Chapter 12

The Introduction of the ‘Assets’ Concept and its Effect on Business Records Management in China

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State Archives Administration of China (China)

The State Archives Administration of China (SAAC), established in 1954, is in charge of archival work and records administration for the whole nation. The SAAC's work includes overall planning of archival work, drafting regulations on archival and records management, coordinating and overseeing the transferring of the records of government agencies to the archives, introducing unified systems and standards to be adopted, and supervising and guiding the records management of central government agencies and provincial archives administrations. There are several departments within the SAAC. The Supervision Department on Economic, Scientific and Technological Records is responsible for nation-wide supervision and direction of business records management in the fields of industry, enterprise, commerce, R & D, etc. Since the establishment of the socialist market economy system in China 20 years ago and the advent of information technology, the Department has focused on guiding business records management towards a goal of adapting to the market-oriented and IT-based approach, which emphasizes management effectiveness and efficiency; and overseeing electronic records management. The SAAC has recently adopted a professional standard, the Requirements of Business Records Management, which is the first to require overall consideration within an enterprise in regards to the management of its records.

Image 1 – Exterior of the Central Archives of China

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1 Transformation of the Economic System and the Effects on Records Management

Since 1992, with China beginning to move from a planned economy to a market economy and a technical revolution, especially evident in the advent of IT, the archival and records management community in China began to rethink their professional development. This resulted in rapid change and the introduction of many new ideas.

For example, a private economy developed very quickly as more than 90% of enterprises in the country were privatized. Their output now accounts for more than half of the national GDP. Effectiveness and efficiency oriented reforms meant that, with the number of publicly-owned enterprises shrinking, the number of records managers decreased as well. On the other hand, foreign-funded and joint venture corporations brought about new approaches for Chinese business records management. Thus the principles, methods, and even scope of records management had to be adjusted to adapt to a rapidly-changing situation.

What follows is an overview of the evolution of: the basic cognition of the function and use of records, compliance requirements, and information technology over the past 50 years. The goal of this article is to demonstrate the changes in core concepts and the effects these changes have had on business records management in China.

1.1 Evolution of Basic Records Cognition

In the 1960s China began to regard records as necessary for research and production in the socialist construction due to their unique ability to document the course of research, development, and construction. The focus was placed on scientific and technical records management.

In the 1980s, in addition to the previous awareness of records, an awareness of records as resources of information developed in both library and archival sciences after Deng Xiaoping wrote about "tapping information resources and serving the course of modernization" in the Economic Reference Daily.

After 2000, when international consensus about the role of records as an asset was adapted into the ISO 15489 International Standard on Records Management, China began to regard information as an "essential productive factor" and an "intangible intellectual asset," as stated in the "Suggestions on Tapping and Utilizing Information Resources" issued by the government in 2004. Archival and records management communities in China began applying the concept of "essential productive factors" and "intangible intellectual assets" to records, especially business records. Now it is widely believed that tangible business property must be documented, evidenced, and protected with records, while most intangible business property, i.e. intellectual property rights, are also believed to reside in and be represented by the records.

For example, during a business meeting, the director of a provincial branch of a famous bank is said to have said that records should be taken as seriously as cash and thus the construction of records repositories be as scrutinized as that of the coffers of a bank.

1.2 Compliance requirements

A second major event that affected business records management is the Enron & Anderson bankruptcy of 2001 and the resulting compliance requirements. These requirements were due to the court's discovery that electronic documents had been willfully destroyed and resulted in the Sarbanes-Oxley Act (SOX) of 2002, which governs public companies in the United States. The requirements were made into amendments to the U.S. Code TITLE 18: Crimes and Criminal Procedure, PART I, CHAPTER 73, Section 1519 – Destruction, alteration, or falsification of records in Federal investigations and bankruptcy: "Whoever knowingly alters, destroys, mutilates, conceals, covers up, falsifies, or makes a false entry in any record… shall be fined under this title, imprisoned not more than 20 years, or both." Section 1520 – Destruction of corporate audit records: "The Securities and Exchange Commission shall promulgate… such rules and regulations, as are reasonably necessary, relating to the retention of relevant records… (including electronic records) which are created, sent, or received in connection with an audit or review."

Similar legislation to regulate listed companies was considered in China and in 2008 the Chinese Ministry of Finance, China Securities Regulatory Commission, National Audit Office, China Banking Regulatory Commission, and China Insurance Regulatory Commission jointly announced the Basic Rules for Internal Enterprise Control, also referred to as the "Chinese-SOX" or C-SOX. The Rules first required about 2000 companies listed on the Shanghai Stock Exchange, as well as other state-controlled entities, to embrace risk

management, including records management. From 2009 onwards all listed Chinese companies were required to comply and make substantial changes to the way they controlled electronic information and managed records. For example, Article 32 of C-SOX requires enterprises to establish management systems, as well as records of property and goods, to safeguard business assets. Article 47 requires enterprises to document procedures of internal control and keep related records or materials to assist inspections by concerned agencies.

1.3 Information technology

A third event is the introduction and spread of information technology through all sectors of society and the widespread understanding of this technology. The management of electronic records has altered the way we carry out the obligation of documenting our actions for the future. The challenge of doing so is fundamental for the archival community, especially for business records management due to the role of enterprises as both the creators of IT products and pioneers in the competition of market demand.

Demand in the market economy, regulation compliance, and information technology are clear drivers for change within the evolution of ideas and concepts related to records management. The first two emphasize a variety of business records that document production, operation management, and sales, while the third emphasizes management change and new records – electronic records management.

This development led Chinese archivists and records managers to begin to explore and reevaluate records and their management based on compliance and the evolution of concepts. In addition they began:

- using the concept of records and archives as intellectual assets and resources or information to reconsider afresh the value of records, archives and the effective management of both;
- increasing the value of records by applying information technology;
- renewing workflow to emphasize management effectiveness and efficiency with new IT approaches;
- recognizing records management as an important base for corporate compliance;
- collecting business assets, property rights, contracts and agreements, certificates, and other records that, 20 years ago during the planned economy period, were not regarded as records but were seen instead as business materials and therefore kept by their creators.

In 1994, the SAAC adopted “Guidelines for the Evaluation of the Benefits of Tapping Information Resources from Scientific and Technical Records.” The Guidelines encourages business archives to realize the profits that can be gained through the use of scientific and technical records, particularly in regards to information gathering. This can further reduce losses through the timely provision of records evidence and references with precise timing.

Change and the renewal of ideas are what lead an endeavor, a fact that is constantly being proved since how far you can go is decided by how broad your field of vision and how deep your insight may be. For example, Kodak was listed 18th in the Top 500 Companies in 1989 but fell to 411 in 2004, 483 in 2005, and dropped off the list entirely in 2006 due to their neglect of the strength and potency of science and technology and their reliance on the legend of a large and famous company. Having paid for their obstinance on the capacity of the fledgling digital chip 20 years ago, Kodak has been transformed from a “film company” to a “camera company.”

The professional lesson to be learnt is absolutely clear: we must pursue and accept the new while maintaining archival and records management fundamentals in order to develop new approaches in electronic environments. As Dr. Larry E. Greiner, professor at the University of Southern California, said, however, “Management practices that work well in one phase may bring on a crisis in another.” In other words, a solution for one situation may often cause a different problem in new circumstances. This is similar to a Chinese proverb where stubborn individuals “nick their boat seeking a lost sword in the river.”

2 Exploration Based on New Concepts and Technology

Although changes to concepts arise through collaboration within the archival and records management community, the key issue is real action and the acknowledgement by others, especially those in leadership and higher managerial roles.

The responsibility and role of the SAAC is to help enterprises understand the function of records through management that is both effective and compliant with regulations. In December 2009, the SAAC published the Requirements of Business Records Management, standard DA/T 42 (see Appendix 1). The goal in doing so was to adapt to a changing situation, utilize experiences gained through our work on business records management, and also to replace older obsolete requirements. Compliance with the Standard is not mandatory but it does provide a good example for all enterprises wanting to optimize and consolidate their business management.

2.1 Standard DA/T 42 – Requirements of Business Records Management

The design of the Standard was based on 50 years of experience in business records management in China. Some systematic management principles (customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, factual approach to decision-making, and mutually beneficial supplier relationships) were borrowed from the ISO 9001 Quality Management Standard and the modern concept of records as assets came from the ISO 15489 Records Management Standard, which also outlines 13 benefits of good records management.

The Standard was the first example in China of a standard using systematic management and the concept of records as a business asset as the basic premise, in-line with modern management principles and the needs of business development. The Standard also included the following situational observations based on a rethinking of records management:

- Archival resources: "Assets" concept – to develop and deepen the understanding of records as a valuable resource of knowledge and business information.
- Institutional organization: Leadership first. The effect and results of any systematic work is decided by the leaders' awareness and focus. Records management is systematic work that deals with almost all aspects of an enterprise.
- Staff accountability: Responsibility is held by all employees. Any systematic work needs the contribution of all staff to be able to succeed.
- Process approach: Focus on the creation of records. The product of records management is service, but quality input is a premise so the front end of records and data creation is key.
- Strategy direction: "Informationization" (new IT based approach) – comprehensive national strategy to direct electronic records management in an IT environment.
- Systematic method: Applies to all aspects of records management. Different from technical standards such as filing, classification and arrangement of records management the systematic method is the basic and fundamental guide for understanding and implementing the Standard.

These observations reflect the combination of the experience of Chinese records management in recent years with modern management ideas. They are also embedded in the chapters of the Standard. Compared to previous SAAC standards that usually dealt in detail with only one part of records management, the most outstanding aspect of the new standard is the systems, which not only focus on records management itself, but also on business leadership and the institution of records management.

The Standard’s main considerations and significances are the shifts:

- from a focus on records management itself to one on servicing the business;
- from an emphasis on individual standards and records management techniques to one on overall business structure and environment;
- from a focus on preservation to one on servicing corporate needs, such as assisting the evidence and information needs of businesses, added value, operation, production, maintenance, and management;
- from only dealing with paper records to including those based on information technology.

The Standard’s timeliness can be shown with two examples. One is that the Standard complies with government rules. In April of 2010, five government departments issued guidances implementing the rules: the Applying Guidance, the Assessing Guidance, and the Auditing Guidance for Enterprises Internal Controls. The guidances clearly require corporations to set up records management according to the Standard. For example, the Applying Guidance is divided into 18 chapters: organizational structure, development strategy, human resources, social accountability, corporate culture, capital investment, assets management, purchasing management, sales management, research and development, construction projects, credit business, business outsourcing, financial reporting, overall budgets, contract management, internal communication, and information systems. Some of these chapters clearly demand enterprises produce relevant records.

Article 27 of the Assessing Guidance requires enterprises to establish records management systems for internal control, assessing works to preserve relevant documentation, working drafts, and evidence.

Article 34 of the Auditing Guidance requires certified public accountants to compile working drafts and fully document auditing procedures.

The second example of the Standard’s timeliness is that it contributes to CSR. Although the draft of the ISO 26000 Guidance on Social Responsibility (2009-09-14 version) did not mention records requirements, its seven principles (accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights) all demonstrate the need for good records management to support, demonstrate, and prove that a company has observed the principles in governance and performance. Thus we can see that systematic records management also assists enterprises exercise CSR.

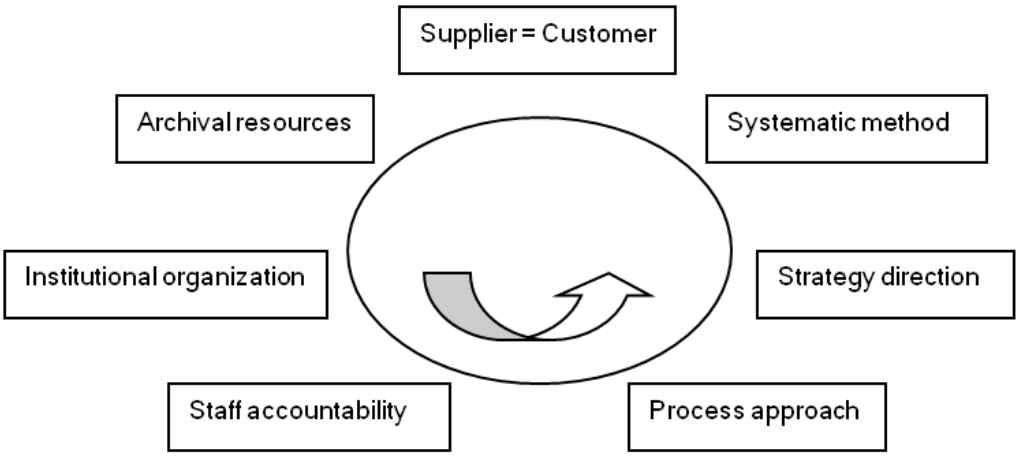
2.2 Promotion of the Standard

An important step in the implementation of the Standard is to promote and publicize it among enterprises where top leaders, managers, and staff are aware of and understand the significance of records management in consolidating the company's basic management and in sustaining development.

On the one hand, it is imperative to convince business leadership and managerial staff of the value of records by precipitating a change in core concepts and by presenting examples of benefits as well as other persuasive facts. We need to let them know that good records management benefits leadership, staff, and the business as whole and not just individual records managers.

- Business records are not only an account of what companies have done, but are also business assets, provide evidence of performance and accountability, and form a basic support for business compliance and sustainable development.
- With the advent of IT, the archival and records management community needs to meet the challenge of electronic records to survive in the new electronic environment.
- A quality management approach means leadership and overall awareness of and responsibility for document accumulation and archiving.
- Compliance and internal control means that enterprises must abide by the law and keep records showing their operation accountability.
- Establishment of a market economy requires effective and efficient compilation of records as a source of information and business assets.
- The Standard includes requirements not only for records management, but also for leadership and staff, who are the ones who send documents to the records office.

On the other hand, however, the roles of business leadership and managerial staff in records management need to be clarified. By comparing the concepts and principles of ISO 9001 and DA/T 42 we can see that while the former is linear, that is the supplier and customer never meet nor are they related, the latter is circular (see diagram below), and the supplier and customer of records management are in fact the same body. If you and your department or project do not archive the documents you should, then you and your successors will not enjoy information services effective in satisfying your needs. That is to say, the information or evidence you want to gain from the records is also, or even, is firstly the responsibility you have to fulfill by filing and transferring to the business records office documents you created and received. So, when implementing the Standard, we need all



The idea and principles of DA/T 42**:** the supplier is also the customer of records management and shares the same fundamental interests

leadership and staff to understand the benefits of strict adherence to the Standard and also to know that it is their responsibility to do so.

Last year the SAAC held two meetings on disseminating and implementing the Standard, one for provincial records administrations and the other for central state-owned enterprise groups. The former are responsible for guiding local enterprises to carry out the Standard while the latter are responsible for the same to affiliated enterprises scattered around the country. The Standard’s implementation will be the major task for all enterprises in China over the next five years.

3 Examples of Business Records Management

Based on new ideas, information technology and new situations, records managers in many enterprises in China have endeavored to meet varied challenges and developed strategies in such activities and areas as service, archival informationization, integration of documents and records management, evaluation of records management, models for modern enterprise systems, PDM, ERP database archiving, and others.

The consensus on the managerial value of records in many enterprises is that, with good management, records contribute to business information, knowledge and assets, and can offer the enterprise value and profit.

3.1 Comprehensive Archival and Records Service

The Chongqing Iron and Steel Group (CISG is an enterprise that has 120 plus years of history. Their archival and records management have been subject to the vicissitudes of time but through the efforts and achievements of records management initiatives appreciated by all

sectors of the CISG over the past few years, they realized that service is the never-ending theme for archival and records management. But how is the value of their records service to be felt and shared by all staff of the company? The archives of CISG discussed the issue and concluded that:

- Records are not a dead past but have been accumulated as business assets and resources of information that can be tapped for the benefit of the company.
- Effective records management also creates economic and social benefits both in terms of money and effects.
- A transformation is needed from traditional passive acceptance of documents and provision of access to a new entrepreneurial and active participation in the market and creation of market needs.
- Creative records management usually creates internal customers that support the business and, in turn, create external customers and markets.

In practice, CISG is proactive in records creation and believes that records management should be improved and perfected according to the method of production. In addition, they hold that the belief "making archives is like a factory providing information service products" should guide the renovation of the working process.

CISG set up such platforms as a historical research center, a family records club, photographers' networks, a mobile records service vehicle, an industrial relics office, and a digital archives service to respond to the need for or interest in records management and products.

Under the guidance of the new idea of "records service as a product," CISG elaborated upon the service procedure with the goal of "discovering needs, accepting requests, producing, and improving." This procedure has been applied to all of CISG's activities to satisfy information needs with records service products. In some cases the records service products have even been branded or gained influence by being published in series. (See Appendix 2 for a list of archival products)

Now the archives has transformed from preserving, safeguarding, and keeping value to utilizing, sharing, and adding value under the guidelines of "improving the grade of service, creating service features, and presenting a service brand.")

3.2 Records Based Knowledge Management

Creative management also creates value for and delivers value to different staff in similar situations. Records managers who advocate for innovation will not be satisfied by

simply providing the records they have received and collected. They must try to not only gather but also digest records to promote appreciation for the business because, being regarded as assets, records must garner profits. With advanced IT capacity and convenience, some business records managers have begun to explore new ways to utilize records by tapping and extracting data from archival resource assets.

COSCO Bulk Carrier Co., LTD. is an example of a company that makes use of records for profits and the benefit of the company. The company provides shipping services and has more than 50 years of business records. With the help of IT they digitized all their records and have developed software to analyze the data and make diagrams and dynamic charts based on historical deals and contracts in the records.

They ship a wide range of items including iron and steel, coal and charcoal, cement, fodder, chemical fertilizers, minerals, grains and oil, textiles, equipment, etc. Each of those categories includes a wide variety of items as well, for example within grains are corn, beans, rice, and wheat. Business records include information about trade such as the delivery of different cargo, shipping lines, regions, countries, dates, and seasons. Once the records have been digitized and all kinds of data gathered from the records by Optical Character Recognition (OCR) software, the application can display business history on demand, showing cargo categories, shipping lines, historical data and prices, as well as calculated trends. The application was widely applauded by all staff who interact with clients about freight rates on a daily basis. The reference chart for historical deals is very convenient for sales managers who handle regular international shipping as it assists them to negotiate and bargain freight rates.

Besides records service, they surpass the professional records limitation and actively collect shipping-related information and data or materials from outside to set up a database for business reference. Records managers also ask staff for specific archival information, i.e. a certain topic, trend, data collection, date or season, statistic, report, or contract in the records, which is called “creating records needs.”

Outreach consolidates the records based knowledge platform with abundant messages, data, and information, which was previously managed by a different section. For COSCO now the first step in any business deal is to consult the records based knowledge platform to make the best bargain in an effective and efficient way, which results in an increase in profit and added value for the company just by taking advantage of potential, intangible, and intellectual assets, that is records, databases, and other information.

3.3 In-depth Exploration of Data Archiving

A lot of structured and non-structured data is produced in the course of business activities. In theory it should be treated as records but often this is not the case because of inadequacies in terms of the IT skills of business archives management. Thus structured data is generally treated as databases while non-structured data is treated as electronic records when they are being set aside. Whether data and databases, such as ERP (Enterprise Resource Planning), PDM (Product Data Management), SCM (Supply Chain Management), and CRM (Customer Relationship Management), should be considered to be records or not has been a subject of discussion between IT managers and records mangers for a long time.

Although a lot of Chinese enterprises developed or purchased and adopted records management applications, few of the applications deal with database archiving. There is, however, an institute that has attempted an in-depth exploration of data, specifically structured data, as a management approach since it introduced a PDM application.

In adapting PDM application processes for local use, the institute set up a task force and established five groups: System Integration, Workflow Optimization, Data and Documentation, Standards Planning, and CAPP (Computer Aided Process Planning). The Data and Documentation group is responsible for electronic documents, digitization of records, data and document security control planning, and document server maintenance and backup.

As the core of the Data and Documentation group, the business archives' responsibilities are:

- Discussing implementation: deciding on the role of the records manager in the PDM system;
- Discussing the rights held by all members to assess data and documents in the system;
- Drawing up regulations and standards for the duties of all members;
- Collecting, processing, and sorting data;
- Taking part in the integration and disposition of CAD with PDM to support the upload of data;
- Taking part in the implementation of training for the operation of the PDM system.

Changing times mean that what you learnt when you came in is almost always not what you teach others when you leave. In other words, those retiring in a decade or so will not have to teach newcomers to the profession about their achievements or pass along their knowledge of paper-based records management as the next generation will be faced with a new approach and methods to manage electronic records.

In 2011 the archival and records management community held “management and service innovation activities” throughout the country to collect and share noteworthy examples of archival and records management, including those from enterprises. The goal in doing so was to encourage the profession forward into a new era by demonstrating the exciting innovation and creation in business records management.

Finally, some enlightened thinking from Peter F. Drucker, who is widely credited with creating management as a formal discipline by publishing *The Practice of Management* in 1954.

We should remember and give thanks to Drucker for his saying that “The man who focuses on contribution and who takes responsibility for results, no matter how junior, is in the most literal sense of the phrase, ‘top management.’” That means that records managers, although they are not within the main sector of the enterprise, should consider themselves top management and, provided they do their best and think ahead, they should have confidence and self esteem.

Encouragement also comes from the three stonecutters’ metaphor presented by Peter Drucker to depict the three types of workers:

1. “I am earning a living”
2. “I am being the best stonecutter I can be”
3. “I am creating a cathedral”

The stonecutters have different objectives in mind although they are doing the same job. Drucker said only the third is a true manager who thinks about all while doing a part in detail. Using this model we can imagine three records managers:

1. “I am reluctant to be a document collector”
2. “I am skilled and understand technically every part of my work”
3. “I am administrating information, knowledge, and historical treasures that are essential to the running of the business”

So in a managerial sense, true records management obviously means that one must think beyond the current situation to be a real and qualified manager.

Appendix 1: The Requirement of Business Records Management (briefing of DA/T 42-2009)

1 Scope: large and medium sized business in industry, other trades for reference

2 17 normative standards (professional, national, and international) plus 5 regulations from governmental agencies.

3 Terms and definitions

- 3.1 Business records
- 3.2 Business records management
- 3.3 Electronic records
- 3.4 Informationization

4 General provisions

- 4.1 Properties and function of records: records are assets and a source of business knowledge and information making records management the basic management of a corporation
- 4.2 Management system: unified leadership, administration, regulations, and standards of records management based on links to the business' assets
- 4.3 Duties and objectives: provide records management and services to meet the company's operational needs for evidence, information, and responsibility
- 4.4 Management responsibility: compliance with laws, keeping records with integrity, accuracy, systematic approach, and safety

5 Establishment of an institution (managing business records)

- 5.1 Systems: leadership (embodying the Quality Management System principle two); administrative setup; personnel allocation; managerial networks
- 5.2 Corporate obligations: compliance at company level (leadership, regulation of records creation and filing, necessary measurements, rewards, and punishment)
- 5.3 Department and branch duties: department head, document creator, records manager (QMS principles one and eight)
- 5.4 Records management section: plans, direction, management, preservation (business archives)
- 5.5 Requirements for records managers: morality, educational background, professional knowledge, continuous training

6 Construction of rules and regulations (for business records management)

- 6.1 Corporate rules and regulations: deal with everyone (QMS principle three)
- 6.2 Administration and management: scope of document filing, time, responsibility, destruction, statistics, security, facility, application and use, etc. (QMS principle five)
- 6.3 Professional and technical requirements: operational level requirements for records managers such as classification, arrangement, appraisal, preservation etc.

7 Records Management (details of requirements and instructions on administration of business records, such as: records management and business activities, document accumulation, classification, filing, arrangement, records accession, preservation, appraisal, disposition, access, statistics etc.) (QMS principle four)

8 Informationization (requirements for electronic records management on principles, archival capturing, digitization, retention and preservation, network services, and applications) (QMS principle six)

9 Facilities and resources (repository facilities, processes, technology, preservation, and display of equipment and IT appliances

Appendix: reference example of a scope and retention schedule for general business records

Appendix 2: CISG Archives Archival Product List (Partial):

CISG annuals
CISG records management journal
Chronicles of leadership events
Blue working papers
CISG leadership business activity albums
Commemorative album on business activities
Public relations gifts
Specific case studies
Decision making references
Urgent information
Special data collection on steel plates
Streamlined retrieval service
Stories and anecdotes about the enterprise
Specialty documentaries
Recording service for key projects and events
Directions for records arrangement
Experienced integration of working teams and groups
Models and examples
Compilations of excellent investigative and survey reports
Compilations of working documents
Project logbooks
Corporate governance maxims
Special CISG records
Selection of rules and regulations
ROI (return of investment) analysis
CISG Centenary
History of CISG
CISG celebrities
Today's events in history
CISG statistics materials
Selection of effective results utilizing the records
Safety production manual
Copies of records certificates
Transcriptions of the Chinese classics: *The Romance of the Three Kingdoms* and *A Dream in Red Mansions* (The Story of the Stone) done cooperatively by one hundred people
Models of family records files
Etc..