

# Techno-regulation in China: International Business Management in the Era of Social Credit

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# China's Social Credit System

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Improve “Honesty” and  
“Trustworthiness”



Implementation:  
2014-2020



“Unified Social  
Credit Identifier”  
(18-digit number)



Fight against corruption:  
difficulties with enforcing  
laws and regulations



Implementation at  
national and local  
levels



Recording of  
“negative” and  
“positive” behaviour

# China's Social Credit System

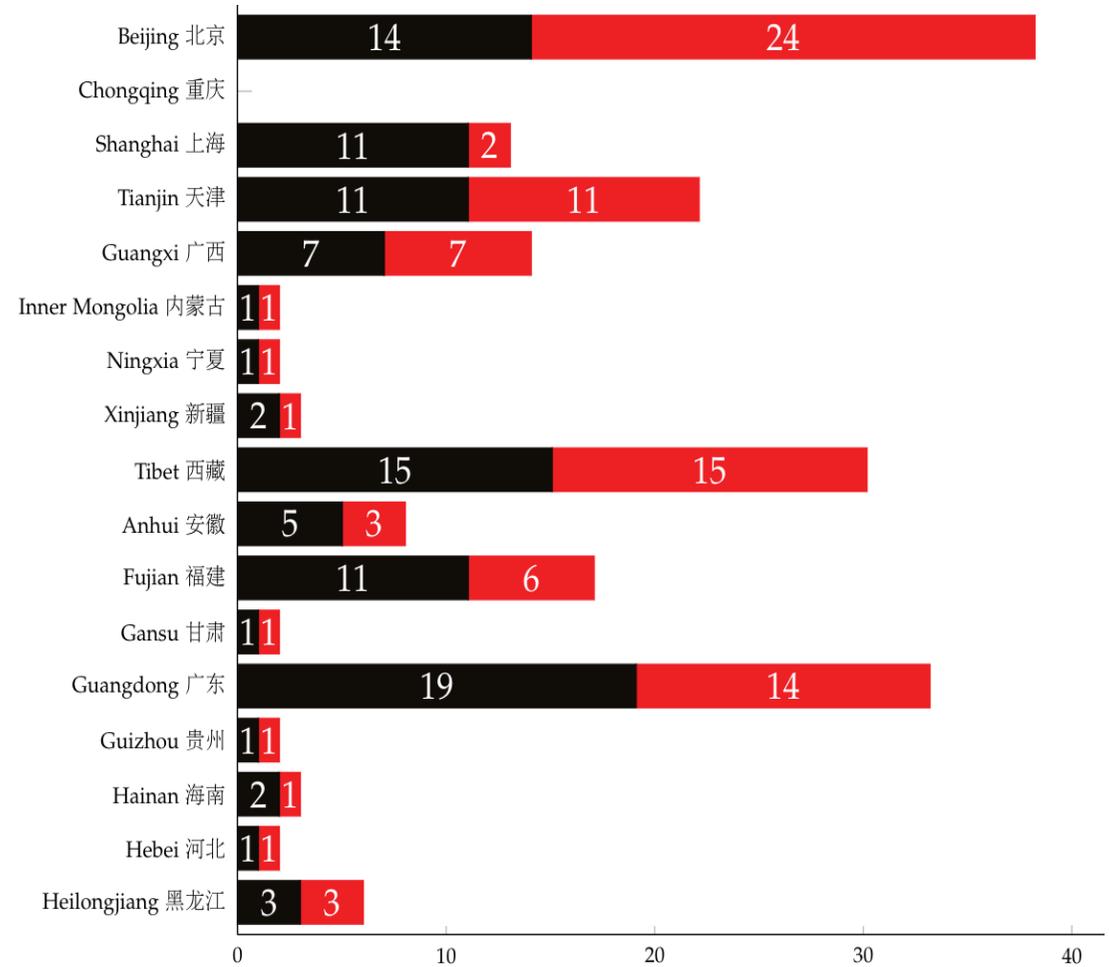
- ✓ A complex system of systems
- ✓ Lists (red/black/administrative penalties) – MoUs at provincial and national level
- ✓ System in flux
- ✓ Flexible and adaptable
- ✓ Courts and regulatory bodies play a central role
- ✓ Technology? Big Data, Blockchain, AI



Source: Serrano et al. (2022)

# China's Governmental SCS

Redlists, blacklists and administrative penalties

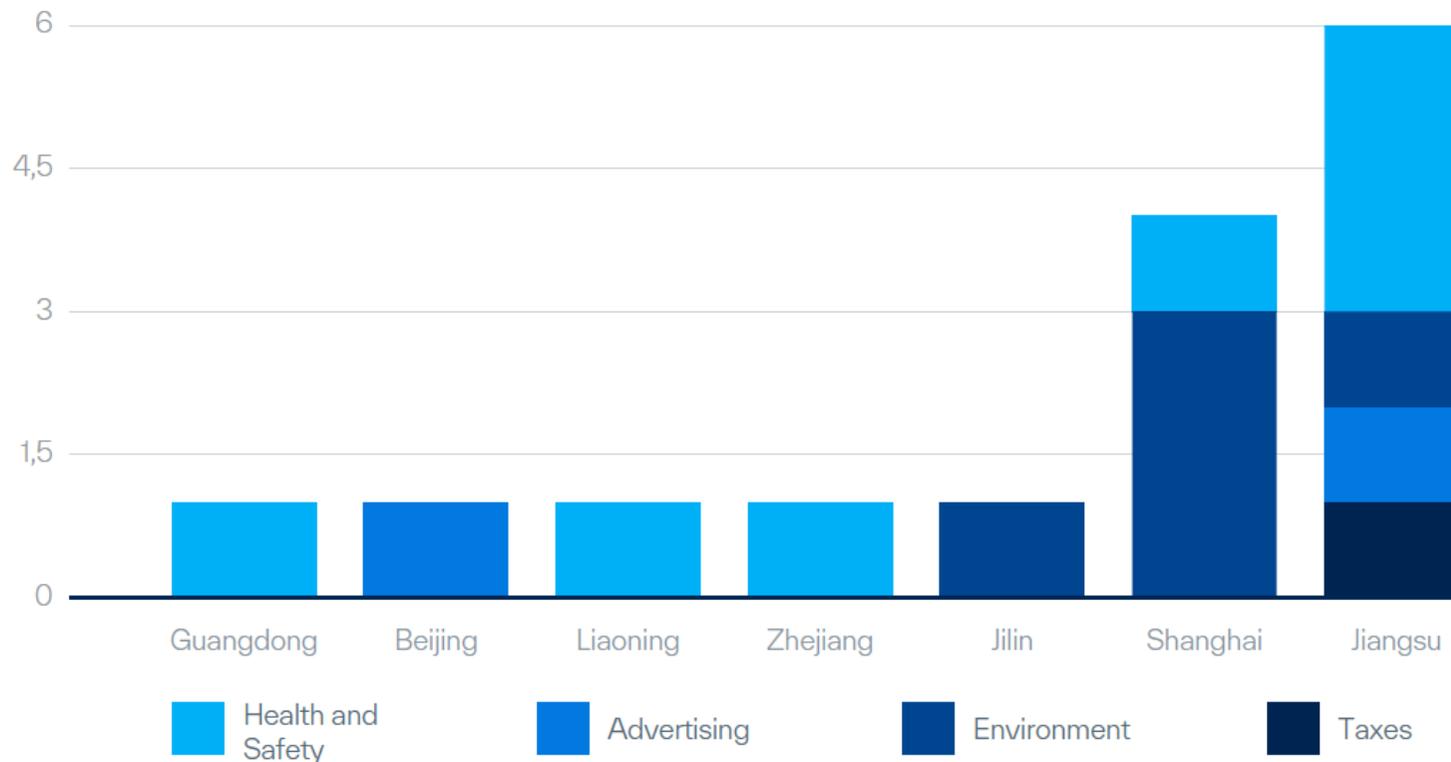


Source: Engelmann et. al (2020)

# Techno-Regulation in China: How are Bavarian Enterprises faring in the SCS?

- Analysis of Bavarian enterprises with subsidiaries in China (Orbis database) with the aim to derive policy recommendations for Bavarian (public and private) business support agencies
- Analysis of 170 firms via the Credit China database
- 10 in depth semi-structured interviews with high-level representatives
- Most companies rated positively in the categories „Class A Tax Payer“ and „Customs“ (136 out of 170), but also some negative entries

# Type and number of firms' penalties by province



Source: Serrano et al. (2022)

# Additional insights from interviews with Bavarian enterprises: anecdotal evidence for a change in business practices

**In addition to results published in Serrano et al. (2022)** (e.g. solid understanding of the working mechanisms of the SCS amongst larger firms and very little understanding amongst smaller firms; SCS is viewed as double-edged sword: increased transparency and equality in the treatment of local and international firms, there is also a fear of potential misuse of the system by the authorities; best strategy is to comply with regulations to avoid negative listings; limited knowledge on how to deal with negative records and need for additional support in the context of the SCS), **companies are (considering) to adapt business practices in the areas of HR and supply chain management and the selection of business partners generally. Some preliminary evidence of the SCS facilitating interplay between formal and informal institutions supported and accelerated by technology.**

# Three potential pathways to explain (planned) changes in business practices

- Market power (obligation to comply)
- Increased efficiency through the reduction of transaction costs
- Competition

# Next steps

- Gather feedback on the potential explanations of anecdotal evidence collected on (planned) changes in business practices (e.g. through WINIR 2022 participants)
- Formulate concisely three potential explanations / hypotheses to explain (planned/potential) changes in business practices as a result of the increasing significance of the SCS for businesses
- Test these on the basis of a larger empirical study and prepare for publication in relevant journal

Many thanks for your attention and we  
look forward to the discussion.

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