

# The Development of Overseas Corporate Culture of Chinese Bank in the Qing Dynasty: A Case Study of Heshengyuan

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## Abstract

The Heshengyuan (合盛元) Bank is a paradigmatic example of the Shanxi merchants (晋商) during the Qing Dynasty. Established in the early 19th century, the bank actively expands its domestic operations and takes the initiative to extend its services eastward. It establishes branches and subsidiaries in Korea and Japan, engaging in financial transactions. During its overseas expansion, the firm develops an innovative corporate culture that includes the following elements: a proactive approach to business expansion and the exploration of international financial territories; an astute awareness of customer demands, with a business strategy oriented towards market needs; and a policy of prioritizing the employment of young executives and the hiring of expatriate personnel. These culturally open and progressive corporate values facilitate Heshengyuan's significant commercial influence within the East Asian region and bequeath a legacy of corporate ethos that serves as a valuable reference for subsequent generations.

**Keywords:** Heshengyuan, overseas expansion, corporate culture

## 1. Introduction

Heshengyuan (合盛元) Bank, established in 1837 from a restructured tea shop, has a founding time nearly concurrent with the first Chinese bank—Rishengchang, which was founded in 1823. Both belong to the first batch of modern commercial houses engaged in financial remittance activities. The head office is located on West Street in Qixian (祁县), with the financiers being Yuanfeng Guo and Tingjiang Zhang from Qixian. Notably, Tingjiang Zhang is a descendant of Jie Zhang, one of the founders of the Taigu commercial house Dashengkui (大盛魁). The main managers of the bank are Shouchang Qu, Hongru He, Qinghao Qu, and others. The initial capital of the bank is 60,000 silver taels, divided into ten shares, with each share being 6,000 taels. By the mid-term, the capital amount reaches 500,000 taels, with a reserve fund of 6.5 million taels.

It was a representative of the Shanxi merchants (晋商) bank that actively developed international remittance and transnational banking businesses to the east Asia. By 1917, Heshengyuan Bank had established totaling 79 branches in various locations including: Beijing, Baoding, Tianjin, Lutai, Zhangjiakou, Xinghua, Huolu, Taiyuan, Qixian, Taigu, Jiaocheng, Wenshui, Datong, Guihua, Fengzhen, Baotou, Xinzhou, Zong'ai, Fenzhou, Pingyao, Jicheng, Hedong, Haizhou (解州), Jiangzhou, Shengjing, Yingkou, Jinzhou, Changtu, Donggou, Tieling, Andong, Fenghuang (凤凰), Jilin, Xi'an, Sanyuan, Lanzhou, Bianliang, Yuzhou, Lushan, Shigu, Daokou, Zhoujiakou, Luoyang, Xuzhou, Sheqi, Nanyang, Jinan, Zhoucun, Yantai, Hubei, Hankou, Hunan, Xiangtan, Nanjing, Suzhou, Shanghai, Zhenjiang, Anqing, Wuhu, Bozhou, Nanchang, Jiujiang, Chengdu, Chongqing, Yunnan, Guizhou, Hangzhou, Fuzhou, Guangzhou, Hong Kong, Guilin, Wuzhou, Heilongjiang, Chaoxianwangjing (朝鲜王京), Incheon, Kobe, Osaka, Tokyo (Shanxi Merchant Culture Research Association, 2014).

As one of the most influential financial institutions in China, Heshengyuan has simultaneously expanded into the banking industry and disseminated the corporate culture of Chinese banks. We can see the typical corporate culture from three points. Heshengyuan has taken the lead in expanding eastward out of China and has extended the Chinese bank's international financial frontiers. It also has a sensitively capturing approach to customer needs and conducts business with a market-oriented strategy. And then, Heshengyuan has valued young executives and has employed foreign staff to develop its business overseas.

Judging from the geographical distribution of these branches during the early twentieth century, Heshengyuan Bank had already woven a financial network that reached most parts of the country and expanded its business eastward to Korea and Japan. Current academic research on the Heshengyuan Bank primarily focuses on the following aspects: Chunhai Qu (2002) has collated historical facts regarding Heshengyuan's overseas market expansion. Xiangyi Kong (2008) adopts the perspective of overseas operators of the Bank to reconstruct the story of Shukai Shen's journey to Japan and Korea to establish the Bank. Zhengming Zhang (2017) emphasizes the historical context that enabled the smooth establishment of Heshengyuan Bank in Japan. Sato Junpei (2016) posits that the rise and fall of Heshengyuan's Japanese branch is closely related to the trends in Sino-Japanese trade and financial changes in East Asia. Yue Jin (2011) Sorting out and discussing issues such as the operational status of Heshengyuan bank in Japan. In general, academic research on Heshengyuan's overseas corporate culture is relatively scarce; this paper attempts to explore the open spirit of the Shanxi merchants demonstrated by Heshengyuan Bank during its business expansion to the east.

## 2. An Overview of Heshengyuan's Expansion into East Asia

The overseas expansion of Heshengyuan Bank gradually progressed eastward through its branch in Yingkou, initially extending to Korea. In 1896 (the 22nd year of the Guangxu era), after establishing a sub-branch in Andong (present-day Dandong, located at the confluence of the Yalu River and the Yellow Sea in the southeast of Liaoning Province, bordering Sinuiju in Korea), Heshengyuan Bank established an agency in Sinuiju, Korea, commencing international remittance services. In 1900 (the 26th year of the Guangxu era), the Sinuiju agency was renamed as Heshengyuan Sub-branch, and concurrently, a branch was added in Nan Kuishan. Heshengyuan Bank stands as one of the earliest financial institutions in modern China to step abroad and pioneer in the operation of international financial services.

In 1906, the manager of Heshengyuan's Yingkou branch, Shukai Shen, traveled to Japan to establish a subsidiary. The following year, Heshengyuan Bank established a branch in Kobe, Japan, under the name of Huashang Heshengyuan Bank Kobe Branch (华商合盛元银行神户支行), followed by the establishment of agencies in Tokyo, Osaka, and Incheon, Korea.

In the documents submitted by Heshengyuan's manager, Hongru He, to the Qing government, he mentions two reasons for Heshengyuan's brave action to establish overseas branches: First, foreign banks have been successively setting up branches within our country. Second, there were a significant number of Chinese industrial and commercial practitioners in the East and Southeast Asia regions, and establishing overseas branches was conducive to the operation of Chinese industrial and commercial enterprises. It should be noted that the frequent trade between China and Japan is an important background driving Heshengyuan Bank to extend its financial services to Japan.

Heshengyuan Bank undertakes a substantial amount of official remittance transactions on behalf of the Qing government to Japan, effectively serving the role of an "official bank". During a period in the early 20th century, it gradually became one of the most influential financial institutions of modern times, alongside the Ministry of Revenue's Bank and the Imperial Chinese Bank (Shanxi Merchant Culture Research Association, 2014, p. 3). Between 1907 and 1908, the annual remittance volume reaches 20 million yen, and based on the prevailing exchange rate of 0.5%, Heshengyuan's earnings from remittance transactions alone amount to 100,000 yen (Shumao Tian, 2001).

## 3. The Corporate Culture Formed by Heshengyuan during Its Overseas Development

As one of the most influential financial institutions in China, Heshengyuan's successful expansion to East Asia is inseparable from its pioneering spirit, its strategic layout oriented by market demand, and its unconventional talent recruitment system. In the process of overseas operations, Heshengyuan Bank continuously advances its overseas business by practicing the aforementioned three points.

### 3.1 Heshengyuan Has Taken the Lead in Expanding Eastward Out of China and Has Extended the Chinese Bank's International Financial Frontiers

Following the entry of the British bank, the Oriental Bank, into China in 1845, foreign banks such as Citibank and HSBC successively established branches in our country, monopolizing China's foreign trade and international currency settlement. Against the background of deepening Sino-Japanese trade relations, Heshengyuan Bank, which had a branch in Yingkou (the only trading port in Northeast China before the First Sino-Japanese War), realized that only by learning from foreign banks and expanding outward could it resist the encroachment of foreign banks on China's international financial business. In the report on the establishment of overseas branches, Heshengyuan's General Manager Hongru He stated:

“溯自中外互市以来，我国商业进而为世界之竞争，外人辇货东来载资西去者日益加盛，而各国之在我国设立银行者遂相踵起。由此以推，则银行与商业之联系良可烛见。然各国设立银行，则其利在彼，不特列邦之财政籍以扩张，即我国至利权浸为所夺。”（Historical Materials of Shanxi Bank” Editorial Group, 2002).

The material emphasizes that with the development of mutual trade, foreign goods increasingly appear in the Chinese market. At the same time, foreign banks establish branches in China, taking a share of the profits from China’s commercial development. This is considered an encroachment on China’s commercial sovereignty. There have another material, also highlighted the urgency of establishing banks overseas at that time. The “Dagongbao “ (大公报) of 1907 documented stated:

启者，进来环球大通，商务争盛，而国家特设专部鼓励讲求，惟我商人亦须及时起发，以图扩充。乃观各国银行来吾邦开设者甚多，其晋之汇业一途亦与银行所司无异，然独不能出洋半步，良可概也。（本号）有鉴于此，特选派妥人，提出重款，先至东洋各处创办支庄。（Dagongbao, 22nd, March, 1907).

The material reiterates that Shanxi merchants must strive to go global in the process of regional competition. They demonstrate the business acumen of Chinese merchants and realize the overseas value of Chinese merchants.

On February 13, 1907, a report titled “A Banking Branch of the Qing” (清国人的银行分号) in the Kobe Yushin Daily (神户又新日报) stated, “With the development of Sino-Japanese trade, Heshengyuan Bank, based in Andong County, applied to establish a branch at 2-chome Kaigang Street, becoming a financial institution for remittance and students studying abroad. The Qing merchant Shen Shukao was appointed as the manager of the branch, and this time it was approved. This bank is the first Qing-owned bank in this prefecture.” Although the information about Heshengyuan’s head office being in Andong County is incorrect, the rest of the report’s content is credible. Heshengyuan Bank was indeed the first Qing Dynasty bank at that time (Sato Junpei, 2016).

In the face of formidable foreign competitors, Heshengyuan Bank confronts competition head-on, pioneering discussions on the necessity and feasibility of establishing overseas branches. By expanding its business scope to overseas territories, Heshengyuan demonstrates a daring and enterprising spirit, boldly experimenting.

### *3.2 Heshengyuan Has a Sensitively Capturing Approach to Customer Needs and Conducts Business with a Market-Oriented Strategy*

Around 1906, there were already tens of thousands of Chinese students in Japan, not to mention the large number of government-dispatched personnel for inspection visits and industrial and commercial practitioners. With the increase in the number of Chinese students studying in Japan, there were also many Chinese industrial and commercial practitioners in the East and Southeast Asia regions. Establishing overseas branches was beneficial for serving the overseas Chinese community and assisting Chinese nationals in conducting industrial and commercial activities in East Asia. Before 1907, the remittance business of these individuals had to rely on foreign banks. Faced with the vast Japanese financial remittance market and the increasing cross-border remittance demands of Chinese expatriates, Heshengyuan keenly spotted this business opportunity and explored the possibility of setting up a branch in Japan.

After 1907, the Heshengyuan Bank became the main client base for Chinese students studying in Japan and handled the main business between China and Japan. What’s more, the bank deeply engaged in Sino-Japanese trade remittances and strove to expand its share in the Japanese commercial market. Shukao Shen, the manager of Heshengyuan’s Japanese branch, mentioned: Remittances in Japan were mostly with Tianjin and Shanghai, as China purchased items such as matches, seaweed, and sundries from Japan, while Japan bought soybean oil, bean cake, and soybeans from the three eastern provinces of China. During 1907 to 1908, the bank exceeded 20 million yuan per year. The remittance rate was determined by the order of entry, with an ordinary remittance rate requiring about 40 yen for a bill, and a remittance rate of 50 taels for every 10,000 taels (Shanxi Provincial Political Consultative Conference Editorial Committee, 2007, p. 322.) Based on this inference, the annual income of the Japanese branch was over 100,000 silver taels. Compared with the profits of other domestic banks of the same period, the profits of Heshengyuan were quite considerable.

The news announcement of Heshengyuan published in the “Shengjing Times” (盛京时报) of 1907 (the 33rd year of Guangxu) also clarified the orientation of serving the needs of Chinese travelers in Japan. In the announcement titled “Notice of the Establishment of Branches in Japan by Shanxi Heshengyuan Bank,” (山西合盛元票号分设日本支店告白) it stated:

“启者，缘我国仕官游历留学东瀛者，既多且众，而往来川费，兼诸需款项，时有不便之虞，本号有鉴于此，故而分设于彼，当以银行事业、报告日政府，已蒙允许认可，准本号在东京、神户、横滨、大阪以

及韩国仁川等处、开设合盛银行支点，专办汇兑兼存放款项，如蒙光顾，本号我国各省各口岸俱有分号，其会水一切格外克己，以广招徕，到东时，诸凡接待无不周到，以联我海内胞之谊，此蔽号赴东分设情形，恐未周知用，特登报声明，此启。”(Shō Matsuura, 1995).

The key points expressed in the material mainly revolve around Chinese individuals who come to Japan to study and work, promising to provide assistance to Chinese compatriots overseas. To make more people aware that Heshengyuan Bank has established a branch in Japan, they placed an announcement in the newspaper.

Based on customer needs, Heshengyuan has a rudimentary form of “user thinking”. It means running a business requires a user-centric mindset, considering issues from the customer’s perspective. Only after understanding the customer’s thoughts are products produced and improved, with the aim of precisely meeting customer needs and providing quality solutions to their pain points. After assessing the needs of Chinese expatriates in Japan and in Sino-Japanese trade, Heshengyuan decisively expands Eastward to open overseas branches and actively participates in financial activities between China and Japan. This reflects the corporate culture of Heshengyuan’s managers, who are forward-thinking, market-oriented, and customer-focused.

### *3.3 Heshengyuan Has Valued Young Executives and Has Employed Foreign Staff to Develop Its Business Overseas*

Shukai Shen was an important manager during the eastward expansion of the bank’s business. He was from Shen Village in Qixian, Shanxi. Born into a poor family, he could not afford private tutoring. At the age of 15, he entered Heshengyuan Bank as an apprentice in commerce and soon gained the appreciation of the firm’s leadership. At the young age of 18, he was entrusted with a critical mission and became the manager of the Yingkou branch, a typical example of exceptional promotion. During his time at the Yingkou branch, Shukai Shen reformed the operations, hired Japanese employees for external business, and widely solicited foreign business, especially that related to Japan. This turned the Yingkou branch from a perilous situation to a secure one and enabled it to compete with Japanese and Russian merchants. Under Shukai Shen’s leadership, Heshengyuan quickly became profitable in the Northeast Asia region and also became the first Chinese national financial institution to hire foreign employees (Shanxi Merchant Culture Research Association, 2014).

In an article analyzing the reasons for the decline of banks in 1914, “The Shenbao” (申报) also mentioned Heshengyuan’s emphasis on employees:

合盛元号，前此以人材称盛，东洋分肆，一时有谓为识时者，然据老于市。”(Shenbao, 10th, May, 1914).

Although the material analyzes the reasons for the decline of a large number of ticket firms at the beginning of the 20th century, it is still possible to see from this description that Heshengyuan placed great emphasis on the talents of its employees. The article stated that Heshengyuan was always known for having a large number of employees, especially after its development overseas.

Heshengyuan Bank boldly appoints young managers and hires foreign employees, breaking the traditional personnel employment patterns of Shanxi merchants’ banks. Faced with the operational crisis of the Yingkou branch, in order to rapidly improve the firm’s business, the young Shukai Shen was exceptionally appointed as the branch manager. Actively integrating into the local social network and quickly understanding the overseas market on the basis of hiring foreign employees, they not only stabilize the Northeast market but also lay a relatively solid foundation for the expansion of overseas business.

## **4. The Contemporary Value of Heshengyuan’s Corporate Culture**

Heshengyuan Bank is a highly representative example among the Shanxi merchants that expanded eastward. Its global perspective is a constant throughout the firm’s operations, and it continues to expand based on a worldview that embraces looking outward and being open and enterprising. Although some scholars believe that Heshengyuan’s expansion into Japan did not achieve the initial expected market share in trade, and its overseas operations only lasted over four years, which was a short period, those four years saw Heshengyuan striving to survive in the complex financial competitive environment in Japan, which already demonstrates its advanced corporate culture and spirit.

Heshengyuan Bank’s eastward expansion caters to the remittance needs of students and merchants in Japan. This simple “user thinking” and “market-oriented” philosophy inspire modern enterprises to switch their mindset from an “expert model” to a “user model” in every aspect of their operations. Production and operations are based on a deep understanding of what users expect, what the market needs, and what problems the products mainly solve. Guided by “user thinking” and “market changes,” the development of enterprises adapts to China’s current new economic normal and aligns with the significant measures of the country’s supply-side structural reform.

The main contradiction in China's economic development has transformed into a structural issue, primarily on the supply side, with the main manifestation being that the supply structure cannot adapt to the changes in demand structure. Therefore, enterprises must improve the quality of supply, using reform measures to advance structural adjustments, correct distortions in factor allocation, expand effective supply, enhance the adaptability and flexibility of the supply structure to demand changes, and improve total factor productivity. This better meets the needs of the broad masses of the people and promotes the sustained and healthy development of the economy and society. The ultimate goal of supply-side structural reforms is to satisfy demand. Based on this, it is clear that the direction of enterprise development should focus on valuing users and the market, improving the quality of supply, and enhancing the adaptability of the supply structure to the demand structure. Only in this way can enterprises break through their "comfort zones" and expand their business scope. The simple "user thinking" and "market-oriented" philosophy of Heshengyuan Bank remains relevant even a century later. The simple "user-centric thinking" and "market-oriented" principles of Heshengyuan are still relevant today. Modern enterprises should continuously inherit and enrich these concepts to adapt to the new economic conditions and integrate their development into the country's supply-side structural reforms.

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