ways to supervise, increase the strength of punishment; positively use people report system, form the

environment that all people fight against the deed of losing credit; meanwhile, use the power of news media, publicize credit everywhere, reveal corporations who lose credit immediately. In this way, corporations who lose credit will face difficult, and have to retreat from the market, making the market environment more pure. Thus, we should base on our own circumstance, refer advance experience abroad, build a comprehensive system centering on credit construction. Nowadays, price management office at all levels should utilize existing regulations, increase the punishment of losing credit, making people who have credit become more. Punishment strength should be increased on behaviors violating public moral, let people who lose credit really lose.

However, the punishment not only from the aspect of law enforcement but also from the aspect of legislation cannot make people who lose credit really lose everything such as money. To be more reasonable about the punishment on losing credit, government should do the work of making effect laws. We can refer activities out of our country, build database about credit documents, once a company has stain in this kind of documents, it will suffer a lot. Fair system of rewards and penalties should be formed, "Some will practice, compensation will be harmful, the guilty must be punished", doing this can reward those who have credit, punish those who lose credit. "Credit is a kind of civil, credit is a kind of culture, credit is a kind of spirit, and credit is a kind of power". Through corporate inner conscious and limitations from outside credit logos is gradually formed and become corporate core culture.

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